



**ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES**

**CHALLENGES OF MEDIUM TAX PAYERS: THE CASE OF ADDIS
ABABA NO. 1 MEDIUM TAX PAYERS BRANCH OFFICE**

BY

TENAYE AKLILU WORKU

JUNE, 2017

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**SUBMITTED TO ST. MARY'S UNIVERSITY SCHOOL OF
GRADUATE STUDIES IN PARTIAL FULFILMENT OF THE
REQUIRMENTS OF MASTERS IN BUSINESS ADMINISTRATION**

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ACKNOWLEDGMENTS

First of all I would like to thank the almighty God for his forgiveness, charity and strength he has given to me.

Secondly, I would like to extend a special word of thank to my advisor Dr. Abraraw Chanefor his priceless and unreserved support through his continuous advice. My sincere thanks also go to all my colleagues and friends, especially to Dr. Mengistu Bogale an instructor at Addis Ababa University Commercial College, for his guidance, and editorial support during my study.

Thirdly, I would like to thank all respondents and informants at Addis Ababa No. 1 medium tax payers branch office employees for their great cooperation in providing me the required information in the process of data collection.

Finally, my deepest thanks go to my dear spouse Ato Getachew Kassahun and to my family, for their invaluable encouragement, financial and moral support that gave me strength.

LIST OF ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
CESTO	Council of Executive Secretaries of Tax Organizations
CRM	Cash Register Machine
DDCCSA	Dire Dawa Chamber of Commerce and Sectorial Associations
EBDSN	Ethiopian Business Development Services Network
EC	European Commission
ECC	Ethiopian Chamber of Commerce
ERCA	Ethiopian Revenue and Customs Authority
GDP	Gross Domestic Product
GTZ	German Technical Cooperation
ICTD	International Centre for Tax and Development
IMF	International Monetary Fund
IRD	Inland Revenue Department
IRS	Americas' Internal Revenue service
MOFED	Ministry of Finance and Economic Development of Ethiopia
NEF	New Economics Foundation
OECD	Organization for Economic Co- operation and Development
SARS	South Africa Revenue Service
SME	Small and Medium Enterprise
SMU	St. Mary's University
TIN	Tax Identification Number
TOT	Turnover Tax
US	United State
VAT	Value Added Tax
WCBEM	World Conference on Business, Economics and Management

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ABSTRACT

This study was conducted to assess challenges faced by tax payers in the case of Addis Ababa No. 1 medium taxpayers' branch office. The data was collected from taxpayers and tax officials through questionnaire and in-depth interview. The study has used both primary and secondary sources of data. Out of the total population of 4,289 semi-structured self-administered survey questionnaires were distributed to the taxpayers who appear at ERCA until 209 respondents obtained by using simple random sampling. Moreover, this thesis applied descriptive research design, and used mixed research approach. Before the statistical analysis, data was collected from the primary survey was compiled, edited, and coded. Then, data was analyzed using a computerized data analysis package known as SPSS version 16. The study showed that taxpayers face various challenges with the existing tax system. The findings reveal that the tax system is so problematic, complex and unfair, discretionary treatment by officers; existence of poor customer service and higher compliance costs. Finally, the thesis suggested a series of measures which could be taken by tax authorities. Such as giving extensive and frequent training to its staff, using appropriate technology to capture the data of taxpayers, implement online tax payment system, properly handle issues related to CRM, train and educate tax payers using various medias, fairly and equally treat payers and improve tax refund procedure.

Key words: *taxpayers challenge; perception of tax payers; cost of tax compliance; customer service; and tax system complexity.*

CHAPTER ONE: INTRODUCTION

1.1. Background of the study

Taxes are important source of government revenue in both developing and developed countries. However, the amount of revenue to be generated by a government from taxes depends, among other things, on the willingness of the taxpayers to comply with tax laws of a country (Eshag, 1983). Compliance refers to the degree to which taxpayers meet their obligations under the tax law. This is not just an issue of technical compliance, but the building of taxpayer behavior or a taxpayer culture in which compliance to the spirit of the tax law is commonly perceived as a positive social value (South Africa Revenue Service (SARS) 2011: 2).

According to Organization for Economic Co- operation and Development (OECD, 2010), the primary mandate of most tax administrations is to ensure compliance with tax laws and improve taxpayers' satisfaction. In order to do that and find the most effective treatment, revenue bodies benefit from knowledge about taxpayer behavior and challenges they are facing. For instance the better understanding of taxpayer behavior and their problem can be expected to place revenue bodies in a stronger position to design and implement effective compliance strategies, which contributes to the sustainability of taxation systems (OECD, 2010).

Moreover, Fjeldstad et al (2012) suggested that understanding how citizens perceive and experience taxation may provide an essential diagnostic of the political realities for tax reform. Consequently, taxpayers' behavior towards tax system has evoked great attention among many Revenue Authorities in the world especially in developed countries. However, it is debatable on what has been done towards the study of taxpayers' view towards tax system in developing countries (Omweri, et al; 2010). McKercher and Evans (2009) also explained that taxpayer non-compliance is a continual and growing global problem that is not readily addressed.

Following the increasing cases of tax noncompliance, especially tax evasion and its consequences on the capacity of government to raise public revenue, great amount of attentions have been paid to the issue of tax compliance globally by public policy makers and researchers for the past few decades. However, there are bulky of research evidences on tax compliance

behavior linked to developed countries especially the United State (US); it is limited on developing countries (Alabede, et al; 2011).

Possibly, understanding the taxpayers' challenges, behavior and perception in terms of their satisfaction towards tax system and how it influences the tax compliance will be a solution to this gap. In line with the above discussion, there has been a growing concern in literature on the contribution of tax compliance to the design and improvement of tax system. For example, OCED (2010), Kirchler (2007) and Fjeldstad et al (2012) suggested tax compliance is determined by five broad factors: 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.

Similarly, Misch et al (2011) mentioned factors that determine whether and to which extent taxpayers comply with their tax obligations. These include (a) the magnitude of the tax burden; (b) the costs of being tax-compliant, e.g. the time required to register for taxation or to fill out tax forms; (c) taxpayer knowledge, i.e. skills that allow the taxpayer to pay taxes, including an understanding of why paying tax; (d) sticks, i.e. the probability of being detected and punished for non-compliance; (e) carrots, i.e. the direct benefits that taxpayer registration entails, for instance in providing access to specific services such as passport, driver license etc.; and (f) norms, i.e. the intrinsic factors that induce the taxpayer to pay taxes 'voluntarily' (Levi, 1988). 'Voluntary' compliance is promoted by fair and transparent treatment of taxpayers by the tax administration, and by the way tax revenues are spent.

There is also considerable evidence on the subject of taxation and behavior' of taxpayers. However, while these studies are based on evidence from developed countries, studies in developing countries are limited. More specifically, in the case of Ethiopia, to the knowledge of the researcher, there are a few studies on business taxpayers' challenge in the country tax system. In this context the broad purpose of this study was to assess taxpayers' challenge with the overall tax system in Ethiopia.

1.2. Statement of the problem

Taxation in developing countries is a challenging topic and has attracted increasing attention in the last two decades. During this period, many problems observed like poor administration, failing to collect sufficient tax revenues, lack of government and economic stability (Vadde&Gundarapu, 2012). Vadde and Gundarapu stated Ethiopia, like any other developing countries, has faced difficulty in raising revenue to the level required for the promotion of economic growth. Hence, the country has been experienced a consistent budget deficit for sufficiently long period of time.

To curb this problem, the Ethiopian government has been undertaking substantial efforts in reforming and modernizing the revenue administration with the aim of simplifying the tax system and increasing government revenue. Despite the government efforts, there has been poor tax revenue collection, tax compliance has still remained a problem and the taxpayers continued to complain about the behavior of the ERCA staff. There are also poor handling taxpayer queries and complaints on tax matters, lengthy bureaucratic tax administrative procedures coupled with the nature of physical facilities in keeping and processing taxpayer information (Debere, 2014).

On the other hand, the tax revenue performance of Ethiopia as a percentage of GDP remains low. According to the report of Ministry of Finance and Economic Development of Ethiopia (MOFED), the tax revenue as a percentage of the GDP was achieved 11.6 % in 2011/12 which was less than the tax to GDP ratio in 2003/4 which is 12.6% (Yesegat&Fjeldstad, 2012). Furthermore, the tax to GDP ratio targeted by the end of the five-year Growth and Transformation Plan in 2015 is 15.3% which is lower than the Sub-Saharan average (18%) in 2005 (Gupta &Tareq, 2008; Di John, 2009). Additionally, as per analysis of Debere (2014), the Ethiopian tax performance (9.8%) in 2010 is very low and even less than the averages (14.48%) of the four Eastern African countries (Kenya, Madagascar, Ugandan and Zambia).

According to Yesegat (2011) a low percentage of tax revenue to GDP ratio will lead to pressurize the tax administration to increase revenue collection considerably. As a result of this, unfair practices will be taking place which will violet the rule of law that may

automatically increase the burden of taxes on honest taxpayers. Such pressure on honest taxpayers would lead to the prevalence of taxpayers' resentment and challenge. This could be a source of dissatisfaction in the service given by ERCA.

On the contrary, Oberholze (2007) indicated that one of the main reasons for the tax gap is noncompliance by taxpayers and potential taxpayers with tax legislation and the perception of taxpayers on tax system. Both gaps of poor perception and taxpayers' resentment towards taxes system will lead to inefficient and ineffective collection of taxes. Unless efforts are made to narrowing down the gap, in line with knowing the taxpayers' perception, challenge and how tax regimes satisfy taxpayers, will help tax administration to mobilize adequate tax revenues.

Some studies made on challenges of category "A" taxpayers in Addis Ababa show that there exists inefficiency and insufficient number of tax assessment and collection officers (Gebremariam, 2012). Similarly, the findings of a study conducted in Dire Dawa city Administration indicate that tax authority of the city is not being effective or is being reluctant in making the tax procedures objective, transparent and understandable to taxpayers (Mengesha and Ashebir, 2013). Similar studies demonstrate that category "C" taxpayers are the most problematic category of taxpayers and it is considered as hard to tax group regarding tax assessment (Lemessa, 2007).

Even though there are problems in relation to overall tax system, there are few studies made on challenges of category "A" medium tax payers in Addis Ababa context. Moreover, from practical experience, observation, personal experience and insight there is a lot of problems taxpayers are facing at the branch under discussion. This includes lack of timely service, so many back and forth, disrespect by officers and the like. Thus, on the basis of what is done in other contexts and in Ethiopia this research particularly investigated challenges of medium taxpayers (category A) facing at Addis Ababa No. 1 Medium Taxpayers Branch Office from taxpayers point of view.

1.3. Research questions

The basic questions in which the study will answer is as follows.

- What are the basic challenges medium tax payers are facing at Addis Ababa No. 1 Medium Taxpayers Branch Office?
- What are the causes of these challenges?
- Who are the major players and what should they do?

1.4. Objectives of the study

The general purpose of the study is to assess the current challenges in relation to taxation that medium taxpayers are facing at Addis Ababa No. 1 Medium Taxpayers Branch Office.

The specific objectives of the study are:

- To identify and prioritize basic challenges of the taxpayers in relation to the overall taxation system, tax assessment, collection and service delivery of tax authorities;
- Assessing the causes of challenges of the taxpayers; and
- Identifying the major players and their role in solving these challenges.

1.5. Significance of the study

This study will provide information to the Branch office and policy makers to help them design policies that may improve the service provided to taxpayers. It can also help other organizations to see the gaps by providing objective evidence. The study could also help as an input for future researchers. Particularly, in the academic institutions students and instructors are encouraged to undertake further study on various offices of ERCA.

1.6. Scope

There are four medium taxpayers' branch offices in Addis Ababa. Thus, this study is limited to one of these four branches i.e. Addis Ababa No. 1 medium taxpayers branch office and only to category "A" tax payers. Category "A" tax payers are those having separate legal personality, incorporated under the law of Ethiopia or in a foreign country or any registered business having annual turnover of birr 500,000 and over.

1.7. Limitation of the study

To investigate the challenges of taxpayers of Addis Ababa No. 1 Medium Taxpayers Branch Office, more time, cautious survey and extreme openness from the respondents are required. However, most taxpayers lack patience in reacting to all questioners forwarded to them. Moreover there is limited time to undertake the study.

Therefore, based on the above limitations the study mainly relied on the responses gathered from the taxpayers and the interviewees in the tax office.

1.8. Organization of the study

The paper is organized in to five chapters. Chapter one offers the introduction while chapter two deals with the review of related literature. Chapter three is about research design. Chapter four involves data presentation & analysis. The fifth chapter consists of the conclusion and recommendations of the study. At the end of the document, references and a set of appendices are included.

CHAPTER TWO: REVIEW OF RELATED LITRATURE

2.1. THEORETICAL REVIEW

This chapter presents a brief review of different theoretical and empirical literature written in the area of overall taxation system, taxpayers' perception and compliance behavior.

2.1.1. Definition of Taxation

The word tax came from the Latin word 'taxare' meaning 'to estimate' is be defined as "a compulsory contribution payable by an economic unit to a government without expectation of direct and equivalent return from the government for the contribution made" (Bhatia, 2003). Taxes are generally an involuntary fee levied on individuals or corporations that are enforced by a government entity, whether local, regional or national in order to finance government activities. In economics, taxes fall on whom-ever pays the burden of the tax, whether this is the entity being taxed, like a business, or the end consumers of the business's goods (Investopedia LLC, 2016).

Tax is permanent instrument for collecting revenues. It is a major source of revenue in the developed world and has been appearing as an important source of revenue in the developing world as well. It has been an instrument of social and economic policy for the government (Brain Tracy International, 2016).

Taxes are important sources of public revenue. Public goods such as roads, power, municipal services, and other public infrastructures are normally supplied by public agencies due to their natures of non-rivalry and non-excludability (Joseph, 2008). Government intervention in the supply of public goods is therefore inevitable and can only be done if the public pays taxes for the production and supply of such goods (Fjeldstad, 2004).

As per Investopedia LLC (2016) taxpayer is an individual or entity that is obligated to make payments to municipal or government taxation agencies. The term taxpayer generally describes one who pays taxes.

2.1.2. Tax Objectives

According to Muley (2016), there are six tax objectives. These are economic development, full employment, price stability, control of cyclical fluctuations, reduction of balance of payment and reduction of inequality in income and wealth. These will be described below.

Firstly, economic development of any country is largely conditioned by the growth of capital formation. Even though capital formation is the kingpin of economic development least developed countries like Ethiopia usually suffers from the shortage of capital. To overcome these scarcity governments of these countries mobilizes resource and taps tax revenue.

Secondly the level of employment depends on effective demand; a country desirous of achieving the goal of full employment must cut down the rate of taxes. Consequently, disposable income will rise and, hence, demand for goods and service will rise. Increased demand will stimulate investment leading to a rise in income and employment through the multiplier mechanism.

Thirdly, taxation can be used to ensure price stability- a short run objective of taxation. Taxes are regarded as an effective means of controlling inflation. By raising the rate of direct taxes, private spending can be controlled. But indirect taxes imposed on commodities fuel inflationary tendencies. High commodity prices, on the one hand, discourage consumption and encourage saving. Opposite effect will occur when taxes are lowered down during deflation.

Fourthly, control of cyclical fluctuations—periods of boom and depression—is considered to be another objective of taxation. During depression, taxes are lowered down while during boom taxes are increased so that cyclical fluctuations are tamed.

In addition to the above author, EBDSN and ECC(2005), mentioned additional tax objective that, taxes like custom duties are also used to control imports of certain goods with the objective of reducing the intensity of balance of payments difficulties and encouraging domestic production of import substitutes. Moreover, through the tax system, government can protect domestic industries from competing imported goods through levying high tariff on the later.

Finally, both Muley(2016) and EBDSN and ECC (2005) stated another extra-revenue or non-revenue objective of taxation is the reduction of inequalities in income and wealth; encouraging certain industries and discouraging others depending on how useful and appropriate they are at that particular economic stance. This can be done by taxing the rich at higher rate than the poor or by introducing a system of progressive taxation.

Hence, some of the specific purposes of taxation in Ethiopia can be summarized as follows (EBDSN and ECC, 2005):

- Raising of as much revenue as possible to finance the country's social and economic development programs and to alleviate poverty;
- Promotion of capital investment and trade;
- Ensuring equity, fairness and consistency in the administration of tax laws;
- Encouraging certain industries which are held important in developing the country; and
- Discouraging other industries which are likewise not important to the long-run development of the country.

2.1.3. 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). Additionally, the work of a tax administration includes activities that cover both compliance and customer service. For example, Revenue Authorities' range of functions includes: assessment, collection, debt management, audit and other interventions, anti-smuggling and other customs functions and anti-avoidance.

Parameswaran (2005) states, since taxes are an involuntary payment for government services, taxpayers have a strong incentive 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. Thus, tax administration should aim at improving on laws regarding the registration, assessment, collection revenue, and exploiting fully taxation potential of a country (World Bank, 1991).

2.1.3.1 Legal structure for effective and efficient tax administration

According to Asian Development Bank (2001) 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. Also it stated tax administration dictates tax policy. Indeed, tax administration and compliance issues determine the broad evolution of tax systems (Ibid). 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).

Furthermore, 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. In addition to the legal structure for tax administration, obviously, the organizational structure of the tax administration is also of crucial importance (Asian Development Bank, 2001).

Similarly, Mansfield (1990) stated that 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. 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.

2.1.3.2 Tax administration procedures

The procedures undertaken by tax authority to ensure compliance are: identification, registration, filing return and return processing of tax, audit examination and tax collection and enforcement.

a) 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).

b) 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. 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 (Tanzi, 2001).

c) Filing returns and returns processing

Eissa and Jack (2009) mentioned that 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. 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.

d) 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 (Gebre-Mariam 2012).

e) 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 (Baurer, 2005).

f) Collection and enforcement

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).

When the taxpayer has not made payment on the due date, and does not object to the tax assessed, tax authority can enforce payment in a number of ways. The tax administration may bring a suit against the taxpayer or request a person owing or holding money for the taxpayer to pay the money on a specified date or institute distress proceedings against the taxpayer's moveable property. In a wider context, the issue of enforcement includes offences committed by the taxpayer, and the penalties for these offences (Mesiku, 2011).

2.1.3.3 Evaluation criteria for effective tax administration system

As Kayaga (2007) stated, to evaluate the extent to which substantive governmental goals are being pursued in a fair and just manner three tax criteria are used. These are equity, neutrality, and simplicity.

a) Equity

There are three main types of tax equity: horizontal, vertical, and, in the international context, inter-nation. Horizontal equity expresses the principal that similarly situated taxpayers should pay the same amounts of taxes because they have the same ability to pay. Vertical equity expresses the principal that those who are "better off" should bear a larger proportion of the tax burden while those who are "worse off" should bear less. Inter-nation equity centers on whether a tax system promotes a fair sharing of the international tax base, particularly among developing countries.

b) Neutrality

The neutrality criterion requires that tax rules are drafted to minimize the excess burden of taxation whenever feasible. Tax neutrality looks to whether tax laws cause taxpayers to engage

in fundamentally different activities just to avoid paying taxes. A tax measure is considered to be neutral when it does not distort individual choices. If taxes are not neutral, they encourage tax avoidance. In an international context, it is important to consider whether tax systems promote capital export neutrality or capital import neutrality. Capital export neutrality is realized if a taxpayer's choice between investing at home or in a foreign country is not influenced by taxes, while capital import neutrality is realized if a company operating abroad is in the same tax position as a local competitor.

c) **Simplicity and accessibility**

The simplicity criterion means that tax rules should be understandable, accessible, and uncomplicated. "Simplicity" is a general term that encompasses the following:

Comprehensibility: The tax system should be understandable to the people to whom it applies.

Certainty: The application of the tax system to particular transactions should be determinable, predictable, and reasonably certain.

Administrative convenience: Taxpayers should not have to devote undue time or incur undue costs in complying with the tax system.

Difficult to avoid: The tax system should offer minimal opportunity for noncompliance.

2.1.4. Service Commitments of Tax Administration

Asian Development Bank (2001) indicated that 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.

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).

Some of the major service commitments of tax administration to taxpayers are includes the following.

a) Taxpayer information

Tax administration should ensure that the tax forms are as simple and few in number as possible, it should be accompanied by detailed instructions for their completion, and written in a clear and simple style. Taxpayers must be informed where they can obtain their tax forms, where, when and how they are expected to file their return and pay the taxes due, and what penalties are levy-able if they fail to fulfill their obligation within the stipulated time limit. It may prove beneficial to issue leaflets and booklets on various aspects of the tax laws, designed for the general public and for different groups of taxpayers. The public should be informed of the issuance of these publications and of the places where they can be obtained or consulted(Debere, 2014).

For information activities, the mass media like Television, Radio, newspapers and magazines can be used to advantage in reaching large numbers of population at minimum cost. However, written materials will not reach taxpayers who are illiterate, either because they have not attended school or because their education has been inadequate (Ibid).

Some countries have also used mobile units, which tour towns and villages disseminating tax information. Furthermore, intermediaries, such as, professional associations, like lawyers, accountants, etc., trade associations (businessmen, industrialists, contractors, etc.) and trade unions can be used as a means for informing their members (Ibid).

b) Taxpayer education

Taxpayer education and a better relationship with taxpayers, along with well thought out taxpayer education programs can go a long way in improving voluntary compliance. The most commonwealth countries currently have some form of taxpayer education program built into their system(Kuala, 1992). With respect to better taxpayer relationships, it has now become increasingly evident that an effective and efficient tax system would depend on the consent and willing cooperation of the general body of taxpayers, employers and consultants.

Economic experiments from Western countries find that improved knowledge about the tax system can change taxpayers' attitudes and tax moral (Eriksen and Fallan 1995). This can inturn

affect peoples' tax behavior and temptation to evade taxes. Since peoples' attitudes are important for their tax behavior it is likely that it is possible to influence peoples' behavior by influencing the attitudes that reflect their tax moral.

Lewis (1982: 71) argues that "attitudes should be examined for what they are - a product of myth and misconception". If myths and misconceptions about the tax system are replaced by knowledge, we may expect that the tax behavior will be changed even though the taxpayer's core ideology and values are fixed and the tax legislation is the same as before.

In a study of peoples' knowledge about the objectives of a planned tax reform in the USA, Song and Yarbrough (1978) found that the respondents who had most tax knowledge also received the highest score on questions related to tax moral. A study by Roberts et al. (1994) found that specific tax knowledge had impacts on tax attitudes. Whether these experiences from North America and Western Europe are relevant in the African context is not documented by research.

Nonetheless, taxpayer education has become an important component of the revenue administrations' efforts to build a taxpaying culture in the case countries. This requires knowledge of where different segments of taxpayers get information about the tax system. For instance, large companies commonly have staff, tax lawyers, accountants, etc., specialized to handle tax issues, while medium sized companies may use external tax consultants. For taxpaying small and micro enterprises, however, friends and colleagues often represent important sources of information, which may also indicate that they do not receive sufficient - or adequate - information from the revenue administration (Ibid).

A recent study from Zambia finds that the share of small and micro entrepreneurs who regard their knowledge of the tax system as 'poor' is significantly higher for non-taxpaying firms than for firms paying tax. This suggests that poor knowledge of the tax system is a barrier toward tax compliance (Misch et al 2011: 34). Generally, poor education makes it difficult to understand tax-related legislation and procedures.

On the other hand, countries like Canada, New Zealand and the United Kingdom have given the lead by publishing Taxpayers Charters which set out for the first time in public the principles which should be adopted in handling taxpayer's affairs, rights and obligations (United Nation, 2000). This is also the experience of some developing countries like Uganda and Tanzania. Some right to courtesy and consideration, the right to the presumption of honesty, the right to privacy and confidentiality and the right to every benefit allowed by the law should not remain as unattainable goals, but as something which both the tax administrations and the taxpayers should strive to achieve as partners in a common endeavor (Ibid).

The strategy to improve taxpayer education, information and assistance to enhance tax collections and reduce compliance costs should be based on a commitment to high quality and constructive interaction between taxpayers and the tax administration. The approach should address compliance in the context of correcting system deficiencies; simplifying cumbersome and complex tax laws and rules, forms and instructions; presenting the tax laws as fair in their intent and administration; and assisting complying taxpayers who are trying but are unable to meet their obligations (Debere, 2014).

c) Taxpayer assistance

Tax officials should assist taxpayers in an efficient, courteous and considerate manner. Tax offices should also be made as accessible and comfortable as possible. Taxpayer assistance involves personal contacts between tax administration staff and taxpayers, and can do much to enhance the image of the tax administration and promote voluntary compliance (United Nations, 2000). The tax administration can reinforce the idea that its intention is to provide the best possible service to the taxpayers by making tax offices as accessible and comfortable as possible, within the limits imposed by financial constraints. The staff at tax offices can help small taxpayers to complete their returns either in person or by telephone, but should encourage taxpayers to help themselves, so that they would be able to complete their tax returns unaided on subsequent occasions (Ibid).

Assistance of the taxpayer has taken many forms, namely, on-line enquiries of data base, unloading from website, personalized enquiries, delivery of returns, elimination of forms,

electronic payments, on-line modification of returns, etc. (Olaechea 1998). For example, a number of developing countries such as, Barbados, Cyprus, Malaysia, Malta, Mauritius, Swaziland and the United Republic of Tanzania have established taxpayer assistance centers or units within the tax administration to provide assistance to taxpayers (United Nation 2000).

Generally, efforts to improve tax services are focused on broad tax outreach and education and measures to reduce compliance costs, including taxpayer support services. One of the best-documented examples is that of Peru during the 1990s, where improved tax services and education were a major focus. This included major investment in staff training, the creation of a central information center, the development of a free taxpayer bulletin, the hosting of tax fairs in localities throughout the country and the dissemination of important information through newspaper ads and brochures (Durand and Thorp 1998 cited in Wilson, 2010)

d) Performance measures to improve voluntary compliance

In any tax administration, quality of services and taxpayer satisfaction are significant indicators that tax authorities should use (Simon et.al. 2006). To provide taxpayers top quality services by helping them to understand and meet their tax responsibilities and enforce the law with integrity and fairness to all. For example, the Internal Revenue Service (IRS) of America, establish strategic goals and strategic foundations in the IRS Strategic Plan (IRS, 2010). Success in achieving these goals benefits every taxpayer. By making it easier for taxpayers to understand, calculate, and report their tax obligations, and to remit payment conveniently, the tax administration can reduce the administrative burden borne by taxpayers.

Thus, according to Americas' Internal Revenue service's (IRS, 2010), performance in tax administration can be measured as follow.

- i. **Behavioral outcome measures:** It evaluates taxpayer transactions with the tax administration to determine how effectively the tax administration is influencing taxpayer behaviors, such as using the web site, filing electronically, or voluntarily fulfilling their tax obligations. Taxpayers can get their questions answered faster by using tax administrations' self-assisted services on the web site.

- ii. **Quality measures:**It assesses key characteristics of taxpayer products and services, such as completeness, timeliness, consistency, and accuracy. Quality improvements can decrease the burden associated with erroneous information, and increase the public's trust and confidence in the tax administration. Therefore, taxpayers should receive accurate information when asking questions about tax law and should receive accurate responses when asking question about their account.

- iii. **Timeliness measure:** This measure how quickly tax administration product or service can be delivered. The timely execution of activities by the tax administration can help taxpayers avoid potential burdens resulting from long wait times (such as fees, penalties, and opportunity cost due to delayed actions). Some studies indicate that timeliness is highly correlated with taxpayer's satisfaction.

- iv. **Taxpayer satisfaction outcome measures:** Taxpayer satisfaction measures evaluate approval levels reported by taxpayers during various tax administration transactions and identify potential areas for service improvement. Organizations applying for tax exempt status should experience high levels of satisfaction with the process and taxpayers should experience high levels of satisfaction in their transactions with the tax administration.

2.1.5.Factors that Influence Taxpayers Behavior and Tax Compliance

Many of the functions of tax administration depend to some degree on the voluntary compliance of taxpayers. In addition, large elements of the tax system in developed countries are based on self-assessment. In this context, there is clearly potential to influence behavior to improve compliance.

The central contribution of behavioral research to tax administration is to understand why taxpayers are compliant or not. This can inform the work of tax administrations across a range of their functions. Several factors that determine the level of compliance in a taxpayer population have been identified. Thus the following section discuss the theoretical framework discussed by three organs: five broad factors discussed by OECD (2010) and others as model one;the six

principles of Cialdini (2001) as model two and seven factors discussed by Misch et al (2011) as model three.

2.1.5.1 Model one (five broad factors discussed by OECD (2010) and others)

Kirchler(2007), Fjeldstad et al (2012), European Commission (2010) and research made by the OECD Forum of Tax Administration (OECD, 2010) suggested tax compliance is determined by five broad factors discussed below.

a) Deterrence effects

The standard model of tax compliance, derived from Becker (1968) assumes that a rational taxpayer assesses the costs and benefits of evading taxes. If the expected benefits (less income lost to tax) outweigh the costs (the chances of a non-compliant taxpayer being caught and the sanctions incurred) then the taxpayer will evade tax. The taxpayer makes a rational choice after considering the options.

Deterrence (the risk of detection and the punishments incurred) should positively influence taxpayer compliance (Slemrod, 2007). However, the empirical evidence is somewhat mixed. OECD (2010) discusses several studies that examine the role of deterrence. Some findings are as expected (increases in the probability of detection improve compliance) but the effects are quite weak. One reason is that auditing compliant taxpayers is found to sometimes undermine their willingness to comply. While deterrence is a vital tool (audit, other interventions and sanctions) for any tax administration, simply increasing the level of deterrence (often an expensive process for the tax administration) is not guaranteed to improve compliance. A targeted approach to deterrence is likely to be more effective.

b) The impact of norms on behavior

A key factor in tax compliance is a widespread desire to “do the right thing”. Taxpayers seek to comply because they believe it the right thing to do, not because of fear of punishment if they do not comply (Wenzel, 2005). The desire of a taxpayer to comply is strongly linked to behavioral norms, both the personal norms and beliefs of the individual taxpayer and the social norms that prevail in society at large.

Personal norms are the result of a combination of factors inherent to the individual. These guide a taxpayer’s posture to the tax administration but are difficult to influence (OECD, 2010). Tax

administrations can try to send messages that stress the importance of compliance to educate taxpayers and build up positive personal norms. Engagement by tax administrations with young people (early working age or younger) can influence their personal norms and this benefits tax compliance in the long-term.

There is evidence from diverse areas (not just tax related) that people seek to conform to social norms and that the behavior of others strongly influences an individual's choices (OECD, 2010). This influence is important though in many cases people do not consciously realize it. This effect can be heightened when the relationship to the social grouping is stronger or closer (peers or neighbors may exert greater influence than those more distant to the individual).

Social norms influence taxpayer behavior. If there is a perception that tax evasion is limited and the majority of the people are compliant, this makes people less willing to evade taxes themselves. Often people tend to believe that non-compliance is more prevalent than it is in practice so correcting misperceptions regarding the scale of evasion is also a positive way to reinforce compliance.

c) Fairness and trust in tax administration

Whether an outcome is perceived to be fair will often influence behavior. Experiments have shown that people prefer an option in which they receive no reward to an option in which they are rewarded but are perceived as unfair. They are rejecting an outcome that would make them better off (Braithwaite 2009). Often trust and legitimacy are linked to fairness, as the perceived fairness of an outcome will be contingent upon them.

OECD (2010) discusses three types of fairness in taxation: distributive fairness (the perception that government acts as a wise spender of tax revenues); procedural fairness (the perception that the tax administration adheres to procedures that are fair in dealing with taxpayers); and retributive fairness (the perception that the tax administration is fair in applying punishments when the rules are broken). The latter two are more relevant to (and can be influenced by) tax administrations. Distributive fairness depends on policy makers.

If taxpayers do not trust the tax administration to collect tax fairly, this will increase non-compliance. By extension, if there is a lack of trust in the broader government to spend tax revenues wisely (or a lack of legitimacy in the government), this will also have negative effects on tax compliance) a perception of fairness and trust are important tools for a tax administration in attempting to reduce evasion. The key to establishing trust is to frame the collection of taxes to the population in a transparent manner and emphasize the perceived fairness of the approach taken.

Norms and the motivation to pay taxes are influenced by fairness both in how a person is treated by the administration individually and perceptions of fairness of the taxation system in general (whether other people are also paying their fair share). If a tax administration can demonstrate its commitment in these areas, there should be a compliance benefit (Reeson and Dunstall, 2009).

A service and client approach by the tax administration is more likely to encourage trust than a cops and robbers approach based on sanctions (Kirchler, 2007). The more respectfully taxpayers are treated by the tax administration, the less likely they are to evade and this contributes to the desire to do the right thing (NEF, 2005).

d) Opportunity and complexity in the tax system

A key assumption in decision-making is that people are capable of assessing a range of complex choices, and by correctly evaluating all of the available information, select the option with the best outcome for them. In reality it is rare to find situations in which people are fully informed of all their choices and always select the best option. In many cases, people fail to make the optimal choice. Simpler tax systems should encourage greater compliance and lower costs through the use of less tax agents. Less complexity should reduce the scope for tax avoidance and evasion (Alm et al., 2010). Interactions between Revenue and tax agents and representative bodies improve communication and compliance. Working together can help to achieve buy-in and support for changes in the tax system.

Opportunity is a related concept to complexity. Tax administrations seek to reduce the opportunities for taxpayers to evade or avoid tax. A prominent example of this in Ethiopia is withholding tax systems. As OECD (2010) notes, withholding systems can also have compliance and simplification benefits as they place less burden on taxpayers (as well as reducing opportunities for non-compliance).

OECD (2010) argues that tax administrations have tended to overlook the lazy non-compliers, taxpayers who would have complied if opportunity for compliance had been easier. Suggestions to make it easier to comply include the use of plain language in communications and simplifying forms and tax laws where possible.

Targeting improvements in complexity and opportunity should increase taxpayer compliance. This should reduce unintentional non-compliance if fewer errors are made completing returns and make it easier for those seeking to comply.

e) Role of government and broader economic factors

There are many other factors that influence the level of compliance in a population. These are grouped together here, as for the most part they are beyond the control of the tax administration. Some involve tax policy or public spending, while others relate to the broader economy. Section (c) notes that distributive fairness influences compliance. Taxpayers link the tax they pay to the ability of the State to fund expenditure on public goods and services (Barone and Mocetti, 2009). If there is a perception that the government spends tax revenues wisely, this should encourage tax compliance. If taxes are associated with spending on goods and services that the taxpayer values (for example, schools or infrastructure), then the taxpayer is likely to be less reluctant to comply.

Economic conditions are important to compliance. For example, businesses with liquidity problems may be more likely to consider evading taxes. At a more macroeconomic level, OECD (2010) notes that although the research is limited, factors that promote economic growth also tend to promote tax compliance. Likewise, economic downturns are often associated with

increased tax evasion. Higher tax rates are often linked with tax evasion if they incentivize taxpayers to move into the shadow economy.

2.1.5.2 Model two (six principles discussed by Cialdini (2001))

In addition to the above discussion, there is also principle of influence on taxpayers' behavior and tax compliance. Cialdini (2001) develops six principles that can be applied to influencing individuals' behavior and decision making which is offer a useful structure. OECD further develops these including, as shown in Table 1, a series of possible applications of the principles to tax administration (Walsh, 2012).

Table 2.1: Principles of influence applied to taxation

Influence principle	Explanation	Potential tax application
Reciprocation	People feel obligated to return favors.	Indicate to taxpayers the ways in which the tax administration can assist them and emphasize the benefits of compliance.
Authority	People look to experts to show the way.	Take opportunities to communicate the tax administration's relevant expertise and experience in taxation matters.
Commitment & Consistency	People want to act consistently with their values.	Allow taxpayers the possibility to communicate their commitment to compliance and to show consistency with previous actions.
Scarcity	People place higher values on resources that are limited.	Attempt to characterize compliant behavior as avoiding losses and show that the tax administration is unique as its services to taxpayers cannot be offered by anyone else.
Social Proof & Consensus	People look to others to guide their behavior.	Signal to taxpayers that compliant behavior is the norm but be wary of publicizing evasion as severe or widespread as this may legitimize undesirable behavior.
Liking	People are supportive to ideas or actions they like.	Emphasize the positive aspects of the tax administration's work and the tax system to improve taxpayers' views.

Source: Based on Coalmine (2001) and OECD (2009)

The factors discussed in the previous sections and these principles offer a framework to address the issue of how to influence taxpayers to improve compliance and hence, performance.

Moreover, the tax satisfaction to ward perception or view may be defined as positive or negative views of tax compliance behavior. These views may be explained by Psychology-based theories which reveal that taxpayers' perception may be influenced by the following factors which eventually influence taxpayers' behavior.

- Taxpayers perceptions of the tax system and Revenue Authority, taxpayers' understanding of a tax system or tax laws, use of information (Le Baube 1992);
- motivation such as rewards (Field et al. 2006);
- ethics or morality of the taxpayer, tax collector;
- equity of the tax systems (Trivedi&Shehata 2005);
- Demographic factors such sex, age, education and size of income (Oberholzer 2007)

Perception may also be defined as positive or negative views of a person, behavior or event. In relation to taxation, taxpayers' attitude may be defined as positive or negative views of a tax compliance behavior and the same true for taxpayers' satisfaction. The outcome of positive views is tax compliance and negative views are tax noncompliance (Omweri et al. 2010).

2.1.5.3 Model three (seven factors influencing taxpayer behavior discussed by Misch et al (2011))

Behavioral sciences focus on the consensual aspects, termed 'tax morale', in an attempt to explain the positive motivations for compliance (Cummings et al 2005). Feld and Frey (2007, 2010) argue that citizens and the state appear to develop their fiscal relationships according to a psychological 'tax contract' that establishes fiscal exchange between taxpayers and tax authorities. This relationship, however, reaches beyond pure exchanges, and involves relationships and loyalties between the 'contract partners'. This has laid the foundation for compliance models that include factors such as (i) people's sense of moral obligation to pay; (ii) their perception of the tax system's fairness and, in particular, the perception that other taxpayers are also paying; and (iii) the extent to which taxpayers believe that the government spends their tax money wisely, and/or spend it on public goods that will benefit the taxpayer (Andreoni et al 1998; Frey and Feld 2002).

Accordingly, the factors affecting compliance behavior are an intersection of individual values and norms, societal values and norms, the belief in the fairness of the system, the ease of compliance, the speed and accuracy of detection of non-compliance (i.e. the likelihood of getting caught), the speed and accuracy of corrective measures and the severity or impact of the deterrent measures (SARS 2011: 3).

2.1.5.4 Tax compliance costs

Tax compliance costs are defined as the cost that taxpayers' incur to pay taxes. These costs include (i) the time required to prepare tax returns which is determined by the complexity of tax legislation and the number of taxes that need separate payments and returns, and (ii) the payment frequency (Misch et al 2011: 32). How easy it is to pay tax in a country is measured by the World Bank as a part of the Doing Business project. Regulations relevant for a small to medium sized business are identified and ranked in 183 countries providing an overall score of the ease of doing business in a country. The ease of paying tax is one of the indicators from Doing Business, and it is found by examining the number of payments needed each year; hours spent on tax issues per year; the total tax rate as a percentage of profit (Fjeldstad and Heggstad 2011).

Laffer et al (2011) in the study of the economic burden caused by tax code complexity in USA indicated that: to pay taxes, the costs taxpayers actually incur are far greater than the net sums the government collects. Individuals and businesses as taxpayers must pay substantially more than \$1 in order for government beneficiaries to receive \$1 of federal government services. Before individuals and businesses pay their tax liability, they must first spend time collecting records, organizing files, and wading through the tax code to determine exactly what their tax liability is. In addition, individuals purchase products and services, such as tax software or an accountant, to assist them in determining their tax liability. These are tax compliance outlays. Thirdly, in effect, taxpayers must also pay the administrative costs needed to run the IRS etc., solely for tax collection purposes. Still there is more.

Laffer et al (2011) added large and small businesses hire teams of accountants, lawyers, and tax professionals to track, measure, and pay their taxes. This tax infrastructure is also used to optimize the tax liability of the business. Individuals and businesses change their behavior in

response to tax policies, hiring tax experts to discover ways to minimize their tax liabilities. The efficiency costs from both legal tax avoidance and illegal tax evasion are difficult to quantify, but could be the highest costs of all.

Accordingly, the study of Laffer et al (2011) created a comprehensive estimate of the total administrative costs, time costs, and direct tax compliance costs created by the complex U.S. federal income tax code. One can only imagine what the full burden of government on the well-being of society might be. In their analysis they estimated that U.S. taxpayers pay \$431.1 billion annually, or 30 percent of total income taxes collected, just to comply with and administer the U.S. income tax system.

More specifically, factors that determine whether and to which extent taxpayers comply with their tax obligations include (Misch et al 2011: 28-31):

- a) the magnitude of the tax burden;
- b) the costs of being tax-compliant, e.g. the time required to register for taxation or to fill out tax forms;
- c) taxpayer knowledge, i.e. skills that allow the taxpayer to pay taxes, including an understanding of why paying tax;
- d) sticks, i.e. the probability of being detected and punished for non-compliance;
- e) carrots, i.e. the direct benefits that taxpayer registration entails, for instance in providing access to specific services such as passport, driver license etc.; and
- f) Norms, i.e. the intrinsic factors that induce the taxpayer to pay taxes ‘voluntarily’ (Levi, 1988). ‘Voluntary’ compliance is promoted by fair and transparent treatment of taxpayers by the tax administration, and by the way tax revenues are spent.

Several of the factors listed above are interconnected (Misch et al 2011: 28). For instance, low compliance costs (b) are not sufficient if taxpayer knowledge (c) is lacking. Even if compliance costs are low and if taxpayers have developed a sufficient understanding of taxation, tax compliance also requires sticks (d) and carrots (e), factors that motivate taxpayers to become ‘voluntary’ compliant (f), or a combination of (d), (e) and (f).

Furthermore, changes in tax policy and tax administration may affect tax compliance through effects on (a) – (f). This implies that a combination of policy and administrative measures is likely to be required to enhance taxpayer compliance depending on the specific constraints in place. For instance, if taxpayers have sufficient knowledge of the tax system, including laws and regulations, furthering taxpayer education may have little impact on tax compliance (ibid: 29). The need for taxpayer education, however, is likely to differ substantially between different segments of taxpayers, and may be more acute for smaller taxpayers than for larger corporations. Thus, measures to enhance tax compliance and build a taxpaying culture need to be tailor-made for different segments of taxpayers and the specific constraints they face.

Determinants of tax compliance are illustrated in Table 2. It explains the links between factors impacting on tax compliance and three sets of interventions, namely (i) tax policy, (ii) tax administration and (iii) interventions outside the tax system (Misch et al 2011: 29). For instance, tax policy directly impacts on compliance costs by the complexity of the tax laws. Further, tax policy is one key determinant of the effective tax burden. The tax exemption regime is likely to impact on the non-exempted taxpayers' willingness to pay. Thus, changes in tax policy may be important to build a taxpaying culture characterized by broad-based (quasi) voluntary compliance. This also applies to tax administration.

Compliance costs, for example, depend on the complexity of procedures for taxpayer registration and tax payment. Further, compliance is likely to be affected by the tax enforcement regime, whether it is perceived to be corrupt or fair and transparent. A range of factors outside the tax system are also likely to impact on taxpayer behavior and the building of a taxpaying culture, including how tax revenues are spent and the extent to which taxation mobilizes citizens' political engagement and is reflected in the general public debate (Ibid).

Table 2.2: Determinants of tax compliance

Measures/ Determinants	Compliance costs	Tax burden	Taxpayer knowledge	Penalties	Quasi- voluntary compliance
Tax policy	Complexity of tax laws	Effective tax rates Tax exemptions	Knowledge of tax laws, rights and obligations	Self-enforcing tax regime or not	Fairness of the tax system (incl. who/what are exempted) Policy dialogue
Tax administration	Complexity of procedures for tax registration and payment	Corruption	Knowledge of registration, payment procedures, rights and obligations	Credibility of effective tax enforcement	Taxpayer outreach; treatment of taxpayers (fairness, predictability)
Interventions outside the tax system	Interaction with different/many public institutions	Non-tax fees, charges, bribes, etc. Impact of foreign aid on incentives to pay taxes	Level of education (literacy, numeracy). The role of media in addressing and communicating tax issues		Use of tax revenues Citizen political engagement around tax issues

Source: Adapted by Fjeldstad and Heggstad (July 2012) based on Misch et al (2011)

2.2. EMPIRICAL LITERATURE REVIEW

This section highlights a number of previous studies and some specific finding that deal with tax related matters.

The study of Mpambara et al (2013) on Assessment of challenges faced by tax collectors and taxpayers in rural areas of Nyaruguru District, Rwanda identified challenges facing tax collectors which include mainly poor tax payers' perception on the relevance of tax payment, taxpayers' delay in tax declaration, starting business activity without trading license and traditional mode of tax collection. The major causes of tax collection problems included lack of tax taxpayers' education about tax relevance, and insufficient District means to equip tax collectors with means of transport. As for strategies to overcome these challenges, it was highlighted the necessity to

develop tax education policy, and to increase the number of banks to facilitate tax payers' easy access.

It was also discussed the challenges facing tax payers which included lack of taxpayers' education on tax payment and procedures, failure to understand the relevance of paying taxes and higher tax rate imposed compared with taxpayer's business capacity. The identified causes of these challenges included the lack of tax morality and low tax payment capacity. As for the strategies, it was mainly noted the necessity to develop reach out programs and reduction of rates imposed on tax payers businesses. The research concluded that lack of tax education constitutes the nucleus of the key challenges faced both tax collectors and tax payers.

Abdul – Razak and Adafula (2013) in research of evaluating taxpayers' attitude and its influence on tax compliance decisions in Tamale, Ghana found that individuals are highly concerned with the amount of taxes they pay. The rates of income taxes in Ghana are generally perceived to be high. Furthermore, the burden of taxes paid affects the attitudes of individuals and this informs how they evaluate the tax system and consequently their compliance decisions. Individuals have little regard for the amount of taxes paid by them in comparison to amounts paid by higher income earners. It was further revealed that, the level of governmental accountability and transparency did not significantly impact taxpayers' attitudes. The perceived level of benefits derived from the provision of public goods and services particularly physical infrastructure was high. The results further indicated that, individuals did not clearly understand the tax laws. A significant positive statistical relationship ($R=0.72$) was found to exist between levels of understanding and tax compliance decisions.

A survey of Ken Devos (2012) on the impact of tax professionals upon the compliance behavior of Australian individual taxpayers focused on gauging the influence of tax professionals upon individual taxpayer compliance behavior. The findings revealed that there was a statistically significant relationship between the need for engaging tax professionals and compliance behavior generally. There was also evidence of a statistically significant relationship between tax professionals' aggressive advice and the compliance behavior of non-evaders.

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. The most serious problem hampering tax collection, according to citizens' perceptions, is that taxes collected are not spent on public services revenue collection. The survey concludes that citizens feel they get little in return for taxes paid. This perception has impacts on their willingness to pay and contributes to eroding peoples' trust in the local government's capacity to provide the expected services.

Serra (2000) in survey of measuring the performance of Chile's tax administration to developan 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.

Minnesota Department of Revenue (2005) conducted the survey study on taxpayer satisfaction with the filing process of individual income tax survey. The survey result found that find or obtains tax forms from department of revenue has high quality. However, providing taxpayers with information about how their tax money is spent and making the Minnesota tax forms easy to understand is complex. The survey also show that almost all taxpayers (sample) expressed satisfaction with the availability of the income tax forms. However, a number of respondents expressed displeasure with various aspects of filing a paper return, most notably in the areas of,

ease of filling out the forms and schedules, understandability of the forms understandability of the instructions, time it took to fill out the forms and schedules and helpfulness of the instructions. With regarding to tax refund, the survey result shows that nearly all taxpayers were very satisfied or satisfied with the time it took regardless of the refund method they chose.

Oberhlzer(2007)conducted one plot study in 2008 in South Africa with aimed at investigating taxpayers' perceptions of taxation. The survey was carried out amongst the four different population groups of South Africa by means of personal, face-to-face interviews with a structured and semi-structured questionnaire administered at respondents' homes. The survey finds that although the majority of respondents did not feel it is unfair to pay tax. The survey also found that waste and corruption in government is high. Furthermore, according to the survey result, government does not provide enough information about how they utilize taxpayers' money and in addition, the survey reports that perception of taxpayer that tax rate should be reduced. The study also indicate that the most effective tools for making people more positive is to empower them with knowledge. Finally, the survey suggest that there is no better tool for government to positively influence the taxpayers of a democracy than to provide them with knowledge on how taxpayers' money is utilized.

Lumumba et.al (2010) conducted Taxpayers' attitudes and tax compliance survey on sample of 260 small and medium size enterprises taxpayers in Kenya. The main purpose of the study was to identify factors which influence taxpayers' attitudes and to establish relationship between attitudes and tax compliance behavior among small and medium business income earners in Kerugoya town, Kirinyaga district in 2010. The survey used structured closed ended questionnaire to collect data and chi-square was used to test the correlation between variable. The survey result found that most taxpayers view the Kenyan tax system as unfair and some of the factors for tax noncompliance were found to be: the inability to understand tax laws, a feeling that they are not paying a fair share of tax, positive peer attitude and Rewarding. The survey also shows that there is a very strong relationship between the taxpayers' attitudes and tax compliance in Kenya i.e. taxpayers' attitudes encourages tax compliance in Kenya. Finally the survey recommended that improve the taxpayers' ability to understand tax laws, tax authority should also make the taxpayer feel and understand that they are not paying unfair share of tax, they

should work to improve peer attitude and Rewarding taxpayers i.e. giving a trophy for being best tax payer.

In 2010 Taxpayers' satisfaction level survey was conducted by a joint project of the Inland Revenue Department (IRD) of Nepal ministry of finance and the German Technical Cooperation (GTZ) in Nepal. The project use questioner and interview to collect necessary data from ground source. The result of the survey shows that people should pay income taxes and deserve to be penalized if they fail to do so. Only few respondents were satisfied with the delivery of public services in the fields of security, electricity supply, drinking water supply and social benefits, whereas about 50 percent of the respondents were satisfied with the services in the telecommunication, transportation and education sectors. According to survey result, tax payers were not satisfied with the quality of the services provide by Nepal inland revenue department. With regarding to tax procedures and administrative mechanisms, the survey found that taxpayer were reasonably satisfied except with tax refunds. As indicated in the survey result, the most important source of information on tax issues is newspapers. The survey also focuses on the availability of information and it found that majority of tax payer were satisfied. With reference to the contents and coverage of the documents, over 83 percent were satisfied. The survey strongly recommended that when taxpayers are not satisfied, the tax authorities have to identify the reasons for their dissatisfaction and take corrective measures.

James et.al (2011) conducted study on Taxpayer information assistance services and taxcompliancebehavior in Nigeria by utilizes laboratory experiments to test the effectiveness of taxpayer service programs in enhancing tax compliance. The result indicates that uncertainty reduces both the filing and the reporting compliance of an individual. However, the result also finds that agency provided information has a positive and significant impact on the tendency of an individual to file a tax return. The researchers also find that tax uncertainty reduces filing but that information provision again offsets the uncertainty effect on filing.

Michael et al. (2011) conducted research on Behavioral dynamics of tax compliance under an information services initiative. The purpose of this research was to investigate the behavioral dynamics pertaining to information acquisition and tax evasion by utilizes laboratory

experiments. The study found that the overall effect of a helpful information service is to decrease tax evasion. Further, an audit has the behavioral effect of lowering information acquisition rates and increasing evasion immediately after experiencing a penalty.

Recently in Ethiopia, Debere (2014) studied the business taxpayers' satisfaction with the tax system in Addis Ababa. The study focused on examining the views of taxpayers toward the tax taxpayers' services, tax policy, tax administrative mechanism, and tax law enforcement. The data was collected from federal business taxpayers through questionnaire and in-depth interview and descriptive. The study showed that business taxpayers are not satisfied with the existing tax systems. The ways tax authority provides tax information to taxpayers, tax collection and tax refund, administration capability to solving taxpayers' problem and the area of tax audit procedures are found to be the major dissatisfied areas. Moreover the finding revealed that the tax system is so complex and unfair, discretionary treatment by officers and existent of lack of monitoring in the tax authority. Finally, the thesis suggested a series of measures which could be taken by the government in general and tax authorities in particular are; improving tax policy and administration issues; step up their duty of promoting tax awareness, tax officers should be given intensive and repetitive training to improve their attitude and promoting code of conduct with emphasis on ethical values and finally, tax refund procedure would be improved.

Similarly, a survey undertaken by Mengesha and Ashebir (2013) on assessing the gaps and problems that exist between the business community and tax authorities of Dire Dawa Administration using the tax payers' survey, focus group discussions and interview with tax authority officials indicated that tax authority of the city is not being effective or is being reluctant in making the tax procedures objective, transparent and understandable to taxpayers. Additionally, similar studies demonstrate that category "C" taxpayers are the most problematic category of taxpayers and it is considered as hard to tax group regarding tax assessment. This is due to the fact that these taxpayers pay taxes at fixed rate on the income estimated by the income tax authority rather than declaring their income by themselves. Their daily income is estimated by assessment committee and the taxpayers have little room to address their view so that frequent friction is observed in this area (Lemessa, 2007). According to Dire Dawa Chamber of Commerce and Sectoral Association (DDCCSA), 2011, the prevailing condition of taxation, in

Dire Dawa City, has been causing wide spread complain over unfairness and overstated tax by the majority of traders especially by the tax payers of category “C”. The same source also indicated that, taxpayers of category A and B are not also free of such complaints which are related to accounting procedure and validity of receipts and business related expenses.

Formerly, Gebre-Mariam (2012) conducted survey on tax assessment and collection problems of Category “A” taxpayers in Addis Ababa. The survey use self-administered semi structured and in-depth interview in the case study of Yeka sub city. The survey find that there exist inefficiency and insufficient number of tax assessment and collection officers. Moreover, most taxpayers lack sufficient knowledge of tax assessment and collection procedures. Thus, most of taxpayers do not know why they are paying taxes; what types of taxes are expected from them; and the applicable rules and regulations. Due to this negligence, delay in tax payment and evasion are taken by taxpayers as solution to escape from payment of taxes.

Previously, Aborat (2011) investigated the fairness perceptions of Addis Ababa City business profit taxpayers and its impacts in their perceptions. The survey used self-developed questioner and in- depth interview to collect both qualitative and quantitative data. The survey found that Addis Ababa City business profit taxpayers did not perceive positively in respect of general, vertical, personal, exchange, and administration fairness except horizontal fairness on the prevailing business profit tax system. With regard to tax knowledge and complexity, the finding of this survey shows that the taxpayers did not have sufficient knowledge and there were no easily understandable and vague procedures of the business profit tax system. Finally, the survey suggests that a series of measures should be taken by government in general, and tax authorities in particular; to improving policy and administration issues, educating the taxpayers and conducting awareness creation, and maintaining the tax system fair and equitable.

Engida and Basial, (n.d.) undertook a research in Mekele as to the determinants of taxpayers’ compliance with the tax system. These compliance determinants taken were: probability of being audited; perception of government spending; perception of equity and fairness; penalty, financial constraint; changes to current government policies; referral group; the role of the tax authority; and tax knowledge. The study results indicate that tax compliance was influenced by the probability of being audited, financial constraints, and changes in government

policy. Additionally, tax knowledge and tax complexity are viewed as contributing factors towards non-compliance behavior among taxpayers (2nd World Conference on Business, Economics and Management-WCBEM 2013).

Moreover, McKerchar and Evans, (2009) mentioned that policy makers and revenue authorities in developing economies face quite different challenges and constraints. These include limited administrative resources and expertise, weak tax administration, widespread evasion, corruption and coercion, low taxpayer literacy and morale, and negative attitudes towards government.

Gezahegn et al (2014) surveyed on the consequences of tax assessment on tax collection of category "C" taxpayers in Mekele revealed that service delivery, awareness creation, tax assessment fairness and law enforcement were significant; whereas gender, trust on tax collectors, trust on tax assessment and collection and convenience (season) were not found to be significant. Service delivered by the tax authority for tax payers was not found to be efficient; majority of the law enforcement by tax authority was not properly applied; most of the time, the awareness creation sessions were not effective and negatively affected the tax collection efficiency; and majority of the tax assessment was unfair. Furthermore, the study has analyzed the consequences of the tax assessment on tax collection and found that the tax assessment directly affected the tax collection efficiency of category "C" taxpayers in Mekelle city, Tigray. On the other hand, the awareness creation programs by the tax authority negatively affected the tax collection efficiency. Therefore, the tax authority should improve the service delivery, the application of the law enforcement, fairness of the tax assessment and the awareness creation on the category "C" tax payers.

These studies based on evidence from developed countries and some developing countries. The next chapter will provides details of the research method approach in respect of the identified research problem.

CHAPTER THREE: RESEARCH METHODOLOGY

The previous chapter presented the existing evidences on the area of overall taxation system, taxpayers' perception and compliance behavior. It indicated that the literature written in the area of challenges of tax payers' issues is limited, especially from the perspective of Ethiopia. Due to this, the researcher conducted this study on the area of challenges of tax payers taking in Addis Ababa No. 1 medium tax payers' branch office as a case.

The purpose of this chapter is to present the research methodology adopted in this study.

3.1 Research design and approach

Research approach can be regarded as a blue print, a master plan that specifies the methods (Leedy&Ormrod, 2013). Thus, every research requires a research design that is carefully tailored to the exact needs of the problem under investigation (Creswell, 2009). There are three research approaches used by researchers in their study by examining the applicability of each. These are quantitative, qualitative and mixed approach.

This thesis applied descriptive research design and used mixed research approach. The reason of using a mixed methods approach is to gather data that could not be obtained by adopting a single method (Creswell, 2003). From the quantitative approach, the study used self-administered semi structured questionnaires to be distributed to taxpayers. From qualitative approach, in-depth interview with tax authority officers has been undertaken.

For the mixed methods researcher, a project will take extra time because of the need to collect and analyze both quantitative research and the flexibility of qualitative inquiry.

Since the problem is identifying factors that influence the challenges of tax payers. It is also the best approach to use to test a theory or explanation. Qualitative research is exploratory and is useful, because the researcher did not know the important variable to examine. This type of approach was also needed because the topic is new; the topic has not been addressed with a certain sample or group of people.

Therefore, a mixed methods design is useful to capture the best of both quantitative and qualitative approaches. Because, a researcher may want to both generalize the findings to a population and develop a detailed view of the meaning of a phenomenon or concept for individuals.

Furthermore, since either the quantitative or qualitative strategies are those that involve collecting and analyzing both forms of data in a single study. Recognizing that all methods have limitations, researchers felt that biases inherent in any single method could neutralize or cancel the biases of other methods. Accordingly, the following process was undertaken by the researcher.

Self-administered semi structured questionnaires

While developing the questionnaire related materials and previous studies was referred. This includes a research entitled The Economic Burden Caused by Tax Code Complexity, USA Laffer et al (2011), Tax assessment and collection problems of Category “A” taxpayers: A case of Yeka (Gebremariam, 2012), Business Taxpayers’ Satisfaction with the Tax System in Addis Ababa, Ethiopia (Debere, 2014) and others.

Moreover, the questions were written in Amharic language, which is believed to be very understandable by them. The first section in the question was background questions that were intended to get information about gender, age, level of education, their position in the company, work experience, business sector, and average annual revenue. The second part of the question was proposed to get information about their attitude and challenges faced by them relating to overall tax administration process.

After development of questionnaire, it’s discussed with tax officials how to get respondents in that their address is scattered since the branch is formed in July 2006 E.C. (or July 2014 GC) by collecting taxpayers which paying above 500,000 from five sub cities such as Arada, Kolfe Keranyo, Gullele, Yeka & Addis Ketema. Moreover, there was a confidentiality issue to provide address and information of taxpayers.

Due to the confidentiality issues to obtain information and scattered location of taxpayers it's agreed to randomly distribute and collect the questionnaire at the branch office while the taxpayers pay various taxes and interact with the authority by the researcher.

Thus, ten questionnaires randomly distributed for testing purpose and amendments made according to the feedback of the test.

To maintain 100% responsive rate the researcher distributed additional questioners above number of sample to replace the non-returned and non-responded once until 209 respondents obtained. The survey was undertaken for about one month to incorporate taxpayers which require different service from the authority. Accordingly, the target tax payers include import and distributor, manufacturer, whole seller and retailer, service render, construction and others (see Table 4.3 below).

Moreover, since there was long waiting time to obtain service at the branch the taxpayers conveniently completed and returned the questionnaire to the researcher at the branch office without any time constraint.

In-depth interview

This study used in-depth interview with ten tax officers of Addis Ababa No. 1 branch office employees to secure depth and detailed information, which in fact increases the quality of the information.

The targeted respondents in the Addis Ababa No. 1 branch office included were one process owner, five team supervisor, and four tax assessment and collection officers. They were interviewed in-depth to get depth and detailed primary data. Participants were asked general questions, and the researcher explored their responses to identify and define tax officers' perceptions, opinions and feelings about the overall tax system and identified the problems and challenges regarding the tax administering process.

3.2 Sample Design

The survey population in this study was 4,289 registered medium taxpayers in Addis Ababa No.1 branch office as of Hidar 30, 2009 EC. Using simple random sampling method the researcher had drawn 209 sample sizes out total population.

The sample size was determined using Yamane (1967:886) framework. This framework provides a simplified formula to calculate sample sizes. The sample size was determined as follows:

Where: n =Sample size

N = Population size

e = level of precision

$$n = \frac{N}{1 + N(e)^2} = \frac{4,289}{1 + 4,289(0.07)^2} = 195 \text{ is sample size.}$$

Here e is assumed to be 7%. In addition, in order to avoid difficulties such as refusal rates and other reasons for failure to conduct survey, 5% (14) of the sample respondents were taken as contingency or reserve. Therefore totally 209 questionnaires was distributed.

3.3 Data Analysis Methods

Before the statistical analysis, data collected from the primary survey was compiled, edited, and coded. Then, data was analyzed using a computerized data analysis package known as SPSS version 16. Tables, pie charts, bar graphs were used in analyzing the descriptive findings on the study variables.

While the rationale for quantitative aspect presented above is that the quantitative data and results provide a general picture of the research problem, the qualitative data and its analysis were to refine and explain those statistical results by exploring participants' views in more depth. Thus, in order to supplement the information obtained from 209 business taxpayers respondents; tax officials were interviewed.

CHAPTER FOUR: DATA ANALYSIS

The previous chapter presented the methodology used in the thesis. More specifically, the chapter was showed the different research approaches, methods of data collection, and analysis adapted in the study.

This chapter presents the results of the data collection methods and analysis in the context of the existing knowledge reviewed in chapter two. Accordingly, this presents respondents profile, results of the survey data sources and presentation of data analysis.

Research Results

One of the purposes of this study is to assess the challenges taxpayers facing with the overall tax system. The principal data sources to this end are the survey and in-depth interview conducted to medium taxpayers in Addis Ababa No. 1 branch office. As mentioned under 3.1 above to maintain 100% responsive rate the researcher distributed additional questioners above number of sample to replace the non-returned and non-responded once until 209 respondents obtained. Therefore, the response rate was 100%. Thus, the following discussion presents the results of the survey as well as in-depth interview result.

4.1 Respondents profile

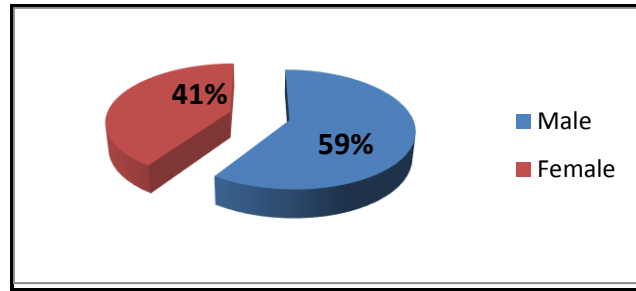
This section presents information about the demographic characteristics of the respondents in line to their gender, age, formal education, respondents working experience, business type and size of business and its length of operation. Each of these factors was analyzed as follows.

Gender and age of respondents

Sex and age is one of the factors to claiming and supporting of any system and regulation that from sex male and from the age classification youth claiming system and policy.

The survey respondents comprised total of 209 out of which 124 (59.3%) males and 85 (40.7%) females. It could be concluded that men draw a high level of participation in dealing with the overall tax issue with the tax office under discussion than females (Figure 4.1).

Figure 4.1: Respondent by Gender



Source: Taxpayers survey

In the table 4.1 below the age of respondent was presented. As shown in the table the majority of taxpayers (47%) was found below 30 years age category. While 37% of them fall in the range of 31-40 years and the remaining 16% are above 40 years old.

Table 4.1. Age of respondents

	Frequency	Valid Percent	Cumulative Percent
<30	88	46.6	46.6
31-40	69	36.5	83.1
41-50	16	8.5	91.5
>50	16	8.5	100.0
Sub total	189	100.0	
Missing	20		
Total	209		

Educational background

Table 4.2 Level of education of respondents

	Frequency	Valid Percent	Cumulative Percent
1-8	3	1.5	1.5
9-12	29	14.4	15.9
Certificate	10	5.0	20.9
Diploma	47	23.4	44.3
First degree holder	101	50.2	94.5
Second Degree (MA)holder and above	11	5.5	100.0
Sub total	201	100.0	
Missing	8		
Total	209		

It is believed to be that the ability to read and write influences one's ability to understand and interpret the tax laws. As the level of literacy increase, the ability to aware, value and understandings preoperational raise. Thus, as educational status is higher more understand the use of the tax and more evaluate the service delivery system and easily understand the policy and procedure and any training. The educational status of sample tax payers presented in the table 4.2 above.

With this regard the survey collected the educational background of the respondents and the survey result shows that 3 respondents had lower level of educational qualification (below grade 8), 29 were completed grade 12 and 10 have certificate; each of them account to 1.5%, 14.4% and 5% of the total respondents respectively. On the other hand, the numbers of respondents who have diploma and first degree holders were 47 and 101; each of them representing 23.4% and 50.2% of the total respondents respectively, the remainder 11 or 5.5% of the respondents had masters and above qualifications. Thus, the majority of sample tax payers 73.6% were found to have diploma and first degree holders. Cumulatively, all of the respondents were in possession of at least reading and writing and none of the respondents had no schooling. Therefore, the implication to these findings indicates that the majority of business taxpayers were well educated to know the need for taxation and they can understand and interpret the tax law as well (table4.2)

Respondents' business sector and its company's experience

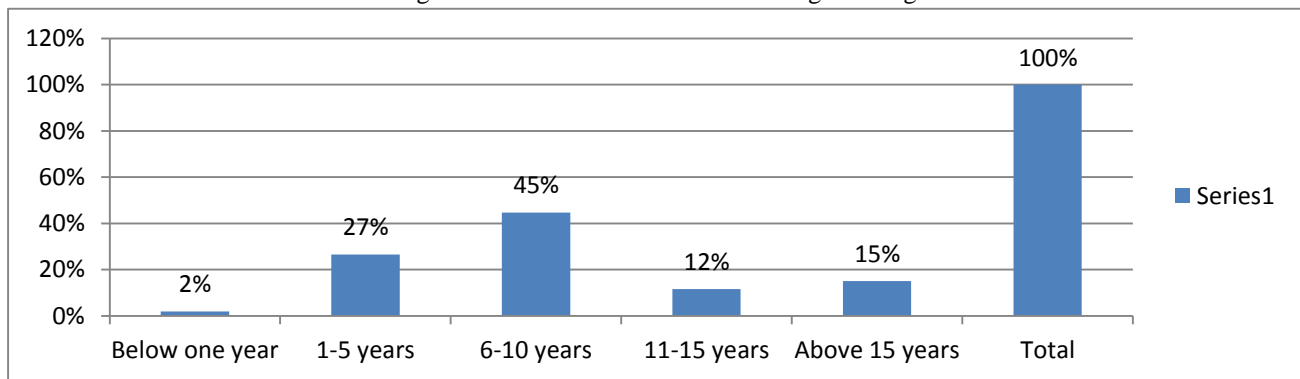
The survey was made by grouping the taxpayers in six business sectors. Accordingly, around 31% of the respondents were construction, 23.7% importers and distributors, 22.7% were service renders, 10.6% were wholesalers and retailers, 5.1% were manufacturers and 7.1% were others (Table 4.3).

Table 4.3 Respondents' business sector

	Population		Sample			
	Frequency	Percent	Frequency	Percent	Valid Percent	Cumulative Percent
Construction	1115	26	61	29.2	30.8	30.8
Importing and distributor	1670	39	47	22.5	23.7	54.5
Service render	603	14	45	21.5	22.7	77.2
Whole seller and retailer	440	10	21	10	10.6	87.8
others	298	7	14	6.7	7.1	94.9
Manufacturer	163	4	10	4.8	5.1	100
Sub total	4,289	100	198	94.7	100	
Missing			11	5.3		
Total			209	100		

The number of years one has been in business has an influence on his/her taxpayers' experience, revenue and level of paying taxes. For those who have done business for long implies they are used to the routine practices of paying taxes to tax authority. Accordingly, the respondents were required to indicate their working experience related tax issue and findings of the survey shows only 2% has less than 1 year of experience in the business. While 27% have 1-5 years, 45% have experience of 6-10 years, 27% have above 11 years of business experience. Therefore, it can be said that the business taxpayers had relatively average experience on tax related issue which indicates that majority of them are well experienced which can able them measure the old tax system and the new one. In other words, it can be conclude that the information provided in this study was given by experienced respondent and informants (Figure 4.2).

Figure 4.2 Years of the institution being working



Respondents' position

Not all respondents are the owner of the business some of them were the accountants, agents and manager of the business and others.

Table 4.4 Respondents' position

Position	Frequency	Valid Percent	Cumulative Percent
Accountant	108	53.5	53.5
Manager	39	19.3	72.8
Owner of the Institution	24	11.9	84.7
Public relation	9	4.5	89.1
Others	22	10.9	100
Sub total	202	100	
Missing	7		
Total	209		

Considering the position of the respondent in the business, it can be seen that the largest proportion of respondents was accountants consisting 53.5% out of total. The manager and owners of the business were represented by 19.3% and 11.9% of the respondents respectively. While 4.5% and 10.9% were public relation and other employees. It could be concluded that most tax issues dealt with ERCA by accountants and managers (Table 4.4).

Annual Income

The annual sale of taxpayers at medium taxpayers' branch office is expected to be above birr 500,000.00 however their sales revenues are not the same.

As can be observed from table 4.5, 12.1% of respondents annual income is below birr 500,000.00, while the majority (43.7%) of the respondents generate annual revenue ranging from Birr 500,000 to Birr 1,000,000; 24.7% companies earning from Birr 1,000,000 to Birr 5,000,000; 7.4% from Birr 5,000,000 to Birr 10,000,000, whereas, 10.5% companies is earning from Birr 10,000,000 to Birr 50,000,000, and the remaining 1.6% companies is earning above Birr 50,000,000. The mean and standard deviation of annual sales is birr 2.65 million and 1.2 million respectively.

Table 4.5 Respondents annual income (in Ethiopian Birr)

	Frequency	Valid Percent	Cumulative Percent
Less than 500,000	23	12.1	12.1
500,000-1,000,000	83	43.7	55.8
1,000,000-5,000,000	47	24.7	80.5
5,000,000-10,000,000	14	7.4	87.9
10,000,000-50,000,000	20	10.5	98.4
Above 50,000,000	3	1.6	100.0
Sub total	190	100.0	
Missing	19		
Total	209		
Mean	Birr 2.6526 million		
Standard deviation	Birr 1.20201 million		

4.2 Perception of Taxpayers

Under this section, the respondent taxpayers' general perception on the current tax system which was responded under question number 9, 10, 11, 12, 14 and 32 on the questionnaire has been discussed.

4.2.1 Complexity of tax system

Accordingly the respondents asked: *How do you evaluate the tax estimation, payment preparation process, number and type of tax you pay, in general complexity of the system and challenges of the current tax system of Ethiopia (question number 9 on the questionnaire).*

Table 4.6 Complexity of the tax system

	Frequency	Valid Percent	Cumulative Percent
Extremely problematic	40	20.8	20.8
very problematic	54	28.1	49.0
Problematic	86	44.8	93.8
Less problematic	5	2.6	96.4
No answer	7	3.6	100.0
Sub total	192	100.0	
Missing	17		
Total	209		

The result shows that, cumulatively 93.8% of the respondents reported that tax system is very /extremely/ problematic or problematic in every regards. Only 2.6% of the respondents rated as less problematic and 3.6% have no answer to the question (Table 4.6).

Similarly the interview made with tax officials confirmed the figure. Interview was made with ERCA staffs; they believe that there is complexity of tax payment system and long process. According to their response the long process and complexity is mandatory, because the payment collection is made in cash and to discourage others to follow wrongdoer. For instance ERCA set complex and long process to safeguard the staff and the office from risk, to protect cheatings, to discourage & penalize late payers and those who submit incomplete document.

Number and Type of taxes paid (*Question 32 on the questionnaire*)

There are various taxes that government collected to increase its revenues. Those are employment income tax, VAT, TOT, land use tax, dividend tax and excise tax and others. The tax payers are not only paying what expected from them but also mandatory to collect on

behave of government like employment taxes, VAT and TOT and others. In order to collect these taxes from the third party and their own, need to have regulation and directive which support them beside sufficient information which enable them calculate the tax and skill to calculate from the information.

Table 4.7 Case Summary Tax type paid

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Tax type	179	85.6%	30	14.4%	209	100.0%

a. Dichotomy group tabulated at value 1.

Table 4.8 Tax type Frequencies

		Responses		Percent of Cases
		N	Percent	
Type of tax paid	Employee income tax	157	29.13	87.71
	Business profit tax	126	23.38	70.39
	VAT	118	21.89	65.92
	Rent Income tax	34	6.31	18.99
	Property rent income tax	20	3.71	11.17
	TOT	16	2.97	8.94
	Customs duty tax	13	2.41	7.26
	Stamp revenue tax	13	2.41	7.26
	Excise tax	7	1.30	3.91
	Others	7	1.30	3.91
	Rent Income tax	6	1.11	3.35
	Sur tax	6	1.11	3.35
	Dividend tax	5	0.93	2.79
	Technical service income tax	4	0.74	2.23
	Property sales tax	4	0.74	2.23
	Land use right tax	2	0.37	1.12
	Royalty tax	1	0.19	0.56
	Total	539**	100	301.1**

a. Dichotomy group tabulated at value 1.

***Note that in multiple response questions the respondents could select more than one choice.*

Thus, the number of respondents exceeds 209.

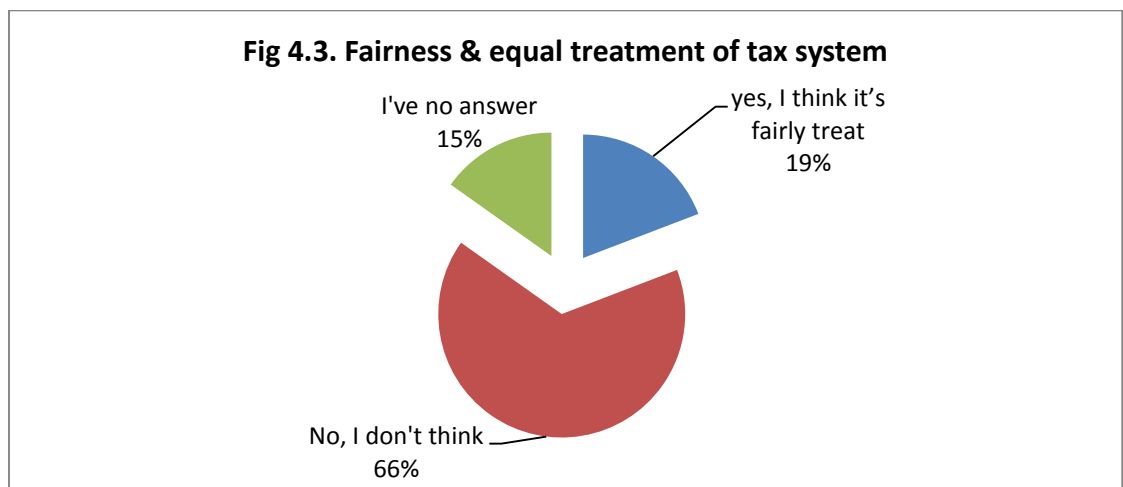
From the survey made on 179 sample respondents on average most of them paid more than three types of taxes at ERCA. Accordingly, 87.7% pay employee income tax, 70.4% business profit tax, 65.9% VAT, 19% rent income tax, 11% property rent income tax, 9% turnover tax (TOT), 7% customs duty tax, 7% stamp duty tax, and the like as presented in table below. Thus, it could be concluded that, as the number and type of taxes increases the complexity of the tax system increases.

4.2.2 Fairness and equity of tax collection system

The existence of fairness and equality in tax system has influence on perception of taxpayers.

The respondents were asked to indicate their extent of agreement or disagreement with fair and equal treatment of the tax system (Question 10 on the questionnaire).

Consequently, in number 198 taxpayers responded to this question: 38 of them said ‘yes’ it treats equally; 130 of them said ‘no’; and 30 of them have ‘no answer’. Thus, only 19% think it does treat fairly and equally, while 66% of the respondents said that they did not think the tax system treat the business community fairly and equally. The remaining 15% have no answer for the question (Figure 4.3).



Out of 130 respondents who did not believe the existence of fairness and equality 45 of them cited different reasons for it. Those factors were summarized as follows.

Table 4.9 Reason for the complaint of lack of equality and fairness

	Frequency	Valid Percent	Cumulative Percent
ERCA apply force than teach	3	7	7
Discrimination	23	51	58
Not based on evidence	11	24	82
Not differentiate genuine & mischief-maker	8	18	100
Sub total	45	100	
Missing	164		
Total	209		

51% of respondents mentioned discrimination as a cause for lack of fair and equal treatment. More, specifically they stated that cash register machine usage and VAT collection did not uniformly apply for similar business /sector/. The staff of ERCA not equally treats payers and they state there was partiality and corruption. Additionally, they stated the system treat large and small companies equally. ERCA staff did not treat refund and payment equally, i.e. to get refund there is long process to pass.

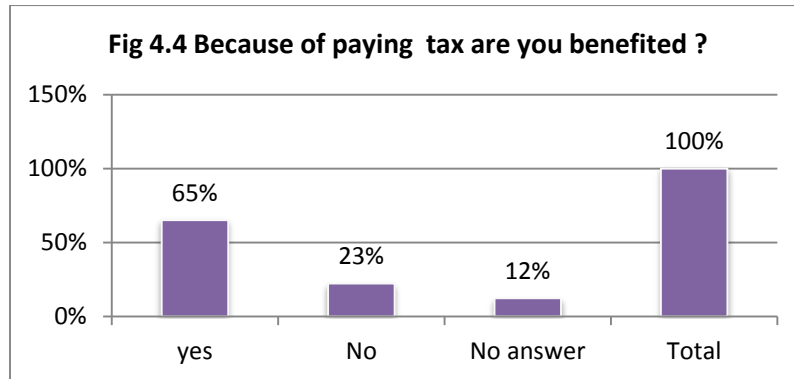
The interview made with ERCA staff explained that the tax authority gives priority to big amount payers and didn't respond to some questions which come after 25th to 30th day of the month in Ethiopian calendar. For instance the authority scheduled for taxpayers to declare their VAT in three phases. That is, from 1st to 10th day of the month for those who declare nil VAT, from 11th to 20th for those who declare VAT refund and 21st to 30th scheduled for those who declare VAT payment. Accordingly, if payers do not appear as per the schedule, the tax officials will not serve them. Thus, the officials said this could be perceived as discrimination by tax payers.

Moreover, 24% of respondents replied the staff of ERCA did not provide adequate evidence, they act based on personal opinion than law, inconsistency, and request information they want on installment bases which result payers to visit ERCA so many times which took long time to settle an issue.

While ERCA staff interviewed, they confirmed that there are knowledge gap of some staffs to properly respond and orient the tax payers based on the law and regulation. It's caused by high staff turnover and lack of adequate training for staffs.

7% claimed that ERCA apply force than teach while 18% reasoned out ERCA staff treat payers as mischief-maker than differentiate the genuine one.

4.2.3 Beneficiary of tax paid and Need to pay tax



Tax is one of the sources of revenue for the governments; with this revenues government provide different public goods for nation that in other ways the tax payers also benefited from tax collected.

The respondent were requested whether they were benefited or not from the tax paid(Question 12 on the questionnaire).

Thus, 201 replied to it while 8 didn't. 65% and 23% respondents replied yes and no respectively whereas 12% have no response (Fig 4.4).

When level of education of respondent and response to the beneficiary of tax analyzed it indicates that as level of education increase their expectation to benefit from the tax they pay increase. For instance 50% of 2nd degree holders and 24% of 1st degree holders responded that they are not benefited from the tax they pay (Table 4.10).

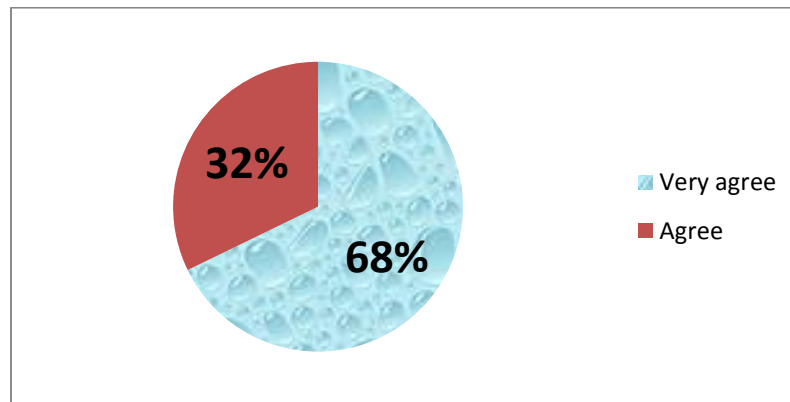
Table 4.10 Level of education of respondents vs. tax are you beneficiary?

		Because of paying tax are you benefited?			Total
		yes	No	No answer	
Level of education of respondent	1-8	2	1	0	3
	9-12	20	4	2	26
	Certificate	7	1	2	10
	Diploma	32	6	8	46
	Frist degree holder	64	24	12	100
	Second Degree (MA)holder and above	4	5	1	10
Sub total		129	41	25	195
Missing		80			
Total		209			

The respondents were asked whether nations should pay tax for the sake of country growth and development or not (Question 11.1).

Out of 199 respondents, 68% were very agreed, 32% were agreed and none of them disagreed. It can be concluded that all tax payers regardless of education level and gender believe that they should pay tax but they were not happy with the benefit they get from the current system.

Figure 4.5 Nation should pay tax for growth & development



In addition, the respondents were asked whether they believe government would look for others means of source of revenue for development of the country rather than tax collection or not (Question 11.2).

The respondents replied that 8.5% were very agree, 24.3% were agree, 53.4% were not agreed and 13.8% were not very agree. Thus, the majority of respondents (67.2%) believe that government should not look for other source of revenue rather than tax (Table 4.11).

Table 4.11 Government should search for other sources of revenue than tax

	Frequency	Valid Percent	Cumulative Percent
very agree	16	8.5	8.5
Agree	46	24.3	32.8
Disagree	101	53.4	86.2
Very disagree	26	13.8	100.0
Sub total	189	100.0	
Missing	20		
Total	209		

4.3 Customers services

The tax payers want to ERCA to get various services expecting good customer handling and respects. If they get such kind of treatment, they will be motivated to go there.

The respondents were demanded to evaluate the customer service provided by the branch office under discussion (Question 13 on the questionnaire).

202 respondents ranked customer handling of ERCA in that only 2% responded very satisfactory, 27% satisfactory, 64% unsatisfactory and 7% have no answer to the question. Thus, the majority of the respondents were not satisfied with the service given by ERCA (Figure 4.6).

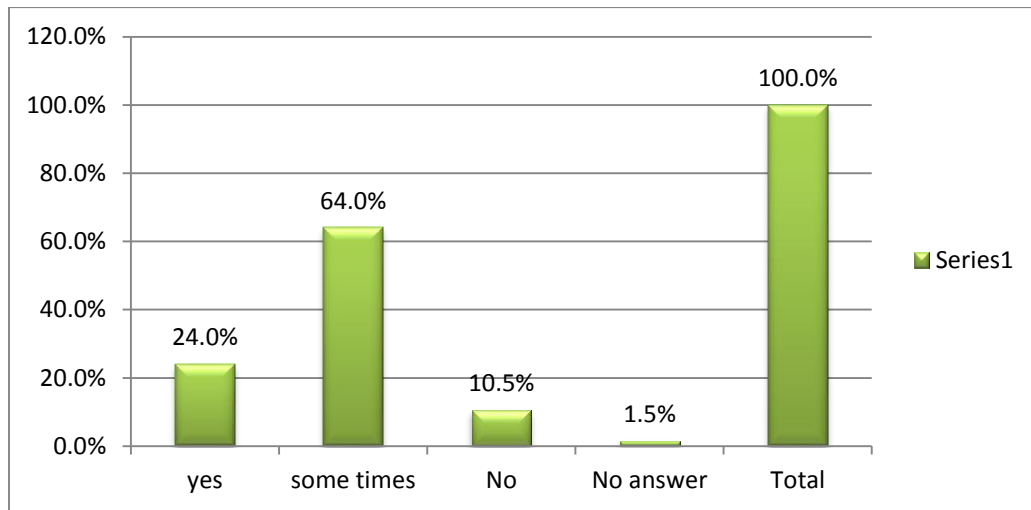
Figure 4.6 Customer service given at tax paying center



In order to substantiate the responses of customer service of ERCA, customers were asked the following question:

When you go to ERCA do you get sufficient response to any of your request from ERCA? (Question 15 on the questionnaire).

Figure 4.7 when you go to ERCA do you get adequate response for your question?



The responses of 200 sample customers reveal that 24% of them get adequate response, 64% sometimes get adequate response 10.5% did not get adequate response and the remaining 1.5% have no answer for it. This also confirmed that the majority of the respondents did not always get adequate response for their question (Figure 4.7). Therefore, these responses prove that ERCA customers handling is very poor.

In order to specifically address the existing customer service problem using various means with regard to gender, the sector, and education background of the respondents the following cross tabulation analysis was undertaken.

Customer service vs. gender:

Accordingly 66% male and 61% of female were not convenient with its client handling (Table 4.12).

Table 4.12 Sex of respondent vs. Customer service given at tax paying center

		Quality of service given at tax paying center				Total
		very satisfactory	satisfactory	unsatisfactory	No answer	
Sex of respondent	Male	4	28	78	9	119
		3%	24%	66%	8%	
	Female	1	26	51	5	83
		1%	31%	61%	6%	
Sub total		5	54	129	14	202
		2%	27%	64%	7%	100%
Missing						7
Total						209

Customer service vs. sector

Table 4.13 Type of business the institution working? Vs. Customer service given at tax paying center

		Customer service given at tax paying center									
		very satisfactory		satisfactory		unsatisfactory		No answer		Total	
Type of business the institution working?	Importing and distributor	0	0%	12	26%	30	65%	4	9%	46	23%
	Manufacturer	0	0%	1	10%	9	90%	0	0%	10	5%
	Whole seller and retailer	0	0%	2	10%	19	90%	0	0%	21	11%
	Service render	1	2%	12	27%	28	62%	4	9%	45	23%
	Construction	1	2%	21	34%	34	56%	5	8%	61	31%
	others	1	8%	4	31%	7	54%	1	8%	13	7%
Sub total		3	2%	52	27%	127	65%	14	7%	196	100%
Missing										13	
Total										209	

Complaints were analyzed in respect to the sector in such that out of the 127 total complain as unsatisfactory.90% were manufacturer, 90% were whole seller &retailer, 65% were import and distributor, 62% were service render, 56% were construction and 54% were others. From the result the more complaints on customer handling weremanufacturer and whole seller &retailersectors. On average 65% of all sectors responded unsatisfactory. Thus, this figure indicates that ERCA need to look at the problem by sector (Table 4.13).

Customer service vs. educational backgrounds

Like the sectors analysis complains of customer handling analyzed based on educational backgrounds. Hence 33% were grade 1 to 8, 50% from grade 9-12, 70% certificate holders, 65% diploma, 65% have 1st degree, and 82% 2nd degree and above. As it seen from the result majority

of complaints were certificate holders and 2nd degree holders and above educational backgrounds. On average 64% all respondents in all level of education are unsatisfactory (Table 4.14).

Table 4.14 Level of education of respondents Vs. Quality of service given at taxpaying center

		Customer service given at taxpaying center				Total	
		very satisfactory	satisfactory	unsatisfactory	No answer		
Level of education of respondents	1-8	0	1	1	1	3	2%
		0%	33%	33%	33%		
	9-12	4	7	13	2	26	13%
		15%	27%	50%	8%		
	Certificate	0	2	7	1	10	5%
		0%	20%	70%	10%		
	Diploma	1	13	30	2	46	24%
		2%	28%	65%	4%		
Frist degree holder	0	27	64	8	99	51%	
	0%	27%	65%	8%			
Second Degree (MA)holder and above	0	2	9	0	11	6%	
	0%	18%	82%	0%			
Sub total		5	52	124	14	195	100%
		3%	27%	64%	7%		
Missing					14		
Total					209		

The respondents inquired: why do you ranked the customer service as unsatisfactory (Question 16).

The customers reasoned out various factors for their complaints on customers handling, those factors are summarized in table 4.15 underneath.

Table 4.15 Reason for unsatisfactory customer service

	Frequency	Valid Percent	Cumulative Percent
Mistreat payer	15	20%	20%
Attitude & capacity problem of ERCA staff	25	33%	53%
Poor customer service	23	30%	83%
System drop & poor documentation at ERCA	13	17%	100%
Sub total	76	100%	
Missing	133		
Total	209		

As revealed in the table above, there are different reasons for the complaint but not all of the respondents equally suffered with each factors. Out of the 76 customers who gave justification for their rating as unsatisfactory:33% indicated problem with attitude & capacity of ERCA staff,30% suffered with poor customer service, 20% of them suffered with mistreatment of payers, and 17% reasonssystem drop & poor documentation at ERCA according to descending order.

Accordingly, the respondents claim that some of the staff considers payers as cheat-maker, they are irresponsive and careless, undermine payers, not ready for change, unqualified and have communication /language/ problem, not respect working time, and the their number /especially cashiers/ was inadequate compared to number of customers.

Poor customer services includes customer suffering (due to many handover from one staff to another and long time to accomplish an issue), inconsistent customer service, and lack of timely service, poor service delivery, disrespect and mistreat payers and existence of bureaucratic process.

Moreover, there is back & forth of payers because the information is not in system,disorganized and poor documentationat ERCA, lack knowledge and frequent system drop.

ERCA staffs interview result showed that there are skill variations among staff as result tax payers are not provided effective and consistent services. This is because when new staff hired there is no adequate training provided to them and no frequent updating session for existing staff. Besides to this the interviewees claim that the law by itself has ambiguity which results in inconsistent interpretation for customer service.

In addition, the staffs admit that the branch has established recently by gathering taxpayers with annual sales above birr five hundred thousand from five sub cities. As a result the majority of tax payers' documents were not organized and captured to the system at the branch. They required presenting various period documents, even ten years document, to get service especially for tax clearance. Thus, as absent of document the tax payers were not served as required. Furthermore, the interviewees declare that there is electric power and system network interruption which adversely affect customer services.

Waiting time /Fast service

Fast service delivery is one of the factors that the tax payers often consider to go to ERCA office and also various studies revealed that fast time providing service motivates customers to charge the obligation of paying tax on time. With regard to fast service delivery sample customers described the time taken to get the services. Thus, the detail of time taken to get the service was presented in table underneath.

Table 4.16 how much time it will take to undertake your duties at ERCA?

	Frequency	Valid Percent	Cumulative Percent
Weeks	38	19.1	19.1
Days	74	37.2	56.3
Hours	79	39.7	96.0
Minutes	8	4.0	100.0
Sub total	199	100.0	
Missing	10		
Total	209		

As shown in the table the time taken described in four categories namely minutes, hours, days and weeks. 19.1% of clients taken weeks, 37.2 % took days, 39.7% took hours and the remaining 4% took minutes to get a service from ERCA. Cumulatively, more than half of respondents (56%) get service after so many back and forth to ERCA.

Table 4.17 if your answer is Days & Weeks what was the issue and why it took time?

	Frequency	Valid Percent	Cumulative Percent
Absent, unmotivated, inefficient staff	10	10%	10%
Clearance process & annual tax	32	31%	41%
Disorganized work system	30	29%	71%
System drop, end month long queue	30	29%	100%
Sub total	102	100%	
Missing	107		
Total	209		

The 102 sample customers who replied to get service took days and weeks were asked the types of service and reasons for it and they reasoned out various factors. Those factors are absent,

unmotivated, inefficient staff (10%); the case of clearance process & annual tax (31%), disorganized work system (29%), and system drop & end month long queue (29%).

The respondents mentioned that there is staff absenteeism, they inform required document on installment bases, they request long years data, some of them were unqualified and inefficient, unmotivated and bored due to many paper work, many meetings undertook, system drop and existence of some inefficient cash collectors.

Greater percentage of respondents claims that clearance process and annual tax service took long time and were the problematic service area. A few responded a problem with VAT refund and Z-report error.

The respondents mentioned that the ERCA staff request various documents continuously, documents not maintained in the database and appoint for long time, services took long process and in general there is disorganized work system.

The interviewees also confirmed the existence of long waiting time however ERCA set standard for service provision without considered long waiting time.

On the other hand the sample respondents were asked whether the tax payment timing and declaration period was conducive for them or not. 182 of them responded in that 89% of them were happy to pay taxes in the next one month while the remaining 11% were not.

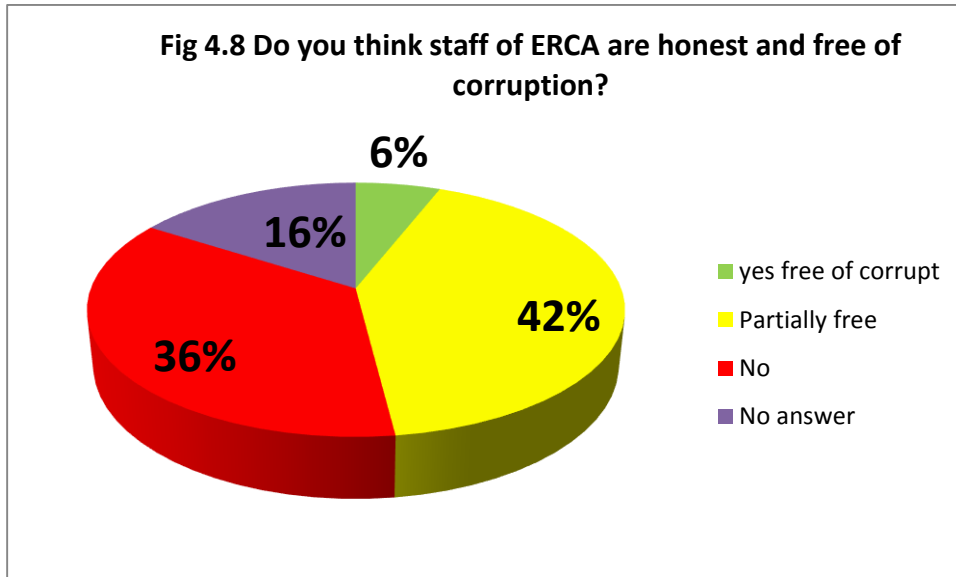
Table 4.18 Do you think tax payment timing and declaration conducive for you?

	Frequency	Valid Percent	Cumulative Percent
Yes	162	89.0	89.0
Not conducive	20	11.0	100.0
Sub total	182	100.0	
Missing	27		
Total	209		

The one which were not comfortable stated their reason that construction sector collect cash lately, due to system problem and poor customer service at ERCA the time elapse and most tax payers delay until last week of month end and the like.

Trust of tax payers on ERCA staffs

Trustworthiness among customers and service providers need to be robust and very crucial for the longstanding relation. This was justified by asking sample customers as to their belief on ERCA's staffs regarding to freeness from corruption. The response of 200 sample customers presented in the figure 4.8 below.



As revealed in the figure, majority of respondent or 36% believed that ERCA's staffs were not free from corruption, 42% partially think they are free, very few or 6% believed the staffs are free from corruption and 16% of them have no answer for the case. Thus this would have impact on perception of taxpayers and discourage them to discharge their obligation.

This figure justify that the complexity of tax collection system may link with corruption which means the staffs might create complex on the system to meet their feelings of corruption.

Customer's readiness to get services

ERCA expects customers to bring some data to get service from it. If the customers could not bring those required data the staffs of ERCA would not give service to customers. Therefore, to get full service the customers should come with sufficient information to ERCA office. Not only customers to bring information to ERCA but also ERCA should create awareness of the requirements to be fulfilled by customers to get sufficient services from ERCA.

Table 4.19 when you go to ERCA do you present required documents?

	Frequency	Valid Percent	Cumulative Percent
Yes	164	82.8	82.8
Some times	34	17.2	100.0
Sub total	198	100.0	
Missing	11		
Total	209		

The sample respondents were asked whether they had taken required data to get service from ERCA. Their responses were yes, sometime and no response for the question. Accordingly majority of the respondents or 82.8% response were responded that ‘yes’ they took and 17.2% sometimes they took. This indicates that the majorities of taxpayers know and discharge their obligation (Table 4.19). Contrary to the majority of responses, the interview made with the ERCA staff indicates that the tax payers do not provide necessary data for that they exposed to unnecessary cost.

Table 4.20 If you did not present required document what do you think will be its reason?

	Frequency	Valid Percent	Cumulative Percent
ERCA request long year data	4	20%	20%
lack of payer awareness	12	60%	80%
payer company problem	4	20%	100%
Sub total	20	100%	
Missing	189		
Total	209		

In addition, 20 of those who sometimes had not taken required information to ERCA reasoned out why they had not taken. Those reasons were ERCA requests long year data, lack of payer awareness and payer company problem. Majority of respondent 60% reasoned out lack of payer awareness as a factor and the next 20% reasoned out ERCA request long year datafactors and the remaining 20% cited reason was payer company problem (Table 4.20).

Training and education

Induction and awareness creation is paramount important for clients on requirements expected to be fulfilled from them, the data to be brought to ERCA to get the service, the procedure to be followed and the existing law, regulation concerning to tax while the taxpayers start business. In addition when the law, regulation and directive would be amended the taxpayer should be trained which enable them to know their rights and obligations. As a result it reduces the cost & time of back and forth to bring data at different time. Training is not only bridge the gap of the taxpayers but also decrease the burden of ERCA staffs caused by knowledge gap of the taxpayers that the staffs take long time to convince taxpayers, the quarrel is probable between the staff and customer and even cause to corruption. Therefore providing training has multipurpose for both ERCA and taxpayers.

Accordingly, the taxpayers need to have necessary training and education of tax rules and regulation to know the way tax is calculated and discharge their obligation. If the taxpayers have necessary knowledge to discharge their responsibility, taxpayers and ERCA staffs can easily communicate and understand each other. Or if there would be a gap on understanding between them they can discuss based on existing rule and regulations and convince each other's based on system and rules.

Having rules and regulation and way of calculating tax, enable taxpayers to know the amount required from them ahead before go to ERCA, which will help to decrease wasting of time of both. Particularly, a number of type of tax paid are found to be many having necessary rules and system of calculation are profound important for both tax payers and ERCA staffs. Sample respondents were asked whether they had taken different training on tax system or not. The responses were: yes they have, to some extent and do not have at all, the frequencies of sample respondents were presented below.

Table 4.21 Do you have adequate information of tax law or calculation regarding types of taxes your company is paying?

	Frequency	Valid Percent	Cumulative Percent
Yes	117	65%	65%
To some extent	51	28%	93%
Do not have	12	7%	100%
Sub total	180	100%	
Missing	29		
Total	209		

As revealed in the table, 28% of them have some of it, 7% do not have it and the remaining 65% have necessary training on rules and know the way of calculation. The respondent who did not have it and have some of it requested their reason.

Table 4.22 If you don't have adequate information, what do you think the reason is?

	Frequency	Valid Percent	Cumulative Percent
ERCA don't gave info	4	57%	57%
inconsistent request	1	14%	71%
lack experience	1	14%	86%
lack of training	1	14%	100%
Sub total	7	100%	
Missing	202		
Total	209		

Only 7 out of 63 responded their reason. Accordingly different reasons were mentioned out of them 57% claim ERCA didn't give adequate information and inconsistent request, lack experience, and lack of training with 14% each.

Table 4.23 Does ERCA gave you training related to tax issues?

	Frequency	Valid Percent	Cumulative Percent
Yes	77	38.7	38.7
No	57	28.6	67.3
Inadequate	58	29.1	96.5
No answer	7	3.5	100
Sub total	199	100	
Missing	10		
Total	209		

Another question asked to respondents whether they get adequate tax issue related training or not. Out 199 of them responded taxpayers 38.7% 'yes', 28.6% no, 29.1% inadequate and the remaining 3.5% has no answer for it. Thus about 57.7% were not happy as to the awareness creation of new and existing tax related trainings provided by ERCA (Table 4.23).

The interview result with ERCA staff reveals that the tax payers didn't have adequate understanding of rules and regulations to discharge their obligation. They have reasoned out that the taxpayers were unwilling to learn and update themselves. Upon training and awareness creation arranged by ERCA, the payers did not attend or didn't represent appropriate person.

4.4 Cash register machine (CRM)

The Cash register machine program is one among many tax administration reform measures that the ERCA has undertaken. CRM was introduced in August 2007 to ensure that sales are properly recorded by registered taxpayers in the country (FDERE, 2007). Considering all the advantages of sales register machine, ERCA has made obligatory for business organizations to buy Cash Register Machine imported by some recognized suppliers since February 2008 (ERCA, 2012). This is initially focused on improving compliance with VAT requirements by replacing the manual paper system of remitting VAT returns that was considered inefficient and straining. The machine is also connected to the central computer of ERCA and allows it to be more accurate in its tax estimates and to trace tax evasion. This devices offer unique benefits to traders and the Revenue Authority alike by recording transaction data in such a manner that it cannot be deleted (Debre, 2014). Thus all taxpayers under study according to the directive obliged to have the machine.

Accordingly the 202 sample respondents were asked whether they apply the machine or not. Their response reveal that 98% use the machine while the rest 2% were not use. The tax payers who applied the machine were asked whether they get adequate training or not. 85.2% responded 'yes' while 14.8% of them said 'no'.

21 respondents who didn't get training reasoned out as follows. 62% of them claimed lack of adequate and frequent training provision by ERCA, 19% was taxpayer weakness and the remaining 19% stated lack of government attention and ERCA use force.

Table 4.24 If you didn't get adequate training, what do you think its reason be?

	Frequency	Valid Percent	Cumulative Percent
No adequate & frequent training	13	62%	62%
payer's weakness	4	19%	81%
ERCA use force, Lack government attention	4	19%	100%
Sub total	21	100%	
Missing	188		
Total	209		

Duration of machine usage

Those sample taxpayers who applied the machine were requested for how long they were apply the machine for sells registration. The table of year of application is presented in table 4.25.

Table 4.25 If you use cash register machine, for how much period you used?

	Frequency	Valid Percent	Cumulative Percent
Less than one year	8	4.1	4.1
1-5 years	120	61.2	65.3
Above 6 years	68	34.7	100.0
Sub total	196	100.0	
Missing	13		
Total	209		

The majority of taxpayers 61.2% apply machine for 1 to 5 years, 34.7% used for more than 6 years and the rest 4.1% used for less than one year. As data revealed taxpayers are willing to apply the machine.

The correlation of sex and application of the machine indicates 60% of users were male and 40% were female. This is similar to the proportion of respondents by gender stated above.

Table 4.26 Sex of respondent Vs. If you use cash register machine, for how much period you used?

		If you use cash register machine, for how much period you used?							
		Less than one year		1-5 years		Above 6 years		Total	
Sex of respondent	Male	5	4%	63	54%	49	42%	117	60%
	Female	3	4%	57	72%	19	24%	79	40%
Sub total		8	4%	120	61%	68	35%	196	100%
Missing								13	
Total								209	

Moreover, level of education of respondents and application of the machine is directly related. Accordingly, 51% were 1st degree holder, 23% diploma, 6% 2nd degree, 14% grade 9 to 12, 5% certificate and only 2% were from grade 1 to 8. This shows the year of application of technology directly related to education background.

Table 4.27 Level of education of respondents Vs. If you use cash register machine, for how much period you used?

		If you use cash register machine, for how much period you used?							
		Less than one year		1-5 years		Above 6 years		Total	
Level of education of respondents	Grade 1 to 8	1	33%	2	67%	0	0%	3	2%
	Grade 9 to 12	0	0%	12	44%	15	56%	27	14%
	Certificate	0	0%	6	67%	3	33%	9	5%
	Diploma	4	9%	25	58%	14	33%	43	23%
	First degree holder	2	2%	62	65%	32	33%	96	51%
	Second Degree (MA)holder and above	0	0%	10	91%	1	9%	11	6%
Sub total		7	4%	117	62%	65	34%	189	100%
Missing								20	
Total								209	

As mentioned above almost all respondents were using the machine. Thus, the types of business institution and machine user relate to number of sample responded. Accordingly, 31% construction, 25% import and distributor, 22% service providers, 10% wholesaler, 5% manufacturers and the remaining 7% were other sectors.

Table 4.28 Type of business the institution working? Vs. If you use cash register machine; for how much period you used?

		If you use cash register machine, for how much period you used?				
		Less than one year	1-5 years	Above 6 years	Total	
Type of business the institution working?	Importing and distributor	1	28	17	46	25%
	Manufacturer	0	7	3	10	5%
	Whole seller and retailer	0	13	6	19	10%
	Service render	2	19	20	41	22%
	Construction	3	42	12	57	31%
	others	1	7	5	13	7%
Sub total		7	116	63	186	100%
Missing					23	
Total					209	

As stated above the regulation to use cash register machine was issued in August 2007. Accordingly, the majority of companies used for 6-10 the years. The correlation of years of the institution being working and duration of cash register machine in use indicates that 46% used 6-10 years, 27% used 1-5 years, 25% businesses being in operation for more than 10 years and only 2% were used for less than one year.

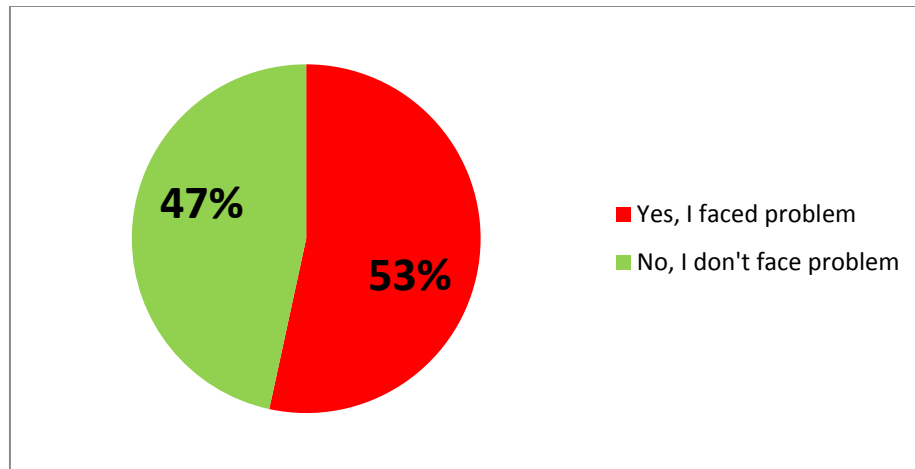
Table 4.29 Years of the institution being working? Vs. If you use cash register machine, for how much period you used?

		If you use cash register machine, for how much period you used?				
		Less than one year	1-5 years	Above 6 years	Total	
Years of the institution being working	Below one year	2	1	0	3	2%
	1-5 years	4	41	6	51	27%
	6-10 years	1	50	36	87	46%
	11-15 years	0	15	8	23	12%
	Above 15 years	0	10	15	25	13%
Sub total		7	117	65	189	100%
Missing					20	
Total					209	

4.4.1 Cash register machine application problem

As mentioned above the registration machine is new technology many problems were experienced while they applied it. Thus, sample respondents were asked if they faced problems while they applied the machine. The responses of 189 respondents were summarized in pie chart below.

Fig 4.9 Have you faced problem when you use cash register machine?



As observed from survey data 53% of respondents faced many problems and the remaining 47% did not face any problem.

Those problems were user skill gap, long process to solve mistake & damage, technical problem, and system network problem. According to sample respondents cited descending order that 30%, 27%, 25%, and 18% respectively.

Table 4.30 If you faced problem please explain the problem.

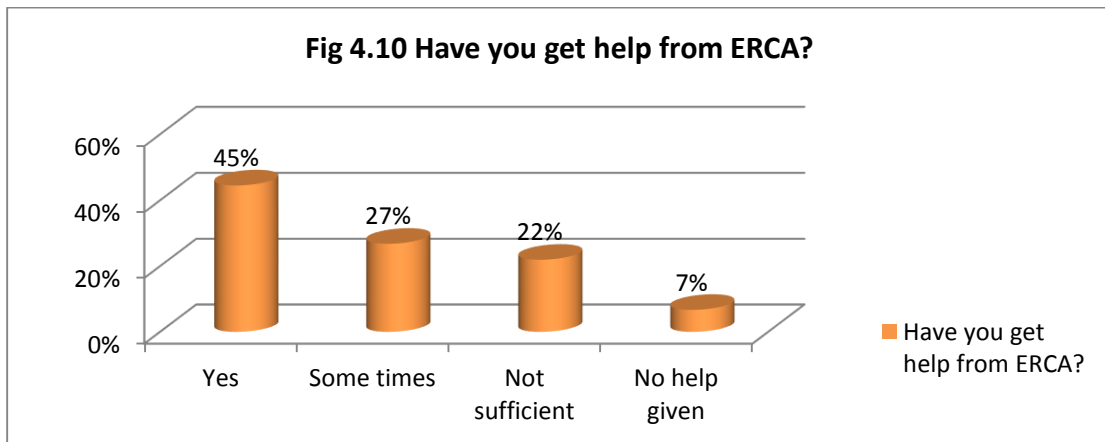
	Frequency	Valid Percent	Cumulative Percent
Long process to solve mistake & damage	20	27%	27%
System Network problem	13	18%	45%
Technical problem	18	25%	70%
User skill gap	22	30%	100%
Sub total	73	100%	
Missing	136		
Total	209		

The technical problem incorporates poor machine annual service, lack of spare part, recording on machine but not on receipt, reject because unable to print summary, repeat sales & fiscal receipt number, supplier problem, and other technical problems. On the other hand, the user skill gap includes overlooking to add VAT, using wrong TIN, improper use of machine and due to staff turnover existence of new user skill gap.

On top of that, the respondents claim they didn't get prompt response from ERCA for machine damage and refunds. Additionally, the response for phone call was poor and took long process to solve mistake. There is also a challenge due to network and power interruptions

The interviewees admit that there is a problem of power interruption, delay in maintaining the damaged machine, when a memory gets full it is not easily to replace and staffs shortage to respond to phone call.

In addition sample respondents were asked whether they have received fast and sufficient support from ERCA for the machine problem they faced or not. Responses of 164 indicate that 45% yes, 27% some times, 22% not sufficient and 7% not get help (Fig 4.10). It could be concluded that less than half of respondents fully received help of ERCA.



Only 21 the taxpayers cited the reasons why they did not take sufficient support from ERCA. Those were 43% frustration than help and 57% lack of prompt response.

Frustration than help includes consider payer as cheater, threaten than help, harsh penalty than teach or warn, inadequate orientation, lack of knowledge, existence of many rules, some ERCA staff did not operate as per the rule.

No prompt response consists of long machine installation time, lack of quick response to damage, delay in refund which resulted from typing error and it require taking the machine to ERCA than serving at taxpayer premises.

4.5 Taxpayers challenge during tax payment

Sample respondents were asked if there were any challenges they faced while the taxes were paid. 174 respondents were cited different challenges. Out of which 91.4% claimed system disconnection, 60.9% month end lengthy queue, 35.1% incompetent ERCA employee, 32.8% ERCA employee absenteeism, 28.2% poor perception of employee to tax payers, 25.9% not keeping tax payment information in Data Base system, 18.4% lack of adequate information, 17.8% high employee turnover at ERCA and 12.1% breakdown of office equipment in descending order. Thus, the challenges need critical attention from ERCA.

Table 4.31 Problems faced case summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
\$Q34Problm ^a	174	83.3%	35	16.7%	209	100.0%

a. Dichotomy group tabulated at value 1.

Table 4.32 Problem Frequencies

		Responses		Percent of Cases
		N	Percent	
Problemf acedatER CA	System disconnection	159	28.30%	91.40%
	Month end lengthy Queue	106	18.90%	60.90%
	Incompetent employee	61	10.90%	35.10%
	Employee absenteeism	57	10.20%	32.80%
	Poor perception of employee to tax payers	49	8.70%	28.20%
	Not keeping tax payment info in Data Base system	45	8.00%	25.90%
	Lack of adequate information	32	5.70%	18.40%
	High employee turnover	31	5.50%	17.80%
	Breakdown of office equipment	21	3.70%	12.10%
Total		561**	100.0%	322.4%
a. Dichotomy group tabulated at value 1.				

***Note that in multiple response questions the respondents could select more than one choice. Thus, the number of respondents exceeds 209.*

4.6 Cost and burden of compliance to taxes' rule

Tax compliance costs are cost that taxpayers' incur to pay taxes which include time required to prepare tax returns which is determined by the complexity of tax legislation and the number of taxes that need separate payments and returns, the payment frequency and administrative costs incurred solely for tax collection purposes. Compliance costs, for example, depend on the complexity of procedures for taxpayer registration and tax payment. Further, compliance is likely to be affected by the tax enforcement regime, whether it is perceived to be corrupt or fair and transparent as most of these points discussed above.

Accordingly, a specific question asked to respondents whether they think their company incur high tax law compliance cost or not and the response depicted below. Accordingly, 56.4% believe they incur high compliance cost, 30.2% think somehow they incur high compliance cost, only 7.6% don't believe it, and the rest have no answer for it. Thus, it could be concluded that the majority of tax payers incur high compliance cost.

Table 4.33 Do you think your company incurs high tax law compliance cost?

	Frequency	Valid Percent	Cumulative Percent
Yes	97	56.4	56.4
Somehow	52	30.2	86.6
I don't believe	13	7.6	94.2
No answer	10	5.8	100
Sub total	172	100	
Missing			
Total			

The interview made with ERCA staff confirm that lack of appropriate IT system and poor customer service definitely exposes tax payers to incur high cost.

Therefore, based on the above data presented and analyzed, in the following chapter conclusion and appropriate recommendations are made.

CHAPTER FIVE: CONCLUSION AND RECOMMENDATION

This chapter provides the conclusions and recommendations from the study. The conclusions and recommendations are derived from literature review and the findings presented in chapter four.

5.1 CONCLUSION

Taxes are important source of government revenue in both developing and developed countries. However, the amount of revenue to be generated by a government from taxes depends, among other things, on the willingness of the taxpayers to comply with tax laws of a country.

Accordingly, the Ethiopian government has been undertaking substantial efforts in reforming and modernizing the revenue administration with the aim of simplifying the tax system, increasing government revenue and reducing the challenges of taxpayers. However, this reform has not yet brings the required result. There has been poor tax revenue collection, tax compliance has still remained a problem and the taxpayers continued to complain about the behavior of the ERCA staff. Having this as a gap, the main objectives of this study is to assess the current challenges in relation to taxation that medium taxpayers are facing at Addis Ababa No. 1 Medium Taxpayers Branch Office. To achieve this objective, both survey and in-depth interview techniques were employed. Based on the presentation and analysis of the data obtained, the main conclusions and recommendations are summarized in this chapter.

Although tax reforms have been undertaken, this study indicates that the taxpayers are still challenged with problematic and complex tax system, poor customer service, inadequate response for their request, long waiting time, many back and forth to settle an issue, inadequate training and support.

Additionally, the study reveals negative perception of taxpayers towards tax system as to lack of fair, just, trust and legitimacy procedural fairness and retributive fairness. It also shows taxpayers do not trust the tax administration to collect tax fairly. These were also lack of equity, neutrality, and simplicity.

Moreover, the study indicates there is high cost of tax compliance which resulted from longtime required to prepare tax returns and to pay, greater number of taxes and need to frequently visiting ERCA to pay and settle some issues which greatly impact administrative costs of tax payers.

In addition, the newly implemented system of using cash register machine (CRM) is causing challenges to the tax payers. User skill gap, long process to solve mistake & damage and other technical problems were the major problem mentioned that caused this problem.

Besides, the study found that taxpayer are encountered a lot of inconveniences, partly from misconduct of the tax officers like mistreatment, careless and bureaucracy. The finding also revealed that submitting tax return, getting tax refund, tax law enforcement is perceived as complex and unfair.

On the other hand, the tax payers perceive the nation should have to pay tax for the development of the country and they believe they would be benefited of it. Additionally they believe the time given to pay tax is adequate if there is appropriate service at ERCA. Moreover, as to their knowledge, they try to fulfill necessary document to get service from ERCA.

Finally, the findings noted that the taxpayers had a general negative view or dissatisfaction towards the Ethiopian tax system. The key message arising out of this study is the need to organize tax system systematically and logically and further simplify the tax policies and procedures and thereby moderate complexity.

5.2 RECOMMENDATION

This section presents the appropriate suggestions that can be utilized to minimize the tax system challenges of taxpayers.

An efficient and proper tax administration is required by setting clear and transparent rule and regulation. Beside all these, tax offices should be equipped with new technology and adequate skilled human resources and attach clear accountability of officials.

The tax authority must maintain adequate management information system and install user friendly and appropriate software. Thus, taxpayers tax payment history updated and get their tax liability clearly up-to-date information, so that the taxpayers can easily process their annual tax clearance process and various refunds. Applying information technology which will help taxpayers to get information and declare their tax online this can be enormously effective in reducing corruption, curbing evasion and improving revenue yields. To be effective, however, such technological approaches need to be implemented effectively.

The tax office should offer sustainable training, prepare discussion, experience sharing among staffs and others on law, regulation and procedures. Training program should also be arranged for tax payers based on their gap. The training system must be arranged by classifying education background, age and experience rather than providing on massive bases. On top of that the training should be practical rather than theoretical.

The tax office must also maximize its capacity so that taxpayers' complaints in respect of cash register machine are solved quickly. Furthermore, rather than delegating the task of providing support for mechanical problems of the machine to the suppliers, the tax office must equip its employees about the technical knowledge so that they do the activities by themselves.

Moreover it's advisable if government facilitate establishment of taxpayer association which could help them to understand their right and obligation.

In general it's advisable to work in justice system and reduce partiality, bureaucracy and corruption; upgrade system and develop online payment system; develop one window service and work in lunch time; solve items with no receipt and understand problem of construction sector; use feedback of payer; reviewing issues related to tax audit; train, motivate, increase number and qualification of staff; work with stakeholder /like Ethio-telecom and Electric power supplier/; improve customer service; establish fair tax estimation mechanism; solve the refund problem, smoothen the clearance process and annual tax payment process; properly handle complain; provide appropriate training to taxpayers than penalize; trust payer; use manual if system drop; and develop schedule for payers so that month end crowd will decrease and evenly distributed through the month.

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ቅድስተ ማርያም ዩኒቨርሲቲ
ድህረ ምረቃ ክፍል
የንግድ አስተዳደር ትምህርት ክፍል

የግብር ክፋዮች መጠይቅ

የጥናቱ ርዕስ “በአዲስ አበባ ቁጥር 1 ቅርንጫፍ ጽ/ቤት የመካከለኛ ግብር ክፋዮች ተግዳሮት /Challenges/ ሲሆን ጥናቱን የምታከናወነው ወ/ሮ ጤናዬ አክሊሉ በቅድስተ ማርያም ዩኒቨርሲቲ በንግድ አስተዳደር የሁለተኛ ዲግሪ ተማሪ ናት።

የጥናቱ ዓላማ በግብር ነክ ዙሪያ ግብር ክፋዮች የሚገጥሟቸው ተግዳሮቶች በመለየት የግብር አስተዳደር ሒደት እና ለግብር ክፋዩ የሚሰጠው አገልግሎት እንዲሻሻልና በራሱ ፈቃደኝነት ላይ የተመሰረተ ተሳትፎ እዲያደርግ ጠቃሚ መፍትሄዎችን ለማስቀመጥ ነው።

በጥቅል ቃለመጠይቅ ከግብር ባለስልጣናት የተሰበሰበውን መረጃ ለማጠናከር ይረዳዎታልናልናል ማህተም ማድረግ ለመቻላቸው 209 ግብር ክፋዮች ይህ መጠይቅ ተዘጋጅቷል።

በዚህ ጥናት ውስጥ ያለውን ተሳትፎ ለመለካት በራህራሄ ለመለካት ለሆነው ቃለመጠይቅ ጥያቄዎችን ማሟላትን ተጠይቆ ለመጠይቅ ማህተም ማድረግ ለመቻላቸው 209 ግብር ክፋዮች ይህ መጠይቅ ተዘጋጅቷል።

ለሚያደርጉት ቀና እና ፈጣን ትኩረት በቅድሚያ ለመስጠት እንደወዳልሁ።

ክፍል 1-አጠቃላይ መረጃ

ከሚመርጡት አማራጭ ፊት በተቀመጠው ላይ ጥንድ ላይ የ “✓” ምልክት ያስቀምጡ

1. የታወቀው 1 ሴት 2
2. እድሜ ከ30 በታች 1 31-40 2 41-50 3 ከ50 በላይ 4
3. የትምህርት ደረጃ
 - ከሁለተኛ ደረጃ በታች 1 ሁለተኛ ደረጃ ያጠናቀቀ 2 ሰርተፊኬት 3 ዲፕሎማ ተመራቂ 4
 - የመጀመሪያ ዲግሪ ተመራቂ 5 ሁለተኛ ዲግሪ ና ከዚያ በላይ 6
4. ድርጅት ያስረዱት ከጀመረ ምን ያህል ጊዜ ሆኖ ታል?
 - ከአንድ አመት በታች 1 1-5 አመት 2 6-10 አመት 3
 - 11-15 አመት 4 ከ15 አመት በላይ 5
5. በድርጅቱ ያለውን ሃላፊነት

የሂሳብ ሰራተኛ 1 ስራ አስኪያጅ 2 የድርጅቱ ባለቤት 3 የህዝብ ግንኙነት ሰራተኛ 4 ሌላ አካባቢ ቢጠቅሱት 5 _____

6. የስራ ልምድ፡- ከአንድ አመት በታች 1 1-5 አመት 2 6-10 አመት 3 11-15 አመት 4 ከ15 አመት በላይ 5

7. ድርጅቱ በየትኛው የንግድ ዘርፍ የተሰማራነው አስመጪ ና ከከፋፋይ 1 አምራች 2 ጅምላ ወይም ችርቻሮ ንግድ 3 አገልግሎት ሰጪ 4 ኮንስትራክሽን 5 ሌላ አካባቢ ጠቅሱ _____

8. አማካይ አመታዊ ገቢዎን ቢጠቅሱ

ከ500,000 በታች 1 500,000-1,000,000 2 1,000,000-5,000,000 3
5,000,000-10,000,000 4 10,000,000-50,000,000 5 50,000,000 በላይ 6

ክፍል 2- ከግብር ሒደት ጋር ተያያዥነት ያላቸው ጥያቄዎች

9. የግብር ግምገማ፣ ክፍያ አዘገጃጀት ሂደት፣ የግብር አይነት ብዛት፣ ወስብስብነትና ተግዳሮት እንዴት ያዩታል?

እጅግ በጣም አስቸጋሪ 1 በጣም አስቸጋሪ 2 መካከለኛ 3 ዝቅተኛ 4
በጣም ዝቅተኛ 5 መልስ የለኝም 6

10. የኢትዮጵያ የግብር አስባሰብ ስርዓት ሚሳሌና /fairness/ ሁሉንም የንግድ ህብረተሰብ እኩል /equality/ ያያልብለው ይምናሉ?

አዎ 1 አላስብም 2 መልስ የለኝም 3
ቅሬታ ካለዎት ክርምትን ቢጠቅሱ _____

11. ከሚከተሉት ነጥቦች የሚያምኑትን ይምረጡ

11.1. ለአገራችን እድገት ሲባል ዜጎች ለመንግስት ግብር የመክፈል ግዴታ አለባቸው
እጅግ በጣም እስማማለሁ 1 እስማማለሁ 2 አልስማማም 3 በጣም አልስማማም 4

11.2. መንግስት ከዜጎች ግብር ከሚሰበስብ ከሌላ የገቢ ምንጭ በያሌ ላል ግዴታ ላይ ሻል
እጅግ በጣም እስማማለሁ 1 እስማማለሁ 2 አልስማማም 3 በጣም አልስማማም 4

12. ግብር በመክፈል ዎታዎታል ብዬ ከሚሉኝ በለው ያስባሉ?

አዎ 1 አላስብም 2 መልስ የለኝም 3

13. ለተለያዩ የግብር ነገገኞች ወደ ግብር መክፈያ ጣቢያዎች ሲሔዱ የሚደረግ ልዎ መስተንግዶ ምን ይመስላል?

በጣም አጥጋቢ 1 አጥጋቢ 2 የማያረካ 3 መልስ የለኝም 4

ቅሬታ ካለዎት ክርምትን ቢጠቅሱ _____

14. የግብርባለስልጣኑ ሰራተኞች ታማኝና ከሙስና የፀዱናቸው ብለው ያምናሉ?

አዎ 1 በክፍል 2 አላምንም 3 መልስ የለኝም 4

15. ወደ ግብር መክፈያ ጣቢያ ሔደው ለፈለጉት ጉዳይ በቂ ማሻሻያ ማድረግ ነች?

አዎ 1 አላገኝም 2 መልስ የለኝም 3

16. በተ.ቁ 15 ለተጠቀሰው በቂ ማሻሻያ ማድረግ ነች ብለው የሚያምኑትን ቢጠቅሱ

17. ወደ ግብር መክፈያ ጣቢያ ወይንም ሌላ ጉዳይ ለማስፈፀም የሚፈጅብዎት ይቀርባሉ?

አዎ 1 አልፎ አልፎ 2 መልስ የለኝም 3

18. በተ.ቁ 17 የተገለጸውን ካላቀረቡት ምክንያት ብለው የሚያምኑትን ቢጠቅሱ::

19. ለጉዳይዎ ወደ ግብር መክፈያ ጣቢያ ሔደው ጉዳይዎን ለማስፈፀም የሚፈጅብዎት ይቀርባሉ

ደቂቃዎች 1 ሠአታት 2 ቀናት 3 ሳምንታት 4

20. በተ.ቁ 19

ቀናት እና ሳምንታት ፈጅብኝ የሚለውን ከመረጡ የጉዳይዎን አይነትና ጊዜ የወሰደብዎትን ምክንያት ቢጠቅሱ

21. ከግብርባለስልጣን በግብር ነገጉ ዳዮች ዙርያ የተሰጠዎት የግንዛቤ ማስጨበጫ ስልጠና አለ?

አዎ 1 የለም 2 በቂ አይደለም 3 መልስ የለኝም 4

22. የሒሳብ መመዘገቢያ ማሻሻያ ጠቅማሉ? አዎ 1 አልጠቀምም 2

23. በተ.ቁ. 22 መልስዎ አዎ ከሆነ በአጠቃቀም ዙሪያ በቂ ስልጠና አግኝተዋልን? አዎ 1 አላገኘሁም 2

24. በተ.ቁ 23 የተጠቀሰው በቂ ስልጠና ካላገኘ ምክንያቱ ምንድን ነው ይላሉ?

25. የሒሳብ መመዘገቢያ ማሻሻያ ሚጠቀሙ ከሆነ መጠቀም ከጀመሩ ምን ያህል ጊዜ ሆኖታል?

ከአንድ አመት በታች 1 1-5 አመት 2 ከ6 አመት በላይ 3

26. የሒሳብመመዘንገቢያማሽንየማይጠቀሙከሆነምክንያቱንቢገልፁ

27. የሒሳብመመዘንገቢያማሽንንሲጠቀሙችግርገጥሞታል? አዎ 1 አልገጠመኝም 2

28. በተ.ቁ 27 ችግርከገጠምዎችግርገጥሞቻችንቢያብራሩ

29. የሒሳብመመዘንገቢያማሽንንሲጠቀሙለደረሱችግርገጥ /አንከኖች/ ከግብርባለስልጣን-በቁእናፈጣንእገዛተደርጎሎታል? አዎ 1 አልፎአልፎ 2 በቂአይደለም 3 አይደረግም 4

30. በተ.ቁ 29 እገዛልተደረገልዎምክንያትነውብለውያሰቡትንእናቢስተካከልየሚልምክርካልዎቢገልጹ

31. የጣትአሻራለግብርመለያነትሰጥተዋል? አዎ 1 አልሰጠሁም 2

ካልሰጠውምክንያትዎንቢገልጹ

32. ድርጅቶቻቸውየሚከፍለውንየግብርዓይነቶችቢጠቅሱ/ከአንድባይመምረጥይቻላል/

የሰራተኛዎቻቸው ግብር <input type="checkbox"/> 1	የንግድየገቢ ግብር <input type="checkbox"/> 2	የኪራይገቢ ግብር <input type="checkbox"/> 3	የወለድገቢ ግብር <input type="checkbox"/> 4
የአክሲዮንትርፍ ግብር <input type="checkbox"/> 5	የሎተሪ ግብር <input type="checkbox"/> 6	የቴክኒክአገልግሎትሽያጭ ግብር <input type="checkbox"/> 7	ቫት <input type="checkbox"/> 8
የህንፃ /ንብረት/ ኪራይ ግብር <input type="checkbox"/> 9	የእርሻገቢ ግብር <input type="checkbox"/> 10	መራትየመጠቀምመብት ግብር <input type="checkbox"/> 11	ቲ.አ.ቲ <input type="checkbox"/> 12
የህንፃ /ንብረት/ ሽያጭ ግብር <input type="checkbox"/> 13	ኤክሳይስታክስ <input type="checkbox"/> 14	የጉሙሩክ ግብር <input type="checkbox"/> 15	ሱርታክስ <input type="checkbox"/> 16
የቴምብርቀረጥ <input type="checkbox"/> 17	Royalty tax <input type="checkbox"/> 18		

ሌላካለይግለጹ _____

33. በድርጅቶቻቸውየሚከፈሉየግብርአይነቶችዙሪያበቁየሆነየግብርህግወይምየስልትመረጃአሎት?

አዎ 1 በመጠኑ 2 የለኝም 3

በቂመረጃአሎትምክንያትነውብለውየሚምኑትን ቢጠቅሱ _____

34. የግብር እዳዎችን ለግብር ባለስልጣን በሚከፍሉበት ጊዜ የገጠሞት ንቅግር ቢገልፁ /ከአንድ በላይ መምረጥ ይቻላል/ የስስተም መቆራረጥ 1 የሰራተኛ በስራ ገበታ አለመገኘት 2 የሰራተኛ ብቃት ማነስ 3 በወር መጨረሻ ወረዳ በብዛት 4 የመረጃ ቋት በቁመረጃ አለመያዝ 5 ሰራተኛ ወለግብር ከፋይ ያለው አመለካከት ንቅግር 6 የቢሮ መገልገያ የመሳሪያዎች ብላሽት 7 የሰራተኛ ተሳታፊ ለመቀያየር 8 በቁመረጃ አለመግኘት 9 የሰራተኛ የስራ ተነሳሽነት ማጣት 10

ሌላ ካለ ይግለጹ _____

35. ድርጅት ዎ የግብር ህግን ተከትሎ ለመተግበር ብዙ /cost of compliance to tax law/ ወጣው ረድ እና ዋጋ ይከፍላል ብለው ያምናሉ?

አዎ 1 በመጠኑ 2 አላምንም 3 መልስ የለኝም 3

36. የግብር ማሳወቂያና መክፈያ ጊዜ ለእርሶ የተመቻቸነው?

አዎ 1 አይመችም 2

ሀ) ምክንያቶቹን ቢገልፁ

ለ) ምን ደርግ ይስተካክላል ብለው ያምናሉ?

37. የግብር እዳዎችን በሚያሰሉበት ጊዜ የገጠሞት ንቅግር ቢገልፁ

38. በተ.ቁ 37 ለገጠሞት ንቅግር መፍትሄ ነው ብለው የሚያስቡትን ነገር ቢገልፁ _____

39. የሂሳብ መዝገብ አያያዝ ለራዕይ ድርጅቶች ግርካቢ ቢገልፁ

40. በማንኛውም ግብር ከገደብ ላይ ያለውን ትንቢት ፊት አስተያየት ካለዎብዎትልዎት

DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of my advisor AbrarawChane (PhD). All sources 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 to any other higher learning institution for the purpose of earning any degree.

Name

St Mary's University, Addis Ababa

Signature

June 2017

ENDORSEMENT

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a university advisor.

Advisor

St Mary's University, Addis Ababa

Signature

June 2017