



**ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF ACCOUNTING AND FIANANCE**

**MICRO BUSINESS TAXATION IN ETHIOPIA: Practices, perceptions and
Challenges**

**A THESIS SUBMITTED TO DEPARTMENT OF ACFN COLLEGE OF BUSINESS
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SCIENCE IN ACCOUNTING AND FINANCE.**

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Statement of Declaration

I Getachew Asmare, have carried out independently a research work entitled " MICRO BUSINESS TAXATION IN ETHIOPIA: Practices, perceptions and Challenges: in partial fulfillment of the requirement of the M.Sc. program in Accounting and Finance with the guidance and support of the research advisor. I do here by declare that this thesis is my original work and that it has not been submitted by any other person for an award of degree in this or any other university/institution.

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CERTIFICATION

This is to certify that the thesis prepared by Getachew Asmare, entitled: " MICRO BUSINESS TAXATION IN ETHIOPIA: Practices, Perceptions and Challenges" and submitted in partial fulfillment of the requirements for the degree of Master of Science in Accounting and Finance complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

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Abstract

This thesis examines practices, perceptions and challenges of micro business taxation in Ethiopia. The study adopted a sequential explanatory mixed research approach. Survey of micro business taxpayers in Addis Ababa was conducted. This was supplemented by in depth interviews with tax officials from “Merkato Kuter Aned” Branch office of the Addis Ababa Revenue Bureau and selected taxpayers. This study reveals a number of findings including the absence of micro business tax payers representatives in the daily estimation committee, lack of knowledge of tax payers and tax assessment committees, the presence of nepotism, saving problem of tax payers, failure to resolve complaints on time, the presence of high tax rate ,the presence of illegal businesses, political influence were noted to be major challenges. Moreover the finding revealed that the tax system is so complex and unfair, unfair treatment by officers and the presence of different problems in micro business tax administration in the tax authority. Finally, the thesis suggests a series of measures which could be taken by the government in general and tax authorities in particular. Some of these measures include: simplify micro business tax policy and administration issues; ERCA should give intensive and repetitive training to improve the knowledge and attitudes of tax payers.

Key words: tax payers, challenges, taxation, administration, businesses ,awareness

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List of Abbreviations

CED	committee for economic development
ECC	Ethiopian Chamber of commerce
ERCA	Ethiopian revenue and customs authority
FDRE	Federal Democratic Republic of Ethiopian
GSS	Ghana statically service
NSE	National micro and small enterprise
OECD	Organization for Economic Co-operation and Development
PIT	presumptive income tax
RQ	Research question
SPSS	Statistical Package for Social Science software
St.dv	standard deviation

CHAPTER ONE

INTRODUCTION

There are no universally agreed definitions of micro business. This is because the criteria and way of categorizing enterprises as micro differ from country to country depending on the countries level of development (Admasu, 2012). A micro business is generally defined as sole traders, employing few people; it is family businesses employing one or two persons, managed by the owner (Engelschalk, 2013). Micro business is non-subsidiary, independent firms which employ few number of employees have at most 10, or in some cases 5 workers (OECD, 2005).

Most micro business owners are primarily interested in earning a living to support themselves and their families. They only grow the business when something in their lives changes and they need to generate a larger income (Tiruneh, 2011).

In Ethiopia, micro businesses for tax purpose are equivalent to category “C” businesses. Category “C” businesses are individually owned establishments with annual gross income less than Ethiopian Birr (ETB) 500,000. Micro businesses are taxable under the standard assessment system, which is, based on a periodic estimation of daily sales. The periodic estimation is carried out by estimation committees whose members are drawn from different stakeholder institutions in the country. However, this approach is criticized very much for it is based on the subjective judgment of committee members; as result estimations carried out in the past led to public outcry (Samson, 2017). Tax payers show their income to the tax authority and the estimation committees when needed, but practically the estimation committees do survey in different business areas without considering the tax payers evidence (Dawit, 2017).

There are few studies on micro business taxation in Ethiopia. These studies include Daniel and Shaik (2007) and Muuz(2015). To the knowledge of the researcher, these studies appear to be focusing on factor affecting voluntary compliance of category ‘C’ taxpayer’s attitude, Evaluation of the efficiency of the standard assessment for category C taxpayers respectively. These studies leaving the practices, perception and challenges of micro businesses taxation in light of the experience to other countries is unexplored. In this context the broad objective of this proposed

study is to assess the practice, perception and challenges of micro businesses taxation in Ethiopia, focusing on experiences in Addis Ababa.

The remaining discussions in this chapter are organized in six Sections. The following Section 1.2 provides the statement of the problem, and this is followed by Objective and specific research questions in section 1.3. Significance of the study, scope of the study and limitations are provided in section 1.4, 1.5 and 1.6 respectively. Finally, organization of the thesis is shown in section 1.7.

1.2 Statement of the problem

In Ethiopia, the micro business tax payers frequently complaints, because the tax assessment methods are based on subjective estimation, the lack of book of records by micro business taxpayers and the tax estimation committees focused on observations to estimate tax liability. As a result of these they are subjected to over taxation (ERCA, 2017). Since business owners do not have simplified access to and clarification on information of the tax laws, they lack awareness on tax rules and regulations, so this has an impact on the practicability of the regulations (Ethiopian chamber of commerce, 2005). To overcome this problem the government of Ethiopia has been under taking substantial efforts in reforming and modernizing the tax system with the aim of solving tax payer challenges and increasing government revenue. According to Nuguss(2014) estimation of micro-business taxation is difficult because of tax payers do not keep book of accounts.

As noted earlier micro businesses in Ethiopia are taxed using standard assessment, which is based on daily sales estimation. The latest daily sales estimation was carried out in May 2017. In May 2017, the tax authority established estimation committees from different governmental offices to estimate the daily sales of micro businesses and decided the tax liability paid by the tax payers. The estimation committees visited business premises without prior notice and attempted to estimate the daily sales of each and every individual business operator with annual turnover less than ETB 500,000.

According to ERCA's (2017) comparison about micro business operators complaints in between 2011 and 2017, the complaints in 2017 increased by 94%.The above discussed problems along with the knowledge gap as presented in chapter two necessitated the conduct of this study.

In order to teach micro business operators, the culture of paying taxes while at the same time address their tax related growth constraints and complaints, their taxation scheme, challenges and perceptions should be properly understood.

1.3 Broad Objective and research questions

The overall objective of this study is to assess the practice, perception and challenges of micro-business taxation in Ethiopia focusing on the experience in Addis Ababa.

Based on this broad objective the following specific research questions (RQ) were developed:

RQ1. How is the current system of taxing micro businesses in Ethiopia in light of experiences in other countries?

RQ2. How is the perception of micro businesses operators on the tax system?

RQ3. What are the challenges of micro business taxation in Ethiopia?

1.4 Significance of the study

The findings of this study will be used to identify challenges of micro business taxation and help to improve the tax laws and procedures accordingly. Thus the government will be able to adopt a comprehensive strategy. The Ethiopian revenue and custom authority can understand different challenges related to micro business taxation and minimizing the observed tax collection challenges faced by the authority and tax payers complaints to increase tax revenue , It will also helpful to create awareness of the tax payers by different stake holders. It will serve as a reference for other researchers. Hence it helps to avoid challenges of tax collection and reduce tax collection cost of the Ethiopian revenue and custom authority & reduce tax payer's complaints about the tax system.

1.5 Scope of the study

This thesis deals with assessing the practice, perception and challenges of micro business taxation in Ethiopia focusing on the experience in Addis Ababa. As it is difficult to cover the

whole micro business tax payers in Ethiopia whose annual turnover less than 500,000 birr and since the application of micro business taxation follows nearly the same procedure emphasis is given to Addis Ababa micro business tax payers and tax officers found in “Merkato Kuter Aned”, Addis Ababa, Since in “Merkato Kuter Aned” almost all types of business activities are present and it covers wide area and it is one branch of Addis Ababa tax office.

1.6 Limitations

The respondents required much explanations to fill survey questionnaires and that took much time, money and energy of the researcher. Most of the respondents of micro business operators are retail traders and do not have enough time to respond to the questionnaires. These all required additional time to encourage and frequently visit most of the businesses even during weekends and out of the normal working hours. In addition the presence of non-rate creates a problem (22%). To mitigate the above mentioned problems the researcher along with the data collection enumerators attempted to explain the purpose of the study to respondents.

1.7 Organizations of the study

This thesis is structured in to five chapters: chapter one contains introduction of the paper include back ground up to organizations of the study. Chapter 2 contains a review of the literature of the definition of micro business tax payers, definitions of tax, presumptive taxation and approaches of micro business taxation .The research design and methodology are presented in chapter 3. Sampling technique, data sources, data collection instruments and procedures of data collection specifically included in chapter 3. The results of interviews and survey followed by analysis of the results of the different methods are presented in chapter four. In this chapter the findings of all the survey and interview results are combined together and the main research questions are answered. Finally chapter 5 presented conclusion and recommendations.

CHAPTER TWO

Review literature

This chapter presents a review of the related literature on micro business taxation. The chapter is organized in three sections. Section 2.1 presents theoretical review while section 2.2. Presents empirical evidences on taxation of micro business and section 2.3 about Conclusion and knowledge gap.

2.1 Theoretical review

There are no universally agreed definitions of micro-business. This is because the criteria and method of categorizing enterprises as micro differ from country to country depending on the countries level of development (Admasu, 2012). Specifically, a micro business is defined as small business that does not keep book of accounts. Micro business is non-subsiary, independent firms which employ few numbers of employees and have at most 10, or in some cases 5 workers (OECD, 2005). Engelschalk and Loeprick (2013), defines a micro business as sole traders, employing few people, it is family businesses employing one or two persons, managed by the owner. Most micro business owners are primarily interested in earning a living to support themselves and their families. They only grow the business when something in their lives changes and they need to generate a larger income (Tiruneh, 2011). So from the above we can understand that the definition of micro businesses varies from country to country.

According to Admasu (2012) the absence of a single or globally applicable definition has made the task of counting the number of micro-business and studying their impact in the economy is difficult in different countries.

According to the Ethiopian Ministry of Urban Development and Housing (2012), micro businesses are those business enterprises with a paid up capital of not exceeding birr 20,000 and excluding high tech consultancy enterprises and their high-tech establishment.

For taxation purpose, countries develop their own criteria of defining micro businesses. In Ethiopia, micro businesses are not directly defined in tax laws. The federal income tax proclamation No 979/2016 defines category “C” taxpayers as individual’s traders with annual gross income of less than ETB 500,000. This segment of taxpayers is usually considered to be micro businesses. In other countries including Tanzania and Uganda micro businesses threshold is respectively Tanzanian Shilling (TShs) 20 million, Ugandan Shilling (UShs) 10-15 million (Coolidge and Yilmaz ,2016) .

Micro business are categorized under hard to tax group because they generate little revenue yields, it is not easy to comply, imposing higher compliance cost to both taxpayers and tax administrations and poor tax morale (Gabriela, 2015). Considering the features of taxpayers in this group, micro businesses are taxed under the presumptive regime. The subsequent section reviews the existing knowledge on presumptive taxation.

2.1.1 Micro business taxation: Presumptive Taxation

Presumptive taxation is the applications of indirect means to ascertain tax liability, which differ from the usual rules based on tax payer’s account’s (Thuronyi, 1996). The term "presumptive" is used to indicate a legal presumption that the taxpayer's income is no less than the amount resulting from application of the indirect method. The concept covers a wide variety of alternative means of determining the tax base ranging from methods of reconstructing income based on administrative practice, which can be rebutted by the taxpayers, to true minimum taxes with tax bases specified in legislation (Engelschalk, 2002).

Presumptive taxation can be used for any tax that is normally based on accounting records income tax, turnover tax, and value-added tax (VAT) or sales tax although it is most commonly used for the income tax. The extent to which presumptive taxes are used varies greatly from country to country. Some countries (e.g., the United States) employ almost no presumptive (Engelschalk, 2002).

Presumptive techniques may be used for a variety of reasons. I.e. for simplification of a compliance burden on tax payers with very low gross income, to prevent tax avoidance and

evasion. Presumptive method may lead to a more equitable distribution of the tax burden by providing objective indicators for tax assessment, when normal accounts based are unreliable because of problems of tax payer's compliance or administrative corruption (Victor, 2003). A number of different types of Presumptive methods exist in different countries (Thuronyi, 1996).

2.1.1.1 Types of Presumptive Taxation

There are some types of presumptive income taxation that have quite different incentive effects, revenue effects, distributional consequences, and administration costs. These include rebuttable versus irrebuttable, and mechanical versus discretionary. The following paragraphs briefly describe these types of presumptive income taxes.

Rebuttable Vs. Irrebuttable

Rebuttable methods include administrative approaches to reconstructing the taxpayer's income, and may or may not be specifically described in the statute. If the taxpayer disagrees with the result reached, the taxpayer can appeal by proving that his or her actual income, calculated under the normal tax accounting rules, was less than that calculated under the presumptive method (Thuronyi, 1996).

Rebuttable presumptive assessments are a universal feature of tax assessment procedure, required in order to deal with cases where taxpayers either do not fully disclose their financial situations on their returns or fail to file a return. In these cases, the law normally authorizes the tax authority to use indirect methods to determine the taxpayer's income, based perhaps on arbitrary criteria or on whatever data are available. Because presumptive assessment is intended as a means of ascertaining the taxpayer's income in the face of inadequate data, the taxpayer should be allowed to present better data to refute the determination of the tax authorities. This type of presumptive assessment therefore does not represent a fundamental departure from the normal rules for determining tax liability, but is a fallback when these rules do not work because of noncompliance by the taxpayer (Engelschalk and Loeprick 2015).

In the rebuttable system, the taxpayer must trade-off the potential of lower taxes against the increased compliance cost due to the need to maintain sufficiently detailed records. This

approach clearly imposes a larger compliance cost burden on smaller taxpayers. On the side of tax office, administrative cost is high because of the following reasons: The compensation arrangement must be approved in advance by an authorized body of the applicable tax-exempt organization, Prior to making its determination, the authorized body obtained and relied upon appropriate data as to comparability, and The authorized body adequately and timely documented the basis for its determination concurrently with making that determination. All this process needs additional costs. The actions of any members of the authorized body having a conflict of interest lowers the tax revenue collected from the tax payers (Richard, 2003).

On the other hand, irrebuttable presumptive assessments should be specified in the statute or in delegated legislation. Because they are legally binding, they must be defined precisely.

The irrebuttable taxation means that the taxpayers cannot contest his liability on the basis of his actual income. Thus, irrebuttable taxation imposes restrictions on the right of the taxpayers under special treatment. Therefore, the application of irrebuttable taxation requires precision in terms of legislative determination of the procedure for application and actual of the tax (Engelschalk, 2002).

Irrebuttable presumptions can be divided into two types: minimum tax, where tax liability is no less than that determined under the presumptive rules, and exclusive, where tax liability is determined under the presumption alone, even if the regular rules might lead to a higher liability. An example of the latter would be a tax on agricultural income based on the value of the land, with no reference to actual crop experience for the year (Thuronyi, 1996). In the irrebuttable system the compliance cost imposes to the tax payers are less due to the absence of maintain sufficiently detailed records (Richard, 2003). Since tax payers treated under restriction, the income tax revenue that would be collected from a group of taxpayers above the average standard tax assessment line shall be missing. So revenue performance is less (Muzz,2015).

Mechanical Vs. Discretionary

Here presumptive tax liabilities are determined in accordance with the preliminary set rules. Mechanical can be both rebuttable and irrebuttable. In some case the method can be mechanical and irrebuttable, However; the tax authorities can be free to apply or not apply it upon their discretion. Formal method can lead to excessive taxation, since they do not take into account the specific circumstance of individuals' taxpayers. Generally speaking, in the case of limited administrative resource (cost) is appropriate to use formal methods of presumptive taxation and generate high revenue (Thuronyi, 1996).

The discretionary presumptive taxation implies higher degree of freedom of the tax authorities when determining tax liabilities. Discretionary methods are as, a rule, rebuttable, since otherwise the tax authorities would get too broad opportunities for arbitrary actions. The application of discretionary method creates pre-condition for corruption (Thuronyi, 1996).

2.1.1.2 Methods of Presumptive Income Tax

Standard assessment

One of the two presumptive tax approaches frequently applied by presumptive tax rate approaches for tax assessment is the standard assessment, which assesses "a given amount of taxpayers' taxable income using a simple lump-sum tax based on the average income of particular trade or professionals .Such method of income tax assessment is typically considered as a model of presumptive tax assessment which applies an objective reference to fix the standard amount of taxable income and tax liability. Assessments are made taking average income of the respective occupations, and/or businesses working an average hours using an average effort. In principle, this income tax assessment modality is taken as an approach of assessment which is 'irrebuttable' and exclusive (Zerihun, 2013).

Estimated Assessment

Under this type of presumptive tax assessment method, tax liability is assessed by taking indicators which are specific to a given business. Tax liability of a given taxpayer is assessed taking one or more relevant indicating factors such as the size of production facility, quantity of stocks, quality of means of production, and capacity of supplying a given service. After an

estimation of income is made based on these factors and other similar measurements; final tax liability is fixed either by direct application of an existing business tax rate to the estimated income or presume tax liability having regard to the income assessed estimated assessments are considered as a somewhat more refined and sophisticated presumptive taxation techniques. This was supplemented with an argument which reasons out assessment based on indicating factors is more effective and relevant than an assessment made on the basis of similar grouping in that grouping under similar category does not directly lead in to a closer amount of income. Estimated assessments are taken as more advantageous than standard assessments due to their room to consider business or occupation based losses (Thuronyi, 1996).

2.1.2 Approaches of Micro Business Taxation

Different countries choose different approaches of micro business taxation to reduce the tax burden and compliance costs of micro business tax payers. Among others, the gross income approach, patents approach, indicator approach and agreed based approach are considered

2.1.2.1 Gross income approach

Gross income includes all of the income a micro business receives during a year that is not explicitly exempt from taxation, whereas taxable income is the amount of income that is actually subject to taxation applied by this approach. Gross income approach of micro business taxation can be applied as an exclusive way of taxing income, as a minimum tax, or as a forfeit (Engelschalk and Loeprick 2010). It can be structured in different ways, like the same tax rate applies to all businesses irrespective of the business activity (World bank.2007).

The gross income approach has its own advantages and disadvantages. The main advantages include:- the tax burden of start-up businesses gets reduced for a periods; Micro business motivated to keep recorded basic books; the negative effects of indicator-based systems such as the incentive to reduce the number of staff in order to lower the presumptive tax burden can be avoided and Rules for the calculation of the tax burden can be kept simple (world bank, 2007).

It is difficult to know the taxable amount of income since they are not keep book of account, difficult to determine the tax rate and to assess the taxable amount of income, no incentive to

improve bookkeeping, no relief in case of loss making, potential disincentive to grow, risk of abuse and fairness concerns (World Bank, 2007).

Based on World Bank (2007), gross- income approach of micro business taxation use different alternative principles for the design of gross-income micro business taxation:

Application of a uniform tax rate on a standard percentage of gross-income for all micro business: But this system does not take into account different profit margins in the various business segments. To protect over-taxation the system applies either low tax rate or high deduction from gross income. Ukraine, which applies to micro businesses with a turnover below Ukrainian Hryvnia (UAH) 3 million (US\$98,800), with not more than 20 employees. The turnover tax threshold is turnover below UAH 5 million (US\$164,700), with a maximum of 50 employees. The system operates with a uniform tax rate of 6% on turnover and As per Engelschalk (2015). Albania, which applies micro business taxation with a turn over less than Albanian Lek 2 million (US\$15,900).The systems operate a uniform tax rate of 4% on turnover.

Progressive gross-income based of micro business taxation: the tax rate increases according to the level of business gross income. It helps to reduce the difference burden of tax between businesses have high gross-income and low gross-income; reduces disincentives for business growth and facilitates transition from the presumptive to the standard regime Engelschalk (2015).

Application of different tax rates on a standardized tax base:

Different micro business may have different gross income. To alleviate the differences of tax burden, it is necessary to either apply different deductions from gross income for the calculation of the tax base or to apply different tax rates according to the average gross income. The differentiation will have to be kept at a minimum. The approach tends to increase the fairness of the system but is difficult to administer the micro business carrying out both trade and service activities. Brazil and Ethiopia applies this principle Engelschalk (2015).

Gross income approach of micro business taxation is easy to design, easy to implement and do not require complicated comparisons of profit margins in different micro business (Andrew, 2009). To fix the tax rate or standard deduction from gross income faces a challenge of design.

There is no general guideline for the determination of the tax rate in case of a Gross-income based of micro business taxation. Extensive analysis is required before setting the rate (Engelschalk and Loeprick 2010).

In general, according to Engelschalk and Loeprick (2010), to improve the gross income micro business taxation approach: the following are used as a mechanism of improving business taxation:

Providing incentives for improving recordkeeping: In gross-income based of micro business taxation the tax payers require to follow basic record keeping procedures in regular bases. This system designed very well offer a good possibility of providing specific incentives for improving recordkeeping standards (World Bank, 2007). Taxpayers who keep simplified records have the chance to considerably reduce their tax liabilities, which more than compensates for the increased compliance costs incurred as a result of recordkeeping. Tanzania followed this system (Engelschalk and Loeprick 2010).

2.1.2.2 Patents approach

According to World Bank (2005) patent approach of micro business taxation only depends on the kind of business. The micro business must pay the tax liability irrespective of the business size, the location of the business or the business gross income (Andrew, 2009). Patents approach of micro business taxation applies a uniform tax rate on a business segment without considering the size or gross income of the individual businesses. Countries apply the patent approach of micro business taxation are: Kosovo, Albania, Kazakhstan, Latvia, Serbia, Bulgaria, Hungary, Czech Republic, Poland, etc. (Engelschalk and Loeprick 2015).

The patent approach has the advantage of avoiding the need to estimate profits. There is no estimation of profits in the business, when the business grows the tax rate is not changed until

The business is required to move into the standard tax regime and tax burden transparent and predictable for business owner and it is the simplest way(World bank,2007) .

Its disadvantage is there will be high risk of over-taxation of less profitable and loss taxation and difficult to know lump sum tax amount and the system ignores ability to pay principle (World Bank, 2007).

2.1.2.3 Indicator approach

This system aim at being more precise to estimating the profit potential of the individual entrepreneur by using different indicators like business location, the floor space of business premises, number of employees, value of inventory, capacity of machinery, number of years of operation of the business and data obtained from third parties like electricity and water consumption (Engelschalk and Loeprick 2015).Good indicators should meet the following criteria: They must be easy to verify and record; have a low risk of falsification, concealment and substitution and show a sufficient and stable correlation to actual income (World Bank, 2007). This system brings up a clear conflict of objectives; the objective to tax the true potential profit of the small business conflicts with the objective to design a simple and transparent system. Bulgarian and Georgia apply this system (Engelschalk and Loeprick 2015).

The main advantages of indicator approach are: Tax evasion is less, the disputes in between the business owner and the tax administration over the tax liability is less and tax compliance cost is minimal since basic recording is not mandatory. Spain uses this system (World Bank, 2007).

Disadvantages of indicator approach are: Difficult to define indicators that sufficiently reflect the profit potential and a micro business owner's ability to pay, applying basic bookkeeping rules may increase compliance cost, there will be a risk of ongoing disputes with the micro business community over the estimates used, the business owners may reduce employees, it create a problem for start-ups and loss-making micro business (world bank, 2007).Indicator-based approach needs the detailed lists of the businesses covered. As a result, the approach causing continues disputes about fairness and appropriate determination of taxpayer categories,

which impacts negatively on the continuity of the approach (Engelschalk, 2002). Overall it appears that the degree of acceptance of indicator-based approach is not high. Disputes about the right definition, delineation of individual categories, and the scope of coverage of the system undermine the credibility of the approach. So this approach should not be the primary option for the design of micro business taxation system (World Bank, 2007).

2.1.2.4 Agreed based approach

The tax rate determined by an agreement between the tax administration and the taxpayers. This method looks like “Forfait” method, which was applied in France, later replaced by a gross income approach. The system required an extensive collection of data and development of estimates of business profit expectations by the tax administration. The taxpayer had to supplement this data collection by providing information on purchases, sales, number of employees, wages paid, and number of cars owned (Engelschalk, 2010). Based on these data the tax administration prepares an estimate of the micro business net profit, which was then discussed and agreed with the taxpayers. This approach require extensive contact between taxpayer and tax officials and therefore can become a major opportunity for corruption and produce high administrative costs, since it needs the tax administration to prepare a detailed profit estimate of the individual micro business profits as a basis for negotiation. Syria is a country applies agreed based approach of micro business taxation.

2.2 Empirical review

There are different empirical studies conducted on micro business taxation. The following discussion reviews these past empirical studies.

Fauziati(2016) conducted the survey on the impact of tax knowledge of tax compliance in Indonesia. The research used 300 samples from tax payers found in Padang by applying purposive sampling. Since the author used purposive sampling method, the research cannot address all the problems faced the micro businesses. The author identified the main challenges of micro business taxation like: The perception of tax payers about the tax fairness, tax knowledge of tax payers and frequent changes of tax law. The main findings of the research show that tax knowledge is not the challenges of micro business.

Pope & Hijattalah (2014) micro business Enterprises and Tax compliance Burden in Malaysia: the study used survey method .The main objective of this paper is to discuss the issues, estimates and challenges of tax compliance and administrative burden in the context of Malaysian micro enterprises. The major challenges of micro business taxation in Malaysia are high tax compliance cost, the presence of the tax system complexity, lack of good administrative arrangements and complex policies are the major once. This research concluded that the policy area should be addressed to recognized fully the compliance burden of micro businesses at a national level and comprehensive simplifications of the income tax system is strongly supported.

Evans and Vaillancourt (2014) studied survey of micro business and tax compliance costs: a-cross-country studied of managerial benefits and tax concessions in Australia, Canada, South Africa and united kingdom as shown: The main objective of this study is to identify ,measure and compare the compliance burden for the micro business sector in the four countries .The sample used from firms that had no more than 50 employees and the survey instruments used to meet respective turnover thresholds relevant to small business with each country by including all sectors in the study. The method of administration chosen for this study was an electronic survey where potential respondents were contacted by email and referred to a survey web page. Since the data administration is electronically considered as the strengthen of the research. The main challenges of micro business taxation in those four countries is tax compliance cost remains

high and do not show to minimizing over time and the research also concluded the presence of high compliance cost of micro business enterprises .

According to the national treasury website of Kenya (2018), the presumptive tax in Kenya is a system of taxation based on the business permit or trading license fees at a rate of fifteen percent (15%). This therefore means that if a person run any kind of business and have a business permit provided by the country government fall in this group and will have to pay a tax of 15% from fees to renew the business permit. But a person who fails to pay tax on the due date shall be liable to pay a late payment penalty of twenty percent of the tax due and payable.

Korang and Asante (2016) studied on the Tax Policy, micro business Compliance, Perception and Growth Relationship in Ghana. The main objective of this paper was to analyses the impact of tax policies on small and medium scale enterprises in Ghana. Data for this research was collected from primary sources from a sample of 200 respondents by administering questionnaires and interview guide. Purposive sampling techniques were employed in this research because respondents have information that is vital to this research process. The author identifies the main Challenges of micro business taxation as: Tax payers are illiterate can either be under-paying or overpaying, lack of expertise on tax laws is responsible for low tax compliance, registration of business for tax payments by micro business are not done voluntarily, whereas those who fail to register are fail to file their tax returns and accurately settle their tax liabilities.

Mashiri (2013) conducted the study on the Effectiveness of presumptive tax system in Zimbabwe. The researcher distributed questionnaires and conducted interviews to achieve the research objectives and used case study method. Purposive sampling technique was used to come up with a sample size of 300. The methods that can be used to determine presumptive tax can be classified into four categories these are: Methods that estimate the taxpayer's income based on the nature of the business and information on sales, employees, assets and location; methods that impute a return on business assets; methods that take into account a gross receipts or turnover and methods that estimate the taxpayer's income on the basis of external indicators such as personal expenditure and /or wealth. According to Zimbabwe used the lump-sum tax based on

the average income of a particular trade or profession since 2006. The main challenges of Presumptive Tax in Zimbabwe are: Lack of information on incomes, production, transactions, property records and inheritances is difficult to obtain, hard to set up the procedure estimating the relevant parameters to implement special tax regimes and the problem to tax Evasion .The research concluded that the implementation of the presumptive tax head in Zimbabwe has not been effective.

Verberne (2017) studied on the Uganda micro business taxation system lists nine different professions and five turnover bands with a progressive rate and applies micro business taxation with a turnover from Mushs10m-150m (\$2.60274-39.0422).

Mlay (2013) studied on challenges facing tax collection from micro taxpayers in Tanzania. The main objective of this study was to explore challenges of tax collection from micro business taxpayers in Tanzania. A descriptive research design was applied in Order to obtain researchable facts to various stakeholders in the micro business taxpayers. The study also employed interview and questionnaires for data collection from a sample size of 100 micro business taxpayers, 6 tax officials, 3 tax consultants and 1 DRD Regional Manager. The main challenges are most of the micro business transactions are done in cash basis and sometimes would not even accept bank cheques and also to eliminate all third party information leading to their purchases and sales, collection costs tended to be high in relation to the amounts collected and discretionary. Practically the Tanzanian revenue authority applied presumptive taxation method through the approach of standard tax assessment method. The study concluded that by exploring challenges of tax collection from micro taxpayers and to establish alternative mechanisms to improve tax collection at the informal sector and increase central Government tax collections performance.

In addition, Gaddis(2014) mentioned the presence of five turn over bands with a progressive rate and the system lists 8 different professions with a progressive rate and applies micro business taxation with a turnover less than Tsh. 20 Million(\$8,790.17).

Muuz (2015) evaluated the efficiency of standard assessment system for category 'C' taxpayers in Ethiopia. Specifically, the study discovers the practical applications of presumptive tax system

in Tigray as follows: The tax authority in Tigray apply daily sales estimations twice a year. The study shows, the main problem in the estimation were lack of technical knowledge on estimation, limited training, non-appearance of some assessors, lack of voluntary cooperation by tax payers to give information and understate the revenue at the time of reporting. In addition the amount of tax revenue collecting by the tax authority is small with or without considering the cost of administration of the income tax assessment. The researcher also specifies presumptive tax in Ethiopia as: In Ethiopia presumptive taxation has been exercised through standard and estimated assessments.

A research by Daniel and Shaik(2007) about factors affecting voluntary compliance of category ‘C’ tax payers’ attitude of Arbaminch, SNNPR. The study used descriptive research design and select 100 sample size from a total category; ‘C’ tax payers, used primary data collection techniques. According to the research the main challenges of small business taxation are: Taxpayers lack of knowledge , the presence of tax evasion by tax payers , Absence of tax equity ,tax payers lack or demotivated to fulfill their responsibilities, the presence of social and cultural influence of tax payers .The influence may come from peers, family, even from the society. The study concluded that lack of tax payers’ awareness is the main challenges of voluntary tax compliance.

Temtime(2014) about Business taxpayers’ satisfaction with the tax system in Addis Ababa, Ethiopia. The main objective of this study is to examine the satisfaction level of federal business taxpayers with the various aspects of business tax regime in Ethiopia. The study used descriptive research design and selects 200 sample sizes from total federal business taxpayers residing in Addis Ababa, used primary data collection techniques. The findings of this study shows that business taxpayers are not satisfied with the existing tax systems and the tax payers about the tax knowledge were the main challenges . The study concluded that the tax system is so complex and unfair, discretionary treatment by officers and existent of lack of monitoring in the tax authority.

2.3 Conclusion and knowledge gap

This chapter describes the relevant approaches of micro business taxation and various opinions exist about the best way to improve micro business taxation. Without motivation and close follow up most of the businesses will not pay tax.

According to Temtime(2014), tax knowledge is the main challenges of tax collection from micro business tax payers, since most of the owners of the business are illiterate, they cannot understand the tax rules and tax related proclamations, have not skills how to file the appropriate forms ,they cannot understand what is the reasons to pay tax to the government. So to improve the tax payer's knowledge helps to increase the revenue of the government.

Lack of fairness by the tax authority at the time of tax levied and collected continues as a great challenge since tax payers know the unfairness of tax collection, the rest of the tax payers motivated to evade tax.

Fauziati(2016) believed that the attitude of the tax payers affected by the service given by the tax office is the main challenge of the process of micro business taxation. The government must changes the attitude of tax payers by improving the service rendered for them and change the style of the system. In Indonesia the main challenges of micro business taxation is the perception of tax fairness, tax knowledge of tax payers and frequent changes of tax law (Fauziati,2016).

In most African countries like Zimbabwe and Tanzania use presumptive taxation by focusing to tax informal sectors. Those informal sectors are liable to pay tax in the system of presumptive taxation either in lump-sum tax or turnover tax. Similarly, various studies were made on the factors that affect micro business taxation in developing countries like Zimbabwe, Ghana, Tanzania and South Africa. More specifically, in the case of Ethiopia, to the knowledge of the researcher, even though, there were few researches made on specifically factors affecting tax compliance on micro business tax payers, there is no study on practice, perception and challenges of micro business taxation. This knowledge gap together with the problem statement presented in chapter one necessitated the conduct of this study.

CHAPTER THREE

Research Methodology

The preceding chapter indicated that the literature on micro business taxations. The purpose of this chapter is to present the research methodology adopting in this study by arranging it into four major sections. Hence, section 3.1 Presents overview of the research objective and specific research questions, section 3.2 Research approaches, 3.3 Research approach adopted 3.4 Conclusions.

3.1. Broad Objective and research questions

The overall objective of this study is to assess the practice, perceptions and challenges of micro-business taxation in Ethiopia focusing on the experience in Addis Ababa.

Based on this broad objective the following specific research questions (RQ) were developed:

RQ1. How is the current system of taxing micro businesses in Ethiopia in light of experiences in other countries?

RQ2. How is the perception of micro businesses operators on the tax system?

RQ3. What are the challenges of micro business taxation in Ethiopia?

3.2. Research approaches

Research approach can be considered as a blue print, a master plan that specifies the methods (Leedy & Ormrod, 2013). So every research requires a research design that is carefully examined to the exact needs of the problem under investigation (Greener, 2008). Therefore, the philosophy of different approaches is discussed in the next paragraphs:

Qualitative research approach: Qualitative research focused on detailed amounts of primary data from small samples by asking questions or observing behaviors (Greener, 2008). Qualitative research is helps to gain primary insights in to decision problems and opportunities. In this approach, the researcher makes knowledge claims based on the constructivist perspectives. It is also economical , timely to collect data and richness of the data(Creswell, 2009) .On the other

hand the qualitative research methods are difficult to generalize, unable to distinguish small differences, Hard to get well-trained investigators, interviewers, observers and difficult to make quantitative predictions and to test hypotheses and theories.

Quantitative research approach: In quantitative research the researcher depends on numerical data (Creswell, 2009). Quantitative research is commonly associated with surveys focuses on using formalized standard questions and predetermined responses options in the questioners or surveys administered to large number of respondents (Greener, 2008). The main benefits of this approach is that numbers are easy to work with data's are readily collected, coded, summarized, and analyzed. In addition, data collection is relatively quick and less time consuming and free from bias. But in this approach researchers know much about the collective or average experience of research participants, and focus on theory or hypothesis testing rather than on theory or hypothesis generation (Creswell, 2009).

Mixed research approach: This approach describes the combination of qualitative and quantitative methods. This method is used because of the controversy between qualitative and quantitative methods. Many senior managers maintain qualitative data are very subjective and face to human error and bias in data collection and interpretation. However, managers are using qualitative techniques with quantitative methods for business decisions. Because of the aforementioned reasons qualitative studies can combined with quantitative to increase the quality of the research. This method is advantageous that qualitative research compensates for the weakness of quantitative research and vice versa (Greener, 2008).

3.2 Research methods adopted

From the above available research methods mixed research methods was appropriate for this particular study. Because the research method which was used in doing this study, has both qualitative and quantitative nature. When applying in combination of qualitative and quantitative methods complement each other and facilitate complete analysis (Creswell, 2009). The advantage of this method is help to examine in-depth, gathering information from limited samples than a much more questionnaires and in addition surveys on taxpayers were used for this study. This study, therefore, consist of two phases in which a sequential explanatory mixed

method applied (Creswell, 2009) which is characterized by the collection and analysis of qualitative data in a first phase of the research followed by the collection and analysis of quantitative data in second phase that builds on the results of the initial qualitative result. Weight typically was given to the qualitative data, and the mixing of data occurs when the initial qualitative results informs the secondary quantitative data collection (Creswell, 2009). The two data base might be separate but connected; that means, data begin with qualitative phase (priority) followed by quantitative data. The researcher had a primary aim to collect qualitative data and had the quantitative data that provide supportive information. Therefore, in this study, the goal of the qualitative phase was to identify practice, perception and challenges of micro business taxation in both the tax office and tax payer's side and quantitative aspect was used to collect text data through closed- ended questions. A brief discussion of the two research components, including the research instruments and samples, along with the data analysis are as follows:

3.2.1 Qualitative aspect of the study

The purpose of the qualitative component of this study was to understand deeply the practices and challenges of taxing micro businesses in Ethiopia.

The study employed in-depth interviews. Interview participants were selected considering their knowledge of the micro business tax regime in Ethiopia. Interviews were conducted with employees from Ethiopian revenue and custom authority, Addis Ababa tax office and “Merkato Kuter Aned” tax office and tax payers to secure depth and detailed information, which in fact increases the quality of the information. Participants asked general questions, and the researcher exploring their responses to identify and define employees and micro business tax payer's perceptions, opinions and feelings about the practice and challenges of micro business taxation regarding the tax system. In-depth interview participants include 3 officials from Ethiopian revenue and custom authority, 2 officials from Addis Ababa revenue and custom office, 2 officials and 2 micro business tax estimation committee members from “Merkato Kuter Aned” tax office and 4 tax payers from Merkato area. Totally 13 individuals that have direct relation with micro business taxation were interviewed. The researcher used purposive sampling for this interview purpose. In addition to these the researcher reviewed different documents including the

training manual prepared by Ethiopian revenue and custom authority, federal income tax proclamation, the constitution of the Federal Democratic Republic of Ethiopia, tax regulations and other relevant documents. The results of qualitative component were used to inform the quantitative component of the study.

3.2.2 Quantitative Aspect of the study

The purpose of the quantitative aspect of the study was used to assess the perceptions of taxing micro business in Ethiopia. For this study survey strategy of inquiry was used. The purpose of the survey was to generalize from a sample to a population, so that inferences can be made about some characteristic, attitude, or behavior of this population. Therefore, the adoption of survey design in the study is helpful in order to represents a wider population, provides descriptive, inferential and explanatory information, gather data on a one-shot basis, or gathering of information that will not available from archive records (Yesegat, 2009). In addition to the mode of collecting data, a sample survey is concerned with issues including sampling and instrument designs. The subsequent subsections, hence, present sample design and survey instrument in respect of this study.

3.3.2.1. Population and Sampling design

According to ERCA (2017) in May, 2017 at the time of micro business tax estimation the number of micro business operators were 225,529 in Addis Ababa. The sampling framework for this study was 2180 micro business taxpayers residing in “Merkato Kuter Aned” tax office, Addis Ababa. Since in “Merkato Kuter Aned” almost all types of business activities are present and it covers wide area and it is one branch of Addis Ababa revenue and custom office.

As ketema Derara site(2016),“Fowler (1984) indicated that for a population, the level of precision increases steadily up to sample sizes of 150 to 200”. The most important characteristic of a sample, therefore, is its representativeness, not its size.

By considering Fowler (1984) and observing the researchers’ time and financial resources into consideration, the researcher selected a sample of 150 micro businesses in Merkato, Addis Ababa. In addition, in order to minimize difficulties such as; inactive business, closed business, refusal rates and other reasons for failure to conduct survey, 10% (15) of the sample size is

taking as reserve. So a sample of 165 micro business taxpayers was selected from a population of 2180 micro business taxpayers in “Merkato Kuter Aned”, Addis Ababa. For the choice of sample size, the researcher had different opinions. For instance, some researchers noted that the choice of sample size is normally made after considering practical issues and available resources (e.g cost and time).

Stratified random Sampling was used. This technique was choosing because the sampling frame could be categorized into relatively homogeneous groups (strata) in their business type. The stratum designed based on their type of sectors includes; such as fast food house, “Gesho ena bekel chercharo” Old metal maintenance work, tea and coffee house, and small shop.

After stratification, random sampling technique from the probability methods was used to draw the final sampling units which were made to be proportional to the total number of enterprises in each stratum.

Table 3.1 Sampling proportion

No	Sector	Total enterprise	Sample size determination by proportion	Samples taken
1	Fast food house	530	Group one = $\frac{530 \cdot 165}{2180}$	40
2	“Gesho ena bekel chercharo”	150	Group two = $\frac{150 \cdot 165}{2180}$	11
3	tea and coffee house	549	Group three = $\frac{549 \cdot 165}{2180}$	42
4	small shop	878	Group four = $\frac{878 \cdot 165}{2180}$	66
5	Old metal maintenance work	73	Group four = $\frac{73 \cdot 165}{2180}$	6
Total		2180		165

Source, field survey(2017)

3.3.2.2 Instrument design and actual conduct of the survey

The study employed structured instrument. The instrument was developed based on the literature and results of in-depth interviews with key informants. The questionnaire divided into two parts: The respondent profiles and business profiles and respondents perception on the tax system. The questionnaire was prepared in English and Amharic language (See in appendix 2). 13 individuals were approached through a face-to-face kind of questioning and answering procedure based on the issues included in the interview questionnaire. The survey questionnaire involved close-ended questions employed to get quantitative data. The instrument used a five point Likert scale ranging from 1 – “Strongly Disagree”, 2_disagree, 3_neutral, 4_agree to 5 - “Strongly Agree”. The survey questionnaire had a cover letter which explained the purpose of the study to encourage candidate response to the study. The letter also explained the anonymity of the respondents would be maintained. Therefore, confidentiality of the respondents was assured as the respondents were not requested to provide their names or any other information that could be used to identify them in person in the questionnaire. Considering the costs and time of the researcher, the survey was conducted using self-administered questionnaire approach. 165 survey questionnaires were distributed directly at working place of randomly selected micro business but only 130 were completed and returned (78%), and 35 of them were determined unreturned . As result, this study has based on 130 (78%) returned and well completed questionnaires. The survey was conducted in May 2018 and the researcher conducted the survey with the assistance of five individuals.

Data Analysis methods

The qualitative data were analyzed along with the main themes developed in the course of conducting in-depth interviews and reviewing relevant documents. The survey data was analyzed using descriptive analysis where the tendency of the results with respect to the perception of taxpayers on aspects of the tax system was analyzed.

3.4 Conclusions

Data for the study was gathered from both qualitative and quantitative sources. In depth interview was used as a major instrument of qualitative data collection. Employees from the tax offices, micro business tax estimation committees and micro business tax payers were approached through in-depth interview. The questionnaires involving close -ended questions employing to get quantitative data used as a supportive of the results of in-depth interview.

Generally, the study used in-depth interview and self-administered structured questionnaires to get qualitative and quantitative data from micro business tax payers and officials.

CHAPTER FOUR

Results and Discussion

The previous chapter presented the methodology used in the thesis. More specifically, the chapter showed the different research approaches, methods of data collection, and analysis adopted in the study. This chapter presents the results of the various data collection methods and analysis in the context of the existing knowledge reviewed in chapter two. Accordingly, this chapter is categorized into three sections; the first section (4.1) presents overview of the research objective and specific research questions and in the second section (4.2) presents the results of the in-depth interview and document analysis and the survey. This is followed by discussion of the results of data acquired through different sources in section 4.3.

4.1 Objective and Research questions

As shown in the preceding chapter the broad objective of this study is to assess the practice, perception and challenges of micro-business taxation in Ethiopia focusing on the experience in Addis Ababa. To achieve this broad objective the following specific research questions were developed:

RQ1. How is the current system of taxing micro businesses in Ethiopia in light of experiences in other countries?

RQ2. How is the perception of micro businesses operators on the tax system?

RQ3. What are the challenges of micro business taxation in Ethiopia?

4.2 Research Results

One of the purposes of this study is to assess the practice, perception and challenges of micro-business taxation in Ethiopia. The principal data sources to this end are documentary analysis, the in-depth interview conducted to tax officials, employees, tax assessment committee and micro business tax payers and survey conducted to micro business taxpayers in "Merkato Kuter Aned". Thus, the following discussion presents the results of documentary analysis, in-depth interview as well as the survey result in section 4.2.1 below:

4.2.1. Qualitative Results

The purpose of this section is to show the qualitative results. The qualitative data were gathered through documentary analysis and in-depth interviews. Accordingly, it covers results of document analysis and the in-depth interview in section 4.2.1.1 and 4.2.1.2 respectively.

4.2.1.1 Documentary Reviews

The researcher reviewed different documents to conduct this thesis, including the federal income tax regulation No. 410/2017, federal income tax proclamation No.979/2016 and 2017 training manual of Ethiopian revenue and custom authority and other relevant resources.

As noted earlier, micro businesses (which are named as Category C) are individual traders with annual gross income of ETB 500,000 and less. In taxing this segment of taxpayers, the government uses a turnover based presumptive approach. In this regime, according to federal income tax regulation No.410/2017, there are 99 micro business activity types and 19 turnover bands. The turnover based presumptive schedule prescribes the tax amount for each business activity type and turnover band group. Accordingly it provides the tax amount ranging from zero ETB whose annual turnover less than ETB50, 000 up to ETB 34,500 whose annual turnover from ETB475, 001-500,000(applies in kindergarten, advertisement and event management service, renting of house and parking service, night club only, consultancy service, construction materials renting, accounting/audit/ service, vehicle renting and transit service.

The assessment of tax under the turnover based presumptive regime in Ethiopia is based on daily sales and then annual turnover estimates which are required to be undertaken once in 3 to 5 years period. The Ethiopian revenue and custom authority assessed tax due from each micro business through daily sales estimation. Recently, in May 2017 the government estimated daily sales of micro businesses across the country. The procedures followed in the estimation appear to be very similar. The May 2017 estimation was carried out after six years from the previous and it was after the increase in the micro business tax threshold from ETB 100,000 to ETB 500,000.

The Ethiopian government formed different tax estimation committees to estimate the daily sales of the micro business in all regional states and city administrations. According to ERCA (2017), in Addis Ababa; at city level, in each sub city and in each woreda level there was one main committee was formed having 17, 13 and 12 members respectively. Their main duties were to control the overall activities of micro business tax estimation in their own destination. In addition to estimate the daily sales of micro businesses, 491 daily sales estimation committees were formed. In estimating daily sales/ income of each micro business, the committees considered such indicators as employee's number, uses of different equipment by the business, the life styles of the business owner, and existence of additional source of income, among others.

4.2.1.2 Interview Results

The researcher interviewed 13 individuals (9 from tax office and 4 from tax payers). In Addis Ababa there are 10 sub cities and 111 woredas (Addis Ababa city administration, 2017). According to “ERCA officials (2017)”, in Addis Ababa there were three main committees formed; at city level, in each sub city and in each woreda level there were one main committee was formed having 17, 13 and 12 members respectively. Their main duties were to control the overall activities of micro business tax estimation in their own destination. In Addis Ababa a total of 491 micro business tax estimation committees were established and each committee had four members. The members are formed from different office, which constitutes two members from revenue office, one member from finance and economic development office and the rest one member from trade and industry office. The committee members from trade office were included, because they have knowledge about the activities of different business and the reason why the committee members from finance and development office participated in the daily

income estimation of micro business taxation was to help and observe the activities as neutral body.

The results of in-depth interviews in respect of daily sales estimation practices and issues, views of taxpayers on the tax system and challenges of taxing micro business are presented as follows:

A. Daily Sales Estimation Practices and Issues

Addis Ababa tax office trained the micro business tax estimation committee members for 6 (six) consecutive days. The training focused on tax rules, procedures, how to approach the tax payers, which type of questions to be asked to tax payers, how the data is collected and recorded, how to filter the data obtained from tax payers , how to fill different formats prepared by ERCA and how to compile data's.

Besides to this, Addis Ababa tax office tried to train the micro business operators for few days. The tax estimation was mainly depending on the daily income of the micro businesses and to strengthen this daily income estimation, they were using different indicators. Among the indicators:- observing different tools used by the business, number of employees involved in the business with their salaries, the location of the business, the life style of the business owner (personal expenditure) and if necessary seeing the bank account of the business owner are mentionable. But According to Addis Ababa tax officials, 85% of micro business owners in Addis Ababa were hiding their goods and a few amounts of them were also closing their shop or place children in the shop who are not able to give any information to the estimation committees. This situation hinders the duty of tax estimation committees and the government incurs additional cost.

When the estimation committees finished the data collection, they present all collected data to the tax assessment and collection department. The tax assessment and collection department calculate the tax amount of each micro businesses based on the given data and the micro business tax law. After the calculation over, the tax office had to inform the business men about the amount of tax they should pay. Based on the tax officials, the tax office informs the total annual turnover (annual income of the micro business) instead of informing annual income tax. So that the tax payers considered the annual income announced by the tax office as tax liability.

In this case all tax payer's complaints that the tax liability which they were asked to pay is more than their capacity.

As indicated by Addis Ababa tax office, in each woreda the number of tax employees are few, and they are unable to assess the whole micro business tax payers during tax estimation period. Due to these reason employees from sub cities included as committee members in all woredas. But in sub cities, the number of tax employees that have knowledge and direct experience about micro business taxation are also few. They were not incorporate even one personnel for each committee. For this interview special focus in "Merkato Kuter Aned" revenue office as: In "Merkato Kuter Aned" tax office, employees that have direct relation about micro business taxation are few in number. For the purpose of daily sales estimation, 18 committees were formed. Due to lack of experienced employees, the tax office included employees from different departments as committee members. Committee members from finance and trade office did not have knowledge about micro business taxation. In this case, the tax estimation committee did not finish the duties properly and collected inflated data which leads to imposing high tax liability to micro business operators. Lastly these situation results, to raised huge number of micro business tax payer's complaints to the government.

Besides that the committee members were not able to aware the tax payers community about the aim of micro business tax estimation, and its significance to the country. Practically this skill gap of the estimation committee results the micro business tax payers not to have a right belief on the government.

B. Views of taxpayers towards the tax system

As micro business tax payers indicted that, the tax system of Ethiopian revenue and custom authority is not suitable to address the tax payer's problem on time. As many interview participants showed, the tax authority does not solve taxpayer's complaints properly. The tax system is not conducive for micro business operators. First of all, the system does not motivate to present complaints, next at the time of applying complaints to look for the right personal is difficult. After applying the complaints, to get the solutions takes a long period of time and it needs frequent move from office to office.

Most of the micro business tax payers believed, in 2017 the government imposed high tax; this high amount of tax was the result of tax policies. Due to these reason micro business tax payers see the tax policies in Ethiopia as complicated document and the complication also prepared deliberately by the government.

C. Challenges of Micro Business Tax System

Interviews with key informants revealed a number of challenges in applying the standard assessment scheme in Addis Ababa. The key challenges include issues in dispute resolution; lack of fairness in estimating daily sales, clarity and simplicity of tax procedure. The interview result on micro business tax system presented related to complaints resolution process and challenges of tax administration:

Complaints resolution process

It was situated that the tax payers can Complaints in three stages. As per the tax officials, at first stage, the main duty of the complaints committee was doing awareness creation about the true tax liability. In this stage almost all tax payers present their complaints and most of the tax payers got belief and leaved their complaints. The rest which did not get their answer at the first stage continued their complaints to the second stage. But in the third stage the complaints committee selecting from well experienced officers and form as a team. This committee becomes functional still today. At “Merkato Kuter Aned” tax office, in general 782 micro business tax payers had got their tax liability complaints. From the total complaints presented by the micro business 518(66%) complaints has decided to stay as it is. And the other 208(27%) has got tax reduction, and the case of 56(7%) complainers are in process about their complaints.

According to the tax officials, the main reason why many complaints raised are: The tax office announced the total annual turnover and the tax payers consider the total annual turnover as tax liability, at first stage complaints hearing members did not start their work on time, since all micro businesses applied their complaints at the same time faced shortage of human power to handle the complaints. Besides to these, those who appoint to settled complaints are inexperienced and unable to aware taxpayers about the micro business taxation process are the main reasons.

According to Addis Ababa tax officials, there were also members out of the business community who were enforcing the business men to raise their complaints up to the last stage in order to use them their political consumption since 2016/17 was the period of political instability in Ethiopia. Some business men also continued complaining by believing to get unnecessary treatment and tax reduction.

However; the tax payers said, the main reasons of micro business men complaints are: The estimation committees did not elaborate clearly about the tax estimation procedure, lack of equal treatments, lack of awareness of the tax payers and the presence of tax reduction related to relatives (nepotism).

In addition the tax payer's believed that, the tax office gave special emphasize for tax payers categorized under category A and B. For micro business tax payers observed by officials once a year only, there was no frequent contact between micro business tax payers and tax office. This system does not motivate to improve the awareness level of micro business tax payers.

Fairness of levying taxes

Most micro business tax payers believed that, the tax levying by the government was high and its amount also varies from business to business even they have the same status and their activities are also similar. Because the estimation committees collected inflated data from the survey. The system of tax administration is weak from knowing and registering how much micro business tax payers are presented with full information. Close follow up, supervision and supports are weak. Due to these, the government lacks its income since some of the micro business tax payers still found out of the tax system and control. In addition, micro businesses have the same statuses but different amount of tax payment create negative perception upon the micro business tax payers.

Clarity and simplicity of tax procedure

As indicated by micro business tax payers: The tax procedures followed by the tax authority are not clear and easily understandable. According to the tax estimation committees: when the tax estimation committees asked different questions that helps to collect clear information's like ,Daily income of the business, number of employees, equipment's used by the business

,expenses incurred by the business and the like takes time and the procedure becomes bowering. In the determination of micro business taxation amount the process is not clear for tax payers, and the payment procedure also takes time because of, internet connection problem, lack of good service by employees, shortage of staff members, etc.

Nepotism in the tax administration system

According to the micro business operators, in the tax system nepotism is one of the activities done by the tax officials. To get better service from the office and to reduce the amount of tax liability the role of nepotism plays great share. According to the micro business tax payers, most of the employees in the tax office want to get cash from tax payers to accomplish their duties. On the other hand most tax payers also motivate the employees to become corrupted because they want to get different services in short way.

Tax payer's awareness problem

As per the tax officials, those micro business tax payers whose taxes are based on daily income estimation do not have enough awareness about tax and its benefit , they do not understand that they are paying taxes for themselves and they only believe tax is the benefit of the government. Due to these, when they see the person who is coming from the tax authority to estimate the daily income, they consider them as their enemy and also they do not give the right information about their daily income and related information. Most micro business tax payers are tried to underestimate their daily sales income and this enables the government not to get the right revenue from micro business tax.

Micro businesses changing the business type illegally

According to employees in the tax office, some micro businesses transfer their business (transfer of owner ship) to their relatives and they shift to other field in order to escape from the payment of tax without the knowledge of the tax office. Sometimes the business type disappears from the place totally. It creates a great challenge for tax estimation committees. This situation frequently observed on those businesses taxed based on daily income estimation with their gross income is very small. Because of these reasons they want to search other alternatives by selling all business to other one, and change their job. Simply due to this case they escape the payment of tax. This

situation able the government to lose its income. Besides this, those other taxpayer initiated to do the same action in order to escape from tax liability as their former business friends. This is a great challenge for tax office that hinders their activities.

Presented wrong evidence by tax payers

Micro business tax payers whose taxes determined based on daily income are not obligated to prepare and presented book of accounts. But, the law enforces them to tell frankly how much is their daily income, how much their expenses related to the business, and related other information's. When the tax estimation committees survey the daily income and other indicators, micro business tax payers understate their daily income and overstate their expenses. To verify the correctness of the information presented by the micro business takes additional time, human power and related costs was a great challenge. Some micro business operators use different mechanisms to lower the payment of taxes. At this time other micro business owners motivated (forced) to see different alternatives to minimize the tax liability as like a business found in neighbors. This situation is common in most micro business and is a great challenge that affects the duties of the daily sales estimation committees and has psychological impact on tax payers that paid their tax on time and the true amount.

Saving problems by tax payers

According to Ethiopian revenue and custom authority, profit income tax from tax payers collected once in a year. Due to this schedule micro business tax payers also paid their tax liability once in a year especially from Hamile 1 up to Hamile 30. So that they forget what they should have to pay taxes to the government till the payment day reaches. They spend their daily income without saving some amount of it. Even if, they understand that the tax laved on them is right, they are not able to pay the amounts. To escape from this event they want to get tax deduction by claiming the tax laved on them is over. They complaints continuously. To solve these problems became a major challenge for the tax office as well as complaints committees.

Services of the tax office

According to the tax payers, in the tax office most of the employees are fresh graduates, they are inexperienced and their skills are also poor. Almost all tax officials have behavioral problems

when they deliver services to tax payers. In addition ,internet connection, location of branch office are uncomfortable to easily access, poor cooperation of employees, employees lack of responsibilities, availability of electrical power are poor and the presence of continues meetings of officials. Due to the above factors ,services delivered to tax payers by the tax office delay for several days, unable to get solutions for their complaints on time or not at all are considered a great challenge that the tax payers facing.

The presence of Political interference

As per tax officials from Merkato Kuter Aned tax office, the daily sales estimation was influenced by officials from the tax office who have had some relationship with taxpayers. All Addis Ababa woredas , there was one main committee that leads the whole situation of tax estimations process in 2017. The committee members were political leaders from different offices. Most political officials have connection with the micro business owners directly and indirectly. Due to this, political leaders tried to interfere and want to deduct the amount of payment by the micro business to the government. This situation strongly continued from year to year by giving warning to the tax employees. In the other side different private political organizations have their own contributions by motivating taxpayers to apply complaints strongly.

The prevalence of informal business operators

In Addis Ababa city administration and other parts of Ethiopia there are many informal sectors that participate in the day to day business activities equally like formal micro businesses, get high income but have not liability to pay taxes. According to Addis Ababa tax office, in 2017 G.C the micro business tax estimation committees assessed and registered 8,000 illegal micro business operators to activate their business many years without paying tax. This situation demotivated the micro business tax payers to continue their business in a legal way, rather to close their formal business and involved in the informal sector to avoid the tax burden.

4.2.1.3 Survey Result

The purpose of this section is to show the survey results. Accordingly, it covers the respondents' profiles, practice and challenges of micro business taxation in Ethiopia respectively.

1 .Respondents' and businesses' profile

As mentioned earlier, the population of “Merkato Kuter Aned” micro business taxpayers in Addis Ababa city were 2180.

Table 4.1 Response rate

Particulars	Frequency	Percent
Responded	130	78
Non Responded	35	22
Total	165	100.0

Source: Taxpayers survey

The sample size of 165 was determined using simple random sampling. A total of 165 questionnaires were administered to these taxpayers and at the end of the field work, a total of 130 usable questionnaires were retrieved representing 78% response rate (4.1).

Table 4.2 Gender of respondents

Sex	Frequency	Percent
Male	80	61.5
Female	50	38.5
Total	130	100.0

Source: Taxpayers survey

The survey respondents comprised of 80(61.5%) males, 50 (38.5%) females. It could be concluded that men draw a high level of participation in micro businesses than females in Merkato Kuter Aned branch office (figure 4.2).

Table 4.3 Respondents by age group

	Frequency	Percent
18-25	5	3.8
26-35	26	19.7
36-45	49	37.1
46-55	40	30.3
more than 55	10	7.6
Total	130	100

Source: Taxpayers survey

The age distribution of the respondent who participated in the study is provided in table 4.3 above. The sample age categories were divided with a range of 18 years up to age more than 55. Accordingly, the results showed that majority of respondents in the micro businesses are 49(37.1%) were aged between 36 and 45 years old and 40 (30.3%) were between 46 and 55 years of age. Respondents in the group from 18-25 years old were the lowest number with 5 responses which represent 3.8% of the total respondents, while 26(19.7%) were between 26-35 years old .while 10(7.6%) were more than 55 years old . This is an indication that most taxpayers in the sample are at their matured ages and information given to this study is free from emotional (Table 4.3).

Table 4.4 formal education of respondents

	Frequency	Percent
High school completed	64	49.2
Diploma completed	46	35.4
First degree completed	9	6.9
If other	11	8.5
Total	130	100.0

Source: Taxpayers survey

It is obvious that the ability to read and write influences one's ability to understand and interpret the tax laws. With this regard the survey collected the formal educational background of the respondents and the survey result shows that 60 respondents had high school completed and 46 respondents had diploma holders, each of them account to 49.2% and 35.4% of the total

respondents respectively. On the other hand, the numbers of respondents who were first degree and other holders were 9 and 11; each of them representing 6.9% and 8.5% of the total respondents respectively. Cumulatively, all of the respondents were in possession of at least reading and writing (4.4).

Table 4.5 Respondents position in the business

	Frequency	Percent
Owner	69	53.1
Manager	3	2.3
owner and manager	47	36.2
Employee	11	8.5
Total	130	100.0

Source: Taxpayers survey

Considering the position of the respondent in the business, it can be seen that the largest proportion of respondents was owners 69 (53.1%) of the business as compared to others. Next owners and managers consists of 47(36.2) respondents. The managers and employees of the business were represented by 3(2.3%0% and 11(8.5%) respondents respectively. It could be concluded that most of the micro businesses in Addis Ababa, in Merkato in particular are operated by the owners of the business (Table 4.5).

Table 4.6 Respondents businesses activity

	Frequency	Percent
Fast food house	30	23.1
Geshi ena bekel cherecharo	9	6.9
Old metal maintenance work	4	3.1
tea and coffee house	32	24.6
small shop	55	42.3
Total	130	100.0

Source: Taxpayers survey

In Merkao kuter Aned tax office divided micro businesses into five groups for reporting purpose. From the sample respondents 55(42.3%) of respondents are participate in small shop sector, 32 (24.6) respondents are engaged in tea and coffee houses, 30(23.1%) of respondents are worked in fast food house. The rest 4(3.1%) and 9(6.9%) engaged in old metal maintenance work and Gesho and Bekel chercharo respectively (Table 4.6).

Table 4.7 Respondents annual turnover(2017)

	Frequency	Percent
0-100,000ETB	53	40.8
100,000-200,000ETB	32	24.6
200,000-300,000ETB	27	20.8
300,000-400,000ETB	10	7.7
400,000-500,000ETB	8	6.2
Total	130	100.0

Source: Taxpayers survey

As can be seen from table 4.7, 53(40.8%) of the respondents generate annual turnover ranging from Birr 0 to Birr 100,000; 32(24.6%) respondents their annual turnover is from 100,000-200,000ETB, 27(20.8%) of respondents annual turnover is between 200,000-300,000ETB. The rest 10(7.7%) and 8(6.2%) respondents annual turnover is from 300,000-400,000ETB and 400,000-500,000 ETB respectively. From this most of micro business tax payers annual turnover is few (Table 4.7).

Table 4.8 Period of business operation

	Frequency	Percent
less than two years	25	19
2-5 years	59	45
5-10 years	39	30
more than 10 years	7	5
Total	130	100

Source: Taxpayers survey

The number of years one has been in business has an influence on his/her taxpayers' experience and level of paying taxes. For those who have done business for long implies they are used with the routine practices of paying taxes to tax authority. Accordingly, the respondents were required to indicate their working experience related tax issue and findings of the survey shows that 59 (45%) indicated that they had 2 to 5 years of experiences in business, 39(30%) of the survey respondents indicated that they had 5 to 10 years of work experience, 25(19%) had less than two years' experience, while 7(5%) had more than 10 years of experience, in the business. Therefore, it can be said that the business taxpayers had relatively average experience in the business environment. So they can be understood the tax related issues (Table 4.8).

2. Respondents' perception on daily sales estimation practices

Respondents' perception about the process, practice, system and challenges of micro business taxation addressed by the following tables. In addition outlooks of respondents on the tax system also provided.

Table 4.9 Process of micro business taxation

	Strongly disagree		Disagree		Neutral		Agree		Strongly agree		Mean	St.dv
	No	%	No	%	No	%	No	%	No	%		
Tax estimation is full of subjectivity	1	0.8	9	6.9	4	3.3	94	72	22	16.9	3.98	.74
The estimated daily sales do not reflect realities	2	1.5	8	6.1	3	2.3	93	70.5	24	18.2	3.99	.77
Estimation committee members do not have experience about micro business taxation	1	0.8	9	6.8	2	1.5	96	72.7	22	16.7	3.99	.73
Tax payers hide their stock/goods	7	5.3	23	17.4	3	2.3	78	59.1	19	14.4	3.6	1.10
Tax payers do not answer estimation committees questions honestly	8	6.1	27	20.5	2	1.5	74	56.1	19	14.4	3.53	1.15

Source: Taxpayers survey

The respondent micro business taxpayers were asked to indicate the level of agreement about the practice of micro business taxation like subjectivity of tax estimation, estimated realities of daily sales, experience of estimation committee members, hide of stocks by tax payers and tax payers' responses about the question asked by tax estimation committees.

Related to the tax estimation by the tax assessment committee, most value of the respondents shows the presence of tax estimation subjectivity with a mean of 3.98 and standard deviation of .74.

With regard to the realities of estimated daily sales most of the respondents feeling shows the estimated daily sales are not fair. We can understand from this response the majority of the respondent agreed that the estimated daily sales did not show the reality. So that from the survey result concluded that most of the respondents are in the range of agreed and this supported by mean of 3.99 and standard deviation of .77.

In relation to the assessment committee members experience on micro business taxation 72.7% and 16.7% respondents respond agree and strongly agree for the tax estimation committee members do not have experience related to micro business taxation. As per the survey result most of the respondents agreed that the micro business estimation committee members are not experienced related to micro business taxation with a mean of 3.99 and standard deviation of .77.

From the table above the respondents believed the presence of stock hide by the tax payers with a mean value of 3.6 and standard deviation of 1.10.

56.1% and 14.4% of the respondent agree and strongly agree about the tax payers do not answer the questions asked by the tax estimation committee at the time of micro business tax assessment. So, from the survey result we can concluded most of the respondents agreed that the tax payers are not volunteer to give the correct information to the micro business tax estimation committees' questions with a mean value of 3.53 and standard deviation of 1.15.

In general, it is clear from the finding that about more than half of the respondents reported that the overall practice of micro business taxation face different problems (Table 4.9)

3. Perception of Taxpayers towards tax complaints handling

Micro business tax operators were asked about the complaints handling process of the tax office and compiled by the following table

Table 4.10 Perception of tax complaints handling

	Strongly disagree		Disagree		Neutral		Agree		Strongly agree		Mean	St.dv
	No	%	No	%	No	%	No	%	No	%		
Complaints were solved on time	95	72	23	17.4	7	5.3	4	3	1	0.8	1.41	.79
Complains solved fairly	100	75.8	21	15.9	5	3.8	3	2.3	1	0.8	1.34	.73
Complaints address properly	90	68.2	32	24.2	3	2.3	4	3	1	0.8	1.42	.75
Happy with the decisions made on our complaints	103	78	28	15.2	4	3	3	2.3			1.28	.63

Source: Taxpayers survey

With regard to tax complaints solved on time 89.4% of the respondents assured the tax complaints did not solve on time. Within the mean value of 1.41 and standard deviation of .79 the majority of the respondents said that to get solution for their complaints takes a long period of time.

In relation to tax complaints solved fairly: 91.7% respondents indicated tax complaints solution is unfair. As per the survey result most of the respondents disagreed about fair solution for the tax complaints with the mean value of 1.34 and standard deviation of .73.

In connection with the tax complaints addressed properly 92.4% respondents are responds the tax complaints were not addressed properly. So, from the survey result most of the respondents concluded that tax complaints addressed improperly with the mean value 1.42 and standard deviation of .75.

The tax payers satisfaction about the decisions made for their complaints 93.2% of the respondents are not happy about the decision's related to the tax complaints. From the survey result the majority of the respondents are dissatisfied about the decisions given by the tax authority for their complaints with the mean value of 1.28 and standard deviation of .63.

In general, it is clear from the finding that about more than 80% of the respondents reported that the overall tax complaints system of micro business taxation had in problem (Table 4.10).

Table 4.11 Views of micro businesses operators on the tax system

	Strongly disagreed		Disagree		Neutral		Agree		Strongly agree		Mean	St.dv
	No	%	No	%	No	%	No	%	No	%		
Since the tax payers did not delegate in the tax assessment committee have an impact on the determination of tax liability.	6	4.5	27	20.5	7	5.3	27	20.5	63	47.7	3.88	1.33
The tax payers shift the trading materials/ stock to other areas when the tax assessment committee come to business location	3	2.3	16	12.1	8	6.1	73	55.3	30	22.7	3.85	.98
Revenue and custom authority levy tax on tax payers according to ability to pay	115	87.1	10	7.6	4	3	1	.8			1.16	.49
The tax rules, regulations, and procedures applied currently by the tax office are easily understood by the tax payers	20	15.7	105	80.5	4	3	1	.8			1.89	.45

Source: Taxpayers survey

According to the above table 68.2% of the respondents feels the absence of tax payers delegation in the tax assessment committee members have an impact on the result of the micro business tax estimations, From the survey result majority of the respondents agree that the absence of tax payers' delegation in the tax assessment committee members have a problem on the result of estimated micro business taxation with mean value of 3.88 and standard deviation of 1.33.

78% respondents agreed that the tax payers shift their stocks to other areas at the time of the micro business tax estimation committee arrived .From the above table the majority of the respondent agreed for the presence of stock shift by the tax payers at the time of tax assessment with a mean value of 3.85 and standard deviation of .98.

It is expect that all tax payers pay tax to the government according to ability to pay principle. As the above table 94.7% respondents argues practically this principle applied in the opposite direction. So, from the survey result most of the respondents disagree for the application of the ability to pay principle with mean vale of 1.16 and standard deviation of .49.

The tax rules, regulations and procedures are easy to understand helps to facilitate the tax collection system and decrease the tax complaints. As in the above table 95.3% of the response disagrees easiest of the tax rules ,regulations and procedures for understanding. As per the survey result agrees that the tax rules, regulations and procedures are difficult to understand with mean value of 1.89 and standard deviation of .45

Table 4.12: Perceptions on the system of micro business taxation

	Strongly disagree		Disagree		Neutral		Agree		Strongly agree		Mean	St.dv
	No	%	No	%	No	%	No	%	No	%		
The tax payment system is clear and simple	21	159	103	78	4	3	2	1.5			1.9	.49
The tax rate in Ethiopia in general is very high			3	2.3	7	5.3	27	20.5	93	70.5	4.62	.69
The tax office treated tax payer well and on time	102	77.3	23	17.4	2	1.5	3	2.5			1.28	.61
Those having the same income pay the same tax and vice versa	108	81.8	16	12.1	4	3	2	1.5			1.34	.73
All required business traders get registered as tax payers	114	86.4	11	8.3	3	2.3	2	1.5			1.18	.53
The current system of determining tax liability for micro businesses is not working well			2	1.5	3	2.3	29	22	96	72.7	4.68	.59

Source: Taxpayers survey

With regard to clarity and simplicity of the tax payment system 93.9% of the respondents implies the tax payment system is not clear and simple to the tax payers. From the survey result majority of the respondents disagreed about the clarity and simplicity of the tax payment system with the mean value of 1.9 and standard deviation of .49.

In relation to the tax rate 91 % of the respondents' replies the tax rate applied in Ethiopia are generally high. As per the survey result most of the respondents agreed for the presence of high tax rate in Ethiopia with a mean value of 4.62 and standard deviation of .69.

As the above table 94.7% of the respondents (told the tax office treatment is not well and not delivered the service on time. From the survey result majority of the respondents concluded that they are not satisfied by the tax office treatment with a mean value of 1.28 and standard deviation of .61.

As per the tax payers response 93.9% of the respondent agreed those having the same income did not pay the same amount of tax liability and vice versa. From the survey result most of the respondents agreed that tax payers having the same income did not pay the same amount of tax liability to the government with the mean of 1.34 and standard deviation of .73.

94.7% of the respondent indicated there are many micro businesses out of the tax -net because of unregistered by the tax office. As per the survey result the majority of the respondents concluded that there are many micro business operators those are not registered as tax payers by the tax authority with a mean value of 1.18 and standard deviation of .53.

Lastly 94.7% (strongly agree and agree) of respondents agree for the function of the current system of micro business taxation is in problem. As per the survey result most of the respondents agreed that the current micro business taxation system has problems with mean value of 4.68 and standard deviation of .59.

Generally more than 90% of the respondents agree the current system of micro business taxation faces different challenges like high tax rate (Table 4.11)

Table 4.13: Perceived challenges of micro business taxation

	Strongly disagree		Disagree		Neutral		Agree		Strongly agree		Mean	St.dv
	No	%	No	%	No	%	No	%	No	%		
The awareness creation program prepared by ERCA creates a good awareness about the tax rules and procedures.	20	15.2	108	81.8	1	.8	1	.8	-	-	1.87	.42
The tax payers present wrong evidence to the tax assessment committee.	3	2.3	16	12.1	7	5.3	73	55.3	31	23.5	3.87	.99
Micro business tax payers have not enough knowledge related to tax rules, procedure and principles.	3	2.3	13	9.8	7	5.3	80	60.6	27	20.8	3.88	.92
micro business tax payers motivated by peer pressure not to pay tax liability	3	2.3	12	9.1	6	4.5	85	64.4	24	18.2	3.88	.89
The presence nepotism has an impact on the process of micro business taxation	2	1.5	13	9.8	6	5	87	69.9	22	16.7	3.89	.86
The presence of illegal business practice demotivated the legal tax payers to pay their tax liability	3	2.3	12	9.6	7	5.3	84	63.6	24	18.2	3.87	.89

Source: Taxpayers survey

Ethiopian revenue and custom authority tries to improve the awareness levels of the tax payers through different mechanisms. As in the table above 97% of the respondents (strongly disagree and disagree) surprisingly they are dissatisfied by the awareness creation program organized by ERCA. From the survey result most of the respondents are unhappy by the awareness creation program organized by the tax office with a mean value of 1.87 and standard deviation of .42.

78.8% of the respondent agreed that the tax payers present (tell) wrong evidence for the tax assessment committee. We can conclude most of the respondents show that the tax payers present wrong evidence with the mean value of 3.87 and standard deviation of .99.

The tax payers knowledge about the tax rules, regulations and procedure have a great impact on the application of a good tax system. In table 4.13, 81.1% of the respondents (strongly disagree and disagree) replied they have not enough knowledge about the tax related rules, regulations and procedure. From the survey result most of the respondents agreed that they have not enough knowledge about the tax rules, regulations and procedures with mean value of 3.88 and standard deviation of .92.

With regard of the peer pressure on the tax payment system 82.6% respondents indicated the presence of peer pressure encourages not to pay the true tax liability to the government. As per the survey result most of the respondents agreed that they are motivated by their peer pressures for not to pay tax liabilities with mean value of 3.88 and standard deviation of .89.

As in the above table 82.6% respondents (agree and strongly agree) assured the presence of nepotism (the presence of tax reduction by relatives in the tax office). From the survey result the majority of the respondents agreed that in the process of micro business taxation there is nepotism with mean value of 3.89 and standard deviation of .89.

The presence of illegal micro business affects the income of the government since they are not paid tax and demotivated the legal trader's .In the above table 81.8% of respondents shows the presence of illegal trade practice. As per the survey result most of the respondents agreed for the presence of illegal micro business traders with a mean value of 3.87 and standard deviation of .89.

4.3 Discussion

The purpose of this section is to address each research question in achieving the overall objective of the study using data presented in the preceding section. Hence, the results obtained under different methods are jointly analyzed to address each research questions.

4.2.1 The current system of taxing micro businesses in Ethiopia in light of experiences in other countries.

Data obtained from tax office, micro business tax estimation committee members and micro business tax payer's in-depth interview and survey were used to address this research question.

The primary goal of a tax office is to collect tax revenue in accordance with the law and built confidence in the tax system and its administration (Vadde & Gundarapu, 2012). To achieve this, the Ethiopian government made micro business tax estimation every three up to five years .In the European calendar 2011, at federal level micro business tax estimation was made and tax payers continued to pay the same tax amount up to 2017. In 2017, the Ethiopian revenue and custom authority reforms the tax law and made the micro business tax estimation after six years.

This thesis, therefore, was trying to assess the current system of micro business taxation by using in-depth interview in conjunction with raising survey questionnaires. Survey questionnaires were used to support what had been stated in in-depth interview results. In addition to the in-depth interview, questions No 9, 10 and 11 of the survey questionnaires required respondents to indicate their agreement about the practical applications of the current system of micro business taxation in Ethiopia. The results of these questions are seen in Table (9, 10 and 11).

Gaddis (2014), there are five tax brackets in Tanzania. But in Ethiopia there are 99 micro business sectors and the tax bracket divided in to 19, based on annual turnover of the micro businesses .The presence of broad division of tax bracket is difficult to handle practically.

Based on the in-depth interview and document analysis, the Ethiopian revenue and custom authority in 2017, formed different micro business tax estimation committees. These committees established at city level, at sub city and woreda level. And whose main functions are to run the micro business tax estimation processes (look the details in Appendix 1). Overall, in Addis Ababa there were 491 daily sales estimation committees. Each committee had four members.

Based on World Bank (2007), gross- income (turn over) approach of micro business taxation use different alternative principles for the design of gross-income micro business taxation, specially different countries follow progressive gross-income based of micro business taxation.

Thuronyi(1996), shows that in presumptive taxation, the gross income estimated based on different indicators like the size of production facility, quantity of stocks, quality of means of production, and capacity of Supplying a given service.

Concerning the estimation committees were estimated the daily income of each micro business and additionally used different indicators as supportive evidence .The micro business tax estimation committees got information from the tax office about each micro businesses: like the location of the business, the type of business and the capital of the business from previously assessed evidence. The member of the tax estimation committees faced a great challenge since members from other office have not knowledge about micro business taxation. The results of the tax estimation brings high grievance from the tax payers view.

The estimation result shows full of subjectivity –micro businesses have high turnover levied low tax liability and vice versa. This situation shows the ability to pay principle violated.

Estimation committees did not give more emphasis about the information given by the tax payers, rather focused on survey results. Due to this the tax estimation result became far from the reality. It shows the presence of high tax liability more than the capacity of micro business tax payers.

The micro business tax estimation committees especially two member from finance and trade have not tax related knowledge and experience. Because of this committee members faced a great challenge. In addition the tax office assigned inexperienced employees as member of estimation committees because of scarcity of experienced employees. This situation affects the practice of micro business taxation.

According to the tax estimation committees and tax payers' view: Due to awareness problem, the tax payers suffered by a great fear because they believed the one have high stock in the shop levied high tax and vice versa. The interview from Addis Ababa tax officials shows, 85% of tax payers

hide (shift) their stocks to other areas during estimation time. This creates a great challenge that hinders the estimation of micro business taxation.

The tax estimation committees used interviews of the tax payers as means of estimation. But the tax payers give wrong information, close their work place, put children in the shop and they were not willing to talk were the major hindrance of the practice of the micro business taxation.

On the other hand, observation from survey result shows more than half of the respondents agreed for the presence of tax estimation subjectivity, results of tax estimation did not reflect reality, estimation committees were inexperienced, tax payers hide their stocks and tax payer's lack of willingness to give information.

The tax authority has a system of tax complaints resolution in different steps. Because of shortage of experienced human power in the tax office, the tax complaints committee assigned from inexperienced employees. In this case they were not understand well what are the main issue of the complaints. So the taxpayer's complaints were not addressed properly and treated fairly. As indicated in table 4.10, the tax payers concluded their complaints were not solved within a given period of time and takes a long process. Because of the above problems created in the tax office, the tax payers are not satisfied about the decisions made related to their complaints.

From the interview made with the tax payers, the tax payment system is not clear and simple; it takes additional days stay in the tax office. In addition to lack of clarity of tax payment system, the employees in the tax office treatment are not motivated the tax payers to pay their tax liability, they have no good manner. In addition, they are suspected the action of nepotism (tax payers have relatives or neighbors in tax office get good service within the short period of time) and vice versa. The action of nepotism continues up to reduction of taxable amount and affects the principle of tax payers have the same income pay the same amount of tax to the government. The tax payers assured, the current micro business taxation system have problems and not functioned well as observed from the practice.

According to the employees in the tax office, estimation committee members and tax payers in Addis Ababa: There are many micro business tax operators still they are not registered as tax payers by the tax office. The presence of unregistered micro businesses motivated legal micro

business operators to become unregistered and to escape from the payment of tax. Without any doubt the above situation reducing the government’s revenue.

According to the tax payers, in the estimation committee, representatives of micro business organizations were not included as committee members. In this case, the business owners did not want to accept their tax liability assessed by the estimation committees as fair, because of lack of trust to the duties of committees without micro business operator’s representative.

With regard to the survey results, the respondents assured that the tax payment system related to clarity, tax rate, tax office treatment, the presence of unregistered micro business and function of the system have a great problem during practice.

Understanding the current system of micro business taxation in light of other countries experience helps to improve the micro business taxation system of the Ethiopian government.

Table 4.14 Comparative analysis

Countries	Approach	Turnover amount	Number of sectors	Turnover bands	Tax rate
Romania	Turn over	Unto Euro 1m (\$1,179,941.58)	-		1% when micro business have one employee. 3% when micro business have 3 employees
Tanzania	Turn over	<20m(Tshs)(\$8,790.17)	8	5 tax schedule	
Uganda	Turn over	10m-15m(Ushs)(\$2.6-39.0411)	9	-	4% fixed rate
Albania	Turn over	<Lek2m (US\$15,900).	-	-	4% fixed rate
Ethiopia	Turn over	<Birr500,000(\$17,903.1)	99	19	
South Africa	Turn over	<Rand1million(\$86,100)			

Source: Coolidge and Yilmaz (2016)

M refers million

Foreign exchange calculated based on June 1/2018 exchange rate

As per the table, in Uganda and Tanzania lists 9 and 8 different micro business professions respectively. The Ethiopian presumptive tax system lists 99 different micro business professions and 19 turnover bands and with a progressive tax rate. This requires setting and adjusting 1, 881 tax rates. This seems an overly complicated approach, difficult to manage easily, hard to distinguish each micro business professions, reduced transparency of the system, increased administrative burden and produced little value added in terms of fairness and acceptance of the system.

Relative to other countries like Tanzania, Uganda, and Albania the Ethiopian micro business threshold amount is high. It lowers the revenue of the government and also motivates the micro business operators to stay in this sector rather than improve their status to medium tax payers.

4.3.2 The perception of micro businesses operators on the tax system

As understand from the in-depth interview results, most of the respondents dissatisfied by the absence of tax payers delegation in the daily sales estimation committee, the mechanism followed by the tax authority to create awareness to the micro business operators are not satisfactory, tax policy is not clearly defined by the tax office to the tax payers, fairness of levying tax was in problem, the presence of high tax rate and overall tax procedures are not clear and simple.

According to the micro business operators, even substantial effort has been made to modernize the tax administration system and tried to make it easy for micro business operators, the taxpayer's perception are not positive and needs more simplification.

The survey result assured the results of interview like, most respondents agreed that the absence of tax payer's delegation in the daily sales estimation committee has an impact on the results of daily sales estimation. At the time of daily sales estimation, most respondents replay, the presence of tax payer's shifts their stocks to other areas. From this the researcher understand that, micro business operators fear when there is high stock observed by daily sales estimation committees the result will be high tax liability.

From the research data, almost all of the respondents indicated that the Ethiopian micro business tax rates are high; the tax payers responsible to pay high tax means the system did not apply ability to pay principle.

With regard to the tax rules, regulations and procedures micro business operator responds show that; tax rules, regulations and procedures are not easy to understand by the tax payers. In general the survey result strengthens the interview result and can conclude that the micro business operator's perception about the tax administration system is not positive.

4.3.3. The challenges of micro business taxation in Ethiopia

From the in-depth interview results, there are list of challenges that faces at the time of micro business tax estimation and revenue collection time:

Since 50% of the tax estimation committees organized from different biros, they have no direct knowledge about the micro business taxation became a great challenge on the practice of micro business taxation. A great burden fall on the shoulder of the committee members from tax office. In addition to this, due to lack of experienced human power in the tax office, officers from other department assigned as the committee members. This creates additional challenge in the practice of micro business taxation. Korana and Asante (2016) identifies the main challenges of micro business taxation are: Tax payers are illiterate , lack of expertise on tax laws, low tax compliance ,registration of business for tax payments by micro business are not done voluntarily,

At the time of tax estimation, due to the awareness problem of tax payers, the daily sales estimation committee faces a great challenge about how to fill different formats, to give appropriate information and to create awareness creates additional burden.

When the estimation committees go to the location of micro businesses, the micro business operator's shift their stocks to other areas because of fear of high tax became a great challenge to the daily sales estimation committees.

According to the daily sales estimation committees response, micro business operators give wrong information is one of the challenges that hinders to finish their duties on time. The tax payers reduce the turnover amount, increase the expense amount, and reduce the number of employees in the business increases the cost of tax assessment. To correct and verify these problems needs additional time and cost considers as a great challenge.

The tax authority in Ethiopia collected the tax revenue of the government from micro business operators from Hamile 1 up to Hamile 30 once in a year (ERCA, 2017). Since the micro business

operators have not enough knowledge about how to administer financial resources, get profit and consume immediately without saving. In addition to this, the tax payers forget the tax liabilities because the payment period is long with the poor saving culture of micro businesses are one challenge of micro business taxation, so they cannot pay their tax amount on time.

A research by Daniel and Shaik (2007) shows, the main challenges of micro business taxation are: Taxpayer's knowledge that they are not understand the reasons why they pay tax to the government. Tax knowledge of tax payers about the tax law and related proclamations is one great challenge that hinders the function of micro business taxation (Fauziati, 2016). Most of the respondents agreed, the tax payers have not enough knowledge about the tax rules, regulations and procedures is a challenge of micro business taxation. In addition most of the respondents agreed the tax payers are illiterate, they cannot understand what the tax system applies, how to pay, when to pay and where to pay was the main challenge of micro business taxation.

The tax payers believed that, there are tax payers they were not paying tax by using different mechanisms. Other tax payers motivated not to pay tax as their friends are one major challenges of the micro business taxation.

In relation to services given to tax payers by the tax office, have an impact to the micro business taxation. The tax payers respond shows, the services of the tax office are not comfortable to tax payers, and the tax employees are given services less than their capacity. This thinking of the tax payers is the major challenge of micro business taxation since it is hard to motivate the tax payers to pay tax liability on time.

According to the Addis Ababa tax officials responds, since 2017(2009) was a period of political instability in Ethiopia ,different political agent aggravated the situations of micro business tax estimation results by using different private medias are one challenge of micro business taxation.

Mlay(2013), micro business tax payers in Tanzania are enterprises that engaged in informal sector and the government applies presumptive taxation system . Mashiri (2013) stated that Zimbabwe was introduced presumptive taxation in order to capture the informal businesses that have remained outside the tax net and also lessen the burden of formal sectors.

According to the tax payers respond, in Addis Ababa there are many micro business operators done their activities illegally out of the tax net. This situation pushes the legal tax payers to be illegal as one challenge of micro business taxation.

With regard to the awareness creation program of the tax office, most of the employees agreed that ,the awareness creation program did not show clearly about the tax rules and regulations. So the absence of awareness of tax payers about the tax laws and regulations is challenges of micro business taxation.

Most respondents argued, the tax payers present wrong evidence as one challenge. With regard to peer pressure , respondents agreed most of the micro business operators influence by peer pressure not to pay tax was one challenge.

In relation to unregistered micro business operators respondents agreed, the presence of micro business found out of the tax net. the researcher understand from this condition, the legal micro business operators motivate to engaged in the illegal activities become the great challenge of micro business taxation.

In general from in-depth interview and survey results micro business taxation hinders by different challenges that reduces the performance of the practice.

CHAPTER FIVE

Conclusions and Recommendations

This chapter provides the conclusions and recommendations from the study. The conclusions and recommendations are derived from the findings of the study, which are presented in chapter four.

5.1 Conclusions

The results of the in-depth interview and survey carried out showed that the tax office faced different challenges at the time of micro business tax estimation. It may be considered as the estimation of micro business taxation and collection system is not successful. Since, there exist inefficient and insufficient number of micro business tax estimation and collection officials, the presence of high complaints in the Addis Ababa revenue and custom office, problems of saving by the micro business operators since they are not aware by the tax office, the presence of legal micro business operators that does not paid tax, the absence of tax payers delegation in the estimation committee and the presence of illegal business operator. Furthermore, there is the action of nepotism in the tax office.

Based on the results from data analysis and findings of the research, one can safely conclude the following;

First, tax authority is not doing to the maximum of their capacity to create awareness (educate) to the micro business operators. In this case there exists lack of micro business tax knowledge by micro business operators. Most of them do not know the rules and regulations of micro business taxes. Most micro business operators shift their stocks at the time of estimation, hide their stock, give false information, shift to other sector at the time of tax payment, delay in tax payment and evasion are taken by micro business tax payers as solution to escape from payment of taxes. In addition, the tax payers suffered by how to fill different formats, when, how and where to pay the tax liability are challenges to the tax office. The tax office focuses mostly to create the awareness of high tax payers by ignoring micro business operators.

Second, Micro business taxpayers are complaints regularly about a lack of clarity over micro business tax regulations, arbitrary behavior of tax employees and a lack of transparency in the tax authority (especially micro business tax assessment methods, criteria and results). Besides to these,

lack of access to information about rules and regulations, unfair tax procedure makes taxpayers unaware of their rights and exposes them to discretionary treatment by tax officials.

Third, at the time of establishing estimation committee; representatives of micro business organization were not included as member. Because of this, the business owners did not want to accept their tax liability assessed by the daily sales estimation committee as fair because of lack of trust to the duties of estimation committees without micro business operator's representative.

Fourth, The presence of unregistered micro businesses motivated legal micro business operators to become unregistered and to escape from the payment of tax. This situation reducing the government's revenue and leads micro business taxpayers had a general negative view or dissatisfaction towards the tax administration system

In addition the Ethiopian micro business tax system lists 99 different micro business professions and 19 turnover bands and with a progressive tax rate. This requires setting and adjusting 1, 881 tax rates are hard to administer, increased administrative burden, increase cost of tax collection and reduce tax revenue.

5.2 Recommendation

This section presents the appropriate suggestions that can be utilized to minimize the challenges of micro business taxation in Ethiopia.

The tax office should prepare sustainable training program to improve the awareness level (knowledge) of the micro business operators. The awareness should not be about micro business tax laws alone but also on needs and justifications for tax. In addition, micro business operators are entitled to have up-to-date information on the operation of the tax system and the way in which their tax is assessed. In addition trained the micro business operators how to fill different tax related forms, how, when and where to pay their tax liabilities. In addition better to increase the awareness' of micro business tax payers how to save their income.

Extensive work must be done by the tax office to gather information and register taxpayers, who have refused to be registered by educating these illegal traders to bring as registered and legal trader.

To motivate the micro business tax payers to pay their own tax liability to the government, the tax office must maximize the capacity of employee's technical knowledge related to compliant resolution, so, those micro business taxpayers' complaints in respect of the amount of daily sales estimation solve fairly and on time.

To increase the acceptance of daily sales estimation amount by the micro business operators, the tax office must incorporate the representatives of micro business tax payers at the time of daily sales estimation committee formation as members.

To create an efficient and proper tax administration, policy makers can setting clear and simple micro business tax rules and regulation like to minimize the number of micro business sectors and turnover bands from 99 and 19 respectively into manageable numbers by grouping with similarities. In addition to this all tax offices should be fulfilled by experienced and skilled human resources.

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Appendices

Appendix 1 tax estimation committee members

According to the Ethiopian revenue and custom authority (2017) Addis Ababa city administration established one main committee functioned as city wide to control over all tax assessment duties. This committee chaired by mayor of Addis Ababa city administration and controls all the committees formed in all sub cities and woredas in Addis Ababa.

Organization of the committee of Addis Ababa city administration

- City mayor-----chairman
- City general director-----vice chair person
- City mayor advisor and public relation officer-----member
- Addis Ababa tax pr/d/o/v/director-----member and secretary
- Head of finance and economic development-----member
- Head of commercial office -----member
- Head of justice -----member
- Head of youth and sport biro-----member
- Small and micro enterprise biro-----member
- Head of Addis Ababa broad cast corporation-----member
- Head of city police commissioner-----member
- Head of city regulation office-----member
- Addis Ababa customer service biro-----member
- Addis Ababa cleaning biro-----member
- Representative of trade forum-----member

In general a member which constitutes a total of 17 members was established to run the job at leadership level.

Organization of the committees in sub cities

- Sub City mayor-----chair man
- Sub City general director-----vice chair person
- Sub City mayor advisor and public relation officer-----member
- Sub city tax pr/d/o/v/director-----member and secretary
- Sub city finance and economic development-----member
- Sub city Head of commercial office -----member
- Sub city Head of justice -----member
- Sub city Head of youth and sport office -----member
- Small and micro enterprise office-----member
- Head of sub city police commissioner-----member
- Head of sub city regulation office-----member
- Sub city customer service biro-----member
- Representative of trade forum-----member

In sub cities a member which constitutes a total of 13 members was established to run the job at leadership level in their specific sub cities.

Organization of the committees in woredas

- woreda mayor-----chair man
- woreda general director-----vice chair person
- woreda tax pr/d/o/v/director-----member and secretary
- woreda finance and economic development-----member
- woreda Head of commercial office -----member
- woreda Head of justice -----member
- woreda Head of youth and sport office -----member
- Small and micro enterprise office-----member
- Head of woreda police commissioner-----member
- Head of woreda regulation office-----member
- woreda customer service biro-----member
- Representative of trade forum-----member

In woredas a member which constitutes a total of 12 members was established to run the job at leadership level in their specific woredas.

Appendix 2 Respondents survey instrument (English version)

ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCESURVEY QUESTIONNAIRE

Questionnaire on practice and challenges of micro business taxation

Dear Participant, This study is entitled “Practice and challenges of micro business taxation in Ethiopia”. The investigator is Getachew Asmare who is currently an Msc (in Accounting and Finance) student at Addis Ababa University. The aim of this study is “to assess the practice and challenges of micro-business taxation in Ethiopia focusing on the experience in Addis Ababa”. To supplement the data obtained from different sources, the investigator seeks to gather relevant information from a sample of 165 taxpayers using a self-administered structured questionnaire. Participation in this study is completely voluntary; your responses will be recorded anonymously and strict confidentiality will be maintained. Individual responses will not be identified in the investigator’s Msc thesis.

For further information please contact Getachew Asmare by the following address.

Telephone: 0939-824344

Email:-getachew60592005@gmail.com

Part IA. Respondents' profile

1. Gender

1.(Male)	
2.(Female)	

2. Age

(18-25)	26-35	36-45	46-55	55+

3. Highest Educational level achieved

High school Completed	
Diploma Completed	
First Degree Completed	
Masters and above	
Other, please specify	

4. What is the position you currently assumed in the business

Owner	
Manager	
Owner and manager	
Employee	
Others, please specify	

Section IB business profile

5. What is your business's main activity?

Fast food house	
Gesho ena bekel chercharo	
old metal maintenance work	
Tea and coffee house	

6. How much turnover did your business have in 2016/17 fiscal year (2009 Ethiopian calendar)?

0-100,000 ETB	
100,000-200,000ETB	
200,000-300,000ETB	
300,000- 400,000ETB	
400,000-500,000ETB	

7 . How long has this business been in operation?

Less than 2 years	
From 2-5 years	
From 5-10 years	
More than 10 years	

Section II

The current system of taxing micro businesses taxation in Ethiopia

8. Please provide your level of agreement to the following statements about the practice of micro business taxation in Ethiopia/ Addis Ababa

		Strongly disagree(1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly agree 5
8.1	the tax estimation is full of subjectivity					
8.2	The estimated daily sales do not reflect the realities					
8.3	Estimation committee members do not have experience about micro business taxation.					
8.4	Taxpayers hide their stock / goods					

8.5	Taxpayers do not answer estimation committee's questions honestly					
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9. Did you have complaints on the tax levied on your business for the year 2016/17 (2009 Ethiopian calendar)?

		Strongly disagree(1)	Disagree(2)	Neutral(3)	Agree(4)	Strongly agree(5)
9.1	Our complaints were resolved on time					
9.2	Our complaints were resolved fairly					
9.3	Our complaints were properly addressed					
9.4	We are happy with the decisions made on our complaints					

10. Please state your level of agreement or disagreement to the following statements

NO		Strongly disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly agree (5)
10.1	The tax payment system is clear and simple.					
10.2	The tax rates in Ethiopia in general is very high					
10.3	The tax office treated tax payer well and on time					
10.4	Those having the same income pay the same tax and vice versa					
10.5	All required business traders get registered as tax payers					
10.6	The current system of determining tax liability for micro businesses is not working well					

SECTION III. The perception of micro businesses operators on the tax system (both policy and Administration

		Strongly disagree(1)	Disagree(2)	Neutral (3)	Agree (4)	Strongly agree(5)
11	Since the tax payers did not delegate In the tax assessment committee have an impact on the determination of tax liability.					
12	The tax payers shift the trading materials/ stock to other areas when the tax assessment committee come to business location					
13	Revenue and custom authority levy tax on tax payers according to ability to pay					
14	The tax rules, regulations, and procedures applied currently by the tax office are easily understood by the tax payers.					

Section IV. The challenges of the micro business taxation

		Strongly disagree(1)	Disagree(2)	Neutral(3)	Agree(4)	Strongly agree(5)
15	The awareness creation program prepared by ERCA creates a good awareness about the tax rules and procedures.					
16	The tax payers present wrong evidence to the tax assessment committee.					
17	Micro business tax payers have not enough knowledge related to tax rules, procedure and principles.					
18	micro business tax payers motivated by peer pressure not to pay tax liability					

Section V. The other challenges micro business taxation

		Strongly disagree(1)	Disagree(2)	Neutral(3)	Agree(4)	Strongly agree(5)
19	The presence nepotism has an impact on the process of micro business taxation					
20	The presence of illegal business practice demotivate the legal tax payers to pay their tax liability					

Appendix 2 Respondents survey instrument (Amharic version)

ኢዲስ አበባ ዩኒቨርሲቲ

የቢዝነስ እና ኢኮኖሚክስ ኮሌጅ

የአካውንቲንግ እና ፋይናንስ እፍል

ለግብር ከፋዮች የተዘጋጀ መጠይቅ

የዚህ መጠይቅ አላማ የአካውንቲንግ እና ፋይናንስ ክፍል የማስተርስ ማሙዋያ ጥናት መረጃ መሰብሰብ ሲሆን ይህ ጥናት በ 'ሐ ግብር ከፋዮች ላይ የሚያጋጥሙ ችግሮችን ለመለየትና የመፍትሄ አቅጣጫ ለማስያዝ ነው። ትኩረት መስጠት የምደልገው የሚሰጡኝ መረጃ ለጥናቱ እጅግ ከፍተኛ ጥቅም ያለውና የጥናቱን አቅጣጫ የሚመራ በመሆኑ በጥንቃቄ መልስ እንዲሰጡኝ በአክብሮት እጠይቃለሁ።

በዚህ መጠይቅ ውስጥ የሚሰበሰቡት ሁሉም መረጃዎች ለጥናት ዓላማ ብቻ ጥቅም ላይ የሚውሉ መሆኑን ላረጋግጥልዎ እወዳለሁ። በመጨረሻም ውድ ግዜዎትን ሰውተው ስለተባበሩኝ ከልብ አመሰግናለሁ።
አድራሻዬ:

ጌታቸው አስማረ
 ሞባይል: +251939824344
 ኢ-ሜል: getachew60592005@gmail.com
 አጠቃላይ መመሪያ :

- ✓ ስምዎትን መጻፍ አይጠበቅብዎትም።
- ✓ ጥያቄውን ካነበቡ ቡሃላ በተዘጋጀልዎት ሳጥን በአንዱ ላይ ምልክት ያድርጉ።

ክፍል -1 አጠቃላይ መረጃ

1. ጾታ

1. ወንድ	
2. ሴት	

2. እድሜ

(18-25)	26-35	36-45	46-55	55+

3. የትምህርት ደረጃ

ሀይስኩል ያጠናቀቀ	
ዲፕሎማ	
ዲገሪ	
ማስተርስና ከዝያ በላይ	

ሌላ ካለ	
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4. በድርጅቱ ውስጥ ያለዎት ሀላፊነት

ባለቤት	
ማናጀር	
ባለቤትና ማናጀር	
ተቀጣሪ ሰራተኛ	
ሌላ ከሆነ--	

ክፍል ሁለት የድርጅቱ መረጃዎች

5. የተሰማሩበት የስራ ዘርፍ

ቁርስ ቤት	
ጌሾና ብቅል ችርቻሮ	
አርጌ ብረታ ብረት ጥገና	
ሻይና ቡና በሽጫ ቤት	

6. ድርጅትዎ ምን ያክል ገንዘብ ያንቀሳቅሳል ?

0-100,000 ብር	
100,000-200,000 ብር	
200,000-300,000 ብር	
300,000- 400,000 ብር	
400,000-500,000 ብር	

7. ስራ ከጀመሩ ምን ያህል ጊዜ ይሆኖታል.....

ከ 2 አመት በታች	
ከ 2-5 አመት	
ከ5-10 አመት	
ከ 10 አመት በላይ	

ክፍል ሶስት፡ የሐ ግብር አከፋፍል ስርአት በኢትዮጵያ

8. እባክዎን እያንዳንዱን ከተዘረዘሩት አማራጮች መካከል «√» ምልክት በማስቀመጥ ይምረጡ .

		በጣም አልሰማም (1)	አልሰማ ምም (2)	ገለልተኛ ነኝ(3)	እስማማለ ሁ (4)	በጣም እስማማ ለሁ (5)
8.1	የግብር አወሳሰኑ ወጥነት የጎደለው ነው					
8.2	የቀን ገቢ ግምቱ እውነታውን አያሳይም					
8.3	ግብር የሚገምቱ የኮሚቴ አባላት ስለ ማይክሮ ንግድ ቀረጥ ልምድ የላቸውም.					
8.4	የግብር ከፋዮች ሽቀጦቻቸውን ይደብቃሉ					
8.5	የግብር ከፋዮች ለግብር ገማች ኮሚቴ ጥያቄዎች ሐቀኛ መልስ አይሰጡም።					

9. ለ 2009 ዓ.ም. ለንግድዎ ታክስ ላይ በተጣለው ግብር ላይ ቅሬታዎች አሉዎት?

		በጣም አልሰማም(1)	አልሰማም (2)	ገለልተኛ ነኝ(3)	እስማማለ ሁ (4)	በጣም እስማማለ ሁ (5)
9.1	ቅሬታዎ በዎቅቱ ተፈቶልዎታ					
9.2	ቅሬታዎ ያለምንም አድሎ ተፈቶልዎታል					
9.3	ቅሬታዎ በአግባቡ ተፈቶልዎታል					
9.4	ለቅሬታዎ በተሰጠዎት ምላሽ					

	ተደስተዋል					
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10. እባክዎን ያልዎትን ስምምነት ወይም አለመስማማት በሚከተሉት ዓረፍተ ነገሮች ውስጥ ይግለጹ

NO		በጣም አልስማማም (1)	አልስማ ማም (2)	ገለልተኛ ነኝ(3)	እስማማ ለሁ (4)	በጣም እስማማለ ሁ (5)
10.1	የግብር የክፍያ ስርዓቱ ግልጽና ቀላል ነው					
10.2	በኢትዮጵያ በአጠቃላይ ያለው የግብር መጠን እጅግ በጣም ከፍተኛ ነው					
10.3	የታክስ ባለሙያዎች ግብር ከፋዮን በአግባቡና በሰዓቱ ያስተናግዳሉ					
10.4	እኩል ገቢ ያላቸው እኩል የግብር መጠን ይከፍላሉ					
10.5	ሁሉም የሐ ነጋዴዎች በግብር ከፋይነት ተመዝግበዋል					
10.6	ለአነስተኛ የንግድ ተቋማት የግብር መጠን የሚወስነው አሁን ያለው ስልት በትክክል አልተሰራም					

ክፍል ሶስት : አነስተኛ ግብር ከፋዮች በግብር ፓሊሲውና በአስረዳደሩ ላይ ያላቸው አመለካከት

		በጣም አልስማማ ም(1)	አልስማማ ም (2)	ገለልተኛ ነኝ(3)	እስማ ማለሁ (4)	በጣም እስማማለ ሁ (5)
11	የግብር ከፋዮ ተወካይ በግብር ገማቹ ኮሚቴ ውስጥ አለማካተቱ በግብር ግመታው ላይ ችግር ፈጥሯል					
12	የግብር ገማች ኮሚቴ በሚመጣበት ጊዜ ግብር ከፋዮ የንግድ እቃውን የማሸሽ ተግባር ተፈፅሟል					
13	የግብር ሰብሳቢው መስሪያ ቤት ግብር የሚጥለው ግብር ከፋዮን የመክፈል ሀቅም ባገናዘበ መልኩ ነው					

14	የግብር ሰብሳቢው መስሪያ ቤት እየተጠቀመባቸው ያሉ የግብር አዋጆች፣ደንቦች፣መመሪያዎች ለመረዳት ቀላል ናቸው					
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ክፍል አራት : የሐ ግብር አሰባሰብ ሂደት ላይ የገጠሙ ችግሮች

	በጣም አልሰማም (1)	አልሰማም (2)	ገለልተኛ ነኝ(3)	እሰማለሁ (4)	በጣም እሰማለሁ (5)
15	የግብር ሰብሳቢው መስሪያ ቤት የሚያዘጋጀው የግንዛቤ መሳደሪያ ፕሮግራም ስለ ግብር ህጉ እና አሰራሩ ግንዛቤየን አሳድጎታል				
16	ግብር ከፋዮች ለግብር ገማች ኮሚተው የተሰሰተ መረጃ ይሰጣሉ				
17	ግብር ከፋዮ ህብረተሰብ ስለ ግብር ህጉ እና መመሪያዎች በቂ እውቀት የላቸውም				
18	ግብር ከፋዮች በጓደኛ ግፊት ትክክለኛውን የግብር መጠን ላለመክፈል ይገፋፋሉ				

ክፍል አምስት: በሐ የግብር ሂደት ሌላ የገጠሙ ችግሮች

	በጣም አልሰማም (1)	አልሰማም (2)	ገለልተኛ ነኝ(3)	እሰማለሁ (4)	በጣም እሰማለሁ (5)
19	በግብር ግምቱ ላይ የዘመድ አዝማድ አሰራር መኖሩ በሂደቱ ላይ ከፍተኛ ችግር ፈጥሯል				
20	የህገዎጥ ነጋዴዎች መኖር ህጋዊ ነጋዴዎችን ሞራላቸው እንዲነካ አድርጓል				