



**THE CHALLENGES AND PROSPECTS OF REVENUE GENERATION IN LOCAL
GOVERNMENT; THE CASE OF ENDEGAGN WOREDA ADMINISTRATION,
GURAGE ZONE**

**MA IN DEVELOPMENT STUDIES SPECILIZATION (DEVELOPMENT
PLANNING AND MANAGMENT)**

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WOLKITE UNIVERSITY, WOLKITE, ETHIOPIA

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ADMINISTRATION, GURAGE ZONE

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APPROVAL SHEET (I)

ADVISORS' APPROVAL SHEET

This is to certify that the thesis entitled “The challenges and prospects of revenue generation in local government; the case of Endegagn woreda administration, Gurage zone” submitted in partial fulfillment of the requirements for the degree of Master's with specialization in Development planning and management the Graduate Program of the Department of Governance and Development studies, and has been carried out by Sebah Seffa Osman ID. No SSHGR/011/13 under our supervision. Therefore we recommend that the student has fulfilled the requirements and hence hereby can submit the thesis to the department.

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Name of Major Advisor	Signature	Date
Name of Internal Examiner	Signature	Date
Name of External examiner	Signature	Date

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DECLARATION

I, Sebah Seffa undersigned, declare that this thesis is my original work, prepared under the guidance of my advisor Tamiru, B. (Assistant prof). All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis hasn't been submitted either in part or in full to any other higher institution for earning any degree in the study area of Endegagn woreda administration.

Sebah Seffa

Researcher's name

Signature

Date

List of Abbreviations

Abbreviation	Definition
BPR	Business Processes Reengineering
DPWG-LGD	Development Partners Working Group
E.C	Ethiopian Calendar
FDRE	Federal Democratic Republic of Ethiopia
GDP	Gross Domestic Product
G.C	Gregorian calendar
IFR	International Financial Reporting Standards
IGR	Internally Generated Revenue
ITP	Income Tax Proclamation
TAP	Tax Administration Proclamation
JEG	Job Evaluation and Grading
LG	Local Government
LRR	Locally Raised Revenue
SIGTAS	Standard Integrated Government Tax Administration System
SNNPR	South Nations, Nationalities and People Region
TOT	Turn over Tax
USAID	United States Agency for International Development
VAT	Value Added Tax

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Abstract

The main objective of this study was to assess the challenges, and prospects of revenue generation in local government; the case of Endegagn woreda administration, Gurage zone. To deal with the research objectives, one main and three specific research questions were framed to examine the challenges and prospects of revenue generation. To conduct the study, descriptive research design, and both qualitative and quantitative research approaches are adopted for the study. Probability sampling techniques is used to select respondents for survey questionnaire; and also non probability sampling is used to select respondents for semi structured interview. Data gathered from primary and secondary source. The primary data obtained by semi structured interview, and survey questionnaire. The secondary data collected from reports and manuals of Endegagn woreda tax office, the regional state income tax proclamation, regulation, and tax administration proclamation. The main instruments of data collection are survey questionnaire, semi structured interview and public document review. The Data analyzed by descriptive statistics such as cross tab, frequencies, percentages, and mode through statistical tool of SPSS version 26. The data presented in tables, and charts. The finding of the study reveals that the woreda administration revenue generation was hindered by different challenges. From the findings of the study the main one is local government depend on few known revenue source, its low capacity for revenue generation expressed by low commitment for revenue source, and low level of tax payers awareness about taxation, and its payment. The finding of the study also reveals the key prospects for the improvement of revenue generation in Endegagn woreda administration is tax staff motivation, improving the supply of good infrastructure, continuous awareness creation program, and attraction of local investors to the local government. Based on the major finding of the study, recommendations are forwarded that could solve the problem and capitalize the prospects available. In this regard, tax payers create close relation with tax office; ask the culture of where to spend the revenue, the local governments broad the revenue base, and tax office capacitate its organization in both of human resource and technology, so that impose tax based on ability to pay principles, register potential tax payers, and design reward system for the priority payer based on their categories of tax payers.

Keywords: Challenges, Endegagn woreda administration, tax office capacity, taxpayer's awareness

CHAPTER ONE

INTRODUCTION

1.1 Back ground of the study

Governments worldwide need resources in form of revenues to perform various function both social and economic activities Such as the social/public services include: education, health, infrastructure, security. Tax is the main source of revenue for any government (Bird, 2008). It is compulsory payment to government without expecting direct benefit or return by the tax payer not based on direct exchange principles; rather, taxes/revenues collected by government are used to provide common benefits to all mostly in form of public welfare services (Chijoriga, 2012).

Finance is the heart of the major activities of government. Government units at all levels-national, State and Local are daily engaged in the production and distribution of public goods and services in areas such as agricultural extension, education, healthcare, social welfare, security, all of which involve huge amounts of money. The mobilization of the financial resources or revenue to meet the diverse welfare needs of the people has in effect become an important responsibility which governmental authorities have to shoulder. This responsibility not only includes the generation of revenue but also its allocation among competing needs of the local government (Abubakar, 1999).

The fundamental problem confronting most local governments, especially those managing towns in developing countries, is the widening gap between the availability of financial resources and public spending needs. One of the main reasons for this increasing fiscal gap is the rapid growth of urban populations, which creates an ever-increasing demand for public services, new public infrastructure, and its maintenance. Most towns in developing countries depend mostly on central government transfers, with lesser revenues derived from property taxation and service charges. The more lucrative sources of revenue potentially suitable for financing urban areas, such as income taxes, sales taxes, and business taxes, continue to be controlled by the central governments. Where local authorities are able to derive revenues from property taxes and service charges, meaningful tax increases are sometimes refused or delayed by central governments for fear of eroding political support from the urban population (UN-HABITAT, 2015).

Recently many developing countries including Ethiopia, local governments also possess some degree of liberty to alter the level and composition of their revenue sources in line with the logic of fiscal decentralization. It is one of the key concepts in public finance theory and commonly used policy measure in public sector reforms (Andrey, 2015). Fiscal decentralization is defined by the degree to which fiscal decision-making autonomy is devolved to and exercised by independently-elected and locally accountable autonomous sub-national governments (Abu, 2013).

Fiscal decentralization has been minimally applied by African states during the New Public Management era through local government reforms which implement revenue sharing rather than revenue assignment (EISA, 2010; Tonhodzai, Nyikadzino and Nhema, 2015). Moreover, the findings of different researches conducted (Melkamu, 2004), (Demelash, 2011), (Tesfaye, 2015) and (Alam, &Girma, 2017) indicated that, fiscal decentralization in Ethiopia is constrained by imbalances, lack of capacity, centralization of revenue bases and inadequate devolution of functions. These researches revealed that the challenges of fiscal decentralization in the country at lower levels of government are exacerbated due to lack of autonomy in the sectors. Moreover, the local government authorities have not been able to experience a strong revenue base. A number of factors contribute to the poor revenue status quo. (I) poor administrative capacity to assess the revenue base, (II) poor administrative capacity to enforce the payment of taxes, (III) explicit and intentional tax evasion and resistance from taxpayers, (IV) corruption, including embezzlement of revenues, (V) political pressure on the local tax administration to relax on revenue collection, especially during election periods. In this setting, fundamental issues to be addressed in the context of local government fiscal reforms are to redesign the current revenue structure and to strengthen financial management. Moreover, measures are required to enhance taxpayers' compliance and to improve the accountability of revenue collectors and elected councilors. This cannot be achieved without substantial and consistent political support from the central government (Fjeldstad, 2005). Therefore, local government is an administrative body that is publicly accountable for the provision and maintenance of public services to local residents. It is also serves as linkages between the public to the sub national and federal government. Thus, as a third tier of government to perform their functions properly should require enhancing of their Internally Generated Revenue (IGR) base. This study assesses the challenges, and prospects of revenue generation in local government; the case of Endegagn woreda administration, Gurage zone.

1.2 Statement of the problem

Many developing countries need to spend more of their tax revenue on public infrastructure, education, health services and so on, and hence they need to increase their tax effort, tax revenue as a percentage of gross domestic product (GDP), if they want to grow and to be less poor (Bird, 2006). Tax revenue generation presents daunting challenges to governments of these countries. Kaldor (1963) stated that developing countries generate between 8 to 15 percent of their GDP as tax revenue, in sharp contrast to the advanced countries' tax to GDP ratios of 25 to 30 percent. Kaldor maintained that the developmental aspiration of developing countries will not be realized unless they generate 15 percent and above of their GDP as tax revenue (Mascagni, Moore & McCluskey, 2014). Realizing the strategic role of tax revenue adequacy in the developmental aspirations of developing countries, the UN, IMF, and other international organizations have been at the forefront of driving tax policy and administration reforms in these countries. Despite these reforms, however, tax revenue generation in developing countries remains far from adequate because of inadequate and ineffective databases; complexity of the tax system; audit effectiveness; trust in authorities, perceived corruption and the supply of public goods; and strained power, and the fiscal relationship between central and sub national governments (Umar, 2017).

Ethiopia like other developing countries, the revenue generated by the government was quite less than the expenditures spent. This low revenue yield of taxation can only be attributed to the fact that tax provisions are not properly enforced either on account of the inability of administration or on account of straight forward collusion between the tax administration and taxpayers (Getachew, 2013).

The local governments of Endegagn woreda administration has been able to increase the revenue generation capacity much more activities was done by tax office; fostering taxpayer education and sensitization, encouraging voluntary tax compliance, strengthening enforcement efforts, and control tax evasion and avoidance. Despite the mentioned improvements, tax office doesn't to attain at most (100%) the projected targets. For example, in 2013 E.C the targeted revenue was Birr 26,299,518 with the actual revenue being Birr 19,317,414.1 (equivalent to 73.5% or a difference of 6,982,103.9). Similarly, in 2012 E.C the targeted revenue was birr 14,377,092 with the actual revenue being birr 12,002,938.3 (equivalent to 83.4% or a difference of 2,374,153.7). Therefore, the researcher's motivated to conduct research in the study area was the existence of budget shortfalls in every fiscal years, as a result there was poor service delivery to the people and also lack of infrastructural facilities are related to this problem. Today we observed that much of the economic and social problem which was directly or indirectly related with lack of financial resource. This study will be conducted to find the main challenges, and prospects of revenue generation, finally, setting possible solutions of revenue generation in the local government of Endegagn woreda administration.

1.3 Research questions

In order to achieve this study, the research questions will be designed, and the study tried to answer the following main and specific research questions. The main research question is;

- What is the main challenge and prospects of revenue generation in the local government of Endegagn woreda administration?

In addition to the above main research question the study tried to answer the following specific research questions.

- What is the status of revenue generation in the study area?
- What are the underlying factors that hinder the revenue generation capacity in the study area?
- What are the possible ways of improving revenue generation in the study area?

1.4 The objectives of the study

1.4.1 General objective

The overall objective of this study is to assess the challenge and prospects of revenue generation in the local government of Endegagn woreda administration.

1.4.2 Specific objectives

- To evaluate the status of revenue generation in the study area
- To evaluate the underlying factors that hinders the revenue generation capacity in the study area
- To establish possible ways of improving local revenue generation in the study area
- Based on the results of the study forward essential recommendations to the concerned body about the overall challenges and prospects of revenue generation.

1.5 Significance of the Study

The study provided the basis for developing various ways of improving revenue generation in the local government of the study area. The research will be beneficial to other students in the school of related studies as they use it for literature review while carrying out research in the similar study in the study area. This study is valuable for tax employees, and officials to understand the challenges and prospects of revenue generation in their organization and to generate enough revenue to meet the administrative expenditures by taking lessons from findings and recommendations forwarded by the researcher. Finally, the researcher will be searching the main challenges and prospects of the revenue generation in the study area, forwarding possible solution to the challenges; and at the end the researcher look at more revenue will be collected; that local administrative government to be self-sustained in their own budget, and also to distribute qualified service delivered to the people at the grass-root level.

1.6 Scope of the Study

The study was delimited to the local government of Endagagn woreda administration. It was not possible to make investigation as the whole of woreda administration because of time and cost considerations the study was mainly focused on tax office.

1.7 Operational definition of key terms/basic terms

(I) Local Government

Local Government as a political sub-division of a nation at the grass root level in Federal system which is organized by law, and has significant control of local affairs.

(II) Taxation

It is a compulsory levy imposed by the local government, who are capable of paying tax or who are expected to pay tax based on tax rules, laws, regulations, and proclamation.

III. Revenue

Public revenue could be defined as the funds produced by the local government to finance its activities, or funds generated by local government to meet their expenditure for a fiscal year.

IV. Revenue generation

This is the process of sourcing revenue for the local government in carryout their aim and objectives.

1.8 Organization of the Study

The study divided in to five chapters. The first chapter deals with the introduction which consists of the background of the study, statement of the problem, objectives of the study and others. The second chapter deals literature review of related theoretical, conceptual, and empirical issues. The third chapter presents the methodology and methods of the study while the fourth chapter presents the results, and discussion of the collected data. Finally, chapter five presents the summary of the finding, conclusion and recommendations; references, appendixes and other relevant documents will be included.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter is aimed to review literature from different studies in order to capture ideas and arguments which guided the development of the study. It is based on Conceptual literature review theoretical literature review, literature review from earlier studies, and conceptual framework.

2.2 Conceptual literature review

2.2.1 Local government

Local government connotes the decentralization or dispersion of authoritative decision making where by the authority to make decision is displaced downwards from remote points near the top administration or outward from geographical locations, thus bringing authority closer to the people affected by it (Sorka, 1978).

Local government can be defined as a specific institutions or entities created by national constitutions (Brazil, Denmark, France, India, Italy, Japan, Sweden), by state constitutions (Australia, the United States), by ordinary legislation of a higher level of central government (New Zealand, the United Kingdom, most countries), or by executive order (China) to deliver a range of specific services to a relatively small geo-graphically delineated area. Local governance is a broader concept and is defined as the formulation and execution of collective action at the local level. Thus, it encompasses the direct and indirect roles of formal institutions of local government and government hierarchies, as well as the roles of informal norms, networks, community organizations, and neighborhood associations in pursuing collective action by defining the framework for citizen-citizen and citizen-state interactions, collective decision making, and delivery of local public services. Local governance, therefore, includes the diverse objectives of vibrant, living, working, and environmentally preserved self-governing communities (Shah, 2006).

2.2.2 Revenue

Revenue is income collected and received by a Local Government. Revenue refers to a sum of payments received by a local government from individual residents and organizations and transfers by the national government for financing service delivery and devolved expenditure functions. The locally raised revenues (LRRs) are expected to receive from within the jurisdiction of the local government (Cardno E.M USA, Ltd, 2016).

2.2.2.1 Source of revenue in the local government

Tax revenue are the most common and major sources of public revenue. Tax is compulsory levy and those who are taxed have to pay the sums irrespective of any corresponding return of services or goods by the government (Musgrave; 1959, Rosen: 1999). Taxes have two unique characteristics, which are their mandatory nature and the existence of no quid pro quo relationships between the tax payment and the benefit received. There are certain principles that should be followed when imposing taxes. Adam Smith for the first time identified these principles of taxation. The five accepted principles of taxation are:

- Economic efficiency: the tax system should not interfere with the efficient allocation of resources.
- Administrative simplicity: the tax system ought to be easy and relatively inexpensive to administer.
- Flexibility: the tax system ought to be able to respond easily (in some cases automatically) to changed economic circumstances.
- Political responsibility: the tax system should be designed so that individuals can ascertain what they are paying, and evaluate how accurately the system reflects their preferences.
- Fairness: the tax system ought to be fair in its relative treatment of different individuals

Therefore, taxation is one of the direct ways for government revenue generation. Bird (2015) expresses that one of the factors determining capacity of a country to generate adequate revenue from taxation is the tax administration competence and efficiency.

Non-tax revenues refer to different types of revenue sources. Each of this revenue has its own peculiar characteristics but commonly called charges. User charge refers, generally, to prices charged by state-local governments' for specific services or privileges, used to pay for all or part of the cost of providing those services. Common examples of user-charge include water charges, tuition at public colleges and universities, public hospital charges, parking fees and highway tolls (Fisher, 1987:323). Charges are basically differ from taxes due to they create an incentive for efficient choice because consumers face the true costs of their consumption decisions. In other words, there is direct relationship with charges paid and the service received. In reality government introduce charges to achieve many objectives in the

economy. Bailey (1995:84) pointed out; charges have to serve many different functions. These include raising revenue, covering costs, the need to meet financial targets or required rates of return on assets, checking abuse of service, the need to target subsidy and the pursuit of equity.

2.2.2.2 Revenue/tax collection requirements

Mahdavi (2008) three aspects are considered as important to enhance revenue collection process. a) Optimum rate structure. b) Appropriate rules and regulations, and c) Human resource capacity. However, to increase control in order to reduce leakage, Garde (2004) advises the government to perform some or all of the following actions; a) surprise audit to complement self-assessment procedures; b) improving the control process; c) efforts to enforce a strict and heavy penalty for non-compliance; d) administrative discipline to financial staffs that may have contributed to leakage in revenues; e) efforts to link tax payment with services provided by local government.

2.2.2.3 Key purpose for imposing tax

Cardno (2016), local governments levy taxes or charge fees for multiple purposes besides purely revenue generation, which include the following;

- Service provision; Local revenues are a discretionary source of financing and therefore a critical success factor in providing sustainable service delivery and more especially the operations and Maintenance (O&M) costs. This includes all sources, though a more specific example is parking fees and market dues, which are purposely raised for maintaining the parking sites and market facilities, respectively.
- Consumption/production of products/services or changing behavior. These charges may include permits for sale and consumption of spirits, entertainment permits, grazing of animals in urban areas. Such charges may be higher than other usual charges.
- Regulatory purposes: such cases may include business licenses and permits. The fee is usually considerably low but when it is high, it often attributed to trying to make the business owner move to the right location/street or choose another type of business.
- Redistributing wealth/income or to cross subsidize services for lower income persons: Fees for collection of garbage would be higher in richer locations than in low income areas.

2.2.2.4 Factors influencing the revenue generation of local government

The revenue administration operates in an extremely complex environment. An array of external actors, forces and circumstances constantly interrupt on it. Very often, the weaknesses of the revenue administration can be traced to the constraints imposed on it by the environment. At other times, they stem from the inability of the revenue administration to effectively deal with environmental challenges or exploit environmental opportunities.

The economic environment; the performance, complexity, resource requirements and strategy of the revenue administration depend, to a considerable extent, on the economic environment in which it operates. The amount of revenue collected varies according to changes in GDP, interest rates, exchange rates, consumer confidence and business cycles. High levels of inflation increase the propensity of taxpayers to delay payment of taxes. The lack of formality in economic transactions, prevalence of barter, unreliability of business records and low levels of literacy make enforcement of tax laws difficult. The geographical distributions of business and industrial activity have important implications for the location of field office of the revenue administration (Jit B. S. Gill, 2000).

Fiscal Policy; defines the agenda for the revenue administration. The level of budgeted government spending, debt financing and fiscal deficit determine the amount of taxes the revenue administration is expected to rise. Expansionary fiscal policies, high levels of national debt and debt servicing requirements, or fiscal crises create strong pressures on the revenue administration to collect more taxes. They also create opportunities for mobilizing political support for efforts to modernize the revenue administration. As a subset of fiscal policy, tax policy is the foundation of the revenue administration's work and, therefore, central to its strategy, transformation processes and outputs. First, it prescribes the types of taxes that would be collected.

Some taxes are relatively easier to collect Value Added Tax (VAT) than others (Income Tax). Also, the more numerous the taxes, the greater is the administrative burden. Second, tax policy defines what would be taxed at what rates and subject to what exemptions and deductions. High rates of taxation create incentives for avoidance and evasion and increase the enforcement burden of the revenue administration. Multiplicity of exemptions and deductions not only erodes the tax base, it creates significant administrative problems as the revenue administration has to monitor claims, verify entitlements and resolve interpretational controversies. Third, tax policy defines the persons and legal entities that would pay taxes. When the taxpayer population is small, easily identified and formally organized, it is easier to collect taxes from it. Conversely, when the potential taxpayers are numerous, difficult to monitor, micro-businesses operating on footpaths, for example, and not formally organized,

the task of enforcing the tax laws becomes difficult. Fourth, the absolute number of taxpayers resulting from a given tax policy influences the administrative workload of the revenue administration and the level of human, financial, technological and physical resources needed to do the job effectively. The rate of growth of the taxpayer population has implications for the rate of expansion of the revenue administration and on its ability to cope with growing workload. Finally, equity in tax policy influences tax compliance. If taxpayers perceive tax policy to be discriminatory or unfair, the revenue administration faces an uphill task in collecting taxes (Jit B. S. Gill, 2000).

Tax office capacity; tax office is the government body, which administrates collection of tax and other kind of fees and collections from the society and business body. Tax office capacity consist many things, this include technology, man power, and infrastructure for sake of well collection and makes the collection procedures easy. The government should capacitate it with profession, updated technology and different equipment's. Improvement in revenue performance is also critically dependent upon the ability of the office to minimize the cost of collecting revenues. There are four possible actions could be taken by the government to improve their administrative efficiency Levi (2002).

- Improving the existing tax administration procedures through administrative simplification;
 - Efforts to calculate collection efficiency for each type of revenue;
 - Efforts to reduce cost of collection; and
 - Efforts to eliminate the identified factors in the field that has contributed to sub-optimal revenue.
- Therefore, to fill full the above-mentioned requirement tax office capacitated tire office with different technology and work force.

The level of taxpayer's awareness, Dana &Atin (2014) awareness is what knows of something and acting or responding for some occurs. First of all the understanding of tax is a form of contribution in supporting the country's growth. Knowing this, taxpayers want to pay taxes because they are not affected from tax rather taxpayers are promoted indirectly. Second, the awareness that the delay of tax payments and the weakening of the tax load is very harmful to the state. Third, understanding taxes are set by law and can be enforced. Taxpayers will pay for the tax payment has understood a strong legal foundation and are the absolute duty of every citizen. Dana & Atin (2014), taxpayers recognized as having awareness if they; understand the payment of tax as obligation, and well known the tax should be paid within the rules and the regulation, and being able to compute the payment of the tax and pay it willingly and truthfulness to the government.

The level of local government capacity; the capacity of local government to raise and administer local revenues is essential for enhanced decentralization, participatory democracy, and better service delivery. This is the foundation of a genuine local government. Communities are demanding more and better services. The need for sustained local revenue enhancement can therefore not over emphasize. Survival and continued relevance of local governments are critically dependent on betterment of local revenues. Communities are likely to be willing to “buy” the concept if there is a significant linkage to quality and quantity of service delivered (Cardno, 2016).

2.2. 2.5 Challenges of revenue generation in the local government

Local government revenues are affected by economic, technological and demographic changes. Because of their openness to the external environment, the productivity of revenue systems and their administrative and political acceptability is subject to change (Bartle ,2011).One major administrative problem today for many local governments was their inability to collect fully the revenue due to them. In many local governments there are huge gaps between reported and projected revenues. This is due to: (1) poor administrative capacity to assess the revenue base, (2) poor administrative capacity to enforce the payment of taxes, (3) explicit and intentional tax evasion and resistance from taxpayers, (4) corruption, including embezzlement of revenues, (5) external pressure on the local finance department to provide optimistic projections, and (6) political pressure on the local tax administration to relax on revenue collection, especially during election periods. In this setting, fundamental issues to be addressed in the context of local government fiscal reforms are to redesign the current revenue structure and to strengthen financial management (Devas & Kelly, 2001).

A fundamental requirement when further redesigning the local revenue system is greater emphasis on the cost-effectiveness of revenue collection, taking into account not only the direct costs of tax administration, but also the overall costs to the economy, including the compliance costs to the taxpayers. In addition, losses through corruption and tax evasion need to be reduced. To achieve these aims, there is a need to simplify the business license and fee structures further by reducing the number of rates and coverage. Moreover, local taxes and licenses should be harmonized with central government tax bases, to avoid double taxation and conflicts with national development policies, such as job creation and private sector development. In particular, problems of valuation and tax enforcement often occur due to political interventions and administrative weaknesses. The municipality’s capacity and capability to administer the property tax have in general proved to be inadequate. Hence, it has been difficult for many municipalities across Africa to maintain the current property valuation registers, let alone to continue the property valuation exercises (Sander (2003).

Overall, according to World Bank (2001) revenue generation efforts of local government are beset by the following problems. (I)The tax base for important sources, such as the property tax and the business tax, is artificially small. This is because the municipalities have not been updating their records and also because informal business and properties are not included in the base. (II) The fees and tax rates tend to be outdated and are, at times, difficult to administer. (III) Collection rates are poor especially in municipalities and they vary significantly from year to year. As a result, the nonpayment rates and cumulative debts are high, and the problem appears to be worse in the case of property taxes. (IV)The payment procedures are slow and inconvenient for tax payers. (V)The enforcement mechanisms are poor and the legal basis to support enforcement is very weak. (VI) Finally, the above problems in the system of tax administration are exacerbated by the weak human resource capacity of revenue staff and poor incentives for enhancing performance.

2.2.2.6 Ways of improving local government revenue generation

Many of the problems facing the generation of revenue in the local governments are those that can be corrected to improve their generation. Olaoye (2008), stated some of the ways for revenue generation improvements are;

Good infrastructure; a location with good road net-work will have every access to the coming and going out of the local government's cars and people, if they get to the local government and see good wads, pipe-borne water, and social amenities are made available from the revenue generated from the people.

Staff motivation; motivation as a driving force which stimulates a worker in action workers should be encouraged so that they can put in their maximum services and when this is done, there may be increase or solid improvements in revenue collection. Training of workers for knowledge enhancement should be one of such motivational factors.

Revenue management; there is a general trend going about most governmental establishment, there are mismanagement and embezzlement. The revenue so collected is mismanaged by the officer thereby not making the revenue to have any effect on the general populace of the local government.

Loyalty of tax Payers; if people can change their attitude of tax evasion, more revenue will be generated.

2.3 Theoretical literature review

Fiscal federalism is a theory, which looks at assigning functions to various levels of government with the necessary instruments needed to perform those functions (Musgrave, 1959; Oates, 1972). It is a subfield of public finance, which is also sometimes referred to as the fiscal decentralization theory (Oates, 1999). Sharma (2005) indicated that the use of fiscal federalism in relation to fiscal decentralization should not only be applied to officially declared federations but also non-federal states. He added that fiscal federalism lays out a set of guiding principles and concepts that countries can adopt in creating a fiscal relationship between national and local levels of government. The act of applying these principles gives rise to fiscal decentralization.

The theory of fiscal federalism addresses three issues related to fiscal decision-making; assignment of responsibilities and functions between the federal and regional governments, the assignment of taxation power and the design of inter-governmental transfer (subsidy) of fiscal resources coupled with provisions about the borrowing windows to sub-national governments. The fiscal relationships between and among the constituents of the federation is explained in terms of three main theories, namely, the theory of fiscal relation which concerns the functions expected to be performed by each level of government in the fiscal allocation; the theory of inter jurisdictional cooperation which refers to areas of shared responsibility by the national, state and local governments, and the theory of multijurisdictional community (Tella,1999).Therefore, the main economic rationale behind fiscal federalism is improving efficiency of public resource utilization, creating enabling environment for private sector development and the growth of the national economy. The gradual development of the theory of fiscal decentralization led to distinguishing between a first and a second-generation theory of fiscal decentralization, as explained in W. Oates, E. (2005).

2.3.1 Pillars of Fiscal decentralization

Fiscal decentralization and fiscal empowerment of local governments divided into four pillars of intergovernmental finance (1) the assignment of responsibilities for expenditure, (2) revenue assignments and local revenue administration, (3) the design and provision of inter-governmental fiscal transfers and (4) local government borrowing and debt.

2.3.1.1 Assigning expenditure responsibilities

The first fundamental step in the design of a system of intergovernmental fiscal relations is the assignment of functional responsibilities among different levels of government. A clear assignment of expenditure responsibilities clarifying who is responsible for what increases accountability, avoiding unproductive overlapping, duplication of authority and legal challenges. There are no hard and fast rules about which functions should be designed to which level of government. However, responsibility for the provision of services should be at the lowest level of government compatible with the size of the “benefit area” associated with those services. This is best achieved by the “subsidiary” principles (DPWG-LGD, 2009).

2.3.1.2 Revenue assignment and local revenue administration

The second pillar of inter-governmental finance; revenue assignment refers to the mix of user charges, taxes and transfers assigned to each level. Local governments in developed as well as developing countries rely to a greater or lesser degree on a number of local own-source revenues to fund expenditures within the local realm of responsibility (DPWG-LGD, 2009). Using the criteria of equity and efficiency Musgrave (1984) suggested the following broad principles of revenue assignment;

- Taxes suitable for economic stabilization should be assigned to central governments.
- Tax bases distributed highly unequally between jurisdictions should be centralized.
- Taxes on mobile factors of production are best handled centrally.
- Resident based taxes such as sales of consumption goods to consumers or excises are suited to states.
- Taxes on completely immobile factors of production are best suited for local levels.
- Taxes of lower levels of government should be cyclically stable.
- Benefit taxes and user charges are to be used appropriately at all levels.
- Resource taxes and Value Added Tax (VAT) are appropriate for sharing between governments.

2.3.1.3 Inter-governmental fiscal transfers

The third pillar refers to inter-governmental transfers, which are needed in the variety of circumstances in which sub-national governments operate explicitly or implicitly as agents of the national government. The DPWG-LGD's (2009) country-specific guiding principles advise establishing mechanisms that ensure financial transfers from the State to sub-national governments are done in a regular, transparent and foreseeable way, along with supporting modalities for equalization aimed at reinforcing balance and solidarity between territories.

The DPWG-LGD's (2009) guiding principles say that countries too often enter into the process of grant design without clear objectives for what the transfer system is to accomplish. Well-designed transfers typically have three objectives; First, providing incentives for efficient spending and utilization of the municipal revenue bases. Second, guaranteeing sufficient funds for managing local functions by mitigating vertical imbalances; Third supporting regional equalization of communities by mitigating horizontal imbalances. As with any fiscal policy, intergovernmental transfer systems differ in the quality of their design. If designed poorly, the system will not only fail to address imbalances, it will create additional problems. However, a well-designed and well-implemented rule-based system of inter-governmental fiscal transfers brings greater stability, predictability and discretion to local government finances, and thereby promotes good planning and efficient local service delivery (Boex&Yilmaz, 2010).

2.3.1.4 Local government borrowing and debt

Local borrowing can act as a significant and sound source of financing, especially in countries where own-source revenues and inter-governmental transfers fall short of responding to local investment needs. However, sub-national governments should borrow only for financing capital (investment) expenditures, such as improvements in infrastructure, which provide a flow of benefits over time (DPWG-LGD, 2009). However, irresponsible borrowing or excessive reliance on sub-national borrowing can create negative incentives for local governments and could potentially put macro-economic stability at risk. National governments have addressed this problem by attempting to regulate the level of local borrowing, by limiting, controlling or prohibiting the issuance of debt by local governments. Therefore, borrowings from the central government and transfers to local governments which are easy to obtain may lead to three undesirable effects; (I) a decline in the local fiscal effort (local tax revenue and other sources of revenue like user charges), (II) overspending, and (III) inefficient budgetary allocation (Cecilia Ugaz, 1997).

2.4 Empirical literature review

The research conducted by Asefu(2021), tax assessment and collection enforcement problems: The case of Ethiopian ministry of revenues: large tax payer's branch office. The researcher used descriptive research design and both qualitative and quantitative research approach were adopted for the study. To bearing the research both primary and secondary data were gathered from representative taxpayers and tax officers. The sampling technique employed both probability and non-probability and questions were distributed for fourteen (14) tax employees and eighty one (81) sample taxpayers. The finding of the study indicates that full utilization of integrated government tax administration system not wholly employed, shortage of collaboration among other tax office branches and investor.

The research conducted by Abraham (2019), stated assessment of revenue generation and its challenges in local level, in Haddiya zone, by employing qualitative and quantitative research methods. The study adopts the participant observation method and source data from the secondary sources. Sample of 200 were included in the study by employing purposive sampling technique. The finding of the study showed that the revenue collection without revenue independence, collection performance practice without best mechanism and absence of resource mobilization in studied way, lack of practice supporting revenue generation management, shortage of revenue collecting electronics infrastructure wide area network system, that have directly affect revenue generation.

The research conducted by Teklu (2011), challenges of tax administration in Arada sub-city of Addis Ababa city administration. The study has focused on addressing issues relating VAT administration factors affecting VAT revenue performance. Descriptive research design and purposive and stratified simple random sampling techniques were employed to gather data. The findings indicated that lack of well trained and credible tax officials mainly in taxpayers' identification and registration process, no audit plan based on risk assessment, weak enforcement.

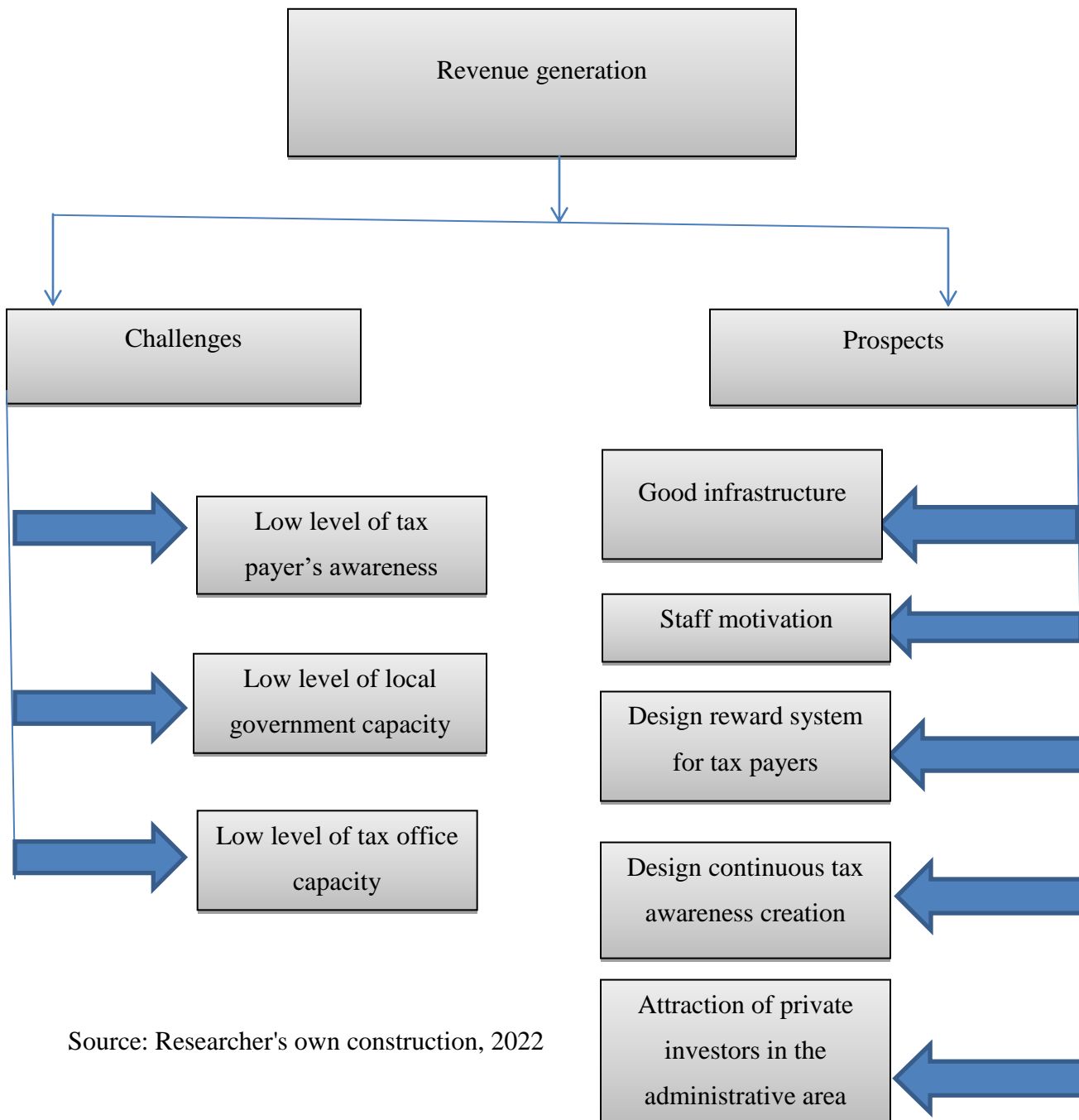
2.5 Literature gap

The empirical review of literature has shown theoretical and empirical gaps that necessitate this study attempt to fill the gap. There was also a methodology gap, if the researcher has enough sample size better to use probability sampling techniques instead of none probability sampling.

2.6 Conceptual framework of the study

Conceptual framework illustrates what the researcher expects to find through the study. It defines the relevant variables for his or her study, and maps out how they might relate to each other.

Figure 2.1 Conceptual framework of the study



Source: Researcher's own construction, 2022

CHAPTER THREE

RESEARCH METHODOLOGY

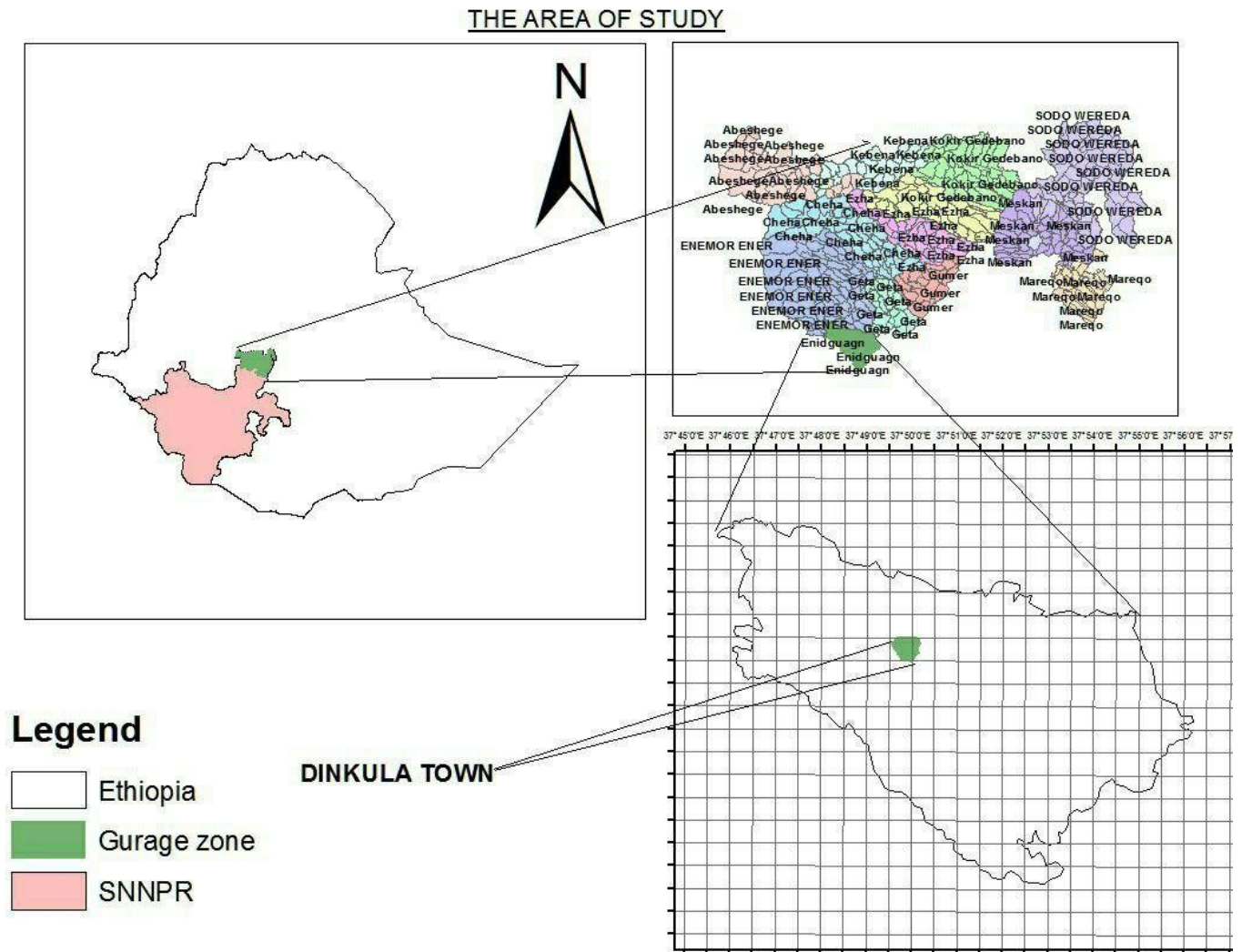
This chapter deals description of study area, the methodology and research methods of the study; such as research design, research approach, data type and sources, target population, sample size, sampling techniques, data collection instruments, data analysis, and presentation.

3.1 Description of study area

Location area land administrative division of Gurage Zone, Endegagn woreda is one of the woreda's in Gurage zone. It has 18 kebeles of which, 17 were rural kebeles and the remaining one, Dinkula is town administration, which is the woreda capital city, the average temperature of the woreda is 10.1-17.50C according to Endegagn woreda agricultural development office finale annual report, 2013E.C. The total population of the woreda was 61,807 which was projection based on the national census of the Ethiopia 1999E.C. It is located about 230 km from Addis Ababa the capital city of the country, from Hawassa SNNPR capital city 240 km and from Gurage zone Wolkite 73km according to Endegagn woreda transport and development office annual report, 2013E.C. The woreda found between East Geto woreda, west Amka woreda, North Enor Ener Meger woreda, and south Merab Azernt Berebera woreda.

The weather conduction Endegagn woreda dega and winadaga, the economic activities of the society are based on agriculture and the rest are trade and others. Mixed farming is a common practice prevailing in the woreda as a result the livelihood of the rural population is depending on coffee, chat and crop production and livestock rearing. The current land use is predominantly smallholder agriculture with an average landholding size of less than one hectare per household. The major crops include enset, chat, wheat, bean and potatoes according to Endegagn woreda agriculture office annual report, 2013E.C.

Figure 3.1 Map of study area



Source: Endegagn woreda plan commission office, 2022

3.2 Research design

A research design is a conceptual structure that shows how all the major parts of the research project come together. According to Kothari (1985) it constitutes the blueprint for the collection, measurement and analysis of data. The research design used in this research is descriptive with the following confirmations i.e. the kind of problem identified and the research questions raised in this study directly link the theoretical arguments. (Ortinau, 2006:218) forwarded three bases for the research method to be descriptive. These are; (I) if the nature of the initial research problem is to describe the characteristics of phenomena under investigation. (II) If the research question focus on issues like what, how and who elements. (III) if the type of questions used to ask respondents are about what they think, fell and do. As a result, in this study descriptive study will be used due to the research problem, the research questions

and the types of questions used to ask respondents are related to the above deterrents of descriptive design.

3.3 Research approach

Research approaches are mechanisms of attaining the research objectives. According to Kothari (2004), there are two basic approaches to research. These are quantitative and qualitative research approach. A quantitative research approach helps the researcher to produce data in measurable analysis. The second one is a qualitative approach helps the researcher for subjective assessments of the research. Therefore, in this study the researcher used mixed research approach.

3.4 Target population, sampling techniques, and size

3.4.1 Target population

The population is described as a group of elements or people to whom a researcher intends to apply (Aron & Coups, 2008)). According to Burns and Grove (1993), a population is defined as all elements like individuals, objects, and events that meet the sample criteria for inclusion in a study. From the definition, in this study the population was Endegagn woreda administration, but the time and cost constraints it is not possible to make investigation about the whole population. For this reason, the target population of this study was Endegagn woreda tax office purposively selected by the researcher. The target population contains tax office employees, A, B and C categories of taxpayers in Endegagn woreda administration.

3.4.2 Sampling techniques

The sampling techniques that the researcher will be used probability sampling of stratified and simple random Sampling techniques. The researcher employed stratified and simple random sampling to select key respondents from the target population.

3.4.3 Sample size

The number of the three A, B, and C categories of tax payers registered by Endegagn woreda administration have been reached 509 (five hundred nine) and worked in different business activities (Endegagn woreda tax office, 2013 E.C). The researcher will be used to determine the sample size by using Taro Yamane (1967)) sample size determination formula. So, the sample size was 224 (two hundred twenty four) of the all categories of taxpayers will be selected randomly for the study. The type of sampling techniques applied is Stratified and then simple random sampling; which is used to select sample tax payers, if the population is not homogeneous, and then stratified sampling technique is applied so as to obtain a representative sample. It involves dividing the target population into

homogeneous subgroups and then taking a sample from each subgroup of category A, B, and C tax payers.

According to Yamane (1967)), sample size be computed in the formula,

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

Where, n= Sample size

N= population size of the study

e= level of precision

To this study the sample size computed as

$$n = \frac{509}{1 + 509(0.05)^2} = \frac{509}{1 + 1.27} = 224$$

Therefore, to distribute the survey questionnaire to the respondents the study will be further conducted proportionate stratified random sampling (taxpayers will be classified into strata and respondents will be selected randomly from each strata according to the proportionate sample calculated). The sample size according to the proportionate strata will be calculated through the formula.

$$n = N / (1 + N(e^2)) \quad \text{----- (1)}$$

$$n_i = n (N_i/N) \quad \text{-----(2)}$$

Where

- ✓ n_i represents sample size of sub population,
- ✓ N_i denotes the size of sub population i ,
- ✓ N represents total population size, n indicates sample size of the population and
- ✓ $i = A, B, C$. Based on this formula,

Table 3.1 Stratified sampling

Category of tax payers	Number of tax payers in each category	$n_i = n(N_i/N)$	Sampling techniques	Sample
A	16	$224(16/509)$	Stratified sampling and simple random sampling	7
B	7	$224(7/509)$	Stratified sampling and simple random sampling	3
C	486	$224(486/509)$	Stratified sampling and simple random sampling	214
Total	$N=509$	$n=N/(1+N(e^2))$ $509/2.27= 224$		224

Source: Endegagn woreda tax office, 2022

3.5 Data type and source

In this study, both primary and secondary source of data will be used. The primary sources of data are obtained from survey questionnaire and semi structured interview. The secondary data sources are the journal articles related to the study, SNNPR Income Tax Regulation No.165/2018. Income Tax proclamation No.165/2017, Tax Administration Proclamation No. 166/2017, Tax Administration Regulation No 166/2018, and also information available in Endegagn woreda administration tax office annual report, and revenue development plan.

3.6 Data collection instrument

The study followed three data collection instruments; self-administered questionnaire, semi-structured interview, and public document review.

Self-administered questionnaire: the researcher prepared survey questionnaire for the three categories of taxpayers that are found in Endegagn woreda administration. The questionnaire includes both open and closed ended in line with the objective of the study. The questionnaire are mainly arranged on Likert scale of 1 to 5 are strongly agree -1; Agree -2; Undecided -3; Strongly-disagree -4; Disagree -5.

Semi-structured interview: semi-structured interview will be held with three officials found within Endegagn woreda administration, such as chief of woreda administrator, the head person of Finance and Economic Development office, the head person of tax office. Additionally, in order to get further information Semi-structured interview will be held with seven tax office employees that are found within each directorate. The researcher deliberately selects all of the participants (officials & tax office employees) who have deep knowledge with the issue.

Public document review: is a way of collecting data by reviewing existing public documents. The documents could be annual report of tax office, manuals, and management documents of tax office of Endegagn woreda administration; and also Regional state Income Tax Proclamation (ITP) No.165/2017, Regulation No.165/2018, Tax Administration Proclamation (TAP) No.166/2017, and Regulation No. 166/2018.

3.7 Methods of data analysis

Data presentation and analysis is one of the main points in this study and will be handled as follows. Data collected through the above-specified tools are organized and then analyzed by using statistical package for social sciences (SPSS) version 26 to derive relevant descriptive statistics specifically frequencies, percentage, and mode. Qualitative analysis is also applied to elaborate the data collected through semi structure interview and public document review. Hence, both quantitative and qualitative approaches will be used in the investigation. The researcher tries to make a triangulation that the data collected from both methods.

3.8 Validity and reliability test

3.8.1 Validity test

According to Kothari (2004), validity refers to the extent to which differences found with a measuring instrument reflect true differences among those being tested. Validity is the most critical criterion and shows the degree to which an instrument measures what it is supposed to measure. For this study to validate the instruments the researcher has considered whether there were ambiguous, confusing and poorly organized questions along with the instruments were used to ascertain their validity and suitability, by adjusting as per respondents understanding in collecting the required data. The advisor has thoroughly examines all item one by one and providing feedback and guidance on the questionnaire particulars that may be amended.

3.8.2 Reliability

Reliability refers to the degree to which the data collection tools or analysis procedures were yield consistent findings (Saunders, Lewis & Thornhill, 2009). Reliability analysis measures the internal consistency of a group of items, which used in questionnaire construction. Reliability analysis examines the homogeneity or cohesion of the items that comprise each scale. Cronbach's alpha coefficient is the most frequently used index of reliability and the most common way to assess reliability. An alpha score of higher than 0.70 is generally considered acceptable (Abiy, 2014).

3.8 Ethical considerations

The researcher followed usual ethical considerations in the process of carrying out this research project include no plagiarism, confidentiality and responsibility among others.

CHAPTER FOUR

RESULT AND DISCUSSIONS

4.1 Introduction

This chapter deals with data presentation, analysis and interpretation of the data. It contains two parts. The first part deals with what looks like status of Endegagn woreda administration revenue generation performance in the last five years; the data gathered from public document review and interview. The second part revealed the response rate of the survey questionnaires, demographic characteristics of the respondents, the underlying factors that impede revenue generation performance, and possible ways of improving revenue generation in the study area. The data gathered from survey questionnaire. Aforementioned data collection instrument of public document review, semi structured interview, and also textual analysis of domestic tax laws including regional state Income Tax Proclamation No.165/2017, and regulation No.166/2017 used in this part in order to triangulate the result. Generally, the analysis and discussion of the results was presented with side by side in both parts.

4.2 The revenue generation status of Endegagn woreda administration

Revenue generation play an important role in determining local government's ability to deliver service. The ability of a local government administration to generate its own income is an important sign of its independence. Revenue is income collected and received by a Local Government (LG). Revenue refers to a sum of payments received by a local government from individual residents, organizations and transfers by the central government for the purpose of financing service delivery and devolved expenditure functions. The locally raised revenues (LRRs) are expected to be received from within the jurisdiction of the local government (USAID, 2016).

The types of revenue that the local government administration is entitled to collect are fixed by the regional government of SNNPR. The regional government empowers the local government to collect certain type of revenue. The major legislations governing the current regular source of revenues were issued at regional government revised constitution. Among these are, Income Tax Proclamation No.165/2017, Income Tax Regulation No. 165/2018, Tax Administration ProclamationNo.166/2017, and Tax Administration Regulation No.166/2018.

Tax revenue was one of the major sources of income which fall under domestic revenue category. It is also the main and potential revenue source to the local government. In principle, tax revenue is classified into direct and indirect taxes. Direct taxes were one type of taxes a company or individual pays directly to the local government. The following were the direct tax revenue of Endegagn woreda administration based the regional state Income Tax proclamation No.165/2017.

Table 4.1 Direct-tax revenue source

Head code of the revenue	Title of the revenue	The performance of the revenue in each budget years in E.C/G.C					Total of each direct taxes	Percent to the total direct taxes
		2009 (2017)	2010 (2018)	2011 (2019)	2012 (2020)	2013 (2021)		
1101	Personal income tax	4,345,594.93	5,727,594.68	6,447,153.53	7,148,530.81	13,113,346.4	36,782,220.5	74.8
1102	Rental income	53,148.76	13,671.55	19,297.92	24,464.71	38,991.74	149,574.68	0.3
1103	Business Profit tax	700,206.61	1,067,983.46	1,152,369.67	1,307,581.22	1,452,790.19	5,680,931.15	11.5
1106	Capital gains	-	6,936.75	-	10,500	24,000	41,436.75	0.08
1107	Agricultural income	139,130	140,282	140,282	140,282	140,282	700,261	1.42
1108	Royalties	55,791.20	166,013.81	420,332.65	603,568.39	676,773.64	1,922,479.69	3.9
1112	Chat income tax	768,875	803,425	756,386	741,110	846,619	3,916,415	7.9
1100- 1112	Total direct taxes	6,062,746.5	7,925,907.25	8,935,821.77	9,976,040.3	16,292,803	49,193,318.8	100%

Source:-Endegagn woreda taxes office annual report, 2022

As shown from the above table 4.1, revenue from personal income tax showed as an increasing trend while fluctuation observed on rental income taxes in the years of 2018 - 2020, there was a minimal increase in 2021. Capital gains in the budget years of 2017(2009), and 2019(2010), none of the revenue was collected. The remaining direct taxes revenue there was minimal increase over the years as showed in the above table.

Personal income tax; was collected from employees that are found within Endegagn woreda administration. It was among one of the major source of revenue to the woreda administration, and constituted 74.8% out of the total direct taxes collected in the last five years. In all these years, it shows a notable increase. In relation to this an interviewee conducted from finance and economic office, and tax office head person revealed the main reason behind such an increasing trends was the existence of

high number of public servants and the government of the countries also studied a new public servants evaluation JEG, BPR in the regions, as a result there was some improvements in the salaries of the employees, also increase in the rate of the taxed income. The other reason was the administrative simplicity of collecting an employment income tax, i.e. it was directly deducted from the gross salaries of the employees based on schedule A of the regional income tax proclamation No. 165/2017. The imposition of employment income tax was based on Regional State Income Tax Proclamation No.165/2017 Article 10.

Rental income tax; constituted 0.3% of the total direct tax income in the last five years. The imposition of rental income tax was based on Regional State Income Tax Proclamation No.165/2017 Article 13. The proclamation provides for the taxation of rental income tax in accordance with Schedule B, income from rental of buildings. **Business income tax;** contributes 11.5% of the total direct tax revenue. The imposition of business income tax was based on Regional State Income Tax Proclamation No.165/2017 Article 18. The proclamation provides for the taxation of business income tax in accordance with Schedule C, income from business.

Indirect tax: under this revenue category, basically there are three major sources of revenue collected in Endegagn woreda administration such as Value Added tax / VAT, TOT, and stamp sales and duty.

Table 4.2 Indirect tax revenue source

Head code of the revenue	Title of the revenue	The performance of the revenue in each budget years in E.C/G.C					Total of each indirect taxes	Percent to the total indirect taxes
		2009 (2017)	2010 (2018)	2011 (2019)	2012 (2020)	2013 (2021)		
1141 - 1176	VAT	315,511.8	211,767.47	195,538.56	269,837.77	258,451.16	1,251,106.76	18.26%
1222 - 1264	TOT	391,209.23	735,378.21	931,657.97	1,153,747.74	1,752,538.01	4,964,531.16	72.46%
1291-1293	Stamp duty and Sale	39,042.75	94,313.23	101,584.4	191,566.53	209,130	635,636.91	9.27%
1141 - 1293	Total indirect taxes	745,763.78	1,041,458.91	1,228,780.93	1,615,152.04	2,220,119.17	6,851,274.83	100%

Source:- [Endegagn woreda taxes office annual report, 2022](#)

As shown from the above table 4.2, the nature and contribution of each indirect tax in Enedegagn woreda administration was described as Value Added Tax /VAT constituted 18.26%, Turn Over Tax /TOT constituted 72.46%, and Stamp sales and duty share 9.27% of the total collected revenue from indirect tax between the years 2017/18 - 2020/21.

Non-tax revenue was a source of revenue mainly collected from the provision of goods and services. In this revenue title, there are four major revenue sources; these are administrative fees and charges, sales of public goods and services, government investment income and miscellaneous revenue.

Table 4.3 Non-tax revenue source

Head code of the revenue	Title of the revenue	The performance of the revenue in each budget years in E.C/G.C					Total of each non-taxes revenue	Percent to the total non- taxes revenue
		2009 (2017)	2010 (2018)	2011 (2019)	2012 (2020)	2013 (2021)		
1410 - 1420	Administrative fees and charges	131,665.44	156,742.49	136,489	137,291.9	131,779.66	693,968.49	2.02%
1430 - 1450	Sales of public goods and services	4,757,347.31	5,185,801.31	5,424,892.9	6,877,329.93	9,474,908.54	31,720,279.99	92.4%
1460 - 1470	Government investment income	-	-	-	-	-	-	-
1468	Rural land user fees	139,130	140,282	140,282	140,285	140,282	700,261	2.03%
1489	Miscellaneous revenue	175,310.8	189,555.29	180,669.67	134,169.04	532,430.24	1,212,135.04	3.53%
1410 - 1489	Total non-taxes revenue	5,203,453.55	5,672,381.09	5,882,333.54	7,289,075.87	10,279,400.24	34,326,644.29	100%

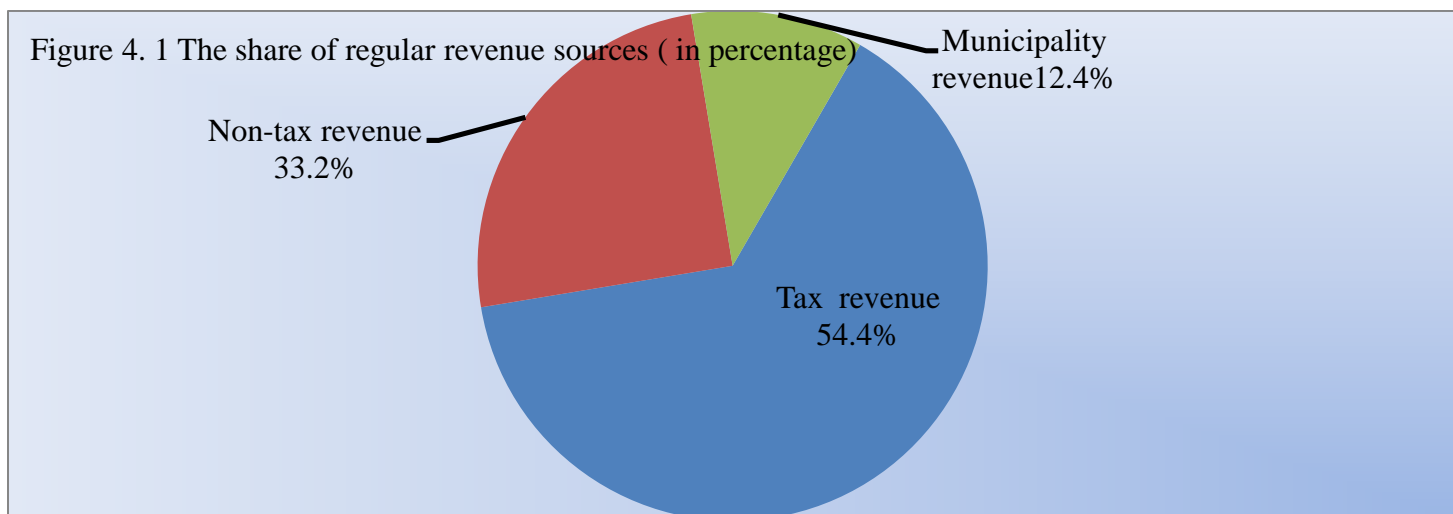
Source:-Endegagn woreda taxes office annual report, 2022

The above table 4.3 shows non-tax revenue performance of Endegagn woreda administration. Each of non-tax revenue contribution for the total non-tax revenue weighed that administrative fees and charges, 2.02%; sales of public goods and service contributes 92.4% of the total collected non-tax revenue, and others contributes 3.53% of the total non- tax revenue.

Table 4.4 Total revenue source of Endegagn woreda administration

Head code of the revenue	Title of the revenue	Performance of revenue in each Budget years in E.C/G.C					Total of each revenue source	Percent to the total revenue
		2009 (2017)	2010 (2018)	2011 (2019)	2012 (2020)	2013 (2021)		
1100- 1112	Direct taxes	6,062,746.5	7,925,907.25	8,935,821.77	9,976,040.3	16,292,803	49,193,318.8	54.4%
1141-1293	Indirect taxes	745,763.78	1,041,458.91	1,228,780.93	1,615,152.04	2,220,119.17	6,851,274.83	
	Taxes revenue	6,808,510.28	8,967,366.16	10,164,602.7	11,591,192.34	18,512,922.17	56,044,593.65	
1410 - 1489	Non-taxes revenue	5,203,453.55	5,672,381.09	5,882,333.54	7,289,075.87	10,279,400.24	34,326,644.29	33.2%
1701 - 1799	Municipal revenue	952,274.37	1,879,227.6	2,653,934.44	3,916,131.65	3,394,885.5	12,796,453.6	12.4%
	Total/(R+M)	12,964,238.2	16,518,974.85	18,700,870.68	22,796,399.86	32,187,207.91	103,167,692	100%

Source:- Endegagn woreda taxes office annual report, 2022 |



Source: Researcher’s own computation, 2022

The above table 4.4 and figure 4.1 shown as the totally generated revenue performance of Endegagn woreda administration from the year 2017/18 - 2020/21 was 103,167,692 ETB birr (One hundred three million, one hundred sixty seven thousand, and six hundred ninety two. As shown in the figure above, the sources of the revenue for the period under the review were included 54.4% of tax revenue, 33.2% of non-tax revenue, and 12.4% of municipality revenue sources.

4.3. Result and Discussion

This section deals with the response rate of respondents (sampled taxpayers) within the three categories, demographic characteristics of the respondents, and the responses of the respondents related to the research objectives were included in this part.

4.3.1 Response rate

The survey made on 224 of taxpayers within the three categories. All of them were delivered the survey questionnaire; out of which 185 (82.6%) of the respondents were filled and returned questionnaire to the researcher. Generally the numbers of questionnaire distributed to the respondents and returned to investigator was depicted by table 4.5, below

Table 4.5 Response rate of the respondents

Respondents		Questionnaire distributed to the respondents	Questionnaire returned to the researcher	Percent (%)
Tax payers	A	7	6	85.7%
	B	3	3	100%
	C	214	176	82.2%
	Total	224	185	82.6%

Source: Own survey result, 2022

As shown from the table 4.5 above, 7 (seven), 3(three), and 214(two hundred fourteen) questionnaires distributed to the respondents within the three category of A, B, and C tax payers respectively, out of which 6(85.7%), 3(100%), and 176(82.2%) of the respondents within the three category of A, B, and C tax payers respectively filled and returned the questionnaires to the researcher. Therefore, the collected data was adequate and capable of addressing the objectives of the investigation. As a result it was possible to precede data presentation, analysis, and interpretation.

4.3.2 Data Reliability

Table 4.6 Summary of Cronbach's Alpha

<u>Cronbach's Alpha</u>	<u>Cronbach's Alpha based on standardized items</u>	N of items
0.870	0.867	20

Source: Own survey result, 2022

Based on the original 20 item scale, the scales have been validated for internal consistency and attained at fit measures Cronbach's Alpha value of 0.870 and indicate a good reliability of the scale in the sample under study.

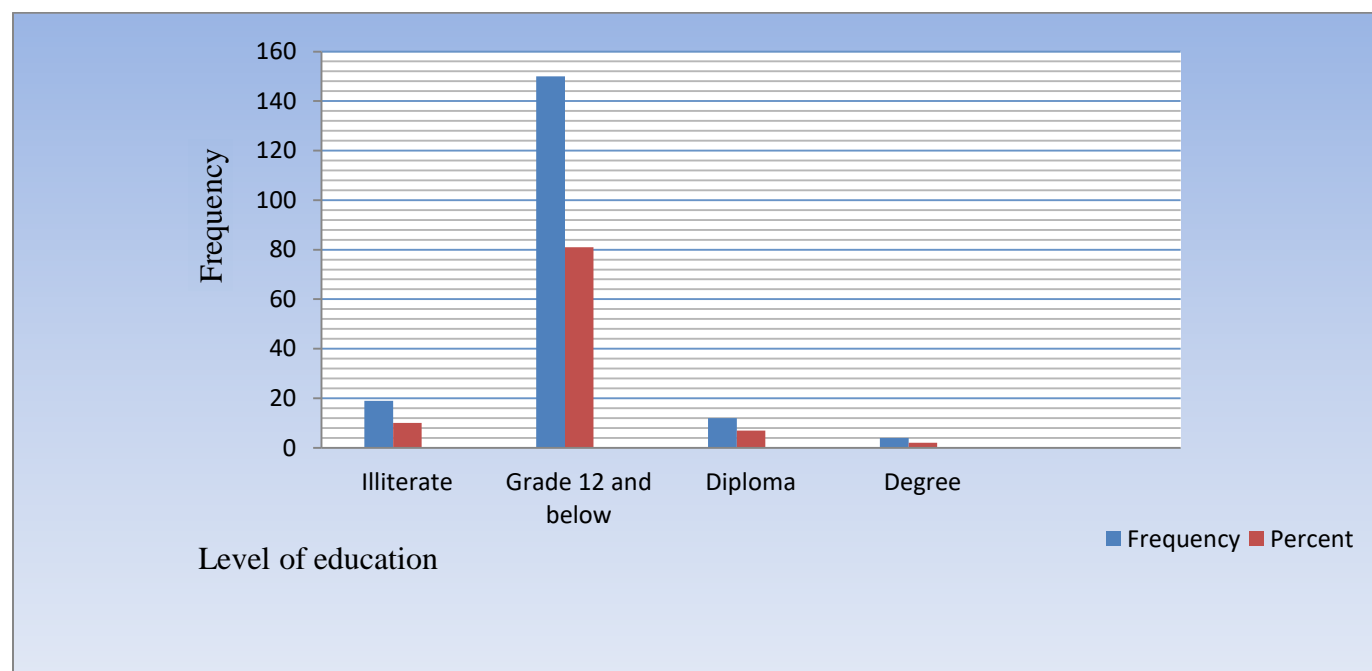
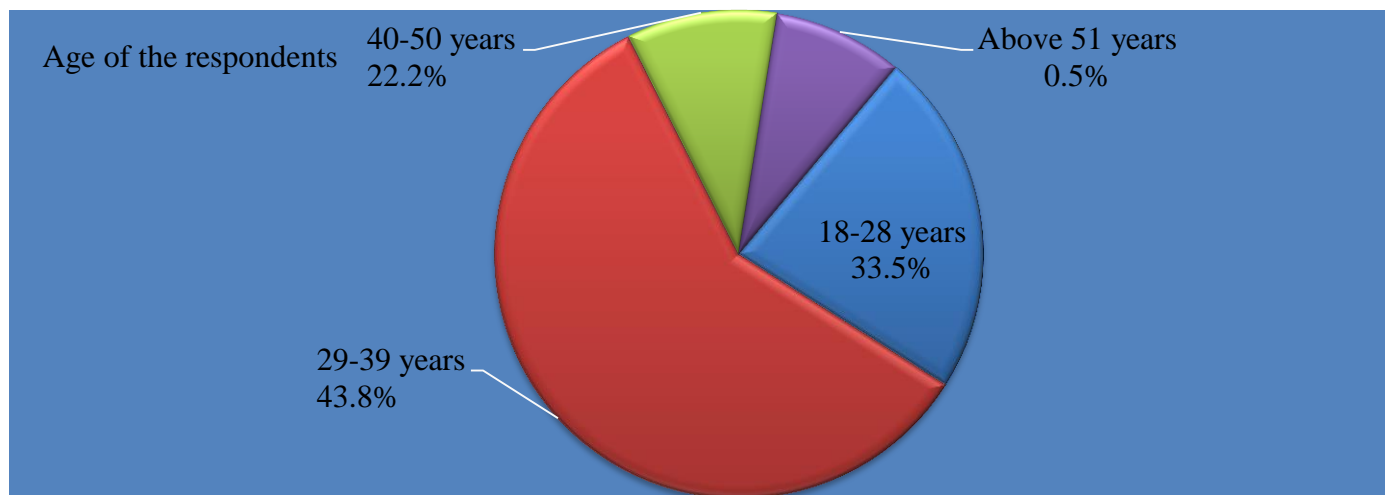
4.3.3 The Demographic characteristics of the respondents

The background information of the respondent such as sex, age, and educational level added/complemented some value for the study. The general demographic characteristics of the respondent were depicted by table 4.7, below.

Table 4.7 The Demographic characteristics of the respondents

Variable	Characteristics	Frequency	Percent
Sex	Male	123	66.5
	Female	62	33.5
	Total	185	100%
Age	18-28 years	62	33.5
	29-39 years	81	43.8
	40-50 years	41	22.2
	Above 51 years	1	0.5
	Total	185	100%
Educational level	Illiterate	19	10.3
	Grade 12 and below	150	81
	Diploma	12	6.5
	Degree/ BA or BSC	4	2.2
	Master/MA or MSC	0	-
Total		185	100%

Figure 4.2: The Demographic characteristics of the respondents



Source: Own survey result, 2022

The above table 4.7, and figure 4.2 revealed that sex, age and educational back ground of the respondent. As shown in the table 123(66.5%) of the respondents were male, and 62 (33.5%), of the respondents were female. Most of the business was owned by male. The literature said that female taxpayers were compliant than men (Yoseph, 2018), recognized that females were well complaint than males owing to that females were conforming roles, ethical restraints and more conventional in their life. Regarding to age 62(33.5 %) of the respondents were from 18-28 years, 81(43.8%) of them were from 29-39 years, 41 (22.2%) of them were from 40-50years, 1 (0.5%) of them was above 51 age. Regarding to educational background 19(10.3%) of the respondents were Illiterate, 150 (81%) of them were Grade 12 and below, 12 (6.5%) of them were Diploma, and 4(2.2%) of them were first Degree holder.

4.3.4 Category of Tax payers and Age of the business

The 1995 Constitution of the Federal Democratic Republic of Ethiopia (FDRE) classifies taxation power into three: as those assigned exclusively to the federal government (Art. 96), regional states (Art. 97), and concurrently to both regional and federal governments (Art. 98). As per the constitution, regional states have the power to levy and collect taxes. According to SNNPR, Income Tax Proclamation No. 165/2017 tax payers were categorized in to three based on their income level. Category “A” taxpayers were a body or any other person having annual gross income of ETB 1,000,000 or more. Category “B” were these that don’t classified as “A”, and having an annual gross income of ETB 500,000 or more, but less than ETB 1,000,000. Category “C” taxpayers were a person, other than a body having an annual gross income to be ETB 500,000 or less .For categories of “A” and “B”, the tax assessed based on the profit and loss statement prepared in accordance with the International Financial Reporting Standards (IFRS) and subject to the specific rules as provided in the income tax legislation. On the other hand, the tax from category “C” taxpayers levied based on a presumptive assessment of average daily income.

Table 4.8 Category of tax payers and age of the business

Item	Business category	Frequency	Percent
	A	6	3.2
	B	3	1.6
	C	176	95.2
Total		185	100%
	Age of the business	Frequency	Percent
	Below five years	101	54.6
	Five to ten years	78	42.2
	Above ten years	6	3.2
Total		185	100%

Source: Own survey result, 2022

As shown in the table 4.7 above, 6 (3.2%) of the tax payers were included in category “A”, 3 (1.6%) were category “B”, and 176(95.2%) were included in category “C” taxpayers. Hence, from these result it is possible to conclude that large numbers of tax payers were worked in category “C” business organization. Regarding to the age of the businesses,101(54.6%) of tax payers in businesses were below five years,78(42.2%)of tax payers in business organizations were age between five to ten years ,and the remaining 6 (3.2%) of tax payers in the business organizations were aged above ten years. Hence, from these result it was possible to conclude that large numbers of tax payers were below five years age of the businesses.

4.3.5 Tax payers awareness towards taxation and its payment

Taxpayer awareness refers to the understanding about tax and acting or responding for tax obligation. Taxpayers’ awareness is one of the crucial components that should be focused area by the tax office. When taxpayers were aware they know why they pay tax easily and they motivated to pay tax. If the taxpayers being aware they understand the existing tax rules and principles, understand the payment of tax to the benefit of the country, known the tax should be paid based on rules, regulation, and report their taxes willingly and exactly(Yoseph, 2018). Regarding to this issue interview conducted with tax office customer service employees stated that most of tax payer’s awareness was in low stage in terms of their volunteers for the registration of VAT and TOT. The remaining registered one doesn’t want to give recipient for the customers that these goods and services sold.

The same interviewee conducted with tax assessment and customer service team leader person stated that it was difficult to say that all tax payers’ awareness was poor. Some tax payers was be aware and to know rules and regulations of tax administration, the reverse was true that much of them weren’t good

understanding about taxation and tax rule, having potential, but never want to registered for VAT/TOT, doesn't give a clear information about their income for tax the time of tax assessment.

Table 4.9 Respondents justification for paying tax

As a tax payers why you pay tax	Frequency	Percent
You have enough awareness about payment of tax	25	13.5
In order not to be penalized by the tax law administration	134	72.4
It is our civic duty	20	10.8
There is no opportunity to evade	6	3.2
Total	185	100%

Source: Own survey result, 2022

As shown in the table 4.9 above, 25(13.5%) of the respondents replied the reason that they paid tax because of they have enough awareness ,134(72.4%)of the respondents replied the reasons for payment of tax, in order not to be penalized by the tax law administration,20(10.8%) of the respondents replied the reason for payment of tax that they helps the local government to provide better service to the people, and lastly, 6 (3.2%) of the respondents also replied that they paid taxes, because of they don't have opportunities to evade. Therefore, from these result it was possible to said that taxpayer's perception about payment of tax were poor and also their willingness were to be accepted by the tax law rather than depending on their compliance of tax payment. This result was confirmed with research finding Mukea (2020),stated that tax payers willingness to be abided by the tax rules and regulations was an indication to engage in tax evasion activities.

Table 4.10 Problem related to announce tax returns and to pay tax appropriately

Which of the following as a cause that tax payers delay to announce tax returns and to pay tax appropriately	Frequency	Percent
Non understandability of taxes rules and regulations	15	8.1
Weak punishment system	18	9.7
Nonexistence of sufficient tax teaching by tax office	5	2.7
Absence of honesty and work ethics of tax office employees	4	2.2
The existence of poor infrastructural facilities in the local government	143	77.3
Total	185	100%

Source: Own survey results, 2022

As shown in the table 4.10 above, respondents give their response for which obstacle delays tax payers to declare tax returns and to pay tax properly. They revealed that, 15 (8.1%) of the respondents stated non understandability of taxes rules and regulations, 18 (9.7%) of the respondents said that there was weak punishment system as a cause tax payers delay to announce tax returns, and to pay tax appropriately, 5(2.7%)of the respondents said that non-existence of sufficient tax teaching by tax office, 4(2.2%) of the respondents said that the absence of honesty and work ethics of tax office employees as a cause tax payers delay to announce, and pay tax appropriately; lastly 143(77.3%)of the respondents said that poor infrastructural facilities in the local government as a cause that tax payers delay to announce, and pay tax appropriately. This result argued with research finding (Asefu, 2021) stated that the obstacles that delayed tax payer have to announce and pay tax appropriately was non-understandability of tax rules, and regulations.

Table 4.11 Taxpayer fail to pay tax on a given period of time

The reasons for tax payers fail to pay tax on time	Frequency	Percent
The time limit given to tax payers to pay their taxes is not sufficient enough	12	6.5
Tax office levied tax incorrectly and unfairly	32	17.3
The local Government doesn't spend the revenue in locally development program	120	64.8
Your payment is exaggerated and high	21	11.4
Total	185	100%

Source: Own survey results, 2022

As shown in the table 4.11 above, the respondents give their response for their reasons fail to pay tax on time. They revealed that 12 (6.5%) of the respondents stated that the time limit given to tax payers to pay their taxes was not sufficient enough, 32 (17.3%) of the respondents stated that the tax office levied tax on tax payers incorrectly and unfairly, 120(64.8%) of the respondents stated that the local government administration doesn't spend the revenue in locally development program, 21(11.4%) of the respondents stated that the amount of tax that tax payers pay was exaggerated and high. Therefore, from these result it was possible to conclude that the local government administration doesn't spend the revenue in locally development program, as a reasons for tax payers fail to pay tax on time.

Table 4.12 Local government commitment towards identifying more source of revenue

Item response	Categories of the respondents								
	"A"	%	"B"	%	"C"	%	Total	Percent	
Strongly agree	0	0.0	0	0.0	9	5.1	9	53	28.7
Agree	4	66.7	2	66.7	38	21.6	44		
Undecided	0	0.0	1	33.3	5	2.8	6		3.2
Strongly-disagree	0	0.0	0	0.0	45	25.6	34	126	68.1
Disagree	2	33.3	0	0.0	79	44.9	81		
Total	6	100%	3	100%	176	100%	185		100%

Source: Own survey result, 2022

The above table 4.12 shows about, 9(5.1%) of category “C” tax payers stated their strong agreement on the idea. In relation to this 4(66.7%) of category "A" tax payers, 2(66.7%) of category "B" tax payers, and 38 (21.6%) of category "C" tax payers reflected their agreement on the idea that local government commitment towards identifying more source of revenue was essentially effective. On the other hand, 45 (25.6%) of category "C" tax payers reflected their Strong disagreements. In relation to this also, 2(33.3%) of category "A" tax payers, and 79(44.9%) of category "C" tax payers stated their disagreements on the idea. Strongly disagree and disagree response together depicted that, 126 (68.1%) out of the total respondents have negative viewpoints on the idea, on the other-hand, combined strongly agree, and agree response depicted that, 53 (28.7%) out of the total respondents have positive viewpoints . The remained, 6(3.2%) of the total respondents were undecided to give response on the issue. When the response of the respondents were combined in such way that strongly agree and agree shows positive viewpoints on the issue, on the other-hand, strongly disagree and disagree shows negative viewpoints. Regarding to this issue Interview conducted with head person of tax office stated that the activities that wasn't done by the local government for the support of revenue generation was the supply of poor infrastructural facilities for the people, doesn't make condition suitable for the local investors to invest the administrative area.

Similar interviewee conducted with customer service, and tax assessment team leader officer stated that local government commitment for revenue source was very poor. The result was manifested by a poor infrastructure like road, street lighting, water, education, and health care center; also leads to losses the opportunity of local investors to invest in the administrative area. Poor infrastructure can also make it difficult to attract business to an area and will limit job opportunities for residents at all not only tax payers of the business community. Hence, from these results, negative opinions were greater than the positive one, and possible to conclude that the local government commitment towards identifying more sources of revenue wasn't essentially effective.

Table 4.13 Local government has financial resource for public service provision

Item response	Categories of the respondents						Total	Percent	
	"A"	%	"B"	%	"C"	%			
Strongly agree	0	0.0	0	0.0	13	7.4	13	74	40.0
Agree	2	33.3	0	0.0	59	33.5	61		
Undecided	1	16.7	1	33.3	7	4.0	9		4.8
Strongly-disagree	0	0.0	0	0.0	70	39.8	70	102	55.2
Disagree	3	50.0	2	66.7	27	15.3	32		
Total	6	100%	3	100%	176	100%	185		100%

Source: Own survey results, 2022

The above table 4.13 shows about, 13 (7.4%) of category "C" tax payers stated their strong agreements. In relation to this, 2 (33.3%) of category "A" tax payers, and 59 (33.5%) of category "C" tax payers support the idea. On the other hand, 70(39.8%) of category "C" tax payers reflected their Strong disagreements. In relation to this also, 3 (50%) of category "A" tax payers, 2 (66.7%) of category "B" tax payers, and 27 (15.3%) of category "C" tax payers stated their disagreements on the idea. Strongly disagree and disagree response together depicted that, 102(55.2%), out of the total respondents have negative viewpoints on the idea, on the other-hand, 74(40%) out of the total respondents stated their agreements, and have positive viewpoints on the idea. The remained, 9(4.8%) of the total respondents were undecided to give response on the idea. When the responses of the respondents were combined in such way that strongly agree, and agree response showed as positive viewpoints of the respondent, on the other-hand, strongly disagree and disagree response showed as negative viewpoints of the respondent. Hence, from these result, negative opinions are greater than the positive one. Thus, local government hasn't sufficient financial resource to satisfy the requests of public service provision.

Table 4.14 The amount and quality of service that the local government supply

Item response	Categories of the respondents							
	"A"	%	"B"	%	"C"	%	Total	Percent
Strongly agree	0	0.0	0	0.0	15	8.5	15	61 33.0
Agree	1	16.7	0	0.0	45	25.6	46	
Undecided	1	16.7	2	66.7	10	5.7	13	7.0
Strongly-disagree	0	0.0	0	0.0	34	19.3	34	111 60.0
Disagree	4	66.7	1	33.3	72	40.9	77	
Total	6	100%	3	100%	176	100%	185	100%

Source: Own survey result, 2022

As shown in the table 4.14 above, 15 (8.5%) of category “C” tax payers stated their strong agreement on the idea. In relation to this, 1(16.7%) of category "A" tax payers, and 45 (25.6%) of category "C" tax payers stated their agreement and support the idea. On the other hand, 34(19.3%) of category "C" tax payers reflected their strong disagreement opinion. In relation to this also, 4 (66.7%) of category "A" tax payers, 1 (33.3%) of category "B" tax payers, and 72 (40.9%) of category "C" tax payers stated their disagreement opinion. Strongly disagree and disagree response result depicted that, 111(60%), out of the total respondents have negative viewpoints, on the other-hand, 61(33%) out of the total respondents stated their agreements, and have positive viewpoints on the idea. The remained, 13(7%) of the total respondents were undecided to give response on the issue. When the responses of the respondents were combined in such way that strongly agree, and agree responses showed as positive viewpoints of the respondent, on the other-hand, strongly disagree and disagree responses showed as negative viewpoints of the respondents. From these results, negative views greater than the positive one. Thus, the amount and quality of service that tax payers attained wasn’t sufficient with the charges and tax they paid.

4.3.6 Tax office capacity

Tax office capacity refers to the ability and the capacity of tax office to control, serve, impose, and conduct audit at the right time and performing other activity towards the collection of tax. Tax office capacity consist many things, this include technology, skilled man power, and infrastructure for sake of well collection and makes the collection procedures to make easy that the government should capacitate its office with profession, updated technology and different equipment's. Improvement in revenue performance is also critically dependent upon the ability of authorities to minimize the cost of collecting revenue (Yoseph, 2018). Regarding to tax office capacity an interview conducted with the head person of tax office revealed that the execution of tax rules, regulations, imposition of tax based on ability to pay principles, was performed in a good ways, but these by using modern technology to handle every tax payers information, to register potential tax payers for VAT/TOT, there was a weaknesses. The reasons for that was the turn-over of well trained and experienced tax employees after few years flow to other well urbanized town by seeking job in terms of their experience. Similar interviewee conducted with the head person of finance and economic development office head person also arise the same issue, but to register potential tax payer for VAT/TOT, generating new idea, method, for revenue source, and collection, the use of modern technology system all of these tasks doesn't perform properly in the tax office. The reasons for that was the turn-over of well trained and experienced tax employees, and the turn-over of political leader to lead that office and also the assignment of political leader tolead tax office doesn't based on the field of study, all these reasons that lag tax office capacity.

Table 4.15 Tax imposition

Item response	Categories of the respondents								
	"A"	%	"B"	%	"C"	%	Total	Percent	
Strongly agree	0	0.0	0	0.0	24	13.6	24	73	39.5
Agree	0	0.0	0	0.0	49	27.9	49		
Undecided	1	16.7	1	33.3	7	4.0	9		4.8
Strongly-disagree	2	33.3	0	0.0	74	42.0	76	103	55.7
Disagree	3	50.0	2	66.7	22	12.5	27		
Total	6	100%	3	100%	176	100%	185		100%

Source: Own survey result, 2022

As shown in the table 4.15 above, the respondents stated their response. The investigator could perceived that the agreement and disagreement viewpoints of the respondents in terms of their categories were weighed about, 24 (13.6%), and 49 (27.9%) of category “C” tax payers stated their strong agreement and agreements on the issue that tax office impose tax on tax payers based on the ability to pay principles. On the other hand, 2(33.3%) of category "A" tax payers, and 74(42%) of category "C" tax payers reflected their strong disagreement opinion. In relation to this also, 3 (50%) of category "A" tax payers, 2(66.7%) of category "B" tax payers and 22 (12.5%) of category "C" tax payers stated their disagreements. Strongly disagree and disagree response together depicted that, 103(55.7%) out of the total respondents stated their disagreements, and have negative viewpoints on the issue, on the other-hand, 73(39.5%) out of the total respondents stated their agreement, and have positive viewpoints on the issue. The remained, 9(4.8%) of the total respondents were undecided to give response on the issue. When the response of the respondents were combined in such way that strongly agree, and agree response showed as positive viewpoints on the issue, on the other-hand, strongly disagree and disagree response showed as a negative viewpoint on the issue. Therefore, from these result it is possible to conclude that tax office doesn’t imposed tax on tax payers based on the ability to pay principles. This result was confirmed with the research finding (Mukea, 2020), stated that tax office levied tax on tax payers was not based on the ability to pay principles. According to Regional State Income Tax Proclamation No.165/2017, Art.13 sub Art.1, and 2 stated that the imposition of rental income tax;

1/ Rental income tax shall be imposed for each tax year at the rate or rates specified in Article 14 of this Proclamation on a person renting out a building or buildings who has taxable rental income for the year.

2/ Subject to sub-article (3) of this Article, the rental income tax payable by a taxpayer for a tax year shall be calculated by applying the rate or rate of tax applicable to the taxpayer under Article 14 of this Proclamation to the taxable rental income of the taxpayer for the year.

3/ This Schedule shall not apply to rental income subject to tax under Article 56

Income Tax Proclamation 165/2017, Art.18 sub Art.1, and 2 stated that the *imposition of business income tax*;

1/ Subject to this part, business income tax shall be imposed for each tax year at the rate or rates specified in Article 19 of this Proclamation on a person conducting business that has taxable income for the year.

2/The business income tax payable by a taxpayer for a tax year shall be calculated by applying the rate or rates of tax applicable to the taxpayer under Article 19 of this Proclamation to the taxable income of the taxpayer for the year.

Table 4.16 Treatment of tax payers during tax payment

Item response	Categories of the respondents								
	"A"	%	"B"	%	"C"	%	Total	Percent	
Strongly agree	0	0.0	0	0.0	16	9.1	16	71	38.3
Agree	2	33.3	2	66.7	51	28.9	55		
Undecided	1	16.7	1	33.3	12	6.8	14		7.6
Strongly-disagree	0	0.0	0	0.0	83	47.2	83	100	54.1
Disagree	3	50.0	0	0.0	14	8.0	17		
Total	6	100%	3	100%	176	100%	185		100%

Source: Own survey result, 2022

As shown in the table 4.16 above, the respondents stated their response. The agreement and disagreement viewpoints of the respondents in terms of their categories were weighed about, 16 (9.1%) of category "C" tax payers stated their strong agreement on the issue. In relation to this, 2 (33.3%) of category "A" tax payers, 2(66.7%) of category "B" tax payers, and 51 (28.9%) of category "C" tax payers support the idea that tax office treat all tax payers fairly and equally during service provision. On the other hand, 83(47.2%) of category "C" tax payers reflected their strong disagreement on the issue. In relation to this also, 3 (50%) of category "A" tax payers, and 14 (8%) of category "C" tax payers stated their disagreements. Combined strongly disagree and disagree response result depicted that, 100(54.1%), out of the total respondents have negative viewpoints on the issue, on the other-hand, 71(38.3%) out of the total respondents stated their agreement, and have positive viewpoints on the issue. The remained, 14(7.6%) of the respondents were undecided to give response on the issue. When the responses of the respondents were combined in such way that strongly agree, and agree response showed as positive opinions of the respondent, on the other-hand, strongly disagree and disagree responses showed as negative opinions of the respondent. Therefore, from these result, negative opinions be greater than the positive one. This result was opposed by the research finding (Mukea, 2020), identified that tax office treats all tax payer's equally and fairly during service provision.

Table 4.17 Registration of potential taxpayers for VAT/ TOT

Item response	Categories of the respondents								
	"A"	%	"B"	%	"C"	%	Total	Percent	
Strongly agree	0	0.0	0	0.0	13	7.4	13	55	29.7
Agree	2	33.3	0	0.0	40	22.7	42		
Undecided	0	0.0	0	0.0	15	8.5	15		8.1
Strongly-disagree	0	0.0	0	0.0	75	42.6	75	115	62.2
Disagree	4	66.7	3	100	33	18.8	40		
Total	6	100%	3	100%	176	100%	185		100%

Source: Own survey result, 2022

As shown in the table 4.17 above, 13 (7.4%) of category “C” tax payers stated their strong agreement on the issue. In relation to this, 2 (33.3%) of category "A" tax payers, and 40 (22.7%) of category "C" tax payers stated their agreement on the issue that tax office register potential taxpayers for VAT/ TOT. On the other hand, 75(42.6%) of category "C" tax payers reflected their Strong disagreement on the issue. In relation to this also, 4 (66.7%) of category "A" tax payers, 3 (100%) of category "B" tax payers, and 33 (18.8%) of category "C" tax payers stated their disagreements. This result was supported by research finding (Teklu, 2011) stated that, lack of skilled and honest man power in taxpayer identification and registration for VAT is one of the reasons for problem of uniformity. So that many potential that required being register for VAT not did so. Regarding to this issue interview conducted with the head person of finance and economic office revealed that based on rules and regulation to register potential tax payers for VAT/TOT as main task of the office, but there were many potential tax payers that don’t registered by VAT/TOT. This shows that tax office capacity was poor, because by organizing data shift the category of tax payer, and registration for VAT/TOT was the main tasks of tax office.

Similar interviewee conducted with head person of tax office stated that to by organizing data to shift tax payers from one category to another was one of the activities tax offices, but doesn’t achieve much.

As an investigator, combined strongly disagree and disagree response result depicted that, 115 (62.2%) out of the total respondents have negative viewpoints on the issue, on the other-hand, 55(29.7%) out of the total respondents stated their Strong agreement and agreement on the issue, and have positive viewpoints on the issue. The remained, 15(8.1%) of the respondents were undecided to give response on the issue. When the response of the respondents were combined in such way that strongly agree and agree shows positive viewpoints, on the other-hand, strongly disagree and disagree shows negative

viewpoints on the issue. Hence, from these result, negative views greater than the positive one. The survey result verified the interview response. It is possible to say that, tax office doesn't register potential taxpayers for VAT/ TOT.

Table 4.18 the use computerized system & technology in tax administration

Item response	Categories of the respondents								
	"A"	%	"B"	%	"C"	%	Total	Percent	
Strongly agree	0	0.0	0	0.0	23	13.1	23	98	53
Agree	4	66.7	2	66.7	69	39.2	75		
Undecided	2	33.3	1	33.3	7	4.0	10		5.4
Strongly-disagree	0	0.0	0	0.0	48	27.2	48	77	41.6
Disagree	0	0.0	0	0.0	29	16.5	29		
Total	6	100%	3	100%	176	100%	185		100%

Source: Own survey result, 2022

As shown in the table 4.18 above, the respondents stated their responses; about, 23 (13.1%) of category "C" tax payers stated their strong agreement on the issue. In relation to this, 4 (66.7%) of category "A" tax payers, 2 (66.7%) of category "B" tax payers, and 69 (39.2%) of category "C" tax payers support the idea that tax office use computerized system & technology in tax administration. On the other hand, 48(27.2%), and 29(16.5%) of category "C" tax payers respectively revealed their strong disagreement, and disagreement on the idea that tax office use computerized system & technology in tax administration. Strongly disagree and disagree response together depicted that, 77 (41.6%) out of the total respondents have negative opinion, on the other-hand, 98(53%) out of the total respondents stated their strong agreement, and agreement on the idea, and have positive viewpoints on the issue. When the responses of the respondents were combined in such way that strongly agree and agree shows positive viewpoints, on the other-hand, strongly disagree and disagree shows negative view points.

Regarding to this issue Interview conducted with the head person tax office stated that tax office use technology, but much more satisfactory. The reasons that were shortage of well-trained and skilled man power in the office. This result leads too much activities like clearance, cost sharing, tax payer document file doesn't work properly. Similar interviewee also conducted to vice person of woreda administrators revealed the advantages, and related challenges of computerizing the tasks of tax office has a value for taxpayers by simplifying administrative procedures. The tax office has some challenges associated with the use of computerized system; these challenges are the absence fast network connection system, lack

of well-trained officer, and lack of electricity power in the required time. The survey result disconfirmed with the response of the interviewee.

Table 4.19 Public awareness create program about taxation

Item response	Categories of the respondents							
	"A"	%	"B"	%	"C"	%	Total	Percent
Strongly agree	0	0.0	0	0.0	62	35.2	62	109
Agree	3	50.0	2	66.7	42	23.9	47	
Undecided	1	16.7	1	33.3	8	4.5	10	5.4
Strongly disagree	0	0.0	0	0.0	53	30.1	53	66
Disagree	2	33.3	0	0.0	11	6.3	13	
Total	6	100%	3	100%	176	100%	185	100%

Source: Own survey result, 2022

As shown in the table 4.19 above, 62 (35.2%) of category “C” tax payers stated their strong agreement on the issue. In relation to this, 3 (50%) of category "A" tax payers, and 2 (66.7%) of category "B" tax payers, and 42 (23.9%) of category "C" tax payers reflected their agreement that tax office create public awareness before it starts tax collection. On the other hand, 53 (30.1%) of category "C" tax payers reflected their Strong disagreement on the issue. In relation to this also, 2 (33.3%) of category "A" tax payers, and 11 (6.3%) of category "C" tax payers stated their disagreements. Combined strongly disagree and disagree response result depicted that, 66 (35.7%) out of the total respondents have negative viewpoints on the issue, on the other-hand, 109 (58.9%) out of the total respondents have positive viewpoints on the issue. This result was supported by the data obtained from tax education compliance and communication directorate annual report revealed that before starting to tax collection, tax payers divided into two parts newly registered to the taxes net and previously known taxpayers, and then create awareness about the purpose of tax payment and related issue was raised. The remained, 10 (5.4%) of the respondents were undecided to give response on the issue. When the response of the respondents were combined in such way that strongly agree, and agree responses showed as positive viewpoints on the issue, on the other-hand, strongly disagree and disagree responses showed as negative viewpoints on the issue. Hence, from these results, positive opinions are greater than the negative one; from these result, tax office create public awareness before it starts tax collection.

Table 4.20 Tax education and awareness creation program to improve tax compliance

Item response	Categories of the respondents							
	"A"	%	"B"	%	"C"	%	Total	Percent
Strongly agree	0	0.0	0	0.0	58	33.0	58	38.9
							72	
Agree	2	33.3	0	0.0	12	6.8	14	
Undecided	1	16.7	1	33.3	6	3.4	8	4.3
Strongly-disagree	0	0.0	0	0.0	52	29.5	52	56.8
Disagree	3	50.0	2	66.7	48	27.3	53	
Total	6	100%	3	100%	176	100%	185	100%

Source: Own survey result, 2022

As shown in the table 4.20 above, the agreement and disagreement viewpoints of the respondents in terms of their categories were weighed about, 58 (33%) of category "C" tax payers stated their strong agreement on the issue. In relation to this, 2 (33.3%) of category "A" tax payers, and 12 (6.8%) of category "C" tax payers stated their agreement on the issue that tax education and awareness creation program was sufficient for tax payers to improve tax compliance. On the other hand, 52(29.5%) of category "C" tax payers reflected their strong disagreement on the issue. In relation to this also, 3 (50%) of category "A" tax payers, 2 (66.7%) of category "B" tax payers, and 48 (27.3%) of category "C" tax payers stated their disagreements on the issue that tax education and awareness creation program was sufficient for tax payers to improve tax compliance. Combined strongly disagree and disagree response results depicted that,105 (56.8%) out of the total respondents have negative viewpoints on the issue, on the other-hand, 72(38.9%) out of the total respondents have positive viewpoints on the issue. The remained, 8(4.3%) of the respondents were undecided to give response on the issue. When the responses of the respondents were combined in such way that strongly agree, and agree response showed as positive viewpoints on the issue, on the other-hand, strongly disagree and disagree response showed as negative viewpoints on the issue. From these results, negative opinions greater than the positive one. Thus, tax education and awareness creation program wasn't sufficient for tax payers to improve tax compliance.

Table 4.21 Tax complain mechanism

Item response	Categories of the respondents							
	"A"	%	"B"	%	"C"	%	Total	Percent
Strongly agree	0	0.0	0	0.0	70	39.8	70	83
Agree	2	33.3	0	0.0	11	6.2	13	
Undecided	0	0.0	1	33.3	8	4.5	9	4.9
Strongly-disagree	0	0.0	0	0.0	33	18.8	33	93
Disagree	4	66.7	2	66.7	54	30.7	60	
Total	6	100%	3	100%	176	100%	185	100%

Source: Own survey result, 2022

As shown in the table 4.21 above, the agreement and disagreement viewpoints of the respondents in terms of their categories were weighed about, 70 (39.8%) of category "C" tax payers stated their strong agreement on the issue. In relation to this, 2 (33.3%) of category "A" tax payers, and 11 (6.2%) of category "C" tax payers stated their agreement on the issue that there was effective tax complain mechanism in the tax office. On the other hand, 33(18.8%) of category "C" tax payers reflected their strong disagreement on the issue. In relation to this also, 4 (66.7%) of category "A" tax payers, 2 (66.7%) of category "B" tax payers, and 54 (30.7%) of category "C" tax payers stated their disagreement on the issue that there was effective tax complain mechanism in the tax office. On the other hand the data obtained from tax office annual report of 2013E.c stated that there was one officers under the tax education compliance and communication directorate, his task to give decision for unhappy of tax payer's regarding to tax. Combined strongly disagree and disagree response together depicted that,93(50.2%), out of the total respondents have negative viewpoints on the issue, on the other-hand, 83(44.9%) out of the total respondents have positive viewpoints on the issue. The remained, 9(4.9%) of the respondents were undecided to give response on the issue. When the response of the respondents were combined in such way that strongly agree, and agree response showed as positive viewpoints on the issue, on the other-hand, strongly disagree and disagree response showed as a negative viewpoints on the issue. From these results, negative opinions greater than the positive one. Thus, there wasn't effective tax complain mechanism in the tax office.

Table 4.22 Tax assessment committees have representative from business community

Item response	Categories of the respondents								
	"A"	%	"B"	%	"C"	%	Total	Percent	
Strongly agree	0	0.0	0	0.0	60	34.1	60	122	66
Agree	3	50.0	2	66.7	57	32.4	62		
Undecided	0	0.0	0	0.0	8	4.5	8		4.3
Strongly-disagree	0	0.0	0	0.0	38	21.6	38	55	29.7
Disagree	3	50.0	1	33.3	13	7.4	17		
Total	6	100%	3	100%	176	100%	185		100%

Source: Own survey result, 2022

As shown in the table 4.22 above, the agreement and disagreement viewpoints of the respondents in terms of their categories were weighed about, 60 (34.1%) of category "C" tax payers stated their strong agreement on the issue. In relation to this, 3 (50%) of category "A" tax payers, 2 (66.7%) of category "B" tax payers and 57 (32.4%) of category "C" tax payers stated their agreement on the issue that tax assessment committees have a representative from business community. On the other hand, 38(21.6%) of category "C" tax payers reflected their strong disagreement on the issue. In relation to this also, 3 (50%) of category "A" tax payers, 1 (33.3%) of category "B" tax payers, and 13(7.4%) of category "C" tax payers stated their disagreement on the issue that tax assessment committees have a representative from business community. Strongly disagree and disagree response together depicted that,55(29.7%), out of the total respondents have negative viewpoints on the issue, on the other-hand, 122(66%) out of the total respondents have positive viewpoints on the issue. The remained, 8(4.3%) of the respondents were undecided to give response on the issue. From these results, positive views greater than the negative one. Thus, tax assessment committees have a representative from business community.

Table 4.23 Taxpayer’s willingness to give clear information

Item response	Categories of the respondents							
	"A"	%	"B"	%	"C"	%	Total	Percent
Strongly agree	0	0.0	0	0.0	13	7.4	13	78
Agree	2	33.3	2	66.7	61	34.6	65	
Undecided	1	16.7	1	33.3	3	1.7	5	
Strongly-disagree	0	0.0	0	0.0	54	30.7	54	102
Disagree	3	50.0	0	0.0	45	25.6	48	
Total	6	100%	3	100%	176	100%	185	100%

Source: Own survey result, 2022

As shown in the table 4.23 above, the agreement and disagreement viewpoints of the respondents in terms of their categories were weighed about,13 (7.4%) of category “C” tax payers stated their strong agreement on the statement. In relation to this, 2 (33.3%) of category “A” tax payers, 2 (66.7%) of category “B” tax payers, and 61(34.6%) of category "C" tax payers support the idea that tax payers were willingness to give clear information to tax assessors and collectors. On the other hand, 54 (30.7%) of category "C" tax payers reflected their strong disagreement on the issue. In relation to this also, 3 (50%) of category "A" tax payers, and 45 (25.6%) of category "C" tax payers stated their disagreement on the issue that taxpayers willingness to give clear information to tax assessors and collectors.

Combined strongly disagree and disagree response together depicted that, 102(55.1%) out of the total respondents have negative viewpoints on the issue, on the other-hand, 78(42.2%) out of the total respondents have positive viewpoints on issue. The remained, 5(2.7%) of the respondents were undecided to give response on the issue. Therefore, from these results, negative opinions greater than the positive one; so, that a taxpayer wasn’t willingness to give clear information to tax assessors and collectors.

Table 4.24 Taxpayers record their income and disclose to the tax assessors

Item response	Categories of the respondents						Total	Percent
	"A"	%	"B"	%	"C"	%		
Strongly agree	0	0.0	0	0.0	36	20.5	36	43.8
Agree	2	33.3	0	0.0	43	24.4	45	
Undecided	1	16.7	0	0.0	12	6.8	13	7.0
Strongly-disagree	0	0.0	0	0.0	58	33.0	58	49.2
Disagree	3	50.0	3	100	27	15.3	33	
Total	6	100%	3	100%	176	100%	185	100%

Source: Own survey result, 2022

As shown in the table 4.24 above, the agreement and disagreement viewpoints of the respondents in terms of their categories were weighed about, 36 (20.5%) of category "C" tax payers stated their strong agreement on the idea. In relation to this, 2 (33.3%) of category "A" tax payers, and 43 (24.4%) of category "C" tax payers stated their agreements and support the idea. On the other hand, 58(33%) of category "C" tax payers reflected their strong disagreements. In relation to this also, 3 (50%) of category "A" tax payers, 3 (100%) of category "B" tax payers, and 27 (15.3%) of category "C" tax payers stated their disagreement on the idea that taxpayers record their income correctly and disclose to tax assessors. Strongly disagree and disagree response combined together depicted that, 91(49.2%), out of the total respondents have negative viewpoints on the idea, on the other-hand, 81(43.8%) out of the total respondents have positive viewpoints. The remained, 13(7.0%) of the respondents were undecided to give response on the issue. Therefore, from these results, negative views greater than the positive one, taxpayers don't record their income correctly and disclose to tax assessors.

Table 4.25 Tax assessment committee’s capacity to impose the exact tax rate

Item response	Categories of the respondents							
	"A"	%	"B"	%	"C"	%	Total	Percent
Strongly agree	0	0.0	0	0.0	56	31.8	56	82
Agree	1	16.7	0	0.0	25	14.2	26	
Undecided	2	33.3	1	33.3	7	4.0	10	5.4
Strongly-disagree	0	0.0	0	0.0	33	18.8	33	93
Disagree	3	50.0	2	66.7	55	31.2	60	
Total	6	100%	3	100%	176	100%		100%

Source: Own survey result, 2022

As shown in the table 4.25 above, the agreement and disagreement viewpoints of the respondents in terms of their categories were weighed about, 56 (31.8%) of category “C” tax payers stated their strong agreement on the idea. In relation to this, 1 (16.7%) of category "A" tax payers, and 25 (14.2%) of category "C" tax payers supported the idea. On the other hand, 33(18.8%) of category "C" tax payers reflected their strong disagreement on the idea. In relation to this also, 3 (50.0%) of category "A" tax payers, 2 (66.7%) of category "B" tax payers, and 55 (31.2%) of category "C" tax payers stated their disagreement on the idea that tax assessment committees have necessary capacity to assess and impose the exact tax rate. Strongly disagree and disagree response together depicted that, 93(50.3%) out of the total respondents have negative viewpoints, on the other-hand, 82(44.3%) out of the total respondents have positive viewpoints. The remained, 10(5.4%) of the respondents were undecided to give response on the issue. From these results, negative opinions greater than the positive one. Thus, tax assessment committees haven’t the necessary capacity to assess and impose the exact tax rate.

Table 4.26 Impartiality of tax assessment committees

Item response	Categories of the respondents							
	"A"	%	"B"	%	"C"	%	Total	Percent
Strongly agree	0	0.0	0	0.0	36	20.5	36	79
Agree	2	33.3	0	0.0	41	23.3	43	
Undecided	1	16.7	1	33.3	13	7.4	15	8.1
Strongly-disagree	0	0.0	0	0.0	65	36.9	65	91
Disagree	3	50.0	2	66.7	21	11.9	26	
Total	6	100%	3	100%	176	100%	185	100%

Source: Own survey result, 2022

As shown in the table 4.26 above, the agreement and disagreement viewpoints of the respondents in terms of their categories were weighed about, 36 (20.5%) of category "C" tax payers stated their strong agreements. In relation to this, 2 (33.3%) of category "A" tax payers, and 41 (23.3%) of category "C" tax payers support the idea. On the other hand, 65(36.9%) of category "C" tax payers reflected their strong disagreement on the issue. In relation to this also, 3(50%) of category "A" tax payers, 2 (66.7%) of category "B" tax payers, and 21 (11.9%) of category "C" tax payers stated their disagreement on the idea that impartiality of tax assessment committees during tax assessment. Strongly disagree and disagree response combined together depicted that, 91(49.2%), out of the total respondents have negative viewpoints, on the other-hand, 79(42.7%) out of the total respondents have positive viewpoints. The remained, 15(8.1%) of the respondents were undecided to give response on the idea. From these results, negative opinions greater than the positive one. Thus, tax assessment committees weren't impartial during tax assessment.

Table 4.27 Grievance hearing committees during tax assessment

Item response	Categories of the respondents							
	"A"	%	"B"	%	"C"	%	Total	Percent
Strongly agree	0	0.0	0	0.0	42	23.9	42	81
Agree	2	33.3	0	0.0	37	21.0	39	
Undecided	0	0.0	0	0.0	9	5.1	9	4.9
Strongly-disagree	0	0.0	0	0.0	57	32.4	57	95
Disagree	4	66.7	3	100	31	17.6	38	
Total	6	100%	3	100%	176	100%	185	100%

Source: Own survey result, 2022

As shown in the table 4.27 above, the agreement and disagreement viewpoints of the respondents in terms of their categories were weighed about, 42 (23.9%) of category "C" tax payers stated their strong agreements. In relation to this, 2 (33.3%) of category "A" tax payers, and 37 (21.0%) of category "C" tax payers supported the idea that there were timely response of grievance hearing committees during tax assessment. On the other hand, 57(32.4%) of category "C" tax payers reflected their strong disagreement. In relation to this also, 4 (66.7%) of category "A" tax payers, 3 (100%) of category "B" tax payers, and 31 (17.6%) of category "C" tax payers stated their disagreements of the timely response of grievance hearing committees during tax assessment. Strongly disagree and disagree response together depicted that, 95(51.3%), out of the total respondents have negative viewpoints on the issue, on the other-hand, 81(43.8%) out of the total respondents have positive viewpoints on the issue. The remained, 9(4.9%) of the respondents were undecided to give response on the issue. From these results, a negative opinion outweighs the positive one. Therefore, there wasn't timely response of grievance hearing committees during tax assessment.

Table 4.28 Tax collectors motivation

Item response	Categories of the respondents								
	"A"	%	"B"	%	"C"	%	Total	Percent	
Strongly agree	0	0.0	0	0.0	23	13.1	23	77	41.6
Agree	2	33.3	0	0.0	52	29.5	54		
Undecided	1	16.7	1	33.3	10	5.7	12		
Strongly-disagree	0	0.0	0	0.0	70	39.8	70	96	51.9
Disagree	3	50.0	2	66.7	21	11.9	26		
Total	6	100%	3	100%	176	100%	185		100%

Source: Own survey result, 2022

As shown in the table 4.28 above, the agreement and disagreement viewpoints of the respondents in terms of their categories were weighed about, 23 (13.1%) of category “C” tax payers stated their strong agreements. In relation to this, 2 (33.3%) of category "A" tax payers, and 52 (29.5%) of category "C" tax payers stated their agreements on the idea. On the other hand, 70(39.8%) of category "C" tax payers reflected their strong disagreement. In relation to this also, 3 (50%) of category "A" tax payers, 2 (66.7%) of category "B" tax payers, and 21 (11.9%) of category "C" tax payers stated their disagreement on the issue that tax collectors were motivated enough by local government though enhanced incentives. In relation to this issue an interview conducted with one officer of tax collector stated that local government doesn't motivate enough for tax collector staff. Officers of tax collectors themselves were motivated enough for their work without any incentive, including those breaking days and holidays in Ethiopian calendar. Similar interviewee conducted with vice person of woreda administrator revealed that at the beginning of budget year some amount of budget to be assigned for tax staff encouragement, but the amount wasn't enough as the result of budget shortage. Interviewee also conducted from the head person of tax office also stated similar issue that means at the beginning of budget year some amount of budget was budgeted for the encouragement of tax office, but it wasn't sufficient. The head person also revealed that up to know none of tax collectors does fall for the incentives issue; rather they perform their duties appropriately. Strongly disagree and disagree response together, 96(51.9%), out of the total respondents stated negative viewpoints on the idea, on the other-hand, 77(41.6%) out of the total respondents reflected positive viewpoints on the idea. The remained, 12(6.5%) of the respondents were

undecided to give response on the issue, from these results, a negative viewpoint of the respondents outweighs the positive one. It was possible to say that tax collectors weren't motivated enough by local government though enhanced incentives. Thus, survey result verified with the response of the interviewee.

Table 4.29 Tax collectors commitment

Item response	Categories of the respondents								
	"A"	%	"B"	%	"C"	%	Total	Percent	
Strongly agree	0	0.0	0	0.0	57	32.4	57	87	47.0
Agree	3	50.0	3	100	24	13.6	30		
Undecided	1	16.7	0	0.0	22	12.5	23		12.4
Strongly-disagree	0	0.0	0	0.0	32	18.2	32	75	40.6
Disagree	2	33.3	0	0.0	41	23.3	43		
Total	6	100%	3	100%	176	100%	185		100%

Source: Own survey result, 2022

As shown in the table 4.29 above, the respondents stated their agreement and disagreement viewpoints in terms of their categories were weighed about, 57 (32.4%) of category "C" tax payers stated their strong agreement on the issue. In relation to this, 3 (50%) of category "A" tax payers, 3 (100%) of category "B" tax payers, and 24 (13.6%) of category "C" tax payers support the idea that tax collectors were committed to their duties. The Regional State tax Administration Proclamation No.166/2017 Article 6 briefly stated about the duties of tax officers. On the other hand, 32(18.2%) of category "C" tax payers reflected their strong disagreement on the idea. In relation to this also, 2 (33.3%) of category "A" tax payers, and 41(23.3%) of category "C" tax payers stated their disagreement on the issue that tax collectors were committed to their duties. Strongly disagree and disagree response together depicted that, 75(40.6%), out of the total respondents have negative viewpoints on the issue, on the other-hand, 87(47%) out of the total respondents have positive viewpoints on the issue. The remained, 23(12.4%) of the respondents were undecided to give response on the issue. From these results, a positive view point of the respondents outweighs the negative one. It was possible conclude that tax collectors were committed to their duties.

Table 4.30 Tax collectors create much problem on tax payer

Item response	Categories of the respondents							
	"A"	%	"B"	%	"C"	%	Total	Percent
Strongly agree	0	0.0	0	0.0	13	7.4	13	78
Agree	1	16.7	2	66.7	62	35.2	65	
Undecided	2	33.3	1	33.3	6	3.4	9	4.9
Strongly-disagree	0	0.0	0	0.0	27	15.3	27	98
Disagree	3	50.0	0	0.0	68	38.7	71	
Total	6	100%	3	100%	176	100%	185	100%

Source: Own survey result, 2022

As shown in the table 4.30 above, the respondents stated their agreement and disagreement opinions in terms of their categories were weighed about, 13 (7.4%) of category "C" tax payers stated their strong agreement on the idea. In relation to this, 1 (16.7%) of category "A" tax payers, 2 (66.7%) of category "B" tax payers, and 62 (35.2%) of category "C" tax payers support the idea that tax and charge collectors create much problem on tax payers. On the other hand, 27(15.3%) of category "C" tax payers reflected their strong disagreement on the issue. In relation to this also, 3 (50%) of category "A" tax payers, and 68 (38.7%) of category "C" tax payers stated their disagreement on the issue that tax and charge collectors create much problem on tax payers. Strongly disagree and disagree response results depicted that, 98(52.9%), out of the total respondents have negative viewpoints on the issue, on the other-hand, 78(42.2%) out of the total respondents have positive viewpoints on the issue. The remained, 9(4.9%) of the respondents were undecided to give response on the issue. Therefore, from these results, a negative opinion offsets the positive one. So, it was possible to say that a tax and charge collector doesn't create much problem on tax payers.

Table 4.31 Tax collectors are free from corrupt practice

Item response	Categories of the respondents							
	"A"	%	"B"	%	"C"	%	Total	Percent
Strongly agree	0	0.0	0	0.0	52	29.6	52	92
Agree	3	50.0	2	66.7	35	19.9	40	
Undecided	0	0.0	0	0.0	28	15.9	28	15.1
Strongly-disagree	0	0.0	0	0.0	43	24.4	43	65
Disagree	3	50.0	1	33.3	18	10.2	22	
Total	6	100%	3	100%	176	100%	185	100%

Source: Own survey result, 2022

As shown in the table 4.31 above, the respondents stated their agreement and disagreement opinions in terms of their categories were weighed about, 52 (29.6%) of category "C" tax payers stated their strong agreement on the idea. In relation to this, 3 (50%) of category "A" tax payers, 2 (66.7%) of category "B" tax payers, and 35 (19.9%) of category "C" tax payers support the idea that tax and charge collectors were free from corrupt practice. On the other hand, 43(24.4%) of category "C" tax payers reflected their strong disagreements. In relation to this also, 3 (50%) of category "A" tax payers, 1 (33.3%) of category "B" tax payers, and 18 (10.2%) of category "C" tax payers stated their disagreement on the issue that tax and charge collectors were free from corrupt practice.

Strongly disagree and disagree response together depicted that, 65(35.1%), out of the total respondents have negative viewpoints on the issue, on the other-hand, 92(49.8%) out of the total respondents have positive viewpoints on the issue. The remained, 28(15.1%) of the respondents were undecided to give response on the issue. Therefore, from these results, a positive outlook offsets the negative one. Thus, it was possible to say that tax and charge collectors were free from corrupt practice. This result was argued with to the research finding(Abate,2008) stated that there was corrupt practice in the tax officials as a result corrupt practice of tax officials would make taxpayers lose their trust in the tax system.

Table 4.32 Turn-over of well trained and experienced man power

Item response	Categories of the respondents						Total	Percent
	"A"	%	"B"	%	"C"	%		
Yes	6	100	3	100	99	56.3	108	58.3
No	0	0.0	0	0.0	77	43.7	77	41.7
Total	6	100%	3	100%	176	100%	185	100%

Source: Own survey result, 2022

From the above table 4.32 shown that, the respondents stated their response. The investigator could perceive Yes, and No opinions of the respondents in terms of their categories were rated about, 6(100%) of category "A" tax payers, 3(100%) of category "B" tax payers, and 99(56.3%) of category "C" tax payers stated their response were “Yes” on the issue that they believed the turn-over of well trained and experienced tax office employees as a challenge for revenue generation process. In relation to this also, 108(58.3%) of the total respondents reflected their positive opinions on the issue. In addition, for open ended questions these respondents stated about the issue that the turn-over of well trained and experienced tax office employees as a problem for the execution of tasks properly. Additionally, data obtained from tax office human resource directorate director annual report shows that there was four employees turn over to other place in the years of 2013 E.C. The survey result confirmed by this data. In relation to this issue interviewee conducted with head person of tax office stated that turn-over of well trained and experienced tax office employees were the main challenges for the execution of tax administration. On the other hand, 77(41.7%) of category "C" tax payers reflected their response were “No” on the issue that the turn-over of well trained and experienced tax office employees doesn’t as a challenges for revenue generation process. Hence from these results, a positive outlook offsets the negative one. It was possible to conclude that the turn-over of well trained and experienced tax office employees as a challenge in the revenue generation of the local government.

Table 4.33 Provision of service by the local government

Item response	Categories of the respondents						Total	Percent
	"A"	%	"B"	%	"C"	%		
Yes	0	0.0	0	0.0	84	47.7	84	45.4
No	6	100	3	100	92	52.3	101	54.6
Total	6	100%	3	100%	176	100%	185	100%

Source: Own survey result, 2022

From the above table 4.33 shows that, the respondents stated their response. The investigator can perceive Yes and No opinions of the respondents in terms of their categories were rated about, 84(47.7%) of category "C" tax payers stated their responses were “Yes” on the issue that they satisfied with the services that were provided by the local government. On the other hand, 6(100%) of category "A" tax payers, 3(100%) of category "B" tax payers, and 92(52.3%) of category "C" tax payers reflected their responses were “No” on the issue that they don’t satisfied with the services that were provided by the local government. Regarding to this, data attained from the literature revealed that services as goods and social outputs that people in a community wish to obtain for the common good, such as a livable environment, clean water, good education, health care, and security. These services have a direct and immediate effect on the quality of the lives of the people in that community. For example, if the water that is provided is of a poor quality or refuse is not collected regularly, it will contribute to the creation of unhealthy and unsafe living environments. Poor services can also make it difficult to attract business or industry to an area and will limit job opportunities for residents (Joseph, 2014).

Table 4.34 Possible ways of improving revenue generation

No.	Possible statements	Response rate	Measurement scale					Total
			1	2	3	4	5	
1.	Good infrastructure	Frequency	68	64	13	22	18	185
		Percent	36.8	34.6	7.0	11.9	9.7	100%
2.	Establishing adequate data base system	Frequency	45	71	16	17	36	185
		Percent	24.3	38.4	8.6	9.2	19.5	100%
3.	Raising continuous awareness for tax payers	Frequency	74	33	19	24	35	185
			40.0	17.8	10.3	13.0	18.9	100%
4.	Designing the reward system for tax payers	Frequency	29	68	12	32	44	185
		Percent	15.7	36.8	6.5	17.3	23.7	100%
5.	Involvement of stakeholders participation in revenue planning & performance evaluation	Frequency	52	39	16	30	48	185
		Percent	28.1	21.1	8.6	16.2	26.0	100%
6.	Staff motivation	Frequency	82	35	9	21	38	185
		Percent	44.3	18.9	4.9	11.4	20.5	100%
7.	The Attraction and encouragement of local investors to invest in the administrative area	Frequency	91	18	6	26	44	185
		Percent	49.2	9.8	3.2	14.1	23.7	100%

Source: Own survey result, 2022

NB: 1- Strongly agree; 2- Agree; 3-Undecided; 4-Strongly disagree; 5- Disagree

From the above table 4.34 item 1 showed that, 132(71.4%) of respondents stated their strong agreement, and agreement on the statement that improving the supply of good infrastructure was possible ways of revenue generations. On the other hand, 40(21.6%) of respondents were stated their strong disagreement, and disagreement on the statement. The remained 13(7.0%) of respondents were undecided to give response.

From the above table 4.34 item 2 showed that, 116(62.7%) of respondents stated their strong agreement, and agreement on the statement. On the other hand, 53(28.7%) of respondents were stated their strong disagreement, and disagreement on the statement that establishing adequate data base system as a possible ways of improving revenue generation. The remained 16(8.6%) of the respondents were undecided to give response. Hence from these result, positive view point's outweighs the negative one.

From the above table 4.34 item 3 showed that, 107(57.8%) of respondents stated their strong agreement, and agreement on the statement. On the other hand, 59(31.9%) of respondents were stated their strong disagreement, and disagreements. The remained 19(10.3%) of the respondents were undecided to give response. Hence from these result, positive viewpoints outweighs the negative one.

From the above table 4.34 item 4 showed that, 97(52.5%) of the respondents were stated their strong agreement, and agreement on the statement. On the other hand, 76(41.0%) of respondents were stated their strong disagreement, and disagreements. The remained 12(6.5%) of the respondents were undecided to give response. Hence from these result, positive viewpoints offsets the negative one. Related to this issue Interviewee conducted with a team leader person of tax education, communication & compliance, stated that tax office to collect the existing revenue properly, it must design a reward system for both tax employees and for tax payers. This creates competition between employees, and also created competition between tax payers from one payer to the others.

From the above table 4.34 item 5 showed that, 91(49.2%) of the respondents were stated their strong agreement, and agreement on the statement. Regarding to this statement interviewee conducted with one tax education officer stated that stakeholder's involvement in planning and performance evaluation time necessary. And have a great contributions for revenue collection in terms of giving information who evade tax and also in the time of respecting the rule of law those who don't pay tax. This result was also confirmed with the research finding (Abraham, 2019) indicated that the real involvement of stakeholders makes good opportunity to accelerate revenue generation more/ and high the amounts of revenue/income. On other hand, 78(42.2%) of respondents were stated their strong disagreement, and

disagreement on the statement. The remained 16(8.6%) of the respondents were undecided to give response. Hence from these result, positive viewpoints offsets the negative one.

From the above table 4.34 item 6 showed that, 117(63.2%) of the respondents were stated their strong agreement, and agreement on the statement that tax staff motivation as a possible ways of improving revenue generation .On the other hand, 59(31.9%) of respondents were stated their strong disagreement, and disagreement on the statement. The remained 9(4.9%) of the respondents were undecided to give response. Hence from these result, positive viewpoints be greater than the negative one.

From the above table 4.34 item 7 showed that, 109(59%) of the respondents were stated their strong agreement, and agreement on the statement. On the other hand, 70(37.8%) of the respondents were stated their strong disagreement, and disagreement on the issue that the attraction and encouragement of local investors to invest in the administrative area as a possible ways of improving revenue generation. The remained 6(3.2%) of the respondents were undecided to give response. Hence from these result, positive response be greater than the negative one. Generally, the above seven statements are possible ways/ prospects to improve revenue generation. The respondents stated their response by reflecting the agreements, and disagreements on the statement. As a whole in this chapter four results and discussions are made. Finally, qualitative findings, and quantitative results were obtained. Chapter five presents the summary of finding, conclusions, and recommendations of the study based on this chapter.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.1 Summary of findings

Revenue generation was the base that any government needs to deliver public service for their people. Tax revenue is the main source of revenue that the government finances their activities, other-wise the government forced to depend on borrowing, and foreign aid. The revenue that was generated by the economy, and to collect properly was confronted by many constraints up to the grass root of the local governments. The local government of Enedegagn woreda administration as one of the local government in Gurage zone in the main budget shortfall crisis related to the encounters of revenue.

The general objective of this study was to assess challenges, and prospects of revenue generation in the local government; the case of Endegagn woreda administration, Gurage zone. The specific objectives were to evaluate the status of revenue generation in the study area, to evaluate the underlying factors that hinder the revenue generation capacity in the study area, and to establish possible ways of improving revenue generation in the study area. Finally based on the findings of the study recommendations are forwarded to the concerned body about the overall challenges and prospects of revenue generation.

To achieve the proposed objectives data collected from taxpayers, tax office employees, and officials of Endegagn woreda administration. To carry out the above objective the investigator used both primary, and secondary data source. The primary data could be attained by survey questionnaire, and semi structured interview. The secondary data was attained by tax office annual report, management documents, Regional state Income Tax proclamation and Tax Administration Proclamation was also used. To arrive at the objective of the study, three main variables were examined. The first one was taxpayer awareness about taxation, and tax payment. The second one was local government capacity related to revenue generation, and the last one was tax office capacity related to revenue generation.

The first specific objective was to evaluate the status of revenue generation in the study area. The finding showed that, most of the revenue source of the woreda administration was tax revenue. Personal income tax covered 36.7 million (74.8%), out of the total direct tax, but not only direct tax, it covered the major percentage of the local government revenue. The reason for high performance of this income was the administrative simplicity of tax that means directly deducted to the payroll of the employees based on schedule “A” of the Regional state ITP No. 165/2017 Article 10.

The other tax revenue achieved in a good way was, TOT covered 4.9 million (72.46%), out of the total indirect tax. The remaining tax revenue; 1102 (0.3%), 1106(0.08%), 1107(1.42%), 1108(3.9%), 1112(7.9%), stamp duty and sale (9.7%), and also VAT (18.26%) were least performance shared in percent.

The second specific objective was to evaluate the underlying factors that hinder the revenue generation capacity was examined by using survey questionnaire. Thus, tax payer's awareness towards taxation and its payment, 134(72.4%) out of the total 185 respondents believed that the reason of tax payment was being fear of penalized by the tax law administration. With regard to their willingness to give clear information for tax assessors, 102(55.1%) out of the total respondents reflected their disagreements on the statement, on the other hand, 78(42.2%) out of the total respondents reflected their agreements. The remaining 5(2.7%) of the respondents were undecided to give response on the statement. Similarly, 143 (77.3%), out of the total respondents believed that the supply of poor infrastructural facilities in the local government as a cause that tax payer delay to announce tax returns and to pay tax appropriately. In further depiction of tax payer's awareness, 120(64.8%) out of the total respondents revealed that local government administration doesn't spend the revenue in locally development program as a reasons for tax payers fail to pay tax on time.

Another underlying factor that hinders revenue generation capacity of Endegagnworeda administration was low level of local government capacity. Thus, 126 (68.1%) out of the total respondents believed their disagreement on the issue that the local government commitment towards identifying more source of revenue. On the other-hand, 53 (28.7%) out of the total respondents believed their agreement that the local government commitment towards identifying more source of revenue. The remaining 6(3.2%) of the respondents were undecided to give response on the statement. Similarly, 102(55.2%), out of the total respondents believed their disagreement on the issue that local government has sufficient financial resource to satisfy the requests of public service provision. On the other-hand, 74(40%) out of the total respondents stated their agreements, and have positive viewpoints on the idea. The remained, 9(4.8%) of the respondents were undecided to give response on the idea. In further depiction of local government capacity, 111(60%), out of the total respondents stated their disagreement on the issue that the amount and quality of service that tax payers attained was sufficient with the charges and tax they paid. On the other-hand, 61(33%) out of the total respondents revealed their agreement on the issue that the amount, and the quality of service that tax payers attained was sufficient with the charges and tax they paid. The remained, 13(7%) of the total respondents were undecided to give response on the issue.

Another underlying factor that hinders the revenue generation of Endegagn woreda administration was tax office capacity. Thus, 103(55.7%) out of the total respondents reflected their disagreement on the issue that tax office imposed tax on tax payers based on the ability to pay principles. On the other-hand, 73(39.5%) out of the total respondents believed their agreement one issue that tax office imposed tax on tax payers based on the ability to pay principles. The remained 9(4.8%) of the respondents were undecided to give response. Similarly, tax office capacity with regard to tax payer's treatment, 100(54.1%), out of the total respondents reflected their disagreement on the issue that tax office treat all tax payers fairly and equally during service provision. On the other-hand, 71(38.3%) out of the total respondents reflected their agreement on the issue that tax office treat all tax payers fairly and equally during service provision. The remaining 14(7.6%) of the respondents were undecided to give response. Tax office capacity with regard to register potential taxpayers for VAT/ TOT, 115 (62.2%) out of the total respondents reflected their disagreement on the issue that tax office register potential taxpayers for VAT/ TOT. On the other-hand, 55(29.7%) out of the total respondents supposed their agreement on the issue, that tax office register potential taxpayers for VAT/ TOT. The remaining 15(8.1%) of the respondents were undecided to give response. Tax office capacity with regard to tax education and awareness creation program, 105(56.8%), out of the total respondents believed their disagreement on the issue that tax education and awareness creation program was sufficient for tax payers to improve tax compliance. On the other-hand, 72(38.9%) out of the total respondents believed their agreement on the issue that tax education and awareness creation program was sufficient for tax payers to improve tax compliance. The remaining 8(4.3%) of the respondents were undecided to give response.

Regarding to tax assessment committee's capacity to assess and impose tax, 93(50.3%) out of the total respondents reflected their disagreement on the issue that tax assessment committees have the necessary capacity to assess and impose the exact tax rate. On the other-hand, 82(44.3%) out of the total respondents responded their agreement on the issue that tax assessment committees have the necessary capacity to assess and impose the exact tax rate. The remaining 10(5.4%) of the respondents were undecided to give response. Similarly, 90(48.7%), out of the total respondents replied their disagreement on the issue that the impartiality of tax assessment committees during tax assessment. On the other-hand, 79(42.7%) out of the total respondents replied their agreement on the issue that the impartiality of tax assessment committees during tax assessment. The remaining 16(8.6%) of the respondents were undecided to give response.

In further depiction of tax office capacity with regard to timely response of grievance hearing committees during tax assessment, 95(51.3%), out of the total respondents replied their disagreement on the issue that timely response of grievance hearing committees during tax assessment. On the other-hand, 81(43.8%) out of the total respondents replied their agreement on the issue that timely response of grievance hearing committees during tax assessment. The remaining 9(4.9%) of the respondents were undecided to give response.

The third specific objective was to establish possible ways of improving revenue generation in the study area. Thus, 132(71.4%) of respondents replied their agreement on the issue that the supply of good infrastructure was possible ways of improving revenue generation. On the other hand, 40(21.6%) out of the respondents replied their disagreement on the statement. The remained 13(7.0%) respondent were undecided to give response. Regarding to establishing adequate data base system, 116(62.7%) out of the total respondents replied their agreement on the statement that establishing adequate data base system as a possible ways of improving revenue generation. On the other hand, 53(28.7%) out of the total respondents replied their disagreement on the statement, that establishing adequate data base system as a possible ways of improving revenue generation. The remained 16(8.6%) of the respondents were undecided to give response. Regarding to raising continuous awareness creation program, 107(57.8%) out of the total respondents reflected their agreement on the issue that raising continuous awareness creation program for tax payers as a possible ways of improving revenue generation. On the other hand, 59(31.9%) out of the total respondents replied their disagreement on the issue. The remained 19(10.3%) of the respondents had replied undecided response.

Similarly, the other possible ways of improving the revenue generation, 117(63.2%) out of the total respondents reflected their agreements on the statement, that staff motivation as a possible ways of improving revenue generation. On the other hand, 59(31.9%) of the total respondents replied their disagreement on the issue that staff motivation as a possible ways of improving revenue generation. The remained 9(4.9%) of the respondents had replied undecided response. In further set up of possible ways of improving revenue generation, 109(59%) out of the total respondents specified their agreement on the issue that the attraction and encouragement of local investors to invest in the administrative area as a possible ways of improving revenue generation. On the other hand, 70(37.8%) out of the total respondents replied their disagreement response on the issue that the attraction and encouragement of local investors to invest in the administrative area as a possible ways of improving revenue generation. The remained 6(3.2%) of the respondents had replied undecided response.

5.2 Conclusion

This study sought to assess challenges, and prospects of revenue generation in the local government; the case of Endegagn woreda administration, Gurage zone. The study concludes that the revenue generation status of the local government was low. It depends on few known tax revenue source such as personal income tax and TOT. The remaining revenue source such as rental income tax, chat, capital gain and royalties are poor performance, and also none of the revenue was collected from investment income tax. Thus, implies that local government commitment towards identifying more revenue source was poor. This poor commitment of the revenue source leads to lack of financial resources to satisfy the requests of public service provisions. The finding of the survey further revealed that local government capacity in terms of the amount, and the quality of service that tax payers attained wasn't sufficient with the charges and tax they paid, and also local government supplied poor infrastructural facilities like road network, health Centre, water supply, and education. Hence tax payers lose their trust by local government as an institution.

Taxpayer's awareness about taxation, and payment of tax, and tax office capacity was also concluded as the main challenges of revenue generation in Endegagn woreda administration. Regarding to tax payer's awareness, most of them do not aware why they paid tax; rather than they paid tax being fear of penalized by the tax law administration. Similarly, tax payer's wasn't willingness to give clear information for tax assessors, and also doesn't disclose to their income properly, rather than hidden their income. There was a delay to announce tax returns, and to pay tax appropriately, and fail to pay tax on time. Thus, tax payment as an obligation, but not the right except exempted by the federal and regional state income tax proclamation and administration. Otherwise a duty to pay based his or her income level specified by the law. The other challenge of revenue generation in the local government was tax office capacity. Its capacity was manifested in different ways such as, the imposition of tax on tax payers doesn't based on the ability to pay principles, this leads to some tax payer's pay more without having the ability, the reverse was true that someone paid less, but had the ability to pay much more. This arise also the problem of fairness between tax payers. The other tax office capacity was expressed by registration of potential tax payers for VAT/ TOT. This registration of tax payers wasn't a simple task for tax office rather than it was based on carefully monitoring, and well organizing of necessary information about tax payers. Then after announce the tax payer for VAT/TOT registration; so that tax office doesn't register potential taxpayers for VAT/ TOT. This implies that was not as a challenge of revenue generation, but also disturbs the normal competition of business community. The registered one sale goods and provide service must give voucher for the customers, The other one has the same capacity but not registered for VAT/TOT sale goods and provide service without voucher.

Regarding to tasks of tax education and awareness creation programs for taxpayer's was one of the pre condition that tax office before tax collection to change the attitude, the perception, and fill the awareness gap of the tax payers. In order to make these activities by using different youth, women and religious association to fill the awareness gap of taxation then after improve tax compliance; finally if there was a tax complain arise from tax payer, hear and give response for complains based on rules and regulations. Thus, tax office capacity with regard to tax education and awareness creation program wasn't sufficient for tax payers to improve their tax compliance, there wasn't effective tax complain mechanism to give the response of tax complains for tax payers. The findings of the survey revealed that tax assessment committee's haven't the capacity to assess and impose the exact tax rate; tax assessment committees wasn't impartial during tax assessment, and also there wasn't timely response of grievance hearing committees during tax assessment.

Therefore, there was a problem, with regard to tax imposition based on ability to pay principles, treatment, registration of potential tax payers for VAT/TOT, tax education and awareness creation programs in order to improve tax compliance, to give the response of tax complain, and tax assessment and related issue as evident to the low level of tax office capacity, and has a great challenge on the revenue generation of Endegagn woreda administration.

The main prospects in order to minimize the challenge, and improve the revenue generation of Endegagn woreda administration was the supply of good infrastructure in the local government, establishing adequate data base system in the tax office, raising continuous awareness creation program for tax payers, tax staff motivation, and also the attraction and encouragement of local investors to invest in the administrative area.

5.3 Recommendations

The investigator set the following recommendations based on the finding, and the conclusion of the study.

- Taxpayers rather than being silent and refrain due to the poor services they have been rendered they would be beneficiary if they are keen to consult the authority's concerned officials in any issue related to tax matters and problems they are facing. As they have the obligation to pay their duties they also have the right to get sufficient support from the authority. And this support comes from the communication they create with authority.

- The tax payers must understand payment of tax is an obligation, but not the right.
- Tax office strengthen continuous awareness creation program not only the business community, but also the whole stake holders by using social media like radio, TVs, and also pamphlets; for the meaning of tax, advantages, principles and also who was the obligation to pay tax.
- Tax office give training to tax payers in order to change their perception why they tax, and also payment of tax is an obligation, based on proclamations and regulations except exempted by it.
- Local government makes to broad the revenue base.
- The local government makes discussion with business community, public servants, and wealthy person how to develop the town, improve its infrastructure etc. when the town will be developed, and also some improvements in the supply of infrastructural facilities will be made; as a result -attract new business community, create new job opportunity, and finally revenue was simply generated.
- The local government attracts, and encourages the private sector to invest on the administrative area, make conditions suitable for that purpose.
- The local government spends its own source of revenue in simple capital projects in order to motivate tax payers to pay tax.
- The local government assigns budget for encouraging tax collectors though incentives.
Tax office capacitates its organization by man power and technology.
- Tax office levy tax, based on ability to pay principles depends on well-organized information.
- Tax office registers potential tax payers for VAT/TOT, based on well-organized information in order to create competition and fairness between tax payers.
- Tax office select persons that are well experienced, knowledge and capacity for the committees of tax assessment.
- Tax office management evaluates the results of the assessed tax, before decision made, and the result to be delivered to the tax payers.
- Tax office should give the response of tax complain on time based on the rules and regulations.
- In each tax year tax office design reward system for the priority payer based on their categories of tax payers.

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APPENDIX



School of Graduate Studies
College of Social science and humanities

Department of Governance and Development Studies

Appendix I: Questionnaire to be filled by tax payers

Dear respondents

First and foremost, I would like to extend my sincere gratitude for your cooperation, accuracy, and timely response in filling out the questionnaire. The purpose of these questionnaires is to collect data for the thesis work in the requirement for partial fulfillment of MA degree in Development studies. The major objective of the thesis is to assess the challenges and Prospects of revenue generation in local government; the case of Endegagn woreda administration, Gurage zone. The researcher also assures you that your individual response to the question will be kept confidential. Therefore, you are kindly requested to reply the question with much sincerely and honestly. I also say thank you very much in advance for your cooperation and for sacrificing your invaluable time!!

General direction to the respondents

- Please, don't write your name
- Please Tick (✓) sign in part I demographic characteristics of respondents and close-ended questions
- In part II questions Circle one of the choice that you select and additional space is given at the completion of some questions for you to add additional justifications

I. Demographic characteristics of the respondents

1. Sex A. Male B. Female
2. Age A. 18-28 years B. 29- 39years C. 40 - 50 years
D. Above 51 years
3. Marital status A. Single B. Married C. Divorced D. Widowed
E. widower

4. Level of education A. Illiterate B. Grade 12 and below C. Diploma
D. Degree E. Masters and above

II. General Questions for tax payer

1. Which types of tax category do you pay (1) A (2) B (3) C
2. How long have you been as a tax payer (1) Below 5 years (2) 6-10 years (3) Over 10 years

III. Questions related to tax payers awareness to taxation and payment of tax

3. As a tax payers why you pay tax

- A. you have enough awareness about payment of tax
- B. You fear being penalized by the tax law administration.
- C. By paying your account you are helping the local government to provide better services to the people.
- D. There is no opportunity to evade E. Others specify.....

4. Which of the following as a cause that tax payers delay to announce tax returns and to pay tax appropriately?

- A. Non understandability of taxes rules and regulations
- B. Weak punishment system
- C. Nonexistence of sufficient tax teaching by tax office
- D. Absence of honesty and work ethics of tax office employees
- E. Poor service delivery by local government to the tax payers

5. The reasons for tax payers fail to pay tax on time,

- A. The time limit given to tax payers to pay their taxes is not sufficient enough
- B. You have been levied incorrectly and unfairly
- C. The local Government doesn't spend the revenue in locally development programs
- D. Your payment is exaggerated and high
- E. Others, specify.....

IV. Questions related to local government capacity

6. The local government commitment towards identifying more source of revenue is essentially effective

A. Strongly agree B. Agree C. Undecided D. Strongly-disagree E. Disagree

7. The local government has sufficient financial resource to satisfy the requests of public service provision

A. Strongly agree B. Agree C. Undecided D. Strongly-disagree E. Disagree

8. As a tax payer do you believe that the amount and quality of service you acquired is sufficient with the charges and taxes you pay

A. Strongly agree B. Agree C. Undecided D. Strongly-disagree E. Disagree

V. Questions related to tax office capacity

9. Tax office follows tax imposition on tax payers based on ability to pay principles

A. Strongly agree B. Agree C. Undecided D. Strongly-disagree E. Disagree

10. Tax office treats all tax payers fairly and equally during service provision

A. Strongly agree B. Agree C. Undecided D. Strongly-disagree E. Disagree

11. Tax office registers potential taxpayers for VAT/ TOT

A. Strongly agree B. Agree C. Undecided D. Strongly-disagree E. Disagree

12. The tax office use computerized system & technology in tax administration

A. Strongly agree B. Agree C. Undecided D. Strongly-disagree E. Disagree

Questions related to tax education and training

13. The tax office create public awareness before it starts tax Collection

A. Strongly agree B. Agree C. Undecided D. Strongly-disagree E. Disagree

14. Tax education and awareness creation program is sufficient for tax payers to improve tax compliance

A. Strongly agree B. Agree C. Undecided D. Strongly-disagree E. Disagree

15. There is effective tax complain mechanism in the tax office

A. Strongly agree B. Agree C. Undecided D. Strongly-disagree E. Disagree

Questions related to tax assessment

16. Tax assessment committees have a representative from business community

A. Strongly agree B. Agree C. Undecided D. Strongly-disagree E. Disagree

17. Taxpayers are willingness to give clear information to tax assessors and collectors

A. Strongly agree B. Agree C. Undecided D. Strongly-disagree E. Disagree

18. Taxpayers record their income correctly and disclose to tax assessors

A. Strongly agree B. Agree C. Undecided D. Strongly-disagree E. Disagree

19. Tax assessment committees have the necessary capacity to assess and impose the exact tax rate

A. Strongly agree B. Agree C. Undecided D. Strongly-disagree E. Disagree

20. Impartiality of tax assessment committees during tax assessment

A. Strongly agree B. Agree C. Undecided D. Strongly-disagree E. Disagree

21. Timely response of grievance hearing committees during tax assessment

A. Strongly agree B. Agree C. Undecided D. Strongly-disagree E. Disagree

Questions related to tax office staff

22. Tax collectors are motivated enough by local government though enhanced incentives

A. Strongly agree B. Agree C. Undecided D. Strongly-disagree E. Disagree

23. Tax collectors are committed to their duties

A. Strongly agree B. Agree C. Undecided D. Strongly-disagree E. Disagree

24. Tax and charge collectors create much problem on tax payers

A. Strongly agree B. Agree C. Undecided D. Strongly-disagree E. Disagree

25. Tax and charge collectors are free from corrupt practice

A. Strongly agree B. Agree C. Undecided D. Strongly-disagree E. Disagree

26. Is there any problem facing you when you go to pay your tax liability?

A. Yes B. No

27. If your answer for question 26 is yes, what kind of problem you face when you go to pay your tax liability

A. Inefficiency of tax collectors

B. Discrimination

C. Mistreatment

D. All

E. Others, specify-----

28. Do you believe that your tax payment is used to run various local government development programs?

A. Yes B. No

29. If your answer for question 28 is no, list down for what purpose to spend

30. As a tax payer, are you satisfied with the services that the local government provides to you?

A. Yes B. No

31. The taxes office informed you in training or in some other ways about the purpose of taxation, your rights and obligations as a tax payer A. Yes B. No

32. If your answer for question 31 is no, list down the ways how to inform

33. The turn-over off well trained and experienced tax office employees from woreda administration to other areas as a negative factor on revenue generation

A. Yes B. No

34. If your answer for question 33 is yes, list down the factors related to revenue generation

35. Low level of local government administrative capacity as a problem for revenue generation

A. Yes B. No

36. If your answer for question 35 is yes, state the problem on revenue generation

37. Does tax and charge collector create problem on taxpayers A. Yes B. No

38. If your answer for question 37 is yes, list down the problem

39. As a tax Payers state your view in the following possible ways in order to improve revenue generation of Endegagn woreda administration

No.	possible ways in order to improve revenue generation of <u>Endegagn woreda</u> administration	Strongly agree	Agree	Undecided	Strongly disagree	Disagree
1.	Good infrastructure					
2.	Establishing adequate data base systems					
3.	Raising continuous awareness creation program for tax payers					
4.	Designing the reward system for tax payers					
5.	Involvement of stakeholders participation in revenue planning & performance evaluation					
6.	Tax staff motivation					
7.	The attraction and encouragement of local investors to invest in the administrative area					

40. As a tax payer what problem do you examine in the entire system of revenue generation in Endegagn woreda administration?

41. State the possible ways of revenue generation improvement in Endegagn woreda administration?



School of Graduate Studies
College of Social Sciences and Humanities

Department of Governance and Development Studies

Title of the thesis: The challenges and prospects of revenue generation in local government; the case of
Endegagn woreda administration, Gurage zone

Appendix II: Semi-structured interview with tax office employees

In order to answer the research questions and to achieve the objectives, primary data will be collected through Semi structured interview from Tax office employees. I request you to give genuine response for the accomplishment of my study. All personal response will keep as a top secret.

Part I

- A. Your position -----
- B. Age -----
- C. Marital Status-----
- D. Education -----
- E. How long have you served in the current position-----?

Part II:-Semi structured interview questionnaire

1. The tax office organizational structure makes possible to collect the existing revenue effectively
2. What are the main top five source of revenue in the local government (Endegagn woreda) administration
3. In the local government (Endegagn woreda) do you know any other revenue potentials that doesn't utilized currently?
4. What are the activities that are to be done by local government to improve revenue generation?
5. Any activities that aren't to be done by local government for the support of revenue generation?
6. Any incentives/ encouragement given by the local government administration for tax collection staff?

7. What are the main contributions of stakeholders in the local government revenue generation processes?
8. How do you express the tax payer's awareness about taxation?
9. Do you believe that the existence of poor infrastructural facilities in the local government as a problem for revenue generation?
10. As a tax office employees what are the activities that can be motivated to you to collect the existing revenue properly?
11. As a tax office employees, list down the challenges in the entire system of revenue generation in Endegagn woreda administration?
12. State possible ways to improve revenue generation of Endegagn woreda administration?
13. Do you have any conclusive remarks?

Thank you!!



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Appendix III: *Semi-structured interview with officials*

In order to answer the research questions and to achieve the objectives, primary data will be collected through semi structured interview from the head person of Finance and Economic Development office, the head person of tax office, and chief of woreda administrators. So, I request you to give genuine response for the accomplishment of my study. All personal response will keep as a top secret.

Part I

- A. Your position-----
- B. Age -----
- C. Marital Status-----
- D. Education -----
- E. How long have you served in the current position -----?

Part II Semi structured interview questionnaire

1. List down the five top existing revenue sources based on their high yields
2. Tell me the reasons why this revenue gives as a high performance

3. As you are parts of a local government, what looks like the targeted revenue over the last five years (2009-2013 E.C)
4. If the researcher asked you to suggest a new source of revenue to the local government administration, what sources you propose
5. As a local government what activities will be done to broad the entire revenue base?
6. Is there any activity that wasn't done by local government for the support of revenue generation?
7. How do you measure woreda administers encouragement for tax collection staff?
8. Does the existing fiscal decentralization system has an advantage in the tax administrationsystem of local government revenue generation effort?
9. Is there any problem exist in the regional states revised income tax and tax administration proclamation that hinders the local government tax office to exercise its right and duties ?
10. How do you express the tax payer's perception about tax payment?
11. What activities will be done for tax payers fairly to pay the required tax liability?
12. How do you measure tax office capacity?
13. What are the existing challenges that surround the productivity of revenue generation?
14. What measures must be taken to improve the successful revenue generation process?
15. Do you have any conclusive remarks?

Thank you!!

ተገንቢ ጋራ ወጪ ገንዘብ ገለጻ ለአድባላ ገ/ደ/ሠ/ገ
ደንቁላ

ቀን 28/04/2014 ዓ.ም

ጉዳይ:- መረጃ ስለ መጠየቅ ይሆናል።

ከላይ በርዕሱ ለመግለጽ እንደተሞከረው እኔ እቶ ሰባህ ሰፋ ኡስማን በ2013 ዓ.ም በወልቁጤ ዩንቨርስቲይ ስፖሎርት በመጣው የትምህርት እድል ተወዳድሪ ትምህርት ላይ መሆኔን ይታወቃል ፤ሆኖም በዘንድሮ ዓመት የመመረቂያ ጽሁፍ ለማዘጋጀት በቅድሚያ ፕሮፖዛል በመስራት ላይ ስለሆንኩኝ የመመረቂያ ጽሁፍ ርዕሴ <<The challenges and prospects of revenue generation and utilization in the local government of Gurage Zone, the case of Endegagn Woreda Administration>> የሚል ስለሆነ የመመረቂያ ጽሁፍን ሳዘጋጅ መረጃ በመስጠት ትብብር የሚያደርጉልኝ አካላት ናሙና ለመውሰድ ስለፈለኩኝ በአሁን ሰዓት በወረዳችን ከሚገኙ በሶስተኛው ደረጃ የተመዘገቡ ግብር ከፋዮች ማለትም ሆኖ ለገንዘብ ብዛት እንዲሁም በተቋሙ ያሉ ዳይሬክቶሬትና በዳይሬክቶሬቱ ስር የሚገኙ ባለሙያዎች ብዛት የተጣራ መረጃ መሰረት በማድረግ እስከ ጥር 02/05/2014 ዓ.ም ድረስ መረጃ እንዲሰጠኝ ስል በትህትና እጠይቃለሁ።

ይ ከሰላም ታ ጋር

~~የ ገንቢ ጋራ ወጪ ገንዘብ ገለጻ ለአድባላ ገ/ደ/ሠ/ገ~~
~~የደንቁላ ገንዘብ ገለጻ ለአድባላ ገ/ደ/ሠ/ገ~~

+T.C. ከመጋቢት 2014
 ተጋራ 2014

ጉዳይ: መረጃ ስለ መስጠት ይሆናል::

ከላይ በርዕስ ለመግለጽ እንደተሞከረው አቶ ሰባህ ሰፋ ከሰነድ በ2013 ዓ.ም በወልቱሌ ዩንቨርሲቲ በመጣው የትምህርት እድል ተወዳጅ የለፉ መሆኑን ይታወቃል፤ በዚህ መሰረት ዘንድ የመመረቅ ጽሁፍ ለማዘጋጀት ፕሮግራም በመስራት ላይ መሆንንና ለጥናት ምርምር ስሙና ለመውሰድ በሰነድ ስራዎችን በሰነድ ደረጃ የተመዘገቡ ግብር ከፋዮች በሰነድ ስራዎችን ያሉ ዳይሬክቶሬት በሰነድ ያሉ ባለሙያዎች ጠየቀው መረጃ እንዲሰጥላቸው በቀን 02/05/2014 ዓ.ም በደብዳቤ በጠየቁት መሰረት በአሁን ወቅት በተቋማት ግብር ከፋይነት ተመዘገበው ያሉ ግብር ከፋዮች እና በተቋሙ ያሉ ባለሙያዎች ከዚህ በታች በሰነድ ስራ መልኩ አጠቃላይ የሰነድ መሆኑን በአክብሮት እንገልጻለን::

1. በተቋሙ በግብር ከፋይነት የተመዘገቡ ግብር ከፋዮች

ተ.ቁ	የግብር ከፋዮች ደረጃ	የግብር ከፋዮች ጠየቀ
1.	ሀ	16
2.	ለ	7
3.	ሐ	486
ድምር		509

2. በተቋሙ ያሉ ዳይሬክቶሬት እና በሰነድ ያሉ ባለሙያዎች

ተ.ቁ	የዳይሬክቶሬት ስም	በዳይሬክቶሬት ስር ያሉ ባለሙያዎች
1.	የሰው ሀብት ስራ አመራር ዳይሬክቶሬት	5
2.	የልማት እቅድና መረጃ ዳይሬክቶሬት	2
3.	የታክስ ትምህርት ኮምፕሌክስ እና ቅሬታ አጣሪ ዳይሬክቶሬት	5
4.	የገቢ አሰጣጥ ታክስ ሪፖርትና ደንበኞች አገልግሎት ዳይሬክቶሬት	10
5.	የሰነድ ምግባር መከታተያ ክፍል	1
	ድምር	23



(ከሰነድ ታይም)
 አመት ተመዘገብ ባደገ
 Emenu Temesgen Badege
 የደንበኞች ገቢዎች ባለስልጣን
 ቅርንጫፍ ዕቤት