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COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE

**THE EFFECT OF E - TAX SYSTEM ON TAX COMPLIANCE IN FDRE
MOR: THE CASE OF LARGE TAX PAYERS OFFICE**

BY

DAWIT BAYU

GSE/1485/14

**A Thesis Submitted to The Department of Accounting and Finance for The
Partial Fulfillment of The Degree of Master of Science in Accounting
And Finance.**

Advisors Habtamu Berhanu (PhD)

ADDIS ABABA, ETHIOPIA

APRIL, 2024



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**A RESEARCH THESIS SUBMITTED TO DEPARTMENT OF
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STUDIES IN PARTIAL FULFILLMENT OF THE
REQUIREMENT FOR MBA IN ACCOUNTING AND FINANCE**

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ADDIS ABABA UNIVERSITY

SCHOOL OF GRADUATE STUDIES

DECLARATION

This is to kindly declare that this thesis titled "The Effect of Electronic Tax System on Tax Compliance in FDRE MOR: The Case of Large Taxpayers Office" is my original work, conducted under the supervision of Dr. Habtamu Berhanu. All sources of information used in this thesis have been duly acknowledged and referenced.

I affirm that this research has not been submitted for any other academic qualification, and the findings presented in this thesis are the result of my independent research efforts.

Furthermore, I take full responsibility for the content presented in this thesis, including any errors or omissions that may be found within.

.....

Dawit Bayu

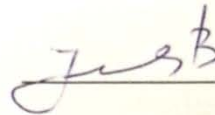
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FDRE MOR: THE CASE OF LARGE TAX PAYERS OFFICE**

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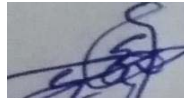
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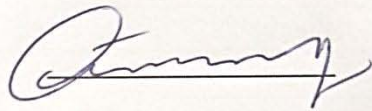
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DEDICATION

This thesis is dedicated to my parents, whose unwavering support, sacrifices, and belief in my abilities have been the driving force behind my academic journey. Your encouragement and love have been my source of strength and inspiration. I dedicate this work to my siblings, whose constant encouragement and understanding have kept me motivated throughout the ups and downs of pursuing higher education. I also dedicate this thesis to my friends and mentors, whose guidance, encouragement, and camaraderie have enriched my academic and personal life. May this work serve as a token of my gratitude for all the love, support, and encouragement I have received from each and every one of you.

List of Acronyms and Abbreviation

ANOVA - Analysis of Variance

E- tax- Electronic Tax

ERCA- Ethiopian Revenue and Customs Authority

ETR-electronic tax revenue

ICT-Information and Communication Technology

ITD-International Tax Dialogue

LTO-large taxpayer

MOR- Ministry of Revenue

OLS-Ordinary Least Square

SD-standard deviation

SPSS– Statistical Package Software for Social Science

VAT- Value Added Tax

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ABSTRACT

This study investigates the effect of electronic tax systems on tax compliance among large taxpayers in FDRE MOR, Ethiopia. Quantitative research methodology is utilized, employing regression analysis to measure the effect of electronic tax systems on compliance. Data from 260 respondents was analyzed using the Statistical Package for Social Science (SPSS). Findings reveal a significant positive correlation between electronic tax systems and tax compliance, indicating that functionality, performance, and effectiveness of the system influence compliance. Regression analysis further confirms the relationship, with electronic tax filing and payments having significant positive coefficients on compliance. The study contributes to understanding the dynamics between electronic tax systems and compliance, providing insights for policymakers and tax authorities to enhance tax administration strategies.

Keywords: Electronic tax system, Tax compliance, Large taxpayers

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CHAPTER ONE

1. INTRODUCTION

1.1. Background of the study

Tax compulsion refers to the mandatory requirement for individuals and businesses to adhere to tax laws and fulfill their tax obligations. This mandatory involvement is essential for ensuring compliance with tax regulations, regardless of whether it pertains to corporate entities or individuals (Alshira'h et al., 2020). The concept of compulsory taxation is rooted in the imposition of levies by the government on its citizens and businesses to generate funds for financing governmental operations (Nwadiakor & Agbo, 2020). Furthermore, the establishment of prepayment schemes such as compulsory health insurance or taxation systems is crucial for reducing out-of-pocket health expenditures and achieving universal health coverage (Anjorin et al., 2021). Additionally, the involvement of all property and business actors within a district in self-assessment mechanisms is considered a vital aspect that distinguishes certain models from others, emphasizing the compulsory nature of such involvement (Kusevski et al., 2022). Moreover, the liabilities of restricted individuals and guardians in the context of compulsory liability insurance was examined in the event of their involvement in accidents, highlighting the obligatory nature of such insurance (Akansel, 2022). Overall, the concept of tax compulsion underscores the mandatory nature of tax compliance and the imposition of levies by the government on individuals and businesses to meet various financial obligations.

The electronic tax system refers to the automation of tax processes such as registration, assessment, filing of returns, and payment of taxes using electronic means (Ndu et al., 2021). It plays a significant role in enhancing tax compliance (Night & Bananuka, 2019). The adoption of an electronic tax system and attitude towards it was associated with tax compliance (Night & Bananuka, 2019). Additionally, the use of electronic tax registration, filing of tax returns, and tax payment have a positive and statistically significant influence on revenue performance (Pasaribu, 2022). Furthermore, the attitude of taxpayers towards the electronic tax system is a crucial factor in examining tax compliance behavior and tax evasion (Otekunrin et al., 2021). The perceived fairness of the tax system also influences tax compliance, as an unfair tax system is considered illegitimate (Musimenta et al., 2017).

Moreover, the use of information technology in tax administration can impact tax collectivity, but its effectiveness can be hindered by factors such as poor internet facilities, high maintenance

costs, and lack of technical know-how (Olatunji & Ayodele, 2017). Additionally, the sustainability of a tax system is essential for the sustainability of the entire economy (Krzikallová & Tošenovský, 2020). Tax reliefs was also an important element of the taxation system, contributing to public finance (Bikas & Jurevičiūtė, 2016).

The implementation and impact of the Value Added Tax (VAT) in Ethiopia have been subjects of extensive research. The VAT revenue accounts for about 46% of total federal revenues from domestic sources, indicating its significance in the country's fiscal system (Debala, 2023). Additionally, research has delved into the determinants of tax revenue in Ethiopia, exploring the relationship between sectoral and macroeconomic variables with tax revenue (Ayenew, 2016), as well as examining the effective tax rates and firm size in the country (Mascagni & Mengistu, 2019). Furthermore, the distributional effects of corporate Effective Tax Rates (ETRs) and their alignment with corporate tax policy design have been subjects of inquiry (Mascagni & Mengistu, 2019). Moreover, the role of VAT in fiscal federalism and its implications for state fiscal capacity has been studied, highlighting the significance of VAT as a source of central government revenue (Yesegat & Krever, 2020).

Overall, the research on tax in Ethiopia encompasses a wide range of topics, including tax collection performance, economic impact, compliance, determinants of tax revenue, fiscal federalism, and the role of VAT in economic growth. These studies provide valuable insights for study intended to look at the effect of electronic tax on tax compliance among large taxpayers in ministry of Revenues.

1.2. Statement of the Problem

The effect of electronic tax systems on tax compliance in Ethiopia is a multifaceted issue that requires a comprehensive understanding of various factors. While there is existing research on tax compliance in developing countries (Night et al., 2019; , Night & Bananuka, 2019), there is a gap in the literature regarding the specific influence of electronic tax systems on tax compliance in the African context, particularly in Ethiopia. Yesegat & Fjeldstad (2016) highlight the dissatisfaction with the tax administration in Ethiopia, which could partially explain poor tax compliance and revenue performance. Alem & Tewabe (2022) emphasize the reliance on the economic deterrence model in the tax administration law of Ethiopia, indicating a potential gap in leveraging electronic tax systems to enhance compliance.

Furthermore, Musimenta et al. (2017) underscore the predictive force of tax fairness, isomorphic forces, and strategic responses in explaining tax compliance in Uganda, which could be relevant in the Ethiopian context. Additionally, Tessema (2020) focuses on identifying the determinants of tax compliance in Ethiopia, specifically within micro and small business enterprises, shedding light on factors that may influence compliance in the Ethiopian setting.

Moreover, Obert et al. (2018) provide evidence of the influence of electronic filing systems on tax compliance, albeit in the context of Harare, Zimbabwe. This study could offer insights into the potential impact of electronic tax filing on compliance in a similar African context. Furthermore, Zulma (2020) and Septiani et al. (2022) present findings on the positive effects of tax knowledge, tax administration, tax incentives, and sanctions on tax compliance in Indonesia, which could offer valuable lessons for Ethiopia's tax system.

The impact of electronic tax systems on tax compliance has been extensively researched. Night et al. (2019) found that attitudes towards electronic tax systems, adoption of electronic tax systems, and isomorphic forces significantly contribute to tax compliance to the extent of 57.4% (Night et al., 2019). Additionally, Rinaldo & Purwanto (2022) revealed that an individual's understanding of the electronic accounting system, system quality, tax penalties, and gender can have a significant impact on tax compliance (Rinaldo & Purwanto, 2022). Furthermore, Otekunrin et al. (2021) demonstrated that an effective electronic tax system was significantly reduce tax evasion (Otekunrin et al., 2021; . Anggadini et al., 2022) emphasized that the modernization of the tax administration system has a significant positive effect on taxpayer compliance (Anggadini et al., 2022). These findings was consistent with the results of the study by (Salma et al., 2022), which indicated that tax amnesty, tax compliance, and tax audits have an effect on tax revenues (Salma et al., 2022; . Aondo, 2020) concluded that tax rates, PAYE, tax penalties, and fines contribute greatly to tax compliance, with tax compliance cost having the most significant influence on tax compliance (Aondo, 2020).

In conclusion, while there is a dearth of direct research on the effect of electronic tax systems on tax compliance in Ethiopia, existing studies on tax compliance in developing countries, dissatisfaction with tax administration, and the impact of tax knowledge, administration, incentives, and sanctions on compliance in similar contexts provide valuable insights for understanding the potential implications of electronic tax systems on tax compliance in Ethiopia

Based on these findings, there is a need to further investigate the effect of the electronic tax system on tax compliance among large taxpayers. This study aims to incorporate electronic tax as a component of the tax administration system to enhance tax compliance and address the existing gap in the literature.

1.3. Research Questions

To achieve the study's objective, the following key research questions was set:

- a) What was the effect of electronic tax system on tax compliance among large taxpayer's branch office?
- b) What was the effect of electronic tax remittance on tax compliance among large taxpayer's branch office?
- c) What were the effects of challenges of electronic tax system among large taxpayer's branch office?

1.4. Objectives of the study

1.4.1. General objective

The overall objective of the study was to examine Effect of electronic tax system on tax compliance in large tax payers Addis Ababa Revenue.

1.4.1.1. Specific Objectives

To meet the overall objective of the study, these specific objectives were set:

- i. To investigate the effect of electronic of tax return on tax compliance among large taxpayer's branch office.
- ii. To determine the effect of electronic tax remittance on tax compliance among large taxpayer's branch office.
- iii. To establish the challenges of electronic tax system on tax compliance among large taxpayer's branch office.

1.5. Significance of the Study

This paper aims to investigate the impact of E-tax on tax compliance and economic development in Ethiopia. The study was provide insights into the benefits and challenges of E-tax, its relationship with tax compliance, and the existing gap in the e-system among taxpayers. The findings was contribute to the existing body of knowledge and may form the basis for further research in the area of electronic tax systems and tax compliance in Ethiopia.

Generally, this study was contribute to the existing body of knowledge on electronic tax systems and tax compliance in Ethiopia. The findings was inform policymakers and tax authorities, providing valuable insights for the re-strategizing of tax policies and administration. Additionally, the research was lay the groundwork for further studies in this area, contributing to a deeper understanding of the impact of E-tax on tax compliance and economic development in Ethiopia.

1.6. Scope of the Study

The study was focus specifically on large taxpayers within Addis Ababa, Ethiopia. Addis Ababa is chosen due to its significance as the capital city and economic hub of Ethiopia, where large taxpayers play a critical role in contributing to tax revenues. The study was encompass large taxpayers from various sectors such as manufacturing, services, finance, and telecommunications. This broad sectoral scope ensures representation across diverse industries, reflecting different operational contexts and tax compliance challenges.

1.7. Limitation of the study

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

1.8. Organization of the Study

The study systematically organized in to five chapters: Chapter one consists of background of the study, problem of the study, research objectives, research questions and hypothesis and significance of the study. Chapter two explained related theoretical and empirical literatures related to tax compliance under electronic tax system. Chapter three consists of the research methods, research design, study design, the population, sample and sampling design, instruments, data sources, and measurement of variables. Chapter four provide detailed statistical report of study output and finally related finding, conclusion and recommendation outlined under chapter five

CHAPTER TWO

2. LITERATURE REVIEW

2.1. Introduction

This chapter encompasses both theoretical and empirical literature. The theoretical literature delves into the concepts of e-tax, while the empirical literature focuses on advancements in the field of tax compliance, electronic tax systems, taxpayer attitudes towards technology acceptance, stability of electronic tax systems, and challenges faced by taxpayers when using electronic tax systems.

The primary objective of this chapter is to review the literature that is relevant to research study on a global scale. Various scholars and researchers have been evaluated and analyzed to explore the objectives of research study. Consequently, a systematic analysis of the empirical and theoretical evidence pertaining to the evaluation of the impact of electronic tax systems on tax compliance among large taxpayers is provided.

2.2. Theoretical Literature review

2.2.1. Electronic Tax System

A range of studies have explored the impact of electronic tax systems on user satisfaction and compliance. Trana (2020) found that information quality and user expectations significantly influence organization satisfaction with the e-tax system, while Lailiyah (2020) highlighted the need for improved system quality and information accuracy to enhance the effectiveness of e-Billing for taxpayers. Saptono (2023) further emphasized the role of user satisfaction in mediating the relationship between system quality and tax compliance intention. Lastly, Ratnawati (2021) demonstrated the positive effects of e-filing and e-billing on tax compliance among lecturers, suggesting that these systems can indeed enhance compliance.

The implementation of electronic tax systems has been a topic of increasing interest, particularly in developing countries. Challenges such as intermittent power supply and internet outages have been identified, but contingency plans have been put in place to ensure system operability (Omeye 2021). However, there is a need for corrective steps in providing online tax service infrastructure to improve access and simplicity, and to avoid inefficiency in tax contributions (Asista 2022). The evolution of digital communication in tax law has also been highlighted, with a focus on the mandatory electronic submission of tax documents and the resulting sanctions for

non-compliance (Vavříková 2021). The Covid-19 pandemic has further accelerated the digital transformation of tax administration, with the Directorate General of Taxes in Indonesia developing various e-tax applications to improve public services (Riyanto 2021).

2.2.2. Technical skills of returns

Return migration is seen as a valuable source of knowledge transfer and diversification, with returned migrants bringing both technical and soft skills (Palovic, 2019). In navigating the home labor market, returnees must develop and utilize various forms of capital, including technical knowledge, social capital, and an understanding of local work culture (Pham, 2020). However, the presence of technically-skilled human capital in firms, particularly in IT, software engineering, mobile networks, data analysis, and web development, is associated with higher firm valuations but negatively forecasts future financial and operational performance (Fedyk, 2019). Despite this, mastering information and communication technology (ICT) skills is associated with significant returns, including higher earnings and selection into occupations with high abstract task content (Falck, 2020).

The impact of technical skills on tax returns is a multifaceted issue. Jacobs (2020) highlights the role of skill-biased technical change in shaping optimal tax and education policies, with a focus on the US economy. Laplante (2021) underscores the importance of data analytics in a technical tax setting, particularly in the context of corporate tax and accounting for income taxes. Ajala (2020) emphasizes the positive effect of information technology on effective tax assessment, as evidenced in the Nigerian context. Lastly, Jiang (2022) explores the influence of tax-collection mechanism and management on enterprise technological innovation in China, with a focus on the role of regional compulsory tax collection and management. These studies collectively underscore the significance of technical skills, data analytics, and information technology in shaping tax returns and tax-related processes.

The adoption of electronic sales registration machines in Ethiopia has been found to positively impact tax revenue, particularly for income taxes and VAT (Mascagni, 2021). This is consistent with the broader trend in Africa, where the joint effects of industrialization and ICT diffusion have been shown to enhance tax revenue mobilization, with ICT usage and skills being particularly important for corporate income tax (Asongu, 2021). However, the impact of e-filing services for tax returns in South Africa is dependent on internet coverage, with a 10% increase in

internet access leading to a 1.86% increase in tax return submissions (Lediga, 2020). Overall, the potential of technology to improve tax administration in Africa is significant, with various technology solutions being explored to address challenges in different tax categories (Okunogbe, 2022).

2.2.3. Taxpayers perception towards electronic technology

Research on taxpayers' perception towards electronic technology in tax systems has revealed several key factors. Birru (2021) found that performance expectancy, effort expectancy, social influence, awareness, web quality, and perceived risk significantly affect the intention and usage of electronic tax systems in Ethiopia. Similarly, Sijabat (2020) identified perceived usefulness and risk as key factors influencing the intention to use electronic tax filing in Indonesia. Mittal (2020) further emphasized the positive impact of electronic tax filing on cost, time, convenience, and efficiency, with age, education level, and gender influencing taxpayers' attitudes and awareness. Paoki (2021) highlighted the role of information technology in reducing tax evasion, with risk perception as a moderating factor. These studies collectively underscore the importance of perceived usefulness, risk, and the role of information technology in shaping taxpayers' attitudes towards electronic tax systems.

Research in Africa, particularly in Ethiopia, has shown that the adoption of electronic tax systems can significantly impact tax compliance and revenue generation (Birru, 2021; Mascagni, 2021). This is further supported by evidence that digitalization can reduce the perception of corruption and increase trust in tax officials (Ouedraogo, 2020). However, the successful implementation of e-government in Africa, including the adoption of electronic tax systems, is contingent on the perception of digital technology by public servants (Quaye, 2020). Therefore, while there is potential for electronic technology to improve tax systems in Africa, it is crucial to consider the perceptions and attitudes of both taxpayers and public servants.

Research in Ethiopia has shown that taxpayers' perception towards electronic technology is influenced by various factors. Birru (2021) found that performance and effort expectancy, social influence, awareness, web quality, and perceived risk significantly affect the intention and usage of electronic tax systems. Mascagni (2021) reported a positive impact of electronic sales registration machines on tax revenue, with taxpayers adjusting reported sales and costs in response. Jerene (2020) and Teka (2020) both highlighted the importance of customer awareness,

subjective norm, perceived usefulness, perceived ease of use, attitude, perceived behavioral control, and availability of internet/network connection in the adoption and usage of financial technologies, including electronic banking.

2.2.4. Impact of Electronic Tax System Stability on Tax Compliance

Research on the impact of electronic tax systems has yielded mixed results. Widyari (2021) found that information and service quality positively influence system use and user satisfaction, which in turn affects tax compliance. However, Trana (2020) found that while information quality positively impacts organization satisfaction, service quality does not. Ratnawati (2021) further supported the positive impact of e-filing and e-billing on tax compliance, particularly among lecturers. These findings suggest that the effectiveness of electronic tax systems may vary depending on the specific context and user group

The stability and performance of electronic tax systems have a significant impact on tax compliance. Oktaviani (2019) and Epin (2021) both found that the application of e-Filing and e-invoicing systems positively influences taxpayer compliance. Widyari (2021) further supports this, showing that the performance of the e-Filing system, particularly in terms of information and service quality, can enhance tax compliance. However, Masunga (2020) suggests that while service and information quality can increase the intention to use the e-tax system, the system quality itself may not have a significant impact on tax compliance.

The stability of the electronic tax system in Ethiopia has a significant impact on tax compliance. Mascagni (2021) found that the adoption of electronic sales registration machines led to increased tax revenue, with compliance being the main mechanism for this increase. However, the study also highlighted the need for the revenue administration to fully utilize available data. Birru (2021) identified several factors that affect the intention and usage of the electronic tax system, including performance and effort expectancy, social influence, awareness, web quality, and perceived risk. Mu (2022) emphasized the role of the VAT audit in tax revenue performance, with the need for efficient audit functions, improved tax education, and appropriate technology. Alem (2022) underscored the importance of tax administration policies and practices in changing taxpayers' attitudes, particularly in terms of perceived fairness and equity, government expenditure, procedural justice, tax education, and mutual respect.

2.2.5. Challenges of Using the Electronic Tax System

Lailiyah (2020) underscores the importance of system quality and information accuracy, as well as the need for taxpayer awareness and accuracy. Harpaz (2021) and Usman (2022) both emphasize the need for tax reform in the digital economy, with Harpaz proposing a multilateral approach and Usman calling for a global consensus on addressing the challenges posed by digital enterprises. These studies collectively underscore the importance of system reliability, information accuracy, and tax reform in the digital economy.

The challenges of using electronic tax systems in Africa are multifaceted. Omeye (2021) highlights issues such as intermittent power supply and Internet outages, which can hinder the effective operation of these systems. Santoro (2022) further underscores the barriers to the uptake of digital technology, including low adoption rates and taxpayer strategies to minimize tax payments. Mpofu (2022) and Ndajiwo (2020) both discuss the complexities of taxing the digital economy, with the former emphasizing the need for effective VAT regulation and the latter pointing to the difficulties in defining taxable presence and allocating business profits. These challenges collectively underscore the need for robust infrastructure, effective regulation, and international cooperation in the implementation of electronic tax systems in Africa.

The challenges of using the electronic tax system for large taxpayers was multifaceted. Lailiyah (2020) and Birru (2021) both highlight issues with system quality, technological capabilities, and awareness, which can hinder the effectiveness and adoption of the system. Omeye (2021) adds that intermittent power supply and internet outages in developing countries, such as Uganda, further complicate the use of the system. Ismail (2021) emphasizes the importance of trust and ease of use in the e-filing system, particularly in the era of big data analytics, as these factors can significantly impact tax compliance. These studies collectively underscore the need for improved system quality, technological infrastructure, and user trust to address the challenges of using the electronic tax system for large taxpayers

The adoption and usage of the electronic tax system in Ethiopia, particularly in Addis Ababa, is influenced by various factors such as performance and effort expectancy, social influence, awareness, web quality, and perceived risk (Birru, 2021). However, the implementation of the system faces challenges, including the need for effective tax education, resources for VAT audit functions, and the use of available data (Mu, 2022; Mascagni, 2021). Despite these challenges,

the system has shown potential in increasing tax revenue, particularly through compliance, as seen in the case of the electronic sales registration machines in Ethiopia (Mascagni, 2021).

2.2.6. Tax Compliance

Tax compliance is a complex and multifaceted issue, influenced by various factors. Larsen (2021) highlights the collaborative nature of tax compliance, particularly in the context of multinational enterprises. Fauzan (2022) provides a comprehensive overview of the growth and trends in tax compliance research, emphasizing the need for a multidisciplinary approach. Idrus (2020) and Suhendar (2021) both underscore the role of taxpayer awareness and government policy in promoting compliance, with Idrus specifically noting the impact of tax penalties and audits. These studies collectively emphasize the need for a holistic approach to tax compliance, considering both individual and organizational behavior, as well as the role of government policies and international collaboration.

Alem (2022) and Ademe (2020) both highlight the importance of tax administration policies and practices in Ethiopia, with Alem emphasizing the need for a shift towards a more equitable tax system and Ademe identifying audit rate, taxpayer attitude, and perceived equity as key determinants of compliance behavior. Mengstu (2020) further underscores the role of tax service quality, tax system structure, and occupation in influencing compliance behavior. Mascagni (2021) provides evidence of the positive impact of technological innovation, specifically the adoption of electronic sales registration machines, on tax revenue in Ethiopia. These studies collectively suggest that a combination of effective tax administration, taxpayer education, and technological innovation can enhance tax compliance in the country.

2.3. Empirical Studies

A range of studies have explored the impact of electronic tax systems on tax compliance. Oktaviani (2019) found that e-Filing systems positively influence compliance, with internet understanding strengthening this relationship. Saptono (2023) further emphasized the importance of user satisfaction, which is influenced by the perceived service quality and reduced compliance costs of e-Filing and e-Form systems. Epin (2021) highlighted the role of tax socialization in moderating the effect of e-Filing and e-Invoicing systems on compliance. Lastly, Wulanjayanti (2019) underscored the positive effect of service quality of electronic tax systems on taxpayer satisfaction. These findings collectively suggest that electronic tax systems can enhance

compliance, particularly when they was user-friendly, cost-effective, and supported by effective tax socialization.

A number of studies have explored the impact of electronic tax systems on tax compliance. Oktaviani (2019) found that e-Filing systems positively influence compliance, with internet understanding strengthening this relationship. Similarly, Epin (2021) observed a positive effect of e-Filing, e-Invoicing, and e-Billing systems on compliance, with tax socialization moderating this effect. Abera (2019) focused on large taxpayers and their branch offices, but the specific findings was not provided. Lastly, Saptono (2023) highlighted the importance of user satisfaction in the quality of e-tax systems, which can positively influence compliance. These studies collectively suggest that electronic tax systems, particularly e-Filing, can enhance tax compliance, with user satisfaction playing a crucial role.

A series of studies have explored tax compliance in Ethiopia, with a focus on the South Gondar Zone. Ademe (2020) found that audit rates, taxpayer attitudes, and perceptions of tax equity and government benefits positively influence compliance, while tax rates, audit probability, social norms, compliance costs, and gender have a negative impact. Alem (2022) critiqued the country's tax administration law, suggesting a shift towards behavioural theory to improve compliance. Dwianika (2021) highlighted the positive impact of tax reform on compliance in Indonesia, suggesting potential lessons for Ethiopia. Mascagni (2021) reported a significant increase in tax revenue following the introduction of electronic sales registration machines in Ethiopia, indicating the potential of technological innovation to enhance compliance.

One action the government has taken to improve taxpayer compliance is tax administration reform. The purpose of this study was to investigate and assess how taxpayer compliance is affected by e-billing and e-filing technologies. It was also intended to evaluate and assess the impact of comprehending the internet as a moderating relationship between the taxpayer compliance and the e-Filing system's installation.the 105 respondents in the sample. The study's findings showed that while the use of the e-Filing system significantly and favorably affects tax compliance, the use of the e-Billing system had no effect on taxpayer compliance. While it has been demonstrated that having a solid understanding of the internet enhances the positive correlation between taxpayer compliance and the use of the e-Filing system. (RM Oktaviani, 2019)

Several researchers have conducted studies on the impact of electronic tax on tax compliance, exploring various perspectives and contexts. Notably, Sifile Obert, Kotsai Rodgers, Mabvure Joseph Tendai, and Chavunduka Desderio (2018) focused on investigating the influence of e-tax on tax compliance among taxpayers in Harare, Zimbabwe. The main objective of their study was to examine how the implementation of an electronic tax system has affected tax compliance. To gather primary data, the researchers utilized questionnaires and conducted face-to-face interviews. The findings of the study indicated a positive attitude among taxpayers towards electronic tax systems. Additionally, the adoption of electronic tax return filing was found to significantly enhance the ease of conducting business. Furthermore, a correlation analysis revealed a positive correlation coefficient of 0.533 between accurately assessing tax obligations and the ease of doing business. These findings contribute valuable insights to the existing body of knowledge on electronic tax and its impact on tax compliance.

In their 2017 study, Kiring'a Simiyu Edward and Jagongo Ambrose examined the impact of electronic tax on tax compliance levels among small and medium enterprise (SME) taxpayers in Kenya. The researchers utilized a descriptive survey research design to gather the necessary information for their study. Primary data was collected through self-administered questionnaires and interviews. The target population consisted of 1,800 SMEs, and a representative sample of 316 was selected. The findings of the study revealed that electronic tax had an influence on tax compliance levels, particularly in relation to perceptions of electronic tax and technical skills in tax returns. The correlation analysis demonstrated a negative correlation between perception of electronic tax filing and tax compliance, while a positive correlation was observed between technical skills in tax return. Regression analysis indicated that, when holding perception of electronic tax and technical skills of tax returns constant at zero, tax compliance would stand at 0.712.

Gwaro, Maina, and Kwasira (2016) conducted a study to examine the impact of Electronic Tax on Tax Compliance among small and medium enterprise taxpayers in Nakuru Town, Kenya. The researchers employed a survey descriptive research design and collected quantitative data through questionnaires. The sample consisted of 100 respondents selected from the Small and Medium Enterprises in Nakuru. The findings revealed that among the independent variables, only computer literacy had a significant effect on the levels of tax compliance among Small and

Medium Enterprises in Nakuru. The multiple correlation effect of 0.954 indicated a relatively strong positive relationship between the three independent variables (computer literacy, perceived security & electronic tax) and the dependent variable (tax compliance). Furthermore, the coefficient of determination (R Square) indicated that the three independent variables accounted for 91.1% of the variance in the dependent variable.

In 2018, Manchilot Tilahun conducted a study on the determinants of tax compliance in Gondar city, Ethiopia. The main objective of the study was to identify the factors that influence tax compliance among business income taxpayers in Gondar city. To achieve this objective, an explanatory research design was adopted. The target population for the study consisted of category 'A' and 'B' business income taxpayers in Gondar city. The participants were selected using simple random sampling, with a total sample size of 332 taxpayers. Primary data was collected through structured questionnaires. The study examined six potential determinants of tax compliance, including the awareness level of taxpayers, age of taxpayers, gender of taxpayers, organizational strength of the tax authority, probability of detection, and simplicity of the tax system. The findings of the study revealed that the simplicity of the tax system, organizational strength of the tax authority, and probability of detection were significant factors affecting tax compliance in Gondar city. The results indicated that when the tax authority is perceived as strong by the taxpayers, their compliance level increases. Furthermore, a high probability of being audited and detected was found to encourage taxpayers to comply, and there was a positive and significant correlation between the simplicity of the tax system and tax compliance. This suggests that a simpler tax system leads to higher compliance levels. However, the study found that variables such as gender, age, and awareness level of taxpayers had insignificant correlations with the compliance behavior of taxpayers.

Cheng-Tsung Lu, Shaio-Yan Huang, and Pang-Yen Lo (2010) conducted an empirical investigation on the acceptance model of electronic tax filing in Taiwan. The research utilized electronic questionnaires to gather data from a sample of taxpayers. The participants in this study were individuals residing in Taiwan who had previous experience with internet taxation. The questionnaires were designed, distributed, and collected through a dedicated platform. They were posted on various prominent taxation websites and forums. Out of the 448 surveys that were returned, 422 were deemed valid for analysis.

To gain insights into the characteristics of the sample and the relationships between variables, the researchers employed descriptive statistics analysis and Pearson correlation analysis. The study primarily builds upon the theoretical frameworks of the Theory of Planned Behavior (TPB) and the Technology Acceptance Model (TAM) to explore the factors influencing taxpayers' adoption of online tax systems. The empirical findings indicate that the perceived usefulness and perceived ease of use of the online tax system have a significant positive impact on individuals' perceived behavioral control.

Naibei, K. I. and Siringi, E. M. (2011) studied the Impact of Electronic Tax Registers on VAT Compliance. The first and main objective of the study was to find out the impact of electronic tax registers on VAT compliance among private firms in Kisumu city, Kenya. This achieved by testing the hypothesis that the use of electronic tax registers has a positive relationship with VAT compliance. This study adopted a survey research design. A sample of 233 private firms selected from a population of 590 private firms using stratified sampling technique. The data gathered by questionnaires and analyzed by use of correlation and descriptive statistics. The study results reveal that effective and regular use of ETR has a significant impact on the Value Added Tax (VAT) compliance ($R=0.622$, $p<0.05$), frequency of inspection of businesses by tax authorities has a slight impact on VAT compliance ($R=0.15$, $p<0.05$) while sales had insignificant negative relationship with VAT compliance ($R=-0.077$, $p>0.005$). Based on the research findings the study concludes that use of ETR has a significant impact on VAT compliance in Kenya.

Akbar Barati and Shahriar Bakhshayesh (2015) studied Electronic Tax System and the facing challenges (. case study Kermanshah, Iran). A sample of 383 taxpayers selected from the population of about 98000 Kermanshah taxpayers by using koori sampling method and by simple random sampling. This study employed exploratory researcher design to investigate barriers and problems of implementing e-tax system and to find influencing factors on accepting e-tax system. The study findings revealed that, technical and infrastructural variables, social influence, the expected effort, legal issues, expected performance, information access and perceived risk having a factor of importance and more influence on the affecting factors for the adoption of electronic tax respectively.

Saliza Abdul Aziz and Kamil Md. Idris ctively (2012) studied Determinants of Tax E- among Tax Preparers in Malaysia. The adoption of e- system in corporate taxation would increase the

performance of tax preparers in effectively and efficiently complete and return the return form electronically. Thus, it is predicted that there is a positive relationship between performance expectancy and behavioral intention to accept e- in Malaysia among tax preparers. The main objective of this study is to gain understanding on the gaps existed in the e-filing among the tax preparer. In seeking for the imperative answers, research is design for the following objectives to determine the level of acceptance of tax e filing among Malaysian tax preparers; to identify the determinants of tax e-filing acceptability; and to examine how the factors identified above are relate to tax e- acceptability.

Gekonge Justus Maisiba, Wallace Atambo (2016) studied effects of etax on the revenue collection efficiency of Kenya Revenue Authority (KRA). The study employed a case study research design of KRA Usain Gishu County. The main data collection tools were questionnaires that administered to the respondents. The study targeted a population of 102 respondents who included employees of KRA and taxpayers. Data from the field was analyzing using SPSS that included use of descriptive & inferential statistics. The study results indicated that, revenue collection has affected upwards and KRA workers are comfortable using the process as compared with the old manual one. The electronic system has also reduced corruption loopholes by making moist payment through mobile phones and submitting returns electronic. This is good for efficient revenue collection and good for faster accessibility of KRA services for the taxpayer without physically visiting KRA offices.

Tadesse Getacher Engida and Goitom Abera Baisa (2014) studied an empirical study in Mekelle City, Ethiopia on Factors Influencing taxpayers' compliance with the tax system. This paper attempted to reveal determinants of taxpayers' compliance with the tax system. Nine tax compliance determinants were examined; the examined tax compliance determinants were: probability of being audited; perception of government spending; perception of equity and fairness; penalty, financial constraint; changes to current government policies; referral group; the role of the tax authority; and tax knowledge. The study used a cross-sectional survey method of research design. Given the scaled ranking information of the dependent variable (tax compliance), an ordered probate was applied to examine determinants of tax compliance in Mekelle city, Ethiopia. The study results from the survey conducted in Mekelle using 102

respondents indicate that tax compliance influenced by the probability of being audit, financial constraints, and changes in government policy.

Akalu Kibret (2016) studied determinants of compliance behavior of large corporate taxpayers in Ethiopia. The main objective of this study is to gain insight into the influence of some possible causes that affect the compliance behavior of large corporate taxpayers in Ethiopia. What factors motivate them to comply or what factors discourage them not to comply with the income tax reporting requirements. The study used survey method of research design. Primary data collected directly from taxpayers through researcher-administered questionnaire survey method and focus group (1 to 5) discussion. Secondary data collected from relevant legislation enacted in connection with the topic, tax journals, as well as published articles. The results revealed that business size, business age and tax psychological cost consistently influence the likelihood of tax non-compliance behavior in the areas of under-reporting income, over-claiming expenses and overall non-compliance. Nonetheless, business sector, tax complexity, fairness in the tax rate/ tax system and tax deterrence sanctions have an insignificant relationship with the non-compliance behavior of corporate taxpayers. Tax liability, compliance cost and tax rate structure was significant determinants in at least one type of non-compliance behavior.

Ruta Yoseph (2017) studied assessing E- tax system in selected branch offices of Ministry of Revenue (MOR). To this effect, descriptive survey method employed with the assumption that it can help to describe the current benefits and challenges of e- tax system and its relationship with tax compliance in MOR. The primary data of this study collected using a structured self-administered five-point Likert scale questionnaire Data analysis carried out using descriptive analysis. Findings revealed challenges like taxpayer's attitude, taxpayers' fault and governmental problems and benefits, which include data handling, accuracy, job performance and tax compliance. In addition, the study found out that E-tax system and tax compliance has a positive relationship.

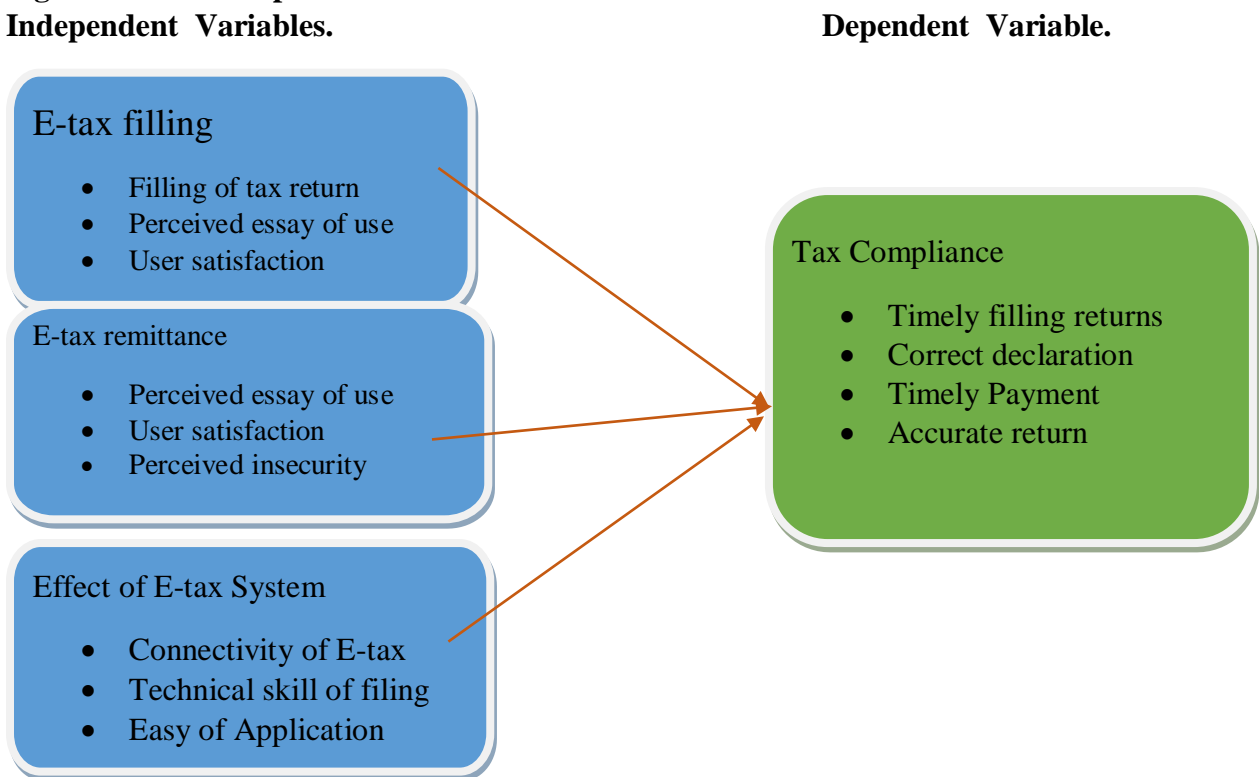
2.5. Conceptual framework

To develop a conceptual framework for the effect of electronic tax compliance, it is essential to consider various independent variables such as electronic tax filing, electronic tax remittance, and the overall effect of the electronic tax system on tax compliance. Several studies provide valuable insights into these aspects. For instance, Waluyo (2017) examines the impact of tax

amnesty, e-billing system, and e-filing system as independent variables in the context of tax compliance. Additionally, Night & Bananuka (2019) explore the mediating role of the adoption of an electronic tax system in the relationship between attitude towards the electronic tax system and tax compliance, particularly in the context of small and medium-sized enterprises in a developing economy. Furthermore, Kusumawardhani et al. (2023) investigate the influence of e-SPT, e-Filing, e-Billing, and taxpayer attitudes on tax compliance among micro, small, and medium enterprise taxpayers. These studies collectively contribute to understanding the effect of electronic tax systems on tax compliance.

The conceptual framework as illustrated in Figure 2.5.1 is a diagrammatic representation of the variables that determines the electronic tax that enhances tax compliance. The model derived from the theoretical foundations of prior research.

Figure 2.5.1: Conceptual framework Independent Variables.



Source: - Adapted from Gekonge Justus Maisiba and Wallace Atambo(2016).

CHAPTER THREE

3. RESEARCH DESIGN AND METHODOLOGY

This chapter deals with the research methodology was used in the study. It contains the research design, population, sources of data, data gathering instruments, and methods & data presentation and analysis procedures.

3.1. Research design and Approach

The study was utilized explanatory design, specifically employing regression analysis to measure the effect of electronic tax return on tax compliance. The regression model was consider the simultaneous relationships among multiple independent and dependent variables, making it suitable for examining the associative relationships between variables and determining the relative importance of the independent variables in predicting the values of the dependent variable.

The study also focus on a quantitative research approach, emphasizing the collection and conversion of data into numerical form for statistical analysis and drawing conclusions based on predictions of possible relationships between the variables under investigation. Quantitative research is characterized by its emphasis on deductive reasoning, moving from the general to the specific, and the reliance of conclusions on the validity of one or more premises. This approach is well-suited for investigating the relationship between attitude towards electronic tax systems, adoption of electronic tax systems, and tax compliance in small business enterprises in developing countries (Night & Bananuka, 2019; Night et al., 2019). Additionally, the influence of the electronic tax filing system on tax compliance and tax collection in developing countries has been a subject of investigation, aligning with the focus of the study (Mukuwa & Phiri, 2020). The relevance of quantitative research in the context of electronic tax compliance is further supported by the study conducted by , which analyzed factors affecting electronic invoice adoption and tax compliance process efficiency using partial least squares regression (Qi & Azmi, 2021). Furthermore, the study by explored the effect of the implementation of E-Invoice 3.0 and taxable person compliance on value-added tax revenue, demonstrating the applicability of quantitative methods in investigating tax compliance in the context of electronic systems (Irawati et al., 2022).

3.2. Sample Design and sample Size

The population of the study consisted of large corporate business taxpayers registered in the large taxpayers' branch office in Addis Ababa, Ethiopia. Currently, the number of individual large taxpayers who was registered and operates their businesses in the area falls under the Ministry of Revenues' large taxpayer's branch office.

In order to understand the population of large corporate business taxpayers in Addis Ababa, Ethiopia, it is important to consider the relevant literature and official reports. The Ministry of Revenues in Ethiopia may provide official statistics and reports on the number of large corporate business taxpayers registered in Addis Ababa. Additionally, academic research articles and publications on taxation and business in Ethiopia may also provide insights into the population of large corporate business taxpayers in the area.

To ensure the generalization of research findings and homogeneity of large taxpayers categorized by revenue-generating capacity and similarity in electronic tax system compliance, a systematic random sampling technique is employed to draw a sample from the population of 743 large taxpayers (MOR,2023). This approach is crucial as tax research involves navigating through various disciplines such as accounting, finance, economics, and law, each with its own language and perspectives (Hanlon & Heitzman, 2010). Additionally, the effectiveness of the e-tax system in reducing tax evasion has been established, with taxpayers' attitudes towards the system, actual tax revenue, tax compliance, and the level of electronic tax services serving as significant mediating and control variables (Otekunrin et al., 2021).

The sample size was 260 represents a group of individuals or entities from various sectors or industries. These sectors include Finance & Insurance, Education, Manufacturing, Agriculture, Import/Export, Hospitality, Real Estate, Construction, Hotel, Information Technology, and others. Each sector may contribute unique perspectives or data points relevant to the overall research or analysis being conducted.

$$n = \frac{N}{1 + N(e^2)}$$
$$n = \frac{743}{1 + 743(0.05^2)}$$
$$n = 260$$

Where:

n = sample size

N = population size

e = level of precision (expressed as a decimal)

Table 3.1. Categories of Industry

Industry	Total population from each	Sample size selected from each
Agriculture	24	8
Construction	93	33
Financial Service	48	17
Import/Export	240	84
Manufacturing	210	73
Mining Sector	1	1
Other	127	44
Total	743	260

Source, Own Survey, 2024

One potential reference for obtaining information on the population of large corporate business taxpayers in Addis Ababa, Ethiopia is the "Ministry of Revenue" (MOR). The MOR is responsible for tax administration in Ethiopia and may provide official reports and statistics on the number of large corporate business taxpayers registered in Addis Ababa. These reports may include data on the size, sector, and other relevant characteristics of the large corporate business taxpayers in the area.

The study aims to utilize both stratified and simple random sampling methods to investigate the impact of technology on different sectors of taxpayers. Stratification was based on sectors such as Finance & Insurance, Education, Manufacturing, Agriculture, Import/Export, Hospitality, Real estate, Construction, Hotel, Information Tech, and others, resulting in ten strata. This approach was enable the researchers to distribute the questionnaire fairly among respondents in different sectors and conduct further analysis based on tax returns, tax collection, and challenges related to technology and taxation.

To optimize the sampling process, the study can draw insights from (Chaudhuri et al., 2007), who proposed an optimized stratified sampling method for approximate query processing. This approach minimizes the error in answering workload queries using a stratified random sample,

which aligns with the study's objective of obtaining a representative sample size from different sectors.

3.3. Data collection Method

In conducting a study on the factors influencing large corporate business taxpayers' decisions to comply with tax regulations, it was used to utilize both primary and secondary data collection methods. The primary data for this study was gathered from large corporate business taxpayers using a structured self-administered five-point Likert scale questionnaire. This method allows for the collection of quantitative data that was analyzed to understand the factors influencing taxpayers' compliance decisions.

The Likert scale questionnaire was designed to capture information on various factors that may influence taxpayers' decisions, including economic, social, institutional, and demographic factors. For example, questions were formulated to assess the impact of economic conditions on taxpayers' compliance decisions, the influence of social norms and expectations, the role of institutional factors such as tax policies and enforcement, and the demographic characteristics of taxpayers that may affect their compliance behavior.

3.4. Data Analysis Method

In this study, the data collected from 260 respondents was analyzed using the Statistical Package for Social Science (SPSS) to identify the relationship between independent and dependent variables. The main objective is to test the hypothesis of the study, specifically focusing on the effect of technology on tax compliance among large taxpayers in the LTO. Tax compliance was measured using hypothetical questions, and respondents were rate each question using a Likert scale ranging from one to five, indicating their level of agreement or disagreement.

To analyze the relationship between technology and tax compliance, regression analysis was employed. Specifically, the study was use logistic regression to analyze the responses. This model is suitable for analyzing data where the dependent variable is ordinal, as in the case of tax compliance measured using a Likert scale.

The logistic regression was appropriate for this study as it allows for the analysis of the relationship between technology and tax compliance while accounting for the ordinal nature of the dependent variable. This model was enable the researchers to assess the impact of technology on different levels of tax compliance, as indicated by the Likert scale responses.

The study was focus on large taxpayers in the LTO, and the use of technology in tax compliance was a key independent variable. The analysis was aim to determine the extent to which technology influences tax compliance among these taxpayers. By employing logistic regression, the study was provide a nuanced understanding of the relationship between technology and tax compliance, taking into account the varying levels of compliance indicated by the Likert scale responses.

In conclusion, the use logistic regression in this study is well-suited for analyzing the relationship between technology and tax compliance among large taxpayers in the LTO. This approach was provide valuable insights into the impact of technology on different levels of tax compliance, contributing to the existing literature on tax compliance and technology adoption in the context of large taxpayers.

3.5. Model Specification.

To test the Effect of Electronic Tax System on Tax Compliance, the researcher estimates a linear regression model in the following form.

$$\text{Tax Compliance} = \alpha + \beta_1(\text{E-tax System Filing}) + \beta_2(\text{E- Tax System Payments}) + \beta_3(\text{effect of Electronic Tax System}) + \varepsilon$$

Where, α = Constants

$\beta_1 \dots \beta_3$ = the slope which represents the degree with which tax compliance changes as independent variable change by one-unit variables

ε = error term

Tax Compliance was dependent variable, representing the level of compliance with tax regulations. It could be measured in various ways, such as the percentage of taxes paid on time or the absence of tax violations.

E-tax System Filing was one of your independent variables, representing the use of electronic tax systems for filing tax returns. It reflects the extent to which taxpayers utilize electronic platforms to submit their tax information.

E-tax System Payments was another independent variable, indicating the use of electronic systems for making tax payments. It captures the degree to which taxpayers utilize electronic channels for fulfilling their tax obligations.

Effect of Electronic Tax System was a composite variable capturing the overall effect of electronic tax systems on tax compliance. It could be constructed based on the combination of E-tax System Filing and E-tax System Payments, or it could be a separate variable derived from theoretical considerations or empirical evidence.

Constants (α) were the intercept terms in your regression equation, representing the expected level of tax compliance when all independent variables was zero.

Slopes (β_1 , β_2 , β_3) were coefficients indicate the strength and direction of the relationships between the independent variables (E-tax System Filing, E-tax System Payments, Effect of Electronic Tax System) and the dependent variable (Tax Compliance). Each slope coefficient represents the change in tax compliance for a one-unit change in the respective independent variable, holding other variables constant.

Error Term (ϵ) was term represents the variability in tax compliance that is not explained by the independent variables included in the model. It accounts for factors other than the electronic tax system that influence tax compliance, such as economic conditions, enforcement measures, or individual characteristics of taxpayers.

CHAPTER FOUR

4. DATA ANALYSIS, PRESENTATION AND DISCUSSION

Introduction

This chapter discusses the interpretations and presentations of the findings obtained from the study on the Effect of Electronic Tax System on Tax Compliance in FDRE MOR. The study used correlation and simple linear analyses to analyse the data. A multiple linear regression model was also used for this investigation putting into consideration three independent variables effects on the tax compliance. Despite much effort made to retrieve all filled questionnaire on the spot 260 questionnaires were distributed to the respondents and 260 questionnaires were collected back. Before analysis, the data was checked for completeness and basic assumptions.

4.1. Demographic Background of Respondents

Table 4.1. Gender

Sex		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	170	65.4	65.4	65.4
	Female	90	34.6	34.6	100.0
	Total	260	100.0	100.0	

Source: SPSS output 2024

The gender distribution indicates that there was more male respondents (65.4%) than female respondents (34.6%) in the sample.

The gender distribution shows that there was more male respondents than female respondents. Research has shown that gender can influence tax compliance behavior, with some studies suggesting that females tend to exhibit higher levels of tax compliance compared to males. However, this is not a universal finding and may vary based on cultural and societal factors.

Table 4.3. Categories of Large Tax Payers

		Categories			Cumulative Percent
		Frequency	Percent	Valid Percent	
Valid	Agriculture	8	3.1	3.1	3.1
	Construction	33	12.7	12.7	15.8
	Financial Service	17	6.5	6.5	22.3
	Import/Export	84	32.3	32.3	54.6
	Manufacturing	73	28.1	28.1	82.7
	Mineral	1	.4	.4	83.1
	Other	44	16.9	16.9	100.0
	Total	260	100.0	100.0	

Source: SPSS output 2024

Agriculture 8 respondents (3.1%) were associated with the agriculture industry. Construction 33 respondents (12.7%) were associated with the construction industry. Financial Service 17 respondents (6.5%) were associated with the financial services industry. Import/Export 84 respondents (32.3%) were associated with the import/export industry. Manufacturing 73 respondents (28.1%) were associated with the manufacturing industry. Mineral 1 respondent (0.4%) was associated with the mineral industry. Other 44 respondents (16.9%) were associated with other industries not specified in the categories above. The distribution of respondents across various industries provides insights into the composition of the sample and the diversity of sectors represented. The import/export and manufacturing industries have the highest representation among respondents, with 32.3% and 28.1%, respectively. Other industries, construction, and financial services also have notable representations, while agriculture and mineral industries have relatively lower representation.

Table 4.2. Age

Age					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Under 25	8	3.1	3.1	3.1
	25-30	18	6.9	6.9	10.0
	31—35	40	15.4	15.4	25.4
	36-40	70	26.9	26.9	52.3
	41-45	80	30.8	30.8	83.1
	45 above	44	16.9	16.9	100.0
	Total	260	100.0	100.0	

Source: SPSS output 2024

The age distribution reveals that the majority of respondents was in the age range of 36 to 45 years old, with 26.9% falling between 36 and 40 and 30.8% falling between 41 and 45.

The distribution shows a gradual decrease in the percentage of respondents as age increases beyond 45. Understanding the age distribution is crucial for assessing the potential impact of an electronic tax system on tax compliance, as different age groups may have varying levels of familiarity and comfort with such systems.

Age can also play a role in tax compliance behavior. Younger individuals may have different attitudes towards taxation compared to older individuals. Factors such as financial literacy, income level, and understanding of tax laws can vary across different age groups, influencing their compliance with tax regulations.

Table 4.3. Level of Education

Level of education					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	High School	88	33.8	33.8	33.8
	College Diploma	80	30.8	30.8	64.6
	University Degree	52	20.0	20.0	84.6
	Master's Degree or above	40	15.4	15.4	100.0
	Total	260	100.0	100.0	

Source: SPSS output 2024

The distribution of respondents by level of education indicates that the majority have completed high school (33.8%) or have a college diploma (30.8%).

A smaller percentage of respondents hold a university degree (20.0%), and even fewer have a master's degree or higher (15.4%).

Understanding the level of education of respondents is important for assessing the potential impact of an electronic tax system on tax compliance, as education level may influence individuals' familiarity with and ability to use such systems effectively.

Education is often linked to higher levels of tax compliance. Individuals with higher levels of education may have a better understanding of tax laws and regulations, leading to greater compliance. However, this relationship can also be influenced by other factors such as income level, complexity of the tax system, and enforcement mechanisms.

Table 4.4. Work Experience:

Work Experience		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 5 years	40	15.4	15.4	15.4
	6-10 years	88	33.8	33.8	49.2
	11-15 years	52	20.0	20.0	69.2
	Above 15	80	30.8	30.8	100.0
	Total	260	100.0	100.0	

Source: SPSS output 2024

The distribution of respondents by work experience shows a varied distribution across different experience levels. A significant proportion of respondents (33.8%) have 6 to 10 years of work experience, followed by those with more than 15 years of experience (30.8%). Relating work experience to the effectiveness of an electronic tax system is important, as individuals with more experience might have different expectations and perceptions of such systems compared to those with less experience.

Work experience can provide individuals with a better understanding of their tax obligations and the importance of compliance. Those with more work experience may be more familiar with tax laws and regulations, leading to higher levels of compliance.

4.2.Descriptive Statistics of predictor and predicted variables

4.2.1. Electronic Tax System Filing

Table 4.5. Electronic Tax System Filing

Descriptive Statistics				
	N	Mean	Std. Deviation	Variance
I record Corporate tax Return online by due date	260	3.57	1.297	1.683
E-tax would progress my work execution	260	2.82	1.580	2.496
The electronic tax stage is client neighborly	260	3.55	1.310	1.716
E - tax recording of charge is exceptionally exact	260	3.36	1.494	2.232
The e- tax charge recording is secure to utilize	260	3.76	1.388	1.927
E - tax recording spares on time and cash	260	2.97	1.457	2.123
Valid N (listwise)	260			

Source: SPSS output 2024

Based on the mean values provided for each statement regarding e-tax filing, we can interpret the data as follows:

"I record Corporate tax Return online by due date" has the highest mean score of 3.57, indicating that respondents generally agree that they was able to file their corporate tax returns online by the due date and has the highest variance of 2.496, indicating that respondents' opinions on how e-tax would progress their work execution was more varied compared to other statements.

"The electronic tax stage is client-friendly" also has a relatively high mean score of 3.55, suggesting that respondents find the electronic tax filing system to be user-friendly for clients and a variance of 2.123, suggesting that opinions on whether e-tax filing saves time and money vary somewhat among respondents.

The e-tax charge recording is secure to utilize" follows closely with a mean score of 3.76, indicating a high level of perceived security in using the e-tax filing system and has a variance of 2.232, indicating some variability in perceptions of the accuracy of e-tax recording.

E-tax would progress my work execution" and "E - tax recording of charge is exceptionally exact" have mean scores of 2.82 and 3.36 respectively, indicating a moderate level of agreement with these statements. "The electronic tax stage is client-friendly" and "The e-tax charge recording is secure to utilize" have variances of 1.716 and 1.927 respectively, indicating moderate variability in perceptions of client-friendliness and security.

E - tax recording spares on time and cash" has the lowest mean score of 2.97, suggesting that respondents was somewhat less convinced that e-tax filing saves them time and money compared to other statements.

Overall, the mean scores indicate a generally positive perception of e-tax filing, with respondents agreeing that it is convenient, secure, and accurate, but with some variability in perceptions regarding its impact on work execution, time-saving, and cost-saving aspects. higher variances suggest more diverse opinions or experiences among respondents regarding certain aspects of e-tax filing, while lower variances indicate more consistent perceptions.

4.2.2. Electronic Tax System Payments

Table 4.6. Electronic Tax System Payments

Descriptive Statistics				
	N	Mean	Std. Deviation	Variance
I pay Corporate tax Return e- tax by due date	260	3.55	1.356	1.839
Paying Charges electronic is more exact	260	4.16	1.407	1.979
electronic installments upgrades record genuine time	260	3.40	1.401	1.964
Server downtime influences electronic installments.	260	3.67	1.459	2.130
The e - tax installment framework is secure to utilize	260	3.53	1.354	1.833
Valid N (listwise)	260			

Source: SPSS output 2024

Based on the mean values provided for each statement related to electronic tax payments, we can interpret the data as follows:

"Paying Charges electronic is more exact" has the highest mean score of 4.16, indicating that respondents strongly agree that electronic tax payments was more accurate compared to other methods. "Server downtime influences electronic installments" has the second-highest mean score of 3.67, suggesting that respondents agree that server downtime can affect electronic payments, but not as strongly as they agree with the accuracy of electronic payments. "I pay Corporate tax Return e-tax by due date" has a mean score of 3.55, indicating that respondents generally agree that they was able to pay their corporate tax returns electronically by the due date.

"The e-tax installment framework is secure to utilize" has a mean score of 3.53, suggesting that respondents agree that the e-tax payment system is secure to use. "Electronic installments upgrades record genuine time" has the lowest mean score of 3.40, indicating that respondents was somewhat less convinced about the real-time recording benefits of electronic payments compared to other statements. Overall, the mean scores suggest a positive perception of electronic tax payments, with respondents agreeing that they was accurate, secure, and timely, but with some variability in perceptions regarding the real-time recording benefits and the impact of server downtime.

"Paying Charges electronic is more exact" has the highest variance of 1.979, indicating that opinions regarding the accuracy of electronic tax payments vary the most among respondents.

"Server downtime influences electronic installments" follows with a variance of 2.130, suggesting that opinions on the impact of server downtime on electronic payments was also varied.

"Electronic installments upgrades record genuine time" has a variance of 1.964, indicating some variability in perceptions of the real-time recording benefits of electronic payments.

"I pay Corporate tax Return e-tax by due date" and "The e-tax installment framework is secure to utilize" both have variances of 1.833, suggesting moderate variability in perceptions regarding the ability to pay corporate tax returns by the due date and the security of the e-tax payment system.

Overall, higher variances indicate more diverse opinions or experiences among respondents regarding certain aspects of electronic tax payments, while lower variances suggest more consistent perceptions.

Paying Charges electronic is more exact has the highest variance of 1.979, indicating that respondents opinions on the accuracy of electronic payments was relatively spread out from the mean. Server downtime influences electronic installments has the second-highest variance of 2.130, suggesting that opinions on the impact of server downtime on electronic payments vary the most among respondents. "electronic installments upgrades record genuine time and I pay Corporate tax Return e-tax by due date have variances of 1.964 and 1.839 respectively, indicating moderate variability in opinions regarding the real-time recording benefits and the ability to pay corporate tax returns electronically by the due date. The e-tax installment framework is secure to utilize has the lowest variance of 1.833, suggesting that respondents opinions on the security of the e-tax payment system was relatively consistent. Overall, higher variances suggest more diverse opinions or experiences among respondents regarding certain aspects of electronic tax payments, while lower variances indicate more consistent perceptions. In this case, the variance data suggests that opinions on the accuracy of electronic payments and the impact of server downtime vary the most among respondents.

Paying Charges electronic is more exact has the highest standard deviation of 1.407, indicating that respondents' opinions on the accuracy of electronic payments vary the most from the mean. Server downtime influences electronic installments has the second-highest standard deviation of 1.459, suggesting that opinions on the impact of server downtime on electronic payments also vary considerably among respondents. I pay Corporate tax Return e-tax by due date and The e-tax installment framework is secure to utilize have standard deviations of 1.356 and 1.354 respectively, indicating moderate variability in opinions regarding the ability to pay corporate tax returns electronically by the due date and the security of the e-tax payment system. "Electronic installments upgrades record genuine time" has the lowest standard deviation of 1.401, suggesting that respondents' opinions on the real-time recording benefits of electronic payments was relatively consistent. Overall, higher standard deviations indicate more variability in responses, while lower standard deviations suggest more consistency. In this case, opinions on the accuracy of electronic payments and the impact of server downtime exhibit the most variability, while opinions on the real-time recording benefits and the security of the e-tax payment system was more consistent among respondents.

4.2.3. Effect of Electronic Tax System

Table 4.7. Effect of Electronic Tax System

	Descriptive Statistics			
	N	Mean	Std. Deviation	Variance
Electronic-tax system is difficult to operate	260	3.47	1.371	1.880
System hang ups leads to inability to file without assistance	260	3.43	1.658	2.748
Power interruption affects the use of electronic-tax system	260	3.64	1.264	1.599
The risk of hackers affects for using electronic-tax system	260	3.61	1.517	2.301
Electronic-tax system is an additional cost to the company	260	3.88	1.385	1.917
Valid N (listwise)	260			

Source: SPSS output 2024

Interpreting the data based on the mean values provides insights into the average responses of respondents regarding various statements related to the electronic tax system and tax compliance. Here's the interpretation based on the mean values provided:

Electronic-tax system is difficult to operate Mean (3.47) Respondents, on average, agree that the electronic-tax system is difficult to operate. This suggests that there may be usability issues or complexities associated with the system that respondents perceive as challenging.

The variance value of (1.880) suggests moderate dispersion in responses regarding the perceived difficulty of operating the electronic-tax system. While respondents, on average, agree that the system is difficult to operate, there is some variation in the degree of difficulty perceived by different respondents.

The relatively low standard deviation (1.371) suggests that responses to this statement was clustered around the mean. However, there is still some variability in respondents' perceptions of the difficulty of operating the electronic tax system

System hang-ups lead to inability to file without assistance Mean (3.43) on average; respondents moderately agree that system hang-ups lead to the inability to file without assistance. This indicates that technical issues may hinder the smooth operation of the electronic-tax system.

The variance value of (2.748) indicates considerable dispersion in responses regarding the impact of system hang-ups on the ability to file taxes without assistance. There is significant variability in opinions among respondents regarding the severity of this issue.

The higher standard deviation (1.658) indicates greater variability in responses regarding the impact of system hang-ups on the ability to file without assistance. This suggests that respondents have diverse experiences and opinions regarding this issue.

Power interruption affects the use of electronic-tax system Mean (3.64). Respondents, on average, moderately agree that power interruption affects the use of the electronic-tax system. This suggests that reliability issues related to power supply may impact the system's functionality.

The variance value of (1.599) suggests moderate dispersion in responses regarding the impact of power interruption on the use of the electronic-tax system. While respondents, on average, moderately agree with this statement, there is some variability in the perceived effect of power interruptions.

The standard deviation (1.264) value suggests moderate variability in responses regarding the impact of power interruption on the use of the electronic tax system. While there is some variability, it is not as pronounced as in some other statements.

The risk of hackers affects for using electronic-tax system Mean (3.61) On average, respondents moderately agree that the risk of hackers affects using the electronic-tax system. This indicates concerns regarding the security of sensitive tax-related information and potential breaches.

The variance value of (2.301) indicates moderate dispersion in responses regarding the perceived impact of the risk of hackers on using the electronic-tax system. While respondents, on average, moderately agree with this statement, there is some variability in the level of concern about potential security breaches.

The standard deviation value (1.517) indicates moderate variability in responses regarding the impact of the risk of hackers on using the electronic tax system. There is a notable variation in respondents' perceptions of this risk.

Electronic-tax system is an additional cost to the company Mean (3.88). Respondents, on average, moderately agree that the electronic-tax system represents an additional cost to the company. This suggests that there may be financial implications associated with implementing and maintaining the system.

The variance value of (1.917) suggests moderate dispersion in responses regarding the perception that the electronic-tax system represents an additional cost to the company. While respondents, on average, moderately agree with this statement, there is some variability in the extent to which different respondents perceive the system as an added cost.

The standard deviation (1.385) value suggests moderate variability in responses regarding the perception that the electronic tax system represents an additional cost to the company. While there is some agreement on this issue, there was also diverse opinions.

4.2.4. Tax Compliance

Table 4.8. Tax Compliance

Descriptive Statistics				
	N	Mean	Std. Deviation	Variance
I pay my tax due Voluntary using electronic by due date	260	3.53	1.368	1.871
I file my tax obligations accurately using the electronic-tax system	260	4.13	1.410	1.988
The electronic-tax system has fostered tax payment transparency	260	3.38	1.388	1.927
I file my tax due with less cost using the electronic-tax payment system	260	3.61	1.465	2.146
I pay my tax obligations accurately using the electronic-tax payment system	260	3.48	1.348	1.818
Valid N (listwise)	260			

Source: SPSS output 2024

I pay my tax due Voluntary using electronic by due date Mean (3.53) On average, respondents moderately agree that they pay their tax due voluntarily using electronic means by the due date. This suggests that a significant portion of respondents find electronic tax payment convenient and timely.

The moderate standard deviation (1.368) suggests that there is variability in respondents' agreement levels regarding paying tax due voluntarily using electronic means by the due date. This indicates that opinions about this statement vary among respondents.

The variance value (1.871) indicates moderate dispersion in respondents' agreement levels regarding paying tax due voluntarily using electronic means by the due date. There is variability in opinions among respondents about this statement.

I file my tax obligations accurately using the electronic-tax system Mean (4.13) Respondents, on average, strongly agree that they file their tax obligations accurately using the electronic-tax system. This indicates a high level of confidence in the accuracy and effectiveness of the electronic tax filing process.

The higher standard deviation (1.410) suggests considerable variability in respondents' agreement levels regarding filing tax obligations accurately using the electronic-tax system. This indicates diverse perceptions among respondents about the accuracy of electronic tax filing.

The variance value (1.988) suggests considerable dispersion in respondents' agreement levels regarding filing tax obligations accurately using the electronic-tax system. There was diverse opinions among respondents about the accuracy of electronic tax filing

The electronic-tax system has fostered tax payment transparency Mean (3.38). On average, respondents moderately agree that the electronic-tax system has fostered tax payment transparency. This suggests that respondents perceive the electronic tax system as contributing to greater transparency in tax payments.

The moderate standard deviation (1.388) suggests variability in respondents' agreement levels regarding the transparency fostered by the electronic-tax system. While there is agreement on average, there were diverse opinions among respondents about the level of transparency.

The variance value (1.927) indicates moderate dispersion in respondents' agreement levels regarding the transparency fostered by the electronic-tax system. While there is agreement on average, there were diverse opinions among respondents about the level of transparency.

I file my tax due with less cost using the electronic-tax payment system Mean (3.61). Respondents, on average, moderately agree that they file their tax due with less cost using the electronic-tax payment system. This indicates a perception that the electronic system is cost-effective compared to traditional methods.

The moderate standard deviation (1.465) indicates variability in respondents' agreement levels regarding filing tax due with less cost using the electronic-tax payment system. There was diverse opinions among respondents about the cost-effectiveness of the electronic system.

The variance value 2.146 indicates moderate dispersion in respondents' agreement levels regarding filing tax due with less cost using the electronic-tax payment system. There was diverse opinions among respondents about the cost-effectiveness of the electronic system.

I pay my tax obligations accurately using the electronic-tax payment system Mean (3.48) On average, respondents moderately agree that they pay their tax obligations accurately using the electronic-tax payment system. This suggests a reasonable level of confidence in the accuracy of electronic tax payments.

The moderate standard deviation (1.348) suggests variability in respondents' agreement levels regarding paying tax obligations accurately using the electronic-tax payment system. There was diverse perceptions among respondents about the accuracy of electronic tax payments.

The variance value (1.818) indicates moderate dispersion in respondents' agreement levels regarding paying tax obligations accurately using the electronic-tax payment system. There was diverse perceptions among respondents about the accuracy of electronic tax payments.

4.3. Correlation analysis

Table 4.9. Correlation Analysis

Correlations		COMPLIANCE	ETSF	EEFECTEL ELECTRON	ETSP
COMPLIANCE	Pearson Correlation	1	.405**	.397**	.971**
	Sig. (2-tailed)		.000	.000	.000
	N	260	260	260	260
ETSF	Pearson Correlation	.405**	1	.433**	.368**
	Sig. (2-tailed)	.000		.000	.000
	N	260	260	260	260
EEFECTELECT RON	Pearson Correlation	.397**	.433**	1	.353**
	Sig. (2-tailed)	.000	.000		.000
	N	260	260	260	260
ETSP	Pearson Correlation	.971**	.368**	.353**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	260	260	260	260

****.** Correlation is significant at the 0.01 level (2-tailed).

Source: SPSS output 2024

Where

ETSF (Electronic Tax System Filing)

ETSP (Electronic Tax System Payments)

EFFECTELECTRON (Effectiveness of Electronic Tax System):

Based on the correlation table provided, we can observe the following correlations between variables: It has a significant positive correlation with ETFS ($r = 0.405$, $p < 0.01$) and ETSP ($r = 0.971$, $p < 0.01$). It has a moderate positive correlation with EFFECTELECTRON ($r = 0.397$, $p < 0.01$).

Overall, these correlations suggest strong relationships between the variables related to electronic tax systems (ETSF, ETSP, and EFFECTELECTRON) and tax compliance (COMPLIANCE). Specifically, the functionality and performance of electronic tax systems seem to have a strong positive impact on tax compliance, as does the overall effectiveness of the system. These findings can be important for policymakers and tax authorities in designing and implementing electronic tax systems to improve compliance rates.

The Pearson correlation coefficients provided the table offer insights into the relationships between different variables:

There was also moderate positive correlations observed:

COMPLIANCE and ETFS: $r = 0.405$, $p < 0.01$,

COMPLIANCE and ETSP: $r = 0.971$, $p < 0.01$

COMPLIANCE and EFFECTELECTRON: $r = 0.397$, $p < 0.01$

These moderate positive correlations imply that there is a relationship between tax compliance and the electronic tax system attributes, but it may not be as strong as the correlations observed among the electronic tax system attributes themselves.

All correlations were positive, indicating that as one variable increases, the other tends to increase as well. This suggests a consistent direction in the relationships between the variables.

All correlations have p-values less than 0.01, indicating that they were statistically significant at the 0.01 level (2-tailed). This suggests that the observed correlations were unlikely to have occurred by chance.

The strong and significant correlations between the electronic tax system attributes (ETSF, ETSP, and EFFECTELECTRON) suggest that they were closely related and likely influence each other. The moderate to strong correlations between tax compliance and the electronic tax system

attributes indicate that the functionality, performance, and effectiveness of the electronic tax system was important factors associated with tax compliance.

In summary, analyzing the Pearson correlations provides valuable insights into the relationships between variables, helping to understand the dynamics between tax compliance and the electronic tax system attributes. These insights can inform policymakers and tax authorities in decision-making processes aimed at improving tax compliance rates.

4.4. Regression analysis

4.4.1. Model Summery

The multiple correlation coefficient (R) indicating the strength of the relationship between the three independent variables cumulatively and the dependent variable. On the other hand, the coefficient of determination (R Square) indicates the variance on dependent variable attributed to the three independent variables. The adjusted R-square attempts to yield a more honest value to estimate the R-squared for the population (Bruin, J., 2006).

Table 4.10. Model Summery

Variables Entered/Removed^a			
Mod	Variables Entered	Variables Removed	Method
el			
1	EEFECTELECTRON, ETSP, ETSF ^b	.	Enter

a. Dependent Variable: COMPLIANCE

b. All requested variables entered.

Model Summary^b						
Mod	R	R Square	Adjusted Square	R	Std. Error of the Estimate	Durbin-Watson
el						
1	.973 ^a	.947	.946		.172	.931

a. Predictors: (Constant), EEFECTELECTRON, ETSP, ETSF

b. Dependent Variable: COMPLIANCE

Source: SPSS output 2024

R Square (R²) indicates the proportion of variance in the dependent variable that is explained by the independent variables in the model. It ranges from 0 to 1.

In the output provided, the R Square is 0.947, meaning approximately 94.7% of the variance in the dependent variable (COMPLIANCE) is explained by the independent variables (EEFECTELECTRON, ETSP, ETSF).

Adjusted R Square adjusts the R Square value for the number of predictors in the model. It penalizes the addition of unnecessary predictors, preventing overfitting. The study output, the Adjusted R Square was 0.946, very close to the R Square value, suggesting that the model was not over fitted and was a good fit for the data.

The Standard Error of the Estimate provides an estimate of the standard deviation of the errors/residuals in the prediction of the dependent variable. A lower value indicates that the model's predictions were closer to the actual values of output, the Standard Error of the Estimate was 0.172, indicating a relatively small amount of error in the predictions.

The Durbin-Watson statistic was used to detect the presence of autocorrelation in the residuals of the regression model. It ranges from 0 to 4, with a value around 2 indicating no autocorrelation. The Durbin-Watson statistic was 0.931, suggesting that there might be some autocorrelation present in the residuals.

Overall, the Model Summary section provides important information about the goodness of fit and predictive power of the regression model, the high R Square and Adjusted R Square values indicate that the model explains a significant portion of the variance in the dependent variable, and the Standard Error of the Estimate suggests that the model's predictions were relatively accurate. However, the Durbin-Watson statistic indicates the presence of potential autocorrelation, which should be further investigated.

4.4.2. Testing for significance of model (ANOVA)

Table 4.11. ANOVA

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	134.095	3	44.698	1512.25	.000 ^b
	n				0	
	Residual	7.567	256	.030		
	Total	141.662	259			

a. Dependent Variable: COMPLIANCE

b. Predictors: (Constant), EEFECTELECTRON, ETSP, ETSF

Source: SPSS output 2024

The significance of the model was typically tested using the Analysis of Variance (ANOVA) table, which was presented in the output provided. In the ANOVA table, the null hypothesis was that all regression coefficients was equal to zero (i.e., the model has no predictive power), while the alternative hypothesis was that at least one regression coefficient was non-zero (i.e., the model has some predictive power).

The F-statistic, which was calculated as the ratio of the model mean square to the residual mean square, was used to test the overall significance of the model. If the F-statistic was sufficiently large and the associated p-value was sufficiently small, then we reject the null hypothesis, indicating that the model was significant.

In the output provided, the F-statistic was 1512.250 and the associated p-value was very close to zero (.000^b), indicating that the model was highly significant. Therefore, we reject the null hypothesis and conclude that at least one of the predictor variables was significantly related to the dependent variable.

This table assesses the overall significance of the regression model. The F-statistic tests whether the regression model as a whole was a good fit for the data. The p-value associated with the F-statistic was extremely small (close to 0), indicating that the model was statistically significant.

In summary, the ANOVA table in the output provided already contains the test for the significance of the model, and based on the extremely low p-value, the model was considered highly significant.

4.4.3. Regression Coefficient

Table 4.12. Regression Coefficient

Coefficients ^a							
Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.	Collinearity Statistics	
	B	Std. Error				Tolerance	VIF
1 (Constant)	-.107	.069		-1.552	.122		
ETSF	.037	.016	.039	2.344	.020	.760	1.316
ETSP	.933	.016	.939	58.833	.000	.819	1.221
EEFECTELEC TRON	.053	.018	.049	2.962	.003	.769	1.300

a. Dependent Variable: COMPLIANCE

Source: SPSS output 2024

Analyzing regression coefficients was crucial for understanding the relationships between the predictor variables and the dependent variable in a regression model. The coefficients represent the magnitude and direction of the effect that each predictor variable has on the dependent variable, while holding other variables constant.

The regression equation describes the relationship between the predictor variables (independent variables) and the dependent variable in the regression model, the regression equation based on the provided output can be written as:

ETSF Coefficient (0.037) For a one-unit increase in the ETSF variable, the dependent variable (COMPLIANCE) was expected to increase by 0.037 units, holding other variables constant.

ETSP Coefficient (0.933) For a one-unit increase in the ETSP variable, the dependent variable (COMPLIANCE) was expected to increase by 0.933 units, holding other variables constant.

EEFECTELECTRON Coefficient (0.053) For a one-unit increase in the EEFECTELECTRON variable, the dependent variable (COMPLIANCE) was expected to increase by 0.053 units, holding other variables constant.

Each coefficient has an associated t-value and p-value. The t-value measures the size of the coefficient relative to the standard error. The p-value indicates the significance of the coefficient.

Significant Coefficients. If the p-value was less than the chosen significance level (usually 0.05), then we reject the null hypothesis and consider the coefficient to be statistically significant, all coefficients have p-values less than 0.05, indicating that they were statistically significant.

Standardized coefficients represent the effect of one standard deviation change in the predictor variable on the dependent variable.

The study interprets the coefficients by understanding how changes in predictor variables affect the dependent variable, while considering their statistical significance. These interpretations can provide insights into the relationships between the variables in the regression model.

4.4.4. Residuals Statistics

Table 4.13. Residuals Statistics

Residuals Statistics ^a					
	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	1.57	5.00	3.63	.720	260
Residual	-1.244	.184	.000	.171	260
Std. Predicted Value	-2.861	1.912	.000	1.000	260
Std. Residual	-7.238	1.069	.000	.994	260

a. Dependent Variable: COMPLIANCE

Source: SPSS output 2024

Analyzing residuals statistics was crucial in assessing the performance and validity of a regression model. Residuals represent the differences between the observed values and the values predicted by the model.

Minimum and Maximum Residuals: These values indicate the range within which the residuals vary. In this case, the minimum residual was -1.244, and the maximum residual was 0.184. This suggests that the residuals vary between these two extremes.

Mean Residual: The mean residual was 0.000, indicating that, on average, the residuals sum up to zero. This suggests that the model does not systematically overestimate or underestimate the dependent variable across the dataset.

Standard Deviation of Residuals: The standard deviation of residuals was 0.171. This value indicates the average deviation of residuals from the mean residual. A lower standard deviation suggests that the residuals were closer to the mean, indicating a better fit of the model.

Number of Observations (N): There was 260 observations in the dataset, which was the same as the number of residuals calculated.

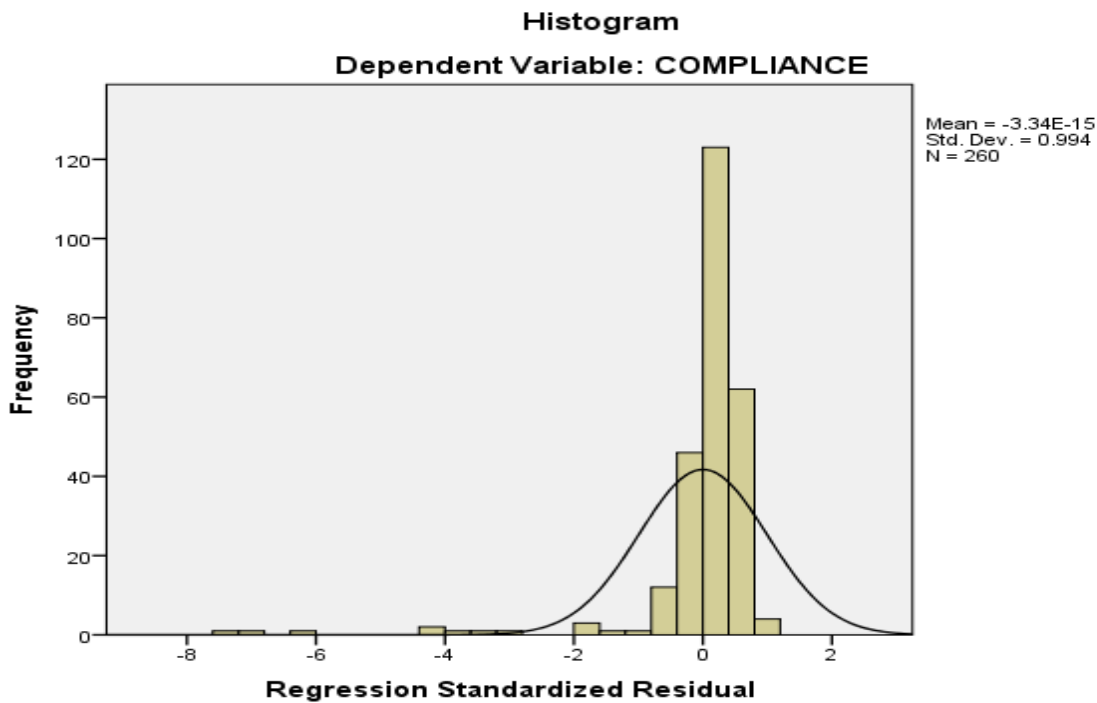
These statistics provide insight into how well the model fits the data. A low mean and standard deviation of residuals indicate a better fit of the model to the data.

4.5. Testing assumptions of multiple linear regression

4.5.1. Normality assumptions

It was the assumption that the residuals in the model was random, normally distributed variables with a mean of 0. Normality assumption can be detected by constructing a histogram of residuals, with a visual check to see whether the distribution approximates the normal distribution (Ho 2006). The residuals histogram as shown below indicates fairly normal distribution. Thus, based on these results, the normality of residuals assumption was satisfied. I also check the P-plot on SPSS to ensure normality of the data and most of them showed perfect normal distribution and the rest was closely normal distributed.

Figure 4.1. Histogram



Source: SPSS output 2024

The provided histogram displays the distribution of regression standardized residuals for the dependent variable COMPLIANCE. Here's how to interpret the histogram:

X-Axis (Regression Standardized Residuals): This axis represents the values of the regression standardized residuals. These residuals were standardized to have a mean of 0 and a standard deviation of 1.

Y-Axis (Frequency): This axis represents the frequency or count of observations falling within each interval of regression standardized residuals.

Histogram Shape: The shape of the histogram indicates the distribution of the standardized residuals. If the distribution was approximately normal, the histogram would have a bell-shaped curve.

Mean and Standard Deviation: The mean of the regression standardized residuals was approximately -3.34×10^{-15} (very close to zero), and the standard deviation was approximately 0.994. This means that, on average, the residuals were centered around zero, and about 68% of the residuals fall within one standard deviation of the mean if the distribution was approximately normal.

Number of Observations (N): There were 260 observations represented in the histogram. The study expects a symmetrical distribution of residuals around zero if the assumptions of normality and homoscedasticity hold. The histogram's shape and whether it is centered around zero help assess whether the assumptions were met. If there were any substantial deviations from normality or if there was a notable skewness, it might indicate potential issues with the model's assumptions.

Interpreting the histogram alongside other diagnostic tools such as scatter plots of the residuals against predicted values and quantile-quantile plots can provide a more comprehensive understanding of the model's performance and whether the assumptions underlying linear regression were met.

CHAPTER FIVE

5. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter deals with summary of major findings of the study, conclusions and recommendations of possible solutions for the problems identified.

5.1. Summary

Based on the comprehensive analysis provided, here's a structured summary of the findings and conclusions from the study on the effect of electronic tax systems on tax compliance in Addis Ababa Revenue:

➤ Demographic Analysis

The study's sample consists of 260 respondents, with a higher proportion of male respondents. Majority of respondents fall within the age range of 36 to 45 years old, with a gradual decrease in participation as age increases. Most respondents have completed high school or have a college diploma, while fewer hold university or master's degrees. Work experience among respondents varies, with a significant portion having 6 to 10 years or more than 15 years of experience.

➤ Regression Analysis

The regression model explains approximately 94.7% of the variance in tax compliance. All predictor variables (ETSF, ETSP, EFFECTELECTRON) was statistically significant, with coefficients indicating their impact on tax compliance. All coefficients were found to be statistically significant, with positive values indicating that increases in electronic tax system attributes was associated with higher levels of tax compliance.

The model's F-statistic and associated p-value confirm its overall significance, suggesting that the predictor variables collectively contribute to explaining tax compliance. Residual statistics indicate a relatively small mean and standard deviation of residuals, suggesting a good fit of the regression model to the data. The histogram of standardized residuals demonstrates a fairly normal distribution, supporting the assumption of normality in regression analysis.

Overall, the research provides valuable insights into the relationship between electronic tax systems and tax compliance among large taxpayers in Addis Ababa Revenue. The findings highlight the importance of improving the functionality, performance, and effectiveness of electronic tax systems to enhance compliance rates. Policymakers and tax authorities can leverage these insights to design and implement targeted interventions aimed at promoting tax

compliance and optimizing revenue collection efforts. Additionally, future research may explore the impact of specific interventions or policy changes on taxpayer behavior and compliance levels over time.

5.2. Conclusion

In conclusion, research delves into the effect of electronic tax systems on tax compliance among large taxpayers in Addis Ababa, Ethiopia. Through a quantitative approach employing regression analysis, the study examines the relationship between electronic tax filing, remittance, and overall system effectiveness with tax compliance. The findings indicate a significant positive correlation between electronic tax systems and tax compliance, suggesting that improved functionality, performance, and effectiveness of the system contribute to higher compliance rates.

The regression analysis confirms these relationships, with electronic tax filing and payments showing significant positive coefficients on tax compliance. This underscores the importance of incorporating electronic tax systems into tax administration strategies to enhance compliance among large taxpayers.

Furthermore, the study identifies challenges associated with electronic tax systems, providing insights into areas for improvement and refinement. By addressing these challenges, policymakers and tax authorities can optimize the effectiveness of electronic tax systems and consequently improve tax compliance rates.

Overall, research contributes to the existing body of knowledge on tax compliance and electronic tax systems, particularly in the context of developing countries like Ethiopia. The insights gained from this study can inform policy decisions and administrative reforms aimed at fostering greater compliance and revenue generation in the tax system.

Moving forward, further research may explore the long-term impact of electronic tax systems on compliance, as well as additional factors influencing taxpayer behavior in the Ethiopian context. Additionally, qualitative studies could provide deeper insights into the specific challenges faced by taxpayers and tax administrators in implementing electronic tax systems.

Ultimately, by leveraging electronic tax systems effectively and addressing associated challenges, Ethiopia can strengthen its tax administration framework, enhance revenue collection, and promote sustainable economic development.

5.3. Recommendations

Enhance Electronic Tax System Functionality: Given the significant positive correlation between electronic tax system attributes (ETSF, ETSP, and EFFECTELECTRON) and tax compliance, it was crucial to continue improving the functionality and effectiveness of the electronic tax system. This can involve streamlining processes, improving user interfaces, and addressing any technical issues that may hinder taxpayers' interactions with the system.

Training and Education: Since education level can influence individuals' familiarity with and ability to use electronic tax systems effectively, there should be efforts to provide training and education programs to taxpayers, especially those with lower levels of education. This can help increase their understanding of the electronic tax system and improve compliance rates by addressing the knowledge and skill gaps that may exist among taxpayers, training and education programs can play a crucial role in increasing compliance with electronic tax systems, particularly among individuals with lower levels of education. These programs empower taxpayers to effectively utilize electronic tax filing, ultimately contributing to a more efficient and transparent tax administration process.

Targeted Communication and Outreach: Develop targeted communication and outreach strategies to raise awareness about the benefits of the electronic tax system and provide guidance on how to use it effectively. This can help alleviate any concerns or resistance to adopting electronic tax filing and payment methods. By implementing targeted communication and outreach strategies, tax authorities can raise awareness about the benefits of the electronic tax system, address concerns, and provide guidance to large taxpayers on how to use the system effectively. This proactive approach can facilitate the adoption of electronic tax filing and payment methods, leading to improved compliance rates and a more efficient tax administration process.

Continuous Monitoring and Evaluation: Implement a system for continuous monitoring and evaluation of the electronic tax system's performance and its impact on tax compliance. This can involve collecting feedback from taxpayers, conducting regular assessments of system functionality, and analyzing compliance trends over time. By implementing a comprehensive system for continuous monitoring and evaluation, tax authorities can proactively identify and address issues with the electronic tax system, measure its impact on tax compliance, and drive ongoing improvements to enhance taxpayer experience and overall effectiveness. This iterative

approach ensures that the electronic tax system remains aligned with stakeholders' needs and expectations while supporting the government's revenue collection objectives.

Policy Alignment: Ensure that tax policies and regulations was aligned with the objectives of promoting electronic tax compliance. This may involve updating tax laws to accommodate electronic filing and payment methods, as well as providing incentives or penalties to encourage compliance. By ensuring that tax policies and regulations was aligned with the objectives of promoting electronic tax compliance, the FDRE MOR can create an enabling environment that encourages taxpayers to embrace electronic filing and payment methods. This alignment not only enhances administrative efficiency and revenue integrity but also fosters taxpayer trust and satisfaction in the tax system.

Collaboration with Stakeholders: Foster collaboration between tax authorities, taxpayers, and other relevant stakeholders to co-create solutions for improving tax compliance through the electronic tax system. This can involve establishing feedback mechanisms, conducting stakeholder consultations, and engaging in public-private partnerships. By fostering collaboration between tax authorities, taxpayers, and other stakeholders, the FDRE MOR can harness collective expertise, insights, and resources to co-create effective solutions for improving tax compliance through the electronic tax system. This collaborative approach not only enhances the legitimacy and sustainability of tax reforms but also fosters trust, engagement, and ownership among stakeholders in the tax administration process.

By implementing these recommendations, tax authorities in Addis Ababa Revenue can leverage the potential of electronic tax systems to enhance tax compliance among large taxpayers and contribute to the overall effectiveness of the tax administration system.

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APPENDIX 1. Questionnaire

Dear respondent,

My name is Dawit Bayu I am doing a research with the title “Effect of Electronic Tax System on Tax Compliance in FDRE MOR: The case of Large tax payers office.” for the partial fulfillment of Master of Accounting and Finance in at Addis Ababa University. I kindly request your cooperation in filling this questionnaire. Your willingness in giving genuine information is well appreciated. The information you provide was only be used for the study and it is highly confidential. Thank you for your cooperation!

Part I: Background Information:

1. Sex: Male Female
2. Age: Under 25 25-30
31—35 36-40
41-45 45 above
3. Level of education: High School College Diploma
University Degree Master’s Degree or above
4. Work Experience:
- Below 5 years 6-10 years.
11-15 years Above 15

The following questions was presents on a five-point Likert scale. Kindly state your level of agreement or disagreement with the given statements.

Part I: Electronic Tax System Filing.

No.	Description	Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree
1	I record Corporate tax Return online by due date					
2	E-tax would progress my work execution					
3	The electronic tax stage is client neighborly					
4	E - tax recording of charge is exceptionally exact					
5	The e- tax charge recording is secure to utilize					
6	E - tax recording spares on time and cash					

Part II: Electronic Tax System Payments.

No	Description	Strongly Agree	Agree	Not Sure	Disagree	Strongly Agree
1	I pay Corporate tax Return e- tax by due date					
2	Paying Charges electronic is more exact					
3	electronic installments upgrades record genuine time					
4	Server downtime influences electronic installments.					
5	The e - tax installment framework is secure to utilize					

Part III: effect of Electronic Tax System

No	Description	Strongly Agree	Agree	Not Sure	Disagree	Strongly Agree
1	Electronic-tax system is difficult to operate					
2	System hang ups leads to inability to file without assistance					
3	Power interruption affects the use of electronic-tax system					
4	The risk of hackers affects for using electronic-tax system					
5	Electronic-tax system is an additional cost to the company					

Part IV: Tax Compliance.

No.	Description	Strongly Agree	Agree	Not Sure	Disagree	Strongly Agree
1	I pay my tax due Voluntary using electronic by due date					
2	I file my tax obligations accurately using the electronic-tax system					
3	The electronic-tax system has fostered tax payment transparency					
4	I file my tax due with less cost using the electronic-tax payment system					
5	I pay my tax obligations accurately using the electronic-tax payment system					

መጠይቅ

ውድ ምላሽ ሰጪ

እኔ ዳዊት ባዩ በ "የኤሌክትሮኒክ የታክስ ስርዓት ውጤታማነት በኢትዮጵያ ሥነ-ምግባር የታክስ አፈፃፀም ፤ የታላላቅ ግብር ከፋዮች ጽ / ቤት ጉዳይ" በሚል ርዕስ በአዲስ አበባ ዩኒቨርሲቲ የአካውንቲንግና ፋይናንስ መምህራ አድሎአዊ ፍጻሜውን እንዲያገኝ ። ይህን ጥያቄ በመሙላት ረገድ ትብብር እንድታደርጉልኝ በደግነት እጠይቃለሁ ። እውነተኛ መረጃ ለመስጠት ፈቃደኛ መሆንዎ በጣም ያስደስታል ። የምታቀርበው መረጃ ለጥናቱ ብቻ የሚውል ከመሆኑም በላይ በጣም ምስጢር ነው ። ስለ ትብብርዎ እናመሰግናለን!

ክፍል 1

1. ያታ ፡

ሀ. ወንድ

ለ. ሴት

2. ዕድሜ ፡-

ሀ. ከ 25

ለ. 25-30

ሐ. 31—35

መ. 36-40

ሰ. 41-45

ረ. ከ 45 በላይ

3. የትምህርት ደረጃ ፡

A. ሁለተኛ ደረጃ ትምህርት ቤት

B. የኮሌጅ ዲፕሎማ

C. ዩኒቨርሲቲ ደግሪ

D. ማስተርስ

4. የሥራ ልምድ ፡-

ሀ ከ5 ዓመት በታች

ለ. 6-10 ዓመታት

ሐ ከ11-15 ዓመት

መ ከ 15 ዓመት በላይ

2. ቀጥሎ ያሉት ጥያቄዎች በአምስት ነጥብ የሊከርት ሚዛን ላይ ቀርበዋል ። ከተሰጡ መግለጫዎች ጋር የምትስማማበትን ደረጃ ወይም አለመግባባት በደግነት ግለጽ.

ክፍል አንድ፡- የኤሌክትሮኒክ ታክስ ሲሠራ

ተ.ቁ	መግለጫ	በጥብቅ የሚሰማ	እስማማለሁ	እርግጠኛ አይደለሁም	አልሰማም	በጣም አልሰማም
1	የቀረጥ ተመላሽ ያደረግሁት በጊዜው ነው					
2	ኢ-ታክስ የሥራ ቅስቀሴን ያሳድግልኛል					
3	የኤሌክትሮኒክ የግብር መክፈያ ጊዜ ተገልጋይ የሆነ ነው					
4	ኤ - የክፍያ መጠየቂያ ደረሰኝ ልዩ ነው					
5	የኤ-ታክስ መክፈያ ቅጂው ለመጠቀም አስተማማኝ ነው					
6	የኤ - የታክስ ቀረጥ በሰዓትና በጥሬ ገንዘብ ይታደሳል					

ክፍል 2 :- የኤሌክትሮኒክ የታክስ ሥርዓት ክፍያዎች ::

ተ.ቁ	መግለጫ	በጥብቅ የሚሰማ	እስማማለሁ	እርግጠኛ አይደለሁም	አልሰማም	በጣም አልሰማም
1	የግብር ተመላሽ በጊዜው ኢ- ታክስ እክፍላለሁ					
2	በኤሌክትሮኒክ ክፍያ መፈጸም ይበልጥ ትክክለኛ ነው					
3	የኤሌክትሮኒክ መሣሪያዎች እውነተኛ ጊዜን ያስመዘግባሉ					
4	የአገልጋዮች ዘና ያለ መንፈስ የኤሌክትሮኒክ መሣሪያዎችን ሊጫናቸው ይችላል ::					
5	የኤ-ታክስ መጫኛ ማዕቀፍ ለመጠቀም አስተማማኝ ነው					

ክፍል ሶስት- የኤሌክትሮኒክ የታክስ ሥርዓት የሚያስከትለው ውጤት

ተ.ቁ	መግለጫ	በጥብቅ የሚሰማ	እስማማለሁ	እርግጠኛ አይደለሁም	አልሰማም	በጣም አልሰማም
1	የኤሌክትሮኒክ ታክስ ሥርዓት ለመንቀሳቀስ አስቸጋሪ ነው					
2	የስርዓት ተንጠልጣዮች ያለ እገዛ ወደ ፋይል አለመምጣት ይመራል					
3	የኤሌክትሮኒክ መቋረጥ የኤሌክትሮኒክ ታክስን አጠቃቀም ይነካል					
4	ጠላፊዎች በኤሌክትሮኒክ የግብር ሥርዓት መጠቀማቸው ጉዳት ሊያደርስባቸው ይችላል					
5	የኤሌክትሮኒክ ታክስ ሥርዓት ለኩባንያው ተጨማሪ ወጪ ነው					

ክፍል አራት: - የታክስ ደንብ

ተ.ቁ	መግለጫ	በጥብቅ የሚሰማም	እስማማለሁ	እርግጠኛ አይደለሁም	አልሰማምም	በጣም አልሰማምም
1	በኤሌክትሮኒክ መሣሪያ አማካኝነት ተገቢውን ግብር እክፍላለሁ					
2	በኤሌክትሮኒክ ታክስ ሥርዓት በመጠቀም ያሉብኝን የግብር ግዴታዎች በትክክል እክፍላለሁ					
3	የኤሌክትሮኒክ የግብር አከፋፈል ሥርዓት የግብር ክፍያ ግልጽነት እንዲረጋገጥ አድርጓል					
4	የኤሌክትሮኒክ ታክስ ክፍያ ሥርዓት በመጠቀም ቀለል ባለ ዋጋ ግብር እክፍላለሁ					
5	በኤሌክትሮኒክ ታክስ የክፍያ ሥርዓት በመጠቀም ያሉብኝን ግብር በትክክል እክፍላለሁ					