SAINT MARY UNIVERSITY

SCHOOL OF GRADUATE STUDIES

THE ROLE OF TAX ADMINSTRATION ON TAX PAYERS COMPLIANCE BEHAVIOR .THE CASE OF SOME SELECTED TAX PAYERS IN MERKATO.

BY

HENOK BELAY ADAL

A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES IN PARTIAL FULFILLMENT OF
THE REQUIREMENT FOR THE DEGREE OF MASTERS OF
BUSINESS ADMINISTRATION
ADVISOR
SEWALE ABATE (ASST. PROFESSOR)

MAY, 2017

ADDIS ABABA, ETHIOPIA

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APPROVED BY BOARD OF EXAMINERS

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DECLARATION

I, the under signed, declare that this thesis is my original work, prepared under the guidance of Dr. sewale abate. All source of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full by any other higher learning institution for the purpose of earning any degree.

_____	_____
Name	Signature & Date

ENDORSEMENT

This is to certify that this thesis entitled "**the role of tax administration for tax payers compliance behavior",** undertaken by Henok belay for the partial fulfillment of Master of Business Administration [MBA] at St. Mary's University is an original work and not submitted earlier for any degree either at this University or any other University.

_____ _____

Research Advisor: Signature & Date

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ABSTRACT

Improved tax compliance boosts the revenues available for supporting public services without increasing the current tax burden on compliant tax payers. There appears to be a trend in tax compliance policies with initiatives by a number of tax authorities to move towards a more taxpayer focused approach. A number of tax authorities have been moving towards a more sophisticated approach to tax compliance. Traditionally there seems to have been an assumption that tax compliance can be ensured with the help of legal enforcement and penalties. These days this is ceasing to be the case, as the taxpayers are demanding more assistance and fair treatment from the tax authorities. Even there seems to have been a shift in attitudes towards treating the taxpayer less as a passive donor who simply has to be billed for taxes due and more as a customer sometimes requiring particular forms of assistance and support. The voluntary compliance behavior of the taxpayers is determined by various factors and identifying these factors and treating them accordingly should be the central premises of any tax system in order to maintain voluntary compliance at satisfactory levels. This study was meant to assess taxpayers' voluntary compliance behavior with tax administration problems in addis abeba city, merkato area. Based on this fact primary data are used. Descriptive statistical tools, Reliability test and correlation were used in analyzing the data collected. According to the study, factors such as equity or fairness, service delivery of tax authority, awareness level of tax payers and tax payers' attitude towards tax complexity were found to be the important tax administration problems factors affecting taxpayers' voluntary compliance.

ACRONYMS

ERCA: Ethiopian Revenues and Customs Authority

GDP: Gross Domestic Product

SPSS: Statistical Package for Social Study

TOT: Turn Over Tax

VAT: Value Added Tax

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Income tax is defined as; a tax imposed on a person's taxable income at specific rates. A person includes an individual, company, partnership, trustee, government and sub divisions of government. (Ethiopian income tax proclamation 1986)

Income tax is charged on every person who has chargeable income for every year of income. Chargeable income is derived from three main types of income, namely; business, employment and property.

In addition, a tax is referred to as a non-quid pro quo, implying that a tax is paid by assesses without corresponding returns in form of social goods and services from the government**.** Justice Holmes described tax as the price for civilization**.**

Taxation has played a big role in helping the government to intervene in the market mechanism in order to perform the functions of allocation, regulation, distribution and stabilization.

Income tax administrators have been faced with confusion interpreting the law. In most cases, the administrators may not followed the law or followed it but interpreted it to favor government or tax officers to the disadvantage of the taxpayers, which has brought about friction between the taxpayers and the administrators.

Citizens' inclination to cooperate with the state and its institutions in general and their willingness to pay taxes in particular, depend on a variety of variables. While economists stress the relevance of external variables such as tax rate, income and probability of audits and severity of fines, psychological research shows that internal variables are of similar importance: taxpayers' knowledge of tax law, their attitudes towards the government and taxation, culture, personal norms, perceived social norms and fairness, as well as motivational tendencies to comply are determinants factors shaping tax behavior (Kirchler, 2007). Empirical research on determinants of tax behavior has shown mixed evidence on the specific weight of economic variables: some studies found audits and fines to increase compliance; other studies have not found any or even opposite effects (Fischer, Wartick & Mark, 1992; Andreoni, Erard & Feinstein, 1998). The inconsistency of patterns of results suggests that economic and psychological determinants operate differently under different circumstances. Kirchler, Hölzl and Wahl (2008) developed a model suggesting that audits and fines are relevant under the

condition of low trust in governmental institutions and tax authorities in particular, especially if the government has the power to exert audits effectively.

Hence, voluntary compliance is the desire or willingness of the taxpayers to act in accordance with the tax law and the voluntary effort they exercise to pay their tax liability on timely basis.

The tax system must be fair, both to promote the objective of an equitable distribution of income and to assure continued voluntary compliance by the taxpayer (Eckstein, 1979). Successful tax administration requires tax payers to cooperate in the operation of a tax system rather than to be forced to carry out every aspect of their tax obligation.

In pursuing their mission, all tax administrations confront similar challenges, such as how to: broaden the tax base by continually bringing non-registrants and non-filers into compliance, strengthen organization and management, control tax evasion, improve tax collection, and facilitate voluntary compliance. The greatest challenge for any tax administration is achieving and maintaining a high degree of voluntary compliance, which can be facilitated by vigorous taxpayer service and education programs and creative measures to minimize the burden on taxpayers in complying with their tax.

1.2 STATEMENT OF THE PROBLEM

Most developing countries are currently dependent more on external financial resources to fund their development activities. Ethiopia, like any other developing countries, faces difficulty in raising revenue to the level required for the promotion of economic growth. Hence, the country experienced a consistent surplus of expenditure over revenue for sufficiently long period of time. (Shina, June, 2014) To address this problem, the government introduced a number of rules, systems and methods aiming tax collection as a major source of public revenue. However, this all efforts couldn't still bring the required result due to a number of reasons (ERCA, Customer Charter, 2015).

Non-compliance may take the lion share on the poor revenue performance around merkato. From time to time Tax compliance is growing international concerns for tax authorities and public policy makers as tax evasion seriously threatens the capacity of government to raise public revenue.

Tax administration is a complex and dynamic responsibility. On a regular basis, leaders are faced with new issues, conflicting priorities, taxpayer compliance and emerging commitments (Thomson 2008).Therefore, failure to have an effective tax administration system adversely affects the compliance behavior of businesses owners, As Berhan and Jenkins (2005) noted, governments of

Developing countries are eager to create modern tax systems although saddled with weak tax administrations, and sometimes have experimented with tax administration mechanisms that inflict higher compliance costs on the private sector.

Weak tax administration may make the tax system unfair in that honest taxpayers would bear heavier and disproportional burden. It, in turn, may have impact on the efficiency of tax operation, and also may encourage business owners to work in the illegal economy, (Edmiston and Bird 2004).

According to Arturo Jacobs, 2013, Without a doubt, the most successful tax administrations around the world continuously encourage, attain, and maintain a high degree of voluntary compliance, but in reverse indicators of poor tax administration (i.e. low fair taxation, tax complexity, low tax service and low knowledge of tax on tax payer's attitude) will harm compliance behavior of tax payers negatively.

All empirical evidences (Serra (2000), Fjeldstad (2004), Oberhlzer (2007,2008), Barone and Mocetti (2009), Lumumba et al (2010), Skikhaliyev (2011), James et al (2011), Kawano (2012) Dr.Wollela (2009) , Asmamaw g/silasie(2011) , Bisrat alemayehu(2011) ,Wubeshet aborat, (2011) Zelalem birhan ,(2010) Yohannes girma (2013)) show that stated tax administration problems had adverse effect on tax collection, satisfaction of tax payers, and tax burden on few tax

payers and consequence for the violation of citizen's right.

The first six month reports of Ethiopian revenue and customs authority merkato branch office in 2008 E.C shows, there were many individuals out of the tax system and non compliant for different tax obligations, for instance, 2829 tax payers didn't present to the branch office to pay 2007 E.C yearly profit tax, 451 tax payers penalized because of not issuing invoices for sold products and also 451 illegal traders forced by the branch office to register for trade license.

The above report data indicates; there are serious tax compliance problems in merkato and to the researcher knowledge majority of studies concern on social and behavioral determinants of compliance behavior which incorporates age, income level, gender, perception to government spending and fairness of the tax system. However, majority studies didn't focus properly how tax payer's compliance behavior will affect by tax administration problems. Tax compliance is a complex issue and it may be affected by different variables, but, the role of tax administration outcomes (fairness, tax complexity, tax payer's knowledge and service of the authority) should be assessed in the area.

Therefore, this paper assesses the effect of tax administration on taxpayers' tax compliance behavior, while the benefits of non-compliance is outweighing in the case of business profit tax payers operating in Addis Ababa city Administration, merkato area .

1.3 OBJECTIVES OF THE STUDY

1.3.1 General objective

General objective of the study is to assess the effect of tax administration on business enterprises compliance behavior, in merkato area.

1.3.1 Specific objective

- To explain the effect of tax fairness for tax compliance
- To explain the effect of tax education for compliance behavior
- To explain the effect of tax complexity for compliance behavior in merkato
- To assess the service quality of the branch office and its roll in compliance behavior of tax payers

1.4 Research Questions

The study is undertaken to address the following research questions:

- How is tax fairness situation in merkato and its effect for tax compliance?
- What is the level of tax knowledge in tax payers of merkato and its effect for tax compliance?
- How is tax system complexity affect tax compliance in merkato ?
- What is the level of tax authority's service quality in merkato and its effect for tax compliance

1.5 SCOPE OF THE STUDY

For convenience of data collection and because of the majority of tax payers in merkato are category A, this study incorporates category A tax payers.

Many factors can be considered to analyze tax compliance behavior of taxpayers, But in this study, only out comes related to tax administration (knowledge of tax payers , service delivery by the authority , tax fairness and tax complexity) are considered.

1.6 Significance of the study

The findings of this study will contribute in enhancing the tax authority to properly understand the effect of tax administration problems not only in revenue, but also on tax payers, so as to enabling them to put their effort to triumph over the observed problems. Thus, the government will be able to

adopt a comprehensive strategy, and minimize the observed tax administration problems to increase tax revenue and reduce tax burden from compliant tax payers. Similar approach can be replicated in detail of identifying the problems in tax fairness, complexity, education and service quality pillars of revenue administrations in other branches. Besides, it may be also used as an input for other interested researchers for conducting further study.

1.7 Limitations of the study

Taxpayers' voluntary compliance is affected by various factors. Against this view, had assessment of taxpayer's voluntary compliance with taxation had been made by including all the variables that are expected to affect taxpayers compliance behavior; the result would have been more precise and valid. Because of financial resource and time limitation, however, the study is mainly limited to the assessment of taxpayers' voluntary compliance with taxation considering only some variables. The descriptive statistics technique used in the study is also other limitation of the study, which in turn didn't enable how much compliance behavior is affected by tax administration.

1.8 Organization of the Study

The thesis is structured as follows: Chapter 2 contains a review of the literature of the definitions of tax administration and factors affecting tax compliance. The research design and methodology are presented in chapter 3. Specifically, this chapter presents sampling techniques, data sources, data collection instruments and procedure of data collection. Chapter 4 presents the results of survey and subsequently followed by an analysis of the results of the different methods. That is the findings of all the survey results are pooled together. Finally, chapter 5 presented summary of major findings, conclusion and recommendations.

Chapter two
Review of related literature

This section presents a brief review of existing theoretical and empirical literature of tax administration and compliance behavior. At the end of the review, an attempt is made to summarize the major drawbacks of the existing empirical studies and to identify the knowledge gap to be filled in by further investigation.

2.1. Tax compliance

The definition of tax compliance in its most simple form is usually cast in terms of the degree to which taxpayers comply with the tax law. However like many such concepts, the meaning of compliance can be seen almost as a continuum of definitions. This ranges from the narrow law enforcement approach, through wider economic definitions and on to even more comprehensive versions relating to taxpayer decisions to conform to the wider objectives of society as reflected in tax policy. Taking the narrow end of the continuum first, one suggestion is that the degree of non-compliance may be measured in terms of the 'tax gap'. This represents the difference between the actual revenue collected and the amount that would be collected if there were 100 per cent compliance.

Tax compliance may be seen in terms of tax avoidance and tax evasion. The two activities are usually distinguished in terms of legality, with avoidance referring to legal measures to reduce tax liability and evasion to illegal measures. While some commentators see non-compliance only as an evasion problem, this does not seem to capture the full nature of the problem. Clearly tax evasion is a form of non-compliance. However, if taxpayers go to inordinate lengths to reduce their liability this could hardly be considered 'compliance' either. Such activities might include engaging in artificial transactions to avoid tax, searching out every possible legitimate deduction, using delaying tactics and appeals wherever this might reduce the flow of tax payments and so on. 'Tax exiles' even seem to prefer to emigrate rather than fulfill their obligations as citizens. Even if such activities are within the letter of the law, they are clearly not within the spirit of the law. Compliance might therefore be better defined in terms of complying with the spirit as well as the letter of the law.

Tax compliance is a complex behavioral issue and investigation requires the use of a variety of methods and data sources as each instrument has strength and weaknesses. Alm (1991) defined tax

compliance as the reporting of all incomes and paying of all taxes by fulfilling the provisions of laws, regulations and court judgments. Another definition of tax compliance is a person's act of filling the Income Tax Form, declaring all taxable income accurately, and disbursing all payable taxes within the stipulated period without having to wait for follow-up actions from the authority. Roth explained that taxpayers need to prepare all the relevant information in the Income Tax Form within the period given, and the form must report accurate tax liability in accordance with the needs of laws, regulations, and court judgments. Those who fail to adhere to taxation laws intentionally or otherwise shall be considered as having committed an offence. James and Alley considers tax compliance in terms of the tax gap, which is the difference between "true" individual income tax liability and that finally, collected on a voluntary basis or by enforcement action. In other words, 'tax gap' represents the difference between the actual revenue collected and the amount that would be collected if there were 100 percent compliance. In this case, James and Alley (2004) state that 'compliance' refers to voluntary not compulsory behavior. Taxpayers' compliance would not be considered voluntary compliance if they adhere merely for fear of threats and or harassment.

Tax compliance is important for many reasons. This is because non-compliance leads to a reduction in tax collections, which in turn affects public services received by the citizens, including compliant taxpayers. It also requires the government to expend resources to deter non-compliance, to detect its magnitude and to penalize its practitioners. According to Brand (1996), it is less expensive to collect taxes through voluntary compliance than through the use of enforcement. Tax compliance is a tenuous concept to define. Despite there is no standard all embracing definition of compliance adopted across all tax compliance studies, the meaning of compliance can be seen almost as a continuum of definitions (James and Alley, 2004).

According to these authors, the range of definition extends from the narrow law enforcement approach through wider economic definitions and on to even more comprehensive versions relating to taxpayer decisions to conform to the wider objectives of society as reflected in tax policy. James and Alley (2004), considers tax compliance in terms of the tax gap, which is the difference between "true" individual income tax liability and that finally, collected on a voluntary basis or by enforcement action.

From the economic point of view, tax compliance has been defined as compliance with reporting requirements, meaning that the taxpayer files and pays all required tax returns at the proper time and

that the returns accurately report tax liability in accordance with the taxing system applicable at the time the return is filed (Devos, 2005). This definition holds an important extension from the previous definition, which is the timing issue. Late tax payments cannot be considered as proper compliance as cash today is worth more than cash tomorrow. The rationale behind this notion is that whenever a government does not collect tax payments on time, it would be forced to either cut public expenditure or increases the amount it has to raise elsewhere (James and Alley, 2004). It is further asserted that although late payments of tax fit many of the 'tax gap' measures, they do not represent full compliance.

Tax compliance behavior may be perceived as a rational economic decision making process; as a reaction to perceived fairness; as an ethical conduct or as an action due to ignorance. Each of these factors in isolation may not by itself contribute to particular compliance behavior. In fact, analysis of the findings of some empirical studies indicated that tax compliance behavior varies widely over individual circumstances and influenced by factors such as the desire to avoid sanction as well as being subjected to group influence. Taxpayers may under-declare their income and would be deterred only by the chances of detection and penalties imposed.

Tax non-compliance is of two types: intentional and unintentional. Intentional non-compliance is an offense against government in which the taxpayer understates the tax liability and subject to punishment. It could be emanated from seeking benefit from avoidance, taxpayers' personal attitude towards compliance, situational factors, complexity of tax structure, dissatisfaction on government service, and other. Tax evasion is one form of non-compliance, which Social scientists generally have considered it a typical "white-collar crime," defined by Sutherland (1939) as "a crime committed by a person of respectability and high social status in the course of his occupation". It is a serious challenge dealing with every nation's revenue authorities. It is further commented that unintentional understatement or overstatement of tax liability may arise because of, among others, lack of knowledge and failure to pay due care in the maintenance of book of accounts and the preparation of returns.

According to Hasseldine (1999), many tax agencies have used various techniques to measure the extent of non-compliance, but there will always be some compliance dependent on the social attitudes and behavioral aspects of taxpayers. Moreover, the extent of non-compliance among individual taxpayers not only depends on individual factors, but on a complex combination of circumstances.

Non-compliance represents the most inclusive conceptualization with respect to the failure to meet tax obligations whether intentional or unintentional (Kinsey, 1985), as cited in Kasipillai and Noor, 2003. Tax evasion however, involves some elements of fraudulent conduct accompanied by a real intention on the part of the taxpayer to willfully or deliberately mislead, deceive or conceal from IRB to pay less tax than actually owed. In general, non-compliance may take several forms and they include:

- Failure to submit a tax return within the stipulated period or non submission;
- Understatement of income;
- Overstatement of deductions; and
- Failure to pay assessed taxes by the due date.

2.1.1. School of thought

Models and theories of compliance behavior tend to reflect one of three schools of thought commonly referred to as economic deterrence, social psychology, and fiscal psychology (McKerchar and Evans, 2009).

2.1.1.1 Economic deterrence models

Economic deterrence models in general are based on the theory that behaviour, in a wide range of contexts including tax evasion, is responsive to punishment or sanctions. Economic deterrence models tend to have a narrow, theoretical view of behaviour, reducing its dimensions to numerical measures and assigned probabilities from which outcomes can be predicted using calculus. In order to determine behaviour in this manner, economic deterrence models tend to rely upon a wide range of fundamental assumptions that are generally unrealistic. For example, that all people respond to a change in any one variable in an identical and predictable manner; that all taxpayers have a full knowledge of the probability of being audited; and that all taxpayers have the same level of risk preference. Although empirical testing has been limited, the theoretical principles of economic deterrence have been widely adopted by tax administrations in developing enforcement strategies that rely principally on penalties and the fear of getting caught (McKerchar and Evans, 2009).

2.1.1.2 Social psychology models

Social psychology models are concerned with the prediction and understanding of human behavior, or how people make decisions, using a range of methodological approaches including compositional modeling, attribution theory and equity theory (McKerchar and Evans, 2009).

Compositional modeling is characterized by the view that individuals undertake deliberate and reasoned action according to their personal preferences. This approach assumes that people consider the implications of their actions before they decide, or form an intention, to engage or not engage in a given behavior. Further, this approach assumes that intention directly translates into behavior, without any further influences. The model then seeks to explain how intention is formed (Azjen and Fishbein, 1980).

Attribution theory is based on the assumption that individuals rationally interpret and analyze events in order to understand causal structures. People have internal (personal) and external (situational) attributes. In judging the behavior of others, people will generally attribute the outcome as being caused by their own internal attributes. In judging their own behavior, people tend to believe the cause is due to external attributes. Equity theory proposes that individuals are more likely to comply with rules if they perceive the system that determines those rules to be equitable. Where there are perceived inequities, individuals will adjust their inputs to the exchange until equity is restored. Based on equity theory, addressing inequities in the exchange relationship between government and taxpayers would result in improved compliance (McKerchar and Evans, 2009).

2.1.1.3 Fiscal psychology models

Fiscal psychology models draw on both the economic deterrence and the social psychology models and generally view tax enforcement as a behavioral problem, one that can be resolved by co-operation between taxpayers and tax collectors. To obtain this co-operation, the role of the tax system itself in providing the positive stimulus (such as decreasing penalties) is emphasized. This stimulus is then expected to generate a more positive attitude in taxpayers that will in turn impact on their compliance decisions (McKerchar and Evans, 2009).

It has been held that tax mentality; feelings of tax tension, and tax morale were the three psyches that together made up a taxpayer's attitude. The more positive the taxpayer's attitude towards paying tax the greater the level of co-operation with the tax authority and the greater the

willingness to pay tax. However, fiscal ignorance may be a negative influence on a taxpayer's attitude (Lewis, 1979)

2.1.2. T a x compliance determinants

Jackson and Milliron (1986) listed 14 main factors that have influenced tax compliance as discussed by various researchers. These factors are age, gender, education, income, occupation or status, peers' or other taxpayers' influence, ethics, legal sanction, complexity, relationship with taxation authority, income sources, perceived fairness of the tax system, possibility of being audited and tax rate. Other elements such as penalty, audit, and tax rates as also listed as factors having great influence on tax compliance behaviors (Mohani, 2001).

In this sub-section, determinant factors that influence tax compliance such as tax knowledge, ethics and attitudes towards tax compliance, awareness of offences and penalties, and tax education are discussed.

2.1.2.1. Tax knowledge

Knowledge as one of the factors in compliance is related to the taxpayers' ability to understand taxation laws, and their willingness to comply. The aspect of knowledge that relates to compliance is the general understanding about taxation regulations and information pertaining to the opportunity to evade tax (Eriksen & Fallan, 1996). Taxation knowledge is necessary to increase public awareness especially in areas concerning taxation laws, the role of tax in national development, and especially to explain how and where the money collected is spent by the government (Mohd, 2010). More importantly, it is necessary that current and future taxpayers are exposed to the roles that they could play in developing the country. This exposure could be given through seminars, dialogue sessions, or collaboration with the Ministry of Education to introduce the subject of Taxation at secondary schools (Mohani, 2003).

2.1.2.2. Theoretical review of tax administration

Tax administration refers to the identification of tax liability based on the existing tax law, the assessment of this liability, and the collection, prosecution and penalties imposed on recalcitrant taxpayers. Tax administration, therefore, covers a wide area of study, encompassing aspects such as registration of taxpayers, assessments, returns processing, collection, and audits (Kangave, 2005).

The low revenue yield of taxation can only be attributed to the fact that tax provisions are not properly enforced either on account of the inability of administration to cope with them or on account of straight forward collusion between the tax administration and taxpayers.

Since taxes are an involuntary payment for government services, taxpayers have a strong inventive to minimize their tax liabilities either through avoidance (legal) or through evasion (illegal). Tax administration has to secure compliance with the laws by applying an array of registration, assessment and collection procedures. A government can keep taxpayers from doing these activities, and thus successfully avoid tax evasion depends on the nature of economy's actual tax base. Tax administration therefore, should aim at improving on laws regarding the registration, assessment, collection revenue, and exploiting fully taxation potential of a country (World Bank, 1999).

2.1.1 Legal structure for effective tax administration

The legal rules required for effective tax administration might be categorized under four broad headings:

- ✓ rules for the establishment of an individual's tax liability;
- ✓ rules establishing a system of appeals from the initial assessment of tax;
- ✓ rules for the collection of taxes that have been established to be owing; and
- ✓ Rules relating to tax offences and their punishment.

The importance of a sound legal structure for effective tax administration and the importance of incorporating principles that will further tax compliance in the design of that legal structure. Since each stage of the administrative process is dependent upon the other, to achieve a significant improvement in the overall effectiveness of the tax administration each element of the legal structure needs to be designed for maximum effectiveness (Asian Development Bank, 2001).

2.1.2 Importance of tax administration

According to Asian Development Bank, 2001, tax administration dictates tax policy. Indeed, tax administration and compliance issues determine the broad evolution of tax systems. The shift in industrialized countries over a century ago from reliance on excise, customs and property taxes to corporate income and progressive income taxes can be explained, in large part, by the relative decline in the rural sector, the concentration of employment in large corporations and the growing literacy of the population. In recent years, the shift away from these taxes - corporate income and progressive individual income tax - and toward tax systems that rely more on broad-based consumption taxes such

as the value-added tax, flatter rate structures, and the adoption of "dual income taxes," in which a progressive tax on labor income is accompanied with a low flat-rate tax on capital income, as adopted in certain Scandinavian countries, can be explained, in large part, by the forces of globalization and developments in financial innovation and the inability of tax administrators to develop technologies to cope with these forces and developments (Asian Development Bank, 2001).

In tax reforms there is a close correlation between successful tax policy and efficient tax administration. In other words, there is no good tax policy without efficient tax administration (Jenkins, 1994). Over the past century, changes in the size of governments themselves, and differences in the relative size of governments around the world, can be explained by changes and differences in the environment, resources and technologies available to the country's tax administrators (Asian Development Bank, 2001).

Aside from the role of tax compliance and administrative issues on the evolution and general features of the tax system, there is no question that administrative considerations influence, and often impose decisive limits, on particular tax laws. Most obviously, the failure to tax all sources of economic power, such as the imputed rental value of homes or accruing capital gains, are often justified by reference to practical concerns of administer ability. It is futile to design a complex and sophisticated response to a tax policy problem if the rules to implement the regime cannot be administered (Asian Development Bank, 2001).

Tax administrators face a formidable number of challenges in every country. According to Asian Development Bank, (2001), in many developing countries tax administration reforms are needed simply to achieve macroeconomic stability. In countries with economies in transition there is a need to establish a tax administration that can respond to the demands of a growing market economy and the resulting increase in the number of taxpayers. Moreover, there is the need to establish the legitimacy of tax collection. In all countries tax administrators face the challenge of modernizing the tax administration so that it can operate effectively in an increasingly global economy.

In spite of these challenges, several countries' recent experiences in improving the effectiveness of their tax administration have shown that fundamental reform is possible. In recent years, there has been a considerable amount of study on the steps that should be taken to improve tax administration and reform. Of fundamental importance to all reform efforts, to improve the effectiveness of tax administration significantly, the government must be politically committed to reform, the major obstacles to an effective tax administration have to be identified, and there has to be well-designed

strategies for addressing them (Asian Development Bank, 2001).

As a preliminary step to developing a successful strategy for the reform of a revenue agency, the “Tax Policy and Administration Thematic Group” of the World Bank has developed a useful diagnostic framework for revenue administration. It includes a description of quantitative indicators and indicators of effectiveness and efficiency that might be used to get a general idea of the physical dimensions of the revenue administration and how effectively and efficiently it is currently performing its functions and where performance problems might be acute. A reform strategy to increase compliance requires a concerted, long-term, coordinated and comprehensive plan. It is vital that tax administrators ensure that every compliance policy instrument at their disposal is being used as effectively as possible. The uses of these instruments complement one another.

2.1.3 Tax administration challenges

The efficiency of a tax system is not determined only by appropriate legal regulation but also by the efficiency and integrity of the tax administration. In many countries, especially in developing countries, small amounts of collected public revenue can be explained by either incapability of the tax administration in realization of its duty, or with some degree of corruption. Regardless of how carefully tax laws have been made, they could not eliminate conflict between tax administration and tax payers. Tax administration with a skilled and responsible staff is almost the most important precondition for realization of "tax potential" of the state. It is generally known that tax laws and tax policy are as good as good is the tax administration (Kaldor, 1980).

Tax administrators face a formidable number of challenges in every country. In many developing countries tax administration reforms are needed simply to achieve macroeconomic stability. In countries with economies in transition there is a need to establish a tax administration that can respond to the demands of a growing market economy and the resulting increase in the number of taxpayers.

Human resource is essential in tax administration. Trained personnel are what actually most developing countries lack and this forced them, for instance, to organize their activities under the existing tax administration structure.

All transition countries had a very huge fall of GDP, which, with serious limitation of tax administration, resulted in an alarming revenue gap. Moreover, in all countries, revenues from taxes collected from big, mostly state firms, declined, and were not replaced with increased taxes collected from private, mostly small enterprise. This has created pressure to increase tax rates and introduce

new, very often ad hoc taxes. These diversities, which are called "patches" in the tax system, are to a great extent a result of the inefficiency of the tax administration in collecting the existing taxes (Kornai, 1990).

This situation would lead to a permanent need for new taxes, changes in the tax system and almost never-ending tax reforms. In transition countries income tax is gaining on importance. Taxpayers are not used to this form of taxation and when they are faced with it for the first time; they will obviously regard it as a burden. As Kornai (1990) explained the citizens in these countries are not used to paying taxes at all. The tax administration and bodies which produce political decisions have to foresee the attempts to evade taxes and have to design a tax system that will not question the loyalty of its citizens.

Most developing countries continue to face serious problems in developing adequate and responsive tax systems (Richard, 2008). No matter what any country may want to do with its tax system, or what anyone might think it should do from one perspective or another (ethical, political, or developmental), what it does do is always constrained by what it can do. Economic structure, administrative capacity and political institutions all limit the range of tax policy options (IMF 2006).

Heavy tax distortions in transition economies come from various sources. First, base rates are often high. In transition economies with many fledgling small enterprises and weak tax administration, high tax rates are likely to encourage already widespread tax evasion and participation in informal economy.

2.1.4 Efficiency of tax administration

The key precondition for efficient tax administration is tax structure with minimizing distortions, strictly tax exemptions and elimination of the differences in tax treatment of particular parts of economy. This will mean extending the VAT to all but a few goods and services (notably export, which should be zero - rated, and banking and insurance services, where it may be difficult to determine the amount of value added to be taxed) (Hesse, 1993).

Badly conceived or unnecessarily complicated tax structure greatly complicates the operating function of the tax administration, while simple and transparent tax structure could affect it in the opposite way. So, the increase of efficiency of the tax administration could be attributed mainly to the simplification of the tax system. Tax administration cannot change legislation as a means for improvement of tax structure, but could propose necessary changes in laws that can improve tax structure and / or could aid in application of the law (Mansfield, 1990).

Effective tax administration in a market economy is based on voluntary compliance by a large number of decentralized taxpayers. Most transition economies have only recently started to address compliance issues and build up a modern tax administration with better overall revenue performance. A first step is restructuring how the work is organized. In transitional countries, tax administration can be organized respecting the functional principle (collecting, recording, auditing, and enforcement) according to the type of taxpayers; the type of taxes; and type of enterprises in economy. More generally, tax payment needs to be assessed, collected and recorded more efficiently. Current procedures are rarely up to the job of dealing with a growing number of taxpayers, many of which - particularly private businesses and service enterprises are tricky to tax at best. The government might start by assigning an identification number to all taxpayers, focusing its efforts on large taxpayers who generate the bulk of revenue, and withholding wage tax at the source. This, however, does not mean that results of successful monitoring of large taxpayers can be excused for neglecting medium and small taxpayers. This can lead to the decrease of their compliance, resulting with lower total revenue. Next should be improved auditing and follow-up actions against those who fail to file returns or make payment. Latvia, for example, has issued regulations for an improved taxpayers' register: every taxpayer must register with the State Revenue Service; financial institutions will not be allowed to open accounts for any business or individuals without a taxpayer code (Hesse, 1993).

Most transitional economies are in the midst of a comprehensive reform of their government (that include the tax administration) and tailor them to the changing needs of a market environment. In that task they can use the experiences from West European countries and from countries that have recently realized tax reforms as a stepping stone to further development and/or as a challenge and incentive for reaching a higher level of efficiency and success (Musgrave, 1991). The reform of tax administration in these countries is a part of a complete transformation of public administration, so there are no reasons to be too optimistic about the speed of change and about expected results (Hesse, 1993).

2.1.5 Improve tax administration

In reform of tax administration the importance of tax structure is clearly reflected, because tax administration and tax structure are interconnected and they have to be improved simultaneously in the tax reforms (The World Bank, 1991).

Reaping revenues from tax rate changes (whether up or down) requires effective tax administration. Raising revenues through base expansion requires even better administration. New taxpayers must be identified and brought into the tax net and new collection techniques developed. Such changes take

time to implement. The best tax policy in the world is worth little if it cannot be implemented effectively. What can be done to a considerable extent inevitably determines what is done. One cannot assume that whatever policy designers can think up can be implemented or that any administrative problems encountered can be easily and quickly remedied. How a tax system is administered affects its yield, its incidence, and its efficiency. Administration that is Unfair and capricious may bring the tax system into disrepute and weaken the legitimacy of state actions.

Good tax administration is a difficult task even at the best of times and in the best of places (Auriol and Warlters 2005). Conditions in few developing countries match these specifications. How revenue is raised - the effect of revenue-generation effort on social capital, equity, the political fortunes of the government, and the level of economic welfare - may be more important from many perspectives than how much revenue is raised. The private costs of tax compliance as well as the public costs of tax administration must be taken into account. Assessing the relation between administrative effort and revenue outcome is by no means simple: it is important, for example to distinguish the extent to which revenue is attributable to the active intervention of the administration rather than its relatively passive role as the recipient of revenues generated by other features of the system. Improving administrative efforts and outcomes is not impossible but it is neither easy nor quick.

2.1.6 Service commitments of tax administration

The tax administration should provide impartial and professional courteous service and must keep private and confidential information regarding the individual taxpayers. It should also offer clear, understandable and current tax information and will make this information available to tax payer through various media and provide timely, accurate written information that one can rely on to questions and requests for tax information (Asian Development Bank, 2001).

Education and information programs on specific tax issues should be arranged with taxpayers to enhance their awareness and taxpayers should be allowed to voluntarily disclose their tax situation without incurring a penalty or being prosecuted for tax violations under certain conditions (Asian Development Bank, 2001).

2.1.7 Major activities in tax administration

A. Tax assessment

A tax assessor is responsible for preparing and maintaining the assessment roll, the tax roll and collecting the tax levies in accordance with the quality standards. The core service responsibilities include:

- preparing annual market value assessments for all properties
- preparing the business assessment valuations for all business premises
- maintaining accurate property information and ownership on all realty accounts
- maintaining accurate business information and ownership on all business accounts
- defending assessments before municipal and provincial assessment tribunals
- responding to inquiries and requests for information related to assessment and taxation
- producing and mailing annual assessment and tax notices to tax payers
- reporting assessment rolls and meeting annual audits

B. tax collection

It is expected that people's tax payments should be in line with their income and they are required to pay a tax in proportion to their level of income. On the other part of the tax collectors, collection of tax should be time conscious and convenient and the cost of collecting the taxes should not be high to discourage business. Alternatively, this means that the ideal tax system in developing countries should raise essential revenue without excessive government borrowing and should do so without discouraging economic activity and without deviating too much from tax system in other countries (Tanzi, 2001). The procedures undertaken by tax authority to ensure compliance are discussed as follows.

C. Identification and registration of taxpayers

Tax Identification Number (TIN) is used to identify taxpayers. Every taxpayer has a unique TIN, which he or she is supposed to use in all his or her correspondence with the tax authority, and no taxpayer should have more than one TIN. In countries like Uganda, they issue TIN free of charge upon the taxpayer completing a TIN application form (Kangave, 2005).

D. Filing returns

Taxpayers are required to file returns within specified months of the end of their tax accounting year. The return should be filed in quadruplicate and should contain all the particulars of the taxpayer. All documents respecting taxation should be presented to the tax authority office where the taxpayer has their file.

E. Returns processing

Upon receiving a taxpayer's return, the tax authority officers examine the accuracy of the return by determining whether the return is properly completed, whether tax has been properly computed, and

whether there are any penalty payments to be made by the taxpayer. The officer then allocates an assessment number to the return and issues the taxpayer with a Bank Payment Advice Form, stating the tax payable.

F. Payment of taxes

Taxes are due on the due date of the submission of the self-assessment returns. Tax should be paid to an authorized bank, using the Bank Payment Advice Form.

G. Audit and examination

The role of tax audits and examinations is to check the accuracy of the information that taxpayers provide to tax authorities. The audits range from simple field and desk audits to comprehensive audits. The paragraphs that follow give a detailed discussion on the criteria that the Canada Customs and Revenue Agency (CCRA) uses in selecting returns for audit. The criteria are laid out in Information Circular IC 71-14R3, dated 18 June 1984.

2.2. DEFINATION OF TAX COMPLIANCE

Tax compliance has been defined in various authors. For example, (Kircher, 2007) stated that compliance might be voluntary or enforced compliance. Voluntary compliance is made possible by the trust and cooperation between tax authority and taxpayer and it is the willingness of the taxpayer on his own to comply with tax authority's directives and regulations. However, in the presence of distrust and lack of cooperation between authority and taxpayer, which creates tax hostile climate, authorities can enforce compliance through the threat and application of audit and fine. (Alm J. B., 1992) defined tax compliance as the reporting of all incomes and payment of all taxes by fulfilling the provisions of laws, regulations and court judgments.

Tax compliance is multi-faceted measure. The organization for economic cooperation and development (2001) advocates that ''compliance'' is divided into categories, considering the definition of tax compliance. These categories are administrative compliance and technical compliance. Administrative compliance refers to complying with administrative rules of lodging and paying, otherwise referred to as reporting compliance, procedural compliance or regulatory compliance and the latter refers to complying with technical requirements of the tax laws in calculating taxes or provisions of the tax laws in paying the share of the tax.

If taxpayers 'comply' only because of dire threats or harassment or both, this would not appear to be proper compliance even if 100 % of the tax were raised in line with the 'tax gap' concept of

noncompliance. Instead, it might be argued that successful tax administration requires taxpayers to comply willingly, without the need for enquiries, obtrusive investigations, reminders or the threat or application of legal or administrative sanctions.

Therefore, a more appropriate definition of compliance might therefore be: the willingness of individuals and other taxable entities to act in accordance within the spirit as well as the letter of tax law and administration without having to wait for follow-up actions from the authority enforcement activity (Singh, 2003). Similarly, according to (Franzoni, 2000), tax compliance is taxpayers' willingness to comply with tax laws, declare the correct income, claim the correct deductions and exemptions, and pay all taxes on time. Any behavior by the taxpayer contrary to the above constitutes noncompliance.

2.3. Tax non compliance

2.3.1. Tax avoidance

Tax evasion and avoidance are a worldwide phenomenon. The problem is especially acute in transition and developing economies, since they do not have an appropriate infrastructure in place to collect taxes (McGee and Tyler, 2006:1). Tax avoidance is the legal arrangement of the taxpayer's affairs in order to minimize the tax liability, whereas tax evasion is illegal. Sometimes, however, the borderline between avoidance and evasion can become blurred, a fact that is evidenced by the huge body of anti-avoidance legislation and the development of case law in this area (Nightingale, 2003:44).

2.3.2. Tax evasion

Tax evasion involves the intentional disregard of the legislation in order to escape the liability to tax. Tax evasion may be achieved by understating income, overstating expenses, making false claims for allowances or failing to disclose a chargeability tax. Because of its illegal nature, there is little hard evidence as to measure the true extent of tax evasion. Whatever the actual level of evasion, it is likely to be more prevalent when the tax system is perceived to be unfair or levied at confiscatory rates (Nightingale, 2003:44). Tax evasion is illegal and the offender may be liable to prosecution, however, the authorities will usually only resort to criminal prosecution where the case involves substantial amount of lost revenue, many minor cases of tax evasion that are discovered by the revenue are generally steeled out of court.

2.4. DETERMINANTS OF TAX COMPLIANCE

Any strategy to prevent tax evasion should begin with a theory of why people cheat on their taxes. Revenue Institutions and a variety of academic disciplines suggest that there are two main approaches to understand tax compliance issues. One is to analyze compliance in terms of economic decisions based on the likely economic incentives and costs of complying or not (economic approach). The second one is to analyze compliance in terms of psychological upshot (behavioral approach).

The basic theoretical model applied in the economic approach is built on the work of (GS, 1968) who analyzed criminal behavior using an economic framework known as the economics of crime model. (Allingham, 1972) first employed this model in the context of tax compliance study. The model is based on an expected utility theory and a deterrence theory. The expected utility theory views taxpayers as perfectly amoral utility maximizes, who choose to evade taxes whenever the expected gain exceeds the cost of evasion. The deterrence theory is concerned with the effects of sanctions and sanction threats where an increase in the severity of penalties and the certainty of their imposition will discourage undesirable behavior (Allingham, 1972). Their theoretical analysis suggested that punishment and/or sanctions determined taxpayer compliance behavior and that an increase in the penalty rate and a greater probability of detection would result in lower non-compliance.

In contrast, the behavioral approach assumes that individuals are not simply independent, selfish, utility maximizes but that they interact according to differing attitudes, beliefs, norms and roles (Elffers H, 1992). The behavioral perspective incorporates sociological and psychological factors, such as age, gender, ethnicity, education, culture, institutional influence, peer influence, ethics and tax morale, as factors that may affect taxpayer compliance behavior. This model is significant as it predicts that demographic variables indirectly influence tax compliance behavior through their effects on non-compliance opportunities and attitudes.

In general, assessing these two theories help to know why people comply with the tax law from which an interested tax administration could deduce a comprehensive compliance strategy. In other words, the determinant factors of tax compliance behavior emanate from these theories in one way or the other so that the theories always serve as a baseline in understanding tax compliance behavior.

2.4.1 Knowledge requirements

In order to pay appropriate taxes business owners must be knowledgeable about the different compliance measures and requirements. Taxation knowledge is a specific part of the general human potential of entrepreneurs, which increases the chances of business success (Haber and Reichel, 2007).

The extent of non-compliance arising from knowledge deficits because of the complexity of reporting and returning requirements might be substantial: in the UK, for example, VAT non-compliance mostly results from errors that do not stem from evasion intent [only 3 per cent are attributed to tax-evasion (Webley, 2004)]. Similarly, differential taxation, that is, the need to apply differential taxation rules depending on the amount of income or the characteristics of the taxpayer, is an important explanation for non-compliance among small business owners (Joulfaian and Rider, 1998): excluding source misreporting (that is, looking at the overall reported income independent of the reported source) decreases non-compliance rates substantially.

Note that although an increase in opportunity will often be accompanied by increased knowledge requirements, this is not necessarily the case. For example, if the proportion of differentially taxable incomes changes, evading opportunities may be affected while knowledge requirements remain constant.

Navigating through the legal and procedural issues related to taxation is often taxing in itself. In many countries several (sometimes complicated) forms need to be completed, and detailed records need to be kept. In this case Substantial knowledge about the procedural aspects of tax laws is required. This is particularly challenging since tax laws tend to be changed frequently (Chittenden et al., 2003) and to be more complex and ambiguous than laws in general (Carnes and Cuccia, 1996).

Business owner-managers often deal with (perceived) knowledge deficiencies by seeking the help of tax practitioners; they tend to handle part of the taxpaying process themselves and will, at least, have to keep the necessary records. Acquiring taxation knowledge is costly in terms of time (e.g. to become informed, to keep the records, to fill out the forms) and money (e.g. tax literature, tax practitioners). Across jurisdictions, Although there has been a trend towards simplification of tax laws and, more importantly, tax administration procedures compliance costs tend to remain high and a sufficient level of knowledge necessary to ensure procedural compliance is more difficult to reach for small than for large businesses (Gaetan, 2008). Also, tax practitioners acknowledge that the complexity of taxation is making compliance especially difficult to achieve for many businesses owners (Berkery and Knell, 1992). It can be assumed that, sometimes, business taxpayers are not even sure about whether they are fully compliant or not.

Although these cumulative findings are contradictory at first sight, a closer inspection indicates that the type of knowledge matters; both general knowledge in terms of education as well as tax-specific knowledge influences the ability and willingness to comply or evade. Tax-specific knowledge tends to

lead to an increase in compliance; presumably because to learn about taxes also means to learn about their necessity in society or because this specific knowledge is a greater deterrent.

2.4.2. Perceived equity or fairness of tax

(Kircher, 2007), claimed that "reducing tax rates is not the only policy that has the potential to discourage tax evasion but the tax rate is an important factor in determining tax compliance behavior although the exact impact is still unclear and debatable (Clotfelter, 1983) and (Slemrod J. , 1985), also found that the marginal tax rate has a significant effect on underreporting. In a previous attempt by (Allingham, 1972) to find a relationship between actual income, tax rates, penalty and investigation and tax evasion using the statistical modeling, they concluded that taxpayers may choose either to fully report income or report less, regardless of tax rates. Tax rates appeared to be insignificant in determining tax evasion.

In contrast with (Allingham, 1972), various studies found that raising marginal tax rates will be likely to encourage taxpayers to evade tax more (Torgler, 2007) while lowering tax rates does not necessarily increase tax compliance (Kircher, 2007). This uncertainty and conflicting issue for example reducing tax rate to increase compliance has attracted the attention of tax researchers aiming to come up with more certain and concrete evidence of the impact of tax rates on evasion. Laboratory experiments with varying tax rates frequently found that tax rate increases leading to higher tax evasion (Alm J. G., 1992). Other economic models of rational compliance decisions however, perceived that tax rates have a mixed impact on tax compliance or predict that increasing tax rates will increase compliance behavior (Kirchler, 2008).

Since the impact of tax rates was debatable (positive, negative or no impact on evasion), (Kirchler, 2008) and (McKerchar, 2009) suggested that the degree of trust between taxpayers and the government has a major role in ascertaining the impact of tax rates on compliance. When trust is low, a high tax rate could be perceived as an unfair treatment of taxpayers and when trust is high, the same level of tax rate could be interpreted as contribution to the community, which in turn again profits each individual

Equity or fairness can be perceived via two dimensional views –horizontal equity (people with the same income or wealth brackets should pay the same amount of taxes) and vertical equity (taxes paid increase with the amount of the tax base). The driving principle behind vertical equity is the notion that those who are more able to pay taxes should contribute more than those who are not. (Wenzel, 2003), suggested three areas of fairness from the taxpayers' point of view (social psychology): namely

distributive justice which refers to the exchange of resources, i.e. benefit and cost; procedural justice which refers to the process of resource distribution; and retributive justice which refers to the appropriateness of sanctions when norm-breaking, occurs.

Tax evasion increases when taxpayers perceive fiscal inequity (equity) because they feel to be victimized by an imbalance of income redistributions. The perceived fairness of the tax system also has an influence on the inclination towards tax evasion (Richardson, 2008).

2.4.3 Tax complexity

The main feature of self assessment system is self-completed tax returns which require at least a reasonable level of simplicity because taxpayers come from various backgrounds, with differing levels of education, income and most importantly levels of tax knowledge. Complexity may result in unintentional non-compliance if taxpayers have problems with filling the tax form. In addition, complexity can reduce the moral costs of evading taxes. Such noncompliance differs from other crimes, because it can be argued that the errors occurred unintentionally due to misrepresentation of the rules. (Adams, 1921), state that one of the factors that contribute to the dishonesty of the taxpayers is complexity of the tax system. A tax system that is complex and poorly understood by both tax administrators and taxpayers creates numerous opportunities for corrupt behavior (Anna, 2008).

Complexity inevitably puts compliance at risk as some proportion of taxpayers will not fully understand their obligations and make errors while others may simply ignore what is expected of them. In addition, the possibilities to avoid or evade taxes normally also increase with the complexity of the tax system which may encourage taxpayers to spend even more resources on reducing their tax bill and which increase the amount of resources needed in the tax administration to prevent and detect tax fraud. (Krause, 2000), state that when rules are complex, compliance and enforcement will be imperfect. It imposes costs on the taxpayers and the tax administration and undermines the effectiveness of the tax policies. In helping taxpayers to complete the tax returns accurately, the tax authority should have come up with a simple, but sufficient, tax return. The information required in the return must be at minimum level and be readily available from taxpayers' business and personal records.

(Silvani, 1997) discuss the importance of the tax authority having a simple tax return and system from the taxpayers' point of view. Although the word 'simple' carries multiple interpretations, at least the majority of taxpayers require that the tax return should be as simple as possible. The tax authority may

assume its tax return is simple and easy to complete but it may not be from the taxpayers' point of view. Therefore, it is good practice, before the final version is delivered to taxpayers, to ensure that 'pilot' tests have taken place first so that the tax return is really as simple and easy as it can be. In addition, (Silvani, 1997) added that simplifying the tax return will encourage taxpayers to complete the tax return on their own rather than employing a tax agent and thus reducing compliance costs. From another point of view, previous studies have evidenced that complexity of reporting requirements has a high association with errors detected by audits (Long, 1987). This finding (by Long) of course is perhaps to be logically expected by tax authorities. If many errors are detected in tax returns and the same errors happen every year by different taxpayers, it means that the wordings or the sentences of the format in tax return may be at least partly to blame.

2.4.4 Services of ERCA to taxpayers

Services to taxpayers include taxpayer registration, customer service, tax collection, taxpayer education on tax laws, providing tax related information, tax appeals and claims resolution, etc. Tax authorities need to provide timely and quality services to taxpayers by helping the taxpayers understand the tax laws and meet their tax responsibilities (IRS, 2010). By doing these, the tax authority can help the taxpayers to understand the tax laws, determine & report their tax liabilities and pay conveniently. These also can reduce the administrative costs of the tax authority and the compliance costs borne by taxpayers. The tax authority should also offer clear, understandable, and current tax information and make this information available to the taxpayers through various media and in written forms that one can rely on to questions and requests for tax information (Asian Development Bank, 2001). According to Internal Revenue Service (IRS) of America, performance in tax administration can be measured using the following variables:

Behavioral outcomes: behavioral outcome measures evaluate taxpayer transactions with the tax administration to determine how effectively the tax administration is influencing taxpayers' behaviors, such as using web site, filling and paying electronically and generally fulfilling their tax obligations by meeting deadlines etc.

Quality measures: quality measures evaluate key characteristics of taxpayers' products and services, such as completeness, timeliness, consistency, and accuracy. Quality improvements can decrease the burden associated with erroneous information, and increase the public trust and confidence in the tax administration. Therefore, taxpayers should receive accurate information when asking tax related

questions and when they seek and clarification on the tax laws and procedures and should be able to receive accurate responses from the tax officers.

Timeliness measures: used to evaluate how quickly tax authority services to the taxpayers can be delivered. The timely execution of activities by the tax authority can help taxpayers avoid unnecessary burdens resulting from long wait times (such as fees, penalties, and opportunity costs due to delayed services).

In summary, tax officers should assist taxpayers in an efficient, courteous and considerable manner. Tax offices should also be made as accessible and comfortable (such as parking areas and waiting seat for taxpayers, etc.) as possible. According to the report (united nations, 2000), taxpayer assistance can do much to enhance the image of the tax administration and promote voluntary compliance of taxpayers. The staff at the tax authority offices can help small taxpayers to complete their returns either in person or by telephone, but should encourage the taxpayers to do themselves, so that they would be able to complete the tax returns unaided on subsequent periods.

2.4.5 Strength of tax administration

The role of the tax authority in minimizing the tax gap and increasing voluntary compliance is clearly very important. (Hasseldine J. a., 1999) illustrated this, placing the government and the tax authority as the main party that need to be continuously efficient in administering the tax system in order to minimize tax evasion. The government plays a central role through designing the tax systems itself, and the specific enforcement and collection mechanisms.

Furthermore, (Roth, 1989) suggested that in order to increase compliance, maximize tax revenue and be respected by taxpayers, a government must first have an economical tax system, which is practicable; they must discourage tax evasion and not induce dishonesty; they must avoid the tendency to dry up the source of the tax and should avoid provoking conflict and raising political difficulties; they should also have a good relationship with the international tax regime. Tax administration refers to the identification of tax liability based on the existing tax law, the assessment of this liability, and the collection, prosecution and penalties imposed on recalcitrant taxpayers. Tax administration, therefore, covers a wide area of study, encompassing aspects such as registration of taxpayers, assessments, returns processing, collection, and audits (Kangave, 2005).

The efficiency of a tax system is not determined only by appropriate legal regulation but also by the efficiency and integrity of the tax administration. In many countries, especially in developing

countries, small amounts of collected public revenue can be explained by either incapability of the tax administration in realization of its duty, or with some degree of corruption. Regardless of how carefully tax laws have been made, they could not eliminate conflict between tax administration and tax payers. Tax administration with a skilled and responsible staff is almost the most important precondition for realization of "tax potential" of the state. It is generally known that tax laws and tax policy are as good as good is the tax administration (Kaldor, 1980).

2.5 Empirical literature review

Fairness is one factor that can affect tax compliance. An unfair tax system could enhance the incentives to rationalize cheating. A number of survey research studies have reported positive correlations between perceptions of fiscal inequity and tax evasion (Spicer M. W., 1974). Lack of equity in an exchange relationship creates a sense of distress, especially for the victim. (Homes, 1961), argued that disadvantage is followed by anger, advantage by guilt. Tax evasion may be seen as a reaction to restore equity.

(Spicer M. W., 1980), in experimental research found that the amount of tax evaded increases when people are told that their tax burden is higher than that of the rest of the group. Nevertheless, there is no agreement regarding the empirical evidence on fairness. (Webley, 1991), found that there is no relation between perceived inequalities and compliance of the taxpayer. (Bordignon, 1993), introduced fairness as an additional motivation to the evasion decision. He rationalizes ethical norms by making them dependent on the tax structure, the supply of public goods, and the perceived behavior of other taxpayers, The taxpayer's perception about the fairness of the system determines willingness to pay taxes; the more the tax burden and the provision of public goods differ from an individual's moral idea, the less willing will he be to pay his taxes.

Serra (2000) in survey of measuring the performance of Chile's tax administration to develop an effectiveness indicator found that the high responsiveness of tax compliance to the tax base could be explained by the existence of scale economies in tax enforcement, taxpayers higher willingness to pay taxes in a fast growing economy, and changes in the tax structure. Procedures of tax have been simplified and the average time per procedure was 27.8 minutes, the number of frivolous penalty assessments by tax auditors has also been cut back. The study also shows that taxpayers completed their procedure in a single visit tax administration

Fjeldstad (2004) conducted the survey on citizens' views on taxation in local authorities of Tanzania, covering 210 households in 6 case councils. The researcher explored a variety of tax related issues such as taxation and tax evasion, compliance motivations, service delivery, tax collection problems as well as possible solutions to improve revenue collection. The result of the survey found that taxpayers would be willing to pay more taxes if public services were improved. However, taxpayers' unwillingness to pay is not perceived to be the main problem in revenue collection. According to the survey data, poor public services to be the most important explanatory factor behind poor tax compliance. Fjeldstad (2001) cited in this survey, argues that coercive tax collection has important consequences for citizens' rights and for the democratization process. If taxpayers' rights are unclear for both taxpayers and tax authorities, tax compliance and accountability will be affected.

Kangave (2005) discussed tax administration in Uganda's context. It then discussed Uganda's tax structure, the problems faced in administering taxes, and it gave possible solutions to the problems the author identified in his research. The author, in his research, identified corruption, tax evasion, and inadequate resources for tax administration poor quality of audits and inadequate support for tax administration as problems or challenges of tax administration that have weakened the ability to achieve desired revenue targets. The author did not purport to address all of the problems. Neither does it set out to address in detail the causes of these problems. Instead, it points out the problems.

To extend the studies on tax knowledge and fairness perceptions, researchers have investigated possible ways to improve tax knowledge among taxpayers, and consequently their fairness perceptions. For instance, White et al. (1990), in their experimental study on tax students, suggested that a formal class in taxation would enhance their knowledge about the law and appreciation of fiscal policy goals, thus increasing perceived fairness. This study is supported by Wartick (1994), who claimed that exposure of information during a tax law change will improve taxpayers" knowledge, and subsequently mitigate their perceptions that the tax system is unfair.

Dr.Wollela (2009), Despite the concentration of most of the prior tax compliance literature on direct taxes (mainly income tax) neglecting indirect taxes, it was noted that VAT noncompliance appeared to be prevalent, especially in developing countries. VAT noncompliance could take various forms including not registering for VAT, registering but not levying VAT (partially or wholly) on sales, levying VAT on sales but not reporting (partially or wholly), claiming credit on purchases more than the input tax paid, not claiming input VAT credits and not maintaining proper books and supporting

documents. The prevalence of these forms of VAT noncompliance could be because of any of the determinants of tax noncompliance; and the level of VAT compliance costs was shown to be one of the factors potentially affecting VAT compliance decision of taxpayers.

Asmamaw g/silasie(2011),It may be considered as the implemented tax collection and assessment system is not successful. That is, there exist inefficient and insufficient number of tax assessment and collection officers in the Yeka sub city Finance and Economic Development Bureau. Furthermore, there are corrupted tax officers in the sub city. According to his study Training is considered an overhead activity, which does not justify much attention or resources. There are few or no training professionals on staff. The emphasis of staff training is on teaching the contents of tax laws as opposed to applying the laws. Little or no attention is paid to skills, techniques, procedures, customer relations, or managerial training. The tax office does not offer sustainable training to create tax awareness by taxpayers. Based on the survey results, the study found that there exit lack of tax knowledge by tax payers. Most of them do not know the rules and regulations of different types of taxes they pay. Due to this, negligence, delay in tax payment and evasion are taken by taxpayers as solution to escape from payment of taxes. In addition, the newly implemented system of using cash register machine is causing challenges to the tax payers. Power failure is the major problem mentioned that caused this problem. Besides, taxpayers do not record their book timely and do not submit their book of records timely for assessment. Furthermore, taxpayers do not pay their taxes on time due to negligence and the prevalence of unfair competition has led to less voluntary compliance.

Bisrat alemayehu, (2011), concerning the tax burden the authority needs to broaden its tax base and bring all who are expected to registered for VAT into the tax nets. Regarding fairness of the penalty, it is important to agree with the society and take sufficient time before a new tax and procedure is implemented. About government spending of the VAT money, it is also important to make taxpayers fell the money they pay is for their own benefit. This can be achieved both by spending the tax money for the society interest and by making government spending more transparent. The final one in this regard is incidence of VAT fraud. In this respect, taxpayers should be confident, as there is no VAT fraud in their area of business. Not only this, it is also important to build taxpayers assurance as to, no body evade the tax system. Here comes the implementation of proper tax administration including use of proper punishment. That is a punishment, which will not create a fear on those innocent and complying taxpayers, but strong enough to force the noncompliance to voluntary obey. The third major factor studied was degree of satisfaction with the service of the tax authority. If taxpayers are

dissatisfied with the tax authority, they will motivate to avoid taxation, In order to increase taxpayer's compliance the authority required to treat them as a king. There are a number of mechanisms to materialize this, For instance, concerning VAT report and payment, taxpayer's service can be enhanced by the introduction of online reporting and through the bank payment mechanisms. In addition, provision of prompt replay for VAT refund request is also important. In short, the authority needs to modernize its activities to the extent possible.

Wubeshet aborat, (2011), The absence of adequate training, follow up, education and limited knowledge on their respective business profit tax systems intern resulted difference in the perception of taxpayers towards income tax system and the government ought to obtain the intended revenue from the taxpayers. Further more awareness is a corner stone as far as voluntary compliance is concerned. As the finding shows, lack of awareness was cited as the major and leading reason for tax non compliance. According to the study:

- ✓ there is no administration consistency in respect of the provisions of business profit tax system. This negates the principles of administrative fairness across business profit taxpayers.
- ✓ There is an overlap in the actual practice and the stated principles in respect of vertical fairness; those business profit taxpayers who make high-income would not be taxed in association with progressive tax structure.
- ✓ In respect of tax estimation most of the time experts from the tax authority levy tax burdens at the spot without considering the capacity of individual taxpayers (levy beyond the actual capacity of taxpayers), this contradict the concepts of personal fairness.

Zelalem birhan (2010), Greater parts of respondents before attending the tax course were unaware of the responsibilities and rights as tax payers, they had weak knowledge about the types of income included and excluded in/ from taxable income and categorization of tax payers and they were not also well informed of the different offences and their penalties & compounds. Therefore, the experiment respondents had very weak knowledge about tax before the treatment is provided to them.The tax compliance attitude of those respondents who didn't attend tax course is negative. The majority of such respondents show their attitude not to comply with the tax laws because of lack of awareness on the importance of paying the write amount of tax on countries

development and the penalties that can be imposed for not complying with the tax laws of the country. Hence, tax non compliance attitude is associated with lack of tax knowledge.

Yohannes girma (2013), in his study major tax administration problems faced by tax payers are;

- Deliberate and unjustifiable rejection of expenditure receipts
- Over taxation because of over estimation of daily/annual income
- Non transparent, non-participatory standard assessment by the authority
- Poor tax laws enforcement especially for vat and large number of tax defaulters
- Poor communication and understanding between the tax authority and tax payers
- Weakness in tax collection and unsatisfactory service delivery of tax authority

2.6 Conclusion and knowledge gap

This chapter describes the relevant literature under three major sections. In the first section the theoretical aspect related to the study was discussed under two sub-sections. The first sub-section of this section mainly focused on tax administration activities such as efficiency of tax administration, procedure of tax collection, service commitment of tax administration. In all these discussion, it may relevant to summarize that ineffective, inefficient or insufficient administrative or compliance procedures affect maximum collection of tax properly due and consequently raise the risk of increasing the tax burden for all taxpayers. Hence, there is need to evolve new methods and strategies to promote greater taxpayer compliance by placing adequate emphasis on taxpayer education, information and assistance. On the other hand, the second sub-section of first section presents the five broad factors that influence taxpayers behavior such as deterrence; norms (both personal and social); fairness and trust (in the tax administration); opportunity and complexity; and the role of government and the broader economic environment.

The second section of this chapter discussed the considerable empirical evidence related to the study. For example, Serra (2000), Fjeldstad (2004), Oberhlzer (2007,2008), Barone and Mocetti (2009), Lumumba et al (2010), Skikhaliyev (2011), James et al (2011), Kawano (2012) Dr.Wollela (2009) , Asmamaw g/silasie(2011) , Bisrat alemayehu(2011) ,Wubeshet aborat, (2011) Zelalem birhan ,(2010) Yohannes girma (2013) . All empirical evidences show that stated tax administration problems had adverse effect on tax collection, tax compliance, and tax burden on few tax payers and consequence of citizen's right.

The first six month reports of Ethiopian revenue and customs authority merkato no. branch office in 2008 E.C shows ,there were many individuals out of the tax system and non compliant for different tax obligations.

Table 2.6.1 **Compliance report of ERCA, merkato no.2 branch office**

No.	Activities performed by the branch office	quantity	Indicator of the activities
1	Rejection and modification of financial statements	2304	After self assessment
2	Appeal	1398	Different assessments
3	Penalized because of not issuing sales invoice	598	Non compliant
4	Registered tax payers for vat by branch office	341	Non compliant
5	Forced to print invoice	856	Non compliant
6	Forced to register for trade license	491	Non compliant
7	Profit tax Non complaints of 2007 E.C	2489	Non compliant

The report data shows that, (there may be involvement in multiple case by one individual) there were 6,173 non compliant cases. Many individuals were out of tax system, without trade license, without printed sales invoice, unregisters for vat and non complaints for issuing sales invoice. In the other hand many taxpayers (2304) paid their tax by daily estimation and modification of statements, because of this the numbers of taxpayers in appeal are greater than other Ethiopian revenue and customs authority branches (ERCA appeal report).

The above report data indicates; there are serious tax compliance problems in merkato and to the researcher knowledge majority of studies concern on social and behavioral determinants of compliance behavior which incorporates age, income level, gender, perception to government spending and fairness of the tax system. However, majority studies didn't focus properly how tax payer's compliance behavior will affect by tax administration problems. Tax compliance is a complex issue and it may be affected by different variables, but, the roll of tax administration outcomes (fairness, tax complexity, tax payer's knowledge and service of the authority) should be assessed. According to Arturo Jacobs, The main responsibilities of the tax authorities are:

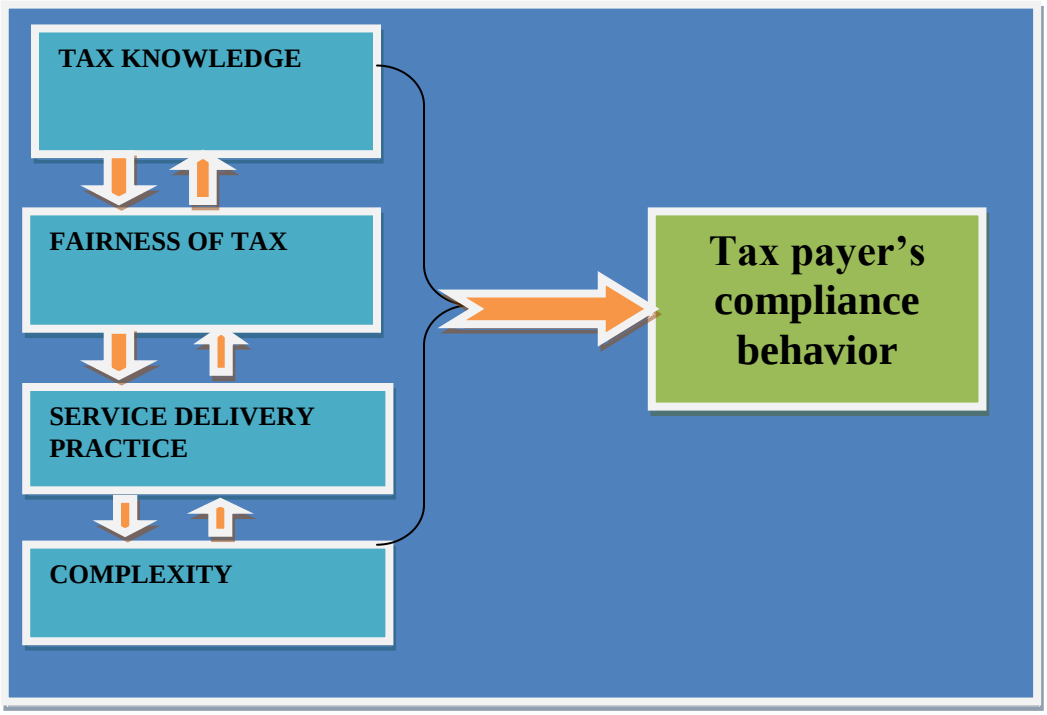
- Facilitate and encourage voluntary compliance by taxpayers with the country's tax laws;
- Administer the tax laws fairly and impartially;
- Minimize the cost and burden on taxpayers to comply with their tax obligations;
- Monitor compliance;
- Enforce the country's tax laws in cases of non-compliance;
- Use its resources efficiently and effectively; and
- Ensure tax officials perform their functions with integrity and honesty

So, there is knowledge gap on the roll of administrative outcomes on compliance behavior of tax payer's in addis abeba, merkato.

2.7 CONCEPTUAL FRAMEWORK

This study assumes that the factors under discussion have a direct influence on tax compliance among tax payers in merkato. The relationship between the dependent and the independent variables is illustrated in the conceptual framework presented in figure.

Figure 2.7.1: Conceptual framework



CHAPTER THREE
RESEARCH METHODOLOGY

3.1 RESEARCH DESIGN

The research design is the plan in implicit or explicit form needed to conduct a research study (Yin 2003; Zikmund et al. 2010) and doing so in a valid, objective, accurate and economical way (Kumar 2005). It connects the research problem to the concluding notions of the research and thus gives the framework for how the study will be carried out (Yin 2003). There are several types of research designs (Yin 2003; Zikmund et al. 2010; Bryman & Bell 2011) however the common categorizations of research design within business research are Exploratory design, Descriptive design and Causal design (Zikmund et al. 2010) and this is the categorization used here.

Exploratory research design is argued to be a design used at early stages of research in order to further clarify the research problem and determine the direction of the research (Zikmund et al. 2010). This research design can be used to create a foundation on which following research can build upon and in addition, it can help clarify uncertain situations and identify potential business opportunities. (Zikmund et al. 2010)

Causal research design is used when the researcher want to gain knowledge to what causes variable(s) to alter (Zikmund et al. 2010), thus this design explains the cause-and-effect relationship between variables. However, the implementation of causal research requires the researcher to have great control over the variables in order to establish causal relationships. Further, this design is implemented when the researcher have enough knowledge about a phenomena to make predictions about the results when altering the variables. Casual design, much like exploratory design is often complicated and requires a lot of time and resources during implementation (Zikmund et al. 2010).

Descriptive research design is used to describe the objects being studied (Zikmund et al.2010). This research design is applicable when questions regarding, for example, customer, market, or competitor traits are to be answered. Hence descriptive research is said to answer the who, when, what, where and how questions in order to describe a situation (Zikmund et al.2010). Two types of descriptive design were considered, cross-sectional and longitudinal. Cross-sectional is a design where the researcher collects data from multiple cases at a single point in time. This design is used to see the relationship between different variables (at least two) and the data collected is examined in order for the researcher to distinguish relevant patterns to be reported. This design is furthermore

characterized by the collection of empirical data on all variables being conducted at the same time. The examination of data shows potential relations of variables and patterns, but is also limited to this, leading to a major weakness of this research design as it leaves no room for causal inferences (Bryman & Bell2011). Longitudinal design is used mainly to depict change in variables over a (long) period of time. This design requires the researcher to make observations on at least two occasions in order to make inferences about the change of variables over time. The use of longitudinal design requires high costs regarding time and resources as the study duration is long. (Bryman & Bell 2011)

When determining the appropriate research design for this study, the characteristics of each of the three designs were evaluated in order to find the best fit for the study in regard to the relevance, usefulness of the results and resource and time consumption. In this study, the research problem and direction had been determined, therefore exploratory research is excluded. To be able to implement a causal study, the independent variables needed to be controlled, as this is not possible under the circumstances of the research, a causal design is excluded. The study aimed to describe the roll of tax administration problems on tax payers compliance behavior, this describing nature of the research aim in addition to The fact that the particular area of research is sufficiently narrow to argue for a descriptive design (Zikmund et al. 2010) formed the basis for the choice of descriptive research was being the most appropriate design for this study in order to solve the research problem.

3.2 **Data sources**

There are two types of sources from which data can be derived; these are known as primary data and secondary data (Zikmund et al. 2010). Primary data are those collected specifically for the research project at hand. This type of data source is advantageous as it gives the researcher up-to-date, tailor-made specific information that is relevant for the study. However, the use of primary data is very costly regarding time and resources and there is a risk of non- response during the study. However, as the information is collected first hand, the relevance and quality of the data in relation to the project at hand is high.

Secondary data is data collected by others prior to, and for other purposes than the study at hand. Secondary data is advantageous in the sense that it is less costly to collect in regard to time and resources (Zikmund et al. 2010). This type of data is not used primarily to solve specific research problems but rather to support and give relevance to the study (Zikmund et al. 2010). With this in

mind researchers should be cautious when using secondary data as it may not always be relevant for the study (Zikmund et al. 2010).

The research aim could not be pursued using only secondary data and thus primary data had to be collected that provided more specific and relevant data, in this case primary data was used to help solving the research problem.

3.3 **Data collection methods**

Categorization of quantitative data collection methods can be made into three types concerning primary data which are considered for this research, namely experiments (Creswell 2009), structured observations and surveys (Saunders et al. 2003). Survey research can additionally be divided into interviews and questionnaires.

As an experimental method requires control over at least one variable (Creswell 2009; Zikmund et al. 2010), this method was not applicable for the current study due to the nature of the study as it was not possible to alter variables.

Several types of observations exist (Zikmund 2010; Bryman & Bell 2011), the structured observation method, where behavior of participants or objects is observed and recorded from for a specified amount of time and from an observation schedule, was deemed the most appropriate as its outcomes are closest connected to quantitative research (Bryman & Bell2011). However, this method is argued to have innate issues of reliability and validity (Bryman & Bell 2011) and the nature of the aim of the current study and the considerable time this data collection method would require to amount to adequate levels of data, structured observations were not deemed applicable due to time and resource constraints.

Survey research will provide the researcher with results of behavior, beliefs, values, norms (Zikmund 2010; Bryman & Bell 2011), as well as attitudes, opinions and trends (Bryman & Bell 2011). Structured and semi structured questionnaires can more easily distributed in larger amounts and that a higher number of respondents are preferable to generalize results, so this study used structured questionnaires for data collection.

3.4 Population and sampling techniques

This study conducted on merkato no.2 branch office category A tax payers, because of similarity of merkato area business environment and availability of small number of category b and c tax payers

,it's possible to generalize the findings from category A tax payers population size of 6806 , Which was listed on ERCA merkato number 2 branch offices.

3.5 SAMPLE SIZE

Determination of economical sample size is a major challenge for a researcher in conducting a survey (Bordens and Abbott 2005). There is no a standard rule for the determination of sample size. Both large and small sample sizes have their own limitations. Too large a sample might become unwieldy and too small a sample might be unrepresentative. What matters in the determination of sample size is representativeness of the sample to a population. Therefore, the correct sample size depends on the purpose of the study and the nature of the population under scrutiny. (Cohen et al. 2000). Thus in total 120 tax payers was selected by using simple random sampling technique from three tax centers (abdo berenda , adarash and yirga haile) by doing so each individual (respondents) has an equal probability of being selected and the sample can be generalized to the larger population and they have experienced the central phenomenon.

3.6 SAMPLING DESIGN AND PROCEDURE

The researcher used simple random sampling from the complete list of 6,806 business enterprises. Simple random sampling approach was used during the study because of its advantages like minimization of bias results. This implies that all participants in the three tax center population had equal chance of being selected.

3.7 DATA PROCESSING AND ANALYSIS

Descriptive statistics allows the researcher to summarize and arrange numerical data so that it becomes more comprehensible (Saunders et al. 2003; Zikmund et al. 2010). The distribution of data can be visualized in tables, charts, diagrams, graphs and other means for presenting the data. According to Saunders (et al. 2003) there are two main uses of descriptive statistics, the central tendency and the dispersion. Central tendency is commonly measured in three different ways: Median, Mode and Mean (Saunders et al. 2003). The Median points out the middle value after the data have been arranged in ascending order. This way of calculating the central tendency of data set is advantageous since it is not affected by extreme values, also called outliers (Saunders et al. 2003). The mode displays the most frequently occurring value and the mean calculates an average of the

values.

To generalize from average value of variable, this study used the mean descriptive analysis, as well as, frequency and percentage were used to analyze the data.

3.7.1 Correlation analysis

Within business research, it is argued to be important to be able to describe relationships between variables, this as the relationship between variables can help to make informed managerial decisions (Zikmund et al. 2010). For this study, the relationship between tax administration problem out comes (low knowledge of tax, fairness, tax complexity and service delivery problems) and compliance behavior was assessed though correlation analysis.

Correlation analysis is used to assess relationships between variables; this is done by statistically calculating the correlation coefficient. It is argued to be an important measure of the strength of the linear relationship between variables (Ghauri & Gronhaug 2005; Zikmund 2010). Ghauri & Gronhaug (2005) argue that the correlation between variables can span between -1 and 1 where -1 means that two variables are perfectly inversely related and 1 means that two variables perfectly correlate positively. If the correlation is zero or close to zero the variables are unrelated. Important to note though is that the correlation analysis shows co variation between variables but cannot assess how they are causally related.

For this study, correlation analysis was used to describe the relationship between the independent variables and independent variable. This was statistically calculated with use of Statistical Package for Social Science (SPSS)

3.8 Reliability

Bryman & Bell (2011) gives the following definition of reliability: “the consistency of a measure of a concept” (p. 158) According to Bryman & Bell (2011) there are two main factors concerning quantitative research to consider when establishing whether a measurement instrument is reliable. The first is the stability of the measure, which entails the consistency of the measure over time. This can be assessed by conducting the questionnaire again to see if the respondents answer fairly the same way, the correlation between the two questionnaires should be high (Zikmund et al. 2010; Bryman & Bell 2011). However, due to time limit for this study this assessment was not applied. The second way of establishing the reliability of a measurement

instrument is to evaluate the internal reliability, i.e. how well questionnaire items correlates with the operational indicators of the concept they are supposed to measure. This can be assessed by calculating the Cronbach's alpha coefficient, the coefficient vary between 1 (indicating perfect internal reliability) and 0 (indicating no internal reliability).

In order for the internal reliability to be acceptable, the value of Cronbach's alpha should be 0.6 or higher (Zikmund et al. 2010). Zikmund et al. (2010) state that a coefficient alpha value between 0.6-0.7 is regarded as fair reliability, a value between 0.7-0.8 is regarded as good reliability and a value between 0.8-0.95 is regarded as very good reliability. For this thesis the lowest acceptable Chronbach alpha value accepted was 0.6 to ensure fair reliability.

To test the reliability for the items of each concept the Cronbach's alpha coefficient was calculated for each variable. The reliability for each concept was t a x k n o w l e d g e ; 0.979, tax fairness; 0.985, service delivery; 0.985, tax complexity; 0.968 and compliance behavior; 0.981. The assessed reliability for the concepts were all above the accepted level of 0.6 and five out of five concepts were also above 0.8 and therefore showed excellent level of reliability. The results of the reliability test are presented in table 3.8.1 below.

Table 3.8.1 Reliability Statistics

variable	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
Tax knowledge	.979	.983	10
fairness	.985	.986	6
Service delivery	.985	.986	6
Tax complexity	.968	.969	5
Compliance behavior	.981	.982	6
	.995	.996	36

Chapter four

Results and Discussions

This chapter presented the data analysis, presentation and interpretation of findings on the data collected from different taxpayers in Addis Ababa, merkato . The main objective of the study was to assess the roll of tax administration problems for tax payer's compliance behavior.

The study sampled 120 taxpayers in Addis Ababa City Administration merkato area. Total of 105 questionnaires data were collected from distributed, but after reliability test, because of exclusion of two questions, the researcher exclude the data collected from nine respondents. The results are based on 96 questionnaires collected from the taxpayers. The responses of taxpayers gathered through questionnaire were encoded in SPSS version 20 software. In this case, each factor collected from the respondents was given a particular code. After that descriptive analysis was made, the results are presented using percentages, mean, tables and charts. To show the relationship between independent variables (knowledge, fairness, complexity and service delivery) and dependent variable (compliance behavior), correlation analysis was made.

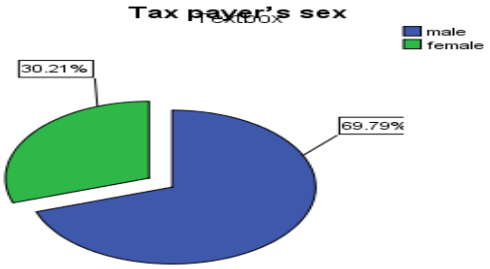
The survey was conducted by distributing questionnaire to category A tax payers in Addis Ababa, merkato. The questionnaires consisted of 33 questions; all answered on a five-point likert scale from strongly disagree to strongly agree. The instrument was given by Amharic to avoid language barriers and minimize responses bias due to misunderstanding.

4.1 Backgrounds of the respondents and their business

This section describes respondents' general information and the business such as gender, educational level and age of respondents.

The personal data of respondents such as gender, age and education levels are discussed under the following figures, figure 4.1.1, figure 4.1.2 and figure 4.1.3. Concerning the gender of respondents, figure 4.1.1 shows that 67 (69.8%) of the respondents are males and 29 of the respondents which represents 30.2% of the total respondents are females. This shows that the majority of the taxpayers in merkato are males.

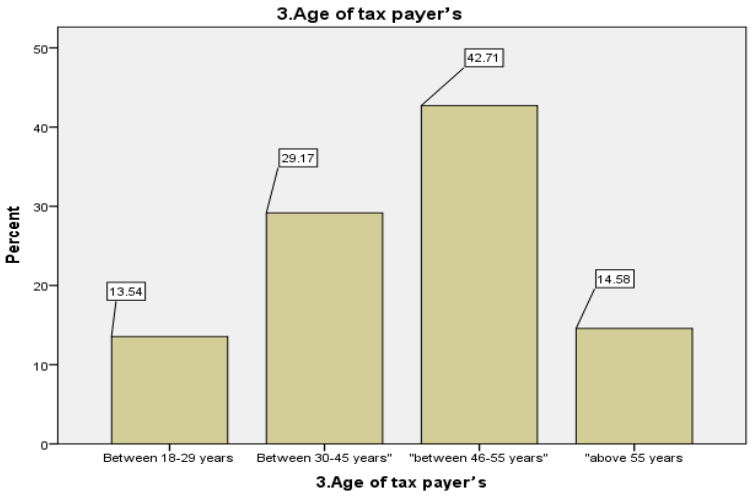
Figure 4.1.1: Gender of the respondents



Source: survey data, 2016

Figure 4.1.2 shows the age groups of the respondents. Since the study emphasized business taxpayers, a minimum age of 18 years old was considered reasonable. There were four age groups involved in this study with a 15-year range in each group except for above 51 years old and youth age group(18 - 29 , according to Ethiopian youth policy) . The largest group of the respondents, (42.71%) was aged between 46 and 55 years old and respondents in the group of between 18 and 29 years old is the lowest number with 13.54% responses.

Figure 4.1.2: Age group of the respondents



Source: survey data, 2016

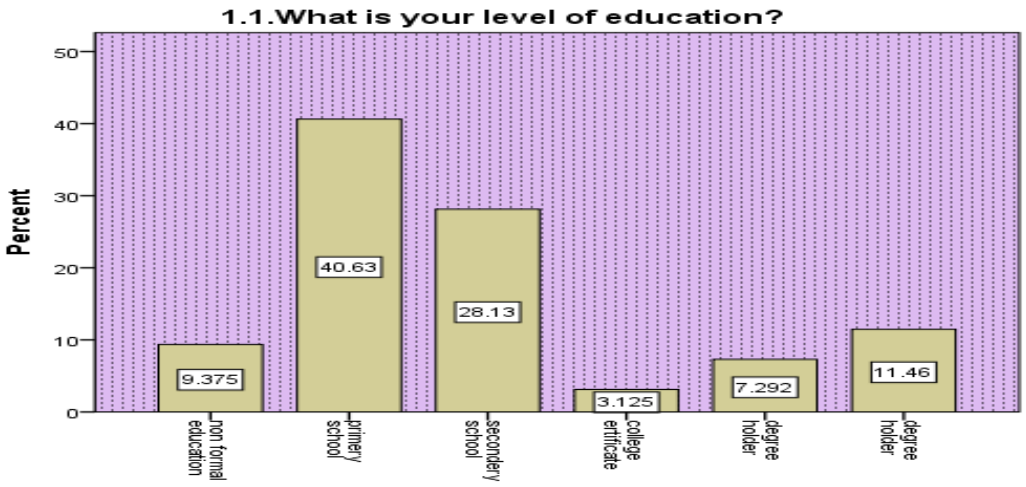
Generally, respondents within the age group of 30 and 55 made up the largest portion with 71.8% of the total respondents.

Concerning the educational qualification of the respondents, figure 4.1.3 illustrates that 9 (9.4%) of the respondents are below primary school, which is no formal education, 39 (40.6%) of the respondents are educated in primary level, 27(28.1%) and 3(3.1%) are twelve grade complete and college certificate respectively. On the other hand, the number of respondents who are diploma and degree holders are 7 and 11; each of them representing 7.3% and 11.5 % of the total respondents respectively. This can be an indication that the majority of the respondents have no good academic background that can help them to understand the tax laws and procedures and they do not have specific tax knowledge that can help them to comply with different tax compliance requirements.

In order to pay appropriate taxes, business owners must be knowledgeable about the different compliance measures and requirements. Taxation knowledge is a specific part of the general human potential entrepreneurs which increases the chances of business success (Haber & Reichel, 2007).

The extent of non-compliance arising from knowledge deficits because of the tax complexity of reporting and returning requirements might be substantial among business owners, in the UK; for example, VAT non-compliance mostly results from errors that do not stem from evasion intent (Webley, 2004).

Figure 4.1.3: Educational level



Source: survey data, 2016

4.2 Respondents knowledge of tax rules as a factor influencing tax compliance

The level of tax education received by taxpayers is an important factor that contributes to the understanding of tax requirements. Therefore, respondents were asked different questions to assess the level of their knowledge of tax rules and how they are complying with tax requirements such as determining their income and tax liability timely and correctly by applying the appropriate tax rates, deductible & nondeductible expenses, and other filing requirements. Therefore, respondents were asked to rate their tax compliance level using the variables in table 4.2.1 below. The assumption used by the researcher in this section is that if the mean score is 3.5, it is considered as moderate, below 3.5 as a problem and above 3.5 no influential problem.

a. Knowledge to taxable income

As indicated in Table 4.2, respondents were asked how well they can easily calculate their taxable income by using deductible and nondeductible expenses and how they can determine their tax liability by using appropriate tax rates such as schedule "C" income tax rates. Most of the respondents ranked the variables with mean value approximately 2.57 (disagree with the respective variables). This shows that most of the businesses owners are not familiar with tax requirements as indicated in table 42. Accordingly, the majority of the respondents (80.2%) said they can't easily determine their correct taxable income and tax liability as they are not clear with deductible and nondeductible expenses and the tax rates such as schedule 'C' income tax rate used in determining their correct tax liability.

b. Period of payments, tax up-to dates and requirements

Respondents were asked how certain about the period of payments, accessibility of tax up to date information and purchasing of cash register machine. Majority of respondents (77%) didn't get the necessary up to date information with the mean value of 1.92, which is very low even from the grand variable mean of 2.37. But regarding knowledge about the actual dates of payment, majority of respondents have good knowledge of time when to pay (m=3.5). In accordance with cash register machine requirements the mean value of the question (m=2.99) shows, knowledge in this area was better than others, where the grand mean was 2.57 respectively.

c. General knowledge of tax laws and regulations

In this regard respondents were asked about awareness of tax laws, the ability to interpret tax laws and knowledge of all what required from tax payer. The data results show, majority of respondents don't have general knowledge's about tax laws (65.7%), ability to interpret tax laws for income tax purpose (91.6%) and all required obligations of a tax payer (61.5%), with the mean value of 2.4, 1.53 and 2.46 respectively.

Results of descriptive analysis indicate that, the respondents are unaware of the general responsibilities and rights of taxpayers and their general knowledge regarding types of income is limited, which, the grand mean value indicate us (Grand M = 2.57), which is below 3.5 (nearly neutral to the variables). In contradict to this, the survey result shows that, (57.3%) taxpayers have good knowledge about the period when to pay tax liability, and (55.3%) respondents know responsibilities regarding cash register machine and printing invoices. But becoming aware of these responsibilities doesn't mean that tax payers will always comply with tax laws. This is because there may be non compliant tax payers who have enough knowledge about tax periods.

The survey result reveals that, majority of taxpayers are unaware of the different type of tax laws and regulations, and also the ability to interpret tax laws for computing business income tax liability is rear. Thus, taxpayers may enter in to offences because of lack of awareness of the laws, regulations and all obligations required from them.

As Mohamad et al. (2011) states that, taxpayers might reduce their tendency to evade tax if they are aware of the offences they are committing when evading tax and the consequences of being non compliant taxpayers.

As the taxpayers are becoming well informed of their responsibilities and rights as well as the penalties they will bear if they commit some offences, they may have positive tax compliance attitude. According Kasipillai et al. (2003), greater education potentially increases compliance, as educated taxpayers may be more aware of their responsibility as well as the sanctions to be imposed if they were not compliant with tax laws. Therefore, improving taxpayer's poor knowledge about tax rules and regulations is important to have a better voluntary compliance by the taxpayers. Eriksen and Fallan (1996) claimed that 'knowledge about tax law is assumed to be important for preferences and attitudes towards taxation. Thus, in order to improve the compliance behavior, tax knowledge is vital and it is important to educate taxpayers about the tax rules and tax regulation.

In this study, it was found that most of the business taxpayers were not clear with how they can easily calculate their tax liability and determine their taxable income using deductible and nondeductible

expenses. In addition to that, most of tax payer's were not easily understand tax laws to compete tax requirements, and all tax related requirements by authority is not clearly known by tax payers.

These problems have an impact on the business taxpayers' tax compliance decisions as a research by Lumubra et. al. (2010) revealed that taxpayers' did not pay their tax obligations because of their inability to understand tax law requirements. The level of tax education received by taxpayers is an important factor that contributes to the understanding of tax requirements, such as determining their income and tax liability correctly by applying the appropriate tax rates, deductible & undetectable expenses, and other filing requirements.

Table 4.2.1: Respondents knowledge of tax rules as a factor influencing tax compliance

Se.no		SD	D	N	A	SA	Mean
1	You know how to determine your taxable income	34 35.4%	43 44.8%	10 10.4 %	9 9.4%		1.94
2	You clearly know all deductible expenses to determine taxable income	23 24%	30 31.3%	18 18.8 %	21 21.9 %	4 4.2%	2.51
3	You know clearly all nondeductible expenses to determine your taxable income	19 19.8%	28 29.2%	23 24%	17 17.7 %	9 9.4%	2.68
4	You can easily calculate your tax liability	31 32.3%	53 55.2%	12 12.5 %			1.8
5	You are certain about the period when to pay your tax liability	9 9.4%	11 11.5%	21 21.9 %	33 34.4 %	22 22.9 %	3.5
6	You can easily get the necessary tax Up-to-date information	47 49%	27 28.1%	8 8.3%	11 11.5 %	3 3.1%	1.92
7	Purchasing cash register machine and issuing invoices after registration for vat	17 17.7%	26 27.1%		47 49%	6 6.3%	2.99
8	You have awareness of most tax laws and guidelines about taxation o f incomes for organization	21 21.9%	42 43.8%	11 11.5 %	18 18.8 %	4 4.2%	2.4
9	You have ability to interpret tax laws when computing taxes	61 63.5%	27 28.1%		8 8.3%		1.53
10	You know all what is required from tax payer in respect of your business profit tax obligations	28 29.2%	31 32.3%	11 11.5 %	17 17.7 %	9 9.4%	2.46
	Grand mean of knowledge to tax rules						**2.37**

Source: Primary data, 2016

4.3 Analysis of service Delivery of the ERCA to taxpayers as a factor of tax compliance

Dissatisfaction with the tax authorities in other ways has also been suggested by a number of investigators as motivators to avoid taxation (for example, Elffers, 1991; Wallschutzky, 1984; Wärneryd & Walerud, 1982 cited on Webley et al. 2002:4). Dissatisfaction depends critically on how the public and business communities 'see the administration'. The attitude of the revenue officials, particularly those in the day-to-day touch with taxpayers, should be reasonable and fair, showing an appreciation that taxation is after all only ancillary to their main interest (successfully promoting their business). Adams (1996) and Van Giels and Elffer (1998) cited on Webley et al. 2002:16) showed that how tax authorities behave towards their clients does matter and this study tries to confirm this at ERCA merkato number two branch office.

Table 4.3.1 shows the taxpayers' perception on the service given by ERCA mercato branch office.

A. Courteousness of the tax authority branch office

Courteousness explains the respectfulness of the tax official to the taxpayer. It determines how the tax authority behaves towards their clients. If the tax authority is not courteous, taxpayers will be reluctant to present at the tax authority and met their obligations. Thus, it is one of the central questions in determining taxpayers' satisfaction and ultimately taxpayers' compliance behavior.

The responses of this are presented as follows. The respondents felt that the tax authorities are courteous (n=31-31.3% agree and n=5-5.2% strongly agree with this). Whereas, (n=21-21.9%) strongly disagree and (n=19-19.8%) respondent were disagree that the authority is courteous. The mean value of the variable (2.79) indicates courteousness of the authority is low, which is below the medium value of 3.5. But, compared to the grand mean (2.57), courteousness of the authority was better perceived by the respondents than other variables.

B. Efficiency of the tax authority branch office

Efficiency signifies how fast and quality services are delivered by the tax authority. If the tax authority is not efficient, even those delinquent taxpayers will refrain to meet their obligations. Hence it is one of the central questions in determining taxpayer's satisfaction and their compliance behavior.

The responses in regard to efficiency are presented as follows. As indicated in table 4.3.1, the respondent felt that the tax authority is not efficient (n=41-42.78% disagree and n=17-17.7%

strongly disagree).

Table 4.3.1: Summery of the response on the taxpayer's satisfaction towards service delivery

S.no		SD	D	N	A	SA	Mean
1	You have beliefs that the tax authority's employees are courteous	21 21.9%	19 19.8 %	20 20.8%	31 31.3%	5 5.2%	2.79
2	You have believe that the tax authority is efficient	17 17.7%	41 42.7 %	11 11.5%	20 20.8%	7 7.3%	2.57
3	You have believe the tax authority is flexible	49 51%	18 18.8 %	3 3.1%	17 17.7%	9 9.4%	2.16
4	The Tax center in your corresponding has Conducive compound, such as waiting seats, getting timely services	14 14.6%	38 39.6 %	11 11.5%	20 20.8%	13 13.5%	2.79
5	The authority is responsive when tax reimbursement needed for overpaid tax	15 15.6%	29 30.2 %	22 22.9%	23 24%	7 7.3%	2.77
6	The authority is ready for solving problems of tax related issues timely	37 38.5%	25 26%	6 6.3%	20 20.8%	8 8.3%	2.34
	Grand mean of satisfaction towards service delivery						**2.57**

Source: Primary data, 2016

C. Flexibility of the tax authority branch office

This is another central question in determining taxpayers' perception towards service delivery of the authority. Flexibility pertain how far the tax officials will opt to understand and resolve the taxpayers problem. In another word, if the tax officials are not flexible enough they will abide themselves with the accustomed procedures and might not interested to hear any protest from the taxpayers. Hence, taxpayers are reluctant to present their case to the authority. Instead, they will tend to solve their problem by not complying. The response for this question indicates 69.8% respondent felt the authority is not flexible.

D, Other services

Concerning the services of the ERCA merkato branch office to taxpayers, the majority of the services are rated as poor as shown in table 4.3.1. For instance, the majority of the respondents (54.2% & 45.8%) rated getting timely services and reimbursement of overpaid taxes as poor by disagree with the idea. 74.5 % of respondents disagree With respect to solving problems of tax related issues timely and correctly by the tax authority, while 29.2 % of them agree.

The survey questions consider conduciveness of the location and accessibility of tax office to taxpayers as well as how timely to get appropriate service. Accordingly, 54.2 % of the respondents disagree conduciveness of the compound, such as waiting seats and getting timely service, while 34.3% respondents agree that, there is conducive compound and timely service.

The descriptive analysis shows that the services of the ERCA merkato branch office, such as courteousness of employees, flexibility and efficiency of the authority, reimbursing overpaid taxes timely, solving problems of tax related issues such as correcting errors made by taxpayers during filing tax returns, provision of timely services and experience in handling customer cases by the ERCA are poor and the taxpayers are not satisfied with these services. Table 4.3.1 clearly shows that the grand mean value of service delivery variable, which are 2.57. The mean value shows, if the value of the mean is less than 3, there are service delivery problems.

This finding is similar with the study made by Suresh & Sriniva (2012) on 'Factors that influence rental taxpayers' compliance with the tax system' an empirical study of Mekelle City, Ethiopia. They identified that the Tax Authority capacity of delivering services to the taxpayers at Mekelle City is not yet sufficient enough and is one of the factors affecting taxpayers' compliance.

Similarly, a study made by Lumumba et. al. (2010) found that small and medium operators preferred tax consultants to the tax authority, when searching for tax updates. This finding was also indicated that the tax authority service quality to taxpayers' is poor and this can negatively impact on small and medium taxpayers' tax compliance decisions. A good relationship between the tax authority and taxpayers has an important consideration in increasing tax compliance (Kirvhler, 2007).

4.4 Analysis of perceived fairness tax administration as a factor of tax compliance

The perceived fairness of a tax system is another important factor both to its acceptability and to smooth functioning. A tax can be seen as unfair in a number of ways: if when there is a difference in the tax burden on individuals in similar circumstances, or if the government is seen as giving little back in return. In taxation, it is equally true that fair taxation requires the consent of the taxed. The perceived inequity is of central importance and it has been argued that a taxpayer may withdraw from the exchange relationship by evading taxes in order to offset or reduce the disparity (Webley et al. 2002:3).

To analyze the procedural fairness of tax administration respondents were asked different questions. As presented in table 4.4.1, the first question raised for tax payers is that, the possibility of traders to work out of the system and majority of respondents (64.5%) agree that, many traders work in merkato without registration for vat and trade license. This in turn will create unfair competition and vat registered tax payers will lose their potential customers to illegal traders. The other question responded is that, there is corruption and many of high income earners didn't pay properly by using it and (74.6%) respondents agree respectively.

Regarding law enforcement activities, (55.3) of respondents feel law enforcement activities are targeted only fewer traders. Similarly majority of respondents (71.9%) state that, no fair income tax collection among similar business owners in same proxy.

Tax payers will provide different tax related statements, especially yearly profit and loss statements for the tax authority. In this regard, the authority may reject financial statements which are not well prepared. But the authority should be careful and selective when assessing financial statements, because it may avoid trust between tax payers and the tax authority.

As presented in table 4.4.1 majorities of respondents, which is (68.8%), said the authority had not enough trust on tax payer's statements. In another way 45% tax payers feel they pay more than their fair tax compared to other fellow tax payers, but 50% tax payers disagree with this idea.

Table 4.4.1: Summery of the response on the taxpayer's perception towards fairness of tax administration.

Ser.no		SD	D	N	A	SA	Mean
1	There are many traders out of tax system and they are beneficiaries	9 9.4%	22 22.9%	3 3.1%	37 38.5%	25 26%	3.49
2	There is corruption and many of high income earners didn't pay properly by using it	17 17.7%	11 11.5%	6 6.3%	29 30.2%	33 34.4%	3.52
3	Law enforcement activities are targeted only fewer traders	6 6.3%	19 19.8%	18 18.8%	42 43.8%	11 11.5%	3.34
4	No fair income tax collection among similar business in same proxy	3 3.1%	15 15.6%	9 9.4%	38 39.6%	31 32.3%	3.82
5	Compared to other tax payers, I pay more than my fair share of income tax	20 20.8%	27 28.1%	6 6.3%	7 7.3%	36 37.5%	3.13
6	The authority has not enough trust on tax payer's statement	11 11.5%	8 8.3%	11 11.5%	50 52.1%	16 16.7%	3.54
	Grand mean of fairness of tax administration						**3.47**

Source: Primary data, 2016

When there is a difference in the tax burden on individuals in similar circumstances, taxpayers may withdraw from the exchange relationship by evading taxes in order to offset or reduce the disparity. This study show that individuals having equal income are not paying equal tax and this highly affects the taxpayers' motivation to be compliant and remaining compliant. In other words, as long as the tax system lacks horizontal equity (individuals with equal income pay equal tax) it is difficult to change taxpayers' attitude in order to bring about voluntary compliance.

The tax administration must provide an even playing field for business by ensuring that all taxpayers meet their tax filing and paying requirements. Failure to bring business activity from the shadow economy into the tax system puts compliant taxpayers at a competitive disadvantage, and ultimately leads to an erosion of the tax base (Baurer, 2005). Baurer (2005) further indicates that a well functioning tax administration, perceived as treating all taxpayers fairly and with respect, and concerned with collecting only the proper amount of tax, will go a long way towards achieving the goal of voluntary compliance which benefits everyone. Therefore, business taxpayers along with other taxpayers benefit from a well functioning tax administration system. Moreover, the tax system's administrators must be able to understand the system sufficiently to (1) provide timely, comprehensible guidance to taxpayers and their advisers and, (2) are able to enforce the tax law and make appropriate collections. The growing burden placed on tax administrators significantly reduces efficiency and impedes effective interactions with taxpayer.

4.5 Analysis of tax complexity as a factor of tax compliance

Table 4.5.1: Summery of the response on the taxpayer's perception towards complexity of tax

Ser.no		SD	D	N	A	SA	Mean
1	The authority encourage self assessment	41 42.7%	32 33.33 %		19 19.8%	4 4.2%	2.09
2	All tax declaration formats are simple	21 21.9%	39 40.6%	8 8.3%	21 21.9%	7 7.3%	2.52
3	There are some income or deductions which are ambiguously defined	12 12.5%	13 13.5%	33 34.4%	27 28.1%	11 11.5 %	3.13
4	Tax system is to complicated, because of regulations are changed frequently	4 4.2%	11 11.5%	13 13.5%	37 38.5%	31 32.3 %	3.83
5	completing the tax filing form(s) are too difficult	14 14.6%	23 24%	10 10.4%	26 27.1%	23 24%	3.22
	Grand mean of tax complexity						**2.95**

Source: Primary data, 2016

By a 'tax system' we have in mind the set of tax laws/rules that define the various rates and duties that apply to the various transactions that individuals and companies might undertake, and the set of administrative procedures that individuals and companies have to go through in order to comply with the rules relating to providing information; completing tax returns; paying tax; and undergoing investigations where tax returns are challenged.

To assess the effect of complexity of tax procedures to compliance behavior, this study provides certain questions for tax payers.

The first one is self assessment, to simplify tax procedures and increase knowledge of tax payers, self assessment should be encouraged by helping tax payers to compute their tax liability. In this regard, as presented in table 4.5.1, majority (76.03%) of respondents were not encouraged to assess their tax liability, while (24%) of respondents agree that, the authority encourages self assessment. Regarding Tax declaration documents simplicity, (62.5%) of tax payers didn't get tax declaration formats simple, and (29.2%) respondents agree with simplicity of formats.

The other questions raised for respondents were, about clearly defined deductibles, the frequency of changes in tax regulations and how easy are filing tax forms. As presented in table 4.5.1, (39.6%) respondent's insight that there are some deductions ambiguously defined, while (26%) respondents didn't have clarity problem about deductions. Majority of respondents (70.5%), agree with that, frequent changes in tax regulations makes tax complication and also filing tax forms are too difficult.

The grand mean of all variables (2.95), shows that taxpayers perceived the income tax system as a more complex. This indicates, majority of respondents agree with that, self assessment was not encouraged, tax declaration formats are difficult to fill and there is frequent change in tax obligations.

4.6 Analysis of tax compliance behavior

In this section there are a total of 6 questions asked for the real tax payers to determine their tax compliance attitude. Likert five scales are used in this section with 1 if strongly disagree and 5 if strongly agree. Respondents were asked should tax payers evade tax if tax rates are too high. As a result, as it is shown in table 4.6.1 below, 51 (43.2%) respondents disagree that it's not appropriate to evade tax because of tax rates , while 36 (37.5%) agree that high tax rates will be the reason for non compliance behavior.

Tax payer's equal treatment will enhance tax system fairness; in this regard tax payers were asked whether unfair tax system is the reason for non compliant behavior. 39 (40.6%) respondents agree that since the tax system is unfair, it is reasonable not to comply, while 40 (41.7) respondents didn't agree tax evasion because of unfair taxation. The mean score of this result is 3, thus, we can say that unfair taxation will initiate tax payers for tax evasion. The respondents are also asked whether they think evade tax if the probability of caught is low, the mean score of these results is 3.1 (table 4.6.1). Major portions of the respondents who account

40.6%, wish not to comply with the tax law because they believe that the probabilities of being detected by the tax authority for not declaring the exact income are low.

Table 4.6.1: Summery of the response on the taxpayer's compliance behavior

S.no		SD	D	N	A	SA	Mean
1	Tax payers should evade tax if tax rates are too high	18 8.8%	33 34.4%	9 9.4%	28 29.2%	8 8.3%	2.74
2	Tax payers should evade tax if the tax system is unfair	10 10.4%	29 30.2%	17 17.7 %	31 32.3%	9 9.4%	3.00
3	Tax payers should evade tax if the probability of getting caught is low	13 13.5%	26 27.1%	13 13.5 %	26 27.1%	18 18.8%	3.10
4	Evading tax due to lack of ability to pay should not be considered as crime	21 21.9%	13 13.5%	9 9.4%	40 41.7%	13 13.5%	3.11
5	Tax payers should evade tax if everyone is doing it.	16 17%	22 23%	19 20%	31 32%	8 8%	2.93
6	Generally Tax evasion should not be considered as a crime	31 32.3%	41 42.7%		21 21.9%	3 3.1%	2.21
	Grand mean of compliance behavior						**2.84**

Source: Primary data, 2016

The study also raised other questions which can show compliance behavior of respondents. As presented in table 4.6.1, 53(55.2%) respondents think tax evasion because of inability to pay should not be consider as crime. Also 39(40.6%), respondents believe that they have to evade, if everyone doing it. But, the major share of respondents, 72 (75%), didn't agree

with the statement that generally tax evasion should not be considered as crime, it shows, at least tax payers condemn unreasonable non compliance behavior.

The desired objectives of tax policy can be achieved only when it is properly administered. Failure to properly administer the tax, therefore, defeats its very purpose and threatens equity, procedural deficiencies in tax operations, reduce overall tax collection, and cause corruption in tax administration (Mahesh, n.d). Kaldor (1980) stated that the efficiency of a tax system is not determined only by appropriate legal regulation but also by the efficiency and integrity of the tax administration. Another researcher Jenkins (1992) emphasizes that the tax system can never work better than its tax administration, but even the best tax administration would certainly fail to turn a bad tax system into a well-operating one. He also warns that many ambitious tax reforms failed because of the inefficient tax administration

It is revealed from the descriptive analysis is that, majority of the respondents don't have willingness to comply with tax laws because they believe that there is low probability of being detected by the tax authority for not declaring. In addition to this, majority of the respondents wish not to comply with the tax laws because they believe that the tax administration system in merkato is unfair ,which is the availability of many traders out of tax system and indifferent charge of tax among similar businesses in same proxy. The mean value compliance behavior, 2.84, which presented in table 4.6.1, indicates that the respondents have negative attitude towards tax compliance. Thus, they have a tendency to evade tax. According to Jackson and Milliron (1986), tax ethics and attitudes towards tax compliance have an influence on the inclination towards tax evasion. The result of the study also reveals that majority of the respondents wish not to comply with tax laws because they are unable to pay required amount of tax , this indicate us level of knowledge about tax rules have direct effect for compliance behavior.

4.7 **The relationship behavior between tax knowledge, fairness, complexity and service delivery with compliance behavior**

Table 4.7.1: Correlation Matrix between Variables

	Knowledge	Service Delivery	Fairness	Complexity	Compliance behavior
Knowledge	1				
Service	.982**	1			
Fairness	.931**	.911**	1		
Complexity	.983**	.977**	.962**	1	
Compliance behavior	.981**	.970**	.964**	.984**	1

**. Correlation is significant at the 0.01 level (2-tailed).

Table 4.8.1 in the above shows, the correlation Matrix results. The correlation analysis has indicated that all variables were significant and positively correlated with r = .98 for tax knowledge r = .97 for service delivery, r = .94 for tax fairness, r = .98 for tax complexity.

Fairness, Organizational strength of tax authority for service delivery, tax Awareness and tax complexity is found significantly influencing tax payers voluntary compliance with tax law in the study area. That is they are found to be determinant factors affecting tax payers voluntary compliance in the study area. Among the independent variables, tax knowledge and tax complexity has been found to be strongly correlated to tax compliance with positive strong correlation value of r=0.98. It follows by service quality of tax authority (r= 0.97) and fairness of taxation (r = 0.94).

Positive correlation also exist between independent variables ,as presented in table 4.5 , tax knowledge and tax complexity have strong positive correlation value of r = 0.98 , which indicates complexity will greatly varied by knowledge of tax payers.

CHAPTER FIVE

SUMMERY OF MAJOR FINDINGS, CONCLUSION AND RECOMMENDATON

5.1. MAJOR FINDINGS AND CONCLUSIONS

The findings of this study revealed that most of the identified tax administration factors have influence on taxpayers' tax compliance behavior, which are service delivery, tax complexity, knowledge of tax rules and procedures and perceived fairness of tax.

- ✓ Awareness is a corner stone as far as voluntary compliance is concerned. The survey data has shown that majority of the taxpayers have limited knowledge (m=0.98) on tax laws and regulations, as well as computation of tax liabilities with deductable and non deductibles. It can be concluded that tax knowledge level of tax payers in merkato are minimum, as well as, the demographic analysis shows, majority of respondents are below secondary level education. This will indicate tax education programs should review to address tax payers in accordance with their educational background. Therefore, it can be concluded that lack of knowledge of tax laws and procedures and tax information are another form of factors affecting the level of tax compliance of merkato area taxpayers.

- ✓ From this study it is concluded that most of the respondents feel that people should pay taxes according to their ability. In other words they feel that they do not pay about the same amount of tax as others in similar situations. Generally as long as the tax being levied is not fair and equitable it may reduce the motivation and voluntary compliance behavior of current taxpayers and also deter potential taxpayers from joining the tax system voluntarily. The study also indicated that almost all of the respondents do not fell paying tax is unfair but they fell the amount that they pay has to be fair and based on their ability to pay. In addition to this, majority of the respondents agreed that every tax payer has a moral obligation to respect the tax law.

- ✓ In regard to tax complexity, it's concluded that tax payers perceived tax declaration formats and tax system difficult to comply with. If tax obligations and declaration formats change frequently, it may become difficult for tax payers to easily understand. In this case the educational level of tax payers in study area should also give greater concern in designing formats. Similarly, encouragement of tax payers for self assessment was also in minimum level, which is one means of decreasing complexity
- ✓ Other finding of the study is that, service delivery provided by the branch office didn't satisfy tax payers. Especially the branch office was not flexible to solve tax related problems timely, which tax payers encountered. The tax centers were also not conducive to get timely service, whereas, they also didn't have enough waiting seats.
- ✓ The mean value of dependent variable (2.84) ,let the study to conclude ,the compliance behavior of tax payers in merkato were very low ,but in regard to general obligation of tax ,tax payers hadn't problem to follow tax rules, instead it is affected by different variables. Especially tax payer's show non compliant behavior when they obligated to pay tax beyond their ability. According to Yohannes girma (2013), states one of tax administration problem is over taxation because of over estimation of daily/annual income, in this case over tax taxation will lead to non compliant behavior.
- ✓ The study also examined the relationship among fairness or equity, organizational strength of the tax authority for service delivery, tax knowledge, tax complexity and tax compliance using the correlation analysis and found a positive relationship among these variables. Among the established variables, tax knowledge and tax complexity were the most determinant parts of tax administration problem, which have greater influence on tax payers compliance behavior, followed by organizational strength of the tax authority is found to be the most important determinant factors influencing tax payers' voluntary compliance with tax law in the study area.

From the above findings, what the paper generally conclude that, though there have been significant drawbacks. Unless these strains are resolved there might not be changed the current non compliant behavior of tax payers in merkato, as well as revenue collection plans will not be successful.

5.2. Recommendations

Based on the study conducted factors that determine taxpayers' voluntary compliance were described and possible recommendations are forwarded so that it may help the tax authority to approach the issue accordingly.

Multiple approaches are needed to reduce the tax gap. No single approach is likely to fully and cost-effectively address noncompliance, since; it has multiple causes and spans different types of taxes and taxpayers. Generally, understanding better these factors, and their interrelationships, that impact on taxpayer behavior can help to develop targeted strategies which impact on the noncompliant without adversely affecting compliant taxpayers.

Tax compliance behavior of tax payers in merkato should have to study also by other researchers Based on different theories, but according to findings of this study, accomplishing the following activities will enhance the roll of tax administration on tax payer's compliance behavior positively, and it will minimize non compliance level significantly.

- ✓ The Ethiopian tax authority must frequently provide tax awareness programs for tax payers in order to reduce their tax non compliance attitude. This positive relationship could be considered as a key input for the authority in:
  - Increasing taxpayers' awareness regarding tax matters
  - Designing the best mechanism of delivering the latest information on tax regulations (i.e. advertisements in media, websites, brochures and customer services desks), and
  - Communicating effectively and efficiently current changes in tax laws and formats.

- ✓ The most obvious requirement for fairness or equity is to treat equal people in equal circumstances in an equal way. If there is a reason for not discriminating between equals, then this suggests that there should be discrimination between those who are not equal. Maintaining tax equity and fairness is not achieved only through levying equal taxes on individuals who have equal income but also each taxpayer should pay according to his ability- to pay. In addition, bringing non taxpayers to tax system has to be considered as a measure of ensuring tax equity. In other words, it is unfair to say that the tax system is equitable as long as several

capable traders are not paying tax. Taxpayers will be discouraged to the extent that the tax is believed to be unfair and inequitable or so many others are not paying. Since the presence of those who do not pay taxes negatively affect the taxpayers attitude towards tax compliance, ERCA merkato branch offices, should strengthen the tax enforcement team so as to monitor informal suppliers transacting without using legal receipts and to include all traders in to the tax system

- ✓ Most of the services such as reimbursement of overpaid taxes, solving tax related problems timely, tax education and updates, willingness and experience of tax officers to handle and solve customer cases etc. , are rated poor and thus there is a very reason to improve them. ERCA should use different mechanisms to motivate its staffs so that they can serve the taxpayers well and improve their tax compliance:
    - ERCA, merkato branch offices, should improve the facilities of its offices & tax collection centers; work on network problems with the Ethio-telecom, and upgrade the processing speed of the system, SIGTAS (Standard Integrated Government Tax Administration System) , in return service delivery will become time effective.
    - Many of the tax officials still have to learn and practice how to deal with taxpayers in a fair and professional manner and should be provided with effective orientation on the basic principles of good tax administration. The officers should also be given intensive and repetitive training for improving their attitude and promoting code of conduct, with emphasis on ethical values, such as integrity, honesty, public service, justice, transparency, accountability, and rule of law. This will help them to follow up on issues raised by the taxpayer and give feedback timely, provide quick resolutions on queries raised by taxpayer.
- ✓ Tax return formats should be simplified for tax payers, in turn, noncompliance related to late filing and late payments can be minimized and fees to tax consultants can be saved. Tax complexity greatly correlates with knowledge requirement of tax payers, in this, tax payers should encourage for self assessment, which in turn will enable tax payers to experience computing their tax liability. Changes in tax rules and obligation should also communicate properly to simplify all required obligations of tax payers. More importantly, tax education programs and declaration formats should take a greater consideration for demographic variables of tax payers. According to this study, 71.8% of tax payers are in the age range of 30

and 55, 48% of tax payers education level was below elementary education. This will in turn difficult to treat and give education for tax payers in merkato like in other branch offices, where demographic situation is different from merkato. In this case tax education programs, as well as declaration formats should be review in regard to the demographic situation of merkato area tax payers.

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Annex 1: Research Questionnaire

STRUCTURED QUESTIONAIRE

SAINT MARRY UNIVERSITY

COLLEGE OF GRADUATE STUDIES

DEPARTMENT OF BUISNES ADMINSTRATION

MBA PROGRAM

Dear Sir/Madam

I am a post graduate student at Sent Marry University, College of Business and Economics and currently conducting a research on the title the effect of tax administration problem on tax payer's compliance behavior for the award of masters of art in business administration This questionnaire is designed to collect data on assessing the relationship between tax administration problem (independent variables) and tax payer's compliance behavior in Addis ketema sub city woreda 8 (Merkato) in Addis Ababa.

I kindly ask you to give me few minutes of your time to answer the questions here under about your personal experience with tax authority and your own behavior.

Your willingness and cooperation in giving genuine information is well appreciated and the information you provide me will be used for only academic purpose and will be kept in strict confidentiality.

If you would like further information about this study, or have problem in completing this questionnaire please contact me via +251-9 12 04 08 39

Thank you for your cooperation!

General Instruction:

- ✓ **Please mark your answer with a tick mark (√) in the space provided.**
- ✓ **No need to write your name**
- ✓ **No need to give two answer for one question**
- ✓ **Please try to respond for all questions as far as you can**

Part one: General Information

1. What is your level of education?

1.non formal education ☐ 2. Primary education ☐

3.secondery education ☐

☐

4. 12 grade completed ☐ 5. College certificate

6. Diploma ☐

2.12 grade completed ☐ 4. Bachelor degree ☐

5. Masters or above ☐

2. Tax payer's sex male ☐ female ☐

3. Age of tax payer's

1. Between 18-24 Year ☐ 2. Between 24-30 year ☐

2. Between 30-36 year ☐ 4. between 36-42 year ☐

4. Between 42-48 ☐ 5.between 48-54 ☐

5. Between 54-60 ☐ 7. Greater or equal to 60 years ☐

6. Marital status single ☐ married ☐ divorce ☐

Part two: Business profit taxpayers' knowledge of tax rules as a factor of tax compliance:

For each question below please tick one using the given scales

I wish **to comply** with the tax laws for the following reasons

Ser.no	Questions	SD (1)	D(2)	N(3)	A(4)	SA(5)
1	You know how to determine your taxable income					
2	You clearly know all deductible expenses to determine taxable income					
3	You know clearly all nondeductible expenses to determine your taxable income					
4	You can easily calculate your tax liability					
5	You are certain about the period when to pay your tax liability					
6	You can easily get the necessary tax Up-to-date information					
7	Purchasing cash register machine and issuing invoices after registration for vat					
8	You have awareness of most tax laws and guidelines about taxation of incomes for organization					
9	You have ability to interpret tax laws when computing taxes					
10	You know all what is required from tax payer in respect of your business profit tax obligations					

	Service delivery					
11	You have beliefs that the tax authority's employees are courteous					

12	You have believe that the tax authority is efficient					
13	You have believe the tax authority is flexible					
14	The Tax center in your corresponding has Conducive compound, such as waiting seats, getting timely services					
15	The authority is responsive when tax reimbursement needed for overpaid tax					
16	The authority is ready for solving problems of tax related issues timely					
Fairness						
17	There are many traders out of tax system and they are beneficiaries					
18	There is corruption and many of high income earners didn't pay properly by using it					
19	Law enforcement activities are targeted only fewer traders					
20	No fair income tax collection among similar business in some proximity					
21	The authority has enough trust on tax payer's statement					
22	Compared to other tax payers, I pay more than my fair share of income tax					

	Complexity					
23	The authority encourage self assessment					
24	All tax declaration formats are simple					
25	There are some income or deductions which are ambiguously defined					

26	Tax system is to complicated, because of regulations are changed frequently					
27	completing the tax filing form(s) are too difficult					

Questions related to Tax Payers Compliance (Dependent Variable)

Ser.no	**Questions**	**SD (1)**	**D(2)**	**N(3)**	**A(4)**	**SA(5)**
28	Tax payers should evade tax if tax rates are too high					
29	Tax payers should evade tax if the tax system is unfair					
30	Tax payers should evade tax if the probability of getting caught is low					
31	Evading tax due to lack of ability to pay should not be considered as crime/problem					
32	Tax payers should evade tax if everyone is doing it.					
33	Generally, Tax evasion should not be considered as a crime					

Annex 2: Research Questionnaire (Amharic version)

ቅድስት ማርያም ዩኒቨርሲቲ ኮሌጅ

ድህረ ምረቃ ኮሌጅ

ቢዝነስ አድምንስትሬሽን ዲፓርትመንት

የታክስ ህግ ተገዥነት መጠይቅ

የተከበሩ የጥናቱ ተሳታፊ

እኔ በቅድስተ ማርያም ዩንቨርሲቲ ኮሌጅ የድህረ ምረቃ ተማሪ ስሆን የታክስ አስተዳደር ችግሮች ለታክስ ህግ ተገዥነት ያላቸውን ድርሻ ለቢዝነስ አድምንስትሬሽን ማስተርስ ድግሪ ማሟያ ጽሁፍ እያጠናሁ እገኛለሁ፡፡ ጥያቄዎቹ የተዘጋጁት በአዲስ አበበሰ ከተማ አዲስ ከተማ ክፍለ ከተማ መርካቶ አካባቢ ያሉትን የታክስ አስተዳደር ችግሮች ለመዳሰስ እና ከታክስ ህግ ተገዥነት ጋር ያላቸውን ትስስር ለመዳሰስ ነው፡፡

በመሆኑም ከርስዎ ባህሪና ከታክስ አስተዳደር መስሪያቤቱ አሰራር አኳያ ያለዎትን ልምድ ታሳቢ በማድረግ ለጥያቄዎቹ መልስ እንዲሰጡ በትህትና እጠይቃለሁ፡፡ለፍቃደኝነትዎ እና ለሚሰጡኝ ትክክለኛና ምላሽ አድናቆቴን እያቀረብኩ መረጃው ከትምህርታዊ ጉዳይ ውጪ ለምንም አለማ እንደማይውል

እያረጋገጥኩ በጥናቱ ዙሪያ ማንኛውም ጥያቄ ካለዎት ወይም በመጠይቁ አሞላል ላይ ችግር ካጋጠመዎት በሚቀጥለው ስልክ ቁጥር ሊያገኙኝ ይችላሉ፡፡

አመሰግናለሁ

መጠይቁን ሲሞሉ

- እባክዎ መልስዎን በመልስ መስጫ ቦታው ላይ (√) ያድርጉ
- ስምዎትን መጻፍ አያስፈልግም
- ለአንድ ጥያቄ ሁለት አይነት መልስ አይስጡ
- እባክዎ በቻሉት አግባብ ለሁሉም ጥያቄዎች መልስ ለመስጠት ይሞክሩ

ክፍል አንድ ፡ አጠቃላይ ጥያቄዎች

1. የትምህርት ደረጃዎ

የትምህርት ደረጃ	አንዱን ያመልክቱ	የትምህርቱ አይነት

መደበኛ ትምህርት አልተማርኩም		
የመጀመሪያ ደረጃ		
ሁለተኛ ደረጃ አጠናቅቄያለሁ		
12ኛ ክፍል ያጠናቀቀ		
የኮሌጅ ሰርተፊኬት		
ዲፕሎማ		
ድግሪ		
ማስተርስ እና ከዚያ በላይ		
2ኛ ድግሪ		

2. ጾታ ወንድ ሴት

3. እድሜ

3. ከ 18-24 አመት 3. ከ 24-30 አመት

4. ከ 30-36 አመት 4. ከ 36-42 አመት

4. ከ 42-48 አመት 5. ከ 48-54 አመት

5. ከ 54-60 አመት 7. 60 እና ከዚያ በላይ

5. የትዳር ሁኔታ ያላገባ(ች) ያገባ(ች) ታ(ች)

ክፍል ሁለት፡ ግብር ከፋዮች በግብር ህጎችና መመሪያዎች ላይ ያላቸው እውቀት ለታክስ ህግ ተገዥነት ያለው ድርሻ

ከተዘረዘሩት አማራጮች - በጣም አልስማማም (በአ 1) ፤ አልስማማም(አ 2) ገለልተኛ (ገ 3) እስማማለሁ (እ 4) በጣም እስማማለሁ (በእ 5) አንዱን ይምረጡ

ተ.ቁ	ጥያቄ	በአ (1)	አ(2)	ገ(3)	እ(4)	በአ(5)
1	ተከፋይ ግብር ለማስላት ያለዎት እውቀት					
2	ተከፋይ ግብር ለማስላት ተቀናናሽ ሂሳቦችን ማስላት ይችላሉ ?					
3	ተከፋይ ግብር ለማስላት የማይቀናነሱ ሂሳቦችን ማስላት ይችላሉ ?					
4	የታክስ እዳዎትን በቀላሉ ማዎቅ ይቸላሉ ?					
5	የታክስ ክፍያዎች የክፍያ ጊዜያት በቀላሉ ያውቋቸዋል?					
6	ወቅታዊ የሆነ የታክስ መረጃ በቀላሉ ማግኘት ይችላሉ ?					
7	ለተጨማሪ እሴት ታክስ ከተመዘገቡ በኋላ የሽያጭ መቆጣጠሪያ ማሽን መግዛት እንዲሁም ደረሰኝ ማሳተም እንደሚገባ ያለዎት እውቀት					
8	የገቢ ግብርን በተመለከተ በመሰረታዊ የታክስ ህጎችና መመሪያዎች ላይ እውቅና አለዎት?					
9	በታክስ ስሌት ወቅት የግብር ህጎችን በሚገባ ይረዳሉ ?					
10	የትርፍ ግብር ግዴታን በተመለተ ከግብር ከፋዮች የሚጠበቁ ቅድመ ሁኔታዎች ላይ ያለዎት ግንዛቤ					

	አገልግሎት አሰጣጥን በተመለከተ					
11	የባለስልጣን መስሪያቤቱ ሰራተኞች አገልግሎት አሰጣጥ ቅንነት የተሞላበት ነው ብለው ያምናሉ ?					
12	የታክስ አስተዳደር ባለስልጣን መስሪያቤቱ አገልግሎት አሰጣጥ ብቁ ነው የሚል እምነት አለዎት ?					
13	የታክስ አስተዳደር ባለስልጣን መስሪያቤቱ አገልግሎት አሰጣጥ ከሁኔታዎች ጋር የሚስተካከል ነው የሚል እምነት አለዎት ?					
14	የሚገለገሉበት የታክስ ማዕከል የአገልግሎት ምቹነት እንዴት ይገልጹታል ለምሳሌ የማረፊያ ቦታ መኖር እና ፈጣን አገልግሎት					

	ማግኘት					
15	ባለስልጣን መስሪያቤቱ በብልጫ የተከፈሉ ክፍያዎችን ለማካካስ ፈጣን ምላሽ የመስጠት ሁኔታ					
16	ባለስልጣን መስሪያቤቱ የግብር ከፋዮችን ከታክስ ጋር ተያያዥ የሆኑ ችግሮችን በሚፈለገው ጊዜ የመፍታት ሁኔታ					
	የታክስ አስተዳደር ፍታሀዊነት					
17	ከታክስ አስተዳደር መረቡ ውጪ በርካታ ነጋዴዎች መኖራቸውና ተጠቃሚ መሆናቸው					
18	ሙስናና ያልተገባ አስረር መኖሩና ይህንኑ ተጠቅመው ከፍተኛ ገቢ ያላቸው ነጋዴዎች ታክስ በአግባቡ አለመክፈላቸው					
19	የህግ ማስከበር ስራዎች ጥቂቶች ላይ ብቻ ያተኮረ መሆኑ					
20	በአንድ አይነት አካባቢ ያሉ ተመሳሳይ ነጋዴዎች ተመጣጣኝ ግብር የመክፈል ሁኔታ					
21	ባለስልጣን መስሪያቤቱ በግብር ከፋዮች የሂሳብ ሪፖርት ላይ ያለው እምነት					
22	ከሌሎች ጋር ሲነጻጸር ከሚገባኝ በላይ ግብር እየከፈልኩ ነው ብለው ያምናሉ ?					

	የታክስ አሰራሩ ውስብስብነት					
23	ባለስልጣን መስሪያ ቤቱ ግብር ከፋዮች ግብራቸውን በራሳቸው አስልተው እንዲያቀርቡ ያበረታታል ?					
24	የታክስ ማሳወቂያ ፎርማቶች ለመረዳት ቀላል ናቸው					
25	በግልጽ ለመረዳት የሚያስቸግሩ የገቢ ተቀናናሾች መኖራቸው					
26	አሰራሮች በየጊዜው ስለሚቀያየሩ የታክስ ስርዓቱ የተወሳሰበ ነው					
27	የታክስ ማሳወቂያ ፎርማቶች ለመሙላት በጣም አስቸጋሪ ናቸው					

የታክስ ህግ ተገዥነትን የተመለከቱ ጥያቄዎች

ተ.ቁ	ጥያቄዎች	በአ (1)	አ(2)	ገ(3)	እ(4)	በአ(5)
28	የታክስ ምጣኔው ከፍተኛ ከሆነ ፤ ግብር ከፋዮች ታክስ ማጭበርበር አለባቸው					
29	የታክስ ስርዓቱ ፍትሀዊ ካልሆነ ፤ ግብር ከፋዮች ታክስ ማጭበርበር አለባቸው					
30	የመያዝ እድላቸው ዝቅተኛ ከሆነ ግብር ከፋዮች ታክስ ማጭበርበር አለባቸው					
31	የመከፈል አቅም አጥተው ታክስ የሚያጭበረብሩ ሰዎች እንደ ወንጀል ሊቆጠርባቸው አይገባም					
32	ሁሉም ሰው የሚያደርገው ከሆነ ግብር ከፋዮች ታክስ ማጭበርበር አለባቸው					
33	እንደ አጠቃላይ የታክስ ማጭበርበር እንደ ወንጀል መታየት የለበትም					

Annex 3: SPSS Output for the Determinant Factors

Correlations

		tax payer's knowledge	Service delivery	fairness	Tax complexity	Compliance behavior
tax payer's knowledge	Pearson Correlation	1	.982**	.931**	.983	.981**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	96	96	96	96	96
Service delivery	Pearson Correlation	.982**	1	.911**	.977**	.970
	Sig. (2-tailed)	.000		.000	.000	.000
	N	96	96	96	96	96
fairness	Pearson Correlation	.931**	.911**	1	.962**	.964**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	96	96	96	96	96
complexity	Pearson Correlation	.983**	.977**	.962**	1**	.984**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	96	96	96	96	96
Compliance behavior	Pearson Correlation	.981**	.970**	.964**	.984**	1**
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	96	96	96	96	96

**. Correlation is significant at the 0.01 level (2-tailed).

Reliability Statistics

variable	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
Tax knowledge	.979	.983	10
fairness	.985	.986	6
Service delivery	.985	.986	6
Tax complexity	.968	.969	5
Compliance behavior	.981	.982	6
	.995	.996	36