COLLEGE OF BUSINESS AND ECONOMICS DEPARTMENT OF MANAGEMENT

MASTER OF BUSINESS ADMINISTRATION (MBA)

ASSESSMENTS OF THE PRACTICE OF TAX COMPLIANCE THE CASE OF CATEGORY "B" TAXPAYERS IN BUTAJIRA TOWN

By

HASSEN SABIR

A THESIS SUBMITTED TO THE SCHOOL OF GRADUATE STUDIES OF WOLKITE UNIVERSITY COLLEGE OF BUSINESS AND ECONOMICS DEPARTMENT OF MANAGEMENT FOR THE PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION

Advisor: Shiferaw Mitiku (PhD)

CO-Advisor: Mr. Tagaye FIRDE

May 2019

WOLKITE, ETHIOPIA

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Declaration

I, Hassen Sabir: hereby declare that the thesis entitled **Assessments of The practice of Tax Compliance The Case of Category "B" Taxpayers in Butajira Town** evidence from Butajira Town, Ethiopia" submitted by me for the award in Master's of Degree in Master's with specialization in the Graduate Program of the School of Business and Economics Department of Management at Welkite University. The thesis is my original work and it has not been presented for the award of any other university and that all sources of materials used for this thesis have been dully acknowledged.

Hassen Sabir: _______________ _____________

Signature **Date**

Acknowledgement

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Finally, I also would like to thanks staff of Butajira Towne Revenue Office for their kind cooperation in the process of data collection.

ADVISORS' APPROVAL SHEET

SCHOOL OF GRADUATE STUDIES WOLKITE UNIVERSITY ADVISORS' APPROVAL SHEET

(Submission Sheet-1)

This is to certify that the thesis entitled "**Determinants of Tax Compliance in Case of Butajira Town"** submitted in partial fulfillment of the requirements for the degree of Master's with specialization in, the Graduate Program of the School of Business and Economics Department of Management., and has been carried out by **Hassen Sabir Mussa**, under my/our supervision. To the best of my knowledge, is an original work and not submitted earlier for any degree either at this University or any other University.

Therefore I/we recommended that the student has fulfilled the requirements and hence hereby can submit the thesis proposal to the department.

Shiferaw Mitiku (PhD)		30/05/2019
Name of major advisor	Signature	Date
Mr Tagaye		30/05/2019
Name of co-advisor	Signature	Date

Approved by Board of Examiners

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Dr. Shiferaw Mitiku	______________	____________
Advisor Name	**Signature**	**Date**
____________________	__________	____________
Department/Chairperson's Name	**Signature**	**Date**
___________________	______________	______________
Internal examiner Name	**Signature**	**Date**
Habtamu B. (PhD)		____________
External Examiner Name	**Signature**	**Date**

Approved by Board of Examiners

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Department/Chairperson's Name	**Signature**	**Date**
______________________	______________	______________
Internal examiner Name	**Signature**	**Date**
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External Examiner Name	**Signature**	**Date**

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Acronyms and Abbreviations

NTA:	National Tax Administration.
OECD:	Organization for Economic Co-operation and Development
PAYE:	Pay as You Earned.
SAS:	Self-Assessment System.
SNNPRS:	South Nation Nationalities, And People Regional State.
SPSS:	Statistical Package for Social Science.
SAS:	Suitable tax Audit System.
USA:	United States of America.
UK:	United Kingdom.

Abstract

Tax Compliance *becomes major discussion issues in the financial institutions. However, the tax administration office is unable to collect sufficient amount of taxes from the taxpayers, the government does not achieve its goal and the community dissatisfied with the services of the state. The study is Assessments of The Practice of Tax Compliance the case of Category "B" Tax Payers in Butajira Town with the objectives to assess the Roles of tax compliance determinant variables on tax payers behavior to complying tax, to determinant factors influencing taxpayers' to comply or not to comply for their tax and to determine the relationship between tax compliance determinants with tax payers level of tax compliance. A sample size of 328 was drawn from the tax population in Butajira medium taxpayers /"B" level taxpayers by using simple random/ lottery method and purposive sampling for revenue office employees. Generally, the research signifies that the factors which make taxpayers not discharge their tax duties with their own and right amount. The study design is descriptive research approach and the study employed quantitative research methods by using Stratified and simple random sampling technique and questionnaires were distributed and collected from primary sources. Then the data was analyzed using descriptive statistics technique and frequency table by using SPSS software. The revenue office has good serious enforcement practice and uses suitable penalty tools and techniques including follow-up and tax audit. However, the study has found that the taxpayer's compliance assessed mainly are tax education, attitude towards taxation, perception of fairness/equity, social and natural norms, the strength of the tax authority, and perception of government spending were found to be the factors affecting taxpayers' compliance. Finally, based on the findings possible recommendations include, maintaining tax fairness and equity, building capacity of the tax authority, conducting extensive awareness creation programs, and providing social services to the general public. Specifically, attitude plays a vital role in shaping the perceptions of taxpayers towards achieving compliance. Besides this, strengthening effective and efficiency of government in tax systems and procedures in tax administration function is also crucial.*

Key words: Determinants, Taxpayers, Compliance

CHAPTER ONE

INTRODUCTION

This chapters provides highlights of Assessments of The Practice of Tax Compliance the case of Category "B" Tax Payers in Butajira Town based on general theoretical justifications explaining the nature and problem from general to particular, defining the problem and its related variables specifically and by formulating workable research questions, Stating the objectives what is going to be done or the tasks of as the study is in progress the why of the study/the relevance or importance of the study and finally specifies the scope of the study (area to which the study be conducted including sampling procedure, data collection, measuring tools and their use in the study). Additionally here it has been shown that there have been some limitations faced along with brief description of the whole paper contents.

1.1. Background of the Study

Taxes are fundamental to the existence of governments, for the tax revenues help to finance the bulk of services that governments provide including education, welfare, public safety, infrastructure and other basic public services. Improved tax compliance amplifies the revenues available for supporting public services without increasing the current tax burden on compliant taxpayers (Bird & Casanegra, 1992).

Tax compliance has been an important subject of research in a large number of developed and a number of developing countries. Since each country has its own approach to managing tax compliance levels and each has different tax laws and regulations, the factors impacting tax compliance behavior appear to vary among countries (Palil, 2010).

Taxes are not payments for some special privilege granted or services rendered and are, therefore, distinguishable from various other charges imposed for particular purposes under particular powers or functions of government (Murphy and Higgins, 2001). Taxation is one method of transferring resources from the private to the public sector. The role of taxes as an instrument stabilizes the economy, and reduces private demand when resources are released for public sector use, (James, 2000). According to Kath Nightingale, 2002, taxation has existed since the birth of early civilizations, and it could be said that it is part of the price to be paid for living in an organized society.

Taxation is a system of raising money to finance government expenditures. All governments require payments of money-taxes from people. Governments use tax revenues to pay soldiers and police, to build dams and roads, to operate schools and hospitals, to provide food to the poor and medical care for the elderly, and for hundreds of other purposes. Without taxes to fund its activities a government would cease to exist (Gebrie Worku, 2008). Tax is the most important source of government income. In every country, the government collects a huge income through taxation. Tax is a compulsory levy and those who are taxed have to pay the sums irrespective of any corresponding return of services or goods by government. In other words, a taxpayer does not receive a definite and direct quid pro quo from the government (Bhatia, 1996). Silvani and Baer (1997) define voluntary compliance as the timely filing and reporting of required tax information, the correct self-assessment of taxes owed, and the timely payment of those taxes without enforcement action. To bring about growth and development to its citizens, the government needs to encourage compliance with the taxation of taxpayer citizens. The tax is very essential for economic growth of a country and domestic sources of finances. Compliance is one of the instruments for tax authority to enhance the revenue of a local government.

Taxation in Ethiopia had been applied long years ago. According to Misrak, T. (2008) taxation was source of government revenue from early Axum kingdom in Ethiopia around 500 AD. The kind of traditional system continued for several centuries smoothly until it was replaced by the modern tax system in the mid of 20th century.

The first major change in the Ethiopian tax system was initiated in the post of Second World War period between 1942 and 1944, the years 1947 to 1952 covering its second stage. These changes were generally discretionary, including amendments to property taxes (land and cattle). Broad based taxes on goods and services were also introduced in the mid 1950s. Latter in the decade and in the early 1960s, changes were also made in the rate and structure of taxes, especially on income. In the post revolution period (1974-1991), particularly during 1976-1979, significant major changes on the rate and structure of all types of taxes were made. These involved widening the land tax base, introducing capital and surplus transfers from nationalized firms, as well as certain minor arrangements on other taxes (Ibid).

In Ethiopia, the year 1991 marked the end of the previous policy regime of hard control that had lasted for nearly two decades. This was the year when the seventeen year old socialist regime was toppled by the coalition of rebel forces and the current government that is, (EPRDF) was formed. Starting from the year 1992, the EPRDF government has initiated a wide range of reforms that can be termed as liberalization. Reform of the tax system was among the range of liberalization policies that also extended, among others, to the exchange rate, interest rates, trade, domestic production and distribution (Vadde, 2014).

This shows that; taxation in Ethiopia had been practiced for a long year ago even the structure and tax system is different. When we come to the current government, before the Ethiopian revenue and customs authority had established, most of the investors engaged in export and import commercial activities have been the Federal Government tax payers, however that those government services in relation to tax and export and import trade are being rendered by a number of institutions problem: regarding with the manner of service rendering, keeping and utilization of information and promotion of law and order are being resulted; whereas , in addition to their similar activities the Ministry of Revenue, the Ethiopian Customs Authority and the Federal Revenue Authority have been following similar resource uti1ization and organizational arrangement. Thus the merging of the three institutions provided for the establishment of modern tax and customs administration system, expeditious and effective resource utilization and manner of service rendering.(Ethiopian revenue and customs authority /E.R.C.A./establishment proclamation.No.587/2008). According to the Constitution of Federal Democratic Republic of Ethiopian income tax regulation 78/2002 tax payers categorized in to three; Category "A", any company incorporated under the laws of Ethiopia or in a foreign country any other business having an annual turnover of Birr 500,000 (five hundred thousand Birr)or more; persons and bodies: Category "B" , any business having an annual turnover of over birr 100,000 (one hundred thousand Birr); Category C, whose annual turnover is estimate by the Tax Authority as being up to Birr 100,000 (one hundred thousand Birr); and set a law to declare and pay their tax as scheduled.(income tax regulation,78/2002).

However, the tax administration office is unable to collect sufficient amount of taxes from the taxpayers, the government does not achieve its goal and the community dissatisfied with the services of the state Understanding the factors that determine the tax compliance behavior and non- compliance of taxpayers with the tax laws in the State is a key to further motivate and assisting the compliers and designing appropriate strategies to deal with non- compliers so that, addressing this knowledge gap is the primary purpose of this study. It is for this reason that this study tries to find out Assessments of the practice of Tax Compliance the case of category "B" tax payers in Butajira Town revenue office. Thus, the purpose of this study would be to identify the determinants of tax compliance in Butajira Town focusing on tax education, attitude towards taxation, equity/fairness, social and cultural norms, strength of tax authority, perception of government spending and tax audit.

1.2. Statement of the Problem

Compliance with the tax law typically means true reporting of tax bases, correct computation of the tax liability, timely filing of returns and timely payment of the amount due. Tax compliance can be described as the degree to which a taxpayer obliges to tax rules and regulations. James and Alley (2004) pointed out that tax compliance is the willingness of individual and other taxable entities to act in accordance with tax law and administration without the application of enforcement activity. Tax compliance is a person's act of filing their tax returns, declaring all taxable income accurately, and disbursing all payable taxes within the stipulated period without having to wait for follow-up actions from the authority (Singh 2003).

Committed compliance is the willingness to discharge tax liability by taxpayer without complaining. While capitulative compliance is the reluctant in discharging of tax obligations by taxpayer and creative compliance refers to engagement to reduce taxes by taking advantage of possibilities to redefine income and deduct expenditures within the confine of the law.

Despite the arrangement put in place through tax system to ensure compliance with tax rules and regulations, human society is still confronting numerous cases of tax noncompliance (Kirchler, *et al*. 2007). Noncompliance by tax payers is known. Understanding why taxpayers do or don't comply with tax law is very important as; if possible, it would help to increase level of compliance more effectively and the motivations underlying tax-payers' attitudes and behaviors toward compliance is constructive to tax authority by providing them information that can help them which strategy is appropriate and effective to increase compliance.

Tax noncompliance is a growing concern for tax authorities since it seriously threatens the capacity of governments to raise required public revenue. One of the main problems in implementing increasing compliance levels of taxpayers in achieving acceptable levels of voluntary compliance (Palil, 2010). The main reason of this low revenue collection performance is due to tax noncompliance and due to poor tax administration, lack of tax audit system, poor tax authority administration, lack of awareness creation about tax provisions, regulations, directives and general limited knowledge of tax, perceived roles of tax authority and lack of fairness in the tax system.

The Town fails to fulfill income tax requirements and a number of them face prosecution for failing to pay taxes on time. (Butajira Town Annual Revenue Mobilization Forum, 2018). Even if the town advocates voluntary compliance, the tax system in the city mainly stresses on legal enforcement as a remedy to ensure its proper functioning. (Proclamation, 286/2008). According to the information obtained from tax payer's office, number of non-filers, null-declarants and amount of tax collected from enforcement activity showed continual increment. (Butajira Town Annual Revenue Mobilization Forum, 2018). Hence, there should be a clear need for more empirical research on the factors that affect tax compliance, since a better understanding of these factors can yield strategies that improve compliance. However, the study has considered these issues and it focuses to identify factors affecting taxpayer's compliance behavior with respect to tax compliance. Specifically this research examined by using brief review of the literature and , questionnaires with regards to the assessments of the practice of tax compliance the case of category "B" taxpayers in Butajira town, in relation with formulated the following answerable research questions:

1.3. Research Questions

What are the Roles of tax compliance variables on the taxpayers' complying tax?

What are the motivating factors influencing the tax payers to comply or not to comply for their tax?

How tax compliance variables are related with tax payers' intention to complying tax**?**

1.4. Objectives of the Study

1.4.1. General Objective of the Study

The overall purpose of this research is to assess the practice of tax compliance the case of category B Taxpayers at Butajira town Revenue Office it aims at addressing the following specific objectives.

1.4.2 Specific objectives

1. To assess the tax compliance determinant factors that affect tax payers' on complying tax.
2. To identify factors that motivates tax payers to pay taxes.
3. To assess the relationship between tax compliance variables with tax compliance levels.

1.5. Significance of the Study

Tax revenue is very important for the economic growth and development of the nation in the achievement of societal wellbeing. Hence, thus, this study believed to be more important by giving insight into the problem of non-complaints and would brought compatible suggestions to the current practices of tax compliance. In general, these study a useful input to the following groups:

- To the tax revenue office: would improve the administration function of taxation in the town.
- This study can serve as a basis for future and further research in the area.
- To the taxpayers: would help taxpayers to discharge their duties and responsibilities in line with the tax proclamation and recommends reducing the compliance cost of the taxpayers.
- To the researcher itself enhances knowledge.

1.6. The Scope of the Study

The study conducted (May 1, 2018-February 30, 2019) concentrate on assessments on tax compliance determinants in case of Butajira Town. Butajira is one of the Towns located at the center in Meskan Wereda in Guraghe Zone, region of SNNPR of the Ethiopian.

Butajira Town is divided in to two sub cities named (Eresha and Erinzaf) and five Kebeles hosting a total population of over (50,945) fifty thousand nine hundred forty five and 4.8% growth rate according to 2006 E.C census. Accordingly now at this time (2011E.C.) the population of Butajira Town estimated to (75398.6) seventy five thousand three hundred ninety eight now at this time. The study assesses the practices of the tax Compliance levels of category "B" taxpayers in Butajira Town by collecting primary information mainly from taxpayers' of category ''B' by using structured questionnaires and semi structured interviews for the revenue office employees to enhance and to triangulate first hand information obtained from the former two primary participants that the tax payers and revenue office employees of the town/not included category A and category C tax payers/. To address the objectives of the study examined the assessments of the practice of tax compliance the case of category B taxpayers in Butajira Town. The descriptive survey methods selected because it allows the researcher to go through the sample and take a broad view about the population and helps to assess the existing situation. It used to obtain information concerning the current status of the phenomena to describe what exist with respect to variables of the assessments of the practice of tax compliance the case of category B taxpayers in Butajira Town focusing on tax education, attitude towards taxation, equity/fairness, social and natural norms, strength of tax authority, perception of government spending and tax audit examined by the researcher or conditions in a situation. To collect data about tax administrative functions and procedures, questionnaires developed and distributed to respondents from Butajira Town tax payers. The Questionnaires comprise closed types of hypothesized questions (Liker type) questions 5-point Liker scale items prepared and administered for tax payers and for the revenue office employees. Since the research study is explanatory and causal study approach and data gathering tools are questionnaires and interviews, quantitative method of data analysis, at 5% level of precision using SPSSs. The quantitative data analyzed and interpreted using percentage, frequency, standard deviation, averages/mean/ and correlations with the help of tables, and diagrams.

1.7. Limitations of the Study

Acknowledging the limitations of the study empowers the reader to appreciate the constraints that imposed on the study and to understand the context to which the research claims are set. Therefore, the study encountered the issue of information resources availability, unwillingness of respondents returning questionnaires and participation assumed to be limitations. However, the researcher plan to apply a strategy in an attempt to completed the study as well as focus on the work. Lastly, limited access to the research participant's willingness to fill genuinely and retuning the questionnaires paper, time constraints, and financial constraints were faced limitations.

1.8. Organization of the Study

The research organized in to five chapters. The first chapter dealt with introduction, background of the study, statement of the problem, basic research questions of the study, objectives of the study, scope and limitations as well as significance of the study. The second chapter dealt about the review of literatures comprising of both theoretical and some empirical aspects. In the third chapter the methodology of the study namely the population, research approach, sources of data and sample techniques discussed. The fourth chapter thoroughly discusses the primary and secondary data analysis and interpretation. Finally, the last chapter dealt with the summary, conclusion and recommendations of the study.

CHAPTER TWO

LITERATURE REVIEW

This chapter gives the general theoretical and conceptual information about taxpayers' compliance and its significance in relation to revenue mobilization. Based on this the literature review chapter contains both theoretical and empirical literature and conceptual frameworks determinants of tax compliance and that factors will affect tax compliance behaviors discussed briefly.

2. Theoretical Literature Review

2.1 Concept of Tax Compliance

According to James (2010), tax compliance has evolved into a major research topic in economic psychology. The issue has been approached from various viewpoints, shedding light on different aspects of taxpayers' behavior. Attitudes have been measured, prevailing social norms captured, and those lay theories explored which people have in mind when brooding over their annual tax declarations. Tax compliance is a person's act of filing their tax returns, declaring all taxable income accurately, and disbursing all payable taxes within the stipulated period without having to wait for follow-up actions from the authority (Singh 2003). As cited by Alm and Martinez-Vazquez in James (2011) the payment of tax is an obligatory duty of every citizen whether natural or corporate citizen.

The scope of tax compliance includes, reporting income and paying all taxes in accordance with the applicable laws, regulations, and court decision. Tax compliance typically means, true reporting of the tax base, correct computation of the liability (accuracy), timely filing of the return, and timely payment of the amounts due (timeliness). Another definition of tax compliance is a person's act of filling the income tax form, declaring all taxable income accurately, and disbursing all payable taxes within the stipulated period without having to wait for follow-up actions from the authority. To execute the tax compliance the best methods the tax assessment compliance level makes the tax systems more convenience, convince and economy. It is the most essential for avoiding unnecessary tax collection cost. (Manchilot,2018)

As a civic duty, it is expected that citizens comply with such obligation but that is not the case with some citizens. Alm, Martinez-Vazquez and Schneider (2003) acknowledged that most people do not like to pay taxes. As a result, it is difficult for tax authority to impose and collect taxes anywhere and anytime. (Kirchler, Hoelz and Wahl 2007) the government has primary interest and responsibility in ensuring that citizens follow this civic duty and behave in compliance with provisions of the tax laws irrespective of their social status. Tax compliance is a major problem for many tax authorities and it is not an easy task to persuade taxpayers to comply with tax requirements even though 'tax laws are not always precise' (James and Alley 2004).

Tax compliance can be defined as the degree to which a taxpayer complies or fails to comply with the tax rules of his country. Tax compliance is taxpayers' willingness to obey tax laws in order to obtain the economy equilibrium of a country (Andreoni, *et al.*1998). Compliance with the tax law typically means true reporting of tax bases, correct computation of the tax liability, timely filing of returns and timely payment of the amount due. Tax compliance can be described as the degree to which a taxpayer obliges to tax rules and regulations. James and Alley (2004) pointed out that tax compliance is the willingness of individual and other taxable entities to act in accordance with tax law and administration without the application of enforcement activity.

Alm (1991) and Jackson and Milliron (1986) defined tax compliance as the reporting of all incomes and payment of all taxes by fulfilling the provisions of laws, regulations and court judgments. Another definition of tax compliance is a person's act of filing their tax returns, declaring all taxable income accurately, and disbursing all payable taxes within the stipulated period without having to wait for follow-up actions from the authority (Singh 2003).

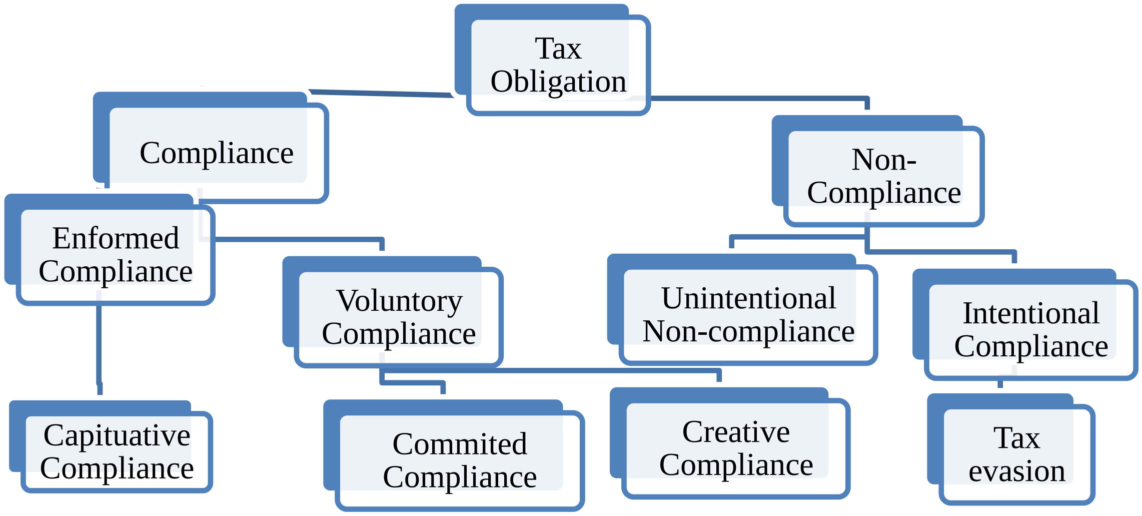
Mc Barnett (2003) classifies compliance into three forms; committed compliance, capitulative compliance and creative compliance. Committed compliance is the willingness to discharge tax liability by taxpayer without complaining. While capitulative compliance is the reluctant in discharging of tax obligations by taxpayer and creative compliance refers to engagement to reduce taxes by taking advantage of possibilities to redefine income and deduct expenditures within the confine of the law.

Kirchler*et al.* (2007) argued that compliance might be voluntary or enforced compliance. Compliance is made possible by the trust and cooperation ensuing between tax authority and taxpayer and it is the willingness of the taxpayer on his own to comply with tax authority's directives and regulations. Compliance is enforced on taxpayers who are unwilling to pay their taxes through the threat and application of audit and fine.

Tax compliance has also been isolate into two perspectives, namely compliance in terms of administration and compliance in terms technique .Administrative compliance is made up of reporting compliance, procedural compliance and regulatory compliance and it is generally concerned with complying with the rule relating to lodging and payment of tax while technical compliance is concerned with meeting up technical requirement of tax laws in computation of tax liability (Alabede, *et al.* 2011).

Franzoni (2000) and Chatopadhyay and DasGupta (2002) stated that compliance with tax laws involves true reporting of the tax base; correct computation of the tax liabilities; timely filling of tax returns and timely payment of the amount due as tax. Any behavior by the taxpayer contrary to the above constitutes noncompliance. Despite the arrangement put in place through tax system to ensure compliance with tax rules and regulations, human society is still confronting numerous cases of tax noncompliance (Kirchler, *et al*. 2007). Silvani and Baer (1997) define compliance as the timely filing and reporting of required tax information, the correct self-assessment of taxes owed the timely payment of those taxes without enforcement action.

Fig.**Branches of Tax Compliance**



Source: Derived from Kirchler (2007) construct surveyed and the practitioners' construct.

According to McBarnett (2003), there are three forms of compliance, which include committed compliance, capitulative compliance and creative compliance. Committed compliance is the willingness to discharge tax obligations by taxpayers without grumbling. While capitulative compliances the hesitance in the discharging of tax obligations by taxpayers and creative compliance refers to any act by taxpayer aimed at reducing taxes by redefining income and deductible expenditure within the confines of the laws. While non-compliance categorized into unintentional and intentional non-compliance behavior. Non-compliance with tax laws comes in different forms. It may be intentional noncompliance in which the taxpayer deliberately undermines the tax rules and regulations for his personal gains. The second is in form of unintentional noncompliance, which may be as a result of ignorance, oversight or mistake in applying tax laws. Any noncompliance act committed by the taxpayer which results in the non-declaration or underreporting of taxable income leading to non-payment or underpayment of tax is regarded as tax evasion.

The main determinants of tax compliance are listed as discussed in many public finance literatures (Kirchler, 2007 & Loo, 2006). The determinants of tax compliance have been classified differently by different researchers. But most of these classification overlap on one another.

2.1.1. Level of income

Regarding the relation between level of income and tax compliance the empirical findings are ambiguous. Even thought wealthier citizens are more likely to evade tax, as risk aversion indirectly related with income level, it is not clear if severity of evasion is an increasing of a decreasing function of income (Kirchler, *et al.* 2007).

Empirical researches done by different researchers on a relationship between income level and tax compliance found a negative relationship between income level and tax compliance. Consistently, Weck-Hannemann and Pommerehne (1989) found lower compliance among high income earners in archival data on Swiss taxpayers. Jackson and Milliron (1986) find that middle income taxpayers are generally compliant with tax laws, while low income level taxpayers and high income level taxpayers are relatively non-compliant with tax laws. In contrary the study done by Kirchler, Hoelzl and Wahl (2007) find out that there is a positive relationship between tax rate and tax compliance.

2.1.2. Fines and penalties

Economic model assumes that taxpayers try to increase their benefit of complying by weighting the gain from non-compliance with that of the lose that can come with detection and punishment. According to Allingham and Sandmo (1972) non-compliance depend on audit probability and fines. Studies have claimed that being audited has a positive impact on tax compliance. Studies by Mohd (2010) and Park and Hyun (2003) conclude that tax compliance is positively influenced by tax audit.

Park and Hyun (2003) in their experimental study of determinants of tax compliance using data for Korea find out that charging taxpayers penalty when caught encouraged tax payers to report the actual income they earn. This shows that the relationship between tax compliance and penalty is positive.

2.1.3. Tax simplification

One of the essential things affecting governments' ability in tax collection is the existence of proper tax laws and their correct performance. Having tax laws which are consistent and stable in enactment and performance will make the tax system to be less complex and can encourage tax compliance (Reza, *et al*. 2011). According to Richardson (2006) simplicity is the most important determinant of tax compliance in his study. Tax system should be as simple as possible for the reason that taxpayers come from various background, with different level of education, income level, different culture and different tax knowledge. In helping taxpayers to complete the tax returns accurately, the tax authority should have come up with a simple, but sufficient, tax return. The information required in the return must be at minimum level and be readily available from taxpayers' business and personal records (Mohd and Ahmad 2011). It is importance to have a simple tax return and system .Although the word 'simple' carries multiple interpretations, at least the majority of taxpayers require that the tax return should be as simple as possible. The tax authority may assume its tax return is simple and easy to complete but it may not be from the taxpayers' point of view.

Therefore, it is good practice, before the final version is delivered to taxpayers, to ensure that 'pilot' tests have taken place first so that the tax return is really as simple and easy as it can be (Silvani and Baer 1997).

2. 1.4. Probability of detection

According to Allingham and Sandmo (1972) and Beck and Jung (1989) taxpayers always work hard to increase their benefit by weighting up the risk of detection and punishment for non-compliance against the evading tax. Probability of detection refers to the likelihood that the tax authorities were discovered an individual's noncompliance and seek to remedy the evasion. Individuals normally would like to evade their tax liabilities entirely and the only reason they might not do so is that there is some non-zero probability of being caught.

The relationship between tax compliance and probability of detection has been the interest of many tax literatures. But researchers have been divided on the effect of probability of detection on compliance. For example in (Allingham and Sandmo 1972) pioneer tax evasion research, the relationship between the two were found to be positive. That is taxpayers always declared their income correctly if the probability of detection is high. (Eisenhauer 2008) and (Chau and Leung 2009) have also found that a high probability of being audited or detected would encourage taxpayers to be more compliant or positive relationship. For (Young, 1994) a high probability of being audited would potentially decrease compliance creating a negative association .Here one thing it has to be seen is that most researches find a positive relationship between tax compliance and probability of detection.

2. 1.5. Fairness of tax system

Both tax payers and tax authority believe that fairness of the tax system is one of the major determinants of tax compliance. Fairness can be seen from two angles: equity of trade, which is related with the benefit received from paid tax and the other is equity in relation to burden of tax liability in comparison to other tax payers. Taxpayers can perceive the tax system as unfair if they believe that they are paying more than they receive from government and or in relation to what other taxpayers are paying.(Chau and Leung 2009)

2. 1.6. Perceived role of government

Government's legitimacy, the government's efficiency, and the government's credibility influence taxpayers' compliance and thus determine the tax revenue the government can raise. Taxpayers can estimate the "fair" terms of trade between their private consumption and government provision of public goods. Therefore, taxpayers will evade in order reestablishing fairness in their relationship with other agents of the fiscal system if the terms of trade offered by government through the tax system differ from their own "fair" terms of trade (Shih-Ying and Mei-Jane 2005).

Taxpayers are very sensitive about where there tax many go. If the government is wisely spending the national revenue, for example for basic facilities like education, health and safety and public transportation, it is likely that compliance will increase. In contrast, if taxpayers perceive that the government is spending too much on something considered unnecessary or unbeneficial to them then taxpayers feel betrayed and attempt to evade, (Mohd and Ahmad 2011).

Park and Hyun (2003) in their research argue that the presence of public good discourage compliance. They explain this by this negative effect of public good on tax compliance can be a result of free-ride behavior of taxpayers.

2.1.7. Age

According to Jackson and Milliron (1986) age of the tax payer is one of important factors affecting tax compliance. Researcher done by Dubin and Wilde (1988) showed that older taxpayers are generally more compliant then younger tax payers. In contrast Warneryd and Walerud (1982) and Wahlund (1992) find a negative association, which is older people are less compliant then their young counterpart. Still there are other research that has found no association between age and tax compliance (Mohd 2010).

2.1.8. Gender

Empirically the relationship between gender and tax compliance is toward the argument that female tax payers are more compliant than male counterpart. For example, the studied done by Vogel (1974), Mason and Calvin (1978) and Jackson and Millliron (1986) found that female tax payers were more compliant than their male counterpart. In contrary, Jeyapalan, K. and Hijattulah, A.J (2006) finds out that compliance attitude between female and male are similar.

2.1.9. Social Factors:

Tax compliance determinants from a social perspective relates to the taxpayers' willingness to comply with tax laws in response to other people's behavior and their social environment (i.e. the government, friends and family members) (Torgler 2007). On the other hand, Kirchler (2007) suggested that social factors should be viewed in a broader sense than Torgler's perspective; this includes the psychology of the taxpayers.

2.1.10. Culture:

According to Fjeldstad and Ranker (2003), increased efficiency of the tax administration, however, is not enough. Many observers conclude that a lack of taxpaying 'culture' is the largest obstacle to building a firm long-term revenue base.

2.1.11. Social and Individual Attitude toward tax

Attitudes are the positive and negative evaluation an individual have about objects, concepts or living things. It is assumed that attitudes encouraged people to act according to them. Like their view for other things, taxpayers can have a positive or negative attitude about tax in general and tax compliance in particular .Those taxpayers with positive attitude towards tax non-compliance is expected to be less compliant then a taxpayers with a negative attitude about tax noncompliance.

According to (Kirchler, *et al.* 2007) the association between tax compliance and tax attitude are significant but weak. This finding tells that there is complex relationship between tax compliance and tax attitude. In general it can be said that if tax attitude is negative, tax non-compliance will increase.

2.1.12. Personal social and natural norm

Norms are important determinants of tax compliance. Behavioral intentions are determined also by subjective norms (Ajzen 1991). Norms are behavioral standards on three different levels: the individual level, the social level and the national level (Kirchler, *et al.* 2007). On the individual level, norms define internalized standards on how to behave. Individual norms are related to moral reasoning, authoritarianism and Machiavellianism, egoism, norm dependency and values.

There is considerable overlap between individual norms, values and tax ethics: the more developed the moral reasoning or tax ethics, the more likely is voluntary compliance (Trivedi,*et al.* 2003). On the social level, norms are usually defined as prevalence or acceptance of tax evasion among a reference group (Wenzel 2005).

Social norms are related to the behavior of reference groups, for example friends, acquaintances or vocational group. If taxpayers believe that non-compliance is widespread and approved behavior in their reference group, they are likely to be non- compliant as well. The relationship between social norms and tax compliance is complex. (Wenzel 2004) argues that social norms should elicit concurring behavior only when taxpayers identify with the group to whom the norms are ascribed. Taxpayers then internalize the social norms and act accordingly. On the level of national norms, norms become cultural standards, often mirrored in the actual law. Several authors suggest that trust in political leadership and administration will lead to tax compliance when favorable national norms are established (Fjeldstad 2004). In general, if the norms held by taxpayers favor tax compliance. Thus, norms encompass both power and trust. First, national norms find their expression in tax laws and the role given to tax authorities, having a direct influence on their power. Second, social norms such as the belief that tax evasion is a petty crime and widespread hinder the work of tax authorities, in particular when there is no countervailing norm of community. A norm where all citizens are perceived as contributing their fair share would certainly help to increase trust in the authority's (Kirchler, *et al.* 2007)

2.1.13. Tax Authorities

(Bird 2003) the amount of revenue collected alone could not explain the best tax administration. A poor quality of tax administration may also collect large amounts of revenue from easy-to tax sectors such as wage earners, while unable to enforce taxes on business enterprises and professionals. Maximizing revenue for a given administrative outlay is only one dimension of the task of tax administration. Revenue outcomes may not always be the most appropriate basis for assessing administrative performance. How the revenue is raised-the effect of revenue-generation effort on equity, the political fortunes of the government, and the level of economic welfare-may be equally or more important in some contexts. Hence, measuring the effectiveness of the tax administration by the size of the tax collected is unsophisticated judgment. Considering the size of the compliance gap is rather a much stronger criterion for the effectiveness of tax administration.

As Bird and Oldman (1967) cited in Lemessa (2007) noted, no tax works effectively, unless its administrators maintain an aggressive attitude with respect to the correctness of the taxpayers' actions. Some taxpayers will fail to file or make mistakes through ignorance or neglect; others will deliberately cheat Roth *et al.* (1989) suggested that in order to increase compliance, maximize tax revenue and be respected by taxpayers, a government must first have an economical tax system, which is practicable; they must discourage tax evasion and not induce dishonesty; they must avoid the tendency to dry up the source of the tax and should avoid provoking conflict and raising political difficulties; they should also have a good relationship with the international tax regime.

A tax system does not function in a vacuum. Its relationship with at every turn are with the public, and since the combination of taxes reaches nearly every individual in one way or another, the administration finds itself dealing with the nation as a whole. Hence, inevitably its operations and effectiveness are affected by the attitudes of the nation towards the tax system (Bird and Oldman 1967).

Lemessa (2005) states that tax systems that depend on ad hoc administrative procedures rapidly become discredited and endanger compliance. To encourage compliance it is equally important that tax authorities administer the law fairly.

In order to enhancing tax compliance the role of tax revenue office in facilitating good environment for taxpayers. So, tax revenue office will works together with taxpayers and with their own employees for the achievement of overall economic growth.

2.1.14. Tax Audit

As cited by Shanmugam (2003) and Palil (2010) the third key issue of SAS operation is setting and operating a suitable tax audit system. A tax audit is an investigation made by the tax authority in order to verify the accuracy of tax returns and attempt to detect non-compliance behavior and activities; audit probability is defined as the number of tax returns assessed (audited) divided by the number of tax returns received (Shanmugam 2003 and Kirchler 2007). In SAS, the question 'to what extent should tax audits be implemented?' remains unsolved, as an absolute SAS supposedly requires minimum tax audits (Loo 2006). Furthermore, there is a conflict between direct assessment and SAS in terms of tax audits (Mohani 2001) whereby in direct assessment, all tax returns are subject to thorough scrutiny while SAS does not require any direct assessment as the responsibility is shifted to taxpayers for all assessments.

As stated by Butler (1993) and Yasin (2012) the tax audits, audit rates and prior audit experience have been ambiguously discussed in relation to tax compliance. Some studies claimed that audits have a positive impact on tax evasion. In contrast, taxpayers who have never been audited might be tempted to under report their actual income and claim false deductions. Also found that tax audits can change compliance behavior from negative to positive. They reported that audits did not significantly correlate with evasion for all groups they studied. Audits were found to be more effective in including taxpayers to over claim deductions rather than encouraging them to correctly report actual income. The previous studies have evidenced that tax audits play an important role in increasing tax compliance. Audits rates and the carefulness of the audits can potentially encourage taxpayers to be more practical in completing their tax returns.

2.1.15. Taxpayers' Service

(Jenkins 1996) defines taxpayers' services as any activity that involves providing assistance and answers to taxpayers who have questions about filing, audit, collection and other issues. The overall mission of revenue body should be collection of the proper amount of tax revenue at the least cost; serve the public by continually improving the quality of its products and services; and perform in a manner warranting the highest degree of public confidence in the authority's integrity, efficiency, and fairness. Its strategic objectives need to be improvement of customer service, increase compliance with the tax laws, and thereby increase in tax revenue.

It has to strive to encourage taxpayers to pay what they owe, reduce taxpayers' cost to get answers to their questions and prepare their tax returns, and reduce administrative costs to collect taxes. Improving taxpayer service must be one of its highest priorities of revenue authority, varieties of programs and operational units to assist taxpayers in meeting their tax obligations are to be in places, which are to answer calls from taxpayers who have questions about the tax laws, where to file returns, or the status of their accounts and refunds (Brosio 2000).

2.1.16. Taxpayers' Education

As stated by James and Alley (2004) and Yasin (2012) despite the arrangement put in place through the tax system to ensure compliance with tax rules and regulations, human society is still confronting numerous cases of tax non-compliance. Therefore, tax non-compliance problem is a phenomenon inherent in the existing tax system. Tax noncompliance is the failure of the taxpayer to meet tax obligation whether the act is done intentionally or unintentionally. However, that tax non-compliance occurs through failure to file return, misreporting income or misreporting allowable subtractions from taxable income or tax due (exemptions, deduction adjustment, tax credit etc)

As cited by Hite and Hasseldine (2001) and Palil (2010) investigate the current developments in the USA, highlighting that tax academics need to emphasize teaching and development. In other countries, tax education, as well as tax development is not as good as in the USA. Their study was expected to be able to help academics in other countries to adapt what has been done in the USA, especially in teaching methodology (in tax courses) so that other countries can learn how to educate taxpayers more effectively and efficiently.

Palil (2010) Countries such as the US, Canada, Japan, New Zealand, Australia, the UK and Malaysia have all been implementing a continuous tax education for taxpayers and children (as future taxpayers). Apart from these programs to educate taxpayers directly and instill public awareness regarding tax matters, various countries such as the USA, the UK and Australia also have developed interactive websites, disseminated leaflets together with tax returns, opened call centers, created advertisements or supplied reminders via television and radio (e.g. to remind taxpayers of deadline dates for filings).

As cited by Eriksen, Fallaninand Palil (2010) addition to tax education, knowledge about tax laws also plays a major role in determining taxpayers' compliance behavior Eriksen and Fallan (1996). Therefore a step ahead, for example continuous education programs and effective monitoring mechanisms must be taken into account by tax authorities to ascertain that taxpayers have a good and reasonable knowledge and understanding of tax matters. However, the awareness and attitude of the taxpayer himself is more important for the effectiveness of tax education depends on the readiness, acceptance and honesty of taxpayers.

To come to the point, greater education potentially increases compliance, as educated taxpayers may be more aware of their responsibility as well as the sanctions to be imposed if they were not compliant with tax laws. As a result, education of taxpayers is very essentials for achieving the goal of tax authority like increasing voluntary tax compliance, and to bring mutual understanding between tax authority and the taxpayers of the town.

2.1.17. Perception of Equity/Fairness

As stated by Smith (1776) and Palil (2010), one of the main principles of the taxation system design is equity or fairness, which can be perceived via two dimensional views horizontal equity (people with the same income or wealth brackets should pay the same amount of taxes) and vertical equity (taxes paid increase with the amount of the tax base).The driving principle behind vertical equity is the notion that those who are more able to pay taxes should contribute more than those who are not.

As stated by Bhatia (1976) and Lemessa (2007) a good tax system, in order to achieve various objectives, chooses and adheres to certain principles which become its characteristics. A good tax system, therefore, is one which is designed on the basis of an appropriate set of principles, such as equality or fairness and certainty.

Similarly, as cited by Brooks (2001) and Lemessa (2007) states that fairness has always been widely regarded as the most important criteria in judging a tax system. The problem of unfairness is that a tax system allows taxes to be shifted from dishonest to honest taxpayers. What is fair in the eye of the tax authorities may not have the same image in the mind of the taxpayers.

According to Bhatia (1976) a good tax system, in order to achieve various objectives, chooses and adheres to certain principles, which become its characteristics. A good tax system, therefore, is one, which is designed based on an appropriate set of principles, such as equality or fairness and certainty. According to James (2003), the most obvious requirement of equity or fairness is to treat equal people in equal circumstances in an equal way. To put it differently, it is essential that a good tax system should appear equitable to the taxpayers.

It is also argued that tax fairness has a possibility to indirectly influence compliance through a trust. For many years, trust has been discussed as a variable that crucial for organizational effectiveness Gomez and Rosen (2001). Trust is at the heart or organizational coordination and control (McAllister 1995). Trust means a positive expectation that other (through words, actions, or decisions) not act opportunistically (Robbins, 2001:336). Furthermore, when taxpayers trust a tax institution, they are willing to be vulnerable to the tax institution's actions, confident that their rights and interestss not be abused (Hosmer and Mayer, *et al.*1995). Taxpayers can trust revenue body (tax institution) when they know and understand the goals of the institution. When there is a hidden agenda, there is no trust. In other words trust is the key to success for the tax institution to acquire taxpayers' compliance. Trust promotes positive attitudes toward tax institution, and ultimately increases tax compliance.

2.2. Empirical Literature Review

This section presents the assessment of research papers and journals written in tax compliance.

2.2.1. Tax Education

Education attainment is another important determinant of tax compliance. It usually relates to a taxpayer's ability to comprehend and comply or not comply with tax laws. It is argued that education has two elements: the general degree of fiscal knowledge and the specific degree of knowledge regarding tax evasion opportunities. It is claimed that by enhancing the level of general fiscal knowledge, tax compliance can be improved as tax-payers have more positive perceptions about taxation. Increased knowledge of tax evasion opportunities has a negative influence on tax compliance as it assists non-compliance. General knowledge on taxation has a big impact with compiling with the tax laws and procedures. Tax knowledge is positively related to tax compliance. It was found that agreement with governmental activities and fiscal policy was higher in highly educated groups and knowledge on taxation has significant effect on tax compliance. This shows that knowledgeable taxpayers are normally submit their tax return within the required time, compared to less knowledgeable tax payers (Mariziana, *et al.* 2010).

Empirical study by (Chan, *et al.* 2000) found that there is a positive relation between educational level and tax compliance.(Kirchler ,*et al.* 2007) stated that higher knowledge concerning tax leads to higher compliance and poor knowledge concerning tax lead to higher non-compliance.

In summery it can be said that general tax knowledge is very important to understand tax law and regulations and to comply with them.

Previous researches indicate that tax knowledge is very essential in order to increase levels of tax compliance (Richardson 2006 and Kirchler, *et al.* 2007). Hence, it is very important to have knowledge and competent taxpayers. They also suggest that tax educations are one of the effective tools to induce taxpayers to comply if they understand the basic concept of taxation. For example, the level of tax compliance in Japan is because of the effort made by the Japanese National Tax administration (NTA).

In a cross country study by (Richardson 2008) towards 45 countries in the world, he finds that education in general has a negative relationship with tax evasion, where the tendency to evade tax reduces with the level of education. However, it is still questionable whether the general level of education increases tax compliance.

2.2.2. Tax Audit

Tax audits, audit rates and prior audit experience have been ambiguously discussed in relation to tax compliance. Some studies claimed that audits have a positive impact on tax evasion (Shanmugam 2003 and Dubin 2004). These findings suggest that in self-assessment systems, tax audits can play an important role and their central role is to increase compliance. Audits rates and the thoroughness of the audits could encourage taxpayers to be more prudent in completing their tax returns, report all income and claim the correct deductions to ascertain their tax liability. In contrast, taxpayers who have never been audited might be tempted to under report their actual income and claim false deductions.

2.2.3. Perception of Government spending

According to Phillip E. and Sandall (2009) Public governance quality is necessary to have good tax system and equally good tax system is essential to achieve public governance quality. Citizens support government in its responsibilities through the provision of finance in form of tax payment. Therefore the services which are provided by government are essentially important in determining public attitude towards taxation. As a result, governance affairs may have both positive and negative influence on the compliance behavior of the taxpayers.

According to Lassen (2003) the argument of quid pro quo, complying with tax law provision depends in part, on whether the political goods provided by the government are sufficient in return to the taxes they are paying. Besancon (2003) also by supporting Levi (1988) stated that there is social contract between government (ruler) and taxpayers (ruled) which embodied effective delivery of political goods.

2 .2.4.The Role of Tax Authority

A recent study conducted by Richardson (2008) also suggested that the role of a government has a significant positive impact on determining attitudes toward tax. His study attempted to investigate the determinants of tax evasion across 47 countries including the USA, the UK, Argentina, Thailand, Canada, Chile and Brazil. Richardson also suggested that the government should increase their reputation and credibility in order to obtain trust from the taxpayers.

In summary, although previous studies could not provide conclusive results on the measurable impact of the efficiency of the government on compliance, however, researchers from different countries have discussed this issue and some authors have described how the role of government in inducing tax compliance is important and relevant in self-assessment systems (Richardson 2008 and Hassel diner and Li 1999).
The beneficiaries of income equity and what forms of inequity are likely to affect evasion behavior are still unclear and debatable based on the results of prior research. The perceived fairness of the tax system also has an influence on the inclination towards tax evasion (Richardson 2008).

Since previous studies indicate that penalty rates impact upon tax compliance behavior, the awareness of offenses was presumed to have a significant influence as well. If the taxpayers are aware of the offenses they are committing when evading tax and the consequences of being non-compliant taxpayers, they might reduce their tendency to evade tax. On the other hand, if they are not aware of the implications of being dishonest in terms of the offense they are likely to be charged with if caught, they might be more inclined to cheat because they presume that they will not be detected and could save money. Thus, educating taxpayers and keeping them well informed with the sentences of being an evader may be important, as a prevention measure is better than cure (imposition of a penalty).

To put in a nutshell, the survey indicated factors that determine tax compliance behavior. These are:-revealed that probability of being audited; perception on government spending; perception on equity and fairness of the tax system; penalties;financial constraint; level of awareness of taxpayers'; effectiveness and efficiency of tax authority and socio-cultural factors changes on current government policies; and referral group (friends, relatives etc.) are important factors in examine tax compliance behavior (Palil 2010, Troutman 1993 and Chan, *et al*. 2000).

Other factors such as taxpayers' attitude and honesty/loyalty are found to be the result of lack of awareness or others while political factor has found to have little impact on taxpayers' attitude towards taxation.

2.2.5. Non-Compliance Behavior

Tax non-compliance is the failure of the taxpayer to meet tax obligations whether the act is done intentionally or unintentionally James and Alley (2004). However, Kirchler (2007) argued that since the degree of compliance varies then certain non-compliance might not violate the law. According to Roth, Scholz and Dryden-Witte (1989), tax non-compliance occurs through failure to file return, misreporting income or misreporting allowable subtractions from taxable income or tax due (exemptions, deductions, adjustment, tax credit etc.). (Soos 1991) broadly classified non-compliance into four types: failing to file a tax return; underreporting of taxable income; overstating tax claims such as exemptions, expenses etc. and failing to make timely payment of tax liability.

Non-compliance with tax laws comes in different forms. It may be intentional non-compliance in which the taxpayer deliberately undermines the tax rules and regulations for his personal gains. The second is in form of unintentional non-compliance, which may be as a result of ignorance, oversight or mistake in applying tax laws. Any non-compliance act committed by the taxpayer which results in the non-declaration or underreporting of taxable income leading to non-payment or underpayment of tax is regarded as tax evasion. Anyanwu (1993) described tax evasion as the failure to meet tax liabilities through illegal means, such as not declaring income or profit.

As stated by Kinsey (1984) and Gezahegne (2012) defined non-compliance with tax laws as the failure, intentional or unintentional, of taxpayers to meet their tax obligation. The majority of research on taxpayers' compliance has been concerned with intentional errors on tax returns (i.e. Evasion). The term intentional tax errors are often used synonymously with 'non-compliance' and 'tax evasion'.

Non-compliance represents the most inclusive conceptualization referring to the failure to meet tax obligations whether that failure is intentional or not, evasion and cheating refer to a deliberate act of non-compliance that results in the payment of less tax than actually owed, whether or not the behavior eventuates in subsequent conviction for tax fraud. Tax evasion behavior, then, is a more restrictive term which excludes inadvertent non-compliance resulting from memory lapses, calculation errors, inadequate errors of tax laws, etc (Kirchler 2007).

Most theories of tax compliance, as well as empirical works Smith and Kinsey (1987) have until recently been premised on the assumption that tax under reporting is an intentional behavior. Behavior that is unintentional has either been ignored or set aside in a footnote or can be safely ignored as random noise. However, as noted earlier, the evidence is accumulating that unintentional non-compliance is neither small nor inconsequential and necessarily random in nature.

As far as Ethiopian practice is concerned tax noncompliance is not only an intentional behavior it is also attributed to lack of awareness, lack of ability to pay, problem related to fairness/equity, cultural and social norms, perception of the government and weak institutional capacity of tax administration and other related factors(expertise discussion of revenue officers of Butajira Town discussed of as pilot surveyof the researcher).

2.3. Conceptual Framework

A conceptual framework is an analytical tool with several variations and contexts. It is used to make conceptual distinctions and organize ideas. As indicated in the literature, it is tried to show that factors that determinants of tax payers like; tax audit, tax payers Service, tax knowledge, perception of fairness and equity, fines and penalties and organizational strength.

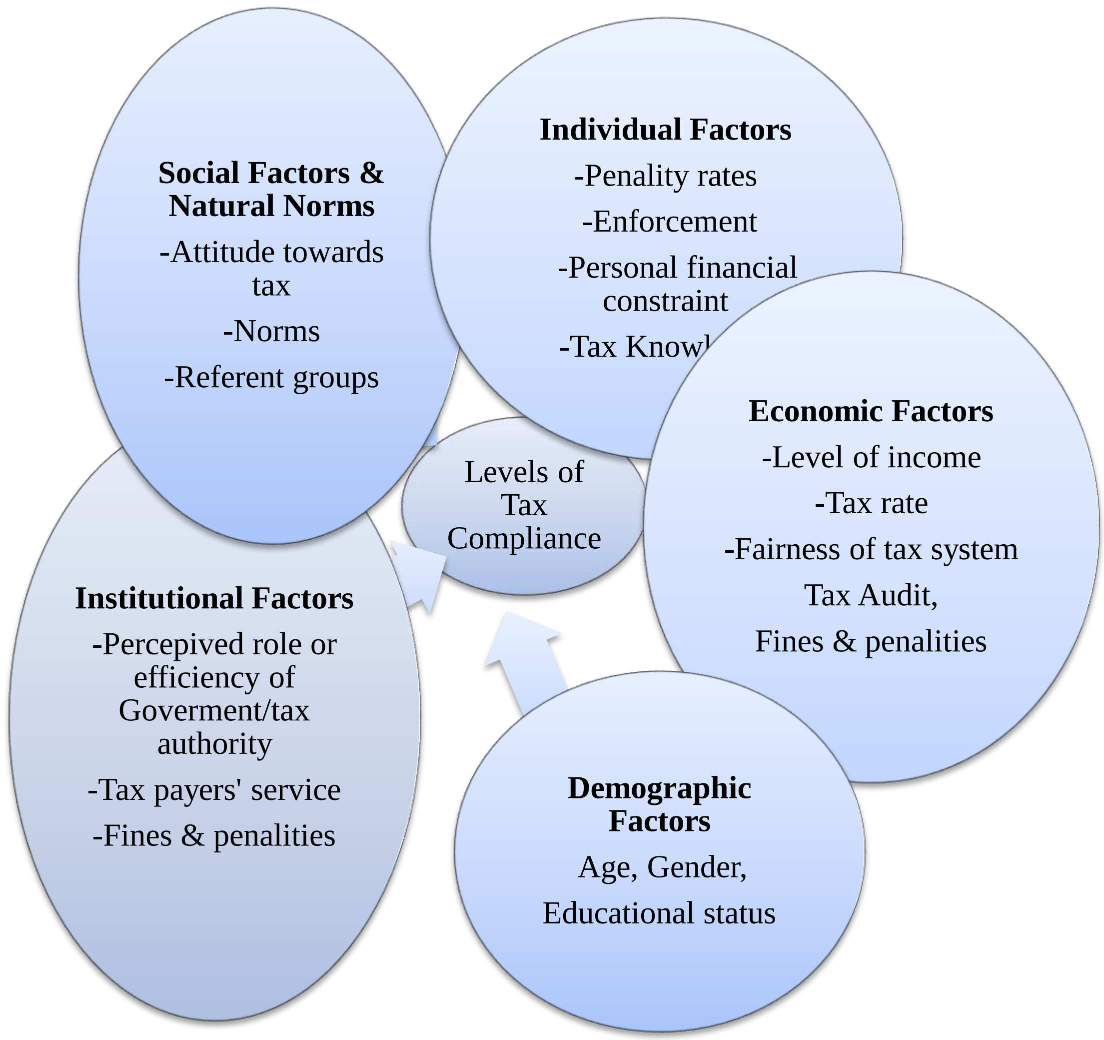
From the literatures it understood that, tax audit is the examining of an individual or organizations tax return by tax authority to achieve compliance with the proper tax laws. Providing quality service to taxpayers needs also increase to comply with their tax obligations. In addition knowledge about tax laws plays a major role in determining taxpayer compliance behavior. With regard to perception of fairness and equity, people who experience their tax burden to be higher than others tend to be less compliant with tax law. Concerning fines and penalties faire rate of penalties could improve compliance level. Further as discussed in the review of literature section above the role of a tax authority in minimizing the tax gap and increasing tax compliance is very important.

Thus organizational strength has an influence in taxpayers' compliance level.

The purpose of this study is therefore to assess determinants of tax compliance. So based on the different literatures, the following conceptual frame work has been developed to guide this particular paper.

The schematic presentation of the Conceptual framework identified for this study purpose is presented below: The description of variables and expected effect of the determinants and control variables.

Fig.Conceptual framework of the study



Source: own construct.

2.4. Identified Literature gap

'Idiographic' which refers to laws or rules that relate to individual. The point here is that most concerned with the **homothetic** - the general case rather than the individual. The study conducted individual specific determinant variables, but usually are interested in generalizing to more than just the individual. For example, The study by (Goitom and Taddesse 2014) indicated that demographic factors and individual factors have not impact on tax compliance. And stated that perceived roles of tax system has no significant effect on tax compliance. Research findings show inconsistency with the hypothesis; hence for perceived roles of tax system was correlated to tax compliance, (coefficient estimates $\beta 4=0.215$, p value=0.004. The finding indicated that the perception on the tax system could have significant on the tax compliance declaration by the tax payers. There were other researches which supported the finding of this study such as (Mukasa 2010) and (Munyentuali Gadi 2004).

CHAPTER THREE

METHODS OF THE STUDY

This chapter provides the research methodology of the assessments on tax compliance determinants based on the concept of sampling and population, sampling frame, tools of data collection or methods of data collection sampling procedure, data collection, measuring tools, types of sampling /random or probability sampling Non-random or non-probability sampling and data processing and analyzing /qualitative and quantitative approaches conducted in the study are explained or discussed .This section deals about how the research is conducted. Here, the design of the research, the sample design, the instruments of data collection, tools of data presentation and analysis are presented in this section.

3.1. Description of Study Area

The study examining the Compliances levels and its determinants of Taxpayers' of category "B" in Butajira Town by collecting primary information mainly from taxpayers' of category 'B' by using structured questionnaires and semi structured interviews for the selected staff officers of the revenue office to enhance and to triangulate first hand information obtained from the former two primary participants that the tax payers of the town Since the research study is descriptive approach and data gathering tools are questionnaires and interviews, quantitative method of data analysis, at 5% level of precision using SPSSs. The quantitative data analyzed and interpreted using percentage, frequency, means, standard deviation, ratio and averages with the help of tables, and diagrams.

3.2. Research Design and Approach

The study employed descriptive research design. The descriptive approach selected because it allows the researcher to go through the sample and take a broad view about the population and helps to assess the existing situation. It used to obtain information concerning the current status of the phenomena to describe what exist with respect to variables examined by the researcher or conditions in a situation. Since the intention of this study would to examined and, investigated the assessments on tax compliance determinants on the attainment of Revenue Office goal taking Butajira Town as a case.

Research Approach is quantitative and qualitative because research data collected and analyzed by using quantitative and qualitative data analysis methods due for triangulating the research**.**

3.3. Sources of Data

The data collected from taxpayers' and revenue office employees. Hence, data primarily collected through questionnaires for taxpayers' and interviews for revenue office employees respondents.

3.4. Population of the Study

The target population of the study were unincorporated category "B" business income tax payers in Butajira Town .As the Butajira Town the number of employees of revenue office were 42, while category B taxpayers were 1830 (Butajira Revenue Office report).

3.5. Sampling Design

3.5.1. Sampling Techniques

Stratified technique mainly selected because the study population by its very nature is divided into three groups as Tax Payers A, B and C and along with simple random sampling was employed.

Table:1: Categories of Respondents, Sampling Procedures and Data Collection Methods:

No.	Respondents	Sampling Procedures	Data Collection Instruments
1	Category B taxpayers	Stratified and simple random sampling	Structured Questionnaires
2	Revenue Office Employees	Non-probability purposive sampling	Scheduled Interviews/ Group discussion.

Source: study survey 2019.

3.5.2. Sampling Size

The present study adopts a simple random sampling and determination of sample size was based on three criteria to gather the require data from sample respondents. These included the level of precision, the level of confidence or risk and the degree of variability in the attributes being measured that enable the researchers to determine appropriate sample size (Miauous & Michener, 1976). The researcher can set acceptable level of precision at a percentage which should be agreeable to the common research standard. An interval that there is a 95% (with = 0.05) for the confidence level is most common in social science.

In this study the researcher employed probabilistic random sampling techniques for the tax payers and non-probability purposive sampling techniques for the revenue office employees.

The sample are drawn as 8 revenue office employees using purposive sampling from the revenue offices, 42 employees and 328 tax payers from the total population of 1830 that would selected by using sampling design formula that is developed Yamane (1967). i.e.**=N/1+N* (e)** ^{2} and purposive. Where n is the sample size, N is the size of the study population, and E is sampling error. Sample size determination in the present study is based on the above formulation. Accordingly size of sample in the present study decided as follows:

- The total number of category "B" tax payers in Butajira Town is 1830. Hence, Based on Yemane (1967) sample size determination formula used n=N/1+N (E) ^2:

$$n = \frac{N}{1+Ne2}$$=1830/1+1830 (0.05) ^2 =1830/4.575=328.

- Eight (8) revenue office employees were selected purposively, and
- Total number of samples=<u>328+8=338</u>

Table:2: sample size, Rate of sample size of population sampling:

No.	Category	Population	Rate of sample size	Sample size
1`	Category B taxpayers	1830	97.6%	328
2	Revenue office Employees	42	2.38%	8
	Total Population	1872	99.98.%	336

Source: self study survey 2019**.**

3.6. Instruments and Procedures of Data Gathering

3.6.1. Instruments

The study used open ended interviews and structured questionnaires for primary data collection. The survey questionnaire prepared in both Amharic and English versions to help reduce the impact of language barriers of taxpayers. In general, documentary survey analysis, questionnaires are methods of data collection in the study. To collect data about tax administrative functions and procedures, questionnaires developed and distributed to respondents from Butajira Town tax payers. The Questionnaires comprise closed types of questions (Liker type) questions 5-point Liker scale items prepared and administered for tax payers and for the revenue office employees. Again, through interview collection of data from revenue head officers respondents undertaken.

3.6.2. Procedures of Data Gathering

In order to collect accurate and relevant data for the study, it is important to use the most appropriate procedure of collecting data. The data sources that uses for the study are primary. The primary data gathered through the way of doing descriptive study approaches. Consequently, to collecting primary data are questionnaires which applied those tax payers, category B tax payers are collecting data from Butajira Town office and from 2 sub city administration tax office based on their population ratio. In the collection of data field research I needed the help of my two best friends and the cooperation of revenue offices for the well being efficiency, economic and time constraints in the study.

3.7. Data Analysis and Interpretations

The collected data analyzed using Descriptive for describing the status of respondents and along with inferential analysis/regression to measure the effect level of the factor of tax compliance and non parametric test through the help of SPSS soft ware package. The results presented using the help of tables and diagrams.

Both descriptive and inferential statistics were employed in data analysis. According to Mugenda, (2003) descriptive statistics facilitates relevant description of results and also enables the researcher to summarize and categorize the research findings conclusively. Descriptive statistics involved the use of measures of central tendency such as mean, standard deviation and percentages. Pearson correlation and regression analysis were used to determine whether or not correlations of variables were existed. Pearson correlation analysis was also used to test the strength of the association at 95% confidence level ($\alpha = 0.05$)

3.8. Validity and Reliability

3.8.1 Face Validity

The content validity of the research instrument was determined by experts in test and measurement who matched its contents with the research questions to ensure that the research instrument actually measures what it was designed for. Peer discussions were also another way of checking the appropriateness of questions. A pilot test was conducted prior to the actual data collection that could help to get valuable comments. In order to test construct validity, correlation coefficient for the independent and dependent variables were calculated to insure that independent variables are positively related with the dependent variables, thus the independent variables can be considered as a good measure of employees' commitment and organizational performance. In the study my thesis validity was assured by my advisors consistent in addition the content valid related to review literature and peer discussions.

According to Mugenda (1999), the reliability of an instrument is the measure of the degree to which a research instrument yields consistent results or data after repeated trials. Reliability of the test items in the questionnaire was tested by calculating a

Cronbach‟s alpha during piloting. The Cronbach‟s alpha value was found to be above the threshold of 0.7 hence reliable.

Table 3: Reliability test

s/n	Variable/s	Items reliability(Cronbach's Alpha)	N of Items
1	Social Factors	.935	4
2	Economic Factors	.690	3
3	Institutional factors	0.717	3
4	Individual Factors	0.853	3
5	Factosrs influencing to comply or Not to comply	0.715	6
6	Relationships between determinants	0.867	8
7	Tax Compliance Levels	0.787	10

Source: self study survey 2019.

As shown from the above all the variables are the expected levels of conbach's alpha re-suled.It was acceptable reliability.

CHAPTER FOUR

PRESENTATION AND ANALYSIS OF DATA

4.1 Introduction

This chapter consisted of two subsections; descriptive statistics and inferential statistics analysis. Descriptive statistics analysis sub-section of the chapter presents the data collected through questionnaires organized using tables' graphs and charts. The researcher has also tried to analyze and interpret the events, situation and major practices in a descriptive fashion and inferential statistics. I.e. tried to explore the factors of determinant variables and measured the degree to which the two variables are related. The researcher used regression analysis to determine what statistical impact does tax determinants on levels of tax compliance.

The data collected through questionnaire presented in this section using tables, graphs and charts. As stated in chapter three i.e. research methodology, 330 questionnaires were distributed to the respondents. Out of the 330 copies of the questionnaire 328 copies are completed and returned by taxpayers. Out of it, two questionnaires excluded and unreturned by respondents. Finally the researcher analyzed and interpreted in order to describe the role of the tax determinants on increasing level of complying tax.

4.2. Demographic Profile of the respondent

Table 4. Demographic Profiles of the Sample Respondents:

Variable	Category	Frequency	Percent
Gender of respondents	Male	246	75.0
	Female	82	25.0
Age	<30	165	50.3
	31-40	132	40.2
	>41	31	9.5
Qualification of respondents	<high school	103	31.4
	High school completed	129	39.3
	Certificate	20	6.1
	Diploma	42	12.8
	Degree	19	5.8
	MA and above	15	4.6
Years of experience of respondents	<1 year	77	23.5
	1-5 years	175	53.4
	6-10 years	59	18.0
	>10 years	17	5.2
The level of the respondents	level A	62	18.9
	level B	67	20.4
	level C	199	60.7

Source: Study Survey, 2019.

A total of 330 questionnaires were distributed to the target sample and 328 were returned. The researcher was cleaning the data by carefully scrutinizing the data to ensure all questions were filled appropriately.

Demographic factor one examined the gender of the respondents. This information was necessary to enable the researcher to obtain information on whether the respondents were either male or female. Seventy five percent (75%) of the respondents were male whereas twenty five percent (25%) were female. The gender finding indicated that males take more parts on the tax system than females. Still the portion of females on the outside activities other than household is dominated by males.

Demographic factor displays the age brackets of respondents, (50.3%) of the respondents are under 30years of age, (40.2%) are between 31-40years, (9.5%) are greater than 41 age bracket. %).This result demonstrates that most of the taxpayers generally below 40 years. This signifies that most of the taxpayers age lies on the right time for rationalized and analyzed the effect of the tax on countries‟ economy. So, most of the respondents are taxpayers that are available on the right working stage/young stage/.

Demographic factor examines the academic credentials of the respondents. The information is necessary to assist the researcher to recognize whether the respondents are educated or illiterate. Information on the academic qualifications of the respondents is statistically shown in table 4.2 below. It reflects the academic qualifications of the respondents. Thirty one point four (31.4%) under high school, Thirty nine point four (39.4%) have a completed high school certificate, Six point one percent (6.1%) hold a Certificate/ (12.8%) diploma; Five point eight percent (5.8%) have a Degree/Professional, and four point six percent (4.6%) have a MSC, and above. The finding indicates that majority of respondents in the study area are fairly educated. Taxpayer's education status has significant effect on understanding the obligatory dustiness of tax and the effect tax on the economy. The taxpayers education level could have impact on the tax compliance.

Service : Based on the data collected through the questionnaire, the highest portion of respondents 77(23.5%) fall below one year, 175(53.4%) fall within the range of one to five years of service, the second highest number i.e 59 of respondents(18.0%) have 6-10 years of experience, 17(5.2%) of respondents have greater than 10 years and above respectively.

From this mixes of respondents services the researcher believe that these combination of the respondents were good enough in finding the accurate information because the majority of the respondents have 1- 10 years' experience which is more than two years from which the majority of taxpayers has more than one year experience in business activity in the city. This helps them to understand the questionnaires easily and can provide valid information for the study.

. **Regarding their category of taxpayers** 62(18.9%)were category A, 67(20.4%) were category B and 199(60.7%) were category C taxpayers respectively. This indicates that more of participants were category C respondents available.

4.2 Descriptive Analysis the Role of tax compliance determinant variables on tax payers' behavior to complying tax.

This subsection describes the independent variables and the dependent one with the objective of detailing the responses of the respondents with regard to the determinants of the tax compliance and the tax compliance itself.

The research focused on describing both independent variables (Social factors and Natural norms, Economic factors, Institutional factors, Individual factors, Factors influencing or not influencing tax compliance and The relationship between tax determinant variables) and dependent variable (Tax compliance) as it was in the organization setting.

In order to determine the strength/weakness of stated characteristics in tax compliance office at Butajira, the response categorized in to three fairly distributed ranges with cutoff point 1.333. Therefore Mean value falls under ranges between 3.667- 5.00 considered as good tax compliance , Mean value falls under ranges between 2.334-3.667 considered as moderate tax compliance and Mean value falls under ranges between 1.00 – 2.334 considered as low tax compliance. In this sub section the researcher also conducted correlation and Partial correlation analyses in order to explore the relationship between variables.

Table 4.2.1/5: Social and Norms Influencing Tax Compliance:

Descriptive Statistics

	N	Mean	Std. Deviation
you are getting comparable social service from the government for the tax you pay	328	1.83	.805
The unwillingness to fulfill someone else's tax obligation affects you	328	4.57	.525
The belief that tax evasion is a petty crime and a widespread hinders the work of tax authorities	328	4.51	.501
the honesty and loyalty of tax payers to the tax system are favorable	328	4.52	.500
n	328	3.8255	.19992

Source: Study Survey, 2019.

In the above table 4.2.1/5 the researcher measured social factor dimension of tax compliance. The respondents' asked to rate their level of agreement /disagreement on four positively worded questions in order to determine the existence of social factors at Butajira town. There is slight difference among items ranging between mean value M= 4.57 to 1.83. The lowest mean value registered in the case of attitude of "you are getting comparable social service from the government for the tax you pay" and relatively higher mean is recorded in "The unwillingness to fulfill someone else's tax obligation affects you**"** in the organization item.

On the other hand, the value of standard deviation shows some degree of inconsistency among respondents (SD = 0.19992). This value implies that there are some respondents who rated below the grand mean which means some respondents rated as the level of social factor is not as good as the average indicator. On the other extreme, some respondents likely to rate the level of social factor is good than the average indicator. As briefly shown the grand mean of four items scored Mean = **3.8255** which means the respondents inclined to say there is good social factors activity at Butajira tax compliance office.

Kirchler (2007) suggested that social factors should be viewed in a broader sense than Torgler's perspective; this includes the psychology of the taxpayers. On the other hand, Palil (2010) tax compliance determinants from a social perspective relates to the taxpayers' willingness to comply with tax laws in response to other people's behavior and their social environment (i.e. the government, friends and family members) (Torgler, 2007).

The above, figure 4.2 also shown the majority of taxpayers disagreed that taxpayers have trust in the tax system, assessment, and collection procedures.

However, the tax authority has a mandate to collect taxes from different sources of income as per tax proclamation. Thus, the tax revenue office has this opportunity to collect direct and indirect taxes from the taxpayers of the town.

As Bird and Oldman (1967) cited in Lemessa (2007), no tax works effectively, unless its administrators maintain an aggressive attitude with respect to the correctness of the taxpayers' actions. Some taxpayers failed to file or make mistakes through ignorance or neglect; others deliberately cheat. A passive attitude of the authorities towards these errors and falsifications soon undermine the entire structure, since the diligent and honest taxpayers almost in self-defense be forced to the level of the careless and dishonest. A tax administration which seeks compliance must protect those who comply or else compliance might be forth coming.

Generally, this response indicates a more or less encouraging result. On the other side, the honesty and loyalty of the taxpayers are still under question mark even though the ratio does not take the major share.

The respondents confirm that; 'Alm, Martinez-Vazquez and Schneider (2003) acknowledged that most people do not like to pay taxes as a result; it is difficult for tax authority to impose and collect taxes anywhere and anytime.'

In summary, social service is one of very crucial things to the community in order to create positive impact on tax compliance, an easy lifestyle, smooth relationship among individuals and to solve society's problem as much as possible to ensure the people of modernity. On the other hand, when the government misuses the collected money, the government strategy for spending the revenue does not touch targeted users. Similarly, the approach of the government does not attract taxpayers to pay their tax liability the taxpayers are not complying to pay their tax liability. Thus, the study revealed that taxpayers are not willing to pay taxes because of limited social services delivered by the government.

Table 4.2.2: Descriptive analysis of Economic factors:

Descriptive Statistics			
	N	Mean	Std. Deviation
the current tax law is appropriate and suitable with the economic condition of tax payers	328	2.07	.315
the probability of being audited would benefit your tax liability assessment report	328	4.59	.522
the tax you are paying is fair and based on your ability to pay/pay your fair share of tax	328	1.80	.781
ean	328	2.6940	.27276

Source: Study Survey, 2019.

As indicated by table 4.2.2/6 the respondents were asked three questions regarding economic factors dimension of tax compliance. The result of the data revealed that higher mean **4.59** value registered for the probability of being audited would benefit your tax liability assessment **report** and relatively lower mean **1.80** for the tax you are paying is fair and based on your ability to pay/pay your fair share of tax. The data also revealed that there is relatively high variation SD=**.781** between respondents on the tax you are paying is fair and based on your ability to pay/pay your fair share of tax. Relatively there is minimum response variation were found SD=.**315** between respondents for the current tax law is appropriate and suitable with the economic condition of tax payers item. From different dimensions of tax compliance dimension registered grand mean **2.6940** and SD=.**27276**. The overall standard deviation value also indicates that there is response variation between respondents and on the item basis. Generally speaking, tax payers at butajira town are responded as economic factors are poor for tax and compliance dimension. As cited by Shanmugam (2003) in palil (2010) the third key issue of SAS operation is setting and operating a suitable tax audit system. A tax audit is an investigation made by the tax authority in order to verify the accuracy of tax returns and attempt to detect non-compliance behavior and activities; audit probability is defined as the number of tax returns assessed (audited) divided by the number of tax returns received (Shanmugam 2003; IRB Annual Report, 2006; Kirchler, 2007). In SAS, the question 'to what extent should tax audits be implemented?' remains unsolved, as an absolute SAS supposedly requires minimum tax audits (Loo, 2006). Furthermore, there is a conflict between direct assessment and SAS in terms of tax audits (Mohani, 2001) whereby in direct assessment, all tax returns are subject to thorough scrutiny while SAS does not require any direct assessment as the responsibility is shifted to taxpayers for all assessments.

Table 4.2.3: Descriptive analysis of The Strength of Tax Authority/Institutional factors:

Descriptive Statistics			
	N	Mean	Std. Deviation
Providing necessary information to tax payers' regarding the provision of service and utilization of revenue.	328	2.08	.328
The tax authority employees are supportive and responsive promptly to tax payers.	328	2.05	.371
The non -compliance of tax payers can put the credibility and worthiness of the tax administration under question mark.	328	4.52	.500
Grand mean	328	2.7782	.21600

Source: Study Survey, 2019.

As indicated by table 4.2.3/7 the respondents were asked three questions regarding institutional factors dimension of tax compliance. The result of the data revealed that higher mean **4.52** values registered for the non -compliance of tax payers can put the credibility and worthiness of the tax administration under question mark and relatively lower mean **2.05** for the tax authority employees are supportive and responsive promptly to tax payers. The data also revealed that there is relatively high variation SD=**.500** between respondents on the non -compliance of tax payers can put the credibility and worthiness of the tax administration under question mark. Relatively there is minimum response variation were found SD=**.328** between respondents for providing necessary information to tax payers' regarding the provision of service and utilization of revenue. From different dimensions of tax compliance dimension registered grand mean **2.7782** and SD=.**21600**. The overall standard deviation value also indicates that there is response variation between respondents and on the item basis. Generally speaking, tax payers at Butajira town are responded as institutional factors are poor for tax compliance dimension. The result shows that the non-compliance of taxpayers has a negative impact on the credibility and trustworthiness of the tax administration.

The role of tax authority in minimizing the tax gap and increasing tax compliance is clearly very important. Hasselldine and Lie (1999) illustrated that the government should play a central role in designing the tax systems itself, and the specific enforcement and collection mechanisms. To evaluate the strength of the tax authority, taxpayers and employees are requested to give their opinion on taxpayer education, service delivery, awareness creation, and law enforcement.

A poor quality of tax administration may also collect large amounts of revenue from easy-to tax sectors such as wage earners, while unable to enforce taxes on business enterprises and professionals. The amount of revenue collected alone could not explain the best tax administration. Maximizing revenue for a given administrative outlay is only one dimension of the task of tax administration. Revenue outcomes may not always be the most appropriate basis for assessing administrative performance. How the revenue is raised-the effect of revenue-generation effort on equity, the political fortunes of the government, and the level of economic welfare-may be equally or more important in some contexts. Hence, measuring the effectiveness of the tax administration by the size of the tax collected is unsophisticated judgment. Considering the size of the compliance gap is rather a much stronger criterion for the effectiveness of tax administration (Bird, 2003).

In summary, taxpayers and employees of revenue office have a shared view on the problem of tax assessment and collection procedures.

Table4.2.4: Descriptive analysis of Individual factors:

Descriptive Statistics			
	N	Mean	Std. Deviation

personal financial constraint is negatively correlated with tax compliance/makes to evade tax.	328	4.55	.498
serious enforcement and penalty by tax office increase tax payers' compliance.	328	4.61	.518
tax payers has been given regular lessons to maximize their awareness on tax.	328	1.85	.792
Grand mean	328	3.8111	.21455

Source: Study Survey, 2019.

As indicated by table 4.2.4/8 the respondents were asked three questions regarding individual factors dimension of tax compliance. The result of the data revealed that higher mean **4.61** values registered for serious enforcement and penalty by tax office increase tax payers' compliance. And relatively lower mean **1.85** for the tax authority employees are supportive and responsive promptly to tax payers. Tax payers have been given regular lessons to maximize their awareness on tax. The data also revealed that there is relatively high variation SD=**.792** between respondents on tax payers has been given regular lessons to maximize their awareness on tax.. Relatively there is minimum response variation were found SD=.**498** between respondents for personal financial constraint is negatively correlated with tax compliance/makes to evade tax.. From different dimensions of tax compliance dimension registered grand mean **3.8111** and SD=.**21455**. The overall standard deviation value also indicates that there is response variation between respondents and on the item basis. Generally speaking, tax payers at Butajira town are responded as individual factors are good for tax compliance dimension.

Table 4.3/: descriptive analysis of tax determinant factors influencing to complying or not to complying tax:

Descriptive Statistics			
	N	Mean	Std. Deviation

The honesty and loyalty of tax payers to the tax system are favorable.	328	4.33	.489
Providing necessary information to taxpayers regarding the provision of services and utilization of tax revenues.	328	2.07	.320
Giving rewards for compliant taxpayers has an impact on other taxpayers' attitude towards the tax system	328	4.56	.527
Taxpayers evade tax if the probability of being audited is low.	328	4.52	.500
Tax amnesty encourages non-compliance.	328	2.10	.357
The current penalty rates are very high and taxpayers cannot afford the penalty.	328	2.10	.370
Grand mean	328	3.0836	.16207

Source: Study Survey, 2019.

As indicated by table 4.3/9 the respondents were asked three questions regarding individual factors dimension of tax compliance. The result of the data revealed that higher mean **4.56** values registered for Giving rewards for compliant taxpayers has an impact on other taxpayers' attitude towards the tax system. And relatively lower mean **2.10** for Tax amnesty encourages non-compliance. And the current penalty rates are very high and taxpayers cannot afford the penalty. The data also revealed that there is relatively high variation SD=**.527** Giving rewards for compliant taxpayers has an impact on other taxpayers' attitude towards the tax system. Relatively there is minimum response variation were found SD=.**320** Providing necessary information to taxpayers regarding the provision of services and utilization of tax revenues. From different dimensions of tax compliance dimension registered grand mean **3.0836** and SD=.**16207**. The overall standard deviation value also indicates that there is response variation between respondents and on the item basis. Generally speaking, tax payers at Butajira town are responded as individual factors are good for tax compliance dimension.

Concerning results on perceived fairness tax system, respondents reach on censuses that they are not.

Table 4.4: descriptive analysis of Relationships between tax determinant variables:

Descriptive Statistics	N	Mean	Std. Deviation
Male taxpayers are more tax compliant	328	2.07	.433
0lder taxpayers are tax compliant	328	2.06	.424
Tax knowledge is positively correlated with tax compliance	328	4.58	.501
Awareness of penalty is positively correlated with tax compliance	328	4.56	.527
Probability of being audited is positively correlated with tax compliance	328	4.54	.499
positive perception of tax lows, determinations and collection procedures are making simple is positively correlate with tax compliance	328	4.57	.496
positive perception of equity in the tax system is positively correlated with tax compliance	328	4.58	.494
Perceived role or efficiency of Government/tax authority is positively correlated with tax compliance.	328	4.56	.497
Grand mean	328	4.65	.13880

Source: study Survey, 2019.

As indicated by table 4.4/10 the respondents were asked three questions regarding individual factors dimension of tax compliance. The result of the data revealed that higher mean **4.58** values registered for positive perception of equity in the tax system is positively correlated with tax compliance. And relatively lower mean **2.06** for Male taxpayers are more tax compliant.. The data also revealed that there is relatively high variation SD=**.527** Awareness of penalty is positively correlated with tax compliance. Relatively there is minimum response variation were found SD=**.424** 0lder taxpayers are tax compliant. From different dimensions of tax compliance dimension registered grand mean **4.65** and SD=**.**13880. The overall standard deviation value also indicates that there is response variation between respondents and on the item basis. Generally speaking, tax payers at Butajira town are responded as individual factors are good for tax compliance dimension. Tax compliance determinants from a social perspective relates to the taxpayers' willingness to comply with tax laws in response to other people's behavior and their social environment (i.e. the government, friends and family members) (Torgler, 2007). Similarly, fairness has always been widely regarded as the most important criteria in judging a tax system. The problem of unfairness is that a tax system allows taxes to be shifted from dishonest to honest taxpayers. The fairness of a tax system may also be perceived in different ways by the taxpayers and tax authorities. What is fair in the eye of the tax authorities may not have the same image in the mind of the taxpayers (Brooks, 2001).

In general, the number of non-compliant increases, the revenue of the city decreases. Hence, given that the tax amnesty creates a serious problem for the city on revenue generation as well as an effective control of the non-compliant. To evaluate the importance of reward to control the non-compliance rate in the city, both taxpayers and employees were requested to suggest their view about the importance of reward. Accordingly the majority of taxpayers and employees agreed that giving rewards for compliant taxpayers can minimize the non-compliant rate.

From this fact it was concluded that the majority of respondents replied serious enforcement and penalty important tools to improve the taxpayers' compliance level.

The carrot and stick approach is based on a relatively narrow interrelationship of economic rationality. According to this approach, totally amoral individuals maximize their utility by maximizing their income and wealth. They evade taxes if they consider that by doing so they can expect to increase their spending power. Noncompliance can therefore be explained by factors such as the level of tax rates, the probability of being caught evading, the penalties imposed and the degree of risk aversion (James, 2000). In general, there were great problems in the section of enforcement and penalty that is obstacles for the office in order to collect tax effectively and efficiently.

Descriptive	N	Mean	Std. Deviation	Variance

	Statistic	Statistic	Statistic	Statistic
Everyone accepts responsibility for paying fair share of tax.	328	2.10	.345	.119
Tax payers' tax returns on time or pay on time and correctly report.	328	2.09	.360	.130
Taxpaying as helping the government do worthwhile things.	328	4.51	.501	.251
The noncompliance of other taxpayers has negative impact on the behavior of compliant taxpayers.	328	4.13	.335	.112
Paying tax is a responsibility that should be willingly.	328	4.93	.267	.072
Taxpayers who perceive the tax authorities' enforcement actions to be ineffective are less compliant.	328	4.06	.234	.055
The tax system used for filling and submitting tax returns is unfriendly to tax payers' usage.	328	4.05	.222	.049
Tax revenues are spent on public service as should be.	328	4.96	.188	.035
Tax laws should be respected.	328	4.58	.494	.244
Paying tax as the right thing to do.	328	4.53	.500	.250
Grand Tax compliance levels	328	3.9933	.13438	.018

Table 4.5: Descriptive Analysis of Tax Compliance Level

Source: Study Survey, 2019.

Table 4.5 shows that the respondents from the selected sample only declared their tax accepts responsibility for paying fair share of tax (mean=2.10). But, they paid the right amount of taxes (mean=2.09) for their branch as compare with retuning on time. And also accepting responsibility for paying fair share of tax (mean=2.10) is better as comparing with the returning on time. Generally, tax compliance level has an aggregate mean= (3.9933) which indicate that more of the respondents are willing to execute their tax duties. In other hand, it state that less than 50% of the taxpayers are not interested to pays their tax in proper procedures and amount. So, almost half the respondents who are not execute their duties leads the researcher to conclude that there is a difficulty tax compliance problem of taxpayers. Besides, the above outcomes checks compliance requires founding and conserving current accounts of taxpayers and management information systems covering ultimate taxpayers involved in the tax system as well as appropriate and prompt procedures.

There could be different possible reasons for the problem of tax compliance in the selected Butajira taxpayer's branch office. The taxpayers have not sufficient and deep understanding about the functions of tax. Most taxpayers have not recognized yet the tax which they paid would give them service as services. Generally, the taxpayers would have improper perception towards tax, lack of knowledge about mandatory and obligatory nature of tax, inadequate education about the criminality nature and its consequences of tax. The researchers like (Akalu 2016), (Goitom and Taddesse 2014), (Joseph 2003), (Rawling 2003) who have done research related with the tax compliance has concluded that there is lower level of compliance level in their conclusion. In general, to solve the problems with both employees and taxpayers of the town the government discusses all issues and put the remedy in accordance with their severity.

4.6. Analysis of Open-ended interview Questions

The respondents were also given the opportunity to give their general interview open-ended interview questions on the overall tax system. Accordingly, they issued several issues regarding the problems and measures that have to be undertaken. These additional issues forwarded by the revenue office employees are generally summarized under six points as listed below:

As, respondents firmly commented that the tax system lacks fairness or equity (83.0 percent). They further elaborated their comment that individuals having equal income are not paying equal tax and this highly affects the taxpayers' motivation to be compliant and remaining compliant. In other words, as long as the tax system lacks horizontal equity (individuals with equal income pay equal tax) it is difficult to change taxpayers' attitude in order to bring about voluntary compliance.

The other point strongly raised by the respondents is that there are several individuals who are doing business but not paying tax or not known as tax payers (77.5 percent). Similarly, they said that there are many individuals who are engaged in illegal (contraband) trades.

According to their view, all these abnormal acts are hampering their business activities and as a result unfair competition has prevailed in the study area. The respondents have said that the tax authority has done little to curb these acts so as to reduce tax evasion.

The other comment given by the respondents is that the tax authority does not provide sufficient education to taxpayers to boost awareness (76.0 percent). According to the respondents the root cause of all the problems in the overall tax system is lack of awareness which is attributed to poor tax education practice and absence of consultation sessions between taxpayers' and the authority.

That is, there is no culture of communication and consultation between both parties and this resulted in the existence of a gap.

On the other hand the respondents indicated that there is no sufficient provision of social services by the government (72.5 percent). According to their comment, tax payers need various social services from the government in return of what they have paid as a tax. If there is no provision, the willingness and motivation of the taxpayers to pay their tax obligation in full and on timely basis may be affected.

The respondents also commented that the tax authority is not effective with respect to tax collection and enforcement (81.5). They further explained that there are several tax payers who are not included in the tax bracket and large amount of uncollected tax exist in arrears. Moreover, the tax authority exercises little effort in enforcing the tax law. This could be as a result of the tax authority's lack of capacity.

Finally, the respondents indicated that there is no transparency in the tax system (79.5 percent).

That is, the procedures in tax assessment and computations are not objectively understood by taxpayers.

Table 4.6: CORRELATION STATISTICS

Source: Study Survey, 2019.

		Taxct	*Sfnna*	*ecofb*	*insfc*	*indfd*	*ob2f*	*ob3credit*
Taxct	Pearson Correlation	1						
	Sig. (2-tailed)							
Sfnna	Pearson Correlation	.366**	1					
	Sig. (2-tailed)	.000						
Ecob	Pearson Correlation	.036	.158**	1				
	Sig. (2-tailed)	.517	.004					
Insfc	Pearson Correlation	.193**	.173**	.185**	1			
	Sig. (2-tailed)	.000	.002	.001				
Indfd	Pearson Correlation	.120*	.151**	.199**	.150**	1		
	Sig. (2-tailed)	.030	.006	.000	.006			
ob2	Pearson Correlation	.014	.025	-.041	.047	.015	1	
	Sig. (2-tailed)	.796	.658	.463	.400	.781		
ob3credit	Pearson Correlation	.241**	-.054	-.063	-.014	-.002	-.187**	1
	Sig. (2-tailed)	.000	.332	.254	.806	.967	.001	

The results regarding this were summarized and presented in table 4.6. Pearson Correlations results in table 4.6 showed that social factors and natural norms for the tax system was positively and significantly correlated to tax compliance level ($r=0.366$, $\rho<0.05$).Thus social factors and natural norms had 36.6% positive significance relationship with tax compliance level. Economic factors was the second component to be positively related with tax compliance level($r=0.158$, $\rho<0.05$) an indication that economic factors had 15.8% significant positive significance relationship with tax compliance. Institutional factors/tax authority was significantly associated with tax compliance level as shown by ($r=.185$, $\rho<0.05$) and ($r=.173$, $p<0.5$ economic factors) and ($r=.193$, $p<0.5$ with social factors and natural norms) implying that institutional factors had a 18.5% positive relationship with tax compliance level. And 17.3% positive relationship with economic factors and 19.3% positive relationship with social factors and natural norms. Individual factors was significantly associated with tax compliance by ($r=.150$, $p<0.5$),Relationships of tax determinant factors by ($r=.241$, $p<0.5$),these imply individual factors 15%,and tax determinant factors 24.1% had positive significance relationship with tax compliance. As the above result indicates almost all the independent variables which selected in this study has positive relationship with the tax compliance. The p value also indicates the social factors, the economic factors the institutional factors ,the individual factors and factors influencing tax determinants has affected the tax compliance levels. So, the result of the collected data shows the researcher that the research should be done. The independent variables significantly affect the dependent variables. The correlation indicates that the positive increment in the independent variables have positive effect on the tax compliance level. The taxpayers would show positive response towards their tax duties when they have strong believe on the fairness tax system of the country. Continuous training and creating awareness also have positive impact on avoiding not tax compliance behavior of the taxpayers. And also, they give them sufficient understanding about the taxes which they paid for their better tomorrow. The fine and penalty also have impact on the deterrence on non-tax compliance. Strong enforcement of the rules would make the taxpayers more sensitive to declare their tax with on time and right amount. Moreover, the tax authority should exercise the power as the law prescribed only. The tax authority should suppose to build great trust in the heart of the taxpayers.

CHAPTER FIVE

SUMMERY, CONCLUSIONS AND RECOMMENDATIONS

The purpose of this chapter, the researcher tries to summarize the above major findings of the study focusing on the main topic of the paper. At the end, the study draws a conclusion based on the analysis of the available data. Finally on the basis of the conclusions, the researcher recommends some points that enable to minimize the determinants of taxpayers' compliance taking Butajira Town as a case.

5.1. Major Findings

The study revealed that taxpayers are not willing to pay taxes because of limited social services delivered by the government.

Tax education and tax compliance have a direct relationship on the implementation of tax laws, rules and regulation and directives of the tax proclamation of the country.

The taxpayers are not willing to comply because of communication gap between the tax office employees and taxpayers of the Town.

The tax laws were not prepared in simple and understandable way as per the taxpayers and employees understanding level and it is not convenient.

Rewarding compliant taxpayers are useful in enhancing the revenue of the Town and reducing the number of non-compliance.

The majority of respondents agreed about tax audit benefit for the taxpayers when timely implemented as stated in the stipulated period of time.

5.2 Conclusions

Now a time tax authority requires efficiency and effectiveness in tax systems and procedures as well as the enhancement of control measures in order to accommodate facilitation and regulatory control. The key elements necessary for this success comprise tax education, tax audit, attitude towards taxation, perception of fairness/equity, social and cultural norms, the strength of the tax authority, and perception of government spending.

In this regard, the application of these elements may be contingent upon the development of the Butajira Town in terms of the tax system, procedures, facilities and infrastructure, and most important of all, the voluntary tax compliance. It then discusses the theoretical and practical implications of the study as well as the possible generalization of the case study and the key findings. These perceptions may, in turn, influence their attitudes towards tax compliance.

Similarly, there are different reasons for the non-compliance of taxpayers discussed in the chapter four of the papers. Based on the results from data analysis and findings of the research, one can conclude the following:

- There is a good initiation regarding the implementation of social services to the community. However, the government misuses the collected money and has put different milestones for different social services promising but activities are not completed. In addition, taxpayers did not get sufficient services from governments for the payments of tax; they have not truest in the government expansions of social services to the societies. As a result, taxpayers are not willing to pay taxes or comply as per the tax proclamation.
- The tax laws are not prepared in simple and understandable manner. The employees have not got adequate information about the new arrival manual, directives and regulations; and the tax laws are too complex to understand. In addition, between taxpayers and employees there are communication gaps regarding tax law.
- The audit performance of tax revenue office is less effective in targeting on findings. According the population of taxpayers in the Town the employees are a small in number and lack of experienced.
- The revenue office establishes the requirement to enhance the tax compliance effectiveness. However, there are problems regarding, giving rewards for compliant taxpayers, tax amnesty and serious enforcement and penalty. These results and other factors, the performance of revenue office in the collection of revenue is ineffective and non-compliance of taxpayers has encouraged.

- The study shows that the greater part of taxpayers did not aware on tax education sessions prepared by the revenue office. There are different reasons for these namely the willingness of taxpayers and the capacity of revenue office providing the tax education matters. Thus, tax education has not provided adequate to taxpayers to achieve positive attitudes and perceptions on the taxation.

According to the above findings; tax compliance in Butajira Town is not effective and efficient to achieve its stated objective.

5.3 Recommendations

The conclusion in the above indicates that; there are some gaps that affect taxpayers' compliance taking Butajira Town as a case. Thus, in order to improve the tax compliance of the Town; the researcher recommends the following points:

To improve the awareness of taxation; Butajira Town tax office should educate, provide tax information and tax knowledge to all taxpayers through different media like on the meeting, Idir, Equb and coffee ceremony in different places, a mini media in school, and also for providing information crate advice kiosks by which identifying the problems of both taxpayers and employees and implementing the voice of taxpayers to reduce the non-compliance and to enhance the revenue collections.

In order to achieve the goal of tax compliance, the tax authority should reward those honest and loyal taxpayers, avoiding of tax amnesty and take serious enforcement and penalty on non-complaints.

The revenue office should take the following measures to improve the current tax compliance. These include: improving relationship with the public, educating the taxpayers and conducting consultation sessions, providing necessary information to taxpayers regarding the provision of services and utilization of tax revenues and aggressive tax enforcement effort by the tax revenue office. In addition, tax authority should improve in line with tax education, service delivery, awareness creation, tax collection efficiency and law enforcement.

Finally, if the Butajira Town tax office applies the above measures it would determinants of taxpayers compliance, as a result improves taxpayers' compliance.

5.4. Directions for Future Research

This study identifies the determinants of taxpayers' compliance based on the quantitative analysis of the data collected from primary data focusing on specific issues and areas. The identified issues are not the only factors that influence compliance.

Thus, interested researchers can extend the same topic by incorporating more variables in the study that are expected to affect tax compliance

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Annex I

Wolkite University

College of Business and Economics

Department of Management Interview for Tax Revenue Office Employees

Interview Protocol question

- What are the Roles of tax compliance variables on the taxpayers' complying tax?
- What are the motivating factors influencing the tax payers to comply or not to comply for their tax?
- How tax compliance variables are related with tax payers' intention to complying tax?

Annex II

Wolkite University

School of Graduate Studies

College of Business and Economics

Department of Management

Questionnaires for Taxpayers

Dear Taxpayers:

The purpose of this question is to collect data that are of paramount importance to identify Assessments of the practice of tax compliance the case of category B tax payers in Butajira Town. The data will be used for the study leading to fulfilling master's thesis requirement in Business Administration/MBA/. The information you provide believed to have a great value for the success of this research. The information you provide in this questionnaire will be kept confidential and utilized only for the purpose of this study. Your genuine response is highly valuable for the achievement of the objectives of this research.

Kindly requesting you to give genuine response to all the questions hereunder, I am grateful to your cooperation.

Thank you for your cooperation!!!

Researcher's name: Hassen Sabir

Position: MBA student at Wolkite University

Telephone: 0915691412

Email:mestgfir5536@gmail.com

N.B No need of writing your name on the sheet.

General Instructions:

I. Please provide your responses by marking a tick (√) in the relevant boxes.

II. To the questions with alternatives that do not match to your response, please write your appropriate response on the space provided.

III. Do not write your name on the questionnaire.

IV. This Questionnaire is to be filled by Managers /Officers or owner of the company.

Section - I. Background information of respondents

Please circle the letter that appropriately represents your response in each of the following questions.

1. Gender: 1. Male 2. Female
2. Age: (In year) 1. Less than 30 2. 31 to 40 3. above 41 yearrs
3. Educational status:

   1.Below secondary school 2. Secondary school 3. Certificate

   4. Diploma 5. Degree

   6. Masters degree and above

4. Business experience: 1) Less than 1 year 2) 1-5 years

3) 6-10 years 4) More than 10 years

5. Taxpayer category : 1) Category “A” taxpayer

2) Category “B” taxpayer

3) Category “C” taxpayer

Section II: Please provide your responses by marking a tick (√) in one of the alternatives mentioned by saying:

(1) Strongly Disagree, (2) Disagree, (3) Neutral, (4) Agree and (5) Strongly Agree to the statements.

Objective 1: To assess the Role of tax compliance determinant variables on tax payers behavior to complying tax.

C/N	Items	Strongly	Disagree	Neutral	Agree	Strongly
6.	Questions related to tax payers' Social Factors and natural Norms:					
6.1	You are getting comparable social service from the government for the tax you pay.					
6.2	The unwillingness to fulfill someone else's tax obligation affects you.					
6.3	Tax evasion is a petty crime and a widespread hinders the work of tax authorities.					
6.4	The honesty and loyalty of tax payers to the tax system are favorable					
7.	Questions related to tax payers' Economic Factors:					
7.1	e current tax law is appropriate and suitable with the nic condition of tax payers.					
7.2	The probability of being audited would benefit your tax liability assessment report.					
7.3	The tax you are paying is fair and based on your ability to pay/pay your fair share of tax.					
8.	Questions related to the tax authority/Institutional factor:					
8.1	Providing necessary information to tax payers' regarding					

	the provision of services and Utilization of revenue.					
8.2	The tax authority employees are supportive and responsive promptly to tax payers.					
8.3	The non-compliance of tax payers can put the credibility and worthiness of the tax administration under question mark.					
9	Questions related to Individual factors of tax system:					
9.1	Personal financial constraint is negatively correlated with tax compliance/ makes to evade tax.					
9.2	Serious enforcement and penalty by tax office increase tax payers' compliance.					
9.3	Tax payers has been given regular lessons to maximize their awareness on tax.					

2. Factors influencing taxpayers' to comply or not to comply for their tax.

Strongly Disagree, (2) Disagree, (3) Neutral, (4) Agree and (5) Strongly Agree to the statements.

C/N	ITEMS	(1)StronglyDisa gree)	(2) Dis agree	(3) Neu Tral	(4) Agre e	(5)Stro ngly Agree
2.1	The honesty and loyalty of tax payers to the tax system are favorable.					
2.2	Providing necessary information to taxpayers regarding the provision of services and utilization of tax revenues.					
2.3	Giving rewards for compliant taxpayers has an impac tax system.					
2.4	Tax payers evade tax if the probability of being audited is low.					
2.5	Tax amnesty encourages non-compliance.					
2.6	The current penalty rates are very high and taxpayers can't afford the penalty.					
2.7	Male tax payers are more tax compliant than female counterpart.					
2.8	Older tax payers are tax compliant.					
2.9	General Tax knowledge is positively correlated with tax compliance.					
2.10	Awareness of penalty is positively correlated with tax compliance.					

2.11	Probability of being audited is positively correlated with tax compliance.					
2.12	positive perception of tax laws, determinations and collection procedures are making simple is positively correlated with tax compliance.					
2.13	Positive perception of equity in the tax system is positively correlated with tax compliance.					
2.14	Perceived role or efficiency of Government/tax authority is positively correlated with tax compliance.					

part III. Questions assumed result of tax compliance levels

No.	ITEMS	(1)Stro-ngly Disagree)	(2) Disagree	(3) NeuTral	(4) Agree	(5)Strongly Agree
3.1	Every one accept responsibility for paying fair share of tax.					
3.2	Tax payers tax returns on time or pay on time and correctly report.					
3.3	Taxpaying as helping the government do worthwhile things.					
3.4	The noncompliance of other taxpayers has negative impact on the behavior of compliant taxpayers.					
3.5	Paying tax is a responsibility that should be willingly.					
3.6	Taxpayers who perceives the tax authorties enforcement actionsto be ineffective are less compliant.					
3.7	The tax system used for filling and submitting tax returns is unfriendly to tax payers usage.					
3.8	Tax revenues are not spent on public service as should be.					
3.9	Tax laws should be respectd.					
3.10	Paying tax as the right thing to do.					

አባሪ II

ወልቂጤዩኒቨርስቲ

ድህረ ምረቃ ትምህርት ቤት

ቢዝነ ስና ኢኮኖሚክስ ኮሌጅ

የሥራ አመራር ትምህርት ክፍል

በቡታጅራ ከተማአስተዳደር ግብር ከፋዮች የሚሞላ መጠይቅ

ውድ ግብር ከፋዮች፡

በወልቂጤዩኒቨርስቲ በቢዝነ ስና አስተዳደር የ2ኛ ዲግሪ ተማሪ ስሆን የሚሰጠውን ኮርስ አጠናቅቄ ባሁኑ ጊዜ የመመረቂያ ፅሁፍ በማስራት ላይ እገኛለሁ፡፡ ይህ መጠይቅ በቡታጅራ ከተማ አስተዳደር በንግድ ሥራ ላይ የተሰማሩ የህብረተሰብ ክፍሎች ግብራቸውን በአግባቡና በፈቃደኝነት ከመክፈል አንፃር ተፅእኖ የሚያሳድሩ ምክንያቶች መረጃን ለማሰባሰብ የተዘጋጀ ነው፡፡ በመሆኑም ከዚህ በታች ለተቀመጡት መለጫዎች የሚሰጡት ምላሾች ለጥናታዊ ፅሑፍ ስራዬ ታላቅ ጠቀሜታ ስላላቸው ጥያቄዎቹን በጥንቃቄና በሃቀኝነት እንዲሞሉልኝ በትህትና እጠይቃለሁ፡፡ የሚሰጡት ምላሽ ሚስጥራዊነቱ ተጠብቆ ለትምህርት ዓላማ ብቻ ይውላል፡፡

ለትብብርዎ በጣም አመሰግናለሁ!!

-ጥናት አድራጊ ሀሰን ሳቢር

-ወልቂጤዩኒቨርስቲ ኤምቢኤ ተማሪ

-ስልክ ቁጥር 0915-69-14-12

-ኢሜይል

-ስምመፃፍ አይጠበቅቦትም/አያስፈልግም/

ክፍል አንድ (I): ግላዊ መረጃ፡

ፆታ:- 1.ወንድ

2.ሴት

እድሜ-

1. ከ30 ዓመት በታች

2.ከ31- 40 ዓመት

3. ከ41ዓመት በላይ

የትምህርት ደረጃ :-

1. ከ2ኛ ደርጃ በታች

2.የ 2ኛ ደረጃ ትምህርት የጨረሰ

3.ሠርትፊኬት

4. ዲኘሎማ

5.BA ዲግሪ

6.BSC/M.A ዲግሪ ና በላይ

በንግድ ሥራ ከተሰማሩ ምን ያህል ጊዜ ይሆናል፡ -

1.ከ 1 ዓመት በታች

2.ከ1-5 ዓመት

3. ከ 6-10 ዓመት

4. 10 ዓመትና በላይ

የግብር ከፋይ ደረጃወዎ ምንድን ነ ው፣ -

1.የ ደረጃ “ሀ” ግብር ከፋይ

2.የ ደረጃ “ለ” ግብር ከፋይ

3.የ ደረጃ “ሐ” ግብር ከፋይ

ክፍል ሁለት(II): ቀጥሎ በተማለከቱት ጉዳዮች ላይ የለዎትን ስምምነት ወይም ያለማስማማት ይግለጹ፡ -

(1)በጣም አልስማማም፣ (2)አልስማማም፣ 3)አልወሰንኩም፣ (4)እስማማለሁ፣ (5)በጣም እስማማለሁም

ዓላማ 1፡ -ግብርን በአግባቡ እንዲከፈል በግብር ከፋዮች የግብር አከፋፈል ሂደት የሚውስኑ ነገሮችና ያላቸውማና ለማ ምግ ም፡ -

ተ.ቁ	አዎንታዊ ዓረፍተ ነገሮች	(1)በ ጣምአ ልስማ ማም	(2) አል ማማ ም	3)አ ልሰ ንኩ ም	(4)እ ስማ ማለ ሁ	(5)በ ጣም እስ ማለ ሁም
6	የግብር ከፋዮችን ማኀበራዊ ሁኔታዎችና የአሰራር ደንቦች የሚማለከቱ ጥያቄዎች፡ -					
6.1	በሚከፍሉት ግብር ከመንግስት ተነፃፃሪ ማህበራዊ አገልግሎት እያገኙነ ው፡ ፡					
6.2	በፈቃደኝነት የግብር ግዴታቸውየ ማይወጡ ከፋዮች በኔ ም ላይ ተፅዕኖ ያሳድርብኛል፡ ፡ /ሊያሳድር ይችላል/					
6.3	ግብር ከፋዩ ለግብር ሥርዓቱ ታማኝና ተገዢ መሆን ለግብር ሥርዓቱ ምቹ ሁኔታን ይፈጥራል::					
6.4	ታክስ ስወራ አነስተኛ ወንጀልና በስፋት ከተሰራጨ የገቢ አሰራር ሂደትን ያደናቅፋል፡ ፡					
7	የግብር ከፋዮችን ኢኮኖሚያዊ ሁኔታዎች የሚማለከቱ ጥያቄዎች፡ -					
7.1	እየተሰራበት ያለው የታክስ ህግ የሚከፈለው ክፍያ ትክክለኛና አቅምን ከግምት ውስጥ ያስገባ ነ ው፡ ፡					

7.2	አንድ ግብር ከፋይ ኦዲት ለሚደረግ ያለውዕድል የግብር ዕዳ ሪፖርትን ከሚተሽ አንጻር ጥቅምአለው ፡					
7.3	የከፈልኩት ግብር ፍትሀዊና በአለኝ ኢኮኖሚአቅምማጠን ነው ፡ /በግብር ሥርዓቱ፣ በግብር አወሳሰን እና አሰባሰብሂደቱ ላይ እምነት አለኝ/::					
8	ግብር ሰብሳቢውን ባለስልጣን/ተቋም/ የሚምለከቱ ጥያቄዎች፡ -					
8.1	ለግብር ከፋዮች ስለአገልግሎት አሰጣጥ እና ከግብር የተሰበሰበ ገንዘብ ለምን ጥቅምእንደዋለ/ እንደሚውል አስፈላጊ መረጃ ይሰጣል፡ ፡					
8.2	የባለስልጣኑ ሠራተኞች ለግብር ከፋዩ መረጃ በሚፈልግበትጊዜ ተገቢውን የቴክኒክ ድጋፍ ይሰጣሉ፡ ፡					
8.3	በግብር ከፋዮች በኩል ግብርን በአግባቡ ያለማክፈል የግብር አስተዳደሩን ተዓሚነት እና ተቀባይነት ጥያቄ ውስጥ ይከተዋል::					
9	የግብር ስርዓቱ ፍትሃዊ መሆን/ያለመሆኑን አስሜልክቶ የግብር ከፋዮች ያላቸውን አስተያየት የሚፈትሹ ጥያቄዎች፡ -					
9.1	የግብር ከፋዮች የግልየ ገቢ ማጠን ማሳ ስ /ችግር/ የግብር ስወራን በማበረታታ በግብር አሰባሰብ ሂደት አሉታዊ ተጽዕኖ አለው ፡					
9.2	ር ሰብሳቢው ማቤት በግብር ከፋዮች ላይ የሚወስደው ራ የህግ አፈጻጸምና ህጋዊ እርምጃ ግብር በአግባቡ እና ቃደኝነት እንዲከፈል ያደርጋል፡ ፡					
9.3	ግብር ከፋዮችን ማስተማር እና ማማከሪያ ጊዜያትን የጊዜ ሰሌዳ በማውጣት ይሰራል፡					

ክፍል ሁለት የቀጠለ................

(1)በጣም አልስማማም፣ (2)አልስማማም፣ 3)አልወሰንኩም፣ (4)እስማማለሁ፣ (5)በጣም እስማማለሁም

ዓላማ 2፡ -በግብር ከፋዮች ግብር እንዲከፈልና እንዳይከፈል ተጽዕኖ የሚያደርጉ ሁኔታዎችን ለመወሰን፡ -

ተ.ቁ	አዎንታዊ ዐ.ነገሮች	(1) በጣም አልስ ማማም	(2) አልስ ማማም	(3) አልወ ሰንኩም	(4) እስማ ማለሁ	(5) በጣም እስማ ማለሁ
I	በግብር ከፋዮች ግብር እንዲከፈል ተጽዕኖ የሚያደርጉ ሁኔታዎችን፡ -					
2.1.1	ግብር ከፋዩ ለግብር ሥርዓቱ ታማኝና ተገዢ መሆን ለግብር ሥርዓቱ ምቹ ሁኔታን ይፈጥራል::					
2.1.2	ለግብር ከፋዮች ስለአገልግሎት አሰጣጥ እና ከግብር የተሰበሰበ ገንዘብ ለምን ጥቅም እንደዋለ/					

	እንደሚዉል አስፈላጊ ሚረጃ ማስጠት ከኅ/ረተሰቡ የሚሰበሰብ ግብር ለኅ/ሰቡ አገልግሎት ማዋል፡ ፡					
2.1.3	ህግን ተከትለው ግብርን በፈቃደኝነት ለሚከፍሉ ግብር ከፋዮች እውቅና ማስጠት ሌሎች ገቢን አሳውቀው እንዲከፍሉ የሚድረግ ተጽዕኖ ይኖረዋል፡ ፡					
II	በግብር ከፋዮች ግብር እንዳይከፈል ተጽዕኖ የሚያደርጉ ሁኔታዎችን፡ -					
2.2.1	የግብር ከፋዮች ሂሳብ በየጊዜው ያለመሟሟር የግብር ስወራን ሊያስከትል ይችላል፡ ፡					
2.2.2	የግብር እዳ ምህረት ሚድረግ ግብር በትክክል እንይከፈል ያበረታታል፡ ፡					
2.3.3	በአሁኑ ሰዓት እየተተገበረ ያለው የቅጣት ማጠን በጣም ከፍተኛ በሚሆኑ ግብር ከፋዮች ማክፈል የሚቻሉት አይደለም፡ ፡					

ክፍል ሁለት የቀጠለ…………….

(1)በጣም አልስማማም፣ (2)አልስማማም፣ 3)አልወሰንኩም፣ (4)እስማማለሁ፣ (5)በጣም እስማማለሁም

ተ.ቁ	አዎንታዊ ዐ.ነገሮች	(1) በጣም አልስ ማማም	(2) አልስ ማማም	(3) አልወ ሰንኩም	(4) እስማ ማለሁ	(5)በጣም እስማ ማለሁም

3.1	ወንድ ግብር ከፋዮች የበለጠ ግብርን በአግባቡና በፈቃደኝነት ይከፍላሉ፡ ፡					
3.2	በእድሜየበሰሉ ሰዎች ግብርን በአግባቡ ይከፍላሉ፡ ፡					
3.3	የግብር አከፋፈል ግንዛቤ መኖር ከግብር አከፋፈል ሂደት ጋር አዎንታዊ ግንኙነት አላቸው፡					
3.4	የቅጣትን ተግባራዊ በማድረግ የገቢ ግብር አሰባሰብ ሂደትን ማሻሻል ይቻላል/አዎነታዊ ግንኙነት አላቸው፡ ፡					
3.5	በየጊዜው የግር ከፋዮች ሂሳብ ኦዲት ማደረግ በፈቃደኝነት ግብር ከመክፈል ሂደት ጋር አዎንታዊ ግንኙነት አላቸው፡					
3.6	የግብር ህጎች ውሳኔዎችና የታክስ አሰባሰብ መመርያዎች ግልጽና ግብር ከፋዩ በቀላሉ ሊረዳቸው እንዲችል ማድረግ ከግብር አከፋፈል ሂደት ጋር አዎነታዊ ግንኙነት አላቸው፡					
3.7	በግበር ሥርኣቱ የግበር አወሳሰንና አሰባሰብ ፍትሃዊ መሆን ከግብር አከፋፈል ሂደቱ ጋር አዎነታዊ ግንኙነትአላቸው፡					
3.8	ከኅ/ረተሰቡ የሚሰበሰብ ግብር ለኅ/ሰቡ አገልግሎት ማዋል በአግባቡና በፈቃደንነት ግበር ከመክፈል ሂደት ጋር አዎነታዊ ግንኙነት አላቸው፡					

ዓላማ3፡ -ግብር በአግባቡ እንዲከፈል በሚያደርጉ ነገሮችና በፈቃደኝነት ግብር የመክፈል ሂደት ያላቸውግንኙነትና ተዛምዶ ለመወሰን፡ -

ላደረጉልኝ ትብብር በጣምአመሰግናለሁ!!

Annex 1V

Budget Breakdown Table-3

The finance will be allocated based on different requirements for the research to complete the following table illustrated the amount of money and allocation of the cost budget requirements.

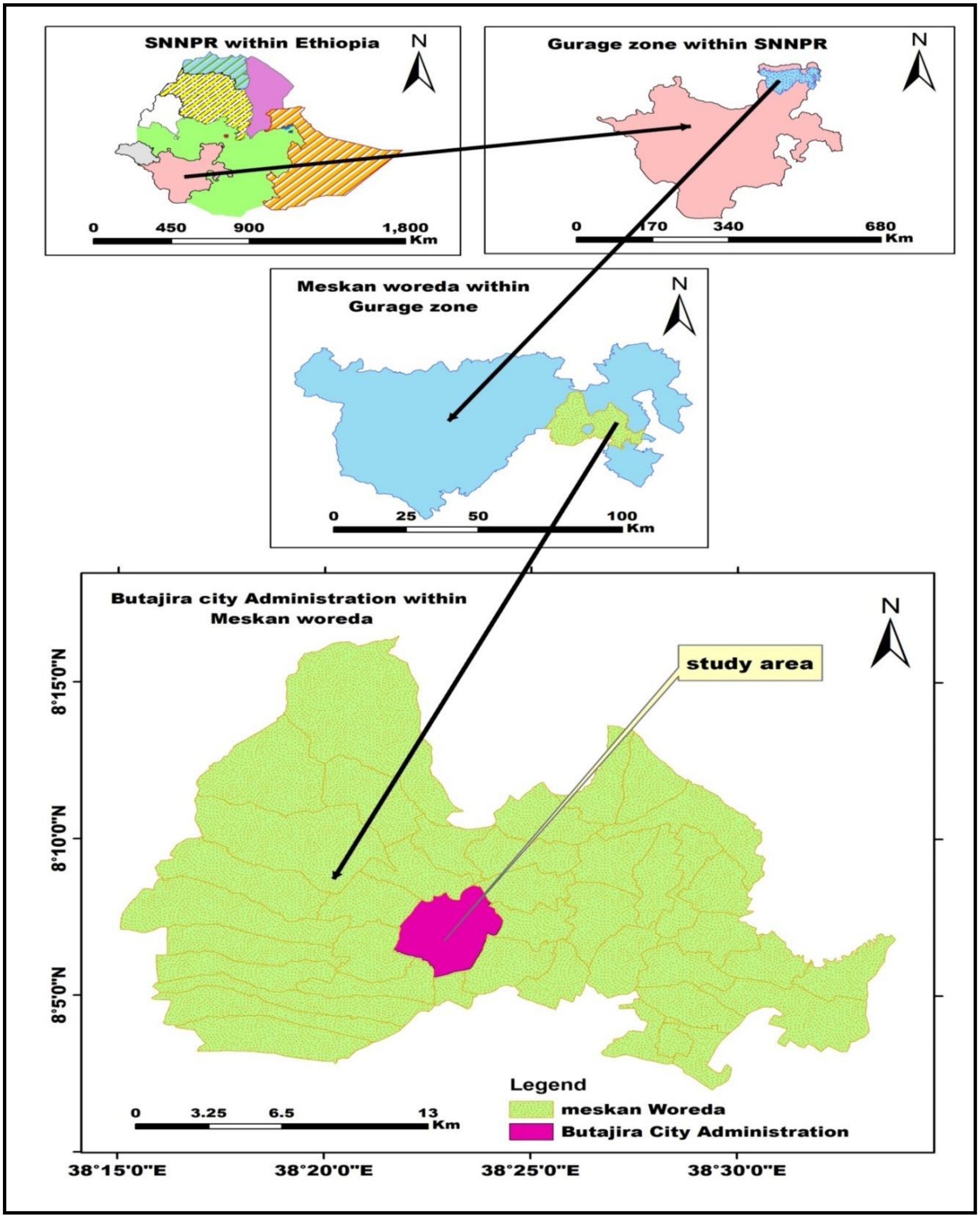
NO.	Item/description	Units	Quantity	Unit Cost	Total Cost	Remark
1	Paper(Aaa4)	3(pk)	3	140	420birr	
2	Printing and copy	1page	1048	2.00	2096birr	
3	Secretary/for writing	1page	120pa	5.00	620birr	
4	Pens	1(pk)	0.5(pk)	5.00	125birr	
5	CD/Flash	No.	2	240	480birr	
6	For Binding	1set	4	20birr	80birr	
7	Questionnaires distribution & collection	Days	26(days)	125birr	6000birr	
9	Transportation	Km	100km	12birr	1200birr	
10	Telephone	-	-	500birr	500birr	
11	Internet	-	-	600birr	600birr	
12	Publication	1set	4	250birr	1000birr	
	Total	-	-	-	13121birr	

Annex V

4.2. Time Breakdown Table:-

Date and Month	Year	Actions
May 18- May 28	2018	Reading articles related to the topic of the study
May 29- June 19	2018	Writing first draft of the proposal
June 20- July 5	2018	Reading and Structuring literature review
July 6- July 8	2018	Submitting first draft of the proposal to advisor
July 9-July 19	2018	Taking comments and finalizing drafted proposal
July 20- July 25	2018	Submitting Final Proposal
July 26- July 31	2018	Defense
August 1- August 5	2018	Taking comments and Finalizing the proposal
August 6- August30	2018	Data Collection
September 1- September 26	2018	Data Analysis
September 27 – October 15	2018	Writing the first draft of the research report
October 16 – October 21	2018	Submission of the first draft of the research report
October 22 – November 7	2018	Taking comments and preparing second draft of the research report
November 8 – November 13	2018	Submission of the second draft of the research report
November 14- December 4	2018	Taking comments and Writing the final draft of the research report
December 5- December 10	2018	Submission of the final draft of the research report to advisor and Department
December 20 – December 31	2018	Thesis Defense
January 1- January 10	2019	Period of rework on examiners` comment
January 31	2019	Submission of thesis booklet to the department
February 1	2019	Publication

Physical map 0f study area:



Annex VI

Reliability Tests

I. Social factors

Reliability Statistics

Cronbach's Alpha	N of Items
.935	4

II. Economic factors

Reliability Statistics

Cronbach's Alpha	N of Items
.890	3

III. Institutional Factors

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items[a]	N of Items
.835	.853	3

Individual Factors

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.816	.817	3

Tax compliance levels

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.646	.787	10

I. Factors influencing tax complying

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.914	.915	6

Relationships between determinants

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.345	.467	7

AnnexVII

Statistical Data of the study:

Item Statistics

	Mean	Std. Deviation	N
social factors and natural norms	4.4500	.72243	30
Economic factors	4.6222	.86863	30
institutional factors	4.0000	.94667	30
individual factors	3.9556	.87733	30
factors influence compliance	4.1222	.75540	30
determinant variables relationship	3.8458	.85567	30
tax compliance levels	4.0767	.88246	30

Inter-Item Correlation Matrix

	social factors and natural norms	Economic factors	institutional factors	individual factors	factors influence compliance	determinant variables relationship	tax compliance levels
social factors and natural norms	1.000	.520	.610	-.282	.167	.104	.394
Economic factors	.520	1.000	.399	.097	.540	.428	.376
institutional factors	.610	.399	1.000	.029	.128	.381	.588
individual factors	-.282	.097	.029	1.000	.666	.430	.214
factors influence compliance	.167	.540	.128	.666	1.000	.542	.304
determinant variables relationship	.104	.428	.381	.430	.542	1.000	.701
tax compliance levels	.394	.376	.588	.214	.304	.701	1.000

Summary Item Statistics

	Mean	Minimum	Maximum	Range	Maximum / Minimum	Variance	N of Items
Item Means	4.153	3.846	4.622	.776	1.202	.079	7

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted

social factors and natural norms	24.6225	2.959	.354	.684	.764
Economic factors	24.4503	2.795	.585	.540	.720
institutional factors	25.0725	2.474	.511	.583	.736
individual factors	25.1169	3.018	.245	.685	.792
factors influence compliance	24.9503	2.822	.589	.750	.720
determinant variables relationship	25.2267	2.527	.633	.680	.703
tax compliance levels	24.9958	2.919	.677	.651	.717

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
29.0725	3.652	.91090	7

Corelations

Descriptive Statistics

	Mean	Std. Deviation	N
social factors and natural norms	4.4500	.8243	30
Economic factors	4.6222	.86863	30
institutional factors	4.0000	.94667	30
individual factors	3.9556	.77733	30
factors influence compliance	4.1222	.85540	30
determinant variables relationship	3.8458	.9567	30