



ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES

**PRACTICE AND CHALLENGES OF VALU ADDED TAX
ADMINSTRATION IN CATEGORY “A” TAX PAYERS THE CASE STUDY
OF ADDIS ABABA CITY ADMINISTRATION REVENUE BUREAU**

BY

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ADMINISTRATION REVENUE BUREAU**

**A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY SCHOOL OF GRADUATE
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BY

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DECLARATION

I Abeba Shewangizaw declare that this research, titled "practice and challenges of Value Added Tax Administration and Its Related Problems in Ethiopia" in the case study in Addis Ababa city administration Revenue Bureau Large tax payers branch office In Category ‘A’ tax payers ‘, is done with my own effort. I have produced it independently except for the guidance and suggestions of my research advisor.

Name

Signature

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ENDORSEMENT

This thesis assume submitted to St. Mary's university, School of graduate studies for examination with my approval as a university advisor.

Advisor Name

Signature

Date

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Abstracts

Taxes can be classified as direct and indirect taxes. Direct taxes are taxes that are directly related to the taxpayers; whereas indirect taxes are taxes paid by an individual through the purchase of goods and services. VAT is one of the indirect taxes levied on consumption where the value of goods and services increases as they change hands in course of production, distribution and final sales to the consumer. The objective of the study is to assess practice and challenges of value added tax administration in category “a” tax payers the case study of Addis Ababa city administration revenue bureau. The study used both qualitative and quantitative research methods to collect and analyze both primary and secondary data. In the branch office there were 380 total workers out of this 250 of them were workers who are directly or indirectly involved in VAT collection and administrating department,. The study used Judgmental sampling technique to select representative sampling from the 250 workers. Accordingly, the total sample size considered by the researcher was 67. In regarding with tax payer sampling technique used convenience, from the total of 833 tax payer the researcher selected 225 samples. The information gathered from employee's attitude towards VAT administration problems, efficiency and effectiveness. Questionnaires were distributed for sixty seven employees of the branch office .where, two hundred twenty five questioner were distributed to tax payer to gather the information about tax payer attitude, awareness of VAT, VAT administration problem, efficiency and effectiveness to analyze the data descriptive data analysis technique and statistical package for social science (SPSS) software version IBM SPSS statistics 23 Licensee was used.

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List of Acronyms and Aberrations

VAT Value added tax

SIGTAS Standard Integrated Government Tax administration system

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CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

VAT has been adopted as the main form of an indirect tax by many countries in different parts of the world.(Misrak,2008).Value Added Tax (VAT) is a general consumption tax assessed on the value added to goods and services. In other words, it is a consumption tax because it is borne ultimately by the final consumer. In many countries it is regarded as one of the main source of government. VAT is an indirect tax levied on domestic consumption of goods and services as well as on imported goods. It can be considered as the most important tax innovation of the second half of the twentieth century. VAT is primarily collected by business firms or individuals at all stages of production and distribution beginning with importers and producers of raw materials and ending with retailers. In line with this perception, VAT is implemented in many developed as well as developing countries, (Hailemariam, 2011).

According to the Value Added Tax proclamation No. 285/2002, the VAT is levied and paid at the rate of 15 percent of the value under such condition: every taxable transactions by a registered person; every import of goods other than an exempt import; and an import of service rendered in Ethiopia for a person registered in Ethiopia for VAT or any resident legal person by a nonresident person who is not registered for VAT in Ethiopia (Article 7(1)(a)-(c) and Article 23(1). Ethiopia's standard VAT rate is 15%, it is at its infant stage. It came into realization in January, 2003 (Proclamation No. 285/2002) replacing the former sales tax system. Ever since, it is playing an important role in the economy in terms of its contribution to ever-increasing domestic revenue and reducing budget deficit.

This study analyzed the “Practice and Challenges of Value Added Tax’: The case of Addis Ababa revenue bureau. The Addis Ababa City revenue bureau has 17 branches. This study is conducted in Addis Ababa city administration revenue bureau large tax payer’s branch office because as far as the knowledge of the researcher, there are no studies done in that area.

1.2. Statement of the Problem

According to Addis Ababa City administration large tax payers branch office the problem was examine Category “A” Tax payers in Practice, challenges and collection system of VAT administration .Both the receiver and tax payers have their own weakness during payment of VAT, such as in the case of tax payers, lack of awareness .in the case of tax collector they don’t give any information to customer about tax. The assessment result different on the same tax payer and they don’t give enough service for customer. In this case the researcher tried to examine relates within in such problem on VAT administration in Category ‘A’ tax payers.

There are different limitation in previous researches, Heran D.(2018) on the study of assessments of value added tax administration practice ,according to knowledge, the factors that affects VAT administration problems were limited awareness creation, lack of equity and fairness of the tax system, ineffectiveness and inefficiency of the tax authority, poor service delivery, problems related with invoicing, total distrust between the tax administration and taxpayers and lack of simplified procedures. In general, the gap that identified by the researcher is that although there have been studies on VAT administration in Ethiopia and also in the different towns of the counties by different researcher, but in Addis Ababa at a sub city level there are no comprehensive studies that exhaustively assess the VAT administration practices. Even these studies did not exhaustively assess the VAT administration practices as a whole. However this study particularly address in Lideta sub city small tax payers branch office. The limitation of this study is, particularly focused on only one sub city small tax payers branch office and study made on the side of administrative organs only. This also might not represent the overall situation of Addis Ababa city.

According to limitation Binyam A.(2013) on the study of Practice and challenges of VAT administration showed In spite of the several contributions of the study intended to give, the researcher faced with some problems beyond his control when conducting the study. The first limitation was unwillingness of tax payers to fill and return the distributed questionnaire carefully. This is because of respondents will require many explanations to fill survey questionnaires and that take much time, money and energy of the researcher. Secondly; tax officials were too busy to make the in-depth interview. However, since the questionnaires were

also prepared in Amharic and other necessary precautions were taken by the researcher, these limitations were not affecting the findings of the study.

Taxpayer identification and registration for VAT particularly, the compulsory registration by assessment of the daily income of taxpayers not processed by well trained and credible tax officials. This is one of the reasons for non-registration of many potential taxpayers for VAT in the Sub City. The other reason for non-registration of many potential taxpayers for VAT is unwillingness and lack of awareness of taxpayers to be registered for VAT due to many reasons. In addition, even after registration, it is not possible to identify and control non-filers or stop filers using the computer system called SIGTAS due to absence of well-trained man power in the Addis Ababa revenue bureau . In VAT collection, the office facilities and procedures are not simple, so that taxpayers choose to escape from the VAT rather. In order to prove whether the refunding procedure is being implemented in line with the system set or not, the finding implied that there were poor treatment as per the set standard. Therefore, refund treatment practice was found below the average as compared to the existing law. One of the components of good service delivery is the presence of good office facilities (including effective computer system), however, the study has seen office facilities of equipment's were poor. As a result the office and registrant's encountered complexity and difficulty of VAT administration system. Some of the reason for poor VAT administration and revenue performance of the studied office is due to lack of knowledge, poor tax administration and fear of unnecessary competition from similar unregistered business voluntary compliance in the branch office. Accordingly, one of the major challenges of VAT administration of the studied Addis Ababa revenue bureau was lack of efficient and skilled man power, in sufficient and poor rules and Regulation of the sub city, lack of VAT registrant's awareness, unethical behavior of some officials and lack of materials facility.

There are same weaknesses and problems that exist in reality during Vat tax practice and challenge on imported goods during transaction clearing process problem such as customer remaining reluctant to pay tax and the authority finds it difficult to collect tax on time and problems related to awareness are some of the problem encountered on the tax collection process. This research was tried to assess the practice and challenges of VAT Administration on Category ‘‘A’’ tax Payers Branch office, the system on the Branch and answered the basic research questions. Therefore identifying the problems in the branch office, this study were being

expected to fill these limitations and to contribute to a deep understanding of the problems and possible prospects of the current VAT practice and challenges.

1.3. Research Question

1. Is VAT administration exercised at Addis Ababa city administration revenue bureau being performed as efficiently as expected?
2. What are the major problems in VAT administration practices?
3. How to give aware the business community about VAT, the attitude, awareness and understanding of tax payers regarding and regulations of taxes system in the city administration?
4. Do the tax collectors clearly implement principles of taxation set by the proclamation while determining the type, mode and amount of VAT payment in the city?

1.4. Objectives of the Study

1.4.1 General Objective

With respect to the above problems, the study aims at assess practices and challenges VAT administration in category “A” tax payers and their related issues that influence the revenue collection in large tax payer branch office and finally to recommend better ways and means for further improvement.

1.4.2 Specific Objectives

- To understand the status of category “A” tax payer knowledge and awareness about VAT administration practice and challenges.
- To identify the major problems in VAT administration practices.
- To examine VAT registrations practice in respect of category "A" taxpayers in Addis Ababa city administration revenue bureau large tax payers branch office
- To investigate VAT collection practices in respect of category "A" taxpayers in Addis Ababa city administration revenue bureau large tax payer’s branch office
- To assess the commitment level of seller's and customer awareness on VAT sells.

1.5 Significance of the Study

The main Significance of the study is to assess Practices and challenges of VAT administration in category ‘A’ tax payers in Addis Ababa city administration revenue bureau. The researcher was indicated the problem of on these branch office and the researcher was given valuable suggestion for the future investigation and to take necessary measure and to reduce challenges of VAT administration in category ‘A’ tax collection problem. To use the outcome of the study for solving the problem of VAT tax challenges in category ‘A’ tax payer of Addis Ababa city administration revenue bureau large tax payers branch office the researcher was indicated problem areas and give valuable suggestion for the future investigations and to take necessary measure to reduce the problem.

1.6 Scope of the Study

The study limits its scope of the study to manage in size in order to investigate the issue thoroughly. This research was considering tax payers who are registered as Government enterprise in branch office in city level business enterprises. The scope of the study depends on the respondents variables the researchers variables are tax officers and category A tax payers in which VAT registered as category ‘A’ tax payers .there are two variable in this scope tax officer and category A tax payers

The study examine the practice and challenges of Value Added Tax in Addis Ababa city administration revenue bureau in large tax payers branch office on the special emphasis on category ‘A’ Taxpayers having above 40million annual sales.

Geographically, though Addis Ababa city administration revenue bureau accesses and convenience for the researcher the case study of the research was Addis Ababa city administration revenue bureau large tax payers branch office Methodologically, the study was used a mixed research approach with descriptive data analysis, sample survey method using questionnaires and document review from taxpayers and tax employees in data collection. The time period for the researcher indication was the time starting on Hamle 2008 E.C. up to date years of Addis Ababa city administration revenue bureau large tax payers Branch office VAT

practice and observed challenges. The researcher use the methodology depends on the two variable respondents which is tax officer and tax payers.

1.7 Limitation of the Study

The study Research work requires the allocation of sufficient amount of time, In the process of conducting this research, Limited Responsiveness by the tax collecting auditing staff employee and limited access to sufficient data also considered as a limitation to get the required information.

1.8 Organization of the Study

The study was organized into five chapters. The first chapter explains background of the study, statement of the problem, objective of the study, scope of the study, significance of the study and limitation of the study. The second chapter was contained theoretical literature and review of related literature. The third chapter was presents the research design and methodology. The fourth chapter was contained presentation, analysis and interpretation of the data. The last fifth chapter was consisted of summary, conclusion and recommendations of the study.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Introduction

This chapter review literature that have relevance to the study so as to have an insight into the research topic and to briefly expose the readers to some of the major areas of the subject matter under consideration.

2.1.1 Definition of Value-Added Tax (VAT)

Value Added Tax (VAT) is a general consumption tax assessed on the value added to goods and services. It is a general tax that applies, in principle, to all commercial activities involving the production and distribution of goods and the provision of services. It is a consumption tax because it is borne ultimately by the final consumer. It is charged as a percentage of prices, which means that the actual tax burden is visible at each stage in the production and distribution chain. collected fractionally, via a system of deductions whereby taxable persons (i.e., VAT-registered businesses) can deduct from their VAT liability the amount of tax they have paid to other taxable persons on purchases for their business activities (Herouy, 2004).

2.1.2 Origin of Value Added Tax

Even if Americans were the first advocates of the concept of value added tax they failed to implement it and the modern concept of VAT was effectively introduced in France in 1954 with the replacement of turnover tax. In France it was introduced to satisfy high demand of revenue on the part of the government in order to rebuild France from the civil of WWII Bogale et al. (2009). Cote d'Ivoire was the first African countries to implement VAT in 1960 (Simon, 2013). As James (2011) stated because of being the best method of taxing general consumption, its neutral treatment of exports, and its revenue-raising capacity now a day's VAT is being popular and acceptable by many countries.

2.1.3 Tax Reform & the Reason Adopted by Ethiopia

Value Added Tax (VAT) was implemented in Ethiopia on January 1st, 2003 (VAT Proclamation No. 285/2002) with the replacement of the outdated sales tax. Many scholars described that majority of governments' revenue is obtained from VAT for countries who implemented it. The major rationales behind introducing VAT in Ethiopia include, the following, among others are:-

I. Sales tax doesn't allow collection on the added value created wherever sales transaction is conducted but VAT does.

II. VAT allows little room for evasion, taxes in VAT are collected in multi stages and business entities are allowed to have a refund on the tax they paid for inputs (raw materials such as labor, transportation, warehousing, etc.). This leaves little room for evasion. But this is not true in sales tax as it is collected only at one stage.

iii. VAT enhances saving and investment, VAT is a consumption variety tax. The fact that the final burden lies on consumers raises awareness to have a means of reduction of payment for consumption at any possible incident. This undoubtedly will change the extravagant way of life imposed from the custom, on the part of final consumers.

iv. Outdated sales tax is not capable to generate adequate revenue for the government to cover necessary expenditures.

In 2014, Jaleta on his behalf describes four main objectives for the adoptions of VAT in the Ethiopian context, including; raising large amounts of revenue as the engine and tool of national development, to redistribute income and wealth among members of the community residing in a state, for fulfillment of the WTO agreement and to implement the IMF directions. (Yohannes Mesfin & Sisay Bogale, Tax Law, (2009). pp 64-65)

2.1.4 Value Added Tax in the Context of Ethiopian Proclamation

As the student researcher tried to mention earlier that VAT replaces the sales tax on manufactured and imported goods and services in Ethiopia January 2003 (FDRE VAT Proclamation No. 285/2002).

According to this proclamation, VAT in Ethiopia 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 or zero rated. Supplies, which are made in Ethiopian, not exempt known

as taxable supplies. As it was also tried to mention earlier, VAT is an indirect tax type, which is imposed on consumption or spending. VAT is collected from sales of the value added of goods and services, starting from importers and producers ending with consumers through the conditions of whole selling and retailing. VAT applied on the value added meaning a producer

For example provides final product to sell performs different activities like spending direct and indirect costs and administrative cost except VAT and prepaid income tax. Doing that, value is created. This value is liable to tax, (FDRE VAT Proclamation No. 285/2002). VAT is imposed only on the value created up on production and distribution but not on the cumulative return. Therefore, it avoids tax cascading burden using this method. This tax follows the procedures of refunding or credit input tax that is paid on purchasing inputs for production of goods or provision of services. Again, it is paid for the sales of output. It is based on invoice in order that it reconciles the input tax against output tax. Thus, record processing is mandatory to balance them. Therefore, modern accounting method of business system is being practical as the result of VAT introduction, (Misrak, 2008).

Since the introduction of VAT in Ethiopia at 2003, tax payers are continuously changing their attitude towards its benefits. In addition to the absence of strong tax policy and late implementation of VAT, tax payers in Ethiopia were not aware of the importance of VAT to the country and that paying tax is their responsibility. It is believed that VAT is contributing positively to the increase in the government revenue and is developing from time to time since its introduction in the Ethiopian tax system. The amount of revenue collected from VAT is increasing continuously, despite that there remains a gap between the planned VAT revenue and the actual collected one - indicating the collection inefficiency of the authority. This time, we can see the change that consumers are becoming aware of the VAT they pay at restaurant, shopping and any other market transactions.

VAT proclamation NO. 285/2002 of the Federal Democratic Republic of Ethiopia (FDRE) states that the "value added tax minimizes the damage that may be caused by attempts to avoid and evade the tax and helps to ascertain the profit obtained by the taxpayers; the VAT enhances saving and investment as it is a consumption tax and does not tax capital." Stating that VAT - If effectively practiced- is the best way to raise revenue in developing economies, Wollela (2008) argued that the incapacity of the administration and other relevant problems caused in VAT

collection practices are compromising its silent features and negatively affecting the revenue collection objectives in Ethiopia. Moreover, administrative feasibility and practicability are two important constraints facing developing countries on tax policy in general and VAT collection practices in particular

VAT is strongly becoming a prominent factor in most fiscal policies and budget issues in the government spending and public faculties in developing countries like Ethiopia (Hilemariam, 2011). Mainly because of the relatively easy administration and costs associated with it, is assumed to be the most suitable type of tax for developing countries like the case in Ethiopia. Nevertheless, developing countries are still the ones with low infrastructural faculties, own less technological advancements, have no sufficient skilled human resources to administer the implementation of VAT and other tax systems, have many problems related to their policies including the difficulty of introducing such silent systems and slow response acceptance by their people to the newly introduced policies and programs and so on. These and other related limitations of these developing countries can compromise the benefits of such policies and programs. (Wollela, 2008) strongly argued that the incapability of administration of VAT in Ethiopia is negatively affecting the collection efficiency of VAT of the authority.

Since the introduction of VAT to the Ethiopian tax system, there were many problems seen in the ground. As this tax system is still new to the Ethiopian tax policy, it is too young to be effectively utilized by the authority, and possess many problems. People, in the introduction of this type of tax in Ethiopia, were not convinced of its benefits and businesses continuously tried to evade and escape from VAT. It is a recent phenomenon that consumers are practicing to make sure of whether the goods they purchase and consume have included VAT or not. A few years ago, consumer's simply used to purchase and consume goods and services without asking for VAT receipt. The attitude of business persons on VAT was also negative and they were afraid of the payment, assuming that they are going to pay the amount. Together, all these factors were contributing for the low collection practices of VAT. According to (Bird and Oldman (1967), Cited in Lemessa (2007), the operations and effectiveness of tax are affected by the attitudes of the nation towards the tax system, which in turn is affected by the tax administration.

Nowadays, things are changing and the attitude of people towards VAT is becoming somewhat encouraging. Business people are now more or less aware of the issues related to VAT: what it is, who is paying the amount, and its benefits to the government expenditure etc. At the same time, consumers are practicing their market activities according to the laws of VAT through asking for VAT receipts and checking the things accordingly. The collection efficiency of VAT by the authorized body is highly affected by these factors and the greatest power is the people paying their tax. As long as individuals pay their VAT accordingly and there is a good administration in the collection process, other problems will not be major difficulties. Currently, the attitude of people towards VAT in Ethiopia is improving from time to time. But, this is not enough and the administration issue should be solved.

As is the case for most developing countries, the collection efficiency of VAT in Ethiopia is not at its optimal. There is a big gap between the target and the actual collection of VAT in Addis Ababa city administration large tax payers branch office. In addition to revenue bureau this, the revenue share of tax from the total government expenditure is very low comparing to other countries (African Economic, 2004). Moreover, the experience of this type of tax in Ethiopia is a recent phenomenon and is young. According to Kamal (2012), countries with more years of experience on VAT are more likely to be efficient on their collection practices than those with low experience. tax authorities face many difficulties related to tax in general and VAT in particular, and need time to learn how to solve these complex issues including the effort to persuade tax payers to pay their taxes regularly and honestly. It is after they build such systems that the administration and collection practices become easy and convenient to implement. But, Ethiopia, like most developing countries has introduced VAT very recently and is still facing problems in its VAT administration.

To sustain Value Added Taxes revenue role in the government's finance, it is important to ensure that the revenue generated by this tax is raised as efficiently as possible. However, researches reveal that in Ethiopia revenues raised by Value Added Tax are usually garnered at the expense of erosion in its salient features. This may be caused by factors including poor Value Added Tax administration and poor culture of paying tax of the tax payers i.e., the incapacity of tax authorities to implement the attributes of the tax in practice. A good tax administration is Essential in achieving governments' policy objectives at large and fully implementing the design features of Value Added Tax (Yesegat W., 2009:20).

Ethiopia introduced VAT through proclamation no.282/2002 which has been ratified on July 2002 and come in to force on January 1/2003. The adoption of VAT in to 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 growth domestic product and government revenue in the country.

According to new amendment on Tax administration proclamation no.983/2008 The Ethiopian revenue categorizes taxpayers in to three;

Category "A" taxpayers (large size taxpayers) first, business income taxpayers or rental income taxpayers formed under the laws of Ethiopia or foreign laws that have separate legal personality (share company, plc., public enterprise, public financial agency, and foreign body's business agent residing and doing business in Ethiopia on behalf of the principal) regardless of their annual gross turnover or revenues. Second, any other business income taxpayers or rental income taxpayers having an annual gross turnover of birr 1,000,000 (One million birr) or more (i.e. annual gross turnover > birr 1,000, 000).

Category "B" taxpayers (medium size taxpayers) which includes, unless already classified in large size, business income tax or rental income taxpayers with no legal personality and whose annual gross turnover is more than birr 500,000 but less than birr 1,000,000 (i.e. birr 500,000< annual gross turnover <birr 1,000,000).

Category "C" taxpayers (small and micro size taxpayers) which includes any other business income taxpayer or rental income taxpayers which are not already classified under large size or medium size, business income taxpayers or rental income taxpayers having no legal personality and whose annual gross turnover is estimated up to birr 500,000 i.e. estimated annual gross turnover \leq birr500, 000 (Tax administration proclamation no. 983/2008).

In Ethiopia, all small and medium businesses are required to be formal, properly licensed and subject to paying taxes as per the tax proclamation of the country (income tax proclamation no. 979/2008). Taxpayers who receive income from trade are required by law to register for tax (have their tin- taxpayers' identification number), keep and maintain sufficient records for tax purposes, carryout tax assessments, pay taxes (as due) and carryout other tax related duties like withholding and paying employment income tax on behalf of their employees. All small and

medium businesses are required to use cash register machine. Most business operators of small and medium taxpayers are subject to indirect taxes, like VAT, TOT and are required to comply with all applicable provisions under the respective tax status. For instance, small and medium businesses whose annual taxable transaction is less than birr 1,000,000 are required to pay turn over tax (TOT) to equalize and fairness in commercial relations and make complete the coverage of tax system so as to increase government revenue from taxation (ERCA, 2016).

According to the relationship between the nature of the taxes and the reason for payment they are generally classified as direct and indirect. Direct taxes are type of taxes that cannot be transferred or shifted to another business or person that it is entirely paid by persons or business that are charged. It includes personal income tax, business profit tax, income from game of chances, rental income tax, dividend income, tax on interest income on deposits income from rental of buildings and property, etc. Indirect Taxes levied upon commodities before they reach to the consumer who ultimately pays the taxes as part of the market price of the commodity i.e. amount of tax is included in the selling price. Turnover tax, stamp duty, customs duty, withholding tax, excise tax and value added tax are included under this category.

Value Added Tax (VAT) - A tax imposed on domestic consumption of the added value to goods and services as well as on imported goods and it is collected by business firms or individuals at all stages of production and distribution. It is a tax on exchange Bogale et al. (2009). VAT is a tax on the sale of goods at every stage when it changes hands in the provision of credits for input tax paid at the time of purchase of goods (intended for resale, to be used as raw material for the purpose of manufacturing or for packing) or capital goods for the purpose of manufacturing (Dakito, 2011). It is a tax on what people buy rather than their savings or earnings or investments. It is categorized as an indirect tax because it is collected from someone other than the person who actually bears the cost of the tax directly, as it is a tax on the supply of goods and services which is eventually born by the final consumer but all collected at each stage of production and distribution chain Olatunji (2009). It is charged as a percentage of prices of goods and services and is collected and by VAT registered businesses. The collected VAT amount is settled through deduction scheme where, VAT registered businesses are allowed to deduct their VAT liability from the amount of tax they have paid to other taxable persons while they are making purchases for their business activities.

2.1.5 Conceptualization of Value Added Tax

Value added tax is an indirect tax that is charged whenever a tax payable person makes taxable supply of goods and services in the course of the business and imports, although it is a tax on consumer expenditure. Value Added Tax is a tax not on consumer expenditure. Value Added Tax is a tax not on the total value of goods being sold, but only on the value added to it by the last seller who is liable to pay a tax not on its gross value, but on the value that is the gross value minus the value of inputs. Value Added Tax is a form of indirect tax collected at various stages of production-distribution chains when value is added up on both goods and services. But the most important issues that come to be ambiguous about Value Added Tax are that how we know as the value is added up on goods and services. To that extent, most of commentators assumes as value added is simply measured as the difference between the value of output and the cost of inputs for both goods and services. Hence, if properly designed and implemented, the Value Added Tax that can be effectively collected on the pure value added generated at any stage can be viewed as equivalent to the single retail sales stage tax but implemented in a different fashion (Le. 2003).

2.1.6 VAT Administration

Tax administration refers to the identification of tax liability based on the existing tax law, the assessment of this liability, and the collection, prosecution and penalties imposed on recalcitrant taxpayers. Tax administration, therefore, covers a wide area of study, encompassing aspects such as registration of taxpayers, assessments, and collection (Kangave, 2005). Ethiopia's tax reform program has introduced VAT at the rate of 15% (fifteen percent) on January 1, 2003 to replace the sales tax proclamation that provides exemption for basic necessities and domestic transportation and zero rating to encourage exports and capital investments. Subsequent to the introduction of VAT, additional exemptions were extended to basic foods, agricultural fertilizers and to other products. Unlike the sales tax, VAT provides relief of tax on all business inputs, including capital goods and business expenditures and will provide further business incentives by zero rating exports and the international transport of goods and passengers. Since domestically produced goods relieved of VAT, they will be more competitive within international markets and may mean a shift from Ethiopia's dependence on foreign to domestic trade, but it is too early to evaluate its impact. It is not, however, difficult to see that its implementation is a challenge,

owing to the predominance of small and informal operators in the country, its history of tax evasion and corruption, lack of standard recordkeeping systems as well as the lack of knowledge about VAT and a tax-base for its computation.

Tax assessment refers to the initial review by the tax authority of the tax declaration and attached supplementary documents submitted by a taxpayer and verification of the arithmetical and technical accuracy of the declared tax liability and tax payable shortly after the submission of the declaration. Once an income declaration is checked and verified by the concerned tax authority through a process called income tax assessment, hence, tax assessment is the end result of the process of ascertaining a tax payer's taxable income and the tax payable on that income. Tax collection is a collection of money from taxpayers based on the tax assessment declaration or notification (Tesfaye , 2014).

The introduction of VAT was part of the overall tax reform program in Ethiopia. Establishment of a new Ministry of Revenue was the first step to improve tax collections and to combat fiscal fraud precedes the tax reform program. In October 2001, a draft VAT legislation was submitted to the parliament and this was approved and implemented beginning January 1, 2003. VAT was introduced in Ethiopia by VAT proclamation no. 285/2002, replacing sales tax. Its objective is to minimize the reduced tax revenue, which is caused by attempt to evade tax, by ascertaining the profit of the taxpayer, and to enhance economic growth in the country. The VAT is applicable to tax payers that met the minimum threshold of Br 500,000 and above annual turnover and selected business activities like supermarkets, construction materials distributors. Voluntarily, it is also applicable on those who perform majority of their transaction with registered taxpayers.

2.1.7 Value Added Tax Registration

The registration of VAT has started manually and then processed through a locally developed interim VAT computerized system until Standard Integrated Government Tax Administration System (SIGTAS) started operation in February 2004. The interim system has met basic requirements of the tax office, such as registering taxpayers, issuing certificate, processing payments, and declarations, revenue and taxpayers accounting.

According to the Article 22 of the VAT proclamation, all persons registered for VAT are required to issue VAT invoices to the person who receives the goods or services, which those unregistered do not have right to issue.

According to VAT proclamation No 282/2002, Article 26/1, every registered person is required to file VAT return with tax office for each accounting period and to pay the tax for every accounting period by the deadline for filling the VAT return. As to Article 26/2, the VAT return for every accounting period shall be filed not later than the last day of the calendar month following the accounting period.

Consumers need to make sure that businesses that levy the tax are registered as evidenced by a registration certificate which is expected to be posted visibly on the establishment premises, they should receive receipts for the goods and services they purchase and they have to make sure that the receipt clearly indicates the VAT registration number and the taxable items. In this context, the tradition of receiving receipts by customers was not given due attention, which lead the registered businesses to use the money collected in the form of VAT for their own expansion, however, to some extent a cash register machine distributed to few taxpayers is believed to reduce such problems. Every registered business person is required to file a VAT return with the authority for each accounting period, whether or not tax is payable in respect of that period. The VAT return for every accounting period shall be filed not later than the last day of the calendar month following the accounting period.

A person refers for VAT registrant are sole proprietor, company, partnership, trust, incorporate persons, unincorporated body, club or association. Authority determines whether a person is obligatory registrant if it makes (Ethiopia VAT proclamation No. 285/2005 Art. 16) birr 500,000 taxable turn over within 12 months of a year. If one reasonably expects that during 12 months the Total value of taxable supplies excluding tax is likely to exceed birr 500,000, in Ethiopia, then the person needs to be registered for VAT.

A registrant, the turnover on an ongoing basis, makes calculation of VAT. Two periods need to be considered the past 12 calendar months and the next 12 calendar months on a month-by-month basis. At the end of any 12 calendar months if a taxable person's annual sales revenue exceeds Br. 500,000 or at the beginning of any calendar months if there is a reasonable ground to

expect that the total value of the person's taxable activity will exceed Br.500, 000 in Ethiopia, then there is the requirement to register for VAT.

The second category of registration is voluntary registration the total of twelve months business transaction turnover may not necessarily be birr 500,000. In Ethiopia case, however, if customers of a registrant are provide at least 75 % of supplies to a VAT registered person, then that customer is allowed to be registered for VAT voluntarily. Things to be recognized in voluntary registration are those who are involved in export advised to be registered voluntarily in order to get refund. This is practical through zero rated purchases that enable the person to ask credit on input tax. Otherwise, in voluntary registration, there may be the loss of customers who are VAT registrants that need invoice from their provider in order to claim input tax credit. Therefore, voluntary registration here is compulsorily required. Beside this the Revenue Authority needs prerequisites like: Permanent residential; proper accounting records; Bank account and; the one who obeys tax law and that must have capacity to do what the Authority requires.

The third category of registration, special business categories that also have the following features: Those who are involved in export are advised to be registered voluntarily in order to get refund. This is practical through zero rate purchases that enable the person to ask credit on input tax. These categories are defined as forced registrants regardless of the threshold. This is done in order to get fair market competition between the special business categories. If registration by special business categories not implemented, market competition difference would be seen among registrants and non-registrants within them. Such forced special business category registrants are: Gold, Electronics, Importers, Shoe factories, Level ten and above constructors, Computers and their accessories, Leather and leather products, Plastic and plastic products. (Proclamation No. 285/2002).

2.1.8 VAT Administration Practices

As Jantscher (1990), noted that the basic tasks of tax administration consist of three distinct (though connected) activities, i.e. identification, assessment and collection. As Tait (1988), the introduction of VAT is usually the greatest change in tax system of a country and there is also a possibility to perform the reform of tax administration.

I. Registration procedure

Under the VAT proclamation, registration for VAT is categorized in to three. These are obligatory, voluntary and special business categories. Any person who carries on a taxable activity and at the end of any period of 12 calendar months has made, during that period, taxable transactions the total value of which exceeds 1,000,000 birr or at the beginning of any period of 12 calendar months there are reasonable grounds to expect that the total value of taxable transactions to be made by the person during the period will exceed 1.000,000 birr, has the obligation to register for VAT. (article 16(1) (a) and (b)) according to article 17, a person who carries on taxable activity and is not required to be registered for VAT may voluntarily apply to the tax authority for such registration, if he regularly is supplying or rendering at least 75% of his goods and services to registered persons. The third category of registration, special business categories that also have the following features: those who are involved in export are advised to be registered voluntarily in order to get refund. This is practical through zero rate purchases that enable the person to ask credit on input tax. Such forced special business category registrants are: gold, electronics, importers, shoe factories, level ten and above constructors, computers and their accessories, leather and leather products, plastic and plastic products.(Proclamation no.978/2008).

II. Filing of tax return and payment of VAT

Every registered person is required to file a VAT return with the authority for each accounting period, whether or not tax is payable in respect of that period; and to pay the tax for every accounting period by the deadline for filing the VAT return. The VAT return for every accounting period is filed no later than the last day of the calendar month following the accounting period. VAT on taxable imports is collected by the ERCA accordance with VAT as per the customs legislation of Ethiopia under the procedure contemplated for customs duty, (proclamation no.978/2008, and art.26).

III. VAT assessment procedures

The tax assessment for those, who are required to maintain financial records, is done based on the records that taxpayers maintain; however, if they fail to maintain financial records, estimated assessment will be done. For the rest of taxpayers, who are not required to maintain financial

records, it is based on the standard assessment method (Council of Ministers, 2008). The self-assessment systems which are require tax payers to do calculation, payment, and reporting their own tax payable by themselves. However, VAT is essentially a self-assessed by taxpayer. In the self-assessment taxation approach, taxpayers calculate their taxable income, file tax returns and pay their taxes due. This taxation system basically presupposes taxpayer's willingness to pay taxes, continue accurate bookkeeping behavior and calculate their taxable income based on objective data. Self-assessment is so important helps to improve effectiveness by focusing resources on taxpayer services, enforcement, reduce compliance costs and reduce corruption. But administrative assessment is not compatible with modern tax administration (Bodin, 2008). The issue of self-assessment reemerged in the early 1990s, as transition economies moved toward VAT implementation with little experience of tax administration and little appreciation of what would be required to administer an accounts-based tax (Ebrill, et al, 2002). Modern tax systems and their administration are built on the principle of "voluntary compliance," meaning that taxpayers are expected to comply with their basic tax obligations with only limited intervention by revenue officials. In practice, voluntary compliance is achieved through a system of "self- assessment". In most countries, the development of self - assessment is closely linked to the rise of the VAT. Indeed, the real question is not how to administer a VAT in a country without the capacity to administer self - assessment, but how to implement the basic principles of self- assessment in a country willing to introduce a VAT (Keen ,2005).

2.1.9 Importance of VAT Administration

VAT is important tax imposed on all transactions that show additional value on each stage of either production or distribution of goods or services. The tax is collected on the value, which is added during each stage of transaction. Thus it has broad revenue bases as the result of this its revenue generating capacity is high. This tax system encourages self-assessment that helps taxpayers to assess VAT themselves. It promotes the trend of using accounting records principle. Because of this, it reduces administrative cost of tax collection as well as evasion. Since the tax bases the records and collected on transaction, it gets the administration is achieving the main objective that is voluntary compliance. VAT refunds for taxes paid on charges of production, distribution and administrative activities. It encourages investment and saving by crediting

capital input tax. Stimulates foreign trades because it is applied zero rate on export productions and services in order to get them efficient competent in the world market. It attracts foreign investments, as it is accepted modern tax type by many countries in the world, (MisrakTesfaye, Msc, 2008).

The benefits of VAT depend highly on the circumstance of individual countries and their economic structure they practice. However, empirical literatures proved that VAT, though complex and difficult to administer, is the most convenient tool of collecting revenue in developing economies (ITD, 2005). Moreover, experiences show that VAT tends to stabilize the economy and effectively helps to mobilize resources towards the public use and this is more visible in developing countries. Literatures (f.e. ITD, 2005), argue that VAT has typically replaced the indirect taxes which are assumed to be more complex and difficult to administer, which also leads to the conviction that VAT may be complex in developing countries. However VAT still remains the most important type of tax in developing economies and is now becoming common in most countries in the world (both developed and developing). What makes VAT difficult and complex in developing countries is probably the lack of advanced technologies in collection and controlling as well as lack of experiences. VAT has been more successful in more developed economies in the past years (ITD, 2005), but is more important in developing countries for the purpose of resource mobilization, fair income distribution and economic stabilization in the long run (Blrd and Gendron, 2006).It is logical that the problems arising from the complexity of VAT in developing countries in collecting the desired tax may bring instability and high income inequality. Besides, the level of literacy and positive attitude towards the tax may affect the effectiveness of the VAT collection in developing countries. Study results of Olaoye (2009), adds to the idea that consumers' attitude towards such tax systems possess greater impact in the collection efficiency and other administration issues. According to Olaoye (2009), consumers will definitely have negative attitude towards introducing such taxes as long as they did not have the access to get the right information upon its practices and objectives. These problems are likely to happen in developing countries where the literacy level is relatively low and business people are less informed about the policy issues mainly as a result of low rate of participation in the introduction and implementation of such practices.

Since VAT is consumption based tax, it has the potential of increasing the saving rate and decreasing the consumption rate of countries. In addition, vendors (tax payers) tend to claim less for VAT than other types of taxes because people by their nature are less reluctant to pay for consuming. Moreover, since it is charged on a wide range of transactions (ITD, 2005), it is easy for the tax payer and at the same time brings more money piece by piece throughout the number of transactions along the market activities. Nevertheless, its burden levied on the final consumer is not overlooked and that it has the potential of causing high inflation if not managed appropriately. This is especially in developing economies where the necessary infrastructural facilities are not strong and where the market is not well-structured. While the actual burden of VAT is imposed on the final consumer, businesses, wrongly thinking that they are going to pay the amount, tend to charge higher prices for those goods and services which are eligible for VAT.

2.1.10 How VAT Operation is Administered

Administration of a VAT does not require firms to calculate value added (Alemayehu, 2010). There are two means of administering VAT: the credit-invoice VAT and the subtraction-method VAT. In the credit-invoice method, the most common form of the VAT, a business pays VAT on its purchase of inputs and collects it on its sales whether those sales are to another business or the final consumer (Dubay, 2010). Under this method, all transactions are taxed at a fixed proportional rate regardless of whether they are final or intermediate transactions. Taxpayers are allowed to deduct the taxes paid on intermediate purchases from the taxes collected from their sales in determining their tax liability. It is called the invoice method because payment of the tax merely requires firms to maintain invoice on sales and purchases for each tax payment period (usually monthly or quarterly) (Alemayehu, 2010). The business then submits the invoices that it receives from its suppliers to the government's revenue agency. The invoices detail the amount of VAT that the business paid to its suppliers. Once the revenue agency verifies that the business remitted the proper amount of tax on its sales and that the submitted invoices match the suppliers' filings, the agency refunds the business for VAT paid. The filings by businesses give the revenue agency a simple way to ensure that businesses pay the required amount of VAT (Dubay, 2010). As long as the business can pass the tax on to its customers; which is typically the case, the business ultimately pays no tax. It acts solely as a collection

agent for the government, collecting VAT on its sales and remitting to the government the difference between the VATS it collects and the VAT it paid on inputs. The burden of the tax moves up the production chain until the consumer bears the full burden; just like under the sales tax (Ibid).A credit invoice VAT is generally assumed to be an easier way for revenue agencies to enforce than sales taxes and therefore enables more efficient revenue collection. The method of revenue collection makes it more efficient. A sales tax is collected only when the final user of the product makes a purchase (Ibid). For instance, customers buying a new pair of shoes or a new television pay the price of the item plus the sales tax, which is an additional percentage of the sales prices, at the point of purchase. Because a sales tax is collected at only one point in the production process, customers and sellers can work together more easily to evade it. The only check to make sure the seller collects the tax is an audit by a revenue authority. A credit invoice VAT is more resistant to tax evasion because businesses collect and remit the tax at every stage of the production process.

Another viable approach to levying VAT is the subtraction-method VAT, which is economically equivalent to the credit invoice VAT. Each method has positives and negatives, but almost every country that levies a VAT has chosen the credit invoice method as the best way to apply the VAT in practice. Of the approximately 150 countries that levy a VAT, only Japan uses the subtraction method (Dubay, 2010).

This method uses company accounts to determine VAT liability by subtracting taxable receipts less taxable purchases to obtain total value added. In other words, the subtraction method of computing firms VAT calls simply for subtraction of total purchases from the sales of the firm in question and the balance, the value added by this firm, is then subject to the VAT rate (Alemayehu, 2010).

The invoice credit method is preferred and is used throughout the sub-Saharan Africa. Further, it is widely accepted that the transaction based invoice credit method provides several advantages such as the ability to deal with different rates and minimizing tax evasion by providing an audit trail (Ibid).

2.1.11. Factor Affecting VAT Administration

Most developing countries are dependent on external resources to finance their development endeavors. As a result, the budget problem becomes more aggravated from time to time. To

change this situation, they should exploit and strengthen their domestic resource base to bring about sustainable development. Otherwise, it is difficult to achieve profound growth depending on external sources. External sources, with their uncertainty, instability and unsuitability, couldn't be taken as the major sources of development. 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 (Ebrill, et al, 2001).

(Mike, 2007) 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 many countries, the introduction of VAT has been seen to afford an opportunity to improve substantially the general tax administration through the introduction of more effective procedures, which can be extended to the entire tax system. On occasion, however, the introduction of the VAT has actually disrupted the existing administration because of inadequate preparations, including in establishing a proper VAT organization

The above ideas clear decisions regarding the organization of the tax administration are central to the effective operation of the VAT and the modernization of the entire tax system. In developing countries the poor performance of taxes is likely to be due to weak tax administration (that is, 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 (Bird, and Gendron 2005).

Concerning the latter, (Bird and Gendron 2005) noted that developing and transitional countries, unlike 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, thus simply adopting a successful VAT's design attributes of developed countries would not make the tax successful.

Reflecting the uncontroversial decision of the authorities to administer the VAT is the same as the previous sales or turn over taxes. In these cases, discussions focused on the respective merits of establishing separate VAT offices or administering the VAT, with the income tax, in function based offices (Ebrill, 2001). In the Ethiopian case, based on the Business Process Re-engineering

(BPR), offices and tasks are rearranged so that they can be process based instead of function based (Girma, 2005).

2.1.11.1 Filling of Tax Return and payment of VAT

Every registered person is required to file a VAT return with the Authority for each accounting period, whether or not tax is payable in respect of that period; and to pay the tax for every accounting period by the deadline for filing the VAT return.

The VAT return for every accounting period is filed no later than the last day of the calendar month following the accounting period. VAT on taxable imports is collected by the ERCA accordance with VAT as per the customs legislation of Ethiopia under the procedure contemplated for customs duty, (FDRE VAT Proclamation No.285/2002, Art. 26).

2.1.11.2 VAT Refund

As of the official proclamation, VAT refund is practical if at least 25 percent of the value of a registered person's taxable transactions for the accounting period is taxed at a zero rate. The Authority refunds the amount of VAT applied as a credit in excess of the amount of VAT charged for the accounting period within a period of two months after the registered person files an application for refund, accompanied by documentary proof of payment of the excess amounts. In the case of other registered persons. The amount of VAT applied as a credit in excess of the amount of VAT charged for the accounting period is to be carried forward to the next five accounting periods. And credited against payments for these periods, and any unused excess remaining after the end of this five-month period is refunded by the Authority within a period of two months after the registered person files an application for refund, accompanied by documentary proof of payment of the excess amounts.

If a registered person is entitled to a refund is not paid by the Authority that is satisfied with in two months whichever is applicable, the Authority pays the person entitled to the refund, interest set at 25% over and above the highest commercial lending interest rate that prevailed during the preceding quarter, (proclamation No.285/2002, Art. 27).

2.1.13 Contribution of Value added Tax

To solve the aforementioned problem, different countries introduced different taxation systems. Value Added Tax was first introduced before 50 years ago remained confined to a handful of

countries until the late 1960s; however, most countries have a VAT, which raises, on average, about 25 percent of their tax revenue VAT is still a relatively new tax. It was first introduced as a comprehensive national tax 50 years ago in France. Since then it has been adopted as the main form of indirect taxation by many countries in different parts of the world and at different stages of economic development (Ebrill, 2001).

Value Added Tax has been introduced effectively in Ethiopia on January 1, 2003 replacing sales tax. The design of the VAT legislation is intended to achieve the expected revenue projections, support capital investment and development, simplify its administration for the tax authority and the business community, combined with the recent reductions in the income tax rates, and

Minimize the tax burden for the lower income population. Economists generally favor designing the VAT so that it is a tax on consumption, in the sense that its key effect is to drive a wedge between the price that consumers pay for their purchase and the price that suppliers receive from the corresponding sales (Ebrill, 2001).

Value Added Tax is increasingly being used throughout the world, including many African countries to raise government revenue with less administrative costs than other broadly based taxes. It is believed to be a good means to raise government revenue even when relatively poorly administered. A central claim made by advocates of the VAT is that it is a particularly efficient form of taxation - has that actually proved to be the case? One way of testing for this is to ask whether, all else equal, countries with a VAT raise more revenue, overall, than do those without (Richard, 2005).

The key features of the VAT are that it is a broad based tax levied at multiple stages of production, with-crucially-taxes on inputs credited against taxes on output. That is, while sellers are required to charge the tax on all their sales, they can also claim a credit for taxes that they have been charged on their inputs. The advantages of this is that revenue is secured by being collected throughout the process of production (unlike a retail sales tax) but without distorting production decisions (as a turnover tax does) (Richard, 2005).

The key claim made by advocates of the VAT is that it is particularly effective way of raising tax revenue. Cnossen (1990), for example, argues that "purely from a revenue point of view, VAT is probably the best tax ever invented. Advocates have also long recognized, of course, that the VAT, like any other tax, is vulnerable to evasion and fraud, but stress distinctive features of the

VAT that may make it less vulnerable than other forms of taxation (Michael K and Stephen S.,2007)

2.1.14 VAT Investigation

Authority gets to mitigate VAT evasion through investigation activities. This is done through qualified professionals in different disciplines. These help to investigate various tax offences easily because most activities are identified through diverse expertise capacity. Tax evasions mainly made by high taxpayers who are involved with VAT, such activities are due to deep understanding of corruption seeking and supported by well experienced and skilled workers capable to fraud the system.

VAT evasion offence can be treated with criminal penalty. The ordinal court treats the offence made by taxpayers through the prosecuting. Such activities are processing with layers of the Authority. Offenders of tax evasion penalized in money as well by imprisonment as per the criminal law states. Their names with offence they commit also publicized through mass media. Exposing such offenders pertains to aware others keep the tax law as stated to be implemented.

Therefore, the Authority focuses investigations of VAT evasions in order to reduce corruption in this sector. Ethiopia is treating such problem with VAT proclamation (FDRE VAT Proclamation No.285/2002, Art. 26).

2.1.15 VAT Appeal Administration

This procedure enables taxpayers to reveal their grievances. They are allowing providing what they are not satisfied in receiving VAT administration service. Here, the power and duties of Authority with individual professionals stated explicitly. On the other side, customers right to forward their complaints in order to get satisfaction. In relation to appeal procedure activities like reviewing, waive ring, appealing and burden of proof are being practiced.

Member of the review committee are appointed by Authority at each level of administration up on the recommendation of the head of the authority. The Review Committee waives administrative penalties as per the law. Any person who objects to an additional assessment made by the Authority has the right to appeal within 30 days from the receipt of that assessment notification or from the date of decisions of the Review Committee to the Tax Appeal commission by depositing in cash with the Authority an amount equal to 50% of the additional

tax assessed. If a person appeals in accordance with mentioned above and the Tax Appeal Commission determines that the person is liable for the additional assessment, the person be in default unless he pays within thirty 30 days of the decision of the Commission. Otherwise, no appeal is made within the period prescribed, the Additional assessment of the tax made by the Authority is deemed correct, final, and immediately payable. The burden of proving that an assessment is excessive or that the decision of the Authority is wrong is on the person objecting to the assessment or decision, (VAT Proclamation No.285/2002, Art. 42- 44).

2.1.16.1 Late Filing Penalty (Article 104)

1. a person who fails to file a tax declaration by the due date shall be liable for a late filing penalty of 5 % of the unpaid tax for each tax period or part thereof to which the failure relates, provided that the penalty to be so imposed shall not exceed 25% of the unpaid tax.
2. The penalty to which a tax payer is liable for non-filing of tax declaration for the first tax period or part thereof under sub-article (1) of this article shall not exceed 50,000 birr (Fifty Thousand Birr).
3. For the purpose of this article, unpaid tax means the difference between the amount of tax that should have been entered in the tax declaration and the tax paid on the due date.
4. The penalty to be imposed shall under no circumstance be less than the lowest of the following: a) birr 10,000 (Ten Thousand Birr); b) 100% of the amount tax that should have been entered in the tax declaration.
5. Notwithstanding the provisions of this article, where the tax payer has no tax to pay for a tax period, he shall be liable for a penalty of birr 10,000 (Ten Thousand Birr) for each tax period to which the non-filing of tax declaration relates (Federal Tax Administration Proclamation, 983/2016).

2.1.16.2 Late Payment Penalty (Article 105)

1/ A taxpayer who fails to pay tax by the due date shall be liable for the following late payment penalties: a) 5% of the unpaid tax that remains unpaid at the expiration of one month or part thereof after the due date; and b) an additional 2% of the amount of the unpaid tax for each month or part of a month thereafter to the extent that the tax remains unpaid. 2/ the amount of penalty assessed under this Article shall not exceed the amount of the tax liability to which it

relates. 3/ Late payment penalty paid by a taxpayer shall be refunded to the taxpayer in accordance with Article 50 (4) of this Proclamation to the extent that the tax to which the penalty relates is found not to have been payable. 4/ This Article shall not apply when Article 106 of this Proclamation applies in relation to the unpaid tax (Federal Tax Administration Proclamation, 983/2016).

2.1.16.3 Value Added Tax Penalties (Article 107)

1/ A person who fails to apply for registration as required under the Value Added Tax Proclamation shall be liable for a penalty of birr 2,000 (Two Thousand Birr) for each month or part thereof for the period commencing on the date that the person was required to apply for registration and ending on the date that the person files the application for registration or the person is registered on the Authority's own motion. 2/ In addition to the penalty imposed under sub-article (1) of this Article, a person to whom that sub-article applies shall also be liable for a penalty of 100% of the amount of value added tax payable on taxable transactions made by the person during the period commencing on the day on which the person was required to apply for registration and ending on the date that the person files the application for registration or the person is registered on the Authority's own motion. 3/ The imposition of penalty under sub-article (2) of this Article shall not relieve the person from liability for the value added tax payable on the taxable transactions made by the person during the period specified in that sub article, but the amount of the value added tax payable is reduced by any turnover tax paid by the person on those transactions.4/ A person who deliberately issues an incorrect tax invoice resulting in a decrease in the value added tax payable on a taxable transaction or an increase in the creditable value added tax in respect of a taxable transaction shall be liable for a penalty of birr 50,000 (Fifty Thousand Birr) (Federal Tax Administration Proclamation, 983/2016).

2.1.17 Value Added Tax Offences

I. Procedure in Tax Offence Cases (Article 116).

1. A tax offence is a violation of the criminal law of Ethiopia and shall be charged, prosecuted, and appealed in accordance with Criminal Procedure Code of Ethiopia.

2. Commission of an offence under this chapter violating various tax laws shall be construed as separate criminal act committed in contravention of such tax law and the penalty prescribed for each criminal act under the relevant provisions shall apply.

II. Fraudulent or Unlawful Invoices (Article 119)

1. A person who: a) prepares, produces, sells, or distributes fraudulent invoices; or b) uses fraudulent invoices to reduce his tax liability or claim a refund; shall be punishable with a fine of birr 100,000 (One Hundred Thousand Birr) and rigorous imprisonment for a term of seven to ten years (Federal Tax Administration Proclamation, 983/2016).

III. General Offences Relating to Invoices (Article 120)

1/ Any tax payer with an obligation to issue a tax invoice, carrying out transaction without tax invoice shall be punishable with a fine of birr 25,000 (Twenty-five Thousand Birr) to 50,000 (Fifty Thousand Birr) and rigorous imprisonment for a term of three to five years. 2/ A person who understates a sales price by entering different amounts of the price in identical copies of the invoice for a single transaction shall be punishable with a fine of birr 100,000 (One Hundred Thousand Birr) and rigorous imprisonment for a term of five to seven years. 3/ If the actual price of the sale is greater than birr 100,000 (One Hundred Thousand Birr) the sanction under sub article (2) of this Article shall be a fine equal to the highest of the prices specified on the invoices and rigorous imprisonment for term of seven to ten years. 4/ A person who provides or accepts an invoice for which there is no transaction shall be punishable with a fine of birr 100,000 (One Hundred Thousand Birr) to 200,000 (Two Hundred Thousand Birr) and rigorous imprisonment for a term of seven to ten years. 5/ If the invoice to which sub-article (4) of this Article applies is for an amount in excess of birr 200,000 (Two Hundred Thousand Birr) the sanction under sub-article (1) of this Article shall be fine equal to the amount stated on the invoice and rigorous imprisonment for a term of ten to fifteen years (Federal Tax Administration Proclamation, 983/2016).

IV. Claiming Unlawful Refunds or Excess Credits (Article 121)

1/ A taxpayer who claims a refund or tax credit with intent to defraud the Authority using falsified receipt or by employing any other similar method, shall be punishable with a fine of birr 50,000 (Fifty Thousand Birr) and rigorous imprisonment for a term of five to seven years. 2/

Conviction for an offence under sub-article (1) of this Article shall not relieve the taxpayer from the obligation to repay the refund under Article 50(Federal Tax Administration Proclamation, 983/2016).

V. Value Added Tax Offences (Article 122)

According the federal tax administration proclamation No. article 122 sub article 1/ A person who has provided a tax invoice without being registered for value added tax shall be punishable with a fine of birr 200,000 (Two Hundred Thousand Birr) and rigorous imprisonment for a term of seven to ten years. And sub article 2/ A registered person who: a) refuses to provide a tax debit note or tax credit note as required under the Value Added Tax Proclamation; or b) provides a tax debit note or tax credit note otherwise than as allowed under the Value Added Tax Proclamation; shall be punishable with a fine of birr 10,000 (Ten Thousand Birr) and simple imprisonment for a term of one year (Federal Tax Administration Proclamation, 983/2016)

2.1.18 Value Added Tax Enforcement

A uniform VAT system – applying the same tax rate to all firms – and a retail sales tax would be equivalent consumption taxes with perfect compliance. However, in the real world, compliance is likely to be imperfect, and a VAT presents advantages in terms of revenue mobilization due to its ‘self-enforcing’ properties along the supply chain (Kopczuk and Slemrod, 2006).

Firms must report both sales and inputs in VAT systems and keep receipts of these transactions in their books. To minimize tax liability, firms would like to under-report sales, and to over-report inputs. This asymmetry between the reporting incentives of suppliers and clients should limit the room for ‘collusive evasion’. The existence of a paper trail should also deter ‘unilateral evasion’, i.e., firms unilaterally misreporting transaction values, as the tax authority could crosscheck the values reported by a firm with records from suppliers and clients upon an audit.

Moreover, compliance can spill over upstream and downstream in the supply chain. Firms whose clients ask for accurate receipts would be likely to report their sales more accurately and in turn ask for accurate receipts from their own suppliers to minimize tax liability. Firms whose suppliers apply the tax and report sales accurately have an incentive to formalize to deduct the taxes paid on their inputs and because of a higher risk of detection with the existence of a paper

trail on their activity. As a result, in contrast to a retail sales tax, a VAT could generate revenue from compliant firms in the supply chain, even if retailers fully evade their own tax liabilities.

2.2 Empirical Studies

In Ethiopia there are some researches done on VAT administration issues with tax administration titles among them some of them are mentioned below: According to Angesom B.(2013) VAT Collection Practices in Addis Ababa: A Case Study in the Eastern Branch of Ethiopian Revenue and Customs Authority Furthermore, there are problems related to power failure and internet interruption, which are external factors outside of the revenue authority (Ibid). During these failures, cash register machines don't transfer data to the authority, which results in huge revenue loss to the government. However, the worst thing is that, tax payers don't get immediate support from the revenue authority or from the external bodies who are responsible of the power failure and internet interruption. This demonstrates that, whatsoever the case would be, there are huge leakages and inefficiencies in the collection practices of tax in the authority. Surprisingly, these problems are encountered with category "A" tax payers, who are expected to be relatively efficient and better than the other tax payers in terms of document handling, technology, and other relevant procedures. This indicates the degree of the tax administration problems in the revenue authority; because the other tax payer categories are assumed to be with more problems as they are small and relatively less efficient business entities.

According to Tadesse M. (2018) assessment of value added tax administration and revenue performance the case of Ethiopian revenue custom authority Addis ketema sub city branch office As one of the focused area to imply research gap is assessing the study conducted on similar area within a country, the study briefly assess published and unpublished studies related to VAT administration practice in Ethiopia. In these regards some of the similar studies and their gaps indicated as follow: even though, numerous studies had been conducted related to VAT, however, there were few studies similar with our study such as, a study by Teklu (2011), tried to assess challenges of VAT implementation in Addis Ketema Sub city VAT registrants , and the study were only consider office employee with small proportion of sample (only 15 employee) which is difficult to conclude assessing small representative without considering tax payer view. In addition the study were not include recent performance of the sub - city. Therefore, based on the research gap observed on Teklu study, in our study attempt had been tried to considers both

officials of the sub city as well as VAT registrants View in collaboration with annual report document of the sub - city (2012 - 2016). There were also a study conducted by, Yemisrach (2014), on challenges of VAT Administration Regarding number one tax payers in ERCA, in this study attempts were tried to indicate challenges of tax administration at City level and the study were again consider employee of the Head Office. Similarly, the research gap observed in the study of Teklu (2011), also observed in Yemisrach Study, Therefore, one of the major gaps observed on previous studies tried to address in this study by sum up relevant data and collect from Vat registrants, Vat officials as well as performance report of the office.

According to Heran D (2018) To summarize, the empirical findings found that the factors that affects VAT administration problems were limited awareness creation, lack of equity and fairness of the tax system, ineffectiveness and inefficiency of the tax authority, poor service delivery, problems related with invoicing, total distrust between the tax administration and taxpayers and lack of simplified procedures. In general, the gap that identified by the researcher is that although there have been studies on VAT administration in Ethiopia and also in the different towns of the counties by different researcher, but in Addis Ababa at a sub city level there are no comprehensive studies that exhaustively assess the VAT administration practices. Even these studies did not exhaustively assess the VAT administration practices as a whole. However this study particularly address in Lideta sub city small tax payers branch office.

According to Binyam A.(2021) practice and challenges of vat administration the case study of kirkos sub city small tax payers branch office empirical review shows that there is considerable diversity in the structure, practice and challenges of the VATs currently in place in many developed and developing In Ethiopia, to the best of the knowledge of the researcher, there is no research made in Ethiopia on the title —Practice and challenges of VAT administration in Addis Ababa Revenue Authority Kirkos Sub –city branch office. However, there are some related researches conducted by Dakito (2011) examined the contribution of VAT for the development of Ethiopia economy and its impact on social spending, Dasalegn (2014) analyze how VAT becomes a tool for national development in Ethiopian, Abay (2015) examines the contribution of VAT on Ethiopian economy, therefore, the researcher will examine the practice of and challenges of VAT administration in Addis Ababa Revenue Authority Kirkos Sub-city small taxpayers' branch office to fill the body of knowledge in practice and challenges of VAT administration. According to Sara Geb. the study assessments of value added tax administration

the case of Addis Ababa No.2 medium tax payers branch office Due to lack of knowledge, poor tax administration and fear of unnecessary competition from similar unregistered business voluntary compliance in the branch office is low from the results of the findings selling without invoice, providing forged invoices, manipulation of cash register, not maintaining proper books of returns, non-filing and late submission of the VAT return are among non-compliances which frequently occurred. They may be either voluntarily or deliberately.

This needs the development of strong and modern audit and enforcement program. But penalty cannot be the only way to increase compliance; especially for those taxpayers who do not know tax laws and procedures. Therefore, to reduce the gap help taxpayers to understand their rights and obligations and make them aware of any revised rules and regulations. As per the outcome of the findings, it is found that because of shortage of adequate number of cashiers, lack of sufficient well trained and qualified employees, frequent power interruption and system breakdown VAT registrants are forced to wait long hours and even more than a day to declare the monthly VAT return which leads VAT registrants not to fulfill their obligation on time. There is also a problem in getting response for correction if a mistake occurs at the time of using ETRs because the process is too long, boring and time consuming. Tax officials' attitude towards traders in that lack of trust and considering all traders as if they are tax evaders is another problematic area that most of taxpayers complained. All the above factors have negative effect on the service delivery of branch office and needs the branch's attention to modernize and enhance the system.

According to Misganaw S. (2016) on the study of practice and challenges of vat administration in yeka sub city of Addis Ababa city administration the case of category ‘A’ tax payers The empirical studies that have been reviewed in the preceding section focused on the different tax assessment and collection strategies that affect taxpayers, VAT in particular, and the use of tax administration strategy for improving the tax assessment and collection coverage. However, to the knowledge of the researcher, it is possible to conclude that although there have been a number of studies on tax administration related issues both in developed and developing countries, Ethiopia in particular, there are no studies that exhaustively examine the VAT administration practice in Ethiopia. Even these studies did not assess exhaustively VAT administration practices in Ethiopia.

Study performed by Zenebe Chake (2010), an assessment of practice, performance and challenges of tax Research work requires the allocation of sufficient amount of time, In the process of conducting this research, various problems and constraints was encountered. Since this research was carried out while the researcher working time constraint was one of the factors in meeting the sample size. Limited Responsiveness by the tax collecting auditing staff employee and limited access to sufficient data also considered as a limitation to get the required information.as the above researchers the gap and limitation will show the gap between the researcher time missing to take sample size of the respondents are limited response about tax practice the gap of the respondents the sample so limited get full information about the tax practice. From all sources of finance, tax is the major source of finance for the government; however, in most developing countries, it is a common phenomenon to notice serious problems in developing adequate tax systems that permits a government to sufficiently finance its expenditures (World Bank, 1999).

According to Getachew Asefa(2013) on the study tax assessment and collection practice of category A tax payer, on the researcher depth interview one of the biggest challenges faced by the authority is solving the pervasive problem of corruption. Undesired communication of tax auditors with taxpayers was the major challenge that the tax administration is facing. For one thing, there was constant interaction between taxpayers and tax officials since taxpayers have to file returns physically. This interaction encouraged the two parties to negotiate tax liability.

According to Assefu (2021), collection enforcement manual is clear but the time standard for all activities are set without the consideration of many decision making situation in office and sometimes fails to operate in reality. This situation creates dissatisfaction from customers who expect the service on the manual standard. The application of System integrated government tax administration system software is also not fully applied whereas all activities are supposed to be undertaken by system.

Satisfactions with the tax system also show dissatisfaction of the taxpayers'. A lack of clarity and access to information about tax regulations, Tax practice, arbitrary behavior of tax officials and a lack of transparency in the tax authority make taxpayers unaware of their rights and expose them to discretionary treatment by corrupt officers.

In addition, the study found that taxpayer are encountered a lot of inconveniences, including from misconduct of the tax officers like an impersonal, insensitive and heartless bureaucracy and imbalance between location and accessibility of the tax office with number of taxpayer. The study performed by tax assessment and collection problems of category "a" on Addis Ababa medium taxpayers no. 2 branch office city taxpayers' voluntary tax compliance finds out that, tax fairness and equity, organizational strength of the tax authority, awareness level of the taxpayers, socio-cultural factors, and provision of social services by the as the main determinant of voluntary compliance in the city.

One study was performed on taxpayers' perception towards the fairness of business profit tax system through considering various tax fairness dimensions and other influencing factors in the case of Addis government Ababa City Administration Business profit taxpayers' fairness perception (G1Meskel2011).The researcher commented no single study on such issues especially in the case of business profit tax system. The study considered all business category business profit tax payers and lack presentation of the result per each sub-city and per each taxpayer's category. to evaluate the business income taxpayers' level of tax knowledge, perceived complexity of the income tax system and tax compliance issues in Addis Ababa city Administration Government Revenue Bureau show taxpayers have inadequate technical knowledge and perceive the income tax system as complex and the tax type collection system low in technological no depends on new modernize technology system . The result also revealed that tax knowledge and tax complexity as important factors towards non- compliance behavior among business income taxpayers'.

Revenue generated from taxation has got the attention of governments as a major source of funds necessary for the countries overall development. According to (Brautigam et al. 2008), taxation is the new frontier for those concerned with state building in developing countries. But revenue come from tax are not sufficient to finance the government expenditures because the tax revenue performance is low in developing countries due to various problems. As per Crandall and Bodin (2005), the developing countries tax revenue is in a weak position because of both a complex tax System and widespread corruption.

Generally, one can see that the empirical studies undertaken so far bothered little to see the potential tax practice and challenges of tax collection problems. The performance of the tax

practice will have a bearing on the capacity to raise revenue for a country since it includes primarily the practice and collection activities. Therefore, this research will not only identify the problems of the Addis Ababa city administration revenue bureau large tax payers branch office on global branch tax practice ,challenges and tax payers, but also clearly understand the nature and the practice of tax assessment and collection related problems in the study area. This is because the researcher believes that identifying existing practices of tax assessment ,practice and collection problems in the sample large tax payers office can be one of the indicators to other researchers to deal with and can give appropriate solutions to all stakeholders as well.

According to Hilmariam mamo on the study of implementation of value added tax administration and its related problem in Ethiopia (the case ERCA) of " (The Case of ERCA) These then are the characteristics of value added tax regimes. Minor variations occasionally apply. In Canada and Australia, for example, exempt financial entities can claim a partial VAT credit on certain expenses. The cost of the tax is borne by VAT exempt institutions and unregistered end-consumers. Obviously, the latter consumes more so that VAT primarily taxes the non-business end Consumer. In comparison, income tax applies across all spectrums of the community. VAT differs radically in a second respect from income tax. Income taxes income (i.e. amounts coming in) while VAT taxes spending (i.e., amounts going out). Economic theory therefore classifies income tax as a "direct tax" and VAT as an "indirect tax" or a "consumption tax".

The study selection so in the previous study the researcher identify many gap in the above according to under the proclamation and the pervious study the researcher was identified their gaps and to solve such problem in addition to examine the new proclamation about VAT that the researchers see the above researchers gap between the new amendment proclamation with the pervious the researchers proclamation gap to was identify the new proclamation. Limited Responsiveness by the tax collecting auditing staff employee and limited access to sufficient data also considered as a limitation to get the required information.as the above researchers the gap and limitation show the gap between the researcher time missing to take sample size of the respondents are limited response about tax practice the gap of the respondents the sample so limited get full information about the tax practice.

The researchers gap show many of them are done on the worda tax payers most of category A tax payers are large tax payers and all are category A tax payers are VAT registered but in worda level tax payers are small and medium in this above researchers show all are in worda level so the gap between small, large and medium tax payers are very huge. Large tax payers are pay their tax only in large tax payers branch office and differ from small and medium tax payer's branch office. So the researchers show this gap and this research gap assessed in large tax payer's branch office so the researchers try to assess like this problem and was done this branch office Category a tax payers.

In the previous researchers study show category A tax payers pay their tax obligation within small and medium tax payers branch office as a result of these tax officers knowledge and tax payers paying system are not balanced and also tax officers customer handling are low from prospective of their unbalanced knowledge with-it large tax payers as such like problem tax payers are not interested to pay on time .as a result of these tax practice payment system are so much low. category A tax payers have huge and large businesses and there are more systematically and more knowledgeable than small and medium tax payers such like these tax payers tax officer are more known the tax rule and regulation and also must be systematically so the result of these large tax payers or category A tax payers pay such like branch office .the previous researchers done on the small and medium tax payers branch office as a result of these the pervious researchers cannot recommend or assesse as large branch office the gap not known the problems in detailed because the study branch office are in small and medium branch office .the researchers be assessed in large branch office to show such like gap.

The researchers to done with large tax payers branch office with category A tax payers and the researchers study in large branch office to know easily practice and problems. The researcher tries to solve the gap between tax payers and practice on VAT Administration Addis Ababa city administration revenue bureau.

CHAPTER THREE

RESEARCH METHODOLOGY

Introduction

This chapter was focused on research methodology that used in the study. It provides detail descriptions of the research approach adopted data sources, data type and data collection techniques, population and sampling design, sample size determinations and method of data analysis was used present in subsequent sections.

3.1 Research Design

The research design was described the plan in which information was select from the research participants. Research design indicates what needs to be done while heading in the specific direction. The study was undertaken based on descriptive research based on survey to assess practice and challenges of VAT administration in Addis Ababa city administration revenue bureau large tax payer's branch office.

The Researcher used descriptive research design to analyses data as the designed research to assess the quality of service in selected branch by means of close-ended questionnaire. The reason behind using descriptive research design is because the researcher is interested in describing the existing situation under the study by Creswell (1994) stated that the descriptive method of research is a technique of gathering information about the present existing condition. This research design is a fact finding study with adequate and accurate interpretation of findings the descriptive research suggested decision makers of the authority to understand better how to improve the quality of service delivery that can satisfy its customers.

3.2 Research Approach

The researcher used a mixed research approach (a Quantitative and Qualitative approach).The quantitative approach with a quantitative research questionnaire, to answer the research questions which are very imperative to meet the main objectives of the study. Furthermore, the study was use qualitative approach and document analysis to evaluate the practice and challenges of VAT in the study area. The reason to use the mixed method is because it is advantageous to triangulate

or offset limitations in data collection and analysis stage in each the quantitative and qualitative approaches. In addition, this approach serves for better interpretation of findings as the information missed by one way might be addressed by the other approach. It is also the most valid and reliable way to develop understanding of the much wider and complex social reality. Furthermore, the application of such approach helps to lead respondents' perception to the research problem under discussion.

3.3 Data Type and Data Source

The researcher was gathered data from both primary and secondary data sources. Moreover, the data types used to achieve this study were both primary and secondary data.

3.3.1. Primary Data Sources

The primary data was collected first hand and primary information from taxpayers. The questionnaires were consisted both closed and open ended questions. Closed ended Questions are easier to be understood and replied by respondents and also they are easy for the researcher to compile quickly. Most of the close ended questionnaire was designed on the basis of ordinal scales of measurement. the researcher to see the different VAT related practices like implementation, awareness, compliance on registration, filing, payments, assessment, audit and refund, efficiency of tax office

3.3.2. Secondary Data Sources

Among the secondary data, to analyze the challenges of VAT administration different journals, articles, proclamations ,books, the web page, governmental and Non-governmental organization documents, reports and other published and unpublished documents etc. were used to accomplish the study having relevant data as secondary data sources.

3.4. Population and Sample Size

3.4.1. Population

As of the data from data large Taxpayers Branch Office Customer service department, the target population the study is 833 Active VAT registered taxpayers and 250 tax Officers of the Addis

Ababa city Administration large tax payers branch office. (Addis Ababa city Administration large tax payers branch office Customer Service, 2009).

3.4.2. Sample Size

In the determination of sample size, the general rule implies that the larger the sample size, the more representative sample and the more accurate results. The researcher was collected data from representative size of sample in the sample frame. Workers related to VAT collection and administrating department are essential to the research, and based on availability of workers during the survey period, respectively. In large tax payers branch office 250 employees are working directly or indirectly on VAT issues and 833 large tax payers from both this total target population the researcher determine representative sample size based on the formula stated below.

Base on the Taro Yamane (1967) the following formula was used to determine the sample size

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

$$1 + (e)^2$$

Where:

n= sample size

N= population =1083

E= level of precision or sampling error (5%)

(Sample size of the workers) $n = \frac{N}{1 + N(e)^2}$

$$1083 / 1 + 1083(0.05)^2 = 292$$

Respondents	Total population		Sample size
Tax officers	250	$250/1083 * 292$	67
Tax payers	833	$833/1083 * 292$	225
Total			292

Hence, from the total 1083 Tax Officers 67 sample size was taken related to VAT collection and administrating department of the branch office and 225 related to VAT payers, the acceptable sample size according to the above formula is 292.

3.4.3 Sampling Technique

In this study, the researcher was applied non- probability sampling techniques. From the Non – probability sampling technique, a Convenience sampling methods was used for questionnaires tax payers, the researcher believed that, the selected ones, they are routinely interacted with customers and had a good understanding and knowledge concerning the Challenge of VAT administration in the study area and judgmental sampling technique used for tax officers. In all forms of research, it would be ideal to test the entire population, but in most cases, the population is just too large that it is impossible to include every individual. This is the reason why most researchers rely on sampling techniques like convenience sampling, the most common of all sampling techniques. Many researchers prefer this sampling technique because it is fast, inexpensive, easy and the subjects are readily available. Therefore, convenience sampling method was used for this study to the tax payers and Purposive sampling method for in-depth interview with the tax officials and employees.

3.5 Methods of Data Analysis

The researcher was used descriptive analysis technique to analyze the collected data. In the qualitative part of the study, after the data collected and processes manually, descriptive technique was adopted for analysis of the data. The statistical analysis was conducted based on percentages. Tables used to present the findings, Then the method of data analysis descriptive analysis. The rationale behind using descriptive study was that the researcher was interested in describing the existing situation of VAT practice and challenges in Addis Ababa Large tax payers' branch office. The analysis was handle in a way that each issue includes in the study is addressed. A both qualitative and quantitative description was applied.

3.5.1. Data Presentation

After a careful data analysis was been done, the researcher was presented the data using simple percentage and tables, in clear and understandable manner for ultimate readers.

3.6 Validity and Reliability

3.6.1 Validity

Validity is the most critical criterion and indicates the degree to which an instrument measures what it is supposed to measure. What is relevant, evidence often depends upon the nature of the research problem and the judgments of the researcher. But one can certainly consider two of validity in this connection: (i) Content validity is the extent to which a measuring instrument provides adequate coverage of the topic under study. (ii) Criterion related validity relates to the researcher ability to predict some outcome or estimate the existence of some current condition.

The practices and challenges of VAT administration scale comprises best practices that are limited to the domain of tax administration as explained by well- known researchers such as Richards Bird(2018), each of which are different from any other. Since the statements have generate from an extensive review of academic and practitioner`s literatures, it is assumed that the construct validity was holds.

3.6.2 Reliability Test

Reliability refers to the degree to which the data collection tools or analysis procedures were yield consistent findings. (Saunders, Lewis & Thorn hill, 2009) Reliability analysis measures the internal consistency of a group of items which is used in questioner construction. Reliability analysis examines the homogeneity or cohesion of the items that comprise each scale. Cronbach's alpha coefficient is the most frequently used index of reliability. Accordingly, in this study both VAT registrants and tax officers 'questionnaire was tested before the distribution of the entire questioner. Accordingly the reliability of the Cronbach's alpha result of the researcher was indicated.

3.7. Ethical Considerations

The researcher was address ethical considerations of confidentiality and privacy. a guarantee given to the respondents that their names should not be revealed in the research report. Participation in the study voluntary, and all participant responses confidential and can quiet to respond the question anytime they like.

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

4.1 Introduction

In this chapter the researcher deals with the respondent's response analysis and findings of the response in both tax payers and tax officers in Addis Ababa city administration large tax payer's branch office in global branch. The analysis description was talks about general information about respondents and theirs status or position job responsibility, their kinds of business are engaged, years of tax paid etc.

Addis Ababa city administration Large tax payers branch office is one of the main branches of Addis Ababa revenue bureau which is accountable to collect large tax payers tax obligation in this branch the tax payers are paid only large tax payers.

The nature of this research is descriptive type that incorporates fact finding inquiries and surveys with regard to the Value Added Tax practice, challenges, implementation and its related problems. The main objective of this research is to analyze the practice and challenges of VAT and its related problems in Ethiopia, specifically in Addis Ababa city administration revenue bureau. This may give some possible insights to VAT related policy makers to give closer attention towards tackling the problems raised in association with the VAT implementations by providing appropriate suggestions.

In this research the analysis was describe in quantitative analysis techniques, ranging from creating simple tables that showing the frequency of occurrences through establishing statistical relationships between variables to simple statistical modeling, are used to analyze the collected data. Thus the analysis of the data is accessible by means of percentages, tables and figures with simple mathematical calculations.

The study analyzed the data collected through a questionnaire from the selected Large VAT registered taxpayers; Addis Ababa city administration revenue bureau VAT registered taxpayers. as a result the analysis is concerned on the practical application and the challenges faced on the implementation of VAT and suggesting relevant and more appropriate recommendations

considered as an suitable solutions for the constraints (problems) being raised in relation to the issue.

The survey was conducted by distributing questionnaires to both VAT registered taxpayers in Addis Ababa city administration revenue bureau and employees of on this large tax payers branch office. Close and open ended questionnaires were prepared for both respondents on the basis of simplified lists of Yes or No, agree disagree strongly agree; strongly disagree indifferent and detailed information requirements along with any kind of comment given by the respondents.

From the total sample of 1,083 (225 tax payers and 67 tax officers) from 833 VAT registered taxpayers sample was taken 225 from this respondents 215 (95%) are responded. and from the total 250 employees the sample was taken 67 are distributed in survey questioner from this survey questioners 65(97%) employee was responded in Addis Ababa city administration revenue bureau. the tax payers all are VAT registered their annually income above 40 million they are large tax payers .so the analysis of tax payers respondents sample was taken from total 833 tax payers the sample was taken 225 tax payers for survey question.

The following table summarizes about the respondents from both sides.

4.2 Response rate

Respondents Response Rate

A total of 292 tax officer and tax payers' questionnaires were distributed and from the total distribution 280 were filled and returned giving response rate of 96% as indicated in table 4.1 below. This was sufficient for the study.

Table 4.1 Response Rate

Questionaries'	Frequency	Percentage
Filled and returned	280	96%
Not Returned	12	4%
Total	292	100

Source: Compiled from survey questionnaires using IBM SPSS Statistics V 23, (2021)

The following Table illustrated the Demographic profile of respondents such as gender, Age, education level, name of department, work experience of tax officer respondents.

Table 4.2: Demographic characteristics of employee respondents

Demographic Item		Frequency	Percent
Gender	Male	36	55.38
	Female	29	44.62
Age	20-30	29	44.62
	30-40	28	43.08
	40-50	8	12.31
Education Level	Bachelor Degree	38	58.46
	Master and above	27	41.54
Name of Your Department	Assessment and Follow-up	14	21.54
	Auditing and Investigation	36	55.38
	Collection and Enforcement	13	20.00
	Other	2	3.08
Work Position in the organization	Auditor/officer	15	23.08
	Senior auditor/ Office manager	19	29.23
	Team Leader/ Process	22	33.85
	Deputy/ General	3	4.62
	Other	6	1.54
Work Experience in the organization	Less than Five years	23	35.38
	Five to Ten years	26	40.00
	Ten to Fifteen years	10	15.38
	More than Fifteen years	6	9.23

Source: Source: Compiled from survey questionnaires using IBM SPSS Statistics V 23,(2021)

As show on table 4.2 the respondents of tax officers are responded 36 or 55.38% are male and 29 or 44.62 are female, the age of participants indication 29 or 44.62% are on the age of 20-30, 28 or 43.08% are on the age of 30-40, 8 or 12.31% between on the age of 40-50 from this implication the majority of respondents between the age of in 44.62%. the other indication of from table 4.2 the education level of the tax officers are 38 or 58.46% are have a bachelor degree ,27 or 41.54% are master and above from these response the majority officers respondents the education level are master and above. The others implication the respondents are department name of the tax officers ,14 or 21.54% are assessment t and follow-up,36 or 55.38% are auditing and investigation ,13 or 20% are collection and enforcement ,2 or 3.08% are others departments from the department the majority are 36 or 55.38% are auditing and investigation. Work position in the organization are 15 or 23.08% are auditor /officer, 22or33.85% are team leader/process, 3 or 4.62 deputy/general and 6 or 1.54 are others position. From this implication majority part of position are 33.85% in auditor or officer position in the organization. Work experience in the organization as showed on the above table 23 or 35.38% are less than five years, 26 or 40% are five to ten years, 10 or 15.38% are ten to fifteen years and 6 or 9.23% are more than fifteen years in the organization. In the organization the respondents are responded the majority response is 26 or 40 % are the expertise is five to ten years.

The demographic characteristics of employee implication showed more of the employee are Male and the age of employee 20-30 it show most are the branch have productive manpower, the education level are bachelor degree they are need to be more education, the department level are the higher percentage are audit and investigation as a result of these implication most the branch office have higher audit department and investigation and need to important from others department. Work experiences of the branch office employee are the maximum experiences are higher percentile five to ten years it showed the branch office have experienced employee.

Table 4.3: Problem in VAT administration employee respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Are there problem in the VAT administration that needs to be improved	Yes	55.00	82.09	84.62	84.62
	No	8.00	11.94	12.31	96.92
	I don't know	2.00	2.99	3.08	100.00
	Total	65.00	97.01	100.00	
	Missing	67.00	100.00		
What are the problems that hinder smooth administration of VAT	Consumers are not willing to buy goods and services with VAT	15.00	22.39	23.08	23.08
	VAT tax payers are less competitive in the market than non-VAT tax payers	14.00	20.90	21.54	44.62
	poor tax enforcement capacity of the authority	15.00	22.39	23.08	67.69
	use of fraudulent invoices and non-issuance of invoices	7.00	10.45	10.77	78.46
	All	14.00	20.90	21.54	100.00
	Total	65.00	97.01	100.00	
Other, please specify					
Valid		67.00	100.00	100.00	100.00

Source: Compiled from survey questionnaires using IBM SPSS Statistics V 23, (2021)

From table 4.3 the respondents response showed problem related with the VAT administration in Addis Ababa city administration 55 or 82.09% ‘yes’ are responded 8 or 11.94 % are ‘No’ and 2.or 2.99% are I don’t know from this implication the organization is needs to improve VAT administration. The respondents responded the majority are 55 or 82.09% are the organization have a problem in VAT administration. Addis Ababa city administration revenue bureau are to be improved in VAT administration and to solve such problems. The majority part of these implication are the respondents response ‘yes’ means that have a problem in VAT administration the problem are the main are rule and regulation are not simple, so many times rule and regulation are changes ,the paying system are not good and easy for to pay tax on time the respondents implication as such problem showed.

From table 4.3 indicates the problems hider smooth administration showed 15 or 22.39% are the problems consumers are not willing to buy goods and service with VAT, 14 or 20.90% are VAT payers are less competitive in the market than non-VAT tax payers, 15 or 22.39 % are poor tax enforcement capacity of the authority, 7 or 10.45% are use fraudulent invoices and non-issuance of invoices

Poor tax enforcement capacity of the authority and 14 or 20.90% are all are the problems. From this implication smooth administration hider to show all are the problems as indication of the respondents. From the majority respondents was responded the problem consumers are not willing to buy goods and service with VAT 15 or 22.39% are responded, and 15 or 22.39% are poor tax enforcement capacity of the organization. As indication of the respondents from all above problems are indicated, the organization improved or such hider smooth administration.

From the implication of tax officer the majority respondents are problem in VAT administration the branch solved such problems, the other problems are results showed the majority percentile are the main problem are consumers are not willing to buy goods and service with VAT and poor tax enforcement capacity of the authority.

Table 4.4: About effectiveness and efficiency of employee

		Frequency	Percent	Valid Percent	Cumulative Percent
Do you think your organization have adequate No of employee within experience VAT administration practice knowledge	yes	33.00	49.25	51.56	51.56
	no	26.00	38.81	40.63	92.19
	I don't think so	5.00	7.46	7.81	100.00
	Total	64.00	95.52	100.00	
Missing	System	3.00	4.48		
Total		67.00	100.00		
Do you think tax payers have willing to pay their tax obligation	yes	20.00	29.85	30.77	30.77
	no	36.00	53.73	55.38	86.15
	I don't think so	1.00	1.49	1.54	87.69
	little	6.00	8.96	9.23	96.92
	some are	2.00	2.99	3.08	100.00
Total	65.00	97.01	100.00		
Do you agree that the No of non VAT registerd tax payers exceeds the number of VAT registered taxpayers in the country	Yes	40.00	59.70	62.50	62.50
	No	14.00	20.90	21.88	84.38
	I don't know	10.00	14.93	15.63	100.00
	Total	64.00	95.52	100.00	
Missing system		3.00	4.48		
Total		67.00	100.00		

		Frequency	Percent	Valid Percent	Cumulative Percent
Do you think your organization have adequate No of employee within experience VAT administration practice knowledge	yes	33.00	49.25	51.56	51.56
	no	26.00	38.81	40.63	92.19
	I don't think so	5.00	7.46	7.81	100.00
	Total	64.00	95.52	100.00	
Missing	System	3.00	4.48		
Total		67.00	100.00		
Do you think tax payers have willing to pay their tax obligation	yes	20.00	29.85	30.77	30.77
	no	36.00	53.73	55.38	86.15
	I don't think so	1.00	1.49	1.54	87.69
	little	6.00	8.96	9.23	96.92
	some are	2.00	2.99	3.08	100.00
Total		65.00	97.01	100.00	
Do you agree that the No of non VAT registerd tax payers exceeds the number of VAT registered taxpayers in the country	Yes	40.00	59.70	62.50	62.50
	No	14.00	20.90	21.88	84.38
	I don't know	10.00	14.93	15.63	100.00
	Total		64.00	95.52	100.00
Missing system		3.00	4.48		
Total		67.00	100.00		

Source: Compiled from survey questionnaires using IBM SPSS Statistics V 23, (2021)

Table 4.4 are indicated the effectiveness and efficiency of employee response 33 or 49.25% are “Yes” the organization are adequate No. of employee have the other indication are 26 or 38.81% are No the organization are have not Adequate No of employees from the implication of this response the highest percentage responded the organization have not adequate No. of employees within experience VAT administration as a result of this the organization efficiency and effectives of VAT administration are low and the others respondents are responded 5 or 7.46% are they don’t think about the No. of employees in the organization. On this response the others 3 or 4.48% are missed the respondents are not give response for this question. The other implication on the above table 20 or 29.85% are the respondents responded “Yes” for willing to pay their tax obligation,36 or 53.73% are “ No” it implies that the tax payers are have Not

willing to pay their tax obligation from response of tax officers or employee .1.or 1.49% are they don't think about the willing of tax payers payments,6 or 8.96% are little to pay the willing of payment and the other respondent responded 2 or 2.99% are indicates some are means that some tax payers are have willing to pay their tax obligation and 6 or 8.96% are little willingness. From all alternatives the majority percentage are showed 36 or 53.73% are the respondents indicate the tax payers have not willing to pay their Tax obligation.

In addition to on table 4.4 the respondents implication that about VAT registered and Non-VAT register on this question the response are, 40 or 59.70% are 'Yes' 'it implies that Non VAT registered exceed from VAT registered payers,14 or 20.90% are 'No'',10 or 14.93% are responded they don't know about VAT register and Non-VAT register and 3or 4.48 are missed the are Not give response for this response. From the majority percent 59.70% are Non VAT registered.

According to the organization employee response the branch office have aduqate number of employee within experience related within VAT administration practice, from the knowledge of employee prospective tax payers are not willing to pay their tax obligation the majority percentile are showed have not willing to pay tax, the other implication are in the branch office most of are VAT registered

Table 4.5: About effectiveness and efficiency of employee

		Frequency	Percent	Valid Percent	Cumulative Percent
Are you Familiar with the Ethiopian VAT Laws and Proclamations	No	9.00	13.43	13.85	100.00
	Total	65.00	97.01	100.00	
Do you think that addis Ababa city adminstration revenue bureaue had made sufficient clarification to the public about the concept(meanig of VAT)	Yes	38.00	56.72	58.46	58.46
	No	17.00	25.37	26.15	84.62
	I have No Idea	10.00	14.93	15.38	100.00
	Total	65.00	97.01	100.00	
Do you believe that the current VAT contribution to the government (revenue is sufficient)	Yes	30.00	44.78	46.15	46.15
	No	35.00	52.24	53.85	100.00
	Total	65.00	97.01	100.00	
Missing	System	2.00	2.99		
Total		67.00	100.00		

Source: Compiled from survey questionnaires using IBM SPSS Statistics V 23, (2021)

From the above table 4.5 the others indication about employee Knowledge about Ethiopians VAT law 56 or 83.58% are ‘‘Yes’’ about vat laws and 9or 13.43% are ‘‘No ‘‘ about Ethiopian VAT laws. The majority percentile is 83.58% are known about Ethiopian Vat laws from employee’s response.

The others employee implication about concept of VAT clarification to the public 38 or 56.72% are responded ‘‘Yes’’ about concepts of VAT clarification ,17 or 25% of respondent are responded ‘‘No’’ about Concept of VAT for public the organization and 10 or 14.93% are have Not idea about the organization giving clarification of about VAT for public. From this response 38 or 56.72% respondents response Addis Ababa city administration revenue bureau Give good awareness and clear concepts about VAT for the public or for taxpayers. The others implication about current VAT contribution for revenue 30 or 44.78% are ‘‘Yes’’ VAT are contribute for current government revenue, 35 or 52.24 respondents are ‘‘No’’ it is not sufficient, the majority percentile are 35 employee respondents or 52.24% are responded are Not sufficient for government revenue.

Most of the employee is not familiar according to the respondents this implies that the branch office have not VAT law related employee. The branch to hire an employee select and hire knowledge employee related within VAT law. The other are the branch office made sufficient clarification about VAT law meaning and the current contribution of VAT for an increasing of Revenue are not sufficient this implies that most VAT registered tax payers are to register and pay their tax obligation for future revenue generation.

Table 4.6: General information about tax payer’s respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Age of The participants	20-30	40.00	17.78	18.69	18.69
	31-40	67.00	29.78	31.31	50.00
	41-50	75.00	33.33	35.05	85.05
	above age 51	32.00	14.22	14.95	100.00
	Total	214.00	95.11	100.00	
Sex of the participants	Male	128.00	56.89	59.81	59.81
	Female	86.00	38.22	40.19	100.00
	Total	214.00	95.11	100.00	
Education level of participants	Diploma	16.00	7.11	7.48	7.48
	Degree	103.00	45.78	48.13	55.61
	Masters	62.00	27.56	28.97	84.58
	others	33.00	14.67	15.42	100.00
	Total	214.00	95.11	100.00	
What kinds Bussiness are engaged in	Machinery & vehicle seller	62.00	27.56	28.97	28.97
	Construction & manufactring	44.00	19.56	20.56	49.53
	Importer and exporter	50.00	22.22	23.36	72.90
	Hotel Service	27.00	12.00	12.62	85.51
	Rental building	19.00	8.44	8.88	94.39
	Others	12.00	5.33	5.61	100.00
	Total	214.00	95.11	100.00	

Source: Compiled from survey questionnaires using IBM SPSS Statistics V 23, (2021)

The above table 4.6 told about general information about tax payers, the first indication are about the ages of participants it implies that 40 or 17.78% are 20-30 years, 67 or 29.78% are 31-40 years, 75 or 33.33% are 41-50 years, 32 or 14.22% are above the age of 51. from this indication the respondents age the higher percentage are from the age of 41-50 or 33.33% .the others respondents general information are Sex of the participants from this 128 or 56.89% are Male and 86 or 38.22% are female. The highest %age of from this 56.89% of male are higher percentile. From the prospective education level of respondents are 16 or 7.11 are Diploma, 103 or 45.78% are Degree, 62 or 27.56% are masters and 33 or 14.67 % are the others education level. From the respondents education level the highest level are 103 or 45% are on degree level. The other general background of the respondents is their kids of business engaged, 62 or 27.56% are Machinery and vehicle seller, 44 or 19.56% are construction & Manufacturing , 50 or 22.22% Importer & exporter, 27 or 12% are hotel service, 19 or 8.44 are rental building.

From the indication of business level are 12 or 5.33% business engaged in in others. From the indication of this the higher business engaged in 62 or 27.56% are Machinery and vehicle sellers.

The age of tax payers participated are the higher percentage are above 41-50 it implies that most tax payers experienced at their business are done on the long time, more sex participate are most of the branch tax payers are male, the education level participated are degree level the business are their engaged most the branch tax payers are machinery and vehicle sellers.

Table 4.7: Attitude about VAT

		Frequency	Percent	id Percent	Cumulativ e Percent
For how long have you paid your VAT	1 Year	31.00	13.78	14.42	14.42
	2 Years	37.00	16.44	17.21	31.63
	3 Years	73.00	32.44	33.95	65.58
	More than 4 Years	74.00	32.89	34.42	100.00
	Total	215.00	95.56	100.00	
How close is your relationship with Addis Ababa revenue bureau	Very close	55.00	24.44	25.70	25.70
	Fairy close	83.00	36.89	38.79	64.49
	Not Close	76.00	33.78	35.51	100.00
	Total	214.00	95.11	100.00	
Do you Know the new amenendment of VAT proclamation	yes	125.00	55.56	58.69	58.69
	No	88.00	39.11	41.31	100.00
	Total	213.00	94.67	100.00	
Missing	System	12.00	5.33		
Total		225.00	100.00		

Source: Compiled from survey questionnaires using IBM SPSS Statistics V 23, (2021)

The indication of times are paid in a year are for 1 year the respondents responded 31 or 13.78% ,for two years are 37 or 16.44 ,for 3 years 73 or 32.44% are responded and for 4 years 74 or 32.89 % are more than 4 years are responded. These implications most of the respondents are paid more than 4 years or 74 or 32.89% are paid. The others indication of tax payers responded are their relationship with Addis Ababa revenue bureau,55 or 24.44% very close,83 or 36.89% are fairly close and 76 or 33.78% are Not close. On this indication of these are the highest percentage are 36.89% are fairly close with Addis Ababa revenue bureau. The others implication of tax payers responded about the new amendment proclamation of VAT know this implication the tax payers responded theirs own response 125 or 55.56% are “yes” 88 or 39.11 are “No” on these indication are most tax payers are known proclamation. From the implication of tax payers are more than 4years are paid their tax and they are close relationship with the branch.

Table 4.8: Interest of paying tax

		Frequency	Percent	Valid Percent	Cumulative Percent
	Strongly Agree	105.00	46.67	49.07	49.07
I am proud to my VAT	Agree	76.00	33.78	35.51	84.58
	Indifferent	14.00	6.22	6.54	91.12
	DisAgree	12.00	5.33	5.61	96.73
	Strongly disagree	7.00	3.11	3.27	100.00
	Total	214.00	95.11	100.00	
Missing	System	11.00	4.89		
Total		225.00	100.00		
	Strongly agree	98.00	43.56	45.58	45.58
	Agree	84.00	37.33	39.07	84.65
	Indifferent	18.00	8.00	8.37	93.02
I tell my friends to pay tax	Disagree	9.00	4.00	4.19	97.21
	Strongly Disgree	6.00	2.67	2.79	100.00
	Total	215.00	95.56	100.00	
Missing	System	10.00	4.44		
Total		225.00	100.00		

Source: Compiled from survey questionnaires using IBM SPSS Statistics V 23, (2021)

From table 4.8 Attitude and interest of paying tax on this question the respondents are responded 105 or 46.67% are strongly agree, 76 or 33.78% are agree, 14 or 6.22% are indifferent, 12 or 5.33% are Disagree and 7 or 3.11 are strongly agree on this indication of tax payers are proud to pay their vat on interest agree in 33.78% are proud. Missing System shows 11 or 4.89 are not responded. Most of taxes payers are proud to pay their tax obligation it implies that most tax payers are pay their tax within interest.

Table 4.9: About payment information

		Frequency	Percent	Valid Percent	Cumulativ
	Strongly Agree	89.00	39.56	41.40	41.40
	Agree	89.00	39.56	41.40	82.79
I have all the information for paying my VAT	Indifferent	17.00	7.56	7.91	90.70
	Disagree	10.00	4.44	4.65	95.35
	Strongly Disagree	9.00	4.00	4.19	99.53
		1.00	0.44	0.47	100.00
	Total	215.00	95.56	100.00	
Missing	System	10.00	4.44		
Total		225.00	100.00		

Source: Compiled from survey questionnaires using IBM SPSS Statistics V 23, (2021)

On the other indication on this table 4.9 are the initiation or telling of VAT payers for their friend to pay their VAT obligation the respondents are describe their agreements alterative, 98 or 43.56% are strongly agree, 84 or 37.33% are agree, 18 or 8% are indifferent, 9or 4% are Disagree and 6 or 2.67 are strongly disagree as showed on this the highest percentile told about 98 or 43.56% strongly tax payers are told about tax for theirs friends to pay their obligation. The other are 89 or 39.56% are strongly agree, 89 or 39.56% are agree, 17 or 7.56% are indifferent, 10 or 4.44% are disagree and 9 or 4.44% are strongly disagree on this implication tax payers are responded both agree and strongly agree are higher percentile the indication are most tax payers are have their own information about paying their VAT obligation.

Table 4.10: Implementation of regulation and institutional capacity

		Frequency	Percent	Valid Percent	Cumulative Percent
There are good changes in the collection procedures of the authority in the last three years	Strongly Agree	76.00	33.78	35.35	35.35
	Agree	88.00	39.11	40.93	76.28
	Indifferent	26.00	11.56	12.09	88.37
	Disagree	20.00	8.89	9.30	97.67
	Strongly Disagree	5.00	2.22	2.33	100.00
	Total	215.00	95.56	100.00	
Missing	System	10.00	4.44		
Total		225.00	100.00		
Tax payers have sufficient understanding on VAT Laws	Strongly Agree	73.00	32.44	33.95	33.95
	Agree	63.00	28.00	29.30	63.26
	Indifferent	39.00	17.33	18.14	81.40
	Disagree	29.00	12.89	13.49	94.88
	Strongly Disagree	11.00	4.89	5.12	100.00
	Total	215.00	95.56	100.00	
Missing	System	10.00	4.44		
Total		225.00	100.00		
The issues of VAT invoicing ,filing and payment system of the tax authority that needs improvement	Strongly Agree	67.00	29.78	31.31	31.31
	Agree	57.00	25.33	26.64	57.94
	Indifferent	47.00	20.89	21.96	79.91
	Disagree	27.00	12.00	12.62	92.52
	Strongly Disagree	16.00	7.11	7.48	100.00
	Total	214.00	95.11	100.00	
Missing	System	11.00	4.89		
Total		225.00	100.00		

Source: Compiled from survey questionnaires using IBM SPSS Statistics V 23, (2021)

In the above table 4.10 implies that based on the tax payers respondents response the agreements on There are good changes in the collection procedures of the authority in the last three years on this question 76 or 33.78% Strongly agree, 88 or 39.11% are agree ,26 or 11.56% are

indifferent, 20 or 8.89% are disagree and 5 or 2.22% are strongly disagree. From this respondents response 39 % of respondents are agree so the implication indicates there are good changes in the collection procedures of the authority in the last three years in Addis Ababa city administration revenue bureau large tax payers branch office. The others 10 or 4.44% are show missing system they are missed.

The others implication of tax payers agreement on the above table 4.7 Tax payers have sufficient understanding on VAT Laws 73. or 32.44% are Strongly Agree, 63 or 28.00 % are agree ,39 or 17.33% are indifferent ,29 or 12.89% are Disagree and 11.00 or 4.89 are strongly disagree. On this indication large percent 32.44% are strongly agree means that most tax payers have sufficient understanding on VAT laws. also on the above 4.7 table The issues of VAT invoicing ,filing and payment system of the tax authority that needs improvement on this implication the respondents response showed 67.00 or 29.78% are Strongly Agree, 57 or 25.33% Agree, 47.00 or 20.89% are indifferent ,27 or 12% are Disagree and 16 or 7.11% are strongly Disagree the most large response showed the tax payers agreement is highly in 29.78% strongly agree the tax authority or Addis Ababa city administration needs to be must improve VAT invoicing, filling and payment system. The others are showed in missing System 11 or 4.89% missed. From the implication of customer respondents the highest percentage are good change in the collection procedure during collection time from these indication the branch office has changed their procedure to three years collection system was changed ,the others are implication tax payers have good understanding on VAT laws and regulation ,VAT invoicing filling system and payment system are need to be improved within to create a good system ,filing system and payment system are not based on system manual ,the payment system are old and not easily to use from this implication the branch office should be improved the system.

Table 4.11: Implementation of regulation and institutional capacity

		Frequency	Percent	Valid Percent	Cumulative Percent
The reporting period for VAT filling and payment is enough for the Addis Ababa city administration large tax payers	Strongly Agree	62.00	27.56	28.97	28.97
	Agree	68.00	30.22	31.78	60.75
	Indifferent	45.00	20.00	21.03	81.78
	Disagree	24.00	10.67	11.21	92.99
	Strongly Disagree	15.00	6.67	7.01	100.00
	Total	214.00	95.11	100.00	
Missing	System	11.00	4.89		
Total		225.00	100.00		
The existing VAT administration practice is Sufficient enough	Strongly Agree	64.00	28.44	29.91	29.91
	Agree	65.00	28.89	30.37	60.28
	Indifferent	42.00	18.67	19.63	79.91
	Disagree	31.00	13.78	14.49	94.39
	Strongly Disagree	12.00	5.33	5.61	100.00
	Total	214.00	95.11	100.00	
Missing	System	11.00	4.89		

Source: Compiled from survey questionnaires using IBM SPSS Statistics V 23, (2021)

As indication of table 4.11 from tax payers response showed The reporting period for VAT filling and payment are show 62 or 27.56% are Strongly Agree, 68 or 30.22% are agree, 45or 20% are indifferent, 24 or 10.67% are disagree and 15 or 6.67 % are strongly disagree on this indication 27.56% are strongly agree on this indication the tax paying time is enough for the Addis Ababa city administration large tax payers.

As a branch most of the respondent's response the reporting period is enough to pay for tax obligation, the branch office have not sufficient capacity for customer and for employee the branch office develop level capacity to pay within an interest.

Table 4.12: Implementation of regulation and institutional capacity

	Frequency		Percent	Valid Percent	Cumulative Percent
Addis Ababa Large tax Payers Branch Office has capable and required work force empowered to implement the law	Strongly Agree	66.00	29.33	30.99	30.99
	Agree	59.00	26.22	27.70	58.69
	Indifferent	40.00	17.78	18.78	77.46
	Disagree	29.00	12.89	13.62	91.08
	Strongly Disagree	19.00	8.44	8.92	100.00
	Total	213.00	94.67	100.00	
Missing	System	12.00	5.33		
Total		225.00	100.00		
Addis Ababa large tax payers branch office have enough capacity in managing and administration of VAT in lawful manner	Strongly Agree	49.00	21.78	22.90	22.90
	Agree	78.00	34.67	36.45	59.35
	Indifferent	37.00	16.44	17.29	76.64
	Disagree	34.00	15.11	15.89	92.52
	Strongly Disagree	16.00	7.11	7.48	100.00
	Total	214.00	95.11	100.00	
Missing	System	11.00	4.89		
Total		225.00	100.00		

Source: Compiled from survey questionnaires using IBM SPSS Statistics V 23, (2021)

The other implication on table 4.12 64 or 28.44% are strongly agree, 65. or 28.89 % agree, 42 or 18.67% are indifferent, 31 or 13.78% are Disagree and 12 or 5.33% the existing VAT administration practice is Sufficient enough. The highly indication percent are 68 or 28.89% are agree on existing VAT administration practice. From the implication of table 4.7 according to tax payers indication 61 or 27.11% are strongly agree, 63 or 28 % agree, 40 or 17.78% indifferent , 29 or 12.89 % are disagree and 20 or 8.89 are strongly disagree from this tax payers response agreement most percent shows agree alternative means that the branch office must have built continues capacity at different level of the authority.

The other indication of on table 4.7 the implementation of VAT law in Addis Ababa Large tax Payers Branch Office the tax payers response showed 66 or 29.33% are strongly agree,59 or26.22% are agree, 40 or 17.78% are indifferent ,29 or 12.89 are Disagree, and 19 or 8.44 are strongly disagree on this indication the higher percent showed 66 or 29.33 % are indicate VAT law implementation in Addis Ababa city administration revenue bureau has capable and required work force empowered to implement the law.

On table 4.7 indication of the respondents response showed on capacity of Addis Ababa large tax payers branch office have enough in managing and administration of VAT in lawful manner,49 or 21.78% are strongly agree,78 or 34.67% are agree, 37 or 16.44% are indifferent ,34 or 15.11% are Disagree and 16 or 7.11% are strongly disagree ,from this agreement response the higher percent show 78 respondents or 34.67% are highly agree in managing and administration of VAT law.

Table 4.13: Awareness of tax payers about VAT law

		Frequency	Percent	Valid Percent	Cumulative Percent
Vat Laws in Ethiopia are simple and to implement	Strongly agree	79.00	35.11	36.74	36.74
	Agree	71.00	31.56	33.02	69.77
	Indifferent	29.00	12.89	13.49	83.26
	Disagree	22.00	9.78	10.23	93.49
	Strongly disagree	14.00	6.22	6.51	100.00
	Total	215.00	95.56	100.00	
Missing	System	10.00	4.44		
Total		225.00	100.00		
Tax office provides effective awareness creation program VAT to tax payers	Strongly	74.00	32.89	34.42	34.42
	Agree	66.00	29.33	30.70	65.12
	Indifferent	40.00	17.78	18.60	83.72
	Disagree	29.00	12.89	13.49	97.21
	Strongly	6.00	2.67	2.79	100.00
	Total	215.00	95.56	100.00	
Missing	System	10.00	4.44		
Total		225.00	100.00		

Source: Compiled from survey questionnaires using IBM SPSS Statistics V 23, (2021)

From table 4.13 the tax payers are responded about Vat Laws in Ethiopia 79 or 35.11% respondents are responded Strongly agree , 71 or 31.56% are agree ,29 or12.89% are indifferent ,22 or 9.78% are disagree and 14or 6.22% are strongly disagree. From this implication the majority percent are79or 35.11% are strongly agree Ethiopian tax law are simple and understandable and the have strongly aware about VAT laws. The other implication is about the organization effective creation awareness program about VAT this implies 74 or 32.89% are strongly agree about awareness of VAT ,66 or 29.33% are agree ,40 or 17.78% are indifferent ,29 or 12.89% are disagree and 6 or 2.67% are strongly disagree .from the implication of the majority percentage showed 74 or 32.89% are the organization are provide to effective awareness about VAT.

Table 4.14: Awareness of tax payers about VAT law

		Frequency	Percent	Valid Percent	Cumulative Percent
Multiple mechanism used to create awareness for VAT payers	Strongly Agree	72.00	32.00	33.49	33.49
	Agree	69.00	30.67	32.09	65.58
	Indifferent	34.00	15.11	15.81	81.40
	Disagree	29.00	12.89	13.49	94.88
	Strongly Disagree	11.00	4.89	5.12	100.00
	Total	215.00	95.56	100.00	
Missing	System	10.00	4.44		
Total		225.00	100.00		
Employees are well aware of the VAT Proclamation and its amendment	Strongly Agree	52.00	23.11	24.30	24.30
	Agree	58.00	25.78	27.10	51.40
	Indifferent	32.00	14.22	14.95	66.36
	Disagree	37.00	16.44	17.29	83.64
	Strongly Disagree	35.00	15.56	16.36	100.00
	Total	214.00	95.11	100.00	
Missing	System	11.00	4.89		
Total		225.00	100.00		

Source: Compiled from survey questionnaires using IBM SPSS Statistics V 23, (2021)

From this implication are 72 or 32% are strongly agree for multiple mechanism used to create awareness for VAT payers, 69 or 30.67% are agree used mechanism, 34 or 15.11% are indifferent this respondents are natural implies that the organization either multiple mechanism used nor create awareness for VAT payers, 29 or 12.89% are the respondent are disagree implies that the organization are not used multiple mechanism used for creation awareness about tax payers and 11 or 4.89% are strongly disagree implies that the organization are never used multiple mechanism for creation of VAT payers. From the whole alternatives the highest percentage is 72 or 32% are strongly agreed means that Addis Ababa city administration revenue bureau are used multiple mechanism creation about VAT payers. The other implication of employee's awareness from prospective of VAT payers respondents about VAT proclamation and its amendment, 52 or 23.11% are strongly agree employee are well aware about VAT proclamation and its amendments, 58 or 25.78% are agree about employees aware, 32 or 14.22% are indifferent about employees aware about VAT proclamation and its amendments this implies that tax payers or respondents 14.22% respondents are neither aware nor knowing about VAT proclamation and its amendment and 35 or 15.56% are strongly disagree this implies that from the agreement 53 or 15.56% of tax payers respondents are indicate employee are well never aware of VAT proclamation and its amendment.

Table 4.15: Related with effectiveness and efficiency of tax officers’ form the respondents of tax payer’s point of view

		Frequency	Percent	Valid Percent	Cumulative Percent
Tax office has qualified and professional man power to assess and enforce VAT tax	Strongly Agree	67.00	29.78	31.31	31.31
	Agree	80.00	35.56	37.38	68.69
	Indifferent	31.00	13.78	14.49	83.18
	Disagree	25.00	11.11	11.68	94.86
	Strongly Disagree	11.00	4.89	5.14	100.00
	Total	214.00	95.11	100.00	
Tax office uses modern technology for taxpayers to file their VAT liabilities Via internet	Strongly Agree	71.00	31.56	33.18	33.18
	Agree	77.00	34.22	35.98	69.16
	Indifferent	31.00	13.78	14.49	83.64
	Diagree	22.00	9.78	10.28	93.93
	Strongly Disagree	13.00	5.78	6.07	100.00
	Total	214.00	95.11	100.00	
Addis Ababa City administration large tax payers branch office does continuous awareness creation about VAT for the tax payers	Strongly Agree	58.00	25.78	27.10	27.10
	Agree	70.00	31.11	32.71	59.81
	Indifferent	44.00	19.56	20.56	80.37
	Disagree	28.00	12.44	13.08	93.46
	Strongly Disagree	14.00	6.22	6.54	100.00
	Total	214.00	95.11	100.00	
Missing	System	11.00	4.89		
Total		225.00	100.00		

Source: Compiled from survey questionnaires using IBM SPSS Statistics V 23, (2021)

Table 4.15 indicates that the effectiveness and efficiency of tax officers’ form the respondents of tax payer’s point of view. 67 or 29.78% of respondents are strongly agree about the qualified and professional man power in the organization, 80 or 35.56% are agree, 31 or 13.78% are indifferent implies that tax officers are neither qualified nor professional man power, 25 or 11.11 are Disagree and 11. or 4.89% are strongly disagree about the qualification of employee. The

majority respondents percentage are 80 or 35.56% are agreed organization employee's qualification and professional man power the respondents are agreed the organization have good man power skilled employees within a good qualification.as a result of this the organization effectiveness and efficiency are increased. The other implication of on the table 71 or 31.56% are strongly agree the tax offices are uses modern technology for tax payers for tax payers to file their VAT liability,77or 34.22% are agree the offices used modern technology for tax payers,31.or 13.78% are indifferent it implies that the office are neither used modern technology nor to prepare for tax payers to file their VAT liability,31.Or 13.78% are Disagree it implies that the office are not used modern technology for tax payers to file VAT liabilities and 13 or 5.78% are strongly Disagree it implies that the tax office branch are never used modern technology .from the all alterative the highest percentage are 77 or 34.22% are used modern technology for tax payers to file their liabilities.

On the other implication the respondents responded under prospective of continuous awareness creation about VAT for tax payers 58 or 25.78% are strongly agree it implies that the branch office have continuous awareness creation about VAT for tax payers ,70 or 31.11% are agree the branch office awareness creation , 44 or 19.56% are Indifferent it implies that the branch office are neither a continuous awareness creation nor it gives for tax payers about VAT,28 or 12.44% are Disagree and 14 or 6.22% are strongly disagree the branch never give for tax payers continuous awareness creation.

Table 4.16: VAT compliances practice from prospective of tax payers

		Frequency	Percent	Valid Percent	Cumulative Percent
Every VAT registered taxpayers comply VAT obligation on time	Strongly agree	88.00	39.11	41.12	41.12
	Agree	61.00	27.11	28.50	69.63
	Indifferent	33.00	14.67	15.42	85.05
	Disagree	22.00	9.78	10.28	95.33
	Strongly Disagree	10.00	4.44	4.67	100.00
	Total	214.00	95.11	100.00	
There is strong VAT administration in Addis Ababa city administration revenue bureau large tax payers branch office	Strongly Agree	75.00	33.33	35.05	35.05
	Agree	76.00	33.78	35.51	70.56
	Indifferent	34.00	15.11	15.89	86.45
	Disagree	15.00	6.67	7.01	93.46
	Strongly Disagree	14.00	6.22	6.54	100.00
	Total	214.00	95.11	100.00	
Missing	System	11.00	4.89		
Total		225.00	100.00		
There is in general shortage of resources and infrastructural facilities to enhance tax Laws enforcement	Strongly Agree	60.00	26.67	28.17	28.17
	Agree	67.00	29.78	31.46	59.62
	Indifferent	46.00	20.44	21.60	81.22
	Disagree	23.00	10.22	10.80	92.02
	Strongly Disagree	17.00	7.56	7.98	100.00
	Total	213.00	94.67	100.00	
Missing	System	12.00	5.33		
Total		225.00	100.00		

Source: Compiled from survey questionnaires using IBM SPSS Statistics V 23, (2021)

Table 4.16 indicates that about VAT compliances practice from prospective of tax payers 88 or 39.11% are every VAT registered tax payers comply VAT obligation on time are strongly agree, 61 or 27.11% are agree on comply VAT obligation on time, 33 or 14.67% are indifferent the respondent response neither comply their obligation on time nor tax payers are registered on time, 22 or 9.78% are Disagree not comply VAT obligation on time and 10 or 4.44% are strongly

disagree it implies that never every VAT registered tax payers comply VAT obligation on time. The other implication of on the above table strong VAT administration about the branch office ,75 or 33.33% are strongly agree about strong VAT administration in Addis Ababa city administration revenue bureau,76 or 33.78% are agree in strong VAT administration in branch office,34 or 15.11% are indifferent it implies that the VAT administration are neither strong nor in VAT administration,15 or 6.67% are Disagree the branch office have not strong VAT administration, and 14 or 6.22% are strongly disagree it implies in the branch office are never have strong VAT administration.

On the above table the other implication of tax payers respondents responded are about the branch resource and infrastructural facilities,60 or 26.67% are strongly agree on the shortage of resources and infrastructural facilities to enhance tax law enforcements,67 or 29.78% Are agree in shortage of resources and infrastructural facilities to enhance tax laws ,46 or 20.44% are indifferent the branch office are neither resource nor infrastructural facilities to enhance tax laws enforcement,23 or 10.22 Disagree it implies that the tax branch office are not shortage of resource and infrastructural to enhance tax laws enforcement 17 or 7.56% are strongly disagree on shortage of resources and infrastructural facilities to enhance tax laws enforcement.

Table 4.17: Problem related to awareness and skills

		Frequency	Percent	Valid Percent	Cumulative Percent
Auditors inspectors and prosecutors have the required skill and experience to detect and handle tax offences by tax payers	Strongly Agree	79.00	35.11	36.92	36.92
	Agree	63.00	28.00	29.44	66.36
	Indifferent	35.00	15.56	16.36	82.71
	Disagree	28.00	12.44	13.08	95.79
	Strongly Disagree	9.00	4.00	4.21	100.00
	Total	214.00	95.11	100.00	
Missing	System	11.00	4.89		
Total		225.00	100.00		
Tax officials have adequate potential and confidence in decision making related to VAT	Strongly Agree	72.00	32.00	33.64	33.64
	Agree	58.00	25.78	27.10	60.75
	Indifferent	43.00	19.11	20.09	80.84
	Disagree	26.00	11.56	12.15	92.99
	Strongly Disagree	15.00	6.67	7.01	100.00
	Total	214.00	95.11	100.00	
Missing	System	11.00	4.89		
Total		225.00	100.00		

Source: Compiled from survey questionnaires using IBM SPSS Statistics V 23, (2021)

Table 4.17 Problem related to awareness and skills of tax payers from the respondents of tax payers about the tax office branch 79 or 35.11% are strongly agree Auditors inspectors and prosecutors have the required skill and experience to detect and handle tax offences by tax payers,63 or 28% are agree ,35 or 15.56% are indifferent the auditors are neither required skills nor experience to detect and handle tax offences , 28 or 12.44% are responded Disagree and 9 or 4% of strongly Disagree. The highest percentage indication are 63 or 28% are agree on the auditors inspectors and prospective have required skill and expertise to detect and handle tax offences.

on the other indication of the above table 72 or 32% are strongly agree on Tax officials have adequate potential and confidence in decision making related to VAT,58 or 25.78% are agree tax official are potential and confidence in decision making,43 or 19.11% are indifferent this respondents are neutral from the tax official have adequate potential and confidence in decision making,26 or 11.56% are disagree this implies that the tax official are have not adequate potential and confidence in decision making related to VAT. And 15 or 6.67% are strongly disagreeing. From the alternatives of these implication the highest percentage are 72 or 32% are strongly agree on the branch official have adequate potential and confidence in decision making related with VAT laws.

Table 4.18: Tax payers to pay with their relevant documents

		Frequency	Percent	Valid Percent	Cumulative Percent
I go to the branch with all the relevant documents when I pay my VAT	Strongly agree	81.00	36.00	37.67	37.67
	Agree	81.00	36.00	37.67	75.35
	Indifferent	30.00	13.33	13.95	89.30
	Disagree	15.00	6.67	6.98	96.28
	Strongly Disagree	8.00	3.56	3.72	100.00
	Total	215.00	95.56	100.00	
Missing	System	10.00	4.44		
Total		225.00	100.00		

Source: Compiled from survey questionnaires using IBM SPSS Statistics V 23, (2021)

On table 4.18 tax payers to pay with theirs relevant documents the tax payers when the payment of their tax obligation during this time go to with all the relevant documents,81 or 36% are strongly agree and agree alternatives are the respondents select 30 or 13.33% are indifferent these respondents are neither relevant documents have nor go with their document ,15 or 6.67% are Disagree this respondents are not go in the tax office with their relevant documents and 8 or 3.56% are strongly disagree never go to with their relevant document.

Table 4.19 Tax Branch offices reward for best tax payers

		Frequency	Percent	Valid Percent	Cumulative Percent
The tax office giving a reward for being best VAT Payers	Strongly Agree	71	31.6	33.0	33.0
	Agree	78	34.7	36.3	69.3
	Indifferent	25	11.1	11.6	80.9
	Disagree	21	9.3	9.8	90.7
	Strongly Disagree	20	8.9	9.3	100.0
	Total	215	95.6	100.0	
Missing	System	10	4.4		
Total		225	100.0		

Source: Compiled from survey questionnaires using IBM SPSS Statistics V 23, (2021)

The implication of this result is that the tax office Branch 71 respondents or (31.6%) strongly agree 78 or (34.7%) are agree 25 or (11.1%) indifferent, 21 or (9.3%) are Disagree, 20 or 8.9% strongly disagree in this implication most Tax payers are large percent showed 34 % are agreed in the case of this in Addis Ababa city administration revenue bureau good and consistently give a reward for best and compliant VAT payers.in the case of this most of the time the tax payers are interested to pay the their tax obligation.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

Ethiopia has witnessed significant changes in many aspects of its economy over the last years, but like most developing countries, it has had to contend with the common problems which affect the tax systems of developing countries. Based on the results from data analysis and findings of the research, one can safely conclude that Addis Ababa city administration revenue bureau office has faced different financial, operational and administrative problems and challenges to handle the taxpayers. It may be considered as practice and challenges of Value Added tax is not successful. That is, there exists inefficient and insufficient number of VAT practice officers in the Addis Ababa city administration Revenue bureau.

Training about VAT practice was not considered as vital activity, which does not justify much attention. There are few or no training professionals on staff related with employee job description. The emphasis of staff training is on teaching the contents of tax laws, rule and regulation as opposed to applying the laws. Little or no attention is paid to skills, techniques, procedures, customer relations, or managerial training.

From the analysis result Addis Ababa revenue bureau does not offer sustainable training to create about VAT awareness for both taxpayers and tax officers. Furthermore; the office does not organize by skilled and manpower employee producers they are not relate with their job description and the branch office are not separate related with VAT administration annual plan of collection in category of taxpayers. Lack of clarity in VAT law left room for interpretation.

Based on the survey results, the study found that there exist lacks of VAT knowledge by tax payers and tax officers. Most of the tax payers do not know the rules and regulations of Value Added Tax how they pay. Due to this, negligence, delay in VAT payment. In addition, the newly implemented system of using cash register machine is causing challenges to the tax payers even though it has a positive impact on tax income of the country. Compliance cost of the taxpayers decreases after they started to collect tax by using a cash register machine. It has also led to improved sales audit for the business, since everything that is

captured to record. But it is not friendly usable when the cashier made a mistake while collecting cash, it takes time for a correction of mistakes, the VAT laws threatened the business if they made any mistake unintentionally. It makes to reduce the operating cost of the government that was incurred to collect VAT tax and also business income. While increasing the VAT practice it also reduces the VAT challenges. The other challenges of VAT practice power usage related with political issues it reduces the VAT practice as a result of these VAT payers decrease., mentioned that caused problem.

Generally, taxpayers and tax offices have VAT Administration problems the main case of within their rule and regulations.

5.2 Recommendations

- The tax office should be have upgraded its system software to decrease waiting time of tax payers and also the office better knowledgeable manpower.
- The tax office should be using modern technology for increased effectiveness and efficiency.
- In the branch office there is in shortage of resources and infrastructural facilities to enhance tax Laws enforcement as the case of this tax office should be improved many resources and facilities.
- The study suggests that Policy makers should make VAT laws clear and simple.
- Tax office should be effective on awareness creation programs using multiple mechanisms for awareness creation programs and provide consistent reward for best VAT tax payers.
- The tax office should have strong risk based VAT enforcement practice and strict illegal invoicing controlling mechanisms to reduce the illegal invoicing problem relating to VAT administrations to enhance compliance level of taxpayers.
- The tax office should be that in order develop efficient VAT administration the tax office should have strong VAT tax enforcement making frequent and effective VAT operation based on realistic intelligence and evidence, performing strong VAT audit, provide fast VAT refund service, having adequate, skilled and experienced tax employees.
- The tax office should be aware continues awareness for tax payers about the paying advantage of tax (Value Added tax).

- The branch office should be aware for the society to buy goods within a VAT.
- Taxpayers should pay VAT tax voluntarily, avoid participating in tax evasion and avoidance, help the tax office on controlling illegal VAT invoices

From the researcher finding the main problems are the finding are Consumers' are not willing to buy goods and services with VAT, VAT tax payers are less competitive in the market than non-VAT tax payers, Poor tax enforcement capacity of the authority, Use of fraudulent invoices and non-issuance of invoices on this finding the branch office should be minimize such like problem ,The finding of the study regarding the major challenges of VAT administration is related with the inefficiency of tax office, taxpayers' taxpaying behavior and the underground economy. Therefore, the researcher suggest way forward that revenue office should take corrective actions on these major challenges to make VAT administration enhance voluntary compliance and the amount of revenue collected to the government.

Moreover, the study suggest way forwards that tax office should invest more human resource development to solve the skill, knowledge and attitudinal gap of the tax employees to modernize the practice and minimize the challenges of VAT in the study area.

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APPENDIX A



St. Mary's University School of Graduate Studies Departments of Business Administration

APPENDEXSS

Part I A Survey Questionnaire

To Tax Payers (Addis Ababa City administration large Tax payers Office / Dear respondent,

The researcher is a student of Master's Degree in Business Administration at St. Mary's University College - School of Graduate Studies. The objective of the research is to identify practice and challenges of Value added tax administration. Results of the research will use only for academic purpose. The aim Of study is to examine and recommend the tax office to improve Vat Practice and challenges to enhance the revenue performance and compliance level of tax payers .the researchers wants to underline that the data collected are kept confidential and used only for academic purpose .No respondents will be identified by his name or position .therefore, you are timely and genuinely response is appreciated and has significant value for achievements of the study objective

Thank you in advance!

In case you have questions, feel free to contact the researcher: Abeba shewangizaw

Tel: +251-943320594

E-mail: abetigetachew6@gmail.com

1. Age

2. Sex: Male Female

Education level

Diploma degree MBA others

3. What kind of business are you engaged in?
.....

4. For how long have you paid your VAT?

1Year 2 Years 3 Years More than 4 years

5. How close is your relationship with Addis Ababa revenue bureau?

Very Close Fairly Close Not Close

6. Do you know the new amendment of VAT Proclamation?

Yes No

Part II : Please fill the table below by making a tick (√) on the appropriate place which shows your level of agreement.

No	Items of Assessment	Strongly Agree	Agree	Indifferent	Disagree	Strongly Disagree
1	I am proud to pay my VAT					
2	I tell my friends that paying VAT is our					
3	I have all the information for paying my VAT					
4	There are good changes in the collection					
5	I go to the branch with all the relevant documents					
6	VAT laws in Ethiopia are simple and understandable to implement.					
7	taxpayers have sufficient understanding on vat laws					
8	Tax office provides effective awareness creation program on VAT to taxpayers					
9	Multiple mechanisms of awareness are used to					
10	The tax office giving a reward for being best VAT payers					
11	Every VAT registered taxpayer comply VAT obligations on time.					
12	There is strong VAT administration in Addis Ababa City Administration revenue bureau large tax payer's branch office.					

13	Tax office has qualified and professional man power to assess and enforce VAT tax.					
14	Tax office uses modern technology for taxpayers to file their vat liabilities via internet.					
15	Auditors, inspectors and prosecutors have the required skill and experience to detect and handle tax offences by taxpayers.					
16	The issues of VAT invoicing, filing and payment system of the tax authority that needs improvement.					
17	The reporting period for VAT filling and payment is enough for the Addis Ababa City administration large tax payers					
18	The existing VAT administration practice is sufficient enough.					
19	Tax officials have adequate potential and confidence in decisions making related to VAT.					
20	There is in general shortage of resources and infrastructural facilities to enhance tax law enforcement.					
21	The branch office have continues capacity building program at different level of the authority.					
22	Addis Ababa city administration large tax Payers Branch Office does continuous awareness creation about VAT for the tax payers.					
23	Addis Ababa Large tax Payers Branch Office has capable and required work force empowered to implement the law					
24	Addis Ababa large tax payers Branch Office has enough capacity in managing and administration of VAT in lawful manner.					
25	Employees are well aware of the VAT proclamation and its amendment.					

Please offer any other comments and suggestions for future improvements by the tax office in order to increase VAT administration efficiency

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APPENDIX B



St. Mary's University School of Graduate Studies
Department of General Business administration

QUESTIONNAIRE

To Tax Officers (Addis Ababa City administration Office / Dear respondent,

This questionnaire is prepared for the study of MBA (Masters of Business Administration) thesis in general management. The objective of the study is to determine Practice and challenges of VAT administration. Your responses will be of much importance for the soundness of conclusions and recommendations to be drawn based on this research. Accordingly, you are kindly requested to give genuine and honest answers. The information you provide in this study will be used for the stated purpose only and it will be held confidential. I appreciate your voluntary and valuable participation in this study.

Thank you for your cooperation in Advance!!!

PART I. RESPONDENTS GENERAL INFORMATION:

To show your preferred alternatives, please, put (√) in the space provided

1. Gender: (A) Male (B) Female

2. Age: (A) 20-30 (B) 30-40 (C) 40-50 (D) 50>

3. Education level: (A) below Diploma (B) Diploma
(C) Bachelor degree (D) Masters and
above

4. Name of your department:

(A) Assessments and follow-up

(B) Auditing and investigation

(C) Collection and enforcement

Other, please specify-----

5. Your status or position in the organization?

(A) Auditor/officer (C) Team leader /process
coordinator

(B) Senior auditor/officer (D) Deputy/general
manager

Other, Specify-----

6. How long have you been working in the organization?

(A) Less than five years (C) Ten to fifteen years

(B) Five to ten years (D) More than fifteen years

PART II

On the below questions, please, put (√) in the boxes of your choice and give your explanations on the spaces provided.

1. Are there problems in the VAT administration that needs to be improved?

(A). Yes B). No C). I don't know

2. If your response is yes, what kind of problems did you face on VAT administration? List your top three problems below:

- (A)-----
- (B)-----
- (C)-----

3. What are the problems that hinder smooth administration of VAT?(more than one answer is possible)

- (A) Consumers' are not willing to buy goods and services with VAT
- (B) VAT tax payers are less competitive in the market than non-VAT tax payers
- (C) Poor tax enforcement capacity of the authority
- (D) Use of fraudulent invoices and non-issuance of invoices

Other, please specify-----

4. In order to improve VAT administration and maximize revenue of the country; list top three ideas that needs action;

- (A)-----
- (B)-----
- (C)-----

5. Do you think that the VAT assessment and collection mechanism is effective and efficient in your organization?

- A) Yes B) No C) little

If your answer No what do you think of the reasons?

.....
.....

6. What do you think of the alternative solutions to alleviate the problems identified in your organization?

7. Do you think your organization have adequate No of employee within experience VAT administration practice knowledge?

- A) Yes B) No

8. Do you think tax payers have willing to pay their tax obligation?

- A) Yes B) No

9. Do you agree that the number of non-VAT registered taxpayer exceeds the number of VAT registered taxpayers in the country?

- A) Yes B) No C) I don't known

10. Are you familiar with the Ethiopian VAT Laws and proclamations?

- A) Yes B) No

11. Do you think that Addis Ababa city administration revenue bureau had made sufficient clarifications to the public about the concept (meaning) of VAT?

- A) Yes B) No C) I have no idea

12. Do you believe that the current VAT contribution to the government(s revenue is sufficient?

- A) Yes B) No

Any further information you want to suggest

.....
.....
.....