ST.MARY'S UNIVERSITY SCHOOL OF GRADUATESTUDIES SCHOOL OFBUSINESS

CHALLENGES OF BUSINESS INCOME TAX ASSESSEMENT AND

COLLECTION:

IN THE CASE OF OROMIA REVENUE AUTHORITY

BY: GENET GEBRESLASSIE

MBAAF/0079/2010B

JANUARY 2020

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DECLARATION

I, Genet Gebreslassie, hereby declare that the thesis work entitled "Challenges of Business of Income Tax Assessment and Collection : In the case of Oromia Revenue Authority" submitted by me for the award of the degree of Masters of Business Administration Accounting and Finance St. Mary's University, is my original work and it has never been presented in any university. All sources and materials used for this thesis have been duly acknowledged.

Name: Genet Gebreslassie   Signature:_____

St. Mary's University, Addis Ababa   January, 2020

ENDORSEMENT

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a University advisor.

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Advisor   Signature

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Addis Ababa   January, 2020

Abstract

The study assessed the challenges of Business Income Tax Assessment and collection in Oromia Revenue Authority. There is fail of business income tax assessment and collection challenge identifies by the taxpayers. Due to this, non-existence of clear procedures for filling returns is not independently studied. The study employed descriptive research methodology and both qualitative and quantitative research approach were adopted for the study. To conduct the study the primary data were gathered from taxpayers and tax officers. The sampling technique employees both Random sampling and Stratified Sampling and questionnaires were distributed to 24 employees and 279 representative taxpayers. The study identified Challenges of procedure for filing and submitting returns, problem with the preparation of tax return and timely submitting, Challenges of tax compliance strategy, absence of adequate and well trained staff, problem with self-assessment by tax payers, tax education and difficulty in applying the tax law and regulation. The study identified problems like the Procedure of the business income tax became challenge to the tax assessment and collection , the tax authority and the tax payers are not complying voluntary tax strategies and that is reduce the tax performance and Business tax income assessment and collection is affected by tax audit practices and the tax audit is not effective. For better income tax assessment and collection, the authority should make the tax assessment procedure fair and be improved in making understandable, to make regular interaction with tax payers and providing training on business income tax laws and tax returns to create awareness and improve tax audit by submittal of timely returns and paying the provisional assessment willingly.

Keywords: Tax assessment, Tax collection, Tax Procedures and Tax Strategies

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BIT	Business Income Tax
EBDSON	Ethiopian Business Service Development Network
ECC	Ethiopian Chambers of Commerce
ERCA	Ethiopian Revenue and Customs Authority
FIRA	Federal Inland Revenues
GDP	Gross Domestic Product
IMF	International Monetary Fund
ITD	International Tax Dialogue
OECD	Organization for Economic Cooperation and Development
ORA	Oromia Revenues Authority
TIN	Taxpayer identification Number
VAT	Value added Tax

CHAPTER ONE

INTRODUCTION

1.   Introduction

This chapter demonstrates about: background of the study, statement of the problem and continued with the research questions, objective of the study, significance of the study, scope of the study, limitation of the study and organization of the study.

1.1   Background of the Study

Taxation is compulsory levies on individuals and organizations made by government to raise revenue; redistribute income and wealth, to facilitate and reorganization of the economy through fiscal policy. The main motivation for taxation is to finance public services (Musonda 2016).The tax collected by government can have the form of direct and indirect taxes .Business income tax is one of the major sources of revenue for a country to provide public services. However, many countries fail to collect enough revenue from business income tax to cover their expenditure needs.

Since an economy depends on the levels of revenue gained from each sector and efficient resource mobilization, revenue and custom authority has the responsibility and power to mobilize funds gained from one agent to other agent. To raise the revenue of government through taxation, government of the nation takes different strategies. Strong tax assessment and collection strategy is main one. Tax authority of a country is responsible for assessment and collection of tax and enforcement of the tax laws or statutes for their governments. It is the primary organizations for handling of government revenue. It annually interacts with the majority of a country's citizens offering governments a major opportunity to provide superior citizen services (Kangave, 2005). As indicated by different studies in different part of world, assessment and collection of business income tax is not easily conducted.

According to Nikchehreh (2000), in many developing countries, the low level of tax revenues is due to the fact that the tax laws are not carried out properly and perfectly, and this, in turn results from the inefficiency of the social system and the executive methods of allocation and collection systems. The tax provisions are not properly enforced because of the inability of administration, problems of tax assessment, low

awareness of taxpayer about tax laws and regulation, and problems of tax collection (Mascagni et al, 2014). The major business income tax administration problems observed in most countries of the world are evasion of identification by the tax payer (identification problem); conceals of full liability of taxpayer or bribery of collector (assessment problem); taxpayer fails to pay, the collector fails to enforce, or the taxpayer pays, but the collector retain the money (collection problem), failure to checking who has not paid (enforcement problem) and failure to control actual receipts by collectors to make certain they brought to account (controlling and auditing problem).

Ayele.et.al, (2017) and Abraraw, (2011) have stated that failure in tax collection in Ethiopia was highly practiced and this failure could have been due to weak tax collection system, inefficient and inequitable taxation, weak tax base and unfair tax rate, unwillingness to pay by the taxpayers. Besides lack of equity and fairness of the tax system, low level of awareness of taxpayers, ineffectiveness and inefficiency of tax the authority, poor service delivery, lack of trust of the tax payers on tax collectors and tax assessment system procedure were the other prominent challenging factor for business income tax assessment and collection (Mulat, 2011).According to Andarge (2015). Lack of awareness of tax payers about the advantage of maintaining book of accounts and the law which enforces the tax payer to maintain proper accounting records is not properly implemented by the responsible authority. Lidetu (2013), revealed that, operations providing by the Authority and tax employees were inefficiencies. Further Getachew (2013), had stated problems of incompetency of employees about tax procedures.

ORA performs the following functions: collect and administer revenues decided to be collected by federal law and delegation from the federal government, undertake study to improve tax laws, propose and submit recommendation to the government and to implement same upon approval, investigate tax offence, institute and follow up criminal proceedings, organize its own prosecution and tax criminal investigators and control their performance (proclamation No. 175/2012).

This study had intended to assess the challenges of assessment and collection business income tax in ORA.

1.2   Statement of the Problem

Tax revenue has a vital role for development efforts of every economy. According to WorldBank, (2000), taxation in both level and composition differs from country to country due to economic, cultural and historical factors. In developing countries, the rate of tax revenue to gross domestic product (GDP) has typically a rate of 15 to 20 percent, that is lower compared to that of more than 30 percent of developed nations (Meaza, 2008).Budget deficit in developing countries is expected to be financed by either from domestic saving, borrowing or budget gained from abroad in the form of grant or loan. But being dependent on foreign aid would not lead to sustainable deficit financing. In most developing countries including Ethiopia the revenue gained from tax is not significant (UNDP, 2016).

Currently the functions of governments have greatly increased. Owing to the increased functions, public expenditure has also increased and government needs a lot of financial resources to provide public goods and services. Business income tax is one of the major sources of revenue for a country to provide public services. However, many countries fail to collect enough revenue from business income tax to cover their expenditure needs. This failure could be due to weak tax collection system, inefficient and inequitable taxation, weak tax base and unfair tax rate, unwillingness to pay by the taxpayers (Abraraw, 2011).

A fewworks had been done in studying the tax system analysis and practices, tax compliance practices and taxes control system especially in developed countries. Despite high tax collection problems, few studies were conducted in developing countries including Ethiopia. Ayele.et.al, (2017), Abraraw, (2011) and Mulat, (2011) identified challenges from the side of the customs authority only and they had failed to include the tax payers. Specifically, their study focused on only tax procedure. But, Lidetu(2013) and Getachew (2013) included employee performance in addition to tax procedures. However, they had also failed to include tax payers in their study and other important challenges. Therefore, the lack of sufficient researches on assessment and collection challenges of business income tax in ORA motivates the researcher to conduct this study.

1.3   Research Questions

The major questions that the study would attempt to address and thereby achieve the pre-determined research objectives are;

➢   What are challenges there relating to procedure for filing returns?

➢   What challenges are in the business income tax collection?

➢   What strategy the tax authority has developed as a tax compliance strategy for collection of taxes?

➢   What challenges are there related to tax audit, human resource and tax assessment in Oromia Revenue Authority?

1.4   Objectives of the Study

1.4.1 General Objective

The general objective of this study is to assess challenges of the business income tax assessment and collection system in Oromia Revenue Authority.

1.4.2 Specific Objective

The specific objectives of the study are:

➢   To assess the tax procedure for filing returns of business income tax;

➢   To examine the business income tax collection practice;

➢   To assess the business income tax compliance strategy;

➢   To assess the tax audit and human resource in Oromia Revenue Authority;

1.5 Significance of the Study

The findings of this study would contribute in enhancing the tax revenue of the ORA at large by identifying the main challenges on the Business income tax assessment and collection activities so as to enabling them to put their effort to overcome the observed problems and to introduce a comprehensive strategy that promote voluntary tax compliance. In addition, this study would be serving as an additional reference material to those of whom doing their research on this topic.

1.6 Scope of the Study

This study had been conducted with an objective of identifying challenges of business income tax collection, a case of ORA. Geographically, the study is scoped to Addis

Ababa where the authority exists Despite different types of income tax, the study focuses on business income tax category `A` and category `B` taxpayers at the head office level and special zone .

1.7   Limitation of the Study

The study is limited to consider only the challenges of business income tax assessment and collection in ORA - Addis Ababa offices. It doesn't consider taxpayers who registered Category C in Addis Ababa office.

1.8 Organization of the Study

This study consists of five chapters. The chapters discussed following this chapter are the literature, methodology, discussion and analysis and conclusion and recommendations. The second chapter provides a literature review informing the reader of what is already known in this area of study. It covers theoretical review, empirical review, gap analysis and the conceptual framework. The third chapter discusses the methodology employed in the study, including, the research design, the characteristics of the study population, sample and sampling techniques, data collection, and statistical tools used in the study. The fourth chapter is about data analysis and discussion of results. Finally, the fifth chapter contains summary, conclusion and recommendation.

CHAPTER TWO
LITERATURE REVIEW

2. Introduction

This chapter of the study presents reviews of related literatures about the study. The chapter has three sections that include theoretical reviews, empirical reviews and conceptual framework. The theoretical reviews include concepts and definitions of taxations in general and business income tax in particular. The empirical reviews present empirical findings about the challenges of business income tax assessment and collection. Under the subsection of conceptual framework based on the previous studies design for the study is developed.

2.1 Theoretical Reviews

2.1.1 Definition and Concepts of Taxation

Tax may be defined as a "pecuniary burden laid upon individuals or property to support the government. It is a payment exacted by legislative authority Payle (1989). According to Dalton (1920), "a tax is a compulsory contribution imposed by a public authority, irrespective of the exact amount of service rendered to the tax payer in return, and not as penalty for any legal offence". A tax is not a voluntary payment or donation, but an enforced contribution, exacted pursuant to legislative authority and is any contribution imposed by government, whether under the name of toll, tribute, import, duty, custom, excise, subsidy, aid, supply, or other similar name. Taxation has different purposes. Mainly it is intended to raise revenue to defray the cost of services provided by the State. Other purposes of taxation are to reduce inequalities arising from the distribution of wealth; to restrain certain types of consumption e.g. alcoholic beverages and cigarettes; to protect home industries and to control certain aspects of the country's economy e.g. balance of payment, employment saving, investment and productivity (Abdallah, 2006).

2.1.1.1. Business Income Taxes Assessment

Imposing the obligation on independent third parties such as employers and financial institutions to withhold an amount of tax from payments of income to taxpayers significantly reduces, if not eliminates, their ability to understate such income for tax

assessment purposes, is a more cost efficient way for both taxpayers and the revenue body to transact the payment of taxes, and it reduces the incidence of unpaid taxes that might otherwise arise where taxpayers properly report their income but are unable to pay some/all of the tax assessed (OECD, 2009).

2.1.1.2. Procedures of Tax collection

It is expected that people's tax payments should be in line with their income and they are required to pay a tax in proportion to their level of income. On the other part of the tax collectors, collection of tax should be time conscious and convenient and the cost of collecting the taxes should not be high to discourage business. Alternatively, this means that the ideal tax system in developing countries should raise essential revenue without excessive government borrowing and should do so without discouraging economic activity and without deviating too much from tax system in other countries (Kirchiler, 2007). Tax procedures include identification and registration of taxpayers; filing returns, returns processing, Payment of taxes, Audit and examination, Collection and enforcement, Appeal procedure, and Tax Audit.

Tax Identification Number (TIN) is used to identify taxpayers. Every taxpayer has a unique TIN, which he or she is supposed to use in all his or her correspondence with the tax authority, and no taxpayer should have more than one TIN. In countries like Uganda, they issue TIN free of charge upon the taxpayer completing a TIN application form (Kangave, 2005).Taxpayers are required to file returns within specified months of the end of their tax accounting year. The return should be filed in quadruplicate and should contain all the particulars of the taxpayer. All documents respecting taxation should be presented to the tax authority office where the taxpayer has their file. Upon receiving a taxpayer's return, the tax authority officers examine the accuracy of the return by determining whether the return is properly completed, whether tax has been properly computed, and whether there are any penalty payments to be made by the taxpayer. The officer then allocates an assessment number to the return and issues the taxpayer with a Bank Payment Advice Form, stating the tax payable (Kangave, 2005).Taxes is due on the due date of the submission of the self-assessment returns. Tax should be paid to an authorized bank, using the Bank Payment Advice Form.

The role of tax audits and examinations is to check the accuracy of the information that taxpayers provide to tax authorities. The audits range from simple field and desk

audits to comprehensive audits. When the taxpayer has not made payment on the due date, and does not object to the tax assessed, tax authority can enforce payment in a number of ways. The Commissioner may bring a suit against the taxpayer or request a person owing or holding money for the taxpayer to pay the money on a specified date or institute distress proceedings against the taxpayer's moveable property. In a wider context, the issue of enforcement includes offences committed by the taxpayer, and the penalties for these offences (Bahl, 1989).When tax payers are dissatisfied with the assessment of tax and complain against the assessment, they have the right to review to the concerned body. It can be initiated from the excessive tax, inappropriate levy of penalties and the like (World Bank Group, 2009).

According to Daniel, (2004) auditing is defined as an independent examination and expression of opinion on the financial statement of an enterprise by an appointed auditor in accordance with his terms of engagement and compliance with statutory regulation and professional requirements. Kirchler, (2008) also added that tax audit can be defined as "an examination of an individual or organization's tax report by the relevant tax authorities in order to ascertain compliance with applicable tax laws and regulations of state". He further said that tax audit is a process where the internal revenue service tries to confirm the numbers that you have put on your tax return. Mesfin, (2008) noted that Tax audit is an extension of the "attest function" of the historical financial audit. It is the audit of an assesses accounting and other documentary evidences for the preparation of current tax returns, as well as the supporting working statements, followed by an audit report giving the auditor's opinion about the degree of correspondence between the information contained in the tax return and the regulatory provisions of tax laws.

2.1.1.3. Voluntary Tax Compliance

A willingness to pay tax is affected by a number of factors including the taxpayer behavior and perception. Moreover, ones willingness to pay tax is affected by the personal attributes of age, sex, marital status literacy level and religion. Different scholars for the willingness of people to pay their tax have advanced a number of reasons. For instance Pyle, (1989) and Cowell,(1990) mentioned these reasons as follows: Firstly, payment of tax is regarded as a social or collective choice, that is, the relationships between the preferences of the individual members of the state or society and the collective choices made by governments. People are willing to pay tax

because of the "social contract" that exists between them and their governments. Secondly, people pay tax because it is linked to governance. People pay tax because of government's effective coercion since people have not paid voluntarily. Thirdly, people pay tax voluntarily because they feel they are contributing to a state with which they identify or a government program which they support. Fourthly, and more importantly, taxpaying depends on an underpinning culture, which does not necessarily depend on the claim that it stemmed originally from loyalty to a political order. Fifthly, people are willing to pay tax depending on the technical efficiency of the revenue authority that includes not only administrative and accounting techniques but also "understanding the culture of the small and medium taxpayers (companies and individuals) from whom compliance is sought and the network of rules and understandings which underpin tax behavior.

Andreoni (1998) describe voluntary compliance as what the taxpayers actually do, how many returns are to be filed, and how much income and tax liability are to be reported. Allingham & Sandmo (1972) stated that voluntary tax compliance includes registration of business to the Tax Authorities; timely filing of any required return; accurate reporting of Income and Tax liability; and timely payment of all tax obligations. Ellingham et al, (1972) identified that tax rate, penalty and detection probability as factors influencing taxpayers' behavior. Therefore, they concluded that taxpayers' compliance behavior is equally influenced by social and psychological factors. The main reasons for tax non-compliance are unwillingness to pay taxes (low tax morale) and high costs to comply with tax laws. The high cost to comply with tax laws is due to the low ability of tax administration and fiscal courts to enforce tax liabilities. This is because of insufficiencies in the administration and collection of taxes; weak capacity in auditing and monitoring tax payments, which limit the possibility to detect and prosecute violators.

The low tax morale appears when taxpayers' willingness to pay taxes is affected by high tax burden. Allingham et al, (1972) contends that paying of more taxes can be explained by highest feasible levels of auditing, penalties and risk aversion. According to Torgler (2002), the presence of high costs which taxpayer has to bear in order to gather the necessary information, fill out tax forms and eventually paying a tax can be an additional reason for tax evasion. In their contribution, Andreoni (1998) argue that there is insufficient functioning of tax administration, especially with

respect to identifying and administering those citizens and firms that are liable to tax payments. A well-functioning body of tax investigation is essential for the detection and prosecution of cases of tax evasion and fraud. Re-echoing this fact, Torgler (2002) explains that the legal framework is an important prerequisite for any enforcement activity. For example, the size and nature of penalties that are incurred after evasions have been detected is directly connected to the level of tax compliance.

According to Kidder et al, (1989) tax non-compliance occurs during the course of registration, file, and report and eventually paying tax. Kidder et al, (1989) argues that violations of any procedural requirements do not necessarily result in understatement of tax liability but have to do with the exact income and deductions that should be declared. Compliance with procedural requirements is both time and resources consuming, hence it is only a few informal entrepreneurs who can afford to comply. Moreover, according to Kidder et al, (1989) unknowing or nonprofessional non-compliance appears during underpayment of taxes through ignorance of complex, changing, and sometimes ambiguous rules. It occurs when individuals discover that they cannot document legitimate expenses for business or health costs or fail to keep track of outside earnings for which there is no withholding.

Furthermore, Kidder et al, (1989) also points out that social non-compliance occurs when the income earner arranges his business activities so as to be invisible to the tax officials. This is done by transacting business in cash and circumventing officials. It is done in order to protest for perceived unfairness and inequities in tax laws. It also involves refusal to pay tax as a protest against what one perceives as unfair tax laws and abuse of tax revenue by the government officials. This results from peer pressure and social influence on the taxpayer not to comply with the tax laws.

Finally, Kidder et al, (1989) contend that brokered or advised non-compliance takes place upon the advice of a knowledgeable expert such as accountant, lawyer, or bond dealer. The taxpayer is advised by the accountant hired to prepare the accounts not to pay tax and in return, the account may be compensated for non-payment of tax. In addition, habitual non-compliance emerges over time as the taxpayer establishes a pattern of no declaration of income or under declaration of income based on traditional or family habit.

2.1.2 Business income tax in Ethiopia

Income Tax shall be imposed on the taxable business income realized from entrepreneurial activity. The determination of taxable business income is based on the calculation of all recognized income amounts derived by a taxpayer in the tax period and all deductible expenses incurred by the taxpayer in the tax period. For unincorporated entities the first Birr 7,200 per year of business profit income is excluded from taxable income. The minimum range of income tax is 10% and the maximum is 35%. The tax rate for incorporated bodies is 30% (Income Tax Proclamation No 979/2016, Article 19).

According to income tax proclamation No.286/2002, art 17,business income tax is the tax imposed on the taxable business income realized from entrepreneurial activity. Taxable business income shall be determined per tax period on the basis of the profit and loss account or income statement, which shall be drawn in compliance with the Generally Accepted Accounting Standards, subject to the provisions of this Proclamation and the directives issued by the Tax Authority. Article 2(2) of current income tax proclamation No. 979/2016, of Ethiopia also highlights the term "business" as any industrial, commercial, professional or vocational activity or any activity recognized as trade by commercial code of Ethiopia and carried on by any person for profit. Business income tax return is a statement containing statistical information filled in a preprinted form given to the tax office. It should contain full and true information about the income earned by the taxpayer. Income tax laws required the taxpayers to furnish such information within a stipulated period. Proper accounts are essential for business income tax to be calculated correctly for tax purposes. The absence of book of accounts may cause greater consequences in the future; businesses use the service of qualified professional accountants to prepare tax returns and determine taxable income.

According to Income Tax Proclamation No.286/2002, Article 69, Sub-article 1, if no records and books of accounts are maintained by the taxpayer, or if, for any reason, the records and books of records are unacceptable to the tax authority, or if taxpayer fails to declare his or its income within the time prescribed by the income tax proclamation the Tax Authority may assess the tax. According to proclamation 286/2002, article 69 the procedure for the assessment of business income tax in Ethiopia has two forms: Assessment by book of accounts and assessment by

estimation. Assessment by book of accounts for those who maintain books of accounts (category A and B). If the taxpayer keeps no records, or if the income tax authority does not accept the submitted books, or if the taxpayers fail to declare tax within the time specified, the income tax authority estimates tax by the use of certain indicators, category C should pay tax at fixed rate on the income estimated by the income authority. For the purpose of income for tax payment, art. 3of income tax regulation No 979/2016 has classified taxpayers on business income in to three major categories. These are Category "A" Taxpayers, Category "B" Taxpayers and Category "C" Taxpayers. ERCA has used their legal personality and annual turnover as basis for categorization.

Category "A" Taxpayers: This category of taxpayers includes: Any company incorporated under the laws of Ethiopia or in a foreign country; or businesses that have separate legal personality such as Share Company, private limited company, public enterprise and public financial agency regardless of their annual sales revenue and also any other business having an annual turnover of Birr 1,000,000 or more. Category "A" taxpayers are required to submit to the Tax Authority, at the end of the year, a balance sheet and a profit and loss statement and the following details such as Gross profit and the manner in which it is computed; General and administrative expense; Depreciation expense; and Provisions and reserves. In addition, these taxpayers should register with the Tax Authority the type and quantity of vouchers they use before having such vouchers printed. Any printing press before printing vouchers of taxpayers shall ensure that the type and quantity of such vouchers is registered with the Tax Authority.

Category "B" Taxpayers: Unless already classified in category "A", any business having an annual turnover of over Birr 500, 000 but less than birr 1,000,000.00 would be classified under Category "B" taxpayers. This category of taxpayers should submit to the Tax Authority profit and loss statement at the end of the year. Category "C" Taxpayers: Unless classified in Categories "A" and "B", those businesses whose annual turnover is estimated up to Birr 500, 000 are classified under this category of taxpayers. Category "C" taxpayers, unlike Categories "A" and "B" taxpayers are not mandatory to maintain books of accounts and to prepare financial statements. To determine the income tax liability of such tax payers, standard assessment or presumptive method shall be used.

In addition, Income Tax Proclamation No. 286/2002, Article 66, Sub Article 1-3 stated that taxpayers shall submit the tax declaration to the Tax Authority at the time of submitting the balance sheet, and the profit and loss account for that tax year within the time prescribed below: (a) Category A taxpayers within 4 months from the end of the taxpayers tax year; (b) Category B taxpayers within 2 months from the taxpayers tax year. The tax calculated in accordance with the tax declaration reduced by the tax withheld in Collection of Tax on Imports and Withholding of Income Tax on Payments of this Proclamation and the amounts provided by foreign tax credit of this Proclamation during the tax year, shall be transferred by the taxpayer to the Tax Authority simultaneously with the tax declaration.

2.1.3 Theories of Tax Collection

The popular tax compliance theories date back to early 1970s and they cut across all types of taxpayers irrespective of whether or not are operating formally. However, both tax evasion and avoidance are phenomena that are probably as old as taxation itself. In their theoretical analysis, Allingham (1972) view tax compliance in terms of taxpayer behavior and attitudes and they consider being both multi-faceted and theoretical. Therefore, they argue that wherever and whenever authorities decide to levy taxes, individuals and firms try to avoid paying such taxes. Though this problem has always been present, it becomes more pressing in the course of human development and as a result, the theory of tax compliances seeks to address a range of opportunities to circumvent taxation while simultaneously reducing the risk of being detected.

There are traditional economic theories of tax compliance, which are popularly referred to as deterrence theories. These theories suggest that taxpayers make calculations of the economic consequences of different compliant alternatives such as whether or not to evade tax the probability of detection and consequences thereof, and choose the alternative which maximizes their expected profits after making tax return. Deterrence model explains tax morale as a complicated interaction between taxpayers and the government (Allingham & Sandmo, 1972). These theories further suggest that taxpayers need to maximize their moral utility hence emphasize increased audits and penalties as a solution to compliance problems. Based on economic view they suggest that taxpayers' behavior is influenced by economic motives such as profit maximization and probability of detection. Psychology theories of tax compliance

assume that psychological factors including moral and ethical concerns are also important to taxpayers and so taxpayers may comply even where the risk of audit is low. Psychology theories de-emphasize audits and penalties and instead focus on changing individual attitudes towards tax system.

They further argue that a psychological tax contract goes beyond the traditional deterrence model and describe tax morale as a complicated interaction between taxpayers and the government. As a contractual relationship implies duties and rights for each contract party, tax compliance is increased by sticking to the fiscal exchange paradigm between citizens and the state. However, in defense of tradition deterrence model, some scholars contend that the gap between theory and evidence might be closed by assuming sufficiently high risk of taxpayers' evasions

Generally, all these theories purport that tax compliance towards a tax system is influenced by taxpayer behavior. The attitudes towards tax compliance behavior are direct depending on how effective is the interaction between taxpayers and the government and on other hand between taxpayers with tax administration.

2.1.3.1 Challenges to Tax Collection

There are different problems that affect proper collection of tax. Some of these challenges are:

2.1.3.1.1. Tax Non-Compliance

In contrast with tax compliance, tax non-compliance is defined as taxpayer's failure to remit a proper amount of tax, perhaps on account of the complexity or even contradictions in the tax legislation or tax administration procedure (Jackson and Milliron, 1986).According to Singh, (2003) tax noncompliance occurs when there is a failure to perform a timely filing or submission by taxpayers of all required tax returns, when not accurately reporting the tax liability in accordance with the tax laws, when there is none payment or late payment on tax due, an understatement of income, and overstatement of expenses. Noncompliance is perceived as the failure of a taxpayer to report (correctly) the actual income, claim deductions and rebates and remit the actual amount of tax payable to the tax authority on time (Kirchler, 2007).

2.1.3.1.2. Unclear procedures

According to Bahl, (1989) without institutional simplification and clear procedures that enables tax payers to fulfill their responsibilities more effectively, even the most

elaborate lost in sea confusion, waste, and wide spread disrespect of the law. Tax law and procedures simplification can take at least two forms; the substantive simplification of tax regulations or the simplified application of tax rules. Once procedures are simplified, the tax administration can then concentrate on its main tasks, facilitating compliance, monitoring compliance, and dealing with non-compliance unless it difficult to give effective service delivery for taxpayers. Several factors have substantially increased revenue risks and the complexity and volume of service, audit and other compliance interventions by revenue authorities. These include the growth in international trade, supported by e-commerce developments, changes in employment patterns and growth in the numbers of contractors, innovations in business structures and financial products, and the commoditization of tax schemes (Bahl, 1989).

2.1.3.1.3. Complexity of Tax law

People`s understanding of tax law is an important factor which shapes their disposition to comply. As the law is intricate, tax payers became reluctant in trying to understand the provisions contained by the tax law. They often find tax law a burden due to its byzantine wording and perceive it as a foreign language. Their level of comprehension depends itself on the education i.e. the number of schooling years. Plenty of studies have shown that higher educated people understand better the meaning of tax liabilities and the aim of governmental policies, and as a consequence, they comply more. The impact of tax complexity on tax compliance is a bit more complicated because of the interaction of two factors i.e. perception of fairness and opportunity for non-compliance (Milliron, 1985).

2.1.3.1.4. Tax Evasion

Tax evasion is illegal and involves the deliberate breaking of the law in order to reduce the amount of taxes due. According to Kirchler, (2009:22) tax evasion includes, for example, inadvertently noncompliance resulting from calculations errors or in adequate knowledge of tax laws. Nghaamwa, (2011) noted that tax evasion is a challenge to tax authority and a threat to a country`s tax base. Since revenue generation is an important income source for any government reducing tax evasion improves governments' revenue. Reduction of tax evasion is generally done through imposing penalties and subjecting tax payers to tax audits.

2.1.3.1.5. Tax Avoidance

According to Kirchler, (2009:22) tax avoidance is attempts to made to reduce tax liability by legal means, taking advantage of loopholes in the law and the creative

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designing of one`s own income and deductions. Those poses danger to the collection of tax revenue as the least possible tax is paid over to the tax authorities which in some instances will be no tax paid at all.

2.1.3.2 Strategies to Tax collection

2.1.3.2.1. Enhancing Voluntary Compliance

Kirchler, (2007) perceived a simpler definition in which tax compliance is defined as the most neutral term to describe taxpayers' willingness to pay their taxes. Tax enforcement aspects like penalties and the probability of detection also relate to tax compliance while other labor market behavior factors including an individual's wages and tax bracket also contribute to tax compliance. Allingham and Sandmo, (1972) characterize and explain tax compliance as the output of interrelation among variables including perception of equity, efficiency and incidence (public finance views). According to James S.et al, (2003) tax compliance expressed in terms of the degree that taxpayers` comply with tax law and the degree of non-compliance measured in terms of the tax gap. This gap happens by means of both tax avoidance and tax evasion. FIRA, 2002 also added that compliance gap is defined as the break between the actual and the potential tax revenue and how that gap varies among the different sectors of taxpaying population.

For efficient tax collection tax administrations existing at different level should adopt voluntary compliance strategy according to their own environment. Voluntary compliance can be improved through tax payer education, communicating with tax payers, advising taxpayers how to prepare and when to declare their return. Tax agencies should develop tax compliance strategy to address the challenges to revenue administration. Borondolo, (2009) noted that there are four elements for compliance strategy. The first element in a tax compliance strategy for efficient tax collection is to expand assistance to taxpayers. Second, some advance payment programs may exacerbate taxpayers' cash flow problems during an economic downturn. Third, in responding to the tax compliance problems, some tax agencies are providing more targeted and proactive assistance to taxpayers. Fourth, to promote compliance tax agencies need to explain to taxpayers the tax implications and steps they should take

for such events as job loss, debt forgiveness, cashing in a retirement fund, and tax benefits under the governments` economic stimulus program.

According to study conducted by Fakile and Samuel, (2011) area that needs greater concern in the business income tax administration is tax compliance. It is expected that continuous interaction with the trade and business communities, greater moves towards education and facilitation of taxpayers, a constant improvement in rules and procedures, design of forms and invoices, publication of self-help leaflets on business income tax provisions, rules and procedures, media campaigns, automation of tax administration and addressing taxpayers" queries in a meaningful way would help in evolving an environment where voluntary compliance would be encouraged.

Tax knowledge is essential in promoting voluntary tax compliance. It is necessary for the taxpayer to acquire the tax knowledge which will enable them to make right compliance decisions. The knowledge will also facilitate record keeping in business, minimize the compliance costs, as well as create good business environment and marketing strategies, as the compliant trader may operate his/her business freely. Taxpayers who have attended taxpayers educations would be expected to have better tax understanding and tax compliance mind-set in comparison with taxpayers who have never attended any tax law awareness program (Clifford and Jairus, 2013).

Clifford and Jairus, (2013) states that the effect of tax education on the level of voluntary tax compliance. As one can understand from this study taxpayer education provides the necessary tax knowledge to comply with the tax matter and change the perceptions and attitudes towards tax-compliance by creating more positive attitudes. Tax payer education program is one of the strategies of improving service delivery to the tax payers. Improving service delivery is critical to enhance voluntary tax compliance. Lack of voluntary tax compliance compels revenue authorities to use costly and coercive methods for tax enforcement (Fjeldstad and Ranker, 2003). Thus, tax payer education is a tool designed to enable taxpayers to understand tax laws and procedures. It requires the arrangement of special units within the revenue departments, for providing education, counseling and support to the taxpayers, through different media which include newspapers, television, radio programs, websites, seminars, and front desk help to disseminate key information to the taxpayers.

2.1.3.2.2. Treating Tax Payers as Clients

According to Wang, (2010) treating taxpayers in a professional manner, in other words, more like customers rather than like suspects or thieves, may do much more to promote and improve compliance. Providing taxpayers with various payment options (e.g. banks, supermarkets, internet, ward offices), easy filing, and assistance (e.g. on-line or at shopping malls and sports stadiums) not only reduces actual compliance costs, but can reduce unintentional noncompliance. A professional and effective service-oriented tax administration is crucial for improving tax compliance. The revenue authorities in a number of African countries have already been successful in this regard and improved service levels through training and knowledge exchanges should result in further gains in future.

2.1.3.2.3. Tax Simplification

Most commentators, policy makers, and tax administrators agree that voluntary compliance would be greatly facilitated by the existence of a simplified tax structure. According to Bahl, (1989) without institutional simplification that enables tax payers to fulfill their responsibilities more effectively, even the most elaborate lost in sea confusion, waste, and wide spread disrespect of the law. Tax law simplification can take at least two forms; the substantive simplification of tax regulations or the simplified application of tax rules.

People`s understanding of tax law is an important factor which shapes their disposition to comply. As the law is intricate, tax payers became reluctant in trying to understand the provisions contained by the tax law. One important lesson suggested by experience is that a precondition for the reform of tax administration is often to simplify the tax system so that it can be applied effectively in law compliance context. Considerable improvements can often be made in administration by small simplification in tax policy (Bird, 2007).

2.1.3.2.4. Simplifying Procedures

In addition to giving the administration simpler and more enforceable laws to administer, it is equally important to simplify procedures for tax payers, for example by eliminating demands for superfluous information in tax returns and consolidating return and payment forms. Once procedures are simplified, the tax administration can then concentrate on its main tasks, facilitating compliance, monitoring compliance, and dealing with noncompliance (Bird, 2007).

2.1.3.2.5. Providing Assistance for Taxpayers

The relationship and interaction between tax Authorities and taxpayers is important to tax compliance as generally both parties from basic assumptions about each other's goals and strategies. Tax Authorities will assume the role of hunters or cops by applying strategies to catch the robbers if they perceive tax payers to be rational in maximizing their individual profits. Likewise if tax victimized by the tax authorities, they will adopt the respective role of robbers and try to escape the law through creative methods. On the other hand, if tax authorities believe in tax payers` willingness to comply with tax laws and recognize that due to the complexity of the law innocent mistakes may be made by tax payers when filing their returns, tax Authorities will assume the role of advisors with the principal goal of assisting taxpayers in complying with the law. An advisory approach by the tax authorities is likely to be perceived by tax payers displaying fair behavior which in turn is likely to increase tax compliance and there by tax revenue (Nghaamwa , 2011).

Providing strong support to individuals and businesses is critical to containing noncompliance and keeping taxpayers in the system. To this end, tax agencies should review and adjust their full range of policy instruments, services, and information products. Five measures are of particular importance: ensuring the smooth implementation of government tax initiatives, particularly those involving stimulus programs; adjusting advance tax payments to reduce taxpayers' cash-flow pressures; accelerating the issuance of tax refunds, subject to proper risk management; making greater use of payment extensions; and providing targeted and proactive assistance to high-risk taxpayers (Borondolo, 2009). In an effort to help taxpayers cope with the crisis, some countries are considering the implementation of tax amnesties, moratoria on auditing taxpayers, and other similar measures. International experience has shown that such measures are not effective tools for improving revenue collection and create perverse incentives for currently compliant taxpayers to stop complying with the tax laws (Baer and Le Borgne, 2008).

Public outreach programs should be initiated that are aimed at informing tax payers on how to comply with the tax system or explaining recent changes in tax legislation. This new approach, which consists of extensive use of media markets such as radio, television, and print outlets, as well as community wide talks and seminars, should become a permanent feature in every tax system. Clearly, tax payer assistance would

help to curb litigation (which is at once a compliance and administrative cost) because the interaction between the tax administration and tax payer would enable the latter to clear up ex ante any uncertainties they may have about their tax liabilities. If the tax law is not clear about the application of particular provisions, self-assessing tax payers will find it helpful to be able to rely on taxation department opinions and advance private rulings to determine their tax liability. To accompany any substantial simplification of the tax law, the government needs to have a consultative process involving the production of tax forms tailored to meets the needs of older people or those who lack sophistication in tax related matters. Furthermore, there is a need to rewrite tax guides in plain language, and to simplify tax tables for employers and employees (Borondolo, 2009).

2.1.3.2.6. Adjusting Advance Payments

Some advance payment programs may exacerbate taxpayers' cash flow problems during an economic downturn. In most tax systems, businesses and the self-employed individuals must make advance income tax payments during the year and a final payment at year-end. If advance payments are calculated on the basis of the previous year's tax liability, an economic downturn will generally cause advance payments to be higher than necessary, thereby aggravating taxpayers' cash flow pressures. To mitigate this problem, advance payments could be adjusted to more closely approximate the taxpayer's final tax liability (Borondolo, 2009).

2.1.3.2.7. Tax Information Phone Service

Tax information phone service a computerized voice response phone response that enables clients to obtain information about specific tax topics or issues. Tax payers can use this service from any push button phone that has tone signaling and touch tone service. Information about tax law changes, client service, tax return processing, and tax refund schedules can be obtained through this phone service. If the service is available 24 hours a day, or at least during peak tax filing times, it has the potential of curtailing both administrative and compliance costs substantially (Borondolo, 2009).

2.1.3.2.8. Making Greater Use Payment Extension

Installment arrangements provide an important tool for collecting tax revenue from cash strapped taxpayers. The tax laws in many countries include provisions that allow financially distressed taxpayers, under certain conditions, to pay their tax liabilities

installments. The installments typically span one to two years during which time interest accrues but late payment penalties are usually waived. Such arrangements help promote compliance because they allow the tax agency to bring a tax debt quickly under control and usually require the taxpayer to stay current with all future tax payments; failure to do so results in the plan`s termination and severe collection actions (Micah, 2012).

2.1.3.2.9. Refocusing Enforcement

According to Borondolo J., (2009) tax compliance strategy also needs to adjust enforcement programs for emerging compliance problems. Controlling non-compliance will require enhanced enforcement in six directions (with the varying specific emphasis, depending on country circumstances). Safeguarding revenue from the largest tax payers by reassessing the controls over this segment, Intensifying arrears collections, Securing tax withholder's, Giving greater attention to loss reporting businesses, Enhancing the scrutiny of cross border transactions and off shore evasion, and Containing the growth of cash economy

2.1.3.2.10. Strengthening Auditing

Auditing is a vital but neglected function. Tax administrators often employ resources for checking refunds from withholding schemes rather than going after the more difficult but higher revenue yields that would come from aggressive auditing of self-employed, professional and business firms. If significant numbers of tax payers have stopped filling returns, and if large numbers of firms show suspiciously small profits, there is a need for more audits. Measures to strengthen auditing capacity include hiring and training new auditors, cross-checking information from large taxpayers on income tax and VAT returns, and for those who voluntarily accept auditor's should be established whereby finds and penalties are reduced if tax payers immediately accept auditor's preliminary assessments, penalties are progressively increased for those taxpayers who appeal and fail (Micah, 2012).

2.1.3.2.11. Strengthening Tax Assessment

Tax assessment function involves the initial review by a tax administrator of the tax returns or declarations and information provided by taxpayers. The verification processes of the arithmetical and technical accuracy of the declared tax liabilities shortly after the submission of the declarations. On the other hand, tax audit function

involves the detection of non-compliance and the deterrence of future non-compliance by auditing the records and documents of all categories of taxpayers (or a portion there of) with an emphasis on high-risk non-compliers in accordance with the tax laws and documented audit procedure manuals (Arega, 2004). Tax audit seeks to ensure substantial; tax payer compliance with the tax laws to make certain that taxpayers are paying the amount of tax dictated by the tax laws and thereby to protect the fully compliant taxpayer against the clear competitive advantage that those paying too little would gain whether that gain comes from computational accident, confusion about the tax law or clear cheating. Hence the purposes of tax assessment and audit are to ensure that the correct amount of tax is collected and to ensure voluntary compliance with the tax laws (Bird, 2003).

2.2 Empirical Reviews

Kangave, (2005) identified different problems in developing countries that affect tax collection. According to the study the common problems are weak enforcement of revenue laws, determining what is owed; poorly trained office; pack of internal controls; and poor records management. Tax authorities suffer from weak capacity due to a shortage of skilled man power and the lack of modern infrastructure such as IT systems and property registers. Developing country economies are also challenging to tax given the large size of their agriculture sectors, small tax bases, and their high degree of informality. There are a number of problems that are common to Revenue collection administration in all types of governments. Weak enforcement of Revenue laws: Failure to enforce existing revenue laws or insufficient penalties can result in increased levels of delinquencies and loss of Revenues; Some taxes and revenues are self-assessed and therefore depend on taxpayer honesty, creates a problem for local governments, which must audit the returns of taxpayers to ensure compliance with applicable tax and revenue laws. A staff that is not adequately trained in collections, the processing of deposits and proper enforcement techniques may lead to an inefficient and ineffective revenue collection operation. The lack of internal controls can result in revenue losses due to theft and fraud committed by employees. Poor records management: in adequate record keeping can make it difficult to follow-up on delinquent accounts and increases collection cost. Lack of incentive to pursue

collections because of the nature of government, some departments with collection responsibility may lack the incentive to aggressively pursue delinquent accounts.

Misrak stated that (2010). Lack of budget, physical facilities and qualified manpower, competitive salary and automated system, In order to collect tax revenues from taxpayers, a tax administration organization surely incurs administrative costs. An adequate physical facility such as offices, office furniture, vehicles, competent and qualified manpower in the required quantity and quality is also a critical input. To motivate tax collection, retain and attract competent staff and act in accordance with the interests of the government, attractive salaries and incentives are required by a tax administration organization. Automated system, compared to manual system, enhances information processing, information exchange and enforce of tax laws, the use of modern and updated information technology (IT) is also an important input in improving efficiency and effectiveness of a tax assessment and collection system in any countries.

Kangave, (2005) identified the challenges of tax administration in Uganda. The study has identified corruption, tax evasion, and inadequate resources for tax administration poor quality of audits and inadequate support for tax administration as problems or challenges of tax administration that have weakened the ability to achieve desired revenue targets.

Mulat, (2011) studied the Business income tax challenges and opportunities in Bahirdar city Administration. BIT evasion and avoidance undermines the integrity, equity and efficiency of a BIT system. Weakness of the City Administration in tax revenue administration leads to inadequate business income tax (BIT) collection. Due to lack of public awareness to fulfill their BIT obligation, lack of organized BIT payers' database, and some of the problems, the low productivity of the tax system are t the system suffered from the problems of weak administration and extensive tax evasion.

Abraraw (2011) identified various challenges to tax collection. The study stated that there are a number of problems that are common to revenue collection administration in all types of governments and identified main challenges such as lack of clear procedures; determining what is owed; poorly trained office; Lack of internal controls; lack of strong audit and others. The study suggested that tax payment needs to be assessed, collected and recorded more efficiently. Current procedures are rarely

up to the job of dealing with a growing number of taxpayers, many of which - particularly private businesses and service enterprises are tricky to tax at best.

2.3 Knowledge Gap

The efficiency of a tax system is not determined only by appropriate legal regulation but also by the efficiency and integrity of the tax administration. In many countries, especially in developing countries, small amounts of collected public revenue can be explained by either incapability of the tax administration in realization of its duty, or with some degree of corruption. Regardless of how carefully tax laws have been made, they could not eliminate conflict between tax administration and tax payers. Tax administration with a skilled and responsible staff is almost the most important precondition for realization of "tax potential" of the state. It is generally known that tax laws and tax policy are as good as good is the tax administration.

Developing countries face extensive political, economic and administrative challenges in closing tax gaps. Tax reform is often difficult due to interest groups who benefit from the current system. Meanwhile, tax authorities suffer from weak capacity due to a shortage of skilled man power and the lack of modern infrastructure such as IT systems and property registers. Developing country economies are also challenging to tax given the large size of their agriculture sectors, small tax bases, and their high degree of informality. There are a number of problems that are common to Revenue collection administration in all types of governments. Those problems are:- lack of clear procedures; Determining what is owed; Poorly trained office; Lack of internal controls; lack of strong audit and others. More generally, tax payment needs to be assessed, collected and recorded more efficiently. Current procedures are rarely up to the job of dealing with a growing number of taxpayers, many of which - particularly private businesses and service enterprises are tricky to tax at best.

The above evidence indicates that there is a contradictory results of studies conducted on challenges of tax assessment and collection determinants. Therefore, this difference in results motivates the paper to carry out this study. In addition to this, even though there are studies on tax challenges of tax assessment and collection conducted before, such as a study on the Business income tax administration: Business income tax challenges and opportunities in Bahir-dar city Administration by Mulat (2011) and Challenges of Presumptive Tax Administration in Bahir-dar City

Administration, by Abraraw (2011) the challenges of business income tax assessment and collection in Oromia Revenue Authority regarding to non-existence of clear procedures for filling returns is not independently studied by other research's previously. Therefore, this knowledge gap also motivates this paper to explore how insignificant but that are challenges that affect the assessment and collection of business income tax in Oromia Revenue Authority.

CHAPTER THREE

RESEARCH METHODOLOGY

3 Introduction

This chapter describes the research design, research approach, the sources of data, research method the characteristics of the study population, sample and sampling techniques and statistical tools used in the study. It explains the type of data used for the study and the techniques employed in identifying the challenges of business income tax assessment and collection.

3.1 Research Design

Designing a study has help the researcher to plan and implement the study in a way that help the researcher to obtain the intended results, thus increasing the chances of obtaining information that could be associated with the real situation (Burns & Grove, 2001). The researcher had applied descriptive analysis using the fact that a descriptive research design used to describe the data and characteristic about what had been studied. Descriptive survey also enables to obtain the current information Paul et al (2009). It was also use in fact finding studies and helps to formulate certain principles and give solutions to the problems concerning local or national issues. In addition to this survey design is a research method that provides a quantitative or numeric description of trends, attitudes, or opinions of participants with the intent of generalizing from a sample to a population (Creswell, 2009).

3.2 Research Approach

According to Creswell (2007) the three methods that are commonly implemented in a research are quantitative, qualitative and mixed, where one of them is not better than the others, all of these depend on how the researcher wanted to do a study. To achieve the objective of this study, the researcher is followed a mixed approach. The quantitative research approach uses statistical tools and number, Quantitative research is the systematic and scientific investigation of quantitative properties and phenomena and their relationship (Kothari, 2005).The quantitative data had been collected by using structured questionnaire. To identify the detailed information about the

challenges the study had been used qualitative data by using semi-structured interview.

3.3   Target population and Sampling Methods

3.3.1 Target Population

Hair et al., (2010) states target population as a specified group of people or object for which questions could be asked or observed to collect required data structures and information. As stated above, the study would be conducted in ORA to identify Challenges of Business Income Tax Collection. The study had identified the challenges by using respondents from the Authority and tax payers. The populations for this study were all business income taxpayers in Category A and Category B; and employees of the authority who had involve in tax assessment and collection. According to report of the authority July 2019, there were 922 Category A and Category B tax payers and 24 core process tax officials in business tax assessment and collection in the Authority at the head office and special zone. Thus, the populations of the studies are 922 taxpayers and 24 tax employees. Further, the report shows that 392 tax payers are in Category A and 530 tax payers are in category B.

3.3.2 Sample size determination

Alreck & Settle (2005)noted that the choice of sample size is made after considering statistical precision, practical issues and availability of resources. There is no a single and precise way to determine size of sample; hence there are a number of inadequacy for deciding on sample size.

However, to determine the sample size, the study has used Yamane's (1967) formula that provides a simplified method to calculate the sample size. This formula is based on a 95% desired confidence level and5% desired level of precision.

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

Where: -

n = Sample size

N = population size

 e = level of precision

Based on computation by using this formula, the sample size is determined to 279 respondents. Then the number of respondents in each category is computed proportionally. As a result, 119 respondents were from category A tax payers and 160 respondents were from category B tax payers. Respondents from the authority would not be sampled because of their smaller size. The study uses only senior accountants, the study would be conducted based on Stratified and random sampling methods.

3.4   Sources of Data

This study was mainly by using primary data through questionnaire and interview. The study would use as a questionnaire for a quantitative data collection instrument that helps to cover larger target groups than the interview, given the quality and chance of no response. The researcher had used primary data to achieve aforementioned objectives and to answer research questions.

3.5   Method of Data Collection

The questionnaires were prepared using close-ended method questions; yes/no, multiple choices and 5 Point Likert-Scale approaches (i.e., from "Strongly Disagree to Strongly Agree"). For the 5-point likert scale the respondents were asked to indicate their level of agreement with the ratings of Strongly Disagree (1), Disagree (2), neutral (3), Agree (4) and Strongly Agree (5). The questionnaires were designed in English and Afan Oromo. The questionnaire is organized in two sections. The first part, deals about respondent general information which are related with the participant's background. The second part holds Likert scale questions those were targeted to analyze research in manageable, uniform and objective way.

3.6   Methods of Data Analysis

The data collected through questionnaire have analyzed using quantitative data analysis techniques. Moreover, the data collected through interview had been qualitative. The data collected from respondents could be run by using statistical

package for social science (SPSS) version 23 tool. For presenting the data different types of descriptive data analysis methods such as frequency, percentage, mean and standard deviation had been used.

3.7 Validity and Reliability

3.7.1 Validity

The validity of the study was ensured using data collecting tools that are based on sound theoretical foundations. Therefore; the study has ensured the instruments or procedures used in the research measured what they were supposed to measure. The study has reviewed procedure of business income tax and strategies formulated for effective tax collection in general and business income tax collection in particular. Further, the study has reviewed theoretical and empirical literatures how to measure the study objective. The scales items on the questionnaire were adopted from a standardized questionnaire from Allingham and Sandmo, (1972), Kirchler, (2007), Fjeldstad and Ranker (2003) and Borondolo, (2009).

3.7.2 Reliability

Nunnaly (1978) stated that reliability is the consistency of a test, survey, observation, or another measuring device. The level of reliability of the instrument indicates the consistency of the variables. Cronbach's alpha is an index of reliability associated with the variation accounted for the true score of the underlying construct and it can only be measured for variables which have more than one measurement question. 0.5 is a sufficient value, while 0.7 is a more reasonable value.

Scales with coefficient alpha between 0.8 and 0.95 are considered to have very good quality, scales with coefficient alpha between 0.7 and 0.8 are considered to have good reliability, and coefficient alpha between 0.6 and 0.7 indicates fair reliability. The result of reliability analysis is presented in table 3.1 below for responses of tax payers and tax authority.

Table 3.1 Reliability Analysis

No	Variables		Cronbach's Alpha	Number of Items
1	Tax procedure	Tax payers	0.849	5
		Tax authority	0.937	5
2	Compliance strategy	Tax payers	0.796	6
		Tax authority	0.946	6
3	Tax assessment effectiveness	Tax payers	0.793	8
		Tax authority	0.802	6
	Entire scale	Tax payers	**0.780**	**19**
		Tax authority	**0.786**	**17**

Source: Questionnaire Result, 2019

As it is indicated in the table 3.1, all Cronbach's alpha indexes are above 0.7. The entire scale in general has achieved a very good indicatory of reliability.

3.8 Ethical consideration

Before the data collection, permission from the companies and respondents was requested. During the distribution of the questionnaire, respondents were informed about the purpose and the benefit of the study along with their full right to refuse or accept the participation. The respondents were told their response would be kept confidential and their identity shall not be exposed. Every person involved in the study was entitled to the right of privacy and dignity of treatment, and no personal harm were caused to subjects in the research. Information obtained is held in strict confidentiality by the researcher. All assistance, collaboration of others and sources from which information was drawn were acknowledged.

CHAPTER FOUR

RESULT AND DISCUSSION

4.1 Introduction

This chapter presents result of the data analysis and the interpretation of the analysis. The first section of the chapter is about the general information of the respondents and the second section is about data analysis based on objective of the study.

This study has targeted tax payers and the tax authority and collected the study data by using questionnaire. The study has distributed 279 questionnaires to tax payers and 24 questionnaires for tax authority. From the tax payers, the 272 (97.5%) questionnaires were returned and from the tax authority all questionnaires were returned.

4.2 General Information

This section of the study presents general information about the respondents. The study has purposively targeted senior accounts in the tax payer organizations and tax assessors, inspectors and collectors in the tax authority. The general information mainly includes demographic information about the respondents. The result of general information analysis is presented in table 4.1 below.

As presented in table 4.1 above, 81.3% of the respondents in tax payers are male and only 18.8% of the respondents in these organizations were females. This shows, senior accountant position in tax payers is held by male employees. Similarly, majority of tax assessors, collectors and inspectors in tax authority are males that constitute 70.8% of the respondents.

Survey of the data about the age of the respondent shows that 44.5% of the tax payers have senior accountants who are at age level of 30 to 40 years. Following this group of age, 37.5% of the companies have senior accountants at age level of 41-50 years. Further, it is identified that 13.2% of the senior accountants are at age level of below 30 years. Similar to tax payers, majority of respondents in tax authority are at age

level of 30-40 years that constitutes 58.3% of the respondents. Following this group, 29.2% of the respondents are at age level of 41-50 years.

Table 4.1. General Information about Respondents

Variable		Category	Frequency	Percent
Gender	Tax Payers	Male	221	81.3
		Female	51	18.8
	Tax authority	Male	17	70.8
		Female	7	29.2
Age	Tax payers	Less than 30 years	36	13.2
		30-40 years	121	44.5
		41-50 years	102	37.5
		Above 50 years	13	4.8
	Tax authority	Less than 30 years	3	12.5
		30-40 years	14	58.3
		41-50 years	7	29.2
Education	Tax payers	Diploma	33	12.1
		Bachelors' Degree	195	71.7
		Master's Degree	44	16.2
	Tax authority	Diploma	3	12.5
		Bachelors' Degree	17	70.8
		Master's Degree	4	16.7

Source: Questionnaire Survey, 2019

As presented in table 4.1 above, 71.7% of the respondents in tax payers have educational qualification of bachelor's degree and 16.2% of the respondents have master's degree. Similarly, majority of the respondents in tax authority have an educational qualification of bachelor's degree that 70.8% of the respondents have the bachelor's degree. Following this educational qualification, 16.7% of the respondents have master's degree. But only 12.1% and 12.5% of the respondents in tax payers and tax authority respectively have an educational qualification of diploma. The result of educational qualification indicates that the employees have good educational

background that can support performance of the employees but educational level of diploma seems unqualified for senior accountants.

The level of annual business income tax for the sampled companies is presented in figure 4.1 below.
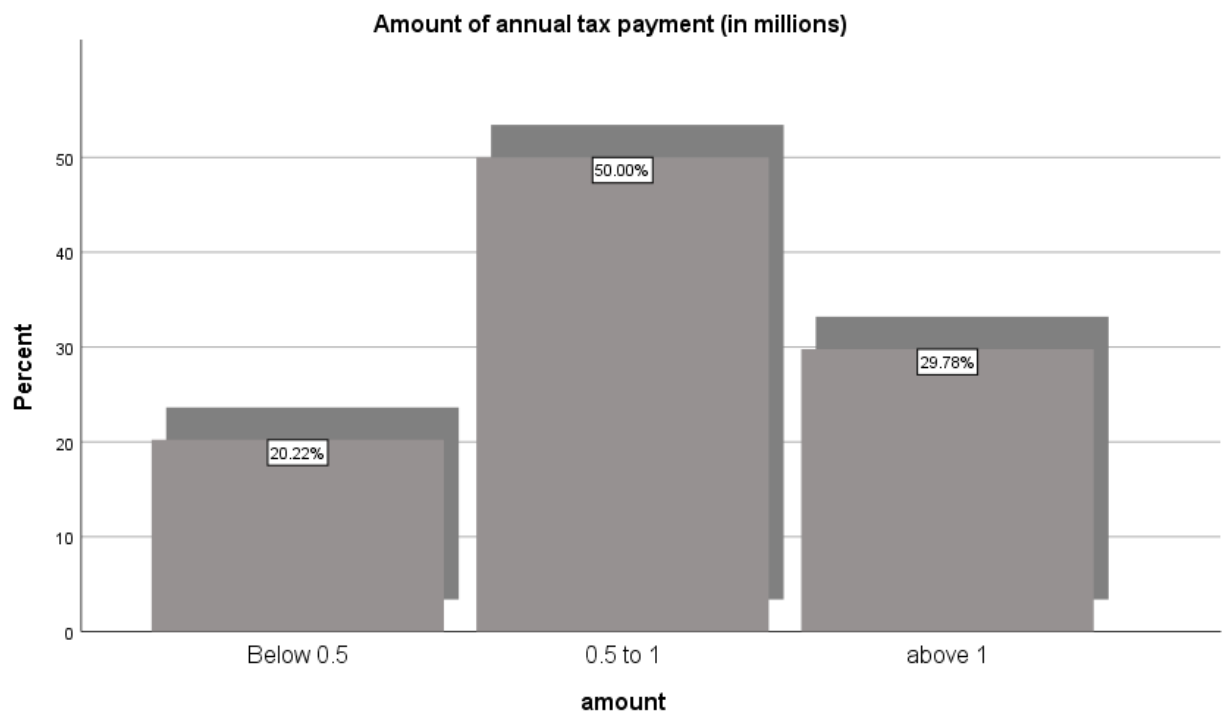
Source: Questionnaire Survey, 2019

As depicted in figure 4.1 above, majority of the tax payers in the study pay 500,000.00 to 1 million birr annually. This group comprises 50% of the companies in the study. Following this group, 29.78% of the companies pay above 1 million birr and 20.22% of the companies pay business income tax below 500,000.00 birr in a year.

4.3 Business Income Tax Procedures

This study was conducted with main objective identifying challenges of tax collection in Oromia Tax Authority. Based on previous studies, this study has assessed 3 factors; the tax procedure, compliance strategy and tax audit. This section of the study presents about effectiveness of the business income tax procedure for tax payment and collection. As indicated in previous sections, the data was collected from both tax payers and tax authority. The data collected is analyzed by using descriptive statistics

such as mean and standard deviation and the result of data analyses for responses of tax payers and tax authority is presented in table 4.2 and 4.3 below respectively. The mean values are computed based on level of agreement on the statements of income tax procedure (see annex D).

The overall response is represented by mean value and variation of agreement on represented by standard deviation. The values of mean indicate that when the mean value is above 3.00 it shows that majority of the respondents agree on the statement that indicate effectiveness of the procedure for tax collection and mean value below 3.00 suggests the respondents disagree on the statement and implies the problem of the procedure for effective tax collection.

Table 4.2 Business Income Tax Procedure: Tax Payers

	N	Mean	Std. Deviation
Business Income tax Assessment is fair	272	2.2463	.93417
Tax procedures of the authority are clear	272	2.1838	.87357
Tax procedures of the authority are simple	272	2.5772	.82930
The procedure for submitting returns is clear	272	2.0882	.86311
Deadline for submitting Income Tax Returns is reasonable	272	2.2169	.76886

Source: Questionnaire Survey, 2019

As depicted in table 4.2 above, the procedural issues were raised by the study and perception of the tax payers was collected. The study has raised issues of fairness of the tax assessment, clearness of the procedure to be understood by tax payers, simplicity of the procedure, and procedure of submitting returns and reasonableness of the deadline to submit the returns.

The response of the tax payers for fairness of the income tax assessment procedure is summarized by mean value of 2.25 and standard deviation of 0.93. The mean value shows that majority of the tax payers disagree that the tax assessment procedure is not fair. Further the standard deviation value shows smaller variation on the level of agreement. Based on these findings, the study states that the procedure of tax-

assessment in Oromia tax authority is not fair and resulting lower motivation of tax payment.

As indicated by mean value of 2.18, the tax payers disagree that the business income tax procedure is clear. The standard deviation value shows similarity of responses. This shows that the tax collection procedure is not clear that creates ambiguity on the payers and delay on payment. In addition, the mean value for simplicity of the procedure is presented by score of 2.58 that suggests for the tax payers the procedure of the business income is complex. Similar responses were observed among the respondents indicating that the complexity of the procedure is common for majority of the tax payers in the authority.

The mean score is 2.08 for statement that a procedure for submitting returns is clear. This value is very low suggesting that problem of procedure in submitting returns. This is lowest mean when compared to other procedure related problems suggesting that the main challenge regarding procedural problem is unclear procedure of submitting returns. In addition to unclear return submittal, the deadline for submitting returns is not reasonable. It is represented by mean score of 2.21 indicating that the tax payers Disagree that deadline for submitting returns is reasonable.

In addition to responses of tax payers, the study has assessed the perception of tax authority about procedural problem for business income tax assessment and collection. The result is presented in table 4.3 below reporting mean and standard deviation for the responses of tax assessors, collectors and inspectors.

An overall descriptive analysis shows that as indicated by mean value of 2.5 procedures for submitting returns is not clear. This response is similar to response of tax payers confirming that procedure for business income tax collection is not clear. Another problem of the procedure is it can ensure voluntary compliance. The tax rules also have to problem of being unrealistic that it does not consider the realities of the business.

Table 4.3 Business Income Tax Procedures: Tax Authority

	N	Mean	Std. Deviation
The procedure for submitting returns is clear	24	2.5000	1.28537
The tax procedure ensures voluntary compliance.	24	2.2500	1.18872
The penalty for late filers is rational.	24	2.8750	.89988
The tax rules consider realities of business	24	2.2917	1.16018
The tax audits identify the tax payment problems and tax variations.	24	2.1667	1.27404

Source: Questionnaire Survey, 2019

Similar to finding through questionnaire, the interview result shows that the income tax collection assessment procedure is open for discrimination from business to business and other unimportant conditions, the procedure is not updated based on the saturations, and complain of tax payers.

This finding is similar to Abraraw, (2011). The lack of clear procedures that affects to tax collection system

4.4 Tax Compliance Strategy

Another factor for business income tax assessment and collection is tax compliance strategy of the authority. The result of evaluation of tax compliance strategy by tax payers is presented in table 4.4 below. The tax compliance strategy is mainly about regular interaction with tax payers, providing trainings about tax laws and returns preparation, providing information about tax compliance, treating tax payers as clients, timely returns of tax and development of employee integrity and professionalism.

Mean values for all indicators of tax compliance strategy are well below from 3.00 suggesting that there is weakness of not complying the tax strategy. Based on this finding the study opines that the tax authority has no regular interaction with tax payers despite the weaker performance of the tax payment. Further, the study suggests the authority is not providing appropriate training for tax payers about tax laws and returns preparation. The tax payers are not updated about changes that affect tax

payment performance. The relationship between the authority and tax payers is not good that the authority is not treating the tax payers as clients.

Table 4.4 Tax Compliance Strategy: Tax Payers

	N	Mean	Std. Deviation
The authority has regular interaction with your company	272	2.2500	.76114
The authority provide training on business income tax laws and tax return preparation	272	2.1287	.52430
The authority provide clear, understandable and updated information about tax compliance	272	2.2316	.66101
The authority treat taxpayers as clients	272	2.4154	.69806
The tax returns are made timely	272	2.1507	.68946
Employees of the authority have good integrity and professionalism	272	2.2279	.82370

Source: Questionnaire Survey*, 2019*

The authority has shown weaker performance timely returns of tax. As analyzed by the study, the employees of the authority lack integrity and professionalism. Responses of the authority on tax compliance strategy are summarized in table 4.5 below.

Table 4.5 Tax Compliance Strategy: Authority

	N	Mean	Std. Deviation
Tax payers prepare tax returns properly	24	2.6667	1.00722
The taxpayers take trainings prepared by the authority	24	2.5833	.97431
The tax payers maintain proper records	24	2.7083	1.04170
Tax payers prepare realistic tax return	24	3.0000	.97802
Tax payers submit regular and timely tax returns	24	2.7083	1.04170
The business income tax payment is made on schedules	24	2.8333	.96309

Finding through data collected from the authority is similar to finding based on responses of tax payers. The tax payers also have the problems of not meeting the voluntarily compliance. The result has shown that the tax payers are not preparing the tax returns properly, the tax payers are not taking the training provided by the authority, the tax payers do not maintain proper records, the tax returns are unrealistic and the tax payers do not respect the tax payment schedules.

This finding is similar to Kangave, (2005) poor quality of audits and inadequate support for tax administration as problems or challenges of tax administration.

4.5 Tax Audit Assessment and Effectiveness

Result of data analysis about tax audit practice evaluated by tax payers is presented in table 4.6 below.

Table 4.6 Tax Audit Assessment: Tax payers

	N	Mean	Std. Deviation
The records book of accounts of your company are accepted by tax authority	272	2.2721	.99420
The authority makes timely assessment on tax	272	2.1985	.80881
The authority make timely tax audit	272	2.1287	.96907
Your company submit regular and timely tax returns	272	2.0956	.80934
The authority tolerates errors on tax return requests	272	1.8713	.83400
The authority makes tax payment extension	272	2.2169	.92963
Time to final tax audit liability is based on submitting tax return	272	2.1397	.80288
Your company willingly pay the provisional assessments	272	2.3088	.74413

Source: Questionnaire Survey, 2019

As the responses of tax payers show the records book of accounts of tax payers are not accepted by tax authority as it is indicated by mean value of 2.27. Responses with

overall mean value of 2.19 shows that the authority does not make timely assessment on tax, the companies are not submitting regular and timely returns. In addition, the companies are not paying the provisional assessment willingly. The authority has no tolerance on errors on tax return requests. The authority does not make tax payment extension.

Table 4.7 Tax Audit Practice: The Authority

	N	Mean	Std. Deviation
The authority has strong business income tax audits	24	2.1667	.81650
The tax audit identify the way taxpayers fail to comply	24	2.2500	.53161
The audit findings and measures improves the tax payment	24	3.0000	.29488
The tax payers are loyal in preparing tax and requesting tax returns	24	2.4583	.97709
The tax payers have adequate skill for tax handling.	24	2.4167	1.01795
The tax payment are made without any linkages	24	2.3750	.96965

Source: Questionnaire Survey, 2019

As depicted in table 4.7, the tax audit is not effective that all mean values are below 3.00 suggesting the respondents disagree on the statements that indicate in effective tax auditing. Specifically the study indicates, the authority has no strong business income tax audits, the tax audit does not identify the way taxpayers fail to comply, the tax payers are not loyal in preparing tax and requesting tax returns, and the tax payers have skill gap for tax handling. Finding from both tax payers and the authority shows that the tax audit is not effective.

This finding is similar to Kangave, (2005) poor quality of audits and inadequate support for tax administration as problems or challenges of tax administration.

Chapter Five

Conclusion and Recommendation

5.1 Summary of Major Findings

This study was conducted with main objective of identifying challenges of business income tax in Oromia tax authority at head office and special zone. The study data was collected from tax payers and the tax assessment and collection officers in the tax authority. Based on previous studies, three main challenges (procedure, voluntary compliance strategy and tax audit) of business income tax were assessed. The study has sampled 279 tax payers at level of A and B. From tax revenue 24 officers were used. The study data was analyzed by using descriptive methods such as frequency, mean, standard deviation. Based on the data collected the study has reached on following major findings.

All mean scores for indicators of business income tax procedures are well below 3.00 indicating the problem of business income tax procedure. The study has identified that the tax assessment procedure is not fair, tax procedure is not clear and simple, procedure of submitting returns is not clearly stated and deadline to submit the returns is not reasonable.

Similar to procedure, compliance strategy of the authority is not effective that mean scores are closer to mean value of 2.00 indicating that the authority has compliance strategy that is ineffective. Based on this the study has identified there is no regular interaction with tax payers and the authority, the authority is not providing training on business income tax laws and tax returns, the tax payers are not provided with clear and updated information, the tax payers are not treated as clients and returns are not made on timely.

The third challenge identified regarding business income tax assessment and collection is tax audit practice. Problems were identified in tax payers and the authority. The study reveals that the companies are not submitting regular and timely returns. In addition, the companies are not paying the provisional assessment willingly. The authority has no tolerance on errors on tax return requests. The authority does not make tax payment extension. The authority has no strong business

income tax audits, the tax audit does not identify the way taxpayers fail to comply, the tax payers are not loyal in preparing tax and requesting tax returns, and the tax payers have skill gap for tax handling. Finding from both tax payers and the authority shows that the tax audit is not effective.

5.2 Conclusion

Based on the major findings the study has reached on following conclusions;

- Procedure of the business income tax became challenge to the tax assessment and collection in Oromia Tax authority that the unfair tax assessment procedure, the procedure has ambiguity and complexity for tax payers and unreasonable deadline to submit tax returns.
- The tax authority and the tax payers are not complying voluntary tax strategies that reduce the tax performance. Despite the stated strategy, no regular interaction with tax payers and the authority, the authority is not providing training on business income tax laws and tax returns, the tax payers are not provided with clear and updated information, the tax payers are not treated as clients and returns are not made on timely.
- Business tax income assessment and collection is affected by tax audit practices. Tax payers have weakness of not meeting submittal of timely returns and are not paying the provisional assessment willingly. The authority does not tolerance errors on tax return requests that reduce intention of tax payment. The authority does not make tax payment extension.

5.3. Recommendations

Based on the conclusion drawn, following recommendations are provided to tax payers and the authority.

- The authority is recommended to make the tax assessment procedure fair and uniform for all tax payers, the procedure must be improved in making understandable and easy to comply.
- To result of better tax assessment and collection, the authority and tax payers must comply- the voluntary compliance strategies. The authority is recommended to make regular interaction with tax payers and providing training on business income tax laws and tax returns to create awareness.

- The tax payers are recommended to improve tax audit by submittal of timely returns and paying the provisional assessment willingly. The authority is recommended to tolerate some errors that might not result high problem and that reduces intention of tax payment.

5.4 Suggestions for Further Research

The researcher suggest that for future research on this work, other researchers can expand the study include public awareness, technological issue and so on should be seen by some one that were not considered in this study. Among others since the ones mentioned in the study are not the only challenges of business income tax collection. Also key to note is that, the study has focused on overall Business Income Tax, therefore leaving gap for future research by focusing on specific type of taxes like VAT among others. This can help improve tax revenue generation for national development.

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ANNEXS:

School of Graduate Studies Department of Accounting and Finance Questionnaire

Dear Participant:

The objective of this questionnaire is to explore information regarding Challenges of Business Income Tax Assessment and Collection the research is conducting for the partial fulfillment of Master of Business Administration in Accounting and Finance at St. Mary University. The questioners will be distributed to ORA at Head office and Special Zone, Addis Ababa.

The results of the study are expected to contribute to identify the challenges of business income tax assessment and collection. Therefore your honest and genuine participation by responding to the questions is highly appreciated. Your answers are completely confidential. Your name will not be written on this form, will never be used in connection with any of the information you tell me.

Thank you in advance for your support and participation

With best regards, Genet Gebreslassie

Cell phone: +251912325645

Email:gebreslassiegenet@gmail.com

A1: QUESTIONNAIRE TO TAX PAYERS

I: General Information;

1. Gender

- ☐ Male

- ☐ Female

2. Age:

- ☐ Less than 30 years

- ☐ 30-40 years

- ☐ 41-50 years

- ☐ Above 50 years.

4. Which tax payer category do you belong to?

- ☐ Category A

- ☐ Category B

5. Amount of tax paid during the recent report period

- ☐ Below 500,000.00

- ☐ 500,000.00 to 1,000,000.00

- ☐ Over 1,000,000.00

- ☐ Loss

To what extent do you agree with following statements? (Where SD = Strongly Disagree, D = Disagree, N = Neutral, A = Agree and SA = Strongly Agree)

Business income tax procedure	SD	D	N	A	SA
Business Income tax Assessment is fair					

	SD	D	N	A	SA
Tax procedures of the authority are clear					
Tax procedures of the authority are simple					
The procedure for submitting returns is clear					
Deadline for submitting Income Tax Returns is reasonable					

Tax compliance strategy	SD	D	N	A	SA
The authority has regular interaction with your company					
The authority provide training on business income tax laws and tax return preparation					
The authority provide clear, understandable and updated information about tax compliance					
The authority treat taxpayers as clients					
The tax returns are made timely					
Employees of the authority have good integrity and professionalism					

Tax audit assessment and effectiveness	SD	D	N	A	SA
The records book of accounts of your company are accepted by tax authority					
The authority makes timely assessment on tax					
The authority make timely tax audit					
Your company submit regular and timely tax returns					
The authority tolerates errors on tax return requests					
The authority makes tax payment extension					
Time to final tax audit liability is based on submitting tax return					
Your company willingly pay the provisional assessments					

A2: QUESTIONNAIRE TO BE ANSWERED BY TAX OFFICIALS

Section A**: Personal Information**; **Circle you're appropriate answer.**

1. Gender :

☐ Male

☐ Female

2. Age:

☐ Less than 30 years

☐ 30-40 years

☐ 41-50 years

☐ Above 50 years.

3. Level of education;

☐ Diploma and Below

☐ Bachelor's Degree

☐ Master's Degree

4. What is your current job position?

☐ Tax assessor

☐ Tax collector

☐ Tax Inspector

To what extent do you agree with following statements? (Where SD = Strongly Disagree, D = Disagree, N = Neutral, A = Agree and SA = Strongly Agree)

Business income tax procedure	SD	D	N	A	SA
The procedure for submitting returns is clear					

The tax procedure ensures voluntary compliance.					
The penalty for late filers rational.					
The tax rules consider realities of business					
The tax audits identify the tax payment problems and tax variations.					

Tax compliance strategy	SD	D	N	A	SA
Tax payers prepare tax returns properly					
The taxpayers take trainings prepared by the authority					
The tax payers maintain proper records					
Tax payers prepare realistic tax return					
Tax payers submit regular and timely tax returns					
The business income tax payment is made on schedules					

Tax audit effectiveness and assessment	SD	D	N	A	SA
The authority has strong business income tax audits					
The tax audit identify the way taxpayers fail to comply					
The audit findings and measures improves the tax payment					
The tax payers are loyal in preparing tax and requesting tax returns					
The tax payers have adequate skill for tax handling.					
The tax payment are made without any linkages					

A3: INTERVIEW OROMIA REVENUE AUTHORITY

1. What Challenge do you observe on business income tax procedures?

2. How do you assist tax payers with cash flow problems to pay their tax liability?

3. What challenges does the authority face in collection of business income tax?

4. Do you have any comments on the business income tax assessment and collection practice?

B1: RELIABILITY STATISTICS: TAX PAYERS

Reliability Statistics

Cronbach's Alpha	N of Items
.849	5

Reliability Statistics

Cronbach's Alpha	N of Items
.796	6

Reliability Statistics

Cronbach's Alpha	N of Items
.793	8

Reliability Statistics

Cronbach's Alpha	N of Items
.780	19

B2: RELIABILITY STATISTICS: TAX AUTHORITY

Reliability Statistics

Cronbach's Alpha	N of Items
.937	5

Reliability Statistics

Cronbach's Alpha	N of Items
.946	6

Reliability Statistics

Cronbach's Alpha	N of Items
.802	6

Reliability Statistics

Cronbach's Alpha	N of Items
.786	17

C1: General Information: Tax Payers

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	221	81.3	81.3	81.3
	Female	51	18.8	18.8	100.0
	Total	272	100.0	100.0	

Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 30 years	36	13.2	13.2	13.2
	30-40 years	121	44.5	44.5	57.7
	41-50 years	102	37.5	37.5	95.2
	Above 50 years	13	4.8	4.8	100.0
	Total	272	100.0	100.0	

Education

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Diploma and Below	33	12.1	12.1	12.1
	Bachelor's Degree	195	71.7	71.7	83.8
	Master's Degree	44	16.2	16.2	100.0
	Total	272	100.0	100.0	

C2: General Information: Tax Authority

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	17	70.8	70.8	70.8
	Female	7	29.2	29.2	100.0
	Total	24	100.0	100.0	

Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 30 years	3	12.5	12.5	12.5
	30-40 years	14	58.3	58.3	70.8
	41-50 years	7	29.2	29.2	100.0
	Total	24	100.0	100.0	

Education

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Diploma and Below	3	12.5	12.5	12.5
	Bachelor's Degree	17	70.8	70.8	83.3
	Master's Degree	4	16.7	16.7	100.0
	Total	24	100.0	100.0	

D1: Frequency of level of agreement about Business income tax procedure: Tax Payers

Business Income tax Assessment is fair

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disgree	55	20.2	20.2	20.2
	Disgree	129	47.4	47.4	67.6
	Neutral	58	21.3	21.3	89.0
	Agree	26	9.6	9.6	98.5
	Strongly Agree	4	1.5	1.5	100.0
	Total	272	100.0	100.0	

Tax procedures of the authority are clear

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disgree	56	20.6	20.6	20.6
	Disgree	135	49.6	49.6	70.2
	Neutral	58	21.3	21.3	91.5
	Agree	21	7.7	7.7	99.3
	Strongly Agree	2	.7	.7	100.0
	Total	272	100.0	100.0	

Tax procedures of the authority are simple

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disgree	23	8.5	8.5	8.5
	Disgree	103	37.9	37.9	46.3
	Neutral	115	42.3	42.3	88.6
	Agree	28	10.3	10.3	98.9
	Strongly Agree	3	1.1	1.1	100.0
	Total	272	100.0	100.0	

The procedure for submitting returns is clear

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disgree	69	25.4	25.4	25.4
	Disgree	128	47.1	47.1	72.4
	Neutral	60	22.1	22.1	94.5
	Agree	12	4.4	4.4	98.9
	Strongly Agree	3	1.1	1.1	100.0
	Total	272	100.0	100.0	

Deadline for submitting Income Tax Returns is reasonable

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disgree	33	12.1	12.1	12.1
	Disgree	167	61.4	61.4	73.5
	Neutral	56	20.6	20.6	94.1
	Agree	12	4.4	4.4	98.5
	Strongly Agree	4	1.5	1.5	100.0
	Total	272	100.0	100.0	

D2: Frequency of level of agreement about Business income tax procedure: Tax Authority

The procedure for submitting returns is clear

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disgree	6	25.0	25.0	25.0
	Disgree	8	33.3	33.3	58.3
	Neutral	4	16.7	16.7	75.0
	Agree	4	16.7	16.7	91.7
	Strongly Agree	2	8.3	8.3	100.0
	Total	24	100.0	100.0	

The tax procedure ensures voluntary compliance.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disgree	7	29.2	29.2	29.2
	Disgree	10	41.7	41.7	70.8
	Neutral	2	8.3	8.3	79.2
	Agree	4	16.7	16.7	95.8
	Strongly Agree	1	4.2	4.2	100.0
	Total	24	100.0	100.0	

The penalty for late filers rational.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disgree	1	4.2	4.2	4.2
	Disgree	7	29.2	29.2	33.3
	Neutral	11	45.8	45.8	79.2
	Agree	4	16.7	16.7	95.8
	Strongly Agree	1	4.2	4.2	100.0
	Total	24	100.0	100.0	

The tax rules consider realities of business

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disgree	7	29.2	29.2	29.2
	Disgree	8	33.3	33.3	62.5
	Neutral	5	20.8	20.8	83.3
	Agree	3	12.5	12.5	95.8
	Strongly Agree	1	4.2	4.2	100.0
	Total	24	100.0	100.0	

The tax audit identify the tax payment problems and tax variations.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disgree	8	33.3	33.3	33.3
	Disgree	11	45.8	45.8	79.2
	Agree	3	12.5	12.5	91.7
	Strongly Agree	2	8.3	8.3	100.0
	Total	24	100.0	100.0	

D3: Frequency of level of agreement about compliance strategy: Tax Payers

The authority has regular interaction with your company

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disgree	37	13.6	13.6	13.6
	Disgree	146	53.7	53.7	67.3
	Neutral	73	26.8	26.8	94.1
	Agree	16	5.9	5.9	100.0
	Total	272	100.0	100.0	

The authority provide training on business income tax laws and tax return preparation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disgree	17	6.3	6.3	6.3
	Disgree	207	76.1	76.1	82.4
	Neutral	45	16.5	16.5	98.9
	Agree	2	.7	.7	99.6
	Strongly Agree	1	.4	.4	100.0
	Total	272	100.0	100.0	

The authority provide clear, understandable and updated information about tax compliance

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disgree	17	6.3	6.3	6.3
	Disgree	193	71.0	71.0	77.2
	Neutral	44	16.2	16.2	93.4
	Agree	18	6.6	6.6	100.0
	Total	272	100.0	100.0	

The authority treat taxpayers as clients

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disgree	13	4.8	4.8	4.8
	Disgree	151	55.5	55.5	60.3
	Neutral	92	33.8	33.8	94.1
	Agree	14	5.1	5.1	99.3
	Strongly Agree	2	.7	.7	100.0
	Total	272	100.0	100.0	

The tax returns are made timely

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disgree	22	8.1	8.1	8.1
	Disgree	211	77.6	77.6	85.7
	Neutral	16	5.9	5.9	91.5
	Agree	22	8.1	8.1	99.6
	Strongly Agree	1	.4	.4	100.0
	Total	272	100.0	100.0	

Employees of the authority have good integrity and professionalism

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disgree	46	16.9	16.9	16.9

		Frequency	Percent	Valid Percent	Cumulative Percent
	Disgree	136	50.0	50.0	66.9
	Neutral	76	27.9	27.9	94.9
	Agree	10	3.7	3.7	98.5
	Strongly Agree	4	1.5	1.5	100.0
	Total	272	100.0	100.0	

D4: Frequency of level of agreement about compliance strategy: Tax Authority

Tax payers prepare tax returns properly

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disgree	15	62.5	62.5	62.5
	Neutral	4	16.7	16.7	79.2
	Agree	3	12.5	12.5	91.7
	Strongly Agree	2	8.3	8.3	100.0
	Total	24	100.0	100.0	

The taxpayers take trainings prepared by the authority

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disgree	16	66.7	66.7	66.7
	Neutral	4	16.7	16.7	83.3
	Agree	2	8.3	8.3	91.7
	Strongly Agree	2	8.3	8.3	100.0
	Total	24	100.0	100.0	

The tax payers maintain proper records

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disgree	15	62.5	62.5	62.5
	Neutral	3	12.5	12.5	75.0
	Agree	4	16.7	16.7	91.7
	Strongly Agree	2	8.3	8.3	100.0
	Total	24	100.0	100.0	

Tax payers prepare realistic tax return

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disgree	9	37.5	37.5	37.5
	Neutral	8	33.3	33.3	70.8
	Agree	5	20.8	20.8	91.7
	Strongly Agree	2	8.3	8.3	100.0
	Total	24	100.0	100.0	

Tax payers submit regular and timely tax returns

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disgree	15	62.5	62.5	62.5
	Neutral	3	12.5	12.5	75.0
	Agree	4	16.7	16.7	91.7
	Strongly Agree	2	8.3	8.3	100.0
	Total	24	100.0	100.0	

The business income tax payment is made on schedules

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disgree	11	45.8	45.8	45.8
	Neutral	8	33.3	33.3	79.2
	Agree	3	12.5	12.5	91.7
	Strongly Agree	2	8.3	8.3	100.0
	Total	24	100.0	100.0	

D5: Frequency of level of agreement about Tax Audit: Tax Payer

The records book of accounts of your company are accepted by tax authority

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disgree	55	20.2	20.2	20.2
	Disgree	130	47.8	47.8	68.0
	Neutral	55	20.2	20.2	88.2
	Agree	22	8.1	8.1	96.3
	Strongly Agree	10	3.7	3.7	100.0
	Total	272	100.0	100.0	

The authority makes timely assessment on tax

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disgree	47	17.3	17.3	17.3
	Disgree	142	52.2	52.2	69.5
	Neutral	67	24.6	24.6	94.1
	Agree	14	5.1	5.1	99.3
	Strongly Agree	2	.7	.7	100.0
	Total	272	100.0	100.0	

The authority make timely tax audit

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disgree	85	31.3	31.3	31.3
	Disgree	89	32.7	32.7	64.0
	Neutral	81	29.8	29.8	93.8
	Agree	12	4.4	4.4	98.2
	Strongly Agree	5	1.8	1.8	100.0
	Total	272	100.0	100.0	

Your company submit regular and timely tax returns

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disgree	66	24.3	24.3	24.3
	Disgree	123	45.2	45.2	69.5

		Frequency	Percent	Valid Percent	Cumulative Percent
	Neutral	76	27.9	27.9	97.4
	Agree	5	1.8	1.8	99.3
	Strongly Agree	2	.7	.7	100.0
	Total	272	100.0	100.0	

The authority tolerates errors on tax return requests

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disgree	97	35.7	35.7	35.7
	Disgree	127	46.7	46.7	82.4
	Neutral	37	13.6	13.6	96.0
	Agree	8	2.9	2.9	98.9
	Strongly Agree	3	1.1	1.1	100.0
	Total	272	100.0	100.0	

The authority makes tax payment extension

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disgree	59	21.7	21.7	21.7
	Disgree	129	47.4	47.4	69.1
	Neutral	51	18.8	18.8	87.9
	Agree	32	11.8	11.8	99.6
	Strongly Agree	1	.4	.4	100.0
	Total	272	100.0	100.0	

Time to final tax audit liability is based on submitting tax return

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disgree	53	19.5	19.5	19.5
	Disgree	146	53.7	53.7	73.2
	Neutral	55	20.2	20.2	93.4
	Agree	18	6.6	6.6	100.0
	Total	272	100.0	100.0	

Your company willingly pay the provisional assessments

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disgree	16	5.9	5.9	5.9
	Disgree	186	68.4	68.4	74.3
	Neutral	40	14.7	14.7	89.0
	Agree	30	11.0	11.0	100.0
	Total	272	100.0	100.0	

D6: Frequency of level of agreement about Tax Audit: Tax Authority

The authority has strong business income tax audits

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disgree	5	20.8	20.8	20.8
	Disgree	11	45.8	45.8	66.7
	Neutral	7	29.2	29.2	95.8
	Agree	1	4.2	4.2	100.0
	Total	24	100.0	100.0	

The tax audit identify the way taxpayers fail to comply

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disgree	19	79.2	79.2	79.2
	Neutral	4	16.7	16.7	95.8
	Agree	1	4.2	4.2	100.0
	Total	24	100.0	100.0	

The audit findings and measures improves the tax payment

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disgree	1	4.2	4.2	4.2
	Neutral	22	91.7	91.7	95.8
	Agree	1	4.2	4.2	100.0

		Frequency	Percent	Valid Percent	Cumulative Percent
	Total	24	100.0	100.0	

The tax payers are loyal in preparing tax and requesting tax returns

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disgree	4	16.7	16.7	16.7
	Disgree	9	37.5	37.5	54.2
	Neutral	7	29.2	29.2	83.3
	Agree	4	16.7	16.7	100.0
	Total	24	100.0	100.0	

The tax payers have adequate skill for tax handling.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disgree	4	16.7	16.7	16.7
	Disgree	11	45.8	45.8	62.5
	Neutral	4	16.7	16.7	79.2
	Agree	5	20.8	20.8	100.0
	Total	24	100.0	100.0	

The tax payment are made without any linkages

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disgree	4	16.7	16.7	16.7
	Disgree	11	45.8	45.8	62.5
	Neutral	5	20.8	20.8	83.3
	Agree	4	16.7	16.7	100.0
	Total	24	100.0	100.0	