FACTOR AFFECTING TAX COMPLIANCE (A CASE STUDY ON EMIDIBIR TOWN TAX ADMINISTRATION REVENUE AUTHORITY)

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ABSTRACT

The study would be conducted to assess tax compliance problem in Emidibir town revenue authority. The general objective is to assess tax complains problem in Emidibir town revenue authority. 10 sample populations would l be participating in the study out of 56 employees and 97 samples would be participating in the study out of 3444 tax payers. To achieve the desired objective, the researcher use Primary sources of data. The primary data would be collected through structured interview and through questionnaires distributed to employees and tax payers of the authority. The researcher would use simple random and purposive sampling for its advantage of convenient to use and less time consuming. The researcher use descriptive type of research to show the problem. The collect data would analyze by use quantitative and qualitative *methods. More over the result is presented by using percentage and table, and the researcher interpreted the finding by using his own personal understanding. Finally, the researcher tried to give conclusion as per the finding sand forwarded applicable recommendations. This study found that Tax payers have lack of awareness regarding tax rules, regulation, directives and procedures. In addition tax payers do not pay tax liability at a given time and there was lack of awareness regarding the payment of their liability.*

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CHAPTER ONE

1. INTRODUCTION

1.1. Background of the study

Tax is a compulsory contribution level on individual, business firm or property which is designed to transfer resources from the private to the public sectors, so as to provide merit goods to the society with contributed price inflation (Audi, 1997). Typically, taxes are the primary source of government revenue in Ethiopia, Tax is a financial change and other very imposed on individuals or legal entity by the government so as to raise money to finance government expenditures, government uses tax revenue to pay solider and policy, to build dams and roads, to operate schools and hospitals, to provide food to the poorer and medical care to elders and for hundreds of others purpose. Use of tax to find its activity, government would cease (stop) to exit or survive (Gebre, 2006). Ethiopia taxation is come in to being with emergency of state and government, but they exit hardly and reliable documentary evidence as to when taxation was introduced in Ethiopia and payment are made in kind and arbitrary systems of agricultural taxes. However, there is strong change during the period of emperor Menilik. Such as the establishment of fixed amount of tax rather than undefined and arbitrary system of agricultural tax during the.regime of Emperor Haile Selassie, there were a number of proclamation legal notices as statutory base of Income during the regime (Gebre, 2006).

The most important feature of traditional taxation continued during the relatively modern administration of Emperor Haile Selase. The element of tax system of this era comprise personal income tax, business income tax, agricultural income tax, land tax, education tax, health tax, tobacco tax. The first income tax of Ethiopia was enacted in 1944. The personal and business tax proclamation No 60 of 1944.Reform income taxation in that it provided a modern structural and legal frame work to the organized primarily system. Proclamation in 107 replaced the first proclamation in 1944 and this proclamation was replaced by income tax decree No 19 in 1956 the fourth income tax law enacted by income tax proclamation no 173 is 1961 and the Proclamation No 255/ 1967 (Ibid).

Personal business income tax where levied, charged and collected under each of the, applied to the taxation of income from employment, applied to income from rent of land and building used for other than agriculture purpose, applied to income from business professional and vocational occupations, the exploitation of woods and forests for, applied to income from agricultural activates (Gebrie,200).

The political up heaves of 1975 brought about the abolition of the feudal land tenure system and the revoke of land taxes and the tithe. The health and education taxes were also cancelled and the remaining types of taxes were extensively amended and restructured by the Dergue and used until the traditional government of Ethiopia amends anew taxation structure. During regime there was an increase in the coverage of tax bases and tax rates owing to the need to raise more revenue to support (Ibid).

The income tax proclamation during this period were mainly amendment of the income tax proclamation No 173/ 1961 and proclamation No 255/1967/ proclamation No 77/1976 and proclamation No 152/1978 were aimed at changing the income tax structure levied on agricultural activities.

According the tax two proclamations imposed rural and use fee tax on income from agricultural activity. In line with the socialist ideology of the regime, the rate of rural land use fee varied for farms and state forms.

Thus, the rate of rural land use fee was as follows.

Every farmer who was a number of agricultural procedure cooperative paid birr 5.An individual peasant who was not a member of an agricultural procedure cooperative paid birr 10. Every state farm paid Birr 12 heat ore under it possession.

To implement the right of nations, nationalist peoples to administrates their affairs the transaction government of Ethiopia issued proclamation No 7/1992 providing for the establishment of regional government. (Ibid,1998).

1.2. Statement of the problem

Any government provides goods and service to the public like, police defense, education, hospital, and other infrastructure facilities. In order to provide those goods and service, the government needs to collect revenue. Government uses this income to provide different services for the common benefit of the society. Taxes are compulsory payment by every person or

organization to the government because it is the main sources of revenue to government without expectation of proportionate return from government (Gebri, 2006).

The existence of complain to the tax compliance system it affects the development and economy of the state. If no complain that better tax compliance system is decisive in one country's overall capacity that is the main reason that motivated the researcher to study the constraint of tax compliance system with title "assessment of problem related with tax compliance in Emidibir town.

1.3. Research question

The researcher tried to answer the following basic questions of tax compliance problems in the town.

1. What measure is taken to assess tax payer awareness about tax?
2. What measure is taken to assess tax payer's knowledge on tax rules and regulation?
3. What is the existing tax payer's accessibility to tax information?
4. What are the causes of tax complains problem?

1.4. Objectives of the Study

The researcher has general and specific objective while identifying the problem tax assessment and compliance related problem of revenue authority at Emidibir town.

1.4.1. General objective

The general objective of this study is to assess tax compliance problem of tax payer by taking Sample of tax payer from Emdiber town tax administration and revenue authority.

1.4.2. Specific objectives

Especially the study attempted to achieve the following objective.

- To evaluate tax payers awareness about tax
- To examine tax payers knowledge on tax rules and regulation.
- To assess the accessibility of tax information for tax payers.
- To evaluate tax payers attitude towards tax compliance problem.

1.5. Significance of Study

This study would be significant in different way like for local administrative system, to reduce tax compliance cost, for tax payer's to improve tax compliance, for other local areas, more or

less similar feature also share the benefit from the finding of this study. And also toothier researcher used as initial point.

1.6. Scope and Limitation of Study

The study focused only on assessment of tax collection problem in Emidibir town revenue authority. Because the study on taxation is very wide and vast; it needs long term study. Theoverallscopeof this study focus on the extent to which the research objective is concerned. To avoid discrepancies, ambiguity, misunderstanding and other related problems in conducting the research.

1.7. Organization of the study

This report was organized in to five chapters; in chapter one deals about background of the study, statement of the problem, objective of the study, significance of the study ,scope of the study and organization of the study. Chapter two deals about related literature review of previous works of others. Chapter three consist of research methodology, chapter four consist data analysis, interpretation and presentation and chapter five deals about summary conclusion and recommendation

CHAPTER TWO

2 LITERATURE – REVIEW

2.1. Theoretical literature review

2.1. 1.The Review of Taxation (Tax) and Related Problem

A tax is a compulsory levy payable by an economic unit to the government without any corresponding entitlement to receive a definite a direct quid pro quo from the government. Note the word direct here, is not a price paid by the tax-payer for any definite service rendered or a commodity supplied by the government. The benefits received by tax payers from the government are not related to or based upon their tax payers. A tax is a generalized execution, which may be levied on one or more criteria upon individuals, groups of individuals or other legal entities (BL-Bhatia, 2003).

Government at all levels, local state and national, requires people and business to pay taxes. Government use the tax revenue to pay the cost of police and fire protection, health programs schools, roads, national defense and many other public services. Tax and taxation are generally regarded as unpleasant subjects. Justice John stated that "the power to tax is the power to destroy" represents the rhetorical linkage of tax and tax so inevitable. Taxes are also olds government. The general level of taxes has varied through the years, depending on the role of the government. In modern times, many governments as especially in advanced industrial countries have rapidly expanded their roles add taken on new responsibilities. As a result the need for the tax revenue has become great. Government can finance their activities by borrowing creating or obtaining technical assistance from abroad and denotations. Government also secure resources by profit from public enterprises of from sale of produced on land. But the major source of revenue to finance public expenditure is taxes (Ibid).

Compulsory contributions by persons or organization to the government without expectation of any direct return. Taxes are burdensome these reduce the economic welfare of individuals and business (public) organization. But activities that are financed from taxes will bring benefits to individuals or organization (Encyclopedia, 1952).

2.1.2. Importance of Tax

According to Bernard P. two payers in rent in sovereignty government and regions give the public sector the authority to institute tax laws. These revenues and polices power of government nicest authoring to sovereign government control persons and properly for the purpose of promoting the general welfare. Most taxes for both revenue and welfare propose. All taxes by nature exert on income effect since compel drawl of revenue from private sector and reduce the level of private sector phasing power. A tax can be defined as a compulsory contribution from an individual for the purpose or goal. Though a single purposes is typically dominated. All taxes by their nature provide revenues to the government which imposes the taxes. In most instance the primary motive for existence for tax. Tax may exit primary for regulator purpose. Tax may be regulatory in either micro economic since. A regulatory tax designed to discourage the consumption of particular item such alcoholic beverage or to base of product (Bernard p. 1999).

2.1.3. Principle of Taxation

The pioneer economist like Adam smith who agrees for "lassie fair" which state that the government minimal intervention, However Adam smith acknowledges the role of the government in the provision of public. In his well know book" the wealth of nation" publisher in 1776 has stated four principles which called them as canons of taxation they are:-

People should pay taxes according to their abilities (principle with modern economist have subject to two interpretation) they are the benefit principle and to pay principle cannon of equity.

The payment of tax should be clear; certain to the tax payers and the tax collector cannot convenience.

The cost of collection in relation to the tax yield should be minimal cannon of economy. Now day's smith's canons' get wider perspective and some are added (Todaro, 1994) tried to put factors which the tax potential in to five categories there are:-

The level of per capital income

The degree of inequality in the distribution of income, the industrial structure of the economic activity example of the importance for foreign trade, the significance of the enterprises, the degree to which the agricultural sector is commercialized as opposed to subsistence oriented.

2.1.3.1. Benefit Principle

The benefits principle of taxation states that only the beneficiaries of a particular, government programs should have to pay for it. The benefits principle regards public service as similar to private goods and regards taxes, as the people must pay for these services. The practical application of the benefits principle is extremely limited, because most government services consumed by the community as a whole. For example, one cannot estimate the benefit received by a particular individual for general public services such as national defense and local police protection, (Gebrie, 2008).

2.1.3.2. Ability to Pay Principle

The ability to pay principle holds that people, taxes should be based up on their ability to pay, usually as measured by income or wealth. One implication of this principle is horizontal equity, which states that people in equal positions should pay the same amounts of tax. A second requirement of the ability to-pay principle is vertical equity, the idea that a tax system should distribute the burden fairly across people with different abilities to pay. This idea implies that a person with higher income pay more in taxes than one with less income (Adam smith, 1776).

2.1.4. Tax evasion and Avoidance

Tax evasion is an illegal method of trying to reduce one's tax bills. In other word, it is illegal by redacting tax burden by under reporting income, over stating deduction of using illegal tax shelters while tax avoidances an attempt to reduce tax liability to minimizing tax burden through legal means such as tax free municipal bonds, tax shelters because of the loopholes in the tax laws and the inefficient or corrupt tax administration gives rise to tax avoidance or evasion. It involves choosing legal form and handling affairs in such a way as to take advantage of legally permissible alternative tax rate or an alternate method of assessing income. Tax avoidance in contrast to tax evasion is considered by many to be legitimate aim since it is not illegal but consists of exploiting the discrepancies and loopholes in the tax law to the further extent. Among the most common method of tax avoidance are the manipulation of capital gains and losses, the formation of holding companies to create article deductions and eh creation of multiple trust for relatives and dependents. Tax avoidance in the case of indirect taxes is high but taxes avoidance is relatively low because directly taxes can be easily shifted forward or back ward (Indigo, 2002).

2.1.5. Classification of Taxes Based on their Effect on Income

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

2.1.5.1. Progressive Taxes

The term progressive refers to the way the rate progresses from low to high. The rate of taxation increase as the tax bases increases. Here as the income or sending increase the marginal rate of tax increased, income or spending also rises. It is also possible to have a progressive expenditure tax where the rate of rises with increment to consumption expenditure. People with higher income tend to increase their spending on items subject of the tax to such an extent that the payment becomes bigger portion of income (Gebrie, 2006).

2.1.5.2. Proportional Taxes

This kind of tax is whose rate remains constants as the size of the basic increases. A proportional tax rate is usually stated as flat percentage of the base regardless of its size. This kind of tax in Ethiopia is seen in the mining income tax proclamation 23/1996, which states that both large scale and small scale miner shall pay 35% of their mining income (Ibid, 2006).

2.1.5.3. Regressive Taxes

These kinds of taxes the marginal rate decreases as increase income. Tax a larger share income from the low income tax payer than from the high income tax payer. A tax which is technically proportional interims of the tax bases, can often be considered regressive interims of tax payer income common examples, an excise tax on cigarette is based on the on, of cigarettes sold (Green world, 1993).

2.1.6. Types of Taxes and Categories of Tax Payers

Governments impose many types of taxes. In most developed countries, individual pay income taxes when they earn money, consumption taxes, when they spend it, property taxes when they own a home or land, and in some case estate taxes when they die. In general, in terms of the relationship between the nature of taxes and reason for payment, taxes classified as direct and indirect taxes (Gebrie, 2008).

2.1.6.1. Direct tax

According to Dalton, direct taxes are those, which are paid entirely by those persons on whom they are imposed. Direct taxes are those taxes which cannot be shifted to others. Direct taxes are made up of different individual taxes. Personal income tax: are applied to the income of individual and families. Capital gain business profit tax:-this is tax imposed on the taxable business income or net profit realized from entrepreneurial activity. Property tax:-are levied on the value of such property as firm's houses, stores, factories and business equipment property tax first become important in ancient time.

Merits and Demerits of Direct Taxes

Merit of Direct Taxes,

Equitable:-direct taxes such as income tax are equitable because it is based on the principle progression. Certainty direct taxes satisfy the canon of certainty. The tax payer is certain as to how much he/she is expected to pay and similarly the tax collector is certain how much it receive.

Elasticity:-elasticity in direct taxes implies that the government collects more revenues simply by raising the rate of taxation.

Reduce inequalities: - direct taxes are progressive in nature and therefore, rich people are subject to his/her rate of taxation, while poor people are exempted from direct tax obligation.

(parameswarn; 2005).

Demerits of Direct Taxes

In convenience: tax payer should submit the statement of total income along with the source of income from which is derived.

Evasion: direct taxes are certain and tax payers know the rate of tax they have to pay, therefore, awareness of tax liability to tempt the tax payer to evade tax.

Arbitrary: there is no logical or scientific principle to determine the degree of progression in determines tax brackets (Gebrie 2008).

2.1.6.2. Indirect Tax

Indirect tax is often avoidable and not taken from wages. Tax in which the burden may not necessarily be swallowed by assesses, which means indirect taxes can be shifted on the other persons (Gebrieworku 2008 and Richard A. Margrave, 1989).

Example indirect taxes areas excise tax, value added tax, turn over tax

Excise taxes levied in respective of goods produced locally and imported good Value added is a tax on customer expenditure. It is broad tax on the consumption of good and service.

Turn over tax: - would be payable on goods sold and services rendered by persons not registered for value all tax.

Merits of Indirect Taxes

Convenience: - indirect tax is more convenient to the tax payers.

Wide scope: while the people with income and wealth above a certain limit are brought under the levy of direct taxes, indirect taxes are paid by all both poor and rich.

Elastic the revenue from the indirect taxes can be increased or decrease as government need.

Tax evasion is not possible: - indirect taxes are included in the selling price of the commodities so, evading of such tax become, very difficult.

Substantial revenue: - indirect taxes yield substantial revenue to both central and states of government.

Progressive: - indirect taxes can be made progressive by imposing lower rate of taxes or giving exemption to the necessary article and heavy taxes on luxurious articles (parameswaren, 2005).

Demerit Indirect Tax

Ability to pay principle violated:- indirect taxes are not directly connected to taxpayer ability to pay.

Uncertainty: - if indirect taxes are not levied on the commodities of common consumption and levied only on luxurious articles, they tend to be inelastic. The quality demand will be affected by imposition of the taxes.

Discourages saving: - indirect taxes are included in the selling price of the commodities. Hence, the people have to spend more on the purchase of the goods. This is turn effect of the saving of the people.

High cost collection: - indirect taxes are uneconomical as they involve high cost of collection.

Civic consciousness is not created:- under indirect taxes, tax payer don't feel burden the tax. They are not aware of their contribution to the state.

Inflationary: - the indirect taxes causes an increase in the price all around (Ramaswan; 2005).

2.1.6.3. Categories of tax pay's

Category "A" tax payers whose annual income about 500,000 birr declare and pay tax after the budgetary years four months. They are obligated to keep books of account and present balance sheet and profit and loss statement to the tax office.

Category "B" tax payer

Tax payers who are under the threshold of annual turnover income between 100,0000 to 500,00 birr maintain records on books of daily revenue and expenditure and should declare and pay tax after the budgetary year of carryon know months.

Categories "C" taxpayers

Tax payers whose annual turnover income up to 100,000 birr keep recodes and present it for assessment. It is highly appreciated by the tax offices and pay tax after the budgetary year of one month (Gebrie 2006).

2.1.7. Tax administration

Since taxes are an involuntary payment for governmental services tax payers have a strong inventive to minimize their tax liability either through avoidance (legal) or though evasion (illegal). Tax administration has to secure compliance with the laws by applying an array of registration. The ability to tax payers to keep form doing these procedures and thus successfully avoid evading taxes determines the sizes and the nature of economy's actual effective tax base. Both evasion and avoidance's seriously compromise the demonstration of the tax system, producing a system that departs scientifically in its operation from the one that is described on the tax legislation (Misrak p. 453).

2.2. Empirical Review

Another study made on "Assesses that tax compliance problem '' an empirical study of mekelle city, Ethiopia (habtamu, 2007) identify tax compliance issues as follow: the researcher used structured questioners to collect data from a respondent of 150. Accordingly, the major problem of tax compliance in mekelle, Ethiopia were found to be intentional tax avoidance, that means some tax payers intentional understated there taxable income. In addition to this lake of knowledge of the tax statement, especially how the taxable income is calculated and low awareness creation by revenue and tax authority by city to taxpayer were found to be the major factor for tax compliance issue.

In addition to that the study made by Tilalun and Yadersal (2014) on "determinates of tax compliance behavior in Ethiopia the case of bahir dare city taxpayers can be summarized as follows, the study used quantitative methods research approach to study the determinants of tax compliance the study also employed survey methods of data collection using questionnaires.
The data collected from 201 usable questioners was analyzed using T-test and one-way ANOVA
The result revealed that perception of government spending, perception of equity and fairness of the tax system, penalties, personal financial constraint, changes on current government policies and referral group are factors that significantly affect tax compliance behavior of taxpayer. However gender and probability of being audited have no significant impact on tax compliance behavior

Similarly, a study by Ojochogwu& Stephen (June 2012) on 'Factors that affect tax compliance among small and medium enterprises' in Northern Central Nigeria revealed some of the issues of tax compliance. Data for this research was collected from primary sources using survey method (questionnaire and personal interview with 150 respondents of small and medium enterprises). The sample was obtained using a combination of non-probability (judgmental) and probability (random) sampling methods. Data analysis was made by using Microsoft Office excel 2007 using the one sample-size z-test. Thus according to this study, it was found that high tax rates and complex filing procedures are the most crucial factors causing non-compliance of small and medium enterprises. Other factors like multiple taxation and lack of proper enlightenment affect tax compliance among small and medium enterprise taxpayers to a lesser extent.

2.3. Research gap

The above literatures differ from this study mainly:- on its Scope, level of depth, working time, working place, and population in which the study concernedon. On this study the researcher tried to assess the problem related with tax compliance in case of Emidbr town by addressing or filling the above mentioned research gap.

CHAPTER THREE

3. RESEARCH DESIGN AND METHODOLOGY

3.1. Research Design

The research design indicates about what types of research the researcher would use in the study. In this study, the researcher used descriptive type of research design, because this type of research design enables the researcher to describe the existing problems.

3.2. Data type and source

In this study, the researcher use primary source of data to achieve the desired objective. The primary data was collected through structured interview and both open-ended and close-ended questionnaire.

3.3. Target Population

The target populations of this study are the employees of Emidibir town tax and revenue authority and tax payers of the town.

3.4. Sample Size

In Emidibir there are 3444 tax payers and 56 tax officers. Among the 3444 tax payers, the researcher selected 97 tax payers as a sample by using simple random sampling technique. By considering 90% confidence level, the sample size is computed as follows:

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

$$n = \frac{3444}{(1+3444\,(0.1)\,2}$$

$$n = \frac{3444}{1+3444*0.01}$$

$$n = \frac{3444}{1+34.44}$$

$$n = \frac{3444}{35.44} = 97.18$$

n=97

Where;

n=sample size

e=sampling error

N=total population

(Ymeane, 1967)

From 56 tax officers the researcher selected 10 as respondent by using purposive sampling technique, which provides detailed information about the subject matter. 10 respondents are select by some criteria, by their position, by working experience, by knowledge.

CHAPTER FOUR

4. DATA ANALYSIS, INTERPRITATION AND PRESENTATION

This chapter deals with analysis and interpretation on the base of data gathered through questionnaires and interview. In order to acquire information for the study totally 97 questionnaires were distributed to tax payers and 10 questionnaires were distributed to employees of tax bureau.

4.1Analyses of data gathered from tax officer

Table 4.1 Demographic Background of the respondents

No	**Personal details**	**Number of respondent**	**Percentage of response**
1.	Sex		
	Male	7	70%
	Female	3	30%
	Total	**10**	**100%**
2.	Age		
	20-30 years	3	30%
	31-40 years	2	20%
	41-50 years	3	30%
	Above 50years	2	20%
	Total	**10**	**100%**
3	**Education level**		
	Certificate	2	20%
	Diploma	1	10%
	Degree	7	70%
	Above degree	-	-
	Total	**10**	**100%**
4	**Service year**		
	1-2 year	2	11%
	3-5 year	2	28%
	> 5 year	6	61%

(Source, questioners 2021)

As table 4.1 above indicates that about 70% of the respondents are male and the remaining 30% of the respondents are female. The above table further shows that 30% of employees are found between 30-40 years. The other 30% of employees are found between ages of 41 up to 50years, and 20% of employees are found between ages 31-40 year. The remaining 20% of the respondents are found above the ages of 50.

.Further the above table shows about the educational level of the respondents in the office. As it indicates 20% of the employees in the organization have certificate; 10% of them have diploma and 70% of the respondents have degree. So, from the above table the researcher understand that most of the employees in the organization have degree. This indicates the work is performed by educated employees.

Regarding to their years of service, 61% of respondents have five years and more than five years experiences, 28% of employees stay in organization for three years up to five years and 11% of employees have one up to two years' experience. From this we can understand that organization has more experienced employees, related with this experienced employees who performs organization work efficiently and effectively. Generally, organization runs its activities with experienced, educated employee and productive force.

Table 4.2 Problem related with the amount of tax collection

NO	Question	Response	Number	Percentage
1	Is there a problem of inadequacy for tax collection?	Yes	6	**60%**
		No	4	**40%**
		Total	**10**	**100%**

(Source: questionnaire 2021

From the above table 4.2 it is understand that 60% of the respondent answered as there is a problem of inadequacy and the remaining 40% of the respondents said that there is no problem of inadequacy. So since the higher percentage of the respondents said yes, it is possible to say that there is a problem of inadequacy of tax collection in the office that tax payers do not pay tax liability at a given time and there was lack of awareness.

Table 4.3 Offering of training to the tax payers

NO	Question	Response	Number	Percentage
5	Did your office train all tax payers at office?	Yes	8	80%
		No	2	20%
		Total	**10**	**100%**
6	If your answer is "yes" for the above question, how you trained all tax payers?	By calling them to meeting	2	25%
		By individual training	4	50%
		By cooperating	2	25%
			8	**100%**

(Source: questionnaire 2021)

As the above table shows that 80% of the respondent answered as their office provides training for the tax payers at office, and the rest 20% of them said they did not provide training for the tax payers at office. As it is understand from the respondents answer, the office provides training for the tax payers.

From the respondent who said yes, 25% of them said they provide the training by calling the tax payers to meeting. And the other 25% of respondents answered they provide (offer) the training for each individual, and 50% of them said as they provide the training by cooperating.

This means they provide training by grouping the tax payers, So as to implement the program appropriately.

4.2Analyses of data gathered from tax payers

Table 4.4. Problems Related With Tax Payment

Tax payers face a problem when they go to pay their expected tax liability. Therefore most of tax payers has negative attitude on tax collection body of the government. The following table shows about problem related with tax payment period.

Question	Response	Number	Percentage
Do you face any problem when you got to pay tax liability?	Yes	55	56.7%
	No	42	42.3 %
	Total	**97**	**100 %**
Is your answer is 'yes' for question 6 above what type of problem?	Absence employees in office	25	45.5%
	Waiting for long time	30	54.5%
	Total	**55**	**100**

(Source: - questionnaire 2021)

As table 4.4 shows that, 56.7% of the respondent responded as they faced a problem when they go to pay their tax liability. The remaining 42.3% of the respondent said as they did not face any problem related with the payment of their tax liability. From this the researcher can understand as there is some problem from the of the revenue authority office side in terms of treating tax payers when they go to there to pay their tax liability. Among those who said there is a problem; 45.5% of them said that absences of employees from the office is the problem they are facing. 54.5% of them said about the problem as they wait for long period of time to pay their expected tax liability. In this case they spend more of their time to the revenue authority office; so this creates a negative impact on their day today life.

4.2.1 Tax Payers Feeling and Payment Period of Taxation

Tax payer are those people who are registered for tax payment to the government and there is May party to the tax payer like trade and merchants. Tax payers has different attitude about taxation. Therefore some of tax payer has positive attitude and most of other has negative attitude about taxation. Because of the tax payers knowledge about taxation are not equal payment period of taxation means payment schedule of taxation and the table below describe about tax payer attitude and payment period of taxation.

Table 4.5 Tax Payers Feeling and Data of Tax Payment

Question	Response	Number	Percentage
How do you feel about taxation?	As obligation	26	26.8 %
	As debt	17	17.5%
	As useful	54	55.7%
	Total	**97**	**100 %**
When do you pay tax liability?	Before due date	83	86%
	After due date	14	14%
	Total	**97**	**100%**
Is the tax payment period is enough?	Yes	75	73.3 %
	No	22	27.7 %
	Total	97	100%

(Source: questionnaire 2021)

Indicate above table most of tax payers feel taxation as useful, by considering the service reordering from the government for the command benefit of public majority of tax payers pay their tax liability when they receive assessment notification.

As indicate above table 4.5 55.7% of respondents fell about taxation as useful. This shows that majority of tax payers are considering taxation as useful. And 26.8% respondents was feeling the taxation as obligation this is because some people is lack of understand about taxation, but only 17.5% of respondent was feeling the taxation as debt because of these are poor understand about taxation. So, from this it is understand that more than half of the respondents have knowledge about taxation and they can understand about its importance and considered it has useful.

As indicated the above Table 4.5 86% of the respondent said about the payment time of their tax liability as they pay before the due date. The remaining 14% of the respondent answered as they pay their tax liability after due date. That means they pay it after the payment is ended with a penalty. From the respondent answer, the researchers understand that most of the tax payers have know-how about tax and they pay it on time.

As further the above tale show that 77.3% of respondents said the tax payment period is enough to complete the payment of tax liability. But, only 27.7% of the respondents complained about the payment period. From this the researcher understands that the majority of tax payers are voluntary to pay their expected tax liability within the given period.

Table 4.6The relation of tax paid amount and the service which rendered

Question	Response	Number	Percentage
Do you know the annual income of your business?	Yes	60	62%
	No	37	38%
	Total	**97**	**100 %**
Do you satisfy with the payment of your tax burden?	I satisfied	37	38%
	I slightly satisfied	52	54%
	Dissatisfied	8	8%
	Total	**97**	**100%**
Is the amount of tax that you pay is related with services you receive?	I agree	28	29%
	I can't decide	15	16%
	I disagree strongly	4	4%
	I agree very much	7	7%
	I don't agree	43	44%
	Total	**97**	**100%**

(Source: questionnaire 2021)

As indicated in the above table 4.6, 62% of the respondent answered that as they know their annual income of their business. The remaining 38% of the respondent said they did not know their annual income of their business. From the above expression it is understand that most of the tax payers know the amount of their annual income.

Table 4.6 further show 38% of the respondents satisfied from the payment of tax burden to the respective authorities. 54% of the respondents said as they are slightly satisfied from payment of

their tax burden and the remaining 8% of them dissatisfied about the tax payment. From this it is understand that most of the tax payers are slightly satisfied from the payment of tax burden, because they have a little knowledge about the compulsory nature of tax obligation. In addition to this 29% of the respondents agreed by as the amount of the tax payment is related with the services they received,16% of them cannot decide the relation of the service they received with the amount of tax paid. 7% of respondents are agreed very much with the services they received, 4% of the respondents are disagreed, and 44% of them are did not agreed with the amount of services they received. So, from their answer the researcher understand that more of the tax payers are disagreed with the relation of the amount of the tax they pay and the service they

CHAPTER FIVE

5. SUMMARY, CONCLUSION AND RECOMMENDATION

5.1. Summary of Finding

The study was designed to assess taxation and related problem in Emdibrtown revenue authority. It is also intended to suggest possible solutions to the problem identified on the basis of the data collected from respondents; the study has come up with the following findings presented under this chapter. As shown in the result analysis and discussion section, in Emdibrtown tax payers and employees are the main participant by paying their expected tax liability to the tax office. Therefore, taxations were the main source of revenue to the revenue authority of the tax office. In the town, most of tax payers feel taxation as useful and their understanding about taxation was highly developed and has positive awareness to taxation.

Some of tax payers were agreed with the taxation system. Majority of tax payers were slightly satisfied from the service they received from government based on the tax they paid. Revenue authority of the town has developed standard.

5.2 Conclusion

As far as government has exercised and performed various activities it should come up with means of financing its activities. There are four method of financing sale of goods or service, borrowing, printing paper money and taxation. From these sources, taxation is the main source to rise necessary fund for payment of expenditures which incurred by the government. Taxation is the most common way of financing government activities. Those activities are provided to the community without charge and necessary funds are collected by requiring person to make payment to the government in accordance with some established criterion. As the tax payers under the study, majority of them feel taxation as useful. This indicates that they have positive understand about the concept of taxation.

Even though, tax imposes a personal obligation on the tax payer the amount of tax received from the people is issued for the general and common benefit of the people as a whole. Therefore, most of tax payers slightly satisfied with the service which rendered from government return to their tax paid. Therefore majority of tax payers can make payment of the tax liability within given time frame. Tax objectives are ultimately connected with overall economic and non-

economic policies of the government. As a result, the objectives of a tax system in developed country tend to be differs significantly from those in developing country. In line with generating revenue, taxes used as;

- Discouraging consumption of non-essential goods.
- Discouraging consumption of certain good i.e. discouraging the importation of some good from abroad to encourage domestic product.
- Stabilization function it is during inflation government charge least taxes on the product. In this way the economy becomes stable.

Tax has multiple objectives to raise sufficient resource of revenue government use various types of taxes and range of tax rates.

5.3. Recommendation

Based on the major finding of the study and the conclusion made earlier the researcher would like to forward the following recommendations that help the town`s revenue bureau to change the existing situations that affect tax collection system and to improve the overall performance of the organization.

- Tax payers have lack of awareness regarding tax rules, regulation directives and procedures. This is due to level of awareness is dependent on taxpayers educational background and exposure.
- It is better to the tax authorities to revise their system not only to ensure that equal taxes are levied on individuals who have equal income but also to make sure that each taxpayer is paying according to his/her ability to pay.
- It is necessary to create the spheres which upgrade the knowledge of the employees, and different training relating to tax law and amendment of tax law must be provided.
- It is advisable to revenue bureau properly review and evaluate the tax collection procedures so as to encourage compliance by the taxpayers. It is also better to audit or review financial statements of tax evades and to settle punishment on those who breach tax law. In addition to this the revenue bureau has to close those holes which expand tax aviation and avoidance.
- In order to improve service delivery the revenue bureau needs to strengthen itself by recruiting qualified manpower, educating and training its employees, computerizing its

operations and devoting additional resources. In addition, to reduce 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, by providing refreshment center for worker and by creating duties that improve friendly relation between the workers.

- Skilled human power is the most important resource that should be given special attention.
- The man power structure of revenue authority should be occupied by competent personnel. Therefore to enhance their capacity and improve their effectiveness, the employees should get training.
- For effective and proper tax collection, measures should be taken to revise and update the existing tax laws.
- Tax payers must receive clear, concise and up- to -date information and describing what is to be taxable, how to calculate their tax liabilities and procedure for calculating pay taxes where and when they pay taxes.
- The tax payers should keep their positive attitude towards taxation as it is crucial for country development.
- To improve the tax collection activities, the existence an active participation of adequate, qualified and committed personnel is important. To make the tax collection process effective and efficient, the offices are expected to initiate tax payers to keep book of account income on time. This protects the office from unfair tax leave and helping to prevent tax evading and avoidance.

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Appendix

WolkiteUniversity

College of Business and Economic

Department Accounting and Finance

The purpose of questionnaire is to collect data on tax assessment and complains problem in Emdibertown and regarding confidentiality, it is required only for academic purpose and your respective response would be kept in confidential.

Thank you in advance

Questionnaires to tax officers

PART One; Background of respondents

1. Sex

   Male □ Female □

2. Age

   20 – 30year□ 31 – 40year □41-50 year □

   Above 50year

3. Education level

   Diploma □degree□

   Certificate □ Above degree □

4. Years of services

   1-2year □ 3-5 year □> 5 year □

PART 2; Question

1. Is there a problem of inadequacy for tax complains?

   Yes□ No□

2. If your answer for question number 3 is yes, what are the reasons? Please write down

   _____

   _____

   _____

3. If your answer is no, give your opinion.

   _____

   _____

4. Did your office train all tax payers at office?

   Yes □ No □

5. If you answer is yes for question number 5 above is yes, how you have trained all the tax payers?

   By calling them to meeting□By individual□By cooperating□

Questionnaires to tax payers

1. Sex

Male □Female □

2. Age

   20-30yaer□31-40year□41-50year□Above 50 year □

3. Education level

   Grade $10^{th} – 12^{th}$ □ Diploma □ degree□

   Certificate □ Above degree □

4. Do you face any problem when you go to pay tax?

   Yes □ No□

5. If you answer is yes for the above question above what types of problem?

   Absence of employee in the office □

   Waiting for long time □

   Cost money in packed□

6. When do you pay tax liability?

   Before dud date □ after due date□

7. How do you feel about taxation?

   As an obligation □ as debt □ as useful □

8. Is the tax payment period enough?

   Yes □ No □

9. Do you know the annual income of your business?

   Yes □ No □

10. Do you satisfy with the payment of your tax burden?

    Satisfied more□ slightly satisfied □

    Satisfied □ disserted□

11. Is the amount of tax that you pay is related with service you receive?

I agree very much □ I don't agree □

I agree □ I disagree strongly□

I can't decide □