Tax Assessment and Collection Problem: Case study on category "A" Taxpayers in Lideta Sub City Revenue Authority Branch office in A.A city Administration

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December, 2022

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Thesis submitted to Department of Accounting Finance St. Marry University in partial fulfilment of the requirements for the Degree of Masters of Science in Accounting and finance

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DECLARATION

I, Eden Tamirat, declare that this research entitled "Assessing the Problems of Tax Assessment and collection: case study on category "A" Taxpayers in Lideta Sub City Revenue Authority Branch office in A.A city Administration" is the outcome of my own effort and study. This study has not been presented for the award of Degree or Diploma Program in this or any other institution. All sources of materials used for the research have been duly acknowledged.

Name: Eden Tamirat   Signature_____

St. Mary's University, Addis Ababa   December 2022

ENDORSEMENT

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

Advisor: Dejene Mamo (PhD) Signature

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December 2022

ACKNOWLEDGMENTS

First and for most, I would like to thank my almighty God with his mother, who helped me in every aspect of my life. I would like to express my deep gratitude and appreciation to my advisors Dejene Mamo (PhD) for his constructive suggestions, guidance and unreserved support in the course of undertaking this study.. Without his support, my work would have not been accomplished successfully. I am also deeply thankful for all the respondents who have responded for the questionnaire and the concerned sub-city staffs who were very helpful to me in any way during the data collection. I also wish to extend my sincere appreciation and gratitude to my family, for their moral support, encouragement and for all the efforts they contributed to overcome various challenges which would affect all my work of the study. Besides, I would like to thank my friends for their continuous professional support and encouragement throughout the study.

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ACRONYMS

AACCSA   Addis Ababa Chamber of Commerce and Sectoral Association

ERA   Ethiopian Revenue Authority

MOR   Ministry of Revenue

IMF   The international Money Fund

GDP   Gross Domestic Product

ABSTRACT

The main objective of this study is to assess the problems of tax assessment and collection in category "A" taxpayers in Lideta Sub City. The research design employed in the study was descriptive survey study on 133 sample tax payers from 3253 target population. In addition, the researcher used in-depth interview with management bodies. The study was used primary and secondary type of data which were collected through tax payers' survey questionnaire. The study was based on descriptive analysis. The findings of the study revealed that most taxpayers lack sufficient knowledge of tax assessment and collection Procedures, rules and regulations. There is lack of clear, transparent and up-to-date information and training. Moreover, tax assessment and collection officers are in efficient and insufficient in relation to number of tax payers in the sub city, tax officers are non-motivated, lack adequate skills. Due to this and other factors mentioned in the analysis of this study, negligence, delay in tax payment and evasion are taken by taxpayers as solution to escape from payment. This study suggests that the tax authority should provide continuous training both for tax payers and tax office employees, use advanced information technology, make the collection procedures simple and transparent, and strengthen legal enforcement and penalties. In general, the tax authority should try to ensure tax fairness and equity so as to encourage voluntary and on time tax payment.

Keywords: Tax Assessment, Collection Problems, Tax Payers, the Authority

CHAPTER ONE

1. INTRODUCTION

1.1. Background of the study

Tax is a compulsory contribution payable by an economic unit to a government without expectation of direct and equivalent return from the government for the contribution made (Bhatia, 2003). Tax collection from taxpayers are significant sources of public income. It is the backbone of the government revenue to supply public goods such as roads, power, municipal services, and other public infrastructures (Bird, 2005). Without taxes collection, it is not possible for government intervention in the supply of public goods. Despite the fact that taxation is not preferred by many, it is important that it is understood because it forms a critical element of how a government affects the lives of the public (Oberholzer, 2008).

In most developing countries, like Ethiopia, the income generated by the government is relatively less than the expenditures. This low-income yield of taxation can be attributed to the fact that tax provisions are not properly enforced either on account of the incapability of administration or straight forward collusion between the tax administration and taxpayers (Abdellam and John, 2010). The collection of tax by government from the available sources of income depends on the efficient of government tax administration system and awareness of the public regarding the use of tax payment and its contribution for the growth of the country's economy (Gebrie, 2006).

From different sources of revenue for government, tax is the only sustainable source of the government revenue. Tax can be direct tax on employment in come, business income, rent income and other incomes such as royalties and chances etc. However, restric

ting the collection of tax only from direct tax get smaller the income of the government. As a result of this, taxes should be collected from indirect sources as well. The collection of indirect taxes such as value added tax, excise tax and customs duties increase the revenue of the government. This enables the government to achieve its objectives and programs and reduces the country's dependability on loans and donations. To avoid the negative attitude of

the society on tax payment, a well-designed tax administration system is necessary (Kagave, 2005). In addition, teaching the society regarding its compulsion and the purpose of tax collection reduces the wrong attitude of the tax payers (Mesay, 2019).

In Ethiopia, taxation and tax administration are part of the overall policy framework in a country. With the aim of expanding the tax base and facilitating the overall development of the economy, the Ethiopian government has undertaken a comprehensive tax reform program. The tax reform are intended to encourage development through transparent and stable functioning of the tax system, to increase government revenue to support public service and promoting equity in the tax system (Tulu, 2007).

Even if taxation is one of the significant sources of income for Ethiopian government, there are weaknesses and problems that exist in reality during tax assessment and collection on imported goods during clearing process problem such as customer remaining reluctant to pay tax and the authority finds it difficult to collect tax on time and problems related to awareness are some of the problems encountered on the tax collection process (Pfister, 2009).

The Ethiopian ministry of revenue is the body responsible with taxes at federal level. In Addis Ababa, there are different tax administrators at each sub city, in which Lideta sub city is one. The tax administration office conducts investigation, audit and prosecutes offenders. Category "A", shall include any company incorporated under the laws of Ethiopia or in a foreign country, their business having an annual turnover of Birr one million or more. There are elven sub cities in Addis Ababa that are engaged in administering taxes from Category "A" and Category "B" taxpayers. Besides the different Woredas found in each sub city are also dealing with taxes on Category "C" taxpayers.

This study focus on category "A" taxpayers that are found in Lideta sub city. This category is required to maintain proper books of account and other necessary documents for tax purpose (council of Ministers, 2002). On the basis of the above background, this study is initiated to assess the problems of tax assessment and collection from category "A" taxpayers in Lideta Sub City Revenue Authority Office.

1.2 Statement of the problem

Revenue generated from taxation has got the attention of governments as a major source of funds necessary for the country's overall development. According to (Misrak, 2008). The running of our country to be one of the world's middle income level countries is the ultimate goal of the federal government of Ethiopia. Without sufficient funds the government cannot possibly meet its core objectives. In order to implement the countries major programs and the various mega and mini projects in it, governments should look for a consistent and reliable source of incomes. As mentioned above one of the major sources is the tax revenue collected from the people. The government uses this tax revenue to construct roads, build dams, open schools and hospitals that provide food and medical care for the poor. Hence tax is the blood vessel of a country for development. However, the tax collection and assessment practice have different problems that hinder the proper tax administration of the authority. To fill this gap, the government introduced different tax system. However, this imposition of tax couldn't still bring the required result due to a number of reasons from both tax payers and tax administration offices. Because of the tax revenue performance is low in developing countries due to various reasons such as taxpayer's poor awareness about tax, taxpayers' unethical practice, In addition to this as per Crandall and Bodin (2005), the developing countries tax revenue is in a weak- position because of both a complex tax system and widespread corruption. The problems are from both the weakness of the assessment and collection system and various challenges used by the tax payers as well. As tried to describe earlier tax is a blood vessel of a country. So, the problems around this tax collection need a close attention. Therefore, identifying the problems on tax assessment and collection at each tax office and taking corrective measures need attention since they have adverse effects on the overall revenue of the government. Accordingly, this study tries to identify to assess the problems of tax assessment and collection from category "A" taxpayers in Lideta Sub City Revenue Authority Branch office. Given this backdrop this research tries to answer the following research questions.

➢ Do Tax payers have enough knowledge and awareness about taxation?

➢ How effective and efficient is tax assessment and collection procedure for category 'A' tax payers in Lideta Sub-city Revenue Authority Branch Office?

➢ What challenges are there which hinder tax assessment and collection procedure at Lideta Sub-city Revenue Authority Branch Office?

1.3 Objectives of the study

1.3.1 The general objective of this study is to assess the problem of tax assessment and collection in the case of Lideta Sub City Revenues Branch Office.

1.3.2 The specific objectives of this study are:

1. To analyse the status of tax payer's knowledge and awareness about taxation.

2. To understand the effectiveness of tax assessment and collection procedure of Lideta sub city Revenues Branch Office.

3. To describe challenges that the authority faces with its customers with regard to collection of tax.

1.4 Significance of the study

The findings of this study may give clear understanding of what type of tax assessment and collection procedures are there, what problems are there and how those problems were handled by both tax payers and Administrators. Thus, all the concerned body will be able to strength the tax collection and try to adopt a comprehensive strategy, and minimize the observed tax administration problems to increase tax revenue. The Sub-city revenue office may use this finding to revise its strategies concerning tax assessment and collection. Furthermore, the results of finding will serve as a reference for other researchers on this area.

1.5 Scope and Limitation of the study

The researcher has found that it is very important to limit the scope of the study to a manageable size in order to investigate the issue carefully. Therefore, this research is confined to Lideta Sub City Revenues Authority Branch Office for the sake of in-depth analysis with genuine investigation on tax assessment and collection problems. Addis Ababa is classified in to Eleven sub-cities; out of these sub cities the researcher select Lideta Sub-city. Secondly, it is impossible and difficult to conduct a research on tax

assessment and collection problems across citywide within such a short period of time together with limited financial resource owned by student researcher. Hence, the study is limited to category "A" tax payers which are found in Lideta sub-city Revenues Authority Branch Office.

1.6 Organization of the paper

This thesis is organized into five chapters. The first chapter presents the introduction. The second chapter shows the literature review while the third chapter contains brief description of the research design and methodology. The fourth chapter presents and analyses the results. Finally, the last chapter consists of summary, conclusion and recommendations of the study.

CHAPTER TWO

2. LITERATURE REVIEW

2.1.Theoretical literature review

2.1.1.The Meaning and Concept of Tax

A tax is "a compulsory charge imposed by the Government without any expectation of direct return in benefit". In other words, a tax is a compulsory payment or contribution by the people to the government for which there is no direct return to the taxpayers (Bhatia, 2003). Tax imposes a personal obligation on the people to pay if they are liable to pay it. The general public should be taxed according to their ability to pay, i.e., the people in the same financial position should be taxed in the same way without any discrimination. Thus, tax can be defined as, "an involuntary fee or more precisely, "unrequited payment", paid by individuals or businesses to a government (Richard, 2005). Tax has been defined by various authors and professionals in various ways. Taxes are the major source of the public revenues. Government needs financial resources to act as a government and play a role that is expected from it by the public. So what the government gives, it must first take away. Conceptually, tax can be defined or seen as a compulsory transfer of resources from the private to the public sector (James, S., and Nobes, C. 2000). According to these authors, tax is a compulsory levy which a government imposes on its citizens to enable it to obtain the required revenue to finance its activities. And the other scholars (Lymer and Oats 2009) tax is defined as 'a compulsory levy, imposed by government or other tax raising body, on income, expenditure, or capital assets, for which the taxpayer receives nothing specific in return'.

Governments may raise or lower taxes to achieve social and economic objectives, or to achieve political popularity with certain groups. Some economists consider taxation an important tool for maintaining the stability of a country's economy. This is because taxation can redistribute a society wealth by imposing a heavier tax burden on one group in order to fund services for another (Gebrie, 2006).

2.1.2.Objectives of Taxation

The main objectives of taxation are rising of revenue with which governments can drive human development by providing systems of health, education and social security and the provision of a successful economy through regulation, administration and investment infrastructure. Additionally, reduction of poverty and inequality to ensure that benefits for development are felt by all, and appropriate utilization of taxes and subsidies to ensure that all social costs and benefits of production or consumption of a particular good are reflected in the market price, for example, the taxation of tobacco to limit damage to the health of citizens. Moreover, strengthen and protection of channels of political representation (Adam and Cobham, 2007).

2.1.3. Tax Administration

As delineated by Sake (1998) the way of tax administration to incorporate the documentation and recording of the traders to whom the tax rule practical; the verification of this trader either through by itself or obligatory assessment; the collecting of tax dues and accounting for them to the state and guiding the state on higher ways that within which a lot of revenues are often composed by commenting areas of grow up the permitted and official plan.

The theme of tax government is very essential to those concerned with the vital role high tax revenue yields can play in reestablishing macroeconomic balance and those concerned with tax policy and its result on the economy (Casaregra de Jantscher and Bird, 1992).

Generally, tax management mentions to the calculation of tax obligation built on the present tax rules, assessment of this tax obligation, collection, suit and fine levied on the non-obedient taxpayers. Therefore, tax government, covers an extensive part of the research (Fjeldstad and Rakner, 2003).

2.1.4. Facilities of Tax Administration

The tax management ought to offer unbiased and experienced well-mannered facility and should retain personal and steer relating to the individual taxpayers. It ought to conjointly provide clear, and existing tax data and can create this data offered to tax money dealer through varied media and supply timely, correct written data that one will trust to queries and requests for tax data (Asian Development Bank,2001).

Learning and info schedules on particular tax problems ought to be organized with taxpayers to boost their awareness and taxpayers ought to be permitted to willingly declare their tax to state of affairs while not acquisition a penalty or being sued for tax breakings beneath bound conditions (Asian Development Bank, 2001).

2.1.5. Tax Administration Challenges

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

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

All transition countries had a very huge fall of GDP, which, with serious limitation of tax administration, resulted in an alarming revenue gap. Moreover, in all countries, revenues from taxes collected from big, mostly state firms, declined, and were not replaced with increased taxes collected from private, mostly small enterprise. This has created pressure to increase tax rates and introduce new, very often ad hoc taxes. These diversities, which are called "patches" in the tax system, are to a great extent a result of the inefficiency of the tax administration in collecting the existing taxes .

Most developing countries continue to face serious problems in developing adequate and responsive tax systems (Richard, 2008). No matter what any country may want to do with its tax system, or what anyone might think it should do from one perspective or another (ethical,

political, or developmental), what it does do is always constrained by what it can do. Economic structure, administrative capacity and political institutions all limit the range of tax policy options (IMF 2006).

Heavy tax distortions in transition economies come from various sources. First, base rates are often high. In transition economies with many fledgling small enterprises and weak tax administration, high tax rates are likely to encourage already widespread tax evasion and participation in informal economy. Second, many countries still rely heavily on payroll taxes to finance social expenditures. If payroll taxes are levied mainly on employers (as is the case in the great number of transitional economies) this can discourage entrepreneurial efforts, disincentive formal hiring and push economic activity underground. Third, and as World Bank estimations as

the most important, the many exemptions and special tax rates in parts of the economy often coexist with higher tax rates on other activities, undermine revenue performance, complicate tax administration and distort revenue allocation. The key precondition for efficient tax administration is tax structure with minimizing distortions, strictly tax exemptions and elimination of the differences in tax treatment of particular parts of economy. This will mean extending the VAT to all but a few goods and services (particularly export, which should be zero - rated, and banking and insurance services, where it may be difficult to determine the amount of value added to be taxed).

2.1.6. Characteristics of an Effective Tax System

A good tax system should meet five basic conditions: fairness, adequacy, simplicity, transparency and administrative ease. Although opinions about what makes a good tax system will vary; there is general consensus that these five basic conditions should be maximized to the greatest extent possible.

☐   Fairness, or equity,

means that everybody should pay a fair share of taxes. There are two important concepts of equity: horizontal equity and vertical equity. Horizontal equity means that 11 taxpayers in similar financial condition should pay similar amounts in taxes. Vertical equity means that taxpayers who are better off should pay at least the same proportion of income in taxes as those who are

less well off. Vertical equity involves classifying taxes as regressive, proportional, or progressive.

☐   Adequacy

means that taxes must provide enough revenue to meet the basic needs of society. A tax system meets the test of adequacy if it provides enough revenue to meet the demand for public services, if revenue growth each year is enough to fund the growth in cost of services, and if there is enough economic activity of the type being taxed so rates can be kept relatively low.

☐   Simplicity

means that taxpayers can avoid a maze of taxes, forms and filing requirements. A simpler tax system helps taxpayers better understand the system and reduces the costs of compliance.

☐   Transparency

means that taxpayers and leaders can easily find information about the tax system and how tax money is used. With a transparent tax system, we know who is being taxed, how much they are paying, and what is being done with the money. We also can find out who (in broad terms) pays the tax and who benefits from tax exemptions, deductions, and credits.

☐   Administrative

means that the tax system is not too complicated or costly for either taxpayers or tax collectors. Rules are well known and fairly simple, forms are not too complicated, it is easy to comply voluntarily, the state can tell if taxes are paid on time and correctly, and the state can conduct audits in a fair and efficient manner. The cost of collecting a tax should be very small in relation to the amount collected.

2.1.7. Canons/Principles of Taxation

As Misrak Tesfaye mentioned in his book called "Ethiopian Tax Accounting", Adam smith, the father of modem economics, has laid down four principles or cannons of taxation in his famous book "Wealth of Nations". These principles are still considered to be the starting point of sound public finance. Adam Smith's celebrated cannons of taxation are:

(1) Cannon of equality or ability, (2) Cannon of certainty, (3) Cannon of convenience, and (4) Cannon of economy.

1. Canon of equality or ability: Canon of equality or ability is considered to be a very important canon of taxation. By equality we do not mean that people should pay equal amount by way of taxes to the government. By equality is meant equality of sacrifice that is people should pay taxes in proportion to their incomes. This principle points to progressive taxation. It states that the rate or percentage of taxation should increase with the increase in income and decrease with the decrease in income. In the words of Adam Smith:

"The subject of every state ought to contribute towards the support of the government as early as possible in proportion to their respective abilities that is in proportion to the revenue which they respectively enjoy under the protection of the State".

2.Canon of certainty: The Canon of certainty implies that there should be certainty with regard to the amount which taxpayer is called upon to pay during the financial year. If the taxpayer is definite and certain about the amount of the tax and its time of payment, he can adjust his income to his expenditure.

The state also benefits from this principle, because it will be able to know roughly in advance the total amount which it is going to obtain and the time when it will be at its disposal. If there is an element of arbitrariness in a tax, it will then encourage misuse of power and corruption Adam smith in this connection remarks:

"The tax which each individual is bound to pay ought to be certain and not arbitrary. The time of payment, the manner of payment, the quantity to be paid all ought to be clear and plain to the contributor and to every other person".

3.Canon of convenience: By this canon, Adam smith means that the tax should be levied at the time and the manner which is most convenient for the contributor to pay it. For instance, if the tax on agricultural land is collected in instalments after the crop is harvested, it will be very convenient for the agriculturists to pay it. Similarly, property tax, house tax, income tax, etc., etc., should be realized at a time when the taxpayer is expected to receive income. The manner of

payment of tax should also be .convenient. If the tax is payable by cheques, the contributor will be saved from much inconvenience. In the Words of Adam Smith:

"Every tax ought to be levied at the time or in the manner in which it is most likely to be convenient for the contributor to pay it".

4.Canon of Economy: The canon of economy implies that the expenses of collection of taxes should not be excessive. They should be kept as little as possible, consistent with administration efficiency. If the government appoints highly salaried, staff and absorbs major portion of the yield, the tax will be considered uneconomical. Tax will also to regard as uneconomical if it checks the growth of capital or causes it to immigrate to other countries, In the words of Adam Smith:

"Every tax is to be so contrived as both to take out and keep out of the pockets of the people as little as possible over and above what it brings into the public treasury of the state".

2.1.7.1. Some Others Canons/Principle of Taxation

Misrak has also tried to see some canon's principle of taxation on his book. He noted that rather than Adam Smith Some writers on Public Finance have formulated four other important canons/principles of taxation. They, in brief, are as follows:

1. Canon of productivity: The canon of productivity indicates that a tax when levied should produce sufficient revenue to the government. If a few taxes imposed yield a sufficient fund for the state, then they should be preferred over a large number of small taxes which produce less revenue and are expensive in collection.

2. Canon of elasticity: Canon of elasticity states that the tax system should be fairly elastic so that if at any time the government is in need of more funds, it should increase its financial resources without incurring any additional cost of collection. Income tax, railway fares, postal rates, etc., are very good examples of elastic tax. The government by raising these rates a little can easily meet its rising demand for revenue.

3. Canon of simplicity: Canon of simplicity implies that the tax system should be fairly simple, plain and intelligible to the tax payer. If it is complicated and difficult to understand, then it wilts lead to oppression and corruption.

4. Canon of diversity: Canon of diversity says that the system of taxation should include a large number of taxes whish are economical. The government should collect revenue from its citizens by levying direct and indirect taxes. Variety in taxation is desirable from the point of view of equity, yield and stability.

2.1.8. Tax Compliance Theory

Tax compliance is a major problem for many tax authorities and it is not easy task to persuade taxpayers to comply with tax requirements even though, tax laws are not always precise (James and Alley 2004). According to James and Alley (2002), tax compliance refers to the willingness of individuals to act in accordance with both the spirit and the letter of the tax law and administration without the application of enforcement activity. A wider definition of tax compliance, tax compliance should be defined as taxpayers" ability and willingness to comply with tax laws which are determined by ethics, legal environment and other situational factors at a particular time and place (Kirchler, 2007)Tax compliance, simply put, means adherence to tax reporting requirements; that is, that the taxpayer files all required tax returns at the proper time and that the returns accurately report tax liability in accordance with the tax laws, regulations, and court decisions applicable at the time the return is filed (Roth, Scholz and Witte 1989).

Noncompliance refers to not abiding the tax laws. The types of noncompliance; Firstly, the case of filing; the noncompliance refers to non filing of returns to the tax authority will lead to tax gap i.e. the amount of unpaid taxes due foregone. Second, the non-payment compliance refers to untimely taxes paid, that means payment not made in a timely manner to the tax authority. Timely tax payment is important to the tax authority. The dues received now will used for the government's expenditure otherwise, the insufficient fund needs to borrowed and incur additional cost. Thirdly, issue on noncompliance and tax underreporting. This considered a criminal offence that imposes severe penalty. The taxpayer practices no reporting by way of evasion and avoidance; both are same except that the later is legal while the former is illegal. This area of noncompliance poses a serious problem to tax authority because these taxpayers

escape tax and their burden pushed to the other complying taxpayers. This is where the fair and equitable tax system is questionable.

2. 1.9 Tax Collection Processes

It is estimated that citizen‟s tax expenses ought to be in line with their revenue and they are expected to pay a tax in percentage to their level of revenue. The other part of the tax collectors, collection of tax must be period and appropriate and the budget of collecting of tax revenues should not be high. Otherwise, this means the ideal tax system in developing nations should raise necessary tax without unnecessary government loan and must do without discouraging economic activity and without delaying so much from tax system in other nations (Tanzi, 2001).The processes undertaken by tax offices to safeguard obedience are listed as follows.

2.1.9.1 Recording of tax payers

Tax identity number (TIN) is used to discover taxpayers. Every taxpayer has a unique TIN, which she or he is supposed to apply in all correspondence with the tax authority, and no taxpayer ought to have more than one TIN.(Kangave, 2005).

2.1.9.2 Declaring

Taxpayers are expected to document incomes inside definite period of the cease in their tax accounting period. The incomes ought to be filed in quadruplicate and have to include all of the facts of the taxpayer. All files regarding taxation need to be offered to the tax authority workplace in which the taxpayer has their record. (Cohen and Sayag, 2010).

2.1.9.3 Checking accuracy

On getting a taxpayer's income, the tax office look at the accuracy of the income via determining whether the income is properly completed, whether tax has been properly calculated, and whether or not there are any penalty bills to be made through the taxpayer. The officer then assigns an assessment range to the income and troubles the taxpayer with a bank payment advice shape, declaring the tax payable ((Cohen and Sayag, 2010).

2.1.9.4 Submission of payment

Duties are unpaid on the end date of the submission of the self-declaration returns. Taxes should be billed to a certified bank, the Bank Payment Evidence (Baurer, 2005).

2.1.9.5 Under-taking Audit

The objective of tax inspects is to test the truthfulness of the evidence that taxpayers deliver to tax offices. Auditing includes from simple area up to full auditing. mentioned some reasons for tax audit which include, among others: to assist the government in collecting appropriate tax revenue necessary for budget, keeping fiscal order and constancy, to decrease the level of tax escaping and tax evasion, to check obedience of tax rules by taxpayers, to increase the level of self-assessment by tax payers and to ensure that the uncollected tax due is calm and sent to central government (Baurer, 2005).

2.1.10. Tax Assessment and Collection

Most taxes are based on the principle that the receiver of taxes has the right to assess the tax liability, and demand the assessed amount from the taxpayer. Tax assessment is a procedure used by government assessors to determine the value of property, or the income of an entity, in order to charge taxes or to levy on the orders of a court. Tax collection on the other hand is the act of gathering tax revenue typically refers to monies as the result of taxes imposed on their citizens.

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

•   preparing annual market value assessments for all properties

•   preparing the business assessment valuations for all business premises

•   maintaining accurate property information and ownership on all realty accounts

•   maintaining accurate business information and ownership on all business accounts

•   defending assessments before municipal and provincial assessment tribunals

- responding to inquiries and requests for information related to assessment and taxation

- producing and mailing annual assessment and tax notices to tax payers

- reporting assessment roles and meeting annual audit

2.1.11 Central components of tax assessment and collection Difficulties

Concerning the issue of tax administration tasks, Silvani and Baer (1997) suggested that in order for a tax administration to be efficient, the general strategy of the tax authority should have an integrated approach to the tax collection process as a guiding principle, where each element in the tax collection process is essential to the tax administration strategy. They also stated that to achieve a significant improvement in the overall performance of a tax administration, each element in the tax collection process needs to be improved.

Increasing tax revenue to an existing governmental expenditure is only one way of the duty of tax administration. Tax administration may be viewed as a production process, where the input consists of men, materials, and information and the outputs consists of revenue for the government and tax payers" equity.

2.1.11.1Awareness

As mentioned James,(2000) the tradition is always to obey other than not to obey. As stated out for successful a tax system the high compliance of taxpayers is required. Subsequently there may be better results in supporting fundamentally obedient taxpayers to encounter their fiscal responsibilities than in outlaying more funds in pursuing the small non-obedient. Numerous tax payers might be eager to obey, but they are couldn't do because they don't have tax knowledge, or do not know, their responsibilities. Other researchers such as Smith and Kinsey (1987) discuss that it is not easy for tax payers to obey without tax knowledge. In nations similar Ethiopia where majority of the traders have no to get gen, absence of consciousness cannot merely be ignored rather it can be expected as a key factor of tax obedience behaviour.

2.1.11.2 Tax Return Filling

This undertakings deals with the receipts of taxpayer`s information in the hard or soft copy verifying the completeness of the information as to the procedures and rules of tax authority.

Every taxpayer is expected to file the returns as the law states and any failure to file at right time will effect on the sanctions-penalty and interest (Ethiopian Income tax proc. No.983/2008, Art.9,37 105 & 106).

Silvani and Baer (1997) the importance of tax administration having simple tax returns and system from the taxpayers point of view. The majority of the taxpayers require that the tax return should be as simple and easy to complete as possible. In addition, simplifying the return will encourage the taxpayers to complete the tax returns on their own rather than employing a tax agent and thus reducing compliance cost.

2.1.11.3 Tax Assessment

Bird (1992) argues for effective tax audit working selectively grounded on certain balanced residents and must in a condition contain intensive area audit conducted via experienced and trained employees. Assessing tax incomes and disbursements, tax management must check whether the correctness and timeliness of the data received from the data giving system are suitable. If the evidence that the system create is not perfect, the source of the problems requests to be identified. Tax inspector employ have the accountability for making and keeping the taxation roll, collecting tax duties with excellent standards established by tax office (Silvani and Baer)1997

2.1.11.4 Audit

The (American Accounting Association, 1973) has provided a broader definition of Audit which refers to a reasonable procedure of accurately acquiring and comparing proof concerning affirmations about financial activities and events to examine the level of communication among the assertions and installed standards and communicate the outcome to users.

In a narrower sense, an audit is an "attestation communication" because it presents the auditor"s opinion or judgment concerning the degree of correspondence between accounting information and established criteria (American Accounting Association, 1973).

2.1.12 Tax Repayment Authentication

Taxpayers have the right ask repayment for tax office if there is any tax paid in extra of tax obligation. Assortment measures for any fines and interests unpaid will be postponed up to the repayment is settled. Refunding of tax has the ability to alleviate taxpayers from shortage of working capital.   But few tax organizations regularly postpone the repayments with no appropriate reason and with no charge of interest. In some cases, the delay appear to be a deliberate policy decision using refund arrears to achieve the government`s budget targets and cash flow objectives. In other cases, the payment of arrears reflects poor administrative process. Either way, such practices are highly counterproductive in that they aggravate taxpayer's cash flow problems at the worst possible time and encourage them to withhold tax payments from the government. To avoid these problems, governments should make adequate budgetary provisions for refund payments (IMF, 2007).

2.1.13. BUSINESS INCOME TAX

2.1.13.1.   Meaning and Definition

Business income tax is an amount which is kept by the company to pay taxes against its profits. It is considered as current liability. Business Income Tax is shall be imposed on the taxable business income. A taxable business income shall be determined per tax period on the basis of the profit and loss account or income statement, which shall be drawn in compliance with the Generally Accepted Accounting Standards, subject to the provisions of this Proclamation and the directives issued by the Tax Authority. Corporate businesses are required to pay 30% flat rate of business income tax. For unincorporated or individual businesses the business income tax ranges from 10% -35%. This is tax payable for each year of assessment on the profit of any company, these include profit accruing in, derived from or brought into or received from a trade, business or investment. Policy maker frequently use tax policy to encourage economic activities and to compete with other state to attract new capital. Although researchers have examined the effectiveness of state and local tax policies as an economic stimulus no consensus exists regarding whether and how state company income tax policies affect economies. It is clear that all else equal lower company income tax rates would be expected to increase economic activity because of the reduce cost of such activity to install firms as the potential to attract new

activity from out of state firms. However, there is much more to the story than company income tax rates.

Misrak on his book of "Ethiopian Tax Accounting theory and practice" says a lot about business income tax. He described business income tax referring the Ethiopian income tax proclamation no 286/2002 article 17 as business income tax, or business profit tax is the tax imposed on taxable business or profit realized from entrepreneurial activity. It is charged on the profits of business enterprises on their activities arising each accounting period or tax year. At the end of each tax year or accounting period, business income taxpayers submit an income tax return (tax declaration form) to the authority which shall contain full and true information about the income (profit) earned by the business taxpayers.

2.1.13.2.   Computation and Tax Rate of Business Income Tax

A.   According to Income Tax Proclamation No. 286/2002, tax is imposed on commercial, professional or vocational activity or any other activity recognized as trade by the commercial code of Ethiopia and carried on by any person for profit.

B. Taxable business income of bodies (e.g., PLC, Share Company) is taxable at the rate 30%;

C. Taxable business income of other taxpayers is taxed in accordance with the following Table;

When you are considering what type of business to select, consider how each business type pays income taxes. Following is an article that compares the types of businesses and explains how each type pays its income taxes.

Taxable Business Income /Net Profit/

/per year/

Taxable Business Income	Tax rate	Deductible Amount
0 – 7,200 ETB	Exempt threshold 0%	0
7,201 – 19,400	10%	720
19,401 – 38,400	15%	1,710
38,401 – 63,600	20%	3,630

63,601 – 93,600	25%	6,780
93,601 – 130,800	30%	11,460
Over 130,800	35%	18,000

In the determination of business income subject to tax in Ethiopia, deductions would be allowed for expenses incurred for the purpose of earning, securing, and maintaining that business income to the extent that the expenses can be proven by the taxpayer.

The following categories of income would be exempted from payment of business income tax:

•   Awards for adopted or suggested innovations and cost saving measures

•   Public awards for outstanding performance

•   Income specifically exempted from income tax by the law in force in Ethiopia, by international treaty or by an agreement made

Deductible Expenses

In the determination, of business income ,subject to tax in Ethiopia, deductions shall be allowed for ,expenses incurred for the purpose of earning, securing, and maintaining that business income to the exteI1t that the expenses can be, proven by the taxpayer and subject to the limitations specified by this Proclamation.

Non-Deductible Expenses

1) The following expenses shall not be deductible:

a. the cost of the acquisition, improvement, renewal and reconstruction of business assets that are depreciated pursuant to. Article 23.of this Proclamation

b. an increase of the, share of capital of a company or the basic capital of a registered partnership;

c. voluntary pension or provident fund contribution over and above 15% of the monthly salary of the employee.

d. declared dividends and paid-out profit 'shares;

e. interest in excess of the rate used between the National Bank of Ethiopia and the commercial banks increased by two (2) percentage points.

f. damages covered by insurance policy;

g. punitive damages and penalties;

h. the creation or increase of reserves, provisions and other special, purpose funds unless otherwise allowed by this Proclamation;

i. Income Tax paid on Schedule C income and recoverable Va1ue Added Tax; j. representation expenses over and above 10% of the salary of the employee; k. personal consumption expenses;

m. entertainment expenses;

n. donation or gift.

(Proc, No 286/2002).

2.2. Empirical literature review

Study conducted by Gurama (2015) discussed problem and prospect of the tax administration of Gombe state in Nigerian context. The problems identified include poor staffing, lack of facilities, poor record keeping and poor conducive environment. The findings show that insufficient public awareness, lack of training, poor working condition, poor remuneration and lack of motivational incentives are among the issues lead to low tax generation. The study recommends that training should be provided, working condition should be improved and good salary structure may set for tax officials.

Kangave (2005) discussed tax administration in Uganda context. It then discussed Uganda tax structure, the problems faced in administering taxes, and it gave possible solutions to the problems. The author, in his research, identified corruption, tax evasion, and inadequate resources for tax administration poor quality of audit and inadequate support for tax administration as problems or challenges of tax administration that have weakened the ability to

achieve desired revenue targets. The author did not purport to address all of the problems. Neither does it set out to address in detail the causes of these problems.

According to Bhatia (2001) the attitude of taxpayers is an important variable determining the contents of a good tax system. It may be assumed that each taxpayer would like to be exempted from paying tax, while he would not mind if others bear that burden. In any case, he would want his share to be within the general level of tax burden being borne by others. If this is not so, he will feel exploited. To sum, regardless of this inherent problem ensuring the fairness or equity of a tax system is second to nothing. To put it differently, it is essential that a good tax system should appear equitable to the tax payers.

Study conducted by Kassa (2010) this study was meant to assess taxpayers voluntary compliance with taxation in Mekelle city. Based on this fact, both primary and secondary data were used. Descriptive statistical tools and Reliability test, Factor analysis, correlation and multiple regressions are used in analyzing the data collected. According to this study, factors such as equity or fairness, organizational strength of tax authority, awareness level of tax payers, social factors, cultural factors and tax payers" attitude towards the government were found to be the determinant factors affecting taxpayers" voluntary compliance. Finally, based on the findings possible recommendations were given. These include, maintaining tax fairness and equity, building capacity of the tax authority, conducting extensive awareness creation programs, and providing social services to the general public.

The study conducted by Assefa (2013)"Tax assessment and collection practices of category "A" taxpayers in Arada sub city. The findings indicated that there exists inefficient and insufficient number of tax assessment and collection officers in relation to number of tax payers in the sub city. Moreover, most tax payers lack sufficient information of tax assessment procedure applicable rules and regulations, lack of clear, transparent and up-to date information and training on new technology. Furthermore, tax officers are non-motivated, lacks adequate skills, lack of audit flow up and prompt decision. Due to this and other reasons identified in this study, noncompliance, evasions and corruption are increasing in the system.

Study conducted by Mehari (2017) this study aimed to "assess tax payers" attitude on factors that affect voluntary compliance of category „C" taxpayers" in Arba Minch City, SNNPR,

Ethiopia. The factors like equity and fairness of the tax system, level of awareness of taxpayers, effectiveness and efficiency of tax authority, socio-cultural factors and political factors. Further, efficiency and effectiveness of the authority in improving the tax assessment and collection procedures, creating awareness, enforcing the tax law positively affect voluntary tax compliance of tax payers. Socio-cultural factors also affect attitude of taxpayers towards taxation positively as well as negatively. However, political related factors were found insignificant in this survey.

Nuguss et" al (2014) conduct study on the consequences of tax assessment on tax collection of category „c" taxpayers in Ethiopia: a case study in Mekelle city, Tigray. The study result shows that unless good service delivery is provided, tax related laws are enforced and implemented, effective awareness creation is done and fair tax assessment is conducted, there may not be efficient and effective tax collection. Even though efficient tax assessment and collection cannot be made overnight, it is up to tax administrators to ensure sufficient tax revenue. Multiple approaches are needed to enhance tax collection efficiency. No single approach is likely to fully and effectively address the tax collection efficiency of category „C". Since it has multiple causes of tax related problems, the category "C" tax payers need more attention.

2.3. Research gap analysis

A study performed by Debere (2014) on Addis Ababa federal business taxpayers' satisfactions with the tax system also show dissatisfaction of the taxpayers'. The findings identified high compliance costs, a lack of clarity and access to information about tax regulations, arbitrary behaviour of tax officials and a lack of transparency in the tax authority makes taxpayers unaware of their rights and exposes them to discretionary treatment by corrupt officers. In addition, the study found that taxpayer are encountered a lot of inconveniences, including from misconduct of the tax officers like an impersonal, insensitive and heartless bureaucracy and imbalance between location and accessibility of the tax office with number of taxpayer. The study performed by Tulu (2007) on Dire Dawa City taxpayers' voluntary tax compliance finds out that, tax fairness and equity, organizational strength of the tax authority, awareness level of the taxpayers, socio-cultural factors, and provision of social services by the government as the main determinant of voluntary compliance in the city.

A study performed by Belay &Viswanadham (2016) to evaluate the business income taxpayers' level of tax knowledge, perceived complexity of the income tax system and tax compliance issues in Amhara regional state of Ethiopia show taxpayers have inadequate technical knowledge and perceive the income tax system as complex. The result also revealed that tax knowledge and tax complexity as important factors towards non-compliance behaviour among business income taxpayers'. One study was performed on taxpayers' perception towards the fairness of business profit tax system through considering various tax fairness dimensions and other influencing factors in the case of Addis Ababa City Administration Business profit taxpayers' fairness perception (G/silase 2011). The researcher commented no single study on such issues especially in the case of business profit tax system. The study considered all business category business profit tax payers and lack presentation of the result per each sub-city and per each taxpayer's category.

The study of Mercy (2013) "Factors Affecting Revenue collection in Local Authorities in Kenya" narrowed on effects of government policies and regulations, local authority information financial and operations management systems, revenue enhancement plans and employee skills on revenue collection. The study concluded that the revenue collectors appreciated the role of information technology in ensuring effective revenue collection however the availability and accessibility was a hindrance to effective LAIFOMS implementation. Among others, the study recommended that the effectiveness of the local Authority Information Financial and Operations Management Systems (LAIFOMS) can be bolstered by increasing tea availability of computers and adding more staff to ensure efficiency in revenue collection.

On the other study, Ndyamuhaki2013, carried out the study on "Factors affecting revenue collections in local government, case study: Isingiro district local government" Makerere University, Uganda. This study identified crucial factors that were, administrative inefficiencies, lack of general sensitization, political interference, corruption, tax evasion, and absence of enough relevant information about taxes, lack of auditing of tax revenue returns and drafts and lack of enough tax education. She concluded that the identified factors influence revenue collection in local government.

As Messay (2019) cited in the research done by Tulu (2007) in Dire Dawa City tax payers" self-assessment tax obedience finds out that, tax justice, institutional strength of the tax office,

awareness level of the tax payers, traditional influences, and delivery of public services by the government as the key element of self-assessment compliance in the town. In general, one can observe that the experimental researches done far for emerging nations, specifically for Ethiopia, worried slight or no to see the possible challenges met by tax payers and the tax offices in managing different tax actions such as tax assessment and assortment. The execution of the tax government will have a bearing on the ability to increase tax revenue for a country since it contains mainly the assessment and assortment activities.

Zelalem (1999) studied the productivity of the Ethiopian tax system for the period 1961 - 998.Thtimated the buoyancy and elasticity of the overall and major individual tax categories p using the method of division index. The results of this study showed that the Ethiopian system was inefficient for most of the coefficients were found to be less than one. The explanation given for the low productivity of the tax system was that the system suffered from the problems of weak administration and extensive tax evasion.

Revenue generated from taxation has got the attention of governments as a major source of funds necessary for the country's overall development. According to Fjeldstad et al.,2012, taxation is the new frontier for those concerned with state building in developing countries. But revenue come from tax are not sufficient to finance the government expenditures because the tax revenue performance is low in developing countries due to various problems. The developing countries tax revenue is in a weak position because of both a complex tax 24 system and widespread corruption. Complex and fragmented tax administration has its source in part in developing countries.

Generally, one can see that the empirical studies undertaken so far bothered little to see the potential tax assessment and collection problems. The performance of the tax administration will have a bearing on the capacity to raise revenue for a country since it includes primarily the assessment and collection activities. Therefore, this research will not only identify the problems of the Lideta sub city tax administration and tax payers, but also clearly understand the nature and the practice of tax assessment and collection related problems in the study area. This is because the researcher believes that identifying existing practices of tax assessment and collection problems in the sample sub-city can be one of the indicators to other researchers to deal with and can give appropriate solutions to all stakeholders as well.

CHAPTER THREE

3. RESEARCH METHODOILOGY

3.1 Research design

This section of the reading displays particulars of the study design, the sampling technique and also the way in which the facts was gather and interpreted for this study. A study design is the process of circumstances for the assortment and interpretation of data in a way that objectives to combine important to the exploration (Kothari, 2004). This section mostly emphases on explaining of research approach, methods and techniques, sampling design, and source of data, ways of data analysis, interpretation and presentation.

3.2 Research Approach

According to Kothari (2004), there are two basic approaches to research. These are quantitative and qualitative research. A quantitative research approach helps the researcher to produce data in measureable analysis. The second is a qualitative approach helps the researcher for subjective assessments of behaviour, opinion and attitudes research. The methods used in the study to gather data were observation of field works and secondary data where policy documents and yearly reports which assisted to get important data for the study, questionnaire which contains both open ended and closed ended questions. Interview with tax officers were conducted. Therefore, the study used the mixed approach as both qualitative and quantitative methods.

3.3 Research Methods

For the purpose of this research, the investigator used a descriptive research method which tries to define analytically a phenomenon, a condition, and problem defines attitudes regarding the issue.

3.4. Research Techniques

Proper data for the study collected through the use of different tools which contain questionnaire, interviews and focus group discussion .

Interview: is a sort of tool that used to gather facts from different department coordinators. This

approach facilitates investigator to get reliable data from concerned bodies. In descriptive research, one quite regularly use planned interview because of its being more cost-effective (Kothari, 2004). Semi-organized and organized interview were used in this research. Questionnaire: this method is used as a main tool to collect data from primary sources. It is chosen due to the fact that questionnaire is the right device to gather data about conditions and features from relatively huge sample studies.

3.4.1 Sample Design

Sample design is the way that assists to determine exact and efficient ways of data collection. In this sub section, the total of population; sample frame; sample unit; sampling technique; and sample size are explained.

3.4.2 Population

This study emphases on Category "A" tax payers at Lideta subcity revenue authority Branch office` whose number is **3252** tax payers as the information gathered from branch office on September 2022 reveals.

3.4.3 Sampling Techniques

First, probability sampling of simple random sampling technique was used for selecting tax payers" sample. This random sampling technique gives equal chance for each respondent. The whole populations of the tax payers were taken from the tax office archive taxpayers list. Accordingly, 133 tax payers, 12 tax office works from the sample Sub-city were selected randomly and participated in the study.

3.5. Population and sampling process

The research is performed on two types of population: the tax payers and Tax officials. The tax payers are engaged in different kinds of businesses and have also different backgrounds where as the tax officials are almost from the same academic backgrounds that have Bachelor of Arts in Accounting. The study is performed using questionnaire and Focus Group Discussion for tax payers and interviews are also done for tax officials. Accordingly, 133 tax payers, 12 tax office works from the sample Sub-city were selected randomly and participated in the study. Furthermore, three independent focus group discussions were formed and conducted. The data

were collected from both primary and secondary sources through Questionnaire, interview and document analysis which enable the researcher to gain genuine information.

3.6. Data collection methods

Questionnaire, interview and document analysis was employed to collect data from respondents. Descriptive survey method was employed in this study with the assumption that it is appropriate because it helps in obtaining large variety of data related to the problem under the study. The research methods have quantitative and qualitative nature. For the quantitative approach, the study uses self-administered survey. The sampling design for this population is random sampling. The participants are Category "A" tax payers in Lideta sub city. Under this category, there are importers and exporters; wholesalers and retailers; manufacturers; and service providers. For qualitative approach, the researcher uses in-depth interview with executives of Lideta sub city Revenues Branch Office employees. The nature of this research is exploratory and open-ended. This research used both primary and secondary data sources. To get primary data the questionnaire was comprised of both closed and open-ended8 questions. Most of the questions were designed in one to five measurement scales. The scales are designed from one to five. Each questioned mentioned with a choice to catch the response and feeling of respondent. The scales are strongly disagreed, disagree, neutral, agree and strongly agree. The other closed ended questions were designed as 'yes' or 'no' questions. The questionnaires were distributed to the selected tax payers and tax officers. The secondary data were generated from tax related policies and guideline documents, reports of Ethiopian Revenues Authority's (ERA's) web-site, books, Internet, hand-outs, other unpublished materials, and from the data base of the sub city's tax authority.

3.7. Methods of data analysis

The data were processed and subjected to a variety of analysis techniques based on the data type. Simple arithmetic calculations and descriptive statistics will be deployed to analyze and interpret the data. Summaries are presented as counts, and percentages in tables. The researcher used both qualitative and quantitative analysis in this study. Besides, the data gathered through interview and documents review was analyzed in the form of narration or telling. Finally, the researcher enhances the reliability of the findings.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATIONS

4.1.Introduction

This chapter has two parts: the first part deals with the characteristics of the respondents and the second part presents the analysis and interpretation of the main data. This study is designed with the objective of assessing the tax assessment and collection problems in the case of Lideta Sub City Revenues Branch Office. As a result, both quantitative and qualitative data obtained through questionnaire and individual interviews were used to answer the basic research questions. Moreover, document analysis also used in order to get insight about the whole picture of the sample Revenue and Customs Authority Branch Office.

Because of their large size, tax payers were selected randomly whereas tax office workers and tax office management body's availability sampling techniques were used. Accordingly, 133 tax payers were selected and participated in the study. The number of participants involved in the study and sampling proportion was statistically representative and adequate to the analysis. The respondents were provided with questionnaires both close & open ended. Accordingly, 126 (94.73%) of respondents properly completed and returned the questionnaire just in time and while 7(5.55%) of them did not return for various reasons.

4.2.Response Rate

Table No. 4.1 Response rate of Respondents

Kinds of respondents	Total Number of distributed	Returned questionnaires	Answers in percent
Tax employees	12	12 interview	100%
Taxpayers	133	126	94.73

Total	145	138	95.17%

Since the objective of this study was to assess tax assessment and collection problem, the qualitative data analysis strategy employed was thematic analysis. It is focused on the coding of qualitative data, producing clusters of texts with similar meanings and searching for the central themes capturing the essences of the phenomenon under investigation. The quantitative part of the analysis was treated based on the data obtained from respondents on tax assessment and collection problems. The closed ended questions of the questionnaire were analysed using statistical tools such as frequency count, percentage. Whereas, the second section that is the qualitative part of the study was treated based on the data from interviews and open-ended questions of the questionnaires were integrated systematically.

The respondents' initial responses to questionnaire were quantitatively analysed whereas responses gained through interviews were qualitatively analysed. Based on the result of the analysis the central themes mentioned by the informant's interview in related to the research questions were identified.

4.3.Socio-demographic Characteristics of Respondents

The results of the socio-demographic characteristics of the respondent tax payers such as age of the respondent, gender and education level in years are discussed here in table 4.1below.

Table 4.1: Socio-demographic Characteristics of Respondents

Variable	Category	Respondent	
		No	%
Sex	Female	43	34.1
	Male	83	65.8
	Total	126	100.0
Age	20-29	18	14.3
	30-39	62	49.2
	40 -49	34	27.0

	50 and above	12	9.5
	Total	126	100.0
Qualification	Illiterate	0	
	Secondary School and Less	6	4.7
	TVET/Certificate	17	13.4
	Diploma	54	42.8
	First Degree and Above	49	38.8
	Total	126	100.0

Source: Survey data, 2022

Table 4.2 above shows that the gender of the respondents has a proportional composition this branch office. The female constitutes 34.1% while the male constitutes 65.8%. Based on the data indicated above more male respondents participated in filling out the questionnaire compared to female respondents.

Age of the tax payer is one of important factors affecting tax collection practice. As age increases older taxpayers were expected to have more complaints. On other hand where younger tax payers have been expected to be less complaints and participating in high tax evasion and avoidance. The above Table 4.1 also shows that the tax payers age distribution, in which most of tax payers fall in the age group of 30-39 years (49.2%), the remaining 27.0% ranged in the age between 40-49 years. The survey result also reveals that the age of the sampled respondents ranges from 20-29 years and above 50 years were 14.3% and 9.5% respectively.

As it was observed in Table 4.1 out of the sampled respondents, 13.4% of the respondent have TVET certificate, 42.8% of the respondent were attended diploma, 38.8% of the respondent have BA degree and above and 4.7% were attended general secondary school. From this result one can realize that a significant number of respondents have diploma. The low level in academic qualification yields poor and irresponsible practices in tax related matters.

The majority of the tax payers are engaged in small and medium business enterprises. These are shops, mini super markets, bakery, pastry, law grade constructions, woodwork, metal work, cafeteria and the like. Regarding the tax payers experience in the business, a significant number of the tax payers had the work experience of more than 10 years in the current business that they

are engaged in. This figure clearly indicated that that most of the tax payers have reasonably adequate experience to carry out responsibility and to provide sufficient information about what is going on in their businesses. The business type of the entire respondents is sole proprietorship.

4.4.Tax knowledge of taxpayers

The knowledge of the tax payers is vital to understand the tax rules and regulations and their responsibility. The following discussions were prepared based on the research questions number one. Accordingly, each question forwarded to sample respondents were discussed independently. In the Table 4.2 below, respondents were asked about tax payer's awareness and the reason why they pay taxes. Accordingly, 26.1% taxpayers believe that paying tax to government contributes to development. 15.01% of respondents believe that tax as debt and the remaining 58.8% of the respondents perceived tax as an obligation. Based on this result one can possibly concluded that majority of respondents in the sample sub-city are believed that paying their tax because of government obligation. This indicates that, there is a positive understanding as to why people pay taxes and if successive works are done probably better results can be registered.

In the second part, respondent asked about what is the benefit of paying tax. Based on their response, the majority 76.19% of the respondents perceived that they pay their tax to avoid added interest and penalty. Moreover, 14.29% of the respondents believed that paying tax to get personal satisfaction. 7.14% and 2.39% of the respondent pay tax to be eligible to participate on bid and for bank loan respectively. From this one can concluded that, majority of the respondents are not willing to pay their tax liabilities.

Table 4.3: Taxpayers Awareness about taxation

Description	Response	Frequency	Percent%
What is your perception	Development	33	26.19
towards tax Payment?	As Debt	19	15.01
	As obligation	74	58.8
	other	0	0
	Total	126	100
What are the benefits you get	Avoid Added interest and Penalty	96	76.19
by paying your tax Liability?	Personal satisfaction for	18	14.29

	contributing to economic development		
	Participate in Bid	9	7.14
	Get Bank Loan	3	2.38
	Other	0	0
	Total	126	100
When Do You Pay Your tax Liability?	On Time	122	97
	When Time is Over	4	3
	Total	126	100
Do You believe that your tax payment enhances the delivery of public goods to the community	Yes	64	50.7
	No	53	42.06
	Neutral	9	7.15
	Total	126	100

Source: Survey Data.2022

Regarding tax payers response tax paying time, 97% of the taxpayers pay tax on time while only 3% of the respondent pay their tax after the due date. It is necessary to increase the culture of paying tax on time and introduce attractive approaches to welcome the tax payers that paying tax means developing the entire nation by contributing their side.

As to understand the response of the tax payers about their tax payment enhance delivery of public goods, 50.7% of the respondents believed that paying their tax can enhance delivery of public goods while 42.06% of the respondents believed that their tax is not enhance the delivery of public goods to the community. The remaining 7.15% were Neutral regarding the issue.

4.5.Efficiency and effectiveness of tax assessment and collection procedures

The tax collection procedure effectiveness and efficient plays a significant role in improving the tax collection capacity of the authority. The following discussions were prepared based on the research questions number one. Accordingly, each question forwarded to sample respondents were discussed independently. Hence, this result signals that the tax authority is not that much effective in providing satisfactory awareness creation, in encouraging tax payers. In Table 4.3 respondents were asked about the tax office managers' skill and the ability to lead their fellow tax collection officers according to the law and the existing procedure. Accordingly, 34.9% of

the respondent agree that the tax office managers in their sub city leading their fellow tax collection officers according to the law and the existing procedure while 65% of the respondent disagree. This implies respondents think that managers have no required skill to lead tax collection activities. As it is indicated on table 4.3, 51.5% of the respondent strongly agreed that laws and procedures about taxation are understandable while 48.5% of the respondent disagree that laws and procedures about taxation are too complicated which does not easy to understand it. This implies that tax laws are not easy to understand by the majority of the tax payers. This show the understand ability issues are main constraint for tax assessment and collection.

Regarding tax authority awareness creation, 94.4% of respondent responds that the awareness creation is not enough while only 4% of the respondent replies the awareness creation is enough. Moreover, 37.2% of the respondents were agreed that tax collection officers are skilled enough to assess and collect taxes and 62.6%) of the respondent disagree that that tax officers are skilled enough. From this one can infer that the respondents believe that the officers were not skilled enough to asses and collect taxes. Thus, whenever the taxpayers have this understanding about the tax officials, then it is likely it will affect their objective to pay tax on time and honestly and could result in tax evasion.

Table 4.4: How effective and efficient are tax assessment and collection procedures

Description	Response	Frequency	Percent
Would you agree that the tax office provides enough awareness creation on tax collection?	Strongly Agree	0	0
	Agree	5	4
	Neutral	2	1.6
	Disagree	77	61.1
	Strongly Disagree	42	33.3
	Total	126	100.0
Would you agree that tax office managers are skilled enough to lead their fellow tax collection officers according to the law and existing procedure?	Strongly Agree	0	0
	Agree	44	34.9
	Neutral	0	0
	Disagree	82	65.0
	Strongly Disagree	0	0
	Total	126	100.0
Would you agree that laws and procedures about taxation are understandable?	Strongly Agree	28	22.2
	Agree	37	29.3
	Neutral	0	0
	Disagree	40	31.7
	Strongly Disagree	21	16.6
	Total	126	100.0
Would you agree that tax collection officers are transparent, genuine and properly follow the right tax collection procedure.	Strongly Agree		
	Agree	4	3.10
	Neutral	0	0
	Disagree	48	38.10
	Strongly Disagree	74	58.80
	Total	126	100
Would you agree that the chance of being detected is relatively low if an official is engage in corrupt activity?	Strongly Agree	53	42.06
	Agree	40	31.75
	Neutral	0	0
	Disagree	16	12.70

	Strongly Disagree	17	13.49
	Total	126	100
Would you agree that tax authorities' Appropriately Identify and Records all tax payers in the Sub-city are effective	Strongly Agree	13	10.32
	Agree	27	21.43
	Neutral	0	0
	Disagree	58	46.03
	Strongly Disagree	28	22.22
	Total	126	100
Would you agree that participation of tax payer on different tax related training or awareness creation program impact tax collection?	Strongly Agree	112	88.89
	Agree	14	11.11
	Neutral		
	Disagree		
	Strongly Disagree		
	Total	126	100
Would you agree that branch office and their manpower is enough for collection?	Strongly Agree	69	54.76
	Agree	24	19.05
	Neutral	0	0
	Disagree	22	17.46
	Strongly Disagree	11	8.73
	Total	126	100

Source: Survey data.2022

Respondents were also asked whether tax collection officers are transparent, genuine and properly follow the right tax collection procedure or not. Accordingly, 58.8% of the respondents strongly disagree and 38.1% disagree that tax collection officers are not transparent, genuine and properly follow the right tax collection procedure. Whereas 3.1% respondents were said the opposite. From this one can infer that tax collection officers are not transparent, genuine and properly follow the right tax collection procedure. In this case customers will lose confidence and reliability of the service tax officers give. As shown on table 4.3, 73.7% of the respondents were agreed that the chance of being detected is relatively low if an official is engaging in corrupt activity, whereas 26.3% of the respondents disagree. This implies that taxpayers don't trust tax officers that they are free of corruption.

With regard to tax authorities' effective recording and identifying all tax the respondent asked to respond. Accordingly, 68.3% of the respondent agreed that the tax office not properly record and identify tax payers while 31.7% of the respondent agree that the office record and identify tax payers. In addition, among the respondents 88.8% of the tax payers strongly agree and 11.1% agreed that the participation of tax payers on different tax related training or awareness creation program have positive impact on tax collection. Moreover, 54.7% of the respondent strongly agree and 19.0% agreed that the man power of the branch office is enough for collection and on the opposite side 17.4% disagreed and 8.7% strongly disagree that there is insufficient manpower in the sub city for tax collection.

4.6.Major causes of tax collection Problems

The following discussions were prepared based on the research questions number one. Accordingly, each question forwarded to sample respondents were discussed independently. As shown on table 4.4, respondent was asked for different tax collection problem. When tax payers were asked about that major problem of tax collection problem 54.7% of the respondent were strongly agreed and 40.4% agreed that the tax regulation, procedure, calculation more complex and has ambiguity. This means majority is not clear with existing tax laws and regulation. This implies that the rules and the regulation that tax office used are not clear and work for all tax payer. It is evident from Table 4.4 that, 57.1% agree that law education level has a negative impact on tax collection problem and 42.6% of the respondent disagreed. Moreover, 69.8% of the respondents were agreed that there is lack of simplicity and accuracy of the tax legislation and the other side 30.2% respondent were disagreed.

Table 4.5 Major causes of tax collection Problems

List tax collection Problems	Response	Frequency	Percent%
Country tax system structure	Strongly Agree	69	54.76
	Agree	51	40.48
	Neutral		
	Disagree	6	4.76
	Strongly Disagree		

	Total	126	100
Low educational Level of the business community	Strongly Agree		
	Agree	72	57.14
	Neutral		
	Disagree	54	42.86
	Strongly Disagree		
	Total	126	100
There is Lack of simplicity and accuracy of the tax legislation	Strongly Agree	31	24.61
	Agree	57	45.24
	Neutral		
	Disagree	38	30.15
	Strongly Disagree		
	Total	126	100
High inflation in the country	Strongly Agree	75	59.52
	Agree	23	18.26
	Neutral		
	Disagree	28	22.22
	Strongly Disagree		
	Total	126	100
Sometimes Tax Officials cooperate with tax payers who intend to evade tax and engage in Corruption Activity	Strongly Agree	120	95.24
	Agree		
	Neutral		
	Disagree	6	4.76
	Strongly Disagree		
	Total	126	100
There is Poor Accounting Record in category "A" tax payers	Strongly Agree		
	Agree	83	65.87
	Neutral		
	Disagree	43	34.73
	Strongly Disagree		
	Total	126	100

Tax payers in the same sector categorized in different tax rate	Strongly Agree	114	90.48
	Agree	12	9.52
	Neutral		
	Disagree		
	Strongly Disagree		
	Total	126	100

Source: Survey data.2022

As shown on table above 77.7% of the respondents were agreed that the high level of inflation in the country causes for tax collection problem. Whereas 22.2% of the respondent not accept it is problem for tax collection. Among the respondent the majority 95.2% strongly agreed that tax officials cooperate with tax payers who intend to evade tax and engage in corruption activity. This implies that there is lack of professional ethics; get rich quick ambitions, complexity of tax law and procedure and lack of adequate monitoring and supervision. Moreover, 65.8% of the respondent agrees that there is poor accounting record in category "A" tax payers while 34.7% disagree. This means that a quite a significant proportion of the category "A" tax payers do not keep their books properly.

4.7.Secondary Data Interpretation

As secondary the records acquired from the tax office the execution of the tax collection in the tax office is not attained in the successive four years. The actual tax composed is low when compared to stated plan. This problem may arise from insufficient implementation of tax assessment and collection measures non compliant tax payer and it is cause for the accumulation of uncollected tax. The other problem for under performance is delaying of assessed tax revenues in appeal process, absence enforcement through

4.8.Focus Group discussion

Focus group discussion show that significant number of tax employees are not still understand each and every tax laws due to lack of training and education. That is tax employees are not ready to take decision whenever they face challenges in all the cases. Also on their discussion there is a non-understand ability of tax rules, non-existence of tax knowledge, and there are still illegal and/or unregistered traders who are not controlled and put in the tax network. This shows

that the branch has still weakness in enforcement of identification and registration of illegal traders. It also has no strong tax education level that the taxpayers feel the tax laws are complex and unclear. This contributed to the problems of ineffective tax collection in the branch revenue office.

4.9. Interpretation of the Interview

According to questions raised to the respondent's it is stated that, the tax authority office provides regular information to category "A" taxpayers to create tax awareness through as television, radio, newspaper, brochure, poster and others. Creating awareness helps to bring a sense of responsibility towards tax and ultimately promotes a positive view to voluntary compliance.

In addition, the branch office did not assign sufficient number of adequately qualified personnel who are able to assess and collect tax efficiently. This can affects the operations and effectiveness of the tax office. They mentioned the following as reasons for the assignment of less appropriate personnel, short term solution to address the shortage of manpower, assignment by political affiliation, loose recruitment procedures.

Moreover, there is very frequent employees turn over in their office. Frequent employees turn over will drop productivity, it costs a company money to deal with turnover. Every time they have to spend resources on recruiting, hiring and training a new employee. Gaps in staff mean there aren't the correct number of team members to do the job, this means productivity simply drops. Add burden on the other employees, and dissatisfy other employees.

In general, it can be noted that the key challenges and their causes identified among both tax authority and tax payers. These are lack of tax education, the tax payers' culture to under estimate taxes ,tax rates are too high, great resistance to take or attend the tax awareness training or panel discussion arranged by the tax authority, hiding their actual taxable income intentionally and not to pay the true amount of tax to the government, lack of understanding the tax authority's employees work burden at the time of taking the tax authority's service, running

their business   illegally, undesired communication of tax officers with taxpayers and tax revenues are not spent on public services.

CHAPTER FIVE

SUMMERY, CONCLUSIONS AND RECOMMENDATIONS

This chapter deals with summary of major finding, conclusions drawn from the findings of the study and recommendations forwarded in order to improve the practices and challenges of tax collection system at Lideta sub city.

5.1. Summary

This study was conducted aiming at the assessing the problems of tax assessment and collection: case study on category "A" Taxpayers in Lideta Sub City Revenue Authority Branch office in A.A city Administration" with the intension to understand the issue from taxpayers, tax office workers, and tax office management bodies' perspectives. The study employed both qualitative and quantitative research design. For the purpose of this study, a descriptive survey method was employed to disclose the understanding of respondents on the issue under study. This method was chosen with the assumption that it helps to conduct data as it exists and to gather several data related to the problem under study. Both primary and secondary sources of data were used. Data were gathered via questionnaire, interview and document analysis. The collected data were analysed by descriptive statistics such as frequency count and percentage. The response rate was 94.7% which clearly shows that the researcher has got adequate and representative responses to the intended research undertakings. The data secured through questionnaire are analysed quantitatively and data secured through interview was thematically analysed and organized in to themes to answer the research questions.

The knowledge of the tax payers is vital to understand the tax rules and regulations and their responsibility. The survey result revealed that 26.1% taxpayers believe that paying tax to government contributes to development, 15.01% of respondents believe that tax as debt and the remaining 58.8% of the respondents perceived tax as an obligation. In addition, the majority 76.19% of the respondents perceived that they pay their tax to avoid added interest and penalty while 14.29% of the respondents believed that paying tax to get personal satisfaction. Regarding tax authority awareness creation, 94.4% of respondent responds that the awareness creation is not enough while only 4% of the respondent replies the awareness creation is enough. This indicates that the awareness of the tax payer about benefit of taxation is limited.

Regarding the tax collection procedure effectiveness and efficiency, the finding of the study shows that, 34.9% of the respondent agree that the tax office managers in their sub city leading their fellow tax collection officers according to the law and the existing procedure while 65% of the respondent disagree. In addition, the study also indicates 37.2% of the respondents were agreed that tax collection officers are skilled enough to assess and collect taxes and 62.6% of the respondent disagree that that tax officers are skilled enough. This implies respondents think that managers have no enough required skill to asses and collect taxes.

The findings of this study shows that the majority of respondent (96.9%) disagree that tax collection officers are transparent, genuine and properly follow the right tax collection procedure. From this one can infer that tax collection officers are not transparent, genuine and properly follow the right tax collection procedure. In addition, the study shows that 73.7% of the respondents were agreed that the chance of being detected is relatively low if an official is engaging in corrupt activity, whereas 26.3% of the respondents disagree. This implies that taxpayers don't trust tax officers that they are free of corruption.

Concerning the major problem of tax assessment and collection practice in the study area, the result of this study shows that majority (94.4%) agreed that the tax regulation, procedure, calculation more complex and has ambiguity. This means majority is not clear with existing tax laws and regulation. This implies that the rules and the regulation that tax office used are not clear and work for all tax payer. In addition, the study shows that 57.1% of respondent agree that law education level has a negative impact on tax collection. The majority (69.8%) of the respondents agreed that there is lack of simplicity and accuracy of the tax legislation which creates challenges on tax assessment and collection.

In addition, the result of the study revealed that 77.7% of the respondents agreed that the high level of inflation in the country causes for low tax collection. Whereas 22.2% of the respondent not accept it is problem for tax collection. From the findings, the majority (95.2%) of respondent strongly agreed that corruption activity is also one of the problems in tax assessment and collection. As the problems are concerned, in general the study shows that the key challenges and their causes are from both tax authority and tax payers side.

5.2. Conclusion

Tax is the main source of public expenditure. The collection and assessment of tax at any category should be effective to generate adequate amount of funds that can cover all the capital that the government needs. The following conclusions were made based on analysed data of quantitative and qualitative part of the study.

Lideta sub-city tax office has faced different financial, operational and administrative problems and challenges. Tax payers have inadequate knowledge on the technical aspects of the income tax. Moreover, the tax office does not offer sustainable training to create tax awareness for tax payers. Most of them do not know the rules and regulations of taxes they pay. Due to this, carelessness, delay in tax payment and hiding are taken by taxpayers as solution to escape from payment of taxes. Furthermore, the tax collectors did not have adequate skills. The tax office does not offer continues training for employees. There is also lack of clarity in tax law which give chance for different interpretation. There is also weak attention is given to skills, techniques, procedures, customer relations, or managerial training. Inefficient and insufficient number of tax assessment and collection officers in the sub city is also among the major problems. Farther more some tax authority's employees lack integrity, honesties, transparency and professional ethics at the time of tax assessment. Besides, there are problems in relation to treating each and every taxpayer equally and fairly and bringing non taxpayers to tax system. Taxpayers continuously complain on challenges existing in the tax office. The major causes for challenges on tax administration are poor understanding about tax proclamations, rules and regulations by taxpayers, complexity of tax laws and proclamation, delayed tax assessment process by the authority due to lack of sufficient assessors, lack of skilled and motivated management bodies and very frequent employee turnover, inefficiency and ineffective computerized system in tax administration, redundant electric power failure and inflexibility of the software in use, unfair tax rate. Generally, taxpayers and tax offices have tax administration problems of different natures.

5.3. Recommendations

According to the study conducted it would be reasonable to give the following recommendations that may help tax payers, the tax authority and other policy makers to improve the problems associated with assessment and collection of category "A" tax in general and at Lideta sub city in particular. These are

For the Authority

The poor awareness about tax is visibly being the major problem which is caused by low educational background and insufficient training session. Educating taxpayers is the crucial fact to solve the problems from their root. In order for the tax authority to educate and improve the taxpayer's awareness level, it would be very effective to arrange seminars on tax issues prepare and give adequate and sustainable training sessions concerning their obligation, and awareness creating conferences. The other method of transmitting tax concepts, its related rules and regulations to the society is using the different media as a means to educate taxpayers and change their perceptions about their tax reporting behaviour and their overall perceptions of taxation in general.

Because taxpayers believe government is the ultimate party benefiting from tax and they think they have no direct benefit from paying tax, they show little interest to pay their liability. Hence the best remedy to the authority to tackle this misconception is again preparing seminars and training sessions. Besides it would be very wise to the authority if it involves in different social activities so that it can pass its objectives through. The government at large also needs to be sensitive in addressing where and how the collected taxes are spent using various medias. After having built infrastructures, dams, bridges, and other projects, it would be very essential to the government to give credit to the taxpayers for the contribution they made and that makes them feel they have ownership on the country's growth. This could help the taxpayers to act ethically.

Tax fairness brings equity and equity means encouraging and protecting honest and loyal society by adopting fair competition and efficient tax administration system. Therefore, we recommend the authority to adopt effective and efficient tax assessment and collection practices, relevant awareness creation methodologies to teach taxpayers, and in fact full disclosure on the tax assessment. As can be seen from the survey tax fairness issues are typically raised by taxpayers

who are not much informed and told about how their tax liability is calculated. And therefore, the transparency of the tax authority is very essential to create fair tax system conception. Moreover, the researchers found it very reasonable to recheck the interest policy of the tax authority as it is unquestionably inflated leaving the issue of tax fairness in quotation.

Finally, the authority would achieve its goal if it arranges seminars and sustainable training sessions. Besides, it would be worth taking if the authority be able to build good customer relation while rendering its service to taxpayers like the manner of how they treat taxpayers, their interest to give support, and how they handle issues of the taxpayers. In order to avoid the problems of tax assessment and collection problems, it would be better if the authority be able to strength its follow- up practices by enriching the human resource of the office and tightening its control system. Moreover, transparency and full disclosure of information to the taxpayers plays vital role in minimizing the forwarded problems.

For the taxpayers

Expecting direct benefit from paying tax, the perception of government is the ultimate beneficiary from tax, viewing tax as an obligation, and believing government as the only responsible body for the growth of the country are lack of awareness of taxpayers. These can be achieved not only by enriching academic background but also by actively participating in seminars and training sessions and by asking and getting information how and where the government is using the fund collected through tax. The more involvement on the tax formation system help taxpayers learn more about the rules and regulations concerning the different taxes how and when they are expected to declare.

Again, taxpayers rather than being silent and refrain due to the poor services they have been rendered they would be beneficiary if they are keen to consult the authority's concerned officials in any issue related to tax matters and problems they are facing. As they have the obligation to pay their duties, they also have the right to get sufficient support from the authority. And this support comes from the communication they create with authority.

Lastly, we recommend all taxpayers needs to have a well understanding of their current and future tax obligation while establishing a business at its early stage.

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Appendix A

St. Mary's University College

Faculty of Business and Economics

Department of Accounting Finance

Questionnaire

Dear respondent, I would like to express my heartfelt appreciation, in advance, for taking time to discuss the following issues. The questionnaire is designed for the data collection of a research fulfilment of Msc degree in Accounting and Finance entitled "Assessing the Problems of Tax Assessment and collection: case study on category "A" taxpayers in Lideta Sub City Revenue Authority Branch office in A.A city Administration". Be confident that the information you provide will be kept and used only for academic research purpose. So you are kindly requested to give your genuine answer.

Section I. Personal Information

1.1.   Sex

Male ☐   Female ☐

1.2.   Age

(1) 21-25   (2) 26-35

        (2) 36-45   (3) Above 46 years

1.3 Academic Qualification

        1. Illiterate

        2. General secondary school or less

        3. TVET/certificate

        4. Diploma

        5. First Degree & above

1.4 Type of business: _____

1.5 For how many years you are in this business?

_____

1.6. Did you attend any training on basic tax related topics   Yes_____   No_____

Section II. Issues related to Tax Assessment & Collection Problems

Direction: Please answer the following questions on this questionnaire by putting the" √" mark in the box corresponding to the response of your choice.

1.   Awareness/Knowledge about taxation

Item	Description	Response	Frequency	Percent%
1	What is your perception towards tax Payment?	Development		
		As Debt		
		As obligation		
		other		
		Total		
2	What are the benefits you get by paying your tax Liability?	Avoid Added interest and Penalty		
		Personal satisfaction for contributing to economic development		
		Participate in Bid		
		Get Bank Loan		
		Other		
		Total		
3	When Do You Pay Your tax Liability?	On Time		
		When Time is Over		
		Total		
4	Do You believe that your tax payment enhance the delivery of public goods to the community	Yes		
		No		
		Neutral		
		Total		

2.   How effective and efficient are tax assessment and collection procedures.

Item	Description	Response	Frequency	Percent %
1	Would you agree that the tax office provides enough awareness creation on tax collection?	Strongly Agree		
		Agree		
		Neutral		
		Disagree		
		Strongly Disagree		
		Total		
2	Would you agree that tax office managers are skilled enough to lead their fellow tax collection officers according to the law and existing procedure?	Strongly Agree		
		Agree		
		Neutral		
		Disagree		
		Strongly Disagree		
		Total		
3	Would you agree that laws and procedures about taxation are understandable?	Strongly Agree		
		Agree		
		Neutral		
		Disagree		
		Strongly Disagree		
		Total		
4	Would you agree that tax collection officers	Strongly Agree		

		Agree		
	are skilled enough to assess and collect taxes?	Neutral		
		Disagree		
		Strongly Disagree		
		Total		
5	Would you agree that tax collection officers are transparent, genuine and properly follow the right tax collection procedure.	Strongly Agree		
		Agree		
		Neutral		
		Disagree		
		Strongly Disagree		
		Total		
6	Would you agree that the chance of being detected is relatively low if an official is engage in corrupt activity?	Strongly Agree		
		Agree		
		Neutral		
		Disagree		
		Strongly Disagree		
		Total		
7	Would you agree that tax authorities' Appropriately Identify and Records all tax payers in the Sub-city are effective	Strongly Agree		
		Agree		
		Neutral		
		Disagree		
		Strongly Disagree		
		Total		
8	Would you agree that participation of tax payer on different tax related training or awareness creation program impact tax collection?	Strongly Agree		
		Agree		
		Neutral		
		Disagree		
		Strongly Disagree		
		Total		
9.	Would you agree that branch office and their manpower is enough for collection?	Strongly Agree		
		Agree		
		Neutral		
		Disagree		
		Strongly Disagree		

3.   Major causes of tax collection Problems

Item	List tax collection Problems	Response	Frequency	Percent%
1	Country tax system structure	Strongly Agree		
		Agree		
		Neutral		
		Disagree		
		Strongly Disagree		
		Total		
2	Low educational Level of the business community	Strongly Agree		
		Agree		

		Neutral		
		Disagree		
		Strongly Disagree		
		Total		
3	There is Lack of simplicity and accuracy of the tax legislation	Strongly Agree		
		Agree		
		Neutral		
		Disagree		
		Strongly Disagree		
		Total		
4	High inflation in the country	Strongly Agree		
		Agree		
		Neutral		
		Disagree		
		Strongly Disagree		
		Total		
5	Sometimes Tax Officials cooperate with tax payers who intend to evade tax and engage in Corruption Activity .	Strongly Agree		
		Agree		
		Neutral		
		Disagree		
		Strongly Disagree		
		Total		
6	There is Poor Accounting Record in category "A" tax payers	Strongly Agree		
		Agree		
		Neutral		
		Disagree		
		Strongly Disagree		
		Total		
7	Tax payers in the same sector categorized in different tax rate	Strongly Agree		
		Agree		
		Neutral		
		Disagree		
		Strongly Disagree		
		Total		

Thank you for your cooperation!

APPENDIX 2

St. Mary's University College

Faculty of Business and Economics

Department of Accounting Finance

Interview Questions to be answered by tax office officers & Management bodies.

Dear respondent:

I would like to express my heartfelt appreciation, in advance, for taking time to discuss the following issues. The purpose of this interview is for the preparation of a research for the fulfillment of MSc degree in Accounting and Finance entitled "Assessing the Problems of Tax Assessment and collection: case study on category "A" taxpayers in Lideta Sub City Revenue Authority Branch office in A.A city Administration". Be confident that your valuable information will be kept and used only for academic research purpose. So you are kindly requested to give your genuine answer.

Please write short and precise response for the following questions.

1.   What do you think about taxpayers' understanding about taxation?

2.   Does the Authority has regular program to update newly issued tax circulars and regulation? If yes please list the methods.

3.   Do category "A" tax payers pay their tax on time? What do you think reason for on time payment?

4.   Do you have complaint handling procedure at your office? If yes how long would it takes to rely to the compliant?

5.   Did you receive any training relevant to your duties and responsibilities? If yes how often?

6.   Is the number and qualification of the employees at your office sufficient to assess and collect tax efficiently?

7.	How can you evaluate employees turn over in your office? Is it high/medium/low.

8.	What measures are taken by tax authority to motivate tax payers to pay tax on time?

9.	Can you list down the major problems of tax collection at your sub city?

10.	You can add here anything regarding the overall tax assessment and

collection problems in your Sub-city?

<p align="center">Thank you for your cooperation</p>