ST.MARY'S UNIVERSITY

FACTORS AFFECTING TAX COMPLIANCE UNDER ELECTRONIC TAX SYSTEM: THE CASE OF LARGE TAX PAYER'S OFFICE IN ADDIS ABABA

A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY, SCHOOL OF GRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF ACCOUNTING AND FINANCE

by

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Addis Ababa, Ethiopia

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APPDROVED BY BOARD OF EXAMINERS

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Chairperson (Graduate Committee)	Signature
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External Examiner	Signature

DECLARATION

I declare that:

I. This Study is based on a study undertaken by me, Mekedes Babulet Abitew of the department, Accounting & Finance, School of Graduate Studies, MBA Program Saint Marry University, Ethiopia

II. The research work is based on my desire to investigate the factors that affects tax compliance in Ethiopia particularly in Large Taxpayers' Office

III. This research work is my original work and to the best of my knowledge, it has not been submitted elsewhere for academic achievement (any degree or diploma)

IV. The ideas and views of other researchers, authors and scholars expressed in the work are duly acknowledged.

Mekedes Babulet.

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May God reward you all

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ABSTRACT

The Ethiopian Ministry of Revenue Authority has taken major tax reforms initiatives to modernize tax system and to increase revenue capacity. The electronic tax system is one of the initiatives implemented recently. The main objective of the study is to investigate the effect of perceived usefulness, ease of use, tax awareness, compliance cost and system stability on tax compliance under electronic tax system in context of Large taxpayer office in Addis Ababa. The study used survey explanatory research design in which quantitative primary data had been collected using structured closed ended questionnaires. A random sampling technique is used `to select a sample size of 154 respondents from 630 registered large taxpayers at LTO. Data form respondents had been described and correlation and regression analysis had been conducted using SPSS (24) Software.

The study confirmed that amongst the independent variable perceived ease of use; tax awareness and system stability had a statistically significant effect on taxpayer compliance under electronic tax system. The coefficient of determination (R Square) indicates the variance on the dependent variable attributed to the three independent variables. In this context, the coefficient of determination (R Square) of 0.715 indicates that the three independent variables contributed to 71.5% of the variance in the dependent variable further indicated the strength of the variance in tax compliance can be predicted from perceived easy of use, tax awareness and network stability. Relevant recommendation made to the tax authority to take appropriate policy intervention to boost taxpayers' compliance and revenue collection capacity

Key words:, E- tax system, perceived easy of use, , system stability, tax compliance and tax awareness

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LIST OF ABBREVIATION

ERCA,	**Ethiopian Revenu and Customs Authority**
GDP	**Growth Demostic Product**
IMF	**International Monitary Fund**
LTO	**Large Taxpayers Office**
OECD	**Organization for Economic copperation and Development**
PWH	**Price Water House**
SRM	**Sales registartion Machine**
SPSS	**Statistical**
TAM	**Technology Acceptance Model**
TPB	**Theorey of Planned Behavior**
TRA	**Theory of Reasoned Action**
UN	**United Nation**
VAT	**Value Added Tax**
WBG	**World Bank**

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Taxes are a critical component of government resources in almost all economies. Relative to non-tax revenue sources, tax revenues are typically larger, more stable, and less vulnerable to external shocks (OECD, 2018; Kibret and Mamuye, 2016). Rajendran (2016) revealed no tax mean no revenue and no revenue entail no government and no public goods and service. On the other hand, OECD (2014) indicated tax revenue support the role of the government in providing public services, re-distributing income and implementing other fiscal policy concerns, such as securing sustained growth and encouraging desirable socio-economic behavior. As indicated in Ebimobowei et.al (2016) tax system is an opportunity for government to collect additional revenue needed in discharging its pressing obligations. A tax system offers itself as one of the most effective means of mobilizing a nation's internal resources and it lends itself to creating an environment conducive to the promotion of economic growth (Nzotta as cited in Ebimobowei (2007). Likewise, WBG (2016) indicated the capacity of any government to mobilize domestic resources is a crucial factor in the process of poverty reduction and its overall economic development. Government needs funds for the purpose to invest and renovating public infrastructure, health services, education, and public services, and as such, a need exists to increase to boost development and growth (Alshari et.al, 2020).

However, tax compliance is an issue that can be traced back to the introduction of taxes, which is the reason such compliance remains a significant topic in the current literature of academia and practice. Ebimobowei et.al (2016) argued that non-compliance to tax is a fundamental phenomenon affecting all societies both developed and developing economies. Peprah et.al (2014) suggested that tax noncompliance is a substantive universal phenomenon that transcends cultural and political boundaries and takes place in all societies and economic systems. Tax non-compliance is an area of concern for all government and tax authorities, and it continues to be an important issue that must be addressed. Regardless of time and place, the main issue faced by all

tax authorities is that it has never been easy to persuade all taxpayers to comply with the regulations of a tax system.

Tax compliance can be defined as the degree to which a taxpayer complies or fails to comply with the tax laws and regulations of a country that can be expressed by declaring income, filing a return and paying a tax due in a timely manner (Cummings, 2007). Marti (2010) further defined tax compliance as fulfilling all tax obligations as specified by the tax law freely and completely. Similarly, tax compliance further defined as the ability and willingness of taxpayers to comply with tax laws, declare the correct income in each year and pay the right amount of taxes on time (IRS, 2009; ATO, 2009; Derara 2016).

Revenue mobilization in general and tax collection are a problem particularly in developing country than developed countries (Kibret and Mamuye, 2016). Terkper (2003) as cited Ebimobowei et.al (2016) argued that the amount of revenue loss from non-compliance to tax laws is proportionally more in developing than the developed economies as a result of the large informal sector and stressed that the average revenue losses in developing countries ranges between 25%- 35% of GDP in 2002.

On the other hand, as suggested by WBG (2016) digitize tax administration enables tax authorities' institutional capability and promotes taxpayers' cognitive and behavioral changes. Electronic tax administration would provide tax authorities with powerful tools that are capable of integrating tax information provided by taxpayers (or third parties) and simultaneously reducing tax compliance costs with efficient, transparent, and trustworthy services that ultimately enhance tax ethics and trust in tax administration. In view of this the Ministry of Revenue implemented e-tax payment system since April 2019 (Fourtun, 2013).

Yilma (2020) illustrated that dealing with the problem of non-compliance requires an understanding of the underlying factors that affect taxpayers' decision about whether to pay or evade taxes. Understanding of taxpayers' behavior help revenue bodies to design and implement effective compliance strategies that contributes to the efficiency of taxation systems. Previous studies have identified determinants of tax compliance grouped under economic and non-economic factors (Peprah et.al, 2014). Nicoleta (2011) classified tax compliance determinants into seven economic determinants and three non-economic factors. The seven economic factors of tax compliance were identified as the level of actual income, tax rate, fines, penalties, tax

benefits and tax audit probabilities. Non-economic determinants were attitude towards taxes, personal, social and national norms and perceived fairness of tax system (Erarar, 2016). The taxpayers' attitude on compliance may be influenced by many factors, which eventually influence taxpayer's behavior. Those factors which influence tax compliance and/or non-compliance behavior are differing from one country to another and also from one individual to another (Kirchler, 2007 as cited in Barbutamisu, 2011). The empirical results indicate that tax compliance leads to increases in income and decreases in tax rates (Barbutamisu, 2011).

The objective of the study is therefore to investigates factors that affect tax compliance in Ethiopia with Particular emphasis on to Large Taxpayers' office focusing on empirically identified factors such as perceived usefulness, perceived ease of use, compliance cost and system reliability under electronic tax system using evidence from Ethiopia Ministry of Revenue, Large taxpayers' office.

1.2 Statement of the Problem

Over the last decade, the government of Ethiopian implemented wide range of policy and institutional reform initiatives and achieved remarkable result. For instance, tax collection increased from Birr12.4 billion in 2005 to Birr 165.3 billion in 2015 indicating over thirteen-fold increase in the decade. (Kibret and Mamuye, 2016; Yimam, 2020; Waiswa, 2019). The GOE has given due emphasis to the introduction of reforms to its revenues and expenditures management. This emphasis relies on the government's plan to improve tax compliance, broaden the tax base and to improve the tax administration capacity of revenue authorities (WBG, 216). As indicated in Yilma (2020) merging of the former Ethiopian Custom Authority and Inland Revenue Authority in 2006; tax reforms such as revising income tax law in 2002, replacing of sales tax by Value Added Tax in 2003 can be considered as significant leap towards modernizing the tax system.

Despite the significance of taxation and several tax reforms such as tax education and online tax services and electronic tax administration such as electronic registration, e-filing, and invoices research on its effect has been surprisingly limited and tax compliance is still a challenge in developing economies (Night & Bananuka, 2018).

Empirical literatures indicated that tax revenue to GDP ratio is good indicator of tax performance. OECD (2018) suggest that tax-to-GDP ratio is the foundational indicator for the analysis of tax levels in an economy. It provides an indication of the scale of tax revenues against the underlying economy which generated the revenues and permits comparisons across countries and across time.

Ethiopia Tax performance measured as proxy tax-to-GDP ratio has stagnated at less than 13 percent, compared to the average of 19.1 per cent among African countries and over 25 per cent in developed economies (Waiswa et.al, 2019). According to IFS (2021) out of a sample of 36 countries from sub-Saharan Africa, Ethiopia ranks 29th in 2018 in terms of tax-to-GDP ratio. Among lower-income countries, it ranks 13th out of 17 low-income countries. With a tax-to-GDP ratio of 10.7%, Ethiopia is also significantly below levels seen in more developed low- to middle-income countries, such as South Africa (with a tax-to-GDP ratio of 29.2%), or advanced economies elsewhere in the world (e.g., the average tax-to-GDP ratio in OECD countries is estimated at 33.9 % for 2018; OECD, 2019).

Furthermore, tax non-compliance is a serious challenge and tax revenue performance in Ethiopia is a concern for scholars and public officials as it does in some other developing countries. Like other developing countries, Ethiopia faces hurdles in raising revenue to the required level in order to scale up the development endeavors. Ethiopia has experienced an unswerving surplus expenditure over revenue for a sufficiently long period of time (Engida & Baisa, 2014).

The following table shows Ethiopian Tax to GDP as indicative of recent tax performance.

	2009/10 (2002)	**2010/11 (2003)**	**2011/12 (2004)**	**2012/13 (2005)**	**2013/14 (2006)**	**2014/15 (2007)**	**2015/16 (2008)**	**2016/17 (2009)**	**2017/19 (2010)**	**2018/19 (2011)**
Tax revenue	**43.31**	**58.98**	**85.74**	**107.01**	**133.12**	**165.31**	**189.72**	**210.14**	**235.23**	**268.46**
GDP	**379.14**	**515.08**	**747.33**	**866.92**	**1,060.83**	**1,297.96**	**1,568.10**	**1,717.13**	**1,834.07**	**1,987.16**
Tax revenue as % GDP	**11.42**	**11.45**	**11.47**	**12.50**	**12.71**	**15.09**	**14.71**	**14**	**12.26**	**11.55**

Table-1.1: Tax to GDP ratio (2009/10- to – 2018/19)

Source: Compiled from National Bank of Ethiopia annual report (2018/19)

As reveled above tax revenue to GDP ratio of the country is declining in the recent years is an indicative of poor revenue collection. Similarly, as Waisaw et.al (2019) stated Ethiopia's current tax-to-GDP ratio is also lower than the tipping point of 15 per cent, which is widely acknowledged to be associated with a significant acceleration in economic growth and development. Below the 15 per cent threshold economies tend to struggle to function and to provide basic social services. The government expenditure-to-GDP is much higher than the tax-to-GDP ratio. As a result, tax revenue is unable to fully finance the budget and government continues to rely on external borrowing to cover budget deficits.

Several factors explain the prevalent low tax to GDP ratio in Ethiopia, including the country's huge informal sector that by some estimates contributes 38 per cent of GDP (IMF 2013; Schneider, Buehn and Montenegro 2010). A poor tax-paying culture and shortcomings in tax administration also contribute to making revenue collection difficult in Ethiopia. (Waiswa et. al 2014).

Several empirical studies conducted in Ethiopia focusing on general factors affecting tax compliance based on Backer (1968) and Fisher (1992) compliance model. The result apparently confirmed that economic, social, institutional, and demographic factor largely determined tax compliance in the country (Engida & Baisa, 2014; Lashitew, 2019; Yilma 2020; Demle 2019).

However, the study conducted under electronic tax payment system particularly on the stated variables identified as predicator variables are limited . The study specifically investigates the effect of level of awareness, perceived usefulness, perceived ease of use, compliance cost and system reliability on taxpayers' compliance under electronic tax system using evidence from Ethiopia Ministry of Revenue, Large taxpayers' office. The research particularly targeted Large Taxpayers' Branch office as it represents about 70% of tax income of the country (Yilma 2020).

1.3 General Objective

In view of the problem pointed out as above the study in broad terms will investigate Factors Affecting Tax compliance under Electronic Tax System in the case of Large Taxpayers' office, Ethiopian Ministry of Revenue and advised appropriate action to ensure improved compliance and better tax collection capability in the office

Specific Objective

The specific objectives are

- To examine the effect of perceived usefulness towards electronic tax system on tax compliance behavior of taxpayers
- To examine the effect of Perceived Ease of Use towards electronic tax system on tax compliance behavior of taxpayers
- To examine the effect of Level of awareness of electronic tax system on tax compliance behavior of taxpayers
- To examine the effect of tax compliance cost under electronic tax system on tax compliance behavior of taxpayers
- To examine the effect of system stability under electronic tax system on tax compliance behavior of taxpayers

1.4 Research Question

To achieve research objectives; the study will be sought answer for below research question.

- Do perceived usefulness electronic tax system affect tax compliance behavior of taxpayers?
- Do Perceived Ease of Use electronic tax system affect tax compliance behavior of taxpayers?
- Do Level of awareness of electronic tax system affect tax compliance behavior of taxpayers?
- Does compliance cost of electronic tax system affect tax compliance behavior of taxpayers?
- Does system stability of electronic tax system affect tax compliance behavior of taxpayers?

1.5 Scope of the study

The main target of the study is to investigate factor that affect tax compliance under electronic tax payment systems. Therefore, other plenty of factors affecting tax compliance in general and

non-electronic system in particular are not part of the study. Furthermore, as the large tax payers' office was first implementer of electronic tax system and responsible for collecting more than 70 percent of country's tax revenue the researcher targeted tax payers' reported to LTO office and hence other tax payers in various category in the country are out of the scope of the study.

1.6 Significance of the Study

The study will have number of benefits. Firstly, it will add on the body knowledge on tax compliance with respect to electronic tax payment particularly on those factors relevant tax compliance under electronic tax system environment. Secondly, the study could be good source of information to scholars, taxpayers, students, and other interested user to have better understanding of electronic tax compliance matters. Thirdly, it might provide policy input and information to the government and LTO official to make to make informed policy and operational decision to boost their operational and revenue collection capacity in the future. Lastly, the outcome of the study might provide useful information to large taxpayers in their effort to comply with electronic tax system requirements and by doing so to avoid costly noncompliance fines and penalties.

1.7 Limitations of the study

As the study conducted only on LTO; conclusion made on response from limited sample drawn from the total large taxpayers at LTO, it would be difficult to generalize the research result in all categories of tax payer available in Addis Ababa in particular and in the country in general

1.8 Organization of the Study

The study systematically organized in to five chapters: Chapter one consists of background of the study, problem of the study, research objectives, research questions and hypothesis and significance of the study. Chapter two explained related theoretical and empirical literatures related to tax compliance under electronic tax system. Chapter three consists of the research methods, research design, study design, the population, sample and sampling design, instruments, data sources, and measurement of variables. Chapter four provide detailed statistical

report of study output and finally related finding, conclusion and recommendation outlined under chapter five

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Introduction.

Paying tax is one of the most universal, frequent, and potentially contentious interactions that citizens have with their government. If paying taxes is seen as easy, straightforward, fair, and robust, then individuals and businesses may associate those traits with their government more broadly (PWH & WBG 2020). Mascagni and Santoro (2018) reiterated tax is the embodiment of a state obligation and the participation of society to fulfilling state finances, and national development to achieve equitable social justice and prosperity both material and spiritual. Solichah et.al (2018) also asserted taxes become one of the important instruments on national economy because it's the largest sources of state revenues for the country incomes. He argued that the problem for increasing taxpayer compliance is a classic problem that never seems to be finished and global phenomenon

2.2 General Overview of Electronic Taxation

Electronic tax system is an online platform that enables the taxpayer access tax services through the internet. Such services include registration for a tax identification number, filing of returns and registration of a payment and compliance certificate application. Wasao (2014) as cited in Night and Bananuka (2018)

This component of modern IT systems, named as the 'e-tax system', may include support for electronic registration, electronic filing (e-filing), electronic payment(e-payment), information dissemination, and other functions. (PWH and WBG, 2020; Jimenez 2013). Mascagni et.al (2018) suggest electronic tax system enables tax administrators, to have availability of clear and verifiable information on taxable transactions enforce compliance through other channels. Generally, better business records should make firms' interactions with tax officials easier and less arbitrary, as well as helping to reduce compliance costs (Okunogbe and P

ouliquen, 2017).

As explained PWH and WBG (2020) E-filing and e-payment have various benefits that have made the tax preparation process easier for businesses, including the ability to file a tax return from one's office at a convenient time and the ability to prepopulate tax returns with data already held by the tax administration

Jimenez (2013) indicated IT is a crucial component of tax administration reform as it enables tax administrations to better gather and analyze information, to proactively manage workload and resources, to foster a cooperative engagement with taxpayers, and to standardize the treatment of taxpayers and thus facilitate the uniform application of the tax law. Similarly, e-tax system provides support related to automation, workflow, and authorization management. It further provides information, education and enables deploys risk-based procedures to detect and deter noncompliance, facilitates the collection and dissemination of performance information to staff and management. compliance and administration and IT also facilitate voluntary compliance by opening multiple interactive and electronic channels with taxpayers.

Thus, the application of information and communication technology concepts, techniques, policies, and implementation strategies to taxing services has become a subject of fundamentals importance and concerns to all taxing authorities and indeed a prerequisite for local and global competitiveness in taxing authorities (Patnaik et.al 2019). Most countries today operate automated financial management, customs, and 159 out of 193 UN member states have automated tax systems (World Bank, 2016).

PWH and WBG (2020) indicated well-designed and efficiently implemented electronic systems can greatly reduce the time and effort required by businesses to meet their tax obligations and can also offer significant benefits for tax authorities. The (OECD's) 2019 report on tax administration confirms the increase in investments that tax authorities are making in digital technologies to facilitate the filing and payment of taxes, increase and automate the analysis of data from taxpayers and third parties and improve communications between taxpayers and tax administrations.

Night and Bananuka (2018) argue that the e-tax system improves tax compliance, as it facilitates faster accessibility to tax services without a physical visit to the tax authority premises. Haryani et al. (2015) further state that a system that is easy to use, secure, dependable, provides easy

payment mode, provides a variety of services and is user-friendly boosts voluntary tax compliance.

Jimenez (2013) suggested to facilitate voluntary compliance, modern tax administrations proactively facilitate compliance by simplifying processes, providing information, education, and support to taxpayers, and directing their limited compliance monitoring and enforcement resources to the areas of greatest risk to revenues

With respect to compliance monitoring and enforcement, the 'compliance performance system' of modern e-tax systems provides support to the tax administration's audit and collections function in collecting and managing information to target areas, where non-compliance poses greatest risks to revenues (Jimenez 2013).

2.3 Electronic taxation in Ethiopia

Ethiopia has introduced serious of initiative modernizing its tax system. The key reforms are introduction of VAT as replacement of sales tax on 2003 (Mascagni et.al 2018; Gedaa & Shimels 2005).

In 2007 the new law introduced sales registration machine legally required to have a machine installed at their premises, through one of the suppliers certified by ERCA. Firms were expected to buy the machine at their own cost. SRM adoption was compulsory for all firms, so they did not have any legal option to avoid it or to voluntarily opt out. In principle, all firms that have an SRM should use it for every transaction, including business-to-business, and without exemptions. Failure to use the machine can result in harsh monetary penalties and even imprisonment, with a serious risk of business closure. As far as our data is concerned, a business appears as an adopter in ERCA's database once it has installed an SRM. (Mascagni et. al (2018).

The electronic tax filing system rollout in 2013 following a pilot test since in 2010 installed by CRC Sogema, a Canada-based consulting firm, back in 2009. E-file is under the e-tax project of ERCA, which seeks to automate all tax filing in the country by allowing taxpayers to declare their taxes remotely through www.etax.gov.et. Previously, taxpayers file online, their payments can only be accepted at an ERCA office and later pay taxes through bank after filing documents online (Abera, 2013).

The system helping taxpayers in many activities, such as processing returns and related information's from taxpayers' entering tax return data into a data base, matching returns against filing requirements, processing tax payments and matching them against assessments, and issuing assessments and refunds (Manaye et.al (2019)

2.4 Theory of Tax Compliance

Singh (2003) cited in Night and Bananuka (2018) defines tax compliance as an act of lodging the income tax return form, stating all the taxable income truthfully and paying all the tax obligations within the specified period without having to wait for the authority for any follow-up actions. Badara (2012) cited Daniel et.al (2018) defined tax compliance as an ability of a tax liable body to submit accurate, complete, and satisfactory returns in conformity with tax laws and regulations of the state to the authority for the purpose of tax assessment. Verboon & Dijk (2007) cited Daniel et.al (2018) stated that tax compliance is the willingness of individuals to comply with relevant tax authorities by paying their taxes. Night and Bananuka (2018) stated non-compliant individual, or company is one fails to submit the tax returns within the specified period, understates its incomes, overstates the deductions and fails to pay the assessed taxes by the due date.

Classification of tax compliance

The Organization for Economic Cooperation and Development (2001) divided compliance into administrative compliance and technical compliance. Administrative compliance refers to complying with administrative rules of lodging and paying. This compliance can also be called reporting compliance or regulatory compliance. The technical compliance refers to complying with technical requirements of tax laws. Tax compliance can be achieved through the application of public relations, tax education, tax consultation and guidance and examination.

Brown and Mazur (2005) cited in Daniel et.al (2018) suggested three distinct types of compliance such as payment compliance, refers timely payment of all obligations, filing compliance, which refers to timely filing of any required return, and reporting compliance (the accurate reporting of income and of tax liability).

Several theories have been formulated by various researchers of better understanding to tax compliance. However, Barbuta-Misu (2011) cited in Lee (2016) classified in into economic and noneconomic in two: economic theories and non-economic. Economic theories mainly related to factors including tax rates, tax audit, income level, and potential penalties for noncompliance costs. Noneconomic Theories on the other hand including attitude toward taxes, the personal, social, and national norms, and perceived fairness of the tax system. According to Lee (2016) to nature of reform should follow its classification in a way that economic incentives and disincentives such as lower tax rates, increased audit probability, and stiffer penalty for noncompliance to the maximum advantage. On the other hand, suggested normative and cognitive approach that seeks to cultivate social norm, tax morale, trust in tax system, and the general receptiveness to taxation as non-economic incentives.

For the purpose of this study, non-economic particularly social behavior related theories such as the Theory of reasoned action, Theory of Planned Behavior (TPB) and Theory of Technology Acceptance (TAM) model are being found mor relevant and consistent with to investigate factors affecting tax compliance under electronics system.

2.5 Theory of Reasoned Action (TRA)

The theory of Reasoned Action (TRA) originated from human social psychology developed by Fishbein and Ajzen (1975). As indicated Ajzen (1985) person's intention to perform (or not to perform) a behavior immediate determinant of that action. According to the theory person's intention for action is function of attitude and subjective norms. Attitude refers to individual's positive or negative evaluation of performing specific behavior while subjective norms refer person's perceptions perceived social pressure put on him to perform or not to perform given behavior. The author further explained why people hold certain attitude and subjective norms. The TRA model suggested and acknowledged that attitude and subjective norms ultimately determined by information received from outside sources or by way of various inference process and salient belief about the behavior (Fishbein & Ajzen, 1975).

2.6 Theory of Planned Behavior (TPB)

According to Ajzen (1991) The theory of Planned Behavior is an extension of the Theory of Reasoned Action. According to him, TPB assumed only factors controlled by person's free will however, there are circumstances and resources beyond individual control and reach such as resources, information, time, money, skills, cooperation of others to the extent that a person has the required opportunities and resources, to perform the behavior so as to succeed in doing so. Collectively he named as "perceived behavioral control". In Theory of Planned Behavior (TPB) not only attitude and Subjective norms determined behavior but also perceived behavioral control significantly affect given performance behavior. Ajzen (1991) stated the resources and opportunities available to a person must some extent dictate the likelihood of behavioral achievement. Of greater psychological interest than actual control, however, is the perception of behavioral control and is impact on intentions and actions. Perceived behavioral control plays an important part in the theory of planned behavior. In fact, the theory of planned behavior differs from the theory of reasoned action in its addition of perceived behavioral control.

2.7 Theory of Technology Adoption Model (TAM)

Using theoretical foundation from TRA Davis (1986) introduced Technology Acceptance Model (TAM) to provide an explanation of the determinants of information system acceptance behavior so as to researchers and practitioners can identify why particular system may be unacceptable and pursue appropriate action. TAM model examines impact of external factor on central belief, attitude and intentions and action (Davis et.al, 1989). Davis (1986) theorized potential user's overall attitude towards computer system is to be a major determinants actual use. According to the theory attitude itself is a function of perceived usefulness and perceived easy of use. From Davis et.al (1989) the attitude to behavioral intention stated that people are willing to act on behavior that have positive outcome

TAM suggested computer usage is determined by Behavioral intention but differs on that Behavioral intention what TRA suggested. TAM formulated system usage is a function person's attitude towards using computer system and perceived usefulness of the system.

2.8 Empirical Review

2.8.1 Perceived Usefulness (PU)

Perceived usefulness (PU) is defined as "the degree to which an individual believes that using a particular system would enhance his or her job performance."

PU in TAM refers a system acceptance is only affected by people's intention and if they believe the system increase their job performance above and over expectation and evoked positive or negative feeling. This because enhanced performance is instrumental achieving various rewards external to the content of the work itself such as a pay increase and promotion (Davis et.al 1989).

Davis (1989) defined perceived usefulness (PU) as the degree to which a person believes that using a particular system would enhance his or her performance or tendency of the people to use or not to use an application is determined by their belief whether it helps them to perform their job better or not.

Daniel et.al (2018) stated perceived usefulness is a significant determining factor of intention to use a particular system and confirmed that perceived usefulness has a direct effect on behavioral intention to utilize internet shopping, real-time training on the web, internet banking, e-commerce, and electronic government services like e-filing

2.8.2 Perceived ease of use (PEU)

Perceived ease of use (PEU) on the other hand is defined as "the degree to which an individual believes that using a particular system would be free of physical and mental effort. Perceived ease of use refers to the degree to which a person believes that the use of a system will be effortless. Perceived ease of use is hypothesized to have a significant direct effect on tax compliance, since all else being equal, a system which is easier to use will result in increased job performance (i.e., greater usefulness) for the user.

2.8.3 Tax Awareness (TA).

Muliari and Setiawan (2011) cited in Daniel et.al (2018) defined awareness of tax is a condition where a person knows, recognizes, respects and obeys the applicable tax provisions seriously and desires to fulfill his or her tax obligations. Similarly, Nugroho (2012) defines tax awareness as consciousness of paying taxes as a form of moral attitude which gives a contribution to the state to support the development of the country and strive to comply with all rules set by the state and can be imposed on the taxpayer.

Tax education, in which ever form, is important and influences revenue mobilization in any nation. Tax education equally has a relationship to tax accountability, compliance and overall revenue mobilization (Abiire et.al 2020). They further pointed the need for tax knowledge is a well-established fact that most people, both in the formal and informal sectors, do not know much about the tax system and the filing and payment processes

The positive role tax awareness has been established in previous research (Daniel & Esther, (2019); Daniel et.al (2018) and Bandara & Weerasooriya (2019)). Nalendro, 2014 cited Daniel & Esther (2018) stated taxpayers' awareness about the perception of the taxpayers determines the behavior in tax compliance claiming that that the higher level of awareness of the taxpayers to understand and implement tax obligations and the taxpayer compliance will be improved. Similarly, Bandara & Weerasooriya (2019) stated tax education, knowledge about tax laws plays a major role in determining taxpayers' compliance behavior and confirmed that increasing the availability of the tax information, results in increased the level of tax compliance confirmed positive relations. Eriksen and Fallan (1996) indicated in Palil &Mustapha (2011) indicated successful means of reducing tax evasion is to provide more tax knowledge to as many taxpayers as possible in order to improve their tax ethics and perceptions of fairness and equity. Their result also implied that, there is a strong suggestion that tax law and tax knowledge should be included as a 'compulsory course in social science in the schools'.

2.8.4 Compliance Cost (CC)

As Hijattulah and Pope (2008) cited Nzioki, and Peter (2014) stated that compliance costs include all costs that are incurred by a company related to tax but are beyond the control of its management hence such cost is likely to affect tax compliance.

Blumenthal and Slemrod, 1996 cited Nzioki and Peter (2014) classified compliance cost as internal and external whereby that internal costs are generated by the accounting and administration department of the company who will prepare all the required information by the fiscal authorities and consult when it is deemed necessary. External costs on the other hand are generated from the service of lawyers, accountants and other advisors and are easier to identify and quantify as compared to the internal costs, these factors contribute to compliance cost and affect tax compliance.

Similarly, Evans and Tran-Nam, (2014) cited Daniel et.al (2018) grouped compliance costs as gross monetary compliance costs and psychological costs. Gross monetary compliance costs include both actual money paid and opportunity costs relating to the time and other resources expended when complying with tax law. He also suggested complex tax laws required taxpayers to hire paid tax return preparers. In addition, complex tax laws may require sophisticated accounting records, which may necessitate hiring bookkeepers, therefore increasing tax compliance costs. Psychological costs, on the other hand, involve the estimation of stress and anxieties resulting from complying with tax laws decreases voluntary tax compliance.

According to Mahangila 2017 complexity of tax system and tax compliance costs are positively interlinked. He suggests complexity of tax system required taxpayer sophisticated accounting records which may necessitate hiring bookkeepers, therefore increasing tax compliance costs.

As indicated Nzioki and Peter (2014) high compliance cost has been found to diminish the competitiveness of the country in terms of taxation attractiveness thus tax authorities are interested in making the tax legislations simpler to avoid this situation. Tax systems with high tax compliance costs might appear to be procedurally unfair and tax compliance costs decrease with an increase in the stability of tax laws coupled with less frequent introduction of new tax laws, because taxpayers incur fewer costs and lose less time as they become conversant with the existing tax laws and reducing tax compliance costs might increase voluntary tax compliance.

Reference to Mahangila (2017) for the purpose of this study tax compliance costs refers to the actual money paid in the process of complying with tax laws.

2.8.5 System Stability

Nakiwala, 2010 as sited Gwaro et.al (2016) The inability of the system to handle huge information during the peak hours may change the perception of the users that the system in unreliable. The online tax filing system must be stable to handle the high traffic during the peak times and must run smoothly and efficiently during the peak times especially closer to the deadlines. However, on Customers in this context may thus opt to utilize the manual filing due to the perception that the system is always unreliable.

On the other hand, computer anxiety affects the adoption of the electronic filing of tax returns. The computer anxiety is defined as the fear and the apprehension felt by an individual when considering the utilization of the computer technology or when actually using it (Nakiwala, 2010). Ramoo (2006)

According to (Ramoo, 2006 sited Gwaro et.al (2016), there are two components of computer anxiety that is the cognitive and the emotive components. The cognitive component underlies the negative expectancies, and the emotional expectancy leads to negative physiological reactions. The computer anxiety has been shown to impact on the perceived ease of use, computer use and computing skills which leads to the low adoption of the electronic filing system. The computer anxiety is most likely to be an issue among the illiterate, semi-illiterate and the elderly taxpayers (Hussein et al., 2010). Some of the traders in the SME sector have relatively low education levels which may reduce their confidence around computer technologies such as the online filing system.

2.9 Summary of prior empirical studies

Table 2.1; Summary of Previous Literature

No.	Author	Country	Method	Main findings
1	Michael (2018)	Ethiopia	Descriptive statistics using survey questionnaire and interview	the study's findings, confirmed electronic tax filing system was useful with many relative advantages and stated that the online system was, operationally easy and not complex to be adopted. And the system was compatible and affordable with existing and past trends. The study also indicated the system infringe on their privacy and lack of confidence and in adequate support from the government
2	Gwaro et. al	Kenya	The study uses the survey descriptive research design	Assess the effect of level of awareness e-tax, computer literacy, perceived security on tax compliance. The study showed only computer literacy had significant effect on tax compliance
3	Daniel et.al	Nigeria	The study employed the survey research design and Data collected were analyzed using descriptive statistics, structural equation model analysis and regression	The study assessed level of awareness, perceived ease of use and system cost. The study revealed that level of awareness and ease of use had positive and significant effect while and compliance cost showed a non-significant negative effect on tax compliance
4	Solichah et al (2018)	Indonesia	survey research design and Data collected	research shows the variable of e-filing

			were analyzed using descriptive statistics, structural equation model analysis and regression	implementation, tax sanction and level of tax comprehension has a significant effect on formal compliance
5	Night an Bananuka (2018)	Uganda	survey research design was used while a cross-sectional and close ended questionnaire used for data collection and correlational data analysis employed to determine the relation between variables	Adoption of electronic tax system and attitude significantly affect tax compliance
6	Nzioki et al (2014)	Kenya	The study used explanatory research design where an open-ended survey questionnaire used for data collection and Data was analyzed using both descriptive and inferential statistics	The study showed tax compliance cost and perceived opportunity for tax evasion had negative effect on level of tax compliance While tax education and knowledge, fines and penalties had positive effect on ta tax compliance.

2.10 Hypothesis of the study

H1: taxpayers' perceived usefulness electronic tax system has positive and significant effect on tax compliance

H2: taxpayers' Perceived Ease of Use attitude towards of electronic tax system has positive and significant effect on tax compliance

H3: taxpayers Level of awareness of electronic tax system have positive and significant effect on tax compliance

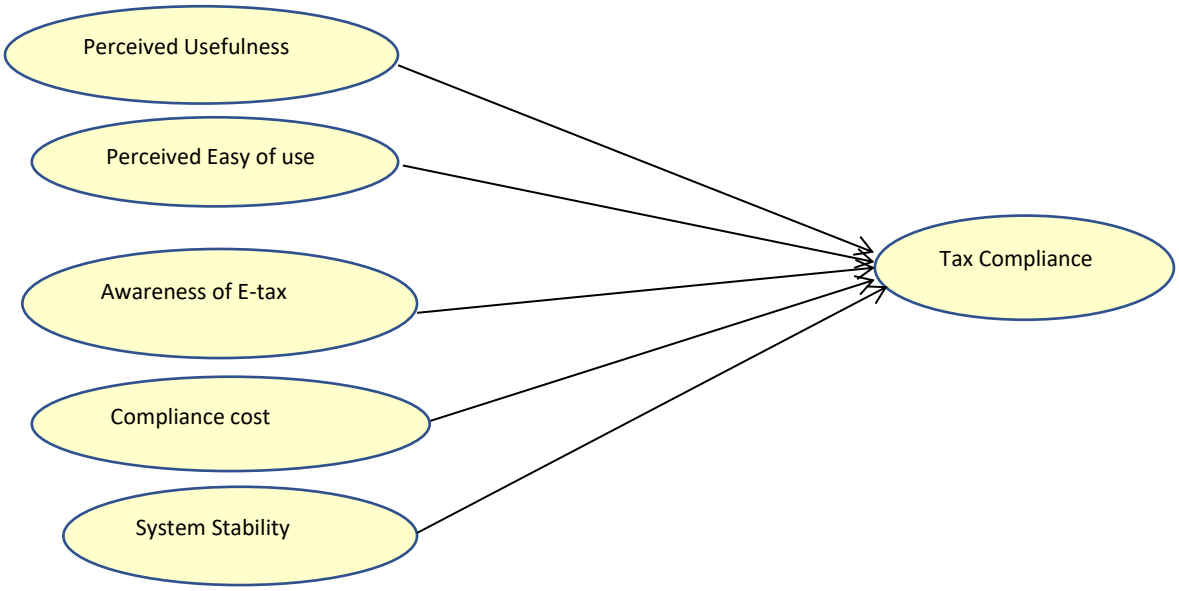
H4: Taxpayers' compliance cost of electronic tax system has negative effect on tax compliance

H5: Electronic tax system stability has positive and significant effect on tax compliance

2.11 Conceptual Framework

Conceptual framework of the study in view of previous literature referring above. The dependent variable, tax compliance significantly and positively affected by independent variable perceived usefulness, perceived easy of use, awareness and system stability while negatively affected compliance cost

Figure 2.1: Conceptual Framework



Source: Authors Adopted from literatures

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

The research design is a road map to follow, explain and meant to resolve research problem and answer research questions. It encompasses research purpose, research approaches, research strategy including study area and type of data, research method including survey design, sample design, method of data collection techniques and data analysis technique.

3.2 Research Design

Kummar (2019) defined research design as a blueprint to follow finding out answer for specific research questions or testing specific hypothesis and specifies the data collection process, the instrument development process and the sampling process. Bryman (2012) also explained a research design provides a framework for the collection and analysis of data. A choice of research design reflects decisions about the priority being given to a range of dimensions of the research process.

The research design that would be used in this study is a cross-sectional survey research design. Bryman (2012) defined cross-sectional research design is the collection of data on more than one case at a single point in time in connection with two or more variables which are then examined to detect patterns of association. Cross-sectional survey research design is appropriate and consistent to our study as the study planned to examine the factors affecting tax compliances under electronic tax system in LTO

3.3 Research Approach

There are three research methods or approaches: these are qualitative, quantitative, and mixed research method. This study used both qualitative and quantitative descriptive research method which is named as mixed research method. According to Creswell (2014) mixed method research is a methodology for conducting research that involves collecting, analyzing, and integrating quantitative and qualitative research. As many scholars explained as quantitative methods

emphasize objective measurements and the statistical, Mathematical, or numerical analysis of data collected through polls, questionnaires, and surveys or by manipulating pre-existing statistical data using computational techniques, according to Mugenda (2003) quantitative study describes as a research approach explaining phenomena by collecting numerical data that are analyzed using statistical approaches. Quantitative research focuses on gathering numerical data and generalizing it across groups of people or to explain a particular phenomenon.

3.4 Data Type and Source

3.4.1 Population and Sample Frame

According to Briman (2012) population is defined us the universe of the study unit from which the sample will be drawn and the study unit further explained as the frame of entity or subject of the study such as nations, cities, regions, firms, group of people etc. Similarly, a sample frame refers the listing of all units in the population from which the sample will be selected and

The target population study is large taxpayers in Ethiopia categorized under Large taxpayer's office of Ministry of Revenue. According to LTO sources, currently there are 630 registered large taxpayer s' served under this office. The unit of analysis of the study would be Large taxpayers company's employee's focal person including accountants, finance managers and supervisors responsible for handling company's electronic tax return, payment, and tax clearances.

3.5 Sample Size and Technique

3.5.1 Sample Technique

Sample refers segment of the population selected for investigation to represent much large population or group about which the researcher wishes to make generalized statements so that the selected part represents the total population (Satpathy and Manaye, 2019)

To ensure generalization research fining and homogeneity of taxpayers categorized as large in reference to revenue generating capacity and similarity challenges faced with electronic tax system compliance, systematic random sampling technique is used to draw sample from the Population 630 large taxpayers listed under LTO.

3.5.2 Sample size

Considering the homogeneity nature of the population, the using Taro Yamane formula is used to determine the sample size as follows

n= N/ (1 + N (e) 2)

Where:

n= sample size

N= population under study

e= margin of error, which is 5% hence

certainty/confidence level = 95%.

n= N/ (1 + N (e) 2)

n= 630/ (1+630[0.07] 2)

n= 630/ (1+ 630[0.0049])

n= 630/ (1+3.087)

n ~154,14

n=154

3.6 Data Sources and Collection Method

In view of the survey design, the study mainly uses primary data sources to elicit data and obtain the knowledge and experience from those who are familiar with the issue to identify the factors affecting tax compliance related to characteristics such as attitude, opinion, interest motivation and view related factors affecting tax compliance.

The research employed structured questionnaire as the main primary research instrument to obtain data. A questionnaire is considered as key tool collecting data as most widely used tool in social research. it contains standardize question whereby respondent can easily understand irrespective of qualification and educational background and position assumed. Data will be collected using self-administrative questionnaire that could be hand delivered and hand collected to respective respondents. The questionnaire survey is based on five-point Likert-scale of strongly disagree, disagree, neutral, agree and strongly agree. The statements in the

questionnaires were structure-based on perceived usefulness, perceived ease of use of e-tax system, compliance cost and system stability and taxpayer's voluntary compliance to tax regulation and proclamation

3.7 Research instruments

The primary data will be collected using a structured, close ended and self-administered five-point Likert scale questionnaire. Likert scale is used as it enables to extract exact information from the respondents on situations, they have already experienced. The questionnaire was developed after reviewing existing literature on the factors affecting tax compliance using electronic tax system. The questionnaire is divided into section (A&B), where A consist of background information about the respondents, while section B covered questions/statements that points to obtaining information about the perception of respondents on the effect of electronic tax system on tax compliance from the taxpayers' end, in line with the variables: e-tax system usefulness, easiness, cost, awareness and system stability. The questionnaire is designed using a five (5) Likert scale of Strongly agree, Agree, Undecided, Disagree and strongly Disagree in such a way that a set of questions/statement was used to assess each of the variables

3.8 Definition and operationalization of variables

3.8.1 Independent Variable

The instrument used for data collection was a 44-item instrument adapted from prior studies but modified by the authors to investigate tax compliance intentions and the behavior of the individual taxpayer under LTO.

Table 3.1; Operationalization of Independent Variable

Variable	definition	Indicator	Source	Measurement
Perceived Usefulness (PU)	individual believes that using a particular system would enhance his or her job performance	○ Timely tax report ○ Timely clearance ○ Quality of tax report ○ Accurate reporting ○ Enhanced performance	Davis (1986) and Daniel and Esther (2019)	8 items level of agreement on on a five-point Likert scale questionnaire
Perceived ease of use (PEU)	a system free of physical and mental effort	○ Easy to use ○ Easy to learn ○ Clear and understandable ○ Fast and convenient ○ User friendly	Davis (1986) and Daniel and Esther (2019)	10 items level of agreement on on a five-point Likert scale questionnaire
E-tax awareness (ETA)	an online platform that enables the taxpayer access tax services through the internet	○ widely used ○ availability of training ○ willingness to use	Daniel and Esther (2019)	6 items level of agreement on on a five-point Likert scale questionnaire
E-tax compliance cost (CC)	Cost incurred to complying e-tax obligation	○ Cost reduction ○ Affordability	Daniel and Esther (2019)	6 items level agreement on on a five-point Likert

				scale questionnaire
System stability (SS)	Un interrupted and multifunctional system	○ Less interruption ○ Reliable connectivity ○ Multifunctional	Gwro et al (2016), Davis (1986), Daniel and Esther (2019)	7 items level of agreement on on a five-point Likert scale questionnaire

3.8.2 Dependent variable

Table 3.2; Operationalization of Dependent Variable

Variable	definition	Indicator	Source	Measurement
Tax compliance (TC)	willingness to comply with relevant tax regulation by paying all taxes	paying tax regularly, voluntarily and timely, reporting all taxable source income -better interaction	Daniel and Esther (2019), Night and Bananuka 2018, Gwro et al (2016)	7 items level of agreement on on a five-point Likert scale questionnaire

3.9 Reliability and Validity

3.9.1 Reliability

According to Bryman (2019), reliability is fundamentally concerned with issues of consistency of measures. He defined reliability as the ability of a measure producing consistent result across time and gives approximately the same result each time when measured under different conditions. Reliability involves two important concepts: stability and internal reliability. Stability entails ability of a measure produced little variation over time as results administering it. Internal reliability refers respondents' scores on any one indicator tend to be related to the scores on the other indicators.

Cronbach's alpha is a commonly used test of reliability. A reliability coefficient is a numerical index that shows stable or consistent measure across two or more administrations. To this end a pilot study will be conducted from 6% (5 respondents) randomly selected LTO taxpayers where the respondents were not included in the final sample. The reliability of the measurement shall be established using Cronbach's coefficient of alpha test and Alpha coefficient was above 0.70 ($\alpha \geq 0.7$) which was reliable. As shown below Cronbach's coefficient of alpha is minimum .930 showed measurements reliability under this study is confirmed.

3.9.2 Validity

Validity refers to the issue of whether an indicator that is devised to gauge a concept really measures that concept (Bryman 2019). The most important validity measure is face and content validity.

A comprehensive approach is followed to ensure face and content validity of the survey instrument. In the first, an extensive literature review was used to develop questions for the survey. In the next step the survey instrument is pretested to three randomly selected LTO taxpayers to ensure the clarity and avoid ambiguity of the constructs so that Items in the

questionnaire which were not understood by the respondents were clarified before full scale collection of the data.

3.10 Data Analysis

3.10.1 Descriptive Statistics:

Prior to the data entry into the statistical tool, the study screened, edited, and cleaned all data collected through the questionnaires to minimize errors and data inconsistencies. Following data cleaning, it will be coded, tabulated, analyzed and interpreted with descriptive statistics using Statistical Package for Social Science(SPSS) version 24 such as frequency tables, percentage, mean and standard deviation concerning factor affecting tax compliance under e-taxing.

3.10.2 Model Specification: inferential statistics

in line with theories and literatures reviewed, multiple linear regression model is specified used to predict tax compliance using the five independent variables in the study: usefulness, ease of use, awareness, cost and system stability tax compliance cost, in view of the literature.

The regression model is therefore stated as follows

$TC = X_0 + X_1PEU + X_2ETA + X_3SS + X_4PU + X_5CC + \acute{\varepsilon}$ ---------- *equation*

Where;

PEU=Perceived Ease of Use-predictor variable

ETA=E-Tax Awareness-predictor variable

SS = System Stability -predictor variable

CC= Cost of tax compliance-predictor variable

PU=Perceived Usefulness-predictor variable

TC= Tax compliance-predicted-dependent variable

X_0 *= constant*

X1, X2, X3, X4 and X5,=coefficient/value of predictor variable

$\mathcal{E}$ *=Error term*

Each independent variable generated from the model will be subject to a z –test, in order to test each of the hypotheses under studied. All the above inferential statistical tests were analyzed using the Statistical Package for Social Sciences (SPSS), version 20. All tests were two-tailed with significant levels were measured at 95% confidence level with significant differences recorded at $p < 0.05$. Besides, diagnostic tests of normality, linearity, homoscedasticity and multicollinearity (serial correlation) of the regression model will be tested to ensure the model predictability and validity.

Ethical considerations

In the context of research, ethics is referring obligation of the researcher keeping confidentiality, non-disclosure and anonymity of participant in the study. Bryman (2019) defined ethical consideration is a series of action expected from a researcher includes protecting participants from harm, ensuring voluntary participation, protecting participant privacy and free from deception. This study was guided by the general rules of research ethics in such a way that respondents were requested to provide information on voluntary basis, and in a manner that confidentiality of the information were guaranteed.

Before going out to conduct the study organizational consent will be sought and secured from the LTO and sample organization. Moreover, the purpose of the study was clearly explained to respondent and personal consent will be sought form them and All respondents were assured of confidentiality, non-disclosure and anonymity and will be given the room to either decline or accept to participate.

CHAPTER FOUR

DATA ANALYSIS RESULT AND DISCUSSION

4.1 Introduction

Under this chapter the result obtained from questionnaire survey is presented and analyzed. First response rate of the study discussed and followed by presentation of demographic characteristics of the respondents. It follows with descriptive statistics analysis of respondents on variables presented.

Then using inferential statistics, the data gathered from respondents discussed and analyzed and the findings are carefully examined and presented in order to analyze the effect of independent variables on the dependent variable. Finally, findings have been organized in accordance with the study objectives.

4.2 Reliability Test Result

Table 4.1; Reliability results

Scale	Number of items	Cronbach's Alpha
Perceived Usefulness	8	.947
Perceived easy of use	10	.944
Tax Awareness	6	.940
Compliance cost	6	.937
System Stability	7	.940
Tax Compliance	7	.944

4.3 Response Rate of Respondents

One hundred fifty-four questionnaires were distributed to the respondents and out of these questionnaires; ninety-six of it were collected that accounts 62.3% response rate. Accordingly, the analysis of this study is based on the number of questionnaires collected. Here the statistical program used for the analysis and presentation of data in this study is the Statistical Package for the Social Sciences (SPSS) version 24.

4.4 Demographic Characteristics of Respondents

Table 4.2- Gender and Age distribution of respondents

Characteristics		Frequency	Percentage (%)
Gender	Female	36	37.5
	Male	60	62.5
	Total	96	100
Age	18-30	30	31.3
	31-45	53	55.2
	46-55	11	11.5
	>=56	2	2.1
	Total	96	100
Level of Education	<=12 grade	1	1.0
	Diploma	18	18.8
	Bachelor's Degree	61	63.5
	Master's Degree and Above	16	16.7
	Total	96	100

Source: Survey response (2021)

Table 4.1 shows gender status of respondent. As shown more than 60 percent of respondents are male while one third are female.

As indicated Table age distribution indicated that majority of the respondents are between 31 and 45 followed by 18 to 30 indicating that majority of study participants are below 45 indicates the work force of LTO firms are youth showing easy adoption of e-taxing as workforce are able to use computer and webpage with lees difficulty.

Education plays vital role on every aspect of life in general taxpayer's compliance to tax regulation and requirements in particular. Besides, education provides taxpayers with knowledge of respondents on tax issues, and the ability to understand issues relating to their field of profession. From Figure 4.1 majority (63.5) of the respondents are degree holders and 18.8 percent are having diploma certificates and other 16 had post graduate degree. This means that all the respondents had high and the required educational background enable them to comprehend complexity and better understanding to tax compliance issue , challenge and opportunities under electronic system.

Table 4.3: Respondent position, type of business and ownership structure of respondent firms

Position	**Owner and Manger**	**7**	**7.3**
	Accountant	26	27.1
	Officer	19	19.8
	Manager	19	19.8
	Cashier	25	26.0
	Total	96	100
Business Type	wholesale and retail trade	20	20.8
	Manufacturing	29	30.2
	Agriculture	17	17.7
	Construction	16	16.7
	Finance and Insurance	10	10.4
	Transportation and Storage	4	4.2
	Total	96	100
Ownership	Partnership	37	38.5
	Share Company/Corporation	59	61.5
	Total	96	100

Source: Survey response (2021)

Being informant for the study participant exposure and role in an organization relate to e- tax compliance issue and activities is important to have firsthand and relevant information . As

indicatable 4.3 one fourth of the respondents are having accounting role with position while other more than 44percent respondents are held officer and managerial position in various level. Similarly other 25 percent constitute cashers who are directly responsible disbursement tax assessed and visited tax office regularly as focal person.

Table 4. 4 Status of Electronic tax use and purpose

Status of Electronic Tax Use	**Yes**	**96**	**100**
	No	0	0
Purpose of Elect. Tax Use	Registration	6	6.3
	Electronic filling	77	80.2
	Electronic Payment	4	4.2
	Information	8	8.3
	Other	1	1.0
	Total	96	100

Source: Survey response (2021)

As shown table 4.3 all respondents are required and using electronic tax system LTO. However, the table showed us that 80 percent of taxpayers' under LTO confirmed mainly use e-filing tax repot unlike the complete package of e-taxing package constitute e-payment, registration and information communication. This further indicated the LTO office is not implementing that complete package of e-taxing system particularly e- payment feature of the package/e-taxing platform.

4.5 Descriptive Statistics results of the research variables

Pursuant to understand the effect of perceived usefulness, ease of use, tax awareness, system quality and cost associated electronic tax, on tax compliance, respondent responses on variables measured on five point Likert scale with: 1= strongly disagree, 2= disagree, 3 = neutral, 4= agree and 5= strongly agree.

4.5.1 Perceived usefulness

Table 4.5; Summery of Variables- Perceived Usefulness

No.	Item		strongly disagree	disagree	Undecided	Agree	Strongly Agree	Total
1	Using electronic tax system improves quality tax report	Frequency	2	13	2	32	47	96
		Percent	2.1	13.5	2.1	33.3	49	100.0
2	Using electronic tax system enables us to meet tax obligation timely	Frequency	6	20	19	37	14	96
		Percent	6.3	20.8	19.8	38.5	14.6	100.00
3	I preferred manual reporting and payment than e-taxing	Frequency	14	41	17	24		96
		Percent	14.6	42.7	17.7	25		100
4	Using E-tax system reduce errors reporting tax	Frequency	5	22	14	28	27	96
		Percent	5.2	22.9	14.6	29.2	28.10	100
5	E-taxing allow us filing tax return without hassle	Frequency	1	8	6	35	46	96
		Percent	1	8.3	6.3	36.5	47.9	100
6	Using E-tax system improves performance	Frequency	6	10	5	34	41	96
		Percent	6.3	10.4	5.2	35.4	42.7	100
7	I can assess and pay my tax obligation accurately	Frequency	6	10	5	34	41	96
		Percent	6.3	10.4	5.2	35.4	42.7	100
8	Overall, I find the electronic tax system useful in my job	Frequency	7	18	15	39	17	96
		Percent	7.3	18.8	15.6	40.6	17.7	100

Source: Survey response (2021)

Respondent opinion on the notion e-taxing improve quality of the survey respondents are profoundly agreed by 82.3%. 40.6% are in disagreement with notion that e-taxing improves quality report the other 35 percent ascertain positively. Regarding assistance of e-taxing to meeting tax obligation n on timely manner 53 % respond are agreed and other 26 % refute the notation. On the issue of comparison between manual to electronic 57% percent are in favor of electronic and other 25 % strangely prefer manual reporting. Similarly, 55 % support the ability e-taxing in reducing reporting error while other 28 percent thinks e-taxing do not reduce occurrence of an error on tax reporting. Regarding reduction of taxpayers' hassle as result of using e-taxing 84.4 % are agreed that e-taxing makes paying tax easy. Similarly, 58 % of respondent strongly believe that e-taxing improve their performance on their duty. Finally, 58 % (17.7stronglry) agreed that e-taxing make paying tax is simple and easy and other 26.1 5 are not satisfied and paying tax is not much is easy as expected.

4.5.2 Easy of Use

Table 4.6: Summery of Variables- Ease of Use

	Item		strongly disagree	disagree	Undecided	Agree	Strongly Agree	Total
1	I find it easy to get the electronic tax system to do what I want it to do	Frequency	10	11	14	30	31	96
		Percent	10.4	11.5	14.6	31.3	32.3	100
2	I found electronic tax system cumbersome use	Frequency	12	29	17	22	16	96
		Percent	12.5	30.2	17.7	22.9	16.7	100
3	Learning E-tax system is easy for me	Frequency	4	11	2	57	22	96
		Percent	4.2	11.5	2.1	59.4	22.9	100
4	The e-tax system is clear and understandable	Frequency	4	4	16	17	55	96
		Percent	4.2	4.2	16.7	17.7	57.3	100
5	Interacting with electronic tax system requires a lot of mental efforts	Frequency	7	40	22	19	8	96
		Percent	7.2	41.7	22.9	19.9	8.3	100
6	I make errors frequently when I use electronic tax system	Frequency	8	45	15	22	6	96
		Percent	8.3	46.9	15.6	22.9	6.3	100
7	The e- tax system is fast and convenient compared to old manual system	Frequency	5	12	9	50	20	96
		Percent	5.2	12.5	9.4	52.1	20.8	100
8	The electronic tax system is user friendly	Frequency	4	14	5	38	35	96
		Percent	4.2	14.6	5.2	39.6	36.5	100
9	I am happy and satisfied with e-tax system	Frequency	5	6	11	30	44	96
		Percent	5.2	6.3	11.5	31.3	45.8	100
10	Overall, I find the electronic tax system easy to use	Frequency	8	34	27	24	3	96
		Percent	8.3	35.4	28.10	25	3.1	100

Source: Survey response (2021)

Regarding perceived easy of use respondent are adamant for the e-taxying system. On the issue of easiness to do the activity 31% agreed and equally other 30 percent strongly agree over all the item received positive feedback. Similarly on the next item characterizing e-taxing as cumbersome 42 percent refute the statement while other use 39% replied that e-taxing is being cumbersome to them. On the other hand, on the agreement learning e-taxing is being easy more than 82 % approved the statement and 15.7 % found learning for -e-taxing is difficult to them. Similarly, 75% of the respondents claimed foster the e taxing system as clear and understandable. Onn the reverse question prompted e-taxing system requiring a lot of mental

effort, 41.7% and 22.9 % replied as strongly disagree and disagree respectively. Only, 30 percent of respondent agree that e-taxing need significant mental effort. Also, on the item querying e-taxing exposure to an error 55% argued negatively and other 29.2% confirmed positively. On the question confirming e-taxing fast and convenient method ,72.9% rated agreed and strongly agree and only 17.7 question conversely. On the other hand, 76.1% are stated that the system is user-friendly and on the happiness level other 77.1% responded positively.

4.5.3 Tax Awareness

Table 4.7 Summery of Variables- Tax Awareness

	Item		strongly disagree	disagree	Undecided	Agree	Strongly Agree	Total
1	Electronic tax system is being a popular method of reporting tax filing	Frequency	18	28	17	31	21	96
		Percent	18.8	29.2	17.7	32.3	2.1	100
2	I have been trained about using electronic tax system	Frequency	8	37	16	28	7	96
		Percent	8.3	38.5	16.7	29.2	7.3	100
3	I will use electronic tax system if I get good knowledge of it	Frequency		5	14	49	28	96
		Percent		5.2	14.6	51	29.2	100
4	Tax officials usually providing me training and update on new development	Frequency	6	23	15	43	9	96
		Percent	6.3	24	15.6	44.8	9.4	100
5	The level of training provided about electronic tax is enough	Frequency	18	27	9	26	16	96
		Percent	18.8	28.1	9.4	27.1	16.7	100
6	use Ministry of Revenue e-tax system related site navigation	Frequency	12	17	12	35	20	96
		Percent	12.5	17.7	12.5	36.5	20.8	100

Source: Survey response (2021)

In regarding to prevailing/popular use of e-taxing system, 52.4% replied in agreement with the stamen while other 46% sated is differently. This shows that even within large taxpayers' e-taxing is not default tax system indicating that the LTO office not fully digitize the taxing system. On the agreement on the adequacy of training provided 46.9 claimed that the training is not sufficient and other 9.4 are neutral. Only 43.8 confirm training participation. Similar on the provision of ongoing training 54.2 confirmed positively while other 30.3. denied updated training on new development and refreshments.

4.5.4 Compliance cost

Table 4.8: Summery of Variables- e-taxing compliance cost

	Item		strongly disagree	disagree	Undecided	Agree	Strongly Agree	Total
1	All cost paid under manual era is being reduced	Frequency	2	13	2	32	47	96
		Percent	2.1	13.5	2.1	33.3	49	100
2	The cost of paying tax under manual era is cheaper compared e-tax system	Frequency	15	40	10	27	4	96
		Percent	15.6	41.7	10.4	28.1	4.2	100
3	Cost of staff training under E-tax system is high	Frequency	10	49	17	19	1	96
		Percent	10.4	51	17.7	19.8	1	100
4	E-tax requirement cost is affordable for our company	Frequency	4	23	21	36	12	96
		Percent	4.2	24	21.9	337.5	12,5	100
5	Cost of equipment and internet affected the use of e-tax system	Frequency	32	43	3	14	4	96
		Percent	33.3	44.8	3.1	14.6	4.2	100
6	E-tax compliance cost is negatively affecting use of the system.	Frequency	6	24	15	31	20	96
		Percent	6.3	25	15.6	32.3	20.8	100

Source: Survey response (2021)

In view of cost side, 82.3% of respondent agreed that compliant cost under e- taxiing are significantly reduced compared to manual era appreciate cost saving potential of e-taxing. Similarly, respondent is not different cost of paying tax between manual and e-taxing. Only 20.8 % claimed that cost of staff training is high with-taxing and more than 57.3 % did not shar this notion and found staff training cost not much significant.78 % the respondent confirmed cost associated to internet, computer and training and related accessories are not significant under e-taxing and 78.1%t assured cost of e-taxing not affected use of the system and only 16.1 % argued that e-tax compliance cost negatively affect use of the system.

4.5.5 System Stability

Table 4.9: Summery of Variables- System stability

	Item		strongly disagree	disagree	Undecided	Agree	Strongly Agree	Total
1	Slow internet connection and power interruption limit use of e- tax system	Frequency	8	4	5	32	47	96
		Percent	8.3	4.2	5.2	33.3	49	100
2	The system is reliable and effective irrespective of user traffic	Frequency	10	39	13	23	11	96
		Percent	10.4	40.6	13.5	24	11.5	100
3	Malfunctioning not likely while using the platform	Frequency	46	35	6	8	1	96
		Percent	47.9	36.5	6.3	8.3	1.0	100
4	E-tax system hang up leads delay in submission	Frequency	6	10	5	34	41	96
		Percent	6.3	10.4	5.2	35.4	42.7	100
5	E-tax system hang up leads unwillingness to file return	Frequency	3	13	14	26	40	96
		Percent	3.1	13.5	14.6	27.1	41.7	100
6	System hang up lead compromised information submitted	Frequency	2	5	4	34	51	96
		Percent	2.1	5.2	4.2	35.4	53.1	100
7	System hang up lead to incurrence of costs to pay manually	Frequency	4	4	10	51	27	96
		Percent	4.2	4.2	10.4	53.10	28.1	100

Source: Survey response (2021)

Regarding system stability, the survey result indicated positively in relation to questionnaire. On the limitation system use as result of power interruption and slow internet connection 79% of agreed positively and only 2 percent claimed such incident does not have an impact on the use of the system. On the system hung up issue, 88.5% the informant confirmed experiencing compromised information submitted/received from tax office as result of system hung up and interruption.

4.5.6 Tax Compliance

Table 4.10 Summery of Variables- System stability

	Item		strongly disagree	disagree	Undecided	Agree	Strongly Agree	Total
1	Using electronic tax system improves tax compliance	Frequency	2	13	2	32	47	96
		Valid Percent	2.1	13.5	2.1	33.3	49	100
2	E-tax system enables as to file all taxable income	Frequency	1	5	5	49	36	96
		Valid Percent	1	5.2	5.2	51.0	37.5	100
3	E-tax system enables voluntary tax compliance	Frequency	8	4	5	32	47	96
		Valid Percent	8.3	4.2	5.2	33.3	49	100
4	E-tax system helping us to void penalty and fine associated with delay tax reporting	Frequency	4	5	10	59	18	96
		Valid Percent	4.2	5.2	10.4	61.5	18.8	100
5	Interaction with tax official is easier and better	Frequency	1	8	6	35	46	96
		Valid Percent	1	8.3	6.3	36.5	47.9	100
6	E-tax system reduced substantial tax liability	Frequency	6	10	5	34	41	96
		Valid Percent	6.3	10.4	5.2	35.4	42.7	100
7	E-taxing promote us to pay tax Regularly	Frequency	6	10	5	334	41	95
		Valid Percent	6.3	5.6	2.8	19.2	23.2	100

Source: Survey response (2021)

4.6 Inferential Statistics

4.6.1 Correlation Analysis.

Correlation analysis as aforesaid measures the degree of association between variables. It is formally represented as *r* and its values range between negative one and positive one ($-1 \leq r \leq 1$). A value of -1 or close to it indicates a strong negative relationship while a value of 1 or close to it indicates a strong positive relationship. (Gujarati & Porter, 2009) This study uses Pearson 's Correlation to test the relationship of variables at 5% level of significance. Results are as follows**:**

Pearson's Product Moment Correlation Coefficient was used to determine the relationship between the following variables.

Table 4.11 Correlation Statistics

	Usefulness	Ease of use	Tax awareness	Compliance cost	System stability	Tax compliance
Usefulness	1					
Easy of use	.768**	1				
Tax awareness	.744**	.847**	1			
Compliance cost	.802**	.875**	.856**	1		
System stability	.714**	.812**	.813**	.855**	1	
Tax compliance	.717**	.808**	.795**	.794**	.779**	1
***Correlation is significant at 0.01 level (two tailed)*						

The Pearson Correlations are summarized and presented in table 4.11 showed that perceived usefulness, easy of use, usefulness, tax awareness, system stability have positively and significantly correlation on tax compliance level (r=0..808,.717 .795, and .779 ,ρ<0.01).Thus as indicated perceived easy of use, usefulness, tax awareness, system stability has 80.8, 71.7.79.5 and 77.9 % positive significance relationship with tax compliance. Similarly, unlike the literature compliance cost has similar positive and significant correlation with tax compliance indicating that increased cost rosulated compliance cost. One can accept reasonable and realistic e-tax adoption costs such as equipment and internet costs are acceptable while ongoing and high-cost requirement impede tax compliance

As the above result indicates all the independent variables which selected in this study has positive relationship with the tax compliance. The p value also indicates the perceived usefulness, ease of use, tax awareness and e system stability, has are considerably affected willingness of the taxpayers to pay their tax on time complying with all available requirements . So, the result of the collected data shows the researcher that the research should be done. The independent variables significantly affect the dependent variables.

The correlation indicates that the positive increment in the independent variables have positive effect on the tax compliance level. The taxpayers would show positive response towards their tax

duties when they believed the e-taxying system easy to use, useful, stable connectivity and good knowledge of the system. Thus, Continuous training and creating awareness e-taxing system has positive impact on avoiding not tax compliance behavior of the taxpayers. And also, they give them sufficient understanding about the taxes which they paid for their better tomorrow.

4.6.2 Regression Analysis.

The main objective of regression analysis is to predict the average value of one variable on the basis of the fixed values of other variables. This relationship is done in a set-up of a model which follows a certain distribution that has to adhere to certain assumptions. Furthermore, multiple regressions allow researchers to examine the effect of more than one independent variable on one dependent variable response at the same time

It also seeks for the linear relationship between a dependent variable and several independent variables. For some research questions, regression can be used to examine how much a particular set of independent variables can explain sufficiently the outcome.

In this research multiple linear regression model was used to predict the effect of outcome predicted variable, tax compliance under electronic setting in view of predictor variables: ease of use, perceived usefulness, tax awareness , compliance cost and system stability.

4.6.3 Testing assumptions of multiple leaner regression

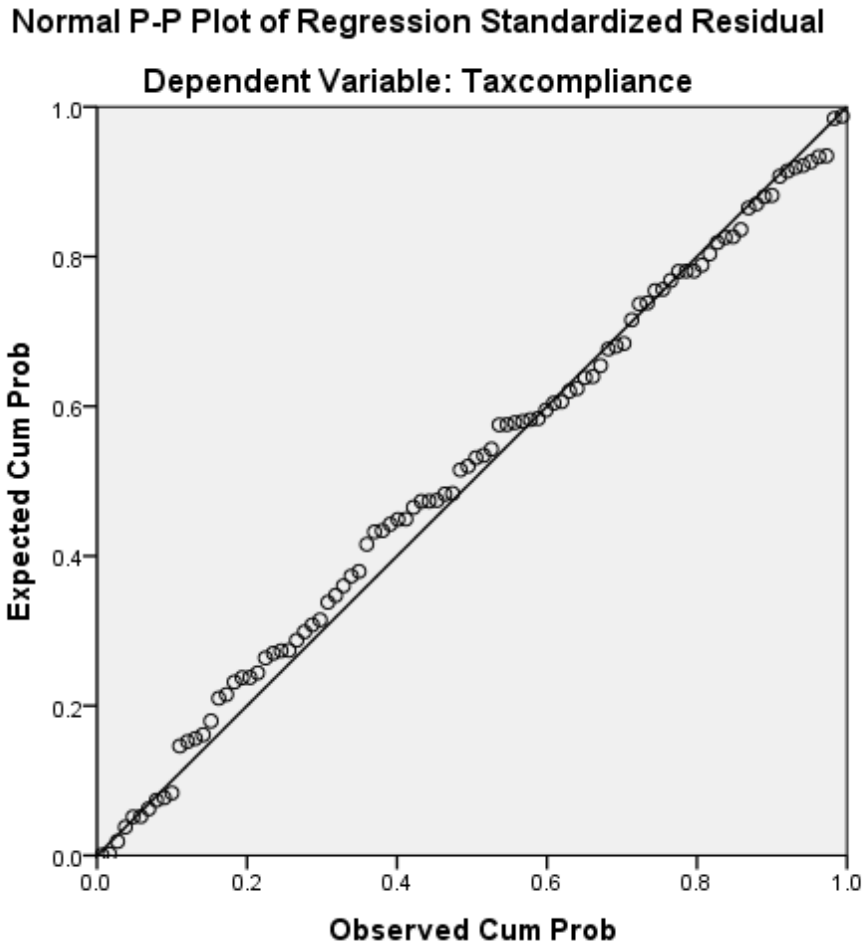
Cognizant to literature, the Linear Regression Model used in this study has four main assumptions. First, it is assumed that there is a linear relationship between dependent and independent variables. Second, the assumption rules out possibility of an exact linear relationship among independent variables (no multicollinearity). Third, the assumption of spherical disturbances that assumes the variance of the error term is constant (homoscedastic) and uncorrelated. Fourth, strict erogeneity in which the expected value (mean) of the error term given an independent variable(s) is zero.

4.6.3.1 Linearity assumption

Linearity assumption refers the situation where the mean values of the outcome variable for each increment of the predictor(s) lie along a straight line (Field 2005).

Linearity can easily examine by residual plots (Ho 2006). To test linearity of the data, scatter plot diagrams below has been assessed and indicated a good linear relationship, which allows us to conduct a linear regression analysis.

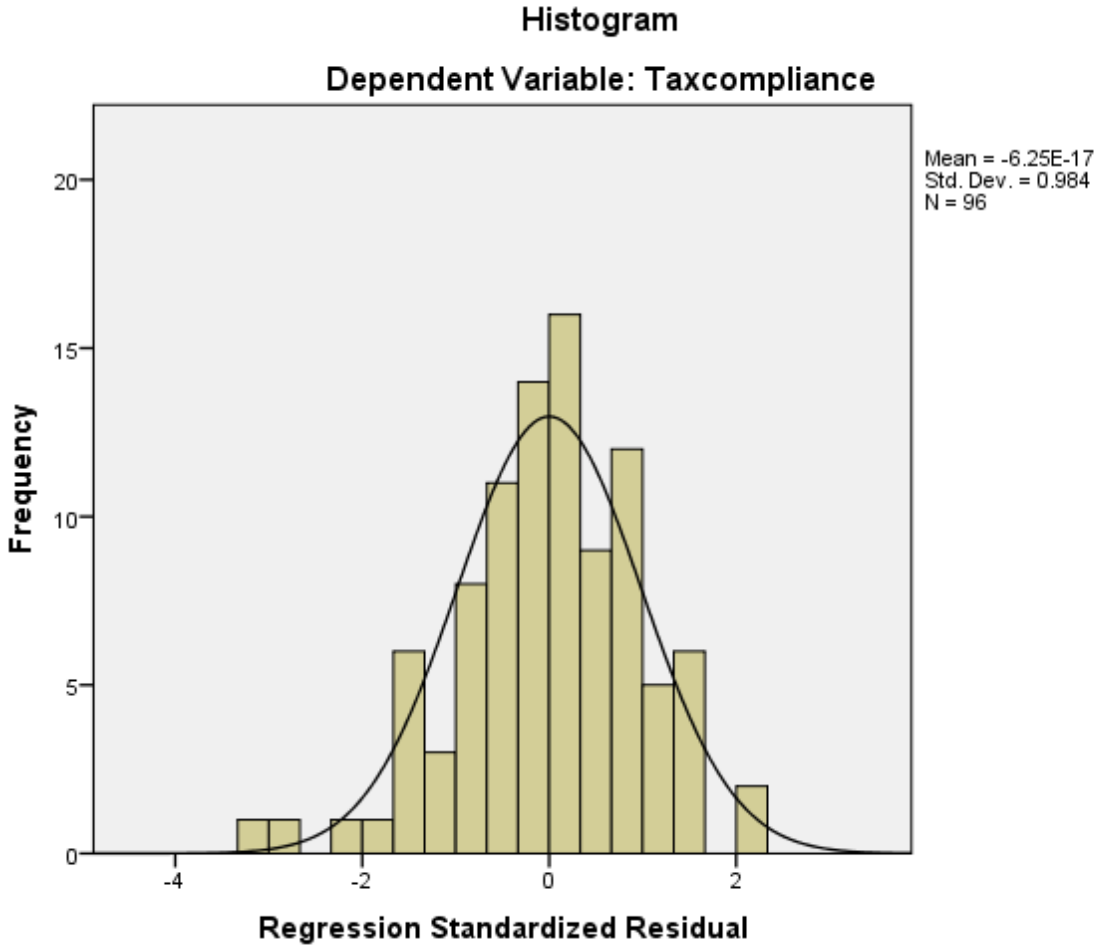
Linearity can easily examine by the magnitude of the relationship between variable pairs, calculating Pearson correlation coefficients to examine relationships between the DV and the IVs. The Pearson's Bivariate Correlation results indicate a strong correlation between variable (r = .717 to Maximum of .808 with $p < 0.001$). So, One can conclude that there is a linear relationship between variables and thus not violating the linearity assumption



4.6.3.2 Normality assumptions

It is the assumption that the residuals in the model are random, normally distributed variables with a mean of 0. Normality assumption can be detected by constructing a histogram of residuals, with a visual check to see whether the distribution approximates the normal distribution (Ho 2006).

The residuals histogram as shown below indicates_fairly normal distribution. Thus, based on these results, the normality of residuals assumption is satisfied. I also check the P-plot on SPSS to ensure normality of the data and most of them showed perfect normal distribution and the rest are closely normal distributed.



4.6.3.3 Multicollinearity Assumption

Multicollinearity exists when there is a strong correlation between two or more predictors in a regression model. If there is perfect collinearity between predictors it becomes impossible to obtain unique estimates of the regression coefficients because there are an infinite number of combinations of coefficients that would work equally well (Field 2005).

To determine the existence of multicollinearity, variance inflation factors (VIF) is examined. The largest of the resulting VIF scores in the model given in Table 4.12 is 4.22, which is far below the maximum level of 10 suggested by Myers (1991) quoted in Field (2005). This indicated that multicollinearity was not a problem with our data.

4.6.4 Result of Regression analysis

To analyze the effect of ease of use, perceived usefulness, tax awareness, compliance cost and system stability on tax compliance under e-taxing setting proposed in the literature, a multiple regression analysis using the statistical package SPSS 24 has been analyzed.

R2 is the proportion of the total variation on outcome variable explained by predator variables (Mendenhall, 2009, Filed 2005). Similarly, Ho (2006) explained that R-square is the square of the correlation coefficient between Y (the observed value of the dependent variable) and the predicting value of from the fitted regression line.

4.6.4.1 Model Summary

Table 4.12; Model Summary

					Change Statistics					Durbin-Watson
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change	
	.846	.715	.706	2.24293	.018	5.786	1	92	.018	2.460

Predictors: (Constant), Easy of use, System stability, Tax awareness

Dependent Variable: Tax compliance

In the model I found that from predictor variable perceived usefulness and compline cost is rejected from the regression model indicating that the two variables do not have significant predicating capacity on tax compliance under electronic context. The model however showed a good fit of ease of use, system stability, tax awareness into the regression model showing R2 value of .715.

From the model the adjusted R^2 is 0.706 and R^2 = .715. Thus, the R^2 = .715 indicated that the independent variables: ease of use, perceived usefulness, tax awareness, compliance cost and system stability explain 71.5% of the variation in the dependent variable tax compliance under e-taxing context can be considered as very good fit of model and the remaining percentage (28.50%) of the variance in tax compliance under e-taxing is being affected by other variables other than those identified as predictor variable.

4.6.4.2 Testing for significance of model (ANOVA)

In addition to the regression outcome, the predictor independent variable generated from the model was subject to a test significance, in order to test each of the hypotheses under study. The study thus came up with a model summary, the ANOVA for the effect sizes and the regression model as presented in table 4.11 the findings indicated summarized as follows

Table 4.13: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	1161.580	3	387.193	76.966	.000[d]
	Residual	462.826	92	5.031		
	Total	1624.406	95			
Dependent Variable: Tax compliance						
Predictors: (Constant), Easy fuse, System stability, Tax awareness						

As shown on the above able, The F-test is the test of significance of the multiple linear regressions (Mendenhall, 2009). In our regression model the p-value for the F statistics is highly significant i. ($p < 0.0001$) with F value 76.96. This result tells us that there is less than a 0.01%

chance that the null hypothesis is true (Field 2005). Therefore, from our regression model it can be concluded that ease of use, system stability, tax awareness is statistically significant effect on tax compliance under e-taxing in LTO.

4.6.4.3 Regression coefficient analysis

Contrasting to the research hypothesis; perceived usefulness, perceived easy of use, tax awareness , compliance cost and system stability that hypothesized as significantly affect tax compliance, the regression output including the coefficient analysis confirmed only easy of use, system stability, tax awareness are significantly predicting the outcome variable, tax compliance at most p- value of < 0.05.

Table 4:12 Regression Coefficient

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	7.842	1.427		5.495	.000		
Easy of use	.224	.070	.365	3.199	.002	.238	4.200
System stability	.212	.085	.259	2.487	.015	.286	3.500
Tax awareness	.272	.113	.275	2.405	.018	.237	4.224

The three independent variables having positive effect on the dependent variable, tax compliance as indicated by their coefficients are indicated on below linear regression equation. The regression results of the coefficient analysis in table 4:12 show that each of the predicted parameters in relation to the independent factors were significant; $\beta 1=0.365$ (p-value=0.002 which is less than $\alpha=0.05$) which implies that one can reject the null hypothesis stating that there is no significant relationship between easing tax system using e-tax and tax compliance level. This indicates that for each unit increase easing tax system, there is 0.365 units increase on tax compliance level. Furthermore, the effect of easing e-taxing was stated by the t-test value=3.199which implies that the standard error associated with the parameter is less than the effect of the parameter.

The value of $\beta 2=0.259$ (p-value=0.015 which is less than $\alpha=0.05$) which implies that the Null hypothesis stating that there is no significant relationship between system stability and tax compliance level. This indicates that for each activity increasing system stability, there is up to 0.213 units increase in tax compliance level. The effect of system stability is stated by the t-test value=2.487 indicate that the effect of system stability is far from the standard error associated with it.

The findings also showed that $\beta 3$ was 0.275 (p-value=0.018 which is less than $\alpha=0.05$) which Implies that one cam reject the null hypothesis that states that there is no significant relationship between tax awareness and tax compliance levels. This implies that there is up to 2.75unit increase in tax compliance for each unit increase in tax awareness

4.7 Result of Hypothesis Test and Discussion on Findings

Hypothesis1:

It has been stipulated that perceived usefulness electronic tax system has significant effect on tax compliance level under Hypothesis1.

The research findings show usefulness electronic tax system has no significant and positive effect on tax compliance and hence reject hypothesis and accept the null hypothesis. The result underline perception usefulness of electronic tax system doesn't have much implication on taxpayer motivation to comply on tax requirements

Hypothesis2: taxpayers' Perceived Ease of Use attitude towards of electronic tax system has positive and significant effect on tax compliance

The result showed that easy e-taxing has significant effect on tax compliance level. The research findings showed in consistency with the hypothesis hence, easy of e-taxing system has positive and significant effect to tax compliance level (coefficient estimate ($\beta 1$ =0.365, p value=0.002) and thus, accept the hypothesis.

Hypothesis 3: taxpayers Level of awareness of electronic tax system have positive and significant effect on tax compliance

Similarly, hypothesis 3 confirmed that awareness of e-taxing has significant effect on tax compliance level. The research findings showed in line with the hypothesis; increased awareness of e-taxing has positive and significant effect to tax compliance level with coefficient estimate $\beta 2$=0.259 (p-value=0.015 and thus, accept the hypothesis.

Hypothesis 4: Taxpayers' compliance cost of electronic tax system has negative effect on tax compliance

Contrasting to the hypotheses, the result underpins operational cots committed for equipment, utilities and training and manpower have no implication on the level of tax compliance under LTO taxpayers' either positive or negative. This may be true capacity of taxpayers under LTO, and the amount of tax expenditure is much higher compared to cost incur for e-tax infrastructures.

Hypothesis 5: Electronic tax system stability has positive and significant effect on tax compliance

Consistent to the predication, the study confirmed system stability and quality of e-taxing platform/connectivity has significant effect on tax compliance level. The research outcome showed coefficient estimate $\beta 2=0.275$ (p-value=0.018) the result confirmed good stability of the e-taxing platform has positive and significant effect to tax compliance level consistent with the hypothesis. The result confirms acceptance of the hypothesis and rejection of the null hypothesis

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary finding

Concerning gender marking majority (62.5%) of the respondents are male and the reset are female. This indicated that male is dominated tax related activities of the large taxpayers' companies in Ethiopia. The study also revealed that majority (86%) respondent re between 18-45 years indicating that the potential for large taxpaying company for easy of adopting e-taxing system through minimal training a so as to adhere with the tax regulation and effective use of the e-taxing platform. On the other hand, all the respondents agreed the use of e-taxing in its different form. However, almost all of them are used for electronic filing tax able income and very few utilize other alternative function such as e-payment, information communication functions.

Further to this, the respondents overwhelmingly demonstrated the importance of e-taxing in in preparing quality of tax report with expected level of quality and accuracy with lesser difficulty and hassle at the LTO office. However, the respondent on the other hand argued that e-taxing at LTO not only fully digitalized but also provide very small portion of expected service associated with limited functionality and poor infrastructure system such system hang-up, malfunctioning and limited training provision. Given such limitation all LTO companies staffs participated on the survey has strongly applaud full potential as well the benefit achieved to date.

Referring the research objective, the study reveals important finding. Firstly, as hypothesized the result illustrated that tax compliance is function of perceived easy if use, taxpayers' awareness, and stability e-taxing platform. Furthermore, the regression results indicated that e-taxing compliance cost and perceived usefulness do not have significant effect on tax compliance

5.2 Conclusion

These study findings provide conclusive evidence that ease of use, taxpayers' awareness and system stability is determinates of tax compliance under e-taxiing scheme. Likewise, the study provides an indication of the effect and magnitude of independent variable on the dependent variable. Thus, the three antecedents and survey descriptive statistics result have a higher probability of being useful in managerial planning and decision making related to tax compliance under digitalized tax system. Particularly, this research provides several important implications for the implementation and promoting of effective electronic tax system. These findings have policy implications for the implementation of electronic tax system under the Federal Ministry of Tax Revenue in general and Large Taxpayers' Office in particular

5.3 Recommendation

Based on the findings of this study, the researcher came up with several recommendations to encourage the use of electronics tax system that will improve tax compliance.

Firstly, the research boldly indicated, the need for continues tax awareness activity in wider contexts targeting various section of the society in general and targeting taxpayers in particular. Particularly training and tax education are relevant as research finding indicated that the level of training provided has been in adequate to taxpayers' and other operators.

Secondly, the research found functionality of the e-taxiing platform found insufficient and in adequate for the purpose intended.

Thus, the Ethiopian Ministry of Revenue in general and the Large Taxpayers 'Branch Office in particular required to continuously upgraded its electronic system and provide ongoing capacity building initiatives to tax payers in the form of training and by providing alternat satellite offices that enable tax payers' to reporting tax due and communicating the office . The office should significantly invest on IT related infrastructure to overcome ongoing system failure and interruption numerous circumstances.

Thirdly, the study profoundly showed easy of paying tax enables compliance and thus, the office need to take policy intervention to simplifying tax reporting and payment. To date the Ethiopian Ministry of Revenue and Large Taxpayers' office do not implement e-payment system despite the most important element of e- taxing. Currently, taxpayers are required to visit respective branch offices and deposit tax assessed in on specified branch offices. This imped timely payment and discouraged payment on the spot further exposed significantly to an warranted tax liability and large penalty due on them.

This research indicates that the Ethiopian government needs to also focus on some specific areas of ease of use of the system. In order for smooth transition by the citizens towards higher acceptance of e-tax filing system initiatives, the federal government also must formulate a guideline for all related parties on the quality measures required in the development of all e-government systems.

5.4 Direction of Further Study

Despite enormous attempts is being done to obtain a large and diverse sample, the result is based on relatively small sample size. Further, the results refer only to 96 large taxpayers. Generalization from these firms must be made with caution. Additional analysis is required to examine whether the model holds true with respect to large size data and involvement tax offices and inclusion of other factors and stakeholder such as employees of tax offices

While statistical analysis shows that the sample data fit the proposed regression model and have valid correlational result, there is possibility other variables exist pertinent to the constructs of interest, and that constructs may be multi-dimensional. Similarly, the study did not include any moderator or mediator effects and should be further expanded in the future. I fully acknowledge the limitations of the study approach where data is only from LTO

Despite being aware of the limitations of in the research, I still feel that the results provide a substantive basis for some theoretical and managerial implications. I also hope that it will motivate additional cross-validations of our work, as well as further research in understanding on tax compliance emerging issues and challenges. Nevertheless, the results confirm validity of previous research in Ethiopia context under LTO and confirm these factors are undoubtedly contribute positive and voluntary, full compliance taxpayers to available tax regulations.

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APPENDIX I: QUESTIONNAIRE

Letter of Transmittal

Dear Respondent

My name is Mekedes Babulet a student of Saint Marry University pursuing Master of Business Arts in in Accounting and Finance. The purpose of the Questionnaire to seek your views as a taxpayer and collect primary data for thesis entitled “Factor affecting tax compliance under electronic tax system, the case Large Taxpayers Branch office [LTO]. The research is conducted in partial fulfillment of the requirement for MBA in Accounting and Finance from Saint Marry University.

Your participation in giving reliable information is important for the success of this study and it will be a great contribution if you may complete all the items covered in the questionnaire. I respectfully request your kind cooperation in answering the questions as clearly as possible.

I would like to assure you that the information you provide will be used for academic purpose only and all responses will be treated in strict confidentiality.

I sincerely appreciate and thank you in advance for your s cooperation.

For any comment and questions, please contact me: Tel- (+251911395956)

Email: (*mekedes39@gmail.com*;)

Mekedes Babulet

Section-A

Personal Data

1. Gender

Male □ Female □

2. Age

18 - 30 □

31 - 45 □

46 - 55 □

56 and above□

3. Education

- 12 Grade completed and below □
- Diploma □
- Bachelor's degree □
- Masters and above □

4. What is your position in your company?

- Owner; □
- Manager; □
- Accountant; □
- Finance officer; □
- Finance Manager and Accounts Head; □
- Cashier; □
- Other responsibilities, please specify; _____

5. Business Category

Wholesale and retail trade: ☐	Accommodation and Food: ☐
Manufacturing: ☐	IT: ☐
Agriculture: ☐	Education: ☐
Construction: ☐	Health: ☐
Finance and Insurance: ☐	Other, not specified above: ☐
Transportation and storage: ☐	

6. Type of Business ownership

Sole proprietorship; □ Partnership; □ Corporation; □ other; □

7. Have you ever used Electronic Tax system?

Yes; □ No; □

8. If yes, which purpose are you using Electronic Tax system? You may thick more box as relevant to you

- Registration; □
- Electronic filing; □
- Electronic payment; □
- Information dissemination; □
- Other; □

SECTION-B

B-1: PERCEIVED USEFULNESS (PU)

Kindly tick whether you strongly disagree (SD), disagree (D), undecided (U), agree (A), or strongly agree (SA) with the following statements about Perceived usefulness of E-tax system

No.	Statement	SA	A	U	D	SD
1	Using electronic tax system improves quality tax report					
2	Using electronic tax system enables us to meet tax obligation timely (time)					
3	I preferer manual reporting and payment than e-taxing					
4	Using E-tax system reduce errors reporting tax					
5	E-taxing allow us filing tax return without hassle at the tax office such as queueing and paper works (time)					
6	Using E-tax system improves performance					
7	I can assess and pay my tax obligation accurately using electronic tax system					
8	Overall, I find the electronic tax system useful in my job					

B-2: Perceived ease of use (PEU)

Kindly tick whether you strongly disagree (SD), disagree (D), undecided (U), agree (A), or strongly agree (SA) with the following statements about Perceived usefulness of electronic Tax

No.	Statement	SA	A	U	D	SD
1	I find it easy to get the electronic tax system to do what I want it to do					
2	I found electronic tax system cumbersome use					
3	Learning E-tax system is easy for me					
4	The e-tax system is clear and understandable					
5	Interacting with electronic tax system requires a lot of mental efforts					
6	I make errors frequently when I use electronic tax system					
7	The electronic tax system is fast and convenient compared to old manual system					
8	The electronic tax system is user friendly					
9	I am happy and satisfied with e-tax system					
10	Overall, I find the electronic tax system easy to use					

B-3: AWARENESS E-TAX (AWET)

Kindly tick whether you strongly disagree (SD), disagree (D), undecided (U), agree (A), or strongly agree (SA) with the following statements about Perceived usefulness of electronic Tax

No.	Statement	SA	A	U	D	SD
1	Electronic tax system is being a popular method of reporting tax filing and facilitate payment in my organization					
2	I have been trained about using electronic tax system					
3	I will use electronic tax system if I get good knowledge of usage and application					
4	Tax officials usually providing me training and update on new development of electronic tax system					
5	The level of training provided about electronic tax is enough					
6	I use Ministry of Revenue e-tax system related site navigation and self-help menu effectively					

B-4: COMPLIANCE COST (CC)

Kindly tick whether you strongly disagree (SD), disagree (D), undecided (U), agree (A), or strongly agree (SA) with the following statements about Perceived usefulness of electronic Tax

No.	Statement	SA	A	U	D	SD
1	All processing cost paid under manual era have been reduced under e-taxing					
2	The cost of paying tax under manual era is cheaper compared e-tax system					
3	Cost of staff training under E-tax system is high					
4	E-tax requirement cost is affordable for our company					
5	Cost of purchasing computer and related equipment and internet subscription affected the use of e-tax system in our organization					
6	E-tax compliance cost is negatively affecting use of the system.					

B-5: SYSTEM STABILITY /QUALITY

Kindly tick whether you strongly disagree (SD), disagree (D), undecided (U), agree (A), or strongly agree (SA) with the following statements about Perceived usefulness of electronic Tax

No.	Statement	SA	A	U	D	SD
1	Slow internet connection and power interruption limit use of e- tax system					
2	The system is reliable and effective irrespective of user traffic					
3	Malfunctioning not likely while using the platform					
4	E-tax system hang up leads delay in submission					
5	E-tax system hang up leads unwillingness to file return					
6	System hang up lead compromised information submitted					
7	System hang up lead to incurrence of costs to pay manually					

B-6: TAX COMPLIANCE

Kindly tick whether you strongly disagree (SD), disagree (D), undecided (U), agree (A), or strongly agree (SA) with the following statements about Perceived usefulness of electronic Tax

No.	Statement	SA	A	U	D	SD
1	Using electronic tax system improves tax compliance					
2	E-tax system enable as to file all taxable income					
3	E-tax system enables voluntary tax compliance					
4	E-tax system helping us to void penalty and fine associated with delay tax reporting					
5	Interaction with tax official is easier and better after E-tax system as we submit clear and verifiable report timely					
6	E-tax system reduced substantial tax liability accrued to tax authority as a result of delayed reporting under manual era.					
7	The convenience of using e-taxing and payment prompt to pay tax regularly					