ST. MARY's UNIVERSITY

SCHOOL OF GRADUATE STUDIES

FACTORS AFFECTING TAX REVENUE COLLECTION IN THE
CASE OF ADDIS KETEMA SUB CITY TAX OFFICE

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ID NO: - SGS/0300/2009A

JUNE 2018

ADDIS ABABA ETHIOPIA

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A THESIS SUBMITTED TO ST. MARY'S UNIVERSITYDEPARTMENT OF ACCOUNTING AND FINANCE IN PARTIAL FULFILMENT OF THE REQUIREMENTS OF MASTER OF ACCOUNTING AND FINANCE

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Internal Examiner   **Signature**

DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Abebaw Kassie(PhD) All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis not been submitted either in part or in full to any other higher learning institution for earning any degree.

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Name   Signature

St. Mary's University, Addis Ababa   Date June 30, 2018

ENDORSEMENT

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

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Advisor   Signature

St. Mary's University, Addis Ababa   Date June 30 2018

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AKNOLEDGMENTS

List of Abbreviations

ERCA   Ethiopian Revenue and Customs Authority

GDP   Gross Domestic Product

MOFD   Ministry of Finance and Economic Development

SPSS   Statistical Package for Social Science

TEA   Tax evasion

TCO   Tax compliance

TOC   Tax office capacity

TRC   Tax revenues collection

DW   Durbin Watson

UNDP   United nation development program

IMF   International Monitory Fund

ETB   Ethiopian Birr (Currency)

EU   European Union

ANOVA   Analysis of Variances

ABSTRACT

Tax is the major revenues to the government in developed and developing countries. Thus many professionals and authorities strive to enhance the level of tax revenues and make tax revenues significant portion of annual national budget. This study conducted to identify factor affecting tax revenues.Tax payers 'awareness, tax evasion, tax compliance and tax office capacity were considered as a factors of affecting tax collection in empirical testing. The study used explanatory research design and mixed research approach employed. Data gathered from primary and secondary sources. The primary data obtained by interview and questionnaire. The survey is conducted on category A and category B taxpayers of Addis Ketema sub city and employees of the tax office by the use of purposive sampling. The secondary data collected from reports and manuals of Addis Ketema sub city. Data analyzed with disruptive statistics such as frequencies, percentages, mean and standard deviation through statistical tool of SPSS version 20. The data presented in tables, charts and histograms. In addition, these regression analyses employed to analyze the relationship of variables. The findings show tax revenue affected by tax evasion, tax payer's awareness tax office capacity and also tax compliance and the regression analysis show that tax evasion has strong negative relation with tax revenues; however, tax Payer's awareness, tax compliance and tax office capacity have strong positive relationship with tax revenues. This Paper recommended that, the tax office should capacitate in both of human power and technology, so that strengthen auditing work, enhance taxpayer's awareness.

Keywords: **Addis Ketema Sub City Tax revenues, Tax payer's awareness, Tax office capacity, and Tax compliance.**

CHAPTER ONE

1   INTRODUCTION

1.1   Back Ground of the Study

The countries need to collect adequate amount of revenue for various purposes, such as for building different infrastructures; for national defence; for administration. Governments collect revenues from tax and other non-tax sources. Zhou & Madhikeni (2013) stated that an effective income gathering structure is the core of every public administration and the foundation of sound fiscal management. The main source of governments' revenue is tax. If the government is not able to collect sufficient amount of tax, the country exposed for different problems like macro-economic disability and annual national budget deficit. In addition to this less tax collections has an impact on nation development. Many developing countries are not collecting tax revenue adequately. According to Janet & Asegedech (1997) many under developed countries face difficulties in collecting of tax revenues from the society and that leads frequently shortage of funds and unproductive use of public expenditures.

Ethiopia, like other developing countries, is not collecting adequate amount of taxes comparing with the potential of the country that has to generate tax revenues. According to the report that released by Ministry of Finance and Economic Development (MOFED), many years there was a variance between annual national budget of tax revenues a0nd the actual tax revenues collections. Even if the country has long history in tax collection, still it has many problems associated with collection and managing of the tax revenues. Tax payment is considered by the society as a debt imposed by government and it considered to increase the wealth of the government officials. Therefore, attitude of the taxpayers can affect tax revenues.   Attitude and taxpayers' awareness is the major challenge of the tax office (Niway and Wondwossen 2017). Worku (2016) attitude and perceptions has a significant impact on tax compliances. The tax office plays vital roles in enhancing of tax revenues. Abebu, Zufan & Eden (2014) investigated that tax authority has the problem of addressability like controlling of each transaction, which subjected to tax, there are also tax avoidance and evasion by the taxpayers. In another study, Cheibub (1998) country's revenue generation mainly depends upon its sufficient capacity to tax in both economic and administrative term. Therefore, the capacity of tax office has to be improved and equipped with important equipment. Jone, Carlos, Eric, & Frank (2008) states that the two important components of revenue

are tax administration and system reform. Thus to eliminate or reduces the above problems the tax authority have to do strongly unless otherwise the variance of tax collection and budgeted tax became high.

According to Byaruhanga (2013), those administrative inefficiencies significantly affect tax collection. This especially includes lack of regular and consistent tax enumeration and assessment of the taxpayers and lack of a systematic approach of identifying people liable to pay taxes. He further stated that there was no an up-to-date tax revenue register, no systematic tax record keeping process, lack of attribution values and non-remittance of tax revenue. Addis Ketema Sub city is one of the tax collection centres, which found in the central part of Merkato, the third largest market in the world. It believed that there are many taxpayers capable to generate tax revenues. However, according to ERCA report (2016) tax collection process of Addis Ketema sub city was not satisfactory. In addition to these, the report identified that the main causes of less tax revenue collection were tax awareness, tax evasion, tax office capacity and tax compliance.

The main objective of this study is to examine the factors of less tax revenue collection in Addis Ketema sub city. To evaluate this the study considered tax office capacity, the taxpayer awareness, tax evasion and tax compliance as a factor.

1.2 Statements of the Problem

Tax revenue is the main portion of annual national budget. Many developed countries secure their national budget through collecting efficient tax revenues. The World Bank Group (2018) stated that developed countries collecting more tax comparing with developing countries than their GDP rate. Developing countries are unable to collect sufficient tax revenue as the result they face annual national budget deficit. According to Evenlike, Ekenechukwu & Edirin (2017) almost all Sub Saharan countries trend revealed that tax revenue level highly declined so the fiscal balances have weakened and the government required to finance its national budget with borrowed funds. Neway,Kenenisa & Debela (2018) pointed out that annual national budget deficit was the vital problem of most of the under developed countries in the past numerous periods. The main cause of this budget deficit was less tax collection.

Ethiopia has been facing different challenge in collecting of tax revenues. Even if the improvement is shown still much more left to reconcile the amount of tax collection with the gross national product development. According to UNDP (2016) working paper in the past ten years, Ethiopia

has shown good progress in collecting more incomes from local sources. Out of those local sources, tax revenue took the major portion. For instance from the year 2005 to 2015 tax collection increased from Birr12.4 billion to Birr 165.3 billion. However, there was a challenge to reconcile the tax revenue proportionate per the growth of GDP. The tax to GDP ratio remained low at 13.4 percentages in 2015.

Many studies conducted about factors affecting tax collection. Abiola and Asiweh, (2012), impact of tax administration on Government Revenue in a developing economy; Mohammed & Al.M (2016) tax compliance is the vital aspect for all tax Authorities in both of developed and developing nations. In Ethiopia, also many studies conducted about factors affecting tax collection. Eskedar, Aynalem & Yaregal (2014) stated that most of the problem associated with tax in Ethiopia are lack of employment fairness, the inconvenience of tax system. However, the study did not consider the effects of taxpayers' awareness, tax compliance, tax evasion and capacity of tax office on the tax collection. Abebu & Eden (2014) investigated that taxpayer's lack of knowledge about tax. It resulted delay payment and improper tax amount. Abebu ,Zufan,& Eden (2014) the challenges facing tax authority has been 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. On the other hand, taxpayers challenged by different factors, which reduced tax revenues. According to Melese &Tesfahum (2016), problems that facing taxpayers were tax fairness and equity, organizational strength of the tax authority, awareness level of the taxpayers, cultural factors and provision of social services by the government. Awareness of taxpayers, tax office capacity, tax compliance and tax evasion studied in category "A" taxpayers in Arada sub city by Getachew (2013). He investigated that tax awareness, tax compliance; tax evasion and tax office capacity have an impact on tax revenue collection.

In Addis Ababa Administration, there are ten sub cities. Out of those ten sub cities, the proportion of tax budget and tax collection shown variances continually in Addis Ketema sub city (ERCA 2016). In the past few years, Addis Ketema sub city was not able to collect tax consistently as per the budgeted amount. Even if the sub city collected in some years per the budgeted amount but many years, variance recorded.in the past five years the variance is 174,500 million Ethiopian birr, which implies that the tax office not efficiently collected, tax revenue. ERCA (2016) indicates taxpayer's awareness, tax compliance, tax evasion and tax office capacity were another factor of less tax revenues in the sub city. On the other hand, Addis Ketema sub city report indicates that tax

evasion, tax non-compliance, taxpayers' awareness and tax office capacity were the major factor of less tax revenues collections in the sub city. Furthermore, according to the researcher observation these factors also identified by Addis Ketema sub city and these factors not widely studied yet in this sub city. In addition to this Addis Ketema sub city selected from ten sub cities because many potential taxpayers available in the sub city. Therefore, this research examined and evaluated the factors of tax less revenue collection in relation with awareness of taxpayers, tax office capacity, tax compliance, and tax evasion.

1.3 Research Question

1.   Does taxpayer's awareness affect tax revenue collection?

2.   Does tax office capacity affect tax revenue collection?

3.   Does tax compliance affect tax revenue collection?

4.   Does tax evasion an impacts on tax revenue collection?

1.4 Objective of the Study

1.4.1 General Objective

The general objective of this study is to examine the factors of tax revenue collection in the Addis Ketema sub city taxpayers.

1.4.2 Specific objective

The specific objectives of this study includes

1. To identify the effect of taxpayers' awareness on tax revenue collection.

2. To examine the effect of tax evasion on tax revenue collection.

3. To investigate the impact of tax offices capacity on tax revenue collection.

4. To ascertain the impact of tax compliance on tax revenue collection.

1.5 Significance of the Study

This study evaluated the factors that affect the collection of tax revenue in Addis Ketema Sub City taxpayers. In addition to this, the study finds out how the above stated factors affect tax collection in the sub city. Therefore, this paper will benefits to the government to budget the tax revenue collection, policy making and to know the factors, which affect tax revenue collection. For the tax office for planning, give the major factors of less tax revenue and their measures and managing its collection.. It gives a ground for tax students for their study. It gives information for the taxpayer about the benefit of tax and finally it fills the gap in the current study in this area.

1.6 Scope and Delimitation of the Study

The main objective of the study is to examine factors affecting the tax revenue collection. The study considered taxpayers awareness, tax compliance, tax evasion and tax office capacity as factors. The delimitation of the study will restrict in tax office of Addis Ketema sub city. The study focused on taxpayers who declared for five consecutive years. The main reason for selecting taxpayers who declared tax for five consecutive years is that it believed that they know well the tax office capacity, they are familiar with recent rules and regulations and they have a knowledge about the overall condition of Addis ketema subcity tax Office. In addition to this Addis Ketema tax office employees who worked in intelligence, tax audit, tax assessment and collection departments are another focus area for this study. Because these departments have a direct relation with taxpayers and tax revenue collection.

1.7 Organization of the Paper

This paper have five chapters the first chapter is the introductory part which includes; background of the study, statement of the problem, research question, objective of the study, significance of the study, scope and delimitation of the study and organization of the paper. The second chapter shows the literature review. The third chapter includes research design and methodology, the forth chapter deals with data analysis and presentation and the last chapter presents summary, conclusion and recommendation.

CHAPTER TWO

2 LITERATURE REVIEW

This part presents the theoretical review and empirical literature of the existing study, the conceptual framework, and the gap of the research. The theoretical review discussed principle of tax, Ethiopian tax system, taxable sources of income, tax revenue collection, taxpayers' awareness, tax office capacity and tax compliances. The empirical review shown that different studies, which conducted on, determinates of tax revenue collection and assessments of tax revenue challenges in different countries. In addition, to this the research gap and the conceptual farm work discussed.

2.1 Theoretical literature Review

Tax is the main sources of income to the government and it is an obligatory payment by the society Misiker (2012) Tax revenues in an obligatory charges or contribution by the people or society without any back benefits from the government, tax collection is the main sores of revenue to the country.

2.1.1 Principle of Tax

A) Equity

The principle of tax equity mainly concerns how tax system is equitable among the society and how the burden of tax is allocate to different group of society, Taddese (2014) Philosophies of Tax Equity as in the universal discourse about the question of equity, we meet with multiplicities of meanings attributed to impartiality or fairness in taxation. Justice in taxation has meant different things to different people.

B) Efficiency

Economic efficiency is a thought of effectiveness with which an economy utilizes its resources to satisfy people's preferences. When resources directed to their highest valued use the economy said to be efficient. A tax is efficient if it distorts market processes as little as possible since economic agents attempt to limit, avoid and evade tax liability as much as possible (Nhekairo, 2014, p. 3).

C) Administrative Feasibility

The principle of administrative feasibility is discussed how society well aware about the Procedures and the systems of tax in the countries and reduce its compliance cost. According to Taddese (2014) administrative feasibility seen as subgroup of "efficiency" in as much as it deals with the cost effects of taxation, although from a limited and narrow viewpoint. However, there is a requirement to deal with "administrative feasibility".

D) Neutrality

According to US Public Law 93-344, the Congressional Budget Act of 1974, the primary purpose of the tax system is to raise the revenue needed to pay for government spending. As such, the goal is to raise this revenue without misrepresenting the decisions that individuals and firms would otherwise make for purely economic reasons.

E) Certainty

Taddesse (2014) the tax which each individual is bound to pay ought to be certain and not arbitrary. The time of payment, the manner of payment, the quantity to be paid should all be clear to the taxpayer and to every other person.

F) Simplicity

Taddese (2014) Tax system should not be too complicated. Complex tax system is difficult to understand and administer and breeds problems of interpretation and legal disputes the movement for tax simplification has grown more vociferous with the increasing complexity of modern tax systems.

2.1.2 Ethiopian Tax System

The Ethiopian tax system organized   in three main categories at federal or central and regional levels. The regulation of Federal Democratic Republic of Ethiopia (FRDE) has divided the tax revenue collected by Federal government office, State or Regional government and together by the Federal and State government. The reigns have the right to collect tax and revenues through the office of Regional Inland Revenue Authorities from privately owned enterprises and Structures of regional governments. The central government revenue collection structures are responsible to collect revenues of federal and joint revenues owned by both the central government and regional governments from different organizations including that owned by Federal government according to (Council of Ministers, 2002). There are many rules and regulations that consists of different

kinds of tax and their rates and mode of payments .The Ethiopian Revenue and Custom Authority (ERCA) is accountable for the Implementation of the rules and regulations relating to income tax particularly business profit taxes, and other types of taxes. And also, the ERCA is also responsible for collecting Withholding tax on payments made to non-residents relating to interest, royalties, and contract Payments, special classes of income (such as fees for technical advice) and income in Respect of services performed by a public performer. The 1995 Constitution of the Federal Democratic Republic of Ethiopia (FDRE) classifies taxation power into three: as those assigned exclusively to the federal government, regional states, and concurrently to both regional and federal governments. As per the constitution, regional states have the power to levy and collect taxes. According to income tax proclamation 979/2010 taxpayers categorized based on their annual turnover. Category "A" taxpayers are persons which have annual turnover of ETB 1,000,000 or more than and all incorporated entities. Group "B" are those that not classified as "A" and have annual turnover of more of ETB 500,000 but less ETB 1,000,000 and Category "C" taxpayers who are not included in Category "A and B", and have annual turnover up to ETB 500,000. For categories A and B, the tax assessed based on the profit and loss statement prepared in accordance with the Generally Accepted Accounting Principles (GAAP) or International Financial Reporting Standards (IFRS) and subject to the specific rules as provided in the income tax legislation. On the other hand, the tax from category C taxpayers levied and collected in presumptive tax collection system based on their daily sales.

2.1.3 Tax Payer's Source of Income

Source of income is the income that is earned or gained from different kinds of activates is called source of income. The main purposes of classifying source of income make enable the tax office to compute different tax rate for different sources of incomes. In Ethiopia, the proclamations divided source of income in to different groups. According to proclamation "(No. 286/2002) (a) income from employment; (b) Income from business activities; (c) income from rental activites (d) Other income

2.1.4 Schedules of Income

The schedules of income is divided income which is gained from different business activates. it helps to assign tax rate differently for each business class. According to Proclamation No, (286/2002) provides for the taxation of income in accordance with four schedules, as follows:-

Schedule 'A,', income from employment; Schedule 'B,' income from rental of buildings; Schedule 'C,' income from business; Schedule 'D', other income including income from: (a) royalties; (b) income paid for services rendered outside of Ethiopia; (c) income from games of chance; (d) dividends; (e) income from casual rental of property; (f) interest income; (g) specified non-business capital gains."

2.1.5 Major Types of Taxes in Ethiopia

1. Value Added Tax (VAT) a tax that is calculated based on the added- values or the added price in its production and supply. According to Misrak (2011), the cost added to the price of a product finally paid by the customer or final users. The amount of VAT is 15% of the worth for each business by a recorded person, all of the services and the goods, which imported not exempt; the export of goods and services in regulations for zero tax rate are services of transportation for goods and passengers.

2. Excise Tax a tax which leaved on goods and services, which are, selected as luxury goods it is supposed that leaving the tax on goods that are dangerous to health and also goods which incur social problems so to reduce the consumption of things. Excise tax a tax which shall be paid on goods stated on mentioned According to Proclamation No. 307/2002' it includes imported and produced locally at the rate set in the schedule. The manner and the way of the payment excise tax for imported goods is at the time of clearing the goods from the customs zone, and for inland produced goods should declare with in thirty days of the production.

3. Turnover is a kind of tax which imposed on a body or a person not registered for value-added tax to accomplish their requirements it's also enhance the justice business relations and to complete the coverage of the tax system. The Managerial viability considered   the registration of persons under the value-added tax with annual transactions to the total value exceeding 500,000 Birr. Rate of turnover tax is 2% on goods sold locally and 10% on others; as provided by the 'Excise Tax Proclamation No. 307/2002'

4. Income tax under Tax Proclamation No. 286/2002' shall include income from employment, income from business activities, Income from entertainment work, income from sports activities and music activities. Income from entrepreneurial activities carried out by a non-resident through a permanent establishment in Ethiopia. Income from movable property attributable to a permanent establishment in Ethiopia. Income from immovable property and appurtenances there to, income

from livestock and inventory in agriculture and forestry. Ethiopia, Income from the alienation of property referred to in Dividends distributed by a resident company. Profit shares paid by a resident registered partnership, interest paid by the national, a regional or local Government or a resident of Ethiopia, or paid by a non-resident through a permanent establishment that he maintains in Ethiopia. License fees including lease payments, and royalties paid by a resident or paid by a non-resident through a permanent establishment that he maintains in Ethiopia.

5.   Business profit tax; according to Misiker (2012) the business income tax is computed on Taxable business income of bodies is taxable at the rate of 30% and its manner of payment is at the end of the physical year.

2.1.6 Addis Ababa Tax Administration Structures

The Addis Ababa town divided in to ten sub cities which are found in different parts of the town, the whole sub city collects tax from category "A" and category "B" tax payers. Category "c" taxpayers pay their tax in wereda, which administered by the sub city. There are ten sub city around the town Addis Ketema sub city is one of the sub cities which is collects tax from category "A" and category "B" tax payers

2.1.7 Tax Collection

Tax collection is the process of collecting tax revenues from different taxpayers. According to Dr. Jane (2016), this was essential since effective revenue collection seen as a means to lower Government   borrowing and enabling force on inflation and interest rates as well as increasing Government revenues to meet both recurrent and capital expenditure. Tax or taxation is a compulsory contribution to the state revenue, levied by the government on personal income and business profits or added to the cost of some goods, services and transactions, at fixed rate mostly proportionate to the amount on which the contribution levied. However, tax revenue collection affected by different factors and cause of not keeping productivity principle. The Governments get their revenue from tax, permit fees, license fees and other sources. However, the amount of tax revenue that the government set affected by many different factors. Tax collection problem in the country laid a problem of national budget deficit and the overall macro problem of the countries. Therefore, it is important identifying less tax revenues factors and avoid them as well establishment of good tax structures and set enforceable laws can help to enhance the amount of tax collections.

2.1.8 Tax Authority Capacity

Tax Authority is the government body, which administrates collection of tax and other kind of fees and collections from the society and business body. Tax Authority capacity consist many things, this include technology, man power, building and infrastructure for sake of well collection and makes the collection procedures easy the government should capacitate its office with profession, updated technology and different equipment's. Improvement in revenue performance is also critically dependent upon the ability of authorities to minimize the cost of collecting revenues. There are four possible actions could be taken by the government to improve their administrative efficiency Levi (2002).

✓   Improving the existing tax administration procedures through administrative simplification;

✓   Efforts to calculate collection efficiency for each type of revenue;

✓   Efforts to reduce cost of collection; and

✓   Efforts to eliminate the identified factors in the field that has contributed to sub-optimal revenue.

Therefore, to fill full the above-mentioned requirement tax office capacitated tire office with different technology and work force.

2.1.9 Tax Evasion and Avoidance

Tax evasion is overall mean to unlawful practices to avoid from taxation. To this end, taxable income, profits liable to tax or other taxable activities hidden, the amount and/or the source of income are changed, or tax-reducing factors such as deductions, exemptions or credits are deliberately overstated Alm and Vazquez (2001) and Chiumya (2006). Tax evasion can occur as an isolated incident within activities that are – in other aspects – legal or tax evasion occurs in the informal economy where the whole activity takes place in an informal manner. This means the business is not only evading tax payments but also not registered as formal enterprise at all.

2.1.10 Meaning of Tax Evasion

According to Misrak (2011) a way or a techniques that reduces exact tax liability of a tax payer but by fraudulent and false means activities like oversight of income subject to tax, increasing subtract able expenses and requesting tax deduction in untrue businesses activities. Tax Evasion is

an activity relating an element of dishonesty, miss state of evidences, falsification of accounts and any other fake incomes with a view to violate tax lows .the tax evade practises purposely miss presenting of financial statements, reducing sales for the purpose of reducing profit and subsequently reduce tax.

2.1.11 Techniques of Tax Evasion

The following are the mechanisms of reducing or minimizing legal tax liability through breaking laws Misrak (2011)

- Elimination of business transactions from documents

- Below billing sales transactions

- The use of tax invoice illegal by tax authority

- requesting tax inference untrue transactions

- Elimination to disclose taxable income in tax return

- expanding tax deductible expenditures

- claiming non-refundable input valve added tax

- Recording individual expenditures as commercial expenses for tax drives

- Clampdown (fabrication) of incomes

- Keeping multiple set of books of accounts to record business activities and paid.

The reason of tax evasion Misrak (2011) explained that the significant grounds of tax evasion, high tax rate occurrence the first and for most reason for tax evasion. This is because, it has high influence of greater effort and weakens the capacity and will to save and invest and high tax rate lead high tax burden and greater the risk of tax evasion. Complexity of tax law, difficult tax rule are additional issue for tax evasion. Difficult tax practice includes need more time to compute or cost and looking for the help of tax specialists and their advice by taxpayers. Such difficulty in tax rules may result the taxpayers for evasion.

2.1.12 Measuring Tax Avoidance and Tax Evasion

Misrak (2011) the idea of tax evasion and avoidance implies the contest for both of developed and developing nations; theories are still not discussed much. Since it is hard to guess or to evaluate as

the phenomena hard to detect and miser it. Hence, there are no reliable experiential answers, which offer a solid image of extent of the challenging or the qualified importance of disparate types of tax evasion and avoidance. Rather, one needs to base any analysis on estimates. Consequently, calculating tax evasion and avoidance and categorising the fundamental causes is a hard task, which is, particularly in developing nations, aggravated by the lack of necessary high-quality data.

2.1.13 Awareness of Taxpayers

Dana & atin (2014) Awareness is knows of something and acting or responding for some occurs. First of all the understanding of tax is a form of contribution in supporting the country's growth. Knowing this, taxpayers want to pay taxes because they are not affected from tax rather taxpayers are promoted indirectly. Second, the awareness that the delay of tax payments and the weakening of the tax load is very harmful to the state. Taxpayers need to pay taxes since they identify that the postponement in payment of taxes and the discount of the tax burden impact on the lack of financial resources, which can lead to delays in development of the country. Third, understanding taxes are set by law and can be enforced. Taxpayers will pay for the tax payment has understood a strong legal foundation and are the absolute duty of every citizen.

If the taxpayers being aware of the tax payment Manik, Asri in Rahayu (2010 as sited Dana & atin (2014), the taxpayer recognized as having awareness if they:

- ✓ Identify the existence of the tax rules and principles,

- ✓ Understand the tax payment to the country

- ✓ Well known the tax should be paid within the rules and the regulation

- ✓ Being able to compute the payment of the tax and pay it willingly and truthfulness to the government

- ✓ Compute, pay, and report their taxes willingly and exactly.

2.1.14 Compliance

Compliance refers to the readiness of persons to act in accordance with in both the 'spirit' and the 'letter' of the tax law and management without the application of enforcement action. Tilahun & ydersal (2014) Compliance might be voluntary or enforced compliance. Voluntary compliance

made possible by the trust and cooperation between tax authority and taxpayer and it is the willingness of the taxpayer on his own to comply with tax authority's directives and regulations. However, in the presence of distrust and lack of cooperation between authority and taxpayer, which creates tax hostile climate, authorities can enforce compliance through the threat and application of audit and fine. (Kirchler 2007 as sited Tilahun & ydersal 2014)Compliance facilitation affects the tax yield by increasing voluntary collections. Compliance facilitation entails those tax administration measures that make it easier for taxpayers to comply with their obligations under the tax laws. IMF working paper (2007) Common for instances involve make simple the tax laws, restructuring managerial actions and information reporting requirements, and advancing taxpayer facilities. Through reducing the cost of compliance, compliance assistance makes incentives for taxpayers to willingness pay their taxes. To the extent that taxpayers respond positively to these incentives, their voluntary compliance rate will increase and voluntary collections will rise.

Compliance enforcement distresses the tax income by growing both deliberate collections and compulsory collections. Compliance execution includes a tax agency's actions for identifying and equalizing nonfulfillment by taxpayers. Common examples include classifying potential registrants, detecting underreported tax liabilities, and improving delinquent tax returns and late tax payments. Compliance enforcement events can have a straight effect on the tax income by growing enforced collections.

2.2 Empirical Literature Review

Wanjiru (2014) in his study stated out that ability of tax office, information technology systems; Human Resources   played a significant role in the procedure of Income Collection. He used a descriptive research design as it addressed the research questions through empirical assessment involving numerical measurement and statistical analysis. The object of the research to examine the factors that affected both positively and negatively, tax revenue collection in Kenya Revenue Authority. The study was used quantitative research design and the target population was taxpayers that fell under the bracket of large taxpayers. Although there were 675 taxpayers under this description, a sample of these taken for the purpose of the study. Simple random sampling technique used to select a sample of 252 taxpayers. Correlation analysis has done by use of (SPSS V.20)

Andreas (2015) stated that taxpayer's awareness has a significant role in the association between "expediency of tax id number, service quality, and taxpayer's compliance. Conversely, taxpayer's

awareness has no mediating role in the relationship between tax socialization, tax knowledge, and taxpayer's compliance." The study use an accidental sampling technique, and uses questionnaires as an instrument to collect data by spreading it to the taxpayers who come to the tax office. Therefore, the sample size with a margin of error of 10% and used regression analysis

Pawlin, Steven and Alexander (2003) specified that, taxpayers' awareness and tax office capacity have significant impact on tax compliance. This study primarily designed to identify the beliefs, behaviours, attitudes and values associated with taxpaying compliance data collected through survey questioners and used to analysed regression analysis.

Folayan and Adeniyi (2018) Tax evasion one of the main factor that reduced tax revenues. This study designed to identify the effects of tax evasion on government revenue generation in Oyo State. A structured questionnaire was used to collect data from a sample of one hundred and sixty five (165) respondents who were randomly selected across the state while secondary data were gathered from National Bureau of Statistics (NBS), Office of Budget and Economic Planning, and Internal Revenue Office using data from 2011- 2016. Data collected were analysed using descriptive and inferential statistics tools with the aid of Statistical Package for Social Science SPSS,

Meles and Tesfahun (2016) in their study pointed out the major cases of poor revenue collection; the tax authority should capacitate and tax authority needs to be strong enough in order to implement the tax law effectively and efficiently and the awareness of taxpayers should enhanced. Their research objective was identify problems associated with taxpayers and revenue authority in Dessie town. They used descriptive Research approach to analyse the collected data with the aid of Statistical Package for Social Scientists (SPSS) version 20. The data used in this study consists of both primary and secondary data. The primary data collected through standard questionnaire. The population were 7530 and the sampling size were 553 under category of tax payer A, 1350 under category taxpayer B and 5627 under category taxpayers C. The sample size and Multi-stage sampling technique used to select sample taxpayers.

Niway and Wondwossen (2017) has pointed out in their research paper that the tax knowledge was the major challenge for tax compliance attitude and major taxpayers assumed the current tax amount and fine amount is excessive and they understood that present tax arrangement is biased. Besides, this study indicates that taxpayer's perception is sportive to the tax structure and nation spending likewise inspires voluntarily tax compliance. The main objective of this study was to

study individual taxpayer's tax awareness, perception and their tax compliance decision in selected cities in SNNPR, Ethiopia. The study used descriptive research design. Category "A" taxpayers were the target population of this study. A sample of 377 individual Category "A" taxpayers randomly taken from selected cities. The study used primary and secondary data sources. Primary data collected through questionnaire and secondary data collected from reports and manuals of Ethiopian Revenue and Customs Authority (ERCA) branches. Descriptive statistics such as tables and percentage ages been used for data analysis.

Abebu, Mekonnen, Zufan and Eden (2014) studied that the tax bureau met diverse financial and administrative difficulty to manage the taxpayers. This can be consider as the tax bureau has absence of workers and technology capacity, which is reason of less tax revenue collection. The data analysed in descriptive analysis methods specifically through tabulation and percentage.

Mohammed.and Al. (2016) Tax compliance is the vital aspect for all taxa authorities in both of developed and developing nations. Thus, many of experts in educational and non-educational organizations demanding to progress the level of tax compliance among taxpayers, which increase the level of tax collection revenues in the overall budget of the nation. The questionnaire instrument used under the quantitative approach to gather data from respondents. Correlation and regression analysis utilized to test the relationships between independent variables and dependent variable as well, to know to what extent these relations have affected.

James, Abiola, Moses and Asiweh, (2012) studied tax revenue collection is based on the tax administration office efficiency, if the regime have well-organized tax management, it is likely to prevent numerous tax collection difficulties identical tax evasion and avoidance. The study made use of 121 online survey questionnaires containing 25 relevant questions. Descriptive statistics used to analyse 93 practical responses because this method had become more suitable given the geographical disparity of the area to be covered. They used descriptive statistics for analyse the data.

According to John, Enahoro and Olabisi (2012) tax structure can increase well administration. Tax structures and tax collections should left in the hands of private organisations. Most tax payers prevent avoids and evade tax as because of the immoral activities of tax commissioners. They used a survey methods questionnaire tools for tax administration, 130 sample used to analyse the opinion of civil servants.

According to Folayan .and Adeniyi (2018) the tax evasion has argumentative result on regime tax collection in which consequently the outcomes in tax revenue loss. The indication of these effects may reason inevitable damage to the potential performance of regime in the community sector. The researcher used. a structured questionnaire was used to collect data from a sample of one hundred and sixty five (165) respondents who were randomly selected across the state while secondary data were gathered from National Bureau of Statistics (NBS), Office of Budget and Economic Planning, and Internal Revenue Office using data from 2011- 2016. Data collected were analysed using descriptive and inferential statistics tools with the aid of Statistical Package for Social Science SPSS, window 23.

Nikolaos, Giovanis1, Panagiotis and Tairi (2017) stated in their research that, tax rules and knowledge of taxpayers latter on reason to taxpayer compliance. The research offers a better understanding and an enhanced viewpoint of the result of understanding, and awareness of taxpayer compliance. They used descriptive statistics design and quantitative approach method and they use questioner for survey. The objective of the study was employment and accounting measures, in order to evaluate the merger effects during the period of the economic crisis in Greece.

Francis (2017) inside and outside ability structure, Intensive organisation with other entities and Proper maintenance of taxpayer's records are the key issues that improve real tax management lack of awareness. Taxpayers, political pressure to relax tax collections, unsuccessful tax laws and policies. In adequate budget or funds. Great rate of tax evasion and avoidance, Outsourced revenue retained by Revenue collectors, lack of tax compliance, are the challenges facing tax administration in Tanzania. The object of this study was to assess the impacts of tax administration on government revenue in Tanzania- whereby questionnaires used to access the required information. Researcher has been able to collect information from 85 respondents out of 100.

Kadir (2013) pointed out in his research that approximation outcomes disclose that tax revenues in Turkey significantly affected by agricultural and industrial sector share in GDP, foreign debt stock, monetization rate of the economy and urbanization rate whereas the sign of the agricultural sector's share is negative as expected. The results suggest that openness to foreign trade has no significant impact on tax revenues in Turkey. The aim of this study is to investigate the determinants of tax revenue in Turkey he used secondary, time series regression analysis used to made analysis.

Afework, Wondaferahu and Endeg (2017) stated that, many taxpayers negatively convinced towards justice of the tax structure, it is because of massive tax rates, biased allocations of tax loads

between taxpayers compared with capacity to pay, unsatisfactory handlings of taxpayers by tax office. Taxpayers have slight information toward the tax system and problematical tax rule and massive procedures results they do not simply know their tax structure. Tax justice features this included exchange with government horizontal justice, vertical justice, and time-relate fairness and justice, self-interest, tax awareness and tax complexity has important effects on tax fairness awareness. This research objective was identify factors affect fairness of taxation on category "B" taxpayers have used both primary and secondary data are self-administered questionnaires and in depth interview from respondents of a target group. In addition, secondary data obtained from review of related literature, document and annual tax report in Dawuro zone revenue authority, taxation books, and internet. Thus, finally tax fairness tested in this study has 10 tax fairness aspects in the existing tax system with 40 items. The target population is 526 category "B" taxpayers and 20 revenue authority officers in Dawro zone. The research approach was descriptive and regression data analysis method used.

Angi (2016) shows that tax awareness and tax compliance costs are insignificant to compliance behaviour. The object of this paper is to study tax compliance behaviour of self-employed taxpayers in West Malaysia Questionnaire survey conducted through online distribution method. Hypothesis testing carried out with the implementation of multiple regression and Pearson correlation analysis. The result from regression analysis revealed that tax deterrence has a significant relationship with tax compliance behaviour of self-employed taxpayers.

Ataro, Muturi and Wandera (2016) studied on Factors Affecting Revenue Collection Efficiency in County Governments in Kenya: A Case Study of Trans-Nzoia County. The study used descriptive research design and mixed approach and conducted regression analysis. They found out that the internal efficacy has the great impact on the revenue collection.

2.3 The Research Gap

Generally, many empirical studies conducted in Ethiopian and in other countries to identify factors, which affect tax revenue collection. Some of them are political factors, DGP, tax rate, interest rate, tax structure, tax system, tax administration, tax awareness, tax evasion, tax avoidance, tax compliance, and tax office capacity. These factors have an impact on tax revenue collection. To examine these factors researchers employed different methodologies. This study focused on factors that affect tax revenue collection such as tax awareness, tax compliance, tax evasion and tax office capacity in Addis Ketema sub city. The research also examined the logic behind the major causes

of those factors. The researcher selected tax awareness, tax evasion, tax office capacity and tax compliance because the Addis Ketema sub city and ERCA reported those factors are the major cause of less tax revenue collection in the sub city. On the other hand, the above listed factors did not test in this sub city tax. In addition to this, the researcher observed that these are the main factors, which affect tax revenue collection in Addis ketema sub city.

2.4 Conceptual Framework

The conceptual framework of this study focus on measuring the relation between tax revenue collection and factors affecting collection of tax revenue. This study involves tax revenue collection as a dependent variable and taxpayers' awareness, tax office capacity, tax compliance and tax evasion as an independent variable. Tax revenue collection represents an amount, which collected in Addis ketema sub city. Taxpayer's awareness means understanding of how tax pay and responsiveness to pay taxes. Capacity of tax Authority consists of employee capacity in tax office to collect tax, tax office number of officers and technology used by the tax authority. Tax compliance means improving services to taxpayers by providing them with clear instructions, understandable forms, and assistance and information as necessary, tax evasion is minimizing tax payment by unlawful method. Therefore, this research examined the impact of the above listed factors on the tax revenue collection in the sub city.

Figure 1 Conceptual Frame Work
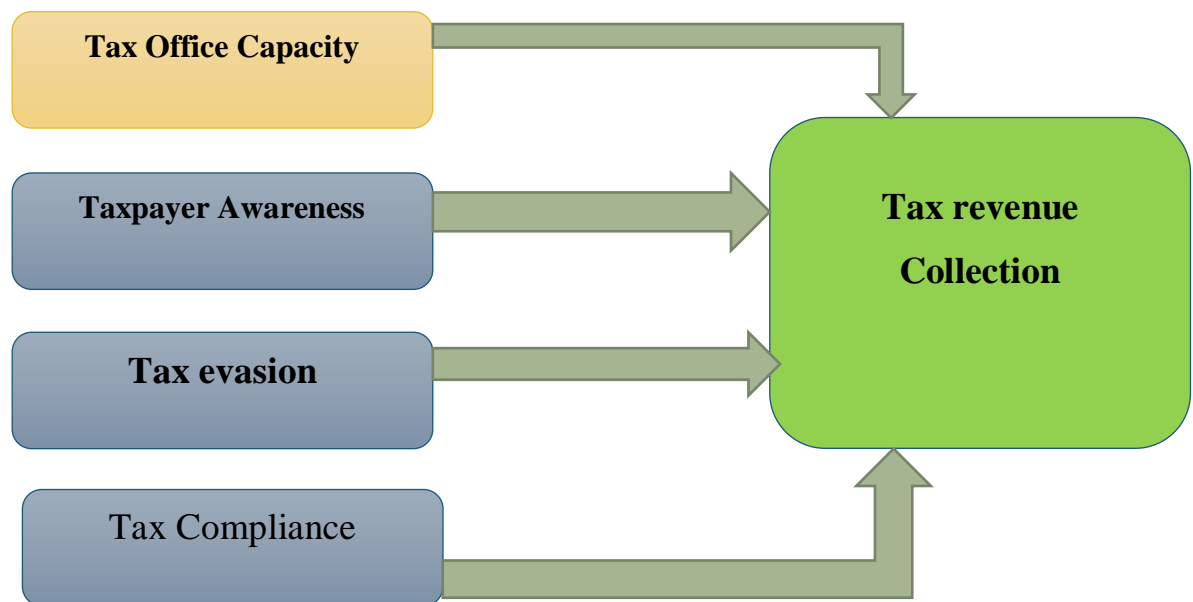
Source the Author Designed, 2018

CHAPTER THREE

3   Research Methodology

This chapter provided the methodology that used in this study. It consist research design and approach, sampling and sampling design, source of data, data collection method, data analysis method and ethical consideration.

3.1   Research Design & Approach

The object of the study is to examine the factors that affect tax revenue collection. The study evaluated the relationship between dependent variable and independent variables. Tax revenue collect used as a dependent variable and taxpayers' awareness, tax compliance, tax office capacity and tax evasion as an independent variables. To achieve this objective explanatory research design employed in the study. The explanatory type of research design helps to identify and evaluate the causal relationships between the different variables under consideration (Kothari, 2004). This study used causal research designs to deal with the important issues associated with the impact of taxpayers' awareness, tax compliance, tax office capacity and tax evasion on tax revenue collection.

Cooper and Schindler (2014) stated that research approaches divided into qualitative, quantitative and mixed approaches. The main purpose of this research is to examine the factors affecting of tax revenue collection. . Thus, explanatory research design study chosen for this study because it evaluates the relationship between dependent and independent variables. Research study becomes successful if data collected from multiple sources (Gerring, 2007). Explanatory research design involves both quantitative and qualitative data. Quantitative approach involves numerical data subjected quantitative analysis whereas qualitative approach involves data in textual form that concerned with subjective valuation of attitudes, thoughts and behaviour (Kothari, 2004). Quantitative approach used for its appropriateness to the determination of developing research questions and it is suitable for the type of numerical data required in the study (Schweitzer, 2009). In this study, both qualitative and quantitative data used. Therefore, in this study the researcher employed mixed research approach. Mixed research approach involves both quantitative and qualitative approach. John (2002) "a mixed approach is one in which the researcher tends to base information claims on pragmatic grounds (e.g., consequence-oriented, problem-centred, and pluralistic)".

3.2 Target Population

The target population of the research was tax payers who were registered and pay in Addis ketema sub city; this include level "A" and level "B" taxpayers but excluding who did not declare or not active for five consecutive years. In this group the total number of the population are 812 of taxpayers. In addition to this, the study population included 100 Addis Ketema tax office employees, they are department heads, auditors, officers, experienced and supervisory level technical experts and supervisors who are responsible to collect and control taxes. All the population included in the study. The researcher assumed that senior, experienced and supervisory level in each of the selected departments would be knowledgeable enough to provide more accurate responses.

3.3 Sampling and Sampling Design

In line with the objective of the study, the target population of the research are taxpayers and tax office's employees. This study used from the total population of 812 taxpayers, 267 samples selected and from four departments namely collection, audit and intelligence and assesment, the total population 100 employees taken. The researcher used purposive sampling technique for selecting tax officers. Purposive or non-probability sampling involves deliberate selection of particular units of the total population for constituting a sample, which represents the universe (Kothari, 2004).

Table 1 Sample selection for the Study

Departments	Population	Participants in the study
Tax collection	30	30
Audit	24	24
Intelligence	20	20
Assessment	26	26
Total	100	100

For taxpayers sample and the sample size calculated by the formula of finite population sample formula. (Jaro, 1989): This sampling method used by Esay (2014) factor affecting fairness taxation on category "B" and the systematic sampling technic adopted.

$$n = \frac{N}{1 + N(e)2}$$

Where n –sample size

N –population, e -permitted error

$$n \frac{812}{1+812(0.05)} = \frac{812}{1+812(0.0025)!} = 267$$

3.4 Data Sources

In this study, in order to enhance the quality of data through triangulation multiple data sources used. The required data for the analysis collected from primary and secondary sources. In this research, both primary and secondary data sources are used.

3.4.1 Primary Data Source

Primary data collected using the application of semi-structured questioner and oral interviews. It obtained from Addis ketema sub city' tax office staffs and taxpayers. Tax office staff who worked at different departments used as a source. These are tax collection department, assessment department, intelligence department and audit department. From tax payers both of category "A" and category "B" who declared tax for 5 consecutive years used as a primary sources of the data. Category A taxpayers are those taxpayers their annual turnover is above one million and category B taxpayers are those annual turnover is between 500,000.00 to 1,000,000.

3.4.2 Secondary Sources of Data

The secondary data source which used by the researcher was annual budget which assigned by the government and collected from Addis ketema sub city. In addition to this, other published and unpublished tax office documents, working papers which shows budget and actual tax collection variance and different reports used as sources of secondary data. These secondary data are helpful to triangulate with the results of interview and questionnaire. In addition to this, it helps to clarify information that obtained from interview results.

3.5 Data Collection Procedures

In this study, data collected by the use of questionnaires, interviews and review of published and unpublished tax office documents, working papers. Primary data collected with semi-structured questionnaires distributed to management, department heads and supervisors of finance and production staff. Structured questionnaires employed to gather straightforward and simple information. Unstructured questionnaire employed to gather information that needs in-depth

understanding of the topic studied. However, it may be difficult to classify and measure. Hence, it carefully interpreted. Both questionnaires have their own limitations. Dawson (2002) stated that to overcome the limitation of both types, semi-structured questionnaire is preferable and researchers had better use the combination of both. In this study, the researcher was used both structured (closed ended) and unstructured (open-end) questionnaire. According to Johnson & Christensen (2008), questionnaires encourage the respondents to be truthful since they replied namelessly, and they are more inexpensive than interviews. Furthermore, it has the talent to ask information from several people in short time. The questionnaires contain structured five point Likert scale questions with some open-ended (unstructured) questions that helps the respondents to supply all they know about factors of tax collection.

The interview and document examination used to substantiate the data collected using questionnaire, so that the validity of the findings improved. The interviews conducted with department managers. It used to crosscheck the reliability of the response to the questionnaire. It also used to gather additional information. According to Sreejesh, Mohaoatra and Anusree (2014), depending up on the amount of guidance extended by the interviewer, individual in-depth interviews can be divided in to unstructured interview, structured interview and semi-structured interview. This study employed semi-structured interview.

Secondary data collected from observation of documents, records and reports. According to Walliman (2011), secondary data can used associating with primary data that may have collected. Because secondary data are useful in order to triangulate the findings

3.6 Data Analysis Methods

Data analysed based on objectives of the study and the objective of this research is to identify the determinant factors of tax revenue in tax collection centre of Addis ketema sub city. Regression analyses applied to test the relationships between taxpayer awareness, tax evasion, tax office capacity and tax compliance that are independent variables and tax revenue collection a dependent variable. Quantitative data analysis was done using descriptive statistics to compute mean and standard deviation using a statistical tool known as SPSS version 20. The researcher also employed descriptive statistical method specifically mean, standard deviation percentage and frequency distribution and present it with tables and histograms in order to avail the finding of the study. To analyse the data descriptive statistics and inferential statistics such as t- test, F test, assumption of

liner regression tests, mean and standard deviation are used. The use of frequency distribution tables used to provide quick and clearer presentation of the data. Histograms are the fastest method of graphic presentation of statistical data. It gives a concise general impression of the characteristics of mass of statistical data.

3.7 Validity and Reliability Test

3.7.1 Validity Test

According to Kothari (2004), validity refers to the extent to which differences found with a measuring instrument reflect true differences among those being tested. Validity is the most critical criterion and shows the degree to which an instrument measures what it is supposed to measure. For this study to validate the instruments the researcher has considered whether there were ambiguous, confusing and poorly organized questions along with the instruments were used to a certain their validity and suitability, by adjusting as per respondents understanding in collecting the required data. The advisor has thoroughly examines all item one by one and providing feedback and guidance on the questionnaire particulars that may be amended.

3.7.2 Reliability

Reliability refers to the degree to which the data collection tools or analysis procedures were yield consistent findings (Saunders,lewis& Thornhill, 2009). Reliability analysis measures the internal consistency of a group of items, which used in questionnaire construction. Reliability analysis examines the homogeneity or cohesion of the items that comprise each scale. Cronbach's alpha coefficient is the most frequently used index of reliability and the most common way to assess reliability. An alpha score of higher than 0.70 is generally considered acceptable (Nunnally, 1978 as cited in Abiy, 2014). As we can see in the table 3-3 the Cronbach's alpha shows that more than 0.70. Therefore, we can be confident that all the variables have internal consistency.

Table 2 Reliability test

Questionnaire scale	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
Taxpayers	0.791		55
Tax Office	0.701		53

Source: Survey result and researcher's computation

Table 3Research design and plan

Research Questions	Source of data	Methods of data gathering	Analysis
1. Does taxpayer's awareness affect tax revenue collection?	Tax payers	Through questioner,	Frequency distributions, mean, percentage & standard deviation,
	Tax officers	Through questioner	Regression Analysis
	Tax officers	Interview	Content analysis
	Tax office	Secondary data	Content analysis
2.Does tax office capacity affect tax collection?	Tax payers	Through questioner	Frequency distributions, mean, percentage & standard deviation
	Tax officers	Through questioner,	Regression analysis
	Tax officers	Interview	Content analysis
	Tax office	Secondary data	Content analysis
3. Does tax compliance affect tax collection?	Tax payers	Through questioner	Frequency distributions, men, percentage& standard deviation
	Tax officers	Through questioner,	Regression Analysis
		Interview	Content analysis
		Secondary data	Content analysis
4. Does tax evasion has an impact on tax collection.	Tax officers	Through questioner,	Regression Analysis
		Interview	Content analysis
		Secondary data	Content analysis

Source: Survey result and researcher's computation

3.8 Ethical Consideration

This research work used data from tax office and taxpayers through different tools. Before obtaining the data, the researcher did try to explain the purpose of data or feedback, which obtained from the respondents. It is confidential and a consent that the data used for the intended purpose only.

CHAPTER FOUR

4 RESULT AND DISCUSSION

4.1 Descriptive Analysis

This research paper examined the factors of tax revenue collection in the case of Addis ketema sub city. The survey made on 100 tax office workers and 267 of taxpayers, total of 367 questioners distributed. From the taxpayers 242 of them collected, which are 91 % of them returned and which is rationally fair. From 100 questioners, which distributed to tax office employees, 93 of them returned and seven left because of workload. The questionnaire focused on different questions regarding the objective of the study made, as well as the interview conducted regarding to tax evasion, tax compliance, tax office capacity and tax taxpayers 'awareness with four department heads of tax office. In addition to this document was analysed in order to triangulate the responses. The document that collected from tax office includes reports of tax compliance and evasion.

To interpret questioners mean responses were determined on a five-point Likert scale representing 1 strongly disagree and 5 representing strongly agree. The mean value of the respondents shows the extent of their agreement on the issues. According to MARSI survey method a calculated composite mean value up to 1.5 strongly disagree, whereas the remaining ranges of 1.5 to 2.5, 2.6 to 3.5, 3.6 to 4.5 and 4.6 to 5.00 representing respondents perceptions of disagreement, neutrality, agreement and strong agreement respectively (Khan, 2013). Based on the rule the finding of the study analyzed in the following section. The standard deviation result shows that the variability of responses on the issue under study. The larger amount of standard deviation shows the existence of the variability of responses. On the contrary, if standard deviation was close to zero, there was less variability of responses.

4.1.1 Demographic of the Respondents

Table 4 shows that gender, age and educational back ground distribution of the respondents. As indicated on the table, the respondents' response, 83.9% of the respondents or 203 of them are male and 39 or 16.1% of the respondents are female. Most of business owned by male, the literature said that female taxpayers are compliant than men. (Jackson and Milliron1986, Baldry 1987,Jackson and Jaouen 1989 as sited Worku 2016) recognised that females are well complaint than males owing to that females are conforming roles, ethical restraints and more conventional in their life.

Thus, there is a chance of tax evasion performs among taxpayers due to the gender distribution of male in the tax office.

Table 4: Distribution of demography

Gender of Respondents	Frequency	Percentage
Male	203	83.9
Female	39	16.1
Total	242	100
Age of Respondents	Frequency	Percentage
Below 30	11	4.5
From 31 to 40	153	63.2
From 41-50	18	7.4
More than 50	60	24.8
Total	242	100
Educational Background of Respondent	Frequency	
1 to 10	48	19.8
Certificate	44	18.2
Diploma	110	45.5
First Degree	40	16.5
Total	242	100.0

Source: Survey result and researcher's computation

Regarding to the age 63.2 % or 153 of the respondents are between 31 to 40, 24.8% or 60 of the respondents are more than 50, 7.45% or 18 of the respondents are aged between 41 to 50 and the list registered age group are blow 30 which is 4.5% or 11 of the total respondents. The age of the respondents showed that high percentage included in the young group. This implies that taxpayers are responsible to pay taxes and they contribute more for the tax office. chau and leung (2009 as sited worku mekonnen 2016) stated in their findings that young taxpayers are more willing to take risks and are less sensitive to sanctions.

When we came to educational background 45.5% or 110 of the respondents have diploma, 19.8 % or 48 of the respondents are primary school, 18.2% or 44 of the respondents acquired certificate. The list registered educational background of the respondents' are Bachelor's degree holders, which is only 40 people or 16.5% .This indicated that most of educated people are not participated in the business so that this might be also a factor of less tax revenues. In addition to this, most taxpayers' educational level is low so this may be a factor of less tax awareness of taxpayers. In addition to this, most taxpayers' educational level is low so this may be a factor of less tax awareness of taxpayers. Knowledge

considered, important for attitudes towards tax compliance (chau and leung, 2009) and Chan et al. (2000) worku mekonnen 2016)

4.1.2 General Questions

Table 5 General question

	Frequency	Percentage	Valid Percentage
Proprietorship	202	83.5	83.5
Partnership	32	13.2	13.2
Share company	7	2.9	2.9
Private limited company	1	.4	.4
Total	242	100.0	100.0

Source: From study survey and researcher computation

As we can understand from table 5, 83.5% or 202 of the respondent's business are private owned and 13,2% or 32 business are partnership, 2.9% or 7 of the total respondent's business are share company registered business organization. The list registered business kind is private limited company that is, 1 or .04% of the total respondent. The result indicated that most of the business organization owned by sole proprietor ship, which have own manager. This implied that most business companies regulated by owners who may be has less managerial and professional business skill. This can indicate that there are chances of taxpayers to evade tax owing to lack of managerial and professional business skill to comply with the tax law and regulations.

Table 6 Category of taxpayers and Age of the business

Category of tax payers	Frequency	Percentage	Valid Percentage
A	159	65.7	65.7
B	83	34.3	34.3
Total	242	100.0	100.0
Age of the business	**Frequency**	**Percentage**	**Valid Percentage**
From 3 to 5 years	17	7.0	7.0
From 6 to 10 years	201	83.1	83.1
Above 11 years	24	7.9	9.9
Total	242	100.0	100.0
Capital of the Business	**Frequency**	**Percentage**	**Valid Percentage**
From 1m to 4.9	99	40.9	2.1

From 5 million to 10million	49	20.2	7.0
Above 10 million	94	38.8	83.1
Total	242	100.0	7.9

Source: From study survey and researcher computation

As we understand from table 6 , 159 or 65.7% of the tax payers are included in category "A" on the other hand 83 or 34.3% of the tax payers are included in category "B" taxpayers. Regarding to their capital, 40.9% or 99 of the respondents registered with the capital amount between 1m to 4.9, 49 or 20.2% of the respondents registered between5 mil to 10 mil and 94 or 38.8% are more than 10 million capitals. Most of the taxpayers are included category "A". This implies that the business transaction in this sub city is high and about half of the respondents registered with the capital amount of more than 10 million birr. Therefore, both results showed that potential of generating tax revenues in the sub city is high. However, based on interviewee result the tax office capacity is limited in terms of technology and work force. Because of these factors, even if there would be high potential taxpayers which generating high amount of tax, the sub city not benefited from the opportunity. when we see the age of the businesses, 83% or 201 of the businesses are age between 6 to10 years and 24 or 7.9% of the business organizations are age more than 11 years and the list aged groups are 17 organizations or 7 % of the total business organizations. Almost all of the business organisation were staying between 5-10 years in the business activity, this indicated that, the taxpayers have enough knowledge and they might familiar with the tax laws and regulations.

4.1.3   Tax Collections

Table 7 General question about tax collection

Question regarding to tax collections	Responses			
	Yes		No	
	N	Percentage	N	Percentage
Does the government collect enough tax revenues?	155	64%	87	35.95%

Source: Survey result and respondents computation

As we understand from the table 7, 155 or 64 % of the respondents believed that the governments collect enough amount tax; however, the tax office authority not collected as per budget without fluctuation. Out of 242 respondent 87 of the respondent are disagree with the idea of government collect enough tax.

Plan and Collections of tax revenues from 2005-2009 In the Addis ketema subcity

174,453201.51,----> Variance

2,080,052,432.61--->Actuall Collection
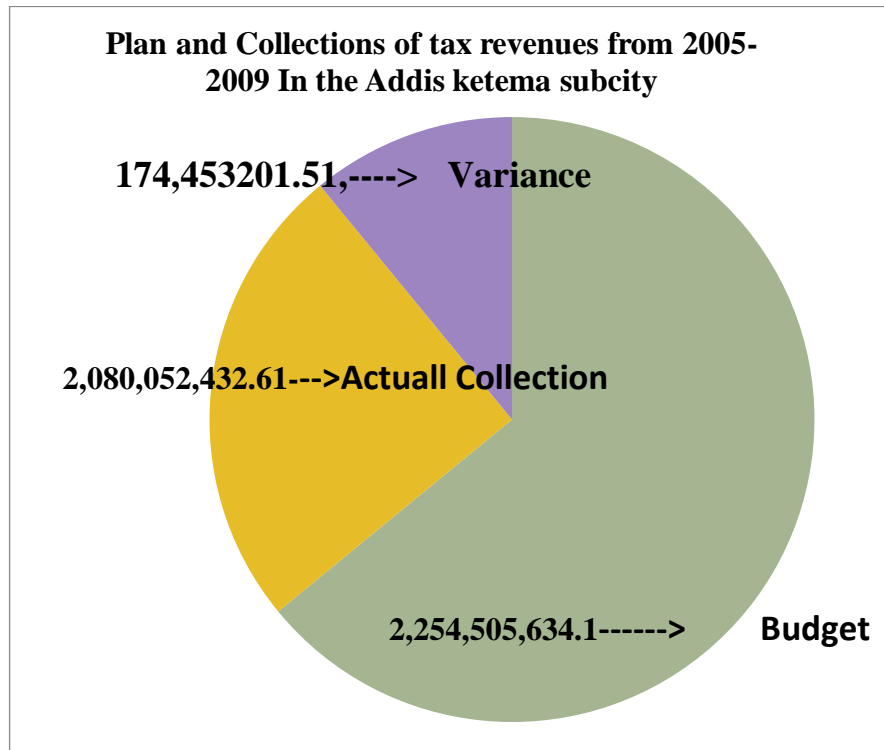
2,254,505,634.1------> Budget

Figure 2 Tax collection and budget variance

Source: Addis Ketema sub city tax Office

As indicated on Figure 2 the Addis ketema sub city could collect in five physical period only 77 % of the budgeted amount. The variances of the tax collection and tax budget in five consecutive physical years near to 200,000 million Ethiopian birr. It has great impact of national budget.

4.1.4 Tax Office Capacity

Tax office capacity refers to the ability and the capacity of tax office to control, serve and conduct audit at the right time and performing other activity towards the collection of tax. If the tax office not capable, it has a negative impact on tax collection. To gather information regarding to whether the tax office has capacity to serve taxpayers or not, interview and questionnaire used. Interview conducted with the tax office employees, respondents' response revealed that the tax office has not enough capacity in terms of work force and technology.

Table 8Tax office capacity's respondent's Response

	Descriptive Statistics		
	N	Mean	Std. Deviation
Tax office has enough capacity	242	1.9380	.86440

	Descriptive Statistics		
	N	Mean	Std. Deviation
File handling	242	2.414	.92195
The tax office uses quality system & technology	242	2.0124	.42222
Tax office offer suitable services	242	2.6653	.94647
Tax office place is appropriate	242	2.7769	1.08163
Tax office employees are cooperative	242	3.4876	.92558
Tax office has enough employees	242	2.3512	.86697
Grand mean		2.5208	0.8613

Source: Survey result and researcher's computation

As indicated in Table 8 the mean value of the response computed based on Likert scale indicated that less agreement of respondents on existence of each element of that affect tax office capacity. The overall mean of the tax office capacity can be approximated to 2.5208 which indicate that respondents both agreement and disagreement on assessed several question. This indicates that the tax office capacity would reduce tax collection revenue. As interview result shown that the tax office has not the capacity to serve tax payers, this can be manifested in different aspects, the tax office have less man power and technology to control tax payers transaction, the tax office not audit the tax payers yearly. Because of the listed factors the tax office can't collect the intended amount.

Respondents were asked their opinion in relation to the statement that tax office has not capacity to handle taxpayers' files properly, and many respondents disagreed shown by with mean & standard deviation of 2.414 and 0.92195 respectively. This indicates that Addis ketema tax office has not capacity to handle files. Similarly, the interview result reveals that the same opinion. Handling of taxpayer's file also main elements to control each movements of taxpayers' transactions.

Respondents were asked their opinion in relation to the statement that tax collection affected by the uses of quality system and technology, and many respondents disagreed with mean & standard deviation of 2.0124 and 0.92195 respectively. This indicates that tax collection amount will affected by the system and technology used, so this will be one of the factor that can be affect tax collection. In addition to these because of lack of technology, most taxpayers did not declare the right amount of tax. From this, one can conclude that tax collection affected because of tax office capacity. Technology plays a vital role in collecting tax revenues, on open ended question

respondents said that the system many times interrupted, or slow. As this result the tax office capacity not advanced. John & Enahoro (2012) efficient man power and technology equipment play a vital role in the tax revenues enhancements. Wanjiru (2014), in his study stated that the services rendered by tax office should be advanced and information technology systems.

Respondents further implied their disagreement at a mean value of 2.6653 and standard deviation .94647 of that, tax office offer suitable services to tax payers. This indicates that tax collection will be affect by types of service rendered by the tax office. This is supported study conducted by John and Enahoro (2012) who stated that, if the tax services not in effective and efficient may lead tax payers to not compile.

Respondents further implied their disagreement at a mean value of 2.7769 and standard deviation of 1.08163 that, the tax office place is not comfortable for tax payers and it has an effect on tax collection. This indicates that majority of respondents are disagreed with the idea, this implies that the tax office not located at appropriate places, it shown in terms of absence of parking and other associated issues. If tax office is not established at a right place, taxpayers did not want to go there and this ca be causes of less tax revenue collection.

Accordingly, out of the total question, tax office employees' cooperativeness has the mean result of 3.4876 and standard deviation of 0.92558 implied that average agreement of respondents.This indicates that there is average agreement on that the tax office employees' are cooperative.

The respondents also revealed that tax office has not enough employees with mean and standard deviation of 2.3512 and 0.86697 respectively. The mean response and standard deviation shows that the tax office has not enough employees to serve taxpayers. Based on the interview result the tax office have less man power as this result not audit taxpayers account as it should be audited. If there is suspicion of evasion, auditing is necessary to detect unlawful acts by the taxpayers. According to Mohdali, Khadijah & Salwa (2014) auditing is the tool and the instrument to detect tax evasion activity.
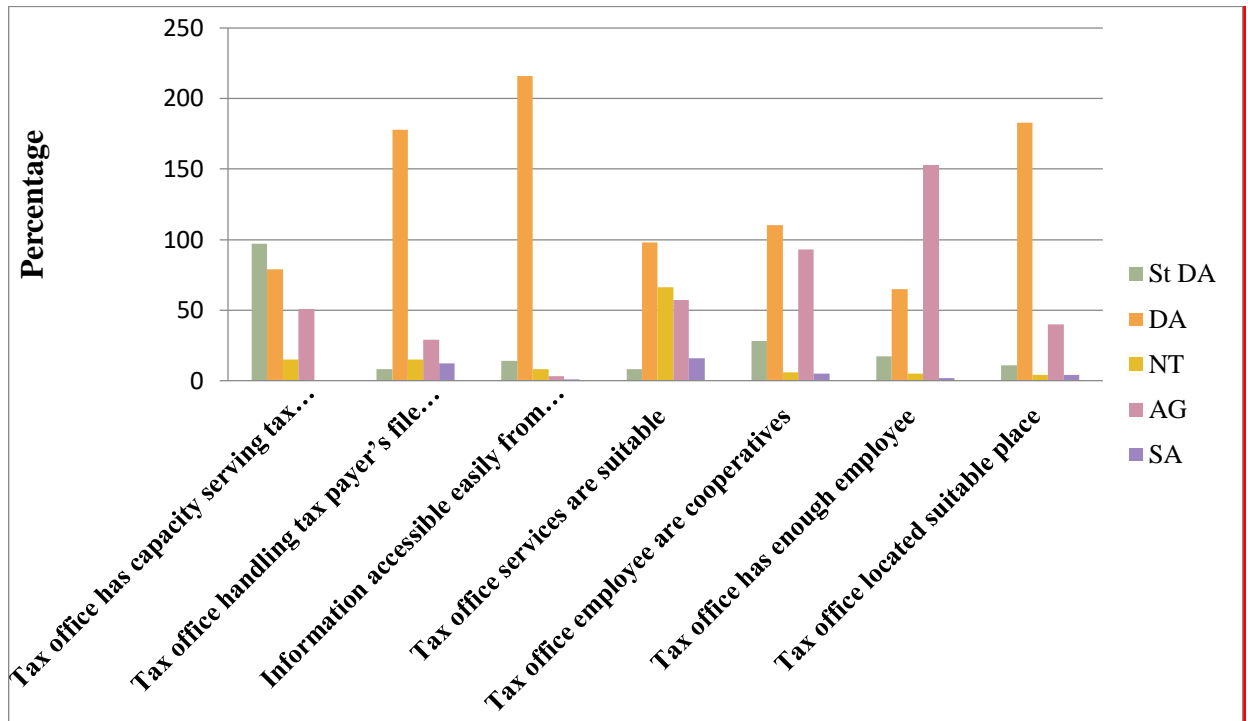
4- 1Figure 5: Tax office capacity
Source: Survey result and researcher's computation

As we understand from the table above many taxpayers are disagree that tax office has enough capacity to serve taxpayers. All most all respondents are disagreed with the question of tax office file handling system is good. On other hand, the tax office use advanced technology or not and tax office located in suitable or not, many respondents disagreed.So this findings shows that the tax office has not enough capacity to serve taxpayers as per the need of taxpayers. The grand mean result also indicated that there is a disagreement on the questions raised on this issues. This result can be the cause of less tax revenue collection in the Addis ketema cub city. Abiola, Moses & Asiweh, (2012) tax revenue collection is based on the tax administration office efficiency.

4.1.5 Tax Compliance

Tax compliance is one of the factor that affect tax collection. To assess the effects of tax compliance on tax collection different questions that developed by five point Likert scale asked. The Likert scale questions were analysed in the following section. As indicated in Table 9 the mean value of the response computed based on Likert scale indicated the average disagreement of respondents on existence and practice of each element of tax compliance. The overall mean of the questions regarding to factor that affect tax compliance indicated at average mean value of 2.1467 implied overall respondents' disagreement on the tax comply properly.

Table 9: Tax compliances respondent's minimum mean & standard deviation

	Descriptive Statistics		
	N	Mean	Std. Deviation
Declaring tax is obligation	242	3.9421	.95368
Tax collection and assessment is correct	242	1.7025	.88458
Rules and regulation are comfortable	242	1.7355	1.04479
Time of tax payment is comfortable	242	1.5620	.78780
Tax declaration form is enough to fill all information	242	1.5620	.78780
The tax declaration form easy to compute tax	242	1.7686	.94899
Tax declaration form clear and understandable	242	2.8306	.10956
The county has right tax rules and assessment	242	2.0702	1.04214
Grand mean		2.1467	0.8199

Source: Survey result and researcher's computation

The first point that respondents were asked to put their level of agreement on the declaring tax is an obligation with a mean & standard Deviation of 3.9421 & 0.9536 respectively. As the result showed that there is agreement with in respondents on the statement and this implies that taxpayers know tax is an obligation. This can be a positive effect on tax collection. The result supported the study conducted by Andries et.al (2015) who stated that tax socialization aims to improve the understanding of taxpayers against the prevailing tax regulations. Understanding tax payment is an obligation. Therefore, when taxpayers know that declaring tax is an obligation, tax non-compliance reduced. According to the interview result frequently taxpayers not pay tax as per the rules and regulation owing to this tax non- compliance is the factor of less tax revenues.

Accordingly, respondents implied the least mean value 1.7025 and .88458 standard deviation imply that, tax collection and tax assessment made by tax office was not correct. The average mean indicates that there is a strong disagreement on that tax office did not collect the right amount of tax and the assessment done by tax office also not fair. Based on the findings almost all of the respondents disagreed on the issues. If tax collection and assessment is not correct, this can be the cause of non-compliance. Neway and Wendosen (2017) who points out that the tax rate support this and amount of penalty, complex collection system are the factor of non-compliance.

Similarly, respondents at a mean value 1.7355 and standard deviation of 1.04479 also implied the tax rules and regulations are not comfortable for taxpayers. This indicates that tax payers did not believe on the fairness of tax rules and regulations and this can be a cause of less tax collection. This supported by (Brainyyah and Rusydi 2013 as sited Mohammed, Riayati& Mohd 2016) showed in their study that tax complexity has a negative and significantly impact on tax compliance

Respondents were asked their opinion in relation to the time of tax payment is comfortable to the taxpayers, and many respondents disagreed with mean & standard deviation of 1.5620 and 0.7878 respectively. This indicates that time of payment is not comfortable so this will be one of the factor that can be decrease tax collection. Similarly, the interview result reveals that most of the time the system interrupted and it took much time to declare tax payable as this result tax payers are dissatisfied with the length of time spending to declare and this substantially decrease amount of tax collected by tax office.

The respondents also revealed that a tax declaration form is enough to fill all information with mean and standard deviation of 1.5620 and 0.7878 respectively. The mean response and standard deviation shows that a tax declaration form is not enough to fill all information. This result indicated the form discourage to fill all the information needed by the taxpayers and as a result it decreased tax revenue collection.

The majority of the respondents with mean and standard deviation 1.7686 and .9489 respectively, also disagreed on the tax declaration form easy to compute tax. As the result implies that most of the respondents disagreed on the statement that tax deceleration form easy to compute tax. Results of interview shows that the tax declaration format discourage to compute the right amount of tax.

Similarly, respondents at mean value 2.8306 and standard deviation of .10956 indicates that majority of the respondents disagreed that the tax declaration form clear and understandable to declare the right amount tax. Respondents further implied their disagreement at a mean value of 2.0702 and standard deviation of 1.04214 that, the county has not right tax rules and assessment. As the result implies that most of the respondents disagreed on the statement that right tax rules and assessment.
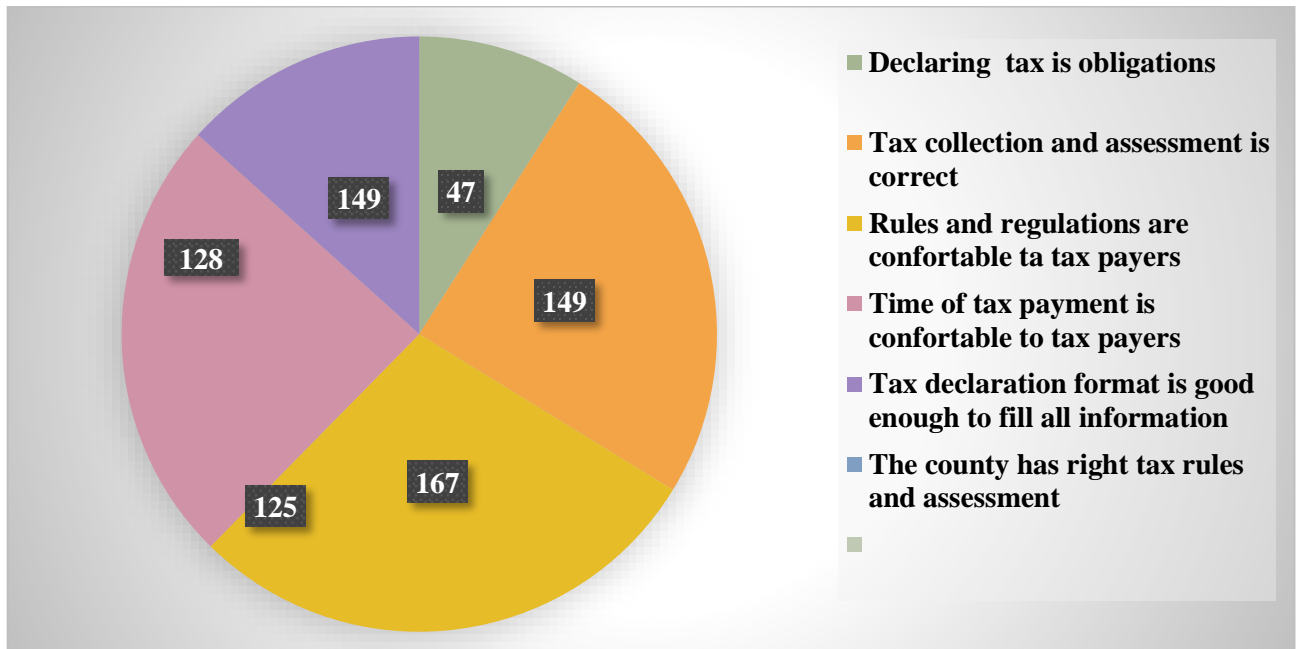
Figure 3Tax compliance Result

Figure Source: Survey result and researcher's computation

In general, the survey study reveals that tax compliance is a factor which affect tax revenue collection. The above table shown that the dis agreement on the question and the mean result shown 2.1467 which is high disagreement on the issues.

4.1.6 Tax Payer's Awareness

Taxpayer awareness refers to the understanding about tax and acting or responding for tax obligation. Taxpayers' awareness is one of the crucial component that should be focused area by the tax office. When taxpayers are aware they know why they pay tax easily and they motivated to pay tax as this result enhanced the amount of tax collection. To evaluate the impact of taxpayers' awareness on the tax revenue collection and to assess the awareness of taxpayers of Addis Ketema sub city different questions asked. Various issues regarding taxpayers' awareness asked by interview, dichotomous questions and five point Likert scale employed.

As indicated in table 10 the mean value of the response computed based on Likert scale indicated the average disagreement of respondents on existence that taxpayers awareness of each element of questions regarding to tax awareness. The overall mean indicated at average mean value of 3.3533 implied overall respondents average agreement on the awareness of tax. According to the interview result,

the taxpayers have tax awareness problem this is manifested in the way of taxpayers not keeping the time of payments, the rules of payments and tax payers not consider tax payment as the obligation because of this, tax payer awareness is the main factor of less tax revenues.

Table 10 Respondent's response on question of tax payers' awareness

	N	Mean	Std. Deviation
Tax is paid for the benefit of the country	242	4.8182	.68777
Tax rules and regulations are clear an understandable	242	2.1281	.63452
I know how tax compute	242	3.7479	.79840
Tax office training is enough	242	3.5083	.90751
There are pan plates about tax	242	3.3843	.93627
Easily tax information accessed from the tax office	242	2.5331	.97316
Grand mean		**3.3533**	**0.8229**

Source: Survey result and researcher's computation

Respondents agreed with the statement that tax is paid for the benefit of the country with a mean and standard deviation of 4.8182 and 0.6877 respectively. The result showed that almost all of the respondents were agreed and strongly agree on the statement and this indicates that taxpayers are aware of way tax is paid for the benefit of the country. This implies that this encourage tax payers to pay the right amount of tax and it enhance the tax collection by tax office.

The respondents were also asked on their level of agreements on tax rules and regulations are clear and understandable. The result showed with a mean and Standard deviation of 2.1281 and 0.63452 respectively. The result showed that most of the respondents on this statement were disagreed or strongly disagreed and this result implies that tax rules and regulations are not clear and understandable and this decreases the amount of tax collection. If taxpayers have less knowledge about the rules and the regulation of tax, they did not know how to compute tax. In addition to this, it became the main cause of less tax revenues. The finding of this study was supported by Neway and wondese, (2017) stated that taxpayers may fail to obey with tax laws and regulations unintentionally due to lack of tax knowledge about rules and regulations and poor tax awareness.

The study regarding the knowledge about tax computation, mean value 3.7479 and standard deviation of 79840 implied the tax payers know how to compute tax. For paying correct tax, knowledge of tax computation is necessary. If the taxpayer did not understand how to compute tax,

they may not declared correct tax and this may be a factor of less tax collection. The result showed that most of the respondents on this statement were agreed or strongly agreed and this result implies that knowledge about tax computation has a positive effect on tax collection. The finding supported study conducted by Kasippilai, (2000) as sited Natra (2013) that stated tax awareness is a vital element in a voluntary compliance tax system.

To create awareness, training is one of the major device but abundant of the taxpayers are not still satisfied with the training. Respondents were also asked their opinion on tax office training is enough and they revealed their attitude with a mean & Standard deviation of 3.5083 and 0.9075 respectively. The result implies that training given by tax office would improve tax collection by tax office. In addition to this, the interview result showed that the tax office provides different awareness creation program to taxpayers; however much more left to bring change in the attitude of taxpayers. One of the problem associated with the training, the owner of the business assign other person attained on the training so it did not bring change as it needed. The finding of this study were supported by Andreasa & Enni (2015) for raising awareness of taxpayers in paying taxes, they need to get a better understanding of the tax regulations through training and different awareness creation activity.

As it shown in table, participants asked on their level of agreement that there are pan plates about tax, majority of the respondents agree or strongly agree with a mean & standard deviation of 3.3843 and 0.93627respectively. The study result indicates that tax documents given by tax office will enhance tax collection amount by tax office. However as the interview result shown, most of the materials are out dated and not attractive to readers.

Finally, for this section respondents were asked point easily tax information accessed from the tax office and participants disagreed with a mean & standard deviation of 2.5331and .97316 respectively. The result shows that there is disagreement on taxpayers gain enough information from tax office. This could lead the taxpayers less informed on the different issues. The finding is against with the opinion released by Asian Development Bank (2001 as sited Asamnew ,Gebreselassie) which states the tax office must deliver unbiased and qualified service and must keep requested and close information regarding the individual taxpayers. It further states that tax office ought to deliver clear, understandable and current tax information and will make this information available to tax payer through several media and deliver well-timed, accurate written information that one can rely on to questions and requests for tax information.
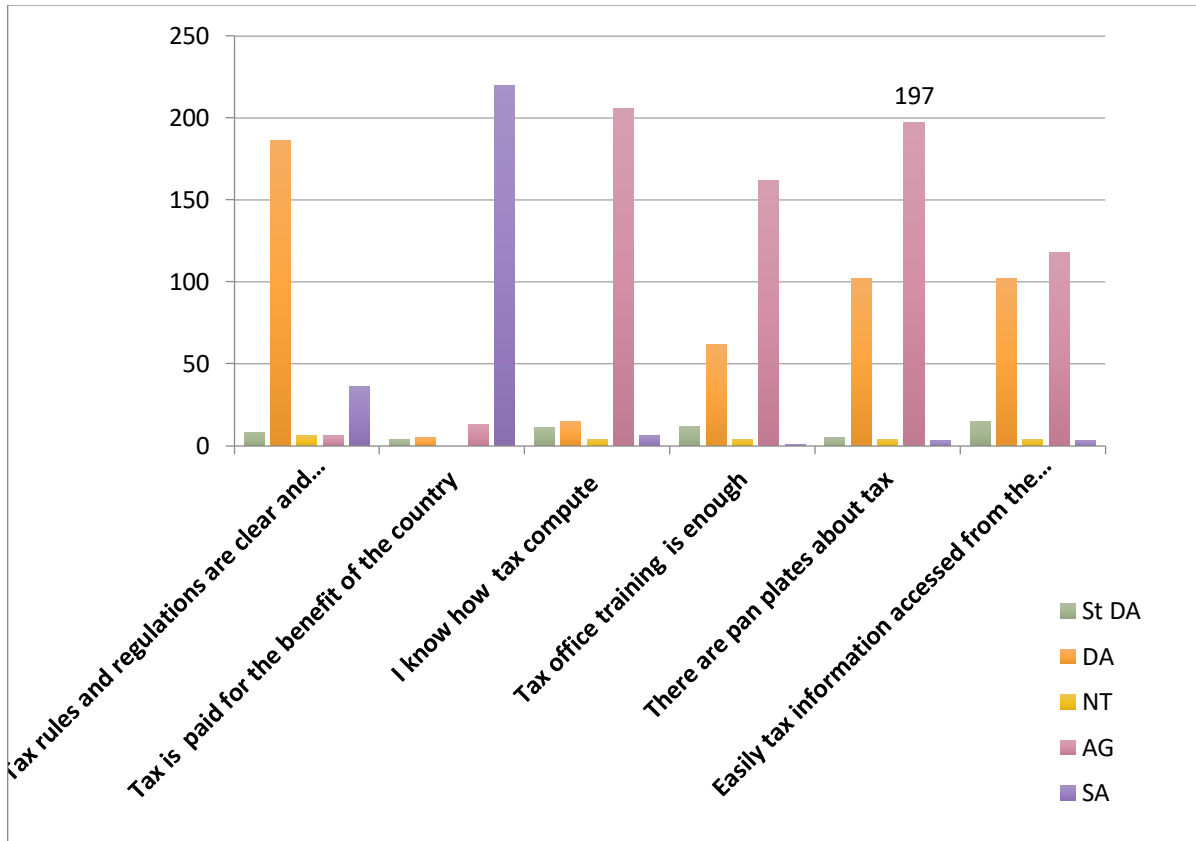
Figure 4: Taxpayer awareness

In general the taxpayer awareness is the factor of less tax revenue in the center, even if the grand mean result showed that almost all of the respondents were agreed and strongly agreed; however the interview result showed tax payers awareness is the factor of less tax revenues in the tax center. Niway & Wondwossen (2017) has pointed out in their research paper that the tax knowledge was the major challenge for tax

4.1.7 Tax Evasion

Tax evasion examined only from tax office perspective it is because of baseness not seen as other variables from taxpayer's perspective. To examine the effects of tax evasion on tax revenue collection in depth interviews conducted.

As interview results revealed that tax evasion is the major factor of less revenue collection in the tax office. The tax evasion manifested in the different illegal activity; taxpayers not issuing receipt when they sales. This activity is one of the mechanisms that reduces tax revenues through hide the sales amount, using forged receipt and receipt not known by tax office. Therefore, they do not

included in the actual transactions. Some taxpayers sales unknown inventory by tax office, so they do not issues receipt or even they issue receipt it's forged finally they don't include in the report. Some taxpayers add or include different expenses for reducing income so that easily they are able to reduce the taxable income and understate the income in different mechanisms, this finding show that the tax evasion is the major factor of less tax revenues collection in the tax centres. Many literate said that tax evasion is one of the factor that affects tax revenues collection. Folayan .and Adeniyi (2018) the tax evasion has result on regime less tax collection in which consequently the outcomes in tax revenue loss.

4.1.8 The Secondary Data Analysis

As shown on figure 4-1 tax non-compliance and evasion are the major problems in the tax branches office, the secondary data that found from the tax branch office shown that tax compliance is reducing from year to year, however; still it is the major problems in the tax office.
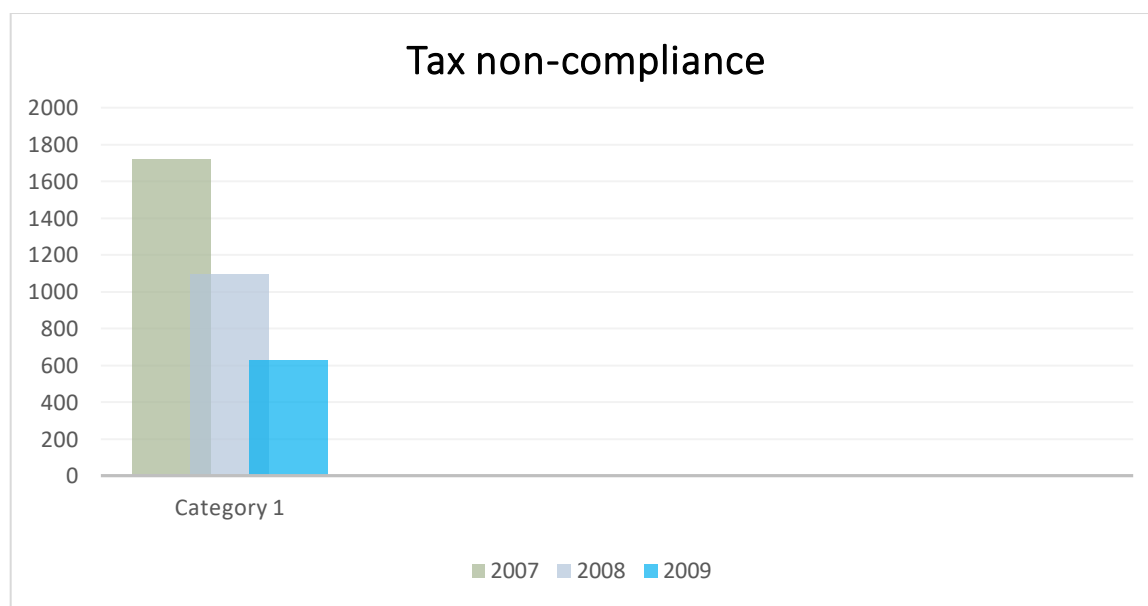
Source: Addis ketema sub city Tax office document
Figure 5Tax compliance from 2007 to 2009

Tax evasion also another major and huge challenges in the tax office, reports which found from tax office shown that tax evasion is one of the great problem which reduce tax revenues and its impact on the tax revenues is very high. Different tax evasion practices which found in the tax office for the month of January and Average tax evasion found per year shown in Table 11 and Table 12. This indicates that there is a tax evasion in Addis ketema sub city and it is one factor of less tax revenue collection.

Table 11Tax Evasion Activity for the month of January

Kind of tax evasions	No of org	Amount of evaded
Stock different	8	5,353,370
Forged receipts	3	Not explained
Tax evasion	10	---------

Source: Addis ketema sub city Tax office document

Table 12 Average tax evasion per year

Average tax evasion per year	63,000,000.00

4.2 Regression Analysis

The object of the research was to assess and examine determent factor of tax revenues collection in case of Addis Ketema sub city. 100 questioner distributed to tax office employee. Four specific equation raised by the researcher and evaluated it from taxpayer pint of view. On the regression analysis, four hypotheses were tested. There are four null hypotheses to be tested. The null hypothesis indicate that the hypothesis which the researcher want to test.

Table 13 Descriptive Statistics

	Mean	Std. Deviation	N
TRC	2.6957	.39007	93
TVE	3.0799	.37999	93
TOC	2.9288	.54561	93
TCO	2.9207	.54852	93
TPA	2.8011	.54466	93

Source: Survey result and researcher's computation

The descriptive statics table shows that the mean and standard deviation of both dependent and independent variables. The mean implies the agreement or the disagreement of the respondents on the issues that the standard deviation static shows the variability of the independent variables.

4.2.1 Model Test

4.2.1.1 Multi- Collinearity Test

Table 14: Correction matrix table

		TRC	TEV	TOC	TCO	TPA
Pearson Correlation	TRC	1.000	-.579	.153	.557	.090
	TEV	-.579	1.000	-.039	-.353	.408
	TOC	.153	-.039	1.000	.075	.120
	TCO	.557	-.353	.075	1.000	.009
	TPA	.090	.408	.120	.009	1.000
Sig. (2-tailed)	TRC	.	.000	.209	.001	.319
	TEV	.000	.	.418	.028	.013
	TOC	.209	.418	.	.346	.263
	TCO	.001	.028	.346	.	.481
	TPA	.319	.013	.263	.481	.
N	TRC	93	93	93	93	93
	TEV	93	93	93	93	93
	TOC	93	93	93	93	93
	TCO	93	93	93	93	93
	TPA	93	93	93	93	93

Correlation is a way to index the degree to which two or more variables are associated with or related to each other. Before running the regression, examination of the multicollinearity problem carried out. According to Lewis-Beck (1993) suggestion in order to find out the multicollinearity problem, the bi-variant correlations among the independent variables should examined and the existence of correlation of about 0.8 or larger indicates a problem of multicollinearity. The correlation matrix in table 14 above shows that all correlation values less than 0.8. This implies that there is no multicollinearity problem in the model.

4.2.1.2 Autocorrelation Test

Autocorrelation, as noted in Brooks (2014), an assumption that the covariance between the error terms over time is zero. In other words, it assumed that the errors are uncorrelated with one another. If the errors not correlated with one another, it would state that they are "auto correlated" or that they serially correlated. As Durbin-Watson test for autocorrelation the data of this study, the null hypothesis being there is no autocorrelation.

DW is (2.247). The relevant critical lower and upper values for the test are dL= 0.877 and dU=1.577 respectively. The values of (4 - dU = 4- 1.577 = 2.423).

Reject H0: positive autocorrelation	Inconclusive		Do not reject H0: no evidence of autocorrelation		Inconclusive	Reject H0: negative autocorrelation
0	dL	dU	2 4-dU		4-dL	4
0	0.877	1.510	2.247	2.423	3.123	4

Brook (2014) suggested that not to reject the null hypothesis of no autocorrelation, if the DW test statistic would be in the non- rejection region of the upper limit (du) and (4-du). Thus the DW test statistic of (2.247) is between the upper limit (dU) which is (1.510) and the critical value of (4- dU) Therefore, there is no evidence for the presence of autocorrelation and fail to reject the null hypothesis that states there are no serial correlations between the error terms.

4.2.1.3 Normality Test

Normality is one of the classical liner regression assumptions, which is the residual terms, mean is zero. If the error terms mean is not zero., the inferences we make about the coefficient estimates could be wrong, There are standard measurements for normality assumptions this are its skewness and kurtosis. Skewness measures the extent to which a distribution is not symmetric about its mean value and kurtosis measures how fat the tails of the distribution area. A normal distribution not skewed and defined to have a coefficient of kurtosis of three. Skewness is normal if it involves a perfectly symmetric distribution. Kurtosis involves the peachiness of the distribution. (BROOKS) 2014 "bell-shaped and not too peaked or flat Kurtosis that is normal involves a distribution that is. If the residuals are normally distributed, the histogram should be bell-shaped and the Bera–Jarque statistic would not be significant.
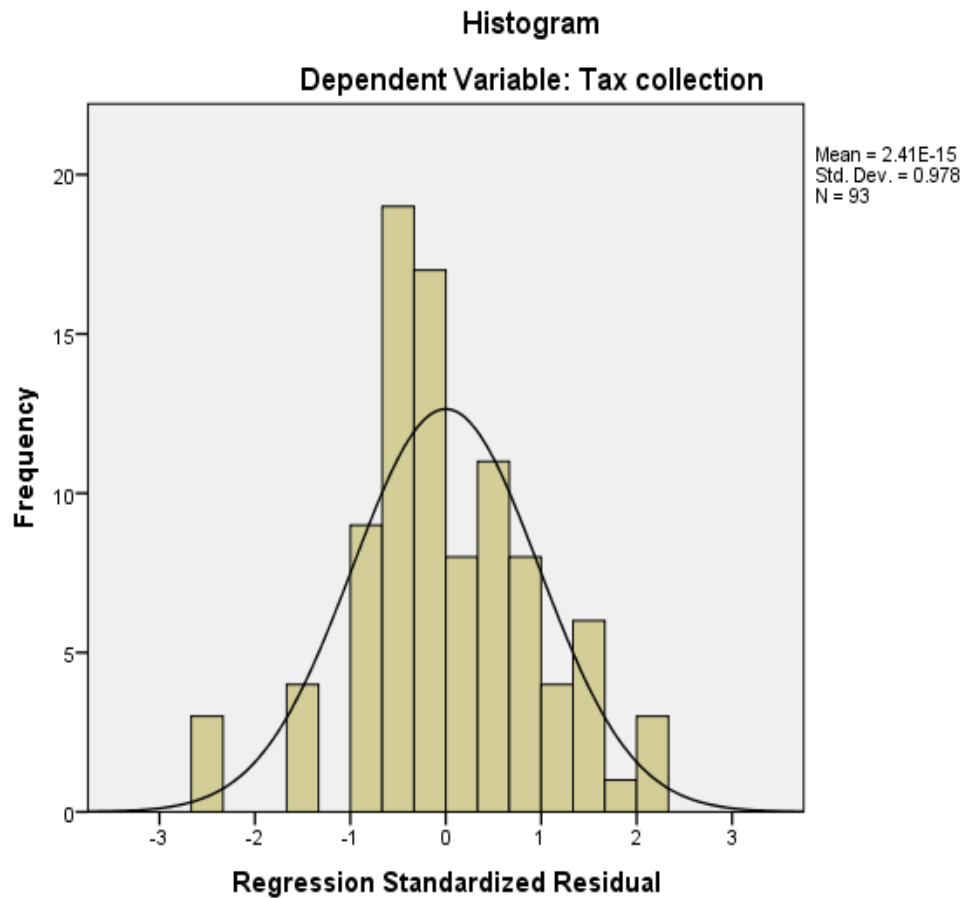
Figure 6 Normality test

4.2.1.4 Linearity Test

The linearity assumptions are to check whether there is linear relationship between dependent and independent variables in the multiple linear regression models. The classical linear regression model should be appropriate functional form (Brook, 2014). If the model is appropriate functional form, it is linear. This means that the appropriate model assumed to be linear in the parameters, and in the case of bivariate case the relationship between dependent and independent

variables represented by a straight line.
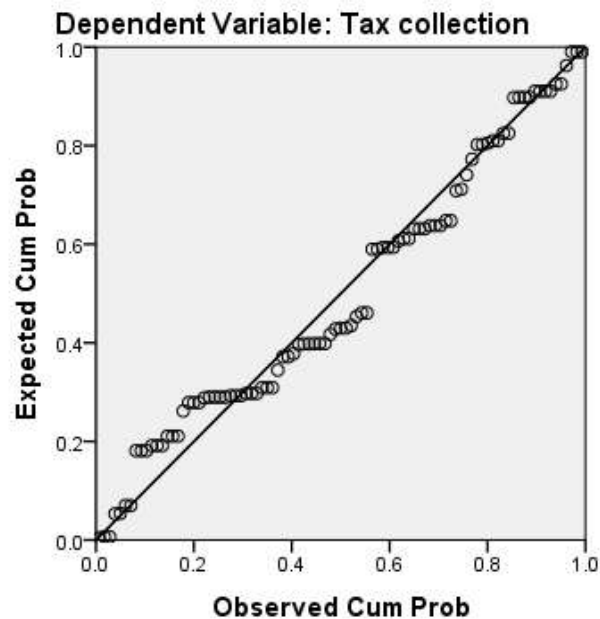
Figure 7: Linearity Test

4.2.2 Model specification

Y= α-β1+ β2+ β3+ β4+u

TRC= α-β1TEV+ β2TOC+ β3TCO+ β4TPA+u

WHERE

TRC   = Tax collection

TEV = Tax evasion

TOC = Tax office Capacity

TCO = Tax Compliance

TPA = Tax payers' awareness

α   is a constant, represents the tax collections when every independent variables are zero.

U is the error

 Substituted Coefficients:

TRC= 15.869-.94TEV+.15TOC+.49TCO+.55TPA+u

Thus, this regression equation used to predict the value of the dependent variable based on a set of values for the independent variable

Table 15: Model Summary

Model	R	R Square	Adjusted R Square
1	.754ª	.568	.499

a. Predictors: (Constant), TEV, TOC, TCO, TPA
b. Dependent Variable: TRC

In this context, R-square 56.8% means the proportion of tax revenue (dependent variable) explained by the independent variables by 56.8% and the unexplained part is about 43%. Adjusted R square .499 is used to compensate for the additional variable in the model or the unexplained part included in the error term. For the researcher, it is fair. The adjusted R-square is indicates that 49% of dependent variable is explained with these independent variables.

Table 16: ANOVA Analysis

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	1020.306	4	255.077	8.234	.000ᵇ
Residual	774.494	89	30.980		
Total	1794.800	93			

a. Dependent Variable: TR
b. Predictors: (Constant),), TEV, TOC, TCO, TPA

F-test measures the joint significant effect of independent variable with dependent variable. The significant level of the research is 5% and its confidence level is 95%. The regression result shows that all independent variables are jointly significant even at 1% significant level. Therefore, all independent variables of this study have a joint significant effect on the explained variable.

Table 17: Coefficients (model feet)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	15.869	11.922		1.331	.195
TEV	-.94	.252	-.585	-3.730	.001
TOC	.151	.304	.066	.497	.623
TCO	.490	.204	.343	2.403	.024
TPA	.522	.243	.317	2.148	.042

a. Dependent Variable: TRC

The most crucial issues in all of the regression analysis is model specification, It refers to the determination of which variables should be included in or excluded from a regression equation. In overall model specification , the model presented by the researcher to tax revenue collection the relationship between the dependent variables (DV) and the independent variables (IV) is consistent with the existing theoretical as well as empirical literatures, It shows as follows,

TRC= 15.87-.94TEV+.15TOC+.49TCO+.55TPA+u

Out of the four explanatory variables, three of them are independently statistically significant, if the p value is lower than the 0.05, there is a significant relationship between the independent variables and dependent variable. When the p value is higher than the 0.05, then it considered that there is insignificant relationship between the variables. As the t-test shows tax evasion, tax compliance and taxpayers' awareness have independently significant effect on tax revenue collection. However, TOC (tax office capacity) is insignificant independently but significant jointly with TRC.

As table 17 shows if other factor constant, when TEV increased by one unit TRC decreased by .939 and the relationship is statistically significant at 5% significant level. When the other factors constant if TOC increased by one unit TRC increased by .15 and the relationship is statistically insignificant at 5% significant level. When all the other factors constant, TCO increased by one unit TRC increased by .49 and this relationship is statistically significant at 5% significant level. If the other factors constant when TPA increased by one unit TRC increased by .55 and the relationship is statistically significant at 5% significant level.

CHAPTER FIVE

5 Summary, Conclusion and Recommendation

5.1 Summary

The government need adequate amount of revenues for building of different infrastructure and for other purpose, tax is the major source of income to the government. Addis ketma sub city is one of the tax office branches, which found in Addis Ababa. In this tax office the budgeted amount was not collected efficiently for many years, rather the budget and the actual collection shows fluctuation.

The general objective of this study was to examine the determinants of tax revenue in case of Addis Ketema sub city tax office. The specific objectives are to evaluate the impact of taxpayers' awareness on tax revenue collection; to examine the effects of tax evasion on tax revenue collection; to investigate the impact of tax offices capacity on tax revenue collection and to ascertain the impact of tax compliance on tax revenue collection. To achieve the intended objectives data collected from taxpayers of Addis ketema sub city and tax office employees. To fulfill the above objective the researcher used primary and secondary data, for acquiring primary data, both of questioner and interview used. And the secondary data was acquired from tax office report and documents. To attain the objective of the research, four variables were examined. From taxpayers' points of view, tax payer's awareness, tax office capacity and tax complies examined and from tax office point of view the researcher examined that tax office capacity, tax payer's awareness, tax compliance and tax evasion.

The first specific question is to evaluate the relationship between tax payers' awareness and tax revenue. The finding showed that, most of the tax payer' not being aware why they pay tax, it is the factor of less tax revenues,   as the survey result shown that most of the tax payers have challenges related with tax rules and regulation. Tax rules and regulation is the main important element for tax compliance and also many tax payers don't know how compute tax, this is also the reason of non-compliance in the tax center. The tax office offer training to enhance tax payers awareness; however much more left with the addressability of training to all tax payers and also tax payers or owner of the business assign other person to attained on the training as this result many tax payer not being aware by the training program. On the other hand, in the regression analysis shown that tax payer awareness was one of the explanatory variables which was tested

with 5% significant level and the result shown that the tax awareness has strong positive relations ship with tax revenue collection In general in the tax office tax payer's awareness is the core factor that affects tax revenues collection.

The tax evasion is another explanatory variable which was examined and tested by the researcher and it's also found that one of the major factor for less tax collection in the tax branch office. The interview result shown that, tax payers evade tax with illegal activity like not issuing receipts, use forged receipts which is not controlled by tax office or sale unknown goods (contraband), understating the actual income amount and over stating the expenses amount for the purpose of reducing taxable income. In the regression analysis also shown that TVA (tax evasion) has a strong negative relationship with tax revenues) dependently and independently so tax evasion is the major factor of less tax revenue collection in the sub city tax office branch.

The other specific question is to examine tax office capacity effect on tax revenues collection, the tax office capacity was found that the other factor for less tax revenues collection, less tax office capacity manifested in different ways most of the respondents dis agree with the tax office have enough capacity to serve the tax payers some of the respondents said that the system interrupt, many times the file handling system is weak and information also not easily accessed from the tax office. The finding shown on the interview result, the tax office have less manpower and technology as this result not able to control and audit tax payers as needed in addition to this, there is not same information flows from tax officer, even if the tax office employee are cooperative but the number of tax office employee and the numbers of tax payers are not much as this result tax payers waiting for serves long time. The regression analysis result also shown that even if the t test show TOC (tax office capacity) in significant at 5% significant level; however the F test show that the TCO(tax office capacity) is jointly significant with the other exploratory variables .

The paper also examined tax compliance it's also another factor for les tax revenues in the sib city tax office branch, the assessment rules and regulations not understandable to tax payers in addition this the respondents believe that the country has not the clear and right tax rules and regulations, many tax payer's attitude towards tax payment is not right and time of tax payment also another non-compliance factor many respondents are not happy with the length of time to declare tax, in addition this the assessment and the imposition of tax systems and procedure not liked by the tax payer owing to the above listed factors and other problems the tax payers not declare as they should declare or they declare lately with enforcement action and penalties. The regression analysis also

shows that TCO (tax compliances) t test result TCO is significant at 5% significant level and the TCO has positive significant relation with tax revenue. In general tax compliance is one of the factors to reduce tax revenue in the sub city branch office.

5.2 Conclusion

The main objectives of this study was to evaluate the factors affecting tax revenue collection in Addis Ketema sub city tax Office. In doing this tax revenue collection taken as a dependent variable and tax awareness, tax compliance, tax evasion and tax office capacity are taken as an independent variables. The results of the survey study showed that taxpayer's awareness, tax compliance, tax office capacity and tax evasion are main factors for less tax revenues in Addis Ketema sub-city tax office. Tax payer awareness is one of the major causes of less tax collection in the sub city. As the survey result revealed that most tax payer' do not aware why they pay tax and have challenge related with tax rules and regulation. The study result further indicated that taxpayers don't know how compute tax. In addition to this training gave by tax office were not addressable to all taxpayers. These all conditions reduced the amount of tax collection in the selected sub city. Accordingly the regression analysis result indicated that tax awareness has a direct significant effect on tax revenue collection. As the result showed the relationship between tax awareness and tax revenue collection statistically significant at 5% significant level. In general in the tax office, less tax payer's awareness is the core problem that reduce tax revenues collection. The other explanatory variable was tax office capacity. Tax office capacity manifested in different ways. Most of the respondents disagree with the tax office have enough capacity to serve the tax payers. Lack of file handling system and less accessibility of information are indicators of less capacity of the tax Office. In addition to this the survey result revealed that the tax office could not able to control the tax payers' transaction and their files were not audited in time. This indicates that tax office capacity has an impact on tax revenue collection. On the contrary, the regression analysis result indicated that tax office capacity has insignificant effect on tax revenue collection and the relationship between tax office capacity and tax revenue collection were statistically insignificant at 5% significant level. The other factor considered in this study was tax compliance. Tax compliance refers to how the taxpayers declared their tax payment to the tax office. The survey study revealed that the main reason of tax compliance in tax office is understandability of rules and tax regulations by the taxpayers. In addition to this the result reveals that respondents believe the country did not have clear and right tax rules and regulations. The study result further revealed that the attitude of

taxpayers towards tax, time spent in tax office, tax assessment and tax imposition procedures, less penalty rate are the main factors which increases non compliances. The regression analysis result also indicates that tax compliances has a positive significant effect on tax revenue collection and the relationship between tax compliance and tax revenue collection was statistically significant at 5% significant level. . Therefore tax compliance is a factor that affect tax revenue collection in Addis Ketema sub city tax Office. The tax evasion is another explanatory variable which was examined and tested by the researcher. Tax evasion is an illegal practice done by taxpayers to reduce tax liability or tax payments. Some tax payers evade taxes by understating the revenue amount and overstating expenses for the purpose of reducing taxable income. This has a negative impact on tax collection. The respondents' response revealed that it is a major factor for less tax collection in the tax office. The result of regression analysis also indicates tax evasion has a strong negative relationship with tax revenues. The relationship between tax evasion and tax revenue collection was statistically significant at 5% significant level. In general the study result indicates that tax awareness, tax compliance and tax evasion have a significant effect on tax revenue collection. On the contrary tax office capacity has insignificant effect on it.

5.3 Recommendation

The researcher put the following remakes for the findings,

➢ The tax branch office should strengthen the awareness creation programs. The tax office should give trainings to tax payers in order to create an awareness on that tax is an obligation payment to the country. The tax office also should trained taxpayers how computing tax. The office should make training and different awareness creation materials addressable to tax payers. The other important thing should be done by tax office is, training should be given the responsible taxpayers or the owner of the business himself.

➢ The tax office should capacitate itself by hire more work forces, so that the tax office will be enable controlling tax payer's business activates and make auditing at list once a year as this result the tax office can reduces tax evasion and noncompliance, unless otherwise taxpayers likely to evade tax to the extent they feel that the tax office is weak not auditing as per the right time and unable to enforce the law.

➢ The tax office should capacitate itself by technology and also train employee with serving of tax payers, handling of tax payers' file, as this result the tax office can avoid long services

waiting time and enhance file handling systems. This action lead the tax branch office to reduce tax payer displeasure relating with long waiting time and displace or mishandling file.

➢ The tax office should make clear the rules and regulations towards tax compliance and make the tax compliance format easily understandable, make the collection and assessment of tax procedure easily understandable so that the non-compliance can be reduced.

➢ The tax office should make appropriate time of tax payment and also make fast collection procedure and easily enable the tax payer to get related services as this result tax payers can declare without fire of spending much time in the tax office sub step-by-step the noncompliance can be reduced from the tax office.

➢ The tax office should introduced self-compliance system to tax payers, this action reduces compliance costs by both of the tax office and tax payers as this result the noncompliance activities can be reduced.

➢ The tax office should capacitated audit and intelligent departments for the purpose of control tax evasion activity so that the evasion activity can be minimized as this result the tax revenue can be enhance in the tax office branch.

➢ As the tax office found around Merkato, the place is exposed for contraband sales so the tax office should discuss other concerned body and eradicate this illegal activity so that the tax revenue can be enhanced in the tax branch office.

➢ The tax office should work together with custom authority, bank and maintaining integrated information system particularly inventory bar coding system should be applied   in order to control illegal goods sales.

➢ The tax office should applied strong punishment on the tax evader so that the other tax payers can be learned from the penalized tax payers as this result the tax evasion activities can be reduced and eradicate in the tax sub city tax branch center.

➢ The researcher recommends that tax collection factors should thoroughly investigated with multiple data sets.

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APPENDEX