

**THE EFFECT OF ELECTRONIC TAX FILING SYSTEM ON TAX COMPLIANCE: THE CASE OF MINISTRY OF REVENUES LARGE TAXPAYERS’ BRANCH OFFICE.**

**BY**

**ADDISU SHIFERAW JENBERIE**

**JUNE 2020**

**ADDIS ABABA, ETHIOPIA**



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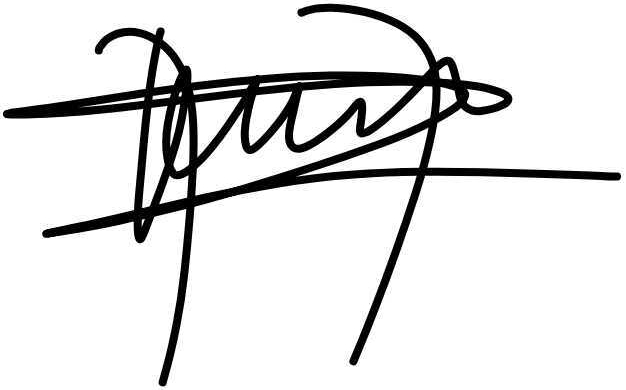
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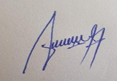
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**DECLARATION**

This is to kindly declare that this research thesis intitled: “The Effect of Electronic Tax Filing System on Tax Compliance among large Taxpayers”, was completed independently with my own effort and dedication except of the guidance and suggestion of my research advisor. All source of materials used for the study, have been duly acknowledged to the best of my knowledge This study has not been presented for any other program in this university or any other.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Addisu Shiferaw

St. Mary’s University, Addis Ababa

June 2020

**ENDORSEMENT**

This is to certify that this research thesis in titled ‘’The Effect of Electronic Tax Filing System on Tax Compliance in the case of large taxpayers branch office’ ’was completed independently by Mr. Addisu Shiferaw except guidance and suggestion of mine submitted to St. Mary’s university, School of Graduate Studies for examination with my approval as a university advisor.

\_**Abebaw Kassie (PhD)**\_ \_****\_

Advisor Signature

St. Mary’s University, Addis Ababa

June 2020

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# **Acknowledgement**

First and foremost, I am grateful to the Almighty God who made all the impossible things possible throughout my education. I dedicate this entire work to my loving mother W/ro EnyeWelela for all the support and encouragement.

My sincere gratitude also goes to my thesis advisor Abebaw Kassie (PhD). In addition, I’d like to thank my dear brother Cherent Assefa and friends for their unreserved contribution for the successful accomplishment of my graduate study from the very beginning.

Finally, I am grateful to all respondents for taking time to fill out and return the questionnaires which contribute ultimately for the study.

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# **Dedication**

This project is sincerely dedicated to my loving mother W/ro EnyeWelela for all unquantifiable support and encouragement. I could not have completed this research without constant encouragement from my friend Semgn Terech and friends even if time may not allow me to mention you by names.

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# **List of Acronyms and Abbreviation.**

ANOVA - Analysis of Variance

CLRM -Classical Linear Regression Model

ERCA- Ethiopian Revenue and Customs Authority

Etax- Electronic Tax

ETR-electronic tax revenue

ICT-Information and Communication Technology

ITD-International Tax Dialogue

KRA-Kenya Revenues Authority

LTO-large taxpayer

OLS-Ordinary Least Square

SD-standard deviation

SPSS– Statistical Package Software for Social Science

VAT- Value Added Tax

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# **Abstract**

*The Objective of this study was to establish the effects of electronic tax system on tax compliance among large taxpayers in Ministry of Revenues, Ethiopia. This objective was answered using three research questions which revolved around, electronic tax filing, electronic tax remittances and challenges on electronic tax system. The study adopted a survey explanatory research design. Data was collected using structured questionnaire, which covered all the variables of the study from 150 sampled taxpayers from large taxpayers who had been registered in Ministry of Revenues, large taxpayers’ branch office. Data obtained were subjected to quantitative methods of data analysis using SPSS (version 20). In addition to descriptive statistics, both correlation and regression analyses were done, and summaries presented. The study concluded that electronic filing system influences tax compliance level among large taxpayers as far as e-tax filing, e-tax remittance and challenges of e-tax system were concerned. The study also established that there was a positive attitude by clients towards electronic filing. Electronic filing has also significantly increased the ease of doing business the correlation analysis indicates that there was positive correlation between e-tax filing, e-tax remittance and tax compliance. From regression analysis, it was revealed that holding e-tax filing, e-tax remittances and challenges of filing tax returns to a constant zero, tax compliance will stand at 0.071The study recommends that a further study should be done to establish other factors and expand scope that affect tax compliance among large taxpayers.*

***Keywords: Online Tax Filing, Online Tax Remittance, Challenges of Online Tax System and Tax Compliance.***

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# **CHAPTER ONE**

# **INTRODUCTION**.

# **Background of the study.**

Tax is a compulsory payment to government, which imposes a personal obligation on the taxpayer without expectation of direct return or benefit to taxpayers. Tax revenue is one of the most important sources of government income. It is a powerful instrument for transferring purchasing power from individuals to government (Gebre, 2006). Taxation is a system that introduced by government to raise income revenues which is going to be utilized for social welfare purpose. It is essential for sustainable economic development and tax administration is a basic function of a successful state. Given its central role, taxation has applied to meet two objectives. First, taxation is used to raise enough revenue to fund public spending without recourse to excessive public-sector borrowing. Second, it is used to mobilize revenue in ways that are equitable and that minimize its disincentive effects on economic activities (Moyi Ronge, 2006).

Taxation remains to be the main source of government revenue in both developed and developing economies. The fact that taxation is essential for sustainable economic development a successful state makes tax authority to improve its tax collection service and make tax administration more effective (Joanna, 2014). The importance and high position of tax system is clear for all in every country's economy complex. Therefore, given the weaknesses and shortcomings of the tax system, tax system reform always attracted both public and private sector economic activists respectively. Since taxation in developing countries can play a role in economic development, electronic tax in terms of its functions is of manifestations of advanced and developed economies. The use of electronic systems in areas of declaring the taxable income by taxpayers and receiving the levy, play an important role in advancing the goals of e-Government. (Akbar, 2015).

Governments today are under an increasing pressure to improve the delivery of public services in cost effective ways. To meet this challenge for example tax authorities are turning to e-government led solutions like electronic tax filing (e-filing) (Amitabh et al., 2009). To date, the use of ICT is prominent in business and tax settings. Notably, tax authorities around the world are using electronic tax administration systems to interact with taxpaying public in tax collection, administration and compliance settings. Technology has influenced the way we work, play, and interact with others. The use of technology to improve the effectiveness of tax administration, expand taxpayer services, and enhance tax compliance has come to attract increasing attention in developed and developing countries (Dowe, 2010).

Electronic tax filing or e filing is a process where tax documents or tax returns submitted through the internet, usually without the need to submit any paper return. The e-filing system encompasses the use of internet technology, the Worldwide Web and Software for a wide range of tax administration and compliance purposes. Electronic taxation differs among countries hence the name of the system differs from country to country. According to Gellis (1991), electronic declaration named electronic tax filing. It has also called online taxation payment by UN, (2007) The main aim of electronic filing is to enable taxpayers to meet their normal tax obligations in a convenient manner without visiting tax office. Tax compliance has always been an area of concern to policy makers, tax administrators and society in general. This is mainly because tax compliance affects revenue collection and the ability of the government to achieve its fiscal and social goals (Wasao, D. 2014). Measures to improve compliance include providing excellent taxpayer services that generate better long-term outcomes such as higher tax collection and reduction in the tax gap.

According to Wasao, D. (2014), tax compliance is the timely filling and reporting of required tax information, the correct self-assessment of taxes owed, and the timely payment of those taxes without enforcement action. From this definition, there are three dimensions of tax compliance: filing, reporting, and payment compliance. Filing compliance refers to whether the taxpayer submitted the correct forms to the revenue authority. Reporting compliance refers to whether the return was accurate, while payment compliance refers to whether the taxpayer paid his/her reported tax liability in a timely manner. Therefore, a taxpayer would call non-compliant if the three dimensions are not properly accomplished.

Electronic tax filing first coined in United States, where the Internal Revenue Services (IRS) began offering tax return E-filing for tax refunds only (Muita, 2011). This has now grown to the level that currently approximately one out of every five individual taxpayers is now filing electronically. This, however, has been a result of numerous enhancements and features added to the program over the years. Today, electronic filing extended to other developed countries like Australia, Canada, Italy United Kingdom, Chile, Ireland, Germany, France, Netherlands, Finland, Sweden, Switzerland, Norway, Singapore, Brazil, Mexico, India, China, Thailand, Malaysia and Turkey (Ramayah et al., 2006). Equally, developing countries have also been embracing electronic filing of tax returns. Some of the countries, which are embracing the electronic filing, include Uganda, Nigeria, Rwanda and Kenya (Muita, 2011).

In case of Ethiopia, February 2013 the Ethiopian Revenue and Customs Authority (ERCA) has brought significant benefits to the business community and Ethiopia’s wider economy by developing Electronic Tax System. Now, taxpayers can file their tax returns online, within one day and with just little procedures’ is committed to provide first-class services to taxpayers in the country, making tax compliance easy and convenient. One of the initiatives of ERCA was the introduction of Electronic Tax Filing (e- Filing) to make the filing process easier for taxpayers as well as to reduce the time required for data entry (RutaYoseph, 2017),).

The Tax systems in developing economies face both new challenges and new possibilities because of technological change. Ministry of Revenues’ introduction of electronic tax filing system is no exception. Since electronic tax filing is relatively new system, there are few studies focusing on the challenge, benefit and determinants of electronic filing (RutaYoseph, 2017). Thus, this study intended to look at the effect of electronic tax filing on tax compliance among large taxpayers in ministry of Revenues.

# **Statement of the Problem.**

According to International Tax Dialogue (2010), revenue patterns in most countries show that, a small number of large enterprises account for most of tax revenue (60-70% of total tax revenue). Due to complexity of large taxpayers and considering their critical role in revenue collection, it is the responsibility of tax administration to be ahead of large taxpayers in technology to curb cheating (Chatama, 2013).

Despite the increasing need to increase revenue collection and enforcement to provide public services, developing countries still face the challenges of low tax compliance and tax administration (Wasao, 2014).The lack of the appropriate computer literacy levels therefore makes online tax filing expensive (Osebe, 2013).Lack of ability to use e-filing system quickly and efficiently or lack of understanding the type of information required by the online tax filing system forces taxpayers to engage third parties (Mandola, 2013). There are challenges associated with the online filing including taxpayers ‘perception, challenges associated with learning the electronic filing system from service provider, limited accessibility of internet infrastructure and electronic filing system down times (Azmi & Bee, 2011).

The studies conducted in Ethiopia by (RutaYoseph, 2017) regarding assessing of E-tax filing system in selected branch offices of Ethiopian Revenues and customs Authority. The study findings revealed challenges like taxpayers ‘attitude, taxpayers ‘fault and governmental problems and benefits which include data handling, accuracy, job performance and tax compliance. In addition, the study found out that E-tax filing system and tax compliance has a positive relationship. According to (Wondwossen&Tsegai, 2005) study on electronic payment practices in developed countries, Africa and Ethiopia reveals that the major challenges of electronic payment in Ethiopia include poor telecommunication infrastructure, frequent power disruption, people are resistant to new payment mechanisms, lack of skilled manpower and unavailability of payment laws, and regulations particularly for e-payment.

Therefore ,this study motivate to conduct in area of electronic tax filing system to examine its effect on tax compliance among large taxpayers, which presumes use of electronic filing as one system component, for the adequate functioning of tax administration that aims enhanced tax compliance and contribute to address the gap in the literature.

# **Research Questions.**

To achieve the study’s objective, the following key research questions are set:

1. What is the effect of online tax filing system on tax compliance among large taxpayer’s branch office?
2. What is the effect of online tax remittance on tax compliance among large taxpayer’s branch office?
3. What are the effects of challenges of online tax filing system among large taxpayer’s branch office?

# **Objectives of the study**.

# **General objective.**

The overall objective of the study was to examine the effect of electronic tax filing on tax compliance among large taxpayers.

#### **Specific Objectives**

To meet the overall objective of the study, these specific objectives are set:

1. To investigate the effect of online filing of tax return on tax compliance among large taxpayer’s branch office.
2. To determine the effect of online tax remittance on tax compliance among large taxpayer’s branch office.
3. To establish the challenges of online tax filing system on tax compliance among large taxpayer’s branch office.

# **Significance of the Study.**

Governments of Ethiopia pay attention heavily on taxes to fund its development expenditure. An increase or decline in tax revenues has a direct bearing on the economy of a country. The study’s output could be significant in various aspects. The result of the study will give insights about the benefits and challenges of E-tax and its relationship with tax compliance. It provides information for Tax Authority, which could help it to re-strategize policies before next declaration.

The findings and the recommendations drawn from this study will help the tax authority in assessing the impact of the electronic tax filing system on tax compliance. It will also give awareness on the opportunities that technology can provide as well as the challenges that may emerge as the users are phasing in the change over time and helps to take any corrective measures to counter any weaknesses identified. This will help in elevation of large taxpayers ‘development in the country as well as ensuring adequate financial resources for the government.

The findings will contribute to gain understanding on the gap existed in the e-filing system among the taxpayers and the enhancement is certainly assists in understanding the determinant of tax E-filing. The research will also contribute to the existing body of knowledge and may form the basis for further research in the area of electronic tax filing system and tax compliance in Ethiopia.

# **Scope of the study.**

According to International Tax Dialogue (2010), revenue patterns in most countries show that, a small number of large enterprises account for most of tax revenue (60-70% of total tax revenue). Usually, this majority of tax revenue classified/ termed under Large Taxpayers. Due to complexity of large taxpayers and considering their critical role in revenue collection, the scope of this study conceptually delimited to examining the effect of electronic tax filing system on tax compliance in large taxpayer’s branch office of Ethiopian Ministry of Revenues. The study will cover only the large taxpayers (LTO) considering the similarity of the system, they are assumed to be representative.

Therefore ,this study motivate to conduct in area of electronic tax filing system to examine the effect of the electronic tax filing on tax compliance, which presumes use of electronic filing as one system component, for the adequate functioning of tax administration that aims enhanced tax compliance among large taxpayer’s branch office.

# **Organization of the Paper.**

The research will be present in five chapters. It begins with introductory outlines under which an overview of the topic under study is present and then description made on the statement of the problem, the objectives of the study, the research questions, significance of the study, the scope of the study, and organization of the paper. The second chapter presents review of related literature. The third chapter outlines the research methodology. The fourth chapter have devoted to the data presentation, analysis, and review literature. The final chapter summarized the findings, present the conclusion, and recommendations made by the researcher. Then end of the paper list bibliographies and annexes.

# **CHAPTER TWO**

# **LITERATURE REVIEW.**

# **2.1. Introduction.**

This chapter contains theoretical and empirical literature. Theoretical literature deals with concepts of e-tax filing. Related empirical literature which have been advanced in the field of tax compliance, Electronic tax filing systems, taxpayer ‘s attitudes towards technology acceptance, online tax system stability, as well as taxpayer’s challenges of using electronic tax filing system.

This study focuses on reviewing the literature, which is significant to this research study around the world. Different scholars and researches were evaluated and analyzed to explore the objectives of this research study. It therefore went on to provide a systematic analysis of the empirical and theoretical evidence relating to the evaluation of the impact of electronic tax filing system on tax compliance among large taxpayers.

# **2.2. Theoretical Literature review.**

### **2.2.1. Electronic Tax System.**

Electronic tax system is the system that has developed to replace the current manual system. A web-enabled and secure application system provides a fully integrated and automated solution for administration of domestic taxes. It Enables Taxpayer internet-based registration, returns filing, payment registration to allow for tax payments and status inquiries with real-time monitoring of accounts (Waweru 2013).

Chanchal et al (2013) on their study about the satisfaction level and awareness of taxpayers towards E-filing of income tax return in Moradabad city defined electronic filing as the process of filing tax electronically. Taxpayers no longer stand in long queues and no waiting for filing. The Tax Authority has devised customized forms, which is available on the site. These forms have devised with such details that taxpayers need not file any supporting document. According to Kun, et al (2008), for a long time, government services have regarded as synonymous with bureaucracy in both developing and industrialized countries. The tenets of Weberian bureaucracy include such factors as organized hierarchy, development of standardized and impersonal procedures, formal division of labor and responsibility, and emphasize efficiency in all procedures.

According to International Tax Dialogue (ITD) (2010), revenue patterns in most countries show that, a small number of large enterprises account for the majority of tax revenue (60-70% of total tax revenue). Usually, this majority of tax revenue classified/ termed under Large Taxpayers. Due to complexity of large taxpayers and considering their critical role in revenue collection, it is the responsibility of tax administration to be ahead of large taxpayers in technology in order to curb cheating (Chatama, 2013). Guiterreze (2010) recommends the adoption of an integrated management model, which presumes use of electronic filing as one system component, for the adequate functioning of tax administration that aims enhanced compliance, evasion reduction, and increase in tax revenue.

McCarten (2014) emphasized that for large tax payers in order to accomplish its intended goal/purpose, countries should work towards, among other strategic interventions, reducing the potential for corruption by automating and restructuring control systems; and simplifying and reducing paper handling through appropriate use of electronic filing.

### **2.2.2. Technical skills of filing returns.**

According to Mandola (2013), there has been little research exploring the possession of technical skills of filling in and filing tax returns as a factor that affects the adoption of online filing system by citizens, especially in developing countries. Lee et al. (2008) on user evaluation of tax filing web sites in South Korea and Turkey, to compare the design and the complexity of the web sites and the ease with taxpayers can file tax returns and queries on their tax status. While Turkey had a complex online system, to the contrary, Turkish users did not find tax filing system difficult to use and that was attributable to the fact that they relied on accounting professionals to do their tax returns online. On the other hand, South Korean system considered fewer complexes, but few taxpayers were using it as expected tax practitioners and the study aimed at establishing the necessary skills required by taxpayers fully utilize a tax online system.

The study found that three skills are needed by a taxpayer to interact well with technology-based tax system namely, spread sheet software, word-processing software and e-mail. The findings of this study have implications on the current study in that in analyzing the effectiveness of electronic filing system, one must not ignore the mandatory skills users of the system need to have. Failure to consider such skills may make the intention of the system not to be realized (Maede, 2002). He confirmed that despite the heavy investment, the Malaysian tax authority put in new online system, only 20% of the targeted taxpayers were able to use it after three years of implementation. This mainly attributed to lack of necessary user skills like computer literacy; however, taxpayer’s behavior also played a role. Muita (2010) also did a related study on the factors that influence adoption and use of e-filing system among Large Taxpayers in Kenya. The study examined the skills required by the users of E-filing, the technology required and the tax authority’s preparedness in enhancing the adoption of tax compliance-based technology. The study found that for E-filing effectively take off in Kenya; skills, infrastructure and a conducive business environment needed.

#### **2.2.3. Taxpayers perception towards online filing technology.**

Perception and attitude towards online filing have identified as one of the major factors that influence the adoption of an innovation or technology (Mandola, 2013). Although, the e-filing system may offer potential benefits to improve administrative compliance efficiency, the benefits gained may be obstruct by tax users' unwillingness to accept and use the new tax technology. In essence, the move to adopt an e-filing system is neither hassle free nor well accepted by all tax parties, particularly the tax agents and professionals (Kamarulzaman, 2010).

According to Palmer (2002) electronic tax filing systems can be evaluated in terms of usability, design and performance including download delay, navigability, site content, interactivity, responsiveness, user satisfaction, the likelihood of return to the website and frequency of use. Another critical issue on e-filing is that the KRA has to ensure the confidentiality and privacy of the information submitted through the Internet is preserved for example, empirical study found that American taxpayers vary widely in their attitudes, technology readiness, acceptance and utilization of e-filing technologies (Walsh and White, 2000).

Several studies uncovered that taxpayer groups vary in their technology readiness and willingness to automate, especially older taxpayers and pensioners who are much more comfortable handling paper filing and are accustomed to paper products (Fatimah, 2007). According to the definition of Rogers (1983) in the DOI theory, the use of iTax as an e-filing system in Kenya can be consider its users perceive a novel approach since it as an innovation. Rogers proposes that there are five distinct categories of adopters: innovators, early adopters, early majority, late majority and laggards. Use of iTax in Kenya said to be still in the early stage of adoption for instance, a study on the antecedents of paperless income tax filing by young professionals in India (Amitabh et al, 2009).

The objective of this study was to study how young Indian professionals will adopt or behave towards paperless or online filing of tax returns with the aim of enhancing compliance. The regression analysis carried out found that the antecedents of young Indian professionals depended on the perceived ease of the tax system, personal innovativeness in information technology, relative advantage, performance of filing service, and compatibility. The implication of the findings to the current study is that for any online system to succeed whether for small, medium or large taxpayers’ category there must be the ease of use, innovativeness and accessibility.

### **2.2.4. Impact of Online Tax System Stability on Tax Compliance.**

The online tax filing system must be stable to handle the high traffic during the peak times. In this context, Kamarulzaman& Azmi (2010) argue that the online system must run smoothly and efficient during the peak times especially closer to the deadlines. The inability of the system to handle huge information during the peak hours and may change the perception of the users that the system in unreliable (Nakiwala, 2010). Customers in this context may thus opt to utilize the manual filing due to the perception that the system is always unreliable (Mugo, 2013).

According to Azmi & Bee (2010), improvement on the e filing systems that will enhance the taxpayer’s perceived ease of use, usefulness and reduced riskiness of the system are essential in the adoption of the e filing system. Mugo (2013) notes that reducing taxpayer’s perception of risk in electronic filing not only increases their perception on the usefulness of the electronic filing but also leads them to adoption of the system.

Ramoo (2006) argues that computer anxiety affects the adoption of the electronic filing of tax returns. The computer anxiety defined as the fear and the apprehension felt by an individual when considering the utilization of the computer technology or when actually using it (Nakiwala, 2010). There are two components of computer anxiety that is the cognitive and the emotive components. The cognitive component underlies the negative expectancies and the emotional expectancy leads to negative physiological reactions (Ramoo, 2006). The computer anxiety has shown to impact on the perceived ease of use, computer use and computing skills, which leads to the low adoption of the electronic filing system. The computer anxiety is most likely to be an issue among the illiterate, semi illiterate and the elderly taxpayers (Hussein et al., 2010). Some of the traders in the SME sector have relatively low education levels, which may reduce their confidence around computer technologies such as the online filing system.

### **2.2.5. Challenges of Using the Electronic Tax System.**

Dowe (2008) argued that the basic prerequisites for implementing successful e-filing and e-payment systems are: (1) a reliable and accessible internet service; (2) cooperative financial institutions; (3) an IT oriented public; and (4) adequate financing to set up the appropriate infrastructure in tax offices. Ideally, the setting of an E-filing and E-payment system should form part of a comprehensive IT design, development and implementation strategy.

The implementation process for electronic tax systems begins with the development of a strategic business plan – documenting the ideas and actions, desired outcomes and the period for each component, taking into account the strengths and weaknesses of the tax administration and environmental opportunities and threats. The plan should also document the implementation strategy including the implementation approach. Many countries have taken a gradual approach by allowing voluntary E-filing and e-payment for select segments of the taxpayer base, e.g. individuals or companies only, in the initial stages to allow for live testing of the system. After testing is complete, filing becomes mandatory for some taxpayers, e.g. companies (Dowe, 2008).

In Uganda, Akello (2014) reported that there are challenges such as intermittent power supply and Internet outages but says the tax body has made contingency plans to ensure that the system is operational 24/7. First, the e-Tax hosted on a central server at their Kampala headquarters, which means that it is not affect by power or network outages even when power or the Internet is off in some parts of the country. The electronic filing process still confuses many people because the web portal has many features and yet most people cannot understand some tax terms.

Sheikh (2015) explains that, as with any new system, there have been numerous teething problems with the electronic system. First, there are two concurrent tax systems — manual and iTax systems without either system recognizing the other. Taxpayers are also receiving demand emails from the Integrated Tax Management System. This is bound to create discrepancies in taxpayers’ records, especially concerning payment of tax obligations as well as submitting returns.For instance, in the current setup, if a taxpayer pays taxes manually, the iTax system will not recognize the payment. Instead, the system automatically calculates penalties and interest on the perceived “missed” tax payments thereby leading to potential disputes between the KRA and the taxpayer. Second, the iTax system lacks historical records of taxpayers. Its record keeping is a “going forward” type in that it only stores tax records of taxpayers from the time of registering for iTax onwards (Sheikh, 2015).

According to Lubua (2014), employees play a vital role in ensuring that the revenue authority collects its tax from clients at the right time. They also ensure that clients have the right knowledge of business taxation. Low integrity to employees reported significantly affect efforts by the revenue authority toward improving revenue collection. Largely, the use of ICTs in the Tanzanian revenue authority has addressed the challenge of corruptive behavior by employees. In areas such as custom department, clients are able to conduct own assessments. However, in domestic revenue there is a low usage of ICTs. Clients depend on employees for assessment and this assessment depends on employees’ rational ability and integrity.

The use of ICTs for self-assessment addresses the challenge of the integrity of employees and promotes voluntary compliance. Training is essential because it provides clients with the skills necessary in raising their attitude of voluntarily complying with taxation systems. In the Tanzanian revenue authority, employees organize seminars to educate stakeholders about the benefits of voluntary tax compliance. However, many respondents admitted that they never received training from tax officers. This is partly due to inadequate members of staff. The mobile technologies can be useful in providing trainings (Lubua, 2014).

### **2.2.6. Tax Compliance.**

Tax compliance is the timely filing and reporting of required tax information, the correct self-assessment of taxes owed, and the timely payment of those taxes without enforcement action (Jones, 2009). From this definition, there are three dimensions of tax compliance: filing, reporting, and payment compliance. Therefore, a taxpayer would be call non-compliant if the three dimensions are not properly accomplished. The aim of tax reforms in many countries is to achieve higher voluntary compliance and one way to do this is by introducing electronic filing system (Khadijah, 2014). No matter what the justifications advanced, a tax fails to the extent that it avoided or evaded (Shultz and Harris, 2004). The aim of tax reform in many countries is to achieve higher voluntary compliance and one way to achieve this is by introducing a self-assessment system (SAS) (Khadijah, 2014).

James and Alley (2012) defined tax compliance as “the willingness of the taxpayer to act in accordance with both the ‘spirit’ and the ‘letter’ of the tax law and administration without the application of enforcement activity”. Their studies in Yemen revealed that SME’s in Yemen comply with the tax regulations of the country. Cuccia (2013) conducted his studies in Brazil, defined tax compliance as filing all required tax returns at the proper time, and accurately report tax liability in accordance with the tax law applicable at the time the return filed. Interviews conducted by Roth et al. (2015) revealed that it was the fear of stiff tax penalties, which compelled the SMEs to comply with tax laws.

The dependent on the third parties to assist a taxpayer undertake online tax returns have the effect of the taxpayer losing data privacy (Lai & Choong, 2010). The taxpayer need to reveal personal financial details about his business such as the income derived from the business (Lukwata, 2011). Many of the taxpayers may not be comfortable divulging such information to third parties who are not connect to their business (Ramoo, 2006). This is because it exposes them to security risk of being rob. In this context, the taxpayer may opt to fill the manual tax returns in a bid to protect the privacy of his data (Ssetuba, 2012). The lack of the computer literacy in general and the lack of confidence around the online filing system may lead to psychological predispositions that may influence the adoption of electronic filing (Muhangi, 2012). For example, Mandola (2013) argues that a feeling of increased anxiety and stress due to lack of experience or comfort with using technology or feeling threatened by technology could prevent a customer being inclined to adopt the e filing system.

Tax compliance is a major problem for many tax authorities, and it is not easy task to persuade taxpayers to comply with tax requirements even though „tax laws are not always precise‟ (James and Alley 2004). The definition of tax compliance in its simplest form usually cast in terms of the degree to which taxpayers comply with the tax law (James 1999). However, like many such concepts, the meaning of compliance can see as a continuum of definitions. One suggestion is that the degree of non-compliance may be measure in terms of the tax gap. Tax gap represents the difference between the actual revenue collected and the amount that would collect.

# **2.3. Review of Empirical Studies.**

Many researchers have studied the effect of online tax filling on tax compliance from different views and in different environments. The following ones were very interesting and useful for the research:

SifileObert, Kotsai Rodgers, Mabvure Joseph Tendai and ChavundukaDesderio (2018) studied the effect of e-tax filing on tax compliance among taxpayers in Harare, Zimbabwe. The objective of this study was to find how electronic tax filing system has influenced tax compliance. The study employed a descriptive research design. Questionnaires and face-to-face interviews used for primary data gathering. The study also established that there was a positive attitude by taxpayers towards electronic filing. Electronic filing of tax return has also significantly increased the ease of doing business. Correlation analysis revealed a positive correlation (0.533) between assessing tax obligations accurately and the ease of doing business.

Kiring’aSimiyu Edward and Jagongo Ambrose (2017) studied the effect of online tax filing on tax compliance level as far as perception on online tax filing and technical skills of filing tax returns were concerned among small and medium enterprise taxpayers in Kenya. The study based on descriptive survey research design. The information required for the study was collect from primary sources using the self-administered questionnaire and interview schedule. A target population was 1,800 MSE. A total sample size of 316 was pick as representative of the target population. The findings of the study show that online tax filing affect tax compliance level among MSE as far as perception on online tax filing and technical skills of filing tax ns were concerned. The correlation analysis indicates that there was negative correlation between perception towards online tax filling and tax compliance while there was a positive correlation among technical skills of filing tax return. From regression analysis, it was revealed that holding perception on online tax filing and technical skills of filing tax returns to a constant zero, tax compliance will stand at 0.712.

Ondara Thomas Gwaro, Kimani Maina, and JosphatKwasira (2016) studied the Influence of Online Tax Filing on Tax Compliance among small and medium enterprise taxpayers in Nakuru Town, Kenya. The study utilized survey descriptive research design in which quantitative data was collect through questionnaires. A sample size of 100 respondents selected from the Small and Medium Enterprises in Nakuru. The study found amongst the independent variables only the computer literacy had significant effect on the influence of tax compliance levels amongst Small and Medium Enterprises in Nakuru. The multiple correlation effect of 0.954 indicates a relatively strong positive relationship effect between the three independent variables namely computer literacy, perceived security & online tax filing and the dependent variable tax compliance. The coefficient of determination (R Square) indicates the variance on the dependent variable attributed to the three independent variables. In this context, the coefficient of determination (R Square) of 0.911 indicates that the three independent variables contributed to 91.1% of the variance in the dependent variable.

ManchilotTilahun (2018) studied Determinants of Tax Compliance a case of Gondar city, Ethiopia. The main objective of this study is identifying factors affecting tax compliance among Gondar city, business income taxpayers and to this end explanatory research design adopted. The target population for the purpose of this study is category ‘A’ and ‘B’ business income taxpayers of Gondar city. The study employed simple random sampling to select the participants. The sample was determined to 332 category ‘A’ and category ‘B’ business income taxpayers from whom primary data was collected structured questionnaires. Six potential determinants of tax compliance such as awareness level of taxpayers, age of taxpayers, gender of taxpayers, organizational strength of the tax authority, probability of detection and simplicity of the tax system was examined in the study. The findings imply that significant factors affecting tax compliance in Gondar city include simplicity of the tax system (positive), organizational strength of the tax authority (positive) and probability of detection (positive). These results provide that as the tax authority perceived by the taxpayers as strong, their compliance will increase. Additionally, it concluded that a high probability of being audit and detected could encourage taxpayers to comply and simplicity of the tax system has a positive and significant correlation with tax compliance indicating the simpler the tax system, the more compliance level. In this study other variables such as gender, age and awareness level of taxpayer’s appear having insignificant correlations with compliance behavior of taxpayers.

Cheng-Tsung Lu, Shaio-Yan Huang and Pang-Yen Lo (2010) studied an empirical study on online tax filling acceptance model: Integrating TAM and TPB among Taiwan taxpayers. The study employed online questionnaires to obtain taxpayers samples. Subjects of this paper are citizens of Taiwan area who have experiences of internet taxation. The questionnaire was made by, distributed through, and collected by a questionnaire dedicated. The questionnaires were posted on many larger taxation websites and taxation forums. As a result, 448 surveys returned with 422 valid surveys. In this study, descriptive statistics analysis and Pearson correlation analysis employed to analysis the data for understanding the sample characteristics and level of correlation among variables. This study mainly continues the viewpoints of TPB and TAM to discuss the determinants affecting taxpayers to use on-line tax filing system. The empirical results show that perceived usefulness and perceived ease of use have a significant positive effect on perceived behavioral control.

Naibei, K. I. and Siringi, E. M. (2011) studied the Impact of Electronic Tax Registers on VAT Compliance. The first and main objective of the study was to find out the impact of electronic tax registers on VAT compliance among private firms in Kisumu city, Kenya. This achieved by testing the hypothesis that the use of electronic tax registers has a positive relationship with VAT compliance. This study adopted a survey research design. A sample of 233 private firms selected from a population of 590 private firms using stratified sampling technique. The data gathered by questionnaires and analyzed by use of correlation and descriptive statistics. The study results reveal that effective and regular use of ETR has a significant impact on the Value Added Tax (VAT) compliance (R=0.622, p<0.05), frequency of inspection of businesses by tax authorities has a slight impact on VAT compliance (R=0.15, p<0.05) while sales had insignificant negative relationship with VAT compliance (R=-0.077, p>0.005). Based on the research findings the study concludes that use of ETR has a significant impact on VAT compliance in Kenya.

Akbar Barati and Shahriar Bakhshayesh (2015) studied Electronic Tax System and the facing challenges (. case study Kermanshah, Iran). A sample of 383 taxpayers selected from the population of about 98000 Kermanshah taxpayers by using koori sampling method and by simple random sampling. This study employed exploratory researcher design to investigate barriers and problems of implementing e-tax system and to find influencing factors on accepting e-tax system. The study findings revealed that, technical and infrastructural variables, social influence, the expected effort, legal issues, expected performance, information access and perceived risk having a factor of importance and more influence on the affecting factors for the adoption of electronic tax respectively.

Saliza Abdul Aziz and Kamil Md. Idris ctively (2012) studied Determinants of Tax E-filing among Tax Preparers in Malaysia. The adoption of e-filing system in corporate taxation would increase the performance of tax preparers in effectively and efficiently complete and return the return form electronically. Thus, it is predicted that there is a positive relationship between performance expectancy and behavioral intention to accept e-filing in Malaysia among tax preparers The main objective of this study is to gain understanding on the gaps existed in the e-filing among the tax preparer. In seeking for the imperative answers, this research is design for the following objectives to determine the level of acceptance of tax e filing among Malaysian tax preparers; to identify the determinants of tax e-filing acceptability; and to examine how the factors identified above are relate to tax e-filing acceptability.

Gekonge Justus Maisiba, Wallace Atambo (2016) studied effects of etax on the revenue collection efficiency of Kenya Revenue Authority (KRA). The study employed a case study research design of KRA Usain Gishu County. The main data collection tools were questionnaires that administered to the respondents. The study targeted a population of 102 respondents who included employees of KRA and taxpayers. Data from the field was analyzing using SPSS that included use of descriptive & inferential statistics. The study results indicated that, revenue collection has affected upwards and KRA workers are comfortable using the process as compared with the old manual one. The electronic system has also reduced corruption loopholes by making moist payment through mobile phones and submitting returns online. This is good for efficient revenue collection and good for faster accessibility of KRA services for the taxpayer without physically visiting KRA offices.

Tadesse GetacherEngida and Goitom Abera Baisa (2014) studied an empirical study in Mekelle City, Ethiopia on Factors Influencing taxpayers’ compliance with the tax system. This paper attempted to reveal determinants of taxpayers’ compliance with the tax system. Nine tax compliance determinants were examined; the examined tax compliance determinants were: probability of being audited; perception of government spending; perception of equity and fairness; penalty, financial constraint; changes to current government policies; referral group; the role of the tax authority; and tax knowledge. The study used a cross-sectional survey method of research design. Given the scaled ranking information of the dependent variable (tax compliance), an ordered probate was applied to examine determinants of tax compliance in Mekelle city, Ethiopia. The study results from the survey conducted in Mekelle using 102 respondents indicate that tax compliance influenced by the probability of being audit, financial constraints, and changes in government policy.

AkaluKibret (2016) studied determinants of compliance behavior of large corporate taxpayers in Ethiopia. The main objective of this study is to gain insight into the influence of some possible causes that affect the compliance behavior of large corporate taxpayers in Ethiopia. What factors motivate them to comply or what factors discourage them not to comply with the income tax reporting requirements. The study used survey method of research design. Primary data collected directly from taxpayers through researcher-administered questionnaire survey method and focus group (1 to 5) discussion. Secondary data collected from relevant legislation enacted in connection with the topic, tax journals, as well as published articles. The results revealed that business size, business age and tax psychological cost consistently influence the likelihood of tax non-compliance behavior in the areas of under-reporting income, over-claiming expenses and overall non-compliance. Nonetheless, business sector, tax complexity, fairness in the tax rate/ tax system and tax deterrence sanctions have an insignificant relationship with the non-compliance behavior of corporate taxpayers. Tax liability, compliance cost and tax rate structure are significant determinants in at least one type of non-compliance behavior.

RutaYoseph (2017) studied assessing E-tax filing system in selected branch offices of Ethiopian Revenues and customs Authority (ERCA). To this effect, descriptive survey method employed with the assumption that it can help to describe the current benefits and challenges of e-tax filing system and its relationship with tax compliance in ERCA.The primary data of this study collected using a structured self-administered five-point Likert scale questionnaire Data analysis carried out using descriptive analysis. Findings revealed challenges like taxpayer’s attitude, taxpayers’ fault and governmental problems and benefits, which include data handling, accuracy, job performance and tax compliance. In addition, the study found out that E-tax filing system and tax compliance has a positive relationship.

# **2.4. Summary of Literature Review.**

E-filing minimizes the cost of preparation and submission of tax returns in an environment which is paperless (Azmi and Kamarulzaman, 2010). However, the empirical studies discussed above shows that there exist challenges of electronic tax return filling system. Most of these studies conducted outside Ethiopia, and few of the studies carried out & discussed in Ethiopia mainly focused on taxpayer’s compliance behavior instead of effect of the using technology (e filing) on tax compliance. ManchilotTilahun (2018) studied determinants of tax compliance a case of Gondar city. The main objective of this study is identifying factors affecting tax compliance among business income taxpayers.

Tadesse GetacherEngida and Goitom Abera Baisa (2014) studied an empirical study in Mekelle City on factors influencing taxpayers’ compliance with the tax system. AkaluKibret (2016) studied on determinants of compliance behavior of large corporate taxpayers in Ethiopia. The main objective of this study is to gain insight into the influence of some possible causes that affect the compliance behavior of large corporate taxpayers in Ethiopia. Moreover, RutaYoseph (2017) studied assessing e-tax filing system in selected branch offices of Ethiopian Revenues and customs Authority (ERCA). The study examined the skills required by the users of e-tax filing, the technology required and the tax authority’s preparedness in enhancing the adoption of tax compliance-based technology.

As per knowledge of the researcher and according to RutaYoseph (2017) no study has been done in Ethiopian in the area of E-tax filing system: its challenges, benefits and relation with tax compliance. Moreover, it is important to notice that Ethiopia’s environment is different from the developed countries environment where the E-tax filing system is more enhanced. (RutaYoseph, 2017). Therefore ,this study motivate to conduct in area of etax filing system to examine the effect of the etax filing on tax compliance, which presumes use of electronic filing as one system component, for the adequate functioning of tax administration that aims enhanced tax compliance among large taxpayer’s branch office.

# **2.5. Conceptual framework.**

A conceptual framework described as a set of broad ideas and principles taken from relevant fields of enquiry and used to structure a subsequent presentation (Raichel and Ramey, 1987). This study proposes a framework that incorporates the significant effect of online tax filing, online tax remittance, and challenges of using electronic tax system to file the tax returns on tax compliance. The dependent variable is a result of the interaction between the inputs (independent variables). The government and Tax Authorities can enhance compliance by education and training, tax amnesty and technology.

The conceptual framework as illustrated in Figure 2.5.1 is a diagrammatic representation of the variables that determines the online tax filing that enhances tax compliance. The model derived from the theoretical foundations of prior research.

**Independent Variables. Dependent Variable.**

**Electronic Tax filling**

* Filling of tax return
* Perceived essay of use
* User satisfaction

**Tax Compliance**

* Timely filling returns
* Correct declaration
* Timely Payment
* Accurate return

**Electronic Tax remittance**

* Perceived essay of use
* User satisfaction
* Perceived insecurity

**Challenges of Electronic Tax System**

* Connectivity of E-tax
* Technical skill of filing
* Easy of Application

**Figure 2.5.1**: **Conceptual framework**

**Source: - Adapted from Gekonge Justus Maisiba and Wallace Atambo(2016).**

# **2.6. Research Hypotheses**

After related literatures were extensively reviewed on electronic tax filing system, electronic tax remittances and challenges of electronic tax filing, the following directional research hypotheses were developed.

**H01**: There is no significant influence of electronic tax filing on tax compliance among large

taxpayer

**H02:** There is no significant influence of electronic tax remittance on tax compliance among

large taxpayer

**H03:** There is no significant influence of challenges of electronic tax filing on tax compliance

among large taxpayer

# **CHAPTER THREE:**

# **RESEARCH DESIGN AND METHODOLOGY.**

This chapter deals with the research methodology used in the study. It contains the research design, population, sources of data, data gathering instruments, and methods & data presentation and analysis procedures.

# **3.1. Research design**.

The objective of this study was to examine the effect of electronic filing of tax return on tax compliance among large taxpayer’s branch office. To this end explanatory research, design employed implying that there was a cause and effect relationship between electronic filing of tax return and tax compliance. The main aim of explanatory research was to identify any causal links between the factors or variables that pertain to the research problem. This design enables to establish causal relationship between electronic tax filing system, electronic tax remittance as well as challenges of electronic tax filing along with levels of tax compliance.

The study based on quantitative research methodology to construct an empirical model in order to measure the effect of electronic filing of tax return on tax compliance among large taxpayer’s branch office. Specifically, regression analysis was used to measure the effect of determinants on the dependent variable. The use of regressions considers the simultaneous relationships amongst the multiple numbers of independent and dependent variables found across the regression model, therefore it found suitable for such a study. Regressions was further utilized to examine the associative relationships between variables in terms of the relative importance of the independent variables and predicted values of the dependent variables.

# **3.2. Research Approach.**

The study was clearly concentrated on quantitative research approach. It usually involves collecting and converting data into numerical form so that statistical analysis made, and conclusions drawn. Researchers had developed research questions. These questions were address which include predictions about possible relationships between the things investigated. The main emphasis of quantitative research is on deductive reasoning, which tends to move from the general to the specific. This sometimes referred to as a top down approach. The validity of conclusions was show dependent on one or more premises (prior statements, findings or conditions) being valid. On the other hand, qualitative research is the approach usually associated with the social constructivist paradigm, which emphasizes the socially constructed nature of reality. The approach adopted by qualitative researchers tends to be inductive which means that they develop a theory or look for a pattern of meaning based on the data that they have collected. This involves a move from the specific to the general and sometimes called a bottom-up approach.

# **3.4. Sample Design and sample Size.**

The population of the study consisted of large corporate business taxpayers registered in large taxpayers ‘branch office Addis Ababa, Ethiopia. Currently the numbers of individual large taxpayers those register and run their business in the area under the Ministry of Revenues large taxpayer’s branch office are approximately 785 taxpayers as of December 2019. Large taxpayers were suited for the study because of their peculiar characteristics. According to International Tax Dialogue (ITD) (2010), revenue patterns in most countries show that, a small number of large enterprises account for most of the tax revenue (60-70% of total tax revenue). Usually, this majority of tax revenue classified under Large Taxpayers. Due to complexity of large taxpayers and considering their critical role in revenue collection, it is the responsibility of tax administration to be ahead of large taxpayers in technology in order to curb cheating (Chatama, 2013). Therefore, the target population of the study consists of large corporate business taxpayer.

The study was used both stratified and simple random sampling methods. Stratification was done for the taxpayers based on their sectors, i.e. (Finance & Insurance, Education, Manufacturing, Agriculture, Import/Export, Hospitability, Real estate, Construction ,Hotel, Information Tech and others) resulting in ten strata after which the study will employed simple random sampling technique to select firms sampled in each stratum in order to get a representative sample size. This were enabled the researcher fairly distributed the questionnaire to the respondents in the different sectors. Further analysis of the impact of technology on each stratum were done based on tax returns filed, tax collected over the years and major challenges experienced with interaction with technology and taxation.

The study Were used (Rose &Canhoto, 2014) formula to calculate the sample size based on the sample required estimating a proportion with an approximate 95% confidence level; we can use the following formula:

n= (1.96)^2 p q

D^2

Where: n = required sample size

p = proportion of the population having the characteristic (0.5)

q = 1-p and

d = the degree of precision (0.08)

Substituting these values in the equation, estimated sample size (n) is:

n = [(1.96) ^2 (0.5) (0.5)] / (0.08) ^2

n = 150.06

Hence, approximately 150 respondents were selected from the population of 785 large corporate business taxpayers and note that, according to (Israel, 1992) a proportion of 50% indicates a greater level of variability than either 20% or 80%. This is because 20% and 80% indicate that a large majority do not or do, respectively have the attribute of interest. Because a proportion of 0.5 indicates the maximum variability in a population, it often used in determining a more conservative sample size that is, the sample size may be larger than if the true variability of the population attribute used.

After the desired sample size determined, stratified random sampling were used. Stratification had been done for the taxpayers based on their sectors fairly distribute samples among each stratum by using Rose &Canhoto( 2014) formula as follow:

nh= (Nh/Ns)n

Where: nh = Sample size from each stratum

Nh = Total population from each stratum

Ns = Total population of the sum of strata for the study

n = Total sample size for the study population.

**Table 3.1. Total Number of populations and sample size.**

|  |  |  |
| --- | --- | --- |
| **Industry** | **Total population  from each stratum** | **Sample size selected from each stratum** |
| Agriculture | 42 | 8 |
| Construction | 62 | 12 |
| Education | 14 | 3 |
| Financial Service | 100 | 19 |
| Heal | 57 | 11 |
| Hotel | 75 | 14 |
| Import/Export | 70 | 13 |
| Manufacturing | 219 | 42 |
| Real State | 83 | 16 |
| Other | 63 | 12 |
| **Total** | **785** | **150** |

*Source: Ministry of Revenues Large Taxpayers Branch Office*.

# **3.5. Data collection Method.**

The researcher was used both primary and secondary data to reach into the targeted objective. In order to gather the data from relevant sources, both primary and secondary data collection instruments were used. The primary data of this study were collected from large corporate business taxpayers using a structured self-administered five-point Likert scale questionnaire. Taxpayer’s decision of either to comply or not will be influence by many factors (Economic, social, institutional, demographic…).

In this study tax compliance is measured by hypothetical questions in which respondents were asked to rate each question by using a Likert scale (ranges from one to five) from strongly agree to strongly disagree. The questionnaire had five sections. The first section composed questions, which ask about the general information of the respondents. The remaining sections included close-ended questions to determine the level of agreement or disagreement of taxpayers about, online filling of tax returns, challenges of filing tax return electronically, stability of electronic tax filing system and their perception towards online tax filing.

# **3.6. Data Validity and Reliability.**

According to Creswel (2004), validity refers to the extent to which the measurement instrument measures what it intended to measure. It is used to suggest determining whether the findings are accurate from the standpoint of the researcher, the participant, or the readers an account. Triangulation may include multiple methods of data collection and data analysis but does not suggest a fix method for all the researches. Triangulation is typically a strategy (test) for improving the validity and reliability of research or evaluation of findings Mathison (1988). Patton (2001) advocates the use of triangulation by stating, “Triangulation strengthens a study by combining methods.” This can mean using several kinds of methods or data, including using both quantitative and qualitative approaches. In this study, multiple data collection and analysis like use of structured questionnaire, Correlation and regression analysis, F and T tests and partial F test.

# **3.7. Ethical considerations.**

While conducting the study, ethical issues was primarily considered and involved respondents where be notify that their participation in the study is voluntary, entitled to the right of privacy and dignity. Information obtained from respondents was handled confidentially. Respondents was not require mentioning their name in the questionnaire. In addition, Willingness of the participants in the data gathering process was prerequisite for the study. The data obtained from the participants were not used for other purpose. Furthermore, the findings of this study were report in aggregated form, thus, no individual respondents were identified.

# **3.8. Data Analysis Method.**

In this section, the data collected from 150 respondents was coded and statistically analyzed using Statistical Package for Social Science (SPSS) in order to identify the relationship between independent and dependent variables, where the hypothesis of the study were tested. Regression analysis was used to test the effect of technology on tax compliance among the large taxpayers in LTO. Tax compliance was measured by hypothetical questions in which respondents were asked to rate each question by using a Likert scale (ranges from one to five) from strongly agree to strongly disagree. Therefore, these ranking merits the use of either ordered probate regression model to analyses those responses. Nevertheless, for this study ordered logistic regression model adopted. For the purpose of this study, tax compliance was explained by online tax filling, online tax remittance, and challenges of using electronic tax filing system.

# **3.9. Model Specification.**

To test the effect of electronic tax filing on tax compliance, the researcher estimates a linear regression model in the following form.

Tax Compliance = α + β1(E-tax filing) + β2(E-tax remittance) + β3(challenges of E-tax) + ε

Where, α = Constants

β1… β3 = the slope which represents the degree with which tax compliance changes as

independent variable change by one-unit variables

ε = error term

The Ordinary Least Square (OLS) will use to estimate the model. To determine if any of the independent variables influences the behavior or outcome of the dependent variable the t- test was carry out on the model assuming a 95% confidence interval, with significant differences being record at an alpha level of 0.05. Correlation coefficient were used to test the strength of association between variables. Correlation analysis was done in order to eliminate multicollinearity. The dependent and independent variables were measured on ratio scale since this level gives more precision. Each of the regression coefficients were tested for significance using a t test.

### **3.9.1. Model Specification Tests.**

As mentioned in Brooks (2008), there are basic assumptions required to show that the estimation technique, OLS had several desirable properties, and so that hypothesis tests regarding the coefficient estimates could validly be conducted. If these Classical Linear Regression Model (CLRM) assumptions hold, then the estimators determined by OLS were have several desirable properties and are known as Best Linear Unbiased Estimators. The first assumption is errors have zero mean. According to Brooks (2008), if a constant term is included in the regression equation, this assumption will never be violated. The second assumption is heteroskedastic. The assumption of homoscedasticity is that the variance of the errors is constant or equal. If the variance of the errors were not constant, this would know as heteroskedastic (Guajarati, 2004).

The third assumption is the autocorrelation assumption that the covariance between the error terms over time is zero; it assumed that the errors are uncorrelated with one another. If the errors will uncorrelated with one another, it would state that they are serially correlate. Usually, Durbin-Watson (DW) value in the main regression table will consider and use to test the presence of autocorrelation according to Brooks (2008).The fourth assumption is Normality of the error distribution that assumed the errors of prediction (differences between the obtained and predicted dependent variable scores) are normally distributed. Violation of this assumption can detect by constructing a histogram of residuals (Brooks, 2008).

Finally, the fifth assumption is multicollinearity assumption, which refers to the situation in which the independent variables are highly correlated. When independent variables are multicollinearity, there is overlap or sharing of predictive power. This may lead to the paradoxical effect, whereby the regression model fit the data well, but none of the explanatory variables (individually) has a significant impact in predicting the dependent variable (Gujarati, 2004).

# **CHAPTER FOUR.**

# **DATA ANALYSIS, RESULTS AND DISCUSSION**.

This chapter discusses the interpretations and presentations of the findings obtained from the study on the effect of electronic tax system on tax compliance among large taxpayers. The study used correlation and simple linear analyses to analyses the data. A multiple linear regression model was also used for this investigation putting into consideration three independent variables hypothesized to have tangible effects on the tax compliance. Despite much effort made to retrieve all filled questionnaire on the spot 150 questionnaires were distributed to the respondents and 150 questionnaires were collected back. Before analysis, the data was checked for completeness and basic assumptions.

The following tables and figures reveal the total background profiles of the respondents. According to Mugenda and Mugenda (2003), a response rate of over 60% of the respondents is considered adequate but if unresponsive rate is high, the researcher is required to do a follow up study to check the factors behind the lack of response since it can be a relevant factor in the study. High response rates reduce the risk of bias in the responses.

# **4.1. Demographic Characteristics.**

The first part of the questionnaire addresses the general information of the respondents. It consists of items like gender, age, educational qualification, year of service and industry type. The following tables reveal the total demographic characteristics of the respondents. From this study, it was deduced the respondents which accounts 26 or 17.3% were under 25 years of age and most of the respondents fall under the age range of 25-30 which accounts 52 or 34.7%, followed by 34 or 22.7% and 30 or 20.0% fall age range of 31-35 and 36-40 respectively. The remaining 6 or 4.0% and 2 or 1.3% were under the age range of 41-45, and above 45 years respectively.

**Table 4.1 Profile of Respondents.**

Valid No. Frequency Percent

(150) (N) (%)

Gender Male 68 45.3%

Female 82 54.7%

Age Under 25 26 17.3 %

25-30 52 34.7 %

31-35 34 22.7 %

36-40 30 20.0 %

41-45 6 4.0 %

Above 45 2 1.3 %

Level of Education High School 15 10.0%

College Diploma 54 36.0%

University Degree 68 45.3%

Postgraduate & above 13 8.7%

Work experience under 5 years 22 14.7%

6-10 years 73 48.7%

11-15 year 44 29.3%

Above 15 year 11 7.3%

Industry type Agriculture 8 5.3%

Construction 12 8.0%

Education 3 2.0%

Finance service 19 12.7%

Health 11 7.3%

Hotel 14 9.3%

Import/Export 13 8.7%

Manufacturing 42 28.0%

Real estate 16 10.7%

Others 12 8.0%

Source: Own Survey Data, 2020.

As presented in Table 4.1 above, it can fairly be concluded that many of the employees are young or below age 35. In terms of gender, 45.3%% were male and 54.7% were female participants which may indicate that men are relatively less represented. The level of education of the respondents was as follows; 45.3% of the respondents were university undergraduates, 8.7% of the respondents were postgraduates, 36.0% were diploma holders, while 10.0% certificate holders.

Most of the respondents were manufacturing company which accounts 42 or 28.0% and from Finance & insurance sector which accounts 19 or 12.7%.The tenure of respondents 73 or 48.7% of the respondents have service year of 6-10 years, followed by 44 or 29.3% respondents with having length of service from 11-15 years and the other 22 or 14.7% fall under the category of having year of service below 5 years. The remaining 11 or 7.3% and respondents belong to groups above 15 years. This shows that most of the respondents have been working with the tax office for long time, and experienced both the manual and electronic tax filing system which makes them appropriate for the study in order to compare both systems.

# **4.2. Descriptive Statistics of variables.**

The study sought to establish the effect of electronic tax system on tax compliance among large taxpayers in Ministry of Revenues. Four main questions were framed and the same given to the respondents i.e., online tax filing of returns, online tax payments, challenges of online filing and tax compliance as a result of, filing, payments and challenges. Each question had several components tested in order to realize the objectives of the study.

In order to present the descriptive results of the variables of the study, an analysis of the Means, Standard, Deviations, Skewness and Kurtosis was done. Table 4.2 below provides the number of responses, minimums, maximums, means, standard deviations, skewness statistics & standard errors, and kurtosis statistics & standard errors for the variables of interest.

Electronic Tax System had a mean of 3.99 (SD = 0.540). Tax Compliance had a mean of 4.03 (SD = 0.608). Skewness is a measure of how responses are distributed, while kurtosis is a measure of how responses cluster around a central point for a standard distribution (Stern et al., 1977). A criterion from the literature is that a Skewness statistic bigger than 3.0 or a kurtosis statistic bigger than 8.0 would imply that the distribution is non-normal (Kline, 2005). The Skewness and kurtosis statistics for all variables in this study were within these acceptable ranges of normality as shown on Table 4.2 below.

**Table 4.2. Descriptive Statistics**.

N Min Max Mean SD Skewness Kurtosis

Statistic Statistic Statistic Statistic Statistic Statistic Std.Erro Statistic Std.Erro.

Electronic Tax Filing

file Corporate Tax 150 1 5 4.053 1.152 -1.362 -0.198 1.166 -0.394

online by due date.

Electronic-tax filing system 150 1 5 4.027 1.181 -1.315 -0.198 0.948 -0.394

improve job performance

Electronic tax platform 150 1 5 4.033 1.102 -1.379 -0.198 1.549 -0.394

is user friendly

Online filing of tax is 150 1 5 4.033 1.178 -1.338 -0.198 1.016 -0.394

very accurate

Online filing of tax 150 1 5 4.020 1.181 -1.293 -0.198 0.882 -0.394

is secure to use

Online filing saves on150 1 5 3.827 1.263 -1.067 -0.198 0.085 -0.39

time and money

**Average**  **3.999 0.540**

Electronic Tax Payments.

Pay Corporate Tax Return 150 1 5 3.993 1.212 -1.270 -0.198 0.723 -0.394

online by due date.

Online filing of tax 150 1 5 3.940 1.177 -1.159 -0.198 0.621 -0.394

very accurate

Online payments update 150 1 5 3.980 1.077 -1.363 -0.198 1.651 -0.394

ledger real time

Server downtime affects 150 1 5 3.953 1.178 -1.283 -0.198 0.915 -0.394

online payments

The online tax payment 150 1 5 3.960 1.215 -1.130 -0.198 0.376 -0.394

is secure to use.

**Average 3.965 0.625**

Challenges of e-Tax.

Electronic-tax filing system 150 1 5 3.547 1.359 -0.644 0.198 -0.805 0.394

is easy to operate.

System hang ups leads to 150 1 5 3.560 1.229 -0.514 0.198 -0.694 0.394

inability to file without.

Power interruption affects 150 1 5 3.540 1.408 -0.558 0.198 -1.025 0.394

the use of electronic tax.

The risk of hackers affects 150 1 5 3.633 1.277 -0.695 0.198 -0.618 0.394

for using electronic tax.

Electronic-tax filing 150 1 5 3.820 1.259 -1.066 0.198 0.093 0.394

is an additional cost.

**Average 3.620 0.518**

Tax Compliance.

Pay my tax due Voluntary 150 1 5 4.053 1.152 -1.362 0.198 1.166 -0.394

using online by due date.

file tax obligations accurately 150 1 5 4.027 1.181 -1.315 0.198 0.948 -0.394

using the electronic-tax filing

The electronic-tax filing 150 1 5 4.033 1.102 -1.379 0.198 1.549 -0.394

has fostered tax payment

transparency.

File tax due with less cost 150 1 5 4.033 1.178 -1.338 0.198 1.016 -0.394

using electronic-tax system.

Pay my tax obligations 150 1 5 4.053 1.184 -1.293 0.198 0.882 -0.394

accurately using electronic tax.

**Average 4.033 0.608**

Source: Own Survey Data, 2020.

# **4.3. Descriptive Results of Electronic Filing of Tax Returns**.

One of the objectives of this study was to find out the effect of online tax filing on tax compliance. To this end, this section discusses the output of the different statistical measures of variables with its corresponding dimension in one table along with statistical measures mean and standard deviation (SD).The respondents were asked to rate varied types of electronic tax filing practices using a five Likert scale questions to measure their perception and understanding on the first independent variable e-tax filing system.

The study instrument was designed to evaluate how e-tax filing system contribute on taxpayers job performance, secure to use, improve accuracy of work ,user-friend ability of electronic tax filing platform, and finally state their level of agreements as to how online filing affects their tax compliance. Each form of question asked was discussed separately where responses from different sectors indicating their level of agreement/disagreement in terms of percentages (%) in the following sections.

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| No. | The following electronic tax filing levels have played a significant role in tax compliance | SA  Freq  (%) | A  Freq  (%) | U  Freq  (%) | D  Freq  (%) | SD  Freq  (%) | Total | Mean | Std  Dev. |
| 1 | file Corporate Tax Return online by due date | 66  44.0 | 53  35.3 | 14  9.3 | 7  4.7 | 10  6.7 | 150 | 4.053 | 1.152 |
| 2 | E-filing would improve my job performance | 66  44.0 | 51  34.0 | 15  10.0 | 7  4.7 | 11  7.3 | 150 | 4.027 | 1.181 |
| 3 | The electronic tax platform is user friendly | 60  40 | 58  38.7 | 19  12.7 | 3  2.0 | 10  6.7 | 150 | 4.033 | 1.102 |
| 4 | Online filing of tax is very accurate | 66  44.0 | 52  34.0 | 14  9.3 | 7  4.7 | 11  7.3 | 150 | 4.033 | 1.178 |
| 5 | The online tax filing is secure to use | 66  44.0 | 50  33.3 | 16  10.7 | 7  4.7 | 11  7.3 | 150 | 4.020 | 1.181 |
| 6 | Online filing saves on time and money | 53  35.3 | 59  39.3 | 11  7.3 | 13  8.7 | 14  9.3 | 150 | 3.827 | 1.263 |

**Table 4.3: Frequency Distribution of E-tax filing system.**

Source: Own Survey Data, 2020

In this section respondents were asked to rate their level of agreement of filing Corporate Tax return online by due date to determine the effect of the first independent variable electronic tax filing system on tax compliance. It is clear from the above table 4.3 that, majority of the respondents 66 or 44% strongly agree, further, a significant portion of the respondent which accounts to 53 or 35.3%, agree that they file their corporate tax online by due date, 14 respondents or 9.3% undecided on the other hand 10 or 6.7% respondents strongly disagree and only 7 respondents or 4.7% are disagree on using of electronic tax filing of return.

On the other hand, table 4.3 exhibits that the means and SD of respondents using electronic filing of tax return were 4.05 and 1.15 respectively. The respondents on average tended to agree that they file their Corporate tax return online by due date. This could possibly indicate that taxpayers perceived the electronic tax-filing system as easy to use and useful. This shows that taxpayer’s commitment to pay tax on time, without forced, timely and accurate tax returns which implies that electronic tax filing system has enhanced tax compliance level.

To evaluate respondents’ perceptions on electronic tax filing benefits they were asked to rate their level of agreement on electronic-filing of tax return would improve their job performance to determine the effect of the independent variable e-tax filing system on tax compliance. It is clear from the table 4.3 that, majority of the respondents 66 or 44% strongly agree, further, a significant portion of the respondent which accounts to 51 or 34%, agree that electronic-filing of tax return would improve their job performance, 15 respondents or 10% undecided on the other hand 11 respondents or 7.3% strongly disagree and only 7 respondents or 4.7% are disagree on the benefits of using e-filing system.

Further table 4.3 exhibits that the means and SD of respondents on the benefits of using electronic filing of tax return were 4.03 and 1.18 respectively. The respondents on average tended to agree that electronic filing of tax return would improve their job performance. This could possibly indicate that taxpayers perceived the usefulness of electronic tax-filing system. This shows that taxpayer’s commitment to pay tax on time, without forced, timely and accurate tax returns which implies that electronic tax filing system has enhanced tax compliance level.

Respondents were asked to rate their level of agreement on user friendly of the electronic tax platform to fix the effect of the independent variable e-tax filing system on tax compliance. It is clear from the table 4.3 that, majority of the respondents 60 or 40% strongly agree, further, a significant portion of the respondent which accounts to 58 or 38.7%, agree that the electronic tax platform is user friendly., 19 respondents or 12.7% undecided on the other hand 10 respondents or 6.7% strongly disagree and only 3 respondents or 2% are disagree on user friendly of electronic filing.

Table 4.3 also exhibits that the means and SD of the perceived perceive ease of use and user friendly of electronic tax filing system constructs were 4.03 and 1.10 respectively. This could possibly indicate that taxpayers perceived the electronic tax-filing system as easy to use and/or user friendly in addition to that, the Table 4.3 shows that these respondents have a positive intention to use the e-filing system. And the more an individual feel that the technology is easier to use, the more likely they are to use that technology which implies that e-tax filing system has enhanced tax compliance level.

Respondents were asked to rate their level of agreement on accuracy electronic tax platform to file tax return for establishing the effect of the independent variable e-tax filing system on tax compliance. Table 4.3 clearly shows that, majority of the respondents 66 or 44% strongly agree, further, a significant portion of the respondent which accounts to 52 or 34.7%, agree that the electronic tax platform is accurate to file tax return., 14 respondents or 9.3% undecided on the other hand 11 respondents or 7.3% strongly disagree and only 7 respondents or 4.7% are disagree on accuracy of electronic filing.

The means and SD of the accuracy of electronic tax filing system for filing tax return exhibited on table 4.3 were 4.03 and 1.18 respectively. This could possibly indicate that taxpayers perceived that the electronic tax-filing system is accurate to file their tax return online in addition to that, the Table 4.3 shows that these respondents have a positive intention to use the e-filing system. And the more an individual feel that the technology is easier and accurate to use, the more likely they are to use that technology which implies that e-tax filing system has enhanced tax compliance level.

To examine taxpayers perceived security & online tax filing, respondents were asked to rate their level of agreement on electronic tax platform is secure to use for establishing the effect of the first independent variable e-tax filing system on tax compliance. It is clear from the table 4.3 that, majority of the respondents 66 or 44% strongly agree, further, a significant portion of the respondent which accounts to 50 or 33.3%, agree that the electronic tax platform is secure for user., 11 respondents or 7.3% undecided on the other hand 11 respondents or 7.3% strongly disagree and only 7 respondents or 4.7% are disagree on user security of electronic filing of tax return.

Table 4.3 also exhibits that the means and SD of the perceived security of electronic tax filing system were 4.02 and 1.18 respectively. This could possibly indicate that taxpayers perceived the electronic tax-filing system as secure to use in addition to that, the Table 4.3 shows that these respondents have a positive intention to use the e-filing system. And the more an individual feel that the technology is secure to use, the more likely they are to use that technology which implies that e-tax filing system has enhanced tax compliance level.

Respondents were asked to rate their level of agreement/disagreement on the statement electronic tax platform saves user time & money for establishing the effect of the first independent variable e-tax filing system on tax compliance. Table 4.3 clearly shows that, majority of the respondents 59 or 39.3% agree, further, a significant portion of the respondent which accounts to 53 or 35.3%, strongly agree that the electronic tax platform saves user time & cost accurate to file tax return., 11 respondents or 7.3% undecided on the other hand 14 respondents or 9.3% strongly disagree and only 13 respondents or 8.7% are disagree on electronic tax platform saves user time & money.

Table 4.3 also indicates that the means and SD of electronic tax filing system saves time & costs were 3.83 and 1.26 respectively. This could possibly indicate that taxpayers perceived that the electronic tax-filing system saves time & cost for file their tax return online in addition to that, table 4.3 shows that these respondents have a positive intention to use the e-filing system. And the more an individual feel that the technology is easier and saves time & cost to use, the more likely they are to use that technology which implies that e-tax filing system has enhanced tax compliance level.

# **4.4. Descriptive results of Electronic Tax Payments System.**

The second measure of tax compliance based on the online tax system was online payments of tax returns. This variable was measured using likert-scale comprising of five questions. The questions tested respondents’ level of agreement with regards to the online tax payment system and how they perceived its effect on their general tax compliance levels. For instance, the variable measured compliance in terms of the reliability, efficiency and availability, accuracy and secure of use of the online system. Each form of question asked was discussed separately where responses from different sectors indicating their level of agreement/disagreement in terms of percentages (%) in the following sections.

**Table 4.4: Frequency Distribution of E-tax payment system.**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| No. | The following electronic tax payment levels have played a significant role in tax compliance | SA  Freq  (%) | A  Freq  (%) | U  Freq  (%) | D  Freq  (%) | SD  Freq  (%) | Total | Mean | Std  Dev. |
| 1 | I pay Corporate Tax Return online by due date | 65  43.3 | 51  34.0 | 14  9.3 | 8  5.3 | 12  8.0 | 150 | 3.993 | 1.212 |
| 2 | Paying Taxes online is more accurate | 59  39.3 | 52  34.7 | 21  14.0 | 7  4.7 | 11  7.3 | 150 | 3.940 | 1.177 |
| 3 | Online payments updates ledger real time | 52  34.7 | 66  44.0 | 19  12.7 | 3  2.0 | 10  6.7 | 150 | 3.980 | 1.077 |
| 4 | Server downtime affects online payments. | 57  38.0 | 60  40.0 | 14  9.3 | 7  4.7 | 12  8.0 | 150 | 3.953 | 1.178 |
| 5 | The online tax payment system is secure to use | 65  43.3 | 45  30.0 | 20  13.3 | 9  6.0 | 11  7.3 | 150 | 3.960 | 1.215 |

*Source: Own Survey Data, 2020.*

In this section respondents were asked to rate their level of agreement/disagreement regarding electronic payments of Corporate Tax return by due date to establish the effect of the second independent variable e-tax payment system on tax compliance. It is clear from the table 4.4 that, majority of the respondents 65 or 43.3% strongly agree, further, a significant portion of the respondent which accounts to 51 or 34%, agree that they pay their corporate tax online by due date, 14 respondents or 9.3% undecided on the other hand 12 respondents or 8.0% strongly disagree and only 8 respondents or 5.3% are disagree on using of electronic tax payment platform.

On the other hand, table 4.3 exhibits that the means and SD of respondents using electronic tax payments were 3.99 and 1.21 respectively. The respondents on average tended to agree that they pay their Corporate tax return online by due date. This could possibly indicate that taxpayers perceived the electronic tax-payment system as easy to use and useful. This shows that taxpayer’s commitment to pay tax on time, without forced, timely and accurate tax returns which implies that electronic tax payment system has enhanced tax compliance level.

As shown in the table 4.4 above, respondents were asked to state their levels of agreement with the fact that online system makes tax remittances accurate. And majority of respondents 74% agreed that online system is more accurate as regards tax remittances (i.e. 39.3% strongly agreed, 34.7% agreed). On the other hand, 12% disagreed (i.e. 7.3% strongly disagreed, 4.7% disagreed) while only 14% were not sure. Indicating that by majority of respondents, the system if embraced and used makes remittances more accurate.

The means and SD of the accuracy of electronic tax filing system for filing tax return exhibited on table 4.4 were 3.94 and 1.18 respectively. This could possibly indicate that taxpayers perceived that the electronic tax-filing system is accurate to file their tax return online in addition to that; the Table 4.4 shows that these respondents have a positive intention to use the e-filing system. And the more an individual feel that the technology is easier and accurate to use, the more likely they are to use that technology which implies that e-tax filing system has enhanced tax compliance level.

Respondents were asked to state their levels of agreement/disagreement with the fact that online payments updates ledger real time. As shown, table 4.4,majority of respondents agreed that transactions done using online system as opposed to manual system gets ledger to be updated in real time, this was supported by 78.7% of the respondents (34.7% strongly agreed and 44% agreed), while 12.7% were not sure, the rest 2% and 6.7% respectively disagreed and strongly disagreed.

Clearly indicated on table 4.4, the means and SD with regarding online payments of tax return updates ledger real time were 3.98 and 1.08 respectively. This could possibly indicate that taxpayers perceived that the electronic tax-payment system updates their ledger real time in addition to that; the Table 4.4 shows that these respondents have a positive intention to use the electronic tax payment system. And the more an individual feel that the technology is easier and accurate to use, the more likely they are to use that technology which implies that e-tax filing system has enhanced tax compliance level.

As shown in the table 4.4 above, respondents were asked to state their levels of agreement/disagreement with the fact that Server downtime affects online payments of tax return. Majority of respondents blamed frequent server downtime as the failure of online system. A total of 78% blamed the downtime of the server with 38% strongly agreeing while 40% agreed. On the other hand, a total of 12.7% did not experience any server downtime while only 9.3% were not sure whether server downtime in any way affects online system.

The means and SD of online payments of tax return affected by server downtime were 3.95 and 1.18 respectively. This could possibly indicate that taxpayers perceived that the electronic tax-payments system is difficult to pay their tax return online in addition to that; the Table 4.4 shows that these respondents have a negative intention to use the electronic tax payment system. And the more an individual feel that the technology is easier and accurate to use, the more likely they are to use that technology which implies that e-tax filing system has enhanced tax compliance level.

To examine taxpayers perceived security & online tax payment, respondents were asked to rate their level of agreement on electronic tax payment platform secure to use for establishing the effect of the second independent variable e-tax payment system on tax compliance. It is clear from the table 4.4 that, majority of the respondents 65 or 43.3% strongly agree, further, a significant portion of the respondent which accounts to 45 or 30%, agree that the electronic tax payment platform is secure for user., 11 respondents or 7.3% undecided on the other hand 11 respondents or 7.3% strongly disagree and only 9 respondents or 6% are disagree on user security of electronic payment of tax return.

Table 4.4 also exhibits that the means and SD of the perceived security of electronic tax payment system were 3.96 and 1.22 respectively. This could possibly indicate that taxpayers perceived the electronic tax-payment system as secure to use in addition to that, the Table 4.4 shows that these respondents have a positive intention to use the electronic tax payment system. And the more an individual feel that the technology is secure to use, the more likely they are to use that technology which implies that e-tax payment system has enhanced tax compliance level.

# **4.5. Descriptive Results of Challenges of Electronic Tax filing.**

This section shows and discusses the output of the different statistical measures on challenges of electronic tax filing variables. Table 4.5 below shows all variables with its corresponding dimension in one table along with statistical measures mean and standard deviation (SD).The respondents were asked to rate varied types of expected challenges of e-tax filing system using a five Likert scale questions to measure their perception and understanding on the fifth independent variable challenges of e-tax filing system.

The study instrument was designed to evaluate how the challenges of e-tax filing system impact on their job performance, secure to use, improve accuracy of work ,user-friend ability of electronic tax filing platform, and finally state their level of agreements as to how online filing affects their tax compliance. Each form of question asked is discussed separately where responses from different sectors indicating their level of agreement/disagreement in terms of percentages (%) in the following sections.

**Table 4.5: Frequency Distribution for Challenges of E-tax system**.

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| No. | The following expected electronic tax filing challenges have played a significant role in tax compliance | SA  Freq  (%) | A  Freq  (%) | U  Freq  (%) | D  Freq  (%) | SD  Freq  (%) | Total | Mean | Std  Dev. |
| 1 | Electronic-tax filing system is easy to operate | 45  30.0 | 47  31.3 | 22  14.7 | 17  11.3 | 19  12.7 | 150 | 3.547 | 1.359 |
| 2 | System hang ups leads to inability to file without assistance | 41  27.3 | 44  29.3 | 34  22.7 | 20  13.3 | 11  7.3 | 150 | 3.560 | 1.229 |
| 3 | Power interruption affects the use of electronic-tax system | 51  34.0 | 38  25.3 | 21  14.0 | 21  14.0 | 19  12.3 | 150 | 3.540 | 1.408 |
| 4 | The risk of hackers affects for using electronic-tax system | 45  30.0 | 51  34.0 | 21  14.0 | 20  13.3 | 13  8.7 | 150 | 3.633 | 1.277 |
| 5 | Electronic-tax filing system is an additional cost. | 52  34.7 | 60  40.0 | 11  7.3 | 13  8.7 | 14  9.3 | 150 | 3.820 | 1.259 |

*Source: Own Survey Data, 2020.*

To examine taxpayers perceived easy of online tax filing system, respondents were asked to rate their level of agreement/disagreement on the facing challenges of electronic tax filing platform for establishing the effect of the third independent variable challenges of e-tax filing system on tax compliance. It is clear from the table 45. that, majority of the respondents 45 or 30% strongly agree, further, a significant portion of the respondent which accounts to 47 or 31.3%, agree that the electronic tax filing platform is easy for user., 22 respondents or 14% undecided on the other hand 19 respondents or 12.7% strongly disagree and only 17 respondents or 11.3% are disagree on challenges of electronic of tax filing system.

Table 4.3 also exhibits that the means and SD of the challenges of electronic tax filing system were 3.55 and 1.36 respectively. This could possibly indicate that taxpayers perceived the electronic tax-filing system as easy to use in addition to that; the Table 4.5 shows that these respondents have a positive intention to use the electronic tax filing system. And the more an individual feel that the technology is easy to use, the more likely they are to use that technology which implies that e-tax filing system has enhanced tax compliance level.

Respondents were asked to rate their level of agreement/disagreement with regarding to system hang ups which leads to failure to file tax return online without assistance. A majority respondent of 41 or 27.3.6% strongly agreed that the system hang ups led to delay in submission of tax returns submission. This is attributable to the fact that such delays lead to taxpayers postponing on the scheduled times to do their tax returns. On the other hand, a significant portion of the respondent which accounts to 44 or 29.3%, agree that the system hangs ups lead to unwillingness to file returns, and 21% of the respondents disagreed that system hang ups lead to unwillingness to file returns.

Table 4.5 also exhibits that the means and SD of electronic tax filing system hang ups were 3.56 and 1.22 respectively. This could possibly indicate that taxpayers perceived the electronic tax-filing system is not as easy to use in addition to that, the Table 4.5 shows that these respondents feel that the electronic tax filing system is difficult to use. And the more an individual feel that the technology is not easy to use, the more likely they are not voluntary to use that technology which implies that e-tax filing system would affect tax compliance level.

Respondents were asked to rate their level of agreement/disagreement with regarding to power interruption affects the use of electronic tax system.to file tax return online. A majority respondent of 51 or 34% strongly agreed that power interruption affects timely submission of tax returns. This is attributable to the fact that such delays lead to taxpayers postponing on the scheduled times to do their tax returns. On the other hand, a significant portion of the respondent which accounts to 38 or 25.3%, agree that power interruption affects the willingness of timely online filing of tax returns, on the other hand 40 or 26.7% of the respondents disagreed that power interruption didn’t affects the willingness to file their tax returns.

Table 4.3 also exhibits that the means and SD power interruption affects the use of electronic tax system were 3.54 and 1.41 respectively. This could possibly indicate that taxpayers perceived the electronic tax-filing system is not as easy to use in addition to that, the Table 4.5 shows that these respondents have undesirable intention to use the electronic tax filing system. And the more an individual feel that the technology is not easy to use, the more likely they would not to use that technology which implies that tax compliance level would affect by e-tax filing system.

Respondents were asked to rate their level of agreement/disagreement with regarding to the risk of hackers affects taxpayers to use electronic-tax system. A majority portion of the respondent which accounts64%, agree that the risk of hackers affects taxpayers the willingness to use electronic filing of tax returns. This is attributable to the fact that taxpayers feel insecure to use electronic filing of tax which leads postponing on the submission times of their tax returns. On the other hand, 22% of the respondents were disagreed that the risk of hackers didn’t affects their willingness to file their tax returns electronically.

Table 4.3 also exhibits that the means and SD of the risk of hacker’s affects taxpayers to use electronic-tax system were 3.63 and 1.28 respectively. This could possibly indicate that taxpayers perceived the electronic tax-filing system is not as secure to use, in addition to that, the Table 4.5 shows that these respondents have no positive intention to use the electronic tax filing system. And the more an individual feel that the technology is insecure to use, the more likely they are not use that technology which implies that e-tax filing system would affect tax compliance level.

Respondents were asked to rate their level of agreement/disagreement on the statement electronic tax platform saves user time & money for establishing the effect of the independent variable e-tax filing system on tax compliance. Table 4.5 clearly shows that, majority of the respondents 60 or 40% agree, further, a significant portion of the respondent which accounts to 52 or 34.7%, strongly agree that the electronic tax platform saves user time & cost accurate to file tax return., 11 respondents or 7.3% undecided on the other hand 14 respondents or 9.3% strongly disagree and only 13 respondents or 8.7% are disagree on electronic tax platform saves user time & money.

Table 4.5 also indicates that the means and SD of electronic tax filing system saves time & cost were 3.82 and 1.26 respectively. This could possibly indicate that taxpayers perceived that the electronic tax-filing system saves time & cost for file their tax return online in addition to that, table 4.5 shows that these respondents have perceived the e-filing system as costly to use. And the more an individual feel that the technology is no easier and saves time &cost, the more likely they would not use that technology which implies that e-tax filing system has an impact on tax compliance level.

# **4.6. Descriptive Result of Tax Compliance.**

This section shows and discusses the output of the different statistical measures on tax compliance variables. Table 4.6 below shows all variables with its corresponding dimension in one table along with statistical measures mean and standard deviation (SD).The respondents were asked to rate varied types of electronic tax system practices using a five Likert scale questions to measure their view and understanding on the dependent variable tax compliance.

The study instrument was designed to evaluate how the practice of e-tax filing system contribute on their job performance, secure to use, improve accuracy of work ,user-friend ability of electronic tax filing platform, and finally state their level of agreements as to how online filing affects their tax compliance. Each form of question asked is discussed separately where responses from different sectors indicating their level of agreement/disagreement in terms of percentages (%) in the following sections.

**Table 4.6: Frequency Distribution for Tax Compliance.**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| No. | The following electronic tax filing levels have played a significant role in tax compliance | SA  Freq  (%) | A  Freq  (%) | U  Freq  (%) | D  Freq  (%) | SD  Freq  (%) | Total | Mean | Std  Dev. |
| 1 | I pay my tax due Voluntary using online by due date | 66  44.0 | 53  35.3 | 14  9.3 | 7  4.7 | 10  6.7 | 150 | 4.053 | 1.152 |
| 2 | I file my tax obligations accurately using the electronic-tax filing system | 66  44.0 | 51  34.0 | 15  10.0 | 7  4.7 | 11  7.3 | 150 | 4.027 | 1.181 |
| 3 | The electronic-tax filing system has fostered tax payment transparency | 60  40.0 | 58  38.7 | 19  12.7 | 3  2.0 | 10  6.7 | 150 | 4.033 | 1.102 |
| 4 | I file my tax due with less cost using the electronic-tax payment system | 66  44.0 | 52  34.7 | 14  9.3 | 7  4.7 | 11  7.3 | 150 | 4.033 | 1.178 |
| 5 | I pay my tax obligations accurately using the electronic-tax payment system | 66  44.0 | 50  33.3 | 16  10.3 | 7  4.7 | 11  7.3 | 150 | 4.053 | 1.184 |

*Source: Own Survey Data, 2020*

The study sought to establish the effect of online tax system on tax compliance among large taxpayers. In order to measure compliance level and how it is affected by the online tax system, three basic components of tax compliance were investigated: online tax filing, online tax payment and challenges of online tax system. It is clear from the table 4.6 that, majority of the respondents that is 79.3% agreed that they pay their tax due voluntary using online by due date compared with only 11.4% respondents disagreed that timely filing of tax returns was affected by the diverse challenges of e-tax system.

On the other hand, table 4.3 exhibits that the means and SD of respondents’ voluntary pay tax due using electronic filing of tax return were 4.05 and 1.15 respectively. The respondents on average tended to agree that they file voluntary their corporate tax return online by due date. This could possibly indicate that taxpayers perceived the electronic tax-filing system as easy to use and useful. This shows that taxpayer’s commitment to pay tax on time, without forced, timely and accurate tax returns which implies that electronic tax filing system has enhanced tax compliance level.

Respondents were asked to rate their level of agreement/disagreement on accurately filing of tax return online to establish the effect of online tax system on tax compliance among large taxpayers. In order to measure compliance level and how it is affected by the online tax system, important components of tax compliance were investigated: online tax filing, online tax payment and challenges of online tax system. It is clear from the table 4.6 that, majority of the respondents that is 78.0% agreed that they file their tax due accurately using online by due date on the other hand only 12.0%respondent disagreed that accurately filing of tax returns was affected by the diverse challenges of e-tax system.

Further table 4.6 exhibits that the means and SD of respondents’ on accurately filing of tax due using electronic filing system were 4.03 and 1.18 respectively. The respondents on average tended to agree that they file their corporate tax return accurately online by due date. This could possibly indicate that taxpayers perceived the electronic tax-filing system as easy & accurate to use and useful. This shows that taxpayer’s commitment to pay tax on time, without forced, timely and accurate tax returns which implies that electronic tax filing system has enhanced tax compliance level.

In order to measure compliance level and how it is affected by the online system, three basic components of compliance were investigated: online tax filing, online tax payment and challenges of online tax system, respondents were asked to rate their level of agreement/disagreement on transparency of online filing of tax return to establish the effect of online system on tax compliance among large taxpayers.. It is clear from the table 4.6 that, majority of the respondents that is 78.7% agreed that electronic-tax filing system has fostered tax payment transparency on the other hand only 8.7% respondents disagreed that transparency of online filing of tax return was affected by the diverse challenges of e-tax system.

Further table 4.6 exhibits that the means and SD of respondents on electronic-tax filing system has fostered tax payment transparency were 4.03 and 1.10 respectively. The respondents on average tended to agree that electronic-tax filing system has fostered tax payment transparency. This could possibly indicate that taxpayers perceived the electronic tax-filing system foster transparency on tax return payment and useful. This shows that taxpayer’s commitment to pay tax on time, without forced, timely and accurate tax returns which implies that electronic tax filing system has enhanced tax compliance level.

Respondents were asked to rate their level of agreement/disagreement on filing of tax return online with less cost to establish the effect of online system on tax compliance among large taxpayers. To measure compliance level and how it is affected by the online tax system, three basic components of compliance were investigated: online tax filing, online tax payment and challenges of online tax system. It is clear from the table 4.6 that, majority of the respondents that is 78.7% agreed that they file their tax due using online by due date with less cost compared with only 12.0% respondent disagreed that timely & accurately filing of tax returns was affected by the diverse challenges of e-tax system.

On the other hand, table 4.6 exhibits that the means and SD of respondents on filing of tax due using electronic filing system with less cost were 4.03 and 1.18 respectively. The respondents on average tended to agree that they file their corporate tax return with less cost online by due date. This could possibly indicate that taxpayers perceived the electronic tax-filing system as easy & saves cost to use and useful. This shows that taxpayer’s commitment to pay tax on time, without forced, with less cost and accurate tax returns which implies that electronic tax filing system has enhanced tax compliance level

Respondents were asked to rate their level of agreement/disagreement on accurately payment of tax return online to establish the effect of online tax system on tax compliance among large taxpayers. In order to measure compliance level and how it is affected by the online tax system, basic components of compliance were investigated: online tax filing, online tax payment and challenges of online tax system. It is clear from the table 4.6 that, majority of the respondents that is 77.3% strongly agreed that they pay their tax due accurately using online by due date compared with only 12.0% of respondents disagreed that accurately filing of tax returns was affected by the diverse challenges of e-tax system.

Further table 4.6 exhibits that the means and SD of respondents’ on accurately payment of tax due using electronic filing system were 4.02 and 1.18 respectively. The respondents on average tended to agree that they pay their corporate tax return accurately online by due date. This could possibly indicate that taxpayers perceived the electronic tax system as easy & accurate to use and useful. This shows that taxpayer’s commitment to pay tax on time, without forced, timely and accurate tax returns which implies that electronic tax filing system has enhanced tax compliance level.

# **4.7. Correlation analysis.**

Correlation analysis and regression analysis were both done to establish the relationship between the various independent variables and tax compliance as a dependent factor. It measures the strength and direction of a relationship between variables and range between negative one and positive one (−1≤𝑟≤1).A value of -1 or close to it indicates a strong negative relationship while a value of 1 or close to it indicates a strong positive relationship. (Gujarati & Porter, 2009).

The correlation coefficient of e-tax filing system and tax compliance was computed and presented below:

**Table 4.7. Correlation Analysis.**

Tax E-filing E-payment challenges

Compliance Tax Return Tax returns E-tax S

Tax Compliance. Pearson Correlation. 1 .921\*\* .952\*\* .347\*\*

Sig. (2-tailed. .000 .000 .000

N 150 150 150 150

Electronic filling Pearson Correlation. .921\*\* 1 .890\*\* .427\*\*

of tax return Sig. (2-tailed. .000 .000 .000 .000

N 150 150 150 150

Electronic payment Pearson Correlation. .952\*\* .890\*\* 1 .360\*\*

of tax return. Sig. (2-tailed. .000 .000 .000 .000

N 150 150 150 150

Challenges of e-tax Pearson Correlation. .347\*\* .427\*\* .360\*\* 1

System Sig. (2-tailed. .000 .000 .000 .000

N 150 150 150 150

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

*Source: Own Survey Data, 2020*

There is a positive significant correlation between variables as shown from the above table 4.7. The Cronbach’s alphas result of electronic tax filing system is positively and significantly related with tax compliance at alpha level 0.01 with a correlation coefficient of 0.921. The correlation coefficients are within the acceptable range of between -1 and 1. This means e-tax filing system can bring corresponding change in tax compliance. The electronic remittance of tax returns had a significant correlation with tax compliance at alpha level 0.01 with a correlation coefficient of 0. 952.. It can therefore be deduced with confidence that there is a genuine positive relationship between electronic remittances of tax returns on tax compliance. There is also positive significant relationship between challenges of electronic tax filing and tax compliance at alpha level 0.01 with a correlation coefficient of 0. 347.

# **4.8. Regression analysis.**

Linear regression was done in order to determine the explanatory power of independent variables- electronic tax filing, electronic tax remittance and challenges of electronic tax system in the variance of dependent variable-tax compliance among large taxpayers.

### **4.8.1. Model Summery.**

The multiple correlation coefficient (R) indicating the strength of the relationship between the three independent variables cumulatively and the dependent variable. On the other hand, the coefficient of determination (R Square) indicates the variance on dependent variable attributed to the three independent variables. The adjusted R-square attempts to yield a more honest value to estimate the R-squared for the population (Bruin, J., 2006). One could continue to add predictors to the model which would continue to improve the ability of the predictors to explain the dependent variable.

**Table 4.8.1.Model Summery**.

Model R R Square Adjusted R Std. Error of

Square the Estimate

1 .966 (a) .934 .932 .15823

1. Predictors: (Constant), Challenge, Payment, Filing *Source: Own Survey Data, 2020*
2. Dependent Variable: Compliance

From the findings in the above table 4.8.1, the value of R squared was 0.934, an indication that there was a variation of 93.4% on tax compliance due to change in electronic filing of tax return, electronic tax payment and challenges of electronic tax system at alpha level 0.01. while the value of Adjusted R-square was 0.932. R is the correlation coefficient which shows the relationship between study variables. From the finding shown in the table above, there was strong positive relationship between online tax filing and compliance by 96.6%.

### **4.8.2. ANOVA of the Independent Variables**.

**Table 4.8.2. ANOVA.**

ANOVA.

Model Sum of Mean

Square df Square F Sig.

1 Regression 51.498 3 17.166 685.662 .000b

Residual. 3.655 146 .025

Total 55.153 149

a. Dependent Variable: Compliance *Source: Own Survey Data, 2020*

b. Predictors: (Constant), Challenge, Payment, Filing.

From the statistics in table 4.8.2, the one-way ANOVA give an indication on whether the linear regression model was a good fit for data, or the three independent variables were good predictors of the dependent variable tax compliance. In this context, the population parameters had a significant level of 1% which showed that the data was ideal for making conclusion on the population parameters as the value of significance (P-Value) was less than 1%. It also indicates that the model was statistically significant, and that electronic tax filing, electronic tax payment and challenges of electronic tax system was significantly influencing tax compliance.

### **4.8.3. Model Coefficient.**

**Table 4.8.3 Model Coefficient.**

**Model Coefficient**

Model Unstandardized Coefficients Standardized t Sig

Coefficients

B Std.

Error Beta

1. Constant .071 .111 .640 .523

E-tax filing. .425 .054 .377 7.828 .000

E-tax Payment. .614 .045 .631 13.504 .000

Challenges of -.048 .028-.041 -1.720 .087

E-tax system

1. Dependent Variable: Tax Compliance

*Source: Own Survey Data, 2020*

The unstandardized coefficients of the model were examined to evaluate the effect of the independent variables on Tax Compliance (Dependent Variable) as indicated by their coefficients in the below linear regression equation;

**Tax Compliance = 0.071+ 0.425(E-tax filing) + 0.614(E-tax remittance) - 0.048(challenges of E-tax filing**)

From the above regression equation, it was revealed that, the coefficient of intercept 0.071 indicates that the tax compliance levels would increase by 0.071 if holding online tax filing, online tax payment and challenges of online tax system to a constant zero. The beta coefficient of online tax filing 0.425 indicates that a unit increase in online tax filing would lead to increase in tax compliance by factor of 0.425.and the coefficient of online tax remittance is 0.614 indicates that a unit increase in online tax payment would lead to an increase in tax compliance by factors of 0.614.There is a statistically significant influence of electronic tax filing system& electronic tax remittance on tax compliance of large taxpayers at 1% significance level. The possible reason for the significant effect were possibly indicate that taxpayers perceived the usefulness of electronic tax system, pay tax timely and accurately, improve their job performance and secure to use are possible important factors for taxpayer to use electronic tax system and enhanced tax compliance level. The results of this study can complement the previous research that has been done by (Tambun and Kopong, 2017).

While the beta coefficient of challenges of online tax system is -0.048 indicates that a unit increase of challenges of online tax system would result to decrease in tax compliance by factor of 0.048. The examination of the p value implies that the dependent variable challenges of online tax system is not statistically significantly influence on tax compliance because the p-value 0.087 is greater than 0.05. The possible reason that challenges of online tax system insignificant to taxpayers complains were system hang- ups, power interruption and feel insecure on technology. This could possibly indicate that taxpayers perceived the electronic tax-filing system is no easy & secure to use, and leads to compromise on submission of tax information, which implies that e-tax filing system has affect tax compliance level. The results of this study can complement the previous research that has been done by (Gwaro, et al., 2016).

# **CHAPTER FIVE.**

**SUMMARY, CONCLUSIONSAND RECOMMENDATIONS**.

This chapter deals with summary of major findings of the study, conclusions and recommendations of possible solutions for the problems identified.

# **5.1. Summary of Major Findings.**

The main objective of this study was to establish the effect of online tax filing, online tax remittance and challenges of online tax system on tax compliance among large taxpayers. It was found out that these two metrics of online tax system significantly positively affect the tax compliance. The correlation analysis shows that, each of these independent variables had strong positive correlation with the dependent variable tax compliance. In addition, a multiple linear regression and correlation analysis reveal a strong linear relationship between online tax system and tax compliance. This implies that the combined effect of these independent variables on tax compliance is positive and significant. While, the examination of the p value implies that the dependent variable challenges of online tax system were statistically insignificant influence on tax compliance.

There were three research questions answered by this study to find out the effect of online tax system on tax compliance regarding online tax filing, online tax remittance and challenges of online tax system on tax compliance among large taxpayers. Generally, it was found that, usefulness, time & cost effectiveness and secure & easy to use of online filing system are important factors for taxpayers to be voluntarily file their tax returns through electronic tax system. The findings also show that the relationship between e-tax filing system and tax compliance were positively correlated and there is a statistically significant influence of electronic tax filing system on tax compliance of large taxpayers at 1% significance level. Overall, it can be concluded that most of taxpayers at large taxpayers branch office had a good perception towards electronic tax filing system.

The second area of investigation was concerned with online remittance of tax returns. The study also confirmed that online tax payment system enhances compliance as far as online remittance of tax returns is concerned. While several taxpayers agreed that with online tax remittance system are more accurate, easy, and get updated their tax ledgers in real time.

Finally, the study sought to establish the effect of online tax system on tax compliance with regards to electronic tax system challenges. While taxpayers agreed that online tax system are accurate, easy, and saves time & cost, majority of taxpayer had reservation with accessibility of suitable e-tax technological, technological infrastructures and fear of breaching the privacy for revealing the information and power interruption especially on due dates are the most important factors in compliant electronic tax system. Taxpayer’s face difficulty to file tax returns timely when they faced such electronic tax system challenges and due to those reasons’ taxpayers needs assistance and forced to file and pay their tax due manually which requested them to incur additional cost & time.

The statistical values of Skewness and kurtosis were checked to assess the normality of the distribution of the variables. The Skewness and kurtosis statistics for all variables in this study were within the acceptable ranges of normality. Linear regression was done in order to determine the explanatory power of independent variables online tax system in the variance of dependent variable tax compliance. The value of coefficient of determination (R squared) was 0.934, an indication that there was a variation of 93.4% on tax compliance due to change in online filing payment and the challenges of online tax system 1% significance level. R is the correlation coefficient which shows the relationship between study variables. From the finding, there was strong positive relationship between the study variables as shown by 0.966, From the ANOVA statistics, the processed data which is the population parameters had a significant level of 1% which showed that the data was ideal for making conclusion on the population parameters as the value of significance (P-Value) was less than 1%.It also indicated that the model was statistically significant and that electronic tax filing remittance were significantly influencing tax compliance. While, the dependent variable challenges of online tax system were statistically insignificant influence on tax compliance.

# **5.2. Conclusion.**

In conclusion, the study was managed to test the objectives of the study and answers the research questions positively. The concern was as to whether online tax system enhances tax compliance among large taxpayers in Ministry of revenues, Ethiopia. The study reveals that all the identified variables have a direct influence on the tax compliance. The three research questions presented in the summary above have confirmed that there is a positive correlation between online tax system and tax compliance among taxpayers under study.

Although, taxpayers agreed that online tax system are accurate, easy, and saves time & cost, majority of taxpayer had reservation. Accessibility of suitable e-tax technological, technological infrastructures and fear of security and privacy of revealing the information and power interruption especially on due dates are the most important factors identified as a challenge facing taxpayers as many of them in compliant electronic tax system. Therefore, large taxpayers ‘branch office continuously upgraded its electronic tax system and offered prefilled electronic forms to simplify the process for taxpayers.

In general, electronic tax system has a significant effect on the tax compliance trends among large taxpayers. Accordingly, there are other underlying factors not investigated under this study that contribute to the tax compliance among taxpayers under study.

# **5.3. Recommendations.**

Based on the findings of this study, the researcher forwarded the following recommendations to encourage the use of electronic tax system which will improve tax compliance. Even though, taxpayers agreed that electronic tax system are accurate, easy, and saves time & cost, majority of taxpayer had reservation on accessibility of suitable electronic tax technological, technological infrastructures and security and privacy of revealing the information and power interruption are the most important factors identified as a challenge facing taxpayers as many of them in compliant electronic tax system. The electronic tax filing process should be simplified with clear instructions and guidelines provided on the website and the system server should be upgraded to reduce on the system downtimes experienced. Tax consultation centers should be increased in the tax offices where taxpayers can acquire filing skill and assistant.

Therefore, the Tax Authority should undertake intensive and continuously upgraded its electronic tax system and customer surveys should be undertaken to find out the view of taxpayers and obtain regular feedbacks on electronic tax system. This would help in identifying areas of weaknesses to devise means for improvement. in addition, the authority should also frequently be involved in capacity building programmers by organized IT infrastructure with well trained and equipped staff members to support electronic tax filing process.

From customer survey feedback, the Tax Authority should undertake awareness creation on electronic taxation for taxpayers and the whole community. The awareness creation should not all about penalties, but it should be on benefits of electronic tax filing and remittance. This could be done through training and seminars on the online tax filing process and through magazines and publicity the features of electronic tax filing system to pursue perception and understanding of the taxpayers on taxation system, to appreciate it and to comply with.

# **5.4. Recommendations for further research.**

Depending on findings, conclusion, recommendations and the limitations of the study, this study highly recommended for further researches to cover the following suggested areas in order to corroborate the findings of this study and expand the knowledge in this area. In addition, the researcher recommends future researches should be done to establish the impact of online tax filing on tax evasion and expand the scope to cover another sector of the economy.

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**APPENDIX 1. Questionnaire.**

**St. Mary’s University**

**School of Graduate Studies**

**Department of Accounting and Finance.**

**Questionnaires to be Filled by Employee of Large Taxpayer.**

Dear Participant,

I am Addisu Shiferaw, MBA student in St. Mary’s University and this questionnaire is set up to collect primary data for thesis entitled “The effect of Electronic filing of Tax Return on Tax Compliance: The case of Ministry of Revenue’s Large Taxpayers Branch office” The research is conducted in partial fulfillment of the requirement for MBA in Accounting and Finance department.

Your participation in giving reliable information is important for the success of this study and it will be a great contribution if you may complete all the items covered in the questionnaire. I respectfully request your kind cooperation in answering the questions as clearly as possible. I would like to assure you that the information you provide will be uses for academic purpose only and all responses will be treated in strict confidentiality.

Note.

* No need to write your name.
* Please put tick mark in the box, which contain statements that highly reflect your thought.
* Give your opinion in the blank space where necessary.

Thank you very much, in advance for your sincere cooperation.

For any comment and questions, please contact me:

Tel- (+251 911 04 85 45)

Email -(addisu121@gmail.com),

Addisu Shiferaw.

Part I: Background Information:

1. Sex: Male  Female 

2. Age: Under 25  25-30 

31—35  36-40 

41-45  45 above 

3. Level of education: High School  College Diploma 

University Degree  Master’s Degree or above 

4. Work Experience: Below 5 years  6-10 years.

11-15 years  Above 15

5. Kindly Tick against your Major industry type as listed below or specify where necessary.

Finance & Insurance  Agriculture 

Information Technology  Construction 

Manufacturing  Real state 

Import/Export  Health 

Education  Hotel 

Others 

The following questions are presents on a five-point Likert scale. Kindly state your level of agreement or disagreement with the given statements.

Part I: Electronic Tax System Filing.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| No. | Description | Strongly Disagree | Disagree | Not Sure | Agree | Strongly Agree |
| 1 | I file Corporate Tax Return online by due date |  |  |  |  |  |
| 2 | E-filing would improve my job performance |  |  |  |  |  |
| 3 | The electronic tax platform is user friendly |  |  |  |  |  |
| 4 | Online filing of tax is very accurate |  |  |  |  |  |
| 5 | The online tax filing is secure to use |  |  |  |  |  |
| 6 | Online filing saves on time and money |  |  |  |  |  |

Part II: Electronic Tax System Payments.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| No | Description | Strongly Agree | Agree | Not Sure | Disagree | Strongly Agree |
| 1 | I pay Corporate Tax Return online by due date |  |  |  |  |  |
| 2 | Paying Taxes online is more accurate |  |  |  |  |  |
| 3 | Online payments updates ledger real time |  |  |  |  |  |
| 4 | Server downtime affects online payments. |  |  |  |  |  |
| 5 | The online tax payment system is secure to use |  |  |  |  |  |

Part III: Challenges of Electronic Tax Filing System

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| No | Description | Strongly Agree | Agree | Not Sure | Disagree | Strongly Agree |
| 1 | Electronic-tax filing system is difficult to operate |  |  |  |  |  |
| 2 | System hang ups leads to inability to file without assistance |  |  |  |  |  |
| 3 | Power interruption affects the use of electronic-tax system |  |  |  |  |  |
| 4 | The risk of hackers affects for using electronic-tax system |  |  |  |  |  |
| 5 | Electronic-tax filing system is an additional cost to the company |  |  |  |  |  |

Part IV: Tax Compliance.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| No. | Description | Strongly Agree | Agree | Not Sure | Disagree | Strongly Agree |
| 1 | I pay my tax due Voluntary using online by due date |  |  |  |  |  |
| 2 | I file my tax obligations accurately using the electronic-tax filing system |  |  |  |  |  |
| 3 | The electronic-tax filing system has fostered tax payment transparency |  |  |  |  |  |
| 4 | I file my tax due with less cost using the electronic-tax payment system |  |  |  |  |  |
| 5 | I pay my tax obligations accurately using the electronic-tax payment system |  |  |  |  |  |

**Thank you!**

**APPENDIX 2. Descriptive Statistics.**

**Table 4.2. Descriptive Statistics**.

N Min Max Mean SD Skewness Kurtosis

Statistic StatisticStatisticStatisticStatisticStatisticStd.Erro Statistic Std.Erro.

General Information.

Gender 150 1 2 1.547 0.500 -0.189 -0.198 -1.991 -0.394

Age bracket 150 1 6 2.627 1.179 -0.189 -0.198 0 .464 -0.394

Education 150 1 4 2.527 0.792 -0.189 -0.198 -0.171 -0.394

Work experience 150 1 4 2.293 0.807 -0.189 - 0.198 0.289 -0.394

Industry sector 150 1 11 5.620 3.262 -0.189 - 0.198 0.202 -0.394

**Average** **4.033 0.608**

Electronic Tax Filing

file Corporate Tax 150 1 5 4.053 1.152 -1.362 -0.198 1.166 -0.394

online by due date.

Electronic-tax filing system 150 1 5 4.027 1.181 -1.315 -0.198 0.948 -0.394

improve job performance

Electronic tax platform 150 1 5 4.033 1.102 -1.379 -0.198 1.549 -0.394

is user friendly

Online filing of tax is 150 1 5 4.033 1.178 -1.338 -0.198 1.016 -0.394

very accurate

Online filing of tax 150 1 5 4.020 1.181 -1.293 -0.198 0.882 -0.394

is secure to use

Online filing saves on 150 1 5 3.827 1.263 -1.067 -0.198 0.085 -0.39

time and money

**Average**  **3.999 0.540**

Electronic Tax Payments.

Pay Corporate Tax Return 150 1 5 3.993 1.212 -1.270 -0.198 0.723 -0.394

online by due date.

Online filing of tax 150 1 5 3.940 1.177 -1.159 -0.198 0.621 -0.394

very accurate

Online payments update 150 1 5 3.980 1.077 -1.363 -0.198 1.651 -0.394

ledger real time

Server downtime affects 150 1 5 3.953 1.178 -1.283 -0.198 0.915 -0.394

online payments

The online tax payment 150 1 5 3.960 1.215 -1.130 -0.198 0.376 -0.394

is secure to use.

**Average 3.965 0.625**

Challenges of e-Tax.

Electronic-tax filing system 150 1 5 3.547 1.359 -0.644 0.198 -0.805 0.394

is easy to operate.

System hang ups leads to 150 1 5 3.560 1.229 -0.514 0.198 -0.694 0.394

inability to file without.

Power interruption affects 150 1 5 3.540 1.408 -0.558 0.198 -1.025 0.394

the use of electronic tax.

The risk of hackers affects 150 1 5 3.633 1.277 -0.695 0.198 -0.618 0.394

for using electronic tax.

Electronic-tax filing 150 1 5 3.820 1.259 -1.066 0.198 0.093 0.394

is an additional cost.

**Average 3.620 0.518**

Tax Compliance.

Pay my tax due Voluntary 150 1 5 4.053 1.152 -1.362 0.198 1.166 -0.394

using online by due date.

file tax obligations accurately 150 1 5 4.027 1.181 -1.315 0.198 0.948 -0.394

using the electronic-tax filing

The electronic-tax filing 150 1 5 4.033 1.102 -1.379 0.198 1.549 -0.394

has fostered tax payment

transparency.

File tax due with less cost 150 1 5 4.033 1.178 -1.338 0.198 1.016 -0.394

using electronic-tax system.

Pay my tax obligations 150 1 5 4.053 1.184 -1.293 0.198 0.882 -0.394

accurately using electronic tax.

**Average 4.033 0.608**

Source: Own Survey Data, 2020.