Assessment of Tax Collection Problem (In Case Study of Wolkite Town)

Prepared By: Abel Andualem

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Advisor: Birhanu Yirga (Msc)

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DECLARATION

I here declare that this senior essay entitled Assessment of tax collection problem case study on A Wolkite Town Tax Office. Submitted in partial fulfillment of the requirement for a Bachelor's degree in Accounting and Financing at Wolkite University through the Department of Accounting and Finance is my original work and has not been presented for a degree in any other university and sources of material used for this research has been duly acknowledged

Advisor:

Name _____

Signature _____

Date _____

Examiner:

Name _____

Signature _____

Date _____

ABSTRACT

This study focused on problems related to tax collection in Wolkite Town. It is known that the existence of a state without tax is unthinkable because of government refunds from taxation. So studies of problems associated with tax collection and finding appropriate solutions may help to contend with development constraints successfully through a detailed investigation. Because of this, this study designed and looked at the problems related to tax collection in Wolkite Town. With the key objective of assessing problems related to tax collection. This may help the Town revenue and tax office to look at originated problems. To conduct this study both primary and secondary data will be collected. The primary data is collected by using questionnaires from taxpayers, employees of the revenue bureau, and personal interviews with the manager of the bureau. The secondary data was collected from the previous year's reports of the bureau, from different books, and related published materials. To conduct this study questionnaires were distributed to 99 taxpayers and 15 questionnaires were distributed to employees of the revenue bureau. In addition to this, different opinions were collected from the manager of the office and the previous year's report of the office.

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CHAPTER ONE

INTRODUCTION

1.1. Back Ground of the Study

Typically, taxes are the primary source of government revenues. Taxation policies depend on the socio-economic and political structure of a country. In Ethiopia, taxation came into being with the emergence of state and government, but there is no reliable documentary evidence that exists as to when exactly taxation was introduced. In the 15th century, written stories of Atse Zera Yacob indicate that taxation was introduced previously in Ethiopia. In this era, the tax was paid by different social groups to the government, feudal lords, and priests. Besides, these documents approve that Atse Zera Yacob had been for the first-time enacted regulation can be taken as a piece of evidence for the presence of these taxation systems before the Zera Yacob government. In general, a kind of traditional tax system was practiced in those days this traditional tax system was expressed in two forms of payment in the kind and unstructured tax system. In the traditional tax system, much burden was laid on farmers. Though such a burden was tried to lessen by Emperor Tewodros's government, strong change had taken place by Emperor Menelik.

Towards the end of the Imperial period, the majority of the population lived at a subsistence level. There was limited opportunity to increase taxes on personal or agricultural income. Consequently, the imperial government relied on individual taxes (customs, excise, and sales to generate revenue for instance in the early 1970s taxes on foreign trade accounted for close to 2/5th of the tax revenue, and one-third of all government revenues). At the same time, direct taxes accounted for less than one-third of tax revenue. During the "Dergue" regime the taxes were similar to those imposed during the Haileseassie regime except that a wider tax base and increased tax rates.

The "Dergue" regime partially alleviated the tax collection problems that existed during the imperial period by delegating the responsibility for collecting the fee and tax on agriculture to peasant associations which received a small percentage of revenue as payments.

The main purpose of generating revenue from various sources is to finance public expenditures. The governments generate revenue from tax and other non-sustainable sources. The collection of money from available sources of revenue by the government needs the availability of democratic government, foreign and domestic creditors and donors, an efficient tax system, and awareness of the society regarding the use of tax payment for government and its contribution to the development of the country's economy.

In our country payment of tax is considered by society as a debt imposed by the government to increase the wealth of the government officials. To avoid the negative attitude of the taxpayer a well-designed tax system is necessary. In addition, educating society regarding its obligation and the purpose of tax collection minimizes the wrong attitude of the taxpayer. So, this study is designed to minimize problems that face during assessment and collection and to minimize the wrong attitudes of taxpayers

1.3 Statement of the Problem

The role of taxation in well-functioning governmental operations is so high Development of infrastructures, and basic social service institutions are built by the government. Moreover, the public servants, defense forces, police force, and employees of the state, cover these and other developmental costs the state uses as a source of People's revenue.

The need to build speedy economic progress and overall developmental amenities calls for strong tax revenue. If no arguments in the above assertion, therefore, the Ethiopian government ought to adopt a sound taxation policy on the collection system and in making aware taxpayers societies. No doubt that the existence of a better tax collection system is decisive for the existence of well-developed and economically strong states. If no complaints that better tax collection system is decisive in one Country's overall capacity, that is the motivation thing the researcher to study the other constraints of tax collection systems with problem-related to tax collection in Wolkite Town."

The minimum tax result of fiscal policy assumed quickly rising state economy can be recognized to diversified problems of assessment of tax and enforcement and collection of the tax management. Main difficulties that encounter the maximum tax revenue Revenues includes; lack of tax knowledge, absence of positive attitude of taxpayers to tax, and inadequate execution of collection done by all lawful ways which are seen by the

low performance and previous years of tax collection execution compared to planned and actual tax collected. (Asian Development Bank, 2001).

Kangave (2005) determine corruption, tax evasion, and inadequate resources for tax administration low quality of reviews and insufficient support to tax management as challenges of tax administration it have negative impact to the capacity to attain required tax revenue goals.

Messay (2019) study on Tax Assessment and Collection Problems, The findings indicated that majority of tax payers lack of tax knowledge, insufficient manpower and lack of adequate skill.

Meriam et al (2013) Tax knowledge and awareness are found to be positively correlated with tax-compliance attitude.

Tulu (2007) self-assessment tax obedience finds out that, tax justice, institutional strength of the tax office, awareness level of the tax payers, traditional influences, and delivery of public services by the government as the key element of self-assessment compliance.

Best of the knowledge of the researcher, there is no research made in Ethiopia which addresses all of the problems could also be responsible for tax assessment and collection problems. Therefore, the researcher examined the problems of tax assessment and collection problem. Like tax arrears control mechanisms, enforcement procedures, well-trained intelligence man power and application of tax system technologies etc.

1.4 Objectives of the Study

1.4.1 General Objective

The general objective of this study is to find out the major constraints that affect the tax collection system in Wolkite Towns.

1.4.2. Specific Objectives.

The specific objective of this study focused on the assessment of

- Internal factors affecting the tax collection system.
- Environmental (external) factors that influence the collection action system.
- To put some possible recommendations and to make this study's result base for further investigation in the assessment of the tax collection problem.

1.5 Significance of the Study

The researcher believes that the followings are the significance of the study

- Paved the way for improvement of the tax collection system.
- Encourage compliance of taxpayers
- To create a fairly clear image of how the tax collection and problems with tax collection are taking place.
- Enable the revenue bureau to find out whether its strategies are effective or not.
- The result of this study will serve as a reference for further investigation.

1.6 scope and Limitation of the Study

Though tax is a very vast and curial issue, standing its nature to study the tax policy at a higher time-consuming, long-term study, this research paper is restricted to the problems of tax collection in Wolkite Town. The major limiting factors of the study were the lack of sufficient secondary data and the failure of respondents to return the questionnaires.

1.7 Organization of the Paper

This paper consists of five chapters the first chapter consists of the introductory parts which include. background of the study, a background of the organization, a statement of the problem, the objective of the study, the significance of the study scope, the limitation of the study, organization of the paper. The second chapter consists only of the literature review. The third chapter includes the term research design. Sources of data, data collection techniques, method of data analysis and presentation, target population, and sampling methods. Chapter four of this research deals with the analysis of data gathered from taxpayers and employees of the revenue bureau. The fifth chapter of this research deals with the summary, concerned with recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Taxation is a means by which governments finance their expenditure by imposing charges on citizens and corporate entities. The government uses taxation to encourage or discourage certain economic decisions.

Tax is a fee charged (levied) by a government on a product, income, or activity tax levied directly on personal or corporate income, then it is a direct tax. If tax is levied on the price of a good or service, then it is named an indirect tax. One of the most important uses of taxes is to finance public goods and services since public goods and services don't allow a non-payer had been excluded, or allow exclusion by a consumer, there cannot be a market in the goods or services and so they need to be provided by the government, quasi-government agencies which tends and to finance themselves largely through taxes. (WWW. Investor words.com)

Meaning of Tax

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

Purpose of Taxation

According to American economist Richard Musgrave. The purpose of tax action is to distinguish between objectives of resource allocation income redistribution and economic stability (economic growth) or development and competitiveness listed as separate goals,

but they can generally be subsumed under the other three. The other main function of taxation is to permit the state to provide services for the population. Infrastructure and services are what expect from taxation (WWW.Yahoo Answers.Com).

2.2 Role of Taxation in Development Strategy

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

The second function of taxation is to reduce inequalities through a policy of redistribution of income and wealth. Higher rates of income taxes, capital transfer taxes, and wealth tax are some means adopted for achieving these ends. The 3rd role of taxation is for social purposes such as discouraging certain activities which are considered undesirable. The excise taxes on liquor and tobacco. The special excises duties on luxury goods. Betting and gaming are examples of such taxes. Which part of being a lucrative revenue purchase has goals?

?

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

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

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

2.3 Characters of a Good Tax System

1. Tax is compulsory contribution: -it is a compulsory payment from the person to the government without expectation of any direct returns from it.
2. Taxes are levied by the government: -no one has the right to impose taxes except for the government. Only the government has the right to impose taxes and collect tax proceeds from the people.
3. Common benefit to all: - the tax collected by the government is spent for the common benefits of all people.
4. No direct benefit: - the government compulsorily collects all types of taxes and does not give any direct benefits to the taxpayers for the taxes paid and the taxpayers cannot demand any direct benefits against the payment of taxes.
5. Certain taxes levied for specific objectives: - though taxes are imposed for collecting revenue for the government to meet its expenditure on social wants and merit wants for example heavy taxes are levied on luxury goods to reduce their consumption.
6. Attitude of the taxpayers: - the attitude of the taxpayers is an important variable determining the contents of the good tax system.
7. Good tax system should be in harmony with national objectives: - a good tax system should run in the same direction as important national objectives.
8. Tax system recognizes basic reports of taxpayers: -a good tax system recognizes the basic rights of taxpayers. The taxpayer is exacted to pay the tax but not undergo the harassment. (Tax system manual by Addis cChamber2004)

2.4 Taxation Principles

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

1. Adequacy: -taxes should be just enough to generate the revenue required the for provision of essential public services.
2. Broad basing: - taxes should be spread over as wide as possible section of the population or sector of the economy to minimize the individual tax burden.

3. Compatibility- taxes should be coordinated to ensure tax neutrality and the overall objectives of good governance.
4. Convenience: - taxes should be enforced in a manner that facilitates voluntary compliance to the maximum extent possible.
5. Earmarking: - tax revenue from a specific source should be dedicated to a specific purpose only when there is a direct cost and benefit between the tax sources and expenditures such as use the of motor fuel tax for road maintenance.
6. Efficiency: -tax collection efforts should not cost an inordinately high percentage of tax revenues.
7. Neutrality taxes should not favor only one group or sector over another and shouldn't be designed to interfere with or influence individual decision-making.
8. Equity: -taxes should equally burden all individuals or entities in similar economic circumstances.
9. Predictability: -a collection of taxes should reinforce their inevitability and regularity.
10. Restricted exemptions: tax exemptions must only be for specific purpose (such as to encourage investment) and for limited period.
11. Simplicity: -tax assessments determination should be easy to Stand by even taxpayers. (www.Taxation dictionary.com)

2.5 Canons of Taxation

Canons of taxation are the main basic principles (i.e. rules) set to build a "Good tax system" canon of taxation was first originally laid down by economist Adam Smith in his famous book "the wealth of Nations" In this book, Adam Smith only gave four canons of taxation. These original four canons are now known as the "original main canons of taxation". As time changed, governance expanded and became much more complex than what was in Adam Smith's time soon need was felt by modern economists to expand Smith's principles of taxation, and, as a response they put forward some additional modern canons of taxation.

Adam Smith gave the following four important canons of taxation

1. Canon of equity: - the principles aim at providing economic justice and social justice to society. According to this, every person should depend on authority to pay. The rich

should pay higher taxes to the government, because without the protection of the government authorities, police, defense, etc.)., They could not have earned and enjoyed their income. Adam Smith the tax should be proportional to income.

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

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

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

Additional canons of taxation by others.

1. Canon of productivity: - it is also known as the canon of fiscal adequacy according to this principle, the tax system should be able to yield enough revenue for the treasury and the government should have no need to resort to deficit financing. This is a good principle to follow in a developing country's economy).

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

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

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

5. Canon of diversity: - this principle states that the government should collect taxes from different sources rather than concentrating on the assignee source of tax the government should be depending on the single science of tax. it may result from a quality city since the formation of the society and uncertainty for the government to raise funds. If the tax revenue comes from diversified sources then any rendition in tax revenue on account of any one cause is bound to be small. (IBID).

2.6 Major Types of Taxes in Ethiopia

1. Direct taxes: - direct taxes are those which are paid entirely by those persons on n whom they are imposed. A direct tax is one paid directly to the government by the persons on whom it is imposed. Examples include some income taxes, some corporate taxes, and transfer taxes such as estate (inheritance) tax and gift tax.

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

2.6.1. Types of Indirect Tax

A. **Employment Personal Income Tax**: every person deriving income from employment is liable to pay tax on that income at the rate specified in the schedule. Employment income includes any payment originating in cash or kind received from employment by an individual. Employees must hold the tax payment to an employee, and pay the tax authority the amount withholding the month applying the procedure, income attributable to the month of Nehassie and Pagume shall be aggregated and treated as the income of one month If the tax on income from employment, instead of being deducted from the salary or wage of the employee is paid the employer in whole or in part, the amount so paid shall be added to the taxable income and shall be considered as part thereof

(Gebrie worku Mengesha ,2008)

B. Business Profit Tax

This is the tax imposed on the taxable business income /net profit realized from entrepreneurial activity. Taxable business income would be determined per tax period based on the profit and loss accounting standard corporate businesses are required to pay

30% of the fiat rate of business income tax. Incorporated or individual businesses are determined by tax schedules and rates. In the determination of business income subject tax in Ethiopia, deductions would be allowed for expenses incurred for earning, securing, and maintaining that business income to the extent that the taxpayer can prove the expenses.

The following expenses calculation shall be deductible from gross income in calculating taxable income.

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

2.6.2. Types of Indirect Taxes

A. Turnover Tax

The turnover tax would be persons not registered for value-addressed tax payable goods sold and services. The rate of turn of over tax is

- 2% on goods sold locally.
- For service rendered locally.
- 2% on contractors, grain mills, tractors, and combine harvesters.
- 0-50% on other.

B. Value-Added Tax

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

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

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

C. Excise Tax

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

Rate of excise tax

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

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

Based on the computation of exercise tax

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

Payment of excise tax

The excise tax shall be paid within the time prescribed according to Proclamation no 307 sub-article12)

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

Time of payment

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

1. When imported at the time of clearing the goods from the customs area.
2. When produced locally, not later than 30 days from the date of production.

2.7. Classification of taxes based on their effect on income

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

2.7.1 progressive Taxes

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

It is also possible to have a progressive expenditure tax where the rate of tax rises with an increment in consumption expenditure. There is some empirical evidence that the UK

Value Added Tax (VAT) is progressive: people with higher incomes tend to increase their spending on items subject to the tax to such an extent that the payment becomes a bigger proportion of income (W. Pearce;19Pearce8)

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

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

2.7.2 Proportional Taxes

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

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

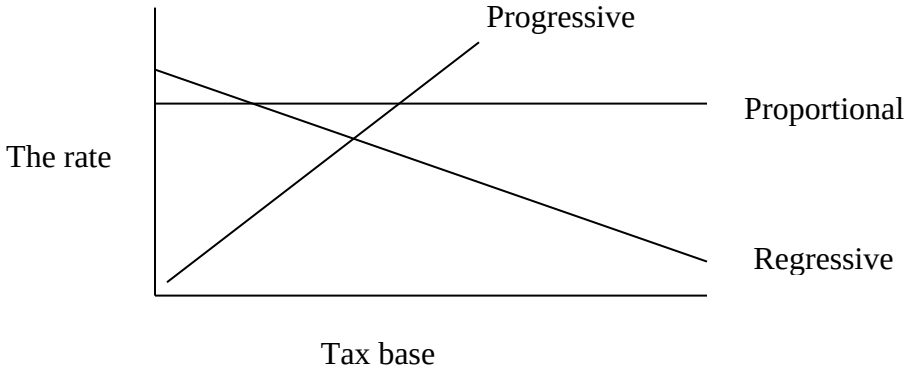
2.7.3. Regressive Taxes

In these kinds of taxes, the marginal rate of tax decreased, as the income or consumption increases. This tax a larger share of income from the low–income taxpayers than from the high-income taxpayer.

A tax that is technically proportional in terms of the tax base, can often be considered regressive in terms of taxpayer income. Common examples of such regressive taxes are sales taxes, excise taxes, and property taxes. For example, an excise tax on cigarettes is

based on the number of cigarettes sold and thus by definition is proportional since the number of cigarette consumers rises as income rises, however, the rate of the tax decreases with increasing income and thus can be called regressive. The effect of a regressive tax is to increase inequalities of income, by placing a larger burden on the poor than on one rich. (Green wald; 1983,1127)

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



2.8 CATEGORIES OF TAXPAYERS

Taxpayers are classified into three major categories;

1. category "A" taxpayers: - these category taxpayers are include

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

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

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

2. Category "B" payers unless already classified in the category 'A' any business that has an annual turnover of birr 100,000 would be classified under category "B" taxpayers. This should submit to the tax authority profit and loss statement at the end of the year.

3. Category “C” taxpayers: unless classified in categories “A” and ‘B’ those businesses whose annual turnover is estimated up to birr 100,000 are classified in category “C” of taxpayers. (IBID)

2.9 Procedures of Tax Collection

Tax from categories “A” and “B” taxpayer is collected based on the taxpayer’s declaration of the annual sales income to the tax authority. Based on this the authorized official approves the declaration. Following this, the approved, tax is collected from taxpayers and they will be delivered with a receipt and clearance letter. The tax assessment for the category “taxpayers is made based on the subjective estimation of daily sales by a district assessment committee. After the assessment was made, the committee will decide on the daily or annual sales of the taxpayers while considering different factors which will inter provide a basis for determining the amount to be paid by the taxpayer (Ministry of Finance Economic Development Addis Ababa 1996)

2.10 EMPIRICAL STUDIES

Bagchi and Stern (1994) argued India is an expert in tax revenue deficits the reason that for a gap in revenue sharing between the poor and rich centralized system of governance. The rich who made the highest portion of tax income deliberately run away from tax payments. Increasing tax revenue is difficult because of the inadequacies in the tax structure. (Casanare de Jantscher 1982), and (Tanzi 1988, argue that wasteful tax government has been known as one of the serious limits to tax revenue mobilization. Tanzi, (1987) notes that ineffective tax management can result from a lack of resources, the nonexistence of a necessary degree of professionals and responsibility, and the absence of an understandable policy for improving competence. And non-understandable tax laws can indicate unproductive tax management. This difficulty can also be accountable for underperformance in tax revenue assortment from the non-tax bases. As mentioned, (Musgrave,1983), Tax assessment and assortment need workforces and equipment.

The tax collectors should be supported by equipment initiates to perform their duties efficiently and effectively. Works must to powered to correctly assess, collect and send tax revenue to the treasury. Therefore, the amount of tax revenue to be collected depend on well-organized the tax personnel. This section discusses the empirical studies in

Africa linked to tax administration in the continent. (Kangave 200 debated). The tax administration from Canada's perspective and Uganda's tax structure, the difficulties encountered in administering taxes, and it provided possible clarifications to the difficulties.

The investigator, in his study, determines corruption, tax evasion, adequate resources for tax administration low quality of reviews, and insufficient support to tax management as challenges of tax administration it hurt the capacity to attain required tax revenue goals. As conducted (Fjeldstad,2004), the study on voters' observations on tax at local tax offices of Tanzania, including two hundred ten households in six case councils. The investigator explored a diversified tax-associated topic for example tax and tax evasion, compliance motivations, service delivery, tax assortment difficulties, and possible solutions to advance tax revenue assortment.

The result of the research originates that taxpayers would be eager to pay a high amount for better public services. But, taxpayers' refusal to pay tax is not perceived to be the key problem in tax revenue assortment. The result of the survey data indicates poor public services to be the greatest significant descriptive factor behind low tax obedience. Merina et al. (201 3study the causes that indicate voters'" tax-compliance attitudes in African countries in Kenya, Tanzania, Uganda, and South Africa. Using the 2011/12 Afro barometer survey data, they find that tax-compliance attitude is positively correlated with the provision of public services in the four countries. However, the correlation depends on the specific service in question and differs between countries. Tax knowledge and awareness are found to be positively correlated with tax-compliance attitudes. On the other hand, frequent payments to non-state actors in exchange for securing individuals' perception that their ethnic group is treated unfairly by the government are negatively correlated with tax compliance attitudes. According to Rotimi et al. (2019) Tax Enforcement Tools and Tax Compliance in Ondo State, Nigeria. The Results showed that a marginal increase in tax audit and tax penalties will lead to an increase in tax compliance in Ondo State. No meaningful association exists between tax amnesty and tax compliance based on the finding of this study perhaps tax amnesty is a new policy that was just launched to encourage voluntary tax compliance. As such, audits and imposition of tax penalties must be encouraged and sustained. These are imagined to further improve

the degree of tax compliance, consequently enhancing government tax revenue generation to increase decreasing oil revenue in Nigeria. As regards relatively new and still 21-under-watch tax amnesty, it may turn out to be a veritable tool for voluntary compliance in the future if properly nursed. The final section will discuss the research done in Ethiopia associated with tax administration in Ethiopia. In the study by Messay (2019) on Tax Assessment and Collection Problems Addis Ababa sub-city, the findings indicated that the majority of taxpayers lack tax knowledge of assessment and collection Ways, rules, and regulations.

There is an absence of understandable, clear, and updated info and on-the-job training. Moreover, tax assessment and collection officers are inefficient and insufficient about taxpayers in the sub-city, tax officers are non-motivated, and lack adequate skills. Due to this and other factors mentioned in the analysis of this study, carelessness, delay in tax payment, and evasion are used by taxpayers as a solution to escape from tax. The researcher did not address all of the problems that could also be responsible for low revenue collection and tax assessment problems. As Messay (2019) cited in the research done by Tulu (2007) on Dire Dawa City taxpayers,‟ self-assessment tax obedience finds out that, tax justice, institutional strength of the tax office, the awareness level of taxpayers, traditional influences, and delivery of public services by the government as the key element of self-assessment compliance in the town. In general, one can observe that the experimental research done far for emerging nations, specifically, Ethiopia worried slightly about Arnott to see the possible challenges met by taxpayers and the tax offices in managing different tax actions such as tax assessment and assortment. The execution of the tax government will have a bearing on the ability to increase tax revenue for a country since it contains mainly the assessment and assortment activities.

2.11 Research Gap

Best of the knowledge of the researcher, there is no research made in Ethiopia which addresses all of the problems could also be responsible for tax assessment and collection problems. Therefore, the researcher examined the problems of tax assessment and collection problem. Like tax arrears control mechanisms, enforcement procedures, well-trained intelligence man power and application of tax system technologies etc.

As explained above different findings have been conducted about the assessment of tax collection problems. In the researcher study area, there are some problems with tax collection for instance in 2003 E.C. the proposed amount of tax was greater than the amount collected, and some problems related aware of and willingness of taxpayers. So, in this paper, the researcher tried to answer the following basic questions about tax collection problems in the Town

1. What are the major bottlenecks affecting the tax collection system in the town?
2. What are the problems and weaknesses on the side of government bodies (tax collectors) or the system?
3. What are the gap and weaknesses in these taxpayer societies?

Summary

To conduct this study questionnaires were distributed to 100 taxpayers and 15 questionnaires were distributed to employees of the revenue bureau. In addition to this, different opinions were collected from the manager of the office and the previous year's report of the office. The result of the study indicates that the prominent problems of tax collection in so koru woreda are the following.

- ⇒ The other significant problem identified by the study is poor knowledge of taxpayers concerning tax.
- ⇒ The annual tax payment (the tax rate) imposed by the government is not fair or not comparable with their income.
- ⇒ Lack of adequate training and education concerning tax laws and amendment of tax law which improves knowledge of employees
- ⇒ The revenues bureau faced a problem in service delivery because of dissatisfied employees regarding their position and their working environment.

CHAPTER THREE

Research Design and Methodology

3.1 Research Design

The study focused on the problem associated with tax collection problem in Wolkite Town which is found in the Southern Region. The study was conducted, by using both qualitative and quantitative research approaches.

3.2 Source of data and collection method

To conduct this study both primary and secondary data were collected. The primary data was collected by using questionnaires from taxpayers, employees of the revenue bureaus, and personal interviews with the manager of the bureau. The secondary data was collected from the previous year's reports of the bureau, from different books, and related published materials.

3.3 Target Population and Sampling Methods

There are different tax bases and taxpayers in the Town such as employees, traders, and farmers. From 5854 registered taxpayers in the Town, the study was conducted, on 99 registered taxpayers. Among different sampling techniques, the researcher selects a simple random sampling technique. The sample size (99) is determined by using the following which came from the subjects using a 90% confidence level. (Tayro Yamane)

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

n = the sample size

N = total population

e = the level of precision

$n=\frac{5854}{1+5854(0.1)^2}$

$=99$

3.4 Data Analysis Method and Presentation

After gathering all required qualitative and quantitative information data analysis was performed and presented through tables, percentages, and frequencies. Then the researcher was analyzed using the descriptive analysis method. From randomly 15 employees of the revenue bureau all, correctly and actively participated in responding the to questionnaires. Furthermore, to gather additional data the researcher held interviewed the manager of the revenue bureau.

CHAPTER FOUR

Data Analysis, Interpretation, and Presentation

This chapter deals with analysis and interpretation on the base of data gathered through questionnaires and interviews. To acquire information for the study total of 99 questionnaires were distributed to taxpayers and employees of the tax bureau. From randomly selected 99 taxpayers only 87 were correctly filled and returned the questionnaires. From randomly 15 employees of the revenue bureau all, correctly and actively participated in responding the to questionnaires. Furthermore, to gather additional data the researcher held interviewed the manager of the revenue bureau.

4.1 Analysis of Data Gathered From Taxpayers

Table 1 General Profile of Tax Payers

Gender	Male	Female	Total			
No of respondents	46	41	87			
Percentage	52.9%	47.1%	100%			
Age group	20.30	32-41	41-50	Above	Total	
No of respondents	18	24	30	15	87	
Percentages	20.7%	27.6%	34.5%	17.2%	100%	
Educational background	1-6	6-12	Certificate	Diploma	Degree	Total
No of respondents	35	20	14	15	7	87
Percentage	40.2%	22.9%	16.1%	12.6%	8.2%	100%

The data collected through questionnaires indicated that almost about 53% of the respondents were male and 47% were female all respondents' age lies above 20 years. The age group from 41- 50 covers the high ratio with 34.5%. Regarding educational background 40.2% of the sampled respondents learned primary Schools, 22.9% are in secondary schools, 16% have certificates 12.6% have diplomas, and 8.2% have degrees degree.

Table 2 Types of taxpayers take part in responding to e questionnaires

Types of taxpayers	No of respondent	Percentage
Employment income taxpayer	15	17.2%

Business income taxpayers	55	63.2%
Agricultural income taxpayers	17	19.6%
Total	87	100%

Of the whole respondents 6,3.2% are engaged in different types of business, 19.6% are engaged in agricultural activity and 17.2% are public servants.

Response of taxpayers

Table 3 Do you face any problems when you pay your tax liability?

Response	The total No respondents	Percentage
Yes	59	67.8%
No	28	32.2%
Total	87	100%

For the above question, 67.8% of the taxpayer respond as there is a problem when they pay their tax liability. As the data gathered from questionnaires indicate the major problems mentioned by taxpayers in the efficiency of tax collectors (60%), the existence of over-taxation (22.8%),d the problem of the procedure of tax collection wiby7.2% of respondents.

Table 4 Is **your annual tax liability based on your income**?

Response	The total No of respondent	Percentage
Yes	59	67.8%
No	72	82.8%
Total	87	100%

As tried to show in the table 82.8% of the tax taxpayers complained amount imposed on them because of the tax they are not based on their income.

Table 5 When **do you pay tax**?

Response	Total No of Respondent	Percentage
When receiving the assessment notification	14	16.5%
Before due date	42	48.3%
After due date	32	36.8%

Total	87	100%

As the data gathered implies that 53.3% (16.5% + 36.8%) of the taxpayers are not paid their tax liability on time or the same question the response of revenues bureau employees was almost nearest to this percentage with 53.3%. The late payers reason out some problems for the late payment like on hand on the exact time of payment, etc.

Table 6 Does **the tax rate imposed by the government fair?**

Response	The total No respondents	Percentage
Yes	31	35.6%
No	56	64.4%
Total	87	100%

Of the total sampled respondents 64.4% have complained about the tax rate imposed on them because they feel it is above their capacity.

Table 7 Is the payment period enough?

Response	The total No of respondent	Percentage
Yes	77	88.5%
No	10	11.5%
Total	87	100%

Among the respondents, 88.5 of the taxpayer's answers indicate that the payment period is enough. The remaining 11.5% say the payment period is not enough. This realizes that range of time that fits or payment is enough.

Table 8 Do you know why tax is compulsory?

Response	The total No respondents	Percentage
Yes	40	45.9%
No	47	54.1%
Total	87	100%

Knowledge of taxpayers about taxation is still not adequate about 54.1% of taxpayers have no idea why they pay taxes. Some taxpayers when asked why they pay the tax they reply that only they pay tax because it is obligatory.

Table 9 How do you see the present taxation system?

Response	The total No respondents	Percentage
Good	35	40.2%
Not bad	27	31%
Need restatement	25	28.8%
Total	87	100%

Of all respondents 71.2% (40.2% + 31%) almost have positive about the present taxation system and the remaining 28.8% feel not good. For the same question submitted for employees, the majority of them have good feelings.

Table 10 How do you feel about taxation?

Response	The total No respondents	Percentage
As an obligation	30	34.4%
As a debt	37	42.5%
As useful	20	23.1
Total	87	100%

As indicated in the above table only 23.1% of taxpayers see taxation as useful about 76.9% of the taxpayer considered taxa as debt and obligation this implies that the knowledge of the taxpayer payer is poor.

Table 11 Are you satisfied with the method of assessment?

Response	The total No of respondent	Percentage
Yes	47	54.1%
No	40	45.9%
Total	87	100%

Based on the above table 45.9% of the respondents are not satisfied with the method of assessment. The following are some of the reasons mentioned by the taxpayers the tax system has modernized; the appointed tax collectors are responsible or have no interest in their position.

4.2 Analysis of data gathered from Employees

This part of the analysis discussed questions posed by the employees of the Revenues bureau and their answers 15 employees of the bureau and their manager actively participated in answering the questionnaires and stringy assist me by giving all the necessary data for my study.

Table 12 General profile of the employees

Gender	No of employees	Percentage	Educational Qualification	
			diploma	Percentage 53.3 %
Male	9	60%	Degree	46.7%
Female	6	40%	M.A	-
total	15	100%	Total	100%

As it is shown in the above chart the total of employees in Wolkite Town revenues bureau is only 9 are males and the remaining 6 are females. The educational backgrounds of the employees tell us that about 54.3% of them have had diplomas and 46.7 of the employees graduated from college with a degree.

Table 13 How do you evaluate the coordination of your office with others

Response	The total No of respondents	Percentage
Excellent	2	13.4%
Very Good	3	20%
Good	5	33.3%
Hess	5	33.3%
Total	15	100%

For the question above about 66.7% of the respondents to tally answered excellent good and very good only 33.3% said less this average implies us the office's coordination with other offices is good

Table 14 What do you think about the bureau's structural adjustment?

Response	The total No of respondents	Percentage
Complete the work quickly	9	60%
Complete the work moderately	5	33.3%
Complete the work excessively	1	6.7%
Total	15	100%

According to data gathered from the respondents about bureaus, and structural adjustment 60% of the employees believe that it is good and completes the work quickly, 33.3% of respondents feel that it completes the work moderately, and the remaining 6.7% believe it completes the work slowly than of the rest.

Table 15 How do you evaluate the knowledge of taxpayers about taxation?

Response	The total No of respondents	Percentage
High	-	-
Medium	3	20%
Low	12	80 %
Total	15	100%

The response of employees concerning knowledge of taxpayers describes that 80% of the respondents come out with the knowledge of taxpayers is low, and the remaining 20% respond that their knowledge is medium.

Table 16 What do you feel about the position you have been assigned?

Response	The total No of respondents	Percentage

Is the right position	6	40%
Beyond my capacity	-	-
Under my capacity	9	60 %
Total	15	100%

Of the total employees, only 40% of the employees feel right about their position the majority of the respondent (60%) feel their position is under their capacity which implies that they have no satisfaction with their position.

Table 17 What is your idea about present tax collection and assessment system?

Response	The total No of respondents	Percentage
Is effective	9	60%
Show discrimination	4	26.7
Have sufficient manpower	2	13.3%
Total	15	100%

Among the respondents 60% of the taxpayers approve that the present tax collection and assessment system is effective 26.7% of the respondents said it shows discrimination while the remaining 13.3% of the respondents answered have insufficient power of man.

4.3 Analysis and Presentation of Secondary Data

Table 19 the five years budgeted and the actual amount of tax collected in Wolkite Town.

Year	**The budgeted amount of tax**	**The actual amount of tax collected**	**Percentage**
2010	123,938,454	95,360,859.71	76.94%
2011	123,905,962	115,393,231.66	93.13%
2012	134,005,053	381,859,064.18	254.9%

2013	163,862,450	173,287,382.66	105.75%
2014	227,269,607	255,459,945.15	112.4%
Total	772,981,526	1,021,360,483.39	132%

Source: Wolkite Town Revenues Bureau

As presented in the above table the actual amount of tax collected in 2010 and 2014 was above the budgeted tax by 104.68% and 130% respectively. But this result is reversed for the next consecutive years 2012,2013 and 2014 with 94.71%,89.39%, and 78.39%. The declined amount of tax collected in these three years also resulted in the decreased amount of actual tax collected for the cumulative five years from the budgeted tax by 96.94%.

CHAPTER FIVE

Summary Conclusion and Recommendation

5.1 Summary

The major findings included in this research summary are resized as follows.

- In both questionnaires for employees and for taxpayers to tally 55 males and 47 females participated
- The educational background of employees of the tax bureau is a diploma and above.
- Both employees and taxpayers agreed that the tax payment period is enough.
- The taxpayers are satisfied with the present tax assessment and collection system.
- Knowledge of taxpayers about tax is poor.
- Employees of the Revenue Bureau are not satisfied with their position and their working environment.
- Almost the majority of taxpayers are suggested that the tax rate is not fair.
- The coordination of the revenues bureau with other offices is good.

5.2 Conclusion

To conduct this study questionnaires were distributed to 99 taxpayers and 15 questionnaires were distributed to employees of the revenue bureau. In addition to this, different opinions were collected from the manager of the office and the previous year's report of the office. The result of the study indicates that the prominent problems of tax collection in Wolkite Town are the following:

⇒ The other significant problem identified by the study is poor knowledge of taxpayers concerning tax.

⇒ The annual tax payment (the tax rate) imposed by the government is not fair or not comparable with their income.

⇒ The revenues bureau faced a problem in service delivery because of dissatisfied employees with their position and their working environment.

5.3 Recommendation

To stamp out the distinguished problems and improve (sustain) the strength shown in the town, concerning tax collection and assessment, the town revenues bureau should take the following measures.

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

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QUESTIONNAIRE

WOLKITE UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND ECONOMICS

I am a graduate student at Wolkite University, College of Business and Economics, Department of Accounting and Finance, BA Degree Program in Accounting and Finance. The purpose of this questionnaire is to collect data on the tax collection problem assessment of Wolkite Town for the partial fulfillment of a BA degree in Accounting and Finance. Dear respondent, the information you will provide is very important for the successful accomplishment of this research. Furthermore, the information you give will be used for only academic research. Therefore, you are kindly requested to read all the questions and fill them honestly without any hesitation and all the data gathered will be held confidential.

Appendix I

Questionnaires related to taxpayers'

- personal information
- Age A. 20-30 ☐ B. 31-40☐ C. 41-50 ☐ D. above 50☐
- Sex A. Male ☐ B. Female☐
- Education background:

  A. primary school (5-6) ☐ B. Secondary school (7-12) ☐

  C. Technical school ☐ D. College (diploma) ☐

  E. College (degree) ☐
- Types of business:

1. How do you feel about taxation? A. as an obligation ☐

   B. as debt ☐ c. as useful ☐

2. Is the tax payment period enough? A. Yes☐ B. No ☐

3. When do you pay tax?

A. when I receive an assessment notification □

B. before due data□ C. after the due date □

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

A. yes □ B. No □

5. Do you face any problems when you pay the tax liability?

A. yes □ B. No □

6. If your answer is "yes" to question number 5 what is your possible reason?

A. Problem of procedure of tax collection system

B. Weakness among tax collectors

C. The existence of over taxation

D. If any other specify _____

7. How do you see the present tax system? A. Good □ B. Not bad □

C. Need restatement □

8. Do you know why tax is compulsory? A. Yes □ B. No □

9. If your answer is "no" for question no 8 what is your reason?

A. No awareness creation by the concerned body

B. Because tax is not so far contributing to one's country's development

C. I am not obliged to pay tax because it is not my responsibility.

D. If any other specify _____

10. Are you satisfied with the method of assessment? A. Yes □ B. No □

11. If your answer is "no" for question no10 because of what?

A. Power to collect tax is not delegated on the woreda

B. Tax collection system is not modernized one

C. Appointed tax collectors do not feel responsible

D. If any other specify _____

12. Does the tax rate imposed by the government is fair? A. Yes□ B. No□

Appendix II

Questionnaires related to revenues bureau employee's personal information

- personal information
- Age A. 20-30 □ B. 31-40□ C. 41-50 □ D. above 50□

- Sex A. Male □ B. Female□
- Education Qualification:

A. Technical school □ C. College (degree) □

B. College (diploma) □ D. MA/MSC □

1. Who is responsible for tax collection and assessment?

A. the policy □ B. Taxpayer □

C. Tax office □ D. All □

2. How do you evaluate the coordination of your office with the other office? A. Excellent □ B. Very good □

C. Good □ D. Less □

3. How do you feel about the position you have been assigned?

A. is the right position □ B. beyond my capacity □

C. Under may capacity □

4. What do you think about the bureau's structural adjustment?

A. will complete the work quickly □ B. will work excessively □ C. will work moderately □

5. What is your idea about the present tax collection and assessment? A. Effective □ B. Show discrimination □

C. Have sufficient manpower □

6. How do you evaluate the knowledge of taxpayers about taxation?

A. High □ B. Low □ C. Medium □

7. Do most taxpayer pay their tax liability on time?

A. Yes □ B. No □