INDIRA GANDHI NATIONAL

OPEN UNIVERSITY

School of Graduate Studies

Program of MBA in Finance

Assessment of Value Added Tax Administration

(Case of Dilla Town, SNNPR)

For the partial fulfillment of MBA in Finance

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DECRATION OF CERTAFICATION

This project done by candidate of Shibru werera Guye

 PROGRAM CODE:MBA

ENROLMWNT NO, :ID 1220679

COURSE CODE: MS-100

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Acknowledgement

First of all I would like to give thanks for most supper High **GOD** in helping me to reach here from the beginning to the end of my study.

Next I like to express my gratitude thanks to my Advisor Ato Ayele Kebede in supporting me with his ample and constructive advice, guidance and suggestion for accomplishing this research paper.

Then my thanks goes to My family in supporting me with all they can, in last but not the least I would like to thanks Ato Ashenafi who helped me in typing this paper.

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Acronyms

Art: Article

ERCA: Ethiopian Revenue And Custom Authority

FDRE: Federal Democratic Republic Of Ethiopia

EPRDF: Ethiopia People Revolutionary Democratic Front

HMRC: Her Majestys Revenue And Customs

SAP: Structural Adjustment Program

SNNPR: South Nation Nationality People Representative

TIN: Taxable Identification Number

TOT: Turn Over Tax

UK: United Kingdom

VAT: Value Added Tax

ABSTRACT

Tax administration is a component of public administration designed to control the processes and operations of public revenues in accordance with new public management approaches which focuses on efficiency, performance measurement and requirements of good governance.VAT is one of the indirect taxes levied on consumption where the value of goods and services increases as they charge hands in course of production, distribution and final sales to the uniform rate of 15% on most consumption of goods and services. Since VAT is applied on the value added at each stage of production and distributions, it solves VAT is applied on the value added at each stage of production and distributions, it solves the tax cascading effect and reduces tax evasion with its modern administration system that sales tax cannot. Governments require tax administration and compliance to produce revenue from private entities to provide public goods and services. Ethiopia needs to use domestic based resources mainly obtained form tax like value added tax. The study will focus on addressing issues relating VAT administration factors affecting VAT revenue performance. In order to generate appropria its administration should be efficient. Therefore, the study conducted on assessment of VAT administration effectiveness in Dilla town. The goal of this study is to assess the problem of VAT administration and registration in Dilla town. The study raised major research questions related to VAT registration, Administration, collection and Tax payers Service Delivery. To achieve this objective, the researcher will use both qualitative and quantitative descriptive research designs and random sampling method. The researcher will use questionnaires, interviews and relevant documents to collect primary and secondary data from the data sources. Charts, graphs, table, percentages will use in analyzing the data (findings). Moreover, most taxpayers lack sufficient knowledge of VAT thus, most of VAT payers do not know why they are paying taxes and the applicable rules and regulations. Due to this and other factors mentioned in the analysis of this study, negligence, delay in tax payment and evasion are taken by taxpayers.

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CHAPTER ONE

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1. Introduction

1.1   Background of the study

Taxes are important sources of public revenue. The existence of collective consumption of goods and services necessitates putting portion of citizens earnings into the government's hand. The gov't uses such revenue for financing public goods that improve public welfare. Such public goods like roads, power, municipal services, and other public infrastructures have favorable results in many families, business enterprises, industries and the general public. (Ebel and Tilmaz, 2011)

Expanding the domestic revenue base particularly through taxation offers a promise of greater autonomy in the future and a break from restrictive aid and loan conditional ties. With this vision recently many poor countries have become preoccupied with improving tax systems. In the context of liberalization and globalization of world economies, many governments have performed tax reforms intended to boast national income and improve society welfare. In order   to meet these new challenges and to simplify tax administration, the federal Democratic Republic of Ethiopia amended the tax laws with new provisions and procedures. Such reforms are also intended to assist the tax payers in complying with the assessment process so as to reduce tax evasion and then to increase the revenue generation though tax. For instance, in the case of Ethiopia in an effort to increase the government's domestic revenue the government replaced the sales tax with value Added Tax (VAT) and Turn over Tax (TOT). In addition, the ministry of Revenue was established giving autonomy to the government's   revenue organ, and the tax system is computerized. Furthermore, the Federal Democratic Government of Ethiopia is trying to improve its tax administration capacity which encompasses tax audit as one of its component. (Misrac Tesfaye, 2008).

The federal democratic republic of Ethiopia (FEDRE)has adopted VAT to be involved on tax system in 2003. It was introduced on January 1/2003 to replace their sale tax system. The VAT proclamation no 285(2002) has been ratified by the house of people representatives. VAT is one of the principal sources of revenue for Ethiopian government. To sustain VAT's revenue role in the government's finance it is important to ensure that the revenue generated by this Tax is raised efficiently with too little administration and compliances coast per VAT collected. Therefore, this study aims to assess the VAT administration practices in the case of Dilla Town (negart 2002).

1.2   Statement of Problem

The principal sources of a government's revenue is tax. However in many sub-Saharan African countries this is often not the case. Many of the sub- Saharan African countries rely on foreign sources of finance namely foreign loan and aid due to their poor tax administration capacity and collection ability. (Cheeseman 2005)

Ethiopia   has implemented the value Added Tax in January, 2003 primarily to use it renaissance effort. In such effort, the Ethiopian Customs and Revenue Authority (ERCA), takes the responsibility to administer the tax system on the nation. However it is facing with a substantial problem of administration of the value Added Tax at federal level. (Yohanis and Sisay, 2009)

One of the challenges encountered include companies eligible for VAT avoid to be registered due to different reasons. In addition, the failure to maintain records and the tax liability are among the file timely further, failure to notify to the authority, change in business address and business name are frequently encountered challenges to the challenges. (Yohanis and Sisay,2009)

The amount of revenue secured from VAT administration influences the investment climate and private sector development. Firms considering investment are not only concerned about the formal tax system, but also about how the system works. A revenue administration that is perceived to be arbitrary discourages investment. Further, weaknesses in the enforcement capacity of the revenue administration put law–abiding firms at a competitive disadvantage, as their competitors in the informal sector are allowed to get away with tax evasion. This reduces incentives for businesses to join the formal private sector. (Mesfin, 2008)

There were various reasons why VAT administration reform may be needed in Dilla Town. While tax policy and tax laws create the potential for raising tax revenues, VAT system was not easy and simple to adopt in the town because the administration's bureaucracy was not sufficient nor experienced to understand the complicated tax structure. The actual amount of revenue raised from VAT flowing into the government treasury, to a large extent, depends on the efficiency and effectiveness of the administration. Weaknesses in revenue administration lead to inadequate tax collections.(Mesfin, 2008).

VAT Administration and registration in Dilla Town had faced different challenges. The main problems that encountered are lack of awareness on the VAT laws in business community, resistance against

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registrations for VAT by some traders, administration in efficiency from Dilla town revenue and custom authority and non- issuance of invoices or issuance of illegal invoices exercised by registered business enterprises. All these constraints hinder the smooth implementations of VAT. Thus, this paper aims to the VAT administration practices in the case of Dilla Town. (Tsegaye 2008)

1.3 Research Questions

In light of the problems discussed about, the research specifically aims to answer the following research questions:

- What is the knowledge of business community concerning the VAT rules and regulations?
- Does the tax administration authority administer and control those noncompliance and delinquent rules?
- What hinder the implementation of VAT in the town? And what measures has been taken to alleviate these implementation problems?

1.4. Objectives of the study

1.4.1 General Objective

The main objective of the study is to assess the VAT administration in Dilla town. And also assess the attitude, awareness and knowledge of tax payers towards the VAT. In addition this paper would be useful as resource for government policy maker on understanding and providing general knowledge of tax administration in case of Dilla town.

1.4.2 Specific Objectives

At the end of this study, the research specifically aim

- To assess the level of knowledge of the business center that create administrative and registration problems in relation to VAT.
- To evaluate the VAT administration capacity of the authority and the Contribution of VAT administration and registration in Revenue increment.
- To assess the knowledge of VAT registrants Enterprises about the VAT rules and regulations.

1.5 Significance of the study

The study was provided feedback to tax payers and tax authority regarding the significance and application practice of VAT administration. It was also contributes in evaluating the previous VAT administration and registration practice and very helpful on making some adjustments over the existing VAT administration systems in Dilla town. Finally, the study would help for those who are interested to make further study on the related issue may be used as an indication.

1.6 Scope of the study

The study was assessed the VAT administration in Dilla town. This study's scope is delimited on VAT administration practices of Dilla Town. The study is also delimited on VAT practices. Inter as TOT aim not in the scope of this study. The study covered the 2014-2015 budget of city of Dilla town.

1.7 Limitation of the study

The research work was subjected to different limitations. There was shortage of time in collecting and analyzing raw data. And also there was financial constraint which needed to carry out the proposed result of the research. The researcher has conducted orientations and timely supervisions and gave corrective ideas for the enumerations as well as for the respondents who have in such as situation. These take a lot of time than the proposed period. So the researcher has been taken the whole time patiently appealing to interviewers. In general the research work has faced the time limit to accomplish the total work of the research.

1.8 Organizations of the paper

This paper is organized in to five chapters. The first chapter presents the introduction part. The second chapter shows the literature review while the third chapter contains brief description of the research design and Methodology. The fourth chapter presents and analyzes the results. Finally, the last chapter presented the conclusions and recommendation of the study.

CHAPTER TWO

2 REVIEW OF RELATED LITERATUR

Introduction

The second chapter provides the review of literatures done by the researcher. In this chapter, the researcher tries to include different types of literature that are referring the current sources of different books, journals, dissertations, magazines, literatures and from internet websites. The chapter contains empirical and theoretical overview of various concepts related to the problem statement and background of the topic under study. In this section conceptual and empirical review of literature was be included by the researcher. The sections was be developed by using different sources such as Books. These is paper, internet and etc. in the empirical review of literature the researcher was provide the issues related with the topic by different topic and sub-topic.

2.1 Meaning of Value Added Tax (VAT)

VAT is an indirect tax levied on domestic consumption of goods and services imported. It is designed to be paid on the value added which is the difference between the value of sales and value of purchase at the point of transaction throughout the production and distribution chain. Any producer owes tax only in the value added; in practice this means that the producer have refund for VAT paid on all the purchases or inputs. Despite its name, the VAT is not generally intended to be a tax on value added as such: rather it is usually intended as a tax on consumption. Its essence is that it is charged at all stages of production, but with the provision of some mechanisms enabling firms to offset the tax they have paid on their own purchases of goods and services against the tax they change on their sales of goods and services (Misrac, 2008).

The VAT belongs to the family of sales tax a VAT way be defined as "a tax to be paid by the manufactures or traders of good and service on the basis of value added by them". It is not a tax on the value of the commodity being sold but on the value added to it by the manufacture or trader. They are not liable to the tax on the entire value of the commodity. But have to the tax only on the net value added by them in the production or distribution (Francisco, 2008).

VAT is a tax on Consumer Expenditure. The means a VAT generally is a tax on consumption of good and service it is broad tax on the consumption of good and service and collected in the production and distribution process begging with importers and producers of raw materials and ending with retailers. Even though the VAT is collected by remitted to the government by business enterprise like importer,

manufacturer, provider of service wholesalers and retailers, the tax likely was move forward to the final consumer . VAT is a tax on the total value added to it by the last seller. The seller therefore is liable to pay a tax on its gross value (HL Bhatia, 2003).

The Ethiopian government has introduced taxable person must registered for when the value of taxable supplier per annum exceed birr 500,000 a person may register compulsory or voluntarily and also supply of good and service is exempts supply if it is included in the VAT proclamation number 285/2002 (Nagarit , 2002) **.**

2.2 Evolution of VAT

VAT was first introduced in France in 1948 G.C where it was initially applied up to the manufactured stage and give credit for tax on capital goods (Purhoit and Mahesh 2000) by 1969 only eight countries adopted VAT. Out of these eight countries, coted' lviore is the first countries in Africa to introduce VAT. Since 1979 the VAT spread rapidly in industrialized as well as in the developing countries. Today most countries have a VAT, which rises, on average about 25 percent of their tax revenue. This makes VAT is the first tax system which spread quickly within a short time after its introduction (Purhout and Mahesh 2000).

As of 2003 from the 53 member countries of the African Union about 31 of them introduced VAT. Following this, the government of Ethiopia introduced VAT with different objectives on January 1, 2003 by replacing sales tax.

The followings table depicts those African countries with their rates and year of introduction.

Table 2.1 African countries with VAT.

Country	Data introduced	Standard rate (%)	Country	Data introduced	Standard rate (%)
Algeria	1992	21	Mauritania	1995	14
Botswana	2002	15	Mauritius	1998	10
Burkina faso	1963	18	Morocco	1986	20
Benin	1991	18	Mozambique	1999	17
Cameroon	1999	18	Namibia	2000	15
Chad	2000	18	Niger	1986	17
Congo republic	1997	18	Nigeria	1994	5
Cote-Devoir	1960	20	Senegal	1980	20
Ethiopia	2003	15	Rwanda	2001	15
Egypt	1991	10	South Africa	1991	14
Gabon	1995	18	Sudan	2002	10
Ghana	1998	10	Tanzania	1998	20
Guinea	1996	18	Togo	1996	18
Kenya	1990	16	Tunisia	1998	18
Madagascar	1994	20	Uganda	1996	17
Malawi	1989	20	Zambia	1995	17.5
Mali	1991	15			

Source: Misrac Tesfaye, 2008, Ethiopian Tax Accounting theory and practice (PP.310-311) the following table again shows the VAT rates of some European and non- European countries (other than African Countries)

2.3 Characteristics of VAT

VAT is a transactions tax on all goods and services collected on sales at all stages of production and distribution. Tax neutrality can be ensured by confining the tax to the value added at each stage. Value added is defined as the difference between the value of sales and the value of purchases at the stage. Tax neutrality is achieved by giving registered firms a credit for the tax paid on all taxable purchases from registered suppliers (including capital goods) against the tax payable on sales. As a result, the same value

added is never taxed twice; that is, there are no cumulative effects, as would be inherent to a gross turnover tax. Similarly, tax neutrality in international trade is achieved by applying a zero rate to exports (which results in a refund of any tax paid in earlier stages) and by taxing imports on a par with domestically produced commodities (Lisa Kyaga, 2007).

Not all VATs are neat, broadly based, tax- credit, net consumption taxes that extend through the retail stage and that are imposed on the destination principle. Some VATs stop at the manufacturing or wholesale stage, which makes it unlikely that services would be included in the base. Furthermore, are defined as VATs, provided that the tax is levied on goods (but not necessarily services) comprehensively and that there is a credit for the tax on raw materials and intermediate goods (but not necessarily capital equipment). By this definition, production taxes that permit a deduction of purchases from sales and tax-credit types of excise systems are not considered to be VATs. The production taxes are not levied on transactions; administratively, they are not akin to a business income tax. (Sijbren and Cnossen, 1998)

In addition evidences show that, the coverage of VAT may extend through the retail stage, the wholesale stage or the manufacturing stage. Furthermore, the base may comprise all consumer goods and services, unless specifically exempted. The rates for each VAT are tax- exclusive, in accordance with the practice in most countries. A distinction is made between standard rates, lower- than – standard rates (including exemptions), and higher- than- standard rates.

- VAT belongs to the family of sales taxes.
- VAT is imposed on market transaction. There is transfer without consideration there is no VAT imposed. It's typically imposed on the price charge. Unless there is some reason to violate that price (when seller and buyer related).
- The VAT is simply a multi stage sales

VAT is introduced in Ethiopia by proclamation (285/2002 replacing sale tax, with the following objective.

- To collect tax on the added value whenever the sale transaction is conducted since the former sale tax system did not allow collection is conducted.
- To minimize the damage that may be caused by attempts to avoid and evade the tax and ascertain the profit obtained by tax payers
- To enhance economic growth and improve the rational relationship between the gross domestic production and gross revenues.
- To enhance saving and investment as it is a consumption tax doesn't tax capital (EFDRE, 2002).

2.4 VAT Registration

The VAT registration in Ethiopia provides for two types of registration which are obligatory and voluntary. The threshold for obligatory registration is the annual taxable turnover that exceeds Ethiopian Birr 500,000. The primary intention to limit the registration threshold was consideration to administrative feasibility. However with this threshold limit even, the registration performance tends to be unsatisfactory. Regarding voluntary registration, a person, who carried on taxable activity and is not subject to mandatory registration, may voluntarily apply to the authority for such registration, if he regularly supplies at least 75% of his taxable goods and services to VAT registered person.

In line with the threshold limit for obligatory registration, the government set turnover tax as equalizing factor to enhance fairness in commercial relations and make complete the coverage of the tax system at the same time reaching those tax payers below the threshold value. However due to the low enforcement capacity and some other reasons it tends to be less performed and viewed by registered taxpayers as ill addressed area. For example the Ethiopian Chamber of Commerce and Set oral Association in its release on National Business Agenda stated the following.

A VAT registrant has to charge consumers an indirect tax of 15% of the value of goods or services sold. A non- registrant, however, pays a turnover tax (TOT) of 2% on goods sold and 2- 10% on services rendered. Given these rates VAT registrants could not compete in the market. More over the tax Authority has limited capacity to enforce compliance. Knowing the authority's limitations, many business enterprises who are required to register for VAT do not comply. This situation has created a distorted market, where those registered for VAT are subjected to unfair competition" (Ethiopian Chamber of Commerce and Sect oral Association 2007-2008 pp8)

As we can understand from these statements, their argument refers to the wider gap between the VAT rate of 15% and the 2% rate for turn over tax which led to market distortion (unfair competition) together with the limited administrative capacity of the authority to enforce and facilitate the proper management of the turnover tax and registration to VAT.

Due to low compliance culture, low audit coverage, weak administrative capacity to detect and register potential unregistered tax payers; non registration is one of the most critical challenges in Ethiopian VAT administration system. The as Misrac stated "the business community contends that taxes are disproportionately collected from a few formal sector enterprises, while large sums remain outside tax system due to evasion, ineffective tax administration and inconsistent registration" (Misrac, 2008).

Furthermore as the study of the UK indicates, only approximately 434, 000 registered tax payers under all tax regimes out of population of 80 million- is biggest risk unregistered trading in Ethiopia" As the study further assumes in fact it may be crude to take all the 80, million populations as a potential. Let us consider that 85% of the population being agricultural society is not required to register. This drops down the figure to 15 million (15% to the population). Also assume that unemployed work force including children possibly reduce this to 10 million. So that we still have at least 9.5 million people unregistered. The same trend holds true of VAT registration. Really this is greatest risk for Ethiopian tax administration. (HMRC, 2009,p.55).

2.4.1 Registration procedure

- A person applying to register for VAT is required to do so in such a form as is established by the implementation directives issued. By the Ministry of Revenue;
- When a person carrying out taxable transactions files an application to be registered for VAT, the Authority is required to register the person in the VAT register, and to issue a certificate of registration within 30 days of the registration;
- A person registered for VAT is required to use his taxpayer identification number on all VAT invoices, and on all tax returns and official communications with the Authority.

2.4.2 Application for Registration

A person whose total taxable transaction exceeds the minimum threshold and not registered are required to file application for VAT registration by themselves. The application is made on the form called "Application for VAT registration" the authority was issue a VAT registration certificate containing;

- Full name and other details of the registered person;
- Data of issuance
- Data from which the registration takes effect
- The registered person's TIN.

Registration takes place on one of the following dates depending up on which data comes first.

- In case of obligatory registration on the first day of the accounting period following the month in which the obligation to apply for registration arose.

- In case of voluntary registration on the first day of the accounting period following the month in which the person applied for registration or on the data selected by the registered person on his application for a registration person who conducts taxable activity in a branch or division shall be registered only in the name of the registered person to register one or more of its branches or divisions as separate registered person (Gebrie, 2008,p.204).

On the other hand, when application is rejected/ refused for various grounds the authority has the duty to notify the reasons for such.

2.4.3 Cancellation of Registration

In some situations owing to different reasons the total transaction that the person is running might fall down or be expected to fall down below the threshold (500,000 birr) at this Juncture

If the person ceases to make taxable transactions; or

- If the person's taxable transactions falls below the threshold Application for cancellation is allowed

The cancellation was be effective

- At the time the registered person ceased to make taxable transaction
- If the person has not ceased to do so at the end of the accounting period during which the person has applied for cancellation of VAT registration

When registration for VAT is can celled

- The person's name and details was be removed from registry
- The person shall return the certificate of the authority

Generally VAT though new introduction in the Ethiopia tax system, opens room for entrance and withdrawal when conditions met and reversed (Gebrie Worku, 2008).

2.5 Advantage and Disadvantage of VAT.

2.5.1 Advantage of VAT

The following are some of the main advantages of using VAT

- It avoids cascading effect of a tax (Tax in Tax)

VAT works on the principle that when raw material passes through various manufacturing stages and manufactured product passes through various distribution stages, tax should be levied on the incremental value at each stage and not on the gross sales price. This ensures that same commodity does not get taxed again and again and, thus, there is no cascading effect. Putting the concept in simple terms, in VAT system, each input is taxed only once. However, this is not a condition in sales and excise taxes.

- It is a more comprehensive and equitable tax system.

Even though the ultimate burden of VAT falls on the final consumer, VAT is collected by the government from all sectors, that is, from import, manufacturing, who sales and retail sectors. Therefore, it is a more comprehensive and equitable tax system. On the contrary sales tax is normally levied at one stage of the whole marketing.

- It reduces the possibility of tax evasion

In the case of VAT, the tax is divided in to several parts depending on the number of stages of production and sale. In each stage, every transaction is made using VAT invoice approved by the tax Authority. In addition, each VAT register person (supplier) has to maintain appropriate records on their sales and purchases transaction those obligations make tax evasion difficult.

- It has less tax burden

Under VAT system the Tax is collected in small fragment in different stage of production and sales, hence the VAT payers feel the burden of the tax less

- It is neutral

Regardless of the number of stages of production and distribution, VAT is collected in each stage. Therefore, VAT is expected to be perfectly neural in the allocation of resources in the form of production and commercialization.

- It improves productivity

In VAT system, a firm has to pay tax even though it runs into loss. The firm cannot claim any exemption for loss because it pays taxes on the value produced and not on profits. So, firm was always try to improve their performance and reduce the cost of production. As a result, the overall productivity of the country was be improved.

- It promotes capital investment and saving

VAT is a consumption tax since one pays VAT on its expenditure and has the option to save so as not to be taxed. Furthermore, relief from tax on capital goods may encourage investment. Potential investors also consider tax legislation as one of the factors in making investment decision.

- It enhances exports

Exports of goods and services in most countries that implement VAT are liable to VAT at zero- rate. This may make export internationally competitive and, thus, encourages exports.

2.5.2. Disadvantage of VAT

While elaborating points during introductory section to VAT, we have tried to see the rationales behind replacing sales tax with VAT. By then we touched up in some advantages of introducing VAT in certain tax system of state VAT is not only with advantage scholars raise strong critics against having VAT in a state. Some of the critics are

- It is regressive in nature

A straight forward single rate VAT with few exemptions would tax lower income groups (the poor) more heavily than the higher income groups (the rich). It is, thus, incongruent with the basic principles of taxation which state that a person should be taxed according to his ability to pay. This makes VAT regressive tax system, In order to compensate for its regressive effect, a number of countries have exempted basic goods particularly food items form VAT.

- It requires advanced economic structure.

The proper implementation of VAT system requires organized and advanced financial and economic structure as it is complicated system. VAT system also requires proper record keeping of invoices at each

stage of production and sale by both the seller and buyer. Hence, it becomes difficult to implement the system in all types of economy.

- It puts additional burden to tax authority

In VAT system, the manufacturers, wholesalers and retailers have to fulfill various legal formalities in the form of maintaining various records, accounts, books, etc. the verification of those formalities puts additional burden to the tax enforcing authorities.

- It is un economical

VAT system involves high cost of administration, assessment, verification, collection, etc. hence, it is highly uneconomical.

- It has ream loopholes for tax evasion

Although VAT system requires proper record keeping of invoices at each stage of production and distribution by both the buyer and seller, it has ream loopholes for tax evasion. This may include the following.

- Taxpayers could over report sales of zero rated goods
- Taxpayers could use invoices they received for personal purchase to claim tax credit
- It enable buyers and sellers to strike secret deals with regards the issuance of receipts
- It could lead to the formation of forged companies receipts to claim tax credit on input VAT, etc (Misrac,2008).

2.6 Types of VAT

Though there is legal and administrative frame work, the administration on VAT refund is still persistent problem. The problems are attributed in one way or another to the existence of widespread of tax abuse and reluctance on the part of tax officials. But, one Feature in VAT, as we discussed earlier is the prevalence of refund to business entity of the tax they paid in their business against their taxable sales the treatment for crediting or rebating varies. Accordingly, we have three types of VAT gross product type, income type and Consumption type (Gebrie Worku, 2008).

2.6.1 Gross product type

In this type of VAT, taxes paid on purchases of capital goods fixed capitals and depreciations there to are not allowed to be refunded. If a person registered VAT purchases equipment, buildings, different machineries, though there exists obvious depreciation value rebut is prohibited this type of VAT is not common as it raises stiff resistance on the part of tax payers (Gebrie Worku, 2008).

2.6.2 Income type

Here, again refund ion the purchase value of capital goods is prohibited like in case of goods product type of treatment. But, unlike the previous one, it allows refund on the periodic allowance for the depreciation value of capital goods (Gebrie Worku, 2008).

2.6.3 Consumption type

This type of VAT is the most used and widely accepted one. It is almost prevalent in most states of the world. This is basically related with the fact that all business purchases including that of capital goods and related depreciations are allowed to be rebated. Thus, It is accepted easily on the part of the community subject of VAT registration. Stated otherwise in this kind of VAT, there is no discrimination among tax payers (Gebrie Worku, 2008).

2.7 Reviews on Ethiopian VAT Administration

VAT is a new tax system introduced in Ethiopia this tax system is not new to other countries the modern concept of VAT was truly introduction in France in 1954. The concept of VAT was propounded first by American experts by 1920's. But at that time Americans failed to implement it. In Ethiopia, VAT was introduced since January 1/2003 designed to replace the sales tax which was served for more than four decades, which was collected at manufacturing level. VAT is taken as dispensable components of tax reforms in developing countries such as Ethiopia by considering it a miracle tax to replace direct and indirect taxes entirely. Since 1993- the Ethiopia government has made major economic shift from central planning to market oriented economic system (Yohanes and Sisay, 2009,pp.186-187).

Upon its assumption of power in May 1991, the Ethiopian Peoples' Revolutionary Democratic front (EPRDF) came to grips with the deficiencies that featured as the hallmarks of the public service. Dictated by the demands of the structural adjustment program (SAP) and the zeal to usher in new government machinery arrangements in accordance with its drives and preferences; the EPRDF introduced a wide

range public sector reform program public expenditure management and control including the revenue sector has been one of the areas of critical focus under this broad reform program/package/

Ethiopia introduced VAT through proclamation No. 282/2002 which has been ratified or July 2002 and come in to force on January 1/2003. The adoption of VAT into its tax system by replacing the former sales tax was with the objective in which VAT is considered to be important to enhance saving and investment, minimize the damage that may be caused by tax evasion and avoidance, stimulate economic growth and improve the relationship between gross domestic product and government revenue in the country. (Negarit,2002)

VAT is a broad based tax on the consumption of goods and services with standard rate of 15% in Ethiopia. It is collected at all stages in the production and distribution process beginning with the importers and producers of raw materials and ending with the retailers. Unlike the sales tax system whereby relief is granted only to raw materials used directly in the production of goods; the tax structure under VAT system take credit invoice method which allows the business to offset the tax paid on capital goods and purchase of inputs against the collected tax on sales of goods and services. Destination principle is the base in which only imports are subject to tax and exports are zero rated. Removing the tax content from exported goods is aimed at making the goods more competitive in international markets. The threshold for compulsory registration is annual turnover exceeding Ethiopian birr 500.000 (approximately $ US 30,414). Business establishments below this threshold are exempted. Basic goods (specially food items) and services are also exempt from VAT. (Liam Ebrill, 2001)

VAT is the youngest tax regime in Ethiopia with the age of only 10 years. As article on Albanian Tax administration stated much IMF experience suggests that first years are not nearly long enough to have a good VAT system up and running well. Ten years is perhaps closer to reality" This notion tends to be relevant to the Ethiopian context in which due to this and some the factors the VAT administration process is perceived to have various problems that range from filing returns, through processing refunds, and to enforcement and facilitation problems. (Liam Ebrill, 2001)

2.7.1   VAT Administration practice

Before turning to the discussion of the tax administration tasks, it is sensible to briefly review the major design features and administrative organs of VAT in Ethiopia. In terms of design VAT is imposed on the supply of goods and services other than exempted supplies (such as bread and milk). VAT is based on the invoice credit method in which taxpayers are given credit for the VAT paid on inputs when it is supported

by the relevant documents. The tax is also based on the destination principle in that imports are taxed but not exports. VAT is chargeable at a standard rate of 15 percent on all taxable supplies of goods and services other than those zero rated (mainly exports). VAT registration is required by businesses that have annual turnover of Ethiopian. Birr (ETB) 500,000 and more VAT. Administration pertains to how tax authorities discharge the responsibilities entrusted to them. (Gebrie, 2008).

According to Jantscher, these responsibilities include a range of related activities such as taxpayer identification and registration, invoicing, filing and payment requirements, control of filing and payments, refunds, audits and penalties. Perhaps, VAT administration is also concerned with issues of who should administer the tax, what organizational setup to sue and what resources are available. There may be weaknesses in how VAT administrators perform their duties. Weaknesses in VAT administration, in turn, may adversely impact on the salient features of the tax and government's policy objectives as a whole (Jantscher 1990).

In this regard, noted that poor tax administration would change the manner in which taxation affects government's policy objectives, namely economic stabilization, resource allocation and redistribution of income. In developing countries the poor performance of taxes is likely to be due to weak tax administration (i.e., the incapacity of the administration to implement the tax in practice). This is perhaps caused by such factors as resource constraint and designing the tax separately from the administration. Concerning the latter, Bird , noted that developing and transitional countries, in like developed countries, appear to have fragmented economies, large informal sectors, low tax morale, rampant evasion, and total distrust between tax administrators and taxpayers. In these countries would not make the tax successful (Bird 2006).

The design ought to consider the tax administration dimension and the socio- economic realities of the developing country in question. In general, it can be concluded that although there have been studies on VAT administration in some developing countries, in Ethiopia there are no comprehensive studies that examine the administrative practices. It is, hence, not known whether the administration of VAT in Ethiopia is as per the legislation, and which features of VAT are being affected due to administrative weaknesses. Furthermore, in Ethiopia, administrative practices that are compromising the VAT's operation are not known, In this context, the objectives of this paper are to examine the administration of VAT in Ethiopia specifically in Dilla Town and identify the main administrative problems that deserve the government's due attention, and briefly examine the adequacy of VAT revenue and awareness of VAT payers as a way forward for future research. In accordance with the VAT replaced the current sales tax on

manufactured and imported goods and service on January 1/2003. The responsibility for the correct calculation and timely payments of VAT rests on the tax payers himself. The VAT is a broad based tax on the consumption of goods and service. It is collected at all the stages in the production and distribution process beginning with the importers and producers of raw materials and ending with retailers cascading of the tax i.e. Tax on tax is avoided by providing for a credit for the tax paid at the preceding level unlike the sales tax system, where by relief is granted only to raw materials used directly in the production of goods under a VAT relief is granted for tax paid on capital goods, distribution and administration inputs. Sales of exported goods are not subject to the VAT. And also removing the tax content (on input) from exported goods makes the goods more competitive in international markets. VAT is a tax on consumer expenditure. It is collected on business transaction and imports. Most business transaction involve supplies of goods or service and VAT is payable if they are supplies made in Ethiopia, made by a taxable person, made in the course of furtherance of a business are not specifically exempted off the related. (Gebrie, 2008, PP. 190-191).

In contrast to tax policy, there is little theoretical guidance with respect to the impact of any particular feature of administration. Any tax administration review must rely more on accumulated experience with what works and what does not. The result is to develop a sense of "best practices" which can change over time, and, moreover, need to be sensitive to individual country circumstances. The introduction of a VAT can facilitate a substantial improvement in overall tax administration, and indeed adoption of the VAT is often seen as an opportunity for overall tax administration functioning of an existing administration because of inadequate preparations and/or ill- advised implementation decisions. One important decision concerns where to place VAT administration within the overall tax administration. Virtually all countries make the collection of all taxes on imports, including VAT, the responsibility of the customs department. Supply of goods or services by a workshop employing disabled individuals if there is more than 60% of staff is disabled. (Gebrie, 2008, PP. 196).

2.7.2 VAT Administration problems in Ethiopia

After the introduction of VAT, VAT revenue collection has shown growing trends as compared with the replaced sales tax. The impact of VAT on government tax revenue is also shown in the structure of tax. The contribution of VAT on domestic goods and services as well as foreign trade shows a substantial increase though the domestic source is by far lower than that of foreign trade. This might be associated with administrative difficulty to collect the tax from the domestic economy and the existence of illegal practices on VAT. VAT collection form imported goods are easy since it is collected at entry point.

In principle, VAT is collected from consumption of goods and services. So, the maximum potential that can be collected from consumption expenditure is VAT rate multiplied by consumption expenditure of a particular year. Problems that are observed during the implementation of VAT related with external and internal factors. The external problem associated with the illegal practices of the taxpayers. Even though intensive education program has been undergoing by the tax administration, the following illegal practices are observed

- Some VAT registered business enterprises have collected the tax with illegal invoice and retain the tax for themselves,
- Some eligible business entities have not yet registered for VAT,
- Some VAT registered business enterprises offers customers an opinion to pay or not to pay VAT,
- Some did not declare the tax they collected as per the law, and etc.

The weakness of tax administration highly attributed to the above illegal practices. The tax administration is weak in the area of auditing, follow-up and enforcement though the VAT department of ERCA has computerized its tax system (Tesfaye Mergia, 2005)

One of the basic reasons to employ self assessed VAT system is administrative feasibility the fact that revenue authorities cannot afford to knock every one's door to reasonably assess and collect tax liabilities. Rather, they need to focus on and direct much of their efforts and resources to those tax payers that are considered to be high risk traders. As indicated by the Indian Government Department of Revenue report on international best practice in VAT administration, "in order for such a self assessment system to be effective, the apparent freedom granted to tax payers must be backed up with a supportive legislative framework and a comprehensive and integrated set of administrative process….. most importantly, as further indicated, the modern tax management therefore relies heavily upon risk assessment tools to determine which tax payers' matters must be examined very closely, not merely at the audit level, but at all stages of the tax process from registration to collection" (Kothari, 2005).

When we look at in to Ethiopian situation in light of this view; the risk assessment practice is in its infant age. ERCA has passed all its age without formal compliance risk management policy and strategy. Currently, however, ERCA has this policy and strategy which is endorsed on June 2010. Although it is too early to evaluate its impact within 5 months of its endorsement, it is believed that it was bring a significant improvement on the compliance management efforts of the author (_www. Erca. Gov. et/ vat, 2010)

CHAPTER THREE

3. Research Design and Methodology

3.1 Introduction

The previous chapter presented the related literatures reviewed at the desk research phase of the study. Such literatures reviewed were used to identify the knowledge gap that earlier studies bothered little to see the potential challenges faced by VAT registered enterprises and the incapability of tax authorities in carrying out different tax activities such as tax administration and registration. Accordingly, the researcher decided to assess the VAT administration of Dilla Town tax authority though an exploratory study. This chapter presents the design of the research and methodology deployed to address the research problem.

3.2 Description of the Study Area

Dilla town is located in East African rift valley of Ethiopia. Foundation of Dilla town marked with the establishment of a custom post (toll gate) to tax the passing merchants by the order of Dejazmach Balcha Aba Nefso, the governor of Sidamo in year 1911/12. This customs post which marked the birth of the town used to stand at the site of old bus station. The real physical growth of Dilla town accentuated starting from the Italians five years invasion of Ethiopia. This was because at that time, by Italians constructed the main road from Addis Ababa passing through Dilla town to Moyale, Kenya (Dilla town administration, 2011).

Location: Dilla town is the capital town of Gedeo zone administration. It is 90km far from Hawassa, the capital city of Sothern Nationalities and Nations People's Republic (SNNPR), and 360km from Addis Ababa. This town is found on the international highway heading from Addis Ababa to Moyale, Kenya. The town has a longitude and Latitude of $38^0 17'$- 38^0 - 20^0 east and 60^0 $20'$- 60^0- 24^0 North, respectively with covers an area of 1, 123.4 hectare and with altitude of the town ranges from 1, 500 to 1,900 meters, average 1,600 meters above sea level. The town is composed of 3 administrative sub- cities, in each sub-city has 3 Kebeles total of 9 Kebeles (Dilla Town Administration, 2010).

Population: The total population of the town is 81,644 out of which male account 42,599 and female 39,045 progressive reports (CSA, 2011).

Climate: the climatic condition of Dilla Town is not uniform, but generally moderately warm temperature. The two most common elements of climate (temperature and rain fall) are indicated below.

Temperature: the minimum and maximum temperatures of Dilla Town are varies from 22^0 c in summer to 24^0c in winter respectively (ibid).

Rainfall: The average rainfall of Dilla Town is about 257.2m with heavy rainy seasons particularly from June to September.

Infrastructure provision in Dilla Town entails both the physical (road network, telecommunications, electricity, and water supply) and the social (health, education, police station) infrastructures owned by government and private sectors. The infrastructures of Dilla Town were being delivered to the residents in an irregular ways more improvements are required to meet the ever increasing demand for each facility.

3.2. Research Paradigm and Philosophical Assumptions

To achieve the intended objectives, the researcher followed a paradigm guided research approach. Accordingly, the paradigm used as a scuff fold to under pin the study is an interpretative quantitative study that aims to explore VAT administration and registration processes of Dilla Town Tax Authority office.

The ontological assumption of the study is there exist an optimum efficient tax administration structure that strike a balance between compliance and administrative costs and generate more than adequate revenue.

The epistemological assumption of the study is the optimum efficient tax administration structure can be abstracted through a survey that triangulates tax payers, tax authorities and tax regulations.

3.3. Research Methodology

The purpose of this study is to assess the VAT administration practices of Dilla Town Tax Authority. Based on the nature of the problem, the research method used is a descriptive survey. Kothari (2007) states that descriptive research studies are those studies which are concerned with describing the characteristics of particular individual, group or phenomena studied. Descriptive survey method is necessary to complete an accurate assessment of the topic.

Data Source

Both primary and secondary sources were used in the study. The Primary data were collected using Questionnaire survey instruments and a guided interview while the Secondary data were used to secure tax laws, regulations and directives.

Data Collection Methods

In order to operation analyze the research questions, the researcher used both quantitative and qualitative survey instruments with varying scales. The study used a mixed data collection method.

Questionnaires: primary data obtained through survey questionnaires used both closed- ended and open ended questionnaire instruments. The survey instrument items were derived from extant literature and tested in a pilot study for their validity and measurement precision (Annex I).

In order to maintain check and balance two questionnaires were developed, tested and deployed for two groups of respondents. The first survey questionnaire targets tax payers while the second targets tax authority employees (Annex 1).

The structured instrument items were intended to identify the nature of efficient VAT administration and to analyze the of effect of lack of awareness on tax rules and regulations in tax administration endeavors.(Annex I).

The Open-ended instrument items enabled the respondents to express their unstructured interpretation on the existing tax administration and the to be VAT administration system. The questionnaire was prepared in English then translated into Amharic language by the researcher and reviewed by a language expert(annex II).

Interview: The research also used a guided interview instrument with open-ended interview items particularly designed to capture the opinions of VAT administrators regarding the challenges, and prospects of an optimum efficient VAT administration system. (Annex ii)

3**.4 Sample Design**

Under this part the researcher clearly identified the target population sampling techniques and sample size.

3.4.1 Population

The population of the study includes VAT registered enterprises in Dilla VAT authority, Employees and Management of Dilla Town Revenue and Customs Authority. The total size of the population was 156 which are clustered into 3 groups and different survey instrument and data collection techniques were used.

Table 3.1 Population of the Study

Name of sub-city	VAT registered enterprise in sub-city	**Employees**	**Management**
Seesa	50	**3**	**1**
Bedecha	19	**2**	**0**
Harowolabo	85	**5**	**1**
Total	154	**10**	**2**
		Grand Total	**156**

Source: Dilla town tax Administration, 2014

3.4.2 Sampling Units

The units of analysis (respondents) were VAT registered Enterprises, Employees and Management of the town's Revenue and custom authority.

3.4.3. Sample size

The VAT registrants were chosen by purposive decisions in order to have representation of business enterprise in the sample.

Thus the total number of VAT registered Enterprises included in this study were 154. From which 77 (50%) were included in the sample. From the Town's tax authority employees 10 were included in the study. Here the researcher followed a census than sample. Further, both of the management group were included in the study. Here also the researcher used a census.

Table 3.2 Target respondents

No	Targeted respondents			Total respondents
	VAT registered enterprise	Seesa Sub- cities	15	77(Purposive sample)
		Bedecha sub- citers	2	
		Harowolabo Sub- cities	60	
	Head on the Authorities	Seesa Sub- cities	1	2 (census)
		Bedecha sub- citers	0	
		Harowolabo Sub- cities	1	
	Employees of the Authority	Seesa Sub- cities	3	10 (census)
		Bedecha sub- citers	2	
		Harowolabo Sub- cities	5	
Total				89

3.5 Sources of Data

Both primary and secondary sources were used in the study. The Primary data were collected using Questionnaire survey instruments and a guided interview while the Secondary data were used to secure tax laws, regulations and directives. The sources of data were discussed in detail here under.

3.5.1 Primary data

Primary data could be collected by the researcher and used questionnaire for VAT registered enterprise, Employees of the organization and interview for head of the Authority. Field observation carried out to assess the condition of VAT administration and awareness of VAT payers.

3.5.2 Secondary Source of Data

Secondary data was collected from reports (annually financial reports of previous years).

3.6. Data Analysis and Interpretation

The researcher used both qualitative and quantitative methods for data analysis. Quantitative data is expressed in numerical forms that are the coverage of VAT revenue; the number of VAT registered Enterprise. Qualitative information describes the quality of a phenomenon with terms such as nature of

VAT administration, awareness of VAT payers and effect of inadequate VAT revenue. Both the collected data could be presented and analyzed using relevant statistical techniques. Some of the statistical tools that employed during analysis of data were tables, graphs, percentage and pie-chart. For analysis of data the researcher used SPSS.

3.7 Data Presentation

The quantitative and the qualitative data could be organized and present by using different forms or techniques. The data was presented by Bar- chart which used to shown simple percentage and compare the amounts or proportions of revenue from VAT and number of VAT registrant Enterprise from year to year.

The quantitative data were presented by using table, figures and percentages used to show the analyzed information. And also qualitative data were discussed and analyzed qualitatively in a way it presents the information appropriately.

3.8 Summary

This methodology chapter dealt with the qualitative and quantitative research approaches. In this research descriptive survey method and explanatory method was employed. Questionnaires, interviews, and observations were the main research techniques that the researcher, applied to undertake the study. Primary data as well as secondary data were gathered from the various sources and then analyzed by means of data management application software SPSS. While assessing the current situation of VAT administration and registration in the study area, the methods presented here, helped in data collection analysis. The methods discussed in this chapter had contribution in capturing the necessary and relevant information (primary and secondary) data which discuss in the next chapter.

CHAPTER FOUR

4. Data Presentation, Analysis and Interpretations

4.1. Introduction

This chapter involves displaying the results obtained from the study. It focuses on the data presentation and analysis. The collected data through questionnaires, interviews and filed observation was discussed in this section. In Accordance it with an attempt to identify VAT registered enterprises assessment and Administration problems and factors that caused the problems. The chapter contains results of the research, response rate, and demographic data findings, interpretations and discussions.

4.2. Response rate

Response and non- response rates are becoming more and more important issues in survey research because the lower the non- response rate, the more questions are likely to be raised about the representativeness of the achieved sample. Accordingly, the researcher gathered the following data in table 4.1 below:

Table 4.1 Response Rate

Particular		Frequency	Percentage
Respondents	VAT payers	77	100%
	Authority's employees	10	100%\
Non respondents	VAT payers	-	-
	Authority's Employees	-	-
Total		87	100%

Source: Researcher's Survey, 2014

As shown on the above table, the researcher dispatched 77 questionnaires to the VAT registered enterprises in three sub-city of the town and 10 questionnaires to the Tax Authority's Employee whose work are concerned with tax collection. Response rate in the study was 100% as all sample respondents responded to the questionnaires used by researcher. In addition to the data collected through

questionnaires interview was held with Tax Authority head and leader of tax collection case team in the office. This shows the representational faithfulness of the data to the real phenomena.

4.3 Demographic Data

Identifying the gender composition of the respondents enable the researcher to put the study in context. In this regard the researcher gathered the data shown in table 4.2 below:

Table 4.2 Gender of the respondents'

Sex	Frequency	Percent
Male	56	72.7%
Female	21	27.3%
Total	77	100%

Source: Researcher's Survey, 2014

As shown on table 4.2, the respondents (VAT registrants) of this research study composed of different backgrounds. According to gender male respondents, there were 72.2% male and 27.3% female respondents (as shows above Table 4.2). This implies that majority of the respondent were male as they have much exposure to trades.

4.4. Level of Education

The level of education enables the researcher to cross check the authenticity of their replies. Accordingly the researcher gathered the data in table 4.3.

Table 4.3. Level of education of the Respondents

	Frequency	Percent
Less than secondary school	38	49.4%
secondary school	10	13.0%
Certificates	6	7.8%
Diploma	23	29.9
	77	100%

Source: Researcher's Survey, 2014

Table 4.3 shows the educational levels of the VAT registered Enterprise's employee. As shown above respondents education level whom 49.4% of the respondents are less than secondary school. 13% of the respondents are secondary school, 7.8% of them have certificates and remaining 29.9% are diploma holders. Besides these, less than secondary school holders' employee is greater than the other education status holder's employees.

4.5 work position

The work position of employees frequency of the manager ,Accountant and other owner of the respondents table 4.4 shows

Table 4.4 work position of the respondents

	Frequency	Percent
Accountants	5	6.5%
Manager	53	68.8.3%
Owner	19	24.7
Total	77	100%

Source: survey result 2014

Figure 4.1 work position of the respondents and level of Education

Bar Chart
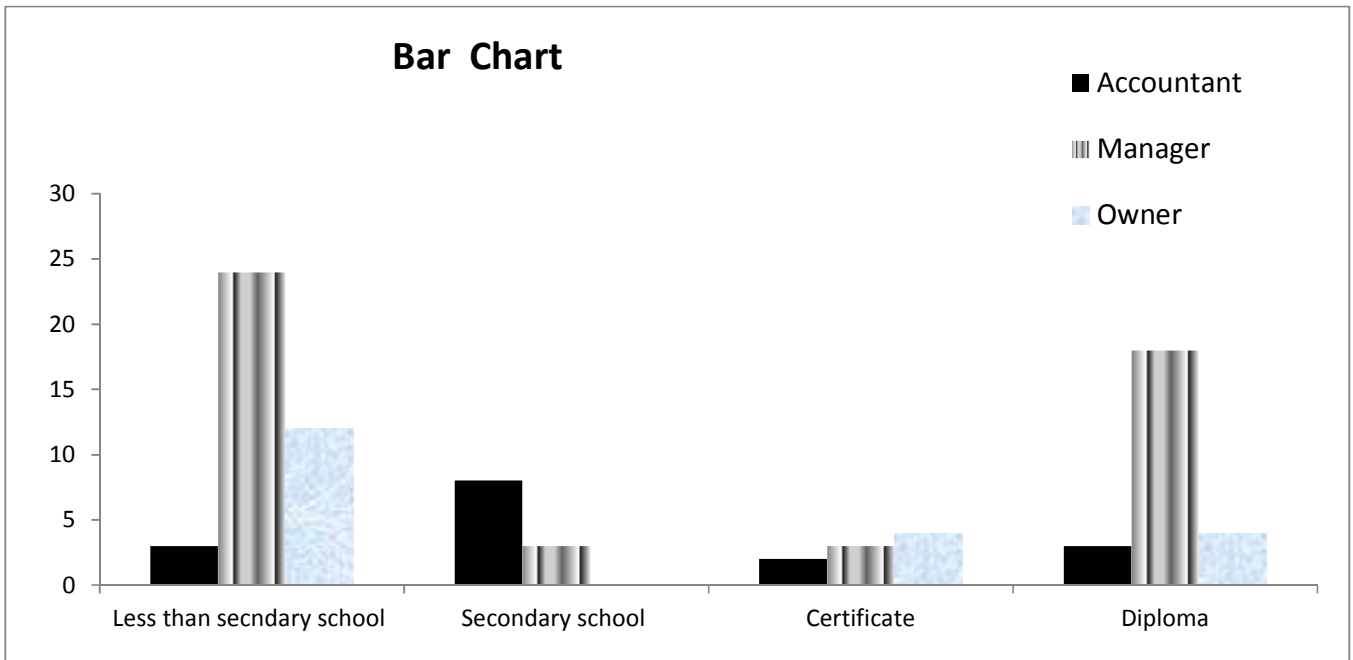
Level of education of the respondents

The above table 4.4 shows the work position and level of education was 68.8% of the respondents are Manager and 24.7% of respondents are Owner and only 6.5% of respondents are accountant in their business enterprises. But on the above figure show the relationship of respondents work position and level of education. It indicates that greater numbers of respondents are Manager and their educational background is less than secondary school. This may hinder their awareness and attitude towards complicated tax structure and to simply accept tax rules and regulation especially Value Added Tax.

Form the survey result of the Dilla town Tax authority's Employees and these analyses are interpreted based on 10 respondents of the survey as follows.

4.6 Tax Authority employees background their

The Tax Authority have different kinds of male and females working employees in the tax Authority so the male parts are very large

Table 4.5 Tax Authority employees Background information

Variable	Distribution	Number	Percent %
Sex	Male	8	80%
	female	2	20%
Age	18-35yrs	7	70%
	36-49yrs	3	30%
Educational level	B.A degree	10	100%

Source: Field survey, 2014

In Table 4.5 shows that, there were 80% male and 20% female respondents (as shows above Table 4.5). this implies that majority of the respondents were male. 70 % of the respondents are between 18 and 255 years of age. 30% of respondents are between 26 and 35 years. According to this table shows the educational levels of the Tax Authority's employee of the town. As show above of the respondents are 100% degree holders.

4.7. The Awareness of VAT payers to VAT

VAT is payable and would be levied at the rate of 15% if: the supplies are made in Ethiopia, make by a taxable person, made in the course or furtherance of a business and are not specifically exempted from tax or zero charged. With this point of view the survey was carried by asking VAT registered tax payers whether they know VAT rules and regulations.

Table 4.6 Respondents' knowledge towards VAT rules and regulation

Knowledge of VAT rules and regulation	Frequency	Percent
Totally	7	10%
Partially	70	90%
Total	77	100%

Source survey result 2014

As it shown in table 4.6, according to Item for this question, from tax payer respondents 10% of the respondents do have sufficient information knowledge regarding the applicable tax laws regulations. However, 90% of them do not have much knowledge about it. From the survey result taxpayers are not clear with the VAT rules and its implication. Therefore due to the presence of this kind of business community about VAT laws, the Administration of VAT in the country becomes more difficult.

4.8 Feeling of Vat payer

According to the Vat payers gives the answer Vat is Bad, Vat is important, Vat is debit and Vat is obligation on the choose the gives the response on the table 4.2.

Figure 4.2 Feeling of VAT payers.

What is Your Feeling for VAT ?

- 2.60%
- 42.86%
- 28.57%
- 25.97%

Legend:
- ■ VAT is Bad
- ■ VAT is Inportant
- ≡ VAT is Debit
- □ VAT is Obligation
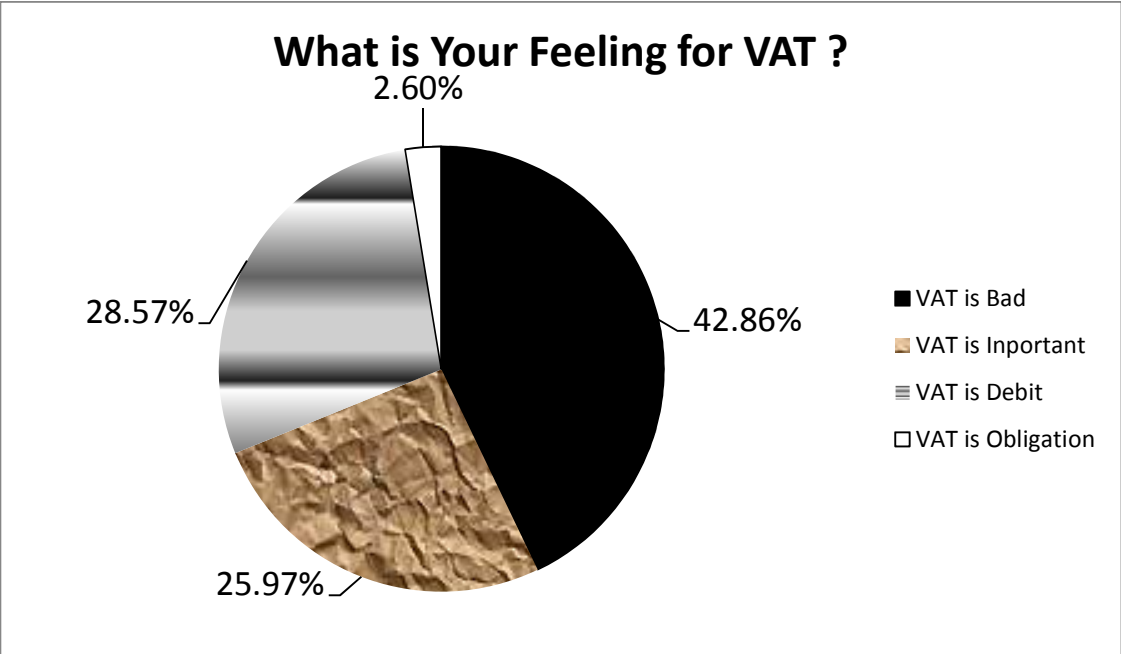
Source survey result 2014

As shown above figure 4.2 the presents the major feeling of vat payers for vat was 42.8% of the employer response for the question raised VAT is an obligation, 28.5% of them are VAT is debt, 25% of them said VAT is useful, and the remaining 2.6% are responses VAT is bad. Therefore most of the felling of VAT registered towards VAT is an obligation and Debt respectively. This indicates that, they know that VAT is an obligation that imposed on them but they don't aware that it is important for the development of the country and investment.

4.9 Benefited from Vat

The beneficiary from the Vat according to the tax payer ,Government, citizen of country are benefited from Vat who the more beneficiary the under table4.7.

Table 4.7. Who benefited VAT More

	Frequency	Percent
Tax payers	1	1.3%
Government	60	77.9%
Citizens of the country	16	20.8%
Total	77	100%

Source: Survey result 2014

As indicated in table 4.7 above shows that 1.3% of the respondents said the more benefited from VAT are tax payers, 77.9% of the employee said a government, and the remaining 20.8% are responses a citizen of the country. As we know revenue from all taxes are important for the developments of such public goods like roads, power, municipal services, and other public infrastructure for many families, business enterprises, industries and the general public. This result shows that the respondents believe in, the more benefited from VAT are governments of the country. This means they lack awareness of why they pay VAT

4.10 Vat register rand non register

Table 4.8. whom do you think benefited from market computation between VAT registered and on Registered the table shows 4.8.

Table4.8 shows who registered and non registered to Vat

	Frequency	Percent
VAT registered	8	10.4%
Non registered	68	88.3%
I don't know	1	1.3%
Total	77	100%

Source survey result 2014

From table 4.8 shown in the above table; according to the total respondents 10.4% of the respondents said the benefited from market competition are VAT registered Enterprises 88.3% of the employee said a non registered Business Enterprises are more benefited from market completion. Form this survey result Most of the VAT payers aware that Non VAT registered business organization is more benefited from market

computation, and they gave a reason that the none registered enterprises sell with less price as a result the customer may favor to buy from the non registered enterprises.

4.11 Awareness of Tax payer

As refer from the Employee of the tax Office the awareness of tax payers about VAT answered as follows

by respondents 90% taxpayers have low awareness to VAT, only 10% are said high. The results shows that the awareness of tax payers about VAT are low. The major VAT administration problem are the tax payers does not have good awareness about rule and benefit of VAT for this reason the most of tax payer not paid the required amount on time, involuntary to pay, and they are not perform accurately what they sold by supported document such as sales receipt and not use invoice collecting.

Figure 4.3 Awareness off Tax payers to VAT
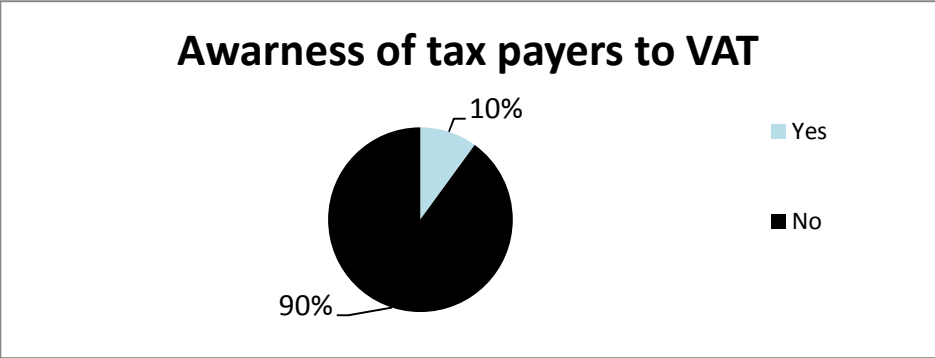
Source: survey result 2014

The status of VAT payers in relation to doing their business according with VAT rules.

4.12 Service satisfaction

The service of Authority of the Tax respondents say more are the unsatisfied according to the under table 4.9 as shows

Table 4.9. Respondents service satisfaction

Particular	Frequency	Percent
Satisfied	35	46%
Unsatisfied	42	54%
total	77	100%

33

Source survey result 2014

As clearly seen in table 4.9 that was indicated on responses of the majority of the taxpayer respondents, around 54% of them are not satisfied with the Service provided by the tax offices in Dilla town Tax authority and there is a provision of weak service qualities by the authority. The authority is expected to increase its customer satisfaction by recruiting literate and qualified manpower as well as appraise the performance and skills of the existing employees through training in order to increasing consciousness of the society. Furthermore, the survey also investigated the service satisfaction level of taxpayers, when getting service from the Dilla Town Tax Authority

4.13 regarding fulfillment of require document

The survey shows the respondents the fulfillment of the requirement regarding the documents the under table4.10 as show

Table 4.10, Survey response regarding the fulfillment of required document.

Particulars	Frequency	Percent
Fulfill all documents	50	64.9%
Sometimes fulfill documents	27	35.1%
Total	77	100%

Source: Survey result 2014

Moreover, the survey also looked at the degree of taxpayers in respect of fulfilling the required documents. Thus, table 4.10 presents this fact; as a result indicated, 64.9% of respondents did not regularly fulfill all the adequate documents when they go to the tax office. However, 35.1% of them sometimes present the required document, this indicates the most of the tax payers don't fulfils the required documents when they go to the tax office this may create dalliance in assessment. In additions to from the interview made with head of the authority the Taxpayers do not timely keep adequate record for the purpose of assessment. There is inconsistency in record keeping by VAT payers. Most of VAT payers do not the have monthly submit books of record for assessment purpose.

4.14 As have u gave your finger print

According to the table 4.11 shows the have you gave your finger print .

Table 4.11 have u gave your finger print

	Frequency	Percent
Concrete	77	100%
Insubstantial	-	-
Total	77	100%

Source: Survey result 2014

According to table 4.11, as table the above table indicates that all 100% of the respondents give the finger print. Furthermore the study has also investigated the usage of cash register machine, which is recently implemented in Ethiopia.

4.15 cash registration machine

As the table 4.12 below shows the as custom are used the cash machine on their actives when the sale and gives services for the custom.

Table 4.12. have you cash register Machine

	Frequency	Percent
Concrete	1	1.3%
Insubstantial	76	98.7%
Total	77	100%

Source: Survey result 2014

As shown in table 4.12 above, that indicate from the total respondents almost 98.7% of them don't use cash register machine, whereas, the remaining 1.3% of them use cash register machine. Moreover, the survey also discovered whether those taxpayers using the cash register machine got adequate training regarding the use of the machine.

4.16 About get training

As expression of under table 4.13 shows the if the you have the training about it as all want and need trainings for cash registration machine.

Table 4.13 if you have it, do you get training about it

	Frequency	Percent
Concrete	77	100%
Insubstantial	-	-
Total	77	100%

Source: Survey result 2014

In accordance to table 4.13 vividly shown out of the respondents, Who cash register machine, and not used Cash register machine 100% complained that did not receive adequate training regarding the use of the cash register machine. They believe that the government still didn't provide the machine.

4.17. The contribution of VAT administration and registration in Revenue increment.

Money collected from VAT is one of the major sources of the government revenue. So the respondents of the authority employees were asked whether they believe that the current VAT contribution to the governments revenue is sufficient or not. The question was raised like in the manner illustrated in the following table.

Table 4.14. the adequacy of VAT revenue.

Questions	Option		
Do you think that the current VAT contribution is sufficient?		N<u>o</u>	%
	Concrete	1	10%
	Insubstantial	9	90%

Source: Survey result 2014

As it was shown in table 4.14 clearly seen, from respondents, almost 90% of the respondents said contribution of VAT is not sufficient, but only 10% of the respondents said the current contribution is sufficient. Out of 90% of the respondents, who said the contribution is not sufficient, the respondents who said the contribution of VAT to the government revenue is not sufficient gave their reasons as; lack of awareness to society about the benefits of VAT to the governments revenue and weak tax administration by the authority against both compliance and disobedience taxpayers.

4.18 Book of the record

As the under shows the table 4.15 according the book of record the number of Vat registration enterprises and Vat revenue authority

Table 4.15 Book of record the number of VAT registered enterprise and VAT revenue

Year	Total number VAT payers	Planned Amount of VAT be collected	Actual amount of VAT collected	Percentage change
2002	84	6,680,000	3,491,274.57	52%
2003	112	7,100,000	3,545,174.43	49%
2004	133	12,800,000	7,993,896.48	62%
2005	252	23,000,000	11,201,630.39	48.7%
2006	324	22,874,800	15,089,572.40	65.9%

Source: Asrat Abreham the Tax Authority annual financial report.

Figure 4.4 VAT revenue
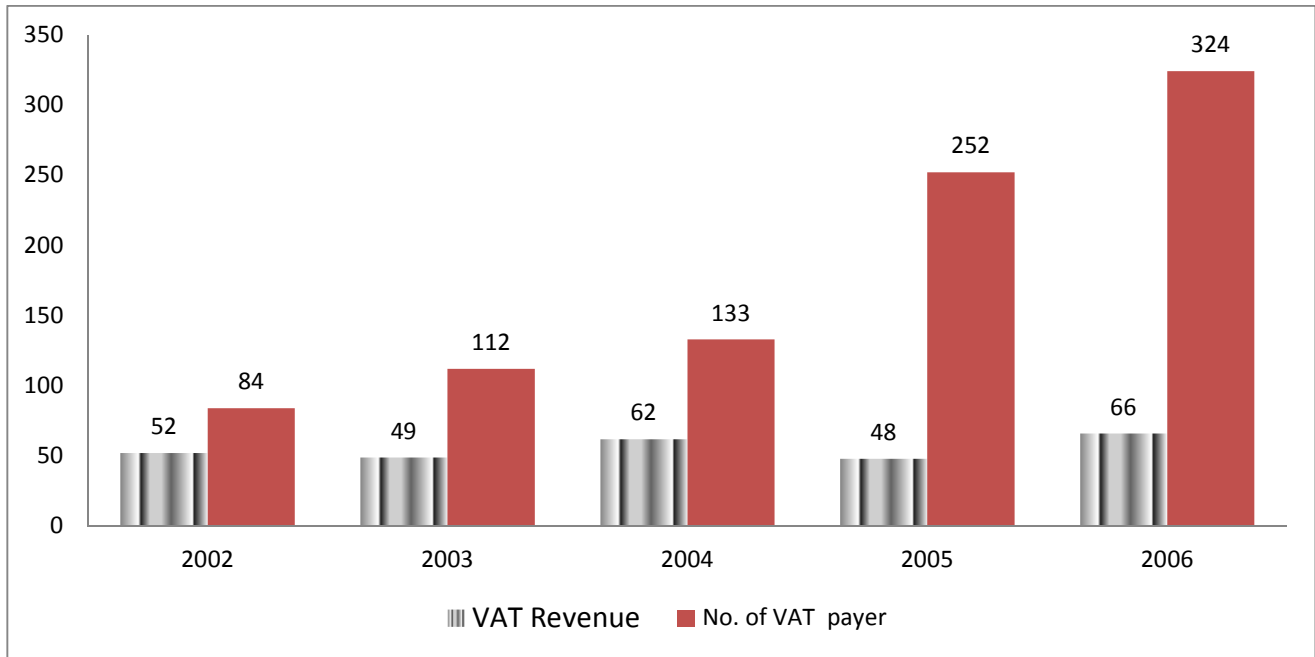
Source: Tariku Kao; Tax Authority staff coordinator annual financial report.

According to the table 4.15 showed above that the amount of planned and actual collected VAT revenue from year 2002 to 2006 and the number of VAT registrant's enterprises. In 2002 there were 86 VAT registrant enterprises from the planned VAT revenue collection, there is 52% of VAT is collected. In 2003 there were 112 VAT registrant's enterprises and from the planned VAT revenue collection there is only 49% is collected but in 2004 there were 133 VAT registrants and 62% of VAT is collected from the planned. This indicates that there is increasing number of VAT registrants but the revenue of VAT is collected is not sufficient. Form the annual report of the authority, in 2002 from 75% total revenue

collected 39% was VAT revenue, in 2003 out of 84% revenue 49% is VAT revenue and also in 2004 from 94% of tax collected 54% was VAT. This indicates that VAT implementation have a good contribution to the revenue increments. 2005 number of Tax payer increase as the number 252 and 48.7% current year are collected. At the year 2006 the number of VAT resisted payers 324 and the numbers of VAT registered are increased currently VAT collector 65.96% are collect at the physical year, this data shows the number of the vat registered and administration increasing year to year and revenue of yearly plan increasing as the recent data shown.

Figure 4.5 the contribution of VAT revenue to the total revenue
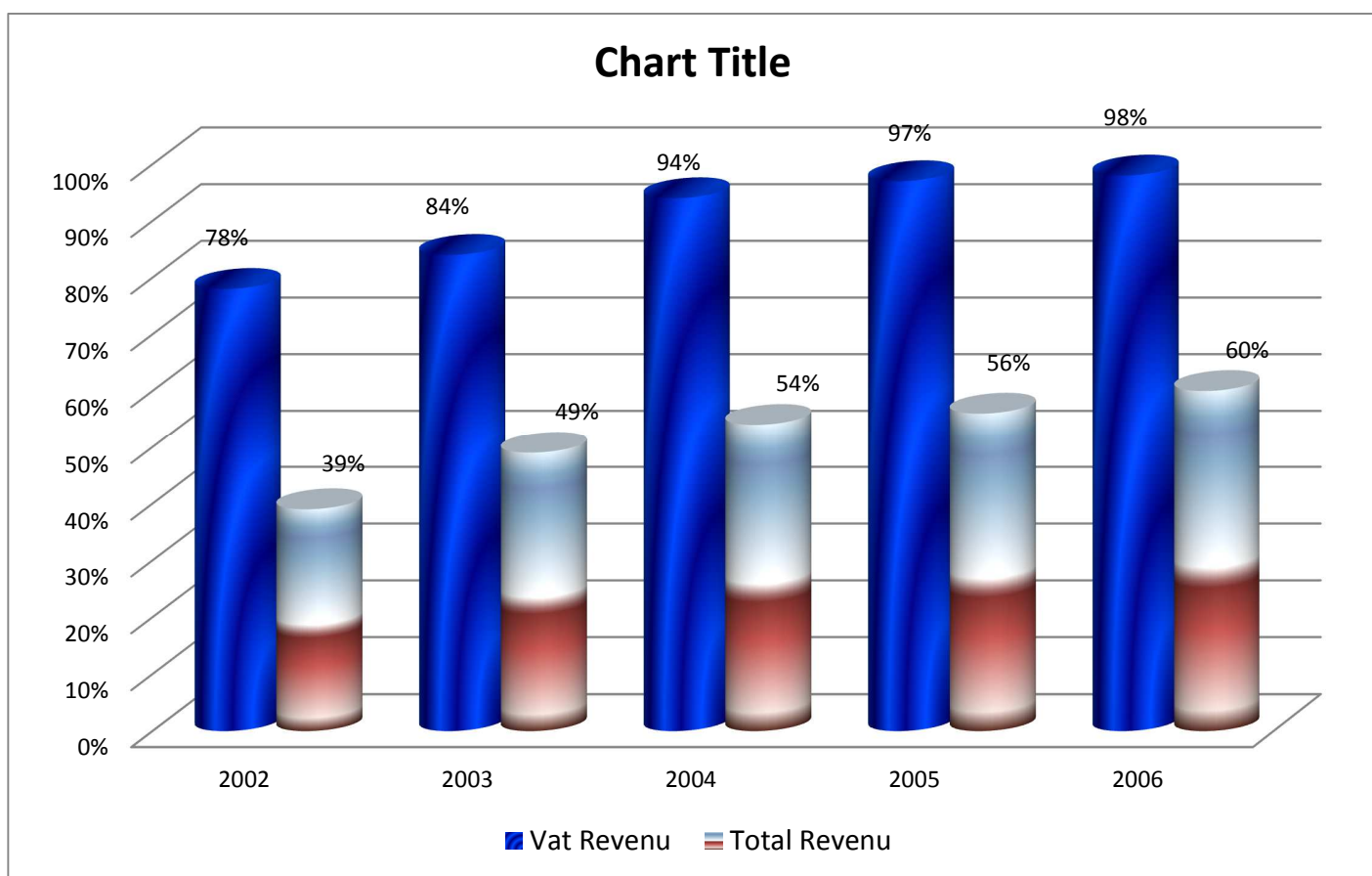
Source: Tax Authority Annual Financial Report

According to Fig 4.5 shown the contribution of VAT revenue in the Revenue tax authority annually increased. As it is seen in 2002 it was 78% and in 2003 it was 84% and it keep on and in the 2006 it was 98% that is shown dramatically increase in VAT Revenue from the total revenue.

4.19 Administration and Registration problems in Dilla Town

Among the major activities of VAT administration identifying taxpayers (identifying taxpayers and tax evades as well as the registered and unregistered taxpayers among the business communities) and controlling collections are seen in this survey However, due to the absence of administration and taxpayers problems the authority could not perform its activity properly.

Table: 4.16 The strength of Tax Authority

Questions	Option		
Do you Think Tax Authority is strong enough to control non registered & illegal activities of VAT payers		NO	%
	Concrete	4	40%
	Insubstantial	6	60%
	Total	10	100%

Source: Survey result 2014

As it shown in table 4.16 , according to the response of respondents, Regardless of the employee of the office only 40% respondents believe that the administration is strong on registered and illegal activities of VAT payers. But 60% of respondents said that the administration is not strong. For those majorities. 60% respondents who said the authority's VAT administration is not strong, the researcher asked why they have said the administration is weak. The reasons that they put for are, 12.5% of respondents give a reason for illegible business enterprises that have not yet registered is because of administration weakness. 50% of the respondents said lack of awareness in VAT payers. The remaining 37.5% of respondents said unwasingness of tax payers.

4.20 Eligible business enterprise

 According to the identification of table shows the eligible business enterprise that have not yet registered more details shows table 4.17 below.

Table 4.17 the eligible business enterprise that have not yet registered.

No	Do you think there are some eligible business	If yes what was the reason?			Respondents	%
		Administration Weakness	Lack of awareness of VAT payers	Unwasingness of tax payers		
1	Concrete	1	4	3	8	80%
2	Insubstantial	-	-	-	2	20
	Total	12.5%	50%	37.5%	10	100%

Source: Survey result 2014

As it can be seen in table 4.17, Form the survey result show that there is eligible business enterprise that have not yet registered. The reason for this is administration weakness, lack of awareness and unwasingness of tax payers. From this we can conclude that there are business entities in the market whose annual turnover is equal to or more than the threshold of Birr 5000,000 but not registered for VAT. By taking the responses provided by the employee of the authority in to consideration the researcher also asked them why such enterprise don't want to register for VAT. Most of the employee put their reasons for this as lack of awareness of VAT payers to VAT rule.

4.21 Vat registration at invoice

As table under 4.18 shows as Vat collector as collect money by the illegal invoice

Table 4.18 VAT registered enterprise collect with illegal invoice

Questions	Option		
Are there VAT registered enterprises that have collect tax with illegal invoice?		No	%
	Concrete	7	70%
	Insubstantial	3	30%
	Total	10	100%

Source: Survey result 2014

As can be observed from the above table 4.18, out of the respondents, 70% replied that yes there are business community in the market that collect the tax with illegal invoices, 30% respondents replied that there are no business enterprises that collect taxes with illegal invoices. And they also have a reason for why some traders not collected with legal invoice. These are the absence of strong administration by the authority and need of registered enterprises to compete with nonregistered enterprises.

Dou to the lack of awareness in the benefits of VAT they are not wising to purchase goods and services with VAT. On the other hand there are also customers that purchase goods and services that exclude the VAT value in its prices internationally made by the sellers providing falsified invoices.

4.22. problem Vat collecting

Under table 4.19 shows the problem of Vat collection exist at the collection time so the most Vat collector faced to the problem.

Table 4.19 shows a problem exist while collecting VAT

No	Description	No of respondents	Percentage
1	What are problem you have faced while collecting VAT?		
	A. most of tax payers not pay a required amount on time	8	80%
	B, All of tax payers not pay a required amount on time	0	
	C. Lest of tax payers not pay a required amount on time	2	20%
	D. Least of tax payers not pay a required amount time	0	
	Total	10	100%

Source: Survey result 2014

In table 4.19, according to above table is shows problem faced while collecting VAT, since the government's main source of revenue is money collected from taxpayers, the system using to collect this money needs to be effective and efficient in collecting mechanisms. Voluntary compliance needs timely payment of those taxes without any reminder, or enforcement actions. Having this in mind the authority's employee respondents were asked the problem they faced while collecting VAT out of total respondents 80% are most of tax payers not pay a required amount on time, 20% are response less of tax payers not pay a required amount on time, so the results are a highest problem faced while collecting VAT is most of tax payers not pay a required amount an time. Therefore the authority has to pay a considerable attention to improve its tax collection in relation to taxpayers about the responsibilities that they do have in relation to taxpaying.

And also An interview made with the tax Authority head, one of the biggest challenges faced by the authority is solving the problem of corruption. Undesired communication of tax collectors with taxpayers was the major challenges that the tax administration is facing. For one thing, there is constant interaction between taxpayers and tax officials. This interaction encouraged the two parties to negotiate tax liability. They also are facing problems in identifying corrupted tax officers since corruption networks develop and go undirected.

4.23 Reason for Tax weak Administration

As the table 4.5 shows the reason for the weak Tax administration identifies more as lack of reason tax administration.

Figure 4.5 Reason For Weak Tax Administration
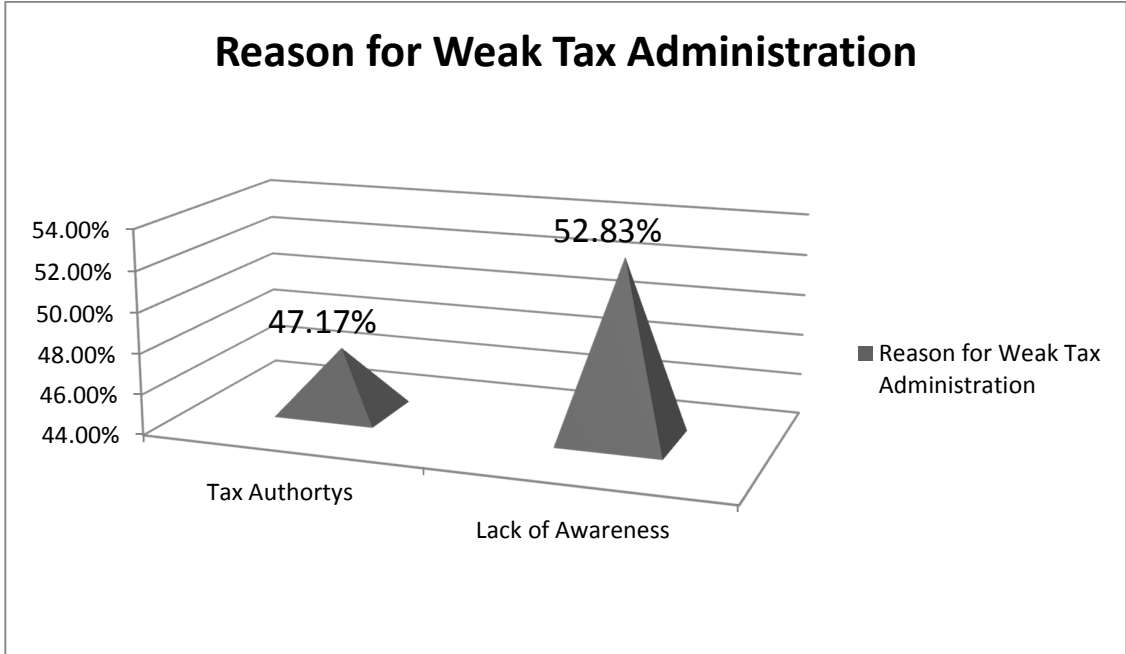
Source survey result 2014

As shown in the above figure 4.5, the reason for weak VAT registration process as the respondents said 47.2% tax authorities weakness regarding the administration and 52.5% are lack of awareness in tax payers

In addition to the problems identified and stated on the above, some interviews have been conducted by the researcher with Head of the authority. This was maintained by asking what are the root causes that hider the proper Administration of the VAT. Accordingly the respondents head of the authority put the following factors as the major problems of VAT administration in the country.

- Lack of awareness of the society as a whole to pay tax and the reasons of paying taxes.

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- The existence of nonregistered business entities in the market
- The existence rose from the authority to enforce those unregistered business enterprises.

The researcher also asked the head of the authority what kind of action has been taken to tackle these problems. According to the head of the authority's the authority has taken different actions in order to alleviate the problems that has faced this can be maintained by recruiting additional and capable employees, conducting continuous discussions between the taxpayers and the authority, providing continuous and intensive trainings to the existing taxpayers.

4.24 Implementation of VAT

As shown in Figure 4.6 the implementation of VAT identification of their response.

according to Dilla town 40% of the respondents' response the implementation is good and 60% of them are side the implementation is fair. Taking these response in to account the respondents were asked to provide what are the problems that hinder the smote implementation of vat system. The respondents replied that the major problems that hinder the smooth implementation of vat are the absence of efficient vat administration system, existence of eligible business entities that have not yet registered for vat, existence of some vat registered business enterprise that have collected the tax with illegal invoice and low level of tax awareness of the community.

Figure 4.6 Implementation of VAT
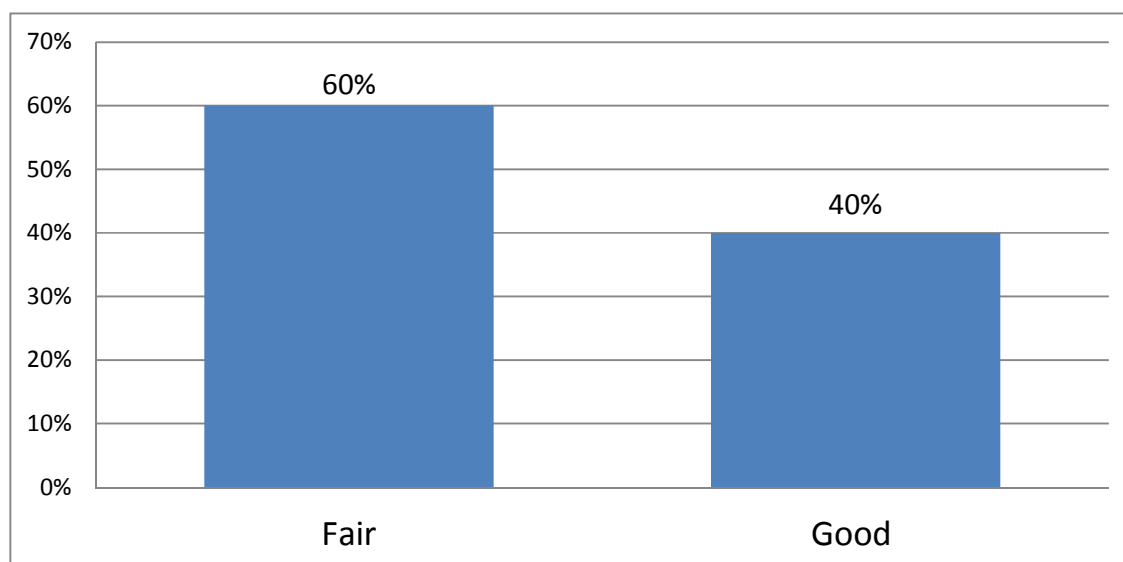
Source: survey result 2014

CHAPTER FIVE

5. FINDINGS, CONCULUSION AND RECOMANDATION

Introduction

The study aim to assess the VAT administration practices of Dilla Town Revenue and Customs Authority. In such endeavor, problems were formulated, objectives were laid down and data were collected and analyzed. The analysis enables the researcher to shade light on the VAT administration challenges and practices. This section presents summary of the major findings, conclusions drawn and recommendations forwarded by the researcher.

5.1 Summary of Major Findings

The analysis resulted in the following major findings:

- The study has both representational faithfulness (rigor) and relevance.
- The study has analysis the sampling units , registration Enterprises , Employees of Revenue and custom authority of town.
- The paper has done from source of data from the primary and secondary data.
- The data has been Analysis and Interpreted by researcher used both quantitative and qualitative methods .In such research descriptive survey methods , explanatory methods was employed and questioners, interview were the main research techniques researcher ,applied to undertake the study.

5.2 Conclusions

The result of the in-depth interview carried out showed that the town tax office has faced different administrative problems and challenges to handle the taxpayers. Based on the analysis and discussion made, the following summery and conclusion can be drawn.

5.2.1 Awareness of taxpayers about vat

VAT Administration in Dilla town is promising but not yet effective nor efficient. The major problems encountered by VAT administration in the town are lack of adequate skilled man power that would assist both the tax payers and the tax authority run an efficient tax system.

and absence of wasingness and poor understanding about the concept of VAT by tax payers it is also observed that there exists lakes of sufficiently educated taxpayers.

Based on the survey results, the study found that there exist lake of VAT knowledge by tax payers most of them don't know the rules and regulations of VAT they pay. But their attitude and feeling for VAT is very low. Due to this negligence, delay in tax payment and evasion are taken by taxpayers.

5.2.2 The problems of VAT administration and registration in Dilla town

According to the research finding shows in chapter four due to many reasons the tax austerity may face a number of problems.

As can be observed from the results of the finding , most of the business entities have not comply with the laws and regulations of VAT and they committed illegal activities bi preparing fake invoice and they remitted that tax income for themselves rather than to pay the government. And when we see on the side of the authority, it is incapable to identify and control business enterprise that are non compliance with the laws and regulations of VAT and also the Vat administration fail to register the potential non- registrants' business enterprises.

From the survey result a highest problem faced while collecting VAT is most of tax payers not pay a required amount on time.

The newly implemented system of using cash register machine is still not used in the town. But only one business organization used the machine and also there was not adequate training is given to those business enterprises. Due to this, VAT registered business organizations are required to issue VAT invoices to customers when dealing business transactions, however, there exist forgery invoice and/or non issuance of VAT invoice by business organizations.

5.2.3. The contribution of VAT administration & registration in Revenue increment.

Even though the primary objectives of VAT   implementation is to raise government revenue, the contribution of VAT revenue in Dilla town is not sufficient and there is increasing number of VAT registrants but the revenue of VAT is collected is not promising. This is because of the existence of disobedience taxpayers that are not compliance with the current VAT laws and inefficient tax administration to control those noncompliance taxpayers. The following section presents different recommendations as to which these observed tax administration problems solved.

5.3 Recommendations

The recommendation forwarded towards the tax authority

- To improve the awareness, attitude, and feeling of tax payers the government should arrange seminars, workshop, and conference to make them aware concerning taxation, why they pay tax, laws, rules and regulation of tax, the advantage they get from VAT. In Addition continuous

education should be provided to the tax payers; by the Authority specially to create awareness about their rights and obligations so as to build and develop a citizen who has better value in tax.

- The authority should identify taxpayers, who present under invoicing, commit sale without invoice. Accordingly, there should be continuity on the already started activities of giving feedbacks and awareness to the taxpayers.

- The authority has to devote its time in convincing the non- VAT registered enterprises to bring them in to registration and strongly expand its enforcement campaigns over the non- registrant enterprises as well aware the public experience the culture of taxpaying using different Medias.

- To avoided a problem exist during a collection Vat, and not paid on time with proper time and figure a government should control a bill or invoice they use, the authority should provided them to use a cash registered machine, follow- up, initiate potential unregistered business for VAT registered so as to avoid unfair price competition.

- In order to alleviate the implementations problem, devote time on consistently educating the taxpayers through different ways, improve the collection network and strengthen in the areas of, follow – up and enforcement as well as consistently follow the implementation procedures and taking serious actions over those who provide forgery VAT invoice.

- To sustain the VAT administration as a good means to raise government revenue and solve the problems of insufficient VAT revenue, the Dilla town tax Authority should take actions such as, by increasing number of registrants and business enterprises entering to the market, train the taxpayers about the rules and regulations of VAT continuously and it should also increase its follow- up and investigation to control noncompliance enterprises, as well as controlling collection to tackle the problems it has faced.

- Increased accountability and an open and honest relationship with taxpayers are crucial for maintaining public trust and confidence in the performance of tax administration. Taxpayers must be able to expect a high degree of certainty in their dealings with the Tax Authority. So the authority, should have to follow up the employee of the authority continuously.

The recommendations forwarded towards the taxpayers are:

- In addition to the tasks performed by the tax authority, the business enterprises should also obey the current VAT rules and regulations; develop the culture of taxpaying as a sign of modern thinking take into accounts as the government's main source of income to is the wealth collected and accumulated from taxes, consider paying tax as a means of directly or indirectly putting one's own contribution on changing the life of each citizen and they perform their activities according to the

current VAT laws as well as start to work in cooperation with the authority in fighting against those enterprises that are violating the rules and regulations of VAT.

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Questionnaires for Employees

INDIRA GANDHI NATIONAL

OPEN UNIVERSITY

School of Graduate Studies

Master of Business Administration in Finance

Dear respondent!

The survey questionnaire prepared by the researcher and administered to respondents of Dilla town Revenue custom Authority.

The purpose the study is to asses VAT administration and registration in Dilla Town. I respectfully request your kind cooperation in answering the question that follow as possible and your response was be highly confidentially. Thank you in advance for your kind cooperation.

Sections 1 General Background of respondents

1) Sex male ☐   female ☐

2) Age; (in years)   18-25 ☐   26-35 ☐   36-45 ☐   46 – 55 ☐

3) Levlofeducation;below12grade   ☐ certificates   ☐diploma   ☐

B.A degree   ☐ Master and above   ☐

Section 2 Survey questions

Select the appropriate answer from the given alternatives and circle it, for other questions please provide your answer on your own words.

1. Do you think that the current VAT contribution to government Revenue is sufficient?

    A. Concrete   B. Insubstantial

2. If your answer for question No 1. Is "Insubstantial" what do you think of reason of the reason.

    A. Weakness in Administration

    B. Lack of Awareness to VAT

    C. Fraud of Tax Collector

Other…………………………………………………………………………………………………

………………………………………………………………………………………………………

………………………………………………………………….. …………………………………..

3. Do you think VAT administrations are strong enough to control non- registered and illegal activities of VAT payers?   A. Concrete   B. Insubstantial

4. If your answer for question No 3 is No, what do you think of the reason

   ……………………………………………………………………………………………………

   ……………………………………………………………………………………………………

   …………………………………………………………………………………………………….

5. Do you think there are some eligible business enterprises in the market that have not yet registered

   for VAT   A. Concrete   B. Insubstantial

6. If your answer for question No 5 is yes what do you think of the reason?

   A. Administration weakness.

   B. Lack of Awareness of the VAT payers to VAT.

   C. Unwasingness of tax payers

Other……………………………………………………………………………………………………

……

…...…………………………………………………………………………………………………

7. Are there VAT registered business enterprises that have collect VAT with illegal invoice?

      A. Concrete   B. Insubstantial

8. If your answer for question 7 is yes what do you think of the reason?

   ……………………………………………………………………………………………………

   ……………………………………………………………………………………………………

   ……………………………………………………………………………………………………

9. How do you evaluate implementation of VAT in your administration?

      A. Very good   B, good   C. fair

10. What are problem you have faced while collecting VAT?

    A/ most of tax payers not pay a required amount on time

    B/ all of tax payers not pay a required on time

    C/ less of tax payers not pay a required amount on time

    D/ least of tax payers not pay a required amount on time other, Specify…………………………

11. How do you evaluate the awareness of tax payers about VAT?

      A. Very high   B, high   C. low   D, very low

12. If your answer for No 11 is Very low
    Specify……………………………………………………………………………………………
    …………………………………………………………………………………………………..

Questionnaires for VAT payers
INDIRA GANDHI NATIONAL

OPEN UNIVERSITY

School of Graduate Studies

Master of Business Administration in Finance

Dear respondents!

The survey questionnaires prepared by the researcher and administered to respondents of Dilla town Revenue custom Authority.

The purpose the study is to asses VAT administration and registration in Dilla Town.

I respectfully request your kind cooperation in answering the question that follow as possible and your response was be highly confidentially.

Section 1. General Background to respondents

1. **Sex**   Male ☐   Female ☐

2. **Level of education:** below 12 grade ☐ certificates ☐ Diploma ☐ degree ☐
   Master and above   ☐

3. **Work position in the organization:** Accountant ☐   manage ☐   owner ☐

Section 2. Survey question

Select the appropriate answer from the given alternatives and circle it, for other questions please provide your answer on your own words.

1. How much do you know the rule and regulation related to tax?

   A. Almost all

   B. Partially

   C. I don't know

2. Do you believe that the process of VAT registration is smooth and easy for tax payers

      A. Concrete   B. Insubstantial

3. If your answer for question No 2 is Insubstantial, what do you think of the reason

   A. Weakness in administration

   B. Lack of Awareness to VAT

   C. Fraud of Tax Collector

   If Other …………………………………………………………………………..

4. When do you think has benefited from market completion between VAT registered or non-registered?   A. Registered   B, non- registered   C, have no idea

5. If your answer for question No 4 is register why do you think that?

…………………………………………………………………………………………………

…………………………………………………………………………………………………

6. If your answer for question for is non- registered why do you think that?

…………………………………………………………………………………………………

…………………………………………………………………………………………………

7. What is your feeling for VAT?

   A. VAT is an obligation

   B. VAT is debt

   C. VAT is useful

   D. VAT is bad

8. Who benefited from VAT more?

   A. Tax payer's

   B. Government

   C. Citizens of the country

   If say tax payers, specify………………………………………………………

9. Have gave your finger print for tax   A, Concrete   B. Insubstantial

10. When you go to the tax Authority have you held adequate information?

    A. Concrete   B. Sometimes   C. I have no answer

11. Have you used each register machine?

    A. Concrete   B. Insubstantial

12. If your answer is yes have you got sufficient training?

    A. Concrete   B. Insubstantial

Annex - IB

Question for selected officials and professionals (For interview)

Interviewee: Read the following before you start interviewing

"This interview is made to you to undertake a research for the partial fulfillment to the award of Masters of Degree in Business administration in Finance. I would like to know the existing VAT administration of the town, the problem your office faced and reaction to possible improvement of the VAT administration."

I interview Guidelines for Tax Authority Official

II. A. Head of the Authority

1. What is the VAT coverage of the town currently (in percentage)?
2. What are the main challenges to provide safe & improved VAT administration?
3. Is the Authority applying regulation regarding VAT administration?
4. What Measure does the Authority take in non registered and illegal Activities of VAT?

Appendix
Allocation of Budget

No	Required items	Quantity	Cost per unit		Total cost	
			Birr	Cent	Birr	Cent
1	Stationary Materials					
	a. Duplication papers	8pads	75	00	600	00
	b. Printing papers	2,,	80	00	160	00
	c. Pens	50 pcs	3	50	175	00
	d. Writing pad	10,,	18	50	185	00
2.	Transportation costs					00
	a. Motor Bike ret				700	00
	b. Tax Travel expense				300	00
	c. Transport	2	200	00	400	00
	d. Coffee & tea				500	00
3	Printing and duplication costs					00
	a. Questionnaire writing	15 sheet papers	2	00	30	00
	b. Questionnaire printing	15 ,,	1	50	22	00
	c. Questionnaire Duplicating	2625 ,,	0	50	1312	00
	d. Research paper printing	130 ,,	2	00	260	00
	e. Research paper writing	130 ,,	1	50	195	00
	f. Research paper Duplicating	650 ,,	0	50	325	00
	g. Binding papers	10 umbers	10	00	100	00
	h. Supportive materials & books copy	3000 ,,	0	50	1500	00
4	Considering distribution questionnaires	4 days				00
	Enumerators training for 4 persons	10 ,,	50	00	800	00
	Enumerators allowance 4 persons		50	00	2000	00
5	Internet and Telephone Expenses				1000	00
5	Miscellaneous Expense				500	00
	Total				**11,064**	**00**

Appendix

Time frame

No	Main Activities to done	Nov.	Dec	Jan	Fab	Mar.	Apr.	May	Jun.
1	Proposal preparation				▓				
2	Literature Review/Collection				▓				
3	Questionnaire preparation								
4	Questionnaire Distribution & collection						▓		
5	Data Analysis and Interpretation						▓	▓	
6	Conclusions and recommendations							▓	
7	Final paper submission and thesis defense								▓

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Dilla Town Map

Southern Nations Nationalities and People Regional State