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AN ASSESSMENT OF PRACTICE, PERFORMANCE AND CHALLENGES OF
TAX ADMINISTRATION: IN THE CASE OF MINISTRY OF REVENUE,
EASTERN ADDIS ABABA SMALL TAX PAYERS BRANCH

By: ZENEBE CHAKE

June, 2019

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A thesis submitted to the Department of Public Administration and Development Management of Addis Ababa University in partial fulfillment of the requirements for the Degree of Masters of Arts in Public Management and Policy (MPMP)

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College of Business and Economics
Department of Public Administration and Development Management

This is to certify that the thesis prepared by Zenebe Chake entitled “an assessment of practices, performance and challenges of tax administration: in the case of Ministry of Revenue, Eastern Addis Ababa Small Tax Payers Branch”, which is submitted in partial fulfillment of the requirements for the Degree of Masters of Arts in Public Management and Policy (MPMP), complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

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I, the undersigned, declare that this thesis is my original work and has not been presented for a degree in any other university and that all sources of materials used for the thesis have been duly acknowledged.

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Abstract

The goal of this research is to study the practices, performance and challenges of tax administration in the Ministry of Revenue, Eastern Addis Ababa Small tax Payers branch office were the target population of the study. The total population of this study is 400. To achieve this objective, the researcher used primary and secondary sources of data. In order to get primary information, questionnaire and interview was taken. As important as the primary data, the researcher also collected essential data from secondary sources. Data that obtained through review of such documents help to address the research objectives of the study, and also the researcher used non-probability sampling techniques. Data collect from document review and interview interpreted qualitatively. The researcher concludes that the major findings of the study, the challenges of tax administration are skill gap of the employee and lack of awareness on the tax payer's side. The organizations can solve these challenges by providing training for the employee so as to improve their skill and also continuous follow up should be made in the process of collecting the tax and enforce the tax payer to comply with the tax law.

Key words: Tax, Tax Administration, Small Tax Payers

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Acronyms

OECD: Organization for Economic Corporation and Development

GDP: Great Domestic Product

FIRA: Federal Inland Revenue Authority

LAIFOMS: Local Authority Information Financial and Operations Management Systems

VAT: Value Added Tax

TJNA: Tax Justice Network Africa

FDRE: Federal Democratic Republic of Ethiopia

AACG-RA: Addis Ababa City Government Revenue Authority

MOR: Ministry of Revenue

ECA: Ethiopian Customs Authority

FDI: Foreign Direct Investment

SPSS: Statistical Package for Social Science

Chapter One

Introduction

Background of the study

The capacity of any government to mobilize domestic resources is a crucial factor in the process of poverty reduction and its overall economic development. Tax is also core to the social contract between citizens and state: citizens as taxpayers want assurance that everyone pays their fair share and that the revenue collected is being spent wisely on their behalf (European parliament, 2014). Developing countries need to take the lead in mobilizing the financing necessary for development (World Bank, 2013).

For developing countries, taxation: “provides governments with the funding required to build the infrastructure on which economic development and growth are based; creates an environment in which business is conducted and wealth is created; shapes the way government activities are undertaken; and, plays a central role in domestic resource mobilization”(Pfister, 2009).

Taxes are important source of government revenue in both developing and developed countries. But the amount of revenue to be generated by a government from taxes for its expenditure program depends among other things, on the willingness of the taxpayers to comply with tax laws of a country (Eshag, 1983). According to Organization for Economic Co-operation and Development (OECD, 2010), the primary mandate of most tax administrations is to ensure compliance with tax laws and improve taxpayers’ satisfaction. In order to do that and find the most effective treatment, revenue body benefit from knowledge about taxpayer behavior. The existence of collective consumption of goods and services necessitates putting some of our income into government hands. Such public goods like roads, power, municipal services, and other public infrastructures have favorable results on many facilities, business enterprises, industries and the general public. Government intervention in the supply of public goods is therefore inevitable and can only be done if the public pays taxes for the production and supply of such goods. Depending on these point the practice /performance/activities/ of the tax administration is to assess and collect taxes for the public revenue and their expenditures. The

fiscal function of collecting the planned amount of tax revenues to fulfill the need for public expenditure is the most important task of tax administration. Recognizing the critical importance of taxation, countries across the world have put in place tax system taking into account their specific circumstances. These tax systems principally consist of three interrelated components: (Kariuki, 2003) tax policy, the tax laws and the tax administration. Tax policy and tax laws mainly set out the substance of the tax system in terms of the tax base and rules for the assessment and challenges on tax administration on the collections of taxes. Tax administration, on the other hand the focuses of this study puts in place the system and challenges tax administration for the actual collection of taxes by designated government bodies, usually a tax authority.

The link between tax administration/tax administration reform and good governance has been established in recent/current academic literature and international good practice (Carey, 2005). Taxation and tax administration are part of the overall policy framework in a country. As such, the interplay between tax administration reform and other areas of reform, including public sector governance, is to be expected (Pfister, 2009). In fact, one of the imperatives for an optimal tax policy is “promoting good governance, under pinned by effective taxation that promotes the accountability of governments to citizens and the investment community” (Pfister, 2009). The experience of countries with resource-based economies is also indicative of the correlation between taxation and good governance.

There are some 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 problem encountered on the tax collection process.

Therefore, on the basis of theoretical and empirical framework the research assessed the practices, performance & challenges of tax administration in the Ministry of Revenue, Eastern Addis Ababa Small tax Payers Branch. This research tried to assess the problems related to tax collection system on the Branch and to answer the basic research questions.

Statement of the problem

Taxation in developing countries is a challenging topic and it gets increasing attention in the last two decades. At this time many problems are there like poor administration, failing to collect sufficient tax revenues, lack of government and economic stability (Vadde & Gundarapu, 2012). Taxation provides the resources to finance public expenditure. The very survival of the state depends on its ability to finance its institutions and operations. Moreover, tax revenue can jump start or enhance economic and social development through investment in infrastructure and basic social services. According to Myles 2007, it also affords the state one of the most important tools to encourage specific sectors or activities while discouraging others by directing private sector investment through incentives and disincentives. Tanzi and Shome, *Taxation and Development in East Asian Countries 1992*, tax revenue plays a central role in ensuring “economic efficiency, distributional equity, macroeconomic sustainability and revenue sustainability”. New Zealand Treasury 2013, taxation is especially important for developing countries in the context of the substantial investment necessary for poverty reduction efforts as well as the financial crisis traditional donor countries are facing (Keen 2012).

The taxation reforms across the world focused on: the introduction of the value-added tax; lower personal and corporate income taxes; broadening of the tax bases; reduction of import duties and simplification of the rate structure; abolition of export taxes; and, avoiding excessive reliance on special tax incentives for investors. Pfister 2009, however, the specific basket of measures constituting tax reform in a specific country depends on balancing the revenue, redistribution and representation roles taxation plays in a society in light of the socio-economic context. Cobham 2005, another important aspect of tax reform is tax administration reform usually in the form of the creation of quasi-independent tax authorities. This trend, which was informed by successful experiences in Latin America, was seen as “a way of addressing the corruption and political interference seen as fundamental obstacles to effective and fair taxation in many low income countries”. Keen 2012, the establishment of autonomous revenue authorities has been a popular tax reform policy trend, especially in Anglophone Africa. Pfister 2009, this is often seen as a precursor to wider tax administration reform through broader autonomy and particularized attention to tax administration challenges.

The sub-Saharan African countries have a relatively low tax capacity at 20 percent of GDP, on average, the lowest in the world, and almost 10 percentage points below that of OECD countries. This is due primarily to the low level of economic development, the large share of agriculture in economic activity, the large size of the shadow or informal economy. Tax revenues in African countries are rising as a proportion of national incomes, according to the inaugural edition of Revenue Statistics in Africa. The report, which contains internationally comparable revenue data for eight African countries, accounting for almost a quarter of Africa's total GDP, will be discussed on Sunday 3 April in Addis Ababa during the 2016 African Union (AU) – Economic Commission for Africa (ECA) Conference of Ministers.

The increases in tax revenues in African countries reflect continuing efforts to mobilize domestic resources, as well as the result of tax reforms and modernization of tax systems and administrations. The biggest driver of tax increases since 2000 in countries covered by the report has been raising taxes on income and profits, and more specifically increases in corporate income tax revenue. There were also substantial increases in Value Added Tax (VAT) revenues

The story is the same in many countries in sub-Saharan Africa, except for a few, such as South Africa (24.7%) and Botswana (31.3%). Despite this, an Organization for Economic Co-operation and Development (OECD) report on tax and development states that half the countries in sub-Saharan Africa raise less than 17% of their GDP in tax revenues. Ethiopia GDP in tax revenue also below the standard below.

According to this point the Ethiopian government has been undertaking substantial efforts in reforming and modernizing the revenue administration with the aim of simplifying the tax system and increasing government revenue. Despite the efforts taken by government, there has been poor tax revenue collection, tax compliance has still remained a problem and the taxpayers continued to complain about the behavior of the Ministry of Revenue Eastern Addis Ababa Small tax Payers Branch staff. There are also poor handling taxpayer queries and complaints on tax matters, lengthy bureaucratic tax administrative procedures coupled with the nature of physical facilities in keeping and processing taxpayer information. In the other dimensions, the practicing, performance & their challenges on the tax revenue performance of Ethiopia as a percentage of GDP remain low.

The research problem is based on the practice, performance and challenges of tax administration on the Ministry of Revenue Eastern Addis Ababa Small tax Payers Branch; it is one of the revenue generation organizations for city government. The Addis Ababa City collects taxes from individual taxpayers and property in its territory. The Proclamation No 285/2002 authorized the Federal Inland Revenue Authority (FIRA) to administer the tax. On the advantages of simplicity, FIRA delegated regions and city administrations to collect the tax from their own taxpayers. In Addis Ababa due to tax administration problems, the City Revenue Authority cannot collect the potential tax which the city can generate.

Therefore, this study aims to fill the gap of the research that assessed in the practice, performance and challenges of tax administration on the Ministry of Revenue Eastern Addis Ababa Small tax Payers Branch.

Research Questions

The research has the following research questions.

1. How does customer handling and registering systems work in the branch?
2. How effectively and efficiently they collect tax in the branch?
3. What are the main challenges in administering tax collection systems in the branch?
4. What are the major cause challenges in tax administration?

Objectives of the study

General Objective

The overall objective of the study is to assess the major constraints against the successful administration of tax in the branch office, and provides the basis for effective tax administration that can yield the adequate revenue for the city treasury and enable to increase the number of voluntary taxpayers.

Specific Objectives

The specific objectives of the study include:

1. To analyze the customer handling and registering system in the Branch.
2. To analyze the efficiency of the authority in limitation of the problems prevalent in tax collection process.
3. To identify the recurrent problems that the Ministry of Revenue faces with its customers with regard to collection of tax.
4. To examine the cause of challenges on the tax revenue performance of Ethiopia on the process of revenue generation for the government's expenditures.

Significance of the Study

As much as the significance of taxation for the existence of any government, studies that can assess challenges of tax collection, the laws and practices of taxation, productivity and impact of a tax for the economic advancement can suggest some new ideas to the improvement of country's social and economic development. Therefore, the outcomes of this study are expected to be useful to various parties including, the tax authority and the government at large. This study is also significant to both the branch & the city governments to get an insight in to the challenges and problems of tax administration.

Scope of the Study

The research was focused on the tax administration and collection systems of the organization & the customer's satisfaction with tax system, as one of the factors that affected the level of performance of tax revenue collections and the study was assessed tax collection systems and their challenges in the Ministry of Revenue Eastern Addis Ababa small tax payer's branch.

Limitation of the Study

Research work requires the allocation of sufficient amount of time, In the process of conducting this research, various problems and constraints was encountered. Since this research was carried out while the researcher working time constraint was one of the factors in meeting the sample size. Limited Responsiveness by the tax collecting auditing staff employee and limited access to sufficient data also considered as a limitation to get the required information.

Organization of the Thesis

The study is classified by five chapters. The First chapter contains introduction part of the paper, including background of the study, statement of the problems, objectives of the study, research questions, and significance of the study. The second chapter contains review of related literatures. In the third chapter, the research methodology and design of the research approach, the source, and techniques of data collection, model specification, and method of analysis are presented. The fourth chapter discusses the results and analysis of findings of the study. Finally, the fifth chapter presents the conclusions and recommendations according to the finding of the study.

CHAPTER TWO

REVIEW OF LITERATURE

Theoretical perspectives

Taxation is principal method by which a government gains revenue into its budget. That revenue goes into a vast number of items, from paying debt, deafening the potential for implementing certain policies to paying for public services and welfare benefits and the military etc. There are many methods by which tax revenue can be gained, and different definitions and structures to taxation which are outlined below. Also, conflicts in choosing methods and forms of taxation occur, pitting priorities such as reducing iniquity of income against maximizing incentive for economic growth. Taxes can also help to structure all sort of economic transactions, in a way that the state can exert influence in all participants even over the currency used (Wikipedia).

Prospects of tax collection

According to Adam smith's (1776) identification the following prospects of tax collection concenter as: The administration of tax collection will be strengthened to ensure more efficient tax collection through training of staff, awareness campaigns and computerizations. Government should continue to ensure that tariff policy enables our local industries to competitive. Specifically aggressive action should be taken to block revenue leakage on light duty goods and bulk items.

Government should ensure fair tax administration base on the principle of derivation of tax proceeds; it is recommended that the tax law should be enacted. VAT has become a veritable source of revenue earning for government and therefore needs to be strengthened and expanded to broaden the tax base and to bring the VAT administration closer to the tax-payers, new local VAT offices should be established all over the state.

Problems of tax collection

Lawal (1982), cited in Chinyere (2000), posits that the following are problems of tax collection: Inadequate staff or manpower to carry out the assignment efficiently and thus has contributed to the low revenue generated for the state. Mismanagement of tax collected: taxes collected were not been utilized for the purpose for which it was collected thus makes tax payers not give out their wealth for the state. Bribery and corruption: in this day, tax collector personal interest has over ride their official interest in the performance of their duties consequently affects revenue generation for the state. Lack of voluntary compliance from tax payers these attitudes of tax payer causes tax avoidance evasion and delinquency. Poor accounting records, most business traders professional do not keep proper records of their income and expenditure. Inadequate facilities: The facilities like motor vehicle, motor cycle to carry out the assignment effectively is inadequate.

Money theories declared that inflation has a negative influence on tax revenue. Some of them are: Inflation rise was found to have a negative than positive effect on revenue collection due to decreased economic activities. Inflation increase directly influences the spending behavior of the people, affects the cost of doing business and therefore it should be monitored in order to ensure an effective revenue collection (Joyce, 2014). Tanzi 1992 found out that inflation has a negative influence on tax revenue, the so called Olivera-Tanzi effect. Reduction in tax revenue value by inflation tends to explain this inverse relationship, since it exists for some tax categories time-lag from imposition period to the effective collection of these taxes. Therefore, by maintaining lower levels of inflation and increasing value of tax revenue theoretically, inflation targeting may reduce a state's tax collection.

Inflation is a steady increase in price levels of items and is measured annually (Arnold 2014). Price level is measured in form of index. Anderton (2008) asserts that the main causes of inflation are increased demand and rising costs. Excessive demand in the economy causes demand pull inflation, meaning that too much demand in the economy causes price levels to rise. Rising costs on the other hand lead to cost push inflation. Begs, Fischer and Dornbusch (2008) defines unemployment as rate as the fraction of the labor force without a job. The study established that FDI increases the general level of productivity and profitability in all sectors of the economy. Thus, an investment environment that encourages FDI is positive since it enhances

revenue collection (Joyce, 2014). According to Kircheler, Kustlunger and Wahl (2008), a high tax rate when tax rates are low is perceived to be unfair to taxpayers and when tax is high, the same level of tax rate could be interpreted as a contribution to the community.

Tax administration

Tax administration refers to the identification of tax liability based on the existing tax law, the assessment of this liability, and the collection, prosecution and penalties imposed on recalcitrant taxpayers. Tax administration, therefore, covers a wide area of study, encompassing aspects such as registration of taxpayers, assessments, returns processing, collection, and audits (Kangave, 2005). The low revenue yield of taxation can only be attributed to the fact that tax provisions are not properly enforced either on account of the inability of administration to cope with them or on account of straight forward collusion between the tax administration and taxpayers ((World Bank 1999). Since taxes are an involuntary payment for government services (Parameswaran, 2005), taxpayers have a strong incentive to minimize their tax liabilities either through avoidance (legal) or through evasion (illegal). Tax administration, therefore, has to secure compliance with the laws by applying an array of registration, assessment and collection procedures. Based on the discussions so far, the following sub section present the tax administrative issue in detail.

Efficiency of Tax Administration

The key precondition for efficient tax administration is tax structure with minimizing distortions, strictly tax exemptions and elimination of the differences in tax treatment of particular parts of economy. Badly conceived or unnecessarily complicated tax structure greatly complicates the operating function of the tax administration, while simple and transparent tax structure could affect it in the opposite way. So, the increase of efficiency of the tax administration could be attributed mainly to the simplification of the tax system (Mansfield, 1990). In developing countries, tax administration can be organized respecting the functional principle (collecting, 19 recording, auditing, and enforcement) according to the type of taxpayers; the type of taxes; and type of enterprises in economy. Tax administration should develop around activities (such as recording or auditing) rather than according to the type of tax and taxpayers. More generally, tax payment needs to be assessed, collected and recorded more efficiently.

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 formidable number of challenges in every country. In many developing countries tax administration reforms are needed simply to achieve macroeconomic stability. In countries 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. Human resource is essential in tax administration. Trained personnel are what actually most developing countries lack and this forced them, for instance, to organize their activities under the existing tax administration structure. During the past decade, diverse developing countries have introduced radical reforms in their collection of taxes. In more than 15 countries, traditional tax departments have been granted the status of semiautonomous revenue authorities, which are designed with a number of autonomy-enhancing features, including self financing mechanisms, boards of directors with high-ranking public and private sector representatives, and generic personnel systems (Robert, 2003). 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 20 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 (Kornai, 1990). This situation would lead to a permanent need for new taxes, changes in the tax system and almost never-ending tax reforms. In transition countries income tax is gaining on importance. Taxpayers are not used to this form of taxation and when they are faced with it for the first time; they will obviously regard it as a burden. As Kornai, 1990 explained the citizens in these countries are not used to paying taxes at all. The tax administration and bodies which produce political decisions have to foresee the attempts to evade taxes and have to design a tax system that will not question

the loyalty of its citizens. 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.

Empirical evidences

Empirical evidences on tax revenue in case Global Studies

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. 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.

Fjeldstad, Katera, Msami, and Ngalewa (2010) “Local Government Finances and Financial Management in Tanzania: Empirical evidence of trends 2000-2007”. REPOA Special Paper No. 10-2010. Dar es Salaam: Research on Poverty Alleviation (REPOA).This study examined the

capacity of local government authorities in Tanzania with respect to financial management and revenue enhancement, and analyzed trends in financial accountability and efficiency for the period 2000-2006/7. The study covered six councils in Tanzania: Bagamoyo District Council, Ilala Municipal Council, Iringa DC, Kilosa DC, Moshi DC, and Mwanza City Council. Data were collected using a combination of quantitative and qualitative methods, including two rounds of a survey of citizens' perceptions in the case councils in 2003 and 2006. The following themes were covered: (a) the degree of fiscal autonomy; (b) methods of revenue collection; (c) financial management, including budgeting, accounting and auditing; (d) transparency in fiscal and financial affairs; and (e) tax compliance and fiscal corruption. Based on evidence collected, the study concluded that the process of decentralization by devolution under the Local Government Reform Programmed has contributed to improving local government capacity for financial management. However, the reforms have reduced the fiscal autonomy of local government authorities. The central government currently contributes the bulk of local government revenues through transfers and still largely determines local budget priorities.

Empirical evidences on tax revenue in case of Ethiopia.

In Ethiopia there are some researches done on tax issues with different titles among them some of them are mentioned below: Anware M.2014 and Tesfaye A. 2015, on the title Determinants of tax revenue performances in Ethiopia as mini research for Partial Fulfillment of the Requirements for the course Professional Training Program for Economists (a Case Study in Ethiopian Revenues and Customs Authority) the researcher used time series data set that consists of 21 years. For the time period covered 1990/91 to 2010/11 with identifying six variable industry, agriculture, inflation, GDP per capital income, export and import he concluded that structural factors such as exports of goods and services (% of GDP) and import of goods and service (% of GDP) significantly affect tax revenue performance of Ethiopia. Belay Z. (2015) on the research title determinants of tax revenue performance: in case of Ethiopia federal government. This study so investigated the determinants of tax revenue performance in Ethiopia federal government by using time series data from 1992-2013.

Delessa D.2014, on the research title Tax Reforms and Tax Revenues Performance in Ethiopia the purpose of the study was to analyze and compare tax revenues performances of the two governments in power in Ethiopia during the last 39 years. Descriptive analysis is used to

compare different categories of tax performance of the Derg and Ethiopian People's Revolutionary Democratic Front (EPRDF) regimes in terms of tax revenues mobilization is tax to GDP ratio. In light of this major tax categories of tax to GDP and total tax revenues ratios over the period of 1974/75 to 1912/13 (39 years) were computed and analyzed. In addition comparison has been made between pre and post-tax reforms to compare tax system flexibility in terms of raising tax revenues during the EPRDF regime. The period after 2002/03 was considered as post comprehensive tax reforms years. The researcher concluded the comparison of two governments' different categories of tax ratios shows a slight increment from an average 3.77 percent to 9.95 during EPRDF period. Comparing pre and post-tax reforms during the period 1991/92 to 2012/13 the ratios of different category tax revenues show insignificant change for post comprehensive tax reform period. Comparing direct versus indirect tax categories, direct tax shows the tendency of declining contrary to the comprehensive tax reform main objective which gave due attention to increase the share of the direct tax to total revenues.

Disabling J. (2014) on the title *The Role of Value Added Tax on Economic Growth of Ethiopia* objective of the researcher was to analyze the role of VAT on economic growth of Ethiopia from 2003 to 2012 based on theoretical and empirical evidences. To meet his objective, he used time series macro-economic data on GDP, VAT, total tax revenue excluding VAT, non-tax revenue and foreign revenue. He employed Descriptive statistics and multiple regressions to analyze the data. The finding of the study reveals that as compared to sales tax, VAT boosts the general economic growth of Ethiopia but the issue of regressively resembling to sales tax still continues. During the periods under review, the growth rate of VAT was 66.27% on average. For the periods of sales tax, the average growth rates of GDP were only 2.53%. However after executions of VAT, such growth rate reached about 21.9% on average. The analysis also showed as the average ratio of VAT to GDP becomes 2.95%. The finding also reveals that, VAT, total tax revenue and non-tax revenue except foreign revenue were significant at 5% level of significance but all of them positively contributed for economic growth during the periods under review. However, to be effective, it requires strong administrations and cooperation's of the tax payers with taxing authority and the government in general. To summarize, internationally most of studies found the determinants of tax revenue for developed and developing countries by using panel data methodology while in Ethiopia there are some researcher regarding the title but not full fledge study it was as mini research inclusions of some variables and not as such deep

analyzed. On connection to tax revenue there are a lot research providing the researcher insight view and key findings for the conclusion.

Tesfaye A.2015, on the title Determinants of Tax Revenue in Ethiopia: by using a secondary data and multiple variables regression model. The objective of the study was to identify determinants of tax revenue such sectors of economy like agriculture, industry and service, FDI, inflation rate, interest rate, per capita income and trade openness. The research approach adopted in this thesis includes series data set that consists of fifteen years.

Tilahun A. 2014, on the title Determinants of Tax Compliance Behavior in Ethiopia: The Case of Bahir Dar City Taxpayers with the objective to identify factors that determine tax compliance behavior has been open for empirical investigation. Accordingly the researcher used one-way ANOVA, two samples and one sample T-test, the data was collected using structured questionnaire. The results revealed that perception on government spending; perception on equity and fairness of the tax system; penalties; personal financial constraint; changes on current government policies; and referral group (friends, relatives etc.) are factors that significantly affect tax compliance behavior. However, gender and probability of being audited have no significant impact on tax compliance behavior. Finally, the researcher concluded that older people will comply less if there is no equity and fairness in the tax system and any changes in government policy on fuel prices, electricity and water rates are not favorable.

Concept of Taxation

The Organization for Economic Cooperation and Development (OECD) defines tax as “compulsory unrequited payments to general government” (Messere and Ownens 1985,). This definition captures the compulsory nature of taxes as opposed to voluntary payments. The Tax Justice Network Africa (TJNA) argue that tax, is “a fee levied by a government or regional entity on a transaction, product or activity in order to finance government expenditure.” (TJNA2015). The purpose of tax is thus to finance government expenditure.

However, not all mandatory payments to the government are taxes. From this perspective, tax has been defined as an “involuntary payment to the government that does not entitle the payer to a quid pro quo benefit or to an equivalent value of goods and services in exchange”. Bruce,2001,

This definition distinguishes taxation from other sources of revenue such as user charges and administrative fees that are provided in par with goods and services provided by the government for which exclusion of those who do not pay for them is possible. Taxes are also distinct from government borrowing or debt incurred by the government in relation to budget deficits as well as revenue from licenses and government business holdings. Taxation is the study of government revenue raising activities through taxes. (Monkam 2011)

A tax system incorporates tax policy, the tax laws and the tax administration. Tax policies contribute to the consolidation of public finances. They also have an important influence on the growth and job potential of the EU economy, while promoting social inclusiveness. European Commission, 2012 Tax legislation includes volume, composition, rates, coverage, and timings of collection, mode of collection among other things are determined by tax law. Tax administration, on the other hand, comprises three interrelated activities: (i) the identification of tax liabilities based on existing tax legislation; (ii) the assessment of taxes to determine if the taxes actually paid are smaller (or larger) than tax liabilities; and (iii) the collection, prosecution and penalty activities that impose 25 sanctions on tax evaders and ensure that taxes and penalties due from taxpayers are actually collected, (Das-Gupta and Mookherjee1998).

Tax Administration in Ethiopia

Addis Ababa is a Federal City Administration. As such, the tax structure and tax administration system in the City is determined under federal tax laws. The substantive income tax law in Ethiopia is the Income Tax Proclamation (as amended by Proclamation No. 608/2008)⁹. (FDRE 2002) The Council of Ministers has also issued the Income Tax Regulations in accordance with mandates given to it under the Proclamation. (FDRE Council of Ministers 2002) The Income Tax Proclamation is the core legal instrument for the assessment and collection of taxes from various sources of income; one such source is income from business activities falling within ‘Schedule C’¹⁰ of the Proclamation referring to ‘income from businesses’. (FDRE 2002, Art. 6/b and 8/3)

The Tax Authority

The core institutions responsible for tax administration in Addis Ababa are the Addis Ababa City Government Revenue Authority, and the Ethiopian Revenue and Customs Authority. In principle, taxable business income, i.e. income from entrepreneurial activity, for each tax period is determined based on “the profit and loss account or income statement, which shall be drawn in compliance with the Generally Accepted Accounting Standards” at a rate of 30% for bodies. The amendment includes the change of name of the federal tax authority to the Ethiopian Revenues and Customs Authority (ERCA); it also allows deduction of the actual amount of maintenance and improvement expenses of a business asset. The additional articles focus mainly on the various penalties for failure to meet the requirements of the use of a sales register machine by registered businesses. The schedules refer to the sources of taxable income, not to be confused with categories of tax payers based on annual revenue. With legal personality FDRE 2002, Arts 17-19 the taxable business income of other taxpayers is subject to a progressive rate between 10% and 35% (FDRE 2002, Art 19/2).

The Revenue Authority of the City was established by the Addis Ababa City government Executive and Municipal service organs re-establishment proclamation No.15/2009. (AACG 2010, Article 4/2/e) The City Cabinet has subsequently issued a regulation to define the functions and powers of the authority, to enable the Revenue Authority of the City government to collect tax/revenue and service charges in expedient and modernized manner. (AACG 2009, Preamble) The mandates of the authority include the power to: (AACG 2009, Article 9) Implement modernized Determination and collection of Revenue; Decide and collect an income from the city; Assess the amount of tax to be paid, decide, and collect Tax; Investigate book of account, documents and stock materials held in the hands of any person, to implement tax laws; when necessary request employees who are assigned by the tax payer; and, Investigate offences that violate tax laws. The investigators and prosecutors of the authority are given mandates similar to the police and public prosecution services at the federal level with regard to tax related crimes. (AACG 2009, Article 19) The Authority also has structures at the sub-city and Woreda levels. The Charter of the Addis Ababa City Government provides for the establishment of a Tax Appeal Commission mandated to hear appeals lodged with it concerning taxes and duties the City Government collects. (FDRE 2003, Article 48/1) However, the Addis Ababa City

Administration proclamation establishing and mandating the AACG-RA has mandated the city government to “delegate the powers and functions of the Authority fully or partially to the appropriate Federal Government body”. (AACG 2009, Article 13/1) ERCA’s establishment proclamation also mandates the Authority to “provide the necessary support to regions ... [including Addis Ababa and Dire dawa city administrations] ... with a view to harmonizing federal and regional tax administration systems”. (FDRE 2008, Article 5/5 and accordingly, the city government has delegated the tax collection mandates of the AACG-RA to ERCA in the context of tax harmonization. This makes ERCA the most important institution in the tax administration system for Addis Ababa in relation to the assessment and collection of taxes, including the assessment and collection of taxes from category ‘C’ taxpayers in Addis Ababa. The authority, which has its head offices in Addis Ababa, has established branch offices in all sub-cities of Addis Ababa to exercise its delegated mandate to collect taxes due the AACG as well as its original mandate as the body responsible for collecting federal taxes.

Tax and Tax Administration Reform in Ethiopia

The Ethiopian government has undertaken major policy reform program as part of the change of government and the shift from central planning to market oriented system since 1991. Reform of the tax system was part of this process. The rationale for tax reform at the time was the need to address serious issues including complex and outdated tax law, weak tax administration, and failure of the tax system to generate adequate revenues for government expenditure. The tax reform program was a component of the Capacity Building Program. (MoCB 2004) The tax reform measures under the program were designed to encourage local and direct foreign investment and to increase tax revenues through the establishment of a broader tax system and ensuring equity, fairness, consistency and honesty in the administration of the tax laws in the country. The reform process has continued through the Tax System and Customs Reform Program under the Public Sector Capacity Building Program (PSCAP, FY 2004- FY 2012). (The World Bank 2013)

The tax reform process in Ethiopia started in earnest in 2001/2002 with the overhauling of the tax laws. Income Tax Proclamation No. 286/2002 replaced the Income Tax Proclamation (Proclamation No. 173/1961) of the 1960s, which has long been the basis for Ethiopia’s tax system. Other tax laws issued in 2002 include the Customs Duty Tariff Regulation 80/2002, the

Value Added Tax (VAT) Proclamation No. 285/2002, the Excise Tax Proclamation No. 307/2002, and the Turnover Tax Proclamation No. 308/2002. The excise and turnover tax proclamations were later replaced by the Excise Tax Proclamation No. 610/2008, and the Turnover Tax Proclamation No. 611/2008. The Customs Proclamation 622/2009 also amended the Customs Duty Tariff Regulation 80/2002. The reforms since 1991 have overhauled the tax structure including changes in three broad categories of taxes, namely, taxes on income and profits, taxes on goods and services, and taxes on international trade. The tax reform program has also introduced VAT at the rate of 15% (fifteen percent) on January 1, 2003 to replace the sales tax proclamation that provides exemption for basic necessities and domestic transportation and zero rating to encourage exports and capital investments. The tax reform process in Ethiopia also incorporated tax administration reform as one key component. In 1995, immediately after the proclamation of the Federal Democratic Republic of Ethiopia (FDRE), the Ethiopian tax administration system was organized under a separate and autonomous government body called the Federal Government Revenue Board. (FDRE 1995, Art. 1) The Board was mandated “to facilitate conditions for the systematic, efficient and timely collection of government revenues and to direct their collection”. (FDRE 1995, Art. 2) The government established the Federal Inland Revenue Authority two years later as an autonomous body accountable to the Board. (FDRE 1997, 3) The authority had a broad mandate to implement tax laws including the assessment, collection and execution of federal taxes. (FDRE 1997, 5) The Federal Government Revenue Board was also responsible for supervision of the Ethiopian 48 Customs Authority established in 1997 with mandates over import and export duties and taxes. (FDRE 1997, Arts. 3 and 5) The establishment of the Federal Tax Appeal Tribunal as an autonomous body accountable to the Prime Minister in 2001 is another important development. FDRE 2001, The Tribunal was mandated “to examine and decide on appeals lodged by the tax payers against tax assessment made by the Authority”. (FDRE 2001) The same year, the Revenue Board was upgraded into the Ministry of Revenue (MOR), as part of a comprehensive government restructuring scheme. (FDRE 2001, Art. 4/1) The newly established Ministry then became responsible for directing, supervising, controlling, evaluating and coordinating the three revenue institutions: the Federal Inland Revenue Authority, the Ethiopian Customs Authority (ECA) and the National Lottery Administration. (FDRE 2001, Art. 8) Initially, the core aim of the tax administration reform initiatives was to strengthen the Federal Inland Revenue Authority and regional tax administrations.

Challenges in Tax Administration in Ethiopia

A recent study commissioned by the Ethiopian government has found that the revenue sector in general and the tax administration system in particular suffers from a number of key challenges. (FDRE-MOCS 2015) One key challenge is the prevalence of complicity among some of the leadership in the sector, many of the experts and taxpayers seeking to elicit illegal benefits as well as disciplinary issues arising from such attitudes and practices. (FDRE-MOCS 2015) Even the private sector has decried the prevalence of “tax evasion, corruption, ineffective tax administration, [and] weaknesses in the structure of the tax system” as well as gaps in “the assessment and enforcement of VAT ... profit taxes, presumptive tax and excise duties” and high compliance costs for small businesses as key challenges to tax compliance. Abdella and Clifford 2010, 1 and 40, this rent-seeking behavior has been exacerbated by inadequate level of 50 accountability within the tax administration. For businesses, the tax administration rather than the tax structure is the most critical source of complaints. Abdella and Clifford 2010, another prevalent problem in the revenue sector arises from failure to assign the leadership and staff of the tax authority based on merit and leadership capability. Coupled with the limited attention given to capacity building program, this has led to gaps in knowledge, skills and attitude among the mid-level management in terms of decision-making, translating the substantive laws into practice and informing their review, and implementing instruments of. (FDRE-MOCS 2015, 84) This has translated into low levels of satisfaction among taxpayers as well as gaps in creating a legitimate and fair tax administration system and low levels of effectiveness in the collection of revenue. Confirming this finding, studies targeting the business community have reported a low assessment of the capacity of the Tax Authority to administer the relevant laws in a fair and neutral manner. Abdella and Clifford 2010, the government report also noted serious gaps in the quality and accessibility of tax education and communication and prevalent attitudes of taxpayers to avoid taxes and secure illicit benefits leading to low levels of self-initiated compliance. FDRE-MOCS 2015, 84, a study covering 700 businesses in Addis Ababa, Adama, Bahir Dar, Dire Dawa, Hawassa and Mekelle, for instance, has found that around 45% of businesses believe that the tax system is “lacking in transparency” owing mostly to unavailability and inaccessibility of implementation directives and gaps in the timely provision of information for taxpayers. Abdella and Clifford 2010, According to this study, the Tax Authority sends information on changes to the tax regime to public enterprises and some major businesses while

the remainder of taxpayers constituting the significant majority remains in the dark. The business community has also offered a similarly negative assessment of media programs and other tax awareness and education sessions initiated by the Tax Authority with more than half of respondents finding them lacking in accessibility and substance. Abdella and Clifford 2010, In addition to the adverse impacts on revenue collection, this attitude has led to problems in the relationships between the tax collector and taxpayers as well as challenges in the implementation of the tax system. Tax officials generally attribute the substantial gap between the tax base and actual tax collected to widespread non-compliance by taxpayers, failure to register by potential tax payers, and an attitude of not declaring full income to the tax authorities. Abdella and Clifford 2010, Problems of the leadership in engaging stakeholders and involving the public have further aggravated the limited implementation capacity in the tax administration system. Studies suggest that the tax reform programs to date have not adequately consulted business community and the Tax Authority seldom engages taxpayers in consultation forum on changes and implementation of the tax system. Abdella and Clifford 2010, overall, these challenges and gaps in tax administration have had adverse impacts on the creation of a fair tax system and the collection of revenue to finance the development plans of the government. FDRE-MOCS 2015, There is a prevailing consensus among the business community that: Abdella and Clifford 2010, Tax administration is inefficient, arbitrary and relies heavily on coercion, penalties and imprisonment; penalties for minor transgressions are disproportionately high; The tax administration is not effective in collection, has not developed a strategy for collecting taxes and has shifted the costs of collection onto the private sector; and Service and support to taxpayers service is grossly inadequate, and public-private dialogue has been insufficient. Moreover, problems of good governance in the revenue sector have dampened efforts to attract investment, including foreign direct investment (FDI), and become obstacles to economic development, healthy and fair market competition and addressing illicit trade. This has opened up opportunities for rent-seeking behavior and works against public trust in the system by widening the gap between the rich and the poor in the country. The above noted challenges and overall lack of good governance in the revenue sector impact upon the political, economic and social lives of citizens. The implications of this scenario for efforts to eradicate poverty, sustain the fast economic growth, and bring about economic and social transformation are obviously dangerous.

Chapter three

Research Methodologies

Research design and Approach

In order to achieve the stated research objective and to answer research questions, specifically, the studies were use quantitative survey, qualitative in-depth interview analysis. The survey was conducted with the tax administration and investigators while the in-depth interviews to be conducted with tax officials in Ministry of Revenue Eastern Addis Ababa Small tax Payers branch.

Research Design

This research was based on descriptive explanatory design methods. According to Schindler and Cooper (2003), descriptive methods attempts to define a subject or describe it by creating group problems, people or events profile. Study of descriptive design seeks to explain the factors affect tax collection in Ethiopia. According to Mugenda and Mugenda (2003) descriptive research is the process of collecting data in order to answer questions concerning the current status of the subject in the study.

According to Harold 1958, quantitative research is commonly associated with surveys or Experiments and is still considered the main stay of the research industry for collecting data. Quantitative research places heavy emphasis on using formalized standard questions and predetermined response options in questionnaires or surveys administered to large number of respondents.

Data Type and Source

According to Kothari (2004) depending on the sources and techniques one uses for gathering data it can be divided into primary and secondary data. On the other hand secondary data refers to documents from written materials about the organizations.

Data sources

On the study of researches for used both primary and secondary sources of data, Primary data will be collects through by observation, interview and questionnaire. The questionnaire was containing both open-ended and closed-ended self-administered questions. Closed ended questions were prepared in Linkert scale and a check list item type.

Secondary data were collected from publications, reports, magazines and other documents available within and outside the case organization. In the process of collecting secondary data; reliability, suitability and adequacy of the data shall be considers.

Procedures of Data Collection

The data collection procedure consists of the following three steps. First, permission for cooperation to provide the necessary information for the study has to obtain from the organizations. Second, the construct questionnaire has to be distributing for the selected sample respondents and administered. Finally the distributed questionnaire was collected and interviews were administered, that was the end of data collection process.

Data collection techniques

The tools and the techniques used in the study for data collections are;

Questionnaire- the data were selected from service provider employees in the case organization.

Interview- for the purpose of cross checking the data collected through questionnaire to collect further data, there was a key informant interview with the top managements from each department, Modernization and corporate works and Change Implementation Management and an in-depth interview with director of customer service department.

Population and Sampling Techniques

According to the obtained information regarding the total population sizes of the case organization the employees for Ministry of Revenue Eastern Addis Ababa Small tax Payers branch is above 400 and some of the positions are not covered by employees. But the researches have use 50% of the employees. Therefore, employees' working in different divisions such as human resource, tax audit department, record keeping, legal obligation and customer services, The target population of the study is all responsible persons from the all departments who are active in 2018/19 (2011E.C) budget year in the Ministry of Revenue Eastern Addis Ababa Small tax Payer's branch. A sample to represent the population depends on the sample frame, the sample size and the specific procedures by selected and interested potential respondents.

Sampling procedures

- I. Target population-** as the study was aimed at investigated the practice, performance and challenges on tax Administration the working system, customers of the branch and employees in current situations is main target population of the study.
- II. Sampling method-** to collect valuable information to the study, from non-probability sampling method; purposive sampling has employed to select a case institution (branch). Also departments within branch, higher officials of tax Administration experts for further interview was selected through purposive of sampling method. Probability sampling; specifically, simple random sampling method used to select a sample of employees for the questionnaires to be filled.
- III. Sample size-** data collected from employees through questionnaire, 50% of service provide employees in each selected departments of branch, the justification behind taking 50% sample have; the population is homogeneous, the nature of work they perform is similar and they are works at one organization with the same organizational environment. For the purpose of interview, two middle management officials were select for an in-depth interview. The sample frame is 400, employees of the branch. (total target population=400)

Where n = is the sample size

N = is the population size, and

e = is the level of precision or sampling error

$$n = \frac{N}{1+N(e^2)} \qquad n = \frac{400}{1+400(0.5^2)}$$

In this research the sample size is 200.

Data collection methods

The data will be collect from both primary and secondary sources. The primary data will be obtain by personal interview with the top managements members, from the organizations and key experts who are available in the Organizations and questioners will be to distribute for the employees. Secondary data will be gathered from documents about the organization, books, journal articles, research works and web sites.

Data Analysis and Interpretation

The study based descriptive statistics used to discuss the findings was to be analyzes the quantitative data obtained through quantitative approach by means of questionnaires so as to interpret the finding. Data has to be processed and analyzed by using SPSS V 20 (Statistical Package for Social Science) computer programming systems that offer numerous statistical means for address the initial preposition of the study. Descriptive statistics also has also to been uses describes the results or research findings what they mean and patterns of data that are generates from the field.

Method of Data Analysis

Once the required data was collected, descriptive statistical tools was applies by using statistical software (SPSS) for the purpose of processing and analysis for the collected data. Since the nature of the collected data was nominal and ordinal and the results that the research on simple

descriptive statistics, the appropriate analysis techniques for the measure of central tendency like frequency distributions, percentiles and mean value to understand, group and find patterns. The study is focused on the performance and challenges of tax Administration on Ministry of Revenue Eastern Addis Ababa Small tax Payers branch. Data entered into IBM SPSS with close supervision of the researchers after which data cleaning was conducted throughout the variable. The statistical reliability of items on the questionnaire was checked using Cronbach-alpha descriptive statistics method.

Validity and Reliability of the study

The validity and reliability of the data has to be checked carefully, Validity and reliability of scores on instruments, additional standards for making knowledge claims, leads to the meaningful interpretations about the data.

Validity: - Validity is the most critical criterion and indicates the degree to which an instrument measures what it is supposed to measure (Kothari, 2004). In this research content, the researcher used questionnaires that their validity and reliability were checked and are modified according to literatures within the specific topic.

Reliability:-Reliability, as defined by Cohen, et al. (2007), is the consistency and dependability of the measuring instrument over time, and with the same respondents. The researcher conducted validity and reliability analysis for the instrument. To ensure the reliability of the instrument in this case of study the researcher tested the reliability using Cronbach's Alpha to calculate the estimate of the internal consistency of reliability of a measurement scale. Cronbach's reasonable indicators for the internal consistency of instruments that do not have right or wrong marking schemes, thus can be used for questionnaires using scales such as rating (Black & Leslie, 1999). Validity and reliability must be addressed in every study because the accuracy, dependability and credibility of the information depend on it. Validity of an instrument is how accurate the instrument is in obtaining the data it intends to collect (Mugenda and Mugenda 2003). Validity indicates the degree to which the instrument measures what it is supposed to measure. To measure the consistency of the scores obtained, and how consistent they were for each individual from one administration of an instrument to another and from one set of items to another, the study used Cronbach's alpha (a measure of the internal consistency of

the questionnaire items) using data from all the respondents. Separate reliability tests for each of the variables were computed. The key statistic in interpreting the reliability of the scale was the alpha listed under the reliability co-efficient section at the end of the output. Bruin 2006), explains that the value of coefficient alpha ranges from zero (no internal consistency) to one (complete internal consistency); accordingly, the alpha coefficient for the five items were 0 .830, suggesting that the items have relatively high internal consistency. (Note that a reliability coefficient of .860 or higher is considered “acceptable” in most social science research situations). Simon, (2011) mentioned that the rationale for internal consistency is that the individual items or indicators of the scale should all be measuring the same construct and thus be highly inter- correlated. The measurement scales for the variables in this study were based on a 5-point likert scale ranging from “strongly disagree” to “Strongly agree”. The questionnaire had 39 statement questions which were later grouped in to five items and the cronbach’s alpha was calculated for the seven grouped items.

Table 1: Cronbach’s alpha test
Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.830	.860	25

Data Source: Output of SPSS V 20

As it can be seen in the above table the cronbach’s alpha is .830 showing that there is a fairly good or an acceptable internal consistency in the items. Additionally the total item result is shown below. It can be seen that all of the twenty five items contribute positively to yield the highest cronbach’s alpha for the instrument.

Table 2: Item-total statistics for cronbach's alpha

Item-Total Statistics

Descriptive Statistics,

	Mean	Std. Deviation	N
The process of tax return for administration	3.8202	.64926	177
The performances of tax administration	4.0360	.71051	177
the challenges of tax return for administration	3.3571	.46118	177
The source of major problems of tax return for administration	2.3333	.87274	177

Data Source: Output of SP

Chapter Four

Data Presentation and analysis

This chapter presents analysis, findings and discussions of the study in line with the research objective and the research methodology. The aim of the study is assessing performance and challenges on the Ministry of Revenue Eastern Addis Ababa Small tax Payers branch.

Questionnaires distribution and response rate

Table 3: Gender

	Frequency	Percent
Male	90	50.8
female	87	49.2
Total	177	100.0

As indicated in the table above, from 200 samples taken 177 usable questionnaires were retrieved representing approximately 88.5% response rate that is good for our information about the study. About 177 respondents 50.8 are male employees in the organizations the rest 49.2% are female employees. From this we can understand that, number of male employees and those of female employees in the branch is proportional.

Table 4: Age

Age category	Frequency	Percent
20-30	42	23.7
31-40	98	55.4
41-50	33	18.6
Above 50	4	2.3
Total	177	100

According to the above study age composition, there are 4 age categories. The first age category covers those employees who have the age that ranges from 20-30 years. In this category, there was only 42 respondent or 23.7% from the total respondents. The second age category includes those employees who have the age that ranges from 31-40 years. From 177 sample respondents, 98 of them or 55.4.8% from the total respondents are fall under this age category. The other category constitutes those employees who have ages between 41-50 years. In this age category there are 33 respondents or it covers 18.6% from the total respondents. The last age category covers those respondents with the ages of 50 and above. 4 respondents or only 2.3% of respondents are fall under this age category. From this it can be understood that, employees currently working in Branch belong to active age professionals (95% of them are below age 50).

Table 5: Educational background

	Frequency	Percent
BA	150	84.7
MA	12	6.8
Others	15	8.5
Total	177	100.0

Regarding education, 84.73% (150) respondents has BA Degree, 6.8% (12) has MA or second degree and the remaining 8.5.6% (15) of them has Diploma and other related educational backgrounds. This indicates that, employees of the branch have good educational background.

Table 6: work Experience

	Frequency	Percent
1	6	3.4
1-5	90	50.8
5-10	74	41.8
above 10 years	7	4.0
Total	177	100.0

The above table presents the results of the analysis of respondents by their work experience. Majority of the respondents (50.8 percent) are above 1-5 year experience, the second best experienced employees are 41.8 (74) of the total responds are works above 5-10 years experiences, the next position that mostly few numbers of the respondents 4% (7) works above 10 years respondents, the remaining 6 (3.4%) of the are one year and below experienced. In overall 96% of the employees are below 10 years experience, indicates that experienced employer of the ERCA have dominated by turn over situation.

Descriptive statistics

Descriptive statistics are useful for describing the basic features of data. In this section four categories of statements were provided for respondents and they were asked to choose their opinion and agreement on the scale 1-5 stage of data, these statistics may help us to manage the data and present it in a summary table by each categories of the statement with sub-sections.

Reliability of data Analysis

The researcher has used different data collecting tools. The major tools were questionnaire, which is used to assess the tax administration system in the Ministry of Revenue Eastern Addis Ababa Small tax Payers branch. There were four items of questionnaires and each of them has sub- questions for the respondent. The researcher asses the mod fit reliability and validity of the questionnaires in order to get confidence in comparing the sample with help of SPSS V-20 the most frequently used Cranach's alpha was employed.

The systems of tax return on the administration

In this section of the category, six points under the processes of tax returning systems for the administration were grouped in SPSS and total descriptive statistics was run. The table below shows the overall point of SPSS results to descriptive statistics frequency, percent, mean and mood for Ethiopia revenues and customs authority Branch.

Table 7: Tax payers understand the tax rules and regulation.

scale	Frequency	Percent
strongly agree	4	2.3
agree	71	40.1
neutral	20	11.3
disagree	76	42.9
strongly disagree	6	3.4
Total	177	100.0

The above table presents the degree to which tax payers understand the rules and regulations. It is shown that for branch a total of 2.3% (4) respondents respond as “strongly agree” 40.1% (71) and “agree”, 11.3%(20) neutral, 42.9% (76) of respondents respond as “disagree” and the rest 3.4% (6) Saied “strongly disagree”. From this expression, it can be said that most of the respondent disagree that most of tax payer have knowledge gap in the rules and regulation of the systems.

Table 8: The tax payers understand tax proclamation of the country

Scale	Frequency	Percent
agree	46	26.0
neutral	20	11.3
disagree	101	57.1
strongly disagree	10	5.6
Total	177	100.0

The above table shows frequency distribution and percentage for item two. The tax payers understand tax proclamation of the country. It is shown that a total of 26.0% (46) respondents “agree”, 11.3(20) neutral, 57.1% (101) “disagree”, and the rest 5.6% (10) replied “strongly agree”. From this, it can be said that most of the respondents disagree that tax payers understands the proclamation of the country.

Table 9: Customer pays their tax properly and on time.

Scale	Frequency	Percent
strongly agree	3	1.7
agree	8	4.5
neutral	17	9.6
disagree	126	71.2
strongly disagree	23	13.0
Total	177	100.0

According to respondents the frequency distribution and percentage for the item of Customers pay their tax properly and on time shown that a total of 71.2% (126) respondents “disagree” 13.0%(23) and “strongly disagree” 9.6% (17)on the neutral, a total of 4.5%(8) “agree” and “strongly agree” the rest 1.7% (3) and on this point said that most of the respondents disagree that the organization analyzes and identify poor methods of tax payers on the Branch office.

Table 10: The tax payers use the legal receipt.

Scale	Frequency	Percent
strongly agree	1	.6
agree	19	10.7
neutral	11	6.2
disagree	66	37.3
strongly disagree	80	45.2
Total	177	100.0

The table above indicates that the use of exact receipt on their selling and buying processes frequency distribution and percentage for the item of total of 45.2% (80) respondents “strongly disagree” 37.3%(66) “disagree” and 10.7%(19) of them are “agree” 6.2%(11) “neutral” the rest .6% (1) “strongly agree”. And on this point said that most of the respondents disagree that the organization analyzes and identify on the system show that knowledge methods of tax payers on the Branch office. This indicates that tax evasions properly applied by payers.

Table 11: The process of tax registration is smooth for tax payers

Scale	Frequency	Percent
strongly agree	3	1.7
agree	31	17.5
neutral	15	8.5
disagree	45	25.3
strongly disagree	83	46.9
Total	177	100.0

The above table indicates that frequency distribution and percentage on the item the processes tax registrations on smooth for tax payers. a total of 46.9% (83) respondents “strongly disagree” 25.3%(45) of them are “disagree” 8.5% (15)on the neutral, a total of 17.5(8) “agree” and the rest 1.7% (3) “strongly agree” and on this point said that most of the respondents disagree that the study analyzes and identify poor methods of tax registration systems on Branch offices.

Table 12: Increasing tax rate controls inflation

Scale	Frequency	Percent
strongly agree	2	1.1
agree	14	7.9
neutral	8	4.5
disagree	38	21.5
strongly disagree	115	65.0
Total	177	100.0

The above table shows the frequency distribution and percentage for item by increasing tax rate for control inflation It is shown that on the branch the total of 65.0% (115) respondents are “strongly disagree” 21.5%(38) of them are “disagree” and 7.9%(14) “agree” from a total of 4.5%(8) “neutral” and the rest 1.1%(2)“strongly disagree” the result shows that by increase the tax rate don’t controls the inflation of the market.

A questions related with performances of tax administration

On the second category there nine points under on the performance of the tax administration in the Branch office of ministry of revenues small tax payers Eastern Addis Ababa was grouped in SPSS and total descriptive statistics was run. The table below shows the overall point of SPSS results to descriptive statistics frequency, percent and mean for Ministry of Revenue Eastern Addis Ababa Small tax Payers branch.

Table 13: Branch Office handling their tax compliances properly

Scale	Frequency	Percent
strongly agree	3	1.7
agree	23	13.0
neutral	14	7.9
disagree	59	33.3
strongly disagree	78	44.1
Total	177	100.0

The above table shows the frequency distribution and percentage for item that customer handling ways Branch office .the frequency distribution shown on the table the total of 44.1% (78) respondents are “strongly disagree” 33.3%(38) of them are “disagree” and 13.0%(23) “agree” from a total of 7.9%(14) “neutral” and the rest 1.7%(3) “strongly disagree”. According to respondents, the branch office, customer handling system is poor.

Table 14: Tax Administration on the ERCA is to achieve on their objectives

Scale	Frequency	Percent
strongly agree	3	1.7
agree	26	14.7
neutral	9	5.1
disagree	97	54.8
strongly disagree	42	23.7
Total	177	100.0

The above table shows the frequency distribution and percentage, It is shown that on the branch the total of 54.0% (97) respondents are “disagree” 23.7%(42) of them are “strongly disagree” and 14.7%(26) “agree” from a total of 5.1%(9) “neutral” and the rest 1.7% (3) “strongly disagree”. According to respondents, the tax administration branch doesn’t achieve their objectives.

Table 15: Good revenue generation is undertaken your organization according to the annual plan

Scale	Frequency	Percent
strongly agree	1	.6
agree	18	10.2
neutral	11	6.2
disagree	114	64.4
strongly disagree	33	18.6
Total	177	100.0

The above table shows the frequency distribution and percentage for item on the revenue generation according with annual plan. It is shown that on the branch the total of 64.4% (114) respondents are “ disagree” 18.6%(33) of them are “strongly disagree” and 10.2%(18) “agree” from a total of 6.2%(11) “neutral” and the rest .6%(1)“ strongly disagree”. According to the respondent, revenues generation related with annual plan under the target.

Table 16: Tax collecting system is to increases the actual revenues for the government

Scale	Frequency	Percent
strongly agree	2	1.1
agree	18	10.2
neutral	16	9.0
disagree	110	62.1
strongly disagree	31	17.5
Total	177	100.0

The above table shows the frequency distribution and percentage for item. It is shown that on the branch the total of 62.1% (110) respondents are “strongly disagree” 17.5 % (31) of them are “disagree” and 10.2 % (18) “agree”, 9.0 % (16) “neutral” and the rest 1.1% (2) “strongly agree”. According to respondents, tax collecting system in branch office couldn’t increase revenue for government.

Table 17. Reforming the tax administration increase effectiveness of organizational implementation

Scale	Frequency	Percent
strongly agree	7	4.0
agree	14	7.9
neutral	6	3.4
disagree	101	57.1
strongly disagree	49	27.7
Total	177	100.0

the above table shows the frequency distribution and percentage for item on the effectiveness of organizational implementation the statistical table shown that on the branch the total of 57.1% (101) respondents are “disagree” 27.7%(49) of them are “strongly disagree” and 7.9%(14) “agree” from a total of 3.4%(6) “neutral” and the rest 4.0%(2) “strongly disagree” According respondent, tax reforming didn’t increase the effectiveness on organizational implementation

Table 18: The relationship among top management and your team members effectives in organizational goal.

Scale	Frequency	Percent
strongly agree	1	.6
agree	10	5.6
neutral	12	6.8
disagree	94	53.1
strongly disagree	60	33.9
Total	177	100.0

the above table shows the frequency distribution and percentage for item to the relationship between employees and top management It is shown that the total of 53.1% (94) respondents are “disagree” 33.9%(60) of them are “strongly disagree” and 5.6 %(10) “agree” from a total of 6.8%(12) “neutral” and the rest 1.%(6) “Strongly disagree”. According to respondent, relationship between top management with employee is poor.

Table 19: The current VAT contribution to the government’s revenue is achieved the demand of country

Scale	Frequency	Percent
strongly agree	1	.6
agree	11	6.2
neutral	11	6.2
disagree	74	41.8
strongly disagree	80	45.2
Total	177	100.0

The above table shows the frequency distribution and percentage for item vat contribution to revenue generation for government achieved the demand for the country the table shown that total of 45.2% (80) respondents are “strongly disagree” 41.8%(74) of them are “disagree” and 6.2%(11) “agree” from a total of 6.2%(11) “neutral” and the rest .6%(1)“ strongly disagree”. According to respondent, currents VAT contribution system not archives the demand of governments.

Table 20: The VAT assessment and collection mechanism is effective and efficient

Scale	Frequency	Percent
strongly agree	2	1.1
agree	5	2.8
neutral	14	7.9
disagree	75	42.4
strongly disagree	81	45.8

Total	177	100.0
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the above table shows the frequency distribution and percentage for item shown that on the total of respondents 45.8% (81) are “strongly disagree” 42.4%(75) of them are “disagree” and 2.8%(5) “agree” from a total of 7.9%(14) “neutral” and the rest 1.1%(2)“ strongly disagree”. According to respondents, vat assessment and collection mechanisms not effective and efficient.

Table 21: The implementation of vat administration is successful and achieves its objectives

Scale	Frequency	Percent
strongly agree	2	1.1
agree	7	4.0
neutral	10	5.6
disagree	79	44.6
strongly disagree	79	44.6
Total	177	100.0

The above table shows the frequency distribution and percentage for item of the implementation of the successful for vat administration increasing. It is shown on the branch the total of 44.6% (79) respondents are “strongly disagree” 44.6%(79) of them are “disagree” and 4.0%(7) “agree” from a total of 5.6%(8) “neutral” and the rest 1.1%(2)“ strongly disagree.” According to respondents, the Branch office does not successfully achieve the objectives of tax administration.

4.2.1.3 A questions related with the challenges of tax return for administration

On the third category there five points under on the challenges of tax return on the tax administration in the ERCA Eastern Addis Ababa Branch were grouped in SPSS and total descriptive statistics was run. The table below shows the overall point of SPSS results to descriptive statistics frequency and percent.

Table 22: The tax payers registered for VAT and issuing invoices to the transaction properly.

Scale	Frequency	Percent
strongly agree	1	.6
agree	8	4.5
neutral	16	9.0
disagree	140	79.1
strongly disagree	12	6.8
Total	177	100.0

the table shows the frequency distribution and percentage is shown on the table the total of 6.8% (12) respondents are “strongly disagree” 79.1%(140) of them are “disagree” and 4.5%(8) “agree” from a total of 9.0%(16) “neutral” and the rest .6%(1)“ strongly disagree”. According to respondents, tax payers registered by vat and issuing invoices lack of transparency.

Table 23: The effective of communication undertaken with the tax payers.

Scale	Frequency	Percent
strongly agree	3	1.7
agree	11	6.2
neutral	13	7.3
disagree	144	81.4
strongly disagree	6	3.4
Total	177	100.0

The above table shows the frequency distribution and percentage is shown that on the total of 3.4% (6) respondents are “strongly disagree” 81.4%(144) of them are “disagree” and 6.2%(11) “agree” from a total of 7.3%(13) “neutral” and the rest 1.7%(3)“ strongly disagree” according to respondents, communication with tax payers poor.

Table 24: Tax payers have good competency with effective decision making for assessment of tax obligation.

Scale	Frequency	Percent
strongly agree	3	1.7
agree	13	7.3
neutral	24	13.6
disagree	119	67.2
strongly disagree	18	10.2
Total	177	100.0

The table shows the frequency distribution and percentage for the Tax payers have good competency with effective decision making for assessment of tax obligation on the branch the total of 67.2% (119) respondents are “disagree” 10.2%(18) of them are “strongly disagree” and 7.3%(13) “agree” from a total of 13.6%(24) “neutral” and the rest 1.7%(3)“ strongly agree”. According to respondents the competency of tax payers on decision making is poor.

Table 25: The VAT registered business enterprises have collected the tax with illegal invoices.

Scale	Frequency	Percent
strongly agree	83	46.9
agree	43	24.3
neutral	16	9.0
disagree	25	14.1
strongly disagree	10	5.6
Total	177	100.0

The above table shows the frequency distribution and percentage for related with the using method on invoice. It is shown the total of 5.6% (10) respondents are “strongly disagree” 14.1%(25) of them are “disagree” and 46.9%(83) “strongly agree” from a total of 9.0%(16) “neutral” and the rest 24.3%(43)“agree”. According to respondents, most of tax payer uses illegal invoices.

Table 26: The number of non-VAT registered tax payer exceeds the number of VAT registered tax payers in the branch.

Scale	Frequency	Percent
strongly agree	10	5.6
agree	46	26.0
neutral	16	9.0
disagree	93	52.5
strongly disagree	12	6.8
Total	177	100.0

The above table shows the frequency distribution and percentage for compare vat registered in the branch, It is shown that on the total of 6.8% (12) respondents are “strongly disagree” 52.5%(93) of them are “disagree” and 26.0%(46) “agree” from a total of 9.0%(16) “neutral” and the rest 5.6%(10)“strongly agree”. According to respondent non VAT registered tax pay don’t exceeds the number of vat registered in the city.

4.2.1.3 A questions related with source of major problems of tax return for administration

On the fourth category of the study have five points under on the source of major problems of tax return for administration in the Ministry of Revenue Eastern Addis Ababa small tax payer’s Branch were grouped in SPSS and total descriptive statistics was run. The table below shows the overall point of SPSS results to descriptive statistics frequency and percent.

Table 27: The tax reform makes challenges on the tax collecting system.

Scale	Frequency	Percent
strongly agree	85	48.0
agree	57	32.2
neutral	12	6.8
disagree	20	11.3
strongly disagree	3	1.7
Total	177	100.0

The frequency distribution and percentage item on the behavior of tax reforms. It is shown that on the branch the total of 1.7% (3) respondents are “strongly disagree” 11.3%(20) of them are

“disagree” and 32.2%(57) “agree” from a total of 48.0%(85) “strongly agree” and the rest 6.8%(12) “neutral”. According to respondents, reforming tax collecting makes challenge on payers.

Table 28: The role of tax registrations mechanism is a good mechanism for to controls tax evictions

Scale	Frequency	Percent
strongly agree	45	25.4
agree	87	49.2
neutral	12	6.8
disagree	27	15.3
strongly disagree	6	3.4
Total	177	100.0

The frequency distribution and percentage item on the role of tax registrations mechanism is a good mechanism for to controls tax evictions. the shown that on the total of 3.4% (6) respondents are “strongly disagree” 15.3%(27) of them are “disagree” and 49.2%(87) “agree” from a total of 25.4%(45) “strongly agree” and the rest 6.8%(12) “neutral”. According to respondent, tax registration mechanism is a good mechanism for controlling tax evasion.

Table 29: The tax audit department has responsible audit team members for conducting the audit cases

Scale	Frequency	Percent
strongly agree	17	9.6
agree	61	34.5
neutral	24	13.6
disagree	66	37.3
strongly disagree	9	5.1
Total	177	100.0

The frequency distribution and percentage item on the responsibility audit team members for conducting the audit cases e. It is shown that on the branch the total of 5.1% (9) respondents are “strongly disagree” 37.3%(66) of them are “disagree” and 34.5%(61) “agree” from a total of

9.6%(17) “strongly agree” and the rest 13.6%(24)“ “neutral”. According to respondents, tax audit team responsible to conduct the audit case proportional respondents on opposite side.

Table 30: ERCA has good organizational structure, job security and other facilities for tax administration.

Scale	Frequency	Percent
strongly agree	48	27.1
agree	53	29.9
neutral	10	5.6
disagree	50	28.2
strongly disagree	16	9.0
Total	177	100.0

- According to the frequency, distribution and percentages items on the organizational structure, job security and facilities of tax administration. It is shown that on the branch the total of 9.0% (16) respondents are “strongly disagree” 28.2%(50) of them are “disagree” and 29.9%(53) “agree” from a total of 27.1%(48) “strongly agree” and the rest 5.6%(10)“ “neutral”. According to respondents, Organizational structure, job security and other facilities of the Branch office is good.

Table 31: The tax Administration in your clients the organizational plan has been implemented with problems

Scale	Frequency	Percent
strongly agree	69	39.0
agree	70	39.5
neutral	13	7.3
disagree	15	8.5
strongly disagree	10	5.6
Total	177	100.0

The above table presents the frequency distribution and percentage item on the organizational plan relationship with their clients. It is shown that the total of 5.6% (10) respondents are “strongly disagree”, 8.5%(15) of them are “disagree” and 39.5%(70) “agree” from a total of

39.0%(69) “strongly agree” and the rest 7.3%(13)“ “neutral”. According to respondent, Clients of the tax administration implements organizational plan with problems.

4.3 Interview analysis

The interview questions was made same employees from of the middle managements in Branch office, in generally the question asses the following points clarity of rules regulations the working directions to the customers or tax payers the middle management reflects these question by the lack of clarity, open for tax evasions’ and fraud for both sides tax payers as well as tax collectors.

The second question was timely tax return and repayments in the organizations according on the tax return they have time tables but tax payers not considers and uses that colanders in additional the tax return system depends on the tax types. on the month the first 10 days declaring period of zero balance,10-15 withholding tax and the remaining day 20-25 VAT withholding period but our customers almost don’t uses the time table of the organizations ,this the result of the lack awareness about the tax administration systems most of tax payers has lack of skills to process of tax returning systems in Ministry of Revenue Eastern Addis Ababa small tax payers branch more over les for solving this problems creates awareness to the tax payers on the different ways example:- booklets news paper as well as mass media website.

The third question relate to the knowledge gap of the employees in organizations most of the employees have degree holder but there was knowledge gap about their duty, have not training on the systems of organizations and the confidences about their duty to solve this problems gets job training for the employees and adapt the skills for the work, creates knowledgeable man power good working environments

CHAPTER FIVE

SUMMARY FINDING CONCLUSION AND RECOMMENDATIONS

5.1 Summary Finding

Demographic summary

In this section, the demographic characteristics of respondents are assessed with four item questions (i.e. gender, educational level, and age and work experience). The results for these four questions are summarized as follows.

In terms of gender, respondents of this study were both male and female almost equal in number and it can be referred as proportional. Most of the respondents are also degree holders and young. Moreover, the majorities of respondents are within the age range of 20-40 and have 3-10 years of experience.

Summery on issues under tax administration

In this section, the findings for all the item questions raised under the four categories' to gather the data from the respondents (i.e. processing systems for tax return on the tax administration, the performance of tax returning on tax administration, the challenges of tax return on the tax administration and the source of major problems in tax administration) are summarized.

- Processing systems for tax return on the tax administration

In this section, six questions were raised and their findings show that:

- In this section most of the respondent agreed that, tax payers didn't understand the rule and regulation of tax administration. There is also lack of awareness about the paying systems and pay their tax improperly. Also, they didn't pay their tax on time as per the obligation.

- In other case, regarding the process of tax registration systems, most of them uses the old registration and tax collecting systems, which consumes customers' time. As a result, it decreases the interest of tax payers to pay their tax on time and in a correct way.
- As it is understood from the respondent, most of them disagreed on the idea of controlling inflations by increasing tax rate.

Second Category analysis to the performance of tax returning on tax administration,

According to the performance of the branch office's tax administration, there are nine related ideas which are obtained from the respondents.

- According to the opinion of the respondents, customer handling systems of Ministry of Revenue Eastern Addis Ababa Small tax payer's branch is poor.
- Regarding objective achievement, most of the respondents replayed as "disagree" and "strongly disagree" and it indicates Ministry of Revenue Eastern Addis Ababa Small tax payers branch have many constraints in achieving their objective.
- According to the respondents, as it is compared to the annual plan of the organization, 81% of the respondents replayed that the collection process is full of challenges.
- According to respondents, tax collecting system in branch office couldn't increase revenue for government.
- By reforming the tax administration system, the organization can improve its performance.
- The relationship among the top management and other employees is not good and there is poor communication channel.
- According to respondent opinion, vat contribution system of Ministry of Revenue Eastern Addis Ababa Small tax payer's branch does not achieve the demand of the country.
- VAT assessment and collection mechanism is ineffective and lacks efficiency.
- The implementation system of the Branch office does not successfully achieve the objectives of tax administration.

The third category of question, the challenges of tax return on the tax administration

In this section there are five related point on the tax administration

- On the first point, as far as transparency is concerned, there is lack of transparency.
- The communication undertaken between tax administration and tax payer is very smooth; almost all tax payers use the delegations systems to pay tax.
- The competency of the tax payers in effective decision making is poor.
- VAT registered business enterprises didn't collect it with legal invoice and there are illegal invoices somewhere.
- Even if the number of non vat registered tax payers do not exceeds the number of vat registered in the city, tax payers do not pay their tax in correct way.

The fourth category of the data instrument on this section five point is the source of major problems in tax administration

- Most of the respondent agreed that, in reforming the tax method, there are many challenges.
- Tax registration mechanism is good mechanism to control tax evasions.
- The third point for this category the tax audit department has responsible audit team members for conducting the audit case on this point same respondent are agree to the point on others side similar percent of respondents are disagree.
- Organizational structure, Job security and other facilities of the Ministry of Revenue Eastern Addis Ababa Small tax payer's branch is good.
- Clients of the tax administration implements organizational plan with problems.

5.2 Conclusion

The study has assessed the practice, performance and challenges of tax administration in Ministry of Revenue Eastern Addis Ababa Small Tax Payers Branch. The major findings are summarized and stated in the above sections. Here, the researcher tries to conclude the result of the study in line with the objective and major research questions.

Based on the findings of the study the researcher has concluded that the branch has a moderate practice (not bad not good) in tax administration.

From the assessment, it is understood that the branch customers lacks awareness on the rules and regulations of tax administration. Even if employees of the organization are degree holders, there is skill gap. To solve the skill gap of the employee, it is advised to give them trainings. To increase the performance of the organization in achieving its annual plan, knowledgeable man power must be there in place, there should be good controlling system and apply computerized systems to decrease tax evasion.

To increase the performance of the branch, challenges of tax administrations should be minimized so as to generate enough revenue and cover government expenditure.

5.3. Recommendations

Based on the analysis and finding of the research, the following recommendations were made to improve the efficiency of the income tax administration. Self-assessment system requires tax payers to have full understanding of income tax laws. Income tax law complexity and procedures and compliance rate has a significant effect on tax administration efficiency.

To support the taxpayers, the tax authority should make tax laws available in Ministry of Revenue Eastern Addis Ababa Small tax payer's branch website. However, some tax payer does not know the existence of this website. It is necessary to create awareness for the tax payer to use this website.

The tax payer office should make the income tax law and procedures, clear, simple, understandable, transparent and user friendly administrative system. Also explain clearly to their understanding for effective compliance.

If tax payers do not understand what their obligations are, any intervention to enforce compliance will be perceived as unfair. Taxpayer's attitude toward taxation is improved through sustainable awareness creation programs.

Change the tax collection method to modernize everywhere connects with networking system, the control mechanism to tax evasion not only use man power but should also need to control on computerization method on the working environment of tax payers. However, the tax payers branch employees educational levels most of them are above degree but does not have skilled to provide the working systems relate to organization. The branch should focus on capacity building to create skillful man power by training.

The performance of the Ministry of Revenue Eastern Addis Ababa Small tax payer's branch is depending on the decrease on the challenges of tax return for the Administrations increases the awareness for the tax payers by different method and tax collecting and controlling systems by computerized system gets benefit to the tax administration.

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Appendices

Addis Ababa University

College of Business and Economics

Department of Public Administration and Development Management

Data gathering Instruments

Questionnaire to be filled by employee of Ministry of Revenue Eastern Addis Ababa small tax payers branch

Dear respondents,

This questionnaire is designed to get relevant information for the study; the main objective of the study is to assess the challenges of tax Administration in your Branch hence, your responses will give more ideas about this duty. Therefore, I kindly request you to fill the questionnaire carefully and return back to me.

Instructions:-

- ✓ Not need to write your name.
- ✓ Put the (✓) mark in the box for your answer.
- ✓ With great excuse, positively return this questionnaire with answer on time.

For any problem and suggestion contact the researcher through the following addresses:
zenebechake@gmail.com **0913264108/0904079476**

Thank you in advance for your cooperation!!

I. Demographic Data

1. Gender 1.Male 2. Female

2. Age 1.20-30 2. 31-40 3. 41-50 4.Above 50

3. Educational Background

1. BA 2. MA/MSc 3. PhD 4. Others

4. How long you have worked in ERCA?

4. 1. 1 years 2. Above 1-5 years 3.above 5-10 years 4.above 10 years

II. A questioners related with process of tax return for administration

Processes	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Tax payers understand the rules and regulation.					
The tax payers understand tax proclamation of the country.					
Customers pay their tax properly and on time.					
The tax payers use the exact receipt.					
The process of tax registration is smooth for tax payers.					
The increasing tax rate controls inflation.					

Do you have any additional ideas about the process of tax administrations? _____

III. A questioners related with performances of tax administration

Processes	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
The Branch handling their tax compliances properly.					
Tax Administration on the Ministry of Revenue Eastern Addis Ababa Small tax payer's branch is to achieve on their objectives.					
Good revenue generation is undertaken in your organization according to the annual plan.					
The tax collecting system increased the actual revenues to the government.					
Reforming tax administration increased effectiveness of your organizational Implementation.					
The relationship among top management and team members are effective in organizational goal.					
The current VAT contribution to the government's revenue is achieved the demand of country.					
The VAT assessment and collection mechanism is effective and efficient.					
The implementation of vat administration is successful and achieves their objectives.					

Do you have any additional ideas about the performance of tax administrations? _____

IV. A questioners related with the challenges of tax return for administration

Processes	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
The tax payers are registered for VAT and issuing invoices to the transaction properly.					
The effectiveness of communication undertaken with the tax payers.					
Tax payers have good competency with effective decision making for assessment of tax obligation.					
The VAT registered business enterprises are collected the tax with illegal invoices.					
The number of non-VAT registered tax payer exceeds the number of VAT registered tax payers in the city.					

Do you have any additional ideas on the challenges of tax administration in your organization?__

V. A questioners related with source of major problems of tax return for administration

Processes	Strongly agree		Agree		Neutral		Disagree		Strongly disagree	
	F									
The tax reform makes challenges on the tax collecting system.										
The role of tax registrations mechanism is a good mechanism for to controls tax evictions.										
The tax audit department has responsible audit team members for conducting the audit cases.										
The Branch has well organizational structure, job security and other facilities for tax administration.										
The tax Administration in your clients the organizational plan has been implemented with problems.										

Do you have any additional ideas on the major problems of tax administration? _____

Interview Questions

1. How do you evaluate the clarity of tax proclamations, regulation and directives?
.....
2. How does the organization file a timely tax return and repayment?
.....
3. How do you see the tax office employees' knowledge of tax practices, skills and decision making ability?
4. As per your understanding tax reformation is having advantages for to generate revenue for government?
5. Could you please mention some of the challenges related with tax administration?
.....
6. How do you evaluate the trends of ERCA Eastern Addis Ababa branch revenue office in administering tax in the last five years?
.....
.....
7. Please write your opinion about office facilities, qualified honest and men power?
.....
.....
8. Finally, please write your opinion about service delivery mechanism of your organization?
.....
.....

Thank you