



ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

**CHALLENGES AND OPPORTUNITIES OF ADOPTING E-TAX SYSTEM
IN THE CASE OF SMALL TAX PAYERS IN NIFAS SILK LAFTO SUB
CITY, ADDIS ABABA**

**BY:
SINA TEKLEHAIMANOT**

**JUNE, 2024
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**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY, SCHOOL OF
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REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS
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**JUNE, 2024
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CERTIFICATION SHEET

This is to certify that the thesis entitled “*Challenges and Opportunities of Adopting E-tax system in the case of small Tax Payers in Nifas Silk sub city, Addis Ababa*” submitted to St. Mary University for the award of the Degree of Master of Business Administration (MBA) and is a record of confide research work carried out by SinaTeklehiamanot, under my guidance and supervision.

Main Adviser’s Name

Signature

Date

MesfinTesfaye. (PhD)



10/06/2024

DECLARATION

I hereby declare that this thesis entitled “*Challenges and Opportunities of Adopting E-tax system in the case of small Tax Payers in Nifas Silk sub city, Addis Ababa*”, has been carried out by me under the guidance and supervision of Dr. MesfinTesfaye. (PhD).

The thesis is original and has not been submitted for any degree or diploma award to any university or institution.

Researcher’s Name

Date

Signature

SinaTeklehaimanot

JUNE, 2024

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SCHOOL OF GRADUATE STUDIES
FACULTY OF BUSINESS**

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List of Abbreviations

ERCA – Ethiopian Revenue and Customs Authority

E-Tax – Electronic tax

ICT – Information and Communication Technology

ITAS - Integrated Tax Administration System

LTO – Large Tax Payers Office

MOR – Ministry of Revenue

MTO – Medium Tax Payers Office

SIGTAS – Standard Integrated Government Tax Administration System

SPSS - Statistical Package for Social Science

STO – Small Tax Payers Office

TIN- Taxpayer Identification Number

TAM – Technology Acceptance Model

VAT – Value Added Tax

ABSTRACT

This research aimed to investigate challenges and opportunities of adopting electronic tax system in case Small Tax payers of Nifas silk lafto sub city, Addis Ababa. To achieve this objective, the study applied descriptive design and survey data were gathered from 156 respondents used stratified sampling technique. Surveyed data were processed using SPSS and use descriptive statistics. The finding revealed that e-tax system promote the tax payers satisfaction and saved time and cost by avoiding emotional stress due to long queue and make them efficient and effective as they can administer their own taxes and create flexibility to timely recording tax credit and to refund tax any time .The study also indicate that some of the practical challenges that small tax payers face while using e-tax system are; unreliable e-tax service, system inefficiency as it isn't fully operational and the e-tax is not also very well supported with e- payment supplementary system , so taxpayer still forced to go to tax office. The Study recommended that tax authority increase the excellence of system fully launched by provide electrically registration, clearance and payment system.

Key Words: Opportunities, Challenges, E-tax system and Taxpayers

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

A successful government empowers the tax authority to enhance tax collection services and increase the efficiency of tax administration because taxes are essential for long-term economic growth. Effective tax returns can aid in raising funds for the delivery of essential services and will greatly aid in good governance in many areas. Governments are more responsible to make budget decisions that are transparent and available when they use taxpayer money (Joanna, 2014). This aids in holding the government accountable to its constituents. Any government must significantly increase its fiscal depth without racking up expensive recurring overheads if it is to perform on par with the growth and expectations of its populace. Automated systems have been proven to be able to significantly improve business processes and increase revenue. One important step will be to apply technological solutions to the government's strategic objectives.

One of the ways that nations generate income to pay for government spending on the goods and services is through taxation, which is how most governments raise money. The developed nations have been able to raise significant amounts of money through the imposition of taxes in comparison to the developing nations. In contrast to developing economies, which are characterized by weak monetization and the underdevelopment of the formal sectors, developed countries operate with an efficient tax system. In other words, the tax systems in these nations have one or more of the following desirable traits: economic efficiency, administrative simplicity, flexibility, political accountability, and fairness. The tax system must be economically effective, which means it cannot affect how resources are allocated. Countries should adopt a tax structure that is simple to operate, affordable, and flexible enough to adapt to shifting economic conditions. In order for the political system to more accurately reflect people's

preferences, taxpayers should be able to know what they are actually paying (Abraham, 2003).

ICT use in business and tax settings is currently apparent. Particularly, tax authorities from all over the world are interacting with the general public through electronic tax administration systems in settings for tax collection, administration, and compliance. Technology has changed how we live, play, and communicate with one another. The use of technology to increase the efficiency of tax administration, widen the scope of taxpayer services, and draw attention from governments in both developed and developing nations (Dowe, 2008) is beneficial. An online platform known as an electronic tax system enables the taxpayer to access online tax services. These services include registering for a tax identification number, filing tax returns, and registering applications for compliance certificates and payments. Online tax services frequently use internet-based platforms, so some familiarity with internet usage is necessary (Azmiand Bee, 2010). The emergence of an electronic tax filing system by the Ministry of Revenue (hereafter, MOR) has had a significant positive impact on the business community and Ethiopia's growing economy. As of right now, taxpayers can file their tax returns online, quickly, and easily Fortune (Newspaper, 2013).

This is also the case with Ethiopia's MOR's introduction of an electronic tax filing system. The tax authority has been implementing electronic tax reporting and document filing among small tax payers over the last few years. Since electronic tax filing is still a relatively new system, there aren't many studies that specifically address its drawbacks, advantages, and effects. There aren't many empirical studies that have discussed the advantages and disadvantages of the e-tax filing system for the small taxpayer of the MOR. However, given the amount of tax revenue these companies provide to the government, it is crucial to understand the benefits and challenges that big taxpayers perceive when deciding how to use the new platform. The Ethiopian government must determine what obstacles small taxpayers face.

Utilizing the e-taxation platform more frequently and put it to use to reap the rewards of e-taxation. Therefore, the main objective of this study is to evaluate the advantages and difficulties small taxpayers' encounter when using the e-tax platform.

1.2 Statement of the Problem

The Ethiopian government will upgrade the Ministry of Finance's institutional capabilities and increase its ability to mobilize domestic resources by strengthening and fully implementing the tax administration's information system and providing it with the newest technology. We work to get better (NPC, 2016). The government wants to raise more domestic tax money to support megaprojects and other high-priority development sectors. It is modernizing and strengthening its institutions in order to do this. But in order to accomplish this, the government will enhance the effectiveness and efficiency of tax administration and benefit taxpayers by resolving some of the issues with manual methods for cash disbursement and tax filing. Various tax administration improvements must be put into place in order to achieve this.

However, the implementation of structure and utilizing resources is not by itself a solution for effectiveness and efficiency of tax administration. On the other hand, to have a better revenue performance (Andrew, 2014) stated that the administration need a better efficiency that help to reduce tax payers' compliance cost, reduce duplication and decrease tax administration costs by realizing information system. Recently different e-government services have been proposed by the public sector to citizens. E-government services are defined as the selection, implementation, and use of information and communication technologies in government to provide better public services to the citizens (Olaoye&Atilola, 2018). The online tax services are part of e-government internet based activities so it needs basic knowledge of the usage of the internet (Luna-Reyes, Gil-Garcia, & Romero, 2012). By bolstering and effectively implementing the tax administration, the Ethiopian government hopes to increase the capacity of its citizens to mobilize domestic resources. By providing it with

contemporary technologies, the Ethiopian Ministry of Revenues' institutional capacity will be improved (NPC, 2016).

According to a 2015 survey by the World Bank Group on the burden of tax compliance for Ethiopian businesses, in-house tax compliance costs 11 person-days for filing tasks at the end of the fiscal year and tax declaration. However, this is the Sub-Saharan nation with the highest tax activity expenditure by businesses for tax filing when compared to other sub-Saharan nations.

Users who were uneasy using technology were also alarmed by the new system because tax returns had to be filed online. The success of the taxpayers is a key factor in determining whether e-tax filing will continue to be used, according to (Kimea; Chimilil&Sichone 2019).

E-tax payment is a facility provided to taxpayers to make their tax obligation using an electronic payment order system that replaces the paper-based Cash Payment Order (CPO). In the past few years, the Ministry of Revenue has been implementing electronic tax reporting and filing of documents with small taxpayers and since end of March 2019 the Ministry of Revenues started operationalizing the electronic payment system with the intention of modernizing its services with coordination of Commercial Bank of Ethiopia, Ethio telecom (tele birr) and Ministry of Revenue in implementation of e-tax payment system.

In Ethiopia studies have been conducted to assess the implementation of E-tax filing system. Previous studies conducted by Ruta (2017) assessed electronic tax filing system in selected branch offices of Ethiopian Revenues and Customs Authority (ERCA), Dagnachew, (2018) studied challenges and opportunities of adopting e-tax system in the case of ERCA (LTO), moreover Abera, (2019) examined the influence of electronic tax filing system on tax compliance in the case of large taxpayers' branch office (LTO).Samuel(2015) also assessed the Practices, Challenges, and Prospects of E-government in the case of ERCA.

Therefore, various studies have been conducted to assess adaptation and implementation of the E-tax filing system in Ethiopia. But since electronic tax payment is a new system for the country and as to the researcher's best knowledge there is little empirical study in the area of electronic payment (e-payment), this study conduct to fill this gap.

1.3. Research Question

To achieve the study's objective, the following key research questions answer:

1. What is the current situation of the e-tax service in the MORSTO?
2. What opportunities available for adopting e-tax service for MORSTO?
3. What are the challenges for the adopting of e-tax service for MORSTO?

1.4. Objective of the Study

1.4.1. General Objectives

The main objective of the study was to assess the current practices, the challenges and opportunities of adopting electronic tax system by Small tax payers at the ministry of revenue, Ethiopia.

1.4. 2. Specific Objectives

The specific objectives of the study:

1. To assess the current practice of adopting of e-tax in MORSTO.
2. To analyze the opportunities that the MORSTO gets by adopting an e-tax service.
3. To identify the challenges for the adoption of e-tax in MORSTO.

1.5. Significance of the Study

The study benefits the researcher, customers and stakeholders as discussed as follows;

- This research has important contributions to Ministry of revenues Small Tax payers in understanding the benefits associated with adoption of E-tax services.
- MOR also benefit from the results of the study in identifying the challenges and opportunities of E-tax and in devising appropriate strategies in overcoming the challenges and take advantages of that E-tax service delivers.

- The research helps the researcher to have better insight of E-tax concepts and utilize such concepts in career building for future.
- The study could be used as an input or a piece of source in conducting further studies on subject matter on the same bank or else.

1.6. Scope of the Study

This research is delimited to assessing the current practices, challenges and opportunities of adopting electronic tax system in Ministry of revenues Small Tax payers. The study makes the analysis on the basis of the extent of current practices of Ministry of revenues Small Tax payers. Data has obtained from Ministry of revenues east district customers that are familiar with E-tax system to retain the focus on the e-tax system, to keep the consistence of the data gathered it left out those that are not customers of Ministry of revenues Small Tax payers furthermore the study is Geographically, delimited to Eastern District customers of the Ministry of revenues Small Tax payers to conduct the study. Study participants are E-tax customers, which are selected using convenience method in selected branches of the District. The study was conducted from March – June 30, 2024.

The scope of the study limited in assessing challenges and opportunities of e-tax payment system in Ministry of Revenue (MOR) small Taxpayers branch Office, employees and taxpayers of the branch other MOR branches are out of the scope of this thesis because currently all STO branch use e-tax payment system. This study also assesses current practice of e-tax payment system in MORSTO branch, benefits and challenges of the system as per both employees and taxpayer's perception and coordination of Commercial Bank of Ethiopia Ethio telecom and Ministry of Revenue in implementation of e-tax payment system.

The researcher intention to assess challenges and opportunities of adopting E-tax system in MOR small tax payers Branch office. To this effect, descriptive research applies for the study, adequate qualitative data (survey questionnaire) was used, analyze and

interpret the overall result. Therefore, the study used qualitative and quantitative research approach.

1.7 Definition of Key Terms

The researcher has included both an operational definition of each phrase as well as a theoretical definition in this section.

- **Tax**, refers to a sum of money that required from individuals to achieve economic, social and financial goals (ChanchalVipin and Vinayak , 2013).
- **E-Tax** is an online platform that enables taxpayers to access tax services online (Night &Bananuka, 2019).
- **ICT** infrastructure; is a digital technology that is used in a business sectors to systematize E-tax system.
- **Legal framework**; is that improves trust and confidence through supporting technical efforts which is the major issue when thinking about electronic tax system adoption

1.8. Organization of the Thesis

The thesis is divided into five chapters. Chapter one focus on the background of the study, statement of the problem, objective, scope, limitation, and significance of the study. Chapter two consists of review of related literature. Chapter three concerned with research methodology that incorporates research design, data sources, sampling. Chapter four covers data analysis and interpretation. The last chapter, chapter five deals with the researcher's recommendations and conclusion, which are based on the findings.

CHAPTER TWO

REVIEW RELATED LITRATURE

This chapter contains theoretical and empirical literature. Theoretical literature deals with concepts and principles of taxation. Linked empirical discoveries present the opportunities and challenges of e-tax payment system.

2.1 Conceptual Review

The theoretical literature part of the study covered the definition of taxation, objective of taxation, principles of taxation, technology adoption theories and models and benefits and challenges of e-tax payment system.

2.1.1 Definition of Taxation

Tax is simply defined as a sum of money that is required from individuals and business organizations to achieve economic, political, social and financial goals (Al Baajetal., 2018). Tax revenue is currently the only reliable and justifiable source of government income not like other sources which include debt, aid and fees that are not reliable as they are unpredictable and unsustainable sources of revenue (Akalu, 2016). Adimassu & Jerene, (2016) noted that in previous years taxes purpose is only as a source of government income, but nowadays taxes have other benefits like taxes help in reducing the inequalities between the rich and the poor, taxes help to discourage usage of harmful and luxury products. Tax also plays a major role in encouraging economic growth and reducing poverty. And also taxation is the important element in managing national income.

2.1.2 Objective of Taxation

The main purpose of taxation is to generate sufficient revenue to finance public sector activities in an affordable way (Bird & Zolt, 2003). Taxation is a system that controls factors in the level of the achievement of the goals of tax policy. And the tax system is designed to meet the needs and interest of the society in fulfillment of the political, social, economic and financial conditions of the state and society (Palan et al., 2013). Adimassu & Jerene (2016); Akalu (2016); Engida & Baisa (2014); Ergo (2018) and

Soyode & Kajola (2006) state that a brief discussion on the objectives of taxation as follows

Revenue Generation: The main objective of a modern tax system is rising revenue to support government on finance public sector expenditure. This income is required to meet the expenditure which is providing goods and services for members of the society which cannot afford the price of goods and services and for the federal and state governments to provide services like health services and education (Akalu, 2016).

Redistribution of Income and Wealth: taxation has to be based on ability to pay and redistribution of income and wealth in order to decrease poverty and support social benefit. Taxation can be used as an economic regulator to increase economic stability and sustainable growth. Government also has responsibility for fighting inflation, unemployment and creating a better infrastructure for business. A tax system is the best way of achieving this objective (Engida & Baisa, 2014).

Preventing consumption: Tax can be used to discourage consumption of harmful goods like alcohol and cigarettes. This is done to reduce external costs like health risks and pollution and also discourage luxury goods in order to reduce inequality (Ergo, 2018).

Coordination of Economic Objective: Coordination of various trade or economics have the objective of connecting different countries with a membership base or with other contracts to achieve the philosophy of the single market to provide free movement of goods and services between member states (Adimassu & Jerene 2016).

Provision of commonly used public services: to provide services like Internal security to protection of law and order by police and other security agencies, External security to defend external enemy by Army, Navy and Air Forces, and Establishment of infrastructure (Ergo, 2018).

Encouragement of exports: Governments have an intention of increasing foreign exchange requirements through export. To increase export government, provide a

certain tax exemption for exporters and also encourage them with arranging a free trade zones and by making a two-sided and multilateral agreement (Soyode & Kajola, 2006)

Creation of employment opportunities: Countries might reduce unemployment in the country by giving tax concessions to small entrepreneurs and to other industries that create opportunities for large amounts of labor (Adimassu & Jerene 2016).

Reduction in regional imbalances: If there is regional disparity within the country, governments can use taxation to reduce such imbalance through tax exemptions and tax concessions to investors who made investment in underdeveloped regions (Akalu, 2016).

2.1.3 Principles of Taxation

The American Institute of Certified Public Accountants (AICPA) publication in 2001 about guiding principles of good taxation notified that the taxation system is to be judged by the standards of equity, efficiency and administrative convenience. Tax system means the set of taxes that are used by a government therefore tax policy is a government program for setting taxes that means tax is the way a Country chooses to allocate tax burdens among its citizens (AICPA, 2001).

Adam Smith, (1776) the father of modern political economy has articulated four principles or canons of taxation in his famous book "Wealth of Nations". These principles are still considered to be the starting point of public finance. These principles are Canon of equality, Canon of certainty, Canon of economy and Canon of convenience that the tax should be included at the manner which is most appropriate for the taxpayer. The most famous four canons of taxation are: -

Canon of Equity: people should pay taxes in proportion to their incomes, the burden of taxation to be distributed according to the taxpayer's ability to pay as measured by the income earned and also this canon determines that tax that should be fair. This principle points to progressive taxation. A Progressive taxation states that the tax rate or percentage of taxation should increase with higher income and decrease with the lesser

income it depends on the ability of each taxpayer. This canon tries to insure the objective of economic justice. It orders that the richer should pay more (Adimassu & Jerene, 2016).

The ability-to-pay principle is according to what they earn and taxpayers who have equal taxable capacity allow the same tax burden but on the other hand benefits principle is applied citizens pay taxes according to identifiable benefits each individual receives from government services. The benefit principle states that taxes should be paid according to the benefits received, that means the one who receive the greatest benefits should pay the most taxes but it is difficult to achieve in practice (Essays, 2018)

Canon of certainty: The Canon of certainty implies that taxpayers should have knowledge regarding the amount which taxpayer is to pay, where to pay and when to pay. Also taxpayers are clearly informed about why and how taxes are levied. If the taxpayer is certain about the amount of the tax and its time of payment taxpayers can adjust their income to expenditure. Certainty principle also helps to reduce misuse of power and corruption on tax authority and increase taxpayer's willingness of tax payment (Soyode and Kajola, 2006)

Certainty canon is that the taxpayer has to know how much tax he or she should pay, the time by when tax payable must be paid and the manner in which the tax must be paid. Therefore, the amount of tax to be paid should not be arbitrary or should be based on the rules and regulations of the tax authority. This canon is very relevant till now for the protection of taxpayers from unnecessary harassment, for tax authority to regulate good standard tax systems, and also reduce corruption in the tax administration and encourage good governance (Ermias, 2016).

Canon of convenience: taxes must be collected in a way and time suitable to the taxpayer. It is related to the ease of compliance to taxpayers. Canon of convenience takes into consideration the interest of taxpayers from the view of payment of tax that

the method and timing of the tax should suit the taxpayer. Overall this canon illustrates how simple is the tax payment and collection process (Furnham, 2005).

Canon of Economy: The canon of economy implies that the expenses of collection of taxes should not be unreasonable or expensive. Considering that every tax has a cost of collection, this canon requires the revenue collected should exceed the costs of collection. Administration costs are kept as low as possible. Increase in administrative costs is a reason to decrease in revenue. It also guides that taxes which are too widespread and difficult to administer should not be imposed (Temtim, 2014).

Good tax revenue authorities develop their administration services by adopting appropriate principles that allow revenue authorities to ensure taxpayer compliance with tax laws and increase tax return (Ermias, 2016).

2.2 Theoretical review

Researchers have developed many different models that determine the important factors that affect the attitude, intention, acceptance and use of new technologies. These models include various structures that evaluate the intention of the user's attitude towards it. In the following section those models will be discussed. These models are: 1. Technology Acceptance Model (TAM) 2. Theory of Reasoned Action (TRA) 3. Theory of Planned Behavior (TPB) 4. Innovation Diffusion Theory (IDT) 5. Unified Theory of Acceptance and Use of Technology Model (UTUAT).

2.2.1 Technology Acceptance Model (TAM)

Technology acceptance model is a theory that is most widely used to explain an individual's acceptance of an information system. Technology Acceptance Model (TAM) has been developed by Davis (1989). Davis Technology Acceptance Model (TAM) is the most popular research model to forecast usage and acceptance of new information systems and new technology by individual users.

The technology acceptance model (TAM) states that technological innovation adoption is affected by two factors as can be shown in figure 1 perceived usefulness (PU) and

perceived ease of use (PEOU) is relevant in computer technology use behaviors. Davis defines perceived usefulness (PU) as the degree to which an individual believes that a specific system would increase job performance or have a relative advantage. Perceived ease of use (PEOU) can be defined as the degree to which the prospective user expects the target system to be free of effort (easy) or no complexity. According to the Technology Acceptance Model (TAM), ease of use and perceived usefulness are the most important determining factors of the actual system use. These two factors are influenced by external variables. The major external factors are political factors, cultural factors and social factors. Social factors include language, skills and facilitating conditions. Political factors are mainly the impact of using technology in political crises and politics. Thus, the TAM model suggests that the innovation usage is indirectly affected by both PU and PEOU (Lee et al. 2011).

2.2.2 Theory of Reasoned Action (TRA)

In the model proposed by Fishbein and Ajzen (1975) suggested that a person's actual behavior is determined by the behavioral intention along with the belief and subjective norms that the person has for the behavior. Subjective norms defined as an individual opinion of others beliefs about his/her particular behavior, if an individual should perform a particular behavior or not. And attitude towards action is defined as a person's positive or negative attitude towards this performed behavior. Thus, TRA is a useful model that can explain the actual behavior of an individual usage of new technology. In 1989 Davis used the same model and linked it to the Technology Acceptance Model (TAM).

2.2.3 Theory of Planned Behavior (TPB)

Theory of Planned Behavior is an adjoining to TRA, considers one additional concept that is Perceived Behavioral Control (PBC). Perceived behavioral control refers to the people's opinions of their ability to perform a given behavior in a controlled way. PBC is additionally influenced by control beliefs and perceived Power or perceived facilitation. Control beliefs refer to the actual presence of constituents that may help or

hinder the execution of the behavior. Perceived power indicates the power to have the resources that are required to use a specific system (Fishbein and Ajzen, 1975).

2.2.4 Innovation Diffusion Theory (IDT)

Rogers (2003) explained the innovation diffusion process as an uncertainty reduction process and he proposes aspects of innovations that help to reduce uncertainty about the innovation. Attributes of innovations include five characteristics of innovations those are Relative advantage as the degree to which an innovation is perceived as being better than the idea it succeeds, Compatibility is the level to which an innovation is perceived as consistent with the existing measurement, past experiences, and needs of potential adopters, Complexity is as the degree to which an innovation is perceived as somewhat difficult to understand and use, Trial ability is the degree to which an innovation may be experimented with on a limited basis & Observable as the degree to which the results of an innovation are visible to others and he also stated that individual's perceptions of these characteristics predict the rate of adoption of innovation and the relative speed with which an innovation is adopted by members of a social system.

2.2.5 Unified Theory of Acceptance and Use of Technology Model (UTUAT)

This model is based on the theories of individual acceptance that are made by Venkatesh and Davis, (2000), which includes the Technology Acceptance Model (TAM), Theory of Reasoned Action (TRA), Theory of Planned Behavior (TPB), Model Combining the Technology Acceptance Model and Theory of Planned Behavior (C-TAM-TPB) and Innovation Diffusion Theory (IDT) Venkatesh (2000), UTUAT holds four key constructs those are, Performance expectancy as the degree to which an individual thinks that using the system will help him/her to attain gains in job performance, Effort Expectancy as the degree of ease related with the use of the system, Social Influence as the degree to which an individual perceives what important others thinks he or she should use the new system and Facilitating Conditions as the degree to which an individual believes that an organizational and technical infrastructure exists to support use of the system.

2.2.5 E-Taxation

Electronic government (e-Government) is the approach of Information and Communication Technologies (ICTs) to government functions and procedures with the aim of increasing efficiency, transparency and citizen participation. E-Government uses technological communication devices to support the development of good governance. The appropriate approach of e-Government allows for higher levels of effectiveness and efficiency in governmental duties and responsibilities, e-government allows improvement of processes and procedures in the country, the system helps to increase the quality of public services, also improves the decision-making processes and allows for better communication among different governmental offices. The e-Government objective is to create a new strong connection between governments and citizens, a system that will become simpler and more participative for the public (Azmi & Bee, 2010).

E-government is a system that helps to modernize government activities and tax administration. Tax administration is an important application of e-government in both developing and developed countries. E-taxation is a process of tax related duties electronically like e-tax filing and e-tax payment and the main purpose is to increase tax revenue collection and create satisfactory service to taxpayers. The E-tax payment system was first in the U.S.A in 1986. In Australia electronic tax payment was introduced in 1987. In 1993, Canada started the usage of electronic tax payment. Other developed countries of the world such as Malaysia and Netherlands introduced electronic payment of tax to their taxpayers in 2009. In Africa, first Uganda introduced an electronic tax payment system in 2009, and then Egypt started in 2013. (Olaoye & Atilola, 2018). In Ethiopia e-tax payment system was introduced in 2019 by the Ministry of Revenue (MOR).

According to Sifile et al. (2018) Electronic tax payment was introduced to increase revenue Generation and to be easily accessible to taxpayers. And Well-designed electronic tax systems can lower corruption by reducing face to face interactions.

2.2.6 Benefits of E-tax Payment

The aim of any tax authority is to create a tax administration system that allows to collect required taxes at minimum cost. Al Baajetal., (2018) mentions the advantages of taxing within the electronic taxation systems that are reduction of expenses for the use of paper, safeguarding cash from loss, theft or embezzlement, saving time and effort in carrying out business and financial operations. E-tax filing systems improve the quality and quantity of data available to tax officers that will support the tax office to complete transactions faster and more accurately, electronically filing has much lower error rates than paper filing. The benefits of e-filing and e-payment systems expand to other electronic operations in the tax authority like e-filing and e-payment allow for better, safer data storage which can be used to implement a risk management system for auditing and enforcement. Computerization helps establish a good system for tracking case files, which is essential for effective auditing and increases the speed and quality of data provided to auditors.

Some of the objectives of e-taxations are make cheaper and easier to pay taxes and claim benefits, tackle tax avoidance and evasion, availability of Real Time Information (RTI) displaying live statistics of the system, create an easy online registration process for new businesses, by moving notification of liability for taxes to online channels, enforce compliance with tax rules and further investigations on tax avoidance and evasion (Onuiri et al., 2015).

Olaoye & Atilola, (2018) point out that electronic taxation has a great impact on reducing the practices of tax evasion, electronic taxation achieves smoothing and facilitating the taxpayers' process with tax departments and also reducing the time needed by the process of taxation among the taxpayers and for the viewpoint of tax assessor on the field work at the process of examination and taxation the system help to reduce routine work that to combine the receipt of supporting documents and also deal with to reduce the methods of tax evasion of taxpayers and companies, reducing

conflict between taxpayers and tax authorities and achieving contact status with taxpayers anytime.

2.2.7 Challenges of E-tax Payment

The implementation process for e-filing and e-payment systems have some challenges like Government support, the government which is meant to be a motivator for the taxpayers' and make the environment conducive has to support the e-tax system fully in terms of policies, rules and regulations. The other challenge is resistance to change the decision whether to use or not to use electronic tax payment can be influenced by many things such as the type of income earned by a taxpayers', size of the business, location, business sector and other attributes of business (Coolidge and Yılmaz, 2014)

Taxpayers may be loaded by the time and effort spent learning the new system and they may not be cooperative to the implementation of the system or accommodate any services failure. Although time is a non-monetary effort and varies among individuals, researchers have recognized that time is a cost that users must pay for any use of services. The other issue is users' confidence in the Internet tax-filing system's ability to protect the user's personal information against computer hackers or cyber-crime as it is widely known. A credible website needs to safeguard personal information from unauthorized access or disclosure, accidental loss and alteration or destruction (Chang et al., 2005).

Another challenge mentioned by Azmi & Kamarulzaman, (2009) is the technical aspects of e-tax system, like computer and information systems facilitate for the e-tax payment system need to be stable and reliable enough to handle an amount of information processing, especially during the peak period of e-tax filing and particularly as the deadline approaches.

According to the World Bank Doing Business (2014), Sub-Saharan economies face extremely difficult challenges with implementing electronic systems for filing and paying taxes. These economies are also characterized as part of the world where

citizens face limited broadband access, power shortages, slow network speeds and system failures.

Some additional challenges in which tax authorities experience was explained by Layton (2007) he mentions information security design, implementation, measurement, and compliance, as lack of leaders and management support, resistance to change by staff members who are in their comfort zone in using the manual system and retaining good IT staff members.

Having and retaining good IT staff members was also given emphasis by Korpela et al. (2000) on their study about the commercial scenarios for the web opportunities and challenges. The study implies the methodologies for developing information systems, generally, are qualified mostly in academic and professional institutions in developed countries and focus on organizations with relatively abundant resources and other favorable conditions. And they noted that information system development implementations need modification to work in local African conditions. The information system development practices and methodologies being used in developed countries have been designed with a much richer infrastructures Information system development practices are not universal. To support the e-tax filing and payment system should include persons responsible for IT, business processes, legislative amendments and public education. The administration also requires modern computer equipment and a good IT platform (Edwards, 2008).

2.3 Empirical Review

Most empirical studies on the e-tax payment system are carried out across countries but since etax payment system is new for Ethiopia there are shortage of empirical study however there are some studies conducted in Ethiopia in the area of e-tax filing system.

A study by Ozgen & Turan, (2007) examined usage and adoption of online tax filing and payment system in tax management an empirical assessment with technology acceptance model in Turkey, Integration of e-tax filing and e-tax payment systems has

created a new perspective for Turkish tax management system and represents a new as well as good example of application of modern information and communication technologies (ICT) in taxation process in their country Turkey. And they mention three tax payment methods used in Turkey. The first method is the traditional tax collection method, in which the tax-payers pay tax-due at the tax administration office in person. The other two tax payment methods are to use interactive bank accounts on the internet or to use bank ATMs in front of the bank building. These two last methods differ from the traditional method and they are methods of an online tax payment system in Turkey. Two methods of data collection were employed in their study. Initially, textual analysis was applied in order to examine reports, government policy documents, media releases, journal articles, and other written material. Then, in-depth interviews with the directors of tax administrations and surveys with Certified Public Accountants (CPA) in Turkey were carried out. Government has authorized banks or special financial institutions to collect electronic taxes in Turkey. Ozgen & Turan mention integration of e-tax filing and e-tax payment systems have created a new perspective for Turkish tax management system and represents a new as well as good example of application of new information and communication technologies in the taxation process in Turkey. Finally, the study concluded the e-tax payment and filing system offered valuable opportunities for tax authorities to more efficiently manage the tax system in Turkey. And they find tax revenues have increased since the usage of the system.

Olaoye & Atilola, (2018) done a study titled Effect of E-Tax Payment on Revenue Generation in Nigeria. The main objective of the study was to examine effect of e-tax payment in revenue generation. Nigeria introduced an e-tax payment system in 2015. The study was conducted in secondary data get from Nigerian Federal Inland Revenue Service tax report and Central Bank of Nigeria Statistical report and the data analyzed through comparing pre e-taxation and post etaxation of quarterly financial Reports of value added tax, company income tax and capital gain tax and the findings was e-tax payment has not contributed significant difference in revenue generation.

E-tax payment system is a best opportunity to do business in a suitable way but sometimes taxpayers will not accept this opportunity according to this Anuar & Radiah, (2010) studied determinants of online tax payment system in Malaysia. The main objective of the study was to identify factors affecting taxpayer's acceptance of online tax payment system in Malaysia. They discuss an online tax payment system that is delivered to facilitate the taxpayers to pay their taxes electronically via the tax authority website. But, the taxpayers are not using the system even with two-year existence in the community. Thus, identifying factors contributing to the taxpayers' acceptance of the system are very important so that the online tax payment system can be further enhanced and will accordingly lead to the increase of its usage level in Malaysia.

Some research has been conducted about e-tax filing system in Ethiopia by different researchers. Abera, (2018) did a study on factors affecting the adoption of electronic tax filing in Ethiopia: perception of taxpayers'. The aim of the study was to identify factors that affect electronic tax filing adoption in Ethiopia. The researcher concludes that Ethiopian electronic tax filing system was useful with many relative advantages. An e-tax filing system operationally easy and not complex to be adopted. The study also identified that the majority of the taxpayers' found the electronic tax filing system compatible and affordable with existing and past trends. Although the researcher found a challenge for the adoption of electronic tax filing, taxpayers think the usage of the online tax filing system would have privacy problems and lack of confidence with the security issue. The researcher also recommended that ERCA should conduct continuous training about online system additionally he recommended that ERCA should reassure taxpayers of the reliability of the system by including easily visible privacy statements on their sites to decrease perception and fear of risk.

Another research is done by Dagnachew, (2018) on challenges and opportunities of adopting etax system in the case of ERCA (LTO), the goal of the study was to assess the challenges and opportunities of adopting e-tax system in Ethiopia Revenue and Customs Authority (ERCA). Accordingly, the researcher concluded that adopting the

system ERCA realized benefits like, facilitate development of new system, improve customer service, increase accessibility of taxpayer services, improving transaction speed and create good relations among taxpayers and perceiving both operations. Then he's study shows that limitations in network infrastructure and internet related support services, low levels of computer literacy, frequent power disruption are considered as basic external challenges facing the implementation of E-Tax system. Finally, Dagnachew recommended the authority should facilitate proper and continuous training courses to its employees and to large taxpayers, and ERCA should work together with Ethio-telecom, Ethiopian electric utility and other concerned bodies.

Ruta, (2017) has done study about assessment of electronic tax filing system in selected branch offices of Ethiopian Revenues and Customs Authority (ERCA) and she discovered challenges like taxpayer's attitude, taxpayers fault and governmental problems. And benefits like data handling, accuracy, job performance and tax compliance. And her study found that the E-tax filing system and tax compliance has a positive relationship.

2.4 Summary and research gap

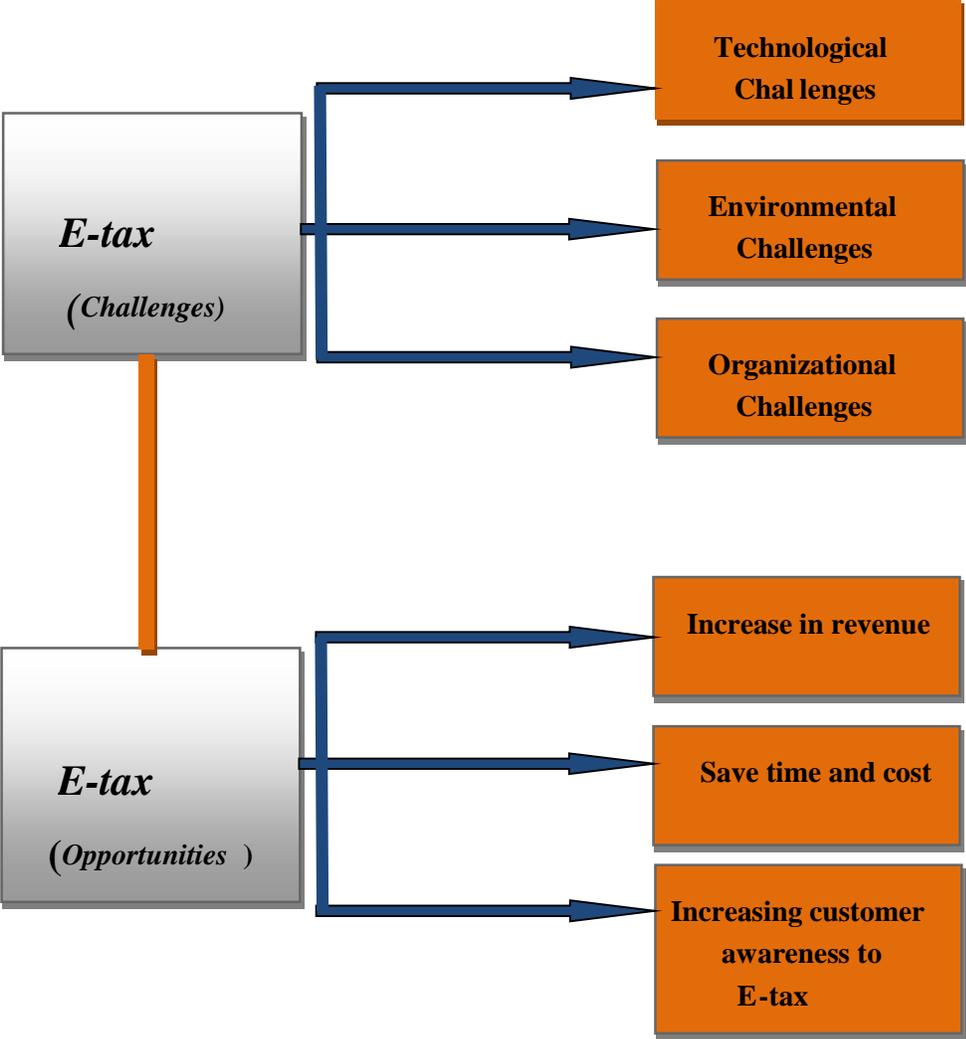
The majority of the studies mentioned above highlight both the advantages and current difficulties of an electronic tax system operated outside of Ethiopia. Numerous studies have been conducted on technology specifically in relation to tax filing with particular reference to the e-tax filing system, several studies on technology and tax compliance have been conducted by the Kenya Revenue Authority. (Makanga, 2010) conducted a study on the application of technology as a strategic tool for improvement.

Kenyan tax law compliance. The Gains and Challenges of E-Taxation is the title of a related study on electronic taxation in Nigeria conducted by (Naujilj, 2016). Effects of an electronic filing system on tax compliance as perceived by a district municipality in South Africa (Mongwaketse, 2015; Muita, 2010). The study looked at the technological requirements, the user skills, and the tax authority's awareness of the benefits of e-tax filing. Only a few studies were addressed in the context of Ethiopia, according to what is known about the research, and they were primarily concerned with the Practice,

Challenges, and Prospects of e-Government in the case of ERCA by (Samuel, 2015). The other studies conducted by (Ruta, 2017) concentrate on the Assessment of Electronic Tax Filing System in Selected Branch Offices of Ethiopian Revenues and Customs Authority, which focused on the tax authority side; and (Dagnachew, 2018) Challenge and Opportunities of Adopting E-tax System: The Case of ERCA STO. The small number of small taxpayers makes this study important, and it also fills a gap in the literature by examining how small taxpayers' branch offices of the Ethiopian Ministry of Revenue (MOR) perceive the challenges and opportunities presented by the e-tax system.

2.5 Conceptual Framework

The conceptual framework of the paper demonstrates the causal link between the main potential and obstacles of E-tax. The following figure demonstrates



CHAPTER THREE

RESEARCH METODOLOGY

3.1. Research Design

This study focuses on assessing the benefits and challenges of adopting e-tax system in Ethiopian Ministry of Revenue in small tax payers 'branch office. To this effect, both explanatory and a descriptive survey method is employed with the assumption that it can help to describe the current opportunities and challenges of e-tax system in MOR. Descriptive method of research is used to gather information about the present or existing condition and mostly used in business research and used to answer who, what, where, how much and how many questions (Creswell, 2009).

According to (Creswell, 2007), descriptive research is mainly concerned with describing the nature or situation and the detail degree of the current position. Descriptive method of research use to gather information about the present or existing condition and mostly used in business research.

3.2 Research Approach

According to (Allison Shorten1 and HuiBian, 2018), the method focuses on gathering, analyzing, and using quantitative data in a single study or series of studies.

A quantitative approach is one in which the researcher primarily uses postpositive claims for developing knowledge (i.e., cause and effect thinking, variables and hypotheses and questions, use of measurement and observation, and the test of theories), employs strategies of inquiry such as experiments and surveys, and collect data on predetermined instruments that yield statistics data. (Creswell, 1999). Therefore, in order to achieve the objectives of this study, the research method followed was both quantitative and qualitative, mixed research approach the qualitative help to gather varieties of data on adoption of e-tax payment system and quantitative design used to measure the frequency of the views of respondent that help to measure and achieve the result.

3.3 Population and Sample Frame

The Addis Ababa city, Nifas silk sub city of the small Taxpayer helps taxpayers with tax administration. The 160 e-tax system taxpayers make up the population survey, according to a behavioral analysis done by this office (MTO Annual Report, 2015 E.C.). As a result, this group is considered in this study.

A population is made up of all the individuals or units of interest; typically, data on almost all of the population's members is not readily accessible. A sample frame is the collection of source materials from which the sample is chosen or a method for selecting the specific target population members who will be interviewed for the survey (Anthony G. 2003 (Turner). 263 employees from across STO's departments were make up the sample frame for this study.

3.4 Sampling Techniques and Sampling Size

3.4.1 Sampling Techniques

The study was used two types of non-probabilistic sampling techniques which are convenience and purposive/subjective sampling techniques to gather data from users of E-tax of small tax payers. Convenient sampling technique is used as it is difficult to find all the customers of small tax payers simultaneously. This study uses a practical sampling strategy since the population is relatively large, it is difficult to include every member of the population, was carried out employing the samples were selected using one of the probabilistic sampling models; this useful sampling technique makes it simpler to find samples that satisfy the requirements. The questionnaire was distributed to electronic taxpayers who visited the taxpayer office during the MOR.

3.4.2 Sampling Size

Employees and managers from MORSTO are used as the sampling unit, and they were chosen using a straightforward random sampling method. Two employed groups and managers both be used in the study. According to (Kothari, 2004) the determination of sample size is based on the nature of population (heterogeneity or homogeneity), nature of the study (qualitative or quantitative) and availability of finance and other resources. Hence, representative and adequate number of sample size taken to perform a meaningful analysis. The sample size (n) were determine by using the formula.

Thus, 256 respondents in total will be included in the study.

$$n = \frac{z^2 pqN}{e^2(N-1) + z^2 pq}$$

n= is the sample size for a finite population

N=size of population which is the number of employees

P= population reliability (or frequency estimated for a sample of size n), where

p is 0.5 which is taken from MORST population and p + q= 1

e = Margin of error (5percent). And it is expressed as a proportion of (0.05).

$Z_{\alpha/2}$ = normal reduced variable at 0.05 level of significance z is 1.96

According to the above formula, the sample size for this study is calculated:

$$n = \frac{(1.96)^2 * 0.5 * 0.5 * 263}{(0.05)^2(263-1) + (1.96)^2 * 0.5 * 0.5}$$

$$n = \frac{252.5852}{1.6154} = 156.36 = 156$$

Therefore, 156 representative sample elements was the sample of the study.

3.5 Method of Data Collection

3.5.1 Source of Data

Data from primary and secondary sources both be used in the research thesis. The information from primary sources is that which the researcher has personally gathered for the first time, making it unique.

3.5.2 Method of Data Collection

Through questionnaires and semi-structured interviews, primary data was gathered. Data that have already been gathered from other sources and are easily accessible from those published and unpublished documents, as well as other significant statistical data, was used to collect secondary data.

3.6 Method of Data Analysis

3.6.1 Data Presentation

After the respondent's response, data that was collected. The term "presentation of data" describes how mathematicians and scientists compile and display information from

scientific investigations and studies. The tabulation techniques and text was used by the researcher. Information display. Tabular methods of data presentation using the statistical table's columns and rows. Textual methods of data presentation in paragraph form.

3.6.2 Data Analysis

The respondent's data were statistically analyzed using Statistical Package for Social Science (SPSS) version 20. Tables were mainly used to ensure easy and quick interpretation of data the surveys were given out, returned, and processed (edited and validated). In order to answer the original thesis of a research, data analysis entails evaluating, classifying, tabulating, or otherwise recombining the evidence (Lai, N, Siti, OS & Ahamed, KM (2004). With the use of qualitative and quantitative analytic methodologies, the researcher examined the information gathered through questionnaires. To seek convergence among the outcomes, analysis and interpretation of qualitative data are combined.

To analyze data and determine the overall situation, descriptive statistics used. SPSS (Version 20), Following data reading for analysis, the researcher employ quantitative and qualitative data analysis techniques.

3.7 Reliability Test

An instrument's consistency in producing measurements from measurement to measurement is referred to as reliability. We refer to an instrument as being "reliable" when we administer it to a population under the same or similar circumstances and get results that are similar; the more comparable the results, the higher the reliability (Kumar, 2011). In order to estimate reliability, the researchers use Cronbach's alpha, a commonly used coefficient of internal consistency.

3.8 Validity

Measurement accuracy (Thomas, R 2008) Survey questions must assess the shape or structure of the described object in order to be useful measurement tools (Sweeny, Yilmaz& Coolidge 2014). A statistical method for determining concept validity is factor analysis. Prior to being given to the respondents, the questionnaire's efficacy was also

assessed. Component analysis tests were run at the time of analysis to evaluate the efficacy of each question and statement that went into producing the research results.

3.9 Ethical Consideration

The collection of data was need permission from the participants. During the distribution of the questionnaire, the researcher informs about the purpose and the benefit of the study along with their full right to refuse or accept the participation. The respondents of the response was keeping confidential and their identity shall not be exposed. Information obtained from respondents was handled confidentially. Respondent's review not required to mention their name in the questionnaire. In addition, willingness of the participants in the data gathering process was prerequisite for the data. The data obtained from the participants was not used for other purpose.

CHAPTER FOUR

DATA ANALYSIS AND FINDING

The presentation, analysis, and interpretation of data gathered from taxpayers are the topics of this chapter. To evaluate the advantages and user difficulties of the e-tax system for small size taxpayers in the Ethiopian Ministry of Revenue, data was gathered and analyzed. Only 150 of the 156 questionnaires that were sent to the participants in this study were returned. This indicates that the response rate was 96%, which is deemed appropriate for further examination. The study used first-hand information. The statistically meaningful response rate for analysis, according to Mugenda, should be at least 50%.

4.1. Demographic Profile

This section gives information about the respondents regarding their age category, level of education, their working position and experience with the e-tax filing.

Table 4.1: Demographic Profile Respondents

Characteristics		Percentage
Job Position	Accountant or office assistant	19.47%
	Finance Manager	23.01%
	Senior accountant	57.52%
Total		100%
Age	25-30	18.58%
	31 – 35	35.40%
	36 – 40	14.16%
	41 -45	15.04%
	Above 46	16.81%
Total		100.00%

Educational Level	BA/BSC Degree	80%
	MSc/MA	17.70%
	Other	2.3%
Total		100.00%
Work Experience in the MOR	0-5 years	13.27%
	6-10 years	15.93%
	11 -20 years	70.80%
Total		100.00%

Source: Own survey, 2024

According to the above Table, the majority of respondents (57.52%) said they have held the post of senior accountant, followed by the finance manager 23.1% and the accountant or office assistant (19.47%). According to the survey, senior accountants make up the majority of e-filers, making them more likely to possess the specialized expertise necessary to ensure the success of the e-tax system (Table 4.1).

Using original data from the table above, most of the respondents (80%) are bachelor degree holders followed (17.70%) respondents who attained a master's degree and 2.3% of respondents had below first degree. The study indicates that the majority of the respondents are graduate degree holders this implies that the respondents are educated meaning they could read, understand and interpret questionnaires reliably. It reveals the fact that the e-filers have basic IT and related knowledge that is important in helping to use the filing system. (Table, 4.1)

According to the data in above table respondents who have filed taxes electronically for at least 36 months have a success rate of (70.80%), followed by those who have done so for at least 18 to 36 months at a rate of (15.93%), and those who have filed electronically for fewer than 18 months at a rate of (13.27%). This demonstrates that the majority of respondents have extensive experience with e-tax system, making them

suitable for the study because they are the most informed about the topic, and the information they supplied is trustworthy (Table, 4.1).

4.2 Descriptive analysis of Current practice about E-tax system

From the collected data, mean scores and standard deviations were calculated for all five-point Likert Scale items. According to Zaidaton&Bagheri (2009) the calculated mean score of an item were classified in ranges to fit the five point Likert scaled measure of responses (strongly disagree, disagree, neutral, agree, and strongly agree) as shown, mean scores 1.00-1.50 is poor, 1.51-2.50 fair, 2.51-3.50 moderate, 3.51-4.50 is good, and 4.51-5.00 is taken to be excellent or very good.

The second section of the study is designed to assess the current practice of e-tax payment system in the Ministry of Revenue (MOR) as per MOR staff’s perception. The respondents were asked to rate the following statements presented in table 4.2 using a five Likert scale.

Table 4.2 Current practice of E-tax system

No	Statement	Mean	Std. Deviation
1	MOR is doing its best to create awareness about e-tax payment.	4.27	.908
2	The branch office’s taxpayers are well done payments through e-tax payment system.	3.84	1.007
3	There are enough computers and necessary materials to do e-tax payment related tasks in MOR.	4.18	.950
4	E-tax payment system offers guideline which help users	3.88	.807
5	I am well trained by MOR to do e-tax payment related tasks.	4.04	1.040

	Grand Mean	3.98	1.004
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Source: Own Survey Data, 2024

As table 4.2 indicates, the average mean score for awareness creation about e-tax payment has highest mean of 4.27 and standard deviation of 0.908 indicating that it has deviation from the mean, this implies that respondents either agree or strongly agree that MOR create awareness about e-tax payment system. This means that MOR's employees strongly consider that MOR is doing its best to create awareness and taxpayers of their branch office are aware of the e-tax payment system as they should have been.

The above table also indicated the taxpayer's usage of an e-tax payment system. The average mean of 3.84 indicated that some of the respondents' said that taxpayers using the electronic tax payment system is not satisfactory and the high standard deviation of 1.007 implies that there is a high level of variation from the mean. This means that the online payment system is utilized as an additional device of the tax payment system in Ethiopia and taxpayers are well done. Similarly, the study of Ndayisenga, (2016) shows that the internet payment system is a tool used for tax payment in Rwanda.

Since e-tax payment system is done electronically the other practice question was about availability of necessary materials to do e-tax payment related tasks in MOR. Most respondents which is high mean value of 4.18 and standard deviation of 0.950 indicating that it has an average dispersion from the mean. The result implies that the MOR is well equipped to modernize the tax payment system. Absence of facilitating environments and resources like computers and software would obstruct usage of the electronic tax declaration and payment system (Ozgen&Turan, 2007).

Respondents also asked about user guidelines and respondents agreed with the statement has an average mean value of 3.88 and had the least dispersion from the mean with the lowest standard deviation of 0.087. It can be realized that most of the employees believe

the guideline that MOR offers to users is helpful. In tax offices taxpayer Support Call Centers established to provide assistance, orientation, and legal guidance to taxpayers on their tax obligations (Jimenez et al., 2013).

Finally, the employees were asked if they were trained by MOR to do e-tax payment related tasks. The response in the above table shown 4.04 high mean implies respondent's agreement and the statement and 1.040 standard deviation implies that there is a big variation. This means that taxpayers were well trained by the organization in order to perform e-tax payment related tasks.

4.3 Descriptive analysis of E-tax system Opportunities

The study asked the respondents to state the extent to which they agreed with the following statements regarding benefits of accessing e-tax system. The responses were rated on a five- point Likers scale.

Table 4.3: E-tax system opportunities

Item	Mean	S.D
E-tax payment system speeds up tax collection process than manual system	4.11	.799
E-tax payment system is more accurate than the manual system.	3.97	.821
Using e-tax payment system in my job enable me to accomplish tasks more quickly	4.38	.747
E-tax payment system allows me to do my job more effectively	3.83	.881
E-tax payment system reduces time spent on auditing taxpayer's data.	3.69	.947
E-tax payment system gives greater control over tax collection	4.38	.659
E-tax payment system has a positive effect on controlling tax evasion	4.42	.644
E-tax payment system significantly reduces MOR's operational cost.	4.30	.819
Data loss is less likely in e-tax payment system than manual.	4.25	.836
E-tax payment system users follow procedures correctly than manual users.	3.92	.675

Taxpayers' make less error while using e-tax payment system than manual	4.15	.841
Grand Mean	4.13	.897

Source: Own survey,2024

As indicated in the above table respondents were asked whether e-tax payment system makes work simple and the result shows high mean value of 4.11 and low standard deviation 0.799 implies lowest variation from the mean. It means that the e-tax payment system helps taxpayers by reducing workload and making work simpler than the manual system.

To see the cost minimization aspect of the system respondents were asked two questions those are e-tax payment system reduces transaction cost and paperwork and with an average mean of 3.97 and 3.83 and standard deviation of 0.821 and 0.881 respectively says the system helps in reducing transaction cost and paperwork. The results imply that the e-payment system plays its role in cost minimization. The findings from several researchers concluded that there is a strong relationship usage of electronic filing and facilitating conditions (Taylor, S., and Todd, P.A. (2005). whereas removing barriers of use by facilitating conditions help continued usage system e-filing system.

The e-filing system is also beneficial in encourage to take personal responsibility for tax affairs, e-filing was the best way to improve efficiency of ministry of revenue system, encourage taxpayers to comply and also able to faster, enhance effectiveness, improved Performance, access to earlier returns result of the study has shown that the Ministry of Revenues' medium taxpayers was found it on e-tax filing usefulness.

Time saving is one advantage to be enjoyed by users of the system so taxpayers were asked if their agreed for e-tax payment system improves transaction speeds. The result of the survey has a high mean value of 4.38 of respondents agree. This means the majority of the respondents agreed that using electronic tax payment improves transaction speed and saves taxpayers time spent on the tax payment process.

Taxpayers agree that the e-tax payment system reduces corruption. This is evident by the average mean value of 3.69 majority of respondents either agree or strongly agree

that e-payment system reduces corruption. In the absence of e-tax system firms submit their tax declarations and pay taxes in person at local tax offices and for those reasons taxpayer's visits to the tax office frequently and this frequent connection create opportunity for corruption. But well-designed electronic systems can reduce corruption by decreasing face-to face interactions (Okunogbe&Pouliquen, 2018).

Also the above table rise question about clarity and easiness of e-tax payment system instruction of respondents say it is easy to follow instruction and highest mean values 4.38 and 4.42 indicates that respondents agreed on clarity and easiness of instruction. The results imply the government set up simple and understandable instruction thus taxpayers can access the system easily.

Another issue was data protection, as presented in the above table 4.3 majority which is taxpayers agree that data loss is less risky in e-tax payment system than manual system. Respondents also agree that adaptation of e-tax payment system create better relationship between MOR and clients this evident by the survey result mean value of 3.92 and lowest standard deviation of 0.675 and respondents agree that MOR and taxpayers create better relation through adaptation and implementation of e-tax payment system. The results indicate that the electronic tax system is advantageous in diminishing risk of data loss than manual system. And MOR can protect taxpayers' confidential data by minimizing data loss and this creates better relationships among tax offices and taxpayers.

Table 4.3 also mentions cash protection The highest mean 4.25 indicates that majority of respondents which is agreed that using e-tax payment system helps to protect cash and lowest standard deviation of 0.836 indicates there is a list variance from the mean. Therefore, the survey result indicates that since electronic payment system is a system that provides payments electronically and no need to hold paper cash there is no risk of losing cash so using e-tax payment system safeguarding cash from loss, theft or embezzlement.

The above table also indicated two areas that the e-tax payment system increases reliability and reduces errors. The highest mean values 4.15 And 4.06 indicated that respondents agreed that using electronic tax help to increase reliability and reduce errors. Increase trustworthiness and reduce errors is a major benefit of e-government activities therefore using a tax online system in MOR helps to reduce mistakes and increase reliability.

Also respondents are asked two questions about MORs technical support which are MOR provide sufficient technical support for effective functioning of the system for this statement of respondents undecided or indifferent. Technical supports need on monitoring and maintaining an organization’s computer systems and networks or software faults. The survey result indicates that MOR provides sufficient technical support but it is not fast, technicians didn’t provide the service on time.

Finally, taxpayers were asked their agreement level in the statement “Overall, I’m satisfied by using E-tax payment at my workplace” and respondents neither agree or strongly agree, respondents undecided or indifferent about the statement, and respondents disagree or strongly disagree about the statement and also the statement has 3.54 average mean and 0.892 standard deviation. Survey results imply that even if the system is in the infant stage and has some problems respondents are happy and satisfied about using e-tax payment system.

4.4 Descriptive analysis of E-tax system Challenges

Questions about the practical difficulties of e-tax were included in the research instrument's second part. The respondents were asked for details regarding their actual struggles with the e-tax system adoption.

Table 4.4 Practical Challenges On E-tax system

Item	Mean	S.D
E-tax payment system requires additional effort to enter the data than manual system	2.64	1.330

There is high cost of implementation of E-tax system, such as cost of ICT equipment and network	2.94	1.271
The awareness creation program is not sufficient to improve compliance	3.44	1.087
Poor intranet connection affect e-tax payment system	4.51	.731
Frequent power interruption affect e-tax payment system	4.40	.519
Internet hackers might take control of tax information in e-tax payment system	2.63	.889
The security system built into the e-tax payment system is strong enough to protect our company account	3.76	.929
I do not have any problem with using the electronic tax payment system	2.37	.915
Grand Mean	.36	1.39

Source: Own survey,2024

Tables 4.4 shows that whether e-tax payment system requires additional effort or not and the result shows the low mean value of 2.64 indicates no need of additional effort and standard deviation of 1.330 indicates there is a high variation from the mean. Therefore, the electronic tax payment system in MOR is not complicated.

Also in the above table respondents asked about cost of implementation, such as cost of ICT equipment and network. In which the mean score and standard deviation were found 2.94 and 1.271 respectively. If there is no computer equipment available or internet available or there is no such technical support, taxpayers would be unwilling or even incapable to use the electronic tax declaration or payment system (Ozgen&Turan, 2007). But the survey result in MOR indicates that cost of ICT equipment and network is not a major challenge for implementation of e-tax payment System.

Respondents say that the awareness creation program in MOR is not sufficient to improve compliance. This implies that MOR did not prepare frequent awareness creation and training programs.

Since e-tax payment system need internet connection and electric power respondents were asked two questions does poor internet connection affect e-tax payment system and frequent power interruption affect e-tax payment system and as shown in the above table.4.4 majority of taxpayers strongly agree for both statements this also evident by survey result of 4.51 and 4.40 high mean value it means majority respondents agree and 0.731 and 0.519 lowest standard deviation respectively it implies that poor internet connection and electric disconnections are major challenges of e-tax payment system. Frequent power interruption, limitation in network infrastructure and internet related support services is a major obstacle to effectively deliver of e-taxing services (Manaye et al., 2019)

Table 4.4 also raised security issues thus respondents asked their agreement on Internet hackers might take control of tax information in the e-tax payment system. Furthermore, respondents agree that the security system built into the e-tax payment system is strong enough to protect their company account and It evaded by survey result of taxpayers agreed that e-tax payment system has a strong security system.

Lastly taxpayers were asked their agreement level in the statement “I do not have any problem with using the electronic tax payment system” respondents disagree or strongly disagree about the statement and also the statement has 2.37 mean and 0.915 standard deviation.it implies that e-tax payment system is not hassle free so taxpayers face problems through using e-tax system.

4.4. The overall experience of E-tax system adoption

Table 4.5: - The overall experience of E-tax system adoption

	Mean	S.D
Customers have a good e-tax system experience	3.47	1.04
E-tax filing experience was positive and convenient.	3.62	0.87
Understanding electronic tax filing is boring and inconvenient.	2.63	0.86

Source: Own survey,2024

The final three inquiries analysis respondents' general perceptions of the electronic tax system. While 16.9% of respondents thought that the process would be laborious and unpleasant, 44.83 percent of respondents agreed that it would be good. The majority of respondents (52.07%) thought that paying taxes electronically was a Good Convenient Experience.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

The summary of the study's key findings, the study's conclusions, and recommendations for potential fixes are covered in this chapter.

5.1. Summary

Based on the analysis made in chapter four the following conclusions are made on the assessment of the opportunities and challenges for the adoption of e-tax payment system in MOR. The current e-tax payment practices based on the employees and taxpayer's perception are that the system is easy and desirable for both staff members of MOR & taxpayers. Also necessary equipment is supplied in the MOR office to operate the system smoothly, the organization is attempting to create awareness of the system and MOR provide useful guidelines to employees & taxpayers. Additionally, both taxpayers and staff of MOR are well trained to perform e-tax jobs. E-tax payment system used as an additional device tax payment in the Ethiopian Ministry of Revenue (MOR).

Challenges were investigated from taxpayers, from the MOR office, from bank and infrastructural problems. From taxpayers' viewpoint incorrect data entering into the system and taxpayers forgetting passwords are found as a major challenge. And from the MOR office the office provides good technical support on the e-tax payment system but taxpayers didn't get the support on time. Issues related to Commercial Bank of Ethiopia is the registration method registration process is easy but it takes a lot of time. In the case of infrastructural barriers, it was found that low level of internet connection, network failures and frequent power interruptions are major challenges of adopting the e-tax payment system. However, the cost of IT equipment and cost internet was not found to be a barrier.

The study also identified basic benefits that taxpayers and the MOR office could get from the adoption of the e-tax pavement system. Those benefits were considered as a driving force for the adoption of the e-tax payment system. Regarding the survey result

identified benefits for MOR and clients was found that e-tax payment speed up tax collection process, reduce transaction cost and paperwork, improve transaction speed, it is very convenient to collect cash, make payments easily from everywhere, the system allows to get information easily and it help better control over payment, minimizes the risk of carrying cash & reduce cash theft and embezzlement, reduce data loss and tax evasion, increases operational efficiency, improves service quality, and create better relationship between taxpayers and tax office.

5.2. Conclusion

The primary focus of the study was on the advantages and difficulties of the e-filing procedure in Ethiopia's Ministry of Revenues for small taxpayers. This summary was created based on the study's goals, which were to identify the advantages of an e-tax filing system and analyze real-world obstacles to assess what would motivate small taxpayers in the Ministry of Revenues to continue using the system.

As Prior Studies stated, the study also shows e-tax filing system benefits, mainly, making data filing easier, making data storage safer, faster and more accurate with less error, decrease penalty, decrease workload, make tasks more effective and efficient, gives greater control over tax declaration, affect tax evasion controlling positively, improved control over tax revenue, makes taxpayers tax compliant by facilitating timely report and helping them to abide by the law.

Taxpayers are encouraged to use e-tax as there are many benefits of this system (both to government and to Taxpayers) it is helping Ministry of revenue small taxpayers are benefiting from correctly calculates the tax avoid emotional stress on month-end long queues, reduction in paperwork savings on their time and transportation cost to travel Ministry of revenues office for tax filing, and also help for timely recording of tax liability trough out the month majority of the respondents are agreed with this determination.

Despite the above benefits of e-filing it is associated with some challenges the respondents towards e-filing system main challenges identified includes e-filing service constant break down, filing system not fully operational, e-filing system not very well supported with e-payment supplementary system so e-tax users still visiting tax offices are frequent challenges and feel doubt about it. And the majority of the respondents are agreeing overall experience of e-file is needed improvement.

The survey result also shows an imaginary increase in the usefulness and ease of use and facilitating condition or removing the barrier of use provides possible successful ways to the e-filing system's continued usage intention.

The current e-tax filing practices of the Ministry of Revenue, based on the small taxpayer's assessment, are good and convenient. In as much as there are challenges of using e-taxation filing in tax administration, the gains of e-taxation outweigh the perceived and practical challenges seen above.

5.3. Recommendations

Based on the finding of the study, the following recommendations are forwarded. It gives valuable suggestions to increase in order to overcome the challenges, exploit the full success of the E-tax system and to ensure a successful practice of the E-tax filing System of the Ministry of Revenues in Ethiopia.

Ministry of revenues should increase the quality of the system formulation of information- related- laws, enhancement of people's concept regarding information e-government system.

The Ethiopian Ministry of Revenue should continue educating taxpayers and officers to upgrade their know-how on the use of the system by using TV Programs. For example, video to demonstrate step by step in using the e-Filing can be prepared and easily accessed to enhance user understanding.

Ethiopian Ministry of Revenues should enhance internet connectivity and power interruption by using other options and facilitate backups that online users won't miss their data while using e-tax. This can be done by enterprise association with Ethno-telecom.

Results of the study show that provide that facilitating condition and usefulness and ease of use are important issues in the continued use of e-filing systems so the Ethiopian Ministry of Revenue should give make sure for the subject. It is also important to develop an electronic payment system that is boundless development of the system.

The Ethiopian Ministry of Revenue should support taxpayers by giving specialized instructions and providing close and fast technical support for e-filing effective functioning.

The researcher's suggestion for the same topic and subject is considering again the method of sample selection used, so the result can be generalized.

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Appendix II QUESTIONNAIRE
ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES

Dear respondents,

I would like to express my deepest gratitude for your cooperation to express your real feeling in the questionnaire. I am a student of Business Administration at ST. Mary's University. I am conducting a research on Challenges and Opportunities of Adopting E-tax system in the case of Ministry of Revenue in small Tax Payers Branch Office. The quality of the research is highly dependent on the quality of the data to be generated, so I kindly request your assistance in answering the questions listed below to the best of your knowledge. Any information you present will be kept confidential and will be used only for academic purposes. There is no wrong and right answer. Your cooperation and on-time response will be highly appreciated.

Name: **SinaTeklehaimanot**

Tel. +251-910946959

Thank you in advance for your cooperation!

Part I: General Information:

1.1. Your current Job/Position _____

1.2. Age

- 25-30Years
- 31-35Year
- 41-45
- Over 45 Years

1.3. Educational Background

- BA/BSC Degree
- MSc/MA
- Other Specify _____

1.4. How long have you been working in ERCA?

- <5Years
- 5 to 10Years
- 11 to 15 Years
- 16-20 Years
- > 20 years

The following questions are presented on a five-point Liker scale.

1.Strongly Disagree 2. Disagree 3. Neutral 4. Agree 5. Strongly Agree

Part II: Current practice of e-tax payment system in Ministry of Revenue

No	Statement					
1	MOR is doing its best to create awareness about e-tax payment.					

2	The branch office's taxpayers are well done payments through e-tax payment system.					
3	There are enough computers and necessary materials to do e-tax payment related tasks in MOR.					
4	E-tax payment system guidelines are helpful for users					
5	I am well trained by MOR to do e-tax payment related tasks.					

Part III: Opportunities of e-tax system adoption

Description					
E-tax payment system speeds up tax collection process than manual system					
E-tax payment system is more accurate than the manual system.					
Using e-tax payment system in my job enable me to accomplish tasks more quickly					
E-tax payment system allows me to do my job more effectively					
E-tax payment system reduces time spent on auditing taxpayer's data.					
E-tax payment system gives greater control over tax collection					
E-tax payment system has a positive effect on controlling tax evasion					
E-tax payment system significantly reduces MOR's operational cost.					
Data loss is less likely in e-tax payment system than manual.					
E-tax payment system users follow procedures correctly than manual users.					
Taxpayers' make less error while using e-tax payment system than manual					

Part III: Practical Challenges of e-tax system adoption

The campaign to increase awareness is insufficient to increase compliance.					
E-tax payment system is affected by a poor intranet connection.					
E-tax payment system is affected by a poor intranet connection.					
The electronic filing system is not fully functional.					

When e-tax payment is adopted, the government does not provide any support.					
There are not enough qualified IT workers to support the e-tax system.					
As a result of the taxpayer's poor data encoding, the e-tax system is less effective.					
Taxpayers are not responding to the e-tax payment system as favorably as I had planned.					
My use of the electronic tax payment method is not problematic.					

Part VII: Overall experience of e-tax system adoption

Description	5	4	3	2	1
Good and nice e-tax tax experience					
E-tax system experience was positive and convenient.					
Understanding electronic tax system is irritating and inconvenient.					

Thank you!