Tax fairness and its impact on compliance behavior of category "c" tax payers in south west shewa in case of woliso town

A thesis Submitted to the School Graduate Studies of wolkite University Partial Fulfillment of the Award of the Degree of Master of Science in accounting and finance

By
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WOLKITE UNIVERSITY
COLLEGE OF BUSINESS & ECONOMICS
MASTER OF SCIENCE IN ACCOUNTING AND FINANCE PROGRAM

SEPETRMBER 6, 2022
WOLKITE, ETHIOPIA

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DECLARATION

I hereby declare that this thesis entitled “ Tax fairness and its impact on compliance behavior of category “c” tax payers in south west shewa in case of woliso town”, has been Carried out by me under the guidance and supervision of Abdu Mohammed (Assistant Prof.) and Mr. Mulualem Heylemikael.

The thesis is original and has not been submitted for the award of degree of diploma any university or instructions.

By: Fire Gebre Babenga

Date: _________

Signature: _________

CERTIFICATE

*This is to certify that the thesis entities "**Tax fairness and its impact on compliance behavior of category "c" tax payers in south west shewa in case of woliso town**" Submitted to wolkite University for the award of the Degree of master of science in accounting and finance and is a record of Valuable research work carried out by **FireGebre Babenga**, under our guidance and supervision*

Therefore we hereby declare that no part of this thesis has been submitted to any other university or institutions for the award of any degree of diploma.

Main Adviser's Name	*Date*	*signature*
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Co-Advisor's Name	*Date*	*Signature*
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We the under signed members of the board of Examiners of the final open defense by Fire Gebre have read and Evaluated her Thesis Entitled Tax fairness and its impact on compliance behavior of category “c” tax payers in south west shewa in case of Woliso Town .This is There For to certify that the thesis has been accepted in partial Fulfillment of The requirements for the degree of masters of Accounting And Finance..

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Abstract

This study investigates the tax fairness of south west Shewa in case of woliso Town category "c" taxpayers and its impacts on compliance behavior, together with other variable. A theoretical framework was developed based on the equity, distributive justice, and procedural justice theories. The study adopted a mixed method research approach to test the hypotheses and answer research question. The data it well be collected from 364 business profit taxpayers of which through distributing of self-administered questionnaires and in-depth-interview. The latest statistical package (SPSS) software, correlation and regression analysis, were used to analysis the survey and thematic analysis was applied to in-depth interviews. The results of this combined research methodology suggest that Woliso Town business profit taxpayers perceive positively in respect of vertical, exchange, procedural fairness and horizontal fairness on the prevailing business profit tax system. With regard to tax knowledge and complexity, the finding of the paper showed that, the taxpayers did not have sufficient knowledge and there were no easily understandable and vague procedures of the business profit tax system. Finally the thesis suggests a series of measures, which could be taken by the government in general, and tax authorities in particular; improving policy and administration issues, educating the taxpayers and conducting awareness creation and consultation sessions, and providing all necessary social service to the public, as well as maintaining the tax system fair and equitable

Key words: ***Tax fineness*** ***tax complicity*** ***tax knowledge*** ***tax compliance***

Acknowledgement

First, I would like to express my praise to the almighty Lord, the most merciful and the most compassionate, who has granted me the potential to start and complete this study. I would like to extend my heartfelt appreciation and deepest gratitude to my advisors, Major advisor, Abdu Mehamed (Asst prof.) and co advisor Mulualem Heylemikael for her intellectual advice, guidance, and patience in course of my study at the Department of Accounting and Finance (ACFN), University of Woliketa. I am deeply appreciative of the time, dedication, and encouragement that she has significantly contributed to the completion of my thesis. It was indeed fortunate for me to work under her supervision. My thanks also go to Woliso Town Revenue office who participated in this study. Their enthusiasm to take part in both the surveys and interviews contributed significantly to the success of this study. My gratitude is also extended to the following that have helped me in finalizing this study and data search: and also we would like to express my lovely husband for his continuous moral support, appreciation and motivations during my study.

Finally, yet importantly, without the unconditional love and support of my family, I could have never accomplished this. In this respect, I am deeply grateful to my parents who have been motivating and praying for my success, I also extend my eternal gratitude to my friends Tadesse Tolera and his wife Lemane Gebeyehu to for her support, comment, motivation and editorial aspects of in my work.

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ACRONYMS/ABRIVATIONS

SWSWT	South west shewa of woliso town
AD	Administrative fairness
DJT	Distributive Justice Theory
EC	Ethiopian calendar
ECA	Ethiopian Customs Authority
EF	Exchange fairness
EFIRA	Ethiopian Federal Inland Revenue Authority
EMoFED	Ethiopian Ministry of Finance and Economic Development
EMoR	Ethiopian Ministry of Revenue
ERCA	Ethiopian Revenue and Custom Authority
ETB	Ethiopian Birr
FIRA	Federal Inland Revenue Authority
GF	General Fairness
GST	Goods and services tax
GTP	Growth and transformation Plan
HF	Horizontal fairness
PF	Personal fairness
PJT	Procedural Justice Theory
RQ1	the first research question
TC	Tax complexity
TE	Tax Evasion
TK	Tax knowledge
TOT	Turnover tax

CHAPTER ONE

1. INTRODUCTION

Background of the Study

The issue of tax fairness and attitudes towards the fairness of tax system has evoked great attention among many revenue authorities in the world. Tax fairness is essential because tax systems have been perceived as fair in order to obtain a high degree of voluntary tax compliance. In other words, good understandings of taxpayers, fairness perceptions, are important for the tax authority to improve the tax system that in turn encourages taxpayers' compliance. In connection to this, taxation involves numerous considerations of justice and fairness, that includes perceived fairness of outcomes such as tax burdens and tax funded benefits, fairness of the procedures and treatment, and fairness of sanctions (Wenzel, 2007).

The Ethiopian Revenue and Custom Authority (ERCA) are the main administering bodies of the tax laws in the Country. The ERCA is responsible for the enforcement of the tax laws relating to income tax particularly business profit taxes, and other types of taxes. In addition to this, the ERCA is also responsible for collecting withholding tax on payments made to non-residents relating to interest, royalties, contract payments, special classes of income such as fees for technical advice and income in respect of services performed by a public entertainer. Moreover, to the customs duties (import and export duty), excise duty, service tax and sales tax. The income tax system administered according to the Proclamation No.286/2002 -article 6, and the Income Tax Regulation No.78/2002 show that taxes that collected from various taxable sources. These sources, according to FERA(2002), are income from employment exercised in the country, business activities, an entrepreneurial activities, immovable property, dividend of resident company, income from transfer of property, income obtained from a foreign country, income paid by government units, residents, or non-residents through their permanent establishment, and profit shares of registered partnership.

In many under developed countries like Ethiopia, the low revenue yield of taxation can only be attributed to the fact that the tax provisions are not properly enforced, either on account of the inability of the administration to cope with them, on account of straightforward corruption or the system get little attention. That is, scanty attention is given to the cultural background of taxpayers, their awareness level, and its determinants when designing a given tax system. It has been argued, for voluntary system to work successfully, the people must be confident that the taxes levied are fair and everyone pays his/her share (Amin and Jhon, 2010).

Studies have shown that the business profit tax system must be fair; to promote the objective of an equitable distribution of income. This is documented in the works of, for instance, Gerbing (1988), Hite and Roberts (1992), Roberts (1994), Christensen and Weihrich (1996), Richardson (2005) and Coetzee, and Oberholzer, (2009). To the knowledge of the researcher, it appears that there is no research conducted on taxpayers" perceptions towards the fairness of business profit tax system so far in the Ethiopian context. Hence, this study mainly intends to investigate tax fairness and its impact of tax compliance behavior in category “c” taxpayers in Ethiopia with a particular emphasis on Woliso Town Administration.

1.2 Statement of the problem

The issue of tax compliance has gained more stress by researchers in the recent couple of decades because of increasing levels of tax noncompliance and its consequence on the capacity of the government to raise revenue. Taxpayer non-compliance is a continual and growing worldwide issue that is not readily addressed, especially in most developing countries, the domestic tax bases are undermined by widespread tax avoidance and evasion (IMF 2011; McKerchar& Evans 2009). Usually, the fastest growing economies with a highly authoritative tax authority has failed to finance its activities by its own means due to non-compliance even after a series of tax system reforms (Samuel &Vismanadham 2013). Moreover, tax evasion and avoidance are problems faced by every tax system and that taxpayers exploit loopholes of tax provisions to minimize or escape tax liability (Abreha&Kahase 2014).

Tax compliance can be affected by many factors such as magnitude of compliance cost, the extent of penalty, perceived fairness of the tax system, awareness level of taxpayers and perceptions of government spending (Olamide&Segun 2018). A recent study revealed that perception on equity and fairness of the tax system, perception on government spending, changes on current government policies, penalties, personal financial constraint, and referral group are factors that significantly affect tax compliance (Tilahun &Yidersal, 2014).

In regards to the issue of tax non-compliance requires at least some understanding of the factors that are fundamental to the individual taxpayer's decision whether to comply or not with tax laws. In fact, factors which influence tax compliance are different from country to country and also from individual to individual (Kirchler 2008). Due to this, tax compliance has been given a large emphasis by researchers because of increasing non-compliance especially tax evasion and its consequences on the capacity of government in raising public revenue while most of the previous studies are done in developed countries. Tax compliance researches in developing countries are low in number. all of them have investigate tax fairness but not detail. My investigation one of the common dimension tax fairness and vertical equity either (+ or -) relation on tax compliance

1.3 Objective of the study

General objective

In the context of the problems highlighted above, the broad objective of the study is to examine tax fairness its impact on compliance behavior in case of south west shewa woliso town category ''c" business profit. Specifically study will have the following

Specific objectives

1.To examine horizontal equity on tax compliance in case of south west Shewa Woliso town category ''c" business profit.

2.To identify vertical equity on tax compliance in case south west Shewa of Woliso town category ''c" business profit.

3.To analysis exchange equity on tax compliance in case south west Shewa of Woliso Town category ''c" business profit.

4.To identified procedural fairness on tax compliance in case south west Shewa of Woliso Town category ''c" business profit.

1.4 Research hypothesis

Therefore in order to achieve the above broad objective, researcher developed four hypotheses.

Hypothesis1: Vertical equity and positive significant effect on tax compliance behavior among south west Shewa woliso Town category "c'' taxpayers

Hypothesis 2: Horizontal equity and positive significant effect on tax compliance behavior in case of Woliso Town of south west Shewa category "c'' taxpayers

Hypothesis 3: Exchange equity and positive significant effect on tax compliance behavior in case of Woliso Town of south west Shewa category "c'' taxpayers

.Hypothesis 4: procedural fairness and positive significant effect on tax compliance behavior in case of woliso town of south west shewa category "c'' taxpayers

1.5 Significance of the Study

There is some justification for the apparent lack of research on the impact on tax fairness in compliance behavior in the case of SWSWT. Although an increasing importance of tax fairness, there are few studies that have been conducted in this study will have the following contributions. Identifying the levels of compliance, improving tax payers fairness perceptions. For knowledge creation, and to improve the existing tax system practices for better performance. Finally, it contributes as literature for further study.

1.6 Scope of the study

There are multiple variables that affect tax fairness however this study limited to examine only eight variables (horizontal equity, vertical equity, exchange equity, procedural fairness, tax knowledge, age, education and income level) which will affect tax payers' compliance. In addition to examination Tax fairness and its impact on compliance behavior of category ''c" tax payers in south west Shewa in case of Woliso Town i.e., sole proprietorship and partnership (personal business profit taxpayers).

1.7 structure of the study

The thesis focuses on the examination Tax fairness its impact on compliance behavior of category:” c” tax payers in south west Shewa in case of Woliso Town Administration. Thereforstructured as follows. Chapter 2 contains a review of the literature including tax compliance theory, theories on fairness perceptions, application of the theories in the study and a review of past studies and research gap. The research design and methodology are presented in chapter 3. Specifically, this chapter shows the research question and hypotheses to be addressed by this thesis followed by a discussion of the underlying principles of qualitative and quantitative research approaches. In addition, chapter 3 presents the rationale for the adoption of the mixed methods approach in the thesis. Chapter 4 presents the results of survey and in-depth interviews subsequently this is followed by an analysis of the results of the different methods concurrently. That is, the findings of all the different methods adopted in this study are pooled together, the research question is answered, and hypotheses tested. Finally, chapter presents an overview of the thesis and its major findings, recommendation, contribution to the literature, and tax authorities and limitation of the research

CHAPTER TWO

2. Review of related Literature

In light of the above, the purpose of this chapter is to review the literature in the area tax fairness and its impact on tax compliance behavior This review of the literature establishes the framework for the study and highlights the apparent strengths and weaknesses of the previous studies, which, in turn, help in clearly identifying the gap in the literature and formulating the research question for the study. The review has five sections. Section 2.1 presents a review of the theory of tax compliant. This is followed by fairness perceptions theory (equity theory, distributive justice theory, and procedural justice theory) presents in section 2.2. Section 2.3 presents the application of the theories in this study. This is followed by a review of the relevant empirical studies on business profit tax fairness issues and factors that affect business profit tax fairness issues in section 2.4. Finally, conclusions on the literature review and knowledge gaps presented in section 2.5

2.1 Theoretical literature review

2.1.1 Tax compliance theory

Tax compliance means obeying tax laws. Andreoni et al. (1998) stated that compliance with reporting requirements means the taxpayer files all required tax returns at the proper time and that the returns accurately report tax liability in accordance with the Internal Revenue Code, regulations, and court decisions applicable at the time the return filed.

According to Singh (2003), the definition of tax compliance is an action by a person filing his Income Tax Form (or usually referred as Returns), declaring all taxable income accurately, and disbursing the payable tax within the stipulated time without getting the tax authority to keep reminding or taking action against those noncompliance taxpayers. Similarly, according to James S.et al (2003), tax compliance expressed in terms of the degree that taxpayers‟ comply with tax law and the degree of non-compliance measured in terms of the tax gap. This gap happens by means of both tax avoidance and tax evasion. Similarly, compliance gap also defined in (FIRA, 2002) as the break between the actual, and the potential tax revenue and how that gap varies among the different sectors of taxpaying population.

Noncompliance refers to not abiding the tax laws. The types of noncompliance; Firstly, the case of filing; the noncompliance refers to non-filing of returns to the tax authority will lead to tax gap i.e. the amount of unpaid taxes due foregone. Second, the nonpayment compliance refers to untimely taxes paid, that means payment not made in a timely manner to the tax authority. Timely tax payment is important to the tax authority. The dues received now will used for the government's expenditure otherwise, the insufficient fund needs to borrowed and incur additional cost. Thirdly, issue on noncompliance and tax underreporting. This considered a criminal offence that imposes severe penalty. The taxpayer practices no reporting by way of evasion and avoidance; both are same except that the latter is legal while the former is illegal. This area of noncompliance poses a serious problem to tax authority because these taxpayers escape tax and their burden pushed to the other complying taxpayers. This is where the fair and equitable tax system is questionable.

Andreoni et al. (1998) referred the magnitude of evasion being the tax gap which is the difference between the federal income taxes households actually owe, and what they report and pay voluntarily on a timely basis but is mainly concerned with tax evasion as the central part of the tax gap definition. As mentioned earlier taxpayers‟ compliance is a multi-faceted measure Brown and Mazur (2003) stated that theoretical definition of taxpayer compliance consists of „three mutually exclusive and exhaustive measures‟ (Payment, filing, and reporting compliance). There are many predictors for tax compliance from the economic to the non-economic factors. The economic factors are detection and punishment, harsh enforcement, burden of taxation whereas the non-economic factors as mentioned by (Alm, Sanchez, and Ana, 2003) are behavioral in nature.

Fiscal psychological factor is an important element in tax compliance research and numerous tax compliance researches on tax fairness showed significant results. Generally the decision to comply or not is an individual's rational profit seeking attitude (e.g. Allingham and Sandmo, 2007). A major difficulty in analyzing noncompliance is in its methods of measurement Braithwaite (2003) argues both taxpayers‟ attitudes towards the tax system and their tax paying behavior together will have influence on the level of noncompliance. Therefore, both have to measure to understand overall levels of non-compliant behavior. Naturally, individuals have incentives to conceal their cheating. Based on the above expressions the definition of tax compliance can be shortly refined as the desire or willingness of the taxpayers to act in accordance with the tax law and the voluntary effort they exercise to pay their tax liability on timely basis.

2.1.2 Deterrence theory

The taxonomy of tax compliance studied under theoretical perspectives of deterrence theory and fiscal psychology. Deterrence theory relates to sanctions, threats (fines and penalty structure). It has association with criminal justice. Tax noncompliance is a soft type of "illegal" act of not complying with the tax laws. In fact, evasion of tax which illegal act of evading tax and avoidance of tax refers to a legal concept of tax evasion and activities related to avoidance are tax planning and tax investment. What made the deterrence theory that crucial? They needed to deter the noncompliance activities of taxpayer who default to pay the government its rightful source of revenue. Taxpayers are profit seeking by gambling the benefits of evasion against the risk of detection and punishment.

Researchers found a negative correlation using sanctions. However, despite this relationship between fear of sanction and crime rate it can lead to a passive behavior by individual as reported by Jackson B. and Milliron V. (1986), and Cuccia A. (1994), studied on the detection probability and the intentions to evade taxes and his findings were consistent with the deterrence theory.

Nevertheless, literature that emerge later in late 80‟s, psychology based variables were tested to understand tax compliance behavior e.g. role of moral obligation, perceptions of fairness, self-interest and others. As stated by Torgler (2001), an increase in deterrence on honest taxpayers will disrupt a balance. Taxpayers‟ who paid fair dues but gets audited and later fined, and even more disturbed when others who violated the law not punished. Therefore, taxpayers‟ cannot treat harshly, because According to Murphy (2005) it is not to punish but to repair the harm done and secure future compliance. Many tax researchers have questioned the appropriateness of the deterrence theory. Framework (model) that used to explain compliance behavior because deterrence can also be counterproductive. Thus, the study suggested attitudes towards the tax system in explaining taxpayer noncompliance. What can deduce is that taxpayer will only pay taxes because of fear of detection and punishment. In addition, stated crime is an industry where market participants act to optimize their utility. Therefore, a crime will be committed if expected utility is greater than the utility that could gathered if efforts devoted elsewhere. Next paragraph will write on fiscal psychology.

2.1.3 Fiscal psychology

Attitudes research on tax compliance first introduced in 1959 by Schmolders. Thereafter attitude become a prevalent concept with the numerous studies that covers the field of economics, accounting, criminal justice (decision sciences), law, psychology, sociology, ethics and taxation as discussed in the literature review in this study. This has provided plenty of issues and questions to understand attitude of taxpayers. Models using the attitudes tradition are more complex than deterrence theory models besides being unique because it looks at compliance intentions of the taxpayer. However, according to Cuccia (1994), fiscal psychology suffers from a methodological shortcoming because it failed to identify the mechanisms through which the link exists and that economic based compliance research will be better at understanding taxpayer reporting. Factors under fiscal psychology which are behavioral in nature are demographic, (e.g. age, gender), perceptions of the moral of evasion, perceptions of peer compliance and fairness of the laws. The taxpayer may not reveal the truth in the survey due to bias because one person may perceive that underreporting is not wrong as compared to another.

Alm and Ana (2003) stated that equity models in understanding perceived fairness. The most common point of difference in different theories on tax compliance studies used the concept of exchange equity, vertical equity, and horizontal equity (e.g. Ana and Schisler, 2003). When public goods and services increase at a certain level of tax payment it boasts the taxpayer's perception of exchange equity and therefore the chances of tax evasion would be less.

Becker, Buchner, and Sleeking (1987) supported that the presence of government expenditure will motivate compliance. Respondents reported more than one income when they receive public goods than when they did not receive. However, as more theories stated that when public goods increase, tax evasion reduces leading to better compliance, there was still doubt whether the interdependence of taxpayer and government in providing public goods is due to the equity effect or economic effect or both are responsible. They point out a significant support for the relations between perceptions of fairness and compliance, exchange equity and compliance, and compliance and commitment when tested for tax noncompliance using concepts such as tax underreporting and dishonesty

2.1.4 Factors determining tax compliance behavior

Fischer et al. (1992) stated there are four basic factors that determine tax compliance behavior in his expanded model (Fischer Model). i.e., (i) demographic (e.g. - age, gender and education) (ii) noncompliance opportunity (e.g. income level, income source and occupation), (iii) attitudes and perceptions (e.g. fairness of the tax system and peer influence) and (iv) tax System/structure (e.g. complexity of the tax system, probability of detection and Penalties and tax rates). Thus, from The Factors, that affecting compliance behavior the specific factors that is fairness issue and the fairness affecting factors of the Ethiopian income tax system remain as questions to be addressed.

Demographic factors

The relationship between demographic variables and tax compliance has long been of interest (Tittle, 1980). Three major personal characteristics for which there is evidence of a relationship are age, gender, and education (Jackson and Milliron, 1986). The Fischer model suggests that demographic variables indirectly affect taxpayer compliance by their impacts on noncompliance opportunities and attitudes and perceptions.

There is a positive link between age and taxpayer compliance is reported (Jackson and Milliron, 1986). Generally they pointed out young taxpayers are more willing to take risks and are less sensitive to sanctions as well as age is a factor for intentional evaders, with younger taxpayers less complain. In addition noncompliance is significantly less common and of lower magnitude among householders in which either the head or the head's spouse is over age 65

Early research (Tittle, 1980) testing the tax compliance level of males versus females reports that females are more likely to tax compliance. Traditionally "females identified with conforming roles, moral restraints, and more conservative life patterns" (Jackson and Milliron, 1986). All these attributes may promote higher tax compliance.

Education, as a demographic variable relates to the taxpayers" ability to comprehend and comply or not comply with the tax laws (Groenland and Veldhoven, 1983). Two aspects of education distinguished: "the general degree of fiscal knowledge and the degree of knowledge involving evasion opportunities" (Jackson and Milliron, 1986). They find that those with more fiscal knowledge had more positive tax ethics scores than those with lower fiscal knowledge.

Non-compliance opportunity

In the Fischer model, noncompliance opportunity can affect taxpayer compliance directly through income level, income source, and occupation. Almost all the theoretical model indicates that as income rises, tax evasions should increase over most ranges (Andreoni et al., 1998). In other way, the lower income group tends to have a lower proportion of tax compliance by under-reporting income and by over-claiming expenses than their counterparts in the higher income group. Taxpayers vary in terms of the opportunities available to them to overstating expenses and understating incomes. Greater tax noncompliance opportunity is generally resulted from self-employment and income sources not subject to withholding taxes. Sutherland (1949) point out that tax evasion considered as a white-collar crime, committed by an individual of respectability and high social status in the course of performing his employment. In addition, almost all sole proprietors those who engaged in sales from fixed locations (car dealerships, stores, restaurants etc) understated taxes by the greatest percentage

Attitudes and perceptions

The Fischer model suggests two major considerations for altering taxpayers‟ attitudes and perceptions to tax compliance are the fairness of the tax system and peer influence. Richardson (2006) it is widely believed by tax administrators and the taxpayers that growing dissatisfaction with the fairness of tax system is the major causes for increasing tax noncompliance. As well as Grasmick and Scott (1982) indicate that respondents with peers who practice tax noncompliance Are more likely to commit as well. My intention specifically focuses this theory area (investigating taxpayers‟ perception and attitudes towards the fairness of income tax system).

Tax System/structure

It is widely acknowledged that the extent of tax compliance in many developing countries has been decreasing. The underdeveloped tax system/structure is one of the major causes for this phenomenon. In the Fischer Model the effectiveness of tax system affected by complexity of tax system, probability of detection, and penalties and tax rates.

As the tax law has become increasingly complex, complexity has come to recognize as a possible reason for tax noncompliance (Jackson and Milliron, 1986). In the context of tax compliance decisions, complexity should include two dimensions, excessive detail in the tax rules and numerous computations required. In addition, if there is a higher audit probabilities and severe penalties encourage tax compliance. The third major construct of tax system/structure in the Fischer model is tax rates. Which reveal that the probability of underreporting and the level of underreporting are positively related to the marginal tax rate.

Socio-economic and psychological factors

Culture considered as one of a powerful environmental factor that affects the taxpayer's compliance. Different social norms and ethical values will create different incentives for tax compliance. These cultural differences may have a direct impact on ethical values and moral development and ultimately affecting tax compliance decisions (Chan et al, 2000). The next part will discuss about tax fairness theories

2.2 Theories on fairness

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

The literature has suggested that, distributive justice, and procedural justice equity theory can give insights to examine tax fairness. Torgler (2001) mentioned that tax fairness is avery important factor influencing taxpayers" compliance behavior because it is related to tax burdens Next paragraph is about tax fairness framed under the theories below

2.2.1 Equity theory

Equity Theory emerged in the 1960s through the work of Adams (1965) who was particularly interested to test the concept of justice in organizations (Greenberg, 1987). Since Equity theory has been extends (Leventhal et al. 1980; Greenberg 1987; Watson et al. 1996) and applied in various fields of studies, such as payment and job-related rewards (Aryee et al. 2004) and information systems (Douglas et al. 2007).
Adams (1965) suggests that Equity Theory comprises two dimensions namely reciprocation and allocation. Reciprocal equity, or exchange fairness, based on the premise that one would only respond. Fairlyifthe other party acts fairly to them. Within this exchange framework, equity, or fairness achieved when there is an equivalence of the outcome/input ratios for all parties involved in the exchange (Cook and Hegtvedt, 1983). Inequity, on the other hand, said to exist when these ratios are not equal. In other words, a person will perceive a system as fair if the benefit he/she receives equals their contribution, and vice versa.

In contrast to reciprocal fairness, which deals with mutual exchange, Eckhoff (1974) contends that allocation fairness merely involves a one-way distribution of resources across a group or circle of recipients. This fairness dimension is also known as indirect exchange (Blalock and Wilken, 1979)

.

Porcano and Price (1992) suggest that traditionally equity theory indicates two types of equity within a tax system: (1) horizontal equity and (2) vertical equity. Horizontal equity refers to providing equal treatment to all in the same group whereas vertical equity refers to giving a suitable differentiation among unequal persons in that group. That means those who are rich should treat as able to pay higher than lower groups of income earners. In addition, the implementation of the tax systems based on either progressive tax structure or flat tax rate structure however, most of the individual taxes are progressive tax structures. i.e., that is vertical in terms of providing equity does not meet the expected equity. Therefore, saw, K, and Sawyer, A. (2010) found that taxpayers adjust their perceived inequalities through tax evasion. Therefore for reaching in to judgment of tax fairness issue looking the attitudes of taxpayers‟ is quite important. The taxpayer behaves as tax fair or not based on the attitudes he/she has framed against the tax system. Therefore the researchers critical of equity theory claim that in a judgment on fairness, a number of other factors need to be addressed apart from exchange (either mutual or indirect) and horizontal and vertical equity aspect of tax fairness.

2.2.2 Distributive justice theory

In order to extend the idea of allocation as suggested in Adam‟s (1965) and Porcano‟s and Price (1992) Equity Theory, DJT will introduce. DJT, which represents one part of Social Comparison Theory (Lamm and Schwinger, 1980), postulates that individuals not only judge equity in terms of assessing their benefits they receive from their tax dollars (exchange fairness), but also by comparing themselves with others. In other words, individuals compare their benefits received-to-contributions-ratio with that of others in their reference group. Based on this premise, DJT assumes that distribution outcomes should be equal among those with similar contributions. However, in the process of allocating an incentive or reward, the principle of exchange fairness will not always maintain. There are circumstances in which the allocation of rewards violates exchange fairness as indicated in previous studies (Schwinger, 1980). Having this in mind, Leventhal (1980) contends that distributive fairness can achieve by applying allocation rules, namely the equity rule, equality rule or needs rule, depending on the situation. In achieving fairness, the equity rule suggests that there must be relative equality between an individual's contribution and benefits. Simply stated, the equity rule requires individuals that compensated with the same ratio to their effort, as stated in exchange fairness. In contrast, the equality rule calls for equal distribution of rewards regardless of individual contribution. The equality rule suggests that everyone deserves treated equally irrespective of his or her contribution. With the needs rule, Leventhal (1980) proposes that the allocation decision should made after taking into account the recipients‟ needs. Based on this rule, individuals with a low or a zero contribution may be allocated more benefits (to fulfill their needs), as compared to those with a higher contribution. Porcano (1992) argued justice is a multidimensional concept thus it is appropriate to use distributive theory which uses several justice rules in determining one‟ deservingness.

Another thing is, that it is no longer one is personal, or group treatment, but the distribution of tax burdens across as a whole e.g., the fairness of progressive tax rate. Eckhoff (1974), on the other hand, incorporates five principles that form DJT, of which three of them are similar to Leventhal (1980). The principles are relative equality (the equity rule), objective equality (the equality rule), subjective equality (the needs rule), rank order equality and equal opportunity. The rank equality criterion postulates that, if investments of the members of one group are higher than, those of another their rewards should be higher too. This principle suggests that, even though the effort/reward is not necessarily equivalent, yet those with higher contributions should allocate more benefits than other groups. The remaining principle is equal opportunity, which normally discussed in relation to racial integration policies (Cook and Hegtvedt 1983). The above discussion tends to focus on the positive side of DJT, that is, the allocation of benefits. However, DJT is also concerned with the fairness of allocation of punishments, known as retributive fairness (Cook and Hegtvedt 1983). Under retributive fairness, the social system considered fair if the penalty imposed matches the committed crime. Similarly, the social system will also perceived as fair if the compensation received is equivalent to any loss incurred in the social system

2.2.3 Procedural justice theory

PJT, an extension of equity theory, originally inspired by the contention in the legal context, that a community's acceptance of judicial decisions is highly influenced by the procedures employed to formulate them (Fuller, 1961). Applying that foundation, Thibaut and Walker (1975) embark on a study of dispute resolution procedures and report two interesting findings. First, the disputants with process control perceive verdicts fair than those without process control. Second, disputants that are involved in the decision-making process are more likely to accept the decisions even in the case of adverse outcomes. These findings conclude that procedural fairness is important as it enhances the acceptance level of the outcomes received. Based on the pioneering effort of Thibaut and Walker (1975), Leventhal (1980) extends the notion of procedural justice into organizational settings contexts. Leventhal (1980) identifies six principles against which fairness of procedures may evaluate, namely: consistency, bias suppression, accuracy, correct ability, representativeness, and ethicality.

A consistency criterion requires the allocative procedures applied consistently among different individuals at all times. No one should give privileges over another. In addition, the consistency criterion also demands the allocative procedures remain constant without frequent change. Regular alterations made to the procedures may lead to a violation of the consistency rule. When the consistency rule is violated perceptions of procedural fairness will decline.

A bias suppression criterion posits that prejudice should avoid in allocate procedures. Everyone should treat fairly without any discrimination or misconception. Allocate procedures that promote preferential treatment, or personal self-interest, will violate a bias suppression rule, and consequently procedural fairness will perceived as unfair.

The accuracy criterion states that allocate decisions based on accurate information. This is essential since failure to collect and process accurate information will result in incorrect decision-making and jeopardize an individual's confidence in the fairness of the procedures adopted. Thus, the accuracy criteria should sustain to increase a positive perception of procedural fairness. Correct ability deals with the opportunity to revise incorrect decisions made. This criteria requires a legitimate channel to modify decisions must exist as a prerequisite for allocate procedures to be perceived as fair. Representativeness defined as the opportunity given to persons in the decision-making process. The rule postulates that the allocation process must represent the concerns of all recipients to ensure greater acceptance of the procedures. The final criterion is ethics, which contends that allocation procedures based on prevailing moral and ethical standards. In the absence of the ethics rule, individuals may perceive that procedural fairness violated and thus their fairness perceptions will reduce. Gerbing (1988) mentioned the pivotal role of legitimacy on tax compliance behavior. Procedural justice will lead to legitimacy. Legitimacy in tax compliance behavior is define as a belief/ trust by taxpayer on the tax authority. This belief that they are fairly treated will want to obey the laws.

Murphy (2005) states every year significant middles income taxpayers‟ use aggressive tax planning to either legally or illegally conceal their actual income. The illegal taxes planning behavior cannot settle just by using force or threatening strategies, because in the end the legitimacy of tax authorities will be undermine. People are less inclined to accept an unfavorable outcome and are likely to challenge the situation when they believe that the procedures are unfair. Therefore, the authority has to play a fair role that will increase the perception of legitimacy and can create cooperation and get the public to obey tax laws. Two aspects; attitudes and behavioral can be measured to assess the noncompliance behavior of taxpayer as well tax fairness issue. In general, terms, from the above-mentioned theories the six principles of Leventhal (1980), consistency (Fry and Cheney, 1981, Barret and Tyler, 1986) and representativeness (Makkaiand Braithwaite, 1996), are the most important criteria that indicate procedural fairness

2.3 Theories in tax fairness perception

Under this section, the researcher deducted the general overview of the theory that is applicable for this study only as follows:

2.3.1 Equity theory and tax fairness

Equity Theory predicts that individual's judge fairness based on outcomes and they believe that incentives and punishments should distribute accordingly, with reference to the inputs or contributions (Bobek, 1997). In addition, Equity Theory postulates that individuals are more likely to comply with the rules if they perceive that they treated fairly under the system. In simple terms, Equity Theory is concerned with exchange fairness.

In the context of taxation, the „exchange parties" are individuals (taxpayers) and the government. Theoretically, individuals will perceive the tax system as fair if the benefits received from the government for tax paid is an equitable ratio. If the ratio is not equitable, then the exchange deemed as unfair and individuals are likely to seek to restore equity, through non-compliance. However, in practical terms, exchange fairness in taxation may not achieve due to different needs or requirements of taxpayers. For example, a high-income earner will probably receive less benefit from the government, despite their contribution, compared to the low-income earner.

2.3.2 Distributive justice theory and tax fairness

The essence of DJT is that individuals evaluate the fairness of the distribution outcomes by comparing the benefits-received-to-their contributions-ratio with that of others in their reference group. Individuals will find their interactions, as equitable if the distribution outcomes are equal among those with similar contributions (Walster, et al. 1978); this known as horizontal fairness. In the context of taxation, horizontal fairness (equity) suggests that equals before tax should be equal after tax (Gravelle, 2006). In other words, it requires individuals in similar economic positions taxed at similar rates regardless of their welfare. This based on the equality rule suggested by (Gravelle, 2006). However, in taxation, horizontal fairness should least be permitted to stand on its own. Notwithstanding a similar amount of income, two persons might have different commitments, such as the number of dependents. A single person having tax deducted of $2,000 from a gross salary of $10,000 would consider the tax deducted as not so burdensome compared to another person with the same income (and tax withheld) but with four dependents. Thus, this dimension of fairness should complement with the other dimensions of distributive fairness to ensure an overall fairness perception.

Leventhal (1980) suggests that distributive fairness should make after taking into account the recipients" necessities. The idea of this principle is that the ratio of inputs and outputs need not necessarily be equivalent to achieve fairness, but rather it depends on individuals" needs. This implies as vertical fairness (equity). In the case of taxation, vertical fairness is usually concerned with the ability to pay (Kirchler et al. 2006). In other words, vertical fairness suggests that those with higher incomes should pay more tax (at a higher rate) than those with lower incomes. Alternatively, vertical fairness also linked to benefits received by the low-income earners. In relation to this, the low-income earners do not only pay less tax but they are also entitled to receive more benefits from the government. Thus, unlike horizontal fairness, vertical fairness takes into account the "welfare" of individuals before determining their contribution to tax and entitlement to receive government benefits.

2.3.3 Procedural justice theory and tax fairness

Procedural Justice Theory (PJT) predicts that procedural fairness may have influential effects because fairness in procedures may lead to fairness in outcomes (Thibaut and Walker, 1975). In other words, PJT suggests that the employment of fair procedures is likely to lead to more equitable outcomes than when unfair procedures employed. In addition, Leventhal (1980) asserts that there are six principles against which fairness of procedures may evaluate, namely: consistency; bias suppression; accuracy; correct ability; representativeness: and ethicality. In the context of taxation, procedural fairness employed by the tax system may influence the fairness perceptions of taxpayers. If taxpayers perceive that procedures applied in assessing their tax returns are unfair, the tendency for taxpayers not to comply is high, and vice versa. In forming their fairness judgments, taxpayers will normally evaluate the consistency of the procedures applied by the tax system. The procedures applied by the tax system should perceive as consistent throughout time and across all taxpayers. In addition to this, bias suppression is also an important feature of fairness procedures. The procedures in the tax system should not promote preferential treatment or personal self-interest. In other words, all taxpayers must treat in a similar manner. With regard to accuracy, the tax system should handle tax matters with great care. Decision-making based on the wrong information will lead to perceptions of unfairness by taxpayers. For the correct ability criteria, this requires taxpayers given an opportunity to revise and amend any incorrect decisions made by them. To ensure greater acceptance of the tax system, the procedures employed must be representative of all recipients. Thibaut and Walker (1975) provide evidence that disputants who are involved in the decision-making process are more likely to accept the decisions even in the case of adverse outcomes.

2.4 A review of empirical studies

Policymakers claim that tax fairness is an important goal for the state in order to encourage tax compliance (for example, the tax authority in the US (Inland Revenue Service – (IRS)) has put a great emphasis on fairness perceptions in an effort to improve tax compliance – Bobek,1997). Thus, it is common for a tax system that violates the basic principles of fairness and efficiency to anticipate non-compliance among taxpayers (Head, 1999). The question is how to define fairness? According to Kirchler et al. (2006), a tax system defined as being fair when taxpayers are taxed based on their ability to pay (or vertical fairness), i.e., vertical fairness asserts that taxpayers with different economic situations should be taxed at different rates. This would result in higher income earners paying tax at higher rates than the low-income earners.

However, this definition does not encompass the comprehensive fairness perception since past studies have unanimously agreed that tax fairness is a multi-dimensional construct. For example, Jackson and Milliron (1986) suggest another component to fairness, horizontal fairness. Horizontal fairness recommends that taxpayers of similar economic positions should pay the same amount of tax. However, such equal treatment sometimes conflicts with other economic objectives of taxation, which therefore need to be compromised (Holmes 2001). Holmes (2001) further claims that, in practice, all income tax systems have breached the horizontal fairness premise to meet economic, social, or political objectives.

Other dimensions of fairness further documented in the following studies. The first study is a major study on fairness perceptions, which was undertaken in the US after the (then) latest Tax Reform Act of 1986 by Gerbing (1988), through a mail survey of 225 taxpayers in the Dallas/Ft. Worth metropolitan area. Using a factor analysis on the self-developed measures of fairness, Gerbing (1988) identified four underlying dimensions of fairness that include:

(1) General fairness and distribution of the tax burden;

(2) exchange with the government;

(3) Attitude towards taxation of the wealthy; and

(4) Preferred tax rate structure

Using a refined version of the survey instrument of Gerbing (1988), Christensen et al. (1994), who studied the impact of education on fairness perceptions among 296 university students in the US, report consistent underlying dimensions of fairness, as found in Gerbing (1988), with an additional dimension known as self-interest. Similar findings were documented when a survey instrument was administered among tax professionals and tax educators in the US (Christensen and Weihrich 1996), providing evidence of the robustness of the instrument (Richardson 2005).

Another study on the US income tax system was conducted by Bobek (1997), that concerned with distributive fairness, procedural fairness and policy fairness. While distributive fairness deals with horizontal and vertical equity, procedural fairness relates to the process employed to reach distribution outcomes. Bobek (1997) Procedural fairness argued to be important since it may lead to greater acceptance of the distribution outcomes similarly, argues that the content of the tax law (policy) is also important since it is the antecedent for the distribution outcomes. Bobek (1997) concludes that policy fairness is important for the distribution outcomes to perceive as fair. In her study, Bobek (1997) selected three groups of respondents consisting 108 university students, 19 elementary school parents and 51 residents of Florida and Georgia.

While agreeing that fairness perceptions are multi-dimensional, Turman (1995), on the other hand, focuses on one dimension of fairness, that is, preference for either progressive or proportional taxation. In Turman‟s (1995) study, an experiment involving several tax tasks conducted with 58 community college students, revealing an overall preference for progressive tax rates.

The above-mentioned literature on various dimensions of fairness perceptions has been widely discussed overseas, especially in the US, while a growing concern over this issue can see in Australia and Hong Kong. In Australia, for instance, a survey (also using a modified version of the Gerbing‟s (1988) instrument) conducted on postgraduate business students to evaluate their fairness perceptions and the relationship with their tax compliance behavior (Richardson, 2005). That study reveals five underlying dimensions of fairness perceptions including general fairness, exchange with government, special provision, tax rate structure, and self-interest. In Hong Kong, six dimensions of fairness reported in a survey among postgraduate students (Richardson, 2006)the dimensions are general fairness; tax rate structure; middle-income earners‟ tax burden; exchange with the government; self-interest; and special provisions for high-income earners. In his extension to the research, Richardson (2005) and Gilligan and Richardson (2005) made a cross-cultural comparison between the findings from Australia and Hong Kong, where several significant differences of opinion regarding the fairness perceptions were reported. Such differences expected due to markedly different tax systems between the two countries, where Hong Kong applies a flat tax rate structure, no withholding tax, no self-assessment system, and no tax on dividend and interest incomes (Richardson, 2005). Notwithstanding the importance of fairness issue as far as researcher, view almost no literature on fairness perceptions in Ethiopia, particularly Woliso Town case.

The multi-dimensional perceptions of fairness are not limited to the direct tax only but also extended to the area of indirect tax i.e., this is empirically established by Takenishi (1990) who revealed that fairness judgment is multi-dimensional. By using multiple regression analysis, the researchers found that procedural fairness, (note: This refers to emotion-based attitude, which is the opposite of cognitive attitude (value-based). outcome evaluation, and affective responses, made up the fairness judgment of the consumption tax among Japanese citizens (Takenishi, 1990).

With regard to fairness perceptions a comparative fairness perception study(which is not related to tax) undertaken in Singapore and China to observe how people across different regions form their fairness judgments found that people in a more developed region and living in a more competitive society will be more tolerant of social unfairness (Richardson,2005). Therefore base on the above literature the researchers suggest that, in the case of an environment filled with reward and punishment (where the income tax system can consider as one of the legalized environments, with various penalties), such fairness perceptions remain approximately the same, irrespective of the regions and economic backgrounds (Richardson, 2005).

While such a contention is yet be tested in this study, empirical findings from previous studies indicate that taxpayers from different countries have dissimilar levels of fairness perceptions towards their respective income tax system. For instance, a comparative study conducted in Hong Kong and Australia by Richardson (2005), revealed that there were several significant differences of fairness perceptions on their income tax system, particularly in terms of general fairness, special provisions, tax rate structure and self-interest. It argued that such differences were due to the different nature of the income tax systems implemented between the two countries. WhileRichardson (2005) investigates perceptions on various dimensions of fairness, measures per the survey; it indicated that more than 60 percent of the personal taxpayers who completed their own return forms perceived that tax system to be unfair.

In the US, Etzioni (1986), who measured fairness perceptions in terms of the tax rate over 14 years (from 1961 to 1980), found that the American taxpayers had increasingly perceived the tax system as unfair. Meanwhile, a study on Dutch taxpayers (who were selected using marketing bureau, and surveyed either through internet or face-to-face interview) on distributive fairness (which is measured by one item) suggests that they perceived the tax system as moderately fair (Verboon and Dijke, 2007). However, when another survey was undertaken using five items to measure distributive fairness, the taxpayers‟ fairness perceptions of the income tax system sonal taxpayers fairness perceptions based on their ratings on the Australian income tax system. From declined (Verboon and Dijke, 2007). Apart from the different measures used, the contradicting results may also due to the different sample selection used in this study where it was concentrated on Dutch employees who worked for at least eight hours a week. Besides this fairness, issues can also affect by other factors like tax knowledge and complexity of tax system.

Harris (1989) stated that tax knowledge had an indirect effect on compliance behavior through fairness perceptions. In that study, Harris (1989) separated tax knowledge into fiscal awareness and technical knowledge, and observed the impact of each type of knowledge on fairness perceptions. The findings show that the types of tax knowledge influence fairness perceptions. The influence of tax knowledge on fairness perceptions further documented by Schisler (1995) who carried out a study comparing tax preparers and taxpayers. Taxpayers that selected amongst MBA students with at least five years working experience while tax preparers comprised of tax practitioners from certified public accountant (CPA) firms in the US. Based on the analysis stated that taxpayers have significantly lower fairness perceptions compared to tax preparers. The result might be due to the absence of tax knowledge among taxpayers compared to tax preparers. Fallan (1999) later confirmed the findings that tax knowledge significantly changed attitudes towards the fairness of the tax system.

To extend the studies on tax knowledge and fairness perceptions, researchers have investigated possible ways to improve tax knowledge among taxpayers, and consequently their fairness perceptions. For instance, White et al. (1990), in their experimental study on tax students suggested that a formal class in taxation would enhance their knowledge about the law and appreciation of fiscal policy goals, thus increasing perceived fairness. This study is supported by Wartick (1994), who claimed that exposure of information during a tax law change will improve taxpayers‟ knowledge, and subsequently mitigate their perceptions that the tax system is unfair.

Apart from the impact of tax knowledge and fairness perceptions, a review of previous studies also provides overall picture of taxpayers‟ level of knowledge in several countries. While it is also appropriate for the researcher to have a general understanding of taxpayers‟ knowledge of taxation as a whole.

Coetzee and Oberholzer (2009) also stated in their studied the tax practitioners in South Africa to gauge their perceptions on the trainees" tax knowledge. The results reveal that majority of tax practitioners (about 85 percent) believed that trainees mainly have general knowledge and a working knowledge of individual income tax. It is not surprising that they possess such good tax knowledge, as the trainees are the future tax professionals who will be assisting less specialist Taxpayers. It expected of such trainees to possess such a high level of knowledge, as suggested by tax practitioners and educators.

Tax complexity can take many forms such as computational complexity, forms complexity (American Institute of Certified Public Accountants, 1992), compliance complexity, rule complexity (Carnes and Cuccia, 1996), procedural complexity (Cox and Eger, 2006), and the low level of readability (Saw and Sawyer, 2010) and suggested that tax complexity arises due to the increased sophistication in the tax law.

A review on tax complexity in a comparative study of seven countries by Strader and Fogliasso (1989) suggests that Japan, the UK, France, Italy and the US, all have highly complex tax systems. Only Sweden and Netherlands considered having a moderately complex tax system. Hasseldine and Bebbington in Malaysia reforms made since the mid1980s to overcome the complexity of the tax system. However, Tan and Tower (1992) claim that the efforts made by the tax authority at that time to simplify the tax law failed. In their study, the authors applied the Flesch Reading Ease Index to measure the readability level of New Zealand tax legislation, Tax Information Bulletins (TIBs) and Tax Return Guides. The Flesch Reading Ease Index measures the difficulty ranging from zero (most difficult) to 100 (least difficult). Their findings indicated that there was no progress with simplification at that time, except for the Tax Return Guides. Tan and Tower (1992) recommend that shorter sentences and an active style of writing will help improve the readability of tax legislation and consequently reduce the complexity of the tax law A more recent study by Pau et al. (2007), however, provides contrary evidence on tax simplification in New Zealand. The researchers test the effectiveness of the newly written Income Tax Act 2004, TIBs, and binding rulings using readability measures, namely the Flesch Reading Ease Index, Flesch-Kincaid Grade Level Index, average sentence length, and percentage of passive sentences. They found significant improvements in respect of tax simplicity through these measures. Sawyer (2007) agrees that there have been some improvements in tax simplification but continual change to the legislation has a certain extent delayed the rewrite programmer (and delayed the benefits).

As an extension to the previous studies (Pau et al. 2007; Richardson and Sawyer 2007; Tan and Tower 1992), Saw and Sawyer (2010) recently examine the readability of a sample of the selected sections of the Income Tax Act 2007, TIBs, and binding rulings using similar measures as in Pau et al. (2007). Overall, the results suggest further significant success to the rewrite project, undertaken by the New Zealand government in its tax simplicity goals in the context of improved readability. Interestingly, the Income Tax Act 2007 appears to be more readable compared to either binding rulings or TIBs, although these tax-related materials are supposed to be the explanatory materials. Following this rewrite project, the results of this study also indicate that the percentage of people with an education level of Years 11-13 to understand the Income Tax Act 2007 has significantly increased.

In Malaysia, Mustafa (1996), who studied taxpayers‟ perceptions towards the self-assessment system which was to be introduced (at that time), suggests the presence of tax complexity in Malaysia, particularly in terms of record-keeping, too much detail in the tax law and ambiguity. The findings are partly consistent with the six potential causes of complexity labeled as ambiguity, calculations, changes, details, forms, and record keeping, identified by Long and Swingen (1997). Such complexity is also present in Australia where it forces taxpayers to engage tax agents to deal with their tax matters (McKerchar 2005). McKerchar (2005) further identified the most common problem faced by taxpayers is to understand the instructions in the Tax pack. This followed by the problems of understanding the rules, the tax return forms, and other relevant written information provided by the tax authority.

In Australia, McKerchar (2005), who carried out a survey among tax agents, notes that tax agents are not happy with the increasing complexity of the tax law. Also further claims that the tax agents desire a much simpler tax law, with less regulatory material and ad-hoc change.

Some researchers agree that a certain degree of complexity in the income tax system is necessary to ensure the system is fair (for example, Forest and Sheffrin, 1990). This particularly represents the perceptions of the tax authority and tax professionals, as suggested by White (1990). Applying four scenarios of tax complexity, White (1990) asserts that both the tax authority and tax professionals (tax lawyers and tax accountants) prefer complexity in the tax law but at different levels. The tax authority prefers tax complexity that will increase their probability of winning cases in disputes, while tax lawyers on the other hand, are in favor of tax complexity that gives rise to a higher probability that the taxpayers will win the case. Similarly, tax accountants‟ preferences are also towards a high level of tax complexity, as it will increase the demand for their tax services. Despite these differing levels of desired complexity, the ultimate goal of the tax authority and tax professionals is to earn as much fee income as possible from taxpayers. Thus, undoubtedly, taxpayers do not support tax law complexity.

Notwithstanding preferences by the tax authority and tax professionals, tax complexity actually causes disappointment and consequently negative perceptions of fairness among taxpayers (Carrol, 1980). Milliron (1985) claims, in a study of jurors, that the participants viewed complexity and fairness as distinct but incompatible features of the income tax system.

Carnes and Cuccia (1996), and Kirchler et al. (2006), also share similar views on the inverse relationship between complexity and fairness perceptions. In that respect, however, Carnes and Cuccia (1996) further argued that such association might be perfectly true in the case of unnecessary complexity," but not on "justified complexity‟, where the perceived justification may moderate the effect of "justified complexity‟ on fairness perceptions. In Carnes and Cuccia (1996), the authors provide evidence of the weakening effect of complexity on fairness perceptions when the perceived justification increases.

In general, by adopting a deductive approach on the review of the literature the following section presents conclusions and knowledge gaps.

2.5 Conclusions and knowledge gaps

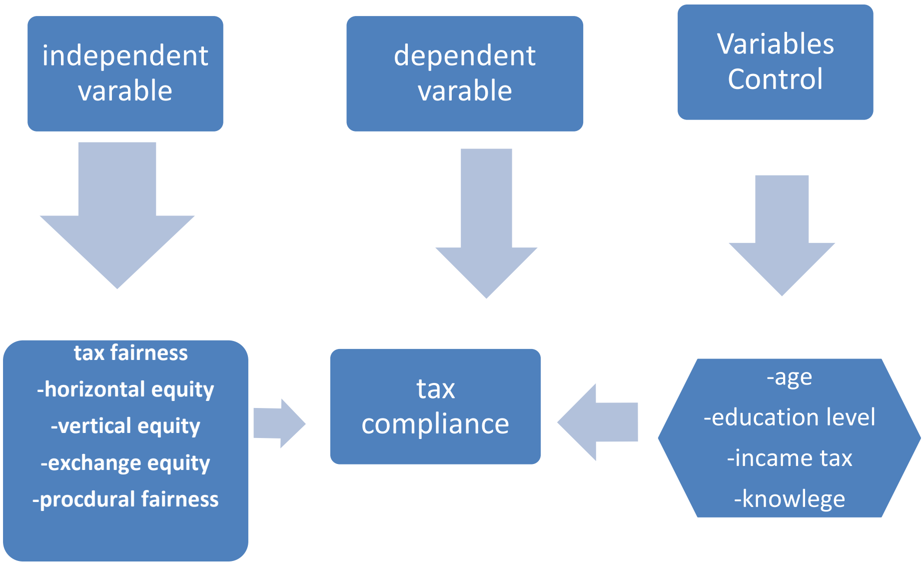
This chapter describes the relevant theories, including equity theory, distributive justice, procedural justice, and deterrence theory that form the background of this study. Based on the discussion, the extension to equity theory considered that appropriate to explain that perceptions of fairness of the business profit tax system. Briefly, the extended equity theory (which embedded DJT and PJT) asserts that individuals normally form their overall fairness judgments on any particular system by referring to their views on reciprocal fairness, distributive fairness and procedural fairness. When they have positive perceptions on these dimensions of fairness, the likelihood to have a fair judgment on the system would be high, and vice versa. Accordingly, judgment so formed would be influence their intentions.

A review of past studies on tax fairness, tax knowledge, and tax complexity indicate mixed but interesting findings. For instance, while the proposition under the equity theory that fairness perception have a number of considering factors mainly supported by empirical work which is widely conducted in developed countries particularly in Australia, Canada, New Zealand, and USA. On the other hand, in developing countries there has been a relatively small number of tax fairness issues studies carried out in Kenya, Hong Kong, and Malaysia. More specifically, in the case of Ethiopia to the knowledge of the researcher there is no single study on such issues especially in the case of business profit tax system. This encourages the researcher to assess tax fairness and its impact of compliance behavior category “c” business profit through considering various tax fairness dimensions and other influencing factors in the case of south west shewa woliso City Administration Business profit taxpayers.

These gaps lead to the main research question of the thesis. How is the south west shewa business profit taxpayers perception towards the fairness of business profit tax system? The following chapter provides details of the research method in respect of the identified research problem.

2.6. Conceptual frame work

Figure 2.1: Conceptual Frame work



CHAPTER THREE:

Introduction

The preceding chapter indicated that the literature on business profit tax fairness issues is limited. Especially from the perspective of Ethiopia, it appears that there is no research conducted in investigating activities of whether the Ethiopian tax system is fair or not. The purpose of this chapter is to present the research question and hypotheses, the underlying principles of research methodology and the choice of the appropriate research method for the thesis.

3.1 Research design

The study employed based on explanatory approach using survey method which helps the researcher to gather a large variety of data related to the problem under consideration. Explanatory research is conducted in order to identify the extent and nature of cause and effect relationships between variables. It identifies reasons behind a wide range of processes, as well as assessing the impacts of change on existing norms, processes (Zikmund, 2012). Surveys are used when researcher want to gather data from a large number of people and when it is impractical to meet them all face (Noor sharoja, 2014). The survey strategy allows you to collect quantitative data which you can analyze quantitatively using descriptive and inferential statistics. In addition, the data collected using a survey strategy can be used to suggest possible reasons for particular relationships between variables and to produce models of these relationships (Saunders et al., 27 2012).Therefore, Survey was appropriate for this study to assess tax fairness and its impact of tax compliance behavior on category" c" tax payer in Woliso Town

3.2 Research approaches

The inquiry paradigm used in research is generally influenced by a researcher's ontological and epistemological beliefs. These beliefs represent how the researcher views and seeks to understand the world. The two extremely contradicting paradigms are positivism and constructivism. Thus, positivist researchers normally adopt quantitative methods and constructivist researchers adopt qualitative methods. The other paradigm is combination of positivism and constructivism (that is mixed method).

3.2.1 Quantitative research approach

In this approach, an investigator relies on numerical data (Creswell, 2009). Researcher uses postpositive claims for developing knowledge, such as cause and effect thinking, reduction to specific variables, hypotheses and questions, use of measurement and observation, and the test of theories.

Quantitative research is the systematic and scientific investigation of quantitative properties and phenomena and their relationship. Creswell (2009) noted that quantitative research is one in which the investigator primarily uses positivist claims for developing knowledge. The positivism approach views that the world as objective realism and therefore suggested that knowledge created by deductive reasoning where by a precise and systematic process is adopted (McKerchar, 2010).

The main advantage of this approach is that numbers are easy to work with data are readily collected, coded, summarized, and analyzed. In addition, data collection is relatively quick and less time consuming and free from bias. But, in this approach researchers know much about the collective or average experience of research participants, and focus on theory or hypothesis testing rather than on theory or hypothesis generation (Creswell 2009). In view of this, quantitative approach is best for assess tax fairness and its impact of tax compliance behavior on category c tax payer

3.2.2 Qualitative approach

Qualitative research, is an inquiry process of understanding where the researcher develops a complex, holistic picture, analyzes words, reports detailed views of informants, and conducts the study in a natural setting (Creswell, 2009). In this approach, the researcher makes knowledge claims based on the constructivist perspectives (Creswell 2009).This has advantage of design results mainly from its flexibility to follow unexpected ideas during research and to explore processes effectively. However, knowledge produced may not be generalized to other people or other settings and it is also difficult to make quantitative predictions and to test hypotheses and theories. Leedy and ormrod (2005) explains that a study categorized as qualitative, if its purpose is primarily to describe a situation, phenomenon, problem, or event. i.e., the information is gathered using variables measured on nominal or ordinal scales (that is, qualitative measurement scales); and an analysis is done to establish the variation in the situation, phenomenon or Problem without quantifying it. In addition qualitative approach views as the world based on researchers interpretation, which may influenced by the researcher own views, beliefs, experiences, and existing knowledge (McKerchar, 2010).

3.2.3 Mixed method approach

The third research methods approach is mixed method approach in which the researchers build the knowledge on pragmatic grounds (Creswell, 2003). A major tenet of pragmatism is that quantitative and qualitative methods are compatible which can help better understanding of the research problem.

Other inquiry paradigms lie between positivism, and constructivism known as critical realism and pragmatism. These two paradigms generally combine both orientations of positivism (quantitative) and constructivism (qualitative) research approach. Researchers adopting these paradigms view the world as complex and therefore difficult to understand simply through empirical realism (McKercha

3.3 Source of Data

The adoption of the survey instrument would helpful to represents a wide target population, and generates numerical data as well as to gather information that would not available from archive Records. Babbie (1990) noted that the survey as the preferred type of data collection procedure for study because it is used to generalize from a sample to a population.

Primary data is preferred because it is original and relevant for the topic especially when the researcher is interested in primary data about demographic characteristics, attitude/opinion/interest, awareness/knowledge, intentions, motivation and behavior

(Noor Sharoja, 2014). Therefore the data required for this research was collected mainly from primary sources through self-administered questionnaire.

3.3.1 Population

According to Ngechu (2004), target population entails an entire group of persons or things which have similar features which are preferred by the investigator. Target population consist of a group of entities or elements which might be huge than or distinct from sampled group from which the researcher will draw conclusions about the interested population. Therefore, the target for the sample includes population consists of all business profit taxpayers waliso town Administration. There are 4046 business profit category "c" taxpayers.

Table: 3.1Samplesize selection procedures, using stratified multistage sampling

Type of tax payer	Population size	Proportional sample size
Manufacturing	**91**	**8**
Merchandize	**1349**	**121**
Service	**2561**	**231**
Agriculture	**10**	**1**
Construction	**35**	**3**
Total	**4046**	**364**

Source Woliso Town Revenue office 2022

3.3.2 Sample design

It is a common practice in research to use sample in order to generalize about the targeted populations. Tabachnick and Fidell (2001) noted that ideally, samples are selected on randomly bases this indicates the representative of the population.

The intention of the study was to generalize the findings to all taxpayers and potential taxpayers in woliso town business profit taxpayers as well to obtain a large and sufficiently diverse sample in order to obtain a meaningful spread of perceptions concerning tax issues. Therefore, the sample designs and mode of collecting data would be statistically representative of the perceptions of the all business profit taxpayers of woliso town. In the case of sample design, as the literature on survey method reveals, how well a sample represents a population depends on the sample frame, the sample size, and the specific procedures of selecting potential respondents

.

In respect of sample frame, in a study with the intention of statistically generalizing about a woliso town business profit taxpayers , the sample frame from which potential respondents are to be chosen have to be representative of the population. In sample design, a sample selection about broader potential respondents giving equal chance of selection is vital to increasing the representativeness of the sample. Therefore, the target for the sample includes population consists of all business profit taxpayers in woliso town Administration. There are 4046 business profit taxpayers in woliso town Administration as the information gathered from woliso town finance and Economy development Revenue Agency in March 2014.

Another point in sample design is the sample size. The choice of a sample size has a bearing on the reliability of a study. However, this does not mean that large sample size always leads to high level of accuracy rather it is to indicate that sample size is one of the factors that contribute to the credibility of a survey estimate. For the choice of sample size, different researchers give different ideas. For example , Alreck and Settle (995 p,63) noted that the choice of sample size is normally made after considering statistical precision, practical issues and available resources (e.g. cost and time). Fowler (1984 p, 43) noted that there is no a single precise way for the determinations of sample size hence there are a number of inadequacy for deciding on sample size. For instance, in deciding of a sample size by specifying the fraction of the population to be included in the sample, there is no any right way. This is because the population from which a sample of a particular size is drawn has virtually no impact on how well that sample is likely to describe the population. In addition, for using that a particular sample is the typical approach to studying a population may also practically lead to the wrong answer. Therefore, it is better if to see the sample size used by other researchers, because it is better if the sample size to be decided by considering the different goals to be achieved by a particular study. Finally, also for deciding on the sample size by calculating a desired confidence interval for one variable for an entire population is uncommon .However, Fowler contends that nothing is wrong with this approach in terms of some theoretical sense. Apart from the problem of basing sample size decision on the need for precision of a single estimate and the difficulty of determining the level of specific precisions in advance, the estimation of the level of accuracy fails to take into account errors arising from sources other than sampling.

The aforementioned points help us consider different conditions in deciding on the desired sample size like the availability of time and resources, and the aim of the research. However, if the final condition is employed, Fowler (1984, p. 43) indicated that for a population, the level of precision increases steadily up to sample sizes of 364. If the desire is to increase the sample size beyond this limit, there is much more gain that is modest. In this regard, taking the available resources, time, budget, data, and geographic distances into account, a sample size of 364 were feasible from the 4046 woliso town business profit taxpayers. In order to supplement the information obtained from 364 business profit taxpayers, . In order to ensure representativeness and thereby explore Tax fairness and its impact on compliance behavior of category “c” tax payers**.** These are stratified in to three sectors, namely Manufacturing, Merchandise, and service

$$n = \frac{N}{1 + N(e)^2}$$

Where: n= sample size**;** N=population; e=permitted error

The survey instruments

The adoption of the survey instrument would helpful to represents a wide target population, and generates numerical data as well as to gather information that would not available from archive records. Babbie (1990) noted that the survey as the preferred type of data collection procedure for study because it is used to generalize from a sample to a population. In designing survey instruments caution needs to exercise in preparing instructions and wording of questions to avoid Ambiguity and enable the collection of the relevant data for the research. The survey instruments consisted of both open and closed ended questions. To designed for collecting both qualitative and quantitative data to investigate business profit taxpayers‟ perception towards the fairness in case of woliso town. The questionnaire was initially prepared in English and then translated into the Amharic and affan Oromo. Copies of the English, Amharic and affan Oromo versions of the taxpayer survey instrument along with the covering letters are at Appendices 1, 2, 3 and 4 respectively.

The survey instruments that used in this study prepared in the form of semi structured self-administered questionnaire and the questionnaire served as the measuring instrument for the study. There are five parts to the questionnaire. The first part intended to gather background information about respondents. While the second part is concerned with taxpayers‟ perceptions of tax, fairness issues specifically determinants of tax fairness perceptions such as, exchange fairness, vertical fairness, horizontal fairness, and administrative fairness. In Part three, questions related to taxpayers‟ general knowledge about taxation. The fourth section questions related to the tax compliance of business profit tax system. In the last section provided respondents with the opportunity to suggest possible solutions if to take by the government make the tax system fair and gives respondents the opportunity to provide further comments on the entire business profit tax fairness issues and the factors which affecting the tax fairness.

In order to measure, the items the researcher was used a Likert type-scale. (i.e., “Strongly Agree “to-, “Strongly Disagree” “yes”, and “no”, “agree” and “disagree”. As well as multiple choice and multiple-response scales (which provides multiple options but the respondent can select anything from one to several alternatives). In this regard, John W.creswell (2003) noted that open-ended questioners are appropriate when the objective is to discover opinions, attitudes, and degrees of knowledge and Nardi, P. M. (2003) noted that the specific measurement scales that comprised the questionnaire are Simple category scale, Multiple-choice single-response as well as multiple choice and multiple-response scales.

3.3.3 Qualitative aspect: - in depth interviews

In addition to self-administered questionnaires, this study involved in-depth interviews to provide more information to the data obtained through the survey questionnaires. The use of interviews is appropriate in obtaining either multifaceted or sensitive information, as well as understanding concepts that require detail elaboration (Hair et al. 2007). Since fairness perceptions considered sensitive issues this approach appears to be suitable. In relation to the interview method, research in the social sciences has seen a range of interview approaches, including structured interviews, semi-structured interviews and unstructured interviews. In Nardi, P. M. (2003) book provides the underlying criteria of each type of interview described as structured, semi-structured, and unstructured interviews. Structured interview: the interviewer follows scripted questions in a particular sequence, the interviewee chooses responses from a range of options that are fixed coded quantitatively (responses provided by the interviewer), and asymmetrical structure. In addition, data analyzed via deductive analysis for hypothesis testing in multivariate studies. Whereas Semi-structured Interviews: Interview protocol is used as a guide and questions may not always be asked in the same order (the interviewer initiates questions and poses follow up “probes” in response to the interviewee’s descriptions and accounts), asymmetrical structure and data analyzed via inductive analytic methods for descriptions and interpretations in interpretive studies. Unstructured Interviews: Both interviewer and interviewee initiate questions and discuss topics, possibly less asymmetrical structure, and data analyzed via inductive analytic methods for descriptions and interpretations in interpretive studies. With reference to the guidelines, this study adopts semi-structured interviews to collect qualitative data. It anticipated that this approach would provide richer and more accurate data to enhance the findings for this study. Twelve questions were developed as a guide for the semi-structured interview sessions. These questions were formulated with reference to the topics under study, that is: fairness perceptions; tax knowledge; and tax complexity. The semi structured in-depth interview questions attached in the last section appendix 4

3.3.4 Data analysis

This section sets out the proposed analysis to evaluate the survey data beginning with the non-response bias test and response representativeness. Next is a brief discussion of the descriptive analysis and the *Wald*-test analysis. Finally the applied multiple regression analysis through logit model

3.4 Econometrics analysis

Descriptive analysis provides on how taxpayers perceive their business tax systems, in relation to tax fairness, tax knowledge, and tax complexity. In this analysis, basic features of the survey data presented where the mean, standard deviation, variance, and minimum and maximum value for each item are calculated. In addition, the frequency distribution is also determined. All these measures obtained from the descriptive statistics available in the SPSS software. Subsequent to the descriptive analysis, Wald‟s-test analysis carried out to check whether there is any difference in perceptions among taxpayers. For this purpose, an independent sample *Wald"s*-test performed using the SPSS program the latest version, where the *p*-values generated. With reference to the *p*-values obtained, the degree of differences (whether significant or not) are determined, and subsequently a conclusion can be drawn whether to accept or reject the hypotheses in the study. In respect of data gathered from interviews. To conducting the interview and transcribe the data. Subsequent to this, main interview captured and analyzed to produce a report.

In this study, the researcher applied the logit model. Logit model become very popular among social scientists due to its ability to perform path analytic modeling with latent variables Pallant, J. (2005). Hair et al. (2006) claim that logit model relatively new statistical tool, which combines the multivariate tools such as multiple regression, path analysis, factor analysis and principal component analysis, as well as a solution to the multicollinearity problem actually originated in the first half of the twentieth century but only became widely used in the 1990s. The reason why the use of logit is preferred among researchers is its greater flexibility to interact between theoryand data, the estimation of multiple and interrelated dependence relationships, and an ability to represent unobserved concepts and correct for measurement error in the estimation process (Chin and Newsted 1999). More importantly, it helps to test binary type of data for making linear. Let π denote the probability that Y=1 when X=xi. If we use the standard linear model to describe π, then our model for the probability would be: π =Pr(Y=1/X=x) = βo + Σβixi + μi Since π is a probability it must lie between 0 and 1.the relationship the probability π and X can often be represented by a logistic response function. The probability π initially increases slowly with increase in X, then the increase accelerates, finally stabilizes, but does not increase beyond 1.intuitively this make sense. Consider the probability of a fairness issues being fair as a function of Vertical Fairness, Exchange Fairness, Horizontal Fairness, and Administrative Fairness, . $\pi = Pr(Y=1/X=x) = e\ \beta o + \Sigma\beta ixi/1 + e\ \beta o + \Sigma\beta ixi + Ei$ (this is called Logistic regression function) Where xi represents the factors affecting tax fairness issue for i=1, 2...5. Particularly, TFair =Tax fairness, βi=Coefficient for Xi, x1 = Vertical Fairness, x2= Exchange Fairness, x3= Horizontal Fairness, x4=Administrative Fairness, X5 Tax faireness Ei= Residual term

$$TFairi = \alpha 0 + \beta 1\ X1+ \beta 2\ X2 + \beta 3\ X3 + B4\ X4 + B5X5Ei + \beta kXki$$

Source=Samprit Chattergee, Alic, Hadi 2006

Instead of working directly with Π, we work with a transformed value of Π. If Π is the probability of a fairness issues being fair, the ratio Π/ (1- Π) called the odds ratio. $1- \Pi=Pr(Y=0/X=xi) = 1/1+ e\ \beta o + \Sigma\beta ixi\ \Pi/ (1- \Pi) = e\ \beta o + \Sigma\beta ixi$ Taking the logarithm of the above equation $G(x1,,,,, xP) =\log(\Pi/1- \Pi)$ (this is called logit) $= \beta o + \Sigma\beta ixi + e$ The logarithm of the odds ratio is called the logit note also that while the range of values of Π is between 0 and 1,the range of value of log(Π/(1- Π) is between $-\infty$ and $+\infty$,which makes the logits (the logarithm of the odds ratio) more appropriate for linear regression fitting Modeling.

Modeling the response probabilities by the logistic distribution and estimating the parameters of the model constitutes fitting a logistic regression. In logistic regression, the fitting carried out by working with the logits. The logit transformation produces a model that is linear in the parameters. The method of estimation used is the maximum likelihood method. The maximum likelihood of estimates obtained numerically, using an iterative procedure. Unlike least square fitting, no closed-form expression exists for the estimates of the parameters.

Prediction oriented measures, such as the R-squares (R2), path coefficients and the bootstrapping techniques used in this study to evaluate the logit model. R-squares

(R2) indicates that the independent variables expression of dependent variables and to examine the impact of a particular independent variable on a dependent variable. The path coefficient values indicate the strength of relationships among independent and dependent variables (Chin, 1999).

Therefore, the researcher used this model to test hypotheses H2 – H4. The model measures the four tax fairness dimensions together with tax knowledge and tax complexity system to see the influence on tax fairness perceptions and the analysis of all factors controlled by using dummy variable. i. e. 1 if compliance0 otherwise. In addition, with regard to the qualitative aspect, the data gathered from interviews were analyzed using thematic analysis, a method that identifies analyses and reports patterns within data.

3.5 Variables Definition

3.5.1 Dependent Variable: Tax compliance

Two alternate measures were used to capture tax compliance direct and indirect questions using hypothetical questions. The use of hypothetical questions can increase reliability of results and minimizes respondents' dishonesty when answering the questionnaire (Troutman, 1993). First, it was used responses to a more direct question: 'One should honestly declare all income on one's tax return'. The responses range from 'strongly agree' = 5 to 'strongly disagree' = 1. Secondly, it was used an indirect question to measure tax compliance: The respondents were asked to rate each hypothetical question whether as a taxpayer they would undertake the same action if they faced the same situation

3.5.2 Fairness and Tax Compliance

Society's perception on whether a tax system is fair and just is very important as previous studies in Verboon and van Dijke(2007); Kim (2002); Hartner et al (2008); and Murphy (2009) successfully proven that positive perception results in good compliance behaviors. If such perception exists, voluntary compliance also increases (Richardson 2005). Researchers such as Almet al. (1993) and Roberts and Hite (1994) found that taxpayers are less compliant if they perceive unfairness exist in the existing tax system. Therefore, some researchers verified that fairness have significant correlation with tax compliance (sepertiRichardson 2005; Natrah 2012). This means that discrepancies in tax reporting by taxpayers will happen when perception of Unfairness rise.

Richardson (2005) in his study assesses the relations between perception of fairness by taxpayers and their cross cultural compliance trend in Australia and Hong Kong. The same five dimensions used by Gerbing (1988) were utilized and results show significant correlation between perception on fairness and tax compliance. In the following year, he conducted a study on the impact of fairness perception on tax compliance in Hong Kong by adding on a new dimension which is middle income earners .All dimension of fairness exist in Hong Kong and affected tax compliance.

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H1: tax fairness it is positively significant impact on tax compliance behavior

Procedural fairness

Meanwhile, procedural fairness focuses on the perception whether fair procedures and services are executed by the authority (Murphy 2009; van Dijke & Verboon 2010). If the society perceives that the method for resource distribution is fair, thereforeprocedural fairness is high (Kirchler 2007). Generally, procedural fairness is an important factor in determining the relationshipbetween authority and the public (De Cremer & Tyler 2007; van Dijke & Verboon 2010 van Dijke et al. 2010). If an individualperceive that the authority executes fair procedures, they have more trust to the authority (Murphy 2004).

According to Murphy and Tyler (2008), if good and fair services are received by taxpayers from the authority, they will cooperate and will be more inclined with the decision made by the tax authority. Wenzel (2002b) found procedural fairness could forecast the level of compliance of taxpayers in Australia. His study shows taxpayers are more compliant as they perceive that tax officers treated them fairly and with respect.

However, previous studies on procedural fairness did not produce consistent result. Some researchers reported positive impact of procedural fairness (van Dijke &

Verboon 2010), while some other researchers failed to show such result (Worsham 1996).Hence, the following hypothesis is developed:

H2: Procedural fairness is positively significant to tax compliancebehavior

Vertical Fairness

Vertical fairness suggests that people in different economic situations should be taxed differently (Kirchler et al., 2006). Ideally, vertical fairness is maintained when people with higher incomes are taxed at higher rates than those with lower incomes. This idea of ability to pay is part of Distributive Justice Theory (DJT) developed by Leventhal (1976) which asserts that the ratio of inputs and outputs need not necessarily be equivalent to achieve fairness, but rather it depends on individuals‟ needs. This issue has been long considered by the Ethiopian income tax system where the progressive tax rates are as follows (Ethiopian Income Tax Proclamation number, 286/2002 and Income Tax Regulation number 78/2002):

H3: vertical fairness is negative impact to tax compliance behavior

Horizontal Fairness

The principle of horizontal fairness is a basic yardstick used to gauge whether tax burdens are fairly distributed. On the one hand, the idea that tax policy should strive for horizontal equity is uncontroversial (Musgrave 1990). It protects taxpayers against arbitrary discrimination, and also seems consistent with basic principles of equal worth.

Horizontal fairness is a measure of whether taxpayers in similar circumstances pay similar amounts of tax. For example, if one family pays higher taxes than a similar-income family next door, that violates “horizontal” fairness. This sort of unjustified disparity undermines public support for the tax system and diminishes people’s willingness to file honest tax returns

H4: Horizontal fairness is positively significant to tax compliance behavior

Administrative Fairness

Administrative fairness is concerned with taxpayers‟ perceptions of how the tax authority administers the income tax system. This concept of fairness emerged from Procedural Justice Theory (PJT), which asserts that fairness in procedures may lead to fair outcomes. PJT postulates six principles underlying fair procedures, namely: consistency, bias-suppression, accuracy, correct ability, representativeness, and ethicality. In relation to this study, administrative fairness of the income tax system was not only observed in terms of the above-mentioned principles, but also with a few other elements. For instance, accessibility to the tax authority has been an issue amongst the participants. In fact, there was a claim that discrimination has taken place in terms of the accessibility to the tax authority, where tax accountants and high-income taxpayers are given „‟privileges‟ over ordinary taxpayers. This statement signals that the bias-suppression principle was violated. For instance:

H5: Administrative fairness is negative impact to tax compliance behavior

Exchange tax fairness

Refers to the extent of government services received by a taxpayer relative to the tax they have paid: taxpayers compare their personal contributions to the state's finances (paid taxes) with the benefits they receive from the state (e.g., access to various public goods and services

H5: Exchange fairness is negatively significant to tax compliance

3.5.2. Demographic factors

Gender (male as a reference)

Some studies found that males are more compliant though other studies revealed contradictory results or no significant difference at all. As agreements on the findings still maintain, the need to explore current results is relevant. Hasseldine and Hite (2003) found that female taxpayers were more compliant than males. However, the study reported that males were more compliant compared to females when a negatively framed message was used, and females were more compliant than males when a positively framed message was used. In contrast, Richardson (2006) suggested that gender has no significant impact on compliance across a study of 45 countries.

Hypothesis 6— Male tax payers are more tax compliant

Age

Researchers come up with different results on the relationship between age and tax compliance. For example Tittle (1980), Warneryd and Walerud (1982) and Wahlund (1992) posit negative association, older people are less compliant. In contrast, Dubin, Graetz and Wilde (1987), Chung and Trivedi (2003) and Beron, Tuachen and Witte (1992) argued that age was positively related with compliance. However, there have been a significant number of studies which found no relationship between age and compliance (Spicer and Becker, 1980 and Porcano, 1988). Mohani (2001) also found that older people are more compliant.

Hypothesis 7 — older tax payers are tax compliant

Education

Previous literature supports the direct, positive relationship between educational level and taxpayer compliance (Jackson and Miliron, 1986). Chan, Troutman, and O'Bryan (2000) also postulate that education level is directly linked to a likelihood of compliance. Educated taxpayers may be aware of non- compliance opportunities, but their potentially better understanding of the tax system and higher level of moral development promote a more favorable taxpayer attitude and greater compliance.

Hypothesis 8 — Educational level has direct relationship with tax compliance

Income

Jackson and Milliron (1986) found that income level has a mixed and unclear impact on compliance. Although Jackson and Milliron (1986) did not clearly mention the reason, it is presumed that endogenous tax regulations among countries might contribute to inconsistent findings. For example, progressive tax rates might encourage the higher income group to evade rather than the lower income group because their (higher income group) tax rates and taxable income are high, thus, making the tax liabilities much higher than lower income group. In a country where income redistribution is not satisfying, the higher income group tends to evade more (Mohani, 2001) because the high income earner might feel betrayed and unfairly treated.

Hypothesis 9 — higher income level is positively associated with better tax compliance

Researchers come up with different results on the relationship between age and tax compliance. For example Tittle (1980), Warneryd and Walerud (1982) and Wahlund (1992) posit negative association, older people are less compliant. In contrast, Dubin, Graetz and Wilde (1987), Chung and Trivedi (2003) and Beron, Tuachen and Witte (1992) argued that age was positively related with compliance. However, there have been a significant number of studies which found no relationship between age and compliance (Spicer and Becker, 1980 and Porcano, 1988). Mohani (2001) also found that older people are more compliant.

Hypothesis 10 — older tax payers are tax compliant.

Tax knowledge

The influence of tax knowledge on compliance behavior has been described in various researches. The level of education received by taxpayers is an important factor that contributes to the understanding about taxation especially regarding the laws and regulations of taxation (Eriksen and Fallan, 1996). Previous studies have evidenced that tax knowledge has a very close relationship with taxpayers' ability to understand the laws and regulations of taxation, and their ability to comply (Singh and Bhupalan, 2001).

Hypothesis 11— Tax knowledge is positively associated with tax compliance

3.6 Conclusions and the relationship between research question/ hypotheses and sources of data

This chapter has presented the research question and various hypotheses as well as the methods appropriate to address them. Table 4.13 sets out how research question/hypotheses addressed by the appropriate item in the survey and in depth interviews with business profit taxpayers.

To sum up, based on the overarching research problem stated in the earlier chapter, one research question and four hypotheses have been developed. With respect to methodology, the principles of qualitative, quantitative, and mixed methods research approaches shown. Based on the underlying principles of research methods the mixed method approach were chosen as appropriate to this research. More specifically, to address the research questions, survey (self-administered questionnaires) and in-depth interviews were shown to be the appropriate methods of inquiry for this research. The next chapter presents the results and analysis of each of these methods of inquiry.'

CHAPTER 4

4. RESULITS AND DESCUSSIONS

The previous chapter presented the methodology used in the thesis. More specifically, the chapter was showed the different research approaches, methods of data collection, and analysis adopted in the study. This chapter presents the results of the various data collection methods and analysis in the context of the existing knowledge reviewed inchapter two. Accordingly, this chapter is arranged into four sections; the first section (4.1) presents overview of the research objective, specific research question, and hypotheses and in section (4.2) presents the results of the different data sources. 4.1 Objective, research question and hypotheses as shown in the presiding chapter the broad objective of this study is to explore how woliso town business profit taxpayers perceive business profit tax fairness issues. Thus, this paper tries much to show taxpayers‟ perception towards the fairness of business profit system in line with the social aspects (perception of the taxpayers) and political aspects (the way the administration conducts in accordance with tax fairness dimensions) in the case of the woliso town. To achieve this broad objective the following four hypotheses and one specific research question were developed This is followed by the analysis of results in the context of the knowledge in the literature as reviewed in chapter two in section (4.3). Finally, conclusion for the chapter presented in section (4.4).

4.1 Objective, research question and hypotheses

As shown in the presiding chapter the broad objective of this study is to explore how woliso town business profit taxpayers perceive business profit tax fairness issues. Thus, this paper tries much to show taxpayers‟ perception towards the fairness of business profit system in line with the social aspects (perception of the taxpayers) and political aspects (the way the administration conducts in accordance with tax fairness dimensions) in the case of the town of woliso. To achieve this broad objective the following four hypotheses and one specific research question were developed,,

Hypothesis1: Vertical equity and significant effect on tax compliance behavior among south west shewa woliso towncategory “c’’ taxpayers

Hypothesis 2: horizontal equity and significant effect on tax compliance behavior in case of woliso town of south west shewa category “c’’ taxpayers

Hypothesis 3: exchange equity and significant effect on tax compliance behavior in case of woliso town of south west shewa category “c’’ taxpayers

.Hypothesis 4: procedural fairness and significant effect on tax compliance behavior in case of woliso town of south west shewa category “c’’ taxpayers

Specific object How Tax fairness its impact on compliance behavior of category:” c” tax payers in south west shewa in case of woliso town

4.2 Results

One of the purposes of this study is to investigate woliso town category “c “business profit tax fairness and its impacts on compliance behavior, The principal data sources to this end are the survey and in-depth interview conducted to woliso town business profit taxpayers. The following discussion presents the results of the survey and in-depth interview therefore in section 4.2.1 presents survey results while in section 4.2.2 presents in-depth interview result

4.2.1 Survey result

In light of the above idea, the purpose of this section is to show the results from survey that conducted in woliso town business profit taxpayers. Therefore, it covers the respondents‟ profiles in section 4.1.1.1. Investigation of taxpayers‟ attitude towards the fairness of business profit tax system in section 4.1.1.2., and in section 4.1.1.3 it covers tax knowledge and tax complexity

4.2.1.1 Respondents’ profile

Respondents general back ground

This section describes respondents’ general information such as Gender, Age, Educational level and Income Level. Table 4.1 the first line for gender of respondents which shows that 55.8% of the respondents were males and 44.2% were females. This shows that the majority of Category “c” tax payers’ are male.

It is believed to be that the ability to read and write influences one’s ability to understand and interpret the tax laws. With this regard the survey collected the educational background of the respondents below 12,12th grade completed); 68.7% of the total respondents had diploma.27.7 On the other hand, the numbers of respondents who were first degree holders were 2.5%; the remaining 23.7% Cumulatively, all of the respondents were in possession of at least reading and writing and none of the respondents were bellow high school. This indicates that the majority of business taxpayers were well educated to know the need for taxation and they can understand and interpret the tax law and also age groups of the respondents. Since the study emphasized business taxpayers, a minimum age of 22 years old was considered as reasonable. There were three age groups involved in this study with a 10-year range in each group. The largest group of the respondents was between age of 22 – 30 having 73.9 %. The next large group was between the age of 31 – 40 representing 22.3% and 3.8 between age 41-50 of the total respondents. Respondent under100000 1.4%, Majority of respondent earned Income 94.2%between1000001 – 5,000,000.of respondent indicated that 1.4%their income ranges between 5,000,001 – 1,000,000 and 3%of respondent had annual income above 1000,000.

Table4.1 Demographic factor of respondent

S. N	Items	Response	Frequency	Percent
1	Sex	Male	203	55.8
		Female	161	44.2
	Total		364	100.0
2	Educational level	Below 12 grade	4	1.1
		12 grade completed	250	68.7
		Diploma	101	27.7
		Bachelor degree	9	2.5
		Total	364	100.0
3	Age	20-30	269	73.9

		31-40	81	22.3
		41-50	14	3.8
		Total	364	100.0
4	In came	under 100000	5	1.4
		1000001-500000	343	94.2
		500001-1000000	5	1.4
		Above 1000000	11	3.0
		Total	364	100.0

According to Income Tax Regulation No. 78/2002, there are different categories of business sectors. For this study, the sectors distribution of respondents was summarized in Table 4.2. As per the outcomes of the survey, about 70.1 percent of the respondents were engaged in business and good/trading activities, while 20.60, 9.1.and 3.0 percent

Were to be engaged in service, manufacturing and others sectors respectively (Table 4.2).

Table 4.2: Sectors distribution survey of respondents

	Frequency	**Percent**	**Cumulative Percent**
Manufacturing	**33**	**9.1**	**9.1**
Business and Goods	**255**	**70.1**	**79.1**
Service	**75**	**20.6**	**99.7**
Other	**1**	**.3**	**100.0**
Total	**364**	**100.0**	

Source:Business profit taxpayers" survey and own computations

In terms of forms of business Ownership or sole proprietorship, 74.2 percent and 25.8 percent of the survey of taxpayer respondents were sole proprietors and partnership respectively (Table 4.3).

Table 4.3 Forms of business ownership

	Frequency	Percent	Valid Percent	Cumulative Percent
sole proprietorship	270	74.2	74.2	74.2
Unity	94	25.8	25.8	100.0
Total	364	100.0	100.0	

Sources: ***Business profit taxpayers‟ survey and own computations***

The outcomes of the business profit taxpayers‟ survey in respect of the corresponding business‟ year of establishment also revealed that about 65.4 percent were established 1-5 years while 17.6 percent, 16.2percent, 8 percent were established in the 5-10,abave 10 years, and under one fiscal years respectively **(**Table 4.4).

Table 4.4 Year of establishment

	Frequency	**Percent**	**Cumulative Percent**

under 1 years	3	.8	.8
1-5	238	65.4	66.2
5-10	64	17.6	83.8
above10 years	59	16.2	100.0
Total	364	100.0	

Sources: ***Business profit taxpayers" survey and own computations***

In respect of knowing the position of the respondent in the sector, the result showed that about 59.1percent, 19.5 and 15.7 percent of the respondents respectively were owners, employees and managers while 5.8 percent were others employees (Table 4.5)

Table 4.5 Respondents' positions

	Frequency	**Percent**	**Cumulative Percent**
Owners	215	59.1	59.1
employees	71	19.5	78.6
managers	57	15.7	94.2
Others	21	5.8	100.0
Total	364	100.0	

Sources: ***Business profit taxpayers" survey and own computations***

In addition to the respondent position, the result shows the working duration of managers and employees in the sectors that covers the period from 1 to 5 years (Table 4.6)

Table 4.6 Working durations of managers and employees in a respective sectors,

Work duration	**Frequency**	**Percent**	**Cumulative Percent**

1-5years	150	41.2	86.7
5-10years	15	4.1	95.4
more than 10years	8	2.2	100.0
Total	173	47.5	
Total	364	100.0	

Sources: ***Business profit taxpayers‟ survey and own computations***

4.2.1.2 Attitude towards the fairness of business profit tax system

With respect to attitudes towards the fairness of business profit tax systems, different questions were asked. One of the questions inquired about the respondents‟ attitude towards the size of business profit taxpayers who are not willing to pay their taxes. In this regard, the survey outcomes revealed that about 34.6 percent , 36.1 percent, 27.7 percent and 1.9 percent indicated that taxpayers that fail to meet their obligation would be many, significant, few respectively whereas 1.6 percent of the respondents replied that there is no unwillingness to pay tax (Table 4.7).

Table 4.7 the size of taxpayers who are not willing to pay business

	Frequency	Percent	Cumulative Percent
Many	126	34.6	34.6
Few	101	27.7	62.4
Insignificant	6	1.6	64.0
None existence	124	34.1	98.1
do not know	7	1.9	100.0
Total	364	100.0	

Sources: *Business profit taxpayers survey and own computation*

To know the reason why taxpayers fail to comply profit taxes other than the non-existent group the result revealed that about 38.7 percent showed lack of knowledge as the major reason while 27.5 percent, 20.1 percent, and 13.7percent showed lack of ability to pay, negligence and only intentional behavior respectively(table 4.8).

Table 4.8 Reasons for taxpayers' failure to comply with profits tax system

	Frequency	Percent	Cumulative Percent
lack of knowledge	141	38.7	38.7
lack of ability to pay	100	27.5	66.2
Negligence	73	20.1	86.3
Intentional	50	13.7	100.0
Total	364	100.0	

Sources: *Business profit taxpayers" survey and own computations*

Table 4.9 Reasons why taxpayers pay taxes

	Frequency	Percent	Cumulative Percent
to avoid disturbance (penalty ,sanctions)	34	9.3	9.3
in participation of public service	102	28.0	37.4

	there is no opportunity to avoid	2	5	37.9
	it is an obligation toward the government	220	60.4	98.4
	do not know	6	1.6	100.0
	Total	364	100.0	

Sources: *Business profit taxpayers" survey and own computations*

4.2.1.3 Tax knowledge and tax complexity

To know the point why taxpayers pay taxes, the survey result showed that 99 percent of the respondents responded that they knew why they pay taxes 60.40 percent of the respondents replayed that they pay taxes because it is a compulsory act while 28.0 percent of the respondent said that. On the other hand anticipation in public services, On the other hand 9.3 percent respondent replayed that to avoid disturbance (penalty, sanctions) 5 percent respondents said that they have no opportunity to evade, and the remaining 1.6 percent of the respondents said that they do not know (table 4.9).

Table 4.10 Tax fairness and ability to pay taxes

	Frequency	**Percent**	**Cumulative Percent**
Yes	100	27.5	27.5
No	264	72.5	100.0
Total	364	100.0	

Sources: *Business profit taxpayers survey and own computation*

As Table 4.10 revealed, 72.5 percent of taxpayer survey responded that the tax system is not fair and based on the principle of ability-to pay while the remaining 27.5 percent of the respondent responded that the tax they paid is fair and equitable.

To know whether the tax authority delivered training or education for enhancing the knowledge of taxpayers" the survey result showed that 53.0 percent of respondents were not taken any trainings that could developed there awareness. Whereas 23.9 percent,10.4 ,7.1and 5.0 percent of the respondent replied that, they had taken once, twice , above three and three times in a year respectively (table 4.11).

Table4.11 attending discuss about tax per year

	Frequency	Percent	Cumulative Percent
once a year	87	23.9	23.9
twice a year	38	10.4	34.3
Three times a year	20	5.5	39.8
Above three times	26	7.1	47.0
not at all	193	53.0	100.0
Total	364	100.0	

Sources: *Business profit taxpayers" survey and own computations*

With regard to measures taken by the government, the survey respondents were given the opportunity to suggest on the issue that is better if it implement for making the tax system fair. In this aspect, 66.2 percent of the respondents agreed with strengthening legal enforcement and penalties to ensure tax fairness whereas, 33.2 percent disagreed with the aforementioned idea likewise the mean value remained below the average. In the case of other measures (improving policy and administration issues, educating the taxpayers and conducting awareness creation and consultation sessions, to provide necessary information to taxpayers" like, services and utilization of tax revenues. In addition reducing tax rates and making the collection procedures simple, transparent, and seating of different programs to enhance taxpayers" knowledge regarding the importance of imposing tax, and convincing taxpayers to believe, percent of the respondents agreed that the government has to take measures that could ensure tax fairness. Hence, the mean value also showed above the average i.e. 1.34 and 1.26 (table 4.12)

Table 4.12: Taxpayers' responses on measures taken by the government to improve tax fairness issue

Possible measures	N	Minimum	Maximum	Sum	Mean	Std. Deviation	Response	
							Disagree (%)	Agree (%)
improving policy and administration issue	364	1	2	460	1.26	.441	26.6	73.6
conducting awareness and consultation sessions	364	1	2	467	1.28	.451	28.3	71.7
to provide services and utilization of tax revenue	364	1	2	487	1.34	.474	33.8	66.2

Sources: *Business profit taxpayers" survey and own computations*

Describe respondent's tax compliance attitude based on their response to "How frequently do you think tax payers evade taxes? Underreport their income? & overstate their deductable expenses? Only 31.9% of the total respondents never evade taxes while the rest 68.1% evade taxes either by underreporting income or overstating expenses. This implies that majority of category "c" tax payers do not comply with the tax law Hence, the mean value also showed above the average i.e. 2.38 and 2.04 (table 4.13) and table(4.14)

Table: 4.13Describe respondent's tax compliance

	Frequency	Percent	Cumulative Percent
Never	116	31.9	31.9
Sometimes	109	29.9	61.8
Not so often	43	11.8	73.6
Frequently	88	24.2	97.8
Very frequently	8	2.2	100.0
Total	364	100.0	

Sources: *Business profit taxpayers" survey and own computations*

Table 4.14 Descriptive Statistics for Tax compliance

	N	Minimum	Maximum	Mean	Std. Deviation
How frequently do you think taxpayers evade taxes	364	1	5	2.04	1.022
How frequently do you think taxpayer sunder report their income?	364	1	5	2.35	1.218
How frequently do you think taxpayers over state their deductable expenses?	364	1	5	2.38	1.279

Sources: *Business profit taxpayers survey and own computation*

Vertical equity fairness under the respondent mean 2.04 and variance1.406,fair that high-income earners paying and lower low income taxed at a lower rate than middle income mean 1.309 and 1.712 .fair share of the tax burden1.396 and 1.950 table4.15

Table 1.15 Descriptive Statistics for vertical fairness

Vertical fairness	N	Minimum	Maximum	Mean	Std. Deviation	Variance
fair that high-income earners paying and lower	364	1	5	2.04	1.186	1.406
low income taxed at a lower rate than middle income	364	1	5	2.23	1.309	1.712
fair share of the tax burden	364	1	5	2.64	1.396	1.950

Sources: ***Business profit taxpayers survey and own computation***

Horizontal equity fairness one of the determination tax compliance under this equity the respondent mine at all items. Similar amount of income tax mean 2.45 and fair share of tax, 2.64.table1.16

Table; 1.16 Descriptive Statistics for Horizontal fairness

Horizontal fairness	Range	Minimum	Maximum	Mean		Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic
similar amount of income to pay equal tax	4	1	5	2.45	.068	1.307
fair share of the tax burden	4	1	5	2.64	.073	1.396

Sources: *Business profit taxpayers survey and own computation*

Under this equity fairness name impliance exchange considerable benefit reserved from gov.t0.033.1 gov.t return Income tax and gov.t pend revanue1.322 table108Table1.18 Descriptive Statistics for Exchai

Exchange fairness	Range	Minimum	Maximum	Mean		Std. Deviation	Variance
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Statistic
Considerable benefit reserved from gov.t	4	1	5	2.12	.054	1.033	1.067
gov.t return income tax	4	1	5	2.66	.068	1.300	1.690
Gov.t spend tax revenue	4	1	5	2.91	.069	1.322	1.748

Sources: *Business profit taxpayers survey and own computation*

Admstrational fairness respondent mean for items consistence income tax, and correction error 3.05 and 2.78 Table1.17

Table1.17 Descriptive Statistics for Admstrational fairness

Admstrational fairness	N	Range	Minimum	Maximum	Mean		Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic
consistence of income Tax	364	4	1	5	3.05	.062	1.183
correction error	364	4	1	5	2.78	.068	1.294

Pearson correlation coefficient

A correlation test is conducted to determine the relationship between horizontal fairness, vertical fairness, exchange fairness, and admistration fairness profit tax system as the dependent variable and the independent variable in this study. Table 4.20 shows the correlations between five variables

Table; 4.18 correlations between five variables

	vertical fairness	horizontal fairness	tax compliance	Exchange fairness	Procedural fairness
vertical fairness	1 364	.290** .000 364	-.155** .003 364	.784** .000 364	-.023 .658 364
horizontal fairness	.290** .000 364	1 364	-.115* .029 364	.509** .000 364	.119* .023 364
tax compliance	-.155** .003 364	-.115* .029 364	1 364	-.093 .075 364	-.082 .118 364
Exchange fairness	.784** .000 364	.509** .000 364	-.093 .075 364	1 364	-.048 .361 364
Procedure faireness	-.023 .658 364	.119* .023 364	-.082 .118 364	-.048 .361 364	1 364

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

4.2.1.4 The logit model results

This section presents the result of the model through regression analysis such as Wald‟s-test, mean value, p-value, R-squares (R2), adjusted R-square, significant test, path coefficients using SPSSI nvestigating the mean values of tax fairness among woliso Town business profit taxpayers, together with the corresponding two-tailed *p*-values to determine whether or not taxpayers‟ perceptions different. The *p*-values column shows values of less than 0.05 for all dimensions of fairness tax complexity and tax knowledge with the exception of horizontal fairness. In respect of the Wald‟s-test, analysis revealed results with regard to the taxpayers‟ perceptions towards the fairness of business profit tax system.

The result shows that almost all of the respondents have different perception tax compliance and noncompliance towards the business profit tax system. More specifically The *Wald"s*-test analysis shows that the respondents have lower fairness perceptions, and tax knowledge. Whereas in terms of complexity of the tax system, similarly the Wald"s test viewed that the system is more complex. At the same time, path coefficients, in the logit model, represents the predictive link among constructs. Therefore, the path coefficients for tax fairness dimension tested variables except horizontal fairness and other variables like tax knowledge and tax complexity were highly significant at the 0.005 level. Finally, the R2 value suggests to what extent the independent constructs help to explain the dependent constructs. Thus, the bigger the R2, the more predictive power the model possesses. Therefore, the R2 result shows that 70 percent of those fairness dimension, tax knowledge and tax complexity system explain the Dependent variable. Table 4.21 presents the statistical outcomes, which include p-value, mean, path coefficient, observed *Wald"s*-statistics, and significance level.

Multiple regression analysis

Multiple regression analysis is conducted to identify the relationship between tax fairness perception as dependent variable and the independent variables. The outputs of multiple regressions are showed in (Tables 4.21).

Table 4.19 Variables in the Equation

	B	S.E.	Wald	Df	Sig.	Exp(B)
Pf	-.481	.294	2.674	1	.102	.618
Vf	-.726	.280	6.741	1	.009	.484
Hf	.945	.324	8.505	1	.004	2.573
Ef	-.504	.226	4.961	1	.026	.604
Tax fairness	.508	.265	3.686	1	.055	1.663
Constant	.560	.665	.708	1	.400	1.750

a. Variable(s) entered on step 1: pf, vf, hf, ef, and tax fairness.

4.3 Analysis

As stated in chapter 2 the specific research question of this thesis is In this context, How Tax fairness its impact on compliance behavior of category:" c" tax payers in south west shewa in case of woliso town the broad objective of this research, as presented previously, to examine tax fairness its impact on compliance behavior in case of south west shewa woliso town category ''c" business profit.*?"*. i.e, (It tries much to show Tax fairness its impact on compliance behavior of category:" c" tax payers in line with the social aspects (perception of the taxpayers) and political aspects (the way the administration conducts in accordance with tax fairness dimensions); in the case of the woliso town). This broad objective was stated as hypotheses and specific research question in section 4.1. The purpose of this chapter is to address the specific research question and hypotheses through considering broader objective of the study at large, using data presented in the preceding section. Accordingly, the following Analysis presents; how the research question and all the hypotheses were addressed. This is followed by a discussion of the application of the findings to the research objectives

Hypothesis1, Vertical equity significant effect on tax compliance behavior among south west shewa woliso towncategory "c'' taxpayers

Data obtained from business profit taxpayer‟ survey and in-depth interviews were employed to address this specific research question and hypotheses.

Based on table 4.9, ,4.12,4.13 4.14,4.15 and 4.16 the mean values of survey results of Tax fairness its impact on compliance behavior of category:" c" tax payers in south west shewa in case of woliso town, together with the corresponding two-tailed *p*-values to determine whether or not taxpayers‟ perceptions is different. The *p*-value column shows values of less than 0.05 for all dimensions of fairness with the exception of horizontal fairness. Based on these statistics, the null form of hypothesis1, which states, there is no difference in fairness perceptions, level of tax knowledge perception, and level of complexity perception among woliso town business profit taxpayers of the current income *tax systems. In Fairness perception case, not accepted* at 5 percent significance level. In other word, the result implies that fairness perceptions among woliso town business profit taxpayers are different. The only fairness dimension that taxpayers had similar perceptions was horizontal fairness. Apart from providing evidence of significant difference in five dimensions of fairness perceptions among taxpayers, the mean values further indicate that taxpayers have better fairness perceptions on the horizontal fairness. The result indicates that the tax they pay is not fair responded as the tax rates are too high, tax revenues are not spent on public services, and taxpayers are not willing to pay. From this response, it is clear that the tax rate is not based on the ability-to-pay principle or it is perceived to be unfair by taxpayers. In the *levels of tax knowledge case*, similar to the above case it is not accepted at the 5 percent significance level. This signifies that business profit taxpayers have different levels of tax knowledge. In addition to this, mean values indicate that taxpayers have lower knowledge. Finally, in the case of perceptions of tax complexity among business profit taxpayers, the result indicates that there is a difference in the levels of perceptions of the complexity among business profit taxpayers in the current business profit tax systems as the same time the mean values, it appeared that taxpayers perceived the income tax system as a more complex.

Besides this, the results from the Wald"s-test analysis described earlier, the fairness perceptions among business profit taxpayers indicate that the taxpayers who perceived their business profit tax system is unfair in different dimension i.e, exchange fairness, vertical fairness, and administrative fairness aspects with the exception of horizontal Fairness. Because the data indicates that, those taxpayers who are in similar economic positions taxed at similar rates. As the same time, the tax knowledge of the taxpayers in table 4.15 earlier as the mean value indicated that taxpayers had low level of knowledge. The possible explanation for these findings is the business profit and other investment incomes of taxpayers where their filing mechanism is difficult to understand easily. In this respect, possibly, respondents felt that their limited knowledge of tax is inadequate for them to comply with their tax obligations, and therefore which require more knowledge of the income tax system in the process of filing their tax return forms. Whereas the finding from interviews shows that, lack of knowledge among business profit taxpayers caused difficulty for dealing with tax matters the main reason for this as the suggestion of taxpayers is the tax authority does not provide any general, technical, and legal knowledge. Subsequently, the survey results of business profit taxpayers indicated in table 4.15 showed the mean value of tax complexity is high in other words the tax system has complex morphology; this is due to the protracted and prolonged in nature of the tax system.

Taxpayers ‘As the interviewed data analysis indicated that business, profit taxpayers had mixed perceptions on the fairness of the income tax system. Participants who viewed the business profit tax to be fair considered that paying tax is fair and not burdensome in the sense that one part of a social responsibility that should not avoided by any person living in a city. Some of the respondent explained that: It is designed reasonably fair to the Ethiopian society because of the recent modifications of the government, and the income tax system is fair, but it could always possible to fine-tune it. In addition to this, taxpayers pointed out the complexity of the tax system in respect of their sources of incomes, while complying with the difficulties of the tax law for the business profit taxpayers. Furthermore, the findings from the interviews indicated that the majority of taxpayers criticized several aspects of fairness. This is due to the variations in each dimension of fairness perceptions with the exception of horizontal fairness.

In general, terms based on the survey, and an in-depth interview discussion implies that the findings answer the research question negatively and the justification opposes hypothesis1. Similarly, scholars like Fallan (1999), Richardson (2005) and (Saw and Sawyer2010) as stated in the literature chapter supports this justifications.

Hypothesis 2,horizontal equity significant effect on tax compliance behavior in case of woliso town of south west shewa category “c’’ taxpayers.**”** To test this hypothesis survey result coupled with the outcome of in-depth interviews were used.

As Table 4.10 survey data revealed, the taxpayers perceived the fairness of business profit tax system from various dimensions: exchange, horizontal, vertical, and administrative fairness. These include the government spending extent of the collected tax revenue for the benefits of the society at large, the consideration of business profit taxpayers in different economic levels in respect of compliance of tax. As well as administration of the business profit tax system in line with legal, formal and procedural aspect and the fulfillments of self-interest for reacting with tax fairness issues.

Whereas in case interview result showed tax, fairness perceptions noted from different angles. For instance, there was a claim that fairness of the income tax system should be determined based on how tax is collected and how tax revenue is spent. If fairness were defined in these manners, some taxpayers would have improved perceptions of the fairness of the business profit tax system.

While majority of the participants perception went beyond the aforementioned two aspects of the business profit tax system. For them efficient tax collection and proper government spending of the collected tax revenues as measure for tax fairness dimensions, this supported by the analysis performed on taxpayers‟ views on fairness perceptions, which subsequently generated four main themes of fairness perceptions ; (1) Vertical fairness; (2) Administrative fairness; (3) Horizontal fairness: and(4) exchange fairness.

In this study, general fairness is concerned with taxpayers‟ perceptions of the broader aspects of the income tax system, such as government spending of the tax revenue and the benefits system. The results from the interviews indicated that, very the government spending of the collected tax revenues whereas the majority of the interviewed business profit taxpayers signaling their disappointment and discomfort concerning this issue satisfied few. These participants firmly believed that tax revenues were not properly spent in desired areas, such as health and education and instead wasted on government bureaucracy. This has intern led to the violation of trust in the government.

In relation to government spending, some participants further commented on the transparency issue where they claimed that the taxpayers were not well- informed on the details of how the tax revenue was spent. They expected a full disclosure of the government expenditure allowing them to examine the accounts and demonstrating greater government accountability. Specifically comments like there are a lot of a hidden cost, which has not been made public or told to the public and the people should be informed, everyone has the right to be informed and there should be an open book.

With regard to the social welfare/government benefits system, participants were generally pleased with the idea of assisting low-income taxpayers to have sufficient money to live on. However, participants stated that the system implemented with care to ensure that wealth distributed fairly and only to those genuinely in need. This is essential to avoid the misuse of money by those not deserving assistance.

Vertical fairness suggests that people in different economic situations should tax differently (Kirchler et al. 2006). Ideally, vertical fairness maintained when people with higher incomes taxed at higher rates than those with lower incomes. This issue considered by the Ethiopian income tax system where the progressive tax rates currently as follows (FIRA, 2010): The participants theoretically agreed this idea of progressive tax rates when they claimed that it is fair to impose higher tax rates on high-income earners rather than low-income earners. However, the implementation of the progressive tax rate under the current business profit tax system appeared to be unsuccessful. The result of the interviews indicated, vertical fairness was not accurately maintained in the tax system because; higher incomes earners were not sufficiently taxed. Others condemned the income tax system as „oppressing" the poor and hence, there was a suggestion to not tax low-income business profit taxpayers and between small business owners, who largely represent the middle-income group, and big companies. Participants who had experience running a small business, such that small business operators not treated fairly relative to the big companies, who were entitled to various tax breaks. Administrative fairness is concerned with taxpayers" perceptions of how the tax authority administers the business profit tax. This concept of fairness emerged from Procedural Justice Theory (PJT), which asserts that fairness in procedures may lead to fair outcomes. PJT postulates six principles underlying fair procedures, namely: consistency, bias-suppression, accuracy, correct ability, representativeness, and ethicality. This statement signals that the bias-suppression principle violated.

Despite the criticisms on the accessibility of the revenue authority, participants were quite satisfied with the tax authority those their annual turnover less than hundred thousand were no longer required to file tax return forms. Such simplicity, however, were not enjoyed by their annual turnover greater than hundred thousand business profit taxpayers groups, who remain burdened with a lot of paperwork. This situation seems to be most unsatisfactory as the responsibilities to organize tax matters rests solely with the taxpayers.

Another aspect of administrative fairness that participants commented on was administering taxes for beneficiaries. Participants claimed that taxing beneficiaries and low-income people had actually resulted in huge tax administrative costs. In addition, participants commented that it seems unreasonable for the tax authority to impose tax on benefits, which essentially designed to help low-income people. In relation to this, participants were suggested excluding low-income people from the income tax system, which would subsequently reduce the number of people ERCA has to administer, and associated administration costs.

Hypothesis 3 and Hypothesis 4 exchange equity and procedural fairness ssignificant effect on tax compliance behavior in case of woliso town of south west shewa category "c'' taxpayers." respectively. Examination of this hypothesis required survey result with the in-depth interview. As the survey result showed in table 4.16, and table 4.17 hypotheses 3 was tested by examining the path coefficient of tax knowledge to the fairness perceptions. The path coefficients of 0.023 were highly significant at the 0.005 level. Therefore, the study reveals that respondents of the agreed, tax knowledge had influence on fairness perceptions. At the same time Hypothesis 4, which was tested by examining the path coefficient of exchange equity effect on compliance behavior, this showed that the path coefficient had positive signal this implies 0.0120, were significant at the 0.005 level. This intern suggests that the less complex tax system will improve taxpayers‟ fairness perceptions. Therefore, the statistical outcomes reveal that tax complexity was a significant factor affecting taxpayers‟ fairness perceptions. In addition to this, *Wald"s-test* analysis also employed. In relation to tax knowledge the *Wald"s*-test analysis indicates, the respondents are in a lower position. Whereas the tax complexity tests result indicates the tax, system has complexity nature. Similarly, the logit model result with respect to R2 reveals that, the tax knowledge and tax complexity system explain the dependent variable (influence tax fairness issues).

As indicated in table 4.15, 4.16 and 4.19 and 4.20 respectively, the survey result showed the tax knowledge and tax complexity had strained fairness perceptions to a certain degree. This implies that taxpayers who were well aware of the tax knowledge understood the business profit tax system moderately.

As the interview, result revealed, some participants who were asked about their knowledge on business profit tax system had described that a general idea(objectives of income tax, and types of income tax) about the business profit tax but not much on the details of the system. With regard to the complexity of the business profit tax system, the majority of the interview participants (business profit taxpayers) claimed that the system is generally too complex for taxpayers to understand. Since business profit taxpayers deals with various tax matters including income tax, turnover tax (goods and service tax) and so on, which expected to result in high compliance costs. Whereas participant put the blame on the multitude forms and tax itself is inherently causing the complexity in the business profit tax system. Thus, the interviews result showed, both tax knowledge and tax complexity are affected fairness perceptions to a certain degree. In other word, they suggested that taxpayers with good tax knowledge understood more of the business profit tax system, which would result in better perceptions on fairness; as well, a justifiable business profit tax system would lead a simple and easily understandable business profit tax system. Based on the survey and in-depth interview result, Hypothesis 3, which assumes that *„knowledge of the business profit tax system influences taxpayers" fairness perceptions*," accepted by taxpayer and resulting in acceptance of the hypothesis 4, which stated that *„complexity of the business profit tax system influences taxpayers" fairness perceptions."* Similarly, scholars like Harris (1989), and Cox and Eger (2006), as stated in the literature chapter supports these justifications.

The correlation between dependent variable and independent variables of tax fairness issues as Table 4.20, the results show clearly that the correlation between fairness perception (dependent variable) and General and exchange fairness (independent variable) is Pearson Correlation (r) = 0.510 and 0.596 with p-value = 0..003 and .011. The correlation is positive and can be accepted in the relationship between the two variables, as the Pearson Correlation is less than 0.5 Coefficients. In this method, the significant level is at 0.05. In case of the correlation between fairness perception and exchange fairness is Pearson Correlation (r) = 0.013 with p-value = .011. The correlation is positive and accepted the relationship between the two variables, as the Pearson Correlation is less than 0.5 coefficients. In this method, the significant level is at 0.05. The correlation between tax fairness perception and horizontal and vertical fairness is Pearson Correlation (r) = 0.290 and 0.000 and with p-value = 0.115 and

.0029. The correlation is negative for horizontal fairness and positive for vertical fairness this implies horizontal fairness is not accepted (negative relationship) but vertical fairness is accepted, as the Pearson Correlation is less than 0.5 coefficients. In this method, vertical fairness only the significant level is at 0.05. The correlation between fairness perception and personal, Administrative fairness asCorrelation (r) = 0.0.93,.0.075. and .421 with p-value = .006,.013,.012 and 000 respectively The correlation is positive and can be accepted in the relationship between the dependent and independent variables, as the Pearson Correlation is less than 0.5 coefficients. In this method also, the significant level is at 0.05. Thus, the relationship is acceptable.

4.4 Conclusion

To sum up, the discussions in this chapter endeavored to integrate the results of the quantitative and qualitative methods so as to address the specific research question and hypotheses and achieve the objectives of the research holistically. However, the findings in this study are not without weaknesses. The subsequent chapter, thus, presents the strengths and weaknesses of the study coupled with implications to the tax authorities and the literature with future research directions

Chapter 5:

Conclusions and recommendations

This chapter presents the conclusions and recommendations. The purpose of the chapter is to review the whole thesis and highlight future research directions. Accordingly, section one presents overview of the thesis and its major findings while the second section presents the recommendations with future research directions. The third section covers the contribution of the thesis to the literature and tax authority. The limitations of the thesis presented in the last section.

5.1 Conclusions

Tax Fairness and compliance behavior, which derived from Equity Theory, established as an important element in individuals‟ lives. while tax compliance has been an academic research topic in Ethiopia, there has not been detailed consideration of the major determinants of tax fairness and impact on compliance behavior in taxpayers. The primary objective of this study is to understanding the tax fairness and its impact on compliance behavior in case of south West Showa zone Woliso town category "c" tax payer's and. based on an objective analysis of data and discussion of findings; the following are the summary of major findings and conclusions of this study.

In terms of horizontal fairness, the result show it have positive insignificant effect compliance behavior. this means a measure of whether tax payers in similar circumstance pay similar amount of tax ,vertical fairness negative insignificant impact on tax compliance in people different economic situation should be taxed differently when people with higher income are taxed at higher rate than those with lower income procedural fairness negative in significant effect on tax compliance if an individual perceive that the authority executes fair procedures they have more trust to the authority and exchange fairness individual compare their benefit received to contribution ration with that the other. Should be equal among those with similar contribution

In general tax fairness positive significant on tax compliance is a measure of whether ,the absence of adequate training, follow up, education and limited knowledge on their respective business profit tax systems intern resulted in difference in the perception of taxpayers towards income tax system and the government ought to obtain the intended revenue from the taxpayers. Furthermore awareness is a corner stone as far as voluntary compliance is concerned. As the finding shows, lack of awareness was cited as the major and leading reason for tax.

- ✓ The absence of clear-cut objectives, programs, procedures, rules and regulations which have, direct intact with the taxpayers knowledge and awareness intern brought about complex tax system.
- ✓ The authorities treat those individuals who have similar income level equally. This indicates the acceptability of horizontal fairness by the business profit taxpayers.
- ✓ There is no administration consistency in respect of the provisions of business profit tax system. This negates the principles of administrative fairness across business profit taxpayers.
- ✓ There is an overlap in the actual practice and the stated principles in respect of vertical fairness; those business profit taxpayers who make high-income would not be taxed in association with progressive tax structure.
- ✓ The tax authority as a responsible organ to activate tax system in the city is not effectively utilize a reasonable amount of tax revenue to achieve social goals and it spends much of the tax revenue for unnecessary welfare assistance. This implies the improper practice of general and exchange fairness;
- ✓ In respect of tax estimation most of the time experts from the tax authority levy tax burdens at the spot without considering the capacity of individual taxpayers (levy beyond the actual capacity of taxpayers), this contradict the concepts of personal fairness.

From the above findings, what the paper generally conclude that, though there have been considerable attempts and progresses to improve taxation system in the City, there are significant drawbacks. Unless these strains are resolved there might not be changed the perceptions and attitudes of the taxpayers as well as the social and economic development of the city.

5.2 Recommendations

Edlund (2003) summarizes that those who have carefully studied the public's attitudes, perceptions, and knowledge of taxes and tax policy have generally found that citizens are indeed remarkably misinformed/ confused. In other way Edlun (2003), pointed attitudes towards the tax system may affect by the behavior of an individual's reference group (relatives, neighbors, friends, and political associates) and nature of the tax systems (taxing environment). Based on the study conducted using survey method and in depth interview taxpayers perception towards the fairness of business profit tax system were identified and possible recommendations would be forwarded so that it may help the tax authority and other policy makers to approach the issue accordingly.

- ✓ Firstly, as for some direction for future research, researcher in this area of study might want to explore further on the new dimensions found discovered in this exploratory study. A comprehensive study need to be considered to further validate the operational aspects of the new dimensions. Another possible research would be conducted to change the sample, to survey business profit taxpayers (sole proprietors or taxpayers doing own business) and employments income tax payers then make a comparative study to find out if there are any significant difference between these groups of taxpayers‟. The present study surveyed business profit taxpayers. This is recommended because employments income tax is subjected to monthly Scheduler Tax Deduction (STD) and is mandatory for employers to comply. However, for business profit taxpayers they pay in full yearly bases. Therefore, the differences in the schemes might show differences in perceptions of tax fairness and their tax reporting behavior.
- ✓ Secondly, the tax authority educating the public must be considered crucial. It is possible through tax education, concepts of taxation and tax knowledge shall be imparted. Furthermore, taxpayers‟ need more information about their tax obligations and their role in promoting the growth of the economy of the country and the well-being of its citizens. The tax education can be a tool to inculcated tax fairness issue up on taxpayers‟. In the context of reaching to the society, the tax authority can use the electronic media as a means to educate taxpayers‟ and change their perceptions about their tax reporting behavior and their overall perceptions of taxation in general. Public service

advertisement covering aspects of tax reporting behavior to influence change of perceptions among taxpayers‟ can be aired over television.

- ✓ Thirdly, a remedial suggestion to the tax authority and future researcher, there should be a large-scale survey to study perception of taxpayers covering many determinants of tax fairness. Results from the study will provide indication to tax authority of the perceptions of taxpayers‟ in particular and the government in general to consider changes that will further enhance the tax system in Country.
- ✓ Fourthly, the most obvious requirement for maintaining fairness or equity among taxpayers it should treat all taxpayer based on his/her ability to pay and fair way. Maintaining tax equity and fairness is not achieved only through levying equal taxes on individuals who have equal income (horizontal fairness) but also in others cases of affecting factors of fairness issues i.e., vertical, administration, and exchange fairness etc. Therefore the question of fairness or equity is not only dealing with current taxpayers but also concerned with people outside the tax system because ensuring equity means encouraging and protecting honest and loyal society by adopting fair competition and efficient tax administration system. i.e, (Effective and efficient tax assessment, collection, awareness creation, and providing information), so that it will perceived as strong and powerful by the society especially taxpayers. Hence, to create fair tax system the tax authority needs to strengthen itself by educating and training its employees, computerizing its operations, devoting additional resources, the tax law and procedures simple, understandable, and transparent because tax fairness enhanced when vibrant and efficient tax authority exists.
- ✓ Fifthly, one of the areas to stress while dealing with the issue of fairness perception is the development of persuasive communications between the tax authorities and taxpayers. The most effective tool for making people more positive is to empower them with knowledge and changing taxpayers‟ attitude through sustainable awareness creation programs. Awareness creation should go beyond simply giving tax education to taxpayers it should extended to having consultative sessions. There should be more preventative education for the public and increased awareness of tax responsibilities in schools. Students should be educated early in their career about tax responsibilities. All of these

promote a view for tax system fair at the same time to inculcate in citizens a sense of responsibility toward taxes and finally

- ✓ There is no sufficient provision of social services by the government. According to the result, the taxpayers need various social services from the government in return of what they have paid as a tax. If there is no provision of sufficient services, the willingness and motivation of the taxpayers to pay their tax obligation in full and on timely basis may affected, i.e. the taxpayers perceive that their money is being misappropriated or used for meaningless purposes. Therefore the government should be transparent for the taxpayers‟ money and the service provided to the society.
- ✓ Finally, to improve tax collection enforcement measures and requirements of submission (regarding annual tax returns) and the income tax rates should be adjusted, with adjustments made to both the income threshold and rates.

5.3 Contribution and implications of the study

The findings of this study expected to provide updated information and advanced practices towards fairness perceptions in the town. In the researchers view, the results of this study have contributed to the tax literature as well as to the tax authorities (policy makers of the town Administration) of the Country. The contributions discussed below:

To the literature

This study contributes to the existing literature in several ways. First, this study adds to the limited literature available in the world and countries. Because Most of the prior studies undertaken on such area conducted in United States (US), Europe, and Australia as well as there is no any research conducted in our countries context therefore this study shows the fairness perceptions in the cases of Ethiopia. In particular, the findings of this study which suggest that taxpayers appeared to have negative perceptions on exchange fairness, vertical fairness, and administrative fairness of the current income tax system. Thus, the findings documented in this study will be a „stepping stone‟ for more studies in the future. Second, the mixed-method approach undertaken in this study provides complementary views from different perspectives. While the survey results emphasize the predictive power and significance level of the analysis, the in-depth interviews enhance the findings by providing explanations that are more detailed. For instance, while the survey results suggest that a fairness perceptions and affecting factors, the interview participants further explain their concerns with the income tax systems that reflect their perceptions on fairness issues. Finally, this study helps as instrument for future researchers intending to study fairness perception and factors affecting fairness issues To the tax authorities In addition to advancing academic and knowledge in the taxation area, this study also has its practical implications. First, the information pertaining to various dimensions of fairness will be useful to the tax authorities to improve the areas, which have led to negative attitudes on the tax system among taxpayers as well as to incorporate measures that address these pitfalls while designing a tax system or policy (in reviewing and modifying current income tax systems). Besides, it may give some highlights that will serve as a basis for further nationwide research and policy design. For instance, being aware that taxpayers of the town were dissatisfied with government spending and disclosure issues would assist the tax authorities in encouraging the governments improve the efficiency of government expenditure and the level of transparency. Secondly, the information obtained in this study on taxpayers‟ knowledge of tax, which is generally limited, would also be useful for tax authorities to develop an appropriate education program. A more consistent, rather than seasonal campaign through the public media, could be an effective way to communicate tax matters to the public. Incorporating tax education in the secondary schools curriculum may also help for early exposure to tax. Finally, the information on taxpayers‟ perceived complexity of the income tax system provides a signal to the tax authorities, to increase their efforts in providing a more user-friendly income tax system. While the income tax system has undoubtedly gone through a simplification programmer, the benefits of such a program are still vague in the view of taxpayers. Perhaps more assistance offered to taxpayers, especially the business profit taxpayers, to deal with their tax obligations at the early stages of their business activities.

5.4 Limitations of the research

Notwithstanding the significant contributions of this study, it also has a number of limitations. The first is the inherent weaknesses with the survey approach itself, like the respondents‟ differing interpretation of the questions. However, acknowledged that these weaknesses may remain to some extent. For example, In terms of the different interpretation of the questions by respondents, the researcher has made reasonable efforts to ensure the wording and sentences were straightforward and precise. In terms of the interview approach, the main weakness is probably the use of similar samples for the survey.

In this study, participants for the interview invited to participate via the survey. On the other hand, the study only used business profit taxpayers who are largely sole proprietors and partners. This because the aforementioned sectors were under the control of woliso town Government whereas, the rest business profit taxpayers were Administered under the Federal Government. Thus, it need critical caution should take when generalizing to other Business profit taxpayers.

Besides the respondents‟ attitudes in course of giving responses felt or perceived the study as if it encountered with the government. The time allotted by the department for the accomplishment of this paper is not sufficient and it intriguing the researcher a lot. Beside this, the scarcity of sufficient fund and the absence of adequate source of materials made the work more complex. Unless the undying effort of the researcher exerted for each of the protracted problems the paper would not been reaching to this status.

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Appendices 1

WOLKITE UNIVERSITY

COLLAGE OF BUSINES S AND ECONOMICS DEPARTMENT OF ACCOUNTING AND FINANCE MASTERS OF SCIENCE (MSC) IN ACCOUNTING AND FINANCE

Dear Participant

This project is entitled Tax fairness and its impact on compliance behavior of tax payers in south west shewa in case of woliso town category'' c'' business profit. The investigator is Fire Gebre Babenga who is currently an MSc (in accounting and finance) student at the wolikite University. The aim of this project is to understand how woliso town business profit taxpayers perceive income tax fairness issues. To supplement the data obtained from in depth interviews with purposively selected business profit taxpayers in woliso, the investigator seeks to gather relevant information from randomly selected taxpayers by means of self-administered questionnaire. Participation in this project is completely based on your willingness. The self-administered questionnaire results will be recorded anonymously and strict confidentiality will be maintained. Individual responses will not be identified in the investigator's MSc thesis.

For further information, please contact **Fire Gebre Babenga**

by the following address: Tel: 0921-54-25-42

E-mail: firegebre8@gmail.com

PART I: Tax payers' general information Kindly tick (√) on the choice you do believe that it is the most appropriate response.

1) Gender

1 ☐ Male 2 ☐ Female

2) Age

1 ☐ From 21-30 2 ☐ from 31 – 40

3 ☐ From 41 – 50 4 ☐ Above51

3 What is your level of education?

1 ☐ Below 12 grade 2 ☐ 12 grade completed,

2 ☐ Diploma ☐ 4 Bachelordegree

Master or Above 6 ☐ Please specify ……………………

Section I: Background information Please tick (√) where appropriate

1) What is your main business activity?

1 ☐ Manufacturing 3 ☐ Services i.e., professional etc

2 ☐ General Merchandise and Trade 4 ☐ Other please specify……………

2) What is your legal form of business operation?

1 ☐ A sole proprietorship 3 ☐ A partnership

2 ☐ A private limited Co. 4 ☐ A share company

5 ☐ Others, please specify…………………………………………………

3) When did you start business?

1 ☐ Less than 1 year 3 ☐ 5-10years ago

2 ☐ 1-5 years ago 4 ☐ more than 10 years ago

5 ☐ Other, please specify…………………………………………………

4) What was the approximate turnover/birr value of sale that your enterprise made in 2013 fiscal year?

1 ☐ Under Birr 100,000 2 ☐ Birr 100,001 – Birr 500,000

3 ☐ Birr 500,001 – Birr 1,000,000 4 ☐ Birr1000, 001more

5 ☐ If your turnover was more than Birr 1000,001,please state the approximate turnover in 2013 fiscal year: Birr…..

6) What is your position in the sector?

1 ☐ Owners 2 ☐ Employees

3 ☐ Manager 4 Other responsibili ☐ please specify ………………

7) If your answer to question number 6 is other than owners, how long you have been in the position?

1 ☐ Less than 1 year 2 ☐ 1-5 years

3 ☐ 5-10years 4 ☐ More than 10 years

5 ☐ Other, please specify………………………………………………………….

Section II: Questions related to taxpayers' attitude towards the fairness of Business profit tax system.

8) How do you guess the size of taxpayers who are not willing to pay business profit taxes?

1 ☐ Many 2 ☐ Few

3 ☐ Insignificant 4 ☐ None existences

5 ☐ Do not know

9) Why these taxpayers are not willing to pay business profit taxes? (Multiple answers are possible).

1 ☐ Lack of knowledge 2 ☐ Lack of ability to pay

3 ☐ Negligence 4 ☐ Intentional Please provide further comments if any…………………………………

S.N	**Statements**	**1 Strongly Disagree**	**2 Disagree**	**3 Neutral**	**4 Agree**	**5 Strongly Agree**
10	I believe the government utilizes a reasonable amount of tax revenue to achieve social goals, such as the provision of benefits for lower income families					
11	It is fair that high-income earners are subject to tax at progressively higher					

	tax rates than low-income earners. This also applied practically.					
12	The income taxes that I have to pay are high considering the benefits receive from the government					
13	The administration of income tax system by taxing Authority is consistence across years and taxpayers					
14	I think the government spends too much tax revenue. This is especially true in developed countries with what is true in countries like Ethiopia					
15	There are a number of ways available to me to correct errors in the calculation of my tax liability, If necessary at no additional cost.					
16	I believe that I pay my fair share of the tax					

	burden under the current income tax system					
17	I believe it is fair for me to pay a similar share of income tax compared with other taxpayers earning an equivalent amount of income					
18	I believe there are a number of factors that affect the fairness of income tax system					
19	receive fair value from the government in return for my income tax paid (e.g. benefits)					
20	It is fair that low-income earners are taxed at a lower rate than middle-income earners.					

Section III: Questions related to taxpayers' general knowledge about taxation

21) Why do you pay taxes?

1 ☐ To avoid disturbances (penalties, sanctions)

2 ☐ In anticipation of public services

3 ☐ There is no opportunity to evade

4 ☐ It is an obligation towards the government

5 ☐ Do not know.

6 ☐ Others, Please specify…………………………………………………

22) Do you think that the business profit tax you are paying is fair and based on your ability to pay?

1 ☐ No 2 ☐ Yes

23) If your answer to question number 27 above is No, why not?

----

24) How often you are attending education sessions about taxation?

1 ☐ Once a year 2 ☐ Twice a year

3 ☐ Three times per year 4 ☐ above three times per year

5 ☐ Not at all

Please state your agreement or disagreement to the statements listed in the following table

S.N	**Statements**	**1 Strongly disagree**	**2 Disagree**	**3 Neutral**	**4 Agree**	**5 Strongly agree**
25	do not have to make a lot of effort to understand the explanations given in Ethiopian Revenue and Custom Authority guidebooks and other similar explanatory materials					
26	I find tedious in procedural complications and to					

	maintain all my relevant records for the whole year for tax purposes					
27	The term used in the tax return forms are difficult to understand					
28	The Ethiopian business profit tax system is too complicated					
29	The Ethiopian business profit tax rules are bulky and hard for taxpayers like us to navigate					
30	Most of the time, I need to refer to others (professionals) for assistance in dealing with the tax matters. Because of unclear and unfair treatment of the business profit tax system					

31. Please indicate

Your agreement or disagreement to the measures that the government should undertake in order to improve the procedural fairness of the income tax system

Possible measures	**1 strongly disagree**	**2 Disagree**	**3 Natural**	**4 agree**
Improving policy and Administration issues				
Educating the taxpayers and conducting awareness creation and consultation sessions				
To Provide necessary information to taxpayers" like: services and utilization of tax revenues.				
Seating of different programs to enhance taxpayers" knowledge regarding the importance of imposing tax, and convincing taxpayers to believe as the tax system is fair.				
Strengthening legal enforcement and penalties				
Reducing tax rates and making the collection procedures simple and transparent				

Tax compliance

Questions on part IV are used to examine tax compliance of Category "C" tax payers. Very frequently VF) = 5, 'Frequently (F) = 4, Not so often (O) = 3, Sometimes (S) = 2, and Never (N)=1

S.N	Statement	**N 1**	S 2	O 3	F 4	VF 5
31	How frequently do you think taxpayers evade taxes?'					
32	How frequently do you think tax payer sunder report their income?					
33	How frequently do you think taxpayers over state their deductible expenses?					

Appendices 2

Taxpayers survey instrument (Amharic version)

ወሊቂጠዬኒቨርሲቲ

ፋካሊትኦፍቢዚነስእናኢኮኖሚክስ

አካውንቲንግእናፋዪናንስት/ክፍል

የገቢግብርን(business profit tax system) ጥናትማጠየቅ

የተከበሩየጥናቱተሳታፊ

የዚህጥናትርዕስ”Tax fairness and its impact on compliance behavior of tax payers in south west shewaincaseofwolisotowncategory’’c’’businessprofit ነው፡፡ አጥኝዋፍሬገብሬባበንጋስትሆንበአሁንጊዜበወሊቂጠዬኒቨርሲቲበቢዚነስናኢኮኖክስበአካውንቲንግናፋዪናንስት/ክፍሌየማስተርተማሪነኝ፡፡ የጥናቱዋናአላማእንዴትነውበወሊሶውስጥየማዣኙግለሰቦችታክስከፋዮች(Business profit taxpayers)የታክስእኩልነትበታክስአክባርዎችላኝያለውተጽእኖምንንማስላል፡፡ እርሶወይምዎ እርሶድርጃትበዚህጥያቄላይእንዲሳተፉበእጣተመርጠዋል፡፡ በዚህጥያቄላይመሳተፍማትበማትበፍቃደኝነትላይየተማሰረተነው፡፡ የጥያቄውሜልስበተማላከተየተሳታፊውማንነትሳይገለጥይማዛገብናጥብቅበሆነሚስጥርነትይጠበቃል፡፡ ከላይእንደተጠቀሰውጥናቱየሚከሄደውለትምህርትማሟያፅሑፍለማፍነው፡ ፡ የእያንዳንዱተሳታፊመልሶችበአጥኚፅሑፍወይምበማኝቸውምስራላይየማሹማንነትተገልጦአይቀመጥም፡ ፡ ተሳታፊዎችየጥናቱንግኝትጠቅላላመግለጫጥኚዋጥናቷንከጨረሰችበኋላቢጠይቁሊያገኙይችላሉ፡ ፡ በተጨማሪሚጃፍሬገብሬባበንጋበሚከተለውአድራሻማግኘትይችላል::

ስልክ 251921542542

ኢሜል; <u>firegebre8@gmail.co</u>

ክፍልአንድ፤ የግብርከፋዮችአጠቃላይመረጃ

1. ጾታ

   1 ☐ ወንድ2ሴት ☐

2. **እድሜ**

   1 ☐ ከ 22 – 30 2 ☐ ከ30 – 40

   3 ☐ ከ 41 - 50 4 ☐ ከ 51 በላይ

3. **ትምህርትደረጃ**

1 ከ10ኛ ከፍል በታች 2 10ኛ /12ኛ ክፍል ቀቀ

3 ዲፕሎማ 4 ድግሪ

5 2ኛ ዲግሪ እና ከዚያ በላይ

ክፍል ሁለት፡ - መንደርደርያ ሃሳብ

4.የ ድርጅቶዎዋና የ ስራእንቅስቃሴምን ድነ ው

1 ማምረት 2 የ ንግድ ሥራ

3 የ አገ ልግሎት ሥራ

5.የ እ ር ሰ ዎ ድርጅት፡

1 በ አ ን ድ ግለ ሰብ የ ተያያዘ (sole Proprietorship) ነ ው የ አ ክ ሲ ዮን ማህበር ነ ው

2 የ ሽር ክ ና ማህበር ነ ው

3 ኃ ሊ.የ ተ.የ ግ.ማህበር ነ ው

4 ሌሎች ካ ሉ(እ ባ ክ ዎ ያ ብራሯቸው)..

6. መቼ ነ ው ሥራውን የ ጀመሩ ት ሁት

1 1 ዓ መት በ ታች 3 5ዓ መት እ ስ ከ 10

2 ከ 1 ዓ መት እ ስ ከ 5 ዓ መት ከ 10ዓ መት በ ላ ይ

5 ሌሎች(እ ባ ክ ዎ ያ ብራሯቸው)...

7. በ 2013 የ በጀት አ መት በ ግምት እ ር ሰ ዎ ወይም ድርጅትዎ ምን ያ ህ ል ሽያ ጭ በ ረ ዎት/ ነ በ ረ ዎ?

1 ከ ብር 100,000 በ ታች 2 ብር 100,000- ብር 500,000

3 ብር 500,000- ብር 1000000 4 ብር 1000000 ወይም ከ ዚያ በ ሊይ

5

ከ ዚህ በ ላ ይ ከ ሆነ ማጠኑ እ ባ ክ ዎ በ ግምት ይግለ ጸ ልን፡ ፡ ብር ....ሚሊዮን

8. በ ድር ጅ ቱ ውስ ጥ ያ ሎ ዎ ት ድር ሻ ምን ድነ ው?

1 ቤት 2 ስ ተዳዳሪ

3 ቅ ጥረ ኛ 4 የ ተለ ነ (እ ባ ክ ዎ ይግለ ፁ ልን ....

9. በ ጥያ ቄ ቀ.6 መሠረ ት ባ ለ ቤት ካ ል ሆኑ ለ ምን ያ ህ ል ጊ ዜ በ በ ታውቆ ይተዋል፡ ፡

1 ከ 1ዓ መት በ ላ ኝ 2 ከ 1ዓ መት-5ዓ መ ሆነ ጊ ዜ ውስ ጥ

3 ከ 5ዓ መት-10ዓ መት ነ ጊ ዜ ውስ ጥ 4

ከ ዚህ ውጪ ከ ሆነ (እ ባ ክ ዎ ይግለ ፁ ልን)-----

ክፍል ሶስት፡ የ ገ ቢ ግብር ከፋዬች በ ግብር ስ ርዓት ላ ይ ያ ላ ቸው አ መለ ካ ከ ት

10.እ ን ዴት ነ ው ፍቃደኛ ያ ል ሆኑ ትን ግብር ከፋዬችን ብዛ ት የ ሚ ምቱ ት ?

1 ☐ ብዙና ቸው 2 ☐ ጥቂትና ቸው

3 ☐ በ ቁጥር ውስ ጥየ ሚ ቡአ ይደሉም4አ ላ ☐ ም

11. በ ጥያ ቄ ቀ.8

መሠረ ትሜ ሰ ዎ ብዙና ቸውከ ሆነ ለ ምን ድነ ውየ ገ ቢግብር ለ ማክ ፈልፈ ቃደኛ ያ ልሆኑ ት(ሜ ሱከ 1 በ ላ ይሊሆን ይችላ ል)

1 ☐ የ ግን ዛ ቤእ ጥረ ት 2 የ ☐ ፈልአ ቅምማጣት

3 ☐ ☐ ቸል ተኝነ ት

4ቀል ጣፋ ያ ልሆነ ና አ ድካ ሚ ግብር አ ሰ ባ ሰ ብስ ር ዓ ትበ መኖ ሩ

5 ☐ እ ባ ክ ዎ ተጨማሪ ሃ ሳ ብካ ሌዎ ይግለ ፁልን ....

		በ ጣም እ እ ስ ማ ስ ስ ማማለ ሁ ለ ውሁ 12		**ገ ለል ተኛ ነ ኝ3**	**አ ልስ ማ ማም 4**	**በ ጣም አ ልስ ማማ ም5**
12	እ ን ደ ምን ማለ ከ ተውከ ሆነ መን ግሥት የ ግብር ገ ቢውን በ አ ግባ ቡበ ሥራላ ይ ያ ውለ ዋል					
13	ትል ቅገ ቢያ ላ ቸውከ ትን ሽገ ቢካ ላ ቸ ውአ ኳያ ግብር ከ ፋዬ ችእ ን ደየ ገ ቢያ ቸውመጠን ቢከ ፍሉፍ ታዊነ ው.					
14	ከ መን ግሥትከ ማገ ኘ ውጥቅ ምጋ ር ሲስ ተያ ይእ ኔ የ ምከ ፍለ ውግብር እ ጅግከ ፍተኛ ነ ው..					
15	የ ገ ቢግብር ን በ ተማለ ከ ተየ ግብር ባ ለ ሥል ጣኑ የ ሚወስ ደ ውአ ስ ተዳ ደ ራዊ ህ ግከ ዓ መት ወደ ዓ መት ወጥነ ው..					
16	ሳ ስ በ ውመን ግሥትአ ብዛ ኛ ውን የ ግብ ር ገ ቢላ ል ተገ ባ ሁኔ ታያ ውለ ዋል እ ን ደ ዚህ ዓ ይነ ትሁኔ ታበ አ ብዛ ኛ ውባ ደ					

	ጉትሀገ ርውስ ጥይታያልልክእ ን ደዚ ሁምባ ኢትዮጵያ ምተ ማሳ ሳ ይሁኔ ታይ ስ ተዋላ ል					
17	የ ግብር ዕ ዳ ን ሲሰ ራየ ሚታዩ ስ ህ ተቶ ችን ለ ማስ ተካ ከ ል ብዙአ ማራጮች ያ ለ ምን ምውጫ ለ ን …					
18	የ ምክ ፍለ ውየ ግብር ማጠን ተገ ቢና ት ክ ክ ለ ኛ ነ ውብዬ አ ምና ለ ው..					
19	እ ን ደእ ኔ ካ ለ ሴክ ተሮችጋ ር እ ኩል የ ሆነ ግብር ማክ ፈል ተገ ቢነ ውብዬ አ ም ና ለ ው..					
20	አ ን ድዓ ይነ ት(fair) የ ገ ቢግብር ስ ራዓ ትእ ን ዲይኖ ር ብዙ ዓ ይነ ትምክ ን ያ ቶችአ ለ ብዬ አ ምና ለ ው..					
21	ከ መን ግሥትእ ን ደ ምከ ፍለ ውየ ገ ቢግ ብር ል ክ ጥቅ ምአ ገ ኛ ለ ውብዬ አ ስ ባ ለ ው..					
22	ትል ቅ፣ ማካ ከ ለ ኛ እ ና አ ነ ስ ተኛ ገ ቢ ያ ላ ቸውግብር ከ ፋ ዬ ችእ ን ደየ ገ ቢአ ቸውየ ገ ቢግብራቸውን ቢከ ፍሉተገ ቢ ነ ውብዬ አ ምና ለ ው					

ክ ፍል አ ራት፡ የ ገ ቢግብር ከ ፋ ዬ ችበ ግብር ስ ር ዓ ትላ ይያ ላ ቸውእ ውቀ ት

23የ ገ ቢግብር ለ ምን ድነ ውየ ምትከ ፍለ ት?

1 ☐ ከቅጣት ለማራቅ 2 ☐ ዝባዊ ስራ ላይ ለማሳተፍ

3 ☐ ለማጭበርበር ምንም አማራጭ ለሌለን ☐ ግዴታዬ ስለሆነ

5 ☐ አላውቅም

6 ☐ ሌሎች ምክንያቶች ካሉ እባክዎ ይግለፁልን ....

24. የምትከፍሉት የገቢ ግብር ፍታዊና አቅማችሁን ያገናዘበነው ብላችሁ ታስባላችሁ?

1 ☐ አዎ 2 ☐ አይደለም ☐ አላውቅም

25.በጥያቄ ቁጥር 23 መሠረት መልሳችሁ አይደለም ከሆነ ለምን

?..

26. ለምን ያህል ጊዜ በግብር ዙሪያ ትምህርት ወስደዋል?

1 ☐ በዓመት አንዴ ☐2 በዓመት ሁለቴ ☐ 3 በዓመት ሶስቴ

4 ☐ በዓመት ከሶስት ጊዜ በላይ ☐ ወስጄ አላውቅም

እባክዎ በሚቀጥለው ሰንጠረዥ በተሰጠው አማራጭ መሰረት እስማማለሁ ወይም አልስማማም ማለት ሃሳብዎን ይግለፁልን፡፡

		በጣም እስማማለሁ 1	እስማማለሁ 2	ከዚህ ውጭ ነኝ 3	አልስማማም 4	በጣም አልስማማም 5
27	በኢትዮጵያ ገቢዎች ባለስልጣን የሚሰጡን መጽሔቶች፣ ቡክሌት፣ በራሪ ወረቀቶች እና ሌሎች ተመሳሳይ ማቴሪያሎችን ለመረዳት ብዙም ጥረት አላደረግም...					
28	የገቢ ግብርን ለመክፈል በሚደረጉ ነገሮች ላይ ለምሳሌ በመዝገብ አያያዝና መመዝገብ ላይ ያሉት ሁኔታዎች በጣም አድካሚ ናቸው...					
29	በግብር ስርዓት ላይ የሚጠቀሙት ቃላቶችና ስርዓቶችን ለመረዳት አስቸጋሪ ነው					
30	በአጠቃላይ የገቢ ግብርን ስርዓት በተመለከተ በጣም ውስብስብ ነው					

31	የገቢ ግብርን ህጎች በተማ ከተበ ጣምበዙና ለመረዳት የምካብዱ ናቸው					
32	የገቢ ግብር ግልፅ እና ፍታዊ ባለመሆን የተነሳ ብዙውን ጊዜ ባለሞያ እንጠቀማለን …					

33.የገቢ ግብርን ፍታዊነት ለማምጣት መንግሥት መውሰድ አለበት የምትሉትን ሃሳብ ቀጥሎ በተገለፀው ዳዬች ላይ ያልትዎትን አማካከት ያሜክቱ

	በጣም እስማማለሁ 1	**እስማማለሁ 2**	**ከዚህ ውጭ ኝ 3**	**አልስማም 4**	**በጣም አልስማማም 5**
ህግና አስተዳደራዊ ጉዳዬችን ማሻሻል					
ግብር ከፋዬችን ስተማር፣ ግንዛቤን መፍጠርና የምክር አገልግሎት ማስጠት					
ለግብር ከፋዬች ተገቢውን ኢንፎርሜሽን ማስተላለፍና ማቅረብ ለምሳሌ የግብር ገቢን በአግባቡ ስለ ማጠቀምማስረዳት ወዘተ…					

ክፍል አራት ግብር ከፋዮች ለግብር ለህጉ ያላቸዉን ተገዢነት የሚመገምዋ ማጤይቅ ክፍል ነዉ፡፡

እባክዎ በሚቀጥለው ሰንጠረዥ ውስጥ ላሉት ሃሳቦች በተሰጠው ሚዛን ላይ ምላሽ ምልክት በማድረግ አስተያየትዎን ያስቀምጡ፡ በፍፁም (1) ፤ አልፎ አልፎ (2) ፤ ብዙ ጊዜ (3) ፤ በተደጋጋሚ (4)፤ በጣም በተደጋጋሚ(5)

ተ ቁ	ሃሳቦች	በፍፁም 1	አልፎ አልፎ 2	ብዙ ጊዜ 3	በተደጋጋሚ 4	በጣም ተደጋጋሚ5
34	ግብር ከፋዮች በምን ያህል ድግግሞሽ ግብራቸውን ይደብቃሉ					
35	ግብር ከፋዮች በምን ያህል ድግግሞሽ ገቢያቸውን ያሳንሳሉ					
36	ግብር ከፋዮች በምን ያህል ድግግሞሽ ወጪያቸውን ያጋንናሉ					

37. ተጨማሪ ሃሳብ ካለዎት እባክዎ በሚቀጥሉት ሃሳቦች ላይ ያብራሩልን

ሀ.

የገቢ ግብር ፍታዊነት በተመለከተ...
.....

ለ.

ስለ ገቢ ግብር አከባበር ነትበተመለከተ..
.

ሐ.

ስለ ገቢ ግብር ያለዎትን እውቀት ወይም ሃሳብ በተመለከተ..
....

በዚህ ጥናት ላይ ተገቢውን ትብብር ስላደረጉልኝ ስለ ትብብረዎ በጣም አመሰግናለሁ፡፡

Appendices 3

Taxpayers survey instrument (Afaan Oromoo version

YUNVARSIITII WALQIXXEETTI

Faakaaltii Bizinasiifii Ikoonomiiksii

Kutaa Akkaawuntingii Faayinaansii

GALII GIBIRAA (BUSINESS PROFIT TAX SYSTEM)

GAAFIWWAN QO'ANNOO GALII GIBIRAA IRRAA GALUU

Kabajamoo Hirmaattoota qo'annoo keenyaatiif mara

Mata dureen qo'anichaa "Taxpayers perception towards the fairness of business profit tax system in the case of south west shewa zone woliso town "kan jedhuudha.Qaamni qoannoo kanaa Aaddee **FIREE GABREE BAABANGAA** kanan jedhamuu yoo ta'uu amaan kana Yuniiversiiti WALQIXEETTI Kutaa akkawuuntiingii fii fayiinaansiittii (accounting and finance) Maastarsii koo Qo'achaan jira.Kaayyoon Qo'anichaa Goodina kibba lixa shawa magaala WALISOO keessattii warren gibira gabbaran (kafalan) walqixxummaan warren gibira gabaran (kafalan)irratti haali jiruu maal fakkaata kan jedhuudha. Isiin ykn Dhaabannii isiin sochooftan gaafiif yaada kanaaf filatamtaniittuu. Gaafiiwwan kanaaf guutumaan guutuutti fedhii keessaan irratti kan hundaa'eedha. Gaafiiwwan kanaaf deebiin yommuu laatamu ykn kennamuu Eenyuummaan abbaa deebichaa kan hin ibsamneefii Icciitiin kan eegamuu ta'a.Akkuuma armaa oliittii ibsamee gaafichii Barreefama (Qo'annoo) Waraqa Eebaattiif qofa waan ta,ee qofaaf.Deebiiwwan hirmaataan deebiisuuf Eenyuumman abbaa deebii hin ibsamuu. Hirmaatoonnii Qo'annichaa erga Qo'aniichii dhummee booda odeefannoo Qo'annichaa argachuu nii danda'uu.Daabalataan lakoofsaa bilbilaafii imeelii(email) koo armaan gadiittii isiiniif bareeseen jira .

Lak.Bilbilaa 0921542542

Email- firegebre8@gmail.com

Kutaa 1ffaa Odeefannoo walii gala

1, umurii

1, ☐ 22-30 2, ☐ 30-40

3, ☐ 41-50 4 , ☐ 51 olii

2, saala

1, ☐ dhiira ☐ dhalaa

3, sadarkaa baruumsaa

1, ☐ kutaa 10 gadii 2, ☐ 10/12 kan xumuree

3, ☐ Dipiloomaa 4, ☐ Digrii

5, ☐ Maastarsii fii isaa oli

Kutaa 2ffaa: Yaada ka'uumsaa: deebii kee Mallattoon agarsiisi .

4) Gosti hojii kee maali?

1 ☐ Omisha 3 ☐ Tajaajilaa

2 ☐ Daldaalaa fi oomishawaliigalaa 4 ☐ Kanbiroo, Ibsi……………

5) Hojii seera qabeessumma akamirrattibobbaateejirta?

1 ☐ Dhaabata nama dhuunfaan kan qabamee 2 ☐ Waldaa Hojii waliinii

3 ☐ Waldaa Dhaabata dhuunfaa 4 ☐ A share company

5 ☐ kanbiroo ,ibsii…………………………………………………

6) Hojii kana yoomeegalte?

1 ☐ Waggaa 1 gadi 3 ☐ Waggaa 5-10 dura

2 ☐ Waggaa 1-5 dura 4 ☐ Waggaa 10 oldura

5 ☐ Kanbiraa, ibsi………………………………………………

7). Tilmaamaan galii hammam argamsiista bizinesii kana irraa kan bara 2013?

1 ☐ Qarshii 100,000gadi 2 ☐ Qarshii100,001 – Qarshii 500,000

3 ☐ Qarshii500,001 – Qarshii 1,000,000 4 ☐ Qarshii1000, 001ol

8) Buufata kana keessatti aangoon kee maali?

1 ☐ Abbaa qabeenyaa 2 ☐ Hojjetaa

3 ☐ Gaggeessaa 4 ☐ Ittigaafatamaa biraa(ibsi) ……

9) Deebiinkeegaaffii 6 ffaa abbaa qabeenyaamitiyoota'e, waggaahammamiifturteaangooirra?

1 ☐ Waggaatokkoogadi 2 ☐ Waggaa 1-5

3 ☐ Waggaa5-10 gidduu 4 ☐ Waggaa 10 ol

5 ☐ Kanbiraa(ibsi)…………………………………………………….

Kutaa 2ffaa: Gaafii kaffaltoota gibiraa ilaalchisee

10) Akkamiin tilmaamta hamma nama gibiraa kaffaluuf fedha hin qabnee?

1 ☐ Baay'ee 2 ☐ Muraasa

3 ☐ Baay'eemaddee 4 ☐ Hinnjiru

5 ☐ Hinbeeku

11) Kaffaltooniigibiraakaffaluuffedhamaaliifhinqaban?

1 ☐ Beekumsadhaabuudhan 2 ☐ Danddeettiikaffaluudhabuu

3 ☐ Maalnadhibeen 4 ☐ Ibsikanbiraayoota'e_______________

Lakk.	Ibsa	1 Sirriitti waliingala	2 Walii hingalu	3 walaba	4 Waliinga	5 Sirriitti waliihingalu

					la	
12	Nanamanamootummaangaliigibiraafay yadamummaahawwaasaafoolcha. Keessattuu, warragaliixiqqaawarraqabaniif					
13	Galiiguddaawarriqabangibirakaffaluud haan warren gatiixiqqaaqabancaaluunhaqaqabeessa					
14	Galiigibiraaanikaffalufaayidaaguddaam ootummaairraaargadhunicaala					
15	Bulchinsisirnagibirakaffaluuwaggaadh awaggaatiikaffaltootagibiraafdhaabbata adha					
16	Mootummaa ngalii gibiraa baasii garaagaraa irraoolcha jedheen yaada, keessattuu biyyoota akka Itiyoophiyaa guddina irrajiraniif					
17	Tooftaabaay'eetujiradogoggorauumam usiirreessuufhaaladirqamagibiraakaffal uuilaalchise					
18	Hammigaliigibiraaanikaffalu, ta'uukanqabuufisirriidhajedheenamana akkaseeragibiraayerooammaatti					
19	Akkakoottikaffaltiingibiraawalfakkaata an warren					

	galiiwalfakkaataaqabanfaanahaqaqabeessa					
20	Taateebaay'eensirnakaffaltiigibiraahaqata'emiidhujirajedheenamana					
21	Gibira kaffaluudhaa ngatiinhaqaqabeessa mootummaa irraaargama					
22	Galiigadiaanaa warri qaban warra galii gidduu galeessa qabanii ngadigibirakaffaluuunha qaqabeessa.					

Kutaa III: Gaafii kaffaltoota gibiraa ilaalchisee odeeffannoo waliigala waa'e gibiraa taxation

23) Gibira maalif kaffala?

1 ☐ Adaba irraa bilisa ta'uu

2 ☐ Hojii hawwaasaa irratti hirmmaachuu

3 ☐ Mormuuf carraan biraawaan hin jirreeef

4 ☐ Dirqama mootummaa biraa bahe waan ta'eef

5 ☐ Hi beeku.

6 ☐ Kan biraa (ibsi)…………………………………………………

24)Galiingibiraaisinkaffaltanhaqaqabeessaa fi danddeettiikaffaluukeessanirrattikanhundaa'edhaa?

1 ☐ Eeyyee 2 ☐ Lakki

25) Deebiin keessan lakk.22 lakki yoo ta'e, maaliif?

----

26) Yeroo hammamiif waa'ee gibiraa irratti barumsa fudhatteeetta?

1 ☐ Waggaatti tokko ☐ Waggaattti lama

3 ☐ Waggaatti yeroo sadiif ☐ Waggaatti yeroo sadiiol

5 ☐ Lakkiwalumaagala

Yaada kee gabatee armaa gadiiirratti ibsi

S.N	Statements	1 Sirrii ttiwal iin gala	2 Wali in ga la	3 Bi lis a	4 Walii hinga lu	5 Sirriitti waliihin galu
27	Dadhabbiibaay'eehingoonehubachuudhaafi bsagaggeessitoonnigaliibaasanbaruuleegara agaraairratti					
28	Galiigibiraa kaffaluuirrattiwantoonnigodhamanbarteenu ffisiisa fi walxaxaata'etumul'ata, fakkeenyaafhaalaagalmeenwalqabatee					
29	Sirnakaffaltiigibiraairrattijechoonnifayyada mnuu fi seerotahubachiisuunrakkisaadha					
30	Walumaagalattiseerakaffaltiigibiraailaalchi see Rakkisaadha					
31	Seerotakaffaltiigibiraailaalchisee Seerridaldalabu'aagibiraItiyoophiyaabaay' eeulfaataa fi jabaadhakaffaltootagibiraaf					
32	Yeroobaay'ee nan fedhabeektonnirakkoogibiraairrattiakkamar ii'atan. Saba haqaa fi ifata'uudhabuusirnakaffaltiigibiraairratti					

33. sirna galii gibiraa fooyyessuuf mootummaan gochuu kan qabu irratti

Waliigaluu kee yookin waliigaluu dhabuu kee agarsiiisi

Gochata'uuqabu	**1** **Waliin gala**	**2** **Walii hin galu**
Seera fi haalabulchinsaafooyyessuu		
Kaffaltoota gibiraa barsiisuu fihubannaa kennuu		
Odeeffannoo barbaachisaa kaffaltoota gibiraa fdhiyyeessuu. Kanakkatajaajilaa fi fayyadama galiigibiraa		

KAFALTOOTA GIBIRAA

Gaaffiin gabatee gadii kaffaltoota gibiraa garee ''C'' jala jiraniif dhiyyaatu dha

Yeroo baay'ee VF) = 5, 'Darbee darbee (F) = 4, Yeroo hunda miti (O) = 3, Yeroo muraasa (S) = 2, fi Gonkumaa (N)=1

Lakk	Ibsa	**N** **1**	S 2	O 3	F 4	VF 5
34	Yeroomeeqaafkaffaltoonnigi biraagibirakaffaluudidujettee yaadda?					
35	Yeroo meeqaaf kaffaltoonni gibiraa Galiii saanii xiqqeessanii gabaasujetteeyaadda?					
36	Yeroo meeqaaf kaffaltoonni gibiraa olbaasaniibaasiiisaaniihimu?					

Waan nuu walii hirmaataniif GALATOOMAA!!!

Appendices 4

In-depth Interviews – to woliso town Business profit Taxpayers

1) What do you think of the current business profit tax system?
2) Is the current business profit tax system fair/unfair? Could you please elaborate on the aspects (dimension) that you think it is fair/unfair?
3) If you are given a chance to improve the current tax system, which aspect would you focus on?
4) How do you rate your current knowledge of tax? .Which aspect of tax knowledge that you think that you are lacking of?
5) Do you think that taxpayers have at least average level of tax knowledge?
6) Do you think that if you have sufficient knowledge, your perception on fairness would be different? In your opinion, how does knowledge of taxation affect one"s perception on the tax system?
7) How do you perceive the horizontal equity? Does the level of complexity lead to fairness perceptions?
8) Do you believe that tax fairness impact on tax compliance behavior?
9) Do you think the middle-income earners treated fairly under the current tax system?
10) What is your opinion about the belief that high-income earners can Easily evade tax with the help from tax consultants?
11) Do you agree that the low-income earners receive many benefits despite of the low tax paid?
12) Would you have any other comments and ideas?