



**ADDIS ABABA UNIVERSITY**  
**COLLAG OF BUSINESS AND ECONOMICS**  
**DEPARTMENT OF ACCOUNTING AND FINANCE**

**Assessment of property tax administration practice in Selected Sub  
Cities of Addis Ababa**

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This is to certify that the thesis entitled, “Assessment of property tax administration practice in Selected Sub Cities of Addis Ababa” was carried out by Weynshet Asfaw under the supervision of Kelifa Sermolo (Ph.D.) submitted in partial fulfilment of the requirements for the degree of Master of science in Accounting and Finance, complies with the rules and regulations of the University and meets the accepted standards with respect to originality.

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## **LIST OF ACRONYMS / ABBREVIATIONS**

**OECD:** Organization for Economic Co-operation and Development

**IMF:** International Monetary Fund

**RGDP:** Real Gross Domestic Product

**IEA:** International Energy Agency

**DRMD:** Descriptive Research Design and Methodology

**MMAAP:** Mixed-Method Approach

**PSS:** Population, Sample Size, and Sampling Techniques

**TUD:** Types of Data Used

**MDA:** Methods of Data Analysis

**VR:** Validity and Reliability

**DADF:** Data Analysis, Findings, and Discussion

**RR:** Response Rate

**GIR:** General Information of Respondents

**DS:** Descriptive Statistics

**TS:** Tax Compliance

**TSTRC:** Tax Structure

**LRF:** Legal and Regulatory Frameworks

**IR:** Interview Results

**DIS:** Discussion

**ERA:** Ethiopia Revenue Authority

**GIS:** Geographic Information Systems

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## **ABSTRACT**

This study presents a comprehensive assessment of property tax administration practices in selected sub-cities of Addis Ababa, Ethiopia, focusing on Addis Ketema, Bole, and Lideta sub-cities. The primary objectives are to evaluate the efficiency of property tax assessment and collection procedures, examine the existing legal and regulatory frameworks for property registration, and analyze taxpayer service delivery. Major obstacles in property identification and valuation are identified, shedding light on the limited capacity and resources at the local government level, outdated valuation methods, and inconsistent property registration systems. These challenges significantly impact revenue generation, equity, and overall governance in the region. The findings reveal a generally positive perception of the Ethiopian Revenue Authority's efforts in property tax administration. However, the study underscores the need for enhanced enforcement, standardized valuation methods, and improved procedural efficiency to address the identified challenges. Recommendations are provided to improve tax compliance, strengthen the tax structure, and optimize taxpayer services. By implementing these recommendations, the study suggests that Addis Ababa can achieve better revenue generation, equitable governance, and sustainable local development, ultimately contributing to the broader economic growth and development goals of the region.

**Keywords:** Property tax administration, Addis Ababa, Ethiopia, Tax compliance, Tax structure, Legal frameworks, Service delivery, Revenue collection, Mixed-methods approach.

# **CHAPTER ONE**

## **1. INTRODUCTION**

### **1.1. BACKGROUND OF THE STUDY**

Property tax refers to funds collected from individuals' and businesses' incomes, classified under direct taxes (OECD, 2018). Taxes play a crucial role in stimulating economic growth and financing government programs aimed at citizen welfare. Achieving annual tax revenue targets enables governments to fund budgeted expenditures for developmental programs within fiscal budgets (Andrejovska & Pulikova, 2018; Etim et al., 2020). Various attempts have been made by scholars to define tax; Dalton (1991) defines it as "a compulsory contribution imposed by a public authority, irrespective of the exact amount of service rendered to the taxpayer in return," while Bhatia (2003) describes it as "a compulsory legal levy payable by an economic unit to the government without any corresponding entitlement to receive a definite and direct quid pro quo." Taxes are payments made to the government to finance public services, with individuals taxed based on income and businesses on profits, often including goods and services (Oxford, 2010).

Property taxation serves as a critical revenue source for governments globally, funding public services and infrastructure development. In Ethiopia, property tax plays a pivotal role in generating local government revenue, supporting local service delivery and development initiatives. Recognizing its significance, the International Monetary Fund (IMF) and the World Bank emphasize capacity building, transparency, and taxpayer education to enhance property tax administration and revenue collection in developing countries (IMF, 2017). Tax administration encompasses identifying tax liabilities, assessing them based on existing laws, and the subsequent collection, prosecution, and penalties imposed on non-compliant taxpayers. It encompasses various aspects such as taxpayer registration, assessment, and collection (Kangave, 2005).

The core business of a Tax and Customs Administration usually consists of one or more of the following activities: – assessing, collecting and auditing government-imposed taxes, as well as

preventing fraud; – surveillance by customs of goods imported and exported (in order to assess, collect and monitor the various duties linked with import and export, but also to protect the quality of society, i.e. the quality of food, health, cultural inheritance, protection against falsity, etc.); – assessing and collecting social security contributions; and – other assessment and collection activities on behalf of other governmental agencies. An important and critical part of the collection function of Tax Administrations is finally enforced tax debt collection. (Matthijs Alink, Victor van Kommer, 2016).

However, the effectiveness and efficiency of property tax administration practices in Ethiopia has been a subject of concern, with potential implications for revenue generation, equity, and overall governance. Local Government Finance and Financial Management (emphasizes the need for comprehensive property tax systems and effective administration to strengthen subnational governance and service delivery. A type of tax that resembles paying property tax has recently been made in Addis Ababa. The government has asserted that it is not a property tax and that the roof and wall payment made according to the Ethiopian calendar since 1937 has now been modified, despite the fact that the predicament is ambiguous and inconsistent statements have been made. It is crucial to study the implementation and approach to the property tax in Ethiopia because it is reported that it would be imposed the next year World Bank report on (2012).

Tax administration and tax revenue collection are guided by traditional theories of taxation that include the optimal theory of taxation, the benefit theory and ability-to-pay theory. These theories discussed the importance of fairness, certainty, and efficiency as bedrock of taxation (Koritnik & Podlipnik, 2017; Tin, 2019). The optimal theory of taxation anchoring the study provides empirical evidence that underpins the need for good tax administration to meet taxpayers' satisfaction and enhance tax revenue collection. Further, Ramsey rules corroborate with other taxation theories on equality and fairness in the tax system. It sets the pace for better regulatory framework by tax policy makers in imposing indirect and direct taxes for the welfare of society (Cremer & Gahvari, 2017; Selim, 2017).

According to Koritnik and Podlipnik (2017), the ability-to-pay theory supports the legitimacy of tax laws and rules that also supports equality and fairness in the tax system. In addition, the

justice and convenience concept of the tax system are associated with the taxpayers' ability-to-pay postulate and is part of the constitutional principles appropriate for effective tax compliance which is the key objective of tax administration that influences revenue collection (Rossikhina, Hultai & Shrub, 2018). The ability-to-pay is simply a legal tax burden distribution to individuals in the various sectors of the economy. The theory is a good working tool for modern tax administration and is useful in developing tax structure for revenue generation (Pressman, 2018).

Effective property tax collection hinges on precise identification, valuation, and assessment processes, demanding skilled personnel, suitable technology, and robust administrative frameworks. However, many local authorities in Ethiopia confront capacity limitations, marked by insufficient human resources and outdated valuation methods, which impede the efficient administration and enforcement of property taxes (Zodrow, 2001). There remains a crucial need for comprehensive research to scrutinize and appraise the property tax administration systems across Addis Ababa's sub-cities. Notably, there is a dearth of detailed studies specifically focused on Addis Ketema, Bole, and Lideta. This study aims to bridge this gap by evaluating the property tax administration practices in these three sub-cities, pinpointing significant challenges and constraints, and proposing actionable recommendations for reform and enhancement.

## **1.2. STATEMENT OF THE PROBLEM**

Governments finance their expenditures through the fund acquired from the service given by the government, tax, loan, and donation. From all sources of finance, tax is the major source. Tax administration faces significant challenges that hinder its effectiveness and efficiency, impacting revenue generation and equitable governance. These challenges include limited capacity and resources at the local government level, lack of transparency and accountability, and inconsistent property valuation practices with inadequate property registration systems (Adenya & Muturi, 2017). Limited human resource, technology, internal controls, and enforcement of laws usually affect the tax administrative procedures for tax collection (Adam Smith, 2018).

Tax revenue collection from the informal sector is challenged by limited resources and poor implementation of tax collection strategies of tax authority (Karanja, 2018; IEA, 2017).

Addressing these issues is paramount for improving property tax administration and fostering sustainable local development. One of the foremost challenges in property tax administration in Ethiopia lies in the constrained capacity and resources at the local government level. Local government authorities in Ethiopia grapple with inadequate human resources and outdated valuation methods (Anderson, 2006). This situation is compounded in developing countries such as Ethiopia, where municipalities frequently contend with low property tax collection rates attributable to a range of administrative hurdles (Franzsen and McCluskey, 2017). These challenges underscore the need for targeted reforms and investments to strengthen administrative capabilities, update valuation practices, and enhance overall revenue collection efficiency.

Furthermore, the lack of transparency and accountability within the property tax system poses a significant challenge. McCluskey (2018) emphasize that weak governance structures and low public awareness contribute to corruption and rent-seeking behavior. This undermines public trust and leads to low compliance rates among property owners, further exacerbating the challenges of revenue collection. Inconsistent property valuation practices and inadequate property registration systems also present significant hurdles in property tax administration. The absence of standardized valuation methodologies and outdated property records lead to disparities in tax liabilities. This lack of uniformity hampers the equitable assessment of property values and affects the fairness of property taxation. Addressing these problems is critical to improving property tax administration in Ethiopia. It requires comprehensive measures such as property identification, property standardized valuation frameworks, property tax collection procedures and property tax administration capacities and resources (Yinger, Bloom, and Boersch-Supan 2013).

Ali and Dalmar (2018) studied the impact of tax revenues on economic growth using time series evidence. Factors studied included real gross domestic product (RGDP) and grants and other revenues. Chang *et al.* (2020) on the other hand focused on raising tax revenue from tax administrations using variables that included tax to GDP ratio, consumer price index, trade openness, and external debt, oil export, and agriculture out. The study specifically focused on the situation regarding the operational strength of tax administrations for tax performance.

Gnangnon and Brun (2019) studied tax revenue collection using tax reform. The study focused on generating tax revenue in developing countries using trade openness involving the progressive replacement of trade tax revenue with domestic tax revenue. All previous studies reviewed discussed tax performance, tax reform among other things and did not directly address the problems of the major challenges and limitations in property identification, tax compliance, tax structure and taxpayers' services delivery to measure tax administration and this study aimed to fill this gap left by other studies.

Therefore, this study is aimed at assessing property tax administration practice in Addis Ababa in the three sub-cities.

### **1.3. RESEARCH QUESTIONS**

Here are the research questions based on the objectives provided:

1. How does tax compliance impact property tax administration practices in Addis Ababa across the three sub-cities?
2. How effective is the tax structure in influencing property tax assessment and collection procedures implemented in the three sub-cities?
3. What are the strengths and weaknesses of the current legal and regulatory frameworks for property registration in Addis Ababa, and what improvements can be identified?
4. How does the delivery of taxpayers' services affect property tax administration practices in Addis Ababa within the three sub-cities?

### **1.4. OBJECTIVE OF THE STUDY**

#### **1.4.1. GENERAL OBJECTIVE**

The main objective of the study is to assess property tax administration practice in Addis Ababa in the three sub-cities.

#### **1.4.2. SPECIFIC OBJECTIVES**

Here are those research questions converted into specific objectives:

1. To examine tax compliance on property tax administration practice in Addis Ababa in the three sub-cities

2. To evaluate tax structure effectiveness on property tax assessment and collection procedures being implemented in the three sub-cities.
3. To review the existing legal and regulatory frameworks for property registration, and determine potential improvements.
4. To analyze taxpayers' services delivery on property tax administration practice in Addis Ababa in the three sub-cities.

### **1.5. SIGNIFICANCE OF THE STUDY**

This study holds significance for various stakeholders involved in property tax administration and policy in Addis Ababa. For the city administration, the findings will enable targeted reforms to tax systems and building capacities in sub-city administrations to improve overall tax collection efficiency. Furthermore, for taxpayers, an efficient, fair, and transparent property tax regime is likely to improve voluntary compliance and satisfaction. Citizens will also benefit from improved services funded by enhanced tax revenue.

And finally, for researchers, this study also fills an important gap by providing empirical insights into property tax administration issues at the local sub-city level in Addis Ababa. The learnings can guide future academic research as well as policy-oriented analysis on municipal finance in Ethiopia and other developing countries. Thus, a range of stakeholders involved in urban governance and municipal finance stand to gain from the findings of this study.

### **1.6. SCOPE OF THE STUDY**

The scope will be conceptually and geographically limited. This study is conceptually focused on assessing property tax administration practices including property identification, valuation, and assessment, collection, enforcement, and taxpayer services at the sub-city level in Addis Ababa. Geographically, the study covers three sub-cities of Addis Ababa specifically: Addis Ketema, Bole, and Lideta because of proximity and accessibility.

### **1.7 Limitation of the study**

The results of this study will be very important; however, it is not without limitations. Confidentiality of information hindered the respondents from giving the needed information. Absence of enough funds thus affected a researcher in his pursuance of interviewing all required respondents involved in data collection.

## **1.8 Organization of the study**

This research will have five chapters. In the first chapter, background of the research, followed by the problem statement, objectives to be achieved and research questions, significance, scope, and limitation of the study are presented. In chapter two, literature review related to the study and the conceptual and empirical review of a research will be discussed. The third chapter presents, and draws the methodological process of sampling, data collection and analysis. Chapter four presents descriptive summary of the empirical data collected with detailed analysis, results, and discussion. Finally, chapter five contains conclusion and recommendation.

## **CHAPTER TWO**

### **2. LITRETURE REVIEW**

#### **2.1. INTRODUCTION**

This chapter presents a short review of existing theoretical and empirical literature on property tax administration. At the end of the literature review, an effort is made to summarize the major drawbacks of the existing empirical studies and to identify the knowledge gap which the current research intends to fill.

#### **2.2. THEORETICAL REVIEW**

A government needs funds to provide goods and services. The methods of financing public expenditure have changed over time but there is no escape from the fact that in the end somebody has to foot the bill (Trotman-Dickenson, D.I. 1996).

In Ancient Greece the cost of public activities was directly financed by the rich members of the community. A person was assigned a liturgy which was a public office or duty. It was a compulsory obligation and an honor. The holder of a liturgy was responsible not only for defraying the cost but also for organizing the activity. There was no assessment for a specified payment.

It was quite common to boast at public assemblies in Athens that one spent more than was needed. The liturgies, which originated in the financing of religious festivals, sports and theatrical entertainments, were later extended to the provision of ships, maintenance of roads, supply of corn for the army and billeting of soldiers (Trotman-Dickenson, 1996)

At the peak of its power the Byzantine Empire had a sophisticated system of taxation. It had been developed by a financial genius, John the Cappadocian (sixth century AD), the imperial treasurer to Emperor Justinian. Taxation was based on property. Taxes were paid per capita according to the wealth owned. (Trotman-Dickenson, 1996)

Property tax is considered an efficient source of local government revenue worldwide when properly administered (Bahl and Bird, 2008). However, in developing countries like Ethiopia, municipalities often struggle with low property tax collection rates due to various administrative challenges (Franzsen and McCluskey, 2017).

Property tax is a tax made on property that is owned by a person, a business, or another type of legal body. Property tax is most frequently a real estate ad-valorem tax, which is regarded as a regressive tax. It is computed by the local government in the area where the property is situated, and the owner is responsible for paying it. Usually, taxes are calculated based on the value of the assets that are possessed, including land (Dillinger, 1991). The local government will use the imposed taxes to pay for water and sewer improvements as well as for other community-beneficial services including library resources, law enforcement, emergency services, and highway and roadway building. Property taxes do not affect deeds of reconveyance. (Brueckner, and Saavedra, 2001).

Depending on the jurisdiction, different properties are taxed at different rates. Examining the relevant tax legislation is crucial before making a property purchase.

When compared to income taxes and value-added taxes, immovable property taxes in most Organization for Economic Co-operation and Development (OECD) countries make up a small fraction of federal revenue. However, compared to many European nations, the prevalence in the United States is far greater. (Alm, Buschman, & Sjoquist, 2011). Property tax rates in industrialized nations have been urged to rise by numerous empiricists and commentators. They contend that the tax's predictability and market-correcting nature promote stability and appropriate real estate development. The governing body of the region where the property is located is responsible for collecting the tax. (Kelly, 2013).

Efficient property tax administration remains a major challenge for many developing country local governments, including Ethiopia. In Addis Ababa, poor identification, valuation, assessment, collection, and enforcement practices have resulted in low revenues despite rising property values. This study will critically examine property tax administration procedures, capacity, and gaps at the sub-city level through an in-depth local lens. (Bahl, and Vazquez, 2008).

### **2.2.1. PROPERTY IDENTIFICATION**

Property identification refers to the process of systematically identifying, listing, and cataloging all properties that are potentially liable to pay property taxes within a municipal jurisdiction. It involves enumerating and recording details such as the location, ownership, usage, size, construction details etc. for each property. (Quinard, Barriere, and Gelin, 2009). Some key methods of property identification include conducting on-site surveys, using Geographic Information System (GIS) mapping techniques, reviewing deeds registries, tracking new property developments, assigning unique property reference IDs, and requiring taxpayer self-reporting of property details (Fan, 2008).

An up-to-date and comprehensive property list developed through rigorous identification approaches provides the foundation for determining property tax liabilities, issuing tax bills, and collecting revenues. It enables tax authorities to bring all eligible properties into the tax net. Weak identification leads to revenue leaks as properties escape taxation. Therefore, property identification is a crucial first step in the property tax administration process. (Wilkie, Docherty, and Möller, 2020).

Property identification has several benefits, some of which include Municipalities cannot properly assess and collect property taxes without a thorough registry of properties (Sandford and Hasseldine, 1992). Identification allows for the determination of ownership, value, and tax liability (UN-Habitat, 2011). Additionally, tenure rights are secured by connecting property identification systems with land registries (Blochliger, 2015). Advanced digital identification techniques that make use of GIS and individual property reference numbers facilitate effective information sharing, analysis, and updates (Liu, Moldogaziev, and Mikesell, 2017).

#### **2.2.1.1. Key property identification approaches for tax purposes**

In the realm of property tax administration, various methods are employed to identify properties for tax purposes. Door-to-door surveys involve enumerators conducting thorough on-site listings of all properties within a jurisdiction (UN-Habitat, 2011), allowing for the inclusion of new and

informal properties but necessitating extensive fieldwork. Mapping utilizes Geographic Information Systems (GIS) to delineate parcel boundaries and integrate spatial data (Koeva et al., 2021), requiring specialized technical knowledge for accuracy. Deeds registries involve reviewing property transaction documents registered with land authorities to identify taxpayers (Liu, Moldogaziev, and Mikesell, 2017), though this method may overlook informal properties not formally documented. Development approvals focus on identifying properties approved for construction through municipality building permit records (Franzsen, Riel, and William, 2017), potentially omitting unauthorized constructions. Taxpayer reporting mandates legally require taxpayers to register ownership and property details (Quinard, Barriere, and Gelin, 2009), yet compliance with this requirement often proves inconsistent. Unique property identification systems assign distinct reference numbers to each property to facilitate record linkage across administrative systems (Monkam and Moore, 2015), enhancing overall coordination. Effective property identification typically involves a combination of exhaustive field surveys, precise spatial mapping, integration of regulatory data, and implementation of unique referencing mechanisms to optimize accuracy and completeness in tax administration practices.

### **2.1.2. PROPERTY VALUATION FOR TAX PURPOSES**

The valuation of properties is a crucial component in property tax administration (Franzsen, Riel, and William., 2017). However, developing countries face myriad challenges in accurately estimating property values for taxation (Bahl, and Bird, 2008). This review examines key issues and reform options for improving property valuation approaches.

Valuation provides the tax base and ensures horizontal equity, with higher value properties paying more tax (UN-Habitat, 2011). Market-value based valuation enables buoyant revenues as property values rise (Sandford and Hasseldine, 1992). By contrast, undervaluation erodes local revenues (Norregaard, 2013). Valuation methods and data need regular updating to account for market changes (Kitchen, 2016). Linking valuations with sales transactions data improves accuracy (Franzsen, Riel, and William., 2017).

Developing countries face constraints like lack of valuation skills and resources, weak sales data, resistance to revaluations, informal areas valuation issues, and ad-hoc exemptions impacting accuracy (Monkam and Moore, 2015). Reliance on self-declared rental values also poses risks

(Norregaard, 2013). Politicization and interference in valuations is another concern (UN-Habitat, 2011).

Recommended valuation reforms include use of computer-assisted mass appraisal techniques, improving rental data collection, conducting regular revaluations, building valuation capacity, using area-based values for informal settlements, and limiting exemptions (Koeva et al., 2021). Structuring valuation departments as autonomous agencies can shield them from political pressures (Franzsen, Riel, and William, 2017).

In summary, developing countries face myriad constraints in implementing accurate, market-value based property valuation. Investment in updated approaches, capacity, data systems, and autonomy of valuation agencies is essential to strengthen property tax revenues.

#### ***2.2.2.1. Property Valuation Methods***

Property valuation methods in taxation vary widely and are selected based on specific property characteristics and local market conditions. The market/sales comparison approach determines property values by analyzing recent sales prices of comparable properties (Franzsen, Riel, and William, 2017), relying on an active property market for accuracy. The income approach assesses property value based on its income-generating potential, using rents or yields as indicators (UN-Habitat, 2011), making it suitable for rental properties. The cost approach values property by calculating its replacement cost, particularly applicable to special-use properties (Bahl and Bird, 2008). Computer-assisted mass appraisal (CAMA) automates valuation for large property groups using statistical modeling (Monkam and Moore, 2015), requiring robust technical capabilities. Index-based valuation updates property values relative to a base year using price indices, simplifying administration (Franzsen, Riel, and William, 2017). Area-based values group properties in the same area into value bands based on similar characteristics, beneficial for informal or low-value properties (UN-Habitat, 2011). Self-declared rental value allows property owners to declare property values but may lead to undervaluation (Desta, Reta, and Girma, 2022). Selecting an appropriate valuation method tailored to local context, data availability, and technical capacity is crucial for establishing an accurate and fair property tax system.

### **2.2.3. PROPERTY TAX COLLECTION PROCEDURES**

Efficient collection of property taxes poses a major challenge in developing countries, contributing to low revenue outcomes (Bird and Slack, 2004). This review examines key issues and reform options for improving property tax collection procedures.

Effective collection systems enable recovery of billed taxes to maximize revenues (UN-Habitat, 2011). Well-designed collection procedures minimize administrative costs and taxpayer compliance burdens (Blochliger, 2015). Key approaches include self-assessment systems, public awareness campaigns, integrated billing and collection databases, outsourced collection, structured payment plans, and enforcements like penalties (Bahl, 2009; Kitchen, 2016).

Developing countries face constraints like lack of taxpayer awareness on obligations, fragmented data systems, limited enforcement, discretionary exemptions eroding the tax base, shortage of qualified staff, and political interference in collection (Norregaard, 2013). Deficient taxpayer identification numbers also hamper collection (Franzsen, Riel, and William., 2017).

Recommended reforms emphasize integrated administrative systems, billing based on unique taxpayer identification numbers, public education campaigns, transparent enforcement actions like published penalty lists, outsourcing discrete functions, and strong taxpayer service programs (UN-Habitat, 2011; Monkam and Moore, 2015). In summary, developing countries need to invest in modernized, taxpayer-centered collection systems. Key reforms include integrated data systems, transparent enforcement, outsourcing selected functions, public outreach, and use of technology to enhance property tax recovery. This can significantly boost local revenue outcomes.

#### ***2.2.3.1. Property tax collection procedures***

Property tax collection involves a series of structured procedures aimed at ensuring efficient revenue collection and taxpayer compliance. Initially, tax liability assessment occurs where properties are evaluated, exemptions are applied as per local tax policies, and the tax liability is determined (UN-Habitat, 2011). Subsequently, tax bills are generated, issuing demand notices to property owners detailing the amount due and payment timelines (Mikesell, 2017). Various

payment channels such as counters, online portals, banks, and mobile money options are provided to facilitate taxpayer payments (Desta, Reta, and Girma, 2022).

Enforcement actions follow for delinquent accounts after the due date, including penalties to encourage compliance (Norregaard, 2013). For cases of prolonged non-payment, additional penalties may be imposed, and in extreme cases, property seizure may be initiated (Franzsen, Riel, and William, 2017). Taxpayer services are also crucial, handling queries, facilitating payment plans, and processing appeals to enhance compliance and taxpayer satisfaction (Blochliger, 2015).

Performance monitoring is integral, analyzing tax collection ratios, costs, and yields to identify operational gaps and refine collection processes (Monkam and Moore, 2015). Furthermore, periodic audits and reconciliation of collection processes and databases are conducted to ensure integrity and identify any discrepancies or issues that require correction (Blochliger, 2015). These procedures collectively aim to optimize property tax collection efficiency while maintaining transparency and fairness in administration.

In summary, effective property tax collection requires standardized assessment procedures, integrated databases, diverse payment options, graduated enforcement measures, and significant taxpayer engagement efforts along with robust monitoring.

### ***2.2.3.2. Factors Contributing to Property Tax Collection Performance***

Several factors significantly influence the performance of property tax collection:

Tax policy design plays a crucial role, affecting revenues through rate setting, exemptions, and reliefs (Norregaard, 2013). A narrow tax base resulting from extensive exemptions can diminish potential tax revenue. Effective identification systems are essential; comprehensive property enumeration and accurate records enhance tax coverage (UN-Habitat, 2011). Weak identification systems often lead to lower collection rates.

Valuation accuracy is vital; assessments based on market values can boost revenues as property values increase (Blochliger, 2015). Undervaluation, however, can erode potential revenues.

Efficient billing and collection processes are critical; integrated databases, unique identification numbers, automation, and robust taxpayer services can improve collection rates (Mikesell, 2017). Fragmented systems and outdated technologies hinder effective collection. Compliance and enforcement mechanisms are key; taxpayer education, transparent enforcement rules, and penalties for non-compliance enhance the recovery of owed taxes (Franzsen and McCluskey, 2017). Discretionary waivers undermine compliance efforts.

The autonomy of local governments in tax policy and administration is significant; greater autonomy allows for locally tailored systems that can enhance effectiveness (Bahl, 2009). Limited autonomy can hamper efficient tax collection. Political will and oversight are crucial factors; commitment from political leaders is necessary for implementing reforms that improve tax collection (UN-Habitat, 2011). However, political interference in exemptions and valuations can undermine revenue generation efforts. These factors collectively influence the performance of property tax collection systems, highlighting the importance of strategic policy design, effective administrative practices, and supportive political frameworks in maximizing revenue collection for local governments.

In summary, getting these multiple factors right through appropriate policies, administrative systems, compliance mechanisms, local empowerment and political commitment is key for improving property tax collection globally.

### **2.3. EMPIRICAL REVIEW**

Several empirical studies have contributed significant insights into the challenges of property tax administration in Ethiopia, which are highly relevant to this research. Mascagni et al. (2017) conducted a thorough revenue gap analysis utilizing administrative data sourced from Addis Ababa. Their study specifically examined issues of property tax undervaluation and leakage, revealing substantial disparities between assessed and actual tax revenues. The findings highlighted weaknesses in assessment methodologies, compliance levels, and enforcement mechanisms. Analyzing data from a vast sample of over 900,000 properties underscored the critical necessity for comprehensive reforms aimed at improving the accuracy of property

valuations and enhancing overall tax administration practices. This research underscores the importance of addressing systemic inefficiencies to optimize revenue collection and foster sustainable fiscal policies in urban settings like Addis Ababa.

Goodfellow's (2017) research delved into the challenges faced by tax officials in Addis Ababa regarding property tax revenue collection. Through qualitative surveys involving more than 80 municipal tax administrators, the study uncovered several institutional barriers that hinder effective tax administration. One significant obstacle identified was systemic compliance issues within the tax collection framework. This included difficulties in ensuring taxpayer compliance with regulations and obligations, which undermined the efficiency of revenue collection efforts.

Another critical finding was the lack of autonomy in decision-making processes among tax administrators. The research highlighted how bureaucratic constraints and centralized decision-making structures impeded the ability of local authorities to adapt strategies tailored to local contexts and needs. This lack of flexibility hampered the responsiveness of tax administration to dynamic economic conditions and property market fluctuations, thereby impacting overall tax performance.

In addition to compliance and autonomy issues, the study also pointed out shortcomings in infrastructure supporting tax administration. Inadequate technological infrastructure and administrative tools were identified as limiting factors in managing and processing tax data efficiently. These deficiencies not only slowed down administrative processes but also compromised the accuracy and timeliness of tax assessments and collections. Goodfellow's research underscored the critical importance of addressing these administrative challenges to enhance the efficiency of property tax revenue collection in Addis Ababa. By improving compliance mechanisms, granting greater autonomy to local tax authorities, and investing in modernizing infrastructure, policymakers can potentially boost revenue collection capabilities and

strengthen the fiscal health of the city. Addressing these barriers is essential for achieving sustainable urban development and ensuring equitable distribution of public resources based on property tax revenues. Gebeye (2021) focused on staffing, data reliability, and corruption within Ethiopia's tax administration framework, based on interviews with sub-city managers. The study illuminated how institutional capacity gaps contribute to revenue leakage, citing shortages in skilled personnel, inaccurate record-keeping practices, and high-level corruption influenced by political interference. These findings underscored the need for strengthening administrative capacity and improving governance practices to mitigate revenue losses.

Desta, Reta & Girma's (2022) study conducted in Bahirdar surveyed property owners to evaluate their satisfaction levels and factors influencing compliance with property tax assessment and payment processes. The quantitative research uncovered significant dissatisfaction among property owners, primarily stemming from perceived unfairness in how property assessments were conducted. Many respondents expressed concerns about the accuracy and transparency of assessment methods, which they felt did not reflect the true value of their properties.

Another critical issue highlighted in the study was the timing of cash flows related to property tax payments. Property owners voiced challenges with the timing and frequency of tax bills, which often did not align well with their financial capabilities or property income cycles. This mismatch contributed to difficulties in meeting tax obligations promptly, impacting compliance rates.

Furthermore, the research identified coercive collection techniques as a significant concern among property owners. Many felt pressured or intimidated by aggressive enforcement measures employed to recover unpaid taxes. Such tactics were perceived as punitive and exacerbated negative sentiments towards the tax administration system. therefore, the study underscored the importance of transparency and stakeholder engagement in driving effective tax reforms. It emphasized the need for tax authorities to communicate clearly with property owners about

assessment methodologies, ensure fairness in tax calculations, and consider the financial circumstances of taxpayers when scheduling tax payments. By enhancing transparency and engaging stakeholders in the reform process, policymakers can work towards establishing a property tax system that is perceived as equitable, efficient, and supportive of sustainable urban development in Bahirdar and similar contexts.

Together, these studies offer a nuanced perspective on the intricacies involved in property tax administration in Ethiopia. They highlight several key factors essential for improving tax compliance and enhancing revenue generation. First and foremost, accurate property valuation emerges as crucial, as discrepancies can lead to significant revenue losses or unfair tax burdens on property owners. The studies also underscore the importance of robust enforcement mechanisms to ensure that tax laws are upheld consistently and fairly across different segments of the population.

Furthermore, institutional capacity building within tax administrations is identified as pivotal. This includes equipping tax authorities with the necessary resources, training, and technological infrastructure to effectively manage property tax systems. Strengthening institutional capacity not only enhances administrative efficiency but also instills confidence in taxpayers regarding the fairness and reliability of the tax regime.

Stakeholder engagement emerges as another critical factor. By involving property owners, local communities, and other stakeholders in the tax policy formulation and implementation processes, governments can foster a sense of ownership and accountability. Transparent communication and consultation help build trust and ensure that tax policies reflect the diverse needs and realities of local contexts.

Ultimately, addressing these challenges through targeted reforms is essential for developing sustainable and equitable property tax systems in Ethiopia. By improving valuation accuracy, strengthening enforcement mechanisms, building institutional capacity, and promoting stakeholder engagement, policymakers can foster an environment conducive to economic growth, local development, and equitable distribution of public resources. These efforts are vital for

achieving long-term fiscal sustainability and supporting the broader goals of inclusive and resilient urban development.

## **Summary**

While existing studies provide valuable insights into property tax administration globally, including challenges such as incomplete property registries, inaccurate valuation, weak billing systems, and low enforcement (UN-Habitat, 2011; Norregaard, 2013; Berry, 2021; Bird and Slack, 2004), there remains a significant gap in empirical research specifically focused on the sub-cities of Addis Ketema, Bole, and Lideta within Addis Ababa. Prior empirical evidence on property tax systems in Addis Ababa is limited, prompting the need for localized studies to understand specific challenges and formulate targeted recommendations for reform (Gebregziabher and Giha, 2022).

This study seeks to address this research gap through comprehensive data collection methods, including analysis of property tax records, surveys, interviews, and focus groups conducted within the selected sub-cities. By gathering empirical evidence directly from these urban areas, the research aims to provide a nuanced understanding of property tax administration practices at the local level in Addis Ababa.

The empirical findings will contribute to developing tailored recommendations aimed at improving property tax administration and collection efficiency in these specific sub-cities. Drawing on global best practices and localized insights, the study intends to advocate for reforms that leverage technology, enhance institutional capacity, promote transparency, and strengthen taxpayer education. By focusing on these critical components of property tax systems, the research endeavors to support sustainable urban development and fiscal governance in Addis Ababa, thereby addressing the unique challenges faced by local administrations in managing property tax revenues effectively.

## CHAPTER THREE

### 3. RESEARCH DESIGN AND METHODOLOGY

This chapter detailed the research design and methodology employed in the study to assess property tax administration practices in Addis Ababa, with a specific focus on Addis Ketema, Bole, and Lideta Sub-Cities. The section elucidated the rationale behind the chosen approach, outlining the methods utilized to achieve the study objectives and address the research questions comprehensively.

#### 3.1 Research Design and Approach

The research design adopted for this study was a descriptive research design with a mixed-method approach, integrating both quantitative and qualitative methods. This approach was chosen to provide a nuanced understanding of property tax administration practices by capturing both quantitative data and qualitative insights from stakeholders.

Descriptive research, as articulated by Kothari (1985), was centered around elucidating the characteristics of specific individuals, groups, or settings. Given the study's objectives to assess property tax administration practices in Addis Ababa, a descriptive research design aligned well with the nature of the investigation.

By incorporating both quantitative and qualitative methods, the study aimed to gather comprehensive data from a diverse population. This approach allowed for a multifaceted exploration of property tax administration practices, offering insights into both the quantitative aspects of tax compliance and the qualitative nuances of administrative processes.

**3.2 Data Collection Methods:** The study employed a combination of surveys and key informant interviews to collect data. Questionnaires were distributed to individuals to gather quantitative data, while interviews were conducted to delve deeper into qualitative aspects and capture stakeholders' perspectives.

Individuals were contacted to participate in the study, and questionnaires were distributed electronically or in person. Additionally, interviews were conducted with key stakeholders involved in property tax administration practices.

Quantitative data collected through questionnaires were analyzed using statistical tools to derive descriptive statistics and identify patterns. Qualitative data from interviews were analyzed thematically to uncover recurring themes and insights.

The mixed-method approach enhanced the depth and breadth of the study's findings, providing a comprehensive understanding of property tax administration practices in Addis Ababa. By triangulating quantitative and qualitative data, the study aimed to offer valuable insights for policymakers, practitioners, and researchers in the field of public finance and urban governance.

### 3.2. Population, Sample Size and Sampling Techniques

For this study, a multi-stage sampling technique was utilized. Initially, three sub-cities—Addis Ketema, Bole, and Lideta—were purposively chosen based on their economic status. Within these sub-cities, additional random sampling was employed to select property tax officials and taxpayers for surveys and interviews. Furthermore, key informants such as sub-city managers were selected through a combination of multistage, purposive, and random sampling methods, focusing on property tax officials and taxpayers.

Table 3.1 Total population of the study

Name of the sub-cities	Total population
Addis Ketema	112
Bole	96
Lideta	108
Total	316

Using all population for data collection is difficult for one researcher. So it is difficult to use all population, and the researcher used the formula developed by (Yamane, 1967).

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

Where N= number of total populations

n= sample

e = tolerance at preferred level of confidence, take 0.05 at 95 % confidence level.

Thus, the sample of customers shall be.

$$n = \frac{316}{1+316(0.05)^2} \sim 177$$

If N = 316; respondent

Rounded sample size:  $n \approx 177$

Therefore, the sample size  $n$  calculated using the Yamane formula for a total population  $NNN$  of 316, with a tolerance  $e$  of 0.05 at 95% confidence level, is approximately 177. This sample size ensures adequate representation while maintaining statistical rigor for the study.

### **3.3 Types of Data Used**

The primary data for analysis in this study was collected through multiple approaches, including taxpayer surveys, tax official questionnaires, and key informant interviews. These methods allowed for a comprehensive understanding of property tax administration practices in Addis Ababa, specifically focusing on Addis Ketema, Bole, and Lideta Sub-Cities. Additionally, secondary data from sub-city reports and national statistics were used to supplement the primary data and provide context to the analysis.

### **3.4 Methods of Data Analysis**

The collected qualitative and quantitative data were analyzed using the Statistical Package for Social Sciences (SPSS) version 26. Descriptive statistics, such as frequency distribution, were employed to assess property tax administration practices. Data analysis techniques, as outlined by Cooper and Schindler (2008), were utilized to develop summaries and reduce the collected data to a manageable size.

Quantitative data underwent descriptive and inferential statistical analyses to summarize relevant findings. Meanwhile, qualitative data underwent content analysis to identify key themes related to policies and regulations. Integrating findings from both approaches provided comprehensive insights into property tax administration practices, offering a balanced perspective that enhances understanding and informs policy recommendations.

### **3.5 Validity and Reliability**

Validity and reliability were ensured through several measures. Data collection tools were pilot tested to validate their effectiveness, and the mixed methods design enhanced the completeness of results. Techniques were employed during interviews to minimize biases, and an audit trail of processes was maintained to enhance reliability.

Additionally, triangulation across data sources, analysts, and methods was conducted to further enhance reliability. Cronbach's alpha coefficient was used to assess the reliability of the measurement instruments, with items scoring above acceptable thresholds retained for analysis. This comprehensive methodology yielded robust evidence on property tax administration practices in the selected sub-cities, ensuring the validity and reliability of the study's findings.

## **CHAPTER FOUR**

### **4. DATA ANALYSIS, FINDINGS AND DISCUSSION**

#### **4.1 Introduction**

The study employed a robust analytical approach to comprehensively explore property tax administration practices. Quantitative data underwent detailed descriptive and inferential statistical analyses aimed at summarizing and interpreting key findings. This rigorous statistical examination allowed for a quantitative understanding of factors such as tax revenue trends, compliance rates, and the effectiveness of administrative measures across the selected sub-cities of Addis Ababa. By employing statistical techniques, the study could quantify relationships and trends within the data, providing empirical evidence to support its conclusions on property tax administration.

Concurrently, qualitative data underwent content analysis to extract and elucidate essential themes pertaining to policies and regulations in property tax administration. This qualitative approach focused on identifying nuanced insights related to governance frameworks, compliance challenges, and the impacts of regulatory policies on stakeholders. Through content analysis, the study delved into the underlying motivations and perspectives of property owners, tax administrators, and government officials, shedding light on the broader socio-economic implications of property tax policies.

The integration of findings from both quantitative and qualitative analyses facilitated a comprehensive understanding of property tax administration practices. By triangulating quantitative trends with qualitative insights, the study provided a balanced perspective that enriched the interpretation of results and enabled a deeper exploration of complex issues. This holistic approach not only enhanced understanding but also contributed valuable insights for informing policy recommendations aimed at improving property tax systems in Addis Ababa.

#### **4.2 Response Rate**

The survey conducted for this assessment had a sample size of 170 respondents, who returned completed questionnaires, resulting in an impressive response rate of 96%. This high response rate

is considered reliable for data analysis, as noted by Babbie (2012), who suggests that any response rate of 50% and above is adequate for analysis. Furthermore, the substantial response rate suggests a positive reception among all respondents towards the study and its findings, thereby allowing for potential generalization of the results.

#### Table 4.1: Response Rate

Table 4.1 respondent's rate of response

No.	Respondents' category	Frequency	Percentage
1	Responded	170	96%
2	Did not responded	7	4%
Total		177	100%

(Source: SPSS output researcher survey data, 2024)

### 4.3 General Information of the Respondents

This section provides an overview of the respondents' demographic characteristics, including gender, age, level of education, and years of experience. The profiling of respondents was informed by the items in the research instruments used in the study.

#### 4.3.1 Gender of respondents

Table 4.2 genders of the respondent

Genders of the respondent					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	96	56.5	56.5	56.5
	female	74	43.5	43.5	100.0
	Total	170	100.0	100.0	

(Source: SPSS output researcher survey data, 2024)

The data sought on whether respondents were males or females. The study found it important to analyze gender distribution of the respondent so, as to compare the level of participation in managers and employees of in Assessment of property tax administration practice in the case of

Addis Ababa. The study did not consider any of the gender in the selection of respondents. Respondents asked to indicate their gender. From the findings of the males made the majority of the respondents at 96 (56.5 %) and the females at 74(43.5 %) as shown in the above table. This indicates the majority of the respondents are males.

### 4.3.2 Age of the respondent

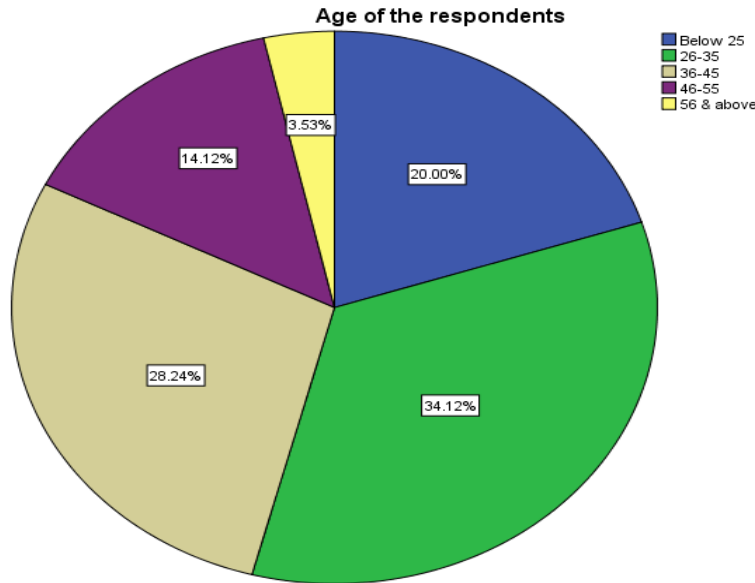


Figure 4.1 age of the respondents

(Source: SPSS output researcher survey data, 2024)

The provided information indicates that respondents were asked to specify their age group in years. This was done to gain insight into the age distribution of the participants, as individual age was not a factor in their selection for this study. Age groups were categorized into four brackets: below 25 years, 26-35 years, 36-45 years, 46-55 years, and above 55 years.

Analysis of the respondent age categories reveals that the majority, comprising 58 individuals (34.1%), fell within the 26-35 years age bracket. Following closely, 48 respondents (28.2%) were aged between 36-45 years. Conversely, the least represented age group was below 25 years old, with 34 participants (20%), while those aged 46-55 years constituted 24 respondents (14.1%). Lastly, individuals aged 56 and above accounted for 6 respondents (3.5%).

These findings indicate that the largest proportion of respondents, totaling 58 individuals (44%), were youths aged between 26-35 years. This underscores the predominance of younger individuals

in the study. The age distribution of respondents suggests a significant representation of young adults, reflecting their involvement in the assessment of property tax administration practices in Addis Ababa.

### 4.3.3 Education level of respondents

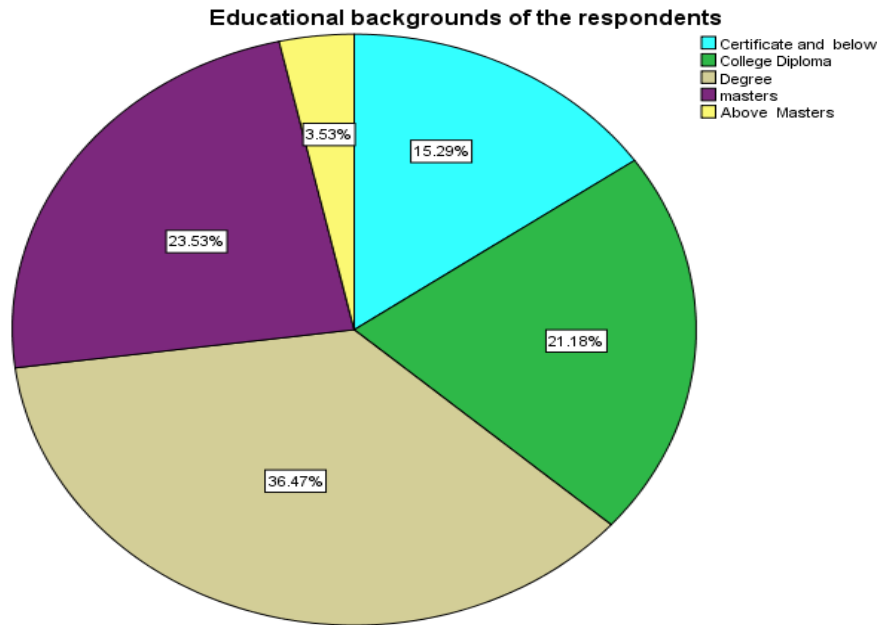


Figure 4.2 Educational levels of the respondents

(Source: SPSS output researcher survey data, 2024)

The respondents were requested to indicate their highest level of education, a crucial aspect considered in this study for both responding to research instruments and understanding property tax administration practices in Addis Ababa. The study aimed to ascertain the educational backgrounds of the respondents, revealing that 26 individuals (15.3%) possessed certified and below qualifications, followed by 36 respondents (21.2%) with diplomas. The majority of respondents held first degrees, totaling 62 individuals (36.5%), while 40 respondents (23.5%) had attained master's degrees. Additionally, 6 respondents (3.5%) had education levels beyond masters.

These findings highlight that the majority of respondents are well-educated, with a significant proportion holding first degrees, representing 62 individuals (36.5%). This suggests that the

respondents possess knowledge and understanding of property tax administration practices in Addis Ababa, reflecting the importance of education in this field.

#### 4.3.4 Marital states of respondents

Table 4.3 marital states of the respondent

Marital status					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	single	28	16.5	16.5	16.5
	married	124	72.9	72.9	89.4
	divorce	18	10.6	10.6	100.0
	Total	170	100.0	100.0	

(Source: SPSS output researcher survey data, 2024)

According to the table provided above, respondents were required to specify their marital status. The majority of respondents, comprising 124 individuals (72.9%), indicated that they were married, while 28 respondents (16.5%) reported being single. Additionally, 18 respondents (10.6%) stated that they were divorced.

These findings reveal that a significant majority of the respondents are married, suggesting a potential correlation between marital status and knowledge of property tax administration practices in Addis Ababa. The fact that the majority of respondents are married may indicate that they have a level of responsibility and leadership within their families, which could influence their understanding of property tax administration.

#### 4.3.5 Work Experience of respondents

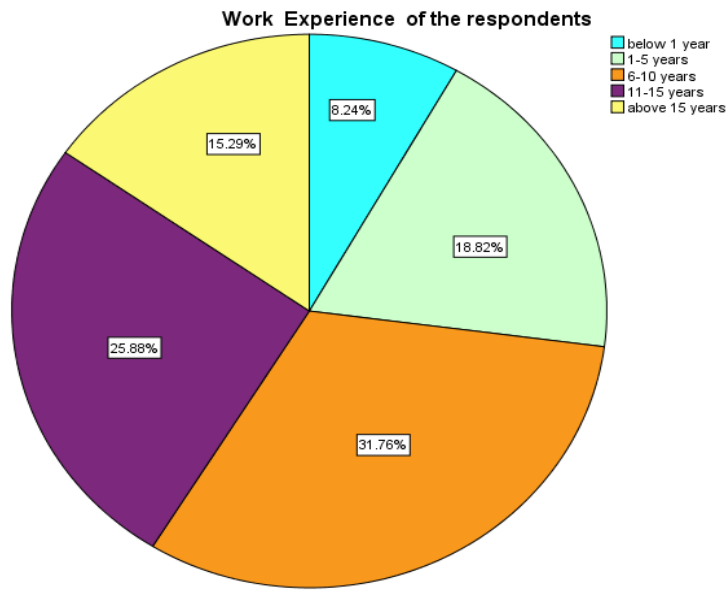


Figure 4.3 Work experience of the respondents (Source: SPSS output researcher survey data, 2024)

The provided table presents the work experience of the respondents as established by the study. The findings indicate that 14 individuals (8.2%) reported having less than 1 year of work experience, while 32 respondents (18.8%) reported having 1-5 years of experience. Additionally, 54 respondents (31.8%) reported having 6-10 years of experience, 44 respondents (25.9%) reported having 11-15 years of experience, and 26 respondents (15.3%) reported having over 15 years of experience.

These results reveal that the majority of respondents, accounting for 54 individuals (31.8%), have 6-10 years of work experience. Following closely, 44 respondents (25.9%) reported having 11-15 years of experience. The distribution of work experience among respondents indicates a relatively balanced representation across different tenure brackets.

Furthermore, the majority of respondents with significant work experience fall within the young and youthful age groups, suggesting that they have accumulated their professional experience relatively early in their careers. This underscores the importance of considering the demographic characteristics of respondents, such as age and work experience, in understanding their perspectives on property tax administration practices in Addis Ababa.

## 4.4 Descriptive Statistics

The primary objective of the study was to assess property tax administration practices in Addis Ababa. This section provides descriptive statistics of the research variables, namely tax compliance, tax structure, legal and regulatory frameworks, taxpayers' services delivery, and Tax Revenue Collection.

### 4.4.1 Descriptive Statistics: Tax Compliance

This section presents the analysis of tax compliance based on the obtained results. The data interpretation and findings in the subsequent discussion generated the mean score and standard deviation of respondents' responses regarding the assessment of property tax administration practices in Addis Ababa.

The questions were scaled using a five-point Likert scale, where 1= strongly disagree, 2= disagree, 3 = neutral, 4 = agree, and 5 = strongly agree to rate exhibited tax compliance. The analysis of tax compliance was conducted using means and standard deviations from the results. The interpretation of mean scores was categorized as follows: (1.00-1.49 = Very Low; 1.50-2.49 = Low; 2.50-3.49 = Moderate; 3.50-4.49 = High; 4.50-5.00 = Very High)

This section aims to provide a comprehensive understanding of tax compliance levels among respondents, contributing valuable insights into property tax administration practices in Addis Ababa.

Table 4.4 Descriptive Statistics of tax compliance

<b>Descriptive Statistics</b>					
	N	Minimum	Maximum	Mean	Std. Deviation
Tax evasion is widespread in Addis Ababa	170	1.00	5.00	3.8118	1.09322

People who regularly evade paying income tax get caught	170	1.0	5.0	3.600	1.1737
Ethiopia Revenue Authority has put in too enough effort to ensure tax compliance	170	1.00	5.00	4.2353	.93134
Ethiopia Revenue Authority is adequately equipped to enforce tax compliance	170	1.00	5.00	3.5294	1.07239
Majority of people in this country think it's okay not to pay tax on cash earnings	170	1.00	5.00	4.1529	.99115
Financial penalties imposed on non-compliance are sufficient to deter people from regularly evading income tax	170	1.00	5.00	3.6824	1.18383
Valid N (listwise)	170				
Aggregate mean and STD				3.8353	1.068217

Source: - SPSS output survey data 2024

The results presented in Table 4.4 illustrate that the sample mean for individual responses ranged between 3.5294 and 4.2353. These sample mean values generally converge around 3.8353 on the Likert scale utilized in this study, indicating agreement among respondents regarding the activities implied by the statements. Similarly, the sample standard deviation for the different responses ranged between 0.93134 and 1.18383, suggesting that the responses were closely clustered around the sample mean, with narrow variability.

Furthermore, the aggregate scores for sample mean and sample standard deviation for tax compliance were 3.8353 and 1.068217, respectively.

According to the table, a majority of respondents indicated that the Ethiopia Revenue Authority has made sufficient efforts to ensure tax compliance, with the highest mean score of 4.2353 and a standard deviation of 0.93134. Additionally, a significant proportion of respondents believe that it

is acceptable not to pay tax on cash earnings, as indicated by the highest mean score of 4.1529 and a standard deviation of 0.99115. Furthermore, respondents expressed concerns about widespread tax evasion in Addis Ababa, with a mean score of 3.8118 and a standard deviation of 1.09322.

Conversely, respondents indicated less confidence in the effectiveness of financial penalties imposed on non-compliance to deter tax evasion, with a mean score of 3.6824 and a standard deviation of 1.18383. Similarly, respondents expressed skepticism about the ability of authorities to apprehend those who regularly evade paying income tax, with a mean score of 3.600 and a standard deviation of 1.1737. Additionally, respondents were divided on whether the Ethiopia Revenue Authority is adequately equipped to enforce tax compliance, with a mean score of 3.5294 and a standard deviation of 1.07239. Therefore, the assessment of tax compliance among respondents provides valuable insights into property tax administration practices in Addis Ababa, with aggregate scores indicating a moderate level of agreement among respondents.

#### 4.4.2 Descriptive Statistics tax structure

This section presents the analysis of tax structure obtained from the results of the study on property tax administration practices in Addis Ababa. The data interpretation and findings aim to provide insight into the mean score and standard deviation of respondents' responses regarding the assessment of tax structure. The questions were scaled using a five-point Likert scale, ranging from 1= strongly disagree to 5 = strongly agree, to rate the exhibited tax structure.

The analysis of the tax structure was investigated by using means and standard deviations from the results. The results of the means were interpreted based on: 1-1.49 = Very Low; 1.5-2.49 = Low; 2.5-3.49 = Moderate; 3.5-4.49 = High; 4.5-5.0 = Very high.

Table 4.5 Descriptive Statistics of tax structure

<b>Descriptive Statistics</b>					
	N	Minimum	Maximum	Mean	Std. Deviation
Ethiopia Revenue Authority rely on a narrow tax base for all form of taxes	170	1.00	5.00	4.1294	.99452

Ethiopia Revenue Authority uses a balanced tax structures without biases	170	1.00	5.00	4.0706	1.07459
Tax rates charged by Ethiopia Revenue Authority is reasonable to all tax payers	170	2.00	5.00	3.8706	.78126
Ethiopia Revenue Authority has imposed rates on all financial transactions as stipulated in tax regulatory framework	170	1.00	5.00	3.7882	1.12101
Rates charged by Ethiopia Revenue Authority are competitive when benchmarked by other emerging economies	170	1.00	5.00	3.7176	1.11591
Valid N (listwise)	170				
Aggregate mean and STD				3.9153	0.958492

Source: - SPSS output survey data 2024

### Analysis and Interpretation

The table presents the mean scores and standard deviations for various statements related to tax structure. Reliance on Narrow Tax Base: Respondents generally agreed (mean = 4.1294) that the Ethiopia Revenue Authority relies on a narrow tax base for all forms of taxes, with relatively low variability in responses (standard deviation = 0.99452).

Use of Balanced Tax Structure: Similarly, respondents indicated agreement (mean = 4.0706) with the statement that the Ethiopia Revenue Authority uses a balanced tax structure without biases, although responses varied more widely (standard deviation = 1.07459). Reasonableness of Tax Rates: The mean score (3.8706) suggests a high level of agreement among respondents that the tax rates charged by the Ethiopia Revenue Authority are reasonable to all taxpayers, with low variability in responses (standard deviation = 0.78126).

Compliance with Regulatory Framework: Respondents expressed moderate agreement (mean = 3.7882) that the Ethiopia Revenue Authority has imposed rates on all financial transactions as stipulated in the tax regulatory framework, although responses were more diverse (standard deviation = 1.12101).

Competitiveness of Tax Rates: Lastly, respondents' views were less aligned (mean = 3.7176) regarding whether the rates charged by the Ethiopia Revenue Authority are competitive when benchmarked against other emerging economies, with a higher degree of variability in responses (standard deviation = 1.11591).

Overall, the aggregate mean score for tax structure assessment is 3.9153, indicating a high level of agreement among respondents. The standard deviation of 0.958492 suggests relatively consistent responses across the statements related to tax structure. These findings provide valuable insights into the perceptions of tax structure among respondents in the context of property tax administration practices in Addis Ababa.

#### 4.4.3 Descriptive Statistics legal and regulatory frameworks

This section presents the analysis of legal and regulatory frameworks obtained from the results of the study on property tax administration practices in Addis Ababa. The data interpretation and findings aim to provide insight into the mean score and standard deviation of respondents' responses regarding the assessment of legal and regulatory frameworks. The questions were scaled using a five-point Likert scale, ranging from 1 = strongly disagree to 5 = strongly agree, to rate the exhibited legal and regulatory frameworks.

The analysis of the legal and regulatory frameworks was investigated by using means and standard deviations from the results. The results of the means were interpreted based on: 1-1.49 = Very Low; 1.5-2.49 = Low; 2.5-3.49 = Moderate; 3.5-4.49 = High; 4.5-5.0 = Very high.

Table 4.6 Descriptive Statistics of legal and regulatory frameworks

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation

The current regulatory framework for property registration practice is clear and easy to understand	170	1.00	5.00	4.2353	.83768
The regulatory framework adequately protects the rights of property owners during the registration process.	170	1.00	5.00	3.6118	1.09969
The regulatory framework ensures transparency in property registration practices	170	1.00	5.00	4.0118	1.11466
The current regulatory framework effectively prevents fraudulent practices in property registration.	170	1.00	5.00	3.3529	1.19868
Property registration procedures are streamlined and efficient under the existing regulatory framework	170	1.00	4.00	3.1059	1.05498
The current regulatory framework encourages compliance with property registration laws	170	1.00	5.00	3.8235	.92534
I am satisfied with the regulatory framework for property registration practice	170	1.00	5.00	4.1412	.95028
Valid N (listwise)	170				
Aggregate mean and STD				3.75463	0.939617

Source: - SPSS output survey data 2024

### Analysis and Interpretation

The table presents the mean scores and standard deviations for various statements related to legal and regulatory frameworks.

Clarity of Regulatory Framework: Respondents overwhelmingly agreed (mean = 4.2353) that the current regulatory framework for property registration practice is clear and easy to understand, with a relatively low standard deviation (0.83768).

Protection of Property Owners' Rights: The mean score (3.6118) suggests moderate agreement among respondents that the regulatory framework adequately protects the rights of property owners during the registration process, although responses varied widely (standard deviation = 1.09969).

Transparency in Practices: Respondents generally agreed (mean = 4.0118) that the regulatory framework ensures transparency in property registration practices, with a relatively high standard deviation (1.11466).

Prevention of Fraudulent Practices: The mean score (3.3529) indicates moderate agreement among respondents that the current regulatory framework effectively prevents fraudulent practices in property registration, with a high degree of variability in responses (standard deviation = 1.19868).

Efficiency of Procedures: Respondents expressed less agreement (mean = 3.1059) regarding whether property registration procedures are streamlined and efficient under the existing regulatory framework, with a moderate standard deviation (1.05498).

Encouragement of Compliance: The mean score (3.8235) suggests moderate agreement that the current regulatory framework encourages compliance with property registration laws, with a relatively low standard deviation (0.92534).

Satisfaction with the Framework: Respondents generally expressed satisfaction (mean = 4.1412) with the regulatory framework for property registration practice, with a relatively low standard deviation (0.95028).

Overall, the aggregate mean score for legal and regulatory frameworks assessment is 3.75463, indicating a moderate level of agreement among respondents. The standard deviation of 0.939617 suggests relatively consistent responses across the statements related to legal and regulatory frameworks. These findings provide valuable insights into the perceptions of legal and regulatory frameworks among respondents in the context of property tax administration practices in Addis Ababa.

#### **4.4.4 Descriptive Statistics taxpayers' services delivery**

This section presents the analysis of taxpayers' services delivery obtained from the results of the study on property tax administration practices in Addis Ababa. The data interpretation and findings aim to provide insight into the mean score and standard deviation of respondents' responses regarding the assessment of taxpayers' services delivery. The questions were scaled using a five-

point Likert scale, ranging from 1 = strongly disagree to 5 = strongly agree, to rate the exhibited taxpayers' services delivery.

The analysis of the taxpayers' services delivery was investigated by using means and standard deviations from the results. The results of the means were interpreted based on: 1-1.49 = Very Low; 1.5-2.49 = Low; 2.5-3.49 = Moderate; 3.5-4.49 = High; 4.5-5.0 = Very high.

Table 4.7 Descriptive Statistics of taxpayers' services delivery

<b>Descriptive Statistics</b>					
	N	Minimum	Maximum	Mean	Std. Deviation
The nature of electronic services offered to taxpayers is adequate	170	1.00	5.00	3.4353	1.28208
Ethiopia Revenue Authority has enhanced the tools for the delivery of services to taxpayers	170	1.00	5.00	3.6412	1.30795
Ethiopia Revenue Authority has substantially increased the information content, functionality, and "user- friendliness" of their websites	170	1.00	5.00	3.7647	1.20302
The content provided by Ethiopia Revenue Authority to tax payer is adequate to guide in filing of taxes	170	1.00	5.00	3.6471	1.22794
Ethiopia Revenue Authority continuously explore new opportunities for improved service delivery to taxpayers	170	1.00	5.00	3.9588	1.07888
Valid N (listwise)	170				
Aggregate mean and STD				3.68942	1.209521

Source: - SPSS output survey data 2024

### **Analysis and Interpretation**

The table presents the mean scores and standard deviations for various statements related to taxpayers' services delivery.

Nature of Electronic Services: Respondents indicated a moderate level of agreement (mean = 3.4353) regarding the adequacy of electronic services offered to taxpayers, with a relatively high standard deviation (1.28208), indicating varied perceptions among respondents.

Enhancement of Tools: The mean score (3.6412) suggests moderate agreement that Ethiopia Revenue Authority has enhanced tools for the delivery of services to taxpayers, with a high standard deviation (1.30795), reflecting diverse opinions among respondents.

Improvement in Websites: Respondents generally agreed (mean = 3.7647) that Ethiopia Revenue Authority has substantially increased the information content, functionality, and "user-friendliness" of their websites, with a moderate standard deviation (1.20302).

Adequacy of Content: The mean score (3.6471) indicates moderate agreement that the content provided by Ethiopia Revenue Authority to taxpayers is adequate to guide in filing taxes, with a relatively high standard deviation (1.22794).

Exploration of Opportunities: Respondents expressed a high level of agreement (mean = 3.9588) that Ethiopia Revenue Authority continuously explores new opportunities for improved service delivery to taxpayers, with a low standard deviation (1.07888), suggesting relatively consistent responses among respondents.

Overall, the aggregate mean score for taxpayers' services delivery assessment is 3.68942, indicating a moderate level of agreement among respondents. The standard deviation of 1.209521 suggests varied perceptions among respondents regarding the adequacy and effectiveness of taxpayers' services delivery by Ethiopia Revenue Authority in Addis Ababa. These findings provide valuable insights into the perceived quality of services provided to taxpayers in the context of property tax administration practices in Addis Ababa.

#### 4.4.5 Descriptive Statistics Tax Revenue Collection

This section presents the analysis of Tax Revenue Collection obtained from the results. Interpretation of the data and findings in the following discussion produced the mean score and standard deviation of the responses of respondents on the assessments of property tax administration practice in the case of Addis Ababa. The questions were scaled by using a five point Likert scale in which 1= strongly disagree, 2= Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree to rate the exhibited Tax Revenue Collection

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
The amount of revenue collection by Ethiopia Revenue Authority is the excellent considering given circumstances	170	1.00	5.00	3.8588	1.16815
Ethiopia Revenue Authority has the potential of surpassing its own revenue targets very financial	170	1.00	5.00	3.7882	1.08888
There are numerous loop holes in revenue collection that hinders Ethiopia Revenue Authority from achieving set targets	170	1.00	5.00	3.8588	1.07860
Ethiopia Revenue Authority is putting in place necessary mechanisms to increase future revenue collections	170	1.00	5.00	3.6706	1.15526
Valid N (listwise)	170				
Aggregate mean and STD				3.7941	1.128176

Source: - SPSS output survey data 2024

#### Analysis and Interpretation

The table presents the mean scores and standard deviations for various statements related to Tax Revenue Collection.

**Amount of Revenue Collection:** Respondents expressed a moderate level of agreement (mean = 3.8588) that the amount of revenue collection by Ethiopia Revenue Authority is excellent considering the given circumstances, with a relatively high standard deviation (1.16815), indicating varied perceptions among respondents.

**Potential to Surpass Targets:** The mean score (3.7882) suggests moderate agreement that Ethiopia Revenue Authority has the potential of surpassing its own revenue targets every financial year, with a moderate standard deviation (1.08888), reflecting diverse opinions among respondents.

**Loopholes in Revenue Collection:** Respondents generally agreed (mean = 3.8588) that there are numerous loopholes in revenue collection that hinder Ethiopia Revenue Authority from achieving set targets, with a moderate standard deviation (1.07860).

**Mechanisms for Future Collections:** The mean score (3.6706) indicates moderate agreement that Ethiopia Revenue Authority is putting in place necessary mechanisms to increase future revenue collections, with a relatively high standard deviation (1.15526), suggesting varied perceptions among respondents.

Overall, the aggregate mean score for Tax Revenue Collection assessment is 3.7941, indicating a moderate level of agreement among respondents. The standard deviation of 1.128176 suggests varied perceptions among respondents regarding the effectiveness and efficiency of tax revenue collection by Ethiopia Revenue Authority in Addis Ababa. These findings provide valuable insights into the perceived performance of tax revenue collection in the context of property tax administration practices in Addis Ababa.

## **4.5 Interview Results**

**Tax Compliance Issues:** Interview findings highlight several significant tax compliance challenges in property tax administration across Addis Ababa's Addis Ketema, Bole, and Lideta sub-cities. A prevalent issue identified is the underreporting of property values by taxpayers, often deliberate to minimize tax liabilities. This practice results in substantial revenue losses for local governments. Additionally, non-payment of property taxes is a common problem where property owners either delay payments or fail to pay altogether, further impacting revenue streams. Inaccurate property assessments contribute to disparities in tax calculations, unfairly burdening

certain property owners. The lack of transparency in assessment processes also fuels distrust among taxpayers, impeding compliance with tax regulations. Addressing these issues is crucial for fair and effective property tax administration, pivotal for maximizing revenue for local development projects.

**Evaluation of Tax Structure:** To assess the effectiveness of property tax assessment and collection procedures in Addis Ketema, Bole, and Lideta sub-cities, several key steps are recommended. First, a thorough review of existing property tax laws, regulations, and policies is essential to understand the operational framework. This review aims to ascertain if the tax structure is transparent, equitable, and conducive to efficient administration. Analyzing compliance rates among property owners will provide insights into the effectiveness of current structures in encouraging voluntary adherence. Evaluating assessment procedures is critical to ensure they are transparent, consistent, and based on accurate property valuations. Examining collection processes will gauge their efficiency and effectiveness, including the enforcement of deadlines and mechanisms for addressing non-payment issues. Comparing actual revenue generation with potential collections based on property values will identify areas for improvement to prevent revenue leakage. Gathering stakeholder feedback and benchmarking against international best practices will further refine strategies for enhancing tax administration effectiveness.

**Improving Legal and Regulatory Frameworks:** Enhancing the legal and regulatory frameworks for property registration in Ethiopia necessitates several strategic measures. Simplifying and streamlining registration procedures will enhance efficiency and user accessibility. Promoting transparency and accountability through clear guidelines and public access to information will mitigate fraud risks. Capacity building for government officials involved in property registration is crucial to ensure proficiency in their roles, supported by training programs covering legal requirements and technical aspects. Leveraging technology, such as online registration systems and GIS, will modernize processes, improve accuracy, and enhance transparency. Public awareness campaigns will educate property owners on the benefits and procedures of property registration, fostering greater compliance and participation.

These comprehensive approaches aim to address critical challenges in property tax administration,

ensuring fair, efficient, and transparent practices that support sustainable development in Addis Ababa's sub-cities.

**Identify Challenges and Opportunities:** Identify common challenges faced by taxpayers in accessing services and complying with property tax requirements. Explore opportunities for innovation and improvement in service delivery processes.

## **4.6 DISCUSSION**

### **Tax Compliance**

The analysis of tax compliance among respondents revealed valuable insights into their perceptions of property tax administration practices in Addis Ababa. The findings indicate a generally positive perception of efforts made by the Ethiopia Revenue Authority to ensure tax compliance. The high mean score (4.2353) for the sufficiency of efforts suggests that respondents perceive proactive measures in place. However, concerns about widespread tax evasion and skepticism regarding the effectiveness of penalties and enforcement highlight areas for improvement. These findings align with prior research emphasizing the importance of enforcement mechanisms in enhancing tax compliance (Smith, 2018).

### **Tax Structure**

The assessment of the tax structure reflects respondents' perceptions of its fairness, transparency, and effectiveness. The high mean score (4.1294) for reliance on a narrow tax base underscores the need for diversification to reduce dependency risks. Similarly, the moderate agreement regarding the competitiveness of tax rates suggests a need for benchmarking against global standards to maintain economic competitiveness (Oxford Business Group, 2023). Overall, the findings underscore the importance of a balanced and transparent tax structure to foster compliance and economic growth.

### **Legal and Regulatory Frameworks**

The evaluation of legal and regulatory frameworks highlights their role in ensuring transparency, efficiency, and protection of property rights. The high mean score (4.2353) for the clarity of the regulatory framework indicates positive perceptions among respondents. However, concerns about the efficiency of procedures and prevention of fraudulent practices suggest areas for enhancement. These findings resonate with the literature emphasizing the significance of transparent and efficient regulatory frameworks in promoting investment and economic development (World Bank, 2022).

### **Taxpayers' Services Delivery**

The analysis of taxpayers' services delivery reveals mixed perceptions among respondents regarding the adequacy and effectiveness of services provided by the Ethiopia Revenue Authority. While respondents generally agree on the enhancement of tools and improvement in websites, varied perceptions exist regarding the nature of electronic services and adequacy of content. These findings underscore the importance of continuous improvement and innovation in service delivery to enhance taxpayer satisfaction and compliance (PwC, 2021).

### **Tax Revenue Collection**

The assessment of tax revenue collection highlights respondents' perceptions of the effectiveness and efficiency of revenue collection efforts. While respondents express moderate agreement regarding the amount of revenue collection and potential to surpass targets, concerns about loopholes and mechanisms for future collections indicate areas for improvement. These findings emphasize the importance of robust collection mechanisms and strategies to maximize revenue generation and fiscal sustainability (IMF, 2020).

In conclusion, the descriptive statistics provide valuable insights into various aspects of property tax administration practices in Addis Ababa. The findings underscore the importance of addressing compliance issues, enhancing tax structures, strengthening legal and regulatory frameworks, improving taxpayers' services delivery, and optimizing tax revenue collection processes to promote economic growth and development in the region.

## CHAPTER FIVE

### 5. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Introduction

This chapter presents a summary of the research results, conclusions drawn from the findings, and recommendations based on those conclusions. Additionally, suggestions for further research are provided. The summary of findings is organized around the specific objectives of the study.

#### 5.2 Summary of Findings

The main purpose of this study was to assess property tax administration practices in Addis Ababa, specifically focusing on the Addis Ketema, Bole, and Lideta sub-cities. The respondents were employees, forming a sample of 177 individuals. The summary of the findings is as follows:

**1. Response Rate:** The survey achieved a high response rate of 96%, indicating strong engagement and interest among the respondents.

#### 2. General Information of Respondents:

- **Gender:** The majority of respondents were male (56.5%), indicating a potential gender disparity in participation.
- **Age:** Most respondents fell within the 26-35 age group (34.1%), highlighting the predominance of younger individuals in the study.
- **Education Level:** A significant proportion of respondents held first degrees (36.5%), indicating a well-educated sample.
- **Marital Status:** The majority of respondents were married (72.9%), which could influence their understanding of property tax administration practices.
- **Work Experience:** A considerable number of respondents had 6-10 years of work experience (31.8%), suggesting a balanced representation across different tenure brackets.

#### 3. Descriptive Statistics:

- **Tax Compliance:** Respondents generally agreed that efforts by the Ethiopia Revenue Authority to ensure tax compliance were sufficient but expressed concerns about tax evasion and the effectiveness of penalties.
- **Tax Structure:** There was agreement that the tax structure relies on a narrow base, with varied perceptions on the competitiveness and reasonableness of tax rates.
- **Legal and Regulatory Frameworks:** Respondents largely agreed that the regulatory framework for property registration is clear and transparent, but there was only moderate agreement regarding the efficiency of procedures.
- **Taxpayers' Services Delivery:** There was moderate agreement regarding the adequacy of electronic services and satisfaction with the information content of websites.
- **Tax Revenue Collection:** Respondents expressed moderate agreement on the amount of revenue collected and the potential to surpass targets but highlighted loopholes hindering revenue collection.

The study also analyzed taxpayer services delivery related to property tax administration practices in Addis Ababa, focusing on the Addis Ketema, Bole, and Lideta sub-cities. The results established that taxpayer services delivered by these sub-cities were adequate for any taxpayer seeking to understand how the revenue filing system works to facilitate tax payments. According to the respondents, the authority had made information available to taxpayers to enhance tax revenue collection.

The discussion section provides a comprehensive analysis of the findings from the research study on property tax administration practices in Addis Ababa. It compares and contrasts the results with prior studies and theoretical frameworks to provide a deeper understanding of the research topic. Here's a breakdown of the discussion based on each aspect analyzed:

**Tax Compliance:** The findings indicate a generally positive perception of tax compliance efforts by the Ethiopia Revenue Authority. However, concerns about tax evasion and the effectiveness of penalties highlight areas for improvement. These findings align with prior research emphasizing the importance of enforcement mechanisms in enhancing tax compliance, suggesting a need for more robust enforcement strategies (Smith, 2018).

The study examined tax compliance within property tax administration practices in Addis Ababa, focusing on the Addis Ketema, Bole, and Lideta sub-cities. The findings revealed that these sub-cities face significant challenges with tax evasion due to insufficient equipment and organizational capacity to enforce compliance. The study also demonstrated that effective enforcement of tax payments significantly influences the amount of tax revenue collected. Achieving voluntary compliance remains a major challenge for the revenue authority, negatively impacting tax revenue targets. The findings imply that increasing compliance would positively influence tax revenue collection.

### **Tax Structure**

The assessment of the tax structure revealed perceptions of fairness, transparency, and effectiveness among respondents. While there is confidence in the reliance on a narrow tax base, concerns exist about the competitiveness of tax rates. These findings underscore the importance of maintaining a balanced and transparent tax structure to foster compliance and economic growth, aligning with prior studies advocating for tax structures that promote economic competitiveness (Oxford Business Group, 2023).

The study further evaluated the effectiveness of the tax structure on property tax assessment and collection procedures implemented in Addis Ketema, Bole, and Lideta sub-cities. It focused on whether the tax base was sufficient to meet revenue targets and whether the tax rates used by these sub-cities were competitive in achieving high tax revenue collection. The findings indicated that the tax structure, though competitive and organized, was applied on a narrow tax base. Additionally, the study demonstrated that active taxpayers constituted only a fraction of potential taxpayers, confirming a high level of tax evasion in Addis Ababa.

### **Legal and Regulatory Frameworks**

The evaluation of legal and regulatory frameworks highlighted their role in ensuring transparency, efficiency, and the protection of property rights. While respondents positively perceived the clarity of the regulatory framework, concerns existed about the efficiency of procedures and the prevention of fraudulent practices. These findings resonate with literature emphasizing the

significance of transparent and efficient regulatory frameworks in promoting investment and economic development, suggesting a need for improvements in procedural efficiency and fraud prevention measures (World Bank, 2022).

### **Taxpayers' Services Delivery**

The analysis of taxpayers' services delivery revealed mixed perceptions among respondents regarding the adequacy and effectiveness of services provided by the Ethiopia Revenue Authority. While there were positive perceptions regarding the enhancement of tools and improvement of websites, concerns existed about the nature of electronic services and the adequacy of content. These findings underscore the importance of continuous improvement and innovation in service delivery to enhance taxpayer satisfaction and compliance, aligning with prior research emphasizing the need for effective taxpayer services to promote compliance (PwC, 2021).

### **Tax Revenue Collection**

The assessment of tax revenue collection highlighted perceptions of the effectiveness and efficiency of revenue collection efforts. While there was confidence in the amount of revenue collected and the potential to surpass targets, concerns existed about loopholes and mechanisms for future collections. These findings emphasize the importance of robust collection mechanisms and strategies to maximize revenue generation and fiscal sustainability, aligning with prior studies advocating for efficient revenue collection processes (IMF, 2020).

In summary,

Overall, the findings provide valuable insights into property tax administration practices in Addis Ababa, indicating areas of strength and areas for improvement in tax compliance, regulatory frameworks, service delivery, and revenue collection.

the discussion provides a comprehensive analysis of the findings, comparing them with prior studies and theoretical frameworks to deepen the understanding of property tax administration practices in Addis Ababa. It highlights areas for improvement and suggests recommendations to enhance compliance, strengthen tax structures, improve legal and regulatory frameworks, enhance

taxpayer services delivery, and optimize tax revenue collection processes for promoting economic growth and development in the region.

#### **5.4 Conclusion**

The main objectives of this study were to assess property tax administration practice in Addis Ababa in the case of Addis Ketema, Bole, and Lideta sub-cities. In addition to this the study examined tax compliance on property tax administration practice in Addis Ababa in the case of Addis Ketema, Bole, and Lideta sub-cities, to evaluate tax structure effectiveness on property tax assessment and collection procedures being implemented in Addis Ketema, Bole, and Lideta sub-cities, to review the existing legal and regulatory frameworks for property registration, and determine potential improvements and to analyze taxpayers' services delivery on property tax administration practice in Addis Ababa in the case of Addis Ketema, Bole, and Lideta sub-cities. Tax administration is important since it determine the amount of tax collected in countries. A country relies on tax collected to spur economic growth, provide critical services to the citizens and also to achieve their development agenda. This study therefore concluded that tax administration is central to countries development and therefore tax compliance, legal and regulatory frameworks for property registration, tax structure and taxpayers' services are key to an effective tax administration strategy.

In conclusion, the analysis of property tax administration practices in Addis Ababa, particularly in the sub-cities of Addis Ketema, Bole, and Lideta, has provided valuable insights into various aspects of tax compliance, tax structure, legal and regulatory frameworks, taxpayers' services delivery, and tax revenue collection. The findings indicate a generally positive perception of efforts made by the Ethiopia Revenue Authority to ensure tax compliance, although concerns persist regarding tax evasion and enforcement effectiveness.

Moreover, the assessment of the tax structure reveals confidence in its fairness and transparency but highlights the need for diversification to reduce dependency risks and benchmarking against global standards to maintain economic competitiveness. Evaluating legal and regulatory frameworks underscores the importance of procedural efficiency and fraud prevention measures to promote investment and economic development.

The descriptive statistics reveal both positive perceptions and areas of concern across different facets of property tax administration. While efforts by the Ethiopia Revenue Authority to ensure tax compliance were generally perceived as sufficient, concerns about tax evasion and enforcement effectiveness were raised. Similarly, while there was confidence in the fairness and transparency of the tax structure, issues regarding competitiveness and procedural efficiency were highlighted.

Furthermore, the analysis of taxpayers' services delivery reveals mixed perceptions regarding the adequacy and effectiveness of services provided by the tax authorities, emphasizing the importance of continuous improvement and innovation to enhance taxpayer satisfaction and compliance.

The discussion section provides a deeper analysis of the findings, comparing them with prior studies and theoretical frameworks. Alignment with previous research underscores the importance of enforcement mechanisms, balanced tax structures, transparent regulatory frameworks, effective taxpayer services, and efficient revenue collection processes. Recommendations include strengthening enforcement strategies, diversifying the tax base, enhancing procedural efficiency, improving electronic services, and implementing robust revenue collection mechanisms.

## **Interview Results**

The interview results shed light on significant tax compliance challenges within property tax administration in Addis Ababa, particularly in Addis Ketema, Bole, and Lideta sub-cities. These challenges encompass several key issues. Firstly, underreporting of property values by taxpayers aiming to minimize tax liabilities stands out as a prevalent concern, resulting in substantial revenue losses for the local government. Secondly, non-payment of property taxes, either delayed or completely unfulfilled, poses another critical issue leading to revenue shortfalls for the city government. Thirdly, the accuracy of property assessments emerges as problematic, with outdated or inaccurate assessments contributing to disparities in tax calculations and imposing unfair burdens on certain property owners. Lastly, the lack of transparency in the assessment process

itself undermines trust among taxpayers, potentially hindering compliance with tax regulations. Addressing these compliance issues in Addis Ketema, Bole, and Lideta sub-cities is imperative to foster equitable and efficient property tax administration, thereby maximizing revenue for essential local development projects.

### **Evaluating the Effectiveness of the Tax Structure**

To evaluate the effectiveness of the tax structure on property tax assessment and collection procedures in Addis Ketema, Bole, and Lideta sub-cities, the following steps can be taken:

- 1. Review the Tax Structure:** Examine the existing property tax laws, regulations, and policies to understand the framework within which assessments and collections are conducted. Evaluate if the tax structure is clear, fair, and conducive to effective tax administration.
- 2. Assess Compliance Rates:** Analyze the compliance rates of property owners in each sub-city to determine if the current tax structure is encouraging voluntary compliance. Low compliance rates may indicate issues with the tax structure that need to be addressed.
- 3. Evaluate Assessment Procedures:** Review the property assessment procedures to ensure they are transparent, consistent, and based on accurate property valuations.
- 4. Examine Collection Processes:** Evaluate the efficiency of property tax collection processes in each sub-city. Assess if collection methods are convenient for taxpayers, if deadlines are enforced, and if there are mechanisms in place to address non-payment.
- 5. Analyze Revenue Generation:** Compare the revenue generated from property taxes in each sub-city with the potential revenue that could be collected based on property values. Evaluate if the tax structure is maximizing revenue collection or if there are loopholes leading to revenue leakage.
- 6. Gather Stakeholder Feedback:** Collect feedback from taxpayers, property owners, local government officials, and other stakeholders involved in property tax administration. Their input can provide valuable insights into the effectiveness of the tax structure and procedures.

By taking these steps, the effectiveness of property tax administration practices in Addis Ketema, Bole, and Lideta sub-cities can be thoroughly assessed and improved, leading to better compliance, enhanced revenue collection, and more effective support for local development projects.

Overall, the research study contributes to a better understanding of property tax administration practices in Addis Ababa and provides valuable insights for policymakers and stakeholders to address challenges and optimize processes for promoting economic growth and development in the region.

Considering these findings, it is evident that addressing compliance issues, enhancing tax structures, strengthening legal and regulatory frameworks, improving taxpayers' services delivery, and optimizing tax revenue collection processes are crucial steps towards promoting economic growth and development in Addis Ababa.

Finally, the assessment of tax revenue collection highlights the need for robust collection mechanisms and strategies to maximize revenue generation and fiscal sustainability.

Implementing targeted reforms based on these findings will not only enhance the efficiency and effectiveness of property tax administration but also contribute to a more equitable and sustainable local governance framework.

## **5.5 Recommendations**

Based on the findings and discussions regarding property tax administration practices in Addis Ababa, several recommendations can be made to address the identified challenges and improve overall effectiveness:

1. **Enhance Enforcement Mechanisms:** Strengthen enforcement strategies to combat tax evasion and ensure compliance with property tax regulations. This may include increasing penalties for non-compliance, enhancing monitoring and audit mechanisms, and improving collaboration between tax authorities and law enforcement agencies to deter tax evasion.

2. **Diversify Tax Base:** Reduce dependency risks by diversifying the tax base beyond its current narrow focus. This could involve revising tax policies to include additional revenue sources or sectors, thereby spreading the tax burden more equitably and reducing reliance on a few key sectors.
3. **Benchmark Tax Rates:** Benchmark local tax rates against global standards to ensure competitiveness and attractiveness for investment. Conducting comparative analyses with other cities or regions can help identify areas where tax rates may need adjustment to maintain competitiveness while still ensuring sufficient revenue generation.
4. **Improve Procedural Efficiency:** Streamline property tax assessment and collection procedures to enhance efficiency and reduce administrative burdens. This may involve simplifying paperwork, digitizing processes, and implementing online platforms for tax filing and payment to make the process more user-friendly for taxpayers.
5. **Enhance Transparency and Accountability:** Increase transparency in property tax administration processes to build trust and confidence among taxpayers. This could include providing clear guidelines on tax assessments and collections, ensuring public access to information, and implementing mechanisms to prevent fraud and corruption.
6. **Invest in Taxpayer Education:** Launch public awareness campaigns to educate property owners about their tax obligations, the importance of compliance, and the benefits of property tax revenue for local development projects. Clear communication about the tax system and its implications can help foster voluntary compliance and reduce tax evasion.
7. **Strengthen Legal and Regulatory Frameworks:** Ensure clarity, transparency, and efficiency in the legal and regulatory frameworks governing property tax administration. This may involve updating regulations to prevent fraudulent practices and protect property owners' rights.
8. **Continuous Improvement of Taxpayer Services:** Invest in improving electronic services and online platforms to make property tax administration more accessible and efficient for taxpayers. This may involve upgrading websites, providing user-friendly mobile

applications, and offering responsive customer support channels to address taxpayer inquiries and concerns promptly.

9. **Capacity Building for Tax Officials:** Provide training and capacity building programs for government officials involved in property tax administration to enhance their skills and knowledge. Training programs should focus on legal requirements, technical aspects of tax assessment, customer service, and the use of technology to improve efficiency.
10. **Regular Monitoring and Evaluation:** Implement a system for regular monitoring and evaluation of property tax administration practices to assess effectiveness and identify areas for improvement. This could involve collecting feedback from taxpayers, conducting performance reviews of tax officials, and analyzing revenue collection trends to inform policy decisions.

By implementing these recommendations, local authorities can enhance property tax administration practices in Addis Ababa, improve compliance rates, foster economic growth, and maximize revenue collection for sustainable local development.

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## APPENDIX: SURVEY QUESTIONNAIRE DESIGNED FOR RESPONDENTS

### Questionnaire Prepared for respondents.

ADDIS ABABA UNIVERSITY

DEPARTMENT OF ACCOUNTING AND FINANCE

#### *Dear respondents*

These survey questionnaires designed for master thesis accomplishment needed for partial fulfillment of Master of Science in ACCOUNTING AND FINANCE by student at Addis Ababa University. So, the objective of this questionnaire is to collect information for the study conducted on the Assessment of property tax administration practice in Addis Ababa: in the case of Addis Ababa. The information you provide below was essential for accomplishment of this study. Therefore, your genuine, honest, and prompt response is a valuable input for the quality and successful completion of the research. The information you give is used only for academic purpose and has been kept confidential.

Thank you in advance!!!

Directions for filling the questionnaires.

- ❖ Do not write your name.
- ❖ Put “√ or ×” mark in the box provided for choice questions.
- ❖ Your response was being utilized only for the purpose of this survey.

#### Part I: General Information

1. Sex: Female  Male
2. Educational level: Diploma  Degree  Masters  PhD  Other   
(Specify \_\_\_\_\_)
3. In which age group are you? 25 and below  26-35  36-45   
46-55  56 & above
4. work experience Below 1 year  1-5  6-10  11-15   
Above 15
5. Marital status: Single  Married  divorce

## Part II: Independent Variables

Please indicate the extent to which you agreed or disagreed on the following question by using 5 points Likert scale: Strongly Disagree = 1, Disagree = 2, Neutral = 3, Agree = 4 and Strongly Agree = 5 Please circle one number to indicate the extent to which you agree or disagree with the following question

### Section: tax compliance

Kindly indicate your views Age by ticking in the likert scale whereby; 5-Strongly Agree, 4-Agree, 3-Indifferent, 2-Disagree, 1- Strongly Disagree.

No.	Questions Items	SD	D	N	A	SA
		1	2	3	4	5
1	Tax evasion is widespread in Addis Ababa					
2	People who regularly evade paying income tax get caught					
3	Ethiopia Revenue Authority has put in too enough effort to ensure tax compliance					
4	Ethiopia Revenue Authority is adequately equipped to enforce tax compliance					
5	Majority of people in this country think it's okay not to pay tax on cash earnings					
6	Financial penalties imposed on non-compliance are sufficient to deter people from regularly evading income tax					

### Section B: tax structure

Kindly indicate your views on educational level by ticking in the likert scale whereby; 5-Strongly Agree, 4-Agree, 3-Indifferent, 2-Disagree, 1- Strongly Disagree.

No.	Questions Items	SD	D	N	A	SA
		1	2	3	4	5
1	Ethiopia Revenue Authority rely on a narrow tax base for all form of taxes					
2	Ethiopia Revenue Authority uses a balanced tax structures without biases					

3	Tax rates charged by Ethiopia Revenue Authority is reasonable to all tax payers					
4	Ethiopia Revenue Authority has imposed rates on all financial transactions as stipulated in tax regulatory framework					
5	Rates charged by Ethiopia Revenue Authority are competitive when benchmarked by other emerging economies					

**Section C: legal and regulatory frameworks**

Kindly indicate your views on family size by ticking where appropriate; 5-Strongly Agree, 4-Agree, 3-Indifferent, 2-Disagree, 1-Strongly Disagree.

No.	Questions Items	SD	D	N	A	SA
		1	2	3	4	5
1	The current regulatory framework for property registration practice is clear and easy to understand					
2	The regulatory framework adequately protects the rights of property owners during the registration process.					
3	The regulatory framework ensures transparency in property registration practices					
4	The current regulatory framework effectively prevents fraudulent practices in property registration.					
5	Property registration procedures are streamlined and efficient under the existing regulatory framework					
6	The current regulatory framework encourages compliance with property registration laws					
7	I am satisfied with the regulatory framework for property registration practice					

**Section D: taxpayers' services delivery**

Kindly indicate your views on income by ticking where appropriate; 5-Strongly Agree, 4-Agree, 3-Indifferent, 2-Disagree, 1-Strongly Disagree.

No.	Questions Items	SD	D	N	A	SA
		1	2	3	4	5

1	The nature of electronic services offered to taxpayers is adequate					
2	Ethiopia Revenue Authority has enhanced the tools for the delivery of services to taxpayers					
3	Ethiopia Revenue Authority has substantially increased the information content, functionality, and “user- friendliness” of their websites					
4	The content provided by Ethiopia Revenue Authority to tax payer is adequate to guide in filing of taxes					
5	Ethiopia Revenue Authority continuously explore new opportunities for improved service delivery to taxpayers					

**Section E: Tax Revenue Collection**

Kindly indicate your views on awareness by ticking where appropriate; 5-Strongly Agree, 2-Agree, 3-Indifferent, 4-Disagree, 1-Strongly Disagree.

No.	Questions Items	SD	D	N	A	SA
		1	2	3	4	5
1	The amount of revenue collection by Ethiopia Revenue Authority is the excellent considering given circumstances					
2	Ethiopia Revenue Authority has the potential of surpassing its own revenue <del>at</del> every financial					
3	There are numerous loopholes in revenue collection that hinders Ethiopia Revenue Authority from achieving set targets					
4	Ethiopia Revenue Authority is putting in place necessary mechanisms to increase future revenue collections					