



ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF PUBLIC ADMINISTRATION AND
DEVELOPMENT MANAGEMENT

A RESEARCH THESIS TITLE:

**ASSESSMENT OF ERCA PERFORMANCE IN
COLLECTION OF TAX FROM LARGE TAX PAYERS**

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DECLARATION

I HEREBY DECLARE THAT THIS PROJECT IS MY ORIGINAL WORK
HAS NOT BEEN PRESENTED FOR A DEGREE IN ANY OTHER
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ABSTRACT

The objective of the study is to assess the Tax performance and collection in the case of ERCA-large tax payers office. From the different activities of tax administration the objectives of the study are: to identify the challenges of tax performance and collection; to analyze the taxpayers` attitude towards tax laws and tax administration and their problems; to analyze the tax delinquency control and tax arrears

The study employed descriptive research methodology and both qualitative and quantitative research approach are adopted for the study. To conduct the study both primary and secondary data are gathered from taxpayers and tax officers. The sampling technique employed both probability and non-probability and questionnaires are distributed to employees and representative taxpayers. The study identified problems like the application of software, complexity of tax laws, low level of tax education and awareness; quality service delivery; absence of strong coordination and cooperation between ERCA and other stakeholder; tax arrears/delinquent taxes.

LISTS OF ACRONYMS

AAA	American Accounting Association
ADB	Asian Development Bank
ASYCUDA	Automated System for Customs Data Management.
ERCA	Ethiopian Revenue and Customs Authority
FDRE	Federal Democratic Republic of Ethiopia
FIRA	Federal Inland Revenue Authority
GDP	Gross Domestic Product
HRM	Human Resource Management
IT	Information Technology
IMF	International Monetary Fund
LTO	Large Taxpayers office
OECD	Organization for Economic Cooperation and Development
SIGTAS	Standard Integrated Government Tax Administration System
SRM	Sales register machine
TIN	Taxpayer identification Number
VAT	Value added Tax

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CHAPTER ONE

1. INTRODUCTION

1.1 General Background

Taxation has become a vital component of the development efforts of every economy (Bastal, 2003). The main motivation for taxation in developing countries is to finance public services (World Bank, 1991). Indeed, without efficient and effective revenue assessment and collection system government cannot provide even the basic infrastructures and services to their dwellers. The primary purpose of taxation is to divert control of economic resources from the taxpayers to the state for its own use or transfer to others. Taxation is necessary because it would be neither possible nor desirable to finance government only by charge for services (Bastal, 2003).

Tax administration is one of the public administration which is governed by the rules and regulations of the responsible government organization or bodies. An effective tax system therefore strikes an appropriate balance between public and private needs to achieve national development goals, given the prevailing structural and social conditions and political priorities (European Commission, 2010).

Four things are well-known in the history of taxation and governance. First, it is a central characteristic of the social contract on the position of the state, control networks, economic interests, and government abilities in each country. Second, taxation is a Center of means for state-building and good governance. Third, the levying of tax can develop governance by fostering fiscal bargaining and encouraging governments to be responsive and efficient. Fourth, connections also work in the opposite direction, as the quality of governance affects revenue mobilization through its influence on the culture of compliance (Nathan Associates, 2011).

Then this study is discussed and analyzed the existing problems facing in the tax performance and collection at large tax payer office with a view to identify major variables that have negative effects on revenue collection.

Tax administration refers to the identification of tax liability based on the existing tax law, the assessment of this liability, and the collection, prosecution and penalties imposed on recalcitrant

taxpayers (Kangave, 2005). According to the Ethiopian constitution 1994 article 96, the Federal governments have been granted the authority to collect different types of taxes from the income derived by their residents and nonresidents. Therefore, the responsibility to collect revenue for the federal government rests with the Ethiopian revenue and customs authority (ERCA).

1.2 Statement of the Problem

Tax administration is a difficult task, and critical for revenue generation required for accelerating growth to improve the quality of life of the citizens. Revenue is one of the principal means by which a government finances its expenditure (European commission 2010a). The primary purpose of taxation is to raise revenue for government expenditures (Morse 2005). However, government has several other ways to raise revenue (Ibid).

Most of governments practice to use taxation in order to raise its fiscal requirement. This is because tax is the most viable source of revenue (Bastal, 2003). Ethiopia made different tax reforms for improving revenue generation, enhancing the efficiency of the tax administration and improving equity in the tax system (ERCA, 2010). For instance, the replacement of sales tax to VAT due to high tax rates, the complexity of tax legislation, and complications in the procedures that taxpayer must follow in order to pay taxes and unsatisfactory treatment of taxpayers by tax officials.

Additionally the reform was implemented to improve taxpayer ignorance of the benefit derived from public revenue, a negative image of public administration, a fairly generalized lack of social conscience on the part of the public, weakness in tax administration taxpayers were eager to evade the tax(ERCA, 2011 Statistical Annual Bulletin).Tax evasion is the commission or omission of an act knowingly, with the intent to deceive, so that the tax reported by the taxpayer is less than the tax payable under the law (Dymond, 2004).

Tax Evasion significantly reduces the amount of collectible taxes, that is, the amount of compulsory payment to governments. It also disables them from performing tasks that are institutionally and legally assigned to them. In reality, under inadequate tax administration system, the potential amount of tax revenue in developing and transitional countries has not been collected in an efficient and equitable manner (Edmiston and Bird, 2004).

This low revenue yield of taxation given rapidly growing national economy can be attributed to the different problems of tax assessment and collection enforcement of the tax administration. Some of the main problems that challenge the optimal collection of revenue includes; the low level of taxpayers awareness, the attitude of taxpayers towards taxation, high level of delinquent tax/tax arrears, inadequate intelligence support and inadequate enforcement of collection through all legal means which are witnessed by the low performance and trends of revenue collection against the planned and potential tax.

The prevalence of budget deficit and low revenue collection required the government to improve internal revenue generating activities to reduce dependence on foreign funding and the most commonly used action is to take corrective measures on the potential problems of tax administration at each tax office (IMF, 2006). In order to raise adequate revenue and to minimize revenue shortfall, ERCA and the different regional revenue office are working together. The ERCA large tax payer office has mandate to look into tax performance problems.

Therefore, identifying the problems in the large tax payers' office and this study is proposed which is built on and expected to fill to contribute its own part to the current body of knowledge through filling a knowledge gap with addressing the areas uncovered by the empirical researches done in the past .

1.3 Objective of the Study

1.3.1 General Objective

With respect to the above discussed problems, the study aims at assessing the tax performance and collection enforcement and their related issues that influence the revenue collection in ERCA large tax payers and finally recommending better ways and means for further improvement.

1.3.2 Specific Objectives

The Specific objectives of this study are:

1. Assess tax collection performance of ERCA from large tax payers.
2. Identify the type/s of challenges, if any, faced by ERCA while collecting taxes.

3. Recommend the possible actions that ERCA has to take to enhance tax collection.

1.4 Research questions

1. What does the performance of ERCA look like on its tax collection endeavor from large tax payer?
2. What are the kinds of challenges, if any, that ERCA is facing while collecting taxes?
3. What can be recommend to improve (rectify) current challenge of ERCA?
 - a. Does ERCA meet its annual tax collection plan?
 - b. Is ERCA's system in place facilitating tax collection?
 - c. What are the kinds of complaints that large tax payers document with ERCA?

1.5 Significance of the Study

The findings of this study is expected to contribute to enhancing the tax performance of the large tax payers office in particular and the government at large by uncovering the core problems on the tax assessment and collection enforcement activities so as to enabling them to put their effort to the observed problems. Thus, the government will be able to minimize the observed tax administration problems to increase tax revenue. Similar approach can be replicated in identifying the problems in tax assessment and collection procedures of revenue administrations in other branch and finally this study would be used as a source of information and an insight for further investigation to students and researchers who are interested to carry out similar research in tax administrations for sustainable improvement of the taxpayers compliance level in addition to collecting the required amount of revenue.

1.6 Scope of the Study

The study is delimited to consider only the problems of tax performance in ERCA large tax payers' office. The study does not include all taxpayers of the branch rather it considers only taxpayers who registered for value added tax in branch office.

Moreover, the researcher presumed that taxpayers who registered for value added tax have a practical know how about the problems of tax performance and also they contribute the lion's share of tax revenue.

1.7 Organization of the Study

This research will have five chapters of which the first chapter contained Introduction which encompasses: Background of the Study; Statement of the Problem; Objective of the Study; Research Question; Significance of the Study; Scope of the Study; The second chapter presents theoretical framework regarding related literature of business income tax assessment and collection and relevant issues in the views of different authors. In this part critical exploration with reference of different literatures will be done. The third chapter focused on Research Design which includes: Research Approach; Research Methods; Sample Design; Source of Data; Data analysis and presentation and the like. In the fourth chapter, empirical evidences gathered through questionnaires (primary data) and secondary data will be organized, summarized, analyzed, interpreted and discussed and findings will be presented. Finally, the fifth chapter shall present conclusions and some recommendations.

1.8 Limitations of the study

- Regarding to the limitation of the study, the head of department performance of ERCA might not take as the subject of the study. Not only this but also, the fact that the study is only conduct in head office, it doesn't consider cross sectional departments which functionalized related tasks. There was time constraint to include all ERCA sub branches under the study and current condition of (covid 19) pandemic takes the lion share of the study's problem. In addition to the above limitation this study was focused only the performance of ERCA.
- To investigate the problems performance of ERCA large tax payers, the major limitation of the study will be related with unwillingness of the respondents to give the whole and unbiased information.

CHAPTER TWO

2. LITERATURE REVIEW

2.1 Introduction

The researcher will review different related literatures written by different scholars to get tax administration problems and functions. The researcher made use of secondary data source such as tax books, tax journal, ERCA manuals and annual reports, tax laws and internet website. This enabled a researcher to assess and identify the problems and variables of tax performance problems and to come up with the relevant solutions to the findings.

2.2 Theoretical and Conceptual Framework of Tax Administration

2.2.1 Tax

Tax has been defined by different authorities and authors in different ways. Conceptually, tax can be defined or seen as a non- penal-yet compulsory transfer of resource from the private to the public sector (Uremadu, 2000). According to Adesola (1998) tax is compulsory levy which a government imposes on its citizens to enable it to obtain the required revenue to finance its activities. And Humor and Oats (2009) defined tax as a compulsory levy imposed by government or other tax raising body on income, expenditure, or capital assets for which the taxpayers receives nothing specific in return.

2.2.2 Tax Administration

Sake (1998) defined the process of tax administration to include the identification and registration of the taxpayer to whom the law applies; the assessment of this taxpayer either through self or compulsory assessment; the collection of tax dues and accounting for them to the state (tax administration) and advising the state (advisory board) on better ways in which more revenues can be collected by pointing out areas of improving the legal and institutional framework.

The subject of tax administration is extremely important to those concerned with the key role increased tax yields can play in restoring macroeconomic balance and those concerned with tax policy and its effect on the economy in general (Casaregra de Jantscher and Bird, 1992).

Generally, tax administration refers to the identification of tax liability based on the existing tax laws, assessment of this liability, collection, prosecution and penalty imposed on the non-compliant taxpayers. Tax administration, therefore, covers a wide area of study encompassing aspects such as registration of taxpayers, assessments, returns processing, collection and audits (Fjeldstad and Rakner, 2003).

2.2.3 Service Commitments of Tax Administration

The tax administration should provide impartial and professional courteous service and must keep private and confidential information regarding the individual taxpayers. It should also offer clear, understandable and current tax information and will make this information available to tax payer through various media and provide timely, accurate written information that one can rely on to questions and requests for tax information (Asian Development Bank, 2001).

2.2.4 Problems in Tax Revenue Collection Performance

Many problems have weakened the tax administration ability to achieve desired revenue targets and the following points show the problems and it clearly highlights some possible structural causes of the problem.

2.2.5 Tax Evasion

Tax evasion refers to one's tax liability by methods that violate the provisions of tax codes and it's therefore an offence that if one discovered could lead to imposition of criminal proceedings against the taxpayer.

Tax evasion is considered to be of serious concern to in dealing with taxation issues of a country because of its adverse effects it is assumed to have on tax revenue and the tax system as a whole. One obvious consequence of tax evasion is the loss of tax revenue for government. The fact that some income goes untaxed and also certain indirect taxes such as VAT and excise duties are

evaded, leads to the conclusion that tax revenues are lower than if everyone had paid their taxes genuinely as per the law (Richardson & Sawyer, 2001).

Like any other jurisdictions, Ethiopia's tax system is fraught with evasion. One factor that significantly contributes to the tax evasion is lack of intensive audits and absence of pre-determined audit criteria. Also the low level of computerization in the ERCA encourages evasion (ERCA, 2010).

2.2.6 Tax Non-Compliance

In contrast with tax compliance, tax non-compliance is defined as taxpayer's failure to remit a proper amount of tax, perhaps on account of the complexity or even contradictions in the tax legislation or tax administration procedure (Jackson and Milliron, 1986).

According to Singh(2003) tax noncompliance occurs when there is a failure to perform a timely filing or submission by taxpayers of all required tax returns, when not accurately reporting the tax liability in accordance with the tax laws, when there is nonpayment or late payment on tax due, an understatement of income, and overstatement of expenses.

Noncompliance is perceived as the failure of a taxpayer to report (correctly) the actual income, claim deductions and rebates and remit the actual amount of tax payable to the tax authority on time (Kirchler, 2007).

2.2.7 Complexity of Tax Law

People's understanding of tax law is an important factor which shapes their disposition to comply. As the law is intricate, taxpayers became reluctant in trying to understand the provisions contained by the tax law. They often find tax law a burden due to its byzantine wording and perceive it as a foreign language. Their level of comprehension depends itself on the education i.e. the number of schooling years. Plenty of studies have shown that higher educated people understand better the meaning of tax liabilities and the aim of governmental policies, and as a consequence, they comply more. The impact of tax complexity on tax compliance is a bit more complicated because of the interaction of two factors i.e. perception of fairness and opportunity for non-compliance (Milliron, 1985).

Micah (2012) in his study noted that tax law in Nigeria is complex and difficult for the common taxpayer to understand and some cases are problematic even for literate officials. In addition to lack of understanding, many taxpayers are unaware of the existence of certain taxes. This coupled with the lack of information, laziness of the tax officials, uncooperative taxpayers and the habit of quick; solutions encourage the use of the best judgment approach. This may be manifestation of the poor tax education and weak fulfillment by tax authorities' for their responsibilities with regard to public awareness.

There is a growing understanding of the detrimental effects of complexity. Tax exemptions, tax allowances and tax credits have given rise to complicated rules and imply that authorities have to levy high tax rates, which creates further pressure for new exemptions, allowances and credits as complexity breeds complexity (Bradford 1986, 1999).

2.2.8 Lack of Technology Application to Tax Administration

At best, tax administration in many developing countries count only on a smattering of computer equipment at a few office locations, much of it old equipment supported by outdated technology (Bird, 2008). Consequently, staff in all offices continually struggled with massive paper files to perform audits and collection; gather information to compile and transmit monthly reports; and perform all core functions of tax administration. In Ethiopia, standard integrated government tax administration system (SIGTAS) was developed and implemented in 2004 (ERCA, 2010).

2.2.9 Tax Avoidance

According to Kirchler (2009:22) tax avoidance is attempt made to reduce tax liability by legal means, taking advantage of loopholes in the law and the creative designing of one's own income and deductions. Those poses danger to the collection of tax revenue as the least possible tax is paid over to the tax authorities which in some instances will be no tax paid at all.

2.3 Tax Gap

Andreoni (1998) represents tax gap happen by means of both tax avoidance and tax evasion. Similarly, compliance gap is also defined in (FIRA, 2000) as the break between the actual and the potential tax revenue. Tax compliance may be seen in terms of tax avoidance and tax

evasion. The two activities are conventionally distinguished in terms of legality, with avoidance referring to legal measures to reduce tax liability and evasion to illegal measures. James (2000) describes tax avoidance as the legal manipulation of an individual's affairs in order to reduce tax. However, if taxpayers go to inordinate lengths to reduce their tax liability, this could hardly be considered 'compliance', even if it were within the letter of the law. Since taxation is not always precise, Seldon (1979) in James et al (2003) has also coined the term 'tax Evasion' to describe circumstances where the law might be unclear.

2.4 Ethics and Attitudes toward Taxation

According to Jackson and Milliron, (1986) tax ethics and attitudes towards tax compliance have an influence on the inclination towards tax evasion. Roth, Scholz, and Witte (1989) identified two primary factors in taxpayer compliance, namely financial self-interest and moral commitment. Individuals comply with tax laws because it is in their own financial interests to minimize their tax bill, but also because of their perceived moral obligation to obey tax laws. The results of Roth, Scholz, and Witte (1989), reveals that there is a consistently positive relationship between moral commitment and compliance behavior. These researchers assume that ethics have a positive effect on compliance behavior more than financial self-interest. The best predictor of a person's behavior is ethics, but this link can be disrupted by the passage of time, unforeseen events or new information.

Song and Yarbrough (1978) state that the average tax payer's tax ethics is 60.3 on a scale of and 21 per cent of taxpayers have a negative level of tax ethics. These researchers consider this overall level of tax ethics as "barely passing." Tax ethics at this level should be taken as symptomatic of a disease seriously threatening the moral fiber of society and the viability of the democratic system.

The common beliefs by tax administrators and the general public are that dissatisfaction with the tax system is responsible for increased tax evasion. However, Mason & Calvin (1984) also revealed that high taxes are actually the cause for tax evasion.

The taxpayers' tax morale, and whether the taxpayer sees tax evasion as ethical or not differs from person to person and therefore is driven by the taxpayer's perception on whether or not he or she is fairly taxed. With this in mind, the feeling a taxpayer has towards the government goes hand in hand with tax morale (Alm and Torgler, 2006).

2.4.1 Corruption

Corruption is a multi-dimensional problem. General factors leading to corruption within a country have to be differentiated from specific factors that affect corruption within the revenue administration in particular. Factors affecting the overall corruption range from the size of the government in the economy; to government officials having high discretionary power; to inadequate control systems with limited accountability to cultural norms. Specific factors affecting corruption in the tax administration are numerous, but tend to have as common denominator frequent interactions between the tax administration and individuals. They can occur among others in collection, enforcement of delinquent accounts, appeals, and even customer service work. This includes selling taxpayer information and assigning tax identification numbers and issuing tax identification cards to fictitious taxpayers for instance. The effect of corruption on tax revenue has to be qualified; however Corruption sometimes does not involve taxpayers and may not always affect tax revenue directly. Similarly, if a taxpayer bribes a revenue administration employee to expedite the processing of a tax refund, this does not necessarily entail a loss of tax revenue (Dos Santos, 1995; Tanzi, 1998; Keen, 2003).

2.5 Identifying Main Difficulties in Past Revenue Performance

The major limitations of revenue collection performance can be explained by enforcement problems, tax payment procedures and capacity constraints. Problems such as delays in the legal system, absence of a tax court, absence of proper billing systems, lack of transparency and awareness of defaulters are the main issues that can be mentioned under enforcement problems. Besides, shortages of skilled manpower and a lack of staff training programs, high manpower turnover, absence of computer assisted taxpayer registration and record keeping systems are problems that fall under capacity constraints (Asian Development Bank, 2001).

Generally, the main difficulties encountered in revenue performance include: Small tax base, Poor documentation, incomplete tax coverage and Difficulties with tax assessment: Lack of enforcement mechanisms, Weak human resources in tax administration, wrong revenue estimation at the first, stage (absence of proper tax valuation and assessment methodology), Lack of awareness of taxpayers, Outdated tariff rates, Lack of service charge rate computation and others (Asian Development Bank, 2001).

Based on the information gained from the previous analyses, this step should also evaluate the likelihood of the risk reappearing in the next year(s). This will indicate which problems persist and/or are new and require new solutions. This so-called risk analysis should be added to Risk analysis is a technique to identify and assess factors that may jeopardize the success of the revenue target. This technique also helps to define preventive measures to reduce the probability of these factors from occurring and identify countermeasures to successfully deal with these constraints when they develop. This will avoid possible negative effects on the revenue performance. After identifying all the deficiencies from the previous years and assessing whether these risks are likely to reappear in the next revenue year, the problems should be ranked according to their impact, i.e., high, medium, or low. This is the second step of the risk analysis. The purpose of this exercise is to evaluate which of the problems have the most crucial impact and need to be urgently resolved. If a problem has a major impact on the revenue performance and explains why the planned revenue could not be reached, it should be ranked as “high”. If, due to the problem, revenue sources can only be partly exploited, the difficulty has a “medium” impact. Finally, if a revenue item can only be marginally increased by addressing the problem, it has a “low” impact(Asian Development Bank, 2001).

Estimating the impact of each difficulty and risk will result in a ranking of the priority issues (“high” impact) to be addressed. Using the limited resources of the Revenue administration efficiently will help with undertaking the most important problems. For example, the delay of tax audits or assessments translates into an accumulation of tax arrears. The main corrective action is to raise the awareness and willingness of taxpayers to settle tax payment obligations through regular tax education and provide adequate enforcement mechanisms for the collection of revenue and recovery of cumulated arrears (Ibid).

2.6 Empirical Study

Musgrave (1983) noted that assessment and collection of taxes require personnel and equipment. Tax revenue collectors ought to be facilitated with equipment that enables them execute their duties efficiently and effectively. Personnel ought to be empowered to rightly assess, collect and remit tax revenue to the treasury. Therefore how much is collected in tax revenue will depend on how well equipped the tax personnel is.

Fjeldstad (2004) conducted the survey on citizens' views on taxation in local authorities of Tanzania, covering 210 households in 6 case councils. The researcher explored a variety of tax related issues such as taxation and tax evasion, compliance motivations, service delivery, tax collection problems as well as possible solutions to improve revenue collection. The result of the survey found that taxpayers would be willing to pay more taxes if public services were improved. However, taxpayers' unwillingness to pay is not perceived to be the main problem in revenue collection. According to the survey data, poor public services to be the most important explanatory factor behind poor tax compliance.

Bagchi and Stern (1994) argue that India experienced a wide range of tax revenue shortfalls due to gaps in income distribution between the poor and the rich under federal system of governance. The rich who formed the largest portion of tax revenue deliberately evaded tax payments. Revenue Mobilization was a problem due to the inefficiencies in tax structure.

Prest(1962) argued that the relationship between the tax payers and tax collectors play an important role in determining the revenue collected. There is need for mutual respect between the tax payers and tax collectors if taxes are to be collected efficiently and effectively. A study was carried out and it was found out that income tax in most developing countries is more dependent on the cooperation between tax payers and tax collectors and that lack of mutual respect between the two may increase non tax compliance and lowering revenue collection.

Serra (2000) in survey of measuring the performance of Chile's tax administration to develop an effectiveness indicator found that the high responsiveness of tax compliance to the tax base could be explained by the existence of scale economies in tax enforcement, taxpayers higher willingness to pay taxes in a fast growing economy, and changes in the tax structure. Procedures of tax have been simplified and the average time per procedure was 27.8 minutes, the number of frivolous penalty assessments by tax auditors has also been cut back.

Fjeldstad (2001) cited in this survey, argues that coercive tax collection has important consequences for citizens' rights and for the democratization process. If taxpayers' rights are unclear for both taxpayers and tax authorities, tax compliance and accountability will be affected. The most serious problem hampering tax collection, according to citizens' perceptions, is that taxes collected are not spent on public services revenue collection. The survey concludes that citizens feel they get little in return for taxes paid. This perception has impacts on their willingness to pay and contributes to eroding peoples' trust in the local government's capacity to provide the expected services.

Sahota (1961) undertook a study on the tax performance of the tax system of India for the period 1948-1958 using the proportional adjustment method and found that the tax system was inelastic even though the country had a highly progressive income tax at that time. The reason was due to a defective tax structure and rate schedule, wide spread tax evasion and income distribution in favor of the "non-income tax payers group" or in favor of the low-income brackets within the tax-paying group.

Sahota (1931), on his part, studied the performance of the Indian tax system for the period 1948-58. This study used the proportional adjustment method to estimate elasticity of the system. Results of the study showed that the Indian tax system was inelastic, the causes of which were found to be a defective tax structure and wide spread tax evasion.

Corruption is a bottleneck for a country in general and tax administration in particular which affect potential collection of the tax revenue. Recent papers by Tanzi and Devoid (1997) and Friedman, Johnson, Kaufmann and Zoido-Lobaton (2000) for example have provided empirical evidence showing that countries with higher levels of corruption tend to have lower collection of tax revenues in relation to GDP, all else being equal (Abed and Gupta, 2002).

Generally, one can see that the empirical studies undertaken thus far for developing countries, particularly for Ethiopia, bothered little or no to see the potential challenges faced by taxpayers and the tax authorities in administering different tax activities such as tax assessment and collection. The performance of the tax administration will have a bearing on the capacity to raise revenue for a country since it includes primarily the assessment and collection activities.

Most of these studies did not view the tax administration in a way that able to integrate both of the internal and external factors influencing revenue performance. Additionally, as to the

knowledge of the researcher, no study has been conducted which addressed a tax administration organized at the federal level to manage a specific segmented group of taxpayers. It is, therefore, that this study is proposed which is built on and will be expected to contribute its own part to the current body of knowledge through filling a knowledge gap with addressing the areas uncovered by the empirical researches done in the past.

2.7 Conceptual Framework

Conceptual Framework According to Jane (2006), a conceptual framework plays an important role in guiding the entire process of the research study, and within which theories are constructed in order to explain and master phenomena such as relationships, events and behaviors. In the case of evaluation, it is important to articulate the pathways by which an intervention is expected to cause a desired outputs and outcomes. It provides evaluators with essential elements of the phenomenon/case needed to assess. A Conceptual Framework can be expressed with a Conceptual model, which is a diagram of proposed casual linkages among a set of concepts believe to be related to a particular case. Conceptual models drawn on one or more theories, empirical evidence and know ledges specific to a particular case. They serve summarize & integrate knowledge and provide explanations about casual linkages. Arturo etal (2013) state that basic mission, core functions, main responsibilities, and operating environment are considered as the major aspects or conceptual framework of tax administration. A congruence model is used to conduct this study which was adapted from (Gill, 2000), but it is slightly modified by the researcher in line with the requirements of the objectives and scope of this research, The model assumes that tax administration of the LTO could be considered as an open system consisting of an inter-related set of factors which interacts with the environment. It means that the LTO takes Inputs and utilizes them through a Transformation Process and produces Outputs. The LTO also has a capacity for getting a Feedback that could potentially be used for control and correction purposes. Gill, (2000) notes that, the fundamental idea of the congruence model is that the effectiveness of an organization in achieving its objectives depends on the congruence or fit between different parts of the Model. Effectiveness is greatest when: (I) the strategy fits the environment, resources and history, on the one hand, and the transformation process outputs and feedback mechanisms, on the other; (II) the Transformation Process fits the

strategy, desired outputs and feedback mechanisms; and (III) the four components of the transformation process fit each other. Whenever there is a lack of congruence between any of these elements, the result is inadequate performance. In order to improve the effectiveness of an organization, it is necessary to identify areas of lack of fit and, then design remedial measures to improve the fit (Gill, 2000). Gill (2000) further provides the conceptual definitions on the factors to be used and how they will be applied in the congruence model, as follows: An operating environment is the contexts in which the LTO tax administration conducts its business processes. The major components include: the economic environment, fiscal policy, tax laws and rules, general laws the executive body, the Judiciary, public and private organizations, banks and financial institutions, taxpayers.

Inputs: There are two direct inputs that go into the tax administration of the LTO, including Environment and Resource.

The **resources** are all the assets that are available to the LTO for use in its activities. These include capital, people, infrastructure, technology, information, legal authority and goodwill. From the two inputs pointed out above and other elements which are beyond the scope of this study, a third input is developed. This is the Strategy of the ERCA.

A **Strategy** includes the entire set of decisions that are made about how the organization will use its resources in response to the demands, constraints and opportunities presented by the environment, in the context within which its business operated. Strategy defines the core mission of the organization, its vision of what it wants to be, the specific goals it would pursue to realize its mission and vision and the actions it would take to achieve the goals. Although it is an input, strategy has to take into account the realities of the transformation process and the outputs being produced by the LTO. Transformation Process: The LTO converts its inputs into outputs through a transformation process that is an interaction of four components: core and support functions, formal organizational arrangements, informal organization or culture and staff.

Outputs: is what the LTO produces. These outputs are generated at the organizational and unit level and are a measure of how efficiently and effectively the organization has achieved its strategic objectives and operational goals. Accordingly, this study applies all elements included in the model as observed from the following figure illustrated below

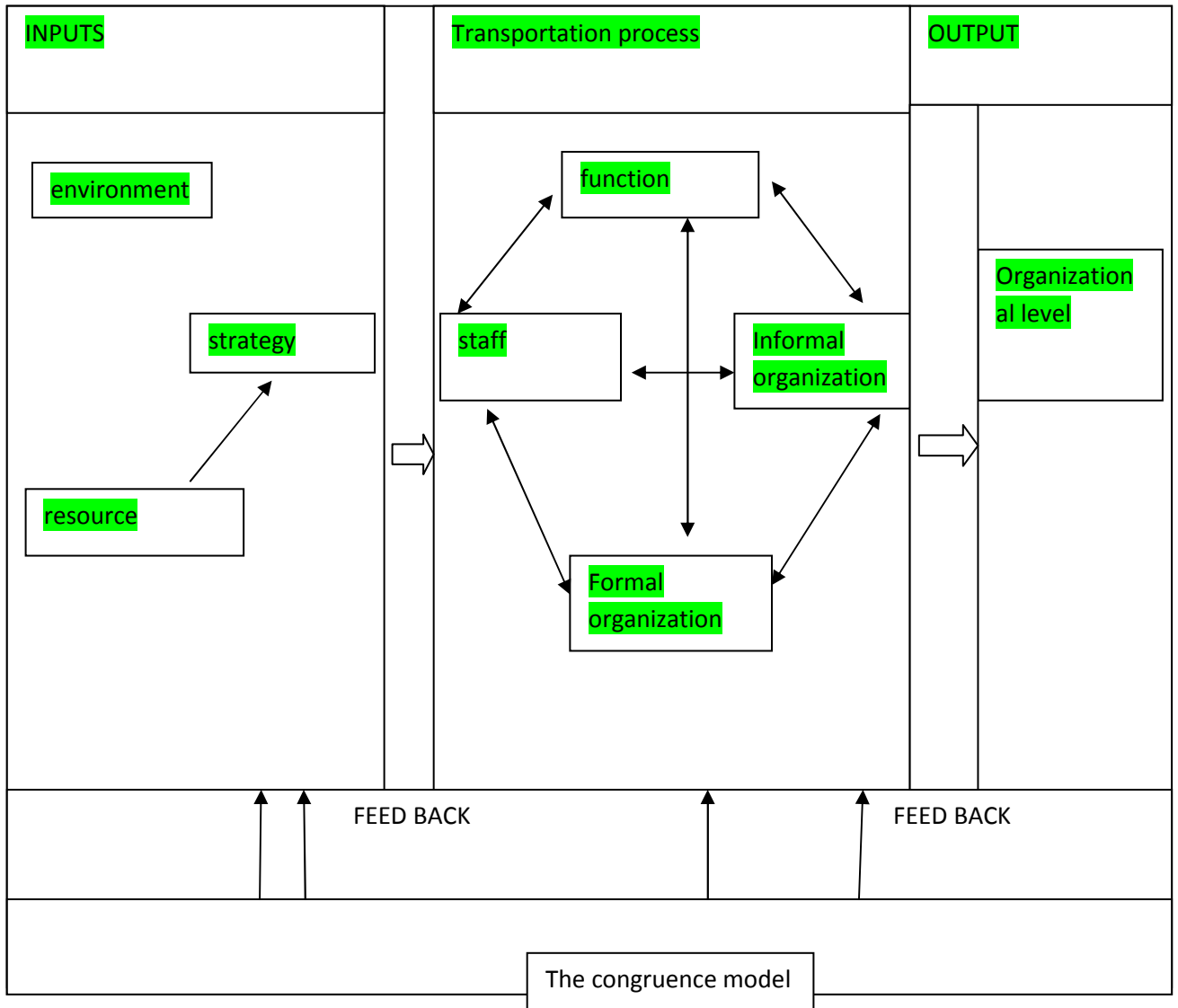


Figure 1: The Congruence Model, adapted from (Gill, 2000) with some modification by the researcher.

CHAPTER THREE

3. RESEARCH METHODOLOGY

3.1 Introduction

The study aim to show details of the research design, the sampling method as well as the manner in which the data was collected and analyzed for this study.

3.2 Research Design

A research design is the arrangement of conditions for the collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure (Kothari, 2004). Thus, this section mainly focuses on explaining of research approach, research methods, research techniques, sampling design, and source of data, methods of data analysis, interpretation and presentation.

According to Kothari (1990) a research design is a decision regarding what, where, how much, and by what means concerning an inquiry or research study constitutes. It shows how the research is designed, research method applied, and types of data used to achieve the research objectives. It also deals with the source of data, sampling techniques, data collection methods, and data analysis methods. Both qualitative and quantitative techniques are applied in order to utilize the advantage of both techniques.

3.3 Research Approach

According to Kothari (2004), a research approach brings to light the fact that there are two basic approaches to research. These are quantitative and qualitative research. A quantitative approach helps the researcher to generate data in quantitative analysis in a formal rigid fashion. On the other hand, a qualitative approach helps the researcher for subjective assessments of attitudes, opinion and behavior research. The techniques will be used in the study to collect data observation of field works and secondary data where policy documents and annual reports which helped to get relevant data for the study, the second method is questionnaire which contains both closed and open ended questions. And the third one is the interview conducted with the selected

officials. Thus, the researcher used the mixed approach as both qualitative and quantitative methods are necessary for the success of the study.

3.4 Research Methods

In the social science research, there are numerous forms of research methodologies and the research schemes vary from research to research. But for the intention of this study, the researcher use a descriptive in nature which attempt to describe systematically a situation, problem, phenomenon, service, or describes attitudes towards an issue. The data obtained from primary and secondary data sources are recorded, analyzed, and interpreted descriptively. Therefore, to achieve the study objectives of assessing the problems of tax performance, the descriptive research will be the most appropriate research method for this study.

3.4.1 Research Techniques

Appropriate data for the research collected through the use of different instruments which include interviews, questionnaire, a taxpayers' suggestion book from different business processes and revenue collection performance reports generated by SIGTAS and manual system.

Interview: interview is a type of an instrument that used to collect data from the authority branch manager, different business processes coordinators and sub process coordinators. This technique helps the researcher to gain reliable data from managers and their subordinates. In case of descriptive studies, one quite often use the technique of structured interview because of its being more economical, providing a safe basis for generalization (Kothari, 2004). Structured and semi-structured interview were conducted in this study.

Questionnaire: this technique rill is issued as a major instrument to collected data from the respondents. It is selected because questionnaire is an appropriate instrument to collect data about situations and aspects from relatively large sample studies. Both open ended and closed ended questionnaires were used. In order to ensure the understandability of the question, each question will be translated into "Amharic" because most of the respondents (mainly taxpayers) do not usually use English language.

3.5 Sample Design

The sample design is the methods that help to determine accurate and efficient ways of data collections. Under this sub section, the number or size of population or universe; sample frame; sample unit; sampling technique; and sample size are discussed.

3.5.1 Population or Universe

This research paper focuses on ERCA large taxpayers' thus the populations of the study are taxpayers and tax employees.

3.5.2 Sampling Frame

The sample frames for this research is ERCA-large tax payers active filer taxpayers which are located in main office and area and staff members.

3.5.3 Sampling unit

The sampling unit is drawn from the sample frame. The sampling units of this study are those taxpayers registered for VAT which are active in their filers and tax collectors, tax assessors and officials.

3.5.4 Sampling Techniques

First, probability sampling of simple random sampling technique will be used for select taxpayers' sample. This random sampling technique gives equal chance for each respondent. The total possible populations of the taxpayers are taken from the branch archive taxpayers list. Then the TIN of each possible sample collected on a slip of paper and these slips mixed thoroughly in a container. And then draw by a lottery method rotating a container till the samples are selected (Kothari, 2004).

On the other hand, non-probability sampling is used for select the tax authority employees. From non-probability sampling the researcher is used judgment (purposive) sampling to select the employees. Here the employees' are selected from the department the researcher intends to get relevant and accurate information. It is believed that relevant and reliable information is obtained from the sample selected from both taxpayers and employees.

3.5.5 Sample size

The researcher used the formula set by Bartlett, Koltrik, and Hagins (2001) and Fowler (2002, p 31) to determine the sample size. Therefore due to time and cost constraint it is difficult to contact all the population. To get accurate and timely information and to make the analysis easy, sample should be determined.

The formula is as follows:

$$n_1 = \frac{N}{1 + N(e)^2} = \frac{193}{1 + 193(0.0025)} = 130 \dots\dots\dots \text{taxpayer}$$

$$n_2 = \frac{N}{1 + N(e)^2} = \frac{57}{1 + 57(0.0025)} = 50 \dots\dots\dots \text{tax officials.}$$

Where: N = Target population

n = Desired sample size of each, e = Estimated characteristics of target population.

3.5.6 Sample

The sample for this study was taxpayers' and tax staff members of ERCA.

3.6 Sources of Data

There are mainly two sources of data primary and secondary data. To conduct this study, both primary and secondary data tools were used to gather the required data.

3.6.1 Primary Data Tools

Primary data is collected through questionnaire which is distributed to the taxpayers and tax administration officials because questionnaire has the benefit to quote a large area simply and in a fast way and interview from the tax officials.

Questionnaires: open and closed ended questionnaires are prepared.

3.6.2 Secondary Data Tools

As far as secondary data source is concerned, government publications, earlier researches, report, and working documents or reports from the concerning offices in ERCA is the major sources of data gathered and processed so as to achieve the research objectives.

3.7 Data Analysis and Interpretation

The quantitative data are analyzed and presented by using tables, figures, chart, and percentage whereas the qualitative aspect are analyzed by using qualitative expression. Descriptive data are provided through editing; ordering by use of questionnaire and interview. To analyze the collected data, Microsoft EXCEL and SPSS were used as a major instrument of data analysis.

3.8 Data Presentation

After the collection of the data, presentation and analysis are carefully made depending on the types of basic questions and nature of the data. The data obtained through primary and secondary data sources is descriptively analyzed and presented using graphs, charts, tables and figures.

CHAPTER FOUR

4. DATA ANALYSIS AND INTERPRETATION

This study shows that the data analysis and interpretation. The researcher used different types of data collection instruments were employed. The data obtained from the field summarized as follows.

4.1 Descriptive Statistics of ERCA tax officials

There are various kinds of descriptive statistics which was used. Accordingly; this study used frequency, percent and mean.

4.1.1 Socio - Demographic Characteristics

This section deals with socio demographic and related factors were included. Some of the socio demographic characteristics included were gender, age, educational level, and position in the organization, type of legality and business and sector of the business operation.

Table 4. 1 The tax official’s response on the specific questions

Socio-Demographic and Related Factors of Respondents

Category	Responses	Frequency	Percent
Gender	Male	29	58.0
	Female	21	42.0
	Total	50	100.0
Age range (in year):	25 and below	8	16.0
	26-30	20	40.0
	31-45	15	30.0
	46 and above	7	14.0
	Total	50	100.0
Academic qualification	Master’s Degree and above	8	16.0
	Bachelor Degree	31	62.0
	Diploma	8	16.0
	Certificate and below	3	6.0
	Total	50	100.0
Year of experience	Less than two years	10	20.0
	from 2-5 years	19	38.0
	Six years and above	21	42.0
	Total	50	100.0

Source: Field Survey, 2020

The Table blow deals with socio-demographic and related factors of respondents. In this regards, 58.0% of the respondents were male while 42% of the respondents were female. From the above information it is possible to conclude that the majority of the participant of the study is male sex category. The second item was age range of respondents. The age range of the respondents, 16.0% of the respondents were in the age category of below 25 years , 30.0% of the respondents were in age between 31-45 where as 40.0% of the respondents were in the age category of 26-30 years. From the above information it is possible to conclude that, the majority of respondents who participated in the study in the age category of 26-30 years. The third item was educational level. Regarding to educational level, 8.0% of the respondents were diploma holders while

62.0% of the respondents were first degree holders. From the above information it is possible to conclude that the majority of respondents were degree holders. The fourth item was year of their experience, concerning to this, 20.0% of the respondents had less than two years and 42.0% of respondents had above six years. Thus, from the above information it is possible to conclude that the majority of respondents had six years and above.

Cronbachs of the item
Cronbachs alpha if Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Current tax collection performance	34.90	29.724	.384	.570	.819
Tax payers get proper service delivery	34.70	29.398	.645	.684	.803
Tax collection and enforcement core process	35.24	27.411	.613	.635	.798
There is full integration and exchange of information	35.04	29.060	.430	.640	.815
tax audit assessment is supported by intelligence	34.94	27.241	.684	.782	.793
Tax enforcement action	35.16	27.688	.536	.412	.805
Controls to prevent external or internal corruption	35.38	30.159	.318	.452	.824
Enforced collection of delinquent taxes	35.10	29.684	.373	.319	.820
The office upgrades employees through education and training	35.06	27.568	.585	.672	.801
Tax enforcement is very weak	35.60	26.408	.518	.456	.809
The existing motivation scheme is at the desired level	34.88	28.312	.440	.689	.815

4.1.2 Large tax Payers Performance of Tax Payment

Under this section, summary of tax revenue collection performance of tax payers is given as follows (it is in million). It is obtained from documents.

Performance of ERCA from 2005-2010

Year	2005/06	2006/07	2007/08	2008/09	2009/10
Planned	35401.34	44680.76	53000.06	60992.81	78692.45
Performed	32492.38	43933.73	53043.13	60719.98	68235.22
Percent	91.7829	98.3280	100.081	99.5526	86.7112

The above Table deals with tax revenue collected from Large Tax payers. In 2005 there was plan which accounts 35401.34 and performed accounts 32492.38 which accounts 91.8%. In 2006 planned are 44680.76 and performed is 43933.73 which accounts 98.3%. In 2007 the planned was 5300.06 and the performed was 53043.13 which accounts 100%. In 2008, the planned was 60992.81 and the performed was 60719.98 which accounts 99.6%. In 2009 planned was 78692.45 and the performed was 68235.22 which accounts 86.7%. From the above information it is possible to conclude that The LTO performed better in the budget year of 2007 and followed by 2006.

In your office the tax performance and collection activities are performed based on their work manual (internal organization procedure)

		Frequenc y	Percent	Valid Percent	Cumulative Percent
Valid	yes	44	88.0	88.0	88.0
	no	6	12.0	12.0	100.0
	Total	50	100.0	100.0	

The above Table deals the tax performance and collection activities that performed based on the internal organization procedure (work manual). Thus, 88.0 % of the employers are performed

based on their work manual whereas, 12.0 % of the tax officials are work out of the procedure due to un conducive environment of the organization

How do you evaluate the work manual/ work manual (internal organization procedure)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	It is clear and workable	35	70.0	70.0	70.0
	It lacks some clarity	15	30.0	30.0	100.0
	Total	50	100.0	100.0	

The above Table describes the procedure of the organization that they used. Therefore 70.0 % Of the organization has clear and workable procedure whereas 30.0 % of their procedure lacks some clarity there no completely unclear procedure

Do you believe that the tax performance and collection process enhance to the revenue collection?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	47	94.0	94.0	94.0
	No	3	6.0	6.0	100.0
	Total	50	100.0	100.0	

The above Table is about the tax performance and collection process enhance to revenue collection of ERCA. Therefore 94.0% of tax collection enhances tax revenue collection where as 6.0% of tax collection remains unchanged this happens when there is high incur for advertisement and cost for tax collection

Do you thing that the arrears accumulated in your office?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	29	58.0	58.0	58.0
	no	21	42.0	42.0	100.0
	Total	50	100.0	100.0	

As indicated in the above Table most of respondents said that there was accumulated tax arrears in their organization i.e. 58.0 % of respondents of the organization have knowledge of accumulated tax arrears which mean that there was overdue in the organization whereas 42.0 % of the organization officials know that there was no accumulated tax arrears in it

After delinquent tax payers are detected, how long does it takes to collect those taxes?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	up two months	25	50.0	50.0	50.0
	2-6 months	8	16.0	16.0	66.0
	6-12 months	15	30.0	30.0	96.0
	Beyond one year	2	4.0	4.0	100.0
	Total	50	100.0	100.0	

As shown in the above Table 50.0 % the accumulated tax arrears were collected up to two months remain that the rest of other consideration under taken followed by 30.0 % of six up to twelve months. Averagely ERCA collected its accumulated tax arrears up to one year

A tax payer who requests refunds gets their refund / claims on a specified time?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	40	80.0	80.0	80.0
	no	10	20.0	20.0	100.0
	Total	50	100.0	100.0	

The above Table show a tax payers who request refund gets their refund /claims on the specific time. This shows most respondents refund to tax payers who request on time i.e. 80.0 % of tax

payers get their refund on time if they asked in specified time whereas 20.0 % of tax payers were not got their refund on time but this is because of their problem rather than the organization

Is there proper training for tax officials?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	43	86.0	86.0	86.0
	no	7	14.0	14.0	100.0
	Total	50	100.0	100.0	

The above Table describes about, did tax officials taken training properly and time placed condition. As shown in the table 86.0 % of the tax officials were taken training whereas the rest 14.0 % of the tax officials were not taken training due to different reasons like if the person was not there and heights in the organization like budget closed.

IS your office tax performance and collection process fully supported by IT or SIGTAS

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	36	72.0	72.0	72.0
	No	14	28.0	28.0	100.0
	Total	50	100.0	100.0	

As shown the above table as a organization it used system called SIGTAS. Therefore , most officials used the system called SIGTAS which 72.0 % of them are used whereas, the rest 28.0 % the officials were not used SIGTAS .Because the position did not allow and some of them were due to knowledge gap.

What are types of assessment practice in your office?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Authority assessment	10	20.0	20.0	20.0
	Self assessment	4	8.0	8.0	28.0
	Both	36	72.0	72.0	100.0
	Total	50	100.0	100.0	

From the above Table, most of tax assessment is both authority assessment and self assessment which is 72.0 % and from the two authority assessment is more used. But in general, e-tax connection system was used in the organization.

Why do you think people evade tax?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Awareness problem	32	64.0	64.0	64.0
	Lack of ability	4	8.0	8.0	72.0
	High tax rate	3	6.0	6.0	78.0
	Selfishness	11	22.0	22.0	100.0
	Total	50	100.0	100.0	

As the above Table show, 64.0 % of tax payers evaded tax due to awareness problem of pay tax is used for our social infrastructures indirectly rather than discouragement and 22.0 % of tax payers were due to selfishness followed by lack of ability and high tax rate. This mean every educated one have responsibility of awareness creation to those who had awareness problem generally.

Which type business activity do you think is more involved in tax evasion and fraud

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Constriction and consultancy	21	42.0	42.0	42.0
	Distribution and service delivery	3	6.0	6.0	48.0
	Manufacturing and Production	10	20.0	20.0	68.0
	Government enterprise	16	32.0	32.0	100.0
	Total	50	100.0	100.0	

The above Table shows, type of business activity that more involved in tax evasion and fraud were taken more shares of construction and consultancy which is 42.0 % of it. Whereas government enterprises and manufacturing and production were taken 32.0 % and 20.0 % of the

share. Behind this show that under statement of income and corruption taken for this action followed by government enterprise.

The current tax collection performance regarding total revenue collection ERCA is achieving its planned revenue collection targets.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	1	2.0	2.0	2.0
	Disagree	4	8.0	8.0	10.0
	no comment	8	16.0	16.0	26.0
	Agree	33	66.0	66.0	92.0
	strongly agree	4	8.0	8.0	100.0
	Total	50	100.0	100.0	

As Table shown, the current tax collection performance regarding total revenue collection ERCA is achieving its planned revenue collection targets. Therefore, 66.0 % of its planned target was achieved whereas 16.0 % of the respondents had not response about their achievement due to different assumption like access of information.

Tax payers get proper service delivery during tax filling returns and payment.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	2.0	2.0	2.0
	Disagree	1	2.0	2.0	4.0
	No comment	2	4.0	4.0	8.0
	Agree	44	88.0	88.0	96.0
	Strongly agree	2	4.0	4.0	100.0
	Total	50	100.0	100.0	

As the above Table show, most of tax payers get proper service delivery which is 88.0 % of the respondents agreed by the issue followed by 4.0 % of the respondents accept the existence of service Excellency during return and payment.

The tax collection and enforcement core process has adequate resources

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	12	24.0	24.0	24.0
	no comment	9	18.0	18.0	42.0
	Agree	28	56.0	56.0	98.0
	strongly agree	1	2.0	2.0	100.0
	Total	50	100.0	100.0	

As the above Table shown, according to the respondent's response 56.0 % the tax collection and enforcement core process provide enough resources which are most important service delivery for the customer. Therefore it shows that there was acceptable resource availability exists in the organization.

There is full integration and exchange of information within the tax office and with other branches of authority.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	disagree	9	18.0	18.0	18.0
	no comment	7	14.0	14.0	32.0
	Agree	31	62.0	62.0	94.0
	strongly agree	3	6.0	6.0	100.0
	Total	50	100.0	100.0	

The above Table describes about, the integration and exchange of information that shoes the respondent 62.0 % were accepted the existence of information exchange and integration with tax office and other branches of authority , but 18.0 % of the respondents were not agreed the existence of fully integrated and exchange of information in tax office and with other branches of authority .

Tax audit / assessment are supported by intelligence input information in appropriate time and manner.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	2.0	2.0	2.0
	Disagree	6	12.0	12.0	14.0
	No comment	4	8.0	8.0	22.0
	Agree	37	74.0	74.0	96.0
	Strongly agree	2	4.0	4.0	100.0
Total		50	100.0	100.0	

Based on the respondents response 74.0 % of the respondent were known tax audit supported by relevant valid intelligent input information on appropriate time and a compatible manner that adopted the socio environment interaction of the organization.

Tax enforcement action to those delinquent tax payers is properly enforced to collect tax

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	11	22.0	22.0	22.0
	No comment	10	20.0	20.0	42.0
	Agree	25	50.0	50.0	92.0
	Strongly agree	4	8.0	8.0	100.0
	Total	50	100.0	100.0	

Based on the respondents 58.0 % the respondents were accepted the existence of enforcement action to those delinquent tax payers by use different ways to get the tax payers on the right track through properly enforcement mechanism in order to collect the delinquent tax.

There are inadequate control to prevent external or internal corruption

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	12	24.0	24.0	24.0
	no comment	16	32.0	32.0	56.0
	Agree	21	42.0	42.0	98.0
	strongly agree	1	2.0	2.0	100.0
	Total	50	100.0	100.0	

From the above table we can conclude that there was inadequate internal and external corruption control. From the point of respondent view 42.0 % of the tax officials were stated weak administration of the authority allowed there was high corruption whereas 32.0% the respondents had not idea about internal and external corruption control.

Enforced collection of delinquent taxes is not aggressively pursued and the tax administration also is hampered in taking seizure and sale actions

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	8	16.0	16.0	16.0
	no comment	12	24.0	24.0	40.0
	Agree	27	54.0	54.0	94.0
	strongly agree	3	6.0	6.0	100.0
	Total	50	100.0	100.0	

As shown the table 54.0 % of the tax officials were accepted the Enforced collection of delinquent taxes is not aggressively pursued and the tax administration also is hampered in taking seizure and sale action. This is because of the administration was not taken action of penalty and money punishment and imprisonment for those delinquent tax payers and also lack of information by the authority about unregistered taxpayers.

The office upgrades employees through education and training

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	2.0	2.0	2.0
	Disagree	6	12.0	12.0	14.0
	No comment	12	24.0	24.0	38.0
	Agree	27	54.0	54.0	92.0
	Strongly agree	4	8.0	8.0	100.0
	Total	50	100.0	100.0	

The above Table shows that 60.0 % of the tax officials taken training and education for office upgrades and also for their knowledge improvement , this percentage was both agreed and strongly agreed respondents followed by 24.0% of no comments due to no invitation of their position. Generally most employees was taken the program and the rest was not had no comment and agreed the question.

4.2 Descriptive analysis of ERCA large taxpayers

4.2.1 Socio demographic character

Table 4. 2 The tax payer’s response on the specific questions

Sex of taxpayers

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	62	47.7	47.7	47.7
	Female	68	52.3	52.3	100.0
	Total	130	100.0	100.0	

As shown in table above most of the respondents were female 52.3 percent, but only 47.7 percent of the respondents were male this was because of most voluntary respondents were females.

Age of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	25 and below	25	19.2	19.2	19.2
	26-30	37	28.5	28.5	47.7
	31-45	57	43.8	43.8	91.5
	46 and above	11	8.5	8.5	100.0
	Total	130	100.0	100.0	

As indicated in the table above most tax payers were in age category of 31-45 (43.8%) followed by 28.5 % of 26-30 and about 19.2 % and 8.5 % of respondents were in the age category of 25 and below and above 46 years. Therefore, the survey outcome indicated that most of the respondents were young and productive age category which accounted about 72.3 % of tax payers belong to age category of 26-45 years.

Their business type

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	share company	13	10.0	10.0	10.0
	government enterprise	26	20.0	20.0	30.0
	plc	78	60.0	60.0	90.0
	others	13	10.0	10.0	100.0
	Total	130	100.0	100.0	

As indicated in the above table the number of more registered business type are categorized under private limited corporation (PLC) accounted 60.0 % , for instance, government enterprise had taken the second record which accounted 20.0 % of them. On the other hand Share Company and other unspecified businesses are taken 10.0 % of them. This shows most tax payers of under private limited corporation (PLC) are taken the lion share of ERCA revenue.

4.2.2 General knowledge of tax payers about taxation

Survey results of tax payers knowledge were summarized in table below

Do you feel accountable if you are evading tax, provided that you remain unnoticed

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	92	70.8	70.8	70.8
	No	38	29.2	29.2	100.0
	Total	130	100.0	100.0	

From the table above indicated, most 70.8 % of respondents were feel accountable of evading tax provided that they remain unnoticed and the rest 29.2 % respondents were not feel accountable of evading tax provided that they remain unnoticed .

Do you thing that the tax assessment is fair?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	103	79.2	79.2	79.2
	No	27	20.8	20.8	100.0
	Total	130	100.0	100.0	

As indicated in table 4.28, 79.2 % of the tax payers were answered that the tax assessment is fair whereas 20.8 % of the respondents were not think that the tax assessment is fair. Therefore, most respondents are acquiesced the fairness of tax assessment on other hand the rest tax payers were not taken the question provided that their wealth and tax rate is un comparable.

Do you believe that illegal traders and non-registered tax payers have a negative impact on your tax filling and payment behavior?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	95	73.1	73.1	73.1
	No	35	26.9	26.9	100.0
	Total	130	100.0	100.0	

As table showed, 73.3 % of customers are acquiesced that illegal traders and non registered tax payers had a negative impact on their tax filling and payment behavior whereas 26.9 % of tax

Which of the following is the most serious crime in the tax collection practice?

payers were not had impact on their filling and payment behavior due to that customers are interested to buy goods or services from non registered enterprise and illegal traders to get lower price as reasons for illegal invoice. Therefore, we can conclude that most taxpayers are unable to compete with unregistered taxpayers as reasons for illegal invoices practice and these taxpayers noted insufficient human power of the authority to control activities as reasons for illegal invoices practices. We can pointed out taxpayers are unable t o complete with unregistered taxpayers as reasons for illegal invoices practices.

Does ERCA large tax payers office announce obligatory or purposive information concerning tax low through different way?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	98	75.4	75.4	75.4
	No	32	24.6	24.6	100.0
	Total	130	100.0	100.0	

As the table indicated above, 75.4 % of respondents agreed ERCA large tax payer office announces obligatory or purposive information concerning tax low through different way and 24.6 % of the tax payers were disagreed about ERCA large tax payers office announce obligatory or purposive information concerning tax low through different way. From the respondents point of view mostly ERCA large tax payers office announce obligatory or purposive information concerning tax low through different way.

	Item	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	TIN violation NIL/credit/non filer	3	2.3	2.3	2.3
	Under statement of income	64	49.2	49.2	51.5
	Tax fraud / evasion	24	18.5	18.5	70.0
	Tax corruption	39	30.0	30.0	100.0
	Total	130	100.0	100.0	

As indicated in above table, 49.2 % of the respondents were answered under statement of income was the most serious crime in tax collection followed by 30.0 % of tax corruption , on the other hand tax fraud /evasion and TIN violation were taken the rest 18.5 % and 2.3 % respectively. This show under statement of income and tax corruption needed high protection by administrative organization of ERCA.

4.2.3 Problems of tax payers faced regularly

Tax payers were facing problem to pay their tax regularly and influenced by E-tax problem and website connection too late and they had not payed adequate and tantamount to their effort .In addition to the above all of the authority workers had different knowledge and skill about the organization of ERCA so that this hurts the tax payers service delivery on time.

Which of the following obstacles hinder you to pay tax properly and declare tax return?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Complexity of the tax laws	30	23.1	23.1	23.1
	Lack of fairness of application of the penalty system	7	5.4	5.4	28.5
	Lack of tax education program	29	22.3	22.3	50.8
	Low label of integrity and professionalism of tax office employees	6	4.6	4.6	55.4
	All	58	44.6	44.6	100.0
	Total	130	100.0	100.0	

As the above table described, 44.6 % of most tax payers hinders almost all listed option obstacles and complexity of tax laws taken 23.1 % followed by lack of tax payment education program for customers like awareness creation program to facilitate the payment system easily. But in addition the above, they are faced low level of integration and professionalism of tax office employees this is due knowledge gap between the employees.

4.2.4 Problems of tax payers business

Which problems do affect your business more?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	There are many traders who are not registered	29	22.3	22.3	22.3
	There are dishonor tax collectors	4	3.1	3.1	25.4
	Several tax types are levied at the same time	29	22.3	22.3	47.7
	Tax payers are not willing to pay taxes	3	2.3	2.3	50.0
	All	65	50.0	50.0	100.0
	Total	130	100.0	100.0	

From the above table we can conclude, 50.0 % of the tax payers were affected by all problems listed i.e. several tax types are levied at the same time and there are many traders who are not registered were major problems of the registered tax payers. Whereas, the rest two problems tax payers are not willing to pay taxes and there are dishonest tax collectors were taken 3, 1 %and 2.3 respectively.

4.2.5 Attitude of tax payers towards tax and tax authority

Survey results of tax payers attitude towards tax were summarized in table 4.4.1 below.

Do you think tax payers are positive attitude towards tax and tax authority?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	71	54.6	54.6	54.6
	No	59	45.4	45.4	100.0
	Total	130	100.0	100.0	

The researcher had understood that, 54.0 % of respondents had positive attitude towards tax and tax authority and 45.4 % of the respondents had not positive attitude towards tax .But according to the assumption of the researcher as he observed most of the tax payers had not positive attitude rather they are afraid of the interviewer. This is because they had no required level of awareness and knowledge for taxation and they were not participated in any form of awareness creation program given that some of the rest tax payers were participated .even though those participated tax payers are labeled at higher position and some of them were government enterprise.

4.2.6 Evaluation of tax authority performance

Survey results of tax payers attitude towards tax were summarized in table below

Evaluation of tax authority performance

service delivery		Frequency	Percent	Valid Percent	Cumulative Percent
	poor	3	2.3	2.3	2.3
	fair	3	2.3	2.3	4.6
	well	45	34.6	34.6	39.2
	excellent	79	60.8	60.8	100.0
	Total	130	100.0	100.0	
tax collection efficiency					
Valid	poor	3	2.3	2.3	2.3
	fair	8	6.2	6.2	8.5
	well	36	27.7	27.7	36.2
	excellent	83	63.8	63.8	100.0
	Total	130	100.0	100.0	

Enforcement of illegal tax payers					
Valid	poor	11	8.5	8.5	8.5
	fair	6	4.6	4.6	13.1
	well	30	23.1	23.1	36.2
	excellent	83	63.8	63.8	100.0
	Total	130	100.0	100.0	
Awareness creation					
Valid	poor	17	13.1	13.1	13.1
	fair	19	14.6	14.6	27.7
	well	27	20.8	20.8	48.5
	excellent	67	51.5	51.5	100.0
	Total	130	100.0	100.0	

From the above table, we had observed 63.8 % of the respondents were accepted enforcement of illegal traders performance and tax collection efficiency performance. In addition to these, service delivery had recorded 60.8 %. However, awareness creation of customers is 51.5 %. Therefore, tax authority was evaluated best performance by tax collection efficiency and enforcement of illegal taxpayers.

4.2.7 Taxpayers general perception of tax administration

The tax proclamation, regulation, directives and procedures are clear for tax payer.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	3	2.3	2.3	2.3
	Disagree	11	8.5	8.5	10.8
	Not certain	14	10.8	10.8	21.5
	Agree	64	49.2	49.2	70.8
	Strongly agree	38	29.2	29.2	100.0
	Total	130	100.0	100.0	

As the above table indicated, 78.4 % (49.2+29.2) of the tax proclamation, regulation, directives and procedures are clear for tax payer. However, 10.8 % of the respondents had not idea about the tax proclamation, regulation, directives and procedures are clear for tax payer .In addition to

this 8.5 % the respondents were disagreed the idea of tax proclamation, regulation, directives and procedures are clear for taxpayer.

The tax refund processing is fast and on time

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	9	6.9	6.9	6.9
	Disagree	52	40.0	40.0	46.9
	Not certain	1	.8	.8	47.7
	Agree	60	46.2	46.2	93.8
	Strongly agree	8	6.2	6.2	100.0
	Total	130	100.0	100.0	

As indicated in the above table, 52.4 % of taxpayers were gotten fast and on time tax refund processing whereas 46.9 % of taxpayers were not gotten fast and on time tax refund processing. But some officials were not enough to handle their duties and some of them were not given this service due to connection problem and administrative complexity. On the other hand this complexity of administration and connection problem was the reason for tax payers had not gotten easy, understandable and simple tax return.

Tax you are paying is fair and it would be the amount you pay without assessment.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	47	36.2	36.2	36.2
	Not certain	9	6.9	6.9	43.1
	Agree	63	48.5	48.5	91.5
	Strongly Agree	11	8.5	8.5	100.0
	Total	130	100.0	100.0	

As indicated the table 4.6.3, 57.0 % of the taxpayers tax was fair and it would be the amount they payed without assessment. However, 36.2 % of taxpaying was not fair and it would be the amount they pay without assessment .This indicated that, most tax payers were conducive by taxpaying assessment.

There is desired label of transparency of administration

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	2	1.5	1.5	1.5

	Not certain	11	8.5	8.5	10.0
	Agree	58	44.6	44.6	54.6
	Strongly agree	59	45.4	45.4	100.0
	Total	130	100.0	100.0	

From the above table, respondents were agreed and strongly agreed 90.0 % of desired level of transparency of administration in the organization whereas the rest 10.0 % of respondents had no idea and not agreed.

The branch properly identifies ,registers, updates and upgrades all tax payers

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	2	1.5	1.5	1.5
	Not certain	6	4.6	4.6	6.2
	Agree	65	50.0	50.0	56.2
	Strongly agree	57	43.8	43.8	100.0
	Total	130	100.0	100.0	

As indicated the above table, 93.8 % of the respondents were agreed and strongly agreed about the organization branch properly identifies ,registers, updates and upgrades all tax payers whereas, the rest percentage of respondents had no reason and did not agreed. Therefore, the researcher can conclude the branch properly identifies, registers, updates and upgrades all tax payers.

The branch facilitates conditions and discussions to get together with tax payers on the tax issues

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	64	49.2	49.2	49.2
	Not certain	8	6.2	6.2	55.4
	Agree	53	40.8	40.8	96.2
	Strongly agree	5	3.8	3.8	100.0
	Total	130	100.0	100.0	

Based on the above data, almost around half the total respondents were respond the branch did not facilitated conditions and discussions to get together with tax payers on the tax issues which was around 49.2 % of the respondents were respond that branch facilitates conditions and

discussions to get together with tax payers on the tax issues whereas 44.6 % of the respondents gotten discussion about tax issues in branch. However, the organization has to be work on this issue by contacting those tax payers to create awareness and tax related issues.

The branch clearly notifies and respects the rights of tax payers

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not certain	13	10.0	10.0	10.0
	Agree	52	40.0	40.0	50.0
	Strongly agree	65	50.0	50.0	100.0
	Total	130	100.0	100.0	

Based on the above table result, the respondents respond shown that 90.0 % taxpayers had enough information the branch noticed and almost all tax payers belied that the organization respects the right of the tax payers whereas 10.0 % of the respondents were not certain the organization provides notice to their its customer and respect the right of taxpayers.

4.3 Trade organization self-assessment of Tax and Auditing

To create smooth and conducive environment of tax revenue collection practices, trade organization should practice trade organization self-assessment of tax and Auditing. Thus, the organization the present practice of self-assessment of tax and auditing the result obtained from field survey presented as follows.

Trade organization self-assessment of Tax and Auditing

Statements	N	Min mean	Max mean
The system and procedure of self-notification of the tax burden by tax becoming accepted practice	130	2.1667	payers is

Regarding tax and audit investigation practice of Large Tax Payers branch legal procedure	130	2.7315	office follows
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As displayed in the above table regarding trade organization self-assessment of Tax and Auditing , the highest mean value of 2.73 was noted for the item Regarding tax and audit investigation practice of Large Tax Payers branch office follows legal procedure”, followed by item “The system and procedure of self-notification of the tax burden by tax payers is becoming accepted practice”(mean=2.17). Thus, the performance of tax revenue collection determined by the audit investigation practice of Large Tax Payers branch office following legal procedure.

4.4 Service delivery of the authority

The study has looked into selected key business processes has come across in efficient organization structure and un necessary complicated procedures that permitted insufficient service delivery the study has also indicated that there was corruption within the administration and that smuggling and the tax evasion was serious problem these problems have depressed the attempt of the foregoing administration to be successful in achieving their goal.

Owing to the depressing problem that worked against efficiency the former administration has failed to deliver efficient service to its customers. The administration had also inefficient system to control tax payers who failed to declare their actual income in order to reduce their tax bill. Therefore, customers were not satisfied given by the customer service officers of the organization.

CHAPTER FIVE

5. CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

The main objective of this study is assessing the tax performance and collection enforcement and their related issues that influence the revenue collection in ERCA large tax payers and finally recommending better ways and means for further improvement.

The study addresses the following basic questions:

1. What does the performance of ERCA look like on its tax collection endeavor from large tax payer?
2. What are the kinds of challenges, if any, that ERCA is facing while collecting taxes?
3. What can be recommend to improve (rectify) current challenge of ERCA?
 - a. Does ERCA meet its annual tax collection plan?
 - b. Is ERCA's system in place facilitating tax collection?
 - c. What are the kinds of complaints that large tax payers document with ERCA?

Tax is the major source of government revenue in most developing countries. Thus, Tax has a significant role in the revenue system of government of Ethiopia. To sustain its role for the generation of revenue, it is important to ensure that the revenue generated by tax system should be efficient as possible. However, in general tax revenue generated by this tax system is not good as expected due to weakness in the tax administration.

A good tax administration is vital in improving tax revenue performance by minimizing the cost of collection and through increasing the amount of revenue to be collected for the tax authority, ERCA branch office in Ethiopia.

Concerning the fore mentioned issues, this project paper examined tax revenue performance in case of ERCA branch office in Ethiopia. Besides, it tries to identify tax administration problems, particularly in key administrative tasks, faced by the authority. Further, the project paper describes about the strength of the authority to control non-compliant taxpayers and it also examined taxpayers' and tax officials' attitude on tax rate in market competition. Finally, the project paper identified tax administration problems and possible solutions encountered by the authority.

Besides, the survey responses of both taxpayers and tax officials indicate that the tax rate is high and made goods and services expensive and results in non-compliance of taxpayers. In line with

this, the survey outcome shows the existence of market competition between registrants and non-registrants which leads to lose market share and profitability. In addition, the survey respondents indicate that the tax authorities lack the necessary strength in handling tax administrative tasks. Hence, it is suggested that the authority should look at the possibility of making sufficient resources available for the administration of tax and it could also upgrade the skill and competency of tax officials in order to handle tax related offences in a better way.

Furthermore, the survey of analysis stated that the major problems of tax administration such as ,weak tax administration, competition between registrants and non-registrants, unwillingness of consumers to buy goods and services with tax, poor tax enforcement capacity of the authorities.

Finally, in the survey respondents suggested the possible solutions for tax administration problems and hence the possible solutions were intensive awareness creations for taxpayers giving training for existing ones, to make forced registration for potential taxpayers and take legal measures on non-taxpayers

5.2 Recommendations

- Based on the finding of the study, the following recommendations were forwarded
 - ✓ Ministry of Revenue should work on economic and social affairs which determine the Performance of tax revenue collection.
 - ✓ Ministry of Revenue should work on tax assessment program for better performance of tax Revenue collection.
 - ✓ Ministry of Revenue should work on awareness creation program for greater performance of tax revenue collection
 - ✓ Ministry of Revenue should work on tangible and intangible resources and also identification of tax payers for better performance of tax revenue collection.
 - ✓ Ministry of Revenue should work on tax revenue collection and legal protection of registered tax payers for better performance of tax revenue collection.
 - ✓ Ministry of Revenue should work on tax performance appraisal result for better performance of tax revenue collection,
 - ✓ Ministry of Revenue should design the conducive environment which enables to receive feedback from customers of the performance of tax revenue collection.
 - ✓ Ministry of Revenue should work on create environment system which enable to expand tax payers organization to evaluate organization self-assessment and tax auditing practices.
 - ✓ Ministry of revenue should work on tax laws and integration of branches work together for better performance of tax Revenue collection.
 - ✓ Ministry of Revenue should work on service delivery system and return payment on time for better performance of tax Revenue collection.

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ANNEX NO. 1

QUESTIONNAIRE TO BE ANSWERED BY TAX OFFICIALS OF ERCA LARGE TAX PAYERS

Dear Respondents!

The questionnaire is designed by a post graduate student from the Addis Ababa University to conduct a research in partial fulfillment of a Master Degree there is no degree program in taxation, rather in PADM. The main objective of the study is to assess the problems of tax collection performance from large tax payers by ERCA.

The research is to collect data in the form of your responses and other relevant data that could support it. It forms a major part of the research and the information you will give will enable me to analyze the main problems facing tax performance and its impact on revenue collection. Your cooperation by responding to the queries raised is very important to finalize this study; as you are also representing others who are not included in the sample.

Please answer every question. The questionnaire seeks basic factual information and you can tick the option that you choose or write your answer on the blank space provided. Space is provided at the end of some questions for you to add further comments or explanations.

I promise that all information you provide would be strictly confidential. I thank you very much in advance for your cooperation.

Researcher's Name: Semmagn Abrham

Phone No: 0913786996 E-mail: Semmagnabrham@gmail.com

Position: MA student at Addis Ababa University (AAU)

Department Public administration and development management

General Directions to Respondents

- Please, do not write your name,

- For questions that demand your opinion, please try to honestly describe.
- You can also give your opinion in Amharic language.

Section I: Demographic Information of Tax Employees. Tick your response in the appropriate box that you perceive is right.

1. Your Sex: a. Male b. Female
2. Your age in years

a. 25 and below <input type="checkbox"/>	c. Between 31 and 45 <input type="checkbox"/>
b. Between 26 and 30 <input type="checkbox"/>	d. 46 and above <input type="checkbox"/>
3. Your academic qualification

a. Certificate and below <input type="checkbox"/>	c. Bachelor Degree <input type="checkbox"/>
b. Diploma <input type="checkbox"/>	d. Master's Degree or above <input type="checkbox"/>

Which category best describes your field of study?

- | | |
|--|--|
| a. Management <input type="checkbox"/> | c. Accounting <input type="checkbox"/> |
| b. Economics <input type="checkbox"/> | d. Others, please specify _____ |

Total years of work experience (including those you had in other organizations)

- | | |
|--|---|
| a. Less than 2 year's <input type="checkbox"/> | c. 6 years and above <input type="checkbox"/> |
| b. From 2-5 years <input type="checkbox"/> | |

Section II: Questions related to ERCA large Tax payer performance and collection. Please tick your preference from the alternatives presented (Answer by tax officials).

1. In your office the tax performance and collection activities are performed based on their work manual (internal organization procedure)?

a. Yes <input type="checkbox"/>	b. No <input type="checkbox"/>
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2. If the above answer is yes, how do you evaluate the work manual (internal organization procedure)?

<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------

- a. It is clear and workable
- b. It lacks some clarity
- c. It is completely unclear

3. Do you believe that the tax performance and collection process enhance to the revenue collection?
- a. Yes
 - b. No

If No, why please specify the reasons _____
 _____.

4. Do you think that the tax arrears accumulated in your office?
- a. Yes
 - b. No

5. After delinquent taxpayers are detected, how long does it take to collect those taxes?
- b. Up to two months
 - c. Two up to six months
 - c. Six up to twelve months
 - d. Beyond one year

6. A taxpayer who requests refunds gets their refund / claim on a specified time?
- a. Yes
 - b. No

If No, please specify the reasons _____
 _____.

7. Is there proper training for tax officers?
- a. Yes
 - b. No

8. Is your office tax performance and collection process fully supported by "IT" or SIGTAS?
- a. Yes
 - b. No

Section III. General questions related to tax officers knowledge of tax administrations. Multiple choices, please Circle the letter that you perceive best among the alternatives

1. How much do you know the rules and regulations related to tax?
- a. Almost all
 - b. Partially
 - c. I don't know
2. What are the types of assessment practiced in your office?
- a. Authority assessment
 - b. Self-assessment

c. both

10.	Tax enforcement is very weak					
11.	The existing motivation scheme is at the desired level and staff motivation is high.					

Any comment and suggestions

Thank you for your response!

Annex No. 2

QUESTIONNAIRE TO BE ANSWERED BY TAX PAYERS OF ERCA LARGE TAX PAYER

Dear Respondents

The questionnaire is designed by a post graduate student from the Addis Ababa University to conduct a research in partial fulfillment of a Master Degree there is no degree program in taxation, rather in PADM. The main objective of the study is to assess the problems of tax collection performance from large tax payers by ERCA.

The research is to collect data in the form of your responses and other relevant data that could support it. It forms a major part of the research and the information you will give will enable me to analyze the main problems facing tax performance and its impact on revenue collection. Your cooperation by responding to the queries raised is very important to finalize this study; as you are also representing others who are not included in the sample.

Please answer every question. The questionnaire seeks basic factual information and you can tick the option that you choose or write your answer on the blank space provided. Space is provided at the end of some questions for you to add further comments or explanations.

I promise that all information you provide would be strictly confidential. I thank you very much in advance for your cooperation.

Researcher's Name: Semmagn Abrham

Phone No: 0913786996 E-mail: Semmagnabrham@gmail.com

Position: MA student at Ethiopian Civil Service University (ECSU)

Department: Tax Administration

General Directions to Respondents

- Please, do not write your name,
- For questions that demand your opinion, please try to honestly describe.

Section I: Personal Information; Circle you're appropriate answer.

1. Your Sex: a. Male b. Female
2. Your age in the years
 - a. 25 and below c. Between 31 and 45
 - b. Between 26 and 30 d. 46 and above
3. Your business type:
 - a. Share company b. cooperative / Partnership
 - c. Government enterprise d. Private Limited Co. (PLC)
 - e. others

Section II. Questions related to taxpayers' general knowledge about taxation. Please tick your preference from the alternatives presented.

1. Do you feel accountable if you are evading tax, provided that you remain unnoticed?
 - a. Yes
 - b. No

2. Do you think that the tax assessment is fair?
 - a. Yes
 - b. No

If not fair, what is your comment?

-
3. Do you believe that the illegal traders and non-registered taxpayers have a negative impact on your tax filling and payment behavior?
 - a. Yes
 - b. No

4. Does ERCA large tax payer office announce obligatory or purposive information concerning tax law through different ways?
 - a. Yes
 - b. No

5. Are you satisfied in the tax authority's service delivery during return filling and payment?
 - a. Yes
 - b. No

6. Which of the following is the most serious crime in the tax collection practice?

- a. TIN violation Nil/credit/non filer b. Under statement of income
c. Tax fraud/evasion d. Tax corruption

7. What is/are the major problem(s) facing you to pay your tax regularly and influence your business activities?

8. Which of the following obstacles hinder you to pay tax properly and declare tax return?

- a. Complexity of the tax laws
b. Lack of fairness of application of the penalty system
c. Lack of tax education program
d. Low level of integrity and professionalism of tax office employees
e. All

9. Which problems do affect your business more?

- a. There are many traders who are not registered
b. There are dishonest tax collectors
c. Several tax types are levied at the same time
d. Taxpayers are not willing to pay taxes
e. All

10. Do you think most taxpayers have positive attitude towards tax and tax authority?

a. Yes b. No

If no, what do you think the reasons? _____

11. Do you believe that you have a required level of awareness and knowledge for taxation?

a. Yes b. No

12. Have you participated in any forms of awareness creation program?

a. Yes b. No

Section III. Question related to Evaluation of Tax Authority performance. Put your (x) response at the appropriate place that you perceive right.

How do you evaluate the strength of the tax authority with respect to the following parameters?

	Excellent	Well	Fair	poor
a. Service delivery				
b. Tax collection efficiency				
c. Enforcement of illegal taxpayers				
d. Awareness creation				

Section VI. Taxpayers General Perception of Tax Administration Process. Put Your (√) Response At The Appropriate Place That You Perceive is Right.

Ser. No.	Statement	Occurrence of response				
		Strongly disagree	Disagree	Not certain	Agree	Strongly Agree
1.	The tax proclamation, regulation, directives and procedures are clear for taxpayer					
2.	The tax refund processing is fast and on time					
3.	The tax return is easy, understandable and simple to complete					
4.	Tax you are paying is fair and it would be the amount you pay without assessment					
5.	There is desired level of transparency of					

	administration.					
6	The branch properly identifies, registers, updates and upgrades all taxpayers					
7	The branch facilitates conditions and discussions to get together with taxpayers on the tax issues					
8	The branch clearly notifies and respects the rights of taxpayers.					

If you have any idea recommended?

Thank you for your response!