TAX ASSESSMENT AND COLLECTION RELATED PROBLEM ON CATEGORY "C" TAX PAYER (A CASE OF ASSELA TWON)

A RESEARCH PAPER SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR BACHELOR OF ART (BA) DEGREE IN ACCOUNTING AND FINANCE

PRE PARED BY: ALEMU MEKURIA

ID NO 053/09

ADVISOR: - BERHANU (MSc)

COLLEGE OF BUSINESS AND ECONOMICS DEPARTMENT OF ACCOUNTING AND FINANCE

February, 2019

Wolkite, Ethiop

ACKNOWLEGMENT

First and for most I would like to praise Jesus who is son of living God and died on the behalf of all mankind to save the world and gave me patience, forgiveness, charity and strength while I perform this job all the time. Secondly, I would like to say thank you again and again my family, supported and helped out from the beginning to end of my 15 years staying on educational journey, morally, financially and materially.

Thirdly, I would like to express my sincere and wholehearted gratitude to my advisor instructor Mr. Berhanu (MSC) who is very much concernedly advised to complete my research from the beginning to the end and I extremely appreciate his constructive correction to give genuine professional technical comments and suggestion. Additionally, the researcher want to acknowledge Asella city administration revenue authority employees who contribute to this paper by providing accurate information specially Ato Ketama Deriba coordinator of tax collection department.

ABSTRACT

⇨ The study was conducted to assess the challenge faced the Asella city administration revenue Authority while collecting tax from business community of the city which are commonly known as category c tax payer. The researcher believe that findings of this study can contribute in enhancing the tax revenue of the city administration and the government at large by exposing the core problems on the tax collection activities so as to enabling them to put their effort to solve those observed problems. To conduct the study the researcher used both primary and secondary data. Although the data was collected from various source tax payer and Revenue Authority employee were the main source of data for the study. The study employed stratified random sampling for tax payer and judgmental sampling for employee of revenue authority. In order to present and analyze the data in reliable and clear way the researcher used both table and percentage to summarize the study finding. Generally finding of the study reveals that most of tax payer especially in those under category c has been facing various problems in relation to taxation system. Despite tax payer positive attitude toward the general conception of taxation most of the surveyed tax payer stated that what they are paying are beyond their capacity to pay that neither they have no trust in the employee of authority nor merely overall tax estimation. The study concluded that the authority of the city administration is being reluctant in making the tax low or procedure, objective, transparent, understandable to tax payer. Thus the researcher recommended the responsible tax authority should revise their working system and promote transparency so that trust of tax payer on the tax system will gradual advance.

Table of content
page

Contents

CHAPTER ONE

1.1. BACK GROUND OF THE STUDY

Typically, taxes are the primary source of government revenues. Taxation policies depend on the socio economic and political structure of a country. Government use tax revenue to pay for the soldiers and police, to build dams and roads, to operate school and hospitals, to provide food to the poor and medical care of the elders and for many other purposes (Gebrie 2008, page 2-4).

In Ethiopia though taxation came into being with the emergence of state and government, but, there is no reliable documentary evidence exists as to when exactly taxation was introduced. In the 15^{th} century written stories of AtseZeraYacob indicates that taxation was introduced previously in Ethiopia. In these eras tax was paid by different social groups to government, feudal lords and priests. Besides, these documents approve that AtseZeraYacob had for the first time enacted regulation can be taken as an evidence for the presence of taxation system before and on ZeraYacob government.

In general, a kind of traditional tax system was practiced on those days this traditional tax system was expresses in two forms of payment in kind and cash tax system. In traditional tax system, much burden was laid on farmers. There was limited opportunity to increase taxes on personal or agricultural income. At the same time, direct taxes accounted for less than one third of tax revenue. (Gebrie, 2006, page 4-6).

During the “Dergue” regime the taxes were similar to those imposed during Haileseassie regime except that wider tax base and increased tax rates. The “Dergue” regime partially alleviated(reduce) the tax collection problems that existed during the imperial period by delegating(represent) the responsibility for collecting the fee and tax on agriculture to peasant association which received a small percentage of revenue as payments.

The organization of Ethiopia federal and regional self-government based on democratic principles and emergence of market oriented economy are imperative for marketing structural change in tax policy during transitional period. With the establishment of regional government (pursuant to proclamation No 7/1992) major changes took place in tax policy of the country. The constitution of Ethiopia approved in 1995 gave power to regional government to levy and collect taxes from the source assigned to them to meet their expenditure needs. Accordingly, both level of government collects direct and indirect tax from respective source. **(Ibid).**

Categories "C" taxpayers are Tax payers whose annual turnover income up to 100,000 birr keep no records and present it for assessment. It is highly appreciated by the tax offices and pay tax after the budgetary year of one month (Gebrie 2006, 64 and 65).

Category ''C'' business income tax payers, unlike category ''A'' and ''B'' tax payers, are not required (not obligatory) to maintain books and records prepare and submit any financial statement to the tax authority. To determine the taxable income and income tax liability of such taxpayers, however, standard assessment presumptive taxation technique is used (Misrak.T, 2003).

The schedule of presumptive tax developed by the tax expert and prescribed is schedules''' and ''C'' of the income tax proclamation number 286/2002, article 16 are used for collecting the tax from the category ''C'' tax payers of schedule B income tax payers (business income tax payers).If the taxpayers keep no records, if the income tax authority does not accept submitted book, or if the taxpayers fail to declare within the time specified the income tax authority estimate by the use of certain indication. Category ''C'' should pay tax at fixed rate on the income tax estimated by the economic authority. Such taxation, is based on the sum estimation may continue from year until revised by the authority. The taxable income of taxpayers (where assessment by estimation based). Tax assessor will be assigned by the office to estimate daily sales will be converted to annual income using the number of working days. Tax on the annual sales is determined on the base of perspective value assigned to each activity

(Ibid).

1.2. Statement of the problem

Taxation enables the government to provide administrative and compliance cost. Therefore, the government must guide the tax laws that enable it to collect its revenue efficiently. Taxes are compulsory payment by every person or organization to the government because the main source of revenue to government without expectation of direct return. Taxes are burdensome thus reduce the economic welfare of individual and business (public) organizations. Because activate that are finance from taxation is bring benefit to individual or organization. (BL Bahatia, 2003).

Ethiopia, like any other developing countries, face difficult in raising revenue to the level required for the promotion of economic growth. Hence the country has been experienced a inconsistence budget deficit because of having the higher public expenditure than revenue. So to address these problems the governmental ways struggle to improve the level of tax imposed on tax payer and quality of administration. Hover, this imposition tax couldn't still bring the required result due to lack of awareness about tax collection, lack of Understanding of rule and regulation of tax, inadequate tax assessment and collection, and thus successfully avoid tax evasion depends on the nature of economy's actual tax base. The revenue authority's actual collection is understating in one time and over state on the other. For instance, the difference between budgeted 18,989,767 birr and actual 19,798,043 in 2006 in categories 'c'. This variance causes to low revenue yield of taxation According to Assela town revenue authority. Although the tax reforms and programs taken by the government has contributed positively to increase tax revenues collected, it's too hard to conclude that the current tax administration system of the country is collecting the optimal amount of tax revenues that the economy expected to generates.

The following researches were conducted on tax assessment and collection related problem in categories 'C'. Temesgen (2016) studied on tax estimation and collection system in mekele. Endashaw (2016) studied on performance Assessment on tax planning and collection in GamoGofa Zone. Nebil(2015) studied on Assessment of tax collection problem in SokoruWoreda. Misraku (2014) studied on assessment effectiveness of business income tax collection in Dilla town. Yohanse and Zerihun(2013) were study on Assessing the gap and problems that exist between the business community and tax authority in Dire Dawa. The former researchers were not investigating determinant factors that can be drag for tax collection on tax payers. Despite the poor track record of the office in collecting taxes from taxpayers, a scientific investigation over the possible factors have not sufficiently studied and documented yet. In addition, these studies are not studied in Assela yet. Therefore, by understanding the above raised problem the researcher intend to address and handle the exits problem in the revenue authority office by preparing questionnaires of data collection purpose. Thus, this study aimed at filling this gap by examining the assessment and collection problems of Assela revenue authority office in assessing and collecting taxes from taxpayers.

1.2.1 Research Questions

To end this study has tried to find out answer for the following research question.

1. what are the procedures followed in tax collection of category” c” tax payer?
2. What are the major problems of tax collection of category ‘c’?
3. how seems like the awareness and attitude of categories ‘c’ tax payers

1.3. Objectives of the Study

1.3.1 General objectives

The general objective of the study is to examine the tax assessment and collection problems of Category ‘C’ tax payers’ a case of Assela Town Revenue Authority

1.3.2 Specific objectives

1. To examine the procedure followed in tax collection of category ‘’c’’ tax payer.
2. To find out the major problems of tax collection of category ‘’ c’’
3. To determine the tax payer awareness and attitude about taxation of category ‘’c’’

1.4. Significance of Study

- ⇨ The researcher believes that the study can provide valuable information and knowledge about tax collection problem for the target population of the study area that are both the tax payer under category c and Asella city administration revenue authority bureau.

- ⇨ Moreover, the findings of this study can contribute in enhancing the tax revenue of the city administration and the government at large by uncovering the core problems on the tax collection activities so as to enabling them to put their effort to solve those observed problems.
- ⇨ It would also improve awareness of category c tax payer by showing the way in which government applies its tax policy when estimating the amount of tax to be collected from citizens' income.
- ⇨ Final it can be used as a reference for another researcher who wants to make further study on the area by providing evidence how to do another research for future time.

1.5. Scope of Study

The scope of this study limited to the Assessment of tax collection and related problems in case of Assela town revenue authority

The study on taxation is wide and very vast and need long term study so researcher study is restricted only in problem of tax assessment and related collection problem on category "C" tax payer in Assela town revenue authority. So researcher study restricted on category "C" tax payer because of time and cost.

1.6. Organization Paper

The study have five chapters, the first chapter which is an introductory section of the paper which includes background of the study, statement of the problem, objective of study, significance of the study, scope of the study and limitation of the study. The second chapter deals with the related literature review. The third chapter deals with the research methodology of the study. The forth chapter concern with the data analysis and presentation of the findings. Finally, the last chapter deals with conclusions and recommendations

Chapter Two

2. Literature – Review

2.1 Theoretical literature review

2.1.1 Definition of tax

Tax is a major source of government revenue and it is a compulsory contribution lived on individual, business firm, or property with is design to transfer from private to the public sector so as to provide merit good to the society without contributing to price inflation (H.L BAHITE 2006).

Tax is the major source of revenue needed to finance government service. To raise sufficient revenue government uses varies type of taxes and arrange of tax rate. Apart from raising the necessary revenue, taxes have multiple objectives. Thus, tax police have to properly in be designed order to promote incentive to work, save, invest, and support economic growth and equity tax reform, therefore has to be balance multiple objective of taxation including raising adequate revenue, insuring economic efficiency and equity. It must limit unproductive tax and incentive; keep differential rate to minimum reduce economic distortion (Misrak, 2011).

2.1.2 Objective of taxation

the basic objective of taxation are to mobilize sufficient revenue to meet the ever growing need of government expenditure .in addition to raising revenue taxes have other objective including redistribution of income and wealth, discouraging of efficiency, fairness and administrative case (Misrak, 2011). The main objectives of taxation are the following

- ✓ Raising revenue by government to finance to expenditure of its agencies; the primary objective of taxation is to raise revenue to support expenditure according to the writer, that expenditure, including education. health, provision of utility maintains lows and defense all needs expenditure

- ✓ Enhancement of living of the people; by way of giving various tax concession to certain essential goods, the government enhance the standard of living of people
- ✓ To ensure economic stability; government use to control inflation and defilation pressure during inflation period government may increase the existing tax rate or impose additional tax to reduce abnormal demand. During defilation period government by reduce the existing tax rate or remove certain taxes to increase demand and encourages business activities
- ✓ To minimize income and wealth inequalities; to narrow the gap between the rich and the poor, most government adopts progressive tax system. In such system the higher income group pay more amount of tax and middle income tax pay lower income amount of tax then the tax collected the higher and middle income earning groups and unemployment
- ✓ Creation of employment opportunity; more employment opportunities can be created by giving tax concession to small entrepreneur and to the industry labor incentives techniques (misrak, 2011).
- ✓ To minimize the cost of running the tax system and enforcing the collection of tax.
- ✓ To change the distribution of income.
- ✓ To make the receipt of certain benefit apart the cost of generating those benefit.
- ✓ To change people behavior, for example to discourage by making to more expensive (misrak, 2011).

2.1.3 Categories of tax payers

For its efficient and effective tax administration purpose, the Ethiopian government classifies schedule 'B' income taxpayers (rental income taxpayers), and schedule 'C' income taxpayers (business income taxpayers or trade business) in to two categories. For categorization purpose, the Ethiopian government uses two bases: The legal personality (legal status) or taxpayers and their annual gross turnover (annual actual or expected gross sales revenue).

Accordingly, schedule ‘B’ and schedule ‘C’(without corporate businesses) income tax payers are categorized in to three, namely, category ‘A’, category ‘B’, and category ‘C’ taxpayers. (Misrak, 2011)

Category ‘A’ taxpayers

Category ‘A’ of schedule ‘C’ (without corporate businesses) income taxpayers’ includes the following types of taxpayers: -

Business income tax payers or rental income tax payers formed under the laws of Ethiopia or foreign laws that have separate legal personality (i.e. share company, PLC, Public enterprise, public financial 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.

All category ‘A’ income taxpayers who are engaged in a business or trade (business income tax payers or trade business) or who own buildings held all or in part for rental purposes are required to fulfill the following requirements regarding records and reports for their tax obligation purposes.

Category ‘A’ tax payers shall at the end of the year submit to the tax authority a balance sheet and a profit and loss statement and the details of the following: Gross profit and the manner in which it is computed, General and administrative expense, Depreciation, and Provisions.

Keeping accounting_Records: -_category ‘A’ tax payers are required to keep a complete, accurate and proper book of accounts, records and other supporting documents in accordance with the generally accepted accounting principles (GAAP). Depending up on the type of ownership, size of business and nature of business operations of the taxpayers, journals (cash payments journals, cash receipts journals etc.), general and subsidiary ledgers, payroll records, internal operation manuals and vouchers are the principle ingredients of books and records which must be kept by the taxpayers for tax assessment purpose. The books and records shall contain balance sheet information, daily income and expense information, purchases and sales information, ending trading stock information, and other documents with sufficient details.

Vouchers: - category 'A taxpayers are also required to register with the concerned tax authority the type and quantity of vouchers (i.e. invoices and receipts) use before having such vouchers printed. Any printing press, before printing the vouchers is registered with the appropriate tax authority.

Financial reports: -in addition to the aforesaid requirements, category 'A' taxpayers shall prepare and submit to the concerned tax authority, at the end of their tax year, audited balance sheet and income statesmen, which are prepared based on the books of accounts maintained in accordance with the GAAP. Whenever requested in writing by the concerned tax authority, and public auditor shall also submit the audit reports of his clients to the authority. Failure to submit the report will result in cancellation of his license by the appropriate government organ. (Misrak, 2011)

Category 'B' tax payers

Category 'B' taxpayers include, unless already classified in category 'A' business income taxpayers with no legal personality and whose annual gross turnover is more that birr 100,000 but less that birr 500,000. All category 'B' taxpayers whom are engaged in a business are also required to maintain proper books of accounts and other supporting documents which are a like to category 'A' taxpayers. They shall also use the type and quantitative of vouchers registered and approved by the concerned tax authority. Nevertheless, category 'B' taxpayers are required to prepare and submit to the concerned tax authority only income statement with the required details. It is not a legal requirement to the concerned tax authority (Misrak, 2011).

Category 'C' taxpayers

In includes any other business income taxpayers which are not already classified under category 'A' and 'B'. putting the concept in other words, unless already classified in category 'A' or 'B', business income taxpayers having no legal personality and whose annual gross turnover is estimated up to birr 100,000. Category 'C' taxpayers, unlike category 'A' and category 'B' taxpayers, are not required (not obligatory) to maintain booksand records and to submit any financial statement to the tax authority. To determine the income tax liability of such taxpayers, however, standard assessment presumptive taxation method is used (Misrak, 2011).

2.1. 4 Major Types of Taxes in Ethiopia

1. Direct taxes; direct taxes those which are paid entirely by those people whom they are imposed. A Direct tax is one paid directly to the government by the persons on whom it is imposed. Examples include some income taxes, some corporate taxes and transfer taxes such as estate (inheritance) tax and gift tax.
2. Indirect taxes; computed indirect taxes are indirectly in the cost goods or services you purchase such as taxes imposed on companies for doing business. Good examples of indirect taxes would be shipped cost which is included in the cost of merchandise you buy at the store. Cost on commodities like custom duties, sales taxes, excise taxes etc. included in types of indirect taxes.

2.1.4.1 Types of Direct tax

A. Employment personal income tax:

Every person deriving income from employment is liable to pay tax on that income at the rate specified in schedule. Employment income shall be including any payment origins in cash or in kind received from employment by an individual. Employees have an obligation to withhold the tax from cash payment to an employee, and pay the tax authority the amount withhold during cash calendar month in applying the procedure, income attributable to the month Nehssie and tiqimt shall be aggregated and treated as the income of one month if the tax on income from employment, instead of being dedicated from the salary or wage of the employee is paid the employer in whole or in part, the amount so paid shall be added to the taxable income and shall be considered(misrak, 2008)

B. **Business Profit Tax**

This is the tax imposed on the taxable business income or net profit realized from entrepreneurial activity. Taxable business income would be determined per tax period on the basis of the profit and loss accounting standard corporate business are required to pay 30 percent of fait rate of business income tax. For with incorporated or an individual business are taxed in accordance with determined schedule and rate. In the determination of business income subject tax in Ethiopia, dedications would be allowed for expense incurred for the purpose of earning, and maintaining that business income to the extent that the tax payer can prove the expenses.

2.1.4.2 Types Indirect Taxes

A. **Turn over tax**

The turn over tax would persons not registered for value added tax render payable on good sold and services. The rate of turns of over tax is; 2 Percent on good sold locally, for service rendered locally, 2 Percent on contractors, grain mills, tractors and combine harvesters, 0-50 percent on other.

B. **Value added tax**; Value added tax is a tax on customer expenditure: it is collected on business transactions and imports. VAT is payable if they are: Supplies made in Ethiopia, made by a taxable person, made in course or further once of business, every imports of goods, other than an example and import of service

C. excise tax; Excise tax in Ethiopia is imposed and payable on selected goods, such as luxury good and on consumption of such goods. The excise tax shall be paid goods in respect to good, produced locally the cost of production and in respect of good imported, cost of imported, cost of insurances and freight (CIF).

2.1.5 Tax assessment

Tax assessment refers to the initial review by the tax authority of the tax declaration and attached supplementary document submitted by tax payer. Tax assessment is the end result of the process of ascertains a tax payer taxable income and tax payable on that income (misrak, 2011). Category 'c' tax payers are not required to maintain book of account, record and submit any financial statements to the tax authority. To determine their taxable income Presumptive taxation method is used. But, category 'A' and 'B' tax payers are obligated to maintain book of account, record and present financial statement. Their tax liability is determined based on their financial statement.

2.1.6 Tax evasion and Avoidance

Tax avoidance and evasion constitute a problem in almost all of the countries of the world. Tax avoidance is different from tax evasion, while evasion is against the law avoidance is within the ambit of the laws (parameswarn, 2005)

2. 2.6.1. Tax Evasion

Tax evasion is an illegal method of trying to reduce one's tax bills. In other word, it is illegal by redacting tax burden by under reporting income, over stating deduction of using illegal tax shelters while tax avoidances an attempt to reduce tax liability to minimizing tax burden through legal means such as tax free municipal bonds, tax shelters because of the loopholes in the tax laws and the inefficient or corrupt tax administration gives rise to tax avoidance or evasion. It involves choosing legal form and handling affairs in such a way as to taken advantage of legally permissible alternative tax rate or an alternate method of assessing income (parameswarn, 2005)

2.2.6.2 Causes of Tax Evasion

High rates of taxation: - Prevalence of high tax rate is the first and for most reason for tax evasions. This makes the tax evasion profitable and attractive in spite of the attendant risks **Inadequacy of power**: - The facts relating to income, wealth, expenditure are known to the tax payer and if does not disclose the facts to the assessing officer, he may not be able to determine correctly the liability of the tax payer. Hence, whatever powers are bested in the assessing officers, are not used freely by an honest officer for fear of causing harassment to the taxpayers.

Multiplicity of tax laws: - A number of laws are enacted for the recovery variety of taxes leads to wide spread tax evasion.

Complicated tax laws*: -* this is another reason for tax evasion the tax laws contain a number of exemptions, deductions, rebates, relief and such charges and so on. *Inadequate information*: - lack of adequate information as to the source of revenues also contributes to tax evasion. In Ethiopia, small businesspersons and farmers rarely maintain an account of their income.

Shortage of experienced personnel.*:* - Income tax department should have sufficient number of trained and experienced personnel to cope with assessment and investigation work. To make the department efficient, procedure and organization of the department should be improved.

Moral and psychological factors*:* - Every person should realize his responsibility forwards the government unfortunately not all citizens realize their duties to the state and the necessity of paying the correct amount of tax and paying them in time. Only reformed moral outlook and the development of better civic conscience can improve matter in these respects.

Corrupt business practices*:* -Businessman includes in hoarding and sells his good in the market out inflated rates. All such corrupt and unfair business practice leads to the generation of black money (Gupta.A, 2001).

2.2.6.3. Tax Avoidance

Tax avoidance refers to the legal exploitation of the tax law regime to one's own advantage to attempt to reduce, the amount of tax that is payable by means that are within the tax law whilst making full disclosure of the material information to the tax authority. Tax avoidance may be considered as either the moral doing of one's duties to the society or the right of every one citizen to find out all the legal way to avoid paying too much tax (parameswarn, 2005).

Tax avoidance means that tax payers resort to a device within the ambit of the law to divert the income before it occurs or arises to him or her." Or "Tax avoidance has to be recognized that the person whether poor or wealthy has the legal right to dispose of this income so as to attract the least amount of tax." Tax avoidance can be defined as escaping from the tax liability by using avoidable loop-holes of the tax law, in general, tax avoidance means “legal minimization of tax liability (burden) by the tax payer (parameswarn, 2005).

Tax avoidance is taken to refer to arrangement by which a person acting within the letter of law reduces his true tax liability, infringing the process both sprit and the intention of law. In other word tax, avoidance is the art of dodging taxes authorities without breaking the law. It means acting within the frame work of law or acting as per the language of law only inform, but murdering the very spirit of law and thus acting against the intention of law and defeating the purpose of the particular legal enactments. In short, we many state that tax avoidance is taking advantage of loopholes in tax laws. However, taking advantage of loopholes in law only provides a short run benefit because, as and when the loopholes in the law are made public, legislature step in plug the loopholes (paramerswarn, 2005).

2.2.6.3.1. Some of the sources of tax avoidance

An expense as permissible deduction is elastic: There is over generous provision for the relief of losses. Consequently, they manufacture losses for tax purposes.

The conversion of property in to trust: To avoid the payment of tax, people convert their property in to trust because income from trusts are either completely exempted or taxed highly. **Securing contract in the name of the wife and childes**: To carry on their business and to earn black money, people obtain contract in the name of wife and child, which is legal (Gupta.A, 2001).

2.3 EMPERICAL LITERATURE

Getaneh (2011) conducted a research on "tax audit practice in Ethiopia". He adopts mixed method approach so as to achieve the research objective and his study shows low audit coverage, absence of compliance risk based audit case selection strategy, scarcity of audit resource, and finally the study forward possible measure to be taken by Ethiopian custom authority to mitigate problems in tax audit operation.

Desta (2010) conducted research on "assessment of tax payer voluntary compliance with taxation in Mekelle city". He used both primary and secondary data and descriptive statistical tools, factor analysis correlations are used in analyzing the data collected. According to his study strength of tax authority, awareness level of tax payers, social factors, cultural factors and tax payer’s attitudes are determinant factors affecting tax payer voluntary compliance.

Yohanse and Zerihun (2013) were study on "Assessing the gap and problems that exist between the business community and tax authority in Dire Dawa". Data were collected from tax payer survey and focus group discussion. Finding of the study revealed that the most tax payers who face problems related to taxation are category "c" tax payers.

Temesgen studied on tax estimation and collection system on category 'c' tax payer in Mekelle city. Endalemaw studied tax leaving system on category 'c' tax payers in yirgalem, and Zerihun studied assessment of category 'c' tax payer’s attitude towards taxation in Debremarkos city. Misraku studied on assessment effectiveness of business income tax collection on category 'c' in Dilla town. Yohanse and Zerihun were study on Assessing the gap and problems that exist between the business community and tax authority in Dire Dawa.

As started point revenue authority collected revenue from category “C” tax payers in 2006-2010 indicated on the above table shows that the office has some weakness to successes its budgeted plan. So the revenue authority has some weakness on tax assessment and collection that the researcher was found solution

As revenue authority of Assela town collected revenue from category “C” tax payers in 2006-2010 indicated on the office has some inconsistence to successes its budgeted plan.

Year	Budgeted	Actual	Variance
2006	18,989,767	19,798,043	+808,276
2007	20,647,896	17,212,587	-3,435,309
2008	22,897,945	21,647,862	1,250,083
2009	28989767	31647862	1250083
2010	18989767	19798043	808276

Literature gap

The gap is the former researchers were not Investigate determinant factors such as (awareness and attitude) in Assela town that can be drag for business income tax collection on category "c" tax payers which this study focus on.

CHAPTER THREE

3. RESEARCH METHODOLOGY

3.1. Research Design

So as to put the objectives of the study into effect a descriptive method conducted to investigate major tax collection problem under category “C” tax payer

3.2. Source of Data

3.3 RESEARCH APPROACH

The study were conducted based on the nature, availability of funds and time. This study were incorporated both quantitative and qualitative research approaches (were used mixed method) in order to generate the advantage of both approaches like; to address different objectives of the study, which cannot be achieved by a single method; and to enable one approach to inform another approach, either in design or in interpretation.

The researcher were used qualitative research approach so as to know the opinion, attitude and perception of taxpayers, in addition, to qualitative research the researcher were used quantitative research approach to express the respondents’ opinions and perception in terms of percentage

3.4. Method of data collection

The study conducted by distributing questionnaires and interview to the Assela revenue authority employees and tax payers. All necessary data the researcher collected by using primary data collection method both opens and close ended questionnaire. Secondary data collected from review of the document manuals of Assela revenue authority report issued to the public.

Also Secondary data collected from journal documentary record, annual reports periodically, magazine and other written materials.

3.5 Sampling techniques and target population

The data collected from tax payers of under category’’ c’’ in Assela city administration revenue authority employee that have long term experiences related to tax collection. In order to collect the desired data from employee the researcher probability used judgmental sampling techniques. The reason behind selecting this technique is to reduce time consuming, transportation cost to get respondents and to ask any employees who have long time experience and knowledge about tax collection problem in the authority bureau. Moreover, it enabled the researcher to freely select any respondents who capable to react the questions. For a tax payer the researcher employed a sampling technique called stratified because even though entire tax payer are homogeneous by their category but business activities performed in the category are heterogeneous by their nature. Therefore, the total tax payer segmented into three strata these are small manufacture, small service, small merchandise then sample taken from each strata.

3.6. Sample Size

The researcher conducted the study by using 60 sample sizes. This size obtained from the total population of 1010 numbers of category 'c' business tax payers and from 76 total Employees 35 were selected as sample taken from the selected three sample kebeles of the town and this sample is founded by using the following formula. (Source Kottari 2004)

Sample size (n) = $Z^2pqN/ E^2 (N-1) + z^{2\ pq.}$

Where: -

Z=confidence internal value in the table

n =Sample size

N= Population size

P= probability success

q= probability failure

E= error

Cl= confidence level

Given Cl = 90%

z = 1.6

$E = 10\%$

$N = 1010$

$P = 0.5$

$q = 0.5$

Then $n = z^2pqN/ E^2 (N-1) + z^2pq$

$= (1.6)^2 (0.5) (0.5) (1010)/ (0.1)^2 (1010-1) + (1.6)^2 (0.5) (0.5)$

$= 646.4/10.73 = 60$

The researcher take 35 of sample from the employees

$N=76$

$p=0.5$

$q=0.5$

$e=10\%$

$Z=1.6$

$N = z^2 pqN/E^2 (N-1) + z^2 pq = (1.6)^2 (0.5) (0.5) *76/ (0.1)^2 (76-1) + (1.6) (0.5) (0.5)$

$2.56(0.25) *76/(0.1)(75)+2.56*0.25 \quad =48.64/1.39$

$n = 35$

3.7 Methods of data analysis and interpretation

After the collection of all the necessary data, the researcher analyzed the data by using descriptive data analyzing tools such as percentages and tables, because this method enables the researcher to obtain information about the preferences, attitude, awareness, practice, and interest of the respondents and analyze the data into a more meaningful and easily understandable way.

CHAPTER FOUR:

DATA ANALYSIS AND INTEREPRTATION

4. Result analysis and discussion

4.1. The sample kebeles

In this chapter, data collected from both primary and secondary sources are interpreted and presented in a well-verified manner. Three urban kebeles out of thirteen were selected based on the density of category 'C' taxpayers. Only the relevant population of taxpayers was considered for this study. Researcher taker 35 respondent from employees within the organization and 60 respondents from the total tax payers. From this only 45 tax payers filled the questionaries' and properly returned while 15 respondents did not.

Table 1: the distribution of taxpayers in sample Kebeles

No	Kebeles	Population	Percentage
1	04	458	45%
2	05	334	33%
3	07	218	22%
Total		1010	100%

Source; secondary

As the table indicates that most of the populations (45%) of the total population were found in kebele 04 and the remaining 33%and22% of the population were in 05 and 06 kebeles respectively

PART I: QUESTIONNAIRES RELATED TAX PAYER PERSONAL INFORMATION

4.2 Analysis of Data Gathered from Tax payers

Table 2. Tax payer general profile

Gender	Male	Female	Total	-	-	-	-
No of respondents	36	24	60	-	-	--	
Percentage	60%	40%	100%	-	-	-	-
Age group	20-30	31-41	41-50	Above	Total	-	-
No of respondents	20	19	17	4	60	-	
Percentages	33%	32%	28%	7%	100%	-	-
Educational back ground	Elementary	High school	Technical school	Diploma	Degree	Other	Total
No of respondents	8	23	15	9	5	-	60
Percentage	13%	38%	25%	15%	8%	0%	100%

Source. Questionnaires (2019)

The data collected through questionnaires indicate that 60% of the respondents was male and 40% was female all respondents age lie above 20 years. The age group from 20- 30 cover the highest part with 33%. Age group from 31-41 consists the second larger number (32%) and age group from 41-50 and above cover the third and fourth part respectively. With regard to educational back ground 13% of the sampled respondents learned primary Schools, 38% high secondary school, 25%, have attended technical college, 15% have diploma and 8% have degree.

PART II QUESTIONNAIRES RELATED TO TAX PAYER ATTITUDE TOWARD TAXATION

Response of tax payers

Table 3. How do you feel about taxation?

Response	Total No of respondent	Percentage
As an obligation	12	27%
As a debt	9	20%
As useful	24	53%
Total	45	100%

Source. Questionnaires (2019)

As indicated in above table 53% of taxpayer see taxation as useful about 20%, and 27% the tax payer considered tax as debt and obligation respectively. This implies that the knowledge of tax payer about tax is high or in other word majority of tax payer believe that tax is deserve to government and all citizens obliged to contribute certain amount of tax from their income for government. According to some tax payer that the researcher asked personal stated every citizen have a responsibility to pay tax to government on the basis of ability to pay. Further most tax payer understands that each tax payers must pay their tax liability based on their ability and must also have positive understand and awareness about taxation.

Table 4. Do you know why tax is compulsory?

Response	Total No of respondent	Percentage
Yes	45	100%
No	0	0%

Total	45	100%

Source. Questionnaires (2019)

From the above table it is clear that when people asked why tax is compulsory they pay taxes about (100%) of the respondents said that because it is an obligation to the government or state and in the anticipation of public services in return from the government. This indicates there is a positive understanding as to why people pay taxes and if successive works are done probably better results of tax collection can be registered. Further we can understand from this that Knowledge of tax payers about taxation is very high and tax payers have good awareness about taxation on the basis of data gathered regarding the knowledge of the tax payer responded that they knew why they pay taxes.

Table5. How do you see present taxation system?

Response	Total No of respondent	Percentage
Good	29	64%
Bad	9	20%
Need restatement	7	16%
Total	45	100%

Source. Questionnaires (2019)

As shown in the above table (64%) present taxation system in Ethiopia case considered as good. This shows that in city tax office apply equity principle of taxation and tax collection system was considers ability of tax payers. Further understand from these each tax payers pay their tax liability based on their ability and has positive understand and awareness about taxation. But only 20% of respondents are considering the recent taxation system as bad and 16% are considers needed restatement. From this we understand that tax payers show good understand about taxation related with these lack of knowledge and awareness from side of tax payers therefore, they not consider as government impose heavy burden only on them.

Table 6. Is your annual tax liability based on your income?

Response	Total No of respondent	Percentage
Yes	10	22%

No	35	78%
Total	45	100%

Source. Questionnaires (2011/2019)

As tried to show in above table 78% of the tax payers have complain on tax amount imposed on them because the tax they paid is not based on their daily income generated from sale because as some explained there are days spent without any sale or transaction occurred specially those engaged in service render activities. Table further indicate that 22% of respondent said that as their annual tax liability based on their annual income. This implies that even if the tax amount is not high but it is slightly not based on their income.

Table 7. When do you pay tax?

Response	Total No of Respondent	Percentage
When receive assessment notification	25	56%
Before due date	20	44%
After due date	-	-
Total	45	100%

Source. Questionnaires (2019)

Table indicate that 56% of respondent pay their expected tax liability when they receive assessment notification, related with this majority of tax payers want to pay when they receive assessment notification to escape from waiting lot time if they delay due to network interruption. From these we understand the most of tax payers are loyal to pay tax collection body of government. And 0% of respondents pay their tax liability after due date and also only 44% of respondent pay their tax liability before due date. From these we can understand that those tax payers are loyal to pay their tax liability.

PART III: QUESTIONNAIRES RELATED TO TAXPAYER'S COMPLAINTS AND TAX

OFFICE RESPONSE

Table 8. Do you face any problem when you go to pay your tax liability?

Response	Total No of respondent	Percentage
Yes	27	60%
No	18	40%
Total	45	100%

Source. Questionnaires (2019)

According to the table 60% of respondents were share their idea as faced problem related with tax payment when they go to pay their expected tax liability. From these we can understand that in Asella revenue authority have big problem in tax collection from tax payers. But only 40% of respondents said that, as minor problem they would have not faced when they go to pay their expected tax liability. This link with Unsuitable network system which runoff usually at the moment of delivering services.

Tables 9. What are the major type of problem faces you?

Response	NO of respondent	Percentage
absence of employee in the office	5	11%
Waiting for long time	16	36%
Inefficiency of tax collector	22	49%
Other problem	2	4%
Total	**75**	**100**

As the data gathered from questionnaires indicate major problems mentioned by tax payers are inefficiency of tax collectors (by 49%) this due to inefficiency network system of the office and improper personal character of the employee to handle the customer who work in the office, the presence of waiting for long time (36%) , this is linked with mismatch of number of tax collector and tax payer which leads to the over crowing of the office with other tax payers therefore tax payers forced to wait on a long of time the problem of absence of employees (tax collector) in the office (11%). This might be they went office after an employee had left the office to have lunch or for other purpose and the other 4% conceder other problem such as limited number of employee and modern way of collection

Table 10. Is your appeals get fast response when you inform it to the tax office?

Response	No of respondent	Percentage
Yes	15	33%
No	30	67%
Total	45	100%

Questionnaire (2019)

From the above table it is can be observed that majority (67%) of the respondents have said most of the time the employees of tax authority not respond complains appealed by tax payer with regard to overall government tax system. On the other hand, only 33% of the respondents said that they have acquired fast response to complain they appealed to authority for problem that linked with tax calculation, collection, overestimation and overall tax system.

From this it can be understood that the taxpayers are not getting satisfactory response for the problem they appealed to the authority so tax payer have no trust in the employee's activities such as the assessment and collection or other procedures. In addition, these shows the taxpayers do not know about the internal procedures of the tax authority i.e. how it assesses and collects taxes or sufficient information was not communicated to taxpayers. The fact that the authority's procedures are obscuring (unclear) from the taxpayers, it is inevitable (unavoidable) that loss of confidence on the authority and its procedures will be created in the taxpayers. In other words, the tax system might be considered so complex and time consuming that taxpayers felt they did not have enough knowledge to feel secure about the accuracy of their records and returns despite their best intentions.

Table 11. Is your tax liability overstated or understated?

Response	NO of respondent	Percentage
Over stated	39	87%
Under stated	2	4%
Fair	4	9%
Total	45	100%

Questionnaire (2019)

According to the above table, from those respondents who have said the tax they are paying is not based on their ability to pay, on the basis of the data only (9%) said that the tax they paid is fair and equitable or even about (4%) of the stated tax is understated whereas the majority (87%) of those who said the tax they pay is not fair responded that it is overstated. On other question in support of this issue, the respondents were asked to explain other major problems in the tax system and they responded accordingly From the most of tax payer asked the majority of the respondents felt that the tax rates are too high, show discrimination for tax payer at the same category, tax revenues are not spent on public services, and some explained that taxpayers are not willing to pay. From this response it is clear that the tax rate is not based on the ability-to-pay principle or it is perceived to be unfair by taxpayers. This can be either really true or human beings are benefit maximizes so that it may be difficult to please taxpayers. Even though the principle says the tax should be based on the ability- to pay, the problem here is in determining this 'ability' for each taxpayer. Actually the tax rate may not be as such high but the communication gap between the tax authority and taxpayers might have created this perception and it continues to be the issue as far as the understanding of the taxpayers regarding tax rates, assessment, calculation etc. is low. On the other hand, significant number of respondents said that tax revenues are not spent on public services. Theoretically tax revenue is used to finance services provided by the government. This might be practically true, but the public must be made aware of these social services which are being financed by the taxpayers' money. As long there is a gap in communicating these facts to the public the above attitude problem will not be changed. The other issue which was raised as a problem thirdly is that taxpayers are not willing to pay taxes. This problem is the central problem as far as tax compliance is concerned and it is related with variety of factors

Table .12. Is the procedure of estimation clear that the tax office follows?

Response	No of respondent	Percentage
Yes	14	31%
No	31	69%
Total	45	100%

Questionnaire (2011/2019)

As can be seen in the above table, all of the respondents (69%) have agreed that the tax authority procedure of estimation is not clear to the tax payers' like taking statement of daily sales volume and all most all of them believed that there is no fair taxation among similar businesses in the same area and that their daily/annual income are inflated in the process of estimation. Similarly, some tax payer explained on space provided to state other problem said that the method of assessment is based on a simple guess and that it is subjective and other also stated that the procedures of the standard assessment and computations are not objectively understood by most of the category "C" taxpayers and that the tax authority is reluctant in making these procedures objective, transparent, and understandable to taxpayers. To put it differently, the majority of taxpayers do not exactly know how to determine or calculate their tax obligation by themselves. Furthermore, some of the participants expressed their fear and concern about the effects of the prevailing inflation, which is making their daily nominal sales, inflated and eventually overstate the tax without them, gaining real profit from executed sales

Table 13. Does the tax rate imposed by government is fair?

Response	Total No of respondent	Percentage
Yes	38	84%

No	7	16%
Total	45	100%

Source. Questionnaires (2019)

As can be seen in the above table, some of the respondents (84%) have agreed that the tax rate imposed by tax authority is fair. all most a half of them believed that there is no fair taxation among similar businesses in the same area and that their daily/annual income are inflated in the process of estimation.

4.3 Analysis of data gathered from employees

This part of the analysis discussed with question that offered for the employees of revenues authority and their answers of 35 employees of the bureau and their manger were actively participated in answering the questionnaires and strongly assist me by giving all necessary data for my study.

PART I: QUESTIONNAIRES RELATED TO REVENUES AUTHORITY EMPLOYEES PERSONAL INFORMATION

Table 14; General profile of the employees

			Educational qualification	No of employees	Percentage
			Technical	**0**	0%
Male	15	43%	Diploma	**15**	43%
Female	20	57%	Degree	**14**	40%
			MA	**6**	17%
Total	**35**	**100**%	**Total**	**35**	**100%**

As it is shown in the above chart the total of employees in Asella Administration Revenues Authority those who filled are 43% are males and the remaining 57% are females. Educational bank grounds of the employees tell us that about 40% of them have degree and 43% of the employees are have diploma also 20% of employees have MA graduated.

PART II QUESTIONNAIRES RELATED TO TAX COLLECTION PROCEDURE

Table .1 Do you have any distinct procedure followed to collect tax from category c tax payer?

Response	Total No of respondent	Percentage
Yes	19	54%
No	16	46%
Total	35	100%

Source: Questionnaire (2019)

As can be seen in the above table, almost all of the respondents (54%) have agreed that the tax authority has a distinct procedure followed to collect tax special from category c tax payer and the remained (46%) disagreed as there is no exceptional principle followed to collect tax from this category. On the basis of this data it is possible to conclude that the office have distinct procedure to collect tax from category C.

Results from the interview held with some manager of the office suggests that Ethiopia revenue authority have its own distinct procedure to collet tax from this category such procedure state that the category ''C'' payer should pay tax at fixed rate on the income tax estimated by the economic authority. Such taxation, is based on the sum estimation may continue from year until revised by the authority and also the taxable income of taxpayers where assessment made by estimation based is carried out by tax assessor who assigned by the office to estimate daily sales in order to converted it in to annual income using the number of working days. Tax on the annual sales is determined on the base of perspective value assigned to each activity of the tax payer.

Table.2. Are those procedures implemented properly?

Response	Total No of respondent	Percentage
Yes	18	51%
No	17	49%
Total	35	100%

Questionnaire (2019)

Regarding the procedure implementation, the above data (51%) implies that the office apply the procedure of tax collection effectively, which refers to the ability of the Authority in establishing reliable tax system, law execution and special the estimation of tax from income of tax payer is implemented properly in the office. The other 49% respondent the procedure of tax collection has the problem.

Table.3. is the procedure convenient for both tax office and tax payer?

Response	Total No of respondent	Percentage
Yes	35	100%
No	0	0%
Total	35	100%

Questionnaire (2019)

These results clearly indicate that the tax authority procedure of estimation is completely (100%) convenient for both tax payer and the tax office so it can providing satisfactory service for category ‘C’ taxpayers even though some employee from the tax authority have firmly stated that category ‘C’ tax payers have never been honest to the tax assessment officers. They also added that most of the business communities are not even willing to declare their daily sales when they are told to do so. This is due to lack of awareness on the part of tax payer about the procedure of estimation /assessment.

Table .4 what is your idea about present tax collection performance?

Response	Total No of respondents	Percentage
Is effective	22	63%
Show discrimination	8	23%
Have in sufficient manpower	5	14%
Total	35	100%

Source. Questionnaires (2019)

Among the respondents 63% of the tax payers approve that the present tax collection and assessment system is effective, about 23% of the key respondent stated that it shows discrimination and remaining 14% of the respondents answered have insufficient power of man. As can be seen on the table above, the larger portion of respondents (50 %), said that the present tax system of government is effective even though there is inadequate man power in the office

Table 5 what do you feel about the position you have assigned?

Response	Total No of respondents	Percentage
Is the right position	12	34%
Beyond capacity	7	20%
Under capacity	16	46 %
Total	35	100%

Source. Questionnaires (2019)

From total employees only 34% of the employees feel the right about 20% of respondent feel their position is beyond capacity and respondent (46%) feel their position is under their capacity this implies that they have no satisfaction on their position.

PART III: QUESTIONNAIRES RELATED TO MAJOR PROBLEMS OF TAX COLLECTION

Table .6. What are major tax collations problem for category c tax payer?

Response	No of respondent	Percentage

Lack of awareness	23	66%
lack of ability to pay	7	20%
Intentional	5	14%
Total	35	100%

Source. Questionnaires (2019)

According to this table, the (66%)respondents reasoned out lack of awareness as the major reason and the other (20%) of respondent lack of ability to pay. only (14%) of them said it is intentional behavior. The response on lack of awareness found to be consistent with the response obtained in assessing the tax authority's organizational strength. The factor that found in the previous question about position to be the major weakness of the tax authority here is mentioned as a leading reason for tax evasion and avoidance.

Table 7. Do tax payer attempt to evade and a void their tax liability?

Response	Total No of respondent	Percentage
Yes	35	100%
No	0	0%
Total	35	100%

Source. Questionnaires (2019)

According to the responses of the respondents from the table above, majority (100%) of the respondents have concern about the some of the tax payer try to evade the authority tax assessor when they go to ask the daily income they generate from various source to estimate annual tax amount. This indicates that as long as they are troubled about the amount of tax to be levied in the future they hidden the reality to the authority so there must be training about the procedure tax so as they can be willing to contribute to the development of the city through taxation. In other words, if taxpayers are taught and convinced that their money will be reinvested on the provision of various services in the city from which they benefit; there is no reason why they are unwilling to contribute their share.

Table .8. Is there any computerized system (program) in the office?

Response	Total No of respondent	Percentage
Yes	35	100%
No	-	0%
Total	35	100%

Source. Questionnaires (2019/2011)

From the above table 100% of the respondents started that there available a computer software designed for the office to be used in collection process and that directly connect the office with federal government as a result of this all activity done in the office is online regulated by federal government. According to Ethiopian constitution, both regional and federal government has the power to asses and collects tax from the society due to this both the city administration revenue authority and federal government developed a computer software that enable them to control one others activities.

As researcher personally discussed with some of revenue authority employees there are two software used by the office to perform its job that one which can connect the office activity directly with federal government but frequently interrupted and create delay in the activities of the office because it is the single software that connects all regional state revenue office of the country with federal government and the second one is software that used only by city administration only when the federal software interrupted so this help them some time to overcome the problem of network interruption at certain extent.

Table.9. Is the network system of the office capable of to serve all customers efficiently?

Response	Total No of respondent	Percentage

Yes	0	0%
No	35	100%
Total	35	100%

Questionnaire (2011/2019)

According to the above data all most all employee of tax administration believe that even if there is computerized way of the tax imposing and collection system in the office to make the work of the office more efficient and effective but still the network system of the authority is not capable enough to serve all customer efficiently and effectively. As some employee of the office also added that the network system of the office always interrupts regularly in unexpected manner as a result of this most tax payer are forced to wait on until the system recovered.

From this point the researcher can say that the Asella revenue authority bureau have big network system problem which unable to make the activities of the office efficient an effective even if there was computerized way of doing work in office

Table10. How you evaluate the knowledge of tax payer about taxation.

Response	Total No of respondents	Percentage
High	-	-
Medium	16	46%
Low	19	54 %
Total	35	100%

Source. Questionnaires (2019)

The response of employees concerning knowledge of tax payers describe that 54% of the respondents come out with the knowledge of tax payer is low, and the remaining 46% respond that their knowledge is medium. From this it is possible to say that the taxpayer knowledge about taxation is low this is actual connected with assessment procedure that the tax authority follow to levy tax from citizen income. But it must be understood that Taxation is an inevitable phenomenon in any economy or nation as far as services and other roles are expected from governments. Even though the history of taxation is as old as that of states or governments, still there are gaps in every nation, particularly underdeveloped countries like Ethiopia as far as voluntary obedience is concerned. Taxes are considered by many citizens as necessary evils that cannot be avoided under normal conditions. Hence, the issue of voluntary obedience is a central idea when dealing with efficiency and effectiveness of a tax system.

Table .11. Do you think that social and cultural factors have an impact on tax payer behavior?

Response	Total No of respondent	Percentage
Yes	7	20%
No	28	80%
Total	35	100%

Source. Questionnaires (2019)

According to the table above, majority of the respondents (80%) said that the socio-cultural impact of other taxpayers have no a negative impact on their obedience behavior to pay tax liability. Conversely (20%) of them also responded that social and cultural factors have an impact on tax obedience behavior of tax payer. This mean due to the fact that the society is from various ethnic, religious, and social backgrounds and the tax system of the country has also its own historical background. Since there is strong social connection between members of the same group in society, tax obedience behavior of an individual can be affected either positively or negatively by other members of the group. If there are tax compliant and influential individuals in social group or society, there is a possibility that other members follow them and affected by these individuals. Similarly, when the influential individuals are tax disobedient and against the tax law, there is a higher tendency for the followers or members to be influenced by these individual. Hence, the socio-cultural factors can have a direct or indirect relationship with the tax compliance behavior of taxpayers.

Table 12. Do most tax payers pay their tax liability on time?

Response	Total No of respondent	Percentage
Yes	25	71%
No	10	29%
Total	35	100%

Source. Questionnaires (2019)

As we can see on table show that (71%) of employee provides that majority of tax payers as pay their expected tax liability on time. This indicates that most of tax payers have good understanding and awareness about taxation. But only 29% of respondents are not paying their expected tax liability on time. This show that those tax payers has poor understanding and awareness about taxation. From this we can understand that majority of tax payers are motivated to pay their expected tax liability by understanding tax payment will benefit themselves. Further indicate that those tax payers known for what purpose as they have to pay and to whom as they pay on the other hand, the other have not motivated for doing this due to carelessness of them.

CHAPTER FIVE

5. Findings Conclusion and Recommendation

5.1. Conclusion

The taxes are the main sources of government revenues. Taxation policies depend on the socio-economic and political structure of the country. The study was conducted tax assessment and collection problem under tax payer category C in Asella City Revenue Authority. The general objective is to examine the tax assessment and collection problem according to the established regulation of Revenue Authority and problem encountered by tax payers and collecting authority. To examine the procedure followed in assessment and collection of category C tax payer. The researcher was try to find out for the following specific objective.

3. To examine the procedure followed in tax collection of category ‘’c’’ tax payer.
4. To find out the major problems of tax collection of category ‘’ c’’
5. To determine the tax payer awareness and attitude about taxation of category ‘’c’

To achieve the objective necessary data were used. Primary data was collected through open and close ended question. The questionnaires are distributed to employees and tax payers. Secondary data was collected from review the documents, manuals of Asella city revenue authority issued to the public. The researcher was used judgment sampling for it advantage of convenient to use less time consuming. Finally, the collected data was processed, analyzed and interpreted by using different table, percentage.

The major findings that included in this research concluded as follows.

- In both questionnaires for employees and for tax payers to totally 35 and 45 were participated respectively.
- The educational background of employees of tax authority is diploma and above.
- Both employees and tax payers were agreed that the tax payment period is enough.
- The tax payers are not satisfied on the present tax assessment and collection system.

- Knowledge of tax payers about tax is good.
- Employees of revenues bureau are not satisfied on their position and on their working environment.
- Almost the majority of tax payers are suggested that the tax rate is not based on income.
- The coordination of revenues authority with other offices is very good.
- The annual tax payment imposed by government is not comparable with their income.
- The revenues authority faced a problem in service delivery by reason of dissatisfied employees on their position and their working environment
- Majority of tax payers want to pay when they receive assessment and the remain others pay before due date
- There is positive understanding as to why people pay taxes
- Majority of tax payers pay their tax liability on the given time period

5.2 Recommendation

Based on the finding the following recommendation is forwarded, with respect to tax collection and assessment, the City administration revenues authority should take the following measures.

- The revenues authority should extend awareness regarding tax to the community by using different media, brochure and by face to face training.
- The revenues authority should try to smooth the way that the annual tax payment (tax rate) and income of the tax payers become balanced. By informing the complain of tax payers to concerned body.
- It should necessary to create the spheres which upgrade the knowledge of the employees and different training relating to tax law and amendment of tax law must be provided.
- To reduce dissatisfaction of employees on their position job rotation is one way and the revenues authority should try to make the working environment attractive and comfortable by providing refreshment center for worker and by creating duties that improve friendly relation between the workers.

- ❖ The revenue authority should try to improve network system of the office to satisfy their customer
- ❖ To have effective tax assessment and collection system, the Aella tax revenue office better to have sufficient human resources by improve skill and knowledge of employees through proper training, giving incentives for employees who try to upgrade their educational level.

To bring tax payers to pay their tax liability in willingness base the researcher recommends that tax office is better to determine the annual income liability based on evidential level of income.

Reference

- Gebrie (2006), and (2008) ***Tax accounting in Ethiopian context***, 1st edition, Alem printing press, Addis Ababa, Ethiopia.
- Dr. Ramas warmi paramas waren (2005) public finance and taxation
- Aleka Gupta, 2001, *Public Finance and Tax Planning',* 1st edition
- Bhatia, HL,2003 and 2006, *PublicFinance*, 25th Edition, Delhi India
- Federal Democratic Republic of Ethiopia (2002) Negarit Gazetta: Income Tax Proclamation 286/2002, Addis Ababa, Ethiopia
- Misrak Tesfaye,2008, and 2011, '*Ethiopian Tax Administration, theory and*

Practice', 1st Edition Addis Ababa, Ethiopia

APPENDIX

Wolkite University

College of Business and Economics

Department of Accounting and Finance

Questionnaire prepared to collect information from employee of Asella city revenue authority to investigate the principal tax collection problem experienced under category "c" tax payer in case of Asella city administration.

Dear sir/madam;

This questionnaire are intended to collect information in tax collection problem under category" C" in case study of Asella city administration. The main purpose of these questionnaires is for partial fulfillment of the requirement of BA degree in Accounting and finance. so you are kindly requested to complete this questionnaire by honest and heartedly. I promise that all the information you share will be kept privacy and secretly and use for academic purpose only. Your honest and thoughtful is regarded as input to the quality of the research result. Finally, if you have comment or further explanation please use the space provided at the end of the questionnaire.

General instruction

1. No need to write your name
2. Your participation is voluntary
3. Please simply tick (√) on the appropriate box or give explanation to open ended question what you think by writing.

PART I: QUESTIONNAIRES RELATED TO REVENUES AUTHORITY EMPLOYEES PERSONAL INFORMATION

1. Age A. 20-30 B, 31-40 C. 41-50 D. above 50

2. Gender A. Male B. Female

3. Education Qualification:

A. Technical school C. College (diploma) B. degree D. MA/MSC others

PART II QUESTIONNAIRES RELATED TO TAX COLLECTION PROCEDURE

1. Do you have any distinct procedure followed to collect tax from category c tax payer?

A, YE☐ B, NO ☐

2. Are those procedures implemented properly?

☐YES B, NO☐

If your answer is no for questions 2, what is the reason ____________

____

______

____

______

3. Is the procedure convenient for both tax office and tax payer?

☐YES B, NO☐

4. If your answer is no for question 3 what are the reason__________

____

____

____

______

5. what do you think about your tax collection performance?

A. collect purely B. collect☐derately C. collect quickly

6. How☐ you feel about the position you have assigned?

A. is the right position B. beyond my capacity C. Under may capacity

PART III: QUESTIONNAIRES RELATED TO MAJOR PROBLEMS OF TAX COLLECTION

7. What are major tax collations problem for category c tax payer?

A, Lack of awareness B, lack of ability to pay C, Intentional D. Others

____

8. Do tax payer attempt to evade and avoid their tax liability?

☐ YES ☐ NO

9. Is there any computerized system (program) in the office?

A. Yes B. No

10. Is the network system of the office capable of to serve all customers efficiently?

A. Yes B. No

If your answer is no for question 11 what are the reason____________

____

____

____

11. How do you evaluate the knowledge of tax payer about taxation?

A. High B. Low C. Medium

12. Do you think that social and cultural factors have an impact on tax payer behavior?

A. Yes B. No

13. Do most tax payers pay their tax liability on time?

A. Yes B. No

14.Other problem---
