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ASSESSMENT OF TAX ESTIMATION AND COLLECTION SYSTEM ON CATEGORY "C" TAX PAYERS IN CASE OF EMDIBER TOWN

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This is to certify that the thesis entitled " **Assessment Of Tax Estimation And Collection System On Category "C" Tax Payers In Case Of Emdiber Town** " submitted in partial fulfillment of the requirements for the Bachelor of Art in Accounting and Finance and has been carried out by (**Eyerusalem Assefa)** under our supervision. Therefore, I recommend that the student has fulfilled the requirements and hence hereby can submit the research paper to Department of Accounting and Finance.

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Declaration

Declaration Sheet

I, (**Eyerusalem Assefa)** declare that this thesis entitled "**Assessment Of Tax Estimation And Collection System On Category "C" Tax Payers In Case Of Endiber Town"** submitted to the department of accounting and finance in partial fulfillment of the requirement for the award of bachelor of art degree (BA) in accounting and finance is an output of our own effort. I have produced it independently except for the guidance and suggestion of the thesis advisor That all sources of materials used for the study have been duly acknowledged. To the best of my knowledge this work has not been submitted for any degree at this university or any other university and colleges**.**

Approved by: The examiner approve that this research paper has passed through the defense and review process

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Acronyms

VAT: Value Added Tax

FDRE: Federal Democratic Republic of Ethiopia

GAAP: Generally Accepted Accounting Principles

PLCs: Private Limited Companies

GDP: Gross Domestic Product (commonly used in economic discussions)

ETB: Ethiopian Birr

Abstract

This study seeks to assess tax estimation and collection system on category "C" tax payers in case of Endiber Town. For the purpose of the study primary data was used. Information was obtained through interview and open-ended and closed-ended questionnaires. The study used purposive (judgmental) sampling technique to select sample of 40 out of 602 total tax payers and 12 employees out of 12 office employees. The data was gathered by the researcher himself and it analyzed based on tabulation and percentage method. Consequently, carefully interpretation of analyzed information was carried out to arrive at reasonable generalization. The study found the potential problem that faced by the office on phase of tax estimation and collection. Some of them are; tax payers are involuntary to pay levied tax, tax payers intentionally delay payment, low quality and experience of tax estimators and unethical act of tax estimators. Finally, researcher forward his finding to office to provide continuous education to the tax payers mainly by the authority with its collaborators institution and to create awareness about the purpose and importance of tax and to create citizens who have better understanding of taxation which will stimulate honest and voluntary to pay appropriate levied amount and lastly to prepare training and experience share between tax estimator and collector from another branch of the authority tax estimator and collector should be provided for better quality and experience.

Key Words: Tax Estimation, Tax Collection, Category "C" Taxpayers, Emdiber Town, Efficiency, Compliance, Awareness Creation.

CHAPTER ONE

1. INTRODUCTION

This research deals about assessment of tax estimation and collection system on category "c" tax payers in case of Emdiber Town.

The introduction section of the research includes background of the study, statements of the problem, research questions, objectives of the study, scope, Significant, Limitation of the study.

1.1 Background of the study

A tax is "a compulsory contribution by an economic unit to a government without expectation of direct and equivalent returns from the government for the contribution made" (BHATIA, 2003).

Tax administration refers to the identification of the liability based on the existing tax law, the assessment of this liability and collection, prosecution and penalty imposed on unruly tax payer.

In Ethiopia tax is administered at federal and regional level. The regional government of Ethiopia collect tax and revenue as proclamation number 33/1992 by bureaus of regional inland revenue authority from privately owned enterprise and organ of regional government .Whereas the central government revenue collection organ are responsible to collect revenue of federal and regional government from different organization including those owned by federal government tax sharing of revenue between the federal government and regional take consideration like, ownership of source of revenue convenience of levying and collection of tax or duty ,population distribution of wealth ,and other factor that are basis for integration and balance of contour.(Council of minister, 2002).

The tax assessment for those, who are required to maintain financial records, is based on the record that tax payers maintain. However if they fail to maintain financial records, it is based on the standard assessment methods.(Council of minister, 2002).

The revenue of Ethiopian government comes from different source such as tax, borrowing sales and public asset and transfer payment. The most common method of government finance is taxation .It is system of rising money to finance government expenditure. Tax is a com pulsar

contribution for a person to a government without expectation of direct and equal benefit. As it is a compulsory contribution ,no one can refuse to pay a tax for the reason that he does not get any benefit of certain public service from the government .(Gebrieworku ,2006).

Tax that is levied by central and regional government consists of direct and indirect tax. Direct tax are those tax which are paid entirely by those person on whom they are imposed which include employment income tax ,business income tax and tax on royalty and chance wining while indirect tax are those whose the burden may not necessary assess which means if shifted on the other persons.

Indirect tax is mainly composed of value added tax (VAT), excise taxes and custom duties. Hence proper assessment collection of tax is one of the factors that enable the government to achieve its goal and programs. The law has classified business income tax payers on business profit on to 3 major category with respect to their legal personality and annual turnover as category" A" ",B" and" C". Category" A" includes: - Any company incorporated under the law of Ethiopia or in a foreign country, for example Private limited company, Share Company and any other business having an annual gross income of birr 1,000,000 or more. Category" B" includes: -Any business has an annual gross income of 500,000 or more but less than 1,000,000. Finally, Category "C" includes a person or a firm having annual gross income of less than 500,000.

This study focused on category "C" tax payers that are found in Emdiber Town that are engaged in estimating and collecting of category" C'' tax payers.

1.2 Statement of the problem

The revenue rising system from tax is used to achieve a number of public service that the public wishes to acquire from the government. Many infrastructure and service provide by the government mainly covered by the revenue from tax collection. This fact imply a proper and efficient tax estimation and collections should be available in one country in order to accomplish the government of objective of providing service infrastructure to its citizens.

Emdiber Town is responsible to design and implement effective and efficient tax estimation and collection system. The authority estimate tax to be collected based on criteria of category "C"

tax payers. This estimation is required because these categories of tax payers are not in a position to prepare and submit financial statement to the authority.

The authority state that, the authority observe and estimation tax one time in a year and estimation by itself is a problem because, it requires professional judgment which consider the entire environment surrounding of tax payers.

Different researcher carried out their study on tax estimation and collection system on category "C" tax payers (Araya,2011),find the following problem on tax estimation and collection system : tax collector has low understanding about their responsibility and accountability in relation to tax collection , tax authority of city administration is not efficient and effective in various aspect such as improving and creating awareness ,enforcing the tax law ,providing service and information regarding tax.

In addition, Assamnew (2012) find inefficient and ineffective organization of computerize system in tax administration.

As per the researcher knowledge most the time the authority does not consider the tax payers environment and negatively consider those reliable and relevant information provided by the tax payers. The researcher was attempts to assess those gaps resulted on tax estimation and collection in Emdiber Town.

The researchers are conducted to identify problems that are related with tax estimation and collection system on category "c" tax payers and provide the appropriate solution.

1.3 Research questions

The researchers are tried to answer the following questions.

- Is the tax collection system are effective and efficient?
- Is the tax collection procedure are effective and efficient?
- What methods are used by the tax authority to create awareness on tax collection and estimation system?
- What are the techniques that the revenue office basis to improve the tax estimation and collection system.

1.4 Objective of the study

1.4.1 General objective

General objective of this study was to assess tax estimation and collection system on category “C” tax payers, in case of Emdiber Town.

1.4.2 Specific objective:

- To describe whether the tax collection system are effective and efficient or not.
- To describe whether the tax collection procedure are effective and efficient or not.
- To evaluate the awareness about tax estimation and collection system.
- To assess the techniques of tax estimation and collection system.

1.5 Significance of the study.

The study highlighted the inefficiencies and challenges within the tax estimation and collection systems for category "C" taxpayers in Emdiber Town. It provided targeted recommendations and practical solutions that supported government authorities in improving tax administration processes, fostering voluntary compliance among taxpayers, and maximizing revenue generation. The findings were pivotal in helping fund essential public services and infrastructural developments that benefitted the community.

The study also served as a resource for academics and policymakers interested in taxation and public finance. It provided a foundation for future research while helping policymakers refine existing tax frameworks to ensure equitable treatment of taxpayers. In doing so, it contributed to the creation of a system aligned with the principles of fairness, transparency, and efficiency.

1.6 Scope of the Study

The scope of the study was locational and thematic. Locationally, it focused on Emdiber Town, where it examined category "C" taxpayers and the mechanisms employed by the local tax authority for tax estimation and collection. By concentrating on this specific area, the study ensured that the challenges and practices analyzed were relevant and grounded in local realities.

Thematically, the research explored the principles, techniques, and efficiency of tax estimation and collection systems. It investigated the competency of tax estimators, the compliance behavior of taxpayers, and the procedural effectiveness of the system. The thematic scope emphasized identifying operational gaps and proposing actionable solutions to create a more robust and equitable taxation framework.

1.7 Limitation of study

In order to conduct this study the researcher faced different constraints or limitations, among them; time and budget constraint for conducting the study and also there are some designed respondents was not present at elongated data collection period, at the same time, there was reluctance on the part of some number of the respondents to give genuine information when asked. Finally, the major limitation was lack of experience by researchers.

1.8 Organization of the study

This research is organized in to five chapter, the first chapter includes the introductory part of the research or about the over view of taxation in Ethiopia and other component of the research, chapter two includes related literature review, chapter three includes research design and methodology chapter four includes both data analyses and interpretation and the last chapter includes conclusion and recommendation of the research.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 The meaning of taxation

Taxation is source of government revenue by which individual, companies, goods and service to rise revenue for its operation and to promote social equity through the redistribution of income effect of taxation .(*Anyanwu,1997)*

Taxation is a compulsory levy payable by an economic unit to the government without any corresponding entailment to receive a defined and direct equivalent and taxation is an enforced contribution, exactly in accordance to the rule of legislative authority in the exercise of the taxing power, and imposed and collected for the purpose of rising revenue to be used for public or government purpose. (*Bhatia, 2003)*

Tax could be viewed as an involuntary contribution required by law to finance the function of government. The amount of contribution extracted the tax payers is unrelated to any privilege , benefit or service received from the government agency imposing the tax.(*Morphyand Higgins,2001).*

2.2 Principles of taxation and its components

2.2.1 Principles of taxation.

Principle of taxation refers to the appropriate criteria to employ in the development and evaluation of good tax system (that is, the set of all taxes) of country (Misrak, 2001). The most important principles, known by the names **canons** of taxation are proposed by the **scholar Adam smith**. Adam smith was enumerated the following cannons and principles of taxation which are accepted universally.

- **Canon of equity: -** The subject of every state ought to contribute towards the support of the government ,as nearly as possible in proportion to their respective ability

- **Canon of certainty: -** These canon is meant to protect the tax payers from unnecessary harassment by the tax officials the tax which each individual is bounded to pay ought to be certain, and not arbitrary.
- **Canon of convenience:-** The mode and timing of tax payment should be ,so far as possible convenient to the tax payers .These canon recommends that unnecessary trouble to the payers should be avoided ,otherwise various ill effect may result .
- **Canon of econoour: -** This canon recommends that the cost of collection of tax should be the minimum possible. It is less impose taxes which are too widespread and difficult to administer.
- **Canon of productivity: -** It is also called canon of fiscal adequacy to these principle, the tax system should be able to yield enough revenue for the treasury and the government should have no need to resort to deficit financing.
- **Canon of buoyancy: -** The tax revenue should have an inherent tendency to increase along with an increase in national income, even if the rates and coverage of taxes are not revised.
- **Canon of flexibility: -** It should be possible to the authorities, without undue .the revise tax structure, both with respect to its coverage and rates, to suit the changing requirements of the econoour and treasury.
- **Canon of simplicity: -** the tax system should not be too complicated that makes it difficult to understand and administer and breeds m of problem of interpretation and legal dispute
- **Canon of diversity: -** It is risky for the state to depend up on too few source of public revenue.

2.3 Classification of tax

A tax is ordinary classified in to direct and indirect tax on the basis of assessment rather than on the cover assessment tax. For instance can be on income received or expenditure incurred. Those which are imposed on the received of ice are called direct while those taxes which are

imposed on expenditure are regarded as indirect. Commodity tax such as excise custom duty and turn over taxes are indirect taxes.

2.3.1 Direct taxes

A tax is said to be direct tax when the impact and incidence of tax are rest up on the individual (firms) directly through a deduction from earnings. These include individual income tax, corporation taxes, tax on property and others employment income tax, business income tax, and taxes on royalty and chance wining.

2.3.2 Indirect taxes

A tax said to be an indirect tax when the impact of the tax fall on person and the incidence up on other. Indirect taxes are those taxes that are paid to government by an intermediary and then passed on the final user by including tax in the final price. Indirect tax is mainly composed of value added tax "VAT" custom duty (export import duty) excise tax and local production (*GebreWorku, 2006).*

2.4 Main objective of tax

Initially government imposed tax for different purpose that means the government imposes tax from the tax payers to achieve the ultimate goal of a country as a whole, to cover the cost as whole, to maintain law and order in the country and for defense purpose.

Generally, the main objective of tax is; to raise the income and revenue of the government, to render various economic and social activities, to remove the inequality in income and wealth: government adopts progressive tax system and stressed on canon of equality to remove in equality in income and wealth of the people, and also to ensure the economic stability of the economour.

Taxation affects the general level of consumption and production. to reduce the negative regional imbalance: - if there is regional imbalance within the country, government can use taxation to remove such imbalance by tax in exemption and a concessions to investor who made investment in under developed regions, in addition to reduce regional imbalance and to preventing harm full things on the society by leaving heavy excise tax on cigarettes, alcohols, and other product, which worsen people's health. Finally, to encouragement of exports:-

government enhance foreign exchange requirement through export oriented strategy. These provide a certain tax exemption for those exporters and encourage them with arranging a free trade zone and by taking bilateral and multi-lateral agreements.

2.5 General characteristics of tax

1. Tax is a compulsory contribution by the tax payers to the government. The people whom the tax is levied cannot refuse to pay the tax. Once it is levied they have to pay it.

2. Benefit is not the basic condition: - for the payment of tax, there is no direct return or quid pro-quo to the tax payers. That is, people cannot expect any return in benefit for the amount of tax paid by them.

3. Personal obligation:- tax impose of personal obligation on the tax payers .When a person becomes liable to pay the tax ,it is the duty of him to pay it and in no way he can escape from it

4. Common interest: - the amount of tax received from the people is used for the general and common benefit of the people as a whole .Now the government has to render enormous range of social activities, which incur in huge expenditure.

5. Legal collection: - tax is the legal collection .it can be levied only by the government both central and state.

6. Element of scarifies: - since the tax is paid without any return in benefit it can be said that there is the prevalence of sacrifices in the payment of tax.

7. Regular and periodically payment: - the payment of tax is regular and periodically in nature it is levied for a fixed period usually a year. Thus, almost all the tax is annual taxes .The payment of tax should be regular also.

8. No discrimination: - tax is levied on people without any discrimination of caste, creed etc. but according to their ability to pay.

9. Wide scope: - tax is levied not only on income but also on property and commodities. To enhance the revenue and to bring all the people under the tax net, the government imposes various kind of taxes .This enhances the scope of taxes. (ALKA GUPTA, 2001).

2.6 Categories of tax payers in Ethiopia

For its efficient and effective tax administration purpose, the Ethiopian government

Classifies schedule "B" income tax payer (rental income tax).and schedule" C" income tax payer (business income tax payer or trade business) in to categories .For categorization purpose ,the Ethiopian government uses two basis :-the legal personality /legal status / tax payers and their annual gross turnover (annual actual or expected gross sells revenue).Accordingly schedule "B" and schedule "C" (without corporate business) income tax payers are categorized in to three ,namely category" A" ,category" B" and category" C" tax payers (MISRAK ,2011).

2.6.1 Category" A" tax payers

Category of "A" of schedule "C" (without corporate business) income tax payer includes the following type of tax payers.

1. Business income tax payers or rental income tax payers formed under the law of Ethiopian or foreign laws ,that have separate legal personality (i.e. share company ,plc. ,public enterprise ,public finance agency ,and foreign body business agent residing and doing business in Ethiopia on behalf of the principle).regardless of their annual gross turnover or revenue .
2. Any business having annual gross turnover of birr 1,000,000 or more

Category "A" tax payer shall at the end of the year submit to the tax authority a balance sheet and a profit and loss statement and details of the following:-Gross profit and the manner in which it were computed, general and administrative expense, depreciation and provisions.

- Keeping accounting recorders :- category" A" tax payers are required to keep a complete ,accurate and proper books of accounts ,records and other supporting documents in accordance with the general accepted accounting principles (GAAP).Depending up on the type of ownership ,size of business and nature of business operations of the tax payers ,journals ,general and subsidiary ledgers ,payroll record, internal operation manuals and vouchers are the principal ingredient of books and records which must be kept by the tax payers for tax assessment purpose .

- Vouchers: - category “A” tax payers are also required to register with the concerned tax authority the type and quantity of voucher use before having such vouchers printed .Any printing press, before printing the voucher is registered with the appropriate tax authority.
- Financial reports :- Category “A” tax payer shall prepare and submit to the concerned tax authority ,at the end of the tax year ,audit balance sheet and income statement ,which are prepared based on books of accounts maintained in accordance GAAP .whenever requested in writing by the concerned tax authority ,and public auditor shall also submit the audit report of his clients to the authority .Failure to submit the report will result in cancellation of his license by the appropriate government organization .(MISRAK, 2011).

2.6.2 Category” B” tax payers

Category “B” tax payers includes ,unless already classified in category “A” business income tax payers with no legal personality and whose annual gross turnover is more than birr 500,000 but less than birr 1,000,000.All category” B” tax payers whom are engaged in a business are also required to maintain proper books of account and other supporting documents which are like to category “A” tax payers .They shall also use the type and quantitative of vouchers are requested and approved by the concerned tax authority .

2.6.3 Category “C” tax payers

It includes any other business income tax payers which are not already classified under category “A” and “B”. Business income tax payers those have no legal personality and whose annual gross turnover is estimated up to birr 500,000.

Category” C” tax payers ,unlike category” A” and category “B” tax payers ,are not required to maintain books and records and to submit any financial statement to the tax authority .To determine the income tax liability of such tax payers, however , standard assessment presumptive taxation method is used.(Misrak , 2011)

2.7 Declaration of income and assessment of taxes

Tax payers shall submit the tax declaration to the tax authority at the time of submitting the balance sheet, and the profit and loss count for the tax year within the time prescribed below: Category "A" tax payers within four months from the end of tax payers tax years.

Category "B" tax payers within two months from the end of the tax payer's tax year.

A standard assessment method should be used to determine the income tax liability of category "C" from the 7th day of July to the 6th day of august every year, unless tax payers requested and is allowed to make installment payments. If no records and books of accounts are an acceptable to the tax authority, or if the tax payers fail to declare his or its income within the time prescribed by the proclamation, the tax authority may assess the tax by estimation. Unless and other wise provided, the period for tax assessment is the one _ year period from **1st hamle** to **30th sene**. A body shall not change its accounting year unless it obtains prior approval, in writhing, from the tax authority and compiles with any condition that maybe attached to the approval.

If tax payers have submitted a declaration of income within the time and manner as prescribed in the proclamation, the tax authority has five years to amend the assessment the five years assessment period runs from the due date of the declaration. In case where the tax payers has not declared his income or has submitted a fraudulent declaration , no time no time limit provided in any other law shall by the assessment of the tax by the tax authority.

2.8 Tax assessment

A tax assessor is responsible for preparing and minting the assessment roll, the tax roll and collecting the tax levies in accordance with the quality standards. The core service responsibility include:-preparing annual market value assessment for all properties, preparing the business assessment valuations for all business premises, defending assessment before municipal and provincial assessment tribunals, providing and mailing annual assessment and tax notice to tax payers.

2.8.1 Assessment notification

Every assessment notification should contain the following elements: - Gross income and deduction applicable, taxable income, rate applicable or percentage tax paid and due and any penalty or interest.

2.9 Right of appeal against assessment of income

- Any tax payer who objects to an assessment may appeal to the tax appeal commission up on fulfilling the following requirements.

A deposit of 50% of disputed amount should be made to the tax authority and the appeal is lodged with the appeal commit ion within 30 days following the day of receipt of the assessment notice or from the date of decision of revenue committee.

2.9.1 The appeal commission exists at different levels

- Federal appeal commission
- Regional appeal commission
- Zonal appeal commission
- Woreda appeal commission

2.9.2 Record keeping requirement

All people who are engaged in a business or trade or who own buildings held all or in a part for rental, except for category ‘C” tax payers shall keep book and records. Those businesses that are required to keep books of accounts and records are also required to keep the following information:-Record of the business asset and liability, including a register of fixed asset showing the date of acquisition, the cost of acquisition, and the current book value of each asset, in addition they must record all daily income and expense related to the business activity and the mater to which they relate, necessarily they record of all purchases and sales of goods and services to the business activity, finally record of trading stock on hand at the end of the accounting period, including the type, quantity and cost of that stocks as well as method of valuation of that stock and any other document relevant to determination of the tax liability.

2.10 Penalty for failure to keep proper records

The tax payers shall be liable for penalty of 20% of tax assessed if he failed to keep proper books of account, records and other documents regarding certain tax year.

2.11 Procedures for tax collection

It is expected that people tax payment should be in line with their income and they are required to pay a tax in proportion to their level of income. On the other part of tax collector ,collection of tax should be time conscious and convenient and the cost of collecting the taxes should not high to discourage business

2.12 Empirical literature review

Compare to tax collectivity from the pre evaluation with the post revolution periods of Ethiopia and find out that there was certain improvement in tax collection of the government in the post reevaluation periods (Eshetu). The study made shows that for the period 1925_1981 tax reform has enabled an increase in tax collection due to employed constant a rate of adjustment method to estimate elasticity of the tax system.

This study the overall tax collection system for the period 1968_1983 and find out that the tax collection procedure is not effective due to the system was unable and inflexible (Teams,1988).

CHAPTER THREE

3. RESEARCH DESIGN AND METHODOLOGY

3.1 Research Design

According to (Chandan, 2010), a research design is a general strategy for attaining the information required to address a research problem. Based on objective the research design of this study was focus on descriptive one. According to Kothari (2004) Descriptive research is description of phenomena as they exist at present and it includes surveys and fact-finding enquiries of different kinds.

3.2 Research approach

According to (Creswell, 2003) there are three basic types of research approaches: quantitative, qualitative, and mixed approach. This research was employed on quantitative research approach. Quantitative research approach is concerned with on the control produce (numerical data) or information that can be converting in to numbers.

3.3 Data source and collection method

The research would be used the primary source of data. The primary data was collected investigating for a specific purpose. This primary data was obtained from primarily through questionnaires and interview from tax payers, employee, especially tax collector and manager of Emdiber Town. The researcher would expect that primary data provide much-needed information to him.

3.4 Target population and sampling method

The target populations of the study are tax payers, employee and manager of Emdiber Town. The researchers used non random sampling technique since non probability is not random; it enable researchers to provide better and sufficient information necessary to achieve the objective of study. Among nonrandom sampling techniques, the researchers are used judgmental (purposive) techniques. By using this judgmental sampling technique the researcher was select 40 as sample out of 602 total tax payers and from all employees (12) who are employed in the

Emdiber Town; researchers was select 12 as sample means 100% of office employee. In regards to the selection criteria of employee; the researchers was select based on their tax collection and estimation experience and also by their profession which they possess.

3.5 Data analysis procedure

For purpose of data analysis, the study depends on descriptive method of analysis. By using this method, the researcher analyzes the collected data through tables and percentage method. Describing with necessary interpretation and findings the study give an over view tax revenue collection and estimation system in Emdiber Town.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introductions

This chapter presents the analysis and presentation of the major finding obtained through the questioners distributed to tax estimator and collector as well as the result obtained from the interview. The results are analyzed and interpreted as follows.

4.1 Response rate

The researchers were distributed 52 questionnaires in Emdiber Town category "C "taxpayers, tax estimator and collector from these 12 questioners for estimator and collector and 40 questioners for tax payers. However, the researcher able to collect only 50 questioners from this, 10 from tax collector and estimator means 2 questioners are defective and 40 from tax payers. It has been a collection ratio of 96.2% of total questioners distributed to respondent. Thus the analysis is based on 50 questioners collected.

4.3 demographic characteristics of respondents

Table 1 Background of the respondent

Variable	Description	Frequency	Percentage
Gender	Men	35	70%
	Female	15	30%
	Total	50	100%
Age	Between 20-30	22	44%
	Between 30-40	20	40%
	Between 40-50	6	12%
	Above 50	2	4%
	Total	50	100%
Field of Study	Accounting	4	40%
	Finance	1	10%

	Economics	1	10%
	Management	2	20%
	Marketing	2	20%
	Total	10	100%
Work experience	0-2 years	11	22%
	2-4 years	13	26%
	4-6 years	10	20%
	6-8 years	7	14%
	8-10 years	5	10%
	Above 10 years	4	8%
	Total	50	100%
Educational background	Diploma	2	20%
	Degree	7	70%
	Masters	1	10%
	Total	10	100%

SOURCE; own computation and questioner 2017

The gender distribution among respondents indicates that 70% are men and 30% are women. This reflects a significant gender imbalance, which might suggest male dominance in roles related to tax estimation and collection systems. This disparity could have implications for how inclusive the system is in terms of representation and decision-making perspectives.

In terms of age, the majority of respondents fall within the 20–30 years (44%) and 30–40 years (40%) age brackets, while only 12% and 4% belong to the 40–50 years and above 50 years categories, respectively. This shows a workforce that is largely youthful or middle-aged, which could imply dynamism and adaptability. However, it also raises potential concerns about limited experience among the respondents, which might affect the effectiveness and quality of the tax processes.

Respondents come from diverse academic fields, with the majority having a background in accounting (40%), followed by equal representation in marketing (20%) and management (20%), and smaller percentages in finance (10%) and economics (10%). This distribution

highlights the strong presence of accounting professionals, which is highly relevant to the tax system. Nevertheless, the limited representation in finance and economics could point to a gap in broader financial and economic expertise, which may be necessary for informed decision-making in tax estimation and policy formulation.

When analyzing work experience, 26% of respondents have 2–4 years of experience, followed by 22% with less than 2 years and 20% with 4–6 years. Fewer respondents have over 6 years of experience, with only 14% in the 6–8 years range, 10% in the 8–10 years range, and 8% with more than 10 years of experience. This reveals a workforce that is predominantly early in their careers, which suggests enthusiasm but may also highlight a need for experienced professionals to strengthen tax-related operations and mitigate errors.

Educationally, most respondents hold a degree (70%), followed by 20% with a diploma, and only 10% possessing a master's degree. This indicates a well-educated workforce overall, but the limited number of postgraduate-qualified individuals might suggest a lack of advanced specialization, which could hinder strategic decision-making and the handling of complex tax-related issues.

Collectively, these findings reveal an opportunity to address gaps through targeted training programs and initiatives that enhance awareness and skills among employees. Moreover, the observed gender imbalance could be addressed by fostering inclusivity in recruitment processes. By doing so, the tax estimation and collection system in Emdiber Town could achieve greater efficiency, fairness, and accuracy in its operations.

4.4 Challenges and Techniques in Tax Estimation and Collection Systems.

Table 2 purpose of tax estimation

Variable	**Description**	**Frequency**	**Percentage**
Purpose of tax estimation used by the authority	To insure tax revenu	5	50%

	To investigate defective tax payers	1	10%
	To determine the real income of tax payers	1	10%
	To assess the competency of profitability tax payers	3	30%
	Total	10	100%

SOURCE; own computation and questionnaires' (2017)

From the above table out of the total 10 respondents 5 (50%) of respondent said that the purpose of tax estimation used by the authority is to increase tax revenue through effective and efficient estimation 3 (30%) of respondents indicates that the purpose of tax estimation used by the authority is to assess the competency and profitability of tax payers .This refers to assess the tax payers efficiently in the business and its profitability in order to levy the appropriate amount of tax for the purpose of increasing tax revenue. Another 1(10%) respondent's response indicated that to determine the real income of tax payers the rest of 1(10) said that investigate defective taxpayer. Thus, researcher can deduce that the purpose tax estimate used by the authority, it to increase tax revenue through proper assessing the competency and profitability of business

Table 3 Techniques of estimating business tax

Variable	Description	Frequency	Percentage
Techniques used by authority to estimate tax	Based on strategic position of the business	3	30%
	Based on size of business	3	30%
	Based on nature of product	2	20%
	Based on business environment	1	10%

	All of the alternative	1	10%
	Total	10	100%

Source; own computation and questionnaire (2017)

From the above table 3(30%) of respondent response indicate that the techniques used by the authority to estimate business tax is based on the strategic position of the business, this implies that based on the business location the center of the town ,its nearest to supplier and the market place 3(30%) of the respondent response indicate that tax is estimated based on tax payers size of customer and volume of sale and another 2(20%) of respondent response indicate based on the nature of tax payers product .this is refers that the tax payers product is produced by himself or bought from other wholesaler. Again 1 (10%) says based on the business environment situation like the living standard of the society, customers demand to consume the tax payers product and service in the environment. the rest of 1(10%) replied the entire alternative from this we can conclude that a technique used by the authority to estimate business tax is based on; the strategic position of business, the size of customer, the nature of product and the business environment.

Table 4 Reaction of tax payers to pay the lived tax and the reasons behind

Variable	Description	Frequency	Percentage
Reaction of tax payers	Positive	3	30%
	Negative	7	70%
	Total	10	100%
The reason behind	Tax payers act of evasion	1	10%
	The levied amount is not appropriate	2	20%
	Lack of tax payers awareness about the	4	40%

	importance of tax		
	Negligence behavior of tax payers	3	30%
	Total	10	100%

SOURCE; own computation and questionnaire (2017)

As it is shown in table 7 (70%) of respondent said that ,the reaction of tax payers to pay the levied amount of tax by the authority is "negative " this implies that many tax payers are not satisfied for the amount of tax lived by the authority is lack of tax payers awareness about the importance of tax collection 4(40%)of respondent replied that ,the reason for negative reaction to pay the levied amount of tax by the authority is their negligence and egoistic behavior to pay the levied amount of tax, another 2(20%) of respondent response also shown the lived amount is not appropriate and fair .this implies that the tax estimation procedure where not satisfactory to tax payers due to estimator knowledge gap to understand circumstance ,business environment and the real income of tax payers .the rest 1 (10%) says that tax payers act of evasion . From this we can conclude that tax payers negative relation to pay the levied amount of tax by the authority is low awareness of tax payers about the importance of tax ,the negligence and egoistic behavior of tax payers and the levied tax is not appropriate in the mind of tax payers .

Table 5 Problems that authority faced during tax estimation

Variable	Description	Frequency	Percentage
Problem faced during estimation	Involuntary of tax payers	3	30%
	Low competency and experience of tax estimators	4	40%
	Flexibility of tax payers business environment	1	10%

	Unethical act of tax estimator	2	20%
	Total	10	100%

Source; own computation and questionnaire (2017)

From the above (40%) of respondent replied that the major problem that the authority faced during tax estimation is low competency and experience of tax estimator ability to gather holistic information from the tax payers is not as such satisfactory,2 (20%) of the respondent answer that the problem faced during tax estimation is unethical act of tax estimator, and also 3(30%) of respondent said that ,the problem faced during tax estimation is involving of tax payers to cooperate to give essential information for tax estimation and to pay the levied amount of tax .the rest of 1 (10%) says that flexibility of tax payers business environment from one source of business to other business .which is tax payers seasonality in business, the rest replied the entire alternative respectively. From this the researcher deduce that the problem of authority face during tax estimation and collection is low competency and experience of tax estimator, unethical act of tax estimator and involuntary of tax payers.

Table 6 Potential problem the authority face during tax collection

Variable	Description	Frequency	Percentage
Problem face during tax collection	The unwillingness of tax payers to pay the levied tax	4	40%
	Tax payers intentionally delay payment	2	20%
	Discontinued operation of tax payers business	1	10%
	Shifting of business activity	3	30%
	Total	10	100%

Source own computation and questionnaire (2017)

As of table 4.1.6 40% of respondent replied that the potential problem faced by the authority during tax collection is the unwillingness of tax payers to pay the levied amount of tax ,this implies that ,tax payers comply on the estimated amount which is not fair as per tax payers state of mind ,and also 20% of respondent replied that ,the major problem the authority face during tax collection is tax payers intentionally delay of tax payment, another 10% of respondent respond that discontinued operation of tax payers after registration due to different reasons ,the rest of 30% answer that shifting of business from one field of business to another due to seasonal income of business. .From the above table we can conclude that the potential problems faced by the authority during tax collection are: tax payers are unwilling to pay the levied tax, tax payers intentionally delay payment, discontinued operation of tax payers business and shifting of business activity

4.5 Strategies for Resolution in Tax Collection

Table 7 Mechanisms that authority uses to solve potential problem faced during estimation and collection period.

Variable	Description	Frequency	Percentage
Mechanisms used	Creating awareness about the purpose of tax	6	60%
	Discontinuing (to stop)operation of tax payers business	1	10%
	Forming compliant committee	3	30%
	Total	10	100%

Source: own computation and questionnaire (2017)

From the above table 4.1.7 6 (60%) of respondents replied that mechanisms that the authority use to solve potential problem faced during tax estimation and collection is creating awareness about the purpose of tax payers even though ,it is not as such satisfactory as of the authority face shortage of human resource and low facility 1(10%) of respondents answered discontinued the operation of tax payers business against involuntary tax payers to pay tax and the rest of 3(30%) says forming compliant committee for any unsatisfied tax payer against the levied amount, from this we can conclude that the mechanism the authority use to solve the potential problem face during tax estimation and collection are primarily: creating awareness about the purpose of tax and forming compliant committee for unsatisfied tax payer.

4.6 Taxpayer Perspectives on System Effectiveness and Procedural Challenges.

Table 8 Competency and experience of tax estimator

Variable	Description	Frequency	Percentage
Competency and experience of tax estimators	Low competency and experience of tax Estimator	34	85%
	Neutral	16	15%
	Total	40	100%

Source: Own computation and questioners and interview.

From the above table 3.2.8 from the total of 40 respondent 85% of respondent said that the competency and experience of tax estimator in the authority is relatively low, and the rest (15%) of respondent response shows they are neutral to have idea. From this, the researcher can conclude that tax estimator competency and experience is low.

Table 9 compliant procedures for dissatisfied tax payer

Variable	Description	Frequency	Percentage
Compliant procedure used by the authority	Yes	27	54%

	Neutral	13	44%
	No	0	0
	Total	40	100%
Those procedure used by	Forming appeal committee	27	54%
	Neutral	13	44%
	Total	40	100%

Sources own computation and questioner (2017)

As of table 4.1.9 from the total of 40 respondent,27(54%)of respondent answered that the authority has compliant procedure for unsatisfied tax payer against the authority tax estimation though forming appeal committee within 10 days appeal, the tax payers can form appeal to another committee by paying half amount, the rest 13(44%)remain neutral.

Table 10 Efficiency and effectiveness of tax estimation and collection system procedure and the reason behind

Variable	**Description**	**Frequency**	**Percentage**
Tax estimation and collection system and procedure are effective and efficient	Yes	16	40%
	No	24	60%
	Total	40	100%
The reason behind	Low awareness creation by the authority to tax payers	9	22.5%
	Tax estimators knowledge gap and low experience to gather holistic information from tax payers	-	-

	The estimation is not made annually (once in four years)	-	-
	Training for tax estimators as well as tax payers is relatively low or none	-	-
	All of alternative	31	77.5%
	Total	40	100%

Source: own computation of questionnaire and interview.

As shown in table 4.1.10 60 % of respondent replied that tax estimation and collection procedure and system in the authority are not effective and efficient only 22.5% of the respondent replied that the reason behind the ineffectiveness and inefficiency of tax estimation and collection procedure and system is due to low awareness creation by the authority to tax payers .majority of the respondent 77.5%replied that the estimation and collection procedure and system are not effective and efficient . Tax estimation knowledge gap and low experience to gather holistic information from tax payers are other reason. Training for tax estimator and collector as well as tax payers is relatively low or none.

Depth interview result from manager

The interview with tax official in the authority showed that the authority use the following three criteria and precondition to employee an individual as tax estimator and collector. The first is educational background which includes level of education and filled of study like management, accounting, marketing and economics. The second criteria are work experience of an individual within the authority as well as out of organization in tax estimation and collection on different place. The last one is professional ethics this is mainly due to the work nature of the authority is highly related ethical conduct like free from any bias during tax estimation and collection.

Regarding the competency and experience of tax estimator and collector the interview revealed that the competency and experience of tax estimator and collector in the authority is relatively low. The reason behind is that the ability to gather holistic information from tax payers and ethical behavior of estimator is not as such satisfactory, it is difficult to say that they are well.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1 Introduction

To assess the tax estimation and collection system in Emdiber Town administration revenue office primary data were analyzed and discussed at all in the previous chapter. In this chapter the conclusion and the possible recommendations were forwarded.

5.2 Conclusion

The authority conducts tax estimation and collection mainly to increase tax revenue for the government and to assess the competency and profitability of tax payers.

The authority uses the following techniques to estimate business tax: - the strategic position of the business, the size of customers, the business environment, the nature of product.

The reaction of tax payers to pay the levied amount of tax by the authority is negative. This is primarily of lack of tax payer's awareness about the purpose and importance of tax, negligence behavior of tax payers, and involuntary of tax payers. Authority provides the information when tax payers are coming to pay tax. This is due to the authority is responsible for most operational matter not capable to do such activity. The authorities face the following problems at the time of estimating business tax. These are, involuntary of tax payers, low quality and experience of tax estimators and unethical act of tax estimator's.

The quality and experience of tax estimators and collectors in the authority is low. The ability to gather holistic information from the tax payers and ethical behavior of the estimator is not as such satisfactory, low motivation, small in number compared with large size of tax payers and the estimator low ability and experience is the testimony to the law quality and experience. The authorities face four problems during tax collection these are; Tax payers are not willing to pay the levied tax, Tax payers intentionally delay payment, discontinued operation of tax payers business, Shifting of business activities

The authority is not collecting the potential amount of tax. Even though, the revenue collected has a progress from year to year. This is due low tax payer's awareness, weakness of tax

administration, low human resource, and shortage of facilities. The authorities primarily use two mechanisms to solve the potential problems faced during tax collection. First it tries to creating awareness about the purpose of tax. Even though, it is not as such satisfactory. Secondly, it forms compliant committee. The authority has compliant procedures to serve unsatisfied tax payers through compliant committee of the authority.

The authority tax estimation and collection system and procedures are not effective. This is because of the following reasons; Low awareness creation by the authority to tax payers, Tax estimator's knowledge gap and low experience to gather holistic information from tax payers, The estimation is not made annually (which is conducted once in four years), Training for tax estimators as well as tax payers is relatively low or none.

5.3 Recommendations

In the light of tax estimation and collection system with a special reference to the Emdiber Town the researcher forwarded the following recommendations.

Continuous awareness should be provided to the tax payers mainly by the authority with its collaborator's institution. The researcher order the office to create awareness about the purpose and importance of tax and to create citizens who have better understanding of taxation which will stimulate honest and voluntary to pay appropriate levied amount. Training and experience share between tax estimator and collector from another branch of the authority tax estimator and collector should be provided for better quality and experience

For effective and efficient tax revenue collection, there should be enough human resources (tax estimator and collector) proportionate with the tax payers in the authority. Again adequate checks and controls must be put in place to manage the activities of tax estimators and collectors.

The method of estimating tax at once in a year in authority needs to be amended for better estimation and collection system. The authority should alleviate financial, time, economical and human resource constraints for effective and efficient tax estimation and collection system.

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Appendix A

Wolkite Universty

College of business and economics

Department of accounting and finance

Dear respondent this questioner is prepared by 5th year accounting and finance students for the partial fulfillment of bachelor of art in accounting (BA). It is prepared for the estimators and tax payer in Emdiber Town on categories "C "tax payers. The researchers want to assure that the data will be used only for academic purpose. The paper is entitled as "assessment of tax estimation and collection system on categories "c" tax payer's in case of Emdiber Town. Therefore, the researchers humbly request that you complete these questionnaires correctly in the space provided or options given.

Instruction: - please put "x" mark on the box or circle for the choice of your letter when It is appropriate. Provide clearly your suggestions for those open ended questions.

Direction:

- No need of writing your name
- there are 12 questions

Thank you very much in advance for your cooperation and consideration.

Part one back ground of respondent

1. Gender

Men □ women □

2. In which age group do you lie?

Between 20-30 years □ between 30 – 40 years □

Between 40-50 years □ above 50years □

3. Field of study (multiple answer are possible)

Accounting □ finance □ economics □ management□ if others please specify_____

4. How long did you work with your current job position in Emdiber Town?

Less than 2 years□ 2-4years □ 4-6years □ 6-10years above 10years □

5. What is your highest statue?

Certificate□ diploma □ degree □ if other please specifies_____

Part two employee specific question

1) What is the purpose of tax estimation used by the authority?

A) To increase tax revenue

B) To investigate defective tax payers

C) To determine the real income of tax payers

D) To assess the competence and profitability of tax payers

E) If others please specify **……..**

2) Which technique is mostly used to estimate business tax?

A) Based on strategic position of the business

B) Based on the size of customers and volume of sale

C) Based on the nature of the product

D) Based on the business environment

E) If other please specify----------

3) What is the reaction of tax payers to pay those taxes leaved by the authority?

A) positive

B) Negative

4) If the answer question number 8 is negative what the reason is behind?

A) Tax payer's acts of evasion

B) The leaved amount is not appropriate

C) Lack of tax payer's awareness about the importance of tax

D) Negligence of behavior of tax payers

E) If others please specify_____

5) What problem does the authority faces during tax estimation

A) Involuntary of tax payers

B) Low quality and experience of the tax estimator

C) An ethical act of tax estimator

D) Flexibility of tax payer's business environment

E) If others please specify_____

6) What potential problem does the authority face during tax collection?

A) The willingness of tax payers to pay the leaved tax

B) Tax payers intentionally delay payment

C) Discontinued operation of tax payers business

D) Shifting of business activity

E) If other please specify_____

7) What mechanism does that authority use to solve those potential problems that you chose in the above question number 6?

_____

_____

_____ _____

Part 3 questioner prepared for tax payers

1. Do you think the tax assessment and collection are fair and based on ability to pay?

YES ☐ NO ☐

2. Do the revenue office employees perform their activities according to the rule and regulation of tax assessment and collection?

YES ☐ NO ☐

3. Does the revenue office arrange any meeting or tax payers education complains for the awareness of tax payers?

YES ☐ NO ☐

4. Does the authority provide compliant procedure for dissatisfied tax payers?

a. YES

B NEUTRAL

C NO

5. If your answer for question number 4 is" yes " what are those procedure and mechanism ?----

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6. Do you think that the tax estimation and collection procedure are effective and efficient?

YES ☐ NO ☐

7. If your answer to question number 6 is" YES" would you mention some of the reason behind ?----

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-- Thank you for devoting your valuable time in appropriately filling the questionnaire

Interview with manager of the office

We are deeply gratitude for your willingness and collaboration to answer our research interview question. We are 5th year accounting and finance students of Wolkite Universty doing research under title of assessment of tax estimation and collection system of category "C" tax payers in case of Emdiber Town. The purpose of the study is to assess the tax estimation and collection system on category "C" tax payers in case of Emdiber Town having the information from category "C" tax payer's compliance against the authority system of estimation and collection in some purposively selected tax payers of the city. I want to assure that the data will be used for academic purpose only.

1. What are the primary criteria and precondition to employee individual as a tax estimator and collector?

2. How do you evaluate the quality and experience of tax estimator and collector in the authority?

3. Could you tell me the level of tax payer's tax awareness and compliance behavior with the tax system?

4. Is there any means that the authority uses to aware tax law amendments to the tax payers on the right time?

5. Do you believe that the authority has currently collecting the potential amount of tax revenue?

6. Do you think that the tax collection system and procedure efficient and effective? If not would you mention the reason behind please?

Thank for your collaboration