ASSESSMENT OF TURNOVER TAX COLLECTION AND ITS PROBLEMS THE CASE OF WOLKITE TOWN

ARESEARCH PAPER SUBMITTED TO THE ACCOUNTING AND FINANCE IN THE PARTIAL FULFILLMENTS OF THE REQUIREMENT FOR THE AWARD OF BACHELOR OF ARTS DEGREE IN ACCOUNTING AND FINANCE

BY

YESHIWAS WONDIE

ADVISOR: MAHLET.D (MS)

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DECLARATION OF AUTHENTICITY

I Declare that this study entitled (Assessment of Turnover tax collection and its problem in Wolkite town) is my own work. I have carried out independently the research with the guidance and support of the research advisor. This study has not been submitted to any degree, diploma or any institution. It is done for partial requirement and the B.A degree in Accounting and Finance.

Prepared by:

Yeshiwas Wondie

This research paper has been submitted for examination with approval as university advisor.

Approved by:

Mahlet.Dera _____ _____

Advisor: Date Signature

_____ _____ _____

Examiner: Date Signature

Birhanu Derege. _____ _____

Department head: Date Signature

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ABSTRACT

The study was conducted tax assessment and collection problem in Wolkite town revenue authority knowledge and tax compliance awareness have received great attention around the world. Tax payers' awareness and knowledge indicate to obtain the degree of voluntary tax compliance. Therefore, understanding tax payers' knowledge and compliance awareness was an important issue for any government and revenue collecting authority particularly in a self-assessment environment. The objective of this study was to assess turnover tax collection awareness and performance on in Wolkite town. To achieve the research objective researcher was adopted a mixed methods approach both quantitative and qualitative techniques. For 124 sampled respondents 104 respondent's voluntary to question, researcher has distributed and collected questionnaires that used in this study. The collected data was processed and analyzed by using simple statistical tools like table and percentage. This study found that the TOT services most strongly challenged by lack of carefulness by the tax collector officers and the low awareness and performances of the tax payers. Based on that the turnover (TOT) payers do not aware properly for the paying tax the collection system is not effective and attain their goals and objectives of the authority. The knowhow or the knowledge of the turnover tax payers about the TOT rules and regulations were less and a cause for the TOT services is more time consuming and tedious. Finally, the suggested effective remedies for turnover tax collection included: formulating policies and curriculums from elementary up to higher education's, putting in place tough laws to check evaders, frequent taxpayer education and sensitization, putting in place of TOT to address public misconceptions or inaccuracies and providing information in a customer-focused way to improving the turnover tax payers awareness, performance, and compliance level on the rules and regulations of the taxation system.

Key words: Tax, Turnover tax, tax payer, collection, problem, awareness,

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CHAPTER ONE: INTRODUCTION

1.1BACK GROUND OF THE STUDY

Typically, taxes are the primary source of government revenues. Taxation policies depend on the socio economic and political structure e of a country. 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. (***Geber Worku, 2006, p-1)***

The governments generate are revenue from tax and other non-sustainable sources. The collection of money from available sources of revenue by government needs the availability of democratic government, foreign and domestic creditors and donors, efficient tax system and awareness of the society regarding the use of tax payment for government and its contribution for the development of the country's economy.

Indirect taxes are computed indirectly in the cost of goods or service you purchase such as taxes imposed on companies for doing business. A good example of indirect tax would be shipping costs which are included in the cost of merchandise you buy at the store. Cost on commodities like custom duties, sale taxes, excise taxes etc. included in types of in direct taxes. (Gebrie worku mengesha,2004).

The turnover tax is a form of indirect tax, collected by third parties rather than the government itself. Businesses must comply with the aspects of the tax code concerning indirect taxes, collecting taxes as directed and logging transactions.

Ethiopia introduced turnover tax in the year 2002 as a replacement of sales tax like that of VAT. Turnover tax is also a principal source of revenue for Ethiopian government. A large number of informal sectors, low tax moral, rampant evasion and total distrust mostly exist in developing countries (Bird, 2003). It has been determined that there shall be enacted a turnover tax to enhance saving and investment, minimize the damage that may be caused by attempts to avoid or evade taxes, stimulate economic growth, and improve the relationship between Gross Domestic Product and Government Revenue; Whereas, administrative feasibility considerations limit the registration of persons under the value-added tax to those with annual taxable transactions the total value of which exceeds 500,000 Birr (Proclamation No. 308/2002). According to TOT Proclamation No. 308/2002, the Turnover Tax shall be: 2% (two percent) on Goods sold locally for Services rendered

locally; 2% (two percent) on Contractors, grain mills, tractors and combine-harvesters; 10% (ten percent) on others. Tax Base of computation of the Turnover Tax shall be receipts in respect of goods supplied or services rendered. Annual turnover being below Birr 500,000 or threshold set by the Minister; or by reason of those not having applied for voluntary register. To avoid the negative attitude of the taxpayer a well-designed tax system is necessary. In addition, educate the society regarding its obligation and the purpose of tax collection minimizes the wrong attitude of the taxpayer. So, this study will be designed to minimize problems that face during assessment and collection and to minimize wrong attitudes of tax payers and address public misconceptions or inaccuracies and providing information in a customer-focused way to improving the turnover tax payer's awareness, performance, and compliance level on the rules and regulations of the taxation system. These papers were just concerned to measure the assessment of Turnover tax collection performance from those; this paper focused on enforcement of law and regulation, effectiveness of TOT administration practice and taxpayers' attitude toward payment of tax in selected Woreda.

STATEMENT OF THE PROBLEM

Taxation can have important effects on many parts of the economy, including impacts on firm creation and on the development of enterprises (Friedlander, 2016). To develop an environment which conducive to enterprise growth while ensuring tax collection is a challenge many countries face. The TOT registrants are not only a provider of goods and services but also those are the best instruments in promoting competition, innovation and enhancing the enterprise culture which is necessary for private sector development and industrialization (Emba, Gakure, & Karanja, 2012). Collecting turnover tax from those targeted businesses encounter a challenge and it reduce the tax revenue expected from that enterprise (Waweru, 2007). The nature of the challenges posed by non-compliance, and the search for simple tax regimes suitable for small enterprises, differs substantially across countries. Like many other developing countries including Kenya tax administration faces challenges in taxing income derived from agriculture and the informal sector those are many in numbers and they should be TOT registered (Kringi, Wanjala, Nyamunga, kello, Pambah, & Nyakango, 2005).However, the empirical study suggested that tax reforms in Kenya under the Tax Modernization Program have led to improved productivity of direct taxes and indirect taxes (Muriithi & Moy, 2003). The findings by showed that whereas tax revenues in Kenya were on the rise, the revenues from turnover tax were getting slimmer (Waweru, 2007). Muriithi

and Moyi (2003) agree that the Kenyan government has come up with reforms to address the challenges resulting in a general increase in tax incomes. However, according to Waweru (2007) the amount of turnover tax revenue collected is not increase as expected over the given period of time. The Ethiopian government has replaced the former sales tax so as to broaden the tax base and make the tax administration more efficient (Birhan, 2014.

Turnover tax collection procedures had its own contribution for the existence of this disparity between the amount of tax revenue planned to collect and actually collected by tax offices. Wolkite town was one of zonal areas in South nation nationality and people region that experience ineffectiveness in tax collection revenue (ARCA, 2016). The numbers of empirical evidence which focus on this area were limited. Research which conducted in Kenya in 2013 indicates that the challenge which affects collection of turnover tax is the mode of payment is time consuming and tedious (Siyimu, 2013). This researcher target tax payers to identify major challenges and to know prominent factors for tax collection. He reaches was a conclusion by analyzing the data in descriptive ways of presentation without incorporating all major determinants. Research was seen to assessment of problem related with tax collection in Wolkite Town turn over tax collection and administration.

1.4 RESEARCH QUESTION

- What is the awareness of taxpayers about TOT in Wolkite city?
- What problem is occurred in collecting turnover tax in Wolkite town?
- What is the benefit of the turnover tax system in Wolkite town?
- What is the turnover tax implementation problems in Wolkite town?

1.3 OBJECTIVES OF THE *STUDY*

1.3.1 GENERAL OBJECTIVE

The general objective is to assess turn over tax collection problems in the Wolkite town revenue authority.

1.3.2. SPECIFIC OBJECTIVES

Specific objective of this study focused on assessment of, -

- To assess the problem occurred in collecting turnover tax in Wolkite town.
- To identify the benefit of the turnover tax system in Wolkite town.
- To assess the agent turn over tax (TOT) collection.

- Assess whether the collection of TOTS has met is objective in generating the expected level of government revenue and

1.5 SCOPE OF THE STUDY

This research paper was conducted on turnover tax collecting procedure in Wolkite town administration and due to the shortage of time and resources, the research paper focused on turnover tax administration because of until this year by this title has not been studied yet in this area. This study was restricted to Wolkite town TOT registered business those who have annual sales turnover of birr below 500,000. This research attentions on the senior staff employees and tax payers for the federal governmental organization.

1.6 SIGNIFICANCE OF THE STUDY

The study will have followings major significance for improvement of tax collection system.

- ✓ Encourage compliance of tax payers to create fairly clear image how the tax collection and problems with tax collection are taking place.
- ✓ Enable revenue bureau to find out whether its strategy is effective or not.
- ✓ The benefits of tax administrator towards Wolkite town to create awareness timely TOT tax payment on the side of the taxpayer.
- ✓ the result of this study will serve as a reference for further investigation.

1.7 Limitation of the Study

- ✓ lack of transparency in the employees and tax payers by misunderstanding of the objective,
- ✓ failure of respondents to return the questionnaires.
- ✓ some were not willing to give full information
- ✓ time and financial constraint to go every day and collected the data in detail.

1.7 Operational definition and terms

Employee qualification and Manpower: the transferable skills needed by an individual depends on knowledge, qualification, adequate manpower and how you use those assets are technically competent to execute their roles and responsibilities on tax collection.

Management Commitment: is direct participation by the highest-level executive in a specific and willingness to exert considerable effort to maintain strong attitude towards pursuing a goal, strategies and policies implementation on behalf of authority.

Tax registration: is responsible for preparing and maintaining the assessment roll, the tax roll and collecting the tax levies in accordance with the quality standards and identify taxpayers. **Compliance cost:** Taxpayers was adherence to the administrative rules of lodging such as procedural rules and regulations, filing tax returns and travelling cost on time, reporting all the income and claiming the right deductions and where taxes are due making tax payments on time **Turnover tax Rates:** is the rate at which a business or person is taxed on income. It also refers to the rate of tax on goods and services (income tax regulation no. 410/2016, Art. 49/ 60).

Tax Audit: an examination of taxpayer's business records, accounts and financial affairs to ascertain the taxpayer's tax compliance and frequency of assessments done by revenue authority for tax obligations.

Tax avoidance: is legal reduction in tax liabilities by practices that take the full advantage of the tax code, such as income splitting and postponement of taxes.

Tax evasion: is illegal and intentional actions taken by individuals to reduce their legally due tax obligations. Individuals and firms can evade taxes by underreporting incomes, sales, or wealth, by overstating deductions or by failing to file appropriate tax returns.

Tax knowledge: is the level of awareness or sensitivity of the taxpayers to tax legislation and other tax-related information.

Tax Fairness: is a system of taxation that is equitable for all taxpayers and based on a person ability to pay which greater incomes pay than low income people or small businesses. **Technology and information system:** are key objectives of developing a revenue collection system which

raise more revenue, improve internal organization, ensure greater accountability, transparency and improve taxpayer compliance.

A taxpayer*- is a person or a corporation who must pay taxes to the government based on their income.*

1.8 organization of the paper

This paper consists of five chapters: chapter one deals with introduction of the study includes background of the study, statement of the problem, objective of study research quash scope of study, significance of study and organization of the study, chapter two deals with literature review, chapter three about the research methodology, chapter four is analysis and presentation of data, the chapter five is summary of finding conclusion and recommendation and others part of research paper.

CHAPTER TWO: LITERATURE REVIEW

2.2. Theoretical Literature Review

2.2.1 DEFINATION TAX

Taxes are burdensome thus reduce the economic welfare of individuals and businesses (public) organization. But activities that are financed from taxes will bring benefits to individuals or organizations, the net burden of tax then, must take the nature of government expenditures in to account. (WWW Business dictionary. Com)

2.2.2 Purpose of Taxation

According to American economist Richard Musgrave A purpose of tax action is to distinguish between objectives of resource allocation income redistribution and economic stability (economic growth) or development and competitiveness listed as separate goals, but they can generally be subsumed under the other three. The other main function of taxation is to permit the state to provide services for the population. Infra structure and services are what we expect from taxation (WWW.Yahoo Answers.Com).

2.2.3 Role of Taxation in Development Strategy

The role of taxation in fiscal policy and the development strategy has to be viewed in the back ground of the function which a taxation system, its main function in relation to economic development is as follows. The primary function of tax system is to raise revenue for the government for its public expenditure. So, the first foal in the development strategy as regards taxation policy is to ensure that this function is discharged adequately.

The second function of taxation is to reduce inequalities through a policy of redistribution of income and wealth. Higher rate of income taxes, capital transfer taxes and wealth tax are some means adopted for achieving these ends.

The 3rd role of taxation is for the social purposes such as discouraging certain activities which are considered undesirable. The excise taxes on liquor and tobacco. The special excises duties on

luxury goods. Betting and gamming levy are example of such taxes. Which apart from being lucrative revenue sources have also goals?

The 4th is to ensure economic goals through the ability of the taxation system to influence the allocation of resources. This includes.

A. Transferring resource from the private sector to the government to finance the public investment program.
B. To distribute the direction of private investment in to desired channels through such measures as regulation or tax rates and the grant of tax incentives etc. this inside in investment incentive to attract foreign direct investment (FDI) into the country.
C. Influencing relative factor prices for enhanced use of labor and economic use of the capital and foreign exchange.

The fifth function of tax action on is to increase saving and capital formation in private sector party for borrowing by the government and partially for enhancing investment resources within the private sector for economic development. (B.P herber, 1999)

2.2.4 Characters of Good Tax System

1. Tax is compulsory contribution: -it is a compulsory payment from the person to the government without expectation of any direct returns from it.
2. Taxes are levied by the government: -no one has the right to imposes taxes except the government. Only the government has the right to impose taxes and collect tax proceeds from the people.
3. Common benefit to all: - the tax collected by the government is spend for the common benefits of all people.
4. No direct benefit: - the government compulsorily collects all types of taxes and does not give any direct benefits to the tax payers for the taxes paid and the tax payers cannot demand any direct benefits against the payment of taxes.
5. Certain taxes levied for specific objectives: - though taxes are imposed for collecting revenue for the government to meet its expenditure on social wants and merit wants for example heavy taxes are levied on luxury goods to reduce their consumption.
6. Attitude of the taxpayers: - the attitude of the tax payers is an important variable determining the contents of good tax system.

7. Good tax system should be in harmony with national objectives: - a good tax system should run in the same direction with important national objectives.
8. Tax system recognizes basic report of tax payers: -a good tax system recognizes the basic rights of tax payers. The tax payer is exacted to pay the tax but not undergo the harassment. (Tax system manual by Addis chamber 2004)

2.2.5 Taxation Principles

Taxation principles are basic concepts by which government is meant to be guided in designing and implementing all equitable taxation regimes these includes.

1. **Adequacy: -**taxes should be just enough to generate revenue required for provision of essential public services.
2. **Broad basing: -** taxes should be spread over as wide as possible section of the population or sector of economy to minimize the individual tax burden.
3. **Compatibility-** taxes should be coordinated to ensure tax neutrality and over all objectives of good governance.
4. **Convenience: -** taxes should be enforced in a manner that facilitates voluntary compliance to the maximum extent possible.
5. **Ear marking: -** tax revenue from specific source should be dedicated to a specific purpose only when there is a direct cost and benefit like between the tax sources and expenditures such as use of motor fuel tax for road maintenance.
6. **Efficiency: -**tax collection efforts should not cost an inordinately high percentage of tax revenues.
7. **Neutrality** taxes should not favor only one group or sector over another and shouldn't be designed to interfere with or influence individual decision making.
8. **Equity: -**taxes should equally burden all individuals or entities in similar economic circumstances.
9. **Predictability: -**collection of taxes should reinforce their inevitability and regularity.

10**. Restricted exemptions:** tax exemptions must only be for Specific purpose (such as to encourage investment) and for Limited period.

11**. Simplicity: -**tax assessments determination should be easy to Understand by an average tax payers. (www.Taxation dictionary.com)

2.2.6 Canons of Taxation

Canons of taxation are the main basic principles (i.e. rules) set to build a "Good tax system" canon of taxation was first originally laid down by economist Adam smith in his famous book "the wealth of nations" in this book, Adam smith only gave four canons of taxation. These original four canons are now known as the "original main canons of taxation".

As the time changed, governance expanded and became much more complex than what it was at the Adam smith's time soon a need was felt by a modern economist to expand smith's principles of taxation and as a response they put forward some additional modern canons of taxation.

Adam smith gave the following four important canons of taxation

1. Canon of equity: - the principles aim at providing economic justice and social justice to the society. According to this every person should pay depending on the ability to pay. The rich should pay higher taxes to the government, because without the protection of the government an authority (police, defense etc.). They could not have earned and enjoyed their income. A. smith argued that tax should be proportional to income.

2. Canon of certainty: - according to Adam smith the tax w/c an individual has to pay should be certain, not arbitrary. The tax payer should know in advance how much, at what time and in what form the tax to be paid to the government. at the same time a good tax system also ensure that the government is also certain about the amount that will be collected by way of tax.

3. Canon of convenience: the mode and timing of tax payment should be as far as possible, convenient to the tax payers for example and revenue is convenient tax located at time of harvest income tax is deducted at source. System will encourage people to pay tax and will increase tax revenue.

4. canon of economy: - this canon implies that the administration cost of tax collection should be minimum, i.e. the difference between the money, which come, out of the pockets of people and that which is deposited in the public treasury should be as small as possible. (H. (Gebrie worku mengesha, 2008)

Additional canons of taxation by other

1. Canon of productivity: - it is also known as the canon of fiscal adequacy according to this 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. This is a good principle to fellow in developing country (economy).

2. Canon of elasticity: - according to this country, every tax imposed by the government should be elastic in nature. In other words, the income from tax should be capable of increasing or decreasing according to the requirement of the canary. For example, if the government needs more income at time of crises, the tax should be capable of yielding more income through increase in its rate.

3. Canon of flexibility: - it showed be easily possible for the authorities to revise the tax structure both with respect to its coverage and rates, to suit the changing requirements of the economy with changing time and conditions the tax system needs to be engaged without much difficulty. The tax system must be flexible and not rigid.

4. Canon of simplicity: - the tax system should be complicated. That makes it difficult to understand and administer and results in problems of interpretation and disputes.

5. Canon of diversity: - this principle states that the government should collect taxes from different sources rather than concentrating on assignee source of tax. it is not advisable for the government to depend up on single source of tax. it may result inequality to certain section of the society, and uncertainty for the government to raise nudes. If the tax revenue comes from diversified source then any rendition in tax revenue on account of any one cause is bound to be small. (IBID)

2.2.7 Major Types of Taxes in Ethiopia

1. Direct taxes: direct taxes are 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: are computed indirectly in the cost of goods or service you purchase such as taxes imposed on companies for doing business. A good example of indirect tax would be shipping costs which are included in the cost of merchandise you buy at the store. Cost on commodities like custom duties, sale taxes, excise taxes etc. included in types of in direct taxes. (Gebrie worku mengesha,2004).

1. Types of Indirect 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 of Nehassie and Pagume shall be aggregated and treated as the income of one month If the tax on income from employment, instead of being deducted 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 as part there of (Gebrie worku Mengesha ,2008)

B. Business Profit Tax

This is the tax imposed on the taxable business income /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% of fiat rate of business income tax. For with incorporated or an individual business are taxed in accordance with the determined schedule and rate. In the determination of business income subject tax in Ethiopia, deductions would be allowed for expense incurred for the purpose of earning, securing and maintaining that business income to the extent that the tax payer can prove the expenses. The following expenses calculating shall be deductible from gross income in calculating taxable income.

- The direct cost of producing the income such as the direct cost manufacturing, purchasing, importation, saving and such other similar cost.
- General and administrative expense connected with the business activity.
- Premium payable on insurance directly connected with the business activity.
- Expenses incurred on connection with the promotion of the business inside and outside the country. Subject to the limits get by the directive issued by the minister of revenue. (IBID)

2. Types of 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 turn of over tax is

- 2% on good sold locally.
- For service rendered locally.
- 2% on contractors, grain mills, tractors and combine harvesters.
- 10% on other.

B. Value Added Tax

Value added tax is tax on consumer expenditure: it is collected on business transactions and imports. A taxable person can be an individual firms' company, as long as such a person is required to be registered for VAT most of transactions, inviolable supplies of goods or services, VAT is payable if they are:

- Supplies made in Ethiopia.
- Made by a taxable person
- Made in the course or further once of business.
- Every import of goods, other than an example import and import of service.

The registered person is required to issue the VAT invoices to the purchaser of goods or services up on the supply or rendering, but not lath 5 days after the transaction. (Tax system Manual by Addis Chamber, 2004)

C. Excise Tax

Excise tax in Ethiopia is imposed and payable on selected goods, such as luxury goods and on goods that are hazardous to health which are cause social problems, so excise tax will reduce the consumption of such goods.

Rate of excise tax

The excise tax shall be paid on goods mentioned under the schedule of the proclamation

1. when it is imported and
2. when produced locally at prescribed in the schedule

Base computation of exercise tax

1. In respect of goods, produced locally the cost of production.
2. In respect of goods imported cost of insurance and freight (CIF)

Payment of excise tax

The excise tax shall be paid within the time prescribed according to proclamation no 307 sub article 12)

1. In respect of goods produced locally, by the producer.
2. In respect of goods imported by the importer (www.Addis chamber)

Time of payment

According to the proclamation, excise tax on goods shall be paid under the schedule.

1. When imported at the time of clearing the goods from customs area.

2. When produced locally, not late than 30 days from the date of production.

2.2.8 Classification of taxes based on their effect on income

Taxes, based on their impact on income can be classified as progressive proportional and regressive.

2.2.8.1 progressive Taxes

If the tax system is progressive, the proportion of income taken in tax (the tax rate) rises with income or spending power, here as the income or spending in case, the marginal rate of tax for the increased income or spending also rises.

It is also possible to have a progressive expenditure tax where the rate of tax rises with increment to consumption expenditure. There is some empirical evidence that the UK Value Added Tax (VAT) is actually progressive: people with higher incomes tend to increase their spending on items subject to the tax to such an extent that the payment becomes a bigger proportion of income (W. Pearce; 1984, 358)

In developed countries they use a progressive income tax, for example the USA income tax is the most progressive tax in the world Progressive taxes the most equitable than repressive or proportional taxes in the sense that they are lived according to the ability to pay. Some criticize progressive taxes that too much degree of progression discourages work effort and risk taking, but some egalitarian economists and politicians tend to favors progressive taxes.

In Ethiopia some of the progressive taxes are personal income taxes of proclamation 30/1992 and 107/1994 and the rental income taxes of proclamation 64/1993. The income level will be categorized in different income brackets and taxed by progressive rate

2.2.8.2 Proportional Taxes

This kind of tax is a tax whose rate remains constant as the size of the base increases. A proportional tax rate is usually stared as a flat percentage of the base regardless of its size. For example, the property tax usually operates with proportional rates, and the tax might be expressed as 1% of the assessed property. Sales and excise taxes, payroll taxes, and most customs duties are also levied on the basis of proportional rates (Douglas and Green Wald; 1983; 275).

These kinds of taxes in Ethiopia are seen in the mining income tax proclamation 23/1996, which states that both large and small – scale miners shall pay 35% of their mining income.

2.2.8.3. Regressive Taxes

In these kinds of taxes, the marginal rate of tax decreased, as the income or consumption increases. This tax a larger share of income from the low –income tax payer than from the high income tax payer A tax which is technically proportional in terms of the tax base, can often be Considered regressive in terms of tax payers income. Common examples of such regressive taxes are sales taxes, excise taxes and property taxes. For example, an excise tax on cigarettes is based on the number of cigarettes sold and thus by definition is proportional since the number of cigarettes consume may rise as income rises, as income rises, however, the rate of the tax decreases with increasing income and thus can be called regressive. The effect of regressive tax is to increase inequalities of income, by placing a larger burden on the poor than of the rich. (Green wald; 1983, 1127)

Most of the indirect taxes are regressive, for example excises and sales taxes, the same amount of tax is paid per unit purchases. This amount of tax represents a higher proportional of income to the poor. Some people argue that regressive taxes encourage people to work harder to be elevated above the lower income group. As stated in the above illustration taxes can be progressive, proportional or regressive. They can be used for different objectives, to achieve their own goals. As Green Wald put as a diagram the relationship between tax rates and tax base as follows

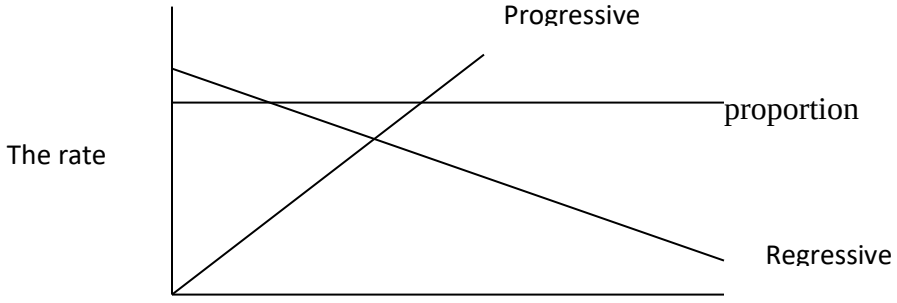


Figure 1 Tax base

2.2.9 CATEGORIES OF TAX PAYERS

Tax payers are classified in to three major categories;

1. category "A" tax payers: - this category tax payers are include

   A/ any company incorporated under the laws of Ethiopia or in a foreign country.

   B/any other business having an annual turnover of birr 500,000 or above.

These category tax payers are required to submit to the tax authority, at the end of the year.

2. Category "B" payers unless already classified in category 'A' any business having on annual turnover of birr 100,000 would be classified under category "B" tax payers. This category of tax payers should submit to the tax authority profit and loss statement at the end of the year.
3. Category "C" tax payers: unless classified in category "A" and 'B' those businesses as whose annual turnover is estimated up to birr 100,000 are classified in category "C" of tax payers. (IBID)

2.2.1 Procedures of Tax Collection

Tax from category "A" and "B", tax payer is collected based on tax payers declaration of the annual, sales / income to the tax authority. Based on this the authorized official approves the declaration. Following this approved, tax is collected from tax payers and they will be delivered receipt and clearance letter. The tax assessment for category "C" tax payers is made based on the subjective estimation of daily sales by district assessment committee. After the assessment was made, the committee will decide on the daily or annual sales of the taxes payers while considering different factors which will inters provide a basic in determining the amount to be paid by the tax payer. (Ministry of finance and economic development Addis Ababa 1997)

2.3 Empirical Literature Review

The Cost of Implementation and Taxation greatly affect the implementation of turnover tax. Depending on the type of tax, the actual cost of collecting taxes in developed countries is roughly one percent of tax revenues. In developing countries, the cost of tax collection may be substantially higher.

Other costs include the compliance costs and administration cost that taxpayers and collectors incur over and above the actual payment of tax. In many cases, administration costs are reduced when compliance costs are increased. For instance, when taxpayers are required to provide more information, they incur more costs, but tax administration gets easier and less costly (Sandford, 1995). Third world countries incur heavier compliance costs (financial and time) of complying with the tax law. The costs manifest when acquiring the knowledge and information needed to comply, setting up required accounting systems, obtaining and transmitting the required data, and payments to professional advisors.

A study by Chattopay and Gupta (2002) in India suggests that compliance costs may be as much or more than ten times higher than in developed countries. Registration practices are often unnecessarily bureaucratic and may involve multiple agencies, and multiple crosschecks; complex due to the different laws, norms, documents and forms required; expensive, and time-consuming. Delays in business registration, which often involves multiple government institutions including the tax administration, can be a significant impediment to business formation and particularly harmful to the small entrepreneur with limited start-up cash reserves. In Australia and Canada, a business can, be opened within 2-3 days—elsewhere, it can take over 100 days in others. For the SME operating with limited capital and professional support, such start-up delays and increased costs raise the risk of failure. Such a frustrating situation can lead to SMEs being formed without proper registration and avoid the detection by the tax collection agency and become untraceable (International Tax Dialogue, 2007).

In another study by Stern and Barbour (2005) on three countries (South Africa, Zambia and Rwanda) studied, Rwanda had the most flexible tax regime for small businesses. Small businesses with an expected turnover of less than the threshold of Rwf 20 million had the option of paying either corporate income tax of 30% or the presumptive tax of 4% on turnover. Under the presumptive regime, small businesses had the obligation of withholding PAYE (Pay As You Earn) and dividend tax. However, given their small size and their difficulty to maintain proper accounting records there was a great incentive to underreport turnover as well as to arbitrage between salaries and dividends. A presumptive turnover tax can simplify tax administration and compliance costs and hence benefit both tax administrators and taxpayers. However, a high turnover tax, such as that in Rwanda, may play a negative role by encouraging small firms to avoid

paying the tax via under-reporting of gross revenues causing additional revenue authority auditing. This interaction may form a vicious circle, diverting resources from both government and business to the „hide and catch" game. The result could be an unhealthy tax environment that encourages expansion of the informal economy (Stern and Barbour, 2005). Baurer (2005) argues that in carrying out their responsibilities, tax administrations can also create problems for the business community when they impose burdensome reporting and record keeping requirements; conduct excessive inspections and audits; fail to deal with corrupt tax administration employees; and, fail to provide transparency in tax administration operations. This type of environment harms individual businesses and the overall economy. As a result, many in the business community react by taking steps which adversely affect the tax base. This typically includes underreporting profits and turnover; underreporting employee wages; and, by creating phantom employees. A 19 significant number of businesses also fail to register or file tax declarations. This only increases the burden on those taxpayers who try to comply with the tax law, and discourages their future compliance. The result is a vicious cycle which tends to preserve the status quo. Only meaningful reforms to the tax system can break the cycle and result in an improved business climate which will stimulate economic growth.

2.4 KNOWLEDGE GAP

A review of past studies on tax collection effectiveness indicates mixed but interesting findings. For instance, the challenges of turnover tax collection studied by some researchers like in Kenya, Uganda, Nigeria South Africa, Zambia, Rwanda and other non-African countries. It also studied by organization including OECD and IFC. Barbour (2005) find that burdensome reporting and record keeping requirements; conduct excessive inspections and audits; fail to deal with corrupt tax administration employees; and, fail to provide transparency in tax administration operations are major factors which hinder tax collection effectiveness and in research which had made in Kenya in 2013 indicates that the challenge which affects collection of turnover tax is the mode of payment is time consuming and tedious. More specifically, in the case of Ethiopia to the knowledge of the researcher there is no single study on such issues especially in the Assessment of turnover tax collection problem.

This study was conducted tax assessment and collection problem in Wolkite town revenue authority. The objective of this study was be to assess turnover tax collection awareness and performance

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 RESEARCH DESIGN

Chandran (2004) and Njogu (2015) defines research design as an arrangement of conditions for collection and analysis of data in a way that combines their relationship with the purpose of the research to the economy of procedures. It concerns the numerous reflections a researcher should think about and follow when carrying out research work. The selection of a research design is determined by its purpose, classes of data desired, sources of data and price issues among others. Therefore, the study adopted a descriptive research design in order to achieve the stated research objective and to answer research questions.

3.2. Research Approach/ Method

According to the researchers' data collected procedure through questionnaire and interviews. I conducted an interview that enables the researchers to get available information about TOT collection practice and its efficiency.

Collected data were tabulated to summarize the respond of employees and TOT payers and analyzed using word statements, descriptive statistics and tables. Descriptive statistics was used because it is appropriate to analyze quantitative data, frequency count and percentage.

To achieve the objective of this study, the researcher used qualitative approach. The researcher uses semi structured interview.

3.3 Data Type and Data Source

The researcher collected data by using questionnaires from tax payers, employees of revenues bureau. This study used primary data from employee's tax revenue bureau and from TOT registrants.

3.4 Target population

The target population was 11 tax officers, managers and 180 TOT registers of tax payer's branch offices are the target population of the study. As it is impossible to collect from the whole population cause the numbers are not manageable so, the required data was collected from the sample respondent of from TOT registers.

3.5. Sample frame

From the total population of 124TOT registered and officers was selected through a simple random sampling procedure.

3.6 sample size

. As it is impossible to collect from the whole population cause the numbers are not manageable so, the required data was collected from the sample respondent of from TOT registers.

The sample of this research is calculated by using Taro Yamane (Yamane, 1973) formula with 95% confidence level. There were 180 TOT tax payer registers. From this the researchers took 124 TOT tax payers by applying the following formula:

$$n = N/1+N\,(e)^2$$

Where, n= Sample size required.

N = Number of people in the population.

e = Allowable error (%)

$n=180/1+180(0.05)^2$

$n=180/1+0.45$

$n=180/1.45$

$n=124$

3.7 Sampling Techniques

The subjects were selected from the total population by using simple random sampling method (like lottery method) because this method gives equal chance for all population to be selected as research participants.

3.8 Data source and collection techniques

. This study used primary data from the town TOT registrants. Also use secondary data from different books which are supported my study. The data would collect using questionnaire. The questionnaires consist of open ended and closed ended questions which were simple to understand to the respondents (TOT payers) by the researcher through drop and pick latter method.

3.9 methods of data analysis and interpretation

To analyze the collected data statistical measures such as tables, numbers, percentages and totals. The numbers would use to measure responses of quantitative representations to questions by the respondents. The totals used to measure the overall responses to a question. The percentage are used to measure the shares respondent in a given category, the results are would present using tables and percentages.

3.9 Ethical consideration

The researcher ethical consideration applies by maintaining confidentiality of information about the organization and respondents. In addition to this, the gathered data only use for this study, not used for other purpose, or not transferred to other party. Furthermore, the respondents will be ordered not to write any information like their name and other personal code while responding to the questionnaire.

CHAPTER FOUR

Data presentation, Analysis, and Interpretation

This chapter concerns on tax payers knowledge of their obligations and rights on the turn over tax activities on tax administrations including their performances.

4.1 Response rate

The study gathered information from the tax collector in Wolkite town revenue authority targeted respondents, the overall are completed the questionnaire successfully but among from 124 TOT registered respondents filled in the questionnaires accurately are 104 .this is 83.87% respondent rate.

4.2 Demographic characteristics of respondent

4.2.1 Demographic characteristics of tax collector officers

Table 4. 1 Background information's of tax collector officers

Sex distribution		
Sex	Frequency	Percentage (%)
Female	4	36.36%
Male	7	63.63%
Total	11	100%
Age distribution		
Age group	No. of respondents	Percentage (%)
21-30 years	7	63.63%

31-40 years	3	27.27%
41-50 years	1	9.09%
Total	11	100%
Marital status		
Marital status	No. of respondents	Percentage (%)
Married	8	72.72%
Single	3	27.27%
Total	11	100%
Educational level of tax collector officers		
Educational level	No. of respondents	Percentage (%)
First degree (BSc.)	5	44.5%
Master (MSc.)	6	55.5%
Total	11	100%
Service of year		
2 -3year	1	9 %
3-5 year	6	54.6%
> 5 year	4	36.4
Total	11	100%

(Source; conducted by the researcher, 2023)

The above table 4.1 item 1 shows sex distributions of the tax officers in the authority. According to the table (36.36%) of tax collectors were females and 7(63.63%) of them were male officers who currently worked in the authority. Then based on the above table more of tax officers were males, who participants in the TOT collection activities.

Table 4.1 item 2 describes the age distribution of the tax collector officers. The 7(63.63%) of tax collectors were found within the age between 21-30 years old, 3(27.27%) of the tax collector officers were found between 31-40 years old and the remaining 1(9.09%) of the tax collector officers were found within the age group 41-50. Then majority of the tax collector officers were found 7(63.63%) of the respondents were found in youth age operates their activities properly.

The table 4.1 item 3 also shows the marital status of the tax collector officers. As the researcher observed from the table 8(72.72%) of the respondents were married, and 3(27.7%) of the respondents were single/unmarried. This indicates majority of the respondents were married 8(72.72%) of the total respondents and managed the family.

Table 4.1 item 4 shows the educational background of TOT collectors. As the researcher observed from the above table 5(44.5%) of the respondents were first degree completed and the 6(55.5%) of the tax collector officers was completed master program. The researcher concludes most of the collectors of the authority is qualified and work properly their task.

Table 4.1 item 5 also show that 54.6 % of respondents have five years and more than five years experiences, 36.4% of employees stay in organization for three years up to five years and 9% of employees have two years' experience. From this we can understand that Organization has more experienced employees who perform their work efficiently and effectively.

4.3 Assessment of turn over tax (TOT) collection and its challenges

Table 4.2. Responses on the successful and achieve the objective of TOT

S.No	**Question**	**Response**	**Response in**	
			Number	**% age**
1	Do you believe that the implementation of is successfully achieving its objective?	Yes	3	27%
		NO	**9**	73%
		Total	**11**	**100%**

As it can be observed from the Table 4.2 out of 23 employee respondents, 27% replied that the implementation of TOT for the last consecutive years was successful but the rest 73% replied that it is difficult to say the implementation of TOT in this country was successful and achieve the desired objectives. As per the findings, the majority of the respondents agreed that the implementation of TOT requires more effort to achieve the desired objectives effectively. This is so because society is less conscious about TOT rules and contribution of TOT to the country's growth and development, these were due to weak tax administration system of the minister, the way and methods of fraudulent activities and tax evasions on TOT by taxpayers are increasing from time to time and, the attitude of the business community towards TOT is still negative. Therefore the minister has to work more on the areas of awareness creations, strengthening enforcements, upraising the capacities of the employees, updating the system underuse, educating the public using different media to make them develop taxpaying as their culture and strengthen the activities of identifying illegal business enterprises from the legal ones and taking corrective legal actions over the illegal traders.

Table 4.3 Responses on the administration of tax

S.No	**Question**	**Response**	**Response in**	
			Number	**% age**
	Do you think that tax administrations are strong enough to control non registered and illegal activities of TOT payers?	Yes	6	54.5%
		NO	**4**	36.4%
		Total	**10**	**100%**

The survey was conducted by asking the officials of the minister whether the tax administration is strong enough to control non-registered and illegal activities of TOT payers. Among the 11 respondents from the minister, 4 (36.4%) replied as yes that the TOT administration capacity is strong to control illegal activities, 6(54.5%) replied that it is not strong, and 1 (9%) kept Hem selves from giving this idea (Table 4.3). For those majority, 6 (54.5%) respondents who said the minister's TOT administration capacity was weak, the researcher asked why they have said the administration was weak and what the minister has to do to strengthen its administrative capacity. The reasons that they put for are listed below:

- Less motivation observed on some employees of the minister due to less remuneration.
- Lack of a sufficient number of ethical, trained and skilled employees.
- Accelerations of rotating the employees within the minister and firing of senior officials Absence of strong enforcement activities.
- The difficulties that the minister has faced to distinguish between honest and disobedient traders.
- Provisions of weak service qualities by the minister.
- The absence of a strong controlling system against the frauds and evasions performed by some noncompliance enterprises. From the results of the study, the TOT administration of the minister is not strong enough to bring those nonregistered enterprises to be registered and to the control of illegal activities of TOT payers. Therefore the minister should work strongly to alleviate the existing bottlenecks and achieve the desired objectives by improving the service qualities it is rendering, solving the problems raised in association to frauds, auditing activities and tax evasions promptly, recognizing the activities of genuine traders, hiring qualified manpower and improving the collection system and strengthen its follow-ups.

Table 4.4. Responses on the minister's skilled manpower.

S.No	Question	Response	Response in	
			Number	**% age**
	Do you believe that the minister has an adequate number of skilled manpower?	Yes	4	36.4%
		NO	**7**	63.6%
		Total	**11**	**100%**

Out of the 11 respondents, 4 (36.4%) respondents were agreed that the existing number and skills of employees of the minister are excellent. Whereas, 7 (63.6%) were not believed that the number and quality of the employees of the minister are sufficient. Based on the responses of the majority

of the respondents, the minister is expected to increase its manpower by recruiting literate and qualified manpower as well as appraise the performance and skills of the existing employees through trainings and preparing awareness creation programs as well as workshops so as to match its performing capacity with the increasing number and consciousness of the society.

able 4.5: Responses on implementation of TOT and replaced tax sales

S.No	Question	Response	Response in	
			Number	% age
	4 Do you believe that TOT implementation is more advantageous than the replaced tax sales?	Yes	7	63.6%
		NO	**4**	36.4%
		Total	**11**	**100%**

The above table 4.5 showed that 7 respondents (63.6%) were replied that TOT is more advantageous than the sales tax. They started to say so by putting as it (TOT) is a refundable tax when input tax exceeds output tax and it doesn't affect the business community since it is collected from the consumer as a reason. But, the rest of the respondents including those who know nothing was puzzled with the difference between and has got a difficulty of comparisons. So, the minister should give the respective taxpayers intensive awareness creating training so as to make them clear more about the merits of TOT.

Table 4.6 Awareness of Turn over tax (TOT) payers

Question	Response	Number	% age
How do you judge the awareness of tax payers in the town?	They have good awareness	2	18.2
	They have very good awareness	1	9.09
	They have less awareness	**6**	54.51
	They have poor awareness	**2**	18.2
	Total	**11**	**100%**

As we can see on table show the judgment of the employee the awareness of tax payers in the Wolkite revenue authority as follows. 18.2% have good awareness, 9.09% have very good awareness, 54.51% have less awareness, and the remaining 18.2% of them have poor awareness. **The quarterly percent of tax** payers have poor awareness due to they think that TOT affect their competition in the market they do not willing to pay a tax, and they do not understand the advantage of TOT as compare to other types of tax, and 9.% have very good awareness due to the office teach a tax payer about TOT and their attitude is almost change from the previous time. The result shows that the of the tax payers of TOT in Wolkite revenue authority is less awareness.

Table 4. 7 payment on time

Question	Response	Number	Percentage
Do most tax payer pay their tax liability on time?	Yes	5	**45.5**%
	No	6	**54.5**%
	Total	**11**	**100%**

As we can see on table 4.7 show that 54.5% of respondent provides that majority of tax payers was Not pay their expected tax liability on time. This indicates that most of tax payers has less understanding and awareness about taxation. But only 45.5% of respondents are pay 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 Not motivated to pay their expected tax liability and Not clearly 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.

Table 4.8 Problems of TOT collection

Question	**Response**	**Number**	**Percentage**
Do you face any problem when you collect TOT?	Yes	7	63.6%
	NO	4	36.4%
	Total	11	100%
		11	**100%**

As we can see on table 4.8 show that For the above question 63.6% of the tax collector tell us that a problems when they collect their tax As the data gathered from questionnaires indicate major problems mentioned by tax payers are in efficiency of tax collectors 63.6% not understand about the tax that the existence of taxation. only 36.4% of respondent are not problem of procedure of tax payer of respondent this is shows that the tax payers poor understanding about tax.4.2.2 Demographic characteristics of tax payers

Table 4. 9 general information's of TOT payers

Sex distributions		
Sex	Frequency	Percentage (%)
Female	30	28.9%
Male	74	71%
Total	104	100%
Age distributions		
Age group	Frequency	Percentage (%)
21-30 years	54	52%
31-40 years	30	28.9%
41-50 years	15	14%

Above 50 years	5	4.8%
Total	104	100%
Marital status		
Marital status	Frequency	Percentage (%)
Married	74	71 %
Single	28	27%
Separated	13	12.5%
Total	104	100%
Educational background of tax payers		
Educational level	Frequency	Percentage (%)
Below12 Grade	24	23%
Diploma	23	22%
Degree	58	55.77%
Total	104	100%

Table 4.9 item 1 shows the distribution of sex for tax payers. As the researcher observed from the table 28.9% of the respondents were females and 71% of the respondents were males. The researcher observes the tax compliances and registrants of Turnover tax payers in participated in the research were males much more than of females.

As to show in the table 4.2 item 2 shows age distributions of TOT payer respondents. From the total respondents 21-30 years old were 52%. The age between 31- 40 were 28.9% and 41-50 were 14%. As indicated in the above the remaining 4.8% shows the age group between above 50 years old. According to the table 4.1 the most of the TOT payers were found in the age group between 21-30 years old. The compliances and responsibilities were high in the youth part of tax payers.

As to show in the table 4.2 item 3 indicates the distribution of marital status of respondents. As the researcher observed from the table 71% of the respondents were married and 27% were unmarried/single/. And 12.5% of the respondents were indicates the divorced respondents. So, from the above table 4.1 more of the respondents were married. Then those were more compliance than other groups.

The other observation of personal information on table 4.2 item 4 is educational level of TOT payers. As the researcher observation clearly from the table 23% of the respondents were Below Grade12 completed and 22% were Diploma. The other 55.77% of the respondents were Degree completed. This reflects the awareness and compliances levels of the respondents were high for Degree completed tax payers rather than others educated.

Table 4.10. Responses for a clear understanding of TOT concepts.

Question	Response	Number	Percentage
1 Are you familiar with the Ethiopian TOT laws and proclamations?	Yes	32	32%
	No	70	67.3%
	Total	104	100%

. Based on the above data, out of 32% taxpayer respondents have clear knowledge about the rules and regulations of TOT. But majority 67.3% respondents were said that they have no concepts about the rules and regulations of TOT. Therefore, due to the presence of the respondent's answer, the doubt of the researchers is about TOT laws, the collection of TOT in the country becomes more difficult. So, the employees of Minster of revenue who are very familiar with the TOT laws should work more on the areas of awareness creation about the concept, advantages, and roles of TOT rules and regulations to the society's welfare and entire economic growth and development of the country.

Table 4.11 Responses on the refunding process

Question	Response	Number	Percentage
Do you think that the TOT refunding processes being made time effectively?	Yes	32	32%
	No	70	67.3%
	Total	104	100%

For any TOT refund process, if the allowable input tax is greater than the output tax, the amount of the excess is normally repayable to the taxable person by the minister as a tax refund. In relation to this issue, a question was raised to the taxpayer respondents about whether the refunding process being made by MR is maintained on time effectively. Out of 104 taxpayer respondents, 32 (32%) replied that the TOT refunding process are being made on time and effectively. On the other hand, 70 (67.3%) respondents replied that the TOT refunding process is not being made on time and effectively. The respondents who do say the refunding process is not being made on time and effective put their reasons as even if TOT refund time table is clearly stipulated in the TOT proclamation, the tax minister is not being met the time table stated at the proclamation because of: the weak TOT administration system of the minister, the complexity of the assignment to decide for the refund, refund requires mandatory waiting periods of 5 months, and the refunding period needs an assessment maintained by the minister auditors. In general, the refunding process being made by the minister is not as easy and effective. It demands time and effort from the respective minister and honest business enterprises.

Table 4.12 Responses on the declaration of TOT.

S.No	**Question**	**Respo nse**	**Response in**	
			Number	**% age**
	Do you believe that the declaration process is easy and effective?	Yes	68	67%
		NO	**36**	32%
		Total	**1O4**	**100%**

In modern tax administration, computerizing the tax collection procedure satisfies both the taxpayers and the minister's requirements in the best possible manner. Changing the administration in a computerized way satisfies two possible requirements. On one hand, it makes the work effective and efficient while on the other hand, it rehabilitates the management of the minister to the taxpayer requirements for fairness and justice. Concerning the declaration process, a question

was raised to the taxpayer respondents whether they believe that the declaration process for TOT is easy and effective or not. Out of the total respondents, 68 (67%) effective, and 36 (32%) replied that the TOT declaration process is not easy and effective (Table 4.9). As it can be observed from these responses the declaration process was not as easy as possible. The respondents who said so put the interruption of light, absence of skilled manpower in relation to the cash registry machines, the incompatibility created between the minister auditor's report and report produced by the system and absence of consistent follow-up as the main reasons. Thus, the minister has to think the ways to solve problems raised around these areas by giving continuous training to the employees and the business community and improving its controlling and administration systems as well as strengthening its follow-ups.

able 4.13: Responses on implementation of TOT and replaced tax sales

S.No	**Question**	**Respo nse**	**Response in**	
			Number	**% age**
	4 Do you believe that TOT implementation is more advantageous than the replaced tax sales?	Yes	70	67%
		NO	**32**	32%
		Total	**1O4**	**100%**

The above table 4.13 showed that 70 respondents (67%) were replied that TOT is more advantageous than the sales tax. They started to say so by putting as it (TOT) is a refundable tax when input tax exceeds output tax and it doesn't affect the business community since it is collected from the consumer as a reason. But, the rest of the respondents including those who know nothing was puzzled with the difference between and has got a difficulty of comparisons. So, the minister should give the respective taxpayers intensive awareness creating training so as to make them clear more about the merits of TOT. As mentioned, some said TOT and the sales tax are equaled advantageous. But the majority of the respondents is more advantageous because TOT avoids double taxations, it is easy to control tax frauds and reduces the possibility of tax evasions, generates more revenue to the government (since it is collected from all sectors), and avoids cascading effect of tax (tax on tax).

Table 4. 14 Fairness of tax imposed

S.No	Questions	Response in number			Response in % age		
		Yes	no	Total	Yes	no	Total
1	Does the tax rate impose by government is fair?	29	75	104	27.9 %	72 %	100 %

From the total sampled respondents 72% the tax payer not fair have complain on the tax rate imposed on them because they feel it is above their capacity

Table 4. 15 Tax payer annual income

Question	Response	Number	Percentage
Do you know the annual income of your business?	Yes	34	32.7%
	No	70	67.3%

	Total	**104**	**100%**
Is your annual tax liability based on your income?	Yes	32	30.77%
	No	72	69.231%
	Total	104	100%

.

As We can see table 4.15: respondent (30.77%) were known their annual income of their business. Due to these known the annual income of business is covering large area or absence of due consideration toward the business income and expenditure computation.

But only 67.3% of respondent do not know their annual income. That means tax payers has not knowledge about covering large area or absence of due consideration towa business income and expenditure computation. Further understand almost most tax payers has not

As to show in table above 69.231% of the tax payers have complain on tax amount imposed on them because the tax they paid is not based on their income

Table 4. 16 services receive

Description	Respondents status	Frequency	Percentage (%)
The amount of tax that you pay is related with services you receive?	Strongly agree	17	16.3%
	Agree	25	24%
	Don't agree	49	47.1%
	Strongly Disagree	13	12.5%
	Total	104	100%

With regard to the amount of tax payment 59.6% of respondent were not agreed on amount that majority of respondents has disagree from government. Only 40.4% of respondents were agree with rendered service from government. As indicates above almost majority of tax payers not satisfied with these services which rendered from the government related with the tax paid from them.

above table of the total respondents indicate strongly agree with the motivation of tax collectors to work is very less.

Table 4. 17. Service delivered by tax office

Description	Respondents status	Frequency	Percentage (%)
Do you believe the TOT services personnel are not very motivated to work?	Strongly agree	36	34.61%
	Agree	18	17.3%
	Neutral	26	25%
	Disagree	14	13.46%
	Strongly disagree	8	7.7%
	Total	104	100%

The table shows that the respondents of tax payer on their believe TOT services personnel are not very motivated to work" As the researcher observation 34.61 of the respondents were said strongly agree, 17.3% of the respondents were agree for the given question, 13.46% of the respondents were said that dis agree, 7.7% of the respondents were said strong dis agree, and the the researcher also observed from the above table of the total respondents indicate strongly agree with the motivation of tax collectors to work is very less.

CHAPTER FIVE

Summary, Conclusions and Recommendations

5.1 Introduction

This chapter provides a summary of findings and conclusions. The chapter also includes recommendations for quality and practices of TOT services given by the authority.

. 5.2 Summary of Findings

This study found that the TOT services most strongly challenged by the low awareness and performances of the tax payers and the lack of carefulness by the tax collector officers. Based on that the turnover (TOT) payers do not aware properly for the paying tax the collection system is not effective and attain their goals and objectives of the authority.

Furthermore the TOT payers always don't know how to pay, why to pay, and other related questions not addressed. Based on the lack of full knowledge the TOT system of paying tax and compliance level shows very time consuming and tedious and that they encountered problems when filing turnover tax returns. However, the frequency of filing tax returns was not viewed as having an effect on turnover tax collection and TOT payer's compliance level.

The payer indicated that they did not understand their obligations and that the tax office did not value feedback about the way the tax system was which greatly affected turnover tax collection. Tax officers also contributed to the turnover tax payer's awareness and performances as well as the compliance level of the TOT payer's tax paying collection problem. Since they have the responsibilities to perform the authority's task effectively and efficiently create awareness and give full services free from any bribes and don't accepted bribes when offered to reduce tax liability or demanded for bribes when they visited. Further, the government authority to involve taxpayers when formulating tax policies for gaining acceptances of tax rules and regulations by the burdens of tax payers without any complies knowing the TOT systems equally with the tax collector officers.

5.3 Conclusions of the Study

This study concludes that assess the awareness and performances of turnover tax (TOT) collection. the level of awareness by the TOT payers is less as compared to employees

One of the main reasons for this less awareness is that taxpayers don't have a consistent level of awareness and inconsistent sources of information about TOT collection and implementation. Because of this and other reasons, the TOT collection practice has become inefficient and faces a lot of problems, the major problem in TOT collection is weak collection system and controlling mechanism of the center and lack of awareness among taxpayers, improper way of disclosing their income and lack of manpower & experienced staffs are some of the main challenges in TOT collection.

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Tax officers also contributed to a great role on the turnover tax payer's awareness and performances as well as compliance level and collection problem by accepting bribes when offered to reduce tax liability or by demanding for bribes when they visited the tax assessment practices. The authority and the government also failed to involve taxpayers when formulating in tax policies and there were no visible improvements in government services. The tax payers also involved within the tax rules and regulation formulations to improve the TOT payer's compliance and criticize the law accordance with the overall TOT tax payers and agreed them.

To change and improve the turnover tax payers awareness, performance, compliance level in TOT suggested remedies that could be included: using the turnover taxation system included under the education curriculum from the elementary up to the higher educations including universities and colleges, by using assessing the TOT payers by field assessment put fast correction action for the given services delivered by the authority, using medias and promotional materials, used qualified/ certified personnel staffs, using modern and computerized services reduce the time consuming activities and reducing bribes and reducing tax evasion and tax evade by the turnover tax payers. And also accepting the questions and suggestions by the tax payers and answered that question firstly. Education about tax laws to check evaders, frequent taxpayer education and sensitization of the turnover tax payers and the tax collector officers must take to practice for the purpose of increasing the compliance level, awareness and performances of the turnover tax payers.

5.4 Recommendations

This study recommends that -Minister revenue has to device a means that improve the level of awareness of taxpayers about the collection of TOT, apply a consistent procedure among all taxpayers and ensure proper collection mechanism.

there should be a deeper and detail assessment of the TOT tax collection problem' knowledge about the turnover tax laws and regulations to know the performances and level of compliances and to show directions for the appropriate organization. The problems that turnover Tax taxpayers experience and awareness when the turnover tax services and slowly growing of turnover tax payers' performance should be established and necessary adjustment remedies made. There should be rigorous education programs targeting for business sector and other supplementary sectors to enable them understand their obligations and provide opportunity to provide feedback about the way the tax system was run and customer-based services implemented. Finally this research recommends on the service personnel's tax collector officers also must take a correction measures on the overall activities of the turnover taxation system in the business sector to achieve the short term and long term planned schedules of the authority with the scheduled time plan according to the vision and mission of the authority. Because there is no awareness there is no ant turnover tax payers, any one not achieves their tasks by force. Then the authority and the turnover tax payers always must communicate smoothly to create awareness and achievements in turnover tax collection. Additionally, the suggested effective remedies for turnover tax collection included: formulating policies and curriculums from elementary up to higher education's, putting in place tough laws to check evaders, frequent taxpayer education and sensitization, putting in place business to address public misconceptions or inaccuracies and providing information in a customer-focused way to improving the turnover tax payers awareness, performance, and compliance level on the rules and regulations of the taxation system.

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APPENDEX

WOLKITE UNIVERSITY

College of Business and Economics

Department of Accounting and finance

Questionnaire

Dear Respondents: My name is Yeshiwas Wondie

First of all, I would like to extend my sincere gratitude for helping me by filling this questionnaire. The purpose of this questionnaire is to collected data to be used in first degree research assessment of turnover tax collection problem Wolkite branch. All information you provide here after will be used at most confidentiality as part of overall response, therefore please feel free to provide your value able response that will make this research project successful,

Thank you for your corporation, spend your precious valuable time to complete this questionnaire.

Instruction

1. Put “x "mark in the provided box.

2. No need write your name.

3. You can support one or more idea.

Part one. Personal information from collector side

1. Sex female ☐ male ☐

2. Your educational background /qualification?

below Grade 12 ☐ college diploma ☐

degree ☐ master holder ☐

3. For how many years you have served in the corporation?

0-5 ☐ 5-10 ☐ 10-15 ☐ 15-20 ☐ above 20 year ☐

Part two. general information

To assess turn over tax (TOT) collection and its challenges.

4. Do you believe that the implementation of TOT is successfully achieving its objective?

Yes ☐ No ☐

5 Do you think that tax administrations are strong enough to control non registered and illegal activities of TOT payers?

Yes ☐ No ☐

6. Do you believe that TOT implementation is more advantageous than the replaced tax sales?

Yes ☐ No ☐

7. Do you believe that the minister has an adequate number of skilled manpower?
8. How do you evaluate the knowledge of tax payers about taxation?

High ☐

medium ☐

Low ☐

9. How do you judge the awareness of tax payers in the town?

They have good awareness ☐

They have very good awareness ☐

They have less awareness ☐

They have poor awareness ☐

10. Do most tax payer pay their tax liability on time?

11. Do you face any problem when you collect TOT?

Yes☐ NO ☐

(from tax payer side)

Part one. Personal information from collector side

1. Sex female ☐ male ☐

2. Your educational background /qualification?

below Grade 12 ☐ college diploma ☐

degree ☐ master holder ☐

3. For how many years you have served in the corporation?

0-5 ☐ 5-10 ☐ 10-15 ☐ 15-20 ☐ above 20 year ☐

4. Are you familiar with the Ethiopian TOT laws and proclamations?

Yes☐ NO

5.Do you believe that TOT implementation is more advantageous than the replaced tax sales?

Yes ☐ NO

6. Do you believe that the declaration process is easy and effective?

Yes ☐ NO

7. Does the tax rate imposed by government is fair?

Yes ☐

No ☐

8. Do you know the annual income of your business

Yes ☐

No ☐

9. Is your annual tax liability based on your income?

Yes ☐ No ☐

10. The amount of tax that you pay is related with services you receive

Strongly agree ☐

Agree ☐

Don't agree ☐

Strongly Disagree ☐

11. Do you believe the TOT services personnel are not very motivated to work?

Strongly agree ☐

Agree ☐

Neutral ☐

Disagree ☐

Strongly disagree ☐