

ST. MARY'S UNIVERSITY
FACULTY OF BUSSINESS
DEPARTMENT OF ACCOUNTING
AN ASSESMENT OF VALUE ADDED TAX ADMINISTRATION
(A CASE STUDY ON HOLETA TOWN)

BY
ABERA DEBEBE
ERMIAS TADESSE
GETAMESAY BEDILU

MAY, 2014
SMU
ADDIS ABEBA
ETHIOPIA

**AN ASSESSMENT OF VALUE ADDED TAX ADMINISTRATION
(A CASE STUDY ON HOLETA TOWN)**

BY;

ABERA DEBEBE

ERMIAS TADESSE

GETAMESAY BEDILU

**ASENIOR ESSAY SUBMITTED TO THE DEPARTMENT OF
ACCOUNTING**

BUSSINESS FACULTY

ST. MARY'S UNIVERSIT

**IN PARTIAL FULFILMENT OF THE REQUIRMENT FOR THE
DEGREE OF BACHER OF ART IN ACCOUNTING.**

MAY, 2014

SMU

ADDIS ABEBA.

ST. MARY'S UNIVERSITY
AN ASSESSMENT OF VALUE ADDED ADMINISTRATION
(A CASE STUDY ON HOLETA)

BY;

ABERA DEBEBE

ERMIAS TADESSE

GETAMESAY BEDILU

APPROVED BY THE COMMITTEE OF EXAMINERS.

DEPARTMENT

SIGNATURE

ADVISER

SIGNATURE

EXAMINER

SIGNATURE

EXAMINER

SIGNATURE

Acknowledgement

First and for most, our thanks goes too almightily God and saint virgin Merry, without whom we could never have been way we are today. Next we would like to express deepest gratitude to our advisor Mekonnen Aboneh for his valuable and conserve in preparing this research Paper. Finally we would like to thanks all contributes that provided their support on one or the other way to accomplish this research paper.

ABSTRACT

This study assessed the VAT Administration in Holeta town. The main objective of the research is to assess and identify problems related to VAT Administration in Holeta town revenue office.

To fulfill this objective were used primary source of data than secondary data. A primary data were collected through questionnaires and unstructured interview.

The major problems related to VAT administration are found to be the implementation of VAT, awareness of tax payers to VAT, and others exist during collecting VAT.

To over-come a problem identified a constructive recommendations would be made in order to improve or alleviate those problems.

TABLE OF CONTENTS

CONTENT	PAGE
Acknowledgment.....	I
Abstract	II
Table of content	III
CHAPTER ONE	
1. Introduction.....	1
1.1 Background of the Study.....	1
1.2 Background of area	2
1.3 Statement of Problem	2
1.4 Objective of the study	3
1.4.1 General Objective	3
1.4.2 Specific Objective	3
1.5 Significance of the study	3
1.6 Scope of the study	4
1.7 Limitation of the study	4
1.8 Research design and methodology.....	5
1.8.1 Research Design.....	5
1.8.2 Site of the study	5
1.8.3 Data type and source	5
1.8.4 Method of data collection	5
1.8.5 Method of analysis and interpretation	5
CHAPTER TWO	
2. Literature review	6
2.1 History of VAT	6
2.1.1 VAT in Ethiopia	6

2.2. VAT Refund	7
2.3 Meaning of value added tax	8
2.4 Nature of VAT	9
2.5 Registration for VAT	10
2.5.1 who has to be registered for VAT.....	10
2.5.1.1 Obligatory registration	10
2.5.1.2 Voluntary registration.....	11
2.5.1.2.1 Benefit of Voluntary registration.....	11
2.6 Registration Procedure	11
2.7 Time of application	12
2.8 Time of Registration	13
2.9 Cancellation of Registration	13-14
2.10 VAT administration.....	15
2.11 Advantage and disadvantage of VAT	15
2.11.1 Advantage of VAT	15-16
2.11.2 Disadvantage of VAT	17-18
CHAPTER THREE	
3.1 Data Analysis and interpretation.....	19-32
CHAPTER FOUR	
4.0 Summary, conclusion and recommendation.....	33
4.1. Summary	34
4.2 Conclusion	35
4.3. Recommendation.....	36
5. References.....	I
6. Questionnaire.....	II

CHAPTER ONE

1. INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Tax administration is important activity in tax collection because it is the source of revenue for government. Tax administration is good way as it is recent issue in our country. Value added tax (VAT) is started in our country in 2002 by proclamation 285/2002. Taxation can be redistributing society wealth by imposing heavies' tax burden on one group in order to found service for another. It can also stabilize countries economy unpopular tax returns have caused public protests riots and even revolution. All government requires payment at money taxes from people. The government uses the tax revenue to build dams, to operative schools and hospitals to provide food and medical care for the poor and hundreds of other purposes. Value added tax is a tax levied on consumption goods. It is a modified sale tax based on the net value added at each stage rather than gross receipts it is principle means of indirect taxation. It was organized in France since 1954. Encyclopedia, Britannia Jacob esparto (pp 416- 417) should implement VAT system .Value added tax is based on the net value added at each stage rather than on gross recipients. Net output tax minus in put tax output tax is a tax collected when one firms sell its products where as input tax is tax paid when firm buys good from registered one can collect VAT without registration for VAT. Generally VAT administration practice in Holeta town is one activity from tax administration.

1.2. Background of area of organization.

Holeta town of revenue authority office is found in east Shoa Zone Oromia Region and 35 km to west of Addis Ababa. It has a latitude and longitude of 8° 45° N 38° 59° E with an elevation of 1920 meters. It is a commercial town, known for historical events. The organization has started for the objective of performing activities of collection of revenue from different sources such as tax from traders, from salary employees currently tax organization have many department such as auditing, Accounting, financing information department, planning and budgeting etc.

1.3 STATEMENT OF PROBLEM

Recently the Federal government of Ethiopia adapted VAT system at national level. All VAT eligible will not registered due to different reasons, failure to main records file timely, and failure to notify change in business address and business live (Yohanis and Sisay, 2009) . Problem at implementation arise from a tax payer's and tax administration and lack of awareness of business enterprise to know about VAT advantages and application of it due to these not ready our self of to register this is the major problem in the country not only in the Holeta town (Johannes and Sisay ,2009) . I will assess the VAT administration in case of Holeta town the main researches are:-

- What is the problem in the implementation of VAT in Holeta town?
- Are the tax payers having awareness about VAT?
- What problem is occurred in collecting VAT?
- What is benefit of VAT register?

1.4 OBJECTIVE OF THE STUDY

1.4.1 General objective

The general objective of the study is to identify vat administration and problem of vat payers in holeta town.

1.4.2 Specific objective

The specific objectives of the study are:-

- To explain the reason behind the lack of awareness of VAT payers.
- To identify the major problems related of VAT collection
- To assess VAT implementation problems in Holeta Town
- To identify benefit of VAT registered.

1.5. SIGNIFICANCE OF THE STUDY

The need to conduct this study is to explore the problem of VAT administration that was known and individual living condition with in the country. For the researcher it is an opportunity of relating academic knowledge with that of what is practiced with real world. For the administrator give a way it would raise the employees awareness towards VAT and show them the role they have to play. It paves way for other researcher and contribute some to those tax want to make further research and necessary for the identification of the obstacle at the collection of VAT.

1.6 SCOPE OF THE STUDY

The study focused on value added tax administration at Holeta town. This study was restricted on Holeta town VAT registered business those who have annual sales turnover of birr 500,000 and above. The aim of the study was generally, to assess the main problem relating to VAT administration and VAT payers in Holeta town.

1.7 limitation of the study

In this research study the researcher faced some problems, some of these problems are:-

1. There was less cooperation and unwillingness to fill questionnaires. A top level manager of a revenue office is not there for continues of a twenty days.
2. There was Lack of awareness of some employees
3. There was lack of money related farness of research site.

1.8 RESEARCH DESIGN AND METHODOLOGY

1.8.1 RESEARCH DESIGN

The researchers or study was on the VAT administration in case of Holeta town and the study gave full details to show the research activities have been carried out.

1.8.2 SITE OF THE STUDY

The study was focused on Value Added Tax administration at Holeta town which located 35 km from Addis Ababa.

1.8.3 DATA TYPE AND SOURCE

This study was conducted using only primary source of data than secondary source of data to get information. The main reason for this one, is because we prefer primary data, it always gives better information than secondary source of data. Primary source of data was employees and top level manager of the revenue office.

1.8.4 METHOD OF DATA COLLECTION

For collecting the data, suitable techniques were used depending up on the nature of data. The primary data was collected by using closed and open- ended questionnaire to be distributed to twenty employees. The above numbers are selected from the total thirty populations. Because, employees those who work in revenue office are limited in numbers. So, twenty employees are targeted sample by a system of purposive sampling and unstructured interview for a tax administer of top level manager a revenue office.

1.8.5 METHOD OF ANALYSIS AND INTERPRETATION

Having the goal of this study, in mind the raw data was processed by tabulating that identifying and classifying each answer of the employees is statistic by the researchers. The data was analyzed and interpreted the finding by descriptive statistics method with table and percentage.

CHAPTER TWO

LITERATURE REVIEW

2.1 HISTORY OF VAT

Emergence and rapid spread of VAT is among the most important tax development of the later 20th c VAT invented in 1954 by a French economist Maurice Laurie who was joint director of the French tax authority. The theory is that the end consumer carries the burden of VAT, not the business, which is merely collecting the VAT on behalf of tax authority. According to international monetary fund report 2004, more than 4 billion, 70% of the world population now live in countries with VAT, raise about 18 trillion in tax revenue, roughly one quarter of all government revenue over 136 (72%) of them have made VAT part of their tax system, and from 53 member of countries of African union 33(60%) of them are introduced VAT (Gebrie, 2008, pp. 186-187).

2.1.1 VAT IN ETHIOPIA

VAT is a new tax system introduced in Ethiopia this tax system is not new to other countries. The modern concept of VAT was truly introduced in France in 1954. The concept of VAT was propounded first by American experts by 1920's. But at that time Americans failed to implement it. In Ethiopia, VAT was introduced since January 1/2003 designed to replace the cut dated sales tax which was served for more than four decades, which was collected at manufacturing level. VAT is taken as dispensable components of tax reforms in developing countries such as Ethiopia by considering it a miracle tax to replace direct and indirect taxes entirely. Since 1993 the Ethiopia government has made major economic shift from central planning to market oriented economic system (Yohanes and Sisay, 2009, pp. 186-187).

2.2. VAT Refund

VAT registered person shall get refund if at least 25% of the value of a registered person in a single transaction of substantially all of the asset of a taxable activity provide a notice in writing signed by the transferee is finished with 21 days after the supply taken place is taxed at a zero rate the authority shall refund the amount of VAT applied as a credit in excess of the amount of VAT charged for the accounting period within a period of two months after the registered person files an application for refund accompanied by documentary proof of payment of the excess amounts. In the case of other registered persons the amount of VAT charged for the accounting period is to be carried forward to the next five accounting periods and credited against payment for these periods and any unused excess remaining after the end of this five month period shall be refunded by the authority with a period of two months after the registered person files an application for refund accompanied by documentary proof of payment of the excess amounts. Where the tax authority is satisfied for refund application in over paid tax the tax authority shall.

- First apply the amount of the excess in reduction of any tax levy interest or penalty payable by the person under the customs proclamation, the income tax proclamation and excise tax proclamation.

- The repay any amount remaining to the person amount to be refunded is more than 50. When registered person is entitled to refund and the tax authority is satisfied but does not pay the refund within specified date the authority shall pay the person the refund plus interest set at 25% over and above the highest commercial lending interest rate that prevailed during the preceding quarter (Gebrie, 2008, p. 119).

2.3 MEANING OF VALUE ADDED TAX (VAT)

Different authors who wrote about the tax have defined value added tax (VAT), According to encyclopedia Britannica VAT is "A sales tax designed like other sales taxes to tax private consumption by individual of the goods or services subjected to tax" this definition failed to list out other features that distinguishes VAT from other kinds of taxes. One can understand from this definition VAT is a variety of sales tax and the tax is imposed on consumer. Black law dictionary on its parts provides that "VAT is a tax assessed at each step in the production of a commodity production on cost and its selling price "(Yohanes and Sisay, 2009 pp.66). The VAT belongs to the family of sales tax a VAT way be defined as "a tax to be paid by the manufactures or traders of good and service on the basis of value added by them" . It is not a tax on the value of the commodity being sold but on the value added to it by the manufacture or trader. They are not liable to pay the tax on the entire value of the commodity. But have to the tax only on the net value added by them in the production or distribution (Dr. R. parameswaran, 2005, p. 105). It is broad tax based because it is charge in different stage at production and distribution chain rather than on - time imposition. It also affects sectors, that is, import manufactures whole seller and retailer sector. VAT is family at sale tax sales tax is a tax imposed on a sale of goods or services and computed as a percentages of the total tax collected at multiple stage. VAT is a self assessed tax since the VAT liability is calculated paid by the tax payers (proc, No 285/2002).

2.4 NATURE OF VAT

VAT is characterized by the following features

- VAT is “general tax or comprehensive” that applies in principle to all commercial activities in valuing the production and distribution of good and provision of services.
- VAT is “consumption tax” because it is levied in sales of good and the provision of service rather than income, capitals or saving.
- VAT is “broad based tax” since the government collects such tax from all sectors that is importer, manufacturing whole sale, and retailer sector.
- VAT is “percentage of price” which means, the actual tax burdens is visible at each stage in the production and distribution chain.
- VAT is collected “fractionally” because each time the item is changes hand in the process of production and distribution the VAT is assessed on the incremental value.
- VAT is “neutral” because regress of how many transactions are involved VAT liability the amount of tax they have paid to other person on purchases for their business activities.
- VAT is indirect tax because VAT is paid total authority by the seller of the goods, who is the taxable person but it is actually paid by the buyers to the seller as part of the price. The federal democratic republic of Ethiopia (FDRE) has adopted VAT in to be a tax system in 2003. It has been introduced on January 1/2003, replacing the former sale tax system. The VAT proclamation no 285(2002) has been ratified by the house of people representatives six months before VAT implementation. VAT is

introduced in Ethiopia by proclamation (285/2002 replacing sale tax, with the following objective.

- To collect tax on the added value whenever the sale transaction is conducted since the former sale tax system did not allow collection is conducted.
- To minimize the damage that may be caused by attempts to avoid and evade the tax and ascertain the profit obtained by tax payers.
- To enhance economic growth and improve the rational relationship between the gross domestic production and gross revenues.
- To enhance saving and investment as it is a consumption tax and doesn't a tax capital.

2.5 REGISTERED FOR VAT

2.5.1 Who has to be registered for VAT?

In Ethiopia, registration for VAT is categorized in to two:-

- I. obligatory registration
- II. Voluntary registration

2.5.1.1 OBLIGATORY REGISTRATION

Any person conducting a commercial enterprise or instancing to conduct commercial enterprises or intending to conduct a commercial enterprise may apply to be registered for VAT. However if the taxable turnover of the enterprise, which is gross income for 12 calendar monthly exceeds or is likely to exceeds birr 500,000, the person conducting the enterprise must be register for VAT with FIRA (The Federal Inland Revenue). If the turnover is below birr 500,000 of business activity one may apply for voluntary registration (Gebrie, 2008, pp.201-2002).

2.5.1.2 VOLUNTARY REGISTRATION

A person, who carried on taxable activity and is not required to be register for VAT, may voluntarily apply to the authority for such registration. If he/she regularly is supplying or rendering at least 75% of his good and services to registered persons (Gebrie , 2008, pp. 202-203).

2.5.2 BENEFIT OF VOLUNTARY REGISTRATION

Input VAT can be recovered if a person is registered. It will therefore be beneficial to voluntarily register where the person makes mainly zero rated supplies. The term any person for purposes of VAT registration includes: - Sale Proprietor, company, incorporated body or unincorporated body, club or association.

A commercial enterprise: - this refers to any business of whatever nature and includes such as

- Ordinary business, example, shop, contractors, manufacture wholesaler etc.
- Trades and profession, example builders, engineers, accountants, lawyers etc.
- Activities of non- profit making bodies example societies, association (Gebrie, 2008, pp.202-203).

2.6. Registration procedure

Application for compulsory as well as voluntary registration must be made on application form calle“application for VAT registration” on application for sale and the authority is required to register the person in the VAT register and issue a certificate of registration within 30 days of the registration containing details of.

- The full name and other relevant details of the registered person
- The date of issuance of the certificate

- The data from which the registration takes effect and
 - The registered person's tax payer identification number
- If registration is disallowed FTRA will have to notify the applicator and the reasons for the refusal. The tax authority may deny the application for voluntary registration if the person:
- Has no fixed place of residence or business
 - Does not keep proper accounting records
 - Has no bank account
 - Has previously been registered for VAT purposes but failed to perform his duties under the VAT law (Gebrie, 2008, p.203).

2.7. Time of application

A person who carries on taxable activity and is not registered is required to file an application for VAT registration it shall fill an application for registration on later than the last day of the month after the end of the period if:

1. At the end of any period of 12 calendar months the person made during that period, taxable transactions with a total value exceeding 500,000.00 birr or the last day of the month of the period if taxable transactions with a total value exceeding 500,000.00 birr.
2. At the beginning of any period of 12 calendar months when there is reasonable ground to expect that the total value of taxable Transactions to be made by the person during that period will exceed 500.000 birr (Gebrie, 2008, p. 203).

2.8. Time of registration

Registration takes place on one of the following dates depending up on which date comes first.

- In case of obligatory registration on the first day of the accounting period following the month in which the obligation to apply for registration arose.
- In case of voluntary registration on the first day of the accounting period following the month in which the person applied for registration or
- On the date selected by the registered person on his application for a registration person who conducts taxable activity in a branch or division shall be registered only in the name of the registered person to register one or more of its branches or divisions as separate registered person.
- The tax authority allows when it's satisfied on such case that divisions or branches maintains and independent accounting system and can be identified by the nature of its activities or location (Gebrie, 2008, p. 204).

2.9. Cancellation of registration

VAT registered person can apply for cancellation of registration

- If tax payer ceased to make taxable transactions.
- At any time after a period of 3 years of the date of his most recent registration for VAT if the registration persons total taxable transactions in the period of 12 months then beginning reasonable are expected to be not more than 500,000.00 birr. The cancellation of VAT registration takes effect;

- At the time the registration person ceased to make taxable transactions for example, if one closes down or sell his business. However, if one has more than one business and is not closing down or selling them all he may not be able to cancel it will depend on the level of taxable turn of remaining businesses.
- If the registered person has not ceased to do so at the end of the accounting period during which the person applies to the authority for cancellation of VAT registration.

When registered of VAT is cancelled, the authority is required to remove the person's name and all other details from the VAT register and the person is required to return back the issued certificate of registration. VAT registered person cannot charge VAT or issue tax invoices for any supplies made and cannot claim a refund of VAT incurred on any goods or services purchased from the date of the registration is cancelled (Gebrie, 2008, p. 209)

TYPES OF VAT

The VAT can be determined in different forms. It may vary depend up on the form of tax base. The forms may differ on the items to be included in the tax base. The common type of VAT is given below:-

A. Consumption VAT: in the type of VAT the firm is allowed to deduct from gross value of its product not only the non- capital input purchased from other firm but also the capital equipment purchased.

B. Production VAT: in the production type VAT the value of the input purchased by the firm from other firms is not deducted in full only the value of non capital purchases is deducted.

C. Income type: - according to this form the firm is allowed to deduct the depreciation the capital goods (during the years) a part of the full value of its non capita purchase. Here, firms cannot deduct the entire value of its capital goods purchased during the year but they can deduct the

respective amount of depreciation attributable to that year (Dr. R. parameswaran, 2005 p.106).

2.10 VAT ADMINISTRATION

The VAT replaced the current sales tax on manufactured and imported goods and service on January 1/2003. The responsibility for the correct calculation and timely payments of VAT rests on the Tax payers himself. The VAT is a broad based tax on the consumption of goods and service. It is collected at all the stages in the production and distribution process beginning with the importers and producers of raw materials and ending with retailers cascading of the tax (i.e.)tax on tax is avoided by providing for a credit for the tax paid at the preceding level unlike the sales tax system , where by relief is granted only to raw materials used directly in the production of goods under a VAT relief is granted for tax paid on capital goods, distribution and administration inputs . Sales of exported goods are not subject to the VAT. Removing the tax content (on input) from exported goods makes the goods more competitive in international markets. VAT is a tax on consumer expenditure. It is collected on business transaction and imports. Most business transaction involve supplies of goods or service and VAT is payable if they are supplies made in Ethiopia, made by a taxable person, made in the course of furtherance of a business are not specifically exempted of zero – rated (Gebrie, 2008, pp. 190-191) .

2.11. Advantage and disadvantage of VAT

2.11.1. Advantage of VAT

The following are some of the advantages of VAT:

a.It avoids cascading effect of tax (tax on tax)VAT works on the principle of that when the raw material passes through various manufacturing stages and manufactured products through various distribution stages, tax should be levied on the incremental value at each stage and not on the gross sale price. This insures that some commodity does not get taxed

again and again, and this there is no cascading effect. Putting the concept in simple terms, in VAT system, each input is taxed only once (Misrak, 2008, p. 310).

B. It is major comprehensive and equitable tax system Even though the ultimate burden of VAT full on the final customer, VAT is collected by the government from all sectors that are from import manufacturing, whole sale and retail sectors. Therefore, it is a more compressive and equitable taxes system. On the contrary, sales tax is normally levied at one stage of whole marketing (Misrak, 2008, p. 310).

C. It reduces the possibility of the tax erosion In the case of VAT the taxes are divided into several parts depending on the number of stage of production and sales. In each stage every transaction is made using VAT invoice approved by tax authority. In addition each VAT registered person (supplier) has to maintain appropriate records on their sale and purchase transaction. Those obligations make tax evasion difficult (Misrak, 2008, p. 310).

d. It has less tax burden Under VAT system, the tax is collected in small fragments at different stage of production and sale. Hence, the VAT payers feel the burden of the less (Misrak, 2008, p. 310).

e. It is neutral Regardless of the number of stage of production and distribution, VAT is collected in each stage, therefore; VAT is expected to be perfectly neutral in the location of resources in the form of production and commercialization (Misrak, 2008, p. 310).

F. It improves productivity In VAT system, a firm has to pay tax even though it can go into loss. The firm cannot claim any exception for loss because it pays taxes on the value produced and not on profits. So, firms will always try to improve their performance and reduce the cost of production. As a result, the overall productivity of the country will be improved (Misrak, 2008, p. 310).

g. It promotes capital investment and saving VAT is a consumption tax since one pays VAT on its expenditure and has the option to sure so as not to be taxed. Furthermore, relief from tax on capital goods may encourage investment. Potential investors also consider tax legislation as one of the factors in making investment decision (Misrak, 2008, p. 311).

h. It enhances exports of goods and services in most countries that implement VAT are liable to VAT. At zero rates this may make exports internationally competitive and thus encourage exports (Misrak 2008, p. 311)

2.11.2. Disadvantage of VAT

The following are some of the main disadvantages of VAT It is regressive in nature A straight forward single rate VAT with few exemptions would tax lower income groups (the poor) more heavily than the higher income groups (the rich). It is thus incongruent with the basic. Principles of taxation which states that reason should be taxed according to his ability to par. This makes VAT regressive tax system. In order to compensate for its regressive effect a number of countries have expected basic goods particularly food items from VAT (Misrak, 2008, p.311).

a. It requires advanced economic structure the proper implementation of VAT system required organization and advanced financial and economic structure as it complicated system. VAT system also requires proper record keeping of invoice at each stage of production and sale by both the seller and buyer. Hence, it becomes, difficult to implement the system in all types of economy (Misrak, 2008, p. 312).

b. It put additional burden to tax authority In VAT system, the manufactures whole sellers and retailers have to fulfill various legal formalities in the form of manufactures various records, accounts,

books, etc. the verification of those formalities put additional burden to the enforcing authorities (Misrak, 2008, p. 312).

c. It is uneconomical VAT system involves high of administration, assessment, verification collection, etc. hence; it is highly uneconomical (Misrak, 2008, p. 312). It has reams loopholes for tax evasion Although VAT system requires proper record keeping of invoices at each stage of production and distribution by both the buyer and seller; it has ream loopholes for tax evasion. This may include the following:

Tax payers could over report sales of zero rated goods.

- Tax payers could use invoices they received for personal purchase to claim tax credits.
- It enables buyers and sellers to strike secret deals with regards the issuance of receipts.
- It could lead to the formulation of forged ponies' recipients to claim tax credit on input VAT, etc (Misrak, 2008, p. 312).

CHAPTER THREE

3. Presentation, analysis and Interpretation of Data

This section focuses on interpretation and analysis of data collected from primary sources of data. The primary data were collected through the use of questionnaires for 20 respondents that work in Holeta town revenue bureau, and interview for top level management of tax administrators. The questionnaires are distributed based on sampling technique. The collected data has been edited and compiled and the results are presented using both qualitative and quantitative data analysis method. First the data are collected through questionnaires and interview and then analyzed by using tables. Therefore, these analyses are interpreted based on 20 respondents of the survey as follows

Table 4.1 Gender distribution respondents

No	Description	No of respondents	Percentage /%/
	Sex		
	Male	14	70
	Female	6	30
	Total	20	100

Source, survey Result, 2014

As indicated in the above table, 14(70%) of the respondents are males and the remaining 6(30%) are females. From this, the greater numbers of our respondents in the organization are males as compare with females.

Table 4.2 the Age of respondents

No	Description	No of respondents	Percentage /%/
1	Age of respondents		
	18-24	8	40
	25-30	6	30
	30-35	3	15
	Greater than 35	3	15
	Total	20	100

Source, survey Result

As we try to see from the above table 8(40%) of the respondents age found between 18-24, 6(30%) of respondents are between 25-30, 3(15%) of them are found between 30-35, and the remaining 3(15%) are greater than 35 age. Most of our respondents are between 18-30 age groups. So, our respondents are well matured and they can give reasonable answer for our questionnaires.

Table 4.3 Educational level of resp Source, survey

No	Description	No of respondents	Percentage /%/
1	What is your educational level?		
	Elementary and juniors complete	-	-
	Certificate	3	15
	High school complete	2	10
	1 st degree	13	65
	Above degree	2	10
	Total	20	100

Results, 201

Table 4.3 shows the educational levels of the revenue bureau employees. As shown above 3(15%) of the respondents are certificate, 2(10%) of the respondents are high school complete, 13(65%) of them are degree holders and the remaining 2(10%) are high school complete. This shows that, the focus division has degree and certificate holder's employees. Based on this data, Holeta town of revenue office workers are well educated and also employees under this office should be hold certificate, diploma, degree and above education status.

Table 4.4 year of service in the bureaus and year of experience of employees

N o	Description	No of respo ndent s	Percentage /%%/
1	How many year of experience you have?		
	A. Less than a year	4	20
	A. a year	3	15
	C. above 2 year	8	40
	D. 1-2 year	5	25
	Total	20	100
2.	How long have been with town revenue bureau?		
	A. a year	8	40
	B. 2-4 year	9	45
	C. 4 year	1	5
	D. above four year	2	10
	Total	20	100

Source, survey result 2014

As indicated in the above table the employees years of service on their profession and their year of service in the bureau, 4(20%) of employees has less than one year, 3(15%) of employees has a year, 8(40%) of employees have above two year and the remaining 5(25%) of the employees have one up to two year of The experience. The above results shows that the bureau has experienced workers and the number of years of experience are above two years. As their

experience increases, their performance to give services is also increases. This may have a positive impact on the bureau. When come to the second question, 8(40%) of the employees give service in the bureau for one years, 9(45%) of them for a 2-4 years, 1(5%) for 4year, and the remaining 2(10%) are above four year service in the bureau. These show a period of most employee stay with town revenue bureau is 2-4 year. From the above fact, to enhance modern assessment of vat administration, well experienced and well trained human powers are important.

Table.4.5 Shows a response of how you evaluate implementation of VAT Administration.

No	Description	No-of respondents	Percentage /%/
1.	How do you evaluate implementation of VAT in your administration?		
	A. very good	2	10%
	B. good	11	55%
	C. fair	7	35%
	D. bad	0	-
	E. worst	0	-
	Total	20	100%

Source, survey Result, 2014

From the above table, 2 (10%) of the respondents said the implementation of VAT in our administration is very good, 11(55%) of them said good and the remaining 7(35%) of them are

said fair. Most of the responder responses the implementation of VAT practice in the administration are good.

Table 4.6 a problem related to VAT application that have experienced by employees

No	Description	No of respondents	Percentage /%/
1	What are the major problems you have experienced to VAT application?		
	A. unwillingness of tax payers	6	30
	B. Fraud of tax collectors	25	23
	C. lack of awareness about VAT	8	40
	D. others	1	5
	Total	20	100

Source, survey result 2014

The above table indicates that 6(30%) of the respondents that response the major problem related to VAT application are unwillingness of tax payers, 5(25%) are fraud of tax collectors, 8(40%) of them said lack of awareness about VAT, and the remaining 1(5%) are all of the above advised for these question. These show that the major problem of VAT application practice is the lack of awareness of tax payers. As well as readiness to pay tax on time and others related problems.

Table 4.7 Feeling of VAT Registered Evaluated by Employees

N	Description	No of	Percenta
o		respo	ge
		ndent	/%
		s	/
1	How do you evaluate a feeling of VAT registered while they registered for VAT?		
	A. VAT is an obligation	8	40
	B. VAT is debt	3	15
	C. VAT is useful	6	30
	D. VAT is bad	3	15
	E. others	-	-
	Total	20	100

Source, survey Result, 204

As shown above 8(40%) of the employees responded for the question raised VAT is an obligation, 3(15%) of them are VAT is debt, 6(30%) of them said VAT is useful, and the remaining 3(15%) are responses VAT is bad. Therefore most of the feeling of VAT registered towards VAT is an obligation and useful respectively.

Table 4.8 a response towards collection and assessment of VAT

No	Description	No of respondents	Percentage /%/
1.	Who is more responsible for VAT collection and assessment?		
	A. Tax payers	2	10
	B. customers	1	5
	C. any government body	2	10
	D. tax office	13	65
	Total	2	10
		20	100

Source, survey Result, 2014

Table 4.8 above shows the respondents of question number 9 as to indicate, a more responsible for VAT collection and assessment as follows. 2(10) are tax payers, 1(5%) are customers, 2 (10%) are any government body, 13(65%) are tax office, and the remaining 2(10%) have said revenue authority. As it summarized most of a responsible for collection and assessment of VAT are tax office. So, the Holeta town revenue office should properly perform their duties behalf of people to promote the habit of Vat payers by participating vat payers.

Table 4.9 Shows a problem exist while collecting VAT?

No	Description	No of respondents	Percentage/%
1	What are problem you have faced while collecting VAT?		
	A. Most of tax payers not pay a required amount on time	6	30
	B. All of tax payers not pay a required amount on time	2	10
	C. Less of tax payers not pay a required amount on time	9	45
	D. Least of tax payers not pay a required amount time	3	15
	Total	20	100

Source survey result, 2014

This table indicate that the employees responded for a problem in they have faced while collecting VAT are as follows 6(30%) are most of the tax payers are not pay a required amount on time, 2(10%) are all of the tax payers are not pay a required amount on time, 9(45%) are response less of tax payers not pay a required amount on time, and the remaining 2(10%) are said least of tax payers not pay a required amount on time, so the results are a highest problem faced while collecting VAT is less of tax payers not pay a required amount an time.

Table 4.10 shows the awareness of tax payers about VAT

N o	Description	No of respond ents	Percentage / % /
	How do you evaluate the awareness of tax payers about VAT?		
	A. very high	1	5
	B. high	6	30
	C. low	10	50
	D. very low	3	15
	Total	20	100
	How do you judge the awareness of tax payers in the town?		
	A. They have good awareness	5	25
	B. They have very good awareness	1	5
	C. They have less awareness	9	45
	D. They have poor awareness	5	25
	E. others	-	-
	Total	20	100

Source, survey Result, 2014

According to the above table, (table 4.10) the awareness of tax payers about VAT answered as follows by respondents 1(5%) are very high, 6(30%) are high, 10 (30%) are said low, and the remaining 3(15%) of them are very low. The results shows that the awareness of tax payers about VAT are low because there are no more aware people about tax due to the most number of tax payers are unskilled persons and a VAT registered paying VAT is not amore percent in our country even paying VAT is not a recent phenomenon in our country.

Again from the above table No 2 show the judgment of the employee the awareness of tax payers in the Holeta town as follows. 5(25%) have good awareness, 1 (5%) have very good awareness, 9(45%) have less awareness, and the remaining 5(25%) of them have poor awareness. The quarterly percent of tax payers have poor awareness due to they think that VAT affect their competition in the market they do not willing to pay a tax, and they do not understand the advantage of VAT as compare to other types of tax, and 1(5%) have very good awareness due to the office teach a tax payer about VAT and their attitude is almost change from the previous time. The result shows that, the awareness of the tax payers of VAT in Holeta town is less. So, government should weakened the interest of vat payers by preparing continues professional training for the employees.

Table 4.11 shows the attitude of tax payer to VAT

N	Description	No of respondents	Percentage /%/
1	What are the attitudes of tax payers to VAT?		
	A. very good	3	15
	B. low	7	35
	C. good	5	25
	D. bad	4	20
	E. worst	1	5
	Total	20	100

Source, survey result, 2014

According to the above table (Table 4.11) the attitude of tax payers to VAT responses by employees are like the following 3(15%) of the respondents are said very good, 7(35%) of them are good, 5(25%) are satisfactory, 4(20%) are said bad, and the remaining 1(5%) are responded a worst. Therefore the highest levels of attitude of tax payers to VAT are low.

Table 4.12 the response of advantageous one from VAT more

No	Description	No_of respondents	Percentage / % /
1.	Who benefited from VAT more?		
	A. Tax payers	2	10
	B. Government	4	20
	C. Citizens of the country	14	70
	Total	20	100

Source, survey result 2014

As in depicted in the above table 2(10%) of the respondents said the more benefited from VAT are tax payers, 4(20%) of the employees said a government, and the remaining 14(70%) are responses a citizens of the country. These result shows that the more benefited from VAT are citizens of the country. Since the VAT is collected from who gets much revenue it brings a good methodology and contribution of economy and it increase the investment opportunity.

Table 4.13 shows the benefit of VAT register is higher than other types of tax types?

No	Description	No of respondents	Percentage / % /
1.	Is the benefit of VAT register is higher than other types of tax types		
	A. Yes	11	55
	B. No	9	45
S	Total	20	100

Source, survey Result, 2014

As indicated in the above table, 11 (55%) of the respondents said yes the benefit of VAT register is higher than other types of tax types while 9(45%) of the respondents said no the benefit of VAT register is not higher than other types of tax types. Therefore, the benefits of VAT register is higher than as compare to other types of tax types due to the following factor they are not paid. Turn over tax; they paid on final consumer with the price of product so it is not difficult to pay as compare to others. since they pay the value added only and they collect more from a person who generate a higher revenue and it is easy to control our business and risk averse due to they Prepared financial statements based on it, and supported by document, unless count it identifies a sold goods from unsold goods.

Table 4.14 Show number of tax payers registered with VAT

No	Description	Number of respondent	Percentage/%/
1	How many tax payers register with vat		
	Limited	12	60
	Unlimited number	2	10
	Unknown	6	30
	Total	20	100

Sources survey result- 2014

As we try to indicate from the above table , 12(60%) as they number of tax payers register with VAT is limited where as 2(30%) ought respondents are they say tax registered with VAT is unlimited and the rest one that means 6(30%) whether registered or not it unknown.

Table 4.15 show the reasons penalty related to VAT paid by tax payers

No	Description	Number of respondent	Percentage/%/
1	Understate the output VAT	9	45
	Over state the inputs VAT	8	40
	Declaration beyond the VAT period	3	15
	Total	20	100

Sources survey result- 2014

According to the above table, (Table 4.15) the attitude of tax payers to VAT penalty 9(45%) of the respondent the VAT penalty period that under state the Output VAT, but 8(40%) the VAT penalty is over state the input VAT. But the remaining respondent the penalty is declaration is beyond the tax period. The major VAT assessment problem are the tax payers does not have good awareness about advantage of VAT, less of tax payer not paid the required amount on time, lack of a awareness of tax payer, low Attitude of tax payers and involuntary of to pay, and the tax payers not perform accurately what they sold by supported document such as sales receipt and not use invoice collecting.

CHAPTER FOUR

SUMMARY, CONCLUSION AND RECOMMENDATION

4.1 Summary

Based on the analysis and discussion made in chapter four the following summary can be drawn.

- Most of the employers in Holeta town revenue office have been by young persons who are experienced.
- VAT implementation practice in Holeta town revenue office is promising but not such a perfect.
- The major problems encountered by VAT administration in Holeta town revenue office are lack of awareness of tax payers and employees.
- Most of VAT registered businesses in the town should have not collected and remitted VAT to the tax authority on time and with proper figure.
- Most of VAT registered business in Holeta town their attitude towards VAT are low.
- A lot of VAT registered business in Holeta town not understands the advantage of VAT for them.
- A most of a VAT registered business in Holeta town have a feeling towards VAT as an obligation.

4.2 CONCLUSION

An assessment of vat administration is good way as it is recent issue in our country. As the major income of government, government levied tax on consumption of good at different stage in the form of vat (value added tax). It is principle means indirect tax. This also practices most part of the country Holeta town of revenue office bureau also among this part. However, holeta town of revenue office far from the center of Addis Ababa by 35 km distance an activity of assessment of vat is well did in the town but same problem may raised as problems of assessment of administration in the town.

The researchers also find out this problem and try to give reasonable solution for the problem among this problem is lack of awareness of business enterprises to know about vat, problem at implementation arise from tax payers this problem are major in the country not only our research site. The researcher also state general and specific objectives, Identifying vat administration and problem of vat payers in holeta town is taken as general objectives and in detail list specific objectives. As the research the need to conduct this study to explore the problem of vat administration that was known and individual living condition with in the country. The study was focused vat at holeta town. There was a lot of limitation for the study among this limitation lack of awareness of employees, lack of money, and others was limitation of the researchers.

The researchers also provide related literature that supports the researcher's topics that enhances the reality of objectives of the study.

The researchers to collect data used the most common method this are primary and secondary data. But the researchers used primary data than secondary source of data. After the entire researcher to find out the problem the researcher used purposive sampling and unstructured interview after

Distributing questionnaires' the researchers interpret the employees' answers by using descriptive statistics method with table and percentage.

Generally, the researchers after distributing questionnaires for 20 employees the answer was analyzed and interpret by the researchers, the researchers as they believe and get answer from employees properly interpret the answer.

4.3 Recommendation

As to the study conducted there are certain problems to VAT administration of Holeta town. Based on the research findings the following points can be forwarded as recommendation.

- To increase the implementation practice in Holeta town the higher tax authority office follow up and control the employees of revenue office by giving a training, seminars and looking their performance time to time.
- To improve the awareness, attitude, and feeling of tax payers the government should arrange seminars, workshop, and conference to make them aware concerning taxation, why they pay tax, laws, rules and regulation of tax, the advantage they get from VAT and giving training, seminars and short term courses for employer and following up and control are the employer perform as a rule and regulation of a revenue office.
- To avoid a problem exist during a collection VAT, and not paid on time with proper figure government should control a bill or invoice they use, order them use a cash registered machine, follow-up, support in preparation of VAT return, initiate potential unregistered business for VAT registered so as to avoid unfair price competition.
- To minimize or avoidance the VAT registered business not understand a benefit of VAT, and look VAT is as an obligation the Holeta town revenue office should arrange a seminars, meeting to bring a challenge towards VAT and understand a benefit of VAT like not pay a turn over tax, the preparation of financial statements made them not afraid to incur loss and it is used for to control their business since it is supported by document, and it increase the investment opportunity.

BIBLIOGRAPHY

- Gebrie Worku (2006). **Tax Accounting in Ethiopia Context**. Addis Ababa: Alem Printing Press.
- Gebrie Worku (2008). **Tax Accounting in Ethiopia** (2nd edition). Addis Ababa: Alem Printing Press.
- Misrak Tasfaye (2008). **Ethiopia Tax Accounting: Theory and Practice**. Addis Ababa: Berhanena Selam Printing Enterprise.
- Negarit Gazcta (2002). Proclamation No. 285 (2002). Addis Ababa.
- Ramaswami, Parameswaran (2005). **Public Finance and Taxation**. London: Encyclopedia Britannica Jacob Escatra.
- Yohanes Mesfin and Sisay Bogale (2009). **Tax law**. Addis Ababa: Justice and Legal system Research Institute.

APPENDIX

QUESTIONNAIRE FOR EMPLOYEES

St. MARY UNIVERSITY COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT ACCOUNTING

Objective dear respondents this is a questionnaire intended to obtain relevant information on VAT administration in Holeta town for use of academic purpose. the finding of the study greatly depend on your cooperation for which we are grateful in advance to achieve this you are kindly requested to cooperate giving response for following question , please tick (✓) on the box your choice and fill the blank space.

1. Sex: - male female
2. Age 18-24 25-30 30-35 >35
3. Education status: - Elementary and junior complete
High school complete Certificate 1st degree
Above degree
4. Work experience: - less than a year 1 year
Above 2 year 1-2 year
5. How long you have been with Holeta town revenue bureau?
1 year 2-4 year 4 year and above
- 6 How do you evaluate implementation of VAT in your administration?
Very good good fair Bad
Others, please specify _____

7. What are the major problems you have experienced related to VAT application? Unwillingness of tax payer's

- Fraud of tax collectors lack of awareness about VAT

If others, specify _____

8. How do you evaluate VAT administration parties feeling while they registered for VAT?

- VAT is an obligation VAT is debt VAT is useful VAT is bad

Other, please specify _____

9. Who is more responsible for VAT collection and assessment?

- Tax payer's customer any government body tax office

Other, specify _____

10. What are the problems you have faced while administering VAT?

- Beside tax payers not pay a required amount on time
 All of tax payers not pay a required amount of tax on time
 Most of tax payers not pay a required amount of tax on time
 Least of tax payers not pay a required amount on time.

Others, specify _____

11. How do you evaluate the system of vat administration in Holeta town? Very high high low very low

If your answer low specify _____

12 How do you judge the awareness of tax payers in your town?

- They have good awareness
 They have very good awareness

- They have less awareness
- They have poor awareness

If out these, specify _____

13. If your answer is poor, specify

14. If your answer is very high, specify

15 what are the attitude of tax payers to Vat?

16. Who benefited from Vat more?

Tax payer's government citizens of the country

If say tax payers, specify _____

17. The benefit of VAT register is higher than other tax types?

Yes NO

If you answer is yes specify _____

Because _____

Since

As compare to at hours _____

18. In your opinion what are the major Vat assessment problem? Please specify _____

19. How many tax payers have registered for?

VAT? _____

20. How repetitive tax payers declare VAT with

Penalty?

21. What would be the reason penalty related to VAT paid by tax payers?

- Under state the output VAT
- Over state the inputs VAT
- Declaration beyond the VAT period

22. How many of VAT registered companies are registered voluntarily or forcefully? _____

23. What measures is taken to eliminate problem of VAT under stated by tax payers in case of power -off to malfunction of cash register machine?

