



WOLKITE UNIVERSITY
COLLEGE OF BUSSINESS AND ECONOMICS
DEPARTEMENT OF ACCOUNTING AND FINANCE

**ATTITUDE OF CATEGORY “C” TAX PAYERS TOWARDS TAX ASSESSMENT
EVIDEANCE IN GUBRE SUB CITY**

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

BY: MESERET TAYU
ADIVOSAR: Mr. TEWODROS ENGEDA (MSc.)

JUNE; 2019
WOLKITE ETHIOPIA

DECLARATION

I Meseret Tayu, have carried out independently a research work entitled "Attitude of category "C" tax payers toward tax assessment The case of Gubre sub-city Ethiopia" in partial fulfillment of the requirement of BA. Degree in Accounting and Finance with the guidance and support of the research advisor. I do hereby declare that this research paper is my original work and that it has not been submitted by any other person for an award of degree in this or any other university/institution.

Submitted by:

Full Name: Meseret Tayu Signature _____ Date _____

Approved By:

This paper has been submitted for examination with my approval as Tewodros Engeda

Full Name: Tewodros Engeda /M.Sc. / Signature _____ Date _____

WOLKITE UNIVERSITY
COLLEGE OF BUSSINESS AND ECONOMICS
DEPARTEMENT OF ACCOUNTING AND FINANCE
APPROVAL SHEET

This is to certify that the paper prepared by Meseret Tayu, entitled: Attitude of category ‘‘C’’ tax payers toward tax assessments: The case of Gubre sub-city in Ethiopia and submitted in partial fulfillment of the requirements for the Bachelor degree in Accounting and Finance complies with the regulations of the University and meets the accepted standards with respect to originality and quality. Approved by:

Advisor: Mr. Tewodros Engeda (MSc)

Signature _____ Date _____

Examiner:

Signature _____ Date _____

ACKNOWLEDGEMENT

First and for most I would like to thank Almighty GOD and his mother Virgin Merry for all the strength they gave me to make it this far.

I would like to express my deepest gratitude to my advisor Mr. Tewodros Engeda for his understanding, encouragement and patience, professional and constructive comments from the beginning to the completion of this research paper.

I would also like gubre society to extend my gratitude to facilitate data bulletin that have provided me the relevant data for my study.

Lastly and certainly not the least, endless support of my family and friends, especially those who asked me about the research process and achievements, here is my thankful for your support and encouraging words and since it has inspired me a lot to accomplish my paper.

LIST OF TABLE

Table4. 1Demographic back ground.....	21
Table 4. 2 Educated man powers and services period of employees	22
Table4. 3 Business type	23
Table 4.4 Awareness of taxpayers on the procedures for the computation of category “c” tax ...	23
Table 4. 5 Response of taxpayers on the fairness of the tax assessment	24
Table 4. 6Response of taxpayers on appropriateness of the tax assessment policy.....	24
Table4 7. The view of taxpayers about taxation	24
Table4. 8View of taxpayers on the way they are treated by tax office personnel	25
Table4. 9Response of taxpayers on the availability of book of records	25
Table4. 10 Awareness	26
Table 4. 11payment of tax liability	26
Table4. 12 strength of tax payers	27
Table4. 13Relationship of income and tax payment.....	27
Table4. 14 attitude toward of tax payers on the general level of taxion	28

Abstract

The study was conducted to attitude of category ‘c’ payers towards tax assessment in gubre sub city revenue authority. The general objective is to evaluate attitude of category ‘c’ tax payers towards tax assessment according to the established regulation of gubre sub city authority by tax payers and revenue authority. To achieve the objective necessary data was used. This study was used descriptive types of research .The data was based on primary source of data to be collected in order there gatherer information, which help fall for the study. Primary data was collected through questionnaires distribution tax payers. The Study was had been random sampling. . The total numbers of the study are 560 tax payers (female 28 and male 32) and primary data were collected from 60 taxes payers from the institution holding different positions selected through random sampling techniques finally, the collected data were processed, analyzed and interpret by using different table, percentage, and summary, recommendation and conclusion were forwarded bases on the identified problems.

Key Words: *Gubre, tax, business income tax, taxation, revenue, authority*

TABLE CONTENT

DECLARATION	i
APPROVAL SHEET	ii
ACKNOWLEDGEMENT	iii
LIST OF TABLE	iv
<i>Abstract</i>	v
CHAPTER ONE	1
INTRODUCTION	1
1.1. Background of the Study	1
1.2. Statement of the Problem.....	3
1.3. Research Questions.....	4
1.4. Objectives of the Study.....	4
1.4.1 General objectives.....	4
1.4.2. Specific objectives	4
1.5. Significance of the Study	4
1.6. Scope of the study.....	5
1.7. Limitation of the study.....	5
1.8. Organization of the study.....	5
CHAPTER TWO	6
REVIEW OF RELATED LITERATURE	6
2.1. INTRODUCTION	6
2.1.1 Theoretical Framework.....	6
2.1.2 Definition of Taxation.....	6
2.2. Basic characteristics of taxation.....	7
2.3. Role of taxation.....	8
2.4. Classification of tax	9
2.4.1. Direct taxes	9
2.4.1.1. Demerits of Direct taxes	9
2.4.1.2. Merits of Direct taxes are.....	9
2.4.2. Indirect taxes	10
2.4.2.1. Merits of indirect tax.....	10
2.4.2.2. Demerits of indirect taxes	10
2.5. Principles of Taxation.....	11

2.6. Tax system	12
2.7. Categories of tax payers in Ethiopia	14
2.7.1 Category” A” tax payers	14
2.7.2 Category” B” tax payers	15
2.7.3 Category “C” tax payers	15
2.8. Tax assessment.....	15
2.8.1. Assessment notification	16
2.9. Empirical Review.....	16
CHAPTER THREE	18
RESEARCH METHODOLOGY.....	18
3.1. INTRODUCTION	18
3.1.1 Description of the study area	18
3.2. Research Design.....	18
3.3 Data type, source and methods of collection	18
3.3.1. Data Type.....	18
3.3.2. Source of data	18
3.4. Method of data collection	19
3.5. Sampling Technique	19
3.6. Population and sample size.....	19
3.7. Method of data analysis	20
CHAPTER FOUR.....	21
DATA PRESENTATION, INTERPRETATION, AND ANALYSIS	21
4.1. Demographic Background	21
4.2. Education man power and their service duration.....	22
4.3. Type of Business.....	23
4.2. Question related to open ended.....	29
CHAPTER FIVE	30
Summary, Conclusion and Recommendation.....	30
5.2. Conclusion	30
5.3. Recommendations.....	31
5.4 Future researchers Direction	32
REFERENCE.....	33
APPENDIX I	34

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

Generally Tax may be defined as a compulsory contribution (levy) by an economic unit to a government without expectation of direct and equivalent return from the government for the contribution made. Government needs financial resources to act as a government and play a role that is expected from it by the public (Bhatia, 2003). Taxation is one method of transferring resources from the private to the public sector. Taxes are important sources of public revenue (James (2000).

Taxation is a system of raising government's revenue by imposing tax. It is a method of collecting funds by a government from tax sources to finance its operation. Taxation is also a means by which a government, through its law making body, raises internal income through tax for the use and support of the government and to enable it discharge its appropriate functions (Tesfaye, 2011). Government intervention in the supply of public goods is, therefore, becomes inevitable and can only be done if the public pays taxes for the production and supply of such goods. (Yohannes and Sisay, 2009). According to (Yohannes, and Sisay, 2009) tax is a contribution from individuals out of their property for the maintenance and defense of government in simpler term tax is financial charge or other levy imposed on an individual or legal entity by government. In contrast to the payment of tax to the government different business tax payers start to evade taxes through under reporting of their income and over deduction of their expense.

Different types of taxes existing in Ethiopia and mainly comprised of direct and indirect taxes levied by both central and regional government (Ethiopia Trade and Investment, 2015). The main types of direct taxes are taxes including business profit taxes, personal income tax, withholding tax, rental tax and other taxes. The indirect taxes applicable are VAT, TOT and Customs duty. Tax administration can be affected by attitude of people and the attitude can in turn be affected by tax administration (Bird and Oldman, 1967).

The existence tax aptitude of category 'C' payers necessary for different consumption of goods and services necessitates putting some of our income into government hands. Such public goods like roads, power, municipal services, and other public infrastructures have favorable results on

many families, business enterprises, industries and the general public. Public goods are normally supplied by public agencies due to their natures of non-rivalry and non-exclude ability though countries differ considerably in the amount of taxes they collect yet the most important source of revenue for modern government remains to be tax.

In Ethiopia tax administration plays a great role in determining the correct amount that the tax payers must pay based on their income the tax administration classified (categorized) the tax payers based on their income. Category “C” tax payers, unlike category “A” and B to prepare financial statements. To determine the income tax liability of such tax payers, standard assessment or presumptive method shall be used (Misrak Tesfaye, Ethiopian tax accounting theory and practice, 1st edition (2008))

An efficient and proper tax administration requires the prevalence of clear and transparent rules and regulations. Since the business owners do not have simplified access to and clarification on information of the tax laws, they lack awareness on tax rules and regulations and this has an impact on the practicability of the regulations. Based on the annual turnover (volume of sales) and form of business the Ethiopian income tax proclamation no.979/2016 categorizes business income taxpayers into three major categories based on their as category A, B and C. Therefore, taxpayers with annual turnover of Birr 1000000 and above are categorized under Category “A” taxpayers, business income taxpayers with annual turnover between Birr 1000,000 and Birr 500,000 are under category “B” and business profit taxpayers with annual turnover less than Birr 500,000 are under category “C” taxpayers.

Specifically the objective of the study is to identify attitude of tax payers, and the assessment of tax collection system under category“C” tax payers faced by the tax payers in gubre town.

1.2. Statement of the Problem

A government finances its expenditures through the fund acquired from the service given by the government tax, loan and donation. From all source if finance tax is the major source ; however, in most developing countries adequate tax systems that permits a government to sufficiently finance its expenditure (Gupta, 2011). Due to the great encouragement and conducive environment like investment opportunities created by the Ethiopian government, new firms emerging surprisingly ; however the amount of tax revenue for the government is not increasing proportionately.

Ethiopia, like any other developing countries, faces difficulty in raising revenue to the level required for the promotion of economic growth. Hence, the country has been experienced a consistent surplus of expenditure over revenue for sufficiently long period of time. To address this problem, the government categorized tax payers into three categories & introduced imposition of tax (direct and indirect), among others; as major and important sources of public revenue. However, this categorization & imposition of tax couldn't still bring the required result due to a number of reasons such as lack of clear understanding about the tax system by the taxpayers, taxpayers don't comply with their tax obligation, hostility between the taxpayers and tax officials, negative attitude of taxpayer towards the tax system, that is, understating their taxable income by significant amount,... etc. For these reasons, the actual amount of tax couldn't be collected properly (Tadele, 2010). In Ethiopia's revenue administration system relies on taxpayers assessing their tax liability under the law and paying the correct amount of tax. However, unless it is systematically administered such system of self-assessment has inherent risks. (ERCA, 2010)

Attitude of taxpayers play a vital role on the proper implementation of tax laws and will increase the amount of revenues to be collected from tax. If taxpayers do have positive attitude towards tax paying and tax authority officials they will be willing to comply tax laws.

Public attitude towards taxation is also in turn affected by the social, cultural, and political factors as well as awareness about tax and fairness of the tax system. If it is perceived that only those who are wealthy or dishonesty or both benefit from non-compliance, this might reduce 'tax morale' and the willingness of the rest of the population to comply.

Despite the fact that people need to pay taxes based on rationales of vertical and horizontal equities, it is not always the case that tax systems are comprehensible and transparent for category 'C' tax payers especially for those who are less literate individuals. Tax systems are usually not elaborated properly with the society. Consequently, these taxpayers complain that the tax assessment method is based on subjective estimation as a result of which they are frequently subjected to over-taxation. The extent of the impact of attitudes and attitudinal change on voluntary tax compliance behavior was not well understood. Therefore; the aim of this research is carrying detailed information, especially on the assessment of attitude of category "C" tax payers found to Gubre town.

1.3. Research Questions

1. What to investigate the problems related to the overall category "c" taxation system?
2. How to evaluate factor influence the attitude of category "c" tax payers?
3. How to assess whether the tax system fulfills certainty principle or not?
4. How to assess the awareness of tax payers towards category "c" tax payers?

1.4. Objectives of the Study

1.4.1 General objectives

The general objectives of the study are to evaluate the attitude of category "C" tax payers towards tax assessment in gubre town.

1.4.2. Specific objectives

1. To investigate the problem related to the overall category "c" taxation system.
2. To evaluate factor influence the attitude of category "c" tax payers.
3. To assess whether the tax system fulfills certainty principle or not.
4. To assess the awareness of tax payers towards category "c" tax payers

1.5. Significance of the Study

The study can give an insight about category "c" tax system to different parties such as organizations, scholars, researchers, and policy makers, interested to make further investigation. Also it can benefit the tax administration personnel to take corrective action related problems in the area. It gives useful ideas to the reader about tax administration system. It serves as reference

material for further study to evaluate the tax with its actual performance. It provides information regarding the weakness and strength in category “c” tax collection system which helps managers to evaluate their performance and to make improvement.

1.6. Scope of the study

The scope of the study will be limited in Gubre town administration revenue and tax authority branch office. It only covers tax aptitude for category “C” tax payers the study time period covers 2018 to 2019.

1.7. Limitation of the study

Major limitation of this study is lack of sufficient financial and the time to allow for data collection is not sufficient. During the data collection some tax payers were not willing to fill the questionnaire due to different reasons such as less awareness of the tax payers about the research benefit for the organization and the over loaded task that make them busy.

1.8. Organization of the study

This study is organized into five chapters. The first chapter represents the introduction. The second chapter will show the literature review while the third chapter contains research methodology, the fourth chapter presents data analysis, interpretation and recommendation. Finally the fifth chapters present summary, conclusions and recommendations.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1. INTRODUCTION

This chapter assesses previous literature and studies relevant to the fields and related topics. A literature review also provides a rationale for the proposed study by placing it next to the previous studies.

2.1.1 Theoretical Framework

2.1.2 Definition of Taxation

Taxation is source of government revenue by which individual, companies, goods and service to rise revenue for its operation and to promote social equity through the redistribution of income effect of taxation .(Anyanwu,1997).Taxation is a compulsory levy payable by an economic unit to the government without any corresponding entailment to receive a defined and direct equivalent and taxation is an enforced contribution, exactly in accordance to the rule of legislative authority in the exercise of the taxing power, and imposed and collected for the purpose of rising revenue to be used for public or government purpose. (Bhatia, 2003).

Tax could be viewed as an involuntary contribution required by law to finance the function of government .The amount of contribution extracted the tax payers is unrelated to any privilege , benefit or service received from the government agency imposing the tax .(Morphyand Higgins,2001).Taxation is fundamental to sustainable development, as it supports the basic functions of an effective state and sets the context for economic growth. More often overlooked is the role of taxation as a catalyst for the development of responsive and accountable government, and for the expansion of state capacity. (Prichard, 2010)

Revenue generation at optimum level is always desired and various measures have been taken to encourage taxpayers for voluntary compliance. It is expected that the tax compliance rate increases based on various factors including the satisfaction which mainly reflected by the positive attitude of tax payers about tax authorities the tax policies, their implementation, fairness of tax assessment and the like. The primary objectives of tax administrations are to ensure compliance with tax laws and improve customer service satisfaction for taxpayers and an improved understanding of taxpayer behavior (and attitudes to taxation) can help tax

administrations to develop stronger and more effective compliance risk treatments (Walsh, 2012)

2.2. Basic characteristics of taxation

In general taxation is characterized by the following basic features:-

1. Tax is a compulsory levy to a person who is alleageable for tax payment on the basis of the prescribed tax criteria. Those people on whom the taxes the imposed have no other choice than paying. Refusal to pay tax can lead to punishment by law. If tax were not a compulsory contribution, no one would probably be willing to pay it.

2. Tax is levied only by the government. In modern taxation system, no one has a legal right to impose tax except the government (federal, regional). It's only the government that has a legal right to impose and collect tax. Of course, there are withholding agents who are required by law to collect tax. On behalf of the governments.

3. Tax is not based on condition. Tax is not conditional; this implies that tax is not mean what is paid by tax payers if they get benefit from the government and what is abandoned if they don't get any return from the government. There is not direct give and take relationship between the tax paid and the benefit received from the government.

4. Common benefit at all. Tax collected by the government is spent for the common benefit of government in case expenditure for defense maintenance of laws, contribution of schools, hospitals and other public services.

5. No direct benefit. The government collects all types of taxes and does not give any direct benefit to tax payers, for tax paid; tax payers connote demand direct benefit from the government for the amount they have paid.

6. Attitude of the payers. is important factors in determining the contents of a good tax system. The attitude of the tax payers are influenced by other factor such as educational level, political, social and economic situation of the country.

7. Certain taxes levied for specific objectives. Though taxes are imposed to achieve specific objectives for collecting revenue for the government to meet its expenditure, certain taxes are imposed to achieve specific objectives.

8. Good tax system should run harmony with important objective. It should try to address and accommodate the attitude and problems of tax payers. It should also generate adequate

revenue for the government while addressing the attitude of tax payers should be flexible enough to cope with changing, the economy of the country adopted.

9. Tax system recognizes basic rights of tax payers. A good tax system considers basic rights of tax payers. Of course tax payers aware of the benefit of paying tax and pay on time, but, it shouldn't be with harassment of tax collector. To keep the basic rights of tax payers there must be a tax law which is simple in language and understandable, tax liability, what expected from each payers has to be determined the full certainty. (Gebre Worku (MSc) 2006).

2.3. Role of taxation

Taxation depends on the socio-economic and political power structure of a particular country who ever come to a power to survive; it has to introduce tax to raise revenue to cover the expenditure for running the different institutions in the system. At the same time when government takes money away from the tax payers by the way of taxation the individual economic behavior is affected and will definitely respond. So tax designed to attain certain objectives has to follow certain rules because taxation in addition to transferring resources from tax payers to government. It is also an incentive to produce consumers and factors owners.

According to Joseph E. Stiglitz, it is issued to judge any equation concerned with taxation or tax system as a whole from the point of view of five desirable characteristics. They are economic efficiency, administrative simplicity, flexibility, political responsibility and fairness. However, the two most important and the basic ones are the efficiency and the equity (fairness) criterion. The relationship between the two principles is very contentious. If taxes increase it affects efficiency on deficits decreased distribution is neglected.

2.4. Classification of tax

In general, in terms of the relationship between the nature of taxes and the reason for payment tax are classified as direct and indirect taxes.

2.4.1. Direct taxes

According to Dalton, a direct taxes really paid by person on which it is legally imposed. Direct taxes are those taxes which cannot be shifted to others. A tax is said to be direct tax when the impact and incidence of tax are rest up on the individual (firms directly through a deduction from earnings .These includes individual income tax, corporation taxes ,tax on property and others employment income tax ,business income tax ,and taxes on royalty and chance winning .

2.4.1.1. Demerits of Direct taxes

Direct taxes are not free from certain disadvantage

A. Direct taxes can be easily evaluated:- There is always a possibility of tax evaluation in the case of direct taxes since direct taxes are certain and tax payers may now show their correct incomes to the authorities.

B .Direct taxes are unpopular: - Direct taxes are unpopular because they are directly imposed on assess themselves and are required to be paid in one lump sum which inconvenient to the payers.

2.4.1.2. Merits of Direct taxes are

The following are some of the main advantage of Direct taxes

A. Direct taxes reduce inequality income and wealth:- as direct taxes are progressive in nature governments frequently use them as a means of reducing the glaring income and wealth inequalities in the community.

B. Direct taxes are certain:- the tax payers know how much they have to pay and on what bases they are going to pay the tax to the government.

C. Direct taxes are economical:- They are economical the sense that the cost of collecting these taxes for the government is relatively low as taxes are usually collected at source

2.4.2. Indirect taxes

Indirect taxes are those taxes impact and incidence fall on different persons. That is the impact on the tax falls on the person who pays in to the government in the first instance but the incidence tax falls on the person who finally bears the burden of tax. In direct tax is mainly composed of value added tax “VAT” custom duty (export import duty) excise tax and local production (*Gebre Worku, 2006*).

2.4.2.1. Merits of indirect tax

A. Indirect taxes are convenient and more popular:- One more important merits of indirect tax is that they are less convenient and less burdens same than the direct taxes.

C. Indirect taxes cannot be evaded:- It is difficult to evade the payment of indirect taxes because they are included in the price of commodities and are collected in the form of higher prices go goods sold to the buyers in the market.

C. Indirect taxes have wide coverage:- Through indirect taxes every member of the community can be taxed so taxes so that everyone may provide something to the government to finance the services of public utilities.

D. Indirect taxes can be elastic:- Governments can increase the revenues from Indirect taxes by imposing taxes on those commodities which are demand in elastic such as salt, sugar, textile etc.

E. Indirect taxes help production and investment:- They serve as a powerful tool in molding the production and investment activities in the economy.

F. Indirect taxes can be progressive:- Indirect taxes can be made progressive by imposing heavy taxes on luxury and harmful products and by exempting basis and necessity products.

2.4.2.2. Demerits of indirect taxes

Indirect taxes suffer the following weaknesses:

A. Indirect taxes are uncertain:- Indirect taxes are not satisfying the principle of certainly since the revenue accruing to the government from indirect taxes cannot be estimated accurately.

B. Indirect taxes are regressive in effect:- By their nature indirect taxes spread over to cover the items which are purchased generally by the poor (on commonly consumed products, the demand for which is elastic).

C. Indirect taxes promote inflation:- Another defect of indirect taxes is that they feel inflationary force. Direct taxes have the effect of reducing demand and prices.

D. Indirect taxes result in high administrative costs:- Because indirect taxes are collected from large number of people in small amounts, tax authorities are expected to hire a number of personal such as tax experts who check records of manufactures and sellers, tax collectors, auditors to inspect questionable returns.

2.5. Principles of Taxation

Principles of taxation refer to the appropriate criteria to be employed in developing (devising) and evaluating good tax structures of cannons.

1. Equitable/fairness principle:- equal treatment of similar situation tax payers.

A. Horizontal equity:- all purchasers of the some equity pay the some tax

B. Vertical equity:- unequal situated tax payers being taxed on their ability to pay as per progressive taxation philosophy.

2. Convenience principle:- a tax that can be readily & easily affected, collected and administrated. Certain the consistently and stability in the prediction of tax payer bills and the amount of revenue collected over time.

3. Simplicity principle

Simplicity principle states that as complex tax system may result in error (due to failure to understand the tax laws), tax evasion (violation of tax laws) and disrespect for system, tax laws should be simple and clear to understand by the taxpayers and they should not be confronted with accounting administrative or other difficulties.

4. Efficiency/economy of collection principle

Efficiency principle state that the costs to collect taxes should be kept as minimum as possible for both the government and tax payers. Government incur administrative costs as for hiring tax collectors to gather tax revenues, data entry clerks to process tax returns, auditors to inspect questionable returns, lawyers to handle disputes, and accountants to comply with the tax systems.

5. Economic growth/buoyancy principle

The principle of economic growth states that a tax system should not impede or reduce the productive capacity of the economic system by overtaxing. For instance, a tax system should not significantly affect international competitiveness, investment, and production like labor supply.

2.6. Tax system

Tax system is a system in which tax liability is computed. There are two types of tax system in the world. These are:- Global tax system and scheduler tax system.

A .Global tax system

Global tax system is a system in which tax liability is computed on aggregate at all incomes and losses derived by a tax payer from different sources in the world. That means, if a tax payer has two or more business the losses incurred in one business can be affect with the income earned in another business and tax is computed on the final balance.

B. Scheduler tax system

Scheduler tax system is a system in which tax liability is computed on separate schedules. This mean, if a tax payer has two or more business the losses incurred in the business is not offset with the income in another business unless the same schedule. In scheduler system income is classified for income tax purpose according to its nature and source. Classification based on their effect on distribution of income. This classification mainly deals about the three types of taxes:- these are proportional, progressive and regressive. I.e. different tax forms affect the taxable income differently.

A. Proportional taxes

It is a tax with all tax payers pays the same percentage of their income or wealth with a proportional tax. The percentage of income paid in tax remains constant as the percentage of income increase/decrease. This is a situation where the proportion of income tax in tax stays the same thus a constant marginal rate of tax, which equals the effective or average rate. Therefore, the evil of not to respond the change in tax base since the tax rate is fixed. The implication of this tax is that, it doesn't relevant to narrow the difference in the income of extreme levels. I.e. that of the poor and rich, since it doesn't levy higher tax rate on the rich.

According to Balit (2003) proportional tax do not change the relevant position of different tax payers. They all lose the same purchasing power and therefore a proportion tax is neutral in terms of the allocation of recourse. It also doesn't affect the relative demand and supply position.

These types of taxes are advantageous for their administrative capacity and simplicity. It is claimed that proportional taxation is easily decided and enforced especially because complicated rate of schedules and degree of progression in each tax is not there. Proportional taxes however, are no longer economically because it treats every tax payers, even part of family by same rate.

B. Progressive Tax

Progressive tax is the tax which varies with the change in income of the individual. It is large as percentage for those larger incomes. It is usually applied in reference to income taxes where people with more income pay higher percentage of its income tax. The progressive refers to the way the rate progress from level high. The rate of taxation increases as the tax base increase. A tax is progressive when which the increasing income the tax liability not only increases is an absolute term. But it also increases as proportion of the income. The rate of tax gradual becomes higher for the increasing income and lower to lower income. It does not provide for fixed (uniform) percentage for all the income level. According to the amount of tax paid will increase of higher rate than the increase the tax bases.

C. Regressive Tax

In regressive tax the higher income of tax pays as smaller is promotion of his income which he contribute to the government in terms of tax. This means the poor section of the society are taxed at higher rate than the rich section often it is a fixed tax even person has to pay the same amount of money, such as a pull tax that means each person's pays the same amount of money it is a lower proportion for peoples with the higher income, this violets the principle of equality and social justice.

D. Digressive Tax

This tax can called amazed progressive tax; this means it is a blend of progressive and proportional taxation. the rate of tax use up to certain limit & beyond that a uniform rate is charge, so that the rate of progression is not as the same proportion as the income can yield advantageous and avoid unfairness in the dissention of the burden of taxation by means of graduation, differentiation and others service. These are three services offsets to such single tax. It would be difficult and expressive to collect particularly in relation to small income.

It would score no special contribution from inheritors of wealth.

It would check saving more than other tax would do.

2.7. Categories of tax payers in Ethiopia

For its efficient and effective tax administration purpose, the Ethiopian government classifies schedule “B” income tax payer (rental income tax) and schedule “C” income tax payer (business income tax payer or trade business) into categories. For categorization purpose, the Ethiopian government uses two basis: -the legal personality /legal status / tax payers and their annual gross turnover (annual actual or expected gross sales revenue). Accordingly, schedule “B” and schedule “C” (without corporate business) income tax payers are categorized into three, namely category “A”, category “B” and category “C” tax payers (MISRAK, 2011).

2.7.1 Category “A” tax payers

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

1. Business income tax payers or rental income tax payers formed under the law of Ethiopian or foreign laws, that have separate legal personality (i.e. share company, plc., public enterprise, public finance agency, and foreign body business agent residing and doing business in Ethiopia on behalf of the principle), regardless of their annual gross turnover or revenue.
2. Any business having annual gross turnover of birr 500,000 or more

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

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

B. Vouchers: - category “A” tax payers are also required to register with the concerned tax

authority the type and quantity of voucher use before having such vouchers printed .Any printing press, before printing the voucher is registered with the appropriate tax authority.

C.Financial reports :- Category “A” tax payer shall prepare and submit to the concerned tax authority ,at the end of the tax year ,audit balance sheet and income statement ,which are prepared based on books of accounts maintained in accordance GAAP .whenever requested in writing by the concerned tax authority ,and public auditor shall also submit the audit report of his clients to the authority .Failure to submit the report will result in cancellation of his license by the appropriate government organization .(MISRAK, 2011).

2.7.2 Category” B” tax payers

Category “B” tax payers includes ,unless already classified in category “A” business income tax payers with no legal personality and whose annual gross turnover is more than birr 100,000 but less than birr 500,000.All category” B” tax payers whom are engaged in a business are also required to maintain proper books of account and other supporting documents which are like to category “A” tax payers .They shall also use the type and quantitative of vouchers are requested and approved by the concerned tax authority.

2.7.3 Category “C” tax payers

It includes any other business income tax payers which are not already classified under category “A” and “B”. Business income tax payers those have no legal personality and whose annual gross turnover is estimated up to birr 100,000.

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

2.8. Tax assessment

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

2.8.1. Assessment notification

Every assessment notification should contain the following elements: - Gross income and deduction applicable, taxable income, rate applicable or percentage tax paid and due and any penalty or interest. One of the objectives of taxation is collecting sufficient amount of public revenue to meet public expenditures. In order to attain the relationship between tax structured and tax aptitude and an organized tax payer's structure should be maintained.

2.9. Empirical Review

Empirical literatures review related tax compliance factors in Ethiopia also show similar results. For instance, Yohannes Mengesha and Zerihun Ashebir(2013). In addition to the above, the study also disclosed that with the exception of minority of the rental tax payers who hold certificate and diploma, majority of them were with an educational background of elementary and high school completed. Hence, it can be concluded that rental tax payers lack knowledge of easily understanding the laws and regulations of the tax system and how their taxable income is computed. Wollela A Yesegat and HelgeFjeldstad, (2011) jointly conduct study on tax payers views of business taxation in Ethiopia. The objectives of their study were to assess business peoples' views of paying taxes in Ethiopia and to identify (perceived) difficulties with the tax system and priorities for tax reform. Hence the result shows that the main reasons for tax noncompliance were; lack of predictability in the tax system forces taxpayers to reduce their current tax liability, difficult to compete with businesses that import goods at manipulated custom duties, It is those who are not paying taxes that are quickly growing, so why should I comply, discrimination by the tax administration forces honest taxpayers to evade taxes.

Therefore, it can be concluded that still many respondents are not attending or participating in the tax attitude of category "C" tax payers.), study will conducted on identifying the gaps and problems that exist between the Gubre business community and the tax authority results show that most of the taxpayers, especially those in the category 'C', do not exactly know how the tax is assessed or calculated and the procedures in the tax assessment and computations are not objectively understood by most of the taxpayers.

The study result shows that unless good service delivery is provided, tax related laws are enforced and implemented, effective awareness creation is done and fair tax assessment is

conducted, there may not be efficient and effective tax collection. Even though efficient tax assessment and collection cannot be made overnight, it is up to tax administrators to ensure sufficient tax revenue. Multiple approaches are needed to enhance tax collection efficiency. No single approach is likely to fully and effectively address the tax collection efficiency of category 'C'. Since it has multiple causes of tax related problems, the category "C" tax payers needs more attention.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. INTRODUCTION

A brief method of this chapter primarily covers the method was used. in this study from the process of data collection to the method of data analysis was recognized. To solve the research problems the study attempt to apply research design, sampling techniques, source of data, method of data collection and method of analysis.

3.1.1 Description of the study area

The study was conducted in Gubre town administration revenue and tax authority branch office. In order to help the reader to get clear image about the frame work of the paper, the researchers was analyzed and presented the data by using both qualitative and quantitative data analyzing method.

3.2. Research Design

The researcher was used descriptive research method for this study. The major purpose of descriptive research is to describe the state of affairs/situation as it exists. It gives a basic description of statistical unit under investigation. Therefore this descriptive type of research method was employed by the researcher.

3.3 Data type, source and methods of collection

3.3.1. Data Type

In the study was used only qualitative data, that is also qualitative data was used to analyze through simple qualitative description about aptitude of category "C" tax payers.

3.3.2. Source of data

In the study the researcher was used primary data sources. The primary data was collected using questionnaire and also both open ended and close ended items to the payers aptitude was use. Most of the closed ended questions will be designing as 'yes' or 'no' questions. Adding open ended questions could enable respondents to offer additional comments of their own to the questions. The reply of pen-ended questions was analyzed as supportive information.

3.4. Method of data collection

In the primary data collection both close ended and open ended questionnaire data was used.

3.5. Sampling Technique

The study was used random sampling technique since probability random. Sampling because of the each and every item of population is given and have equal chance being chose and also free from personal bias because researchers does not exercise his dictionary preference choosing of population subject to questionnaire.

3.6. Population and sample size

The total population of the category ‘c’ tax payers is 560 peoples and the sample size is determined by the following formula, which is come from static’s subjects as the following using 90% level of confidence. (Kotari, 2004)

$$n = \frac{Z^2 pqN}{e^2 (N-1) + Z^2 pq}$$

Where

n = sample size

Z = from table of using confidence level

P = probability to be selected

q = probability not be selected

N = total population

e= error of level confidence

There for the sample size of the researchers is

$$n = \frac{(1.64)^2 (0.5 \times 0.5) 560}{(0.1)^2 (560-1) + 1.64^2 (0.5 \times 0.5)} = \frac{376.5}{6.3} = 60$$

3.7. Method of data analysis

The collected data would be analyzed by using descriptive analysis method according percentage and frequency count would be analyzed and interpreted .The data would collect from the sample respondent. Data was analyzed through qualitative data analysis techniques. Because qualitative analysis is to address questions design and analysis the data using interpretation.The responses that were collected presented by tabulation and percentage.

CHAPTER FOUR

DATA PRESENTATION, INTERPRETATION, AND ANALYSIS

This chapter deals with the presentation, analysis, and interpretation of data concerning'' Attitude of category'' C''tax payers towards tax assessment in Gubre sub city with based on primary data. Analysis was made by collecting information from tax payers. The method of data collection was carried out through questionnaires. The researcher was taken 60 respondents as sampling from 560 of total population.

4.1. Demographic Background

Introduction:- demographic back ground means general detail of personality of people or it describes feature of personality. People have such kind of personal features such as gender, age, sex, education level ... etc. Below table shows demographic back ground of people

Table4. 1.Demographic back ground

No	Personal details	Number of respondent	Percentage of response
1.	Sex		
	Male	38	63%
	Female	22	37%
	Total	60	100%
2.	Age		
	Below 30	25	41.7%
	30-40	20	33.3%
	Above 40	15	25%
	Total	60	100%

Source: questionnaire

According to the data presented in Table also shows that, 63% of the tax payers respondents are male, the rest 37% are female. Most of the tax payer (38) 63% are male. As compared to female tax payers are (22) 37%. As indicated in the above table, (25) 41.7% of the respondent in the range of below 30, (20) 33.3% of them are in the range of 30-40, (15)25 % of them above 40 years, the above table indicated that most of the respondents (25) 41.7% of them are in the range of below 30 year old. The majority of the respondent age are below 30. From the table researcher understand that majority of tax payers are youngest.

4.2. Education man power and their service duration

Education is the way changing illiterate people to literate people and tool of fighting backwardness from people. Education help to develop one country economically, politically and others. Therefore, education plays a vital role for change of every country. And also education provides important contribution for people by creating awareness, by changing attitude and by developing psychologically. Below table describe educated man power.

Table 4. 2 Educated man powers and services period of employees

Education level	Number of respondent	Percentage of response
Less than 10 grade	25	41.67%
Grade 10 completed	16	26.67%
Grade 12 completed	10	10.67%
Diploma level	4	6.67%
BA.Degree level	5	8.33%
Total	60	100%

Source: questionnaire

As it can be observed from Table, (41.67%) of the tax payers are less than 10 grades,(26.57) of taxes payers are grade 10 completed ,(10.67) of tax payers are grade 12 completed,(6.67)of tax payers are diploma level and 8.33of tax payers are BA.Degree level. With regards to taxpayer respondents, majority (41.67%) of them are less than 10 grades. From this we can understand that, an organization has lack of highly skilled human power.

4.3. Type of Business

Table4. 3 Business type

Business type	No of respondents	Percentage%
Manufacturing	7	11.67%
Trade	37	61.67%
Service	16	26.67%
Total	60	100%

Source: questionnaire

As the table show business type contribute (54%) from trade sector, (17) 30% is from service sector and only (7) 11% of manufacturing companies. Generally seen trade sector covers (37) 61.67% of the total targeted population that is 60 .This due to the fact that category” C”tax is more applicable to it. Facts shows trade sector and services sector not registered on time because of Lack of awareness about tax system and lack of hard and fast rule to force them.

Table 4.4 Awareness of taxpayers on the procedures for the computation of category “c” tax

Tax payers are peoples who engage indifferent business activity and those who pay their expected tax liability from their own income. Some of them are loyal and awareness about taxation but most of them are not loyal and awareness about and below show attitude of tax payers

Question	Response	Number	Percentage
7. Are you clear with the concept and procedures for the aptitude of category “C” tax?	Yes	38	63.33%
	No	22	36.67%
	Total	60	100%

Source: questionnaire

On the above table most of the respondents who believed that the concept and the tax assessment procedures for category “C” tax. Some respondents have unexpected were asked to mention

some of the limitations. Such as: As the assessments are made based on subjective estimation they lack reliability, entails under- or over- statement, deplete trust, and nurture corruption and deficiency of the system to ensure vertical and horizontal equity among taxpayers.

Table 4. 5 Response of taxpayers on the fairness of the tax assessment

Question	Response	Number	% of respondents
What is your view on the fairness of the tax assessment procedure?	Is it fair	42	70%
	It is not fair	18	30%
	Total	60	100

Source: questionnaire

On the above table, 70% of respondent are must be assured that taxes are levied fairly and that everyone pays his share and 20% of respondent are not fair. Most of respondent are fair.

Table4. 6Response of taxpayers on appropriateness of the tax assessment policy

Question	Response	Number	% of respondents
Do you think that the tax assessment procedure is appropriate?	Yes	13	21.7%
	No	47	78.3%
	Total	60	100

Source: questionnaire

On the above table, the majority (78.3%) of the tax payers indicated that it is not appropriate. On the other hand, a significant proportion (31.7.0%) of the tax payers said that it is appropriate (Table 22). This can be due to the fact that the tax systems are usually not elaborated after proper consultation with the business community and due to the frustration on tax overstatement as an outcome of subjective estimation

Table 4 7. The view of taxpayers about taxation

Question	Options	Number	% of respondents
----------	---------	--------	------------------

How do you view tax?	As a privilege	22	36.6%
	As a debt	0	0
	As an obligation	38	64.4%
	Total	60	100%

Source: questionnaire

As shown on the above table 4.7 indicates that 38 (64.4%) and 22(36.6%) of the tax payers view tax as an obligation and as a privilege respectively while there are no anyone view the tax as a debt. This indicate that the majority of the tax payers have a view of an obligation on the payment of tax

Table4. 8View of taxpayers on the way they are treated by tax office personnel

Question	Options	Number	% of respondents
How do you rate the cooperation and treatment of tax office personnel whenever you go to pay your tax liability?	Very satisfactory	0	
	Satisfactory	33	55%
	Not satisfactory	22	45%
	Total	60	100%

Source: questionnaire

Table 4.8, shows that, with regard to the cooperation and treatment of tax office personnel, majority of 55% of the tax payers feel that it is satisfactory, the (45.%) of them believe it is only not satisfactory. However consider that the service is not satisfactory. Those who felt the service is unsatisfactory pointed out that: some tax office personnel consider taxpayers as a subject than a partner, tax assessors do not declare the taxable amount in proper time and more time consuming and bureaucratic process.

Table4. 9 Response of taxpayers on the availability of book of records

Question	Response	Number	% of respondents
Do you have book of records for your business transactions?	Yes	49	81.6%
	No	11	18.4%
	Total	60	100

Source: questionnaire

Table 4.9 depicts the response of category “C” tax payers on having book of records. While 81.6% of them indicated that they have book of records, the remaining 18.4% said they do not have book of records for their financial transactions. This means that a quite a significant proportion of the category “C” tax payers don’t have any formal means to control their revenues and expense. Tax payers who do not maintain books of account were asked how they can manage their profit and loss in the absence of any record; their responses were simply by selling items at a price higher than they were purchased based on mere estimation and by comparing their daily revenue and expense.

Table4. 10. Awareness

Question	Response	Frequency	Percentage (%)
Do you receive any briefing on tax assessment and payers from the tax authority?	Yes	23	38.3%
	No	37	61.7%
	Total	60	100%

Source: questionnaire

The above table reveals that, 61.7% of the respondents do not get information from the administration office. This shows the organization do not prepare written document, journal, orientation to the tax payer according to the respondents replay (answer). But 38.3% of the respondents replay that they get information about tax from the administration office.

Table. 4. 11payment of tax liability

Question	Response	Number	% of respondents
Do you pay you tax liability on time?	Yes	48	80%
	No	12	20%
	Total	60	100

Source: questionnaire

On the above table, majority of 80% of the respondents is pays tax on time. Because of the penalty, interesting to pay and enforcing to stop their operation. But few of the respondents are no pay liability on time because of the following reason Because of unrelated relationship between their tax and income, lack of knowledge about the purpose of tax and its use, insufficient man power to collect and lack of information /reassessment information

Table4. 12 strength of tax payers

Question	Response	Frequency	Percentage (%)
What is your strength on the payments of tax?	Very high	12	20%
	High	38	6.3%
	Low	10	10.7%
	Very low	0	0
Total		60	100%

Source: questionnaire

On the above table , 20%of respondent are very high of strength on the payment of taxes,38 % of respondents are high strength on the payment of tax, 10.7 % of respondent are low of strength on the payment of tax and0 % of respondent are very low of strength on the payment of tax. But 38% of respondent has high strength on the payment of taxes because of the reason .Tax is the growth of one country, Paying tax is obligation of a person and When high paying taxes was exists unemployment rate have low.

Table4. 13Relationship of income and tax payment

Question	Response	Number	% of respondents
Do you think that the standard assessment of business income tax is in accordance with the paying capacity of your business?	Yes	18	30%
	No	42	70%
	Total	60	100

Source: questionnaire

On the above table, 30% respondent is pay taxes based on the income and 70% of respondent are no pay taxes based on income. But most respondents are no pay taxes based on income because of the reason. Prediction of tax collector, Balance between income and tax and Area of business are may be not comfortable for business

Table4. 14 Attitude toward of tax payers on the general level of taxion

Question	Response	Frequency	Percentage (%)
Do you agree that tax payer's attitude including you towards the general level of taxation and tax payers is dependent on attitudes about the desirability of the government programs and the government itself?	Strongly disagree	19	31.66%
	Moderately disagree	13	21.66%
	Moderately agree	15	25%
	Strongly agree	13	21.66%
Total		60	100

Source: questionnaire

On the above table, 31.66% of respondent are strongly disagree, 21.66% of respondent are moderately dis agree, 25% of respondent are moderately agree and 21.66% of respondent are strongly agree. But most of respondents are strongly disagree because of ,tax payment is not based on income, tax overstatement and Tax inequity.

4.2. Question related to open ended.

The respondents were given opportunities through some open ended questions to give the major problems in relation to the assessment and attitude of category “C” tax. Accordingly, they issued several comments regarding problems. These are categorized and listed below: lacks fairness or equity ,absence of transparency in the overall tax system ,high prevalence of illegal trade (many business operators are not accommodated by the tax system) ,lack of awareness, and poor communication between the tax authority and taxpayers ,lack of adequate provision of social services ,weakness in enforcing the tax regulations ,lack of sufficient qualified personnel and subjectivity of the tax assessment that frequently results in over-taxation.

The respondents were also asked to indicate some possible measures to solve the problem of relation to the assessment and attitude of category “C” tax that have to be taken in order to bring. Their comments are briefly presented below. Tax collector are must understand the relationship of the business sector and payments of tax ,Balance between tax and business , Educating the taxpayers and conducting consultation sessions ,Tax payers are must provide necessary information from different tax collectors regarding about tax payment, reducing tax rates and making the collection procedures simple and transparent ,strengthening legal enforcement and penalties. In generally tax payers are understand about tax payment because of paying tax is responsible of all person, tax is growth of one country economy and Tax is also rally great important and every person are obligate to pay tax for your country.

CHAPTER FIVE

Summary, Conclusion and Recommendation

5.1. Summary

To sum up my senior essay, the collected data have been analyzed and discussed within the boundary of the objective. So the issue addressed in this study in relation to the attitude of category "c" tax payers towards tax assessment in Gubre sub city is briefly concluded and summarized in the following paragraphs. Most 63.33 of the respondents who believed that the concept and the tax assessment procedures for category "C" tax. the majority (78.3%) of the tax payers indicated that it is not appropriate. This can be due to the fact that the tax systems are usually not elaborated after proper consultation with the business community and due to the frustration on tax overstatement as an outcome of subjective estimation, 61.7% of the respondents do not get information from the administration office. This shows the organization do not prepare written document, journal, orientation to the tax payer according to the respondents response. Majority of 80% of the respondents is pays tax on time. Because of penalty, interesting to pay and enforcing to stop their operation.

Regarding to getting information from administration office, most of the respondents says that they do not get enough information from the administration. On the other hand, the organization replays that they provide different types of information for tax payers. This shows there is a weak relationship between them because, both of their response is revelry each other's. Regarding to fairness of the tax payers they do not think that the tax system is fair. But some of the tax payers think that the system is fair. According to the attitude of the respondents the organization collect and levy taxes based on their own estimation, in addition to this the payers pay tax based on presumptive assumption

From the fact that the researchers conclude that most of the tax payers have high attitude towards about tax payment of tax.

5.2. Conclusion

Since tax is the main source of public expenditure, the attitude of category "C" tax payers towards tax assessment should be effective to generate adequate amount of funds that can cover all the capital that the government needs.

The study indicated that lack of awareness creation programs for tax collector, failure of most of the taxpayers to maintain books of account to control their operations, lack of adequately qualified personnel, lack of objective tax estimation procedures and the resultant tax under- and over-statement, lack of taxpayers awareness about tax procedures and calculations are some of the major problems on attitude of category “C” tax payers toward tax assessment.

The tax payers’ attitude which is evaluate by letting tax payers to answer different attitude measuring questions results is a relatively positive attitude to the tax authority and the general tax administration trend. Such positive attitude is very important as it help the authority transfer messages to tax payers and get accepted.

Based on the findings the researcher has concluded that: taxpayers perceive that they are paying taxes just because their citizenship responsibility, majority of them feels that they are paying fair taxes, they also believe that there is no significant magnitude of treatment variation among tax payers done by tax officials. However, majority of them state that there is ethical problems and professional incompetence with the tax officers.

5.3. Recommendations

Based on the study conducted using questionnaire and in light of the outcomes of the foregoing findings, it would be reasonable to give the following recommendations that may help the tax payers to improve the associated with attitude of category “C” tax payers towards tax assessment in Gubre sub city. In order to show the future direction for the tax payers, the researcher recommended that the following issues are important for both tax payers and other researchers.

Tax payers will be discouraged to the extent that the tax system is believed to be unfair. There is a need to ensure fairness and equity. That is, the tax office should treat equal people in equal circumstances in an equal way; each taxpayer should pay according to his ability- to pay; and take measures to bring capable traders that are not paying tax to the tax system. Furthermore, the tax authority ought to find ways involve the taxpayers or their representatives while estimating the daily sales or revenue of taxpayers.

Taxpayers tend to evade to the extent they feel that the authority is weak and unable to enforce the law. The tax authority needs to be strong enough in order to implement the tax law effectively and efficiently. Hence, to create an efficient tax administration, the tax authority needs to strengthen itself by educating and training its employees, by computerizing its

operations, devoting additional resources. In addition to this, efficient service delivery to taxpayers is a key factor against which the strength of the authority is judged.

Regarding to revenue generating capacity, the organization has good revenue generators capacity relatively year so that, the organization should continue this way and should strive for betterment. An awareness of rights and expectations of a fair and efficient treatment parse would not promote a robust tax system; there is also a need to establish clear, simple and user friendly administrative systems and procedures. In addition to this, the authority should make the tax law and procedures simple, understandable, and transparent.

5.4 Future researchers Direction

This study has limitation just like any other studies. The researcher makes this study only use primary data. Thus interested researchers can study in the area by use both primary and secondary data. The future researcher can use descriptive statistics tools (mean, median, standard deviations, minimum and maximum value) to analyze the collected data and also the researcher will be use econometric model (like regression and correlation analysis).

REFERENCE

- Bhatia, 2003 public finance 24th revise edition.
- Bird, R. M. and Oldman. O.(1967). Readings on taxation in developing countries, revised edition. Baltimore, USA: the John Hopkins press.
- James, S. (2000). The Economics of Taxation: Principles, Policy and Practice 7th edition
Ethiopian Revenue and Custom Authority, Tax & Post clearance Audit policy and strategy,
2010. www.erca.gov.et
- Gebrie Worku, (2006). Tax accounting in Ethiopian context, (1sted.)Addis Ababa, Alem printing
press.
- Misrak Tesfaye (2008).Ethiopian Tax Accounting Theory and Practice, 1st edition. Addis
Ababa. Taddele, G. (2010). Tax reforms and their implications on revenue productivity of
Ethiopian tax system.
- Yohannes. M and Sisay. B (2009), tax law, sponsorship of the justice and legal system research
institution.
- Yohannes Mengesha and Zerihun Ashebir (2013). Gaps and problems that exist between the Dire
Dawa business community and the tax authority

APPENDIX I

WOLKITE UNIVERSITY COLLEGE OF BUSINESS AND ECONOMICS DEPARTMENT OF ACCOUNTING AND FINANCE

The aim of this questionnaire is to assess information needed for the research report to be produced under the title “Aptitude of category ‘c’ tax payers towards tax assessment: The case of Gubre sub City, SNNP in Ethiopia.” The information you provide is believed to have a great value for the success of this research. Besides to its academic purpose, the study will be entirely devoted to assess aptitude of category ‘c’ tax payers with tax law. The information you provide is to be used for academic purpose and will be strictly kept confidential. Thanks in advance for your time!!!

SECTION I: Background information of respondents

I. Demographic Question Related to Tax payers

1. Gender: - A. Male B. Female

2. Age: - A. Below 30 B. Between 30-40 C. Above 40

3. Educational background please tick (✓) on space provided

No.	Your educational level	Please tick one
1.	Less than grade 10	
2.	Grade 10 completed	
3.	Grade 12 completed	
4.	Diploma level	
5.	BA. Degree level	

4. What is your main business sector?

A. Manufacturing B. General merchandising & trade

C. Services (secretarial, maintenance, food & beverage, etc.)

5. What is the legal form of your business?

A. Sole proprietorship B. PLC (Private Limited Company)

C. Partnership D. Other (E.g. Associations...)

II Questionnaires' Related with objective of the study

6. What is your position in the sector?

A. Owner B. Manager

C. Service D. Other, please specify (Cashier, Salesman ...)

7. Are you clear with the concept and procedures for the aptitude of category "C" tax?

A. Yes B.No

8. What is your view on the fairness the tax assessment procedure?

A. It is fair B.It is not fair

D.If not fair "please specify your reason

9. Do you think that the tax assessment procedure is appropriate?

A. Yes B.No

10. How do you rate the cooperation and treatment of tax office personnel whenever you go to pay your tax liability?

A. Very satisfactory B.Satisfactory

C.Not Satisfactory D.If not Satisfactory "please specify your reason _____

11. How do you view tax?

A. As a privilege B.as a debt C.As an obligation

12. Do you receive any briefing on tax assessment and payers from the tax authority?

A. Yes B.No C.If your answer is "no" please specify your

reason _____

13. Do you have book of records for your business transactions?

A. Yes B.No

C.If your answer is "No" how do you monitor your profit and loss _____

14. Do you pay you tax liability on time?

A. Yes

B. No

15. If the answer for questions number 13 yes, why?

A. Because of penalty

B. Because of interesting to pay

C. Because of enforcing to stop their operation

D. Because of they are profitable

E. Because of low amount of tax payment according to their income

F. Because of having knowledge and purpose of tax

16. If the answer for question number 5 no, why?

A. Because of insufficient man power to collect

B. Because of lack of information /reassessment information/

C. Because of no measure is taken on late payer

D. Because of unrelated relationship between their tax and income

E. Because of lack of knowledge about the purpose of tax and its use

F. If others, please specify _____

17. What is your strength on the payments of tax?

A. very high

B. high

C. low

D. very low

E. If other please specify _____

18. Do you think there are challenges related with income tax collection?

A. Strongly- agree

B. Agree

C. Disagree

D Strongly Disagree

E. If any other please specify _____

19. If your answer in Q-1 is A/B, what are the major source of problems do you think?

A. Lack of awareness B. Lack of ability to pay C. Negligence D .Intentional

19. Do you think that the standard assessment of business income tax is in accordance with the paying capacity of your business?

A. Yes B. No

D.If your answer is "No" please specifay your reason

21. Do you agree that tax payers' behavior including you is affected by your satisfaction or lack of satisfaction with your terms of trade with the government?

A.Strongly disagree

B.Moderately disagree

C.Neither disagrees nor agree

D.Moderately agree

E.Strongly agree

22. Do you agree that tax payer's attitude including you towards the general level of taxation and tax payers is dependent on attitudes about the desirability of the government programs and the government itself?

A.Strongly disagree

B.Moderately disagree

C.Neither disagrees nor agrees

D.Moderately agree

E.Strongly agree

23. What are the major problems in relation to the assessment and attitude of category "C" tax?

24. What do you suggest to solve the problems you stated in question No. 1?

25. Give your general comment on the overall tax system and how positive attitude towards taxation can be developed.

“Thank you for your kind cooperation and dedicating your time”!!!!