



**ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES**

**THE EFFECTS OF ELECTRONIC FILING SYSTEM ON
TAX PAYERS COMPLIANCE: IN THE CASE OF
MINISTRY OF REVENUE**

**BY
TADELE ASEGDEW**

**MAY, 2020
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ID NO.SGS/0664/2010A

**A THESIS SUBMITTED TO THE SCHOOL OF GRADUATE STUDIES
ST. MARY'S UNIVERSITY, IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER
IN ACCOUNTING AND FINANCE**

MAY, 2020

ADDIS ABABA, ETHIOPIA

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SCHOOL OF GRADUATE STUDIES

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MINISTRY OF REVENUE**

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DECLARATION

I, the undersigned, declare that this thesis is my original work; prepared under the guidance of my research adviser Abraham G. (Assistant Professor). All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

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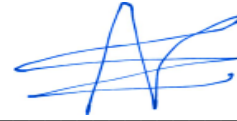
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MAY, 2020

ENDORSEMENT

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

A handwritten signature in blue ink, consisting of several overlapping loops and lines, positioned above a horizontal line.

Advisor: Abraham G. (Ass. Professor)

St. Mary's University, Addis Ababa

MAY, 2020

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ACKNOWLEDGEMENTS

This study is made possible by a great deal of support from a number of people who have kind enough to stand beside me every step of the way through my stay in the program. I would like express my heartfelt appreciation to my advisor Abraham G. (Assistant Professor) whose valuable comments and counsel guided the entire study to reach its current Tate. Thank you for being understanding and supportive. Special thanks go to all respondents who have specified their valuable time to provide me with the vital information on needed to complete the study. I think them all for their patience and understanding. Finally, my enhance gratitude goes towards to Ministry of Revenue, Addis Ababa Branch employees and customers.

LIST OF ACRONYMS

CBE- Commercial Bank of Ethiopia

E TAX – Electronic Tax

ECuA- Ethiopian Customs Authority

ERCA – Ethiopian Revenue and Custom Authority

ETF – Electronic Tax Filling

FIRA- Federal Inland Revenue Authority

KRA- Kenya Revenue Authority

LTO- Large Tax Payers Office

MOR- Ministry of Revenue

P- Perception

SIGTAS- Standard Integrated Government Tax Administration System

SPSS- Statistical Package for Social Science

T- TAX

VAT- Value Added Tax

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ABSTRACT

The main objective of this study was to assess the effects of electronic tax filing system on tax payer's compliances. The study used primary and secondary data. From the population of 795 large tax payers a sample of 266 was selected. Non-probability sampling technique was employed in this study to select the appropriate sample. The primary data were collected by using questionnaire prepared with close ended and open ended questions; and reliability test was conducted to check the consistency of the questionnaire. Logistic regression method was to analysis the collected data. The descriptive findings revealed that majority of large taxpayers do not have enough awareness on e-tax filing and tax compliance. The inferential statistics results indicate that perception and knowledge towards e-filing have positive and significant effect on tax compliance. The study recommended that consistent training is required to fill the gap of knowledge and perception towards e-filing and tax laws, and it requires collaborating with Ethio-telecom to improve internet connection.

Key terms: Tax, E-filing, Tax compliance, logistic regression, perception

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

E-revolution made significant changes to offer services to not only customers but also to the citizens and businesses, being applied now. Governments around the world, since 1990, have launched a project aimed at providing basic services through electronic means (Waweru, 2013). However, IT in organizations and government agencies has failed to achieve its rightful place in order to use it effectively. Then, it didn't get its strategic advantages in which are differentiation and expenses leadership, on the other hand using the official traditional methods associates with many outcomes including elongating the time of working, employees mistakes, registering significant expenses and archive documents, customer dissatisfaction, etc. Due to the effects of taxes leave on economic variables, the appropriate tax policies, in order to improve the system, is of extraordinary importance.

Makanga (2010) contends that increased use of technology has arguably improved taxpayer services, compliance and administration. 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-Taxation (Lubua, 2014).

To accelerate and advance the government's goals like to decrease the tax collecting expenses, saving the time, information accuracy and completeness, facilitate to receive the tax and trying to set up financial and budgetary discipline. A good tax system is base sustainable economic activity and control mechanize for tax evasion, as well as the realization of the macro objectives of E-Taxation such as implementation the tax revenues, income and social wealth fair distribution, and to provide competitiveness economy and sustainability resources administration and environmental protection (Mazur, & Plumley, 2007).

Although, the goal of any tax authority is to establish a system of tax administration that allows for the collection of required taxes at minimum cost, most developing country government departments are characterized by a lot of paper work, long queues, bureaucracy,

cramped spaces and a lot of frustrations. In most developing countries manual filing still remains the traditional and most widespread method of submitting tax returns for government revenue services (Anna &Yusniza, 2009).

One of the prominent advances in shaping governments to become more efficient is the transformation of governments to electronic operations. Electronic taxation is no longer an alternative however a need for nations going for better administration. People and strategies are essential in making e-taxation success. Innovation plays a steady, yet critical, part. The combination of empowered leadership working on information technology advances in employees along with efficient decision making and implementation capacities make it possible for citizens to benefit from an efficient electronic portal (Bloomquist, 2006).

The ministry of revenue is established with proclamation no 256/1994 issued on October 10,2002 on article4,5 16 and 26 in accordance with the proclamation the aims power and duties best Owen revenue board on proclamation no 5/1987 are fully transfer to the ministry of revenue ministry is given the responsibility of conducting the revenue sector reform program furthermore the ministry leads and supervises three affiliated revenue sector name inland revenue (FIRA), the Ethiopian customs authority (ECuA) and the administration (NLA).

Majority of the countries, where income tax fundamentally comprises the main part of the economy's income, have been utilizing electronic tax framework for quite a long time. E-tax collection is an electronic self-service platform that empowers citizens to record their tax returns and manage other tax services online whenever it might suit them irrespective of where they are as long as they have internet access (Coolidge, 2014).

Similarly, in Ethiopia, the initial step to make use of an electronic platform for filing taxes was made in 2012. The ministry of revenue introduced a platform called the standard integrated government tax administration system (SIGTAS), where tax payers get access to it via internet to file their taxes (ERCA, 2011).

SIGTAS in Ethiopia is a recent electronic taxation system; which saws MOR try to improve their service from time to time; however system effectiveness and monitoring is tax payers compliance issues (Gebrie, 2008).

1.2 Statement of the problem

Taxation in developing countries challenging topic and has attracted increasing attention in the last two decades. During this period, many problems observed like poor administration, failing to collect sufficient tax revenues, lack of government and economic stability (Ebrill, 2001). As stated by Gebrie (2008) Ethiopia, like any other developing countries, has faced difficulty in raising revenue to the level required for the promotion of economic growth. Hence, the country has been experienced a consistent surplus of expenditure over revenue for sufficiently long period of time.

To address this problem, in recent years the Ethiopian government has been undertaking substantial efforts in reforming and modernizing the revenue administration. The government aim to simplifying the tax system and increasing government revenue using E-taxation system. Despite the efforts taken by government, there has been poor tax revenue collection, tax compliance has still remained a problem and the taxpayers continued to complain about the behavior of the ERCA staff, poor handling taxpayer queries and complaints on tax matters, lengthy bureaucratic tax administrative procedures coupled with the nature of physical facilities in keeping and processing taxpayer information. In the other dimensions, the tax revenue performance of Ethiopia as a percentage of GDP remains low. The World Bank August 2020 reported that the tax revenue as a percentage of the GDP was achieved 7.5199% which was less than the tax to GDP ratio in 2017/18 which is 7.7% (World Bank Sep.2019).

A set of studies have been conducted on the challenges and benefits of adopting E – tax system and its effect on tax compliance (Lubua, 2014; Nero, & Amrizah, 2005; Gekonge, 2016; Harrison et al., 2015). E-tax filing system is equally important for all countries however, previous studies made on e-tax at MOR were very minimal. In this regard effort was made to get related studies and their gap. For instance a study, conducted by Samuel (2015) tried to assess the Prospects of e-Government in the case of MOR the study tried to

assess government efforts to establish infrastructural technologies such as extension of IT technology and its effect on taxation system, however, the study does not address the ongoing practice E –taxation and its facing challenges. There were also studies conducted by Merima et al. (2014) on the move towards implementing electronic tax system limits its scope only on the use of electronic sales register machine (ESRM).

Gebrewahid (2012) studied the practices of other countries on tax compliance as a benchmark to distinguish where Ethiopia stands and to recommend on strategies for enhancing culture of voluntary tax compliance in the business community. The study only considers tax payers view, rather it was not consider tax administrators and professionals on the area. .

The studies conducted in Ethiopia focus on challenges, benefits and relation with E-tax in Ethiopia tax offices (Ruta, 2017). The finding of the study shows main challenges identified includes taxpayers forgetting their password, incorrect data encoding by new e-tax users, e-tax users still visiting tax offices, slow and interrupted internet system, power disruption, lack of management support, lack of IT staff members, taxpayers not trusting the system and not being willing to shift from the manual system, according to this study, the target population of the study was drawn from the former MOR tax office but not assess taxpayers.

Research conducted by (Samuel, 2015) on the perception practice, challenges, and prospects of e-government: The case of ministry of revenue large taxpayers' office. And this study also focused on tax office. Hence, the study tries to show the gaps on target population drawn here from the taxpayer's point of view to measure perception, practice, challenges, and prospects of e-government the case of LTO not assess taxpayer's perception. Since the system introducing in Ethiopia was about six or seven years long there is lack of empirical studies on taxpayer's knowledge and perception towards e-tax filing. Therefore the extent of the effect of electronic tax filing system on taxpayers compliance was inadequately covered by the studies that have been carried in Ethiopia and hence the primary purpose of this study was to investigate the effect of e-filing on tax compliance based on the two important variables knowledge and perception towards e-filing on tax compliance. Even though many

variables are affecting tax compliance but the tax payers' awareness about e-filing is a vital component which affects the tax compliance. Another hand the perception of tax payers also affects the tax compliance .Hence the researcher chosen tax payers knowledge and perception towards e-tax system to address the research problem.

1.3 Research Questions

Based on the above highlighted problem, in order to solve the problem this researcher designed one research question and two research hypothesis.

1. What is the status of taxpayer's compliance level due to the e-filing system?
2. How taxpayers Knowledge on e-tax filing affects tax compliance?
3. How taxpayer's perception of e-tax filing affects tax compliance?

1.4 Objectives of the Study

The following are the general and specific objectives of this study:

1.4.1 General Objective

The overall objective of this research study is to assess the impacts of e-filing on the tax payer's compliance level under MOR large taxpayer's office, Addis Ababa.

1.4.2 Specific Objectives

In achieving the above objective, the study is specifically designed to:

- To assess the level of tax payer's compliance due to the e-filing system
- To examine the tax payers level of awareness about e-filing tax effect on tax payers compliance
- To investigate the effects of the tax payers perception about e-filing system on tax compliance

1.5 Research Hypothesis

H1: Knowledge towards e-tax-filing has a significant effect on tax compliance

H2: Perception towards e-tax-filing has a significant effect on tax compliance

1.6 Significance of the study

The results of this research contribute to the limited but steadily growing body of practical tax knowledge in Ethiopia. In addition, the research helps other research to make further study. This research provides an insight on factors affecting taxpayer's compliance and attaining the effect of taxpayer awareness and taxpayer's perception to electronic tax system of Ethiopian MOR. Moreover, policy makers may benefit from the understanding of the findings of this study by making them an input to their forthcoming efforts of improving the national tax collection environment.

1.7 Scope of the Study

The primary focus of the study was to assess the impacts of e-filing on taxpayer's compliance, and examine taxpayer's level of awareness in addition to investigate the effect of tax payer's perception about the tax system. Many factors are considered to analyze taxpayer's compliance, but this study, the researcher observes only those factors related with electronic taxation system. This research considered only large tax payers branch office customers it doesn't include other one medium and two small taxpayers branch office in Addis Ababa because of budget and time constraint in addition those large tax payers approximately 70% of the country tax generated. Therefore, large taxpayers are considering for this research.

1.8 Limitation of the study

This research has a gap since it investigates the effects of electronic filing system on tax payer's compliance. One of the study limitations is the population sample conduct from one branch office its means variable implementation may have difference from tax office to tax office. The research limitation is affect by tax office branch enforcement level, probability of education, ethics of tax officer, network connectivity aspects, simplistic of the system, technical skill of officer, tax payer's awareness regarding e-filing system and tax payers.

1.9 Organization of the study

The entire thesis organized in to five chapters. The first chapter focuses back ground of the study, statement of problem and objectives. The second chapter which is literature review explains more information by referring different text which is written on the study area, the next is include research design (methodology) and the rest chapter four and five includes data presentation, conclusion and recommendation.

CHAPTER TWO

RELATED LITERATURE REVIEW

This chapter covers literature reviewed of theories and conceptual frame work which serves as evidence of the variables of the study concepts of e-filing tax system and customers compliance in the activities, benefits and challenges of e-filing system and its relationship with tax payer's compliance.

2.1 The Concept of Electronic Tax Filing systems

Electronic tax system is a system that has been developed to replace manual system. It is a web enabled and secures application system that provides a fully-integrated and automated solution for administration of domestic taxes. It enables taxpayers to register tax, returns filing, payment registration to allow for tax payments and status inquiries with real-time monitoring of accounts (Waweru 2013).

According to, Chang (2005) E- tax filing is a system for submitting tax documents to the tax department through the internet or direct connection, usually without the need to submit any paper documents. Various tax return preparation software's with e-tax filing capabilities are available as standalone programs or through websites or tax professionals or from major software vendors for commercial use. "e - File is the term for electronic filing, or sending your tax from tax software via the Internet to the tax authority". Chanchal, et al (2013) on their study about the satisfaction level and awareness of tax-payers towards e-filing of income tax return in Moradabad city defined E-filing as the process of filing tax electronically. Taxpayers no longer stand in long queues and no waiting for filing. Customized forms have been devised by the tax authority which is available on the site.

The downturn in economies across the globe has resulted in reduced tax base. The revenue targets have consequently suffered owing to lower corporation tax collections. As a result countries have come up with a raft of reforms to boost taxpayers' compliance with their tax obligations. Key among these reforms is the introduction of online filing platform. Kenya,

on her part, has introduced e-tax online filing system. The success of the KRA automated tax services system and the achievement of the tax targets.

Ultimately depend on the peak e-tax registration rate coupled with the efficiency of the online platform. KRA's online filing system is designed to increase tax compliance and close tax leakages exploited by tax evaders. The authority through public awareness drives is keen on helping taxpayers comply rather than pursue punitive methods of collecting taxes (KRA 2015). By registering tax agents who prepare and e-file tax returns for the taxpayers without a computer-internet link and sustaining taxpayer assistance programs, KRA have indeed achieved a remarkable milestone. In Africa today, South Africa, Uganda, Nigeria, Rwanda and Kenya have fully embraced the systems (Muita, 2011).

The electronic tax filing system plays an important role in providing periodic summaries for both the taxpayers and the authority leading to faster computation of tax payable and credits where applicable. The impact of the electronic tax filing system is obvious and measured by the number of taxpayers on the system, the revenue collection data, taxpayer compliance costs and taxpayer error rate. It is confirmed in a study carried out by Fjeldstad (2013) that an effective revenue collection system has played a major role in mobilizing domestic taxes in most emerging economies leading to sustainable development programs.

2.2 Tax Compliance

OECD (2004), and Alink and Kommer (2011) explain that tax compliance can be defined by how best a taxpayer responds to the four key obligations; first, Taxpayer profile registration; Second, Promptness in filing the tax returns; Third, Accurate and complete reporting of information; and fourth, Remittance of the tax due on time. Tax compliance can take any of the three forms i.e. committed, creative and capitulation (McBarnett 2003). Committed compliance on the part of a taxpayer refers to their readiness comply with tax laws and regulations and pay the taxes accordingly. Creative approach refers to the steps a taxpayer would take to reduce taxes by reducing their tax liability (tax avoidance). Finally, capitulation compliance is the reluctance on the part of a taxpayer in discharging their tax burden (tax evasion).

KRA has come up with certain initiatives to enhance tax revenue collection since its establishment in 1995. Among these initiatives are measures to avail sufficient information to taxpayers through taxpayer education including assistance programs such as public relation drives and “taxpayers” month”. Importance of taxpayer education has been augmented by the establishment of self-assessment for various tax regimes. These measures empower the taxpayer to handle the online filing processes with relative simplicity compared to the manual system. The taxpayer service under policy division has existed in KRA and tasked with educating public among other functions. The taxpayer reached by way of guides and leaflets, tax clinics in an effort to address taxpayers’ concerns and affirm KRA’s position and expectations. This feat is achieved through different media which include radio programs, television, newspapers, websites, seminars, tax workshops and front desk which helps in passing key information to the public taxpayer education and assistance program.

2.2.1 Electronic filing and tax compliance

Tax compliance means abiding by taxpaying expectations and tax law. Noncompliance is the payment of less tax than due or outright failure to pay. The major causes of this difference are contributed hugely by overstating of expenses and deductions, and understating (Layton, 2004). Malma (2013) argue that non-tax compliance encompasses premeditated tax evasion and unintentional noncompliance, these resulting from calculation errors and poor appreciation of tax laws. On the other hand, OECD (2008) divides compliance into administrative and technical categories. Administrative compliance refers to following tax reporting procedures and regulatory frameworks while technical compliance refers to following the technical dictates on payment of taxes. However, Dome (2013) identifies four key tax compliance dimensions which are:

- A) Registering a taxpayer when criteria are met,
- B) Submission of tax returns on or before due date,
- C) Payment of tax due on or before due date and

D) Reporting tax liability accurately e.g. declaring correct income, expenditure and tax relief.

Dome (2013) further adds the dimension of a taxpayer having to register with the tax authorities when required to do so. He also highlights that one pillar of tax compliance is registration as a taxpayer when one meets criteria set by the revenue authority. He also states the major areas of non-compliance being the avoidance of registration and filing taxes wrongly. Therefore note that the dream of all governments is getting all its citizens to pay their taxes painlessly without complaints. The task has however, never been simple, until the introduction of the modern information technology which has simplified this task. The advancement of tax compliance has pointed at improvements in administration fiscal of systems (Teltscher, 2002). Tax compliance is mainly achieved when majority of taxpayers voluntarily file their tax returns and pay resultant tax liabilities as stipulated in the tax laws, without the intervention of the tax authorities through enforcement.

2.2.2 Benefits of Electronic Tax Filing system

Several benefits of electronic filing system have been discussed in literatures. Anna & Yusniza (2009) conducted a study on Adoption of tax e-tax filing in Malaysia and stated that e-tax filing allows customers to conduct transactions within a few mouse clicks. This convenience conserves a key driver of e-tax filing adoption. E-tax filing provides many aspects of 'convenience' to taxpayers (that is time to file, place to conduct the filing, ease-confuse, information searching and online transactions) at a degree that is not available through traditional channels. Accessibility is allowed 24x7x365. E-tax filing also offers flexibility of time and reduces calculation error on the tax return form to the taxpayers. Furthermore, Goolsbee (2002) confer benefits of e-tax filing to service providers, which are the authorities. To the service provider, e-tax filing minimizes their workload and operational cost due to the submission of tax returns in a paper less environment. It also reduces the cost of processing, storing and handling of tax returns.

Moyi & Ronge (2006) affirmed on their study on taxation and tax modernization in Kenya, e-tax filing enhances administration through measures such a entrusting sensitive negotiations to special teams; minimizing contacts between tax payers and tax collectors and

reducing the discretionary powers of tax officers; setting up supervisory systems with at least three hierarchical levels to reduce benefits for collusion; and devise incentive systems that match public and private interests.

Joanna (2014) in her study on implementing electronic tax filing and payment in Malaysia, stated that E-tax filing system increase the quality and quantity of information available to tax officers, enabling them to complete transactions faster and more accurately. Returns filed electronically have much lower error rates than paper returns and substantially cut the need to impose penalties and other punitive measures to foster compliance. The more efficient handling provided by electronic returns allows tax officers to issue assessments and refunds more quickly, and taxpayers know right away if their returns have been accepted by the tax authorities. E-tax filing lowers the cost of handling returns allowing administrative resources to be reallocated to other tasks such as auditing, customer services and tracking non-compliance.

The study extends in stating e-tax filings benefits in allowing for better, safer data storage that can be used to implement a risk management system for auditing and enforcement. Automation helps establish a good system for tracking files, which is essential for effective auditing and increases the speed and quality of data provided to auditors. Taxpayers can correct their mistakes or make and save changes many times before the final submission which diminish tax authorities checking work load. Finally, well-designed electronic systems can lower corruption by reducing face-to face interactions-tax filing also benefits in better access to information, employee productivity and improved service delivery. Strategic benefits are generally impossible to quantify in monetary terms, but their value is uncountable. For example Business Analytics is one example where data warehouse that can be queried to collect customized data on segments of constituents available for their decision-making process (Kavanagh, 2007).By using electronic filing system governments expect to achieve such gains as online data collection to reduce data entry costs and automate error checking, reduce the communication costs with citizens, enhanced uniformity in the treatment of the applications, greater re-use of data, reduce government publication and distribution costs through online publication (OECD, 2003).

Challenges of using Electronic Tax Filing system Sweeney et al., (1999), on their study about the role of perceived risk in the quality-value relationship substantiate that tax authorities face some major challenges towards the implementation of the e-tax filing system. One such challenge is the public perception of the E-tax filing system. After using an e-service over the Internet, the public may find the e-service system easy and useful or otherwise. Since the public cannot directly communicate with tax personnel, see or touch the tax forms as the service is provided online, the e-tax filing service system delivered to them may not perform as expected. In addition, the public may be burdened by the time and effort spent learning the new system and accommodating any services failure. Although time is a non-monetary effort and varies among individuals, researchers have recognized that time is a cost that users must pay for any use of services.

Another challenge regarding public perception was stressed out by Chang et al. (2005) as perceived credibility on their study about the impact of quality antecedents on tax payers' acceptance of Internet tax-filing systems. The study defined perceived credibility as the extent of users' confidence in the internet tax-filing system's ability to protect the user's personal information against computer hackers or cyber-crime as it is popularly known. A credible website needs to safeguard personal information from unauthorized access or disclosure, accidental loss and alteration or destruction. Therefore, as Joanna (2014) said reluctance of taxpayers to abandon paper-based processes because of their perception and shift to electronic system is one of the reasons which make the number of taxpayers using the e-tax filing system remained far below expectations. Another major challenge supposed by Anna & Yusniza (2009) on their study on the adoption of tax e-tax filing in Malaysia, is to ensure that the system runs smoothly and efficiently during the tax filing period each year. This refers to the technical aspects of e-tax filing, i.e. computer and information systems utilized for the e-tax filing system need to be stable and reliable enough to handle amount of information processing, especially during the peak period of e-tax filing and particularly as the deadline approaches. The service provider has to ensure that the e-tax filing system can handle the heavy processing of data during the month of tax submission without any glitches. Another critical issue on e-tax filing is that the tax authorities have to ensure that the confidentiality and privacy of the information submitted through the Internet is preserved.

Dwilson (2014) on his study on disadvantages of electronic filing says another challenge with e-tax filing is its inability to provide automated online assistance to a taxpayer with a complex income structure. Therefore for such taxpayers trying to get help on a complicated tax question from a website help-desk may not be nearly as useful as getting help from an in-person tax professional.

2.3 Theories of Taxation system

There are a number of factors responsible for taxpayer's compliance behavior backed by specific theories.

2.3.1 Ability to Pay Theory

The theory was formulated by Smith and Pigou (1903). The citizens ought to contribute toward the running of every government in proportion to the revenue earned under the protection by the state. This theory attempts to distribute the tax burden according to the individual ability of the taxpayer and taking into consideration the personal characteristics of the person. The theory is popular as it equates the amount of tax payable to the individual taxpayer's ability to pay hence satisfying the need for equity and justice. Such taxes personal taxes as income taxes, inheritance taxes, consumption and net worth are equitably premised under this theory (Wasao 2014).

2.3.2 E-Taxation System in Ethiopia

E-tax filing system in ministry of revenue (MOR) historically, in Ethiopia the tax returns were filed manually and hand-delivered to the nearest office. According to Fortune (2013) MOR's highly manual tax system has spent significant amount of its payroll budget on handling paper returns and transcribing data to machine readable form.

E-tax filing system, which MOR has been implementing for both large and medium tax payers, was installed in 2009 by CRC Sogema, a consulting firm based in Canada, with a 90,000 dollars financial support from the investment climate facilitation for Africa (ICF). There are two ways in which e-tax filing can be accessed; by directly using the authority's website and authenticating through two security layers and declaring tax (Fortune, 2015).

The World Bank Doing Business (2014) said that, on the online service delivery status ERCA is in its premature stage. Still, the need for manual reporting and appearing to a tax office is unavoidable. In the practice, challenges, and prospects of e-government; the case of ERCA study (Samuel, 2015) E-Tax is described as a large public application designed to work with the standard integrated government tax administration system (SIGTAS). It is a product that allows taxpayers to file electronically and to see and print their declarations on line. For security reasons, the e-Tax database is separate from SIGTAS database. An e-Tax user does not have direct access to SIGTAS database but declaration changes are done in SIGTAS and are automatically reflected in e-Tax. A communication mechanism between the two applications allows data to flow from one database to the other.

The main web page of MOR has almost all common information for taxpayers. Taxpayers can find all necessary legislation, tax forms and information about main tax procedures. The webpage includes a register of VAT taxpayers, public tenders by tax administration, duties and rights of taxpayers, phone numbers, acts on the amounts necessary to calculate tax obligations, short presentations on some taxes and an introduction to the tax administration (its duties, organization, working hours and annual report). It also offers links to other useful web pages (Gebre, 2006). MOR employees are prohibited from divulging any taxpayer's information to third parties. Therefore with electronic filing the taxpayer is empowered to take control of the security of his or her information or data, by securing their login details (login name & password). The confidentiality of taxpayer data is thereby guaranteed within the system of tax administration and MOR also enforces strict disclosure rules for all taxpayer data for data flowing outside the Tax Authority.

2.3.3 Benefit Theory

This theory was developed by Knut W. in 1896 and Erik L. 1919. In this approach conferment of benefits by the state on one person determines the amount of taxes he/she should pay. If a person derives more benefits from the state, the tax payable by such person should be guided accordingly. Critics of this principle argue that the state should not maintain a connection between the benefits conferred with the benefits derived. They assert that the principle of tax demands that the taxpayer makes compulsory contribution to the state or public authority to carter for the expenditure of the government and provision of the

benefits. This argument reaffirms that no quid pro quo exists in the process. The total expenditure accumulated by the state cannot be adequately equated to the benefits derived by an individual taxpayer. If this principle is applied to the letter then the poor end up paying the most taxes based on the benefits they derive hence the small tax payers may have to pay more taxes than medium and large tax payers (Wasao 2014).

2.3.4 The Stakeholder theory

It is pinned on the idea that organizations that manage their relationships with stakeholders effectively will last longer and perform better than organizations that do not (Freeman, 2008). In this view, tax authority is one of the stakeholders of taxpayers and the relationships with the Tax authorities need to be maintained by being tax compliant. The implication of this theory is that organizations in their bid to have a good corporate governance they will be tax compliant.

2.4 Empirical Studies

This part of the study summarizes various empirical studies conducted whether within a country as well as outside of a country on similar area. Based on these relevant empirical studies revealed as follow Nero & Amrizah (2005) in their research dealt with tax literacy and tax awareness and revealed that the possibility that tax knowledge may be an additional factor that influences E-tax filing usage since tax knowledge has been found to influence tax compliance in many countries. It is expected that the more complicated is a tax system, the lower taxpayers' voluntary tax compliance will be. Since the implementation of E-tax filing is primarily to increase tax compliance, it is critical to understand that tax knowledge influences E-tax filing usage among taxpayers and potential taxpayers. Therefore, a modern tax administration system should be reline system of voluntary compliance, where taxpayers pay what is due, when it is due, and without coercion.

The impact of electronic tax filing system on tax compliance has attracted a number of studies largely internationally. One local case study based on Large Taxpayers coming under LTO and undertaken by Makanga (2010) to establish the impact of technology as a strategic tool for enhancing tax compliance in Kenya concluded that technology is vital for enhancing the efficiency of revenue collection and tax compliance. The study confirmed the vital place

of technology in modern business functions could not be overstated. The study was also corroborated by a similar study by Muita (2011) on the underlying factors responsible for the choice of implementing online tax filing system among the large taxpayers in Kenya. In the study, the authority's preparedness was reviewed against the technical skills necessary for the success of the system both on the part of the taxpayer and the government. Conclusion of the study revealed the need for adequate skill and infrastructure development. He further looked at the challenges Government institutions face on public service delivery in Kenya. Her study detected an inherent problem in terms of service delivery coordination between the local authorities and central government workers at the field level.

David (2014) on his thesis study titled "The Effect of Online Tax System On Tax Compliance Among Small Taxpayers In East Of Nairobi Tax District" stated that tax compliance is mainly achieved when majority of taxpayers voluntarily file their tax returns and pay resultant tax liabilities as stipulated in the tax laws, without the intervention of the tax authorities through enforcement. However, if the voluntary compliance is low, then enforcement measures like audit and collection are resorted.

Muita (2011) in her MBA thesis has done a related study on the factors that influence adoption and use of e-tax filing system among Large Taxpayers in Kenya Revenue Authority and found out that paper returns are tedious to file on the part of the taxpayer and in the same magnitude to reconcile on the part of tax authority offices, hence the use of electronic filing, which is aimed at ensuring accuracy and timely reconciliation of the data contained, since Tax systems does automatic reconciliation and validation of the returns. The aim of tax reforms in many countries is therefore, to achieve higher voluntary compliance and one way to do this is by introducing electronic filing system. Various taxes are filed and remitted by due dates, which are mandatory dates for either tax return or payment thereon, to be remitted to tax authority, failure of which leads to non-compliance and attract penalties.

A study by Wasao (2014) explains that an online filing system that is versatile enough in terms of usability, design and performance is ideal and need to be evaluated further against site content, navigability, interactivity, download delay, user's feedback on satisfaction, responsiveness, the frequency of use and likelihood of return to the website.

Another study by Anna Yusniza (2009) looked at the perceived risk within the online tax filing in Malaysia. Their study was based on the perception that e-government has become considerably more important in today's world due to its effectiveness and reliability by various government departments. Online tax filing is a system that has been adopted by developed countries through which the public can engage with the government and meet their tax obligations cost-effectively. Researchers are yet to come up with an integrated system for tax to allay the fears and negative perception of the public despite wide adoption across the globe. They concluded that a number of performance and psychological risk facets remain significant in addition to time and privacy risks.

A study by Mazur & Plumley(2007) electronic tax filing systems face congestion when filing is done near the tax deadline. A number of studies have pointed that taxpayers tend to e-file around this time hence system crashes if the system capacity is exceeded. Taxpayers may find themselves frustrated by the need to spend a lot of time learning about the system and perhaps realize that the system cannot provide the functions anticipated leading to psychological and time risks. Taxpayers' confidential data have to be transmitted electronically exposing the taxpayer to privacy risks. Recommendations on risk reduction strategies should be formulated to take care of the taxpayers concerns through advanced security features such as advanced encryption for the user interface. E-filing adoption opens the door to many risks which can be mitigated by formulation of risk-specific strategies.

Coolidge & Yilmaz (2013) on their study, does e-tax filing reduce Tax Compliance Costs, agree that in countries where e-tax filing replaces paper-based filing with no additional work required from firms, e-tax filing is associated with some savings in tax compliance costs. On average 22.4% reduction in overall tax compliance costs and 21.8% reduction in hours spent for complying with VAT are associated with e-tax filing usage in South Africa.

Layton, (2007) states that three perspectives on the relevant theories were relied upon by previous researchers to explain and measure the degree of tax compliance. These models included norms of compliance, economic, uncertainty and inertia. The taxpayers' primary target is to optimize taxes in all situations characterized by excess benefits from tax delinquency over the punishment and detection risk. On the other hand, an extension is made by the uncertainty models on the economic model study. Advocates for uncertainty

model argue that information is scanty with respect to penalty and risk of audit despite the fact that ordinarily majority taxpayers will seek to optimize interests on their finances. Finally, tax culture is considered to have influence on taxpayer behavior according to norms of compliance models.

According to Lubua (2014), in the Tanzanian revenue authority, employees have come up with workshops designed to enlighten the public on the benefits associated with steps taken to comply voluntarily. Unfortunately, many respondents confirmed that they never received the trainings by the revenue officers. The setback was attributed to the limited number of staff deployed to carry out this exercise. The mobile technologies can be useful in providing trainings. Dowe (2008), states that in order to implement a successful electronic tax filing and payment systems a reliable and easily accessible internet platform providers backed by a financial sector ready to provide needed funds is critical. The success is also significantly contributed to by a public that is IT oriented on one hand and on the other hand adequate financing to set up the appropriate infrastructure in government tax offices.

Kamau (2014) looked at the factors that facilitate the successful adoption of technology as a tax compliance enhancement tool. In his study, he concluded that three factors must be in place to knowledge is considered to be a key element in evasion of tax. Knowledge provides the taxpayer with the ability to understand the need to comply and therefore elects to comply with the relevant tax laws or not comply. Past studies have provided the evidence of the existence of a relationship between tax knowledge about the tax rules and regulations and the taxpayers' ability to adhere to the same and comply. With improved knowledge about tax rules and regulations, tax compliance tends to improve owing to a more suitable perception. Similarly tax compliance is negatively affected by availability of evasion opportunities made known to a taxpayer through tax education. A large proportion of the previous studies on the effect of education on evasion have based their findings on the taxpayer level of general education as a measure of education, Richardson et al., (2001). Realize this objective, namely: flexible information technology structure, competent IT skill base and strong customer orientation. Kamau (2014), sought to determine the impact of the implementation of online technology as one of the strategies in improving taxpayers compliance in Kenya. The study focused on the larger taxpayers of Kenya revenue authority.

The study concludes that indeed the adoption of technology does impact on the tax compliance levels of the large taxpayers.

Higher rates of compliance are also attributed to corresponding knowledge of tax laws Cuccia et al., (1996). Eriksen et al., (1996) asserts that tax compliance improves as a result of decreased rate of evasion which is as a result of similar increase in tax knowledge. A study by Lewis (1982) looked at the possibility of a relationship between attitude at tax form filling stage and the knowledge about tax laws. The researcher looked at the possible changes in the attitude due to increase in knowledge and that would likely have an impact on compliance. He concluded that the knowledge was insufficient leading to negative effects on economic fronts resulting in widening of the tax gap.

As stated by Mongwaketse (2015) on his MBA paper titled “Perceived effects of an electronic filing system on tax compliance in a district municipality, South Africa”, e-tax filing system is not completely independent of human intervention and taxpayers cannot perform certain functions online, and as a result they still need to visit tax offices and queue for assistance. One such example is tax registration. The taxpayer can perform tax registration online, but afterwards is required to visit the office in order to show supporting documents or for payment.

Having and retaining good IT staff members was also given emphasis by Korpela et al. (2000) on their study about the commercial scenarios for the web: Opportunities and Challenges. The study implies the methodologies for developing information systems, generally, are taught mostly in academic and professional institutions in developed countries and focus on organizations with relatively abundant resources and other favorable conditions. For example, group of researchers note that information system development practices need modification to work in local African conditions. “The information system development practices and methodologies being taught and used in industrialized countries have been designed with a much more affluent and less constrained setting in mind than which African information and communication technology (ICT) actors find themselves in. Information system development practices are not universal as such, but need to be adjusted to any given socioeconomic, cultural and organizational setting”.

Yousif (2010) on his study titled “A web-based electronic filing system using conversion of image file to text file approach” stated that modern tax administrations have limited resources and recognize that effectively following up with the obligations of every taxpayer is a costly task. Rather than 'policing' tax compliance, modern tax administrations focus on three key objectives: facilitating voluntary compliance, selectively monitoring compliance, and selectively enforcing compliance. With respect to compliance monitoring and enforcement, the 'compliance performance system' of modern IT systems provides support to the tax administration's audit and collections function in collecting and managing information to target areas, whereon-compliance poses greatest risks to revenues. According to Bloomquis (2006), on his overview of recent IRS research on taxpayer compliance behavior in United Kingdom, stated that revenue authorities have a central role (and vested interest) in ensuring that taxpayers and other parties understand their obligations under the revenue laws. For their part, taxpayers and others have an important role to play in meeting their obligations as, in many situations, it is only they who are in a position to know that they may have an obligation under the law.

2.5 Research Gap

Those several studies conducted on the challenges of electronic taxation system and customer compliance shows that there exist challenges and benefits of electronic tax system. However, most of these studies were conducted outside of Ethiopia. As per knowledge of the researcher, In Ethiopia's context, electronic tax challenges has not been addressed. For instance a study, conducted by Samuel (2015) tried to assess the prospects of e-Government in the case of MOR the study tried to assess government efforts to establish infrastructural technologies such as extension of IT technology and its effect on taxation system, however, the study does not addressed the ongoing practice E –taxation and its facing challenges. Therefore, this study motivated to fill the research gap observed on the area.

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and enforcement, the 'compliance performance system' of modern IT systems provides support to the tax administration's audit and collections function in collecting and managing information to target areas, where non-compliance poses greatest risks to revenues. According to Bloomquis (2006), on his overview of recent IRS research on taxpayer compliance behavior in United Kingdom, stated that revenue authorities have a central role (and vested interest) in ensuring that taxpayers and other parties understand their obligations under the revenue laws. For their part, taxpayers and others have an important role to play in meeting their obligations as, in many situations, it is only they who are in a position to know that they may have an obligation under the law.

Gebrewahid (2012) studied the practices of other countries on tax compliance as a benchmark to distinguish where Ethiopia stands and to recommend on strategies for enhancing culture of voluntary tax compliance in the business community. The study examined the effect of non-compliance to the tax law leading to tax gap, i.e. the difference between what the economy can generate and what actual tax is collected. For example for 2003 E.C., the GDP was birr 511 billion and was expected to collect birr 81.22 to 84.85 billion (under 15.89% and 16.6% Tax to GDP ratio scenarios respectively), but the actual tax collected was birr 59.98 billion resulting in a deficit of birr 22 to 25 billion. The study also pointed out that out of the 59.98 billion birr tax collected, 3.37 billion birr was made possible through the use of law enforcement actions by MOR, while 55.61 billion (68%) coming from voluntary compliance of the tax law. The study finally forwards its recommendation on how to further improve on voluntary tax compliance, but with no contribution, except a passing remark on further deepening the tax administration system, to come from e-Government.

The study by Merima, et al, (2014) on the move towards implementing electronic tax system limits its scope only on the use of Electronic Sales Register Machine (ESRM). Merima, et al, concluded that the introduction of ESRM resulted in large and significant increase in tax payment that also reduces tax evasions. However, while ESRM can be an input to e-Government, it cannot be taken by itself as a comprehensive electronic tax system to fully address e-Government capabilities, which also has a number of technological drawbacks (for being not a real electronic system relaying data online to central database), is found in this study.

Alemayehu and Abebe (2005) studied the reforms in the tax system made in the country from 1999 to 2003. This was with the objective to examine the effect of tax reform on revenue raised. The reforms discussed primarily revolve around change in legislations and administrative restructuring, but with two lines remark on the need for the introduction of ICT to increase the efficiency of tax administration. Amina (2010) also made a comparable study (covering the period 2002/2003 to 2007/2008) on the impact of tax reform on the private business sector, which still primarily discussed about legislative reform and its effect on the private sector development. The study findings by Amina (2010:59) detailed out challenges experienced by the private business sector coming from the tax administration system with a recommendation only limited to suggesting for MOR to adequately equip itself with appropriate IT with trained staffs to operate it.

Recently Yosep (2017), assess electronic tax filing system in selected branch Ethiopian revenue, This study only depends on MOR's employee's opinion and does not include taxpayers 'perception due to time and resource constraints. If it had incorporated taxpayer's opinion enhance, generalize the study. Therefore, this study motivated to fill the research gap observed on the area.

2.6 Conceptual Framework

This study assesses the level of taxpayer's compliance due to the e-filing system and exiting taxpayer's level of awareness regarding the system as well as to investigate taxpayer's perceptions towards the system (independent variable) have direct influence on the tax payer's compliance (dependent variable). The more the tax payer's behavior towards to these variable are, the less tax compliance behavior and positive view to those variables are less compliance.

From this research objective, the conceptual model discloses new constructs and relates them to confirm that tax compliance is a function of taxpayer level of awareness to benefits of electronic tax filing system. This conceptual model is based on a review of existing literature about the variables. Borrowing a lot from the studies of several authors such as; Chunng (2002); Ericksen et al (1996), Harris et al. (1988); Jackson et al (1986), Kassipillai et al. (2003). It states that tax compliance as dependent variable is significantly influenced by taxpayers' knowledge on tax laws and regulations and their appreciation of the benefits

of electronic tax filing system as independent variables. Based on these below the study develops the following conceptual farm work.

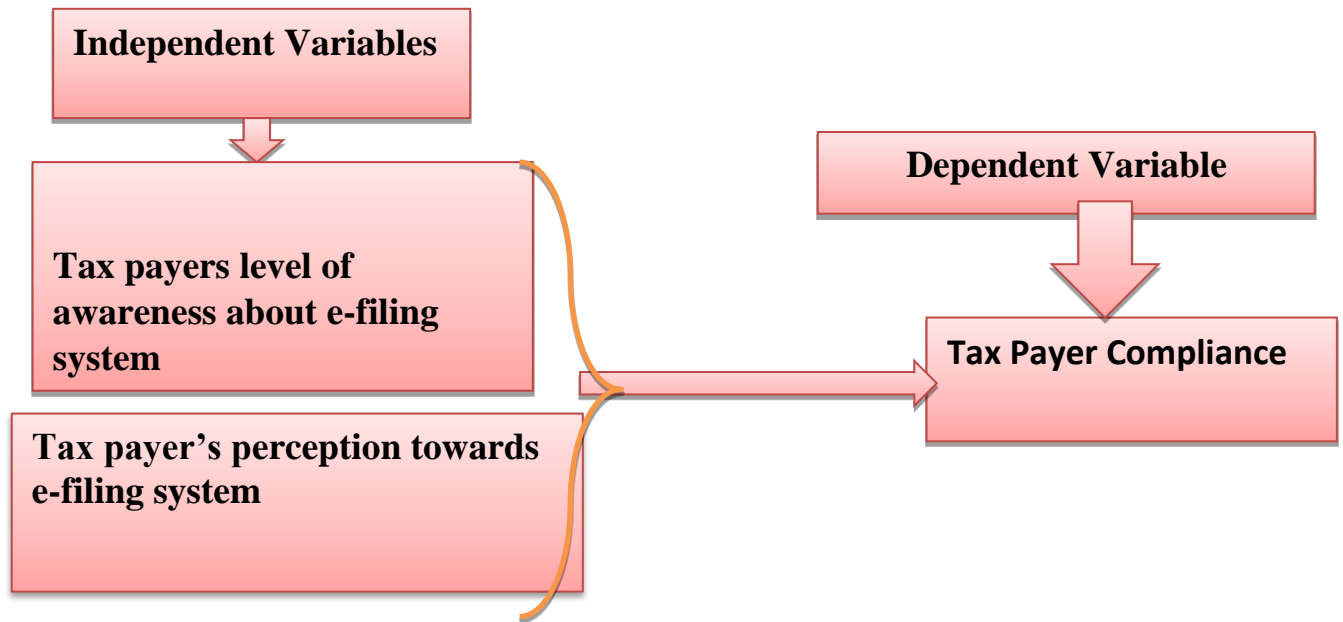


Figure 2.1 Conceptual farm work developed by the researcher

CHAPTER THREE

RESEARCH METHODOLOGY

This chapter briefly describes and address the questions of where the study focused on and what are the population and how the sample drawn from and what techniques of the data collections used and also what methods have been used to analyze and interpret the data's. And finally, the chapter discusses reliability and ethical issues to be followed to the quality standard of the research.

3.1 Description of the study area

This study focused one electronic tax system of the ministry of revenues. The ministry of revenue (MOR) was established by the proclamation No .587/2008 on 14 July 2008, by the merger of the ministry of revenue, Ethiopian customs authority and the Federal inland revenue authority for the purpose of enhancing the mobilization of government revenues, while providing effective tax and customs administration and sustainability in revenue collection. The main objective of the establishment of MOR was to streamline the public revenue generation function by bringing the relevant agencies under the umbrella of the central revenue collector body. This structuring aimed at improving service delivering, facilitating trade, enforcing the tax and customs laws and thereby enhancing mobilization of government revenue in sustainable manner.

3.2 Research Design

This study uses survey research which is a systematic collection of information from a defined population, usually by means of questionnaires administered to a sample of units in the population, using a questionnaire to collect data. The questionnaire based survey type of research method useful since the objective of the study is to assess taxpayers compliance and perception regarding MOR electronic tax system. This research used explanatory design to explain the relationships between casual variables and portray how they affect e-taxing system and its effect on tax payer compliance. And also it is efficient to evaluate and determine the adequacy of a program under existing condition against the established standards. Explanatory research design is more appropriate for quantitative case studs and unstructured data and test hypotheses. Explanatory research design is used to

clarifying problems and hypotheses and use flexible source as well as it aims to continue further research improvement and provide insight. Explanatory research design is more generalized problem and identifies possible alternatives solutions and used to understand the situation better and to avoid the presence of the problem by observing and review the previous studs. An exploratory study is a valuable means of finding out ‘what is happening; to seek new insights; to ask questions and to assess phenomena in a new light’ Robson (2002:59).

According to Saunders et al, (2009) explanatory studies establish causal relationships between variables may be termed explanatory research. The emphasis here is on studying a situation or a problem in order to explain the relationships between variables.

Causal studies focus on an analysis of a situation or a specific problem to explain the patterns of relationships between variables. The presence of cause and-effect relationships can be confirmed only if specific causal evidence exist Yalew, (2015).

3.3 Source of data

In order to carry out any research activity information gathered from proper sources. Therefore, to achievement objective this study the author used both primary and secondary data in order to engender relevant information. Primary data is original data which directly collection from the respondent on the issue being studied, its helps the researcher to get proper information about the research problem. Secondary data supplement the primary data and provides some facts and figures about the research issue. Hence the primary data gathered from questionnaires respondents who visited ministry of revenues selected large scale tax payers. The sampling locations during various working hours of the same day (morning and afternoon) during the pride from March 26, 2020 to April 08, 2020 because this time is a monthly tax declared session, as well as various days of the week, to reduce any potential bias or to eliminate the sampling frame errors and to ensure the representation of the population under study in the sample units. The primary sources of the data serves as a main sources of the study; this is because the study more depend on the opinion of individuals on certain issues making primary data sources to be more important than secondary sources.

Attempts is also tried to mix secondary data on several activities of e-tax challenges. In addition, secondary sources of data used to enrich the study supporting by several theories and empirical studies. Collected data are presented and analyzed using SPSS. And results are presented using descriptive statistics, tables etc.

3.3.1 Methods of Data Collection

The survey questionnaire measured three dimensions (tax payers knowledge about e-filing, e-filing influence on tax compliance, perception towards e-filing system) of e-tax payer of ministry of revenue and its effect on customer compliance. Because of survey method is provide a quick, inexpensive, efficient and accurate means of data collection. The data collection method is done using self-administered questionnaire filled by the large tax payer of ministry of revenue. The variables are measured using Likert scale with five response categories (strongly agree, agree, neither agree nor disagree, disagree and strongly disagree) because it is appropriate to collect data about perception and the filling of respondents since the study variable about perception of tax payers about e-filing system and the level of awareness about the e-filing system. The questionnaire is prepared in English as well as in Amharic language for better understanding of the questions for the respondents and to get appropriate information for the questions.

3.4 Target population and sampling

The population of the study is 795 large scale tax payers registered in MOR large tax payers branch office Addis Ababa (2019). The study has taken to assess the level of tax payers compliance due to effectiveness of electronic tax system in MOR, tax payers level of awareness about e-filling and to investigate the effect of tax payers perception regarding with tax payer compliance. There are four taxpayers branch office Addis Ababa city. Convenience sampling is used in this research to collect the data from LTO tax payers. The participants are selected using convenient sampling technique, Non-probability sampling method (Saunders et. al., 2009). According to Saunders *et. al.* (2009) unlike probability sampling, there are no rules in non-probability sampling techniques. Rather the logical relationship between your sample selection technique and the purpose and focus of your research is important; generalizations being made to theory rather than about a

population. Non-probability sampling involves the selection of subject based on assumption regarding the population of interest, which forms the criteria for selection. Convenience sampling involves selecting haphazardly those cases that are easiest to obtain for your sample (Saunders *et. al.*, 2009).

It involves selecting participants from the part of the population which is close to hand. So from four Federal registered tax payer’s branch of MOR one branches from Addis Ababa were selected for this study by using convenient sampling expecting that the researcher collected necessary data. The selection of the branch in Addis Ababa are based on issues of using e-filing tax system, logistics and travel for data collection, and willingness of branch managers to cooperate for data collection with customers at counter.

3.4.1 Sample Size Determination

The target population for the study is large scale tax payers of Ministry of Revenues. The population size is 795 large scale tax payers. Registered in the LTO, Addis Ababa branch of MOR (2019) as of July 20, 2019. The sample size of this study is determined by using the formula developed by Taro Yamane (1967:886).

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

Where n= is the sample size

N= is the population size,

e= is the level of precision or sampling error= (0.05)

$$N= \frac{795}{1 + 795(0.05)^2} = 266.108787$$

$$1 + 795(0.05)^2$$

Thus, sample size of 266 large scale tax payers

3.5 Methods of data Analysis

The respondents' data were statistically analyzed using Statistical Package for Social Science (SPSS) version 21 data obtained from primary source. Tables were mainly used to ensure easy and quick interpretation of data. Descriptive statistics and logistic regressions were used to analysis the data. Because of logistic regression can be seen as a special case of the generalized linear model and thus analogous to linear regression. The model of logistic regression, however, is based on quite different assumptions (regarding the relationship between the dependent and independent variables).According to; AnamikaThanda (2020) Logistic regression is the correct type of analysis to use when you're working with binary data. The results were interpreted with the help of odds ratio (Exp β) instead of the actual coefficient, as the interpretation of odds ratio is easier to use and understand. It would mean that for a unit change in the independent variable there would be a corresponding change in the Odds ratio.

In order to assess the reliability and consistency of the instrument the Cronbach's Alpha (α) analysis was conducted. Then to determine the relationships among the variables were used the spearman's correlation coefficient and to test the research hypothesis logistic regression were used.

3.6 Validity and Reliability of the Study

3.6.1 Validity

In order to ensure the quality of this research design content validity of the research instrument were checked. The content validity was verified by the advisor of this research, ensured by having objective questions included in the questionnaire and by pre-testing the instrument to be used to identify and change any unclear, difficult, or offensive questions and technique as emphasized by Cooper and Schindler (2003). Accordingly the study a pilot test has been conducted on 10% of the total sample sizes. Therefore, 26 questionnaires were made in order to ensure the validity measurement for this study.

It is used to suggest determining whether the findings are accurate from the standpoint of the researcher, the participant, or the readers an account.

3.6.2 Reliability

To measure the consistency of the questionnaire particularly the Likert-type scale, the reliability analysis is essential in reflecting the overall reliability of constructs that it is measuring. To carry out the reliability analysis, Cronbach's Alpha (α) is the most common measure of scale reliability and a value greater than 0.700 is very acceptable Ahmed, F. (2016) and according to Cronbach's (1951), a reliability value (α) greater than 0.600 is also acceptable.

3.7 Ethical Considerations

Involved respondents were entitled to the right of privacy and dignity. Information obtained from respondents was handled confidentially. Respondents were not required to mention 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 reported in aggregated form, thus no individual respondent can be identified.

3.8 Operationalization of Variables

No	Objectives	Variable	Indicator Analysis tools	Scale and Analysis tools
1	To assess the extent to which perception towards e-tax filing system affects tax compliance.	Perception towards online tax filing	<ul style="list-style-type: none"> • Take personal responsibility • Trust of out come • Comprise of manual &online • Save of cost • Perceived usefulness • Easy to use • Secure to use • User-friendly 	<ul style="list-style-type: none"> • Likert scale • Descriptive statistics • Inferential statistics

2	To assess the extent to which knowledge towards e-tax filing system affects tax compliance.	Knowledge of on line tax filing	<ul style="list-style-type: none"> • Tax knowledge • Computer knowledge • Use of e-filing • Professional assistance • Returns on time • Technical competence 	<ul style="list-style-type: none"> • likert scale • Descriptive statistics • Inferential Statistics
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3.9 Measurement of Dependent and Independent Variables

Dependent variable is tax compliance in federal large taxpayers' office at Addis Ababa which was measured by binary logistic regression to identify effect of e-filing on tax compliance. Logistic regression is helpful when one wants to predict categorical variables from a set of predictor variables (Pallant 2005). Then here logistic regression was conducted to examine whether the two variables, knowledge towards e-filing tax & perception towards e-tax filing significantly affect the tax compliance by using five point likert scale, the details are discussed below.

The independent variables were measured using a five point Likert:

Knowledge towards e-tax filing:-this independent variable measured by 5 likert scales ranging from strongly disagree (1), disagree (2), (3), neutral (4) Agree (5) strongly Agree questionnaires like basic tax & computer knowledge, use of e-tax filing ,easily understand without assistance, obligation of accurately and file return on time & technical influence use of e-tax.

Perception towards e-tax filing:- this independent variable measured by 5 likert scale scales ranging from strongly disagree (1), disagree (2),(3), neutral (4) Agree (5) strongly Agree questionnaires like would be measured through on personal responsibility to tax affairs, trust on the outcome, compute refunds on line than manual, compute costs complying with tax legislation, the speed of the system with the actual network, the simplicity of use of online, the security of the system and design of the system user friendly. For these two variables respondents were requested to select their own choice based on five

point likert scale method, and this data was recode in to two groups that means strongly disagree code 1 and disagree code 2 are recoded as 0, and agree code 4 and strongly agree code 5 are recoded as 1. The neutral code 3 is not included since the respondents were not answered and do not know what they asked therefore, cannot included in inferential statistics analysis. Because, binary logistic model of this study has only two probabilities i.e. either the e-filing system has an effect of on tax compliance or has not effect on tax compliance. Therefore, it needs agreed or disagreed responses of respondents to measure the effectiveness or ineffectiveness of the e-tax filing systems.

3.9.1 Model Specification

Binary logistic regression is appropriate statistical analysis for this research which used to calculate the probability of two possible outcomes (Bagley S. C. etal. 2001). In this research the two possible outcomes are either compliant or non-compliant of taxpayers using e-tax filing. Then the dependent variable(Y) is coded as 0(compliant of taxpayers using e-tax filing) and 1(non-compliant of taxpayers using e-tax filing).

The equation for binary logistic regression (Guajarati 2003) gave the general expression for logistic model as

$$Li = Ln = \beta_0 + \beta_i X_i + u_i, i=1, 2$$

Where, Li - logs of odds ratio/logit

Ln- natural logarithm Determinants of tax compliance using e-filing

Bi - coefficient for each independent variable

B0-intercept of the regression

Xi – each independent variable and

Ui - error term

From this general logit model, the following were derived and applied for this specific study

$$Li = \beta_0 + \beta_1 Ke-tax + \beta_2 Pe-tax + u_i$$

Where, Li- log of the odd ratio of tax compliance.

$Y = \ln\left[\frac{P_i}{1-P_i}\right]$ 1= not compliant, let assume $P(Y=1)$

[1-Pi] 0= compliant $P(Y=0)$

3.9.2 Assumptions of Logistic Regression

Logistic regression requires large sample size, but if small sample used for the study it desirable to use bootstrap methods as suggested by different scholars (Anwar &Ng 2014). In addition, logistic regression can handle nonlinear relationships between the dependent and independent variables, because it applies a non-linear log transformation of the linear regression.

3.9.3 Evaluation of a Logistic Regression Model and Decision

According to (Park 2013), there are several parts involved in the evaluation of the logistic regression model. Among methods, the following is used in the study.

Global fit measure	Individual parameter measure
<ul style="list-style-type: none">• Cox &snell and Nagelkeke R^2• Hosemer-Lemshow test	<ul style="list-style-type: none">• P-value (significance) and Odd ratio• B- coefficient

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

This chapter presents the findings, analysis and interpretation of the data collected from respondents. The questionnaire was designed in line with the objectives of the study. In this chapter would be also analyze various response rate followed by the descriptive statistics of the respondents related questions; like the gender, level of education, types of business, how long the business operating, how long online filing uses and types of sector. The results of the reliability analysis, correlation and the logistic regression test also reported and finally the results of hypothesis testing were presented.

4.1 Descriptive Statistics

The study sought to establish the impact of online tax filing on tax compliance at Federal large taxpayers Addis Ababa branch office. Three main categories and demographic questions were framed and the same given to the respondent that is knowledge towards filing, perception towards online tax filing and tax compliance. As mentioned above each question had several components tested in order to realize the objectives of the study using frequency since the variables are categorical. In order to present the descriptive results of the variables of the study, an analysis was first captured in a spreadsheet in tabular format with various variables from the questionnaire. SPSS was used to extract results and present them in tables.

4.1.1 Response Rate

The data are collected and then analyzed in response to the problems posed in the first chapter of this study. 266 questionnaires were distributed and 211 (79.3%) returned from respondents 13 (4.9%) questionnaires are spoiled. This represents a response rate of 79.3% percent with 13 missed questioners. According to (Mugenda, 1999) a 50% response rate is adequate, 60% good and above 70% is rated very well. Therefore, data were analyzed based on the data collected using questionnaires from 198 (74.4%) respondents.

4.1.2 Demographic Characteristics of the Respondents in the Organization

In order to have clear understanding about the result of the study, it is important to be familiar with demographic characteristics of the sample respondents who are used e-tax filing monthly & annually. 211 respondents are returned with 13 questionnaires spoiled from the distributed 266 questionnaire samples, which is found in Federal large tax payers Addis Ababa branch office.

Then in this sub section, variables such as gender, types of business, level of education, how long the business operating, and types of sector of the respondents in the branch were analyzed. The information processed by SPSS is summarized as follows;

Table 4.1: Demographic Information

		Frequency	Percent
Gender	Male	105	53
	Female	93	47
Level of education	Diploma	53	26.8
	Degree(BA)	110	55.6
	Masters	35	17.7
Types of business	PLC	135	68.2
	SC	35	17.7
	PE	18	9.1
	Other	10	5.1
How long use e-filing	< 2yr	53	26.8
	2yr to 5yr	130	65.7
	> 5yr	15	7.6
How long operating Business	< 2yr	42	21.2
	2yr to 5yr	141	71.2
	> 5yr	15	7.6
Types of sector	Manufacture	51	25.8
	Construction	51	25.8
	Wholesale trade	54	27.3
	Business service	32	16.2
	Communication & other utility	3	1.5
	Other	7	3.5

Source: Field survey 2019

According to table 4.1 above, the total number of respondents who completed and returned questionnaires was 198, of which the majority were Male at 105 (53%) and the rest being

Female at 93 (47%). The split is further shown on Figure 4.1. It is clear that the difference in the frequency of male and female respondent is not significant. Therefore the study is balanced between males and females.

From the above table 4.1 level of education were asked, majority of the respondents which are 55.5% have a degree, 26.8% have a diploma and 17.7% have a masters holder. This indicates most respondents were a literacy could have read and understand what they asked in English.

Based on table 4.1 respondents who are taxpayers of the branch forms as private limited company (PLC) 135 (68.2%) which is the highest frequency response rate, share company (SC) 35 (17.7%), public enterprise (PE) 18 (9.1%) and others 10 (5.1%) were participates in different business entity.

From the above table 4.1 the other demographic information was how long use e-filing long the business operating these who said above five years 15 (7.6%) from the total response of the taxpayers which have long time in doing business in the branch office, from 2 up to 5 years long 130 (65.7%), less than 2 years long business would be 53 (26.8%). And also asked how long the business operating many years were used online filing system, majority of the respondents 141(71.2%) of them between two and above five years were use, 15 (7.6%) less than two years be used and 42 (21.2%) respondents were used greater than five years. therefore this indicates most taxpayers of the branch have an experience about e-tax filing and can evaluate the system well.

According to table 4.1 in order to easily administer and control taxpayers' transaction the large taxpayers' branch office could be segmented the business by a sector.

From these sectors who said manufacturing 51 (25.8%), construction 51(25.8%), wholesaler 54(27.3%), Business service 32(16.2%) community and other utility 3 (1.5%) and other 7(3.5%) responses were collected, a large number of respondents which accounts for sector of wholesaler then manufacturing and construction.

4.1.3 Reliability

Table 4.2: Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	No. of Items
.873	.872	20

Source: Field survey 2019

The reliability above shown (see table 4.2), each items (questions) under the study shows a good and acceptable reliability. Therefore, the result indicated that the questionnaire of the study was internally consistent by 0.873

4.1.4 Taxpayers knowledge towards E-tax filing

Table 4.3: Taxpayers response on knowledge towards E-tax filing

Source: Field survey 2019

No	Question	Response	Frequency	Percent
1	Taxpayers' entitled to the LTO branch office have a basic tax knowledge?	Strongly Disagree	15	7.6
		Disagree	47	23.7
		Neutral	22	11.1
		Agree	92	46.5
		Strongly Agree	22	11.1
2	Taxpayers' entitled to the LTO branch office have a basic computer knowledge	Strongly Disagree	15	7.6
		Disagree	29	14.6
		Neutral	15	7.6
		Agree	121	61.1
		Strongly Agree	18	9.1
3	Taxpayers' entitled to the LTO branch office do not know how to use e-filing	Strongly Disagree	14	7.1
		Disagree	30	15.1
		Neutral	18	9.1
		Agree	120	60.6
		Strongly Agree	16	8.1
4	E-filing is not simple to understand and use without assistance	Strongly Disagree	12	6.1
		Disagree	48	24.2
		Neutral	19	9.6
		Agree	99	50.0
		Strongly Agree	20	10.1
5	Tax payers entitled to LTO cannot accurately determine their tax obligations	Strongly Disagree	10	5.1
		Disagree	30	15.2
		Neutral	16	8.1
		Agree	126	63.6
		Strongly Agree	16	8.1
6	Technical competence of filing tax returns influence use of E-Tax	Strongly Disagree	7	3.5
		Disagree	27	13.6
		Neutral	24	12.1
		Agree	118	59.6
		Strongly Agree	22	11.1

Table 4.3 indicates the spread of respondents' participation on each question in the questionnaire. The scale range 1 up to 4 from extreme negative (strongly agree) to extreme positive (strongly disagree). The results on the table above are presented in percentages.

Based on the table the majority (57.6%) of respondents have basic tax knowledge these would have a gap in the tax knowledge in order to comply with tax law. On the contrary 31.3% of the respondent would have not basic tax knowledge would be easily understand what the tax law Saied, while 11.1% would not know.

On the other hand average respondents have a basic computer knowledge 70.2% these may not be easily use and understand electronic filing. 22.2% respondents which have not a basic computer knowledge filing and 7.6% no answer. The result shows majority of LTO taxpayers have a basic tax and computer knowledge therefore they can easily understand tax laws and regulations and the system from this we can understand they are graduates.

Most respondents about 68.7% of they said I don't know and understand how to use e-filing. And 22.2% number of respondents agreed that e-filing was easy to use and 9.1% in significant number of respondent haven't answered. This shows that most taxpayer needs training to know and understand e-tax filing.

According to table 4.3 most respondents around 60.1% were able to say e-filing is not simply easy to use and understand, these respondents should be need assistance. And 30.3% of them said that it is simply easy to use and understand and 9.6% of said I don't know.

As the researcher were asked, is the tax payers entitled to LTO cannot accurately determine their tax obligations. They said 71.7% of the respondents could not accurately determine their tax obligations, 20.3% could accurately determine their obligation and 8.1% who said I don't know.

Based on table 4.3, 70.7% were a significance response rate of technical competence of filing tax returns influence use of e-tax, 17.1% the respondent couldn't agree with the technical competence of filing tax returns influence use of e-tax and 11.1% who said I don't know.

Therefore based on the above responses knowledge towards e-filing significantly believes that technical competence of e-filing tax returns influence use of E-Tax.

In addition to the above response the respondent answered for open ended question which state that what other comments would like to provide large tax payers office to enhance taxpayers knowledge about to use its e-tax filing, majority of the participants response the same and comments like: we don't have enough knowledge with using internet and the system because the system is new, better of its tax payer can declare from their own office, using mass media the tax authority should have to inform also using social media can simply the tax payer can have a knowledge to use the e-tax system, have Lack of effective training and assistance, it must be more user friendly its full of vague words, that's why we don't know and understand how to use e-filing and please inform formally to the business owners to facilitate accessory of e-tax ,to take the training when the trained employer of the business was terminated from the business other new employer was hired there should be want a training for a new employer. In general to have a basic knowledge about the system the owners of the business will be aware this should be take the responsibility LTO, most taxpayers haven't know how about e-filing to use or access please do strongly and LTO should be aware to taxpayers about tax proclamation, regulation and other tax obligation in order to create a compliant and disciplined tax payers.

4.1.5 Taxpayers Perception towards E-tax filing

Table 4.4: Taxpayers response on Perception towards E-tax filing

No	Question	Response	Frequency	Percent
1	The introduction of e-filing encourage you to take personal responsibility to your tax affairs	Strongly Disagree	16	8.1
		Disagree	29	14.6
		Neutral	9	4.5
		Agree	128	64.6
		Strongly Agree	16	8.1
2	Tax payers did not trust the outcome/assessment of the tax submission from e-filing	Strongly Disagree	13	6.6
		Disagree	46	23.2
		Neutral	30	15.2
		Agree	87	43.9
		Strongly Agree	22	11.1
3	E-filing was introduced in LTO (Large taxpayers office) were not pay refunds quicker than before	Strongly Disagree	7	3.5
		Disagree	57	28.8
		Neutral	2	1.0
		Agree	101	51.0
		Strongly Agree	31	15.7

4	The use of e-filing does save your cost of complying with tax legislation (e.g. penalty, interest, drive to LTO. etc)	Strongly Disagree	9	4.5
		Disagree	41	20.7
		Neutral	9	4.5
		Agree	108	54.5
		Strongly Agree	31	15.7
5	Online tax system is not fast on the expected way	Strongly Disagree	4	2.0
		Disagree	39	19.7
		Neutral	14	7.1
		Agree	123	62.1
		Strongly Agree	18	9.1
6	On line file tax returns is not easy	Strongly Disagree	12	6.1
		Disagree	35	17.7
		Neutral	28	14.1
		Agree	99	50.0
		Strongly Agree	24	12.1
7	Online tax filing is not secure to use	Strongly Disagree	4	2.0
		Disagree	39	19.7
		Neutral	14	7.1
		Agree	123	62.1
		Strongly Agree	18	9.1
8	Tax payers have not positive attitude towards the use of electronic tax filing system	Strongly Disagree	4	2.0
		Disagree	39	19.7
		Neutral	19	9.6
		Agree	117	59.1
		Strongly Agree	19	9.6

Source: Field survey 2019

According to table 4.4 respondents were put your believe based on the given liker scale on each under the variable of perception towards e-tax filing system.

Based on the output from the SPSS respondents who said the introduction of e-filing encourage to take personal responsibility to your tax affairs would be 72.7% some respondents said e-filing discourage to take personal responsibility 22.7% and 4.5% said I don't know.

Majority of the respondent 55% of said that I don't have a trust on the outcome of tax submission from e-filing, this indicates the taxpayers were late to know the advantages of e-filing and have weak perception on the system, because trust borne from perception. And few respondents 29.8% said I have a trust on the outcome of tax submission from e-filing, 15.2% respondents were I don't know.

Most respondents about 66.7% of agreed with the question asked the introduction of e-filing in the LTO branch were not pays out refunds quicker than before, while 32.3% of respondents e-filing pays out refund than before and 1% answered I don't know.

Respondents tend to the use of e-filing does save cost of complying with tax legislation (e.g. penalty, interest, drive to LTO. etc.) which are 70.2% ,where as 25.2% of accepted the use of e-filing does not save costs of complying with tax legislation and the rest 4.5% were I don't know.

71.2% of respondents answered online tax system is not fast on the expected way. While 21.7% of respondent also online tax system is fast on the expected way, and 7.1% were said I don't know.

The question asked on line file tax returns is not easy? 62.1% respondent agreed with online is not easy, where as 23.8% of participants agreed with online file tax returns is easy and 14.1% of participant said I don't know.

As the security of information is the main issue for all tax payers, respondents were asked about online tax filing is secure to use. The table shows, when 71.2% of the respondents online tax filing is not secure to use. This explains respondents significantly believe that taxpayer's information is not secured and protected which implies that with such believe taxpayers cannot change the negative attitude of on line tax system. Whereas 21.7% of respondents agreed &strongly agreed about the online tax filing system secure to use, and 7.1% of respondent answered I don't know.

From the above table 4.4, 68.7% of respondents have negative attitude towards the use of electronic tax filing system, while 21.7% of respondents said that have not negative attitude towards the system. And the small number which was 9.6% of taxpayers answered I don't know. In addition to the above response the respondent answered for open ended question which state that what other comments would you like about perception of e-tax filing: the system should not save the password other people can easily enter to our account can make big mistake, we have a good perception about e-filing but we don't trust the outcome due to the interruption of the system, so we recommend that the system should be work consistently.

4.1.6 Tax compliance

Table 4.5: Taxpayers response on tax compliance

No	Question	Response	Frequency	Percent
1	Using e-filing does enable you to submit your return(s) timely	Strongly Disagree	4	2.0
		Disagree	59	29.8
		Neutral	14	7.1
		Agree	109	55.1
		Strongly Agree	12	6.1
2	Tax payers of the branch does not use e-filing to submit their tax return(s) accurately	Strongly Disagree	8	4.0
		Disagree	72	36.4
		Neutral	13	6.6
		Agree	87	43.9
		Strongly Agree	18	9.1
3	Due to the use of e-filing tax payers does not pay their tax liability faster and easier than before	Strongly Disagree	3	1.5
		Disagree	63	31.8
		Neutral	13	6.6
		Agree	110	55.6
		Strongly Agree	9	4.5
4	The use of e-filing does not improve the level of tax compliance with tax legislation	Strongly Disagree	2	1.0
		Disagree	59	29.8
		Neutral	26	13.1
		Agree	96	48.5
		Strongly Agree	15	7.6
5	E-filing discourage tax payers from being tax compliant because it's not easy to use or access	Strongly Disagree	7	3.5
		Disagree	35	17.7
		Neutral	12	6.1
		Agree	119	60.1
		Strongly Agree	25	12.6
6	Taxpayers of LTO have not positive attitude towards using the E-tax filing system	Strongly Disagree	4	2.0
		Disagree	39	19.7
		Neutral	19	9.6
		Agree	117	59.1
		Strongly Agree	19	9.6

Source: Field survey 2019

According to table 4.5, Above the tax compliance level questions No.1 majority of taxpayers around 61.2% Using e-filing does enable to submit their return(s) timely,. While 31.8% of taxpayers said that using e-filing does not enable to submit your return(s) timely that means so far they are late and the others of 7.1% of taxpayers answered I don't know.

Consider table 4.5 question asked about the Tax payers of the branch does not use e-filing to submit their tax return(s) accurately would be answered majority of the respondents around 53% of would be oppose the answer that was e - filing uses to submit their tax return(s) accurately,. While 40.4% of taxpayers said that using use e-filing to submit their tax return(s) accurately dos not enable and 6.6% of respondents would be I don't know.

From the above table 4.5, a 60.1% were a significance response rate observed under due to the of use e-filing taxpayers does not pay their tax liability faster and easier than before, 33.3% also suggested that due the use of e-filing tax payers does pay their tax liability faster and easier than before and 6.6% of respondents would be answered I don't know.

Table 4.5 show that 56.1% majority of the participant said that the use of e-filing does not improve the level of tax compliance with tax legislation, 30.8% of the other participant were said use of e-filing does improve the level of tax compliance with tax legislation and 13.3% of them I don't know.

Consider table 4.5 the highest response rate were 72.7% said that e-filing discourage tax payers from being tax compliant because it's not easy to use or access, 21.2% of respondent were e-filing encourage tax payers from being tax compliant because it's easy to use or access opposes the above respondent and 6.1% of respondent said I don't know.

From the table 4.5 a significance number of 68.7% of respondents said that we have not positive attitude towards using the e-tax filing system, 21.7% of respondents would be we have positive attitude towards using the e-tax filing system and the rest 9.6% of respondent answered I don't know.

In addition to the above response the respondent answered for open ended question which state that: what other comments would you like about compliance of e- filing:-the respondents have similar comment idea with the question, then I would be summarize the same comment in one idea, even if the system is modern we cannot submit on time, it is not

much active to submit the taxpayers at premises in the normal working hour. Because the data base of e-tax system is very weak and this should be correct with responsible organization, would have to be upgrade the server in order to fast the network, to save our time make it accessible and flexible with bank system not only with CBE to all other banks, would be accessible & fast the network at any time to declare in our office, the system should be introduce to all other tax branches, increase number of computers in e-tax filing class in the branch office, low network facility which doesn't enable us to report on a given time, improve network capacity and training related to the system important, e-tax filing is discourages taxpayers due to technical competence and for efficiently use the e-tax system would must be a technical advice to taxpayers.

4.2 Inferential Analysis

Inferential statistics is a procedure for checking the validity of a statistical hypothesis. It is a process by which the researcher decides whether the null hypothesis is rejected or not. Therefore, the researcher used correlation test and binary logistic regression model for hypotheses testing of the objectives of the study.

4.2.1 Correlation test (Spearman correlation)

It is appropriate for the categorical data to examine relationships between two or more variables to measure the strength and direction of a relationship between variables. The correlation coefficient of e-tax filing system and tax compliance was computed and presented below.

Table 4.6: Correlation test (Spearman correlation)

Correlations					
			comrec	knowre	percrec
Spearman's rho	Comrec	Correlation Coefficient	1.000	.343**	.451**
		Sig. (2-tailed)	.	.000	.000
	Knowre	Correlation Coefficient	.343**	1.000	.380**
		Sig. (2-tailed)	.000	.	.000
	Percrec	Correlation Coefficient	.451**	.380**	1.000
		Sig. (2-tailed)	.000	.000	.

Source: Field survey 2019

The result on the above table shows that knowledge of tax filing system ($r=.343$ & $.451$, $P<0.05$) is positive and significantly related with tax compliance. This means knowledge & perception of e-tax filing increases then compliance of taxpayers would be increase. These bring to direct or positive relationships with tax compliance the independent variables direct relationships with dependent variable.

4.2.2 Binary Logistic Regression Analysis

Table 4.7: Case Processing Summary

Unweighted Cases ^a	N	Percent
Selected Cases	198	93.8
Missing Cases	13	6.2
Total	211	100.0
Unselected Cases	0	.0
Total	211	100.0

Source: Field survey 2019

Table 4.8: Dependent Variable Encoding

Original Value	Internal Value
Compliance	0
Noncompliance	1

Source: Field survey 2019

This statistical analysis is used for more than one predictor variable in a time. Therefore, it would allow the identification of the effects of each selected independent variable on tax compliance.

4.2.2.1 Case Processing Summary and Dependent Variable Encoding

The case processing summary simply tells us about how many cases are included in our analysis. The second row tells us that there are 13 missing cases on all of the variables included in the analysis. And the dependent variable encoding reminds us how outcome variable is encoded „0“ compliant and 1“for non-compliant.

Table 4.9: Categorical Variables Codlings

		Frequency	Parameter coding
			(1)
Percrec	have per	41	1.000
	Haventper	157	.000
Knowre	Knowledge	46	1.000
	Notknowe	152	.000

Source: Field survey 2019

4.2.2.2 Categorical Variables Codling's

The independent or explanatory variables of the study are: Knowledge and perception of taxpayers towards e-filing. These variables considers as qualitative explanatory variables. As the table 4.9 above shows the qualitative explanatory variables have two categories and codlings to each variable. For qualitative or categorical explanatory variables, the category that is assigned the value zero is reference category while, the category that assigned the value one is non-reference category.

Tabel 4.10: Model Summary

	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	186.831 ^a	.196	.285

Source: Field survey 2019

Tabel 4.11: Classification

Observed		Predicted		
		Comrec		Percentage Correct
		Compliance	Noncompliance	
Step 1	Compliance	27	26	50.9
	Noncompliance	14	131	90.3
Overall Percentage				79.8

Source: Field survey 2019

4.2.2.3 Evaluation of Prediction Power of Models with All Predictors

In the above section, further analysis of prediction power of models with all predictors and percentage dependent variable explained by independents variables. Accordingly, table 4.10 & 4.11 with Cox & Snell R Square and the Nagelkerke's R², they provide an indication of the amount of variation in the dependent variable. But, the Nagelkerke's R² modification that does range from 0 to 1 is a more reliable measure of the relationship with a better model displaying a value closer to 1 and provides an indication of the model fitting information. Thus, there is good relationship between the predictors and dependent variable explained by independent factors 28.5%. And also, as per table 4.11 model with all predictors is 79.8% of individuals are correctly classified on the basis of their independent variable.

4.3 Goodness of Fit of Model

Table 4.12: Hosmer and Lemeshow Test

Step	Chi-square	df	Sig.
1	.127	2	.939

Source: Field survey 2019

Table 4.12 of Hosmer-Lemeshowtest, which divides subjects into 5 ordered groups of subjects and then compares the number actually in each group (observed) to predicted probabilities of occurrence in subgroups of the model population. Each of these categories is

further divided into two groups based on the actual observed outcome variable (noncompliance, compliance). A probability (p) value is computed (comparing the observed frequencies with those expected) under the linear model from the chi-square distribution with 2 degrees of freedom to test the effect of e-filing on tax compliance. Fit model small values (with large p-value closer to 1) indicate a good fit to the data, i.e. an insignificant chi-square indicates a good fit to the data and, therefore, good overall model fit. Since the p-value is 0.939 which is insignificant therefore our fitted logistic regression model is good fit of the logistic (Table 4.12). Based on this, Hosmer-Lemeshow test suggesting that the model was fit to the data well at statistics χ^2 , .127 & p value of .939 which is ($p > .05$) which means that the data fit the model adequately (Hosmer and Lemeshow 2000).

4.3.1 Parameters Estimates and Significance levels of Each Predictor in the Model

Table 4.13: Variables in the Equation

	B	S.E.	Wald	df	Sig.p	Exp(B)
Ste knowre(1)	-1.084	.409	7.028	1	.008	.338
p percrec(1)	-1.919	.416	21.282	1	.000	.147
1 ^a Constant	1.826	.239	58.417	1	.000	6.211

Source: Field survey 2019

Once all above section is described well, the last important thing is identifying table that enable to identify the coefficient of estimates, effect of predictors and significance level of each independents variable in the model. To do so, better to look at table 4.13: that has several important elements including logistic coefficients β , Wald test, p value, and odd ratio, in order to determine the effect of e-filing on tax compliance.

The above table 4.13 is considered and verified the parameter estimates of the level of significance (sig-value) and odds ratio attained by each of the independent variables. The logistic regression results obtained from the model is utilized to test these hypotheses. The hypotheses required to test for a significant direct influence of knowledge of e-filing and perception towards e-filing on the effect of tax compliance. Therefore, the hypothesis testing

of the study is based on the binary logistic regression output that demonstrated in the above table of 4.13.

- If the explanatory variables are **qualitative or categorical data** and the estimated regression coefficient is **negative**, the probability (odds or likelihood) of non-tax compliance ($y_i=1$) is **higher** for the **reference category** (the category that is assigned the value zero) as compared to the non-reference category.
- If the explanatory variables are **qualitative or categorical data** and the estimated regression coefficient is **positive**, the probability (odds or likelihood) non tax compliance ($y_i=1$) is **higher** for the **non-reference category** (the category that is assigned the value one) as compared to the reference category.

4.3.2 Statistical test of hypothesis

To achieve the objective of the study and to test the related hypotheses the logistic regression statistics computed in above Table 4.13: were considered, the level of significance (p value) and odd ratio attained by each of the independent variables. Therefore, the logistic regression results obtained from the model were utilized to test these hypotheses. The hypotheses sought to test for a significant influence of knowledge on e-filing and perception towards e-tax filing on the direct effect of tax compliance which was measured in terms of whether tax payers compliant or not.

4.3.2.1 Knowledge and Tax Compliance

Since the sign of B is negative, the probability of non-compliance is higher for the reference category (the category that is assigned zero), as compared to the non-reference category (the category that is assigned as one). Therefore, the odds/likelihood/probability of non-compliance is higher for individuals who do not have knowledge, as compared to having knowledge. To know by how much it is higher, we see EXP (B), since the value of EXP (B) is less than one and positive, we deduct the value of EXP (B) from one, we get the result $1-0.338=0.662$, which means 66.2%. Therefore the probability of non-compliance is 66.2% times higher for individuals who do not have knowledge as compared to having knowledge, keeping perception constant.

Hypothesis one: Knowledge of e-tax filing has a significant effect on the tax compliance of taxpayers;

The result of logistic regression showed in table 4.13: The individual test figures of knowledge on e-filing indicated by ($P= 0.008$, $\text{Exp}(\beta) = .338$). Thus the hypothesis to be tested is

H1: Knowledge of e-tax filing has a significant effect on the tax compliance of taxpayers-value=0.008, which is less than 0.05, even less than 0.01

Interpretation

Knowledge of e-tax filing has a significant effect on the tax compliance of taxpayers.

The is consistent with the study conducted by Nero (2005) in their research dealt with tax literacy and tax awareness and revealed that the possibility that tax knowledge may be an additional factor that influences e-tax filing usage since tax knowledge has been found to influence tax compliance in many countries. It is expected that the more complicated is a tax system, the lower taxpayers' voluntary tax compliance will be. Since the implementation of e-tax filing is primarily to increase tax compliance, it is critical to understand that tax knowledge influences e-tax filing usage among taxpayers and potential taxpayers.

4.3.2.2 Perception and Tax Compliance

Since the sign of B is negative, the probability of non-compliance is higher for the reference category (the category that is assigned zero), as compared to the non-reference category (the category that is assigned as one). Therefore, the odds/likelihood/probability of non-compliance is higher for individuals which do not have perception (have negative perception), as compared to having perception (have positive perception). To know by how much it is higher, we see $\text{EXP}(B)$, since the value of $\text{EXP}(B)$ is less than one and positive, we deduct the value of $\text{EXP}(B)$ from one, we get the result $1-0.147=0.853$, which means 85.3%. Therefore, the probability of non-compliance is 85.3% times higher for individuals who do not have perception (have negative perception) as compared to having perception (having positive perception), keeping knowledge constant.

H1: Perception towards e-tax filing has a significant effect on the tax compliance of taxpayers

P-value=0.000, which is less than 0.05, even less than 0.01

Perception towards e-tax filing has a significant effect on the tax compliance of taxpayers.

This consist with the study conducted David (2014) stated that tax compliance is mainly achieved when majority of taxpayers voluntarily file their tax returns and pay resultant tax liabilities as stipulated in the tax laws, without the intervention of the tax authorities through enforcement. However, if the voluntary compliance is low, then enforcement measures like audit and collection are resorted.

Interpretation:

Table 4.14: Summary of hypothesis testing results

H no.	Hypothesis	Sig(P-Value)	Finding of results
H1	Knowledge towards e-filing has a significant effect on tax compliance.	0.008	Failed to Reject the null hypothesis
H2	Perception towards e-filing has a significant effect on tax compliance.	0.000	Failed to Reject the null hypothesis

Source: Field survey 2019

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

This chapter, presents the summary of the major findings of the study, makes conclusions and presents the recommendations for further research in the subject area.

5.1 Summary of Major Findings

This study aimed at establishing the effect of e-filing on tax compliance on Large Taxpayers Addis Ababa Branch office. From this study it can conclude when tax payer's knowledge increase regarding tax regulation has a significant direct effect on tax compliance. This implies that knowledge and understanding of tax regulation through taxpayer's awareness does not have a significant influence on tax compliance. There were three research questions answered by this study: to verify the knowledge of taxpayers on electronic tax filing system, taxpayers 'perception towards e-filing system and to assess the electronic filing is a useful tool to improve tax compliance.

According to the demographic result which is important for the validity of the questioner answered by the respondents how long used e-filing 65.4% were said from two up to five years used tax declaration electronically, but not consistently used. However these respondents can be evaluating about the system due to have experience on the system.

The first research question concerned with knowledge of taxpayers on e-filing, majority of participants said, they have a basic tax and computer knowledge and they do not know detailed how to use e-filing ,about simplicity of using e-filing majority of the respondents agreed with e-filing is not easy to understand and cannot use without assistance. Majority of the respondent cannot accurately determine tax obligation on time using online tax system and said that technical competence is necessary to use e-tax filing.

Regarding to open-ended questions the respondents put comments as lack of effective training and assistance, don't have enough knowledge because the system is new, the system is not user friendly its full of vague words, business owners were not aware to facilitate accessory of e-tax and continues training is necessary for new employer the business.

The second research question concerned with perception of taxpayers towards on line filing, majority of respondents agreed with, using e-filing takes personal responsibility and don't trust the outcome form e-filing, using on line filing refunds was not quicker than manual, using e-filing saves cost e-filing system is not fast, easy, simple and secure to use although the system is not design user friendly. According to open ended questioner that the respondents provide comment to the branch with regard to the system should not save the password other people can easily enter to our account can make big mistake; we don't trust the outcome due to the interruption of the system.

Finally, the study sought to assess the electronic filing is a useful tool to improve tax compliance majority of the respondents agreed with using e-filing able to submit returns on time, using e-filing tax return is not accurate, using e-filing do not pay tax liability faster and easier, using e-filing not improved level of tax compliance, discourages because it is not easy to use or access and have negative attitude towards using the system. In addition to findings to assess electronic filing is a useful tool to improve tax compliance the respondents provide comment to the branch as:

Even if the system is modern taxpayers cannot submit on time, it is not much active to submit the taxpayers at premises in the normal working hour. Because the data base of e-tax system is very weak, it isn't accessible and flexible with bank system not only with CBE to all other banks, small number of computers in e-tax filing class in the branch office, e-tax filing is discourages taxpayers due to lack of technical competence.

Questions were raised during the interviews how much taxpayers used e-filing?, accessibility of necessary material & human capital with necessary trainings to effectively handle their job, coverage of legality to handle disputes out of e-Service transactions/undertakings, monitoring and evaluation the system, percentage of e-filing user, effort to start e-tax payment system with banks, using e-filing compared to paper filing system and major challenges of the system.

From the interviewee the introduction of e-filing was as pilot project by the authority in 2010 at the large tax payers office and launched a training for medium taxpayers on using its electronic tax return filing system online on 2012, materials were available as computer and internet connection ,human recourse of the e-tax filing team are not fulfill based on the

structure and trainings having taken for all staffs and the team to handle their job but not full, e-filing has a legal coverage under proclamation.No.983/2008,the system technically monitors and evaluates by foreign professionals the branch even the head office couldn't. E-payment was started at the end 2018 year but not active, independent variable. With regard to e-filing system compared to paper filing and major challenges of e-tax filing the interviewee said that the system has its own benefit and challenges but compared to paper filing it has greater benefit.

According to the logistic regression output all the predictors were positively contributed to tax compliance. The variables knowledge and perception are influence the dependent variable at 28.5% and the remaining variables are not included in the model. In addition to all predictors are 79.8% of individuals are correctly classified on the basis of their.

5.2 Conclusion

The study managed to test the objectives of the study and answers the research questions. The concern as to whether online system has an effect on tax compliance in large taxpayers Addis Ababa branch has been confirmed.

According to the above summary from the descriptive analysis majority of the respondents cannot trust the e-tax filing system and lack of assistance with lack of awareness due to the distraction of network and weak capacity of the server. Tax payers of the branch have lack of knowledge about tax and electronic tax filing system with wrong perception all these problems were raised of use of online system and resulting the taxpayers are non-compliant.

All the two variables affects the tax compliance presented in the summary were confirmed that there is a positive correlation between knowledge and perception towards e- tax filing system with tax compliance among taxpayers under the study. Therefore based on the analysis and discussion of the research, it can be concluded that the knowledge of e-tax filing and perception towards e-tax filing have a significant effect on tax compliance and supports by using logistic regression analysis (shown on table 4.7 - 4.12) shows. These indicates the branch have an assignment to aware and train the tax payers to fulfill the gaps of your knowledge and to change the attitude of using e-tax filing system of taxpayers.

5.3 Recommendation of the Study

Based on the findings of the study, researchers with several recommendations to encourage the use of e-tax that will improve tax compliance. The branch office should undertake;

- Large taxpayers' office (LTO) make to undertake intensive and increased sensitization of taxpayers to make them aware of the online tax filing, how it works and the advantages of using it so that taxpayers can understand and appreciate it.
- The branch also frequently be involved in capacity building programmers' for instance holding training seminars on the online tax filing process consistently for new employee of the business and tax office.
- The online 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 and enhance internet connectivity. This can be done by enterprise collaboration with Ethio-telecom.
- LTO make to increase the quality of the system. Formulation of information-related laws, enhancement of people's concept regarding information security and privacy should be constructed
- MOR's regulations are encouraging and stimulating so that taxpayers shift from manual to e-tax filing system.
- LTO make step ups to its duty of promoting awareness. The awareness should not be about penalties alone but also benefits of e-tax filing. This could be done by printing magazines, giving trainings and advertising the features of e-tax filing system.
- Customer surveys are introduced to find out the view of taxpayers and obtain regular feedbacks on e-tax to help in identifying areas of weaknesses so as to devise means for improvement.
- To save taxpayers time make it accessible and flexible with bank system not only with CBE to all other banks.

5.4 Suggestions for Further Research

Based on the variables which affects use of e-filing on tax compliance findings, conclusion, recommendations and the limitations of the study, further research could be suggested 71.5% of other variables which are not included in the study which affects use of e-filing on tax compliance in order to collaborate the findings of this study and expand the variables to better know the other factors for further study.

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APPENDIX
ST. MAR'S UNIVERSITY
SCHOOL OF GRADUATE STUDENTS
DEPARTMENT OF ACCOUNTING AND FINANCE

**QUESTIONNAIRE FOR ETHIOPIAN MINISTER OF REVENUE LARGE TAX
PAYERSBRANCH OFFICE TAXPAYERS**

Dear respondent;

I am candidate graduate from St. Mary university department of tax administration. This questioner is intended to gather data for research to be conducted by the title the effect of electronic tax filing system on tax compliance: the case of Ethiopian ministry of Revenue large taxpayer's branch office. This research is purely used to academic purpose. Therefore, I would kindly request your cooperation in filling out the questioner. I confirm you that all the data gathered will be kept confidential.

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

For any comment and questions, please contact me: Tel-(251)-911-89-85-37

Email –tadele.asegdew@yahoo.com

TadeleAsegdew

Dear respondent, please note that;

1. You don't need to write your name on the questionnaire.
2. Put "mark inside the box provided ones a time in one question
- 3 .Fill your comment or suggestions on blank space

SECTION A: Personal Data & Background information

1. What is your Gender? Male Female

2. Level of education
a. Diploma
b. Degree (BA)
c. Masters (MA)
- 3 .Type of Business/Ownership
a. Private Limited Company (PLC)
b. Share Company (S.C.)
c. Public Enterprise
d. Other (Please specify):
4. How long have you been operating your business?
a. Less than two year's b. Two-year five years
C. Five year and above
5. Type of sector
a. Manufacture b. Construction
c. Wholesale trade d. Business service
e. Communication & other utility f. Other (please specify) -----

The following questions are presented on a five point Liker scale.

1. Strongly disagree
2. Disagree
3. Neutral
4. Agree
5. Strongly agree

Please put "√" mark in the box to the point which highly reflects your idea?

SECTION B: Questions about Knowledge

No	Statement	Measurement				
		1	2	3	4	5
1	Taxpayers' entitled to the LTO branch office have a basic tax knowledge					
2	Taxpayers' entitled to the LTO branch office have basic computer knowledge					
3	Taxpayers' entitled to the LTO branch office do not know how to use e-filing					
4	E-filing is not simple to understand and use without assistance					
5	Tax payers entitled to LTO cannot accurately determine their tax obligations					
6	Technical competence of filing tax returns influence use of E-Tax					

7. What other comments would you like to provide LTO to enhance taxpayers knowledge about to use its e-filing? _____

SECTION C: Questions about Perception

No	Description	Measurement				
		1	2	3	4	5
1	The introduction of e-filing encourage you to take personal responsibility to your tax affairs					
2	Tax payers did not trust the outcome/assessment of the tax submission from e-filing					

3	E-filing was introduced in LTO (Large taxpayers office) were not pay refunds quicker than before					
4	The use of e-filing does save your cost of complying with tax legislation (e.g. penalty, interest, drive to LTO. etc)					
5	Online tax system is not fast on the expected way					
6	On line file tax returns is not easy					
7	Online tax filing is not secure to use					
8	Tax payers have negative attitude towards the use of electronic tax filing system					

9. What other comments would you like about perception of e-filing?

Section D: Questions about Compliance Level

No	Description	Measurements				
		1	2	3	4	5
1	Using e-filing does enable you to submit your return(s) timely					
2	Tax payers of the branch does not use e-filing to submit their tax return(s) accurately					
3	Due to the use of e-filing tax payers does not pay their tax liability faster and easier than before					

4	The use of e-filing does improve the level of tax compliance with tax legislation					
5	E-filing discourage tax payers from being tax compliant because it's not easy to use or access					
6	Taxpayers of LTO have not positive attitude towards using the E-tax filing system					

7. What other comments would you like about compliance of e-filing?

Appendix

Interview Questions

1. How long have you been using e filing
2. Are there enough computers and necessary materials to do E-tax filing related tasks in LTO?
3. What do you think are the gaps in this laws that is not ready or does not have adequate coverage to handle disputes out of e-Service transactions/undertakings
4. Human Capital:
 - 4.1. Is the department well-staffed with required personnel?
 - 4.2 How frequent are staffs provided the necessary trainings to effectively handle their job?
5. Monitoring and Evaluation:
 - 5.1 What is the mechanism by which your online service performance level is continually assessed? Do you have key base line and performance indicators?
 - 5.2 How is users' needs continually assessed and addressed for the effectiveness of your Website?
6. How many/percentage of the tax registered is using e filing?
7. What are the major challenges so far?
8. Is there an effort to start e-tax payment system with banks?
9. Is there any change in the assessment when using the electronic tax filing system as compared to the old manual paper filing system?