FACULTY OF BUSINESS AND ECONOMICS

DEPARTEMENT OF ACCOUNTING AND FINANCE

FACTORS AFFECTING TAX COLLECTION: CATEGORY “A” AND “B” TAX PAYERS IN WOLDIA CITY ADMINISTRATION TAX OFFICE

By

Bizuayehu Alemu Biru

ID: GSE/12032/12

Advisor: Enyew Alemaw (PhD)

Co-advisor: Habtemaryam G (MSc)

November 2022

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CERTIFICATE

This is to certify that the thesis entitled “factors affecting tax collection category “A” and “B” tax payers in Woldia city administration tax office” was carried out by Bizuayehu Alemu under the guidance and supervision of Enyew Alemaw (PhD), submitted in partial fulfillment for the degree of Master of Science in Accounting and Finance complies with the regulations of the University and meets the minimum requirement and standards with respect to originality and quality.

Name of Advisor: Enyew Alemaw (PhD)

Signature: …………………………

Date: …………………………

APPROVAL OF THE THESIS

I, the undersigned, declare that this thesis entitled “factors affecting tax collection category “A” and category “B” tax payers in Woldia city administration tax office” is my original work and has not been presented for a degree in any other university, and that all sources of material used for the thesis have been duly acknowledged.

1.Advisor

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Name	**Signature**	**Date**

2. **Co –Advisor**

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Name	**Signature**	**Date**

3. **Internal Examiner**

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Name	**Signature**	**Date**

4. **External Examiner**

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Name	**Signature**	**Date**

DECLARATION

I, Bizuayehu Alemu, declare that, this paper prepared for the partial fulfillment of the requirements for the award of the Degree of master of science in accounting and finance entitled "Factors affecting Tax Collection Category "A" and "B" Tax payers in Woldia City Administration Tax Office,'' is prepared with my own effort. I have made it independently with the close advice and guidance of my advisor.

Bizuayeh Alemu

Signature ____________________ Date________________________

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ACRONYMS

ANRS	Amhara National Regional State
ERCA	Ethiopian Revenue and Customs Authority
FDRE	Federal Democratic Republic of Ethiopia
GDP	Gross Domestic Product
IFRS	International Financial Reporting Standards
MOFD	Ministry of Finance and Economic Development
NBS	National Bureau of Statist
SNNPR	Southern Nations Nationalities and Peoples ‘Region
SPSS	Statistical Package for Social Science
TEA	Tax evasion
TCO	Tax compliance
TOC	Tax office capacity
TC	Tax collection
UNDP	United nation development program

ABSTRACT

Tax is the major revenues to the government in developed and developing countries. Thus many professionals and authorities strive to enhance the level of tax revenues and make tax revenues significant portion of annual national budget. This study conducted to identify factor affecting tax .Tax compliance, tax evasion, Tax payers ‘awareness and tax office capacity were considered as a factors of affecting tax collection in empirical testing. The study used explanatory research design and mixed research approach employed. Data gathered from primary and secondary sources. The primary data obtained by interview and questionnaire. The survey is conducted on category A and category B taxpayers of Woldia city administration. The secondary data collected from reports and manuals of Woldia city administration. Data analyzed with descriptive statistics such as frequencies, percentages, mean and standard deviation through statistical tool of SPSS version 23. The data presented in tables and histograms. In addition, these regression analyses employed to analyze the relationship of variables. The findings show tax collection affected by tax evasion, tax payer's awareness tax office capacity and also tax compliance and the regression analysis show that tax evasion, tax Payer's awareness, tax compliance and tax office capacity have has strong negative relation with tax collection. This Paper recommended that, the tax office should capacitate in both of human power and technology, so that strengthen auditing work, enhance taxpayer's awareness.

Keywords: Tax collection, Tax payer's awareness, Tax office capacity, and Tax compliance.

CHAPTER ONE: INTRODUCTION

1.1 Back Ground of the Study

The amount of money raised to fund infrastructure and alternative social services in a given nation determines its economic development. Governments need to be able to afford these services in order for them to be adequately provided. Taxes are one of the main ways that governments raise money to support their operations (Ndekwa, 2014). According to Osundina and Olanrewaju (2013), taxes have the potential to play a significant role in all societies across the globe, and the tax system in place is a weapon used by the government to raise additional funds needed to meet its urgent duties. Taxation is a significant business instrument for raising funds for prudent and efficient investment planning and management, as well as for the efficient operation of the economy as a whole (NapariSeiduet.al. 2015; Ozen et.al. 2014). Finding the ideal balance between a tax regime that is business and investment friendly and one that could generate enough income for public service delivery to increase the attractiveness of the economy, however, is a major challenge for African countries (Vadde & Gundarapu, 2012).

In comparison to the country's ability to generate tax revenues, Ethiopia, like other developing nations, does not collect enough taxes. The yearly national budget of tax revenues and the actual tax revenue collections varied for several years, according to a report published by the Ministry of Finance and Economic Development (MOFED). Even though the nation has a long history of collecting taxes, there are still many issues with tax collection and management. The paying of taxes is viewed by society as a duty owed to the government and as a way to enrich government leaders. Therefore, a taxpayer's mindset may have an impact on tax revenues. The main issue facing the tax office is attitude and taxpayer awareness (Niway and Wondwossen 2017). Perceptions and attitudes, according to Worku (2016), have a big impact on tax compliance. The tax office is crucial to increasing tax income. Abebu, Zufan, and Eden (2014) conducted research on the issue of tax authorities' inability to supervise every transaction that is subject to tax as well as taxpayers' tax avoidance and evasion. In a different study, Cheibub (1998) found that a nation's ability to generate significant amounts of revenue through taxation, both economically and administratively, is a key factor. As a result, the capacity of the tax office needs to be increased and furnished with necessary machinery. According to Jone, Carlos, Eric, and Frank (2008), system reform and tax administration are the two key elements of revenue. Therefore, the tax authorities must take considerable action to eradicate or lessen the difficulties lest the difference between tax collection and budgeted tax increase (Abebu et al., 2014).

Byaruhanga (2013) asserts that these administrative inefficiencies have a major impact on tax revenue. This specifically includes a lack of a systematic method for identifying people who are required to pay taxes as well as a lack of frequent and consistent tax enumeration and assessment of the taxpayers. Furthermore, he claimed that there was no current tax revenue register, no organized system for storing tax records, no attribution values, and no transmission of tax money. This study's major goal is to investigate the causes of Woldia Town's lower tax revenue collection. The capability of the tax office, taxpayer awareness, tax evasion, and tax compliance will all be taken into account while evaluating this study.

1.2 Statements of the Problem

The core of the annual national budget is made up of revenues. Many tax-developed nations protect their national budgets by effectively collecting tax revenues. According to the World Bank Group (2018), wealthy countries collect more taxes than developing countries do relative to their GDP rates. Developing nations experience annual national budget deficits because they are unable to collect enough tax money. Nearly all Sub-Saharan countries, according to Evenlike, Ekenechukwu, and Edirin (2017), trended toward a sharp fall in tax collection, weakening their fiscal balances and forcing the government to borrow money to cover its national budget. According to Neway, Kenenisa, and Debela (2018), the annual national budget deficit has historically been a major issue for the majority of developing nations. The decline in tax revenue was the biggest contributor to this budget deficit.

Ethiopia has encountered a variety of difficulties in trying to collect taxes. Even if some improvement is visible, there is still considerable work to be done to balance the growth of the gross national product with the amount of taxes collected. In the last ten years, Ethiopia has made good progress toward obtaining more income from local sources, according to a UNDP (2016) working paper. Tax revenue made up the majority of those municipal sources. For instance, the amount of taxes collected increased from 12.4 billion Birr in 2005 to 165.3 billion Birr in 2015. The tax income proportionate to GDP growth proved difficult to reconcile, though. At 13.4% in 2015, the tax to GDP ratio remained low.

Numerous investigations on the variables influencing tax collection have been done. According to Mohammed & Al.M. (2016), tax compliance is a crucial component for all tax authorities in both established and developing countries. Abiola and Asiweh (2012) examined the impact of tax administration on government revenue in a developing economy. Numerous research on the variables impacting tax collection have also been done in Ethiopia. According to Eskedar, Aynalem, and Yaregal (2014), the inequitable employment system and the burdensome tax system are the main issues with taxation in Ethiopia. The study did not, however, take into account how tax compliance, tax evasion, and taxpayer knowledge affect tax collection. Abebu and Eden (2014) looked into the taxpayer's ignorance of taxes. It was the result of a delayed payment and an incorrect tax amount. The challenges facing the tax authority, according to Abebu, Zufan, and Eden (2014), have primarily been the poor tax payers' perception of the importance of paying taxes, the taxpayers' missed deadlines in filing their returns, the beginning of business operations without a trading license, and the traditional method of tax collection. Tax justice and equity, the organizational capacity of the tax authority, taxpayer knowledge, cultural considerations, and the provision of social services by the government are all issues that taxpayers must deal with, according to Melese & Tesfahum (2016). Category "A" taxpayers in the Arada sub-city were studied by Getachew for awareness of taxpayers, tax office capacity, tax compliance, and tax evasion (2013). He looked into the effects of tax knowledge, tax compliance, tax evasion, and tax office capacity on tax revenue collection. 232,757,512 birr were supposed to be collected from tax payers between July 1, 2020, and June 30, 2021, according to the Woldia city administration revenue office annual report (2020/2021). However, the office was only able to collect 198,537, 785.25 birr; the remaining 34,219, 726.75 birr have not been collected by the office from the tax payers. The justification for this was that there can be a few things that prevent tax payers from withholding the yearly tax from their yearly income. As a result, the elements of tax revenue collection were researched and evaluated in connection to taxpayer awareness, tax office capacity, tax compliance, and tax evasion.

1.3 Objectives of the Study

1.3.1 General Objective

The general objective of this study was to examine the factors affecting tax collection: category “A” and “B” tax payers in Woldia city administration tax office.

1.3.2 Specific objectives

The specific objectives of this study includes

- To identify the effect of taxpayers' awareness on tax collection.
- To examine the effect of tax evasion on tax collection.
- To investigate the effect of tax offices capacity on tax collection.
- To ascertain the influence of tax compliance on tax collection.

1.4 Scope of the Study

The main objective of the study is to examine factors affecting the tax collection in Woldia city administration tax office. To undertake this study, category “A” and “B’’ taxpayers were selected by the researcher found in Woldia city administration

1.5 Significance of the Study

The government will expect to fulfill the need of citizens through different financial sources. Among these, tax is the main source of finance for government expenditure. There are almost no researches done, as to the researcher's knowledge, in the area especially in Woldia city administration. Hence, this research was contributed to identify the factors affecting tax collection in Woldia city administration specifically category “A” and “B” taxpayers. This was helped to increase the tax revenue by enhancing the taxpayers' awareness with taxation. Important for revenue authority or policy makers to design an efficient and effective tax system or it may help to minimize the existing problems. In addition to this, the research will act as a ground for researchers who were interested in the area.

1.6 Organizations of the Paper

The paper was organized into five chapters as follow. Chapter one present background of the study, statement of the problem, objectives of the study, scope of the study, significance of the study and Organization of the paper. Chapter two reviewed both theoretical as well as empirical literature. Chapter three focused on research methodology**.** Chapter four is focused on result discussion and data analysis and the last chapter five is conclusion and recommendation.

CHAPTER TWO: REVIEW OF RELATED LITERATURES

This part has been present the theoretical review and empirical literature of the existing study, the conceptual framework, and the gap of the research. The theoretical review has been discussed tax collection, taxpayers' awareness, and tax office capacity and tax compliances. The empirical review has been show that different studies, which conducted on, factors affecting tax collection and assessments of tax revenue challenges in different countries. In addition, to this the conceptual farm work, research hypothesis and definition of key terms have been discussed.

2.1 Theoretical literature Review

2.1.1 Definition of tax

According to Bhatia (1996), "a tax is a liability imposed up on the tax assesses who may be individuals, groups of individuals, or other legal entities." It is a liability to pay an amount on account of the fact that the tax assesses have income of a minimum amount and from certain tangible or intangible property, or that they carry on certain economic activities which have been for taxation. Tax is defined as 'a compulsory levy, imposed by government or other tax raising body, on income, expenditure, or capital assets, for which the taxpayer receives nothing specific in return' (Lymer and Oats, 2009).

A tax is a compulsory levy and those who are taxed have to pay the sums irrespective of any direct corresponding return of services or goods by the government. Government needs financial resources to act as a government and play a role that is expected from it by the public (James and Nobes, 2000).

The main objective of imposing certain taxes on the public is to generate revenues for the government for public expenditure (Singh, 1999; Shanmugam, 2003; Lymer and Oats, 2009). However, there are other functions of taxes as suggested by Lymer and Oats (2009) including to reduce inequalities through a policy of redistribution of income and wealth so that income gap between the rich and the poor is not as significant. Tax systems are also designed for social purposes, such as discouraging certain activities which are considered undesirable and protecting the environment. For instance, the excise taxes on alcohol and tobacco are (at least partly) exercised to decrease consumption and thus encourage a healthier lifestyle (Lymer and Oats, 2009).

2.1.2 Principle of Tax

A) Equity

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

B) Efficiency

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

C) Administrative Feasibility

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

D) Neutrality

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

E) Certainty

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

F) Simplicity

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

2.1.3 Ethiopian Tax System

The Ethiopian tax system organized in three main categories at federal or central and regional levels. The regulation of Federal Democratic Republic of Ethiopia (FDRE) has divided the tax revenue collected by Federal government office, State or Regional government and together by the Federal and State government. The reigns have the right to collect tax and revenues through the office of Regional Inland Revenue Authorities from privately owned enterprises and Structures of regional governments. The central government revenue collection structures are responsible to collect revenues of federal and joint revenues owned by both the central government and regional governments from different organizations including that owned by Federal government according to (Council of Ministers, 2002). There are many rules and regulations that consists of different kinds of tax and their rates and mode of payments .The Ethiopian Revenue and Custom Authority (ERCA) is accountable for the Implementation of the rules and regulations relating to income tax particularly business profit taxes, and other types of taxes. And also, the ERCA is also responsible for collecting Withholding tax on payments made to non-residents relating to interest, royalties, and contract Payments, special classes of income (such as fees for technical advice) and income in Respect of services performed by a public performer. The 1995 Constitution of the Federal Democratic Republic of Ethiopia (FDRE) classifies taxation power into three: as those assigned exclusively to the federal government, regional states, and concurrently to both regional and federal governments. As per the constitution, regional states have the power to levy and collect taxes. According to income tax proclamation 979/2010 taxpayers categorized based on their annual turnover. Category "A" taxpayers are persons which have annual turnover of ETB 1,000,000 or more than and all incorporated entities. Group "B" are those that not classified as "A" and have annual turnover of more of ETB 500,000 but less ETB 1,000,000 and Category "C" taxpayers who are not included in Category "A and B", and have annual turnover up to ETB 500,000. For categories A and B, the tax assessed based on the profit and loss statement prepared in accordance with the Generally Accepted Accounting Principles (GAAP) or International Financial Reporting Standards (IFRS) and subject to the specific rules as provided in the income tax legislation. On the other hand, the tax from category C taxpayers levied and collected in presumptive tax collection system based on their daily sales.

2.1.4 Tax Payer’s Source of Income

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

2.1.5 Schedules of Income

The schedules of income is divided income which is gained from different business activates. it helps to assign tax rate differently for each business class. According to Proclamation No, (286/2002) provides for the taxation of income in accordance with four schedules, as follows:- Schedule 'A,', income from employment; Schedule 'B,' income from rental of buildings; Schedule 'C,' income from business; Schedule 'D', other income including income from: (a) royalties; (b) income paid for services rendered outside of Ethiopia; (c) income from games of chance; (d) dividends; (e) income from casual rental of property; (f) interest income; (g) specified non-business capital gains.”

2.1.6 Major Types of Taxes in Ethiopia

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

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

3. Turnover is a kind of tax which imposed on a body or a person not registered for value-added tax to accomplish their requirements it’s also enhance the justice business relations and to complete the

coverage of the tax system. The Managerial viability considered the registration of persons under the value-added tax with annual transactions to the total value exceeding 500,000 Birr. Rate of turnover tax is 2% on goods sold locally and 10% on others; as provided by the 'Excise Tax Proclamation No. 307/2002'

4. Income tax under Tax Proclamation No. 286/2002' shall include income from employment, income from business activities, Income from entertainment work, income from sports activities and music activities. Income from entrepreneurial activities carried out by a non-resident through a permanent establishment in Ethiopia. Income from a movable properties are attributable to a permanent establishment in Ethiopia and Income from an immovable property and appurtenances there to, income from livestock and inventory in agriculture and forestry. Ethiopia, Income from the alienation of property referred to in Dividends distributed by a resident company. Profit shares paid by a resident registered partnership, interest paid by the national, a regional or local Government or a resident of Ethiopia, or paid by a non-resident through a permanent establishment that he maintains in Ethiopia. License fees including lease payments, and royalties paid by a resident or paid by a nonresident through a permanent establishment that he maintains in Ethiopia.

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

2.1.7 Tax Collection

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

2.1.8 Tax Collection Processes

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

A) Recording of tax payers

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

B) Declaring

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

C) Checking accuracy

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

D) Submission of payment

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

E) Under-taking Audit

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

F) Collection and Enforcement

At a time when tax payers do not pay their tax at end period, tax office can take measure to collect the unpaid tax in a many of means. The Administrator may move to court beside the taxpayer or request an individual liability or holding currency for the taxpayer to pay the currency on a stated period or start distress actions beside the taxpayer's portable assets. It is a broader situation; the topic of taking enforce measures‟ contains faults devoted via the taxpayer, and the fines for these violations (Mesiku, 2011).

In line with Borondolo J. (2009) tax obedience policy also requires to change enforcing procedures for emerging obedience issues. Monitoring disobedience will need greater taking enforce measures in six ways.

- ✓ Preservation incomes from the major taxpayers through reviewing the panels do this section,
- ✓ growing debts assortments,
- ✓ safeguarding tax with holders,
- ✓ providing more devote to zero declaring sectors,
- ✓ Increasing the analysis of cross –border contacts and off shore evasion, and
- ✓ Containing the boom of currency economy. G, Appeal process

When taxpayers are unhappy with the valuation of tax and do not agreed with the tax debt, he or she have the right to show to the responsible department. It can be arise from the large amount of tax, wrong charge of fines. The allowed rules essential for operative tax management might be classified in to four general titles: laws for the creation of a one's tax obligation; laws for starting a system of pleas from the first assessment of tax; laws for the assortment of taxes that have been recognized to payable and laws concerning to tax violations and their penalty. (Asian Development Bank, 2001).

2.1.9 Tax Authority Capacity

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

- improving the existing tax administration procedures through administrative simplification;
- Efforts to calculate collection efficiency for each type of revenue;
- Efforts to reduce cost of collection; and
- Efforts to eliminate the identified factors in the field that has contributed to sub-optimal revenue.

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

2.1.10 Tax Evasion

Tax evasion is one's tax obligation by techniques that cut-up tax rules and so it is a crime that if one discovered might result in imposition of illegal measures contrary to the taxpayer. Like other authorities, Ethiopia's tax structure is bothered with tax evasion. One issue that significantly donates to the tax evasion is absence of care full audit and nonexistence of structured audit pre conditions. And lack of automation in tax office inspires tax evasion (ERCA) 2010.According to Misrak (2011) a way or a techniques that reduces exact tax liability of a tax payer but by fraudulent and false means activities like oversight of income subject to tax, increasing subtract able expenses and requesting tax deduction in untrue businesses activities. Tax Evasion is an activity relating an element of dishonesty, miss state of evidences, falsification of accounts and any other fake incomes with a view to violate tax lows .the tax evade practices purposely miss presenting of financial statements, reducing sales for the purpose of reducing profit and subsequently reduce tax.

- The following are the mechanisms of reducing or minimizing legal tax liability through breaking laws Misrak (2011)
  - Elimination of business transactions from documents
  - Below billing sales transactions
  - The use of tax invoice illegal by tax authority
  - Requesting tax inference untrue transactions
  - Elimination to disclose taxable income in tax return
  - Expanding tax deductible expenditures
  - Claiming non-refundable input valve added tax
  - Recording individual expenditures as commercial expenses for tax drives
  - Clampdown (fabrication) of incomes
  - Keeping multiple set of books of accounts to record business activities and paid.

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

2.1.11 Awareness of Taxpayers

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

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

- Identify the existence of the tax rules and principles,
- Understand the tax payment to the country
- well known the tax should be paid within the rules and the regulation
- being able to compute the payment of the tax and pay it willingly and truthfulness to the government
- Compute, pay, and report their taxes willingly and exactly.

2.1.12 Tax Compliance

Tax compliance is produced by several tax authorities as a result of the power and temperament of taxpayers to regulate to tax laws, declare the right income in annually and pay the right amount of taxes on time (Palil, 2010). This refers to adherence to the executive rules of reporting and paying taxes on time. This includes compliance with the coverage requirements, procedural rules and laws. This entails filing tax returns on time, coverage all the income and claiming the right deductions and making tax payments on time. As cited in Muoki and Peter (2014), Mohd et al, (2011) stated that the tax compliance is a person's act of filing their tax returns, declaring all nonexempt financial gain accurately, and disbursing all collectable taxes at intervals the stipulated amount while not having to attend for follow-up actions from the authority. As cited in the study of Akhand& Hubbard (2016), Brown and Mazur (2003) stated that tax compliance is composed of three mutually exclusive elements: filling, reporting, and payment. Filing compliance refers to the proportion of returns submitted by registered taxpayers; reportage compliance measures the accuracy of financial gain reportage, and payment compliance measures the share of taxes paid on reportable financial gain. In African countries, like Kenya, the tax compliance needs consistency with the tax laws regarding keeping of up books of account by businessmen, holding of private Identification Numbers (PIN) by all potential taxpayers, declaration of financial income consistent with the stipulated rules and regulation, correct determination of liabilities, filing of returns on financial gain by the prescribed date, paying of tax dues by the prescribed date, payment of fines and penalties for due taxes and admitting of audit by tax collectors if deemed necessary (Marti, et al., 2010). IMF working paper (2007) Common for instances involve make simple the tax laws, restructuring managerial actions and information reporting requirements, and advancing taxpayer facilities. Through reducing the cost of compliance, compliance assistance makes incentives for taxpayers to willingness pay their taxes. To the extent that taxpayers respond positively to these incentives, their voluntary compliance rate will increase and voluntary collections will rise.

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

2.2 Empirical Literature Review

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

Andreas (2015) stated that taxpayer's awareness has a significant role in the association between "expediency of tax id number, service quality, and taxpayer's compliance. Conversely, taxpayer's awareness has no mediating role in the relationship between tax socialization, tax knowledge, and taxpayer's compliance." The study use an accidental sampling technique, and uses questionnaires as an instrument to collect data by spreading it to the taxpayers who come to the tax office. Therefore, the sample size with a margin of error of 10% and used regression analysis

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

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

Niway and Wondwossen (2017) has pointed out in their research paper that the tax knowledge was the major challenge for tax compliance attitude and major taxpayers assumed the current tax amount and fine amount is excessive and they understood that present tax arrangement is biased. Besides, this study indicates that taxpayer's perception is sportive to the tax structure and nation spending likewise inspires voluntarily tax compliance. The main objective of this study was to study individual taxpayer's tax awareness, perception and their tax compliance decision in selected cities in SNNPR, Ethiopia. The study used descriptive research design. Category "A" taxpayers were the target population of this study. A sample of 377 individual Category "A" taxpayers randomly taken from selected cities. The study used primary and secondary data sources. Primary data collected through questionnaire and secondary data collected from reports and manuals of Ethiopian Revenue and Customs Authority (ERCA) branches. Descriptive statistics such as tables and percentage ages been used for data analysis.

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

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

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

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

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

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

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

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

Afework, Wondaferahu and Endeg (2017) stated that, many taxpayers negatively convinced towards justice of the tax structure, it is because of massive tax rates, biased allocations of tax loads between taxpayers compared with capacity to pay, unsatisfactory handlings of taxpayers by tax office. Taxpayers have slight information toward the tax system and problematical tax rule and massive procedures results they do not simply know their tax structure. Tax justice features this included exchange with government horizontal justice, vertical justice, and time-relate fairness and justice, self-interest, tax awareness and tax complexity has important effects on tax fairness awareness. This research objective was identify factors affect fairness of taxation on category "B" taxpayers have used both primary and secondary data are self-administered questionnaires and in depth interview from respondents of a target group. In addition, secondary data obtained from review of related literature, document and annual tax report in Dawuro zone revenue authority, taxation books, and internet. Thus, finally tax fairness tested in this study has 10 tax fairness aspects in the existing tax system with 40 items. The target population is 526 category "B" taxpayers and 20 revenue authority officers in Dawro zone. The research approach was descriptive and regression data analysis method used.

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

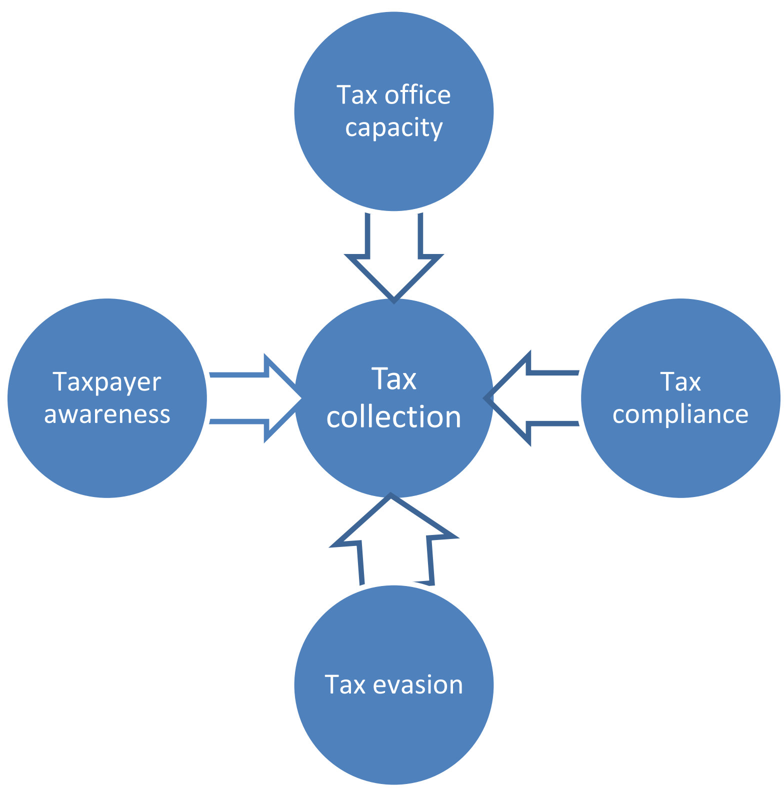
Ataro, Muturi and Wandera (2016) studied on Factors Affecting Revenue Collection Efficiency in County Governments in Kenya: A Case Study of Trans-Nzoia County. The study used descriptive research design and mixed approach and conducted regression analysis. They found out that the internal efficacy has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

The study by Messay(2019) on Tax Assessment and Collection Problems Addis Ababa sub city, The findings indicated that majority of tax payers lack of tax knowledge of assessment and collection Ways, rules and regulations. There is absence of understandable, clear and updated info and on the job training. Moreover, tax assessment and collection officers are inefficient and insufficient in relation to tax payers number of in the sub city, tax officers are non-motivated, lack adequate skills. Due to this and other factors mentioned in the analysis of this study, carelessness, delay in tax payment and evasion are used by tax payers as solution to escape from tax. The researcher did not address all of the problems could also be responsible for low revenue collection and tax assessment problems.

As Messay (2019) cited in the research done by Tulu (2007) in Dire Dawa City tax payers‟ self-assessment tax obedience finds out that, tax justice, institutional strength of the tax office, awareness level of the tax payers, traditional influences, and delivery of public services by the government as the key element of self-assessment compliance in the town.

2.3 Conceptual Frame work

Figure 1 Conceptual Frame work



2.4 Research Hypothesis

- Tax compliance does not has relation with tax collection
- Tax evasion does not affect tax collection
- Tax payer's awareness does not has relation with tax collection
- Tax office capacity does not affect tax collection

2.5 Definitions of key terms

- Tax collection: Tax collection represents an amount, which collected in Woldia city administration.
- Tax payer's awareness: Taxpayer's awareness means understanding of how tax pay and responsiveness to pay taxes.
- Tax office capacity: Capacity of tax Authority consists of employee capacity in tax office to collect tax, tax office number of officers and technology used by the tax authority.
- Tax compliance: Tax compliance means improving services to taxpayers by providing them with clear instructions, understandable forms, and assistance and information as necessary.

CHAPTER THREE: METHODOLOGYOF THE STUDY

3.1 Introduction

This chapter has provided the methodology that has been used in this study. It consisted research design and approach, sampling and sampling design, source of data, data collection method, model specification, data analysis methods and ethical consideration.

3.2 Research Design and Approach

The object of the study was to examine the factors that affect tax collection. The study have been evaluated the relationship between dependent variable and independent variables. Tax collect have been used as a dependent variable and taxpayers' awareness, tax compliance, tax office capacity and tax evasion as independent variables. To achieve this objective descriptive and explanatory research design were employed in the study. The explanatory type of research design helps to identify and evaluate the causal relationships between the different variables under consideration (Kothari, 2004). In this study, both qualitative and quantitative data have been used. Therefore, in this study the researcher employed Concurrent mixed research approach. Mixed research approach involves both quantitative and qualitative approach.

3.3Types, Sources of Data and Method of Data Collection

Basically there were two sources of data primary and secondary data. To behavior this research, both primary and secondary data source have been used to acquire the required data.

The primary data was conducted in the selected taxpayers' respondents through questionnaires. It was obtained from Woldia city administration' tax office taxpayers. These were category "A" taxpayers have an annual gross income of Birr 1,000,000 and more, category "B" taxpayer, having an annual gross income of Birr 500,000 or more.

The secondary data source which was used by the researcher is annual budget which assigned by the government and collected from Woldia city administration tax office. In addition to this, other unpublished tax office documents and different reports were used as sources of secondary data.

In this study, data was collected by the use of questionnaires, interviews and review of unpublished tax office documents. Self-administered questionnaires were used to collect primary data. The interview and document examination used to substantiate the data collected using questionnaire, so that the validity of the findings improved. The interviews conducted with department managers. It used to crosscheck the reliability of the response to the questionnaire. Secondary data was collected from observation of documents, records and reports.

3.4 Target Population, Sample Size, Sampling Techniques

3.4.1 Target Population

The target population of the research was tax payers who were registered and pay tax in Woldia city Administration Tax office; this include Category “A” and Category “B” taxpayers. In this group the total number of the population are 774 of taxpayers. From the total taxpayers, 538 were categorized under category “A” and 236were under category “B”

3.4.2 Sample Size

The target population of this study has been 774 category A and B tax payers of Woldia city administration which were frame work of revenue office in the study area. The sample size have been determined based on Simplified formula provided by Yamane (1967) provides a Simplified formula to Calculate sample sizes.

$$n = \frac{N}{1 + N^{(e)2}} \quad n = \frac{774}{1 + 774^{(0.05)2}} = 263$$

Where **n** –sample size

N –population, **e** -permitted error

Based on the sample size, the respondents’ have been participated proportionally as follows from each level. The total population has been divided by strata based on the categorized by the authorities, 183 respondents from category “A” and 80 respondents from category “B” have been participated.

Table 3.1 Sample size distribution table

Trade activity	Category	Sub-population	Present(%)	Proportionate Sample Size from each Stratum(n/N)*sp
Manufacturing	A	92	12%	31
	B	55	7.1%	19
Merchandizing	A	243	31.4%	82
	B	105	13.5%	36
Service providers	A	158	20.4%	54
	B	68	8.8%	23
Construction	A	45	5.8%	15
	B	8	1%	3
Total		774	100%	263

Source: Woldia city administration tax office data base on June2022

After the sample size is stratified in the activities of taxpayers engaged in, respondents were selected randomly from each stratum as the strata consists of homogeneous respondents this technique is appropriate and representative to conclude the findings to the population.

3.4.3 Sampling Techniques

Stratified random sampling technique used to select representative samples from each stratum followed by random sampling from each stratum and, the taxpayers were also be stratified into trade (Retailer and wholesaler), service sector and manufacturing (process) according to their field of work. Hence, there were 147 manufacturing, 348 merchandising, 226 services providers' and 53were constructions. Weight has been done to distribute the sample size determined to the four sectors based on the population of each activity. Accordingly, through a proportionate sampling technique, sample respondents were selected from each trade category.

3.5Variables Description

3.5.1Dependent Variable

3.5.1.1Tax Collection

Tax collection is the process of collecting tax revenues from different taxpayers. According to Dr. Jane (2016), this was essential since effective revenue collection seen as a means to lower Government borrowing and enabling force on inflation and interest rates as well as increasing Government revenues to meet both recurrent and capital expenditure.

3.5.2Independent Variables

They are all the possible factors used to estimate the relationships with tax collection. The variables have been chosen based on personal experience and review of literature. There are 4 independent variables included in this study. These variables namely: Tax Compliance, Tax Evasion, Tax Payers Awareness and Tax office capacity. The variables are briefly discussed with their hypothesized effects on the dependent variable:

3.5.2.1Tax Compliance

The definition of tax compliance frequently use in the literature may be considered to be too simplistic. As cited by James et al (2000). The common previous approach has been to conceptualize compliance in terms the "tax gap". This represents the difference between the actual revenue collected and the amount that would be collected if there were 100% compliance, though there some variations. According to James, tax compliance is expressed in terms of degree to which tax payers comply with tax law, and the degree of noncompliance is measured in of the tax gap, which is defined as (Adams, 1991) the difference between the taxes that the law seeks to collect and those in fact collected. This gap happens by means of both tax avoidance and tax evasion. Similarly, compliance gap is also defined as the break between the actual and the potential tax revenue and how that gap varies among the different sectors of the taxpaying population.

3.5.2.2Tax Evasion

Tax evasion involves the intentional disregard of the legislation in order to escape the liability to tax. Tax evasion must be achieve the understating income, overstating expenses, making false claims for allowances or failing to disclose a chargeability tax. Because of its illegal nature, there is little hard evidence as to measure the true extent of tax evasion. (AgeazinTeka2003). Tax evasion is illegal and the offender may be liable to prosecution, however, the authorities will usually only resort to criminal prosecution where the case involves substantial amount of lost revenue, many minor cases of tax evasion that are discovers the revenue are generally steels the out of court.

3.5.2.3Tax Payer's Awareness

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

3.5.2.4Tax Office Capacity

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

3.6Instruments

The primary data was collected through structured questionnaire. Questionnaires were dispatched to volunteer tax payers face to face. Questions were well structured Likert-type items which used to assess factors affecting tax collection category "A" and "B" taxpayers in Woldia City Administration. An interview is a face to face conversation between an interviewer and a respondent which is conducted for the purpose of obtaining information. This technique is useful since it is flexible to use.

Table 3.2: List of measurement of variables and scale

Description of Variables	Symbols	Description	Unit of Measurement	Items of Measurement
Tax collection	TC	A set of question is 5 and the minimum score 5 and the maximum score is 25	(1-5 Likertscale)	From survey data
Tax compliance	TCO	A set of question is 6 and the minimum score 5 and the maximum score is 30	(1-5 Likertscale)	From survey data
Tax evasion	TEV	A set of question is 4 and the minimum score 5 and the maximum score is 20	(1-5 Likertscale)	From survey data
Tax payers awareness	TPA	A set of question is 5 and the minimum score 5 and the maximum score is 25	(1-5 Likertscale)	From survey data
Tax office capacity	TOC	A set of question is 5 and the minimum score 5 and the maximum score is 25	(1-5 Likertscale)	From survey data

3.8 Reliability and Validity of the Study

Meeting the assumptions of regression analysis was the necessary step to confirm that the obtained data truly represented the sample and that researcher has obtained the best results (Hair et al., 1998). Therefore, in these study three-assumption tests for regression analysis used. Which were discussed for the individual variables such as Multi-co linearity, linearity and Normality test; Cronbach's Alpha result of the instruments are also checked and verified. Accordingly, values obtained from the tolerance and variance inflation factors (VIF) shows there is no multi-co linearity symptoms, condition for linearity and normality test are met.

3.9 Model Specifications and Method of Data Analysis

3.9.1 Model Specifications

Model specification can be defined as the exercise of formally stating a model i.e. the explicit translation of theory into mathematical equations and involves using all the available relevant theory research and information and developing a theoretical model. This study was examined the factors affecting tax collection in Woldia city administration. This study was used multiple (Ordinary Least Squares (OLS)) regression model.

The general model for the study was:

$Y= \alpha-\beta1+ \beta2+ \beta3+ \beta4+ \varepsilon$

$TC= \alpha-\beta1 (TCO) +\beta2 (TEV) +\beta3 (TPA) +\beta4 (TOC) +\varepsilon$

WHERE

TC = Tax collection

TCO = Tax Compliance

TEV = Tax evasion

TPA = Tax payers' awareness

TOC = Tax office Capacity

α = constant

ε = error term

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

3.9.2Method of Data Analysis

After the necessary data was collected from the primary source, then these data were edited, coded and tabulated. Data were presented using tables and graphs. All these data presenting techniques were implemented based on the nature of the data. The researcher employed descriptive method of data analysis using Statistical Package for Social Scientists (SPSS) version23 software was used to tabulate the data and present it in tables. The SPSS is regarded as the main instrument used in analyzed quantitative data. Here, percentages and frequencies were used as tools for the analysis of the data. The study was conducted to test the instruments and a reliability test was conducted to test the instruments of the questionnaire using the scale of Cronbach alpha coefficient. This was tested or measured the strength of the instruments. Regression analysis was used to test the strength of all the variables in the independent variables against dependent variable.

3.10Ethical Issues

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

CHAPTER FOUR: RESULTS AND DISCUSSIONS

4.1 Response Rate

Table 4.1 returned questionnaires and non-returned Questionnaires

Activity	Category	Sample	Returned	Not Returned
Manufacturing	A	31	27	4
	B	19	17	2
Merchandising	A	82	78	4
	B	36	35	1
Service providers	A	54	49	5
	B	23	21	2
Constructions	A	15	12	3
	B	3	3	0
Total		263	242	21

Source: From researcher's computation

As visible from table 4.1 above, the collected data was adequate and capable of addressing the objective of the research. It is collected from the concerned representing party and reliable party and as a result it was possible to proceed to data analysis and interpretation.

4.2Descriptive Analysis

In this chapter, the result obtained from the questionnaire survey were presented and analyzed. First demographic characteristics of the respondents are presented. It follows with a summary of respondent's reply on various variables presented to them. Then it follows with description of the data gathered, discussed and analyzed the findings carefully. This is in order to assess the effect of various independent variables with the dependent variable and findings have been organized in accordance with the study objectives. Therefore, this chapter presents the results and findings of the research. The chapter mainly includes data results from the statistical tests conducted on the gathered primary data. The research main emphasis is to examine the factors of tax collection in the case of woldia city administration. The survey made on 263 of taxpayers, questioners was distributed to Woldia town category 'A' and category 'B' tax payers. From the distributed questioners 242 of them collected, which are 92 % response rate which is enough to represent the population as well as to generalize the findings to the entire population (category 'A' and category 'B' taxpayers).Accordingly, the analysis of this study is based on the number of questionnaires collected. Here the statistical program used for the analysis and presentation of data in this study is the Statistical Package for the Social Sciences (SPSS) version 23.

4.2. 1Analysis of Data Gathered from Tax payers

Table 4.2General Profile of tax Payers

Variable		Frequency	Percent	Valid Percent	Cumulative Percent
Variables	Male	193	79.8	79.8	79.8
	Female	49	20.2	20.2	100
	Total	242	100	100	
Age	Bellow25 Years	19	7.9	7.9	7.9
	26-35Years	75	31	31	38.8
	36-45Years	101	41.7	41.7	80.6
	46-55Years	41	16.9	16.9	97.5
	Above56Years	6	2.5	2.5	100
	Total	242	100	100	
Marital status	Married	171	70.7	70.7	70.7
	Single	65	26.9	26.9	97.5
	Divorced	6	2.5	2.5	100
	Total	242	100	100	
Educational level	Primary school	25	10.3	10.3	10.3
	complete secondary school	32	13.2	13.2	23.6
	Certificate	61	25.2	25.2	48.8
	Diploma	73	30.2	30.2	78.9
	Degree	47	19.4	19.4	98.3
	Masters Degree	4	1.7	1.7	100
	Total	242	100	100	

Source: Survey Questionnaire Using SPSS V23, 2022

On the gender of respondents, the research data out of those who were responded, 49(20.2 %) were female tax payers, as 193 (79.8 %) were male tax payers. Therefore, from the table it is understood that most of category 'A' and category 'B' taxpayers are dominated by the number of males. The male counterparts therefore dominate the business environment and this confirms the difficulties in tax collection because of males are willing to take more risks than females.

As show the above table there was five age groups involved in this study with a 10-year range in each group except for bellow25 years and above 56 years old. The largest group of the respondents was between ages of 36 – 45 and 26 – 36; having 41.7%and31.0% each respectively. The next large group was between the ages of 46– 55 representing 16.9%of the total respondents. Respondents in the group of bellow25years were 7.9% and above 56 years were the lowest number with responses 2.5%. Generally, respondents within the age group of 26 and 45 and made up with 72. 7% of the total respondents, this indicates young taxpayers are more willing to take risks and are less sensitive to sanctions. Therefore, this is an indication of taxpayer's possibilities to evade tax because of their age distribution.

Regarding to marital status major respondents were found to be married constituting 68.7% and 28.1% were single the reimagining's were divorced only 9% of the respondents.

With respect to the education level of respondents', great majority (30.2%) of the respondents were diploma holders, 25.2% were certificate,19.4%were degree, 13.2% were complete secondary school, 10.3% were attending primary school, and 1.7% has Master's degree. This may imply that the respondents have been formally educated. Therefore, the tax authority can easily communicate and transmit messages to the taxpayer about the tax laws, rules and regulations.

4.1.1.1Business Activities of Respondents

Table 4.3 tax payer's response on their business activities

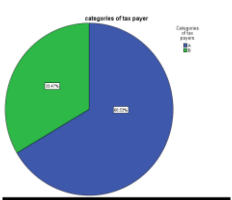
		Frequency	Percent
Valid	Manufacturing	44	18.2
	Merchandising	113	46.7
	Service provider	70	28.9
	Construction	15	6.2
	Total	242	100.0

Source: Survey Questionnaire Using SPSS V23, 2022

Regarding the business activities, as presented in the above table, most of these participant tax payers, were merchandising 113(46.7%), service providers 70 (28.9%),manufacturing 44 (18.2%) and construction 15(6.2%). From the finding one can observe that how the merchandising sub sector is a back bone activity in the study area.

4.1.1.2Category of tax payers

Figur4.1 category of tax payers



Source: Survey Questionnaire Using SPSS V23, 2022

Accordingly, the survey result indicates in Figur4.1 from the sample respondents, category A and B are represented 68.6% and 31.4% respectively. This shows category “A” tax payers are more and there are potential tax payers in the study area.

4.1.1.3 General questions about tax collection

Table4.4Respondents response on question why do you pay tax

		Frequency	Percent
Valid	To avoid disturbances (Penalties or Sanctions)	23	9.5
	Anticipating of public services	55	22.7
	It is an obligation towards the government	152	62.8
	Do not know	5	2.1
	There is no opportunity to evade	7	2.9
	Total	242	100.0

Source: Survey Questionnaire Using SPSS V23, 2022

Most of the respondents 62.8% which were believed that tax were the obligation of the government, next to this anticipating the public service was 22.7%,9.5% of the respondents were felt that to avoid disturbance (Penalties/Sanctions), 2.9% believed that there was no opportunity to evade the tax and 2.1%they didn't know the purpose of paying tax.

Table 4.5How many times you have been audited

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	One time	61	25.2	25.2	25.2
	Two times	107	44.2	44.2	69.4
	Three times	45	18.6	18.6	88.0
	More than three times	23	9.5	9.5	97.5
	Not still	6	2.5	2.5	100.0
	Total	242	100.0	100.0	

Source: Survey Questionnaire Using SPSS V23, 2022

Tax payers were asked about how money times audited by the tax Revenue office. As shown in table above, most of the taxpayers responded that they were audited two time (44.2%) followed by 25.2% of the respondents were one times a year,18.6%of the respondents were three times a year,9.5%of the respondents were more than three times a year and 2.5% of the tax payers not yet still audited. An interview held with the authority has support the findings from the tax payers and they have explained the reasons. Basically the major challenge observed is that the office does not have enough capacity to address all tax payers every year. In addition to this the tax payers also do not prepare financial reports to supplement the process of tax audit. Thus, absence of intensive tax auditing makes either the payer or collector suffer from inappropriate decision.

Table 4.6Respondents response on question how do you evaluate the effort of tax authority to create awareness regarding tax and tax related issues?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Excellent	11	4.5	4.5	4.5
	Very good	16	6.6	6.6	11.2
	Good	40	16.5	16.5	27.7
	Poor	175	72.3	72.3	100.0
	Total	242	100.0	100.0	

Source- Survey Questionnaire Using SPSS V23, 2022

Respondents were also asked to rate the effort of tax authority on awareness creation reared to tax and related issues. As we can see from the table above only 4.5% and 6.6% of sample respondents graded it is excellent and very good respectively. However, the remaining 16.5% of the sample respondents said it is good and the other 72.3% also said the effort of tax authority to create awareness regarding tax and tax related issues is poor. Therefore, awareness creation works has to be done by the tax authority though proper dissemination of information by media, brochures, organize seminar or workshop to discuss on practices and research findings, arranging tax day or week, and so forth. This may help not only the tax payer but also simplify the collection process to the tax administrative office.

4.1.2 Tax collection

Table4.7 Respondent's response on question of tax collection

Descriptive Statistics			
	N	Mean	Std. Deviation
The provision of tax is clearly specified without any ambiguity	242	2.03	1.318
The tax system is fair (depending on the ability of the people to pay tax)	242	2.88	1.564
The government does provide enough information about how it utilizes the taxpayer's money.	242	2.11	1.366
You are clearly certain about the amount to be paid and the procedure for payment	242	2.82	1.566
The method and basics of tax estimation is easily followed by the tax payer	242	2.03	1.299
Grand mean		2.374	1.4226

Note: Source SPSS output from survey data, 2022

Regarding the dependent variable of this study, tax collection, the above table clearly showed that there is law tax collection in the study area with a grand mean2.374 and standard deviation 1.4226. The researcher concluded from the above data findings that careful treatment of tax collection, certainty, clarity; simplicity and fairness are not provided which are basic principles in tax collection.

4.1.3 Tax Compliance

Tax compliance is one of the factors that affect tax collection. To assess the effects of tax compliance on tax collection different questions that developed by five point Likert scale asked. The Likert scale questions were analyzed in the following section. As indicated in Table 4.6 the mean value of the response computed based on Likert scale indicated the average disagreement of respondent's one existence and practice of each element of tax compliance. The overall mean of the questions regarding to factor that affect tax compliance indicated at average mean value of 2.1467 implied overall respondents' disagreement on the tax comply properly.

Table 4.8 Respondent's response on question of tax compliance

Descriptive Statistics			
	N	Mean	Std. Deviation
Declaring tax is obligation	242	3.40	1.503
Tax collection and assessment is correct	242	2.06	1.258
Time of tax payment is comfortable	242	2.83	1.531
There is expected level of clearness of tax administration	242	2.54	1.409
The tax procedure followed by tax office is comfortable	242	2.34	1.379
Declaration formats are simple to fill	242	2.31	1.426
Grand mean	242	2.58	1.3388

Note: Source SPSS output from survey data, 2022

The first point that respondents were asked to put their level of agreement on the declaring tax is an obligation with a mean & standard Deviation of 3.40 & 1.503 respectively. As the result showed that there is agreement with in respondents on the statement and this implies that tax payers know tax is an obligation. This can be a positive effect on tax collection. Therefore, when tax payers know that declaring tax is an obligation, tax non-compliance reduced. According to the interview result frequently taxpayers not pay tax as per the rules and regulation owing to this tax non- compliance is the factor of tax collection.

Accordingly, respondents implied the least mean value 2.06 and 1.258 standard deviation imply that, tax collection and tax assessment made by tax office was not correct. The average mean indicates that there is a strong disagreement on that tax office did not collect the right amount of tax and the assessment done by tax office also not fair. Based on the findings the respondents disagreed on the issues. If tax collection and assessment is not correct, this can be the cause of non-compliance. Neway and Wendosen (2017) who points out that the tax rate support this and amount of penalty, complex collection system are the factor of non-compliance. Accordingly, respondents implied the least mean value 2.83 and 1.531 standard deviation imply that, time of tax payment was not comfortable. The average mean indicates that there is agreement and disagreement on the time of tax payment .Based on findings the respondents ambiguity on the issue.

4.1.4 Tax Evasion

Tax evasion refers to one's tax obligation by means that violate the requirements of tax codes therefore a crime that if one revealed could lead to burden of illegal proceedings in contradiction of the tax customer. The Ethiopian tax proclamation No 983/2016 of Income tax permits tax government to take action beside Tax evasion and deception extending from financial fines to the incarceration. Almost all respondents recommended that the tax office must be strong in taking measures of enforcement actions on those who fail to announce honestly and who stay to pay in order to collect satisfactory tax income.

Table 4.9 Respondent's response on question of tax evasion

Descriptive Statistics			
	N	Mean	Std. Deviation
The expansion of tax evasion will increase the amount of resources accumulated by the individuals.	242	3.72	1.371
The expansion of tax evasion will reduced the amount of public services supplied by the government.	242	4.16	1.142
Tax evasion has negative consequences for economic growth of a country.	242	4.06	1.214
Government need to take strong measure on tax evaders	242	3.81	1.190
Grand mean		3.78	1.229

Note: Source SPSS output from survey data, 2022

As table4.8 indicated, the (mean = 3.78and standard deviation = 1.229) that the respondents agreed on tax evasion had a negative impact on the development of the country economy and spending on public goods and services. As interview results revealed that tax evasion is the major factor of tax collection in the tax office. The tax evasion manifested in the different illegal activity; taxpayers not issuing receipt when they sales. This activity is one of the mechanisms that reduces tax revenues through hide the sales amount; they do not included in the actual transactions. Some tax payer's sales unknown inventory by tax office. Some taxpayers add or include different expenses for reducing income so that easily they are able to reduce the taxable income and understate the income in different mechanisms, this finding show that the tax evasion is the major factor of tax collection in the tax center

4.1.5 Tax Payer’s Awareness

Taxpayer awareness refers to the understanding about tax and acting or responding for tax obligation. Taxpayers’ awareness is one of the crucial components that should be focused area by the tax office. When taxpayers are aware they know why they pay tax easily and the motivated to pay tax as this result enhanced the amount of tax collection. To evaluate the effect of taxpayers’ awareness on the tax collection and to assess the awareness of taxpayers of the study area five point Likert scale employed and various issues regarding taxpayers’ awareness asked by interview.

Table 4.10 Respondent’s response on question of tax Payer’s Awareness

Descriptive Statistics			
	N	Mean	Std. Deviation
Tax legal guidelines and strategies are understandable for tax payers	242	2.45	1.513
Tax you're paying is cheap and it might be the quantity you pay without assessment.	242	2.04	1.276
Most of tax payers have positive attitude to tax collection	242	2.07	1.250
You are accept as true with which you have a required stage of expertise for taxation	242	2.14	1.342
Tax is paid for the benefit of the country	242	3.30	1.528
Grand mean		2.464	1.3988

Note: Source SPSS output from survey data, 2022

As indicated in table 4.10 the mean value of the response computed based on Likert scale indicated the average disagreement of respondents on existence that taxpayer’s awareness of each element of questions regarding to tax awareness. The overall mean indicated at average mean value of 2.464 and standard divation1.3988 implied overall respondent’s average disagreement on the awareness of tax. According to the interview result, the taxpayers have tax awareness problem this is manifested in the way of taxpayers not keeping the time of payments, the rules of payments and tax payers not consider tax payment is the means growth of because of this, tax payer awareness is the main factor of tax collection.

4.1.6 Tax office capacity

Tax office capacity refers to the ability and the capacity of tax office to control, serve and conduct audit at the right time and performing other activity towards the collection of tax. If the tax office not capable, it has a negative impact on tax collection.

Table 4.11 Tax office capacity's respondent's Response

Descriptive Statistics			
	N	Mean	Std. Deviation
Tax office has enough capacity	242	2.29	1.369
The tax office uses quality system & technology	242	2.25	1.297
Tax payers get a good service delivery at the time of tax declaring and payment	242	2.52	1.438
There is expected level of clearness of tax administration.	242	2.43	1.365
Tax office has enough employees	242	3.52	1.373
Grand mean	242	1.948	1.3982

Note: Source SPSS output from survey data, 2022

As indicated in Table4.11 the mean value of the response computed based on Likert scale indicated that disagreement of respondents on existence of each element of that affect tax office capacity. The overall mean of the tax office capacity can be approximated to 1.948 which indicate that most respondents disagreement on assessed several question. This indicates that the tax office capacity would reduce tax collection. As interview result shown that the tax office has not the capacity to serve tax payers, this can be manifested in different aspects, the tax office have less man power and technology to control tax payers transaction, the tax office not audit the tax payers yearly. Because of the listed factors the tax office can't collect the intended amount.

4.2 The Secondary Data Analysis

4.2.1 Evaluation of tax collection performance.

Table 4.12 the three years estimated and actual amount of tax collected in Woldia city administration tax office

Year	Estimated amount of tax	Actual amount of tax collected	Percentage
2018/19	124,827,756	91,044,488.37	73%
2019/20	182,865,625	154,018,698.54	84.2%
2020/21	232,757,512	198,537, 785.25	85.2%
Total	540,450,893	443,600,972	82%

Source: Woldia city administration tax office

As presented in the above table the actual amount of tax is less than estimated amount of tax collection. The data gathered from the interview with the manager of the office indicate that the major factors for decreased the amount of actual tax collected from the budgeted amount of tax are:

1. Especially category A and B business income tax payers do not report actual annual income.
2. Tax collection system is not modernized.
3. Unethical behaviors of business income tax payers, this is the problem.

In this case the annual actual income tax was decrease (i.e. does not exist or published infra-structure) because there is no sufficient budget. This implies there is weak tax collection system. In addition to this the manager of the office said that for the last four years political issue was the main factor for tax collection in Woldia city administration.

4.3Analysis of Measures

4.3.1 Reliability Statistics Test

Table 4.13 Reliability statistics

Variable	N	Cronbach's Alpha value	Number of item	Cronbach's Alpha if Item Deleted
Tax collection	242	.807	5	No
Tax compliance	242	.804	6	No
Tax evasion	242	.838	4	No
Tax payer's awareness	242	.837	5	No
Tax office capacity	242	.778	5	No

Note: Source SPSS output from survey data, 2022

The Cronbach's coefficient alpha was tested. Table 4.13 reports the alpha scores for all the variables. As proposed by Nunnally (1967 & 1978), The Cronbach's alpha coefficient was within the acceptable level of reliability of 0.70 for scale acceptability Cronbach's Alpha for factors affecting tax collection.

4.3.2 Correlation Statistics

Pearson's Product Moment Correlation Coefficient was used to determine the relationship between the independent variables with tax collection

Table 4.14pearsons correlation

Correlations

		TC	TCO	TEV	TPA	TOC
TC	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	242				
TCO	Pearson Correlation	-.818**	1			
	Sig. (2-tailed)	.000				
	N	242	242			
TEV	Pearson Correlation	-.464**	.503**	1		
	Sig. (2-tailed)	.000	.000			
	N	242	242	242		
TPA	Pearson Correlation	-.799**	.898**	.529**	1	
	Sig. (2-tailed)	.000	.000	.000		
	N	242	242	242	242	
TOC	Pearson Correlation	-.249**	.230**	.344**	.289**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	242	242	242	242	242

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Note: Source SPSS output from survey data, 2022

As Brooks (2008) noted that, “the correlation between two variables measures the degree of linear association between them.” (p. 28). In addition Brooks (2008) noted that, “correlation coefficient must lie between −1 and +1 by definition.” (p. 108). As shown table 4.13 above the correlation matrix for dependent and independent variables that has a negative and close to zero correlation coefficient with tax compliance, tax evasion, tax payer’s awareness and tax office capacity respectively. Therefore, it indicates that each variable are mutually interdependent among each other as shown in the conceptual framework of chapter two of this study.

4.4 Multiple Regression Analysis

Before the analysis of multiple regressions, different assumptions of regression analysis were conducted. They are necessary to confirm that the obtained data truly represented the sample and that researcher has obtained the best results (Hair et al., 1998). Three assumptions for regression analysis used in this study were discussed for the individual variables: multicollinearity, linearity and Normality.

A. **Multicollinearity Test**

Table 4.15collinearity Statistics

Model	Tolerance	VIF
TCO	.192	5.217
TEV	.674	1.484
TPA	.182	5.482
TOC	.858	1.165

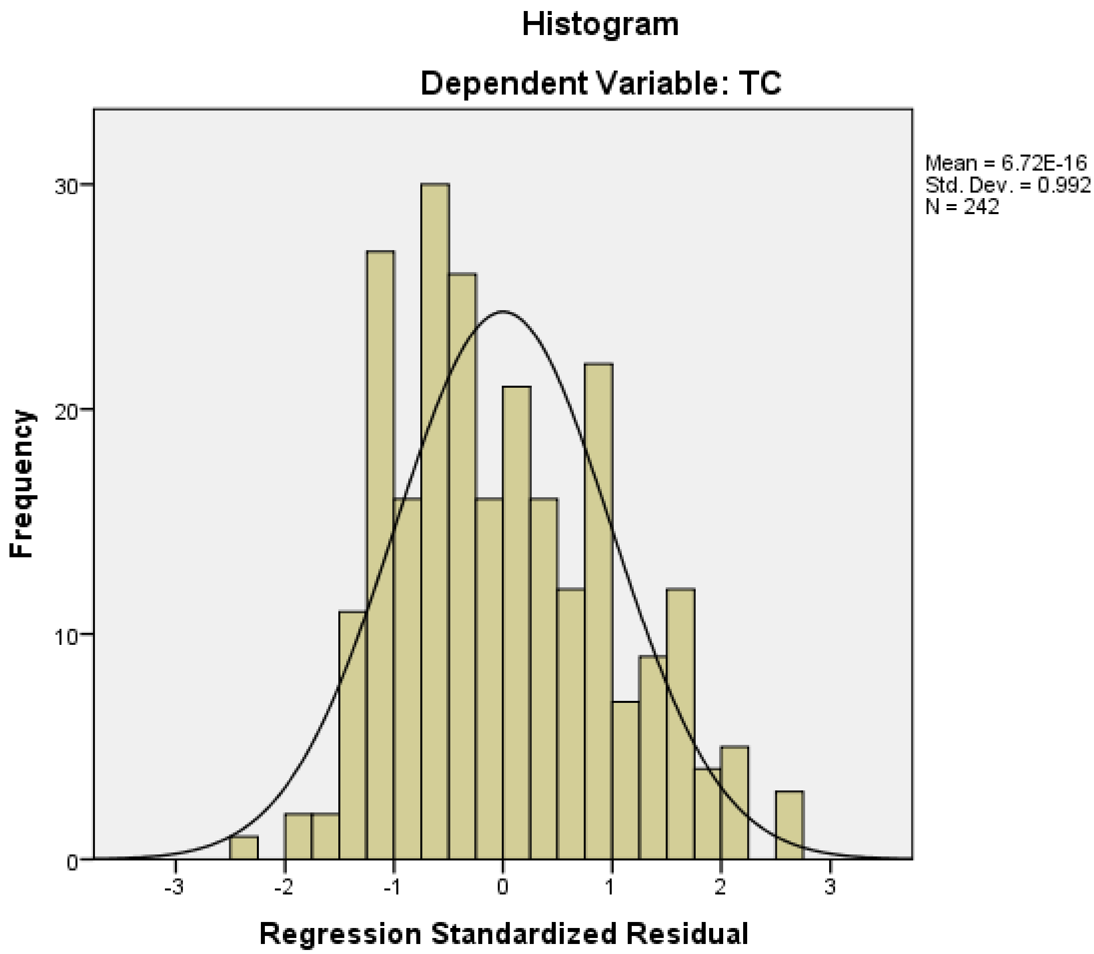
Dependent Variable: TC

As Wooldridge (2009) discussed that, “value 10 is chosen: if VIFj is above 10 (equivalently, R2j is above .9), then we conclude that multi-co linearity is a “problem” for estimating βj.” (p.99). The result of a multi-co linearity test shown in table 4.14 above, the maximal variance inflation factor (VIF) value among independent variables is 5.484 . So, in this study there is no any variance inflation factor (VIF) higher than 10. The low variance inflation factor (VIF) indicates that, there is no a problem of multi-co linearity. Therefore, it can be concluded that there is no significant correlation between the explanatory variables of the study.

B. Normality Test

As Brooks (2008) noted that, “a normal distribution is not skewed and is defined to have a coefficient of kurtosis of 3.” (p. 161). Skewness is normal if it involves a perfectly symmetric distribution. Kurtosis involves the peachiness of the distribution. If the residuals are normally distributed, the histogram should be bell-shaped. Figure 4.2 above indicate that, the coefficient of skewness and kurtosis was close to 0 and 3 respectively implying that the data were consistent with a normal distribution assumption.

Figure 2 Normality test

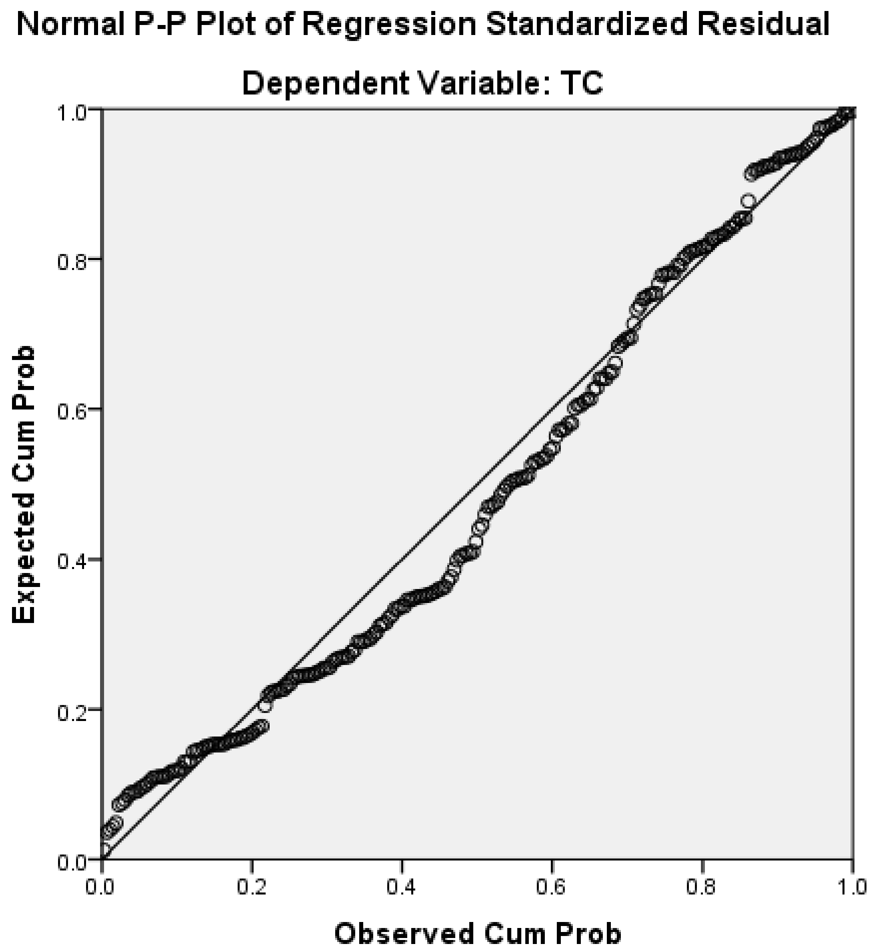


Source: Histogram test from SPSS 23

C. The Assumption of Linearity

The linearity assumptions are to check whether there is linear relationship between dependent and independent variables in the multiple linear regression models. The linearity of the relationship between the dependent and independent variable represented the degree to which the change in the dependent variable is associated with the independent variable. In a simple sense, linear models predict values falling in a straight line by having a constant unit change of the dependent variable for a constant unit change of the independent variable (Hair et al., 1996).

Figure 3 Linearity Test



Source: Normal P- P plot test from SPSS 23

4.5 Multiple Regression Model

Model summary of regression result

Table 4.16 Model Summary

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.832[a]	.693	.688	2.99681

a. Predictors: (Constant), TOC, TCO, TEV, TPA

b. Dependent Variable: TC

Source: Multiple Regression Analysis from SPSS 23

From above correlation between the independent variables and tax collection with R square and adjusted value .693 which is interpreted as 69.3% of variance in tax collection is explained by the predictor variables, while the remaining of variation in tax collection can be attributed to other variables which are not considered in this study.

Table 4.17 ANOVA

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4802.568	4	1200.642	133.689	.000[b]
	Residual	2128.461	237	8.981		
	Total	6931.029	241			

a) Dependent Variable: TC

b) Predictors: (Constant), TOC, TCO, TEV, TPA

Source: Multiple Regression Analysis (ANOVA) from SPSS 23

ANOVA table the significant F value, $F (4, 237) = 133.689$, $p < .01$, indicates that there is a significant relationships between tax collection and the four predictors.

Multiple Regression Coefficients

Table 4.18Multiple Regression Coefficients

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	23.593	.833		28.329	.000
	TCOM	-.391	.062	-.519	-6.312	.000
	TEV	-.038	.058	-.029	-.651	.516
	TPA	-.308	.084	-.310	-3.674	.000
	TOC	-.033	.042	-.030	-.781	.436

a. Dependent Variable: TC

Based on the above coefficient table, the TCO and TPA were found to be significant predictors of tax collection (p value <0.05).On the other hand TEV and TOC are insignificant but they affect tax collection.

As expected, the researcher observes differences in the coefficients and the significance of the variables affecting tax revenue. And therefore, based on the above estimation result, the following estimated regression function is obtained.

Estimated Equation:

$Y= \alpha+\beta1X1+ \beta2X2+ \beta3X3+ \beta4X4+ \varepsilon$

$TC= \alpha+\beta1 (TCO) +\beta2 (TEV) +\beta3 (TPA) +\beta4 (TOC) +\varepsilon$

Substituted Coefficients:

$TC=25.593-391(TCO) -038(TEV)-308(TPA)-033(TOC) + \varepsilon$

CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

The main objective of this study was to examine the factors affecting tax collection in Woldia city administration tax Office. In doing this tax collection taken as a dependent variable and tax compliance, tax evasion tax awareness and tax office capacity are taken as independent variables have negative effect on the tax collection. The results of the survey study showed that tax compliance; tax evasion, taxpayer's awareness and tax office capacity are main factors of tax collection Woldia city administration tax office. The data collected using the questioner and interview shows there are certain problem tax creates hindrance on the tax collection problem. The problems they were raised on the research questions starts from the understanding of tax concept. Unethical behavior of tax payers was raised as one of the major problems. The survey showed that the causes of this unethical behavior are due to the fact that owner tax payers basically believe that they are not the direct beneficial party by paying taxes they believe they are paying to the government without having any benefit. Due to this poor awareness, delay in tax payment and evasion are taken by tax payers as solution to escape from payment of taxes. Moreover, tax is not collected in timely manner the inconveniencies created was be much higher especially finding the fraudulent activities done by tax payers. The main reasons of lack of awareness of tax payers the insufficient training and sustainable awareness creating sessions given by the authority and lastly the less involvement of business income tax payers in the existing training sessions.

5.2 Recommendations

For the authority:

- The poor awareness about tax is visibly being that major problem which was caused by insufficient training session.

Educating tax payers is the crucial fact to solve the problem from their root. In order for the tax authority to educate and improve the tax payer's awareness level, it would be very effective to arrange seminars on tax issues prepare and give adequate and sustainable training sessions concerning their obligation, and awareness creating conference. The other method of transmitting tax concepts, its related rules and regulations to the society is resolve by using the different media as a means to educated tax payers and change their perceptions about tax reporting behavior and their overall perceptions of taxation in general.

- Because tax payers believe government is the ultimate party benefiting from tax and they think they have no direct benefit from paying tax, they show little interests to pay their liability. Hence the best remedy to the authority to tackle this misconception is again preparing seminars and training session. Besides it would be very wise to the authority if it involves in different social activities so that it can pass it objectives through.

The government at large also needs to be sensitive in addressing where and how the collected taxes are spent using various Medias. After having built infrastructures, dams, bridges, and other projects, it would be very essential to the government to give credit to the tax payers for the contribution they made and that makes them feel they have ownership on the country's growth. This could help the tax payers to act ethically.

- Tax fairness brains equity and equity means encouraging and protecting honest and loyal society by adopting fair completion and effective tax collection system.
- The Government should focus on creating awareness among people that paying tax is their moral and social obligation and it can be strengthen by improving the transparent collection and utilization of tax collected by improving societal welfare.
- There ought to be complete usage and application of computerization through which the sufficient data can be accessible.

Therefore, recommend the authority to adopt effective and modernized tax collection system, relevant awareness creation methodologies to teach tax payers, and in fact full disclosure on the assessment of tax collection. Therefore, transparency of tax authority is very essential to create good tax collection systems.

For taxpayers:

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

- Again tax payers rather than being silent and refrain due to the poor services they have been rendered they would be beneficiary if they are keep to consult the authority's concerned officials in any issue related to tax matters and problems they are facing. As they have the obligation to pay their duties they also have the right to get sufficient support from the authority. And this support comes from the communication they create with authority.
- Taxpayers should have resolved their difficulties by communicating with tax office other than doing adverse actions such as tax evasion.
- Finally, Recommend business income tax payers needs to have a well understanding of their current and future tax obligation white establishing a business at its early stage.

5.3 Future Directions of the Study

The researcher suggests that interested researchers can add more variables to the model, which are expected to affect tax collection, with the same title. Another possible research would be to increase and incorporate taxpayers of categories "A" and "B" into the population, increasing the sample size and then conduct a comparative study between taxpayers.

5.5Limitation of the Study

This study has its own limitations which are encountered at various stages. The primary limitation of the study is challenges to finding the right person at the right time. Secondly, respondents was not devoted themselves in filling and returning questionnaires on time. At lastly, the study is limited to sample taxpayers and it‘s difficult to generalize the results of the findings to overall city administration in Woldia town.

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Appendices

Appendix 1

Woldia University

College of Business and Economics

Department of Accounting and Finance

Questionnaire prepare for category “A "and “B” taxpayers of Woldia town

The purpose of this study in general and this questionnaire is to study on "Factors affecting tax collection in Woldia city administration." as a partial fulfillment for the MSc. degree in Accounting and Finance. This research is intended only for academic purpose authorized by Woldia University. Thus, your ideas and comments are highly honored and kept confidential.

Your frank response and valuable support in responding to the questions raise is of paramount importance to the success of the study. Hence, I request you to fill the questionnaire carefully and at your best knowledge in all regard. You should choose the answer you think is correct according to your understanding. The quality and quantity of information you provide determines the ultimate reliability of the study.

Thank you very much in advance for your cooperation and for sacrificing your invaluable time.

Section one: Socio demographic characteristics

1. Gender: 1.Male ☐ 2.Female ☐

2. To which age groups do you belong? 1. Bellow 25 years ☐ 2.26-35 years ☐

3.36-45years ☐ 4.46-55years☐ 5.Above56years☐

3. Marital status: 1.Married ☐ 2.Singl ☐ 3.Divorsed ☐

4. Educational level: 1. Primary school ☐ 2.Complete secondary ☐

3. Certificate ☐ 4.Diploma ☐ 5.Degree ☐ 6. Master's Degree ☐

5. What is your main business sector? 1. Manufacturing ☐ 2. Merchandising ☐

3. Services providers (secretarial, maintenance, Hotel, etc.) ☐ 4. Construction ☐

6. What is your business category? 1. Category A ☐ 2. Category B ☐

General questions about tax collection

7. Why do you pay tax1.To avoid disturbances (Penalties or Sanctions) ☐

2. Anticipating of public services ☐

3. It is an obligation towards the government ☐

4. Do not know ☐

5. There is no opportunity to evade ☐

8. How many times you have been audited. 1. One time ☐ 2. Two times ☐

3. Three time ☐ 4. More than three times ☐ 5. Not still ☐

9. How do you evaluate the effort of tax authority to create awareness regarding tax and tax related issues?

1. Excellent ☐ 2.Very Good ☐ 3.Good ☐ 4.Poor ☐

Section two: Factors affecting Tax Collection

Behavior the following table please fill and tick (√) on your choice only

Tax collection

No	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
10	The provision of tax is clearly specified without any ambiguity					
11	The tax system is fair (depending on the ability of the people to pay tax)					
12	The government does provide enough information about how it utilizes the taxpayer's money.					
13	You are clearly certain about the amount to be paid and the procedure for payment					
14	The method and basics of tax estimation is easily followed by the tax payer					
No	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	Tax Compliance					
15	Declaring tax is obligation					
16	Tax collection and assessment is correct					
17	Time of tax payment is comfortable					
18	The tax procedure followed by tax office is comfortable					
19	There is expected level of clearness of tax administration					
20	Declaration formats are simple to fill					
	Tax Evasion					

21	The expansion of tax evasion will increase the amount of resources accumulated by the individuals.					
22	The expansion of tax evasion will reduced the amount of public services supplied by the government.					
23	Tax evasion has negative consequences for economic growth of a country.					
24	Government need to take strong measure on tax evaders					
	Tax payers' awareness					
25	Tax legal guidelines and strategies are understandable for tax payers					
26	Tax you're paying is cheap and it might be the quantity you pay without assessment.					
27	Most of tax payers have positive attitude to tax collection					
28	You are accept as true with which you have a required stage of expertise for taxation					
29	Tax is paid for the benefit of the country					
	Tax office capacity					
30	Tax office has enough capacity					
31	The tax office uses quality system & technology					
No	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

	The service delivery at the time of tax payment and filling is comfortable for tax payers:					
33	There is expected level of clearness of tax administration.					
34	Tax office has enough employees					

35. Please specify your comment (if you have any) about factors affecting tax collection?

____

____________________ ____.

Thank you

Tax officers Interview Questions

1. What factors that affect Tax Collection towards taxation?
2. What do you say in your opinion about taxpayer's awareness towards taxation in Woldia City Administration?
3. How do you assess the strength of tax management to minimize tax evasion?
4. What do you say as a solution for the factors of tax collection enforcement in the tax office?

Appendix 2

ወልድያ ዩንቨርሲቲ

ቢዝነስ እና ኢኮኖሚክስ ኮሌጅ

አካውንቲንግ እና ፋይናንስ ትምህርት ክፍል

ለወልድያ ከተማ ደረጃ “ ሀ “እና “ ለ“ ግብር ከፋዮች የተዘጋጀ መጠይቅ

የዚህ ጥናት በተለይም የዚህ መጠይቅ አላማ የግብር አሰባሰብን የሚነኩ ምክንያቶች በሚል ዓርዕስት ለማከናወን ጥናት ግብዓት የሚውል ሲሆን ይህም በአካውንቲንግ እና ፋይናንስ የማስተርስ ዲግሪ ማሟያ ተደርጎ ይወሰዳል ፡፡ ይህ ጥናት ትምህርታዊ ለሆነ አላማ ብቻ የሚያገለግል ሲሆን በወልድያ ዩንቨርስቲ በኩል የተፈቀደ ነው፡፡ ስለዚህም የእርስዎ ሀሳብ እና አስተያየት በጣም ከፍ ያለ ክብር የሚሰጠው እና በሚስጥር የሚያዝ ይሆናል፡፡ ስለዚህ ይህንን አጠር ያለ መጠይቅ በጥንቃቄና የተቻለዎትን እውቀት በመጠቀም እንዲሞሉ በትህትና እና በላቀ አክብሮት እጠይቃለሁ፡፡ ጥራት እና ብዛት ያለው መረጃ መስጠትዎ ለጥናቱ ተአማኒነት የበኩሉን ሚና ይጫወታል፡፡ ለሚያደርጉት ትብብር እና ፈጣን ምላሽ በቅድሚያ አመሰግናለሁ

ለበለጠ መረጃ፡ ብዙዓየሁ ዓለሙ በስልክቁጥር፡ 0912740208

ወይም በኢ-ሜል አድራሻ፡bizuayehualemu55 @gmail.com

ክፍልአንድ፡ የግልመረጃዎን በተመለከተ

1. ፆታ:- ወንድ ☐ ሴት ☐

2. ዕድሜ፡ 1. ከ25 ዓመት በታች ☐ 2. ከ26 እስከ 35ዓመት ☐ 3. ከ36 እስከ 45 ዓመት ☐
   4. ከ46 እስከ 55ዓመት ☐ 5. ከ56 ዓመት በላይ ☐

3.የጋብቻ ሁኔታ፡ 1.ያገባ/ች ☐ 2.ያላገባ/ች ☐ 3.የፈታ/ች ☐

4. የትምህርት ደረጃ፡ 1.አንደኛ ደረጃ ☐ 2. ሁለተኛ ደረጃ ያጠናቀቀ/ች ☐
   3. ሰርተፊኬት ☐ 4.ዲፕሎማ ☐ 5.ዲግሪ ☐ 6.ማስተርስ ዲግሪ ☐

5. የድርጅትዎ ዋነኛ የስራ እንቅስቃሴ ምንድን ነዉ 1.ማምረት ☐ 2. የንግድ ስራ ☐
   3. አገልግሎት (ጋራዥ፣ሆቴል፣ህትመት ወዘተ) ☐ 4.ኮንስትራክሽን ☐

6. የእርስዎ የንግድ ምድብ ከየትኛዉ ነዉ 1. ደረጃ ሀ ☐ 2 ደረጃ ለ ☐

የግብር አሰባሰብ አጠቃላይ ጥያቄዎች

7.ግብር ለምን ይከፍላሉ 1. ከቅጣት ለማምለጥ ☐ 2. ህዝባዊ አገልግሎት ለማግኘት ☐
3. የመንግስት ግዴታ ስለሆነ ☐ 4. አላዉቅም ☐ 5. ለማምለጥ ምንም አማራጭ ስለሌለ☐

8. በዓመት ለምን ያህል ጊዜ በገቢዎች ባለስልጣን ኦዲት ተደርገዋል?

1.አንድ ጊዜ ☐ 2.ሁለት ጊዜ ☐ 3.ሶስት ጊዜ ☐

4.ከሶስት ጊዜ በላይ ☐ 5.ምንም ☐

9.የታክስ ባለስልጣን ከታክስ እና ከታክስ ጋር በተያያዙ ጉዳች ላይ ግንዛቤ ለመፍጠር የሚያደርገዉን ጥረት እንዴት ይገመግማሉ 1. እጅግ በጣም ጥሩ ☐ 2. በጣም ጥሩ ☐ 3. ጥሩ ☐ 4. ደካማ ☐

<u>ክፍል ሁለት፡ በሰንተረዡ ላይ ያሉትን ይህን ምልክት በማድረግ(√) ይሙሉ</u>

<u>የግብር አሰባሰብ</u>

ተቁ	ዓረፍተነገሮች	በጣም አልስማማም	አልስማማም	ገለልተኛ	እስማማለሁ	በጣም እስማማለሁ
	<u>የግብር አሰባሰብ</u>					
10	የግብር አሰባስብ ያለምንም ጥርጥር በግልጽ ተቀምጠል					
11	የታክስ ስርዓቱ ፍትሀዊ ነዉ(እንደየሰዉ የመክፈል አቅም ላይ የተመሰረተ ነዉ)					
12	መንግስት የግብር ከፋዩን ገንዘብ እንዴት እንደሚጠቀምበት በቂ መረጃ ይሰጣል					
13	ስለሚከፈለዉ የገንዘብ መጠን እና የክፍያ አሰራር በግልጽ እርግጠኛ ነዎት					
14	የታክስ ግምት ዘዴ እና መሰረታዊ ነገሮች በግብር ከፋዩ በቀላሉ ይከተላሉ					

ተ ቁ	ዓረፍተ ነገሮች	በጣም አልስማማም	አልስማማም	ገለልተኛ	እስማማለሁ	በጣም እስማማለሁ
	ለግብር ተገዥነት					
15	ግብርን መክፈል ግዴታ ነዉ					
16	የግብር አሰባሰብ እና ግምገማ ትክክል ነዉ					
17	የግብር መክፈያ ጊዜዉ ምቹ ነዉ					
18	የታክስ መ/ቤት የሚከተለዉ የግብር አሰራር ምቹ ነዉ					
19	የታክስ አስተዳደር የግልጽነት ደረጃን ይጠብቃል					
20	ምን ጊዜም የሀገሪቱን የግብር ህግ መሰረት አድርጌ ነዉ የምኖረዉ					
	የግብር ስወራ					
21	የግብር ስወራ መስፋፋት የግለሰቦችን ሀብት የሚያሳድግ ነው					
22	የግብር ስወራ መስፋፋት በመንግስት የሚሰጡ የህዝብ አገልግሎቶችን ያቀጭጫል					
23	ግብር መሰወር በአገር የኢኮኖሚ ዕድገት ላይ አሉታዊ ተጽእኖዎችን ይፈጥራል					
24	መንግስት በግብር አጭበርባሪዎች ላይ ጠንከር ያለ እርምጃ ሊወስድ ይገባል					
	የግብር ከፋዮችግንዛቤ					
25	የሚከፍሉት ግብር ሚዛናዊ ነዉ					
26	የግብር ህጎች እና ደንቦቹ ለታክስ ከፋይ በቀላሉ ሊረዱ የሚችሉ ናቸዉ					

ተቁ	ዓረፍተ ነገሮች	በጣም አልስማማም	አልስማማም	ገለልተኛ	እስማማለሁ	በጣም እስማማለሁ
27	አብዛኛዎቹ ግብር ከፋዮች ለታክስ አሰባሰብ አዎነታዊ አመለካከት አላቸዉ					
28	ለግብር የሚስፈልግ የእዉቀት ደረጃ እንዳለህ/ሽ ታመናልህ/ሽ					
29	ግብር የሚከፈለዉ ለሀገር ጥቅም ነዉ					
	የግብር ሰብሳቢ መስሪያ ቤት አቅም					
30	የግብር ሰብሳቢዉ መስሪያ ቤት በቂ አቅም አለዉ					
31	የግብር ሰብሳቢዉ መስሪያ ቤት ጥራት ያለዉ አሰራር እና ቴክኖሎጂ ይጠቀማል					
32	ግብር ፋዮች በታክስ ምዝገባ እና ክፍያ ወቅት ጥሩ አገልግሎት ያገኛሉ					
33	የታክስ አስተዳደር የግልጽነት ደረጃን ይጠብቃል					
34	የግብር ሰብሳቢ መስሪያ ቤት በቂ ሰራተኞች አሉት					

35. እባክዎን የግብር አሰባሰብን በሚነኩ ምክንያቶች ዙሪያ ያለዎትን አስተያየት ይስጡ።

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አመሰግናለሁ

The three years estimated and actual amount of tax collected in Woldia city administration tax office

Year	Estimated amount of tax	Actual amount of tax collected	Percentage
2018/19	124,827,756	91,044,488.37	73%
2019/20	182,865,625	154,018,698.54	84.2%
2020/21	232,757,512	198,537, 785.25	85.2%
Total	540,450,893	443,600,972	82%