



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

**DETERMINANTS OF TAX EVASION IN ADDIS ABABA CITY  
ADMINISTRATION: THE CASE OF BOLE SUB CITY CATEGORY “A”  
TAXPAYERS**

**A THESIS SUBMITTED IN PARTIAL FULFILMENT OF THE  
REQUIREMENTS FOR THE DEGREE OF MASTER OF SCIENCE IN  
ACCOUNTING AND FINANCE**

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**GSE/4915/09**

**May, 2019**

**Addis Ababa, Ethiopia**

**Statement of declaration**

I, the undersigned, declared that “**Determinants of Tax Evasion in Addis Ababa City Administration: The Case of Bole Sub City Category “A” Taxpayers**” is my original work under the guidance of **Dr. Tekalign Nega** and has not been presented for a degree in any other university, and that all sources of materials used for the study have been duly acknowledged.

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This is to certify that Endashaw Demle Abebe has carried out his research work on the topic entitled “**Determinants of Tax Evasion in Addis Ababa City Administration: The Case of Bole Sub City Category “A” Taxpayers**” under my guidance and supervision. I hereby assure that his work is appropriate and standard enough to be submitted for the award of Master of Science Degree in Accounting and Finance.

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This is to certify that the thesis prepared by Endashaw Demle, titled: “**Determinants of Tax Evasion in Addis Ababa City Administration: The Case of Bole Sub City Category “A” Taxpayers**” and submitted in partial fulfilment of the requirements for the Master of Science Degree in accounting and finance complies with the regulations of the Addis Ababa University College of Business and Economics and meets the accepted standards with respect to originality and quality.

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### **Acknowledgement**

First and for most, I would like to thank the Almighty God and his mother St. Mary for blessing my entire life. It is their blessing that gives me courage to realize all my dreams.

Next, I would like to express my deepest gratitude to my advisor, Dr. Tekalign Nega for his guidance, critical and constructive comments and valuable suggestions during the entire research design and preparation processes as well as for his positive cooperation. I am really thankful for his determined effort in supervising this research paper despite his busy schedule.

I am also greatly indebted to employees of Bole sub city small taxpayer Revenue and Customs Authority branch office and taxpayers found in Bole sub city for their invaluable cooperation and willingly spent their precious time during the process of filling the questionnaire and responding the interview.

Furthermore, I express my gratitude to my parent (W/ro Fantaye Teshome), my family (especially my sister ó W/ro Tirsit Demle with her daughter), and my close friends Ato Yonas Mekonnen and Ato Dawit Legesse who have provided valuable contribution towards the successful completion of this MSc program.

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## ***Abstract***

*Tax administration in Ethiopia, similar to other developing countries, is characterized by low tax compliance level. This has resulted in a reduction of revenue yields and public services. The overall objective of the study was to identify determinants of tax evasion. Out of 1,625 study population, 335 questionnaires were distributed to randomly selected-taxpayers in seven strata and 260 questionnaires were returned. The category “A” taxpayers were stratified into import, export, wholesaler trade, retail trade, construction, service sector and manufacturing (process). The primary data was collected through structured questionnaire from category “A” taxpayer of Bole Sub City Small Tax Payers Revenue and Customs Branch Office. The raw data was analyzed using descriptive and inferential statistics. The regression analysis showed that tax rate, income level, probability of detection, penalty rate, complexity of tax system, perceived role of government, peer influence on tax evasion, age, gender and education factors are statistically significant. The research also suggested that efforts to be made with regard to revising the perceived high tax rates, engage in national campaign to raise awareness and increase education about the benefits of voluntary compliance, increase the percentage of audit coverage of taxpayers, penalize defaulters and “name and shame” them, simplify tax laws, close tax law loopholes, and, train tax inspectors.*

***Key words: tax compliance, tax evasion, public services, revenue yields and taxpayers.***

# Chapter One: Introduction

## 1.1 Background of the study

Taxation is a primary means through which government's finance and run public services. As Chen (2003) notes "The provision of public services offers a rationale for taxation." (p.382). Inability to collect sufficient taxes to cover public spending, thus, deters the government's ability to provide necessary services important to the wellbeing of the society. Tax evasion and tax avoidance are the two best-known ways of keeping taxes away. As Fagariba (2016) notes tax evasion is "a deliberate refusal of a taxpayer towards his/her tax obligation." (p. 117). Evasion is, thus, a wilful and purposeful violation of the tax law through concealing the source and the amount of income with the intent of paying less. Tax evasion have had an impact on public services and the accumulation of capital that influences yield and economic growth. As Fjeldstad & Tungodden (2001) cited in Alm et al. (1991) noted "Half or more of the taxes that should be collected cannot be traced by the government treasuries due to corruption and tax evasion." (p. 1). Numerically speaking developing countries "lose \$ 285 billion every year" due to tax avoidance and evasion (Cobham, 2005, pp. 1 - 19).

The FDRE GTP II Ministry of Finance and Economic Cooperation states that "Ensuring macroeconomic stability for sustainable economic growth through financing expenditures mainly from tax revenues" is one of the fiscal objective (MoFED, 2016, p. 20). The fact is that, as it is for most developing countries, the Ethiopian government revenues yield from tax is low. This "low income" yield can only be credited to the extent that tax provisions are not properly authorized due to the failure of taxpayers to organize and fail to comply (Solomon, 2017, p. 114).

Rent-seeking and governance troubles nevertheless remain ordinary challenges in customs and tax management. Ethiopia is one of the countries where illicit financial outflows is significant and the Report estimated that "16.5 billion outflowed since 1970 which is 2.3 percent of the total Africa illicit outflows." (UNDP, 2018, p. 5). Despite the fact that the share as the percent of GDP is declining currently, as consistent with the document of UNDP (2018) cited from IFF (2018) Ethiopia is also "losing 6 percent of its GDP every year in the form of illicit outflows" (p. 5).

Tax collection in Ethiopia remains below the growth domestic products (GDP) and "total tax revenues collected during 2015 amounted to only 13.3% of the GDP" (MoFED, 2016, p. 10).

“The Ethiopia tax-to-GDP ratio is one of the lowest in Sub-Saharan Africa” (MoFED, 2016, p. 10). As the result of tax revenue loss may cause serious damage to the proper functioning of the public sector, threatening its capacity to finance its basic needs.

This study aimed to investigate the determinants of tax evasion in Bole sub city category “A” taxpayers, as well as how these determinants relate with tax evasion. Category “A” taxpayers are required to prepare financial statements as well as to keep proper book of account: so if these taxpayers evade tax during the preparation of their financial statements as well as forget to keep proper book of account. Therefore, investigating the factors that determine tax evasion helps to the tax authority to develop a strategy how to collect the tax revenue at comparatively low administration and collection cost. Improved tax evasion reduces the revenues available for supporting public services with increasing the current tax burden on compliant tax payers.

In Bole Sub City Tax Office the scale of tax evasion has not been studied scientifically, however considering a number of audit and departmental reports made on taxpayers and the results justified that there is tax evasion.

## 1.2 Statement of the Problem

As Fagariba (2016) defined tax evasion as “a deliberate refusal of a taxpayer towards his/her tax obligation.” (p. 117). It includes low-benefit announcements, cost overestimation, income failure to record, and others. As Roy & Raffaella (2011) pointed out “tax evasion increases the amount of resources accumulated by entrepreneurs, but it also reduces the amount of public services supplied by the government, thus leading to negative consequences for economic growth.” (p. 489). Tax evasion has negative effects on the entire economic system. It affects the accuracy of microeconomic information primarily leading to the misallocation of resources. In addition, tax evasion adjusts the distribution of earnings in an arbitrary and erratic manner. When the interest of avoiding tax liability increases it means that most governments are not prepared to convey their obligations in terms of improving the standard of living of their citizens. Based on the report of MoFED (2016) “tax to GDP ratio in Ethiopia is 13.3% which is one of the lowest in Sub-Saharan Africa” (p.10). Despite the fact that the tax to GDP ratio is declining currently, as noted with the document of UNDP (2018) cited from IFF (2018) Ethiopia is also “losing 6 percent of its GDP every year in the form of illicit outflows” (p. 5). The implication is that to improve the tax revenue-to-GDP ratio, there is a need for additional efforts that would improve the tax payers’ compliance. Part of this effort is to reduce tax

evasion and to this end studying factors that affect tax evasion is crucial, which in turn justifies this kind of study.

According to the branch office, The Rule of Law and Risk Leadership division statistical report, taxpayers' noncompliance in filing of their returns and incidents of underreporting are increasing from 2015 to 2017 (Table 1.1).

**Table 1. 1: Number of taxpayers identified as risky taxpayers**

Service Year G.C	Tax-payers identified as risky	Number of tax-payers declared per fiscal year	Remark
2015	85	Fiscal Year 2014/15 total no. 1,200.00	The selected sample of risky tax payers are considered according to the available number of human resources in the tax authority rather than the level of legal assurance. Hence, it is hard to say legal assurance is prevailing.
2016	200	Fiscal Year 2015/16 total no. 1,078.00	
2017	284	Fiscal Year 2016/17 total no. 1,400.00	
<b>Total</b>	<b>569</b>		

Source: Bole Sub City Small Taxpayers Revenue and Customs Branch Office Report, 2016/17

As "tax evasion seriously threatens the capacity of government to raise public revenue" (Chau & Leung, 2009, p. 34) it is a serious concern that results underfunding of public services.

As Nygård et al (2015) noted "tax evasion often takes place in the interaction between buyers and sellers of services and commodities to households" (p.2). The gains from evasion, thus, are divided between buyers and sellers. There are four key determinants, known as Fischer's Model of tax compliance. These are; 1. Noncompliance opportunity Factor (Tax rate and income level), 2. Tax system/ Structure (Probability of detection, Penalty, Complexity of tax system, and perceived role of government), 3. Attitude and peer influence of tax evasion and 4. Demographic factor (Age, Gender and Education) (Orviska & Hudson, 2002; Amina & Saniya, 2015; Fischer et al., 1992; Marshal, 2014). This study employs this framework to understand factors that are determining tax evasion among Category "A" tax payers. In line with the Fisher Model opted the research developed the following hypothesis.

**H1A:** Higher tax rate encourages tax evasion positively and significantly.

**H2A:** Income level has a positive significant relationship with tax evasion.

**H3A:** Lower probability of detection through audit encourages tax evasion and have a positive significant effect.

- H4A:** Lower penalty have significant positive correlation with tax evasion.
- H5A:** The complexity of the tax system significantly and having positive effect on tax evasion.
- H6A:** Low perceived role of government's influence on taxpayers' compliance and significantly having a positive encouragement in tax evasion.
- H7A:** Tax attitude and tax evasion are significantly and positively correlated.
- H8A:** The influence of the reference groups (that is friends and families) are positively and significantly correlated with tax evasion.
- H9A:** Younger age and tax evasion are positively and significantly correlated.
- H10A:** Males are tax evader tax than females.
- H11A:** Limited tax knowledge have a positive and significant relationship with tax evasion.

### 1.3 Objectives of the study

#### 1.3.1 General Objective

The overall objective of this study is to determine factors that affect tax evasion in the targeted study area.

#### 1.3.2 Specific Objective

In particular, the study to investigate:

1. The impact of tax rate on tax evasion.
2. The impact of Income level on tax evasion.
3. The impact of probability detection on tax evasion.
4. The correlation between penalty and tax evasion.
5. The effects of the complexity of the tax system on tax evasion.
6. The relationship between the perceived role of government and tax evasion.
7. The influence of the reference group on tax evasion.
8. The effects of attitude on tax evasion.
9. The relationship between young age and tax evasion.
10. Tax evasion in terms of sex.
11. Impacts of tax knowledge and educational level on tax evasion.

#### 1.4 Significance of the study

The study findings are hoped to contribute towards the understanding of tax evasion in developing countries. And identifying factors that affect tax evasion in the targeted study area. In addition, other researchers can also use this study as a spring board for further and detailed studies.

## 1.5 Scope of the study

The tax administration in Ethiopia has long been a member of the ministries that had no administrative specialization in determining and collecting taxes. But the most recent reorganization and restructuring of tax administration in 2008 G.C (by proclamation number 587/2008) merged three different revenue agencies into one authority (Ethiopian Revenue & Customs Authority), namely the Federal Inland Revenue Authority, the Ethiopian Customs Authority, and the Federal Government's National Lottery. This was done on the basis of a review of the business process re-engineering. Bole Sub City Small Tax Payers Revenue and Customs Branch Office established as a branch office following the above proclamation and organizational structure of the authority in Addis Ababa's capital city.

The research study limited only to Bole Sub City category "Taxpayer's Revenue and Customs Branch Office. The study was applied quantitative and qualitative research methodology. According to the 2008 Income Tax proclamation and the related directive sole proprietorship, and cooperatives are included under the preview of Category "taxpayers. As a result, the study did not include those organisations whose tax is administered under the Federal Government.

The research covered the profit tax, value-added tax, and withholding tax collected by the branch office. The selection of this three tax type was based on the availability and adequacy of sample units and the ability to manage the work within the specified time frame.

## 1.6 Limitation of the study

This study has its own limitations which are encountered at various stages. The primary limitation of the study is challenges to finding the right person at the right time. Secondly, respondents was not devoted themselves in filling and returning questionnaires on time. At lastly, the study is limited to sample taxpayers and it's difficult to generalize the results of the findings to overall sub cities in the Addis Ababa region.

## 1.7 Organization of the study

This research paper is organized into five chapters. Chapter one: provides the necessary background for the study. It includes, the problem of statement, research questions, the study's objectives, scope, significance, and limitations. Chapter two: Reviews existing literature on determinants of tax evasion related. Chapter three describes the research area, research methodology, sample size, and sampling techniques, data sources, data type, and data analysis

techniques. Chapter four: presents research findings and Chapter five provide concludes and recommends.

## Chapter Two: Literature Review

### 2.1 Chapter overview

This chapter is meant to discuss the theoretical and empirical literature relevant to the study. Accordingly, it is divided into two broad sections: theoretical and empirical.

### 2.2 Theoretical Literature Review

#### 2.2.1 Introduction

As UNDP (2016) report that taxation is the way in which governments supply the public goods/services and act as a compulsory fee. It is a major part of any economy and the legislature of a nation can do nothing without collecting tax revenue from citizens. Taxation assumes an imperative job in improving the economy of a nation. It helps the presence of the nation and the nonfinancial independence and also allows the authority to support social welfare projects and framework activities in the country. It equally distributes wealth, allocates resources fairly, eliminates foreign dependency and protects the domestic industry from external industrialists by restricting imports through heavy taxes.

Even though most of the country's goods and services have to be supplied by the government citizens are reluctant to pay taxes. The proportion of these citizens may be low in developed countries; however it is still in much higher number in the less developed countries. Individuals try to avoid settling government obligations by two different means, namely, tax avoidance and tax evasion.

#### 2.2.2 Tax avoidance

The concept of tax avoidance and how it happens creates adversity in defining tax avoidance clearly. Different authors with nearly similar meaning have defined it in different manners at different times. Murray (2012) defined tax avoidance by dividing tax into distinctive factors. She writes:

first, not evasion but lawful, because it is carried out in the genuine belief that the tax advantage in question can be obtained within the rules, for example by exploiting the loophole or other defect in the legislation. Second, tax avoidance is a type of tax planning where the taxpayer seeks to obtain tax advantage in question in a way that is contrary to the intention of the legislature. (p. 1)

When we literally look at the concept of tax avoidance, it is a legal activity where no wrongdoing is committed in the light of the specific provisions of the tax law. This tax avoidance occurs when citizens reduce their tax liabilities using the loophole of tax law.

### 2.2.3 Tax Evasion

Citizens' behaviour is essential for policymakers to develop procedures to overcome the problems of disloyalty among individual citizens. The most widely analysed models are Becker (1987) and Fisher (1992), which have added to the collection of taxes in citizens' behaviour. As Chan et al. (2000) in those studies mentioned the important constructs of tax evasion, such as demographics, noncompliance opportunity /economic, attitudes and perceptions and the tax structure / system, in the Fisher (1992) model (p. 84).

Alabede et al. (2011) cited in Chatopadhyay and DasGupta, 2002; Franzoni, 2000 defined that tax compliance is operationally considered as complying with tax laws in the act of true reporting of the tax base, correct computation of the tax liabilities, timely filing of tax returns and timely payment of the amount due as tax (p.97).

Any methodological conduct for the citizen in opposition to the previous articulation is noncompliant. It could be a deliberate dishonesty, in which the citizen intentionally undermines the tax guidelines and controls with the aim of individual gains. Any demonstration of non-compliance with the citizen's guide that has an impact on non-assertion / underreporting/ taxable income leading to non-cost or underpayment of taxes has seemed to be a tax evasion. Alabede et al. (2011).

As Lidia (2011) cited in Lehmann and Coleman (1994) and Asprey and Arsons (1975) the definition of tax evasion is:

The criminal falsification or non-disclosure as a means of reducing tax and have always been regarded as unacceptable at law. Tax evasion can occur where taxpayers employ fraudulent methods to evade the payment of taxes. Tax evasion activities are in contravention of the law whereby a person who derives a taxable income either pays no tax or pays less tax than he would otherwise be bound to pay. Tax evasion includes the failure to make a return of taxable income or a failure to disclose in a return the true amount of income derived. (p. 6)

Hannan (2014) cited in Alm and Vazquez (2001) and Chiumya (2006) defined tax evasion is:

Illegal activities or practices which are adopted by a taxpayer to escape him/her-self from taxation. For this purpose taxable income / profits liable to tax or other taxable

activities are concealed, tax reducing factors like expenditures, exemptions or other tax credits are knowingly and wilfully overstated and the amounts received or the source of income misrepresented. (p. 52)

The above definition have the following implications. :

- i. When organizations or people completely fail to record their income, they underestimate their benefits, exaggerate their deductions or costs; and
- ii. The black market is familiar and the legitimate requirements are not fulfilled.

From the above conceptualisations of tax evasions, we can conclude that tax evasion refers to the citizen's persistent or conscious refusal to accept tax laws, and a deliberate loss of income records in order to reduce tax liabilities. In other words, it is an organized refusal to reveal one's taxable income to the tax authority with the aim of paying nothing or anything less. Tax evasion is an offense as described by law.

#### 2.2.4 Determinants of tax evasion

In the literature, numerous components have been examined to clarify the tax evasion behavior of citizens. Such as Allingham and Sandmo (1972), Spicer and Becker (1980), Clotfelter (1983), Feinstein (1991), Kirchler (1997), Frey and Feld (2002), Torgler (2003), and Feld, Torgler, and Dong (2008) can be mentioned. Some common factors are analysed in those studies, such as tax rates, tax burden, income level, income source, tax audits, tax penalties, public spending, public services, tax mentality, tax morality, age, gender, marital status, education, tax system, bureaucracy, and democracy.

There are four key determinants of 'Fischer's Model of tax compliance' (Orviska & Hudson, 2002, p. 89), (Amina & Saniya, 2015, pp. 9 - 14) cited in Gerald and Patrick (2009) Fischer et al. (1992) and (Marshall, 2014, pp. 23 - 24) which incorporate, noncompliance opportunity factors, tax system/structure, attitude and peer influence, demographic factor. Noncompliance opportunity factor includes tax rates and income level while the tax system/structure includes probability of detection and penalty. The demographic factor include age, gender, and education.

### **1. Noncompliance opportunity Factor**

#### **1.1 Tax rate**

A tax rate is the amount of tax that the citizen goes to pay with regards to the tax objectives and standard of tax collection. As Park & Hyun (2003) noted 'the increase in tax rate strengthen

the incentive to report less income to compensate the reduced income (p. 679). In other words they find a positive relationship between tax evasion and tax rate. Another study conducted by Tanzi (1980) used an econometric model to give a clarification to the relationship between marginal tax rate and noncompliance via the aggregate data in the United States. He pointed that tax rates were negatively correlated with tax compliance (p. 15).

Finally, a large number of researchers have investigated the relationship between tax rates and tax evasion in both developed and developing countries. The results of their study showed that the tax rate has a positive effect on tax evasion.

## **1.2 Income level**

Income is the essential supply that a citizen is burdened with due to the financing of public activities. Distinct methods are used to force charges to determine how many residents have to pay their income steadily. The literature shows a mixed result on the relation between the income level of taxpayers and tax evasion. Some written confirmation states that low-income earners are highly engaged in the attitude of tax evasion (Johns & Slemrod, 2008, pp. 403 - 405). They stated that massive undeclared charges came from low-income earners. As Alm et al. (1992) cited in Mansor & Gurama (2016) noted that, high-income earners are less evasive i.e., high income encourages and increases tax compliance (p. 167). As Aziah et al. (2011) cited in Mansor & Gurama (2016) study on tax evasion in Yemen pointed that Income level has a significant relationship with tax evasion i.e., how much a person earns define the way she/he thinks in reporting and complying with the tax authorities (p. 167).

## **2. Tax system/ Structure**

After some time, the dominant part of tax compliance in many developing countries has been reduced. The undeveloped tax system is one of the basic aims behind this decline. The following are the primary components of the tax system/structure:-

### **2.1 Probability of detection**

The poor probability of detection is that the tax authority will not discover the irregularities of a character and citizens are able to evade tax. People would normally like to avoid their tax liabilities thinking that they will probably not be caught. For example in Allingham & Sandmo (1972) pioneer tax evasion research noted that an increase in the probability of detection will always lead to a larger income being declared (p. 330). That is; the relationship between the two were found to be positive.

That is taxpayers always declare their income effectively if the probability of detection is high. According to Alm (1991) cited in Chau & Leung (2009) noted that "raising the probability of detection will increase tax compliance and tax audit represents one of the effective detective measures used by tax authorities." (p. 37)

The opposition of the two researchers indicated above, low or poor probability of detection would make citizens more evasive. One factor to be seen here is that most research finds a high-quality relationship between tax evasion and poor probability of detection.

## **2.2 Penalty**

The economic model recognizes that citizens are trying to increase the level of their tax evasion as the result of low or poor punishment or legal enforcements. "An increase in the penalty rate will always increase the fraction of actual income declared" (Allingham & Sandmo, 1972, p. 330). Another study conducted in 2003 by Park & Hyun (2003) in their experimental study of determinant of tax compliance using data for Korea find out that "charging taxpayers penalty when caught encouraged tax payers to report the actual income they earn" (p. 677). In opposition to the previous articulation is shows that the relationship between tax evasion and low penalty is positive.

## **2.3 Complexity of tax system**

One of the dominant issues affecting the potential of governments in collecting taxes is the presence of appropriate tax laws. A tax law that is not stable and that has in general low performance have made the tax system complex and move to tax evasion. As Stankevicius & Leonas (2015) in his study complexity is defined that "the most important determinant of tax evasion" (p. 385). The tax system may appear complex in the perspective of most citizens because most come from a wide range of foundations with the exceptional education, exceptional subculture and a unique understanding of taxation and may not clearly understand what's expected from them. The tax authority provided you with a complex form yet, tax return to help citizen's mistakenly complete government forms. As Palil (2010) noted that "the information required in the return must be at minimum level and be readily available from taxpayers' business and personal records." (p. 192)

It is important to have a basic system and tax form. Most citizens and the tax authority along may require tax forms to be simple as practical, in spite of a few translation of the basic words. It is along these lines that the pilot's assessments that have previously been carried out with the

aim of ensuring that the form of government is examined as basic and perfect just before the last specific form is passed on to citizens.

## **2.4 Perceived role of government**

The government's legitimacy, efficiency, and credibility affect the citizens' compliance and subsequently redeem the tax revenues that the authorities can increase. Citizens can estimate reasonable terms of trade between their private admission and the provision of public goods/services by the government. Thus, as Kirchler, Hoelzl, & Wahl (2008) discussed that citizens will refrain from redesigning "fairness" in their association with other tax system operators if the terms of trade offered by the authorities through the tax system contrast with their own "fair" terms of trade (pp. 218-220).

The chance citizens understand that they are getting adequate supplies of public goods increases their personality and their ability to pay taxes. Citizens expect some kind of supply or benefit as a tax-paid. If the government fails to provide essential public goods and services, citizens will not be inclined to pay regulatory taxes. And evasion can have an effect after that. To this effect, tax evasion could be the best way for citizens to determine their aversion and ensure that tax evasion increases if tax attitudes become worse.

As Chiumya (2006) noted in his study that the offers made by the authorities as a by-product of the tax paid, lack of transparency and accountability in the use of public funds adds to the open question concerning each tax system (p. 9). This increases the availability of a more regrettable strategic distance from taxation.

Citizens are very touchy where tax can go. It is unlikely that the authorities spend precisely the revenue of the country, for example from fundamental offices, such as education, health and protection, and public transport. It is most likely that voluntary compliance will increase. By estimation, if citizens understand that the administration "spending" on unnecessary social welfare is ineffective and a lot, citizens will decrease voluntary tax compliance feel sold out and try to stay away from it (Hannan, 2014, pp. 57 - 58).

## **3. Attitude and peer influence of tax evasion**

Attitude towards tax evasion was defined by Ajzen (1991), Fishbein and Ajzen, (1975) cited in Alabede, Ariffin, & Idris (2011) as "the taxpayer's disposition to respond favourably or unfavourably to tax cheats" (p. 96). Fairness of the tax system and peer influence, are major factors in altering tax payers attitudes and perceptions. For preference and attitude towards taxation, knowledge is presumed to be important and better understanding of tax laws improves

attitudes and tax behaviour which correlate to commercial knowledge. A study in distributive justice reveals that basing on individuals, groups and societal level comparisons are made and these individuals' rate of compliance are likely to decrease if it is perceived to be higher than the others and this is because tax payers will give notice to the fairness of the tax burden. Regarding the group level it is perceived that tax noncompliance may result when a group observed is not fairly treated in respect to tax burden in relation to other groups. (Chau & Leung, 2009, Eriksen and Fallan 1996 cited in Palil 2010 and Alabede, Ariffin, & Idris 2011).

#### **4. Demographic factor**

In the study of Chau & Leung (2009) noted the Fischer model that demographic variables indirectly affect taxpayer compliance by their impacts on noncompliance opportunities and attitudes and perceptions. (p.35)

##### **4.1 Age**

A common demographic variable is the taxpayers' age. As Andreoni et al., 1998: cited in Chau & Leung (2009) noted that noncompliance is significantly less common and of lower magnitude among householders in which either the head or the head's spouse is over age 65. (p. 35)

As McGee R. W. (2016) noted that:-

Prior studies on the relationship between age and ethical values have sometimes found that people become more ethical as they get older or that people tend to have more respect for law and for authority as they get older (Barnett & Karson, 1987, 1989; Harris, 1990; Ruegger & King, 1992). If that is the case, then it would be reasonable to expect that participants in the older age groups would be more averse to tax evasion than participants from the younger age groups. (p. 1060)

From the above articulation, young taxpayers are more willing to take risks and less sensitive to sanctions because of lifecycle variations and generational differences, small life experiences and age socialization processes affect the attitude of citizens to tax evasion.

##### **4.2 Gender**

Early research Tittle (1980) cited in Chau & Leung (2009) noted that, testing the tax compliance level of males versus females reports that are more likely to tax compliance (p. 35). Thus women attributes can also promote higher tax compliance. According to McGee R. W. (2016) noted that:-

Women are more ethical than men (Akaah, 1989; Betz, et al., 1989; Dawson, 1997; Glover, et al., 2002; Purcell, 1977), while other studies have found no statistical difference between men and women (Callan, 1992; Friedman et al, 1987; Fritzsche, 1988; Harris, 1989; Kidwell et al., 1987; Stern & Havlicek, 1986). A few studies have found men to be more ethical (Barnett & Karson, 1987; Weeks et al, 1999). (p. 1058)

Overall, it is just like the gap between women and men shows a tendency to change, with the growing new generation of working ladies and a greater sense of independence. According to the above articulation, there is no a clear result about the effects of gender on tax evasion.

### **4.3 Education**

As Jackson and Milliron (1986) cited in Chau & Leung (2009) noted that "education, as a demographic variable relates to the taxpayers' ability to comprehend and comply or not comply with the tax laws." (p. 35)

Studies that examine the effect of education on tax compliance are; taxpayer education will offer the essential tax knowledge and trade the perceptions and attitudes in the direction of tax-compliance. In other words, general knowledge about taxation has a significant effect by complying legitimate rules and procedures. For example, as Kirchler, Hoelzl, & Wahl (2008) noted that "higher knowledge concerning tax leads to higher compliance and poor knowledge concerning tax lead to higher noncompliance." (p. 217)

#### **2.2.5 How to Measure Tax Evasion**

The most correct useful resource for information on the conformity of taxpayers is measured entirely on the basis of direct and indirect techniques. Direct approach is either when individuals are asked about their evasion behaviours or another method by using tax amnesty data in which declarations of income by amnesty participant are used. Indirect techniques, such as measuring tax holes based primarily on the difference between returns and expenditure across the country, the shadow economic system, the currency demand method, the correlation between bodily input and legitimate output (Slemrod, 2007 and Alm, 2012).

### **2.3 Empirical Literature Review**

Empirical literature refers to evidences from different sources of observation and report. There are a number of researches conducted in the field of determinants of tax evasion and its relationship. Due to tax evasion the collected tax revenue by the government and public goods and services provided by the government has been reduced year to year in the developed and developing countries.

### 2.3.1 Empirical Literature Review outside of Ethiopia

The study of Marshal examined specific factors for increasing evasion and also established a mechanism to reduce the problem. Both quantitative and qualitative methods were used to collect the necessary data and descriptive statistics used for analysis. Several factors have been associated with tax evasion like high tax rates, the complexity of tax systems and procedures, the perception by the taxpayer of the government's ability to use the collection for welfare, limited resources and also the ability to administer taxes, low literacy and lack of tax education, tax laws, and low tax morality. Its impact is high in Tanzania and Tanga region, and the government should focus on education of citizens for them to have the best understanding of the laws taking the extent of income level in to consideration. In addition, the tax rate must be reasonable and by implementing adequate incentive systems the governor must pay a lot of attention to the tax officers, (2014).

The study Enoch was conducted to investigate factors that influence tax avoidance and evasion in Nigeria. The researcher uses a survey research design and a quantitative technique. To analyze the data, the researcher used descriptive and inferential statistics. The results of the analysis found that tax avoidance and evasion in Nigeria is not significantly influenced by the low quality of the service return. Also the tax system and perception of fairness, low transparency and accountability of public institutions, and high level of corruption do considerably influence tax avoidance and evasion in Nigeria. Finally the researcher recommends that for the government to take imperative steps to measure expectations once transparency, accountability and therefore the fight against corruption are involved, (2013).

The study conducted by Ameyaw & Dzaka with the objective of investigating factors that have a detrimental effect on tax evasion in Ghana. Survey research design and quantitative method are applied by the researcher. Descriptive and inferential statistics also used to analyze the collected raw data. The results obtained from the analysis revealed main factors that have a significant effect on the evasion of taxes: Taxation and fiscal factors, demographic factors, administrative factors, and economic factors, (2016).

The study made by Mukasa targeting examination of the relationships between tax knowledge, tax fairness and the compliance of small and medium-sized enterprises combination with qualitative and quantitative methods, and the researcher adopted a cross-sectional research design. The researcher's finding shows tax knowledge and tax fairness to be linked to compliance with taxes and tax knowledge to have a positive and significant relationship with tax compliance. Finally, the researcher recommended that to have a concrete tax knowledge

(technical knowledge) when conducting tax education. Furthermore, the government should improve its service provision and accountability for the taxpayers to perceive an equitable exchange with the government, (2011).

### 2.3.2 Empirical Literature Review in Ethiopia

#### Taxation and tax reform in Ethiopia

Ethiopian tax history has a relationship with the government and Country structures. There is no reliable documentary evidence to justify the relationship between the emergence of the administration and taxation. Ethiopian modern tax system introduced "beginning of 1940" where the government made tax reforms (Tadesse, 2012, p. 329). As far as "institutional reforms" are concerned, the government united the three institutions, specifically the National Lottery of the Federal Government, Federal Inland Revenue Authority, and Ethiopian Customs Authority, which established the Ethiopian Revenue and Customs Authority (ERCA) in 2008 and supported a business re-engineering study (Tadesse, 2012, p. 349).

The reorganization of Federal Tax administration has referred the challenge of tax administration from ministerial stage to an authority however in substance, the reorganization has in truth strengthened the powers of the tax authority. Recent tax administration reforms have delivered some of the adjustments to Ethiopian tax administration, including registration of taxpayers (fingerprints) and issuance of tax identification numbers (TIN), broadening the Value-Added Tax (VAT) tax base, development in tax administration and change facilitation were a number of the measures taken by Ethiopian Revenue & Customs Authority (ERCA).

Reform in taxes involves changing approaches to adapt to insufficient revenue, to precise distortions that reduce financial well-being and development or to reduce disparities. The tax reform program in Ethiopia contains two additional substances: the redesign of the tax direction and the upgrade of the tax administration. In step with the study performed by using MoFED (2014) cited in World Bank Group (2016) noted the tax reform initiatives are:

an effort to streamline and simplify the tax system, the Government of Ethiopia (GoE) adopted a series of tax reform measures focusing on reducing tax rates, removing unproductive taxes, broadening the tax base and improving and modernizing revenue collection. (p. 3)

However, developing countries like Ethiopia, where there may be a large variety of informal sector, low tax moral, out of control evasion, and general mistrust between tax administration

and taxpayers won't make the tax success. One of the reasons is the loss of simplified approaches for the tax administration.

### Tax Evasion in Ethiopia

In developing countries, like Ethiopia, there could be a large number of economic activities that are not constantly referred to and captured by professional statistics. Revenues generated by the government are not exactly the exact expenditure spent. This low tax revenue yield must be attributed to the reality that tax law enforcement is often a contentious issue and this is definitely the case in Ethiopia (Abdella & Clifford, 2010, p. 37).

Rent-seeking for and governance troubles nevertheless remain ordinary challenges in customs and tax management. According to the report of UNDP (2016) that:

The High Level Panel 2014 Report on illicit financial flows in Africa indicated that Africa is net creditor to the world losing \$60 billion every year in contrast to \$50 billion inflows in the form of ODA. The same report noted that illicit financial outflows is concentrated in few African countries and the top ten countries accounted for about 80 percent of illicit outflows in the continent. Ethiopia is one of the countries where illicit financial outflows is significant and the report estimated that \$16.5 billion outflowed since 1970 which is 2.3% of the total Africa illicit outflows. (p. 5)

Despite the fact that the share as the percent of GDP is declining currently, as consistent with the document of IFF, (2014) cited in UNDP (2016) Ethiopia is also losing 6 percent of its GDP every year in the form of illicit outflows (p. 5).

According to the Ethiopian Ministry of Finance and Economic Development (MoFED) 2<sup>nd</sup> growth and transformation plan (2016) that Tax-to-GDP ratio in Ethiopia is one of the lowest in sub-Saharan Africa which is 13.3% as compared to over 18% for the rest of Sub-Saharan Africa. (p.10)

Tax administration is part of public administration designed to manipulate the procedures and operations of public revenues in accordance with new public management processes which focuses on efficiency, overall performance size, and necessities of excellent governance. Governments require tax administration and compliance to provide revenue from non-public entities to provide public goods and offerings. Consistent with the Ethiopian Ministry of Finance and Economic Development (MoFED) 2<sup>nd</sup> growth and transformation plan Ethiopia needs to use domestic based resources mainly obtained from domestic revenue, (2016).

The evaded tax because of the prevalence of unreported economy could have been a critical resource for infrastructural and public service developments in the country. As Emerta (2010) stated that "bringing the unreported economy to the tax net remained as a challenge for the responsible body with significant implication on tax policy of the country." (p. 20)

Amina & Saniya (2015) investigated the determinants of tax compliance in the case of category "A" taxpayers in Jimma zone. Together with the survey research design, mixed approach was employed by the researcher. They categorized the sample as stratified according to the nature of the business and then randomized the sample from each segment. The raw data was collected using structured questionnaires. Descriptive and inferential statistics were used for analysis. The result of the analysis were shown that age, sex, punishment, auditing, simplicity, fairness, and perception of the government have had an impact on tax compliance. Finally, the researcher they recommended that making the whole tax system as fair as possible to encourage voluntary compliance of taxpayers and the tax authority should work on the tax system for the younger generation.

Yidersal (2014) examined the determinants of tax compliance behaviour in Bahir Dar city administration among category "A & B" business income taxpayers. The researcher used a random sampling and quantitative research method. The raw data were collected through a structured questionnaire and both descriptive and inferential statistics used for analysis. The results revealed that tax compliance behaviour was significantly affected by perception on government spending, perception on equity and fairness of the tax system, penalties, personal financial constraint, and changes on current government policies and referral group (friends, relatives etc.) However, gender and probability of being audited have no significant impact on tax compliance behaviour.

Bisrat (2010) examined the relationship between tax administration and compliance with VAT. His research design was a mixed approach, primary and secondary data were used for the study. Primary data collected via closed and open questionnaires. For analysis, the researcher used descriptive statistics and case selection sampling method to conduct the research. The results showed that the main determinants of VAT were the audit probabilities, the perceived fairness of VAT and the efficiency, and effectiveness of the tax authority.

## 2.4 Summary and Knowledge Gap

The researcher attempted to identify various arguments to justify determinants of tax evasion and its relationship. As a result of tax evasion, governments are faced with a lack of revenue,

which leads to adequate underfunding of public services and the burden placed on citizens. The gap between tax revenues and tax expenditures are unbalanced due to taxpayers' noncompliance. Tax evasion can be determined through four key determinants as it is known as Fischer's Model of tax compliance. This includes: 1. Noncompliance opportunity Factor (Tax rate and income level), 2. Tax System/ Structure (Probability of detection, Penalty, Complexity of tax system, and perceived role of government), 3. Attitude and peer influence of tax evasion and 4. Demographic factor (Age, Gender and Education).

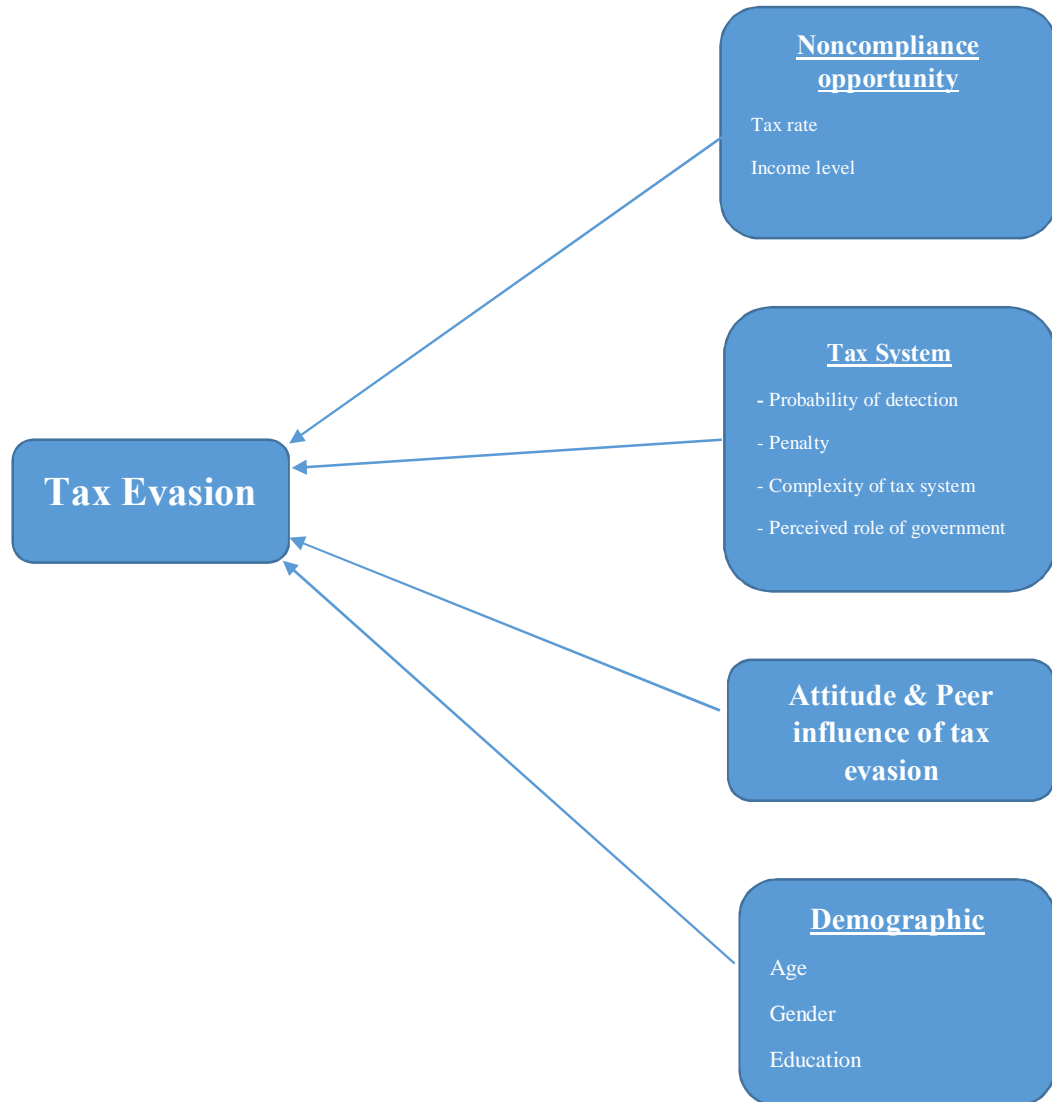
According to the tax researcher argument, higher tax rates were widely recognized as the most important determinant of tax evasion. Empirical evidence concerning the effects of tax rates and tax evasion has a positive significant effect. The other determinants are income components (source and level), which determine tax evasion significantly. However empirical evidence has shown that revenue from salaries and wages alone minimizes tax evasion. Whereas the effects of tax evasion and income have a mixed result. The probability of detection and punishment is widely accepted as a hindering force to encourage the compliance of taxpayers. Aligning to this some empirical studies argue that these two factors do not promote voluntary compliance. The other determinant is complexity of the tax system promotes tax evasion. Regarding to this it states that taxpayers seem to find a departure loophole constantly. Owing to this the government's efficiency, efficient, and credibility is affecting taxpayers, and this causes citizens to expect something like a tax-paid supply or benefit. If the government not provide essential public goods and services, citizens are not preferred to pay regulatory taxes. And after that, evasion can have an effect. The demographic factor that determine tax evasion are; young taxpayers, whom are more willing to take risks and are less sensitive to sanctions because age socialization affects citizens' attitudes towards tax evasion. The tendency of gap between men and women to change the effects of gender on tax evasion is not significant, and general taxation knowledge (tax education) has an important effect by complying with legitimate rules and procedures.

In the meantime, the findings of various researchers on the impact of a particular determinant on tax evasion are not conclusive. Therefore, this attracted the attention of the researcher. In terms of the researchers' knowledge, the examination of various scholastics have not specifically included selected determinants of tax evasion. This also leads the researcher to analyse key determinants and how to relate with tax evasion and fill the finding gaps.

## 2.5 Conceptual framework

The overall framework to be followed for the literature review of determinants of tax evasion is the one given through (Orviska & Hudson, 2002, p. 89), (Amina & Saniya, 2015, p. 14) cited in Gerald and Patrick (2009) Fischer et al. (1992), and (Marshall, 2014, pp. 23 - 24) depicted as combined below.

**Figure 2. 1: Conceptual Framework**



Source: Adopted from Fischer's Model of tax compliance

In many methods, the independent tax evasion variable affects directly or indirectly the dependent variable of tax evasion. Tax evasion alters the effective tax charges and as such impacts the overall performance, fairness, and revenue performance of any particular tax system.

Furthermore, tax evasion has enormous and widespread implications, mainly with regard to its impact on taxable revenue, excess burden and the various out-of-pocket fees. The reaction of authorities to the income deficiency caused by the tax evasion; which uses income from various resources, reduces the vehicle of public services and borrowing from other sources can also cause extra burdens. Regarding the effect of tax evasion on financial institutions is indirect. For example, at the same time as marketers or every different private person are confronted with burdensome paperwork, excessive stages of corruption and a deficient legal tool. Dealers can also reply via diverting their activities to the black market. This leads to a reduction in tax revenue, which also reduces the nature of a large number of people to the attractive and public items and services.

## Chapter Three: Research Design and Methodology

### 3.1 Chapter Overview

This chapter offers a research methodology guide. It contains; the research design, population, sample and sampling method, data collection instruments, validity and reliability of the instrument, research procedure and data analysis.

### 3.2 Research area description

The research area of the study is only one of the branch offices of the Ethiopian Revenue and Customs Authority, the Bole Sub-city Small Taxpayer's Revenue and Customs Branch Office. There are 459 employees (166 male and 293 female) and lead through general and deputy managers. There are four divisions, three of them are under the deputy manager and the ultimate one below the general manager. Under every division, there are a number of sub departments to put into effect the groundwork. As per the branch office Planning and Achievement Follow-up department report shows the planned and actual achievements for the consecutives three years (2007, 2008 and 2009 E.C) in below table;

<b>Fiscal Year</b>	<b>Planned tax revenue collected (ETB)</b>	<b>Actual tax revenue collected (ETB)</b>	<b>Variance (ETB)</b>
FY 14/15 (2007 E.C)	1,369,554,570.49	893,889,495.16	475,665,075.33
FY 15/16 (2008 E.C)	1,293,414,833.34	1,246,230,789.56	47,184,043.78
FY 16/17 (2009 E.C)	1,647,807,672.05	1,447,089,133.74	200,718,538.31

**Table 3. 1: Plan Vs Actual tax revenue collected**

Source: Bole Sub City Branch Office, Planning & Interpretation Department report

### 3.3 Research Design

The research applied an explanatory research method. And also it carried out both the qualitative and quantitative aspects of the research method. Hence it facilitates reduction of biases and weaknesses inherent in any single approach. A qualitative approach was used for only triangulation and to enrich the explanation of key informants' opinion to increase the confirmatory of the information investigated in quantitative approach. Alternatively self-administered survey was used in the quantitative approach for the reason of its flexibility in asking questions and its evaluation of the responses.

### 3.4 Data type and source

Primary data collection is essential whilst a researcher cannot find the information wished from secondary sources. Correspondingly, the data acquired for this research is collected from primary sources through a self-administered questionnaire prepared using five point Likert scale where 1= strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree. Respondents of the questionnaire are category "A" taxpayers and for triangulation purpose key informant interview was conducted with few tax office employees.

As Kumar (2011) noted that "any score can be assigned as long as the intensity of the response pattern is reflected in the score and the highest score is assigned to the response with the highest intensity." (p. 140). The study used judgment to classify the range of scores obtained on the five point Likert scale as follows: a variable with a mean score of greater than 3.0 to 5.00 have taken as agree/ strongly agree on the five point Likert scale, a score of 3.0 as neutral on the five point Likert scale and a score of 1 to 3.0 as strongly disagree/disagree on the Likert scale

Other tax compliance related problems and ideas are collected from secondary data sources. These data were obtained from the sub-city tax authority reports and published / unpublished sources like relevant legislation enacted in reference to the subject, tax journals, and tax authority reports.

The study constitutes seven types of taxpayer considering a cross sectional data for evaluation according to the nature of business they run. These include: import, export, whole sale trade, retailer trade, constructions, service and manufacturing companies with three form of tax: - business profit tax, value-add tax, and withholding tax.

### 3.5 Population, sample, sample size and sampling techniques

The targeted population of the study is category "A" taxpayers of the sub-city tax authority because of the trustworthiness of these taxpayers is mandatory via law to claim their income or keep books of account. The taxpayer book of account is used to decide the income tax liability of category "A" taxpayers. Moreover these categories "A" taxpayers are also considered to be higher taxpayers having an annual turnover of more than one million ETB according to revised income tax regulation No.979/2016.

The researcher recalled that the target population of 1,625 category "A" taxpayers at Bole sub-city tax authority (source: Bole sub-city revenue and customs branch office as to Nehasse 2010 E.C report). With the alpha degree of 0.05 which shows the extent of hazard the researcher is willing to take. The subsequent formulation has been used to decide the sample size.

$$n = \frac{t^2 * p * q}{d^2}$$

Where,

t = value for selected alpha level of 0.025 in each tail = 1.96.

d = acceptable margin of error for proportion being estimated = 0.05

(P)(q) = estimate of variance = .25 (Taking p 0.5 gives the maximum sample size)

$$n = \frac{1.96^2 * 0.5 * 0.5}{0.05^2} = 384$$

However, the sample size exceeds 5% of the population ( $1625 * 0.05 = 81$ ), apply that Cochran's (1977) correction formula should be used to calculate the final sample size (II, Kotrlík, & Higgins, 2001, p. 47).

$$n_1 = \frac{n}{1 + n/N} \quad n_1 = \frac{384}{1 + 384/1625} = 311$$

Where,

N = or population size = 1,625.00

n = required return sample size according to Cochran's formula= 384

$n_1$  = required return sample size because sample > 5% of population

Assuming the response rate of 80%, a maximum drawn sample size of 388 can be used that is calculated as follows:

$$n_2 = 311/0.8 = 388$$

Where anticipated return rate = 80%.

Where  $n_2$  = sample size adjusted for response rate.

Where minimum sample size (corrected) = 311.

The sampling approach utilized by the researcher was proportional with the stratified sampling which allowed the sample size dedication to be more representative followed by means of random sampling from every stratum. The category of taxpayers of the sub-city were stratified into import (432), export (7), wholesaler trade (35), retailer trade (277), construction (235), service sector (610) and manufacturing (30). After the sample size was stratified in the activities of taxpayers engaged in, respondents were determined randomly from every stratum as the strata encompass homogeneous respondent. This approach was appropriate and easy to analyze and compile the responses of respondents. Weight has been carried out to distribute the sample size determined to the seven sectors based on the population of every activity. The calculation is presented within the table 3.2 below.

**Table 3. 2: Sample size distribution table**

<b>Nature of business</b>	<b>No. of tax payers</b>	<b>Weight</b>	<b>Strata (Sample size * Weight)</b>
Import	432	26%	83
Export	7	1%	1
Wholesaler trade	35	2%	7
Retailer trade	277	17%	53
Construction	235	14%	45
Service sector	610	38%	117
Manufacturing	30	2%	6
<b>Total</b>	<b>1,625</b>	<b>100%</b>	<b>311</b>

Source: Bole sub city revenue and customs branch office and researcher's computation

Based on the above weight the questionnaires were distributed to the respondents; returned and not returned have been presented in table 3.3.

**Table 3. 3 Sample size, returned and non-returned questionnaire**

<b>Nature of business</b>	<b>Sample</b>	<b>Returned</b>	<b>Non-returned</b>
Import	83	69	14
Export	1	1	-
Wholesaler trade	7	6	1
Retailer trade	53	43	10
Construction	45	38	7
Service sector	117	98	19
Manufacturing	6	5	1
<b>Total</b>	<b>311</b>	<b>260</b>	<b>51</b>

Source: Bole sub city revenue and customs branch office and researcher's computation

Initially the target sample size was set to address 311 category "small taxpayers in Bole sub-city tax authority branch office. The samples were individual (sole proprietors) and cooperative taxpayers whose files were registered at Bole sub-city small tax payer revenue and custom authority branch office. By considering 80% return rate, a total of 335 questionnaires were distributed to randomly selected category "small taxpayers and 288 questionnaires were returned back with and without the information which accounted 86% (288/335) of the distributed questionnaire. 28 incomplete questionnaires are rejected from the collected 288

questionnaires, and 260 were used for analysis. The usable rate of questionnaires returned was 84% (260/311), which is enough to represent the population as well as to generalize the findings to the entire population. The data collection instrument used in this study is attached under Appendix 1 of this paper.

### 3.6 Data collection instruments and method

On this study, the unit of analysis was made at the company level; whereas, the unit of data collected ranged from either manager, owners or employee of the agency. To collect primary data, the researcher has applied a structured questionnaire having two sections: the first section regarding the overall demographic characteristics of taxpayers, and the second section help to see awareness of taxpayers as well as examine the determinants of tax evasion.

For the purpose of triangulation key informant interview was carried out with few number of employees of the branch office. No direct question about tax evasion was used in the questionnaire and interview guides because of the sensitivity of the topic. Instead, various oblique and proxy questions were used for accumulating information on tax evasion.

The data collection was preceded with the distribution of questionnaires personally. The secondary data was gathered from the branch office reports through direct contacts of the concerned bodies.

### 3.7 Validity and Reliability of the instrument

The questionnaire was translated into Amharic language by taking into consideration the reality that English is not the working language of the respondents. Before the main study started, a pilot study was carried out with randomly selected 20 category "A" taxpayers from the branch office to check the validity and reliability of the questioners. In light of information, questions were changed to improve clarity. The researcher were carried out at 5% significant level and data analyzed using STATA (version 14.2). Pearson Correlation, and Conformity Factor Analysis were carried out to check the validity. While Cronbach alpha also carried out to check the reliability. The results of validity and reliability are shown in the following table:

**Table 3. 4: Pearson correlation matrix**

```
. pwcorr, star(5)
```

	taxeva~n	taxrate	income~l	probab~n	penali~e	comple~m	percie~t
taxevasio~n	1.0000						
taxrate	0.2550	1.0000					
incomelevel	0.1696	0.0741	1.0000				
probabilit~n	0.4108	0.1179	0.3881	1.0000			
penaltyrate	0.4848*	0.3514	-0.1187	0.6289*	1.0000		
complexity~m	0.3092	0.0968	0.0899	0.3637	0.3614	1.0000	
percieve~t	-0.0660	0.0674	-0.1152	0.5426*	0.4987*	0.3415	1.0000
attitudeof~n	0.1039	0.0927	-0.2718	0.1920	0.3817	0.3679	0.6219*
peerinflue~n	0.2136	0.0350	0.5056*	0.6205*	0.2242	0.2418	0.3385
age	0.2283	0.4007	0.4373	0.2483	0.1398	0.2310	0.1845
gender	0.1393	-0.0829	-0.0270	0.3052	0.2274	0.3758	0.1798
education	0.2726	-0.0241	-0.1646	0.0129	0.2954	0.1521	0.2659

	attitu~n	peerin~n	age	gender	educat~n
attitudeof~n	1.0000				
peerinflue~n	-0.0571	1.0000			
age	0.1842	0.1328	1.0000		
gender	0.4887*	0.0793	0.2344	1.0000	
education	0.2571	-0.0346	0.0101	0.3349	1.0000

Source: Researcher's Own compilation

According to table 3.4, Pearson correlation test determining the relationship between fairness perception of tax evasion as the dependent variable and the independent variable in this study. It ranges between -1 to +1. The correlation result indicated on table 3.4 above that, all variables were statistically significant.

**Table 3. 5: Confirmatory factor analysis**

---

```
LR test of model vs. saturated: chi2(44) = 66.09, Prob > chi2 = 0.0572
```

Source: Researcher's Own compilation

As the result of confirmatory factor analysis in table 3.5 that determinants of tax evasion with the same concept measured in different ways yields similar result, that is P- value was more than the significance level (5%). The test was statistically significant, the constructs present convergent validity.

**Table 3. 6: Cronbach alpha**

```
Test scale = mean(unstandardized items)
```

Average interitem covariance:	.1748006
Number of items in the scale:	12
scale reliability coefficient:	0.7452

Source: Researcher's Own compilation

As Bolarinwa (2015) noted that correlation coefficient (r) values are considered good if  $r \times 0.70$  (p. 198). According to table 3.6, the Cronbach alpha value indicates that 0.7452. This value indicates that the measurements employed in this study are reliable and consistent.

### 3.8 Ethical considerations in the study

Research ethics refers to the type of the agreement that the researcher enters with the research participants. It was made clear to participants that the researcher has an obligation on the following: protection from stress, harm, or danger; right to privacy; confidentiality; and honesty with professional colleagues and an oral informed consent was obtained from research participants. Before going out to conduct the study, research permission was secured from Addis Ababa University and institutional consent also secured from the Bole sub-city revenue and customs authority branch office.

### 3.9 Data processing and analyzing

Statistical packages STATA (version 14.2) software in aggregating with excel spreadsheet was applied by the researcher to process quantitative data obtained from the structured questionnaire. Each descriptive and inferential statistics were used to investigate the importance of independent variables on the structured variable that helps to determine the determinant of tax evasion variables which can be independent and dependent are taken into consideration by the researcher to observe the independent variables dedication on tax evasion. The researcher used percent distribution for the categorical data which were obtained from the questionnaire and a couple of regressions used to measure the importance of data achieved from the explanatory variables.

### 3.10 Description of Variables with Hypothesis

The study applied a multiple regression model and Pearson Correlation matrix to determine the relationships between the dependent and independent variables and also their correlations. Equation 1 used as the base multiple regression model to test the hypotheses and establish the tax evasion determinants.

$$TE = \beta_0 + \beta_1 TR + \beta_2 IL + \beta_3 PD + \beta_4 PR + \beta_5 CTS + \beta_6 PRG + \beta_7 ATE + \beta_8 PITE + \beta_9 AGE + \beta_{10} GEN + \beta_{11} EDU + U_i \dots \dots \dots \text{Equation 1}$$

**Table 3. 7: Description of variables with hypothesis**

<b>Symbol</b>	<b>Variable</b>	<b>Alternate Hypothesis each variable</b>	<b>Expected sign</b>	<b>Source</b>
TE	Tax Evasion	Dependent variable	1 - Tax evasion or 0 - otherwise	Survey data 2018
TR	Tax Rate	<b>H1A:</b> Higher tax rate encourages tax evasion positively and significantly.	Positive	Park and Hyun (2003); Tanzi, V. (1980); Robertson Amoah <sup>1</sup> , Samuel Yeboah Asuamah <sup>2</sup> , Newman Amaning (2014)
IL	Income Level	<b>H1A:</b> Income level has a positive significant relationship with tax evasion.	Positive	Slemrod (2007); Kirchler et al (2007); Jackson & Milliron, (1986)
PD	Probability of detection	<b>H1A:</b> Lower probability of detection through audit encourages tax evasion and have a positive significant effect.	Positive	Allingham & Sandmo (1972); Jayawardane & Low (2017); Chau and Leung (2009)
PR	Penalty rate	<b>H1A:</b> Lower penalty have significant positive correlation with tax evasion.	Positive	Allingham& Sandmo (1972); Park and Hyun(2003); Orviska & Hudson (2002);
CTS	Complexity of tax system	<b>H1A:</b> The complexity of the tax system significantly and having positive effect on tax evasion.	Positive	Reza and et .al. (2011); Richardson. (2006) and Jayawardane & Low (2017)

Symbol	Variable	Alternate Hypothesis each variable	Expected sign	Source
PRG	Perceived role of government	<b>H1A:</b> Low perceived role of government's influence on taxpayers' compliance and significantly having a positive encouragement in tax evasion.	Positive	Shih-Ying and Mei-Jane. (2005); Kirchler et al (2007); Mohd Rizal Palil and Ahmad Fariq Mustapha (2011); Kirchler, E. and Hoelzl, E. (2006); Murphy, K. (2004)
ATE	Attitude of tax evasion	<b>H1A:</b> Tax attitude and tax evasion are significantly and positively correlated.	Positive	Kirchler et al. (2008); Alabede et al. (2011)
PITE	Peer influence of tax evasion	<b>H1A:</b> The influence of the reference groups (that is friends and families) are positively and significantly correlated with tax evasion.	Positive	Alabede et al, 2011
AGE	Age	<b>H1A:</b> Younger age and tax evasion are positively and significantly correlated.	Positive	Clotfelter (1983); Feinstein (1991); Jackson and Milliron (1986); Chau, G. and Leung, P. (2009)
GEN	Gender	<b>H1A:</b> Males are tax evader tax than females.	Positive	Clotfelter (1983); Feinstein (1991); Jackson, BR. and Milliron, VC. (1986)
EDU	Education	<b>H1A:</b> Limited tax knowledge have a positive and significant relationship with tax evasion.	Positive	Kirchler et al. (2008); Mariziana et.al (2010); Jackson & Milliron (1986); Chan et al. (2000)

## Chapter Four: Data Presentation and Analysis

### 4.1 Introduction

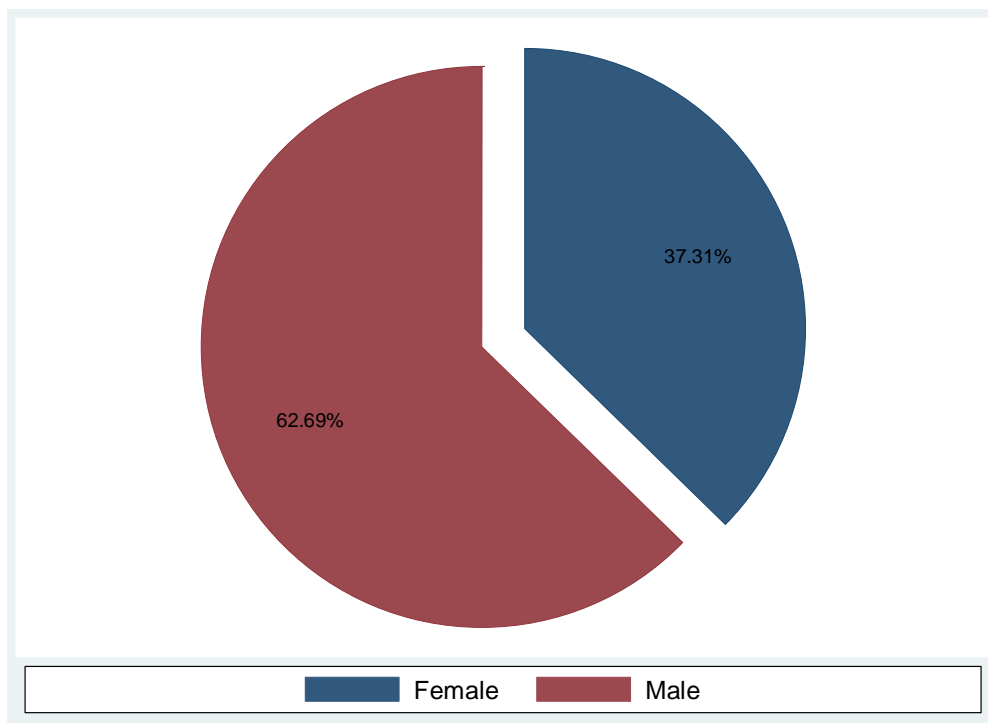
This chapter gives insights into the data presentation and analysis of the research. The data is analyzed using descriptive statistics (mean, standard deviation) and inferential statistics (correlation & multiple Regressions). The results are presented in tabular summaries, graphs, and the implications are discussed under the summaries.

### 4.2 Profile of Respondents

The respondent's variables included gender, age, marital status, educational level, position of respondents and nature of business.

#### 4.2.1 Gender

**Figure 4.2. 1: Gender of respondents**



Source: Researcher's Own compilation

According to figure 4.2.1 more than half of the respondents (63%) were male while the remaining (37%) were females. It can be seen male had a greater representation of the whole population. The male counterparts therefore dominate the business environment and this confirms the difficulty in tax collection because of males are willing to take more risks than females.

#### 4.2.2 Age

Young people who fall in the working age group are engaged in different business types or sectors in the study area.

**Table 4.2. 1: Age of Respondents**

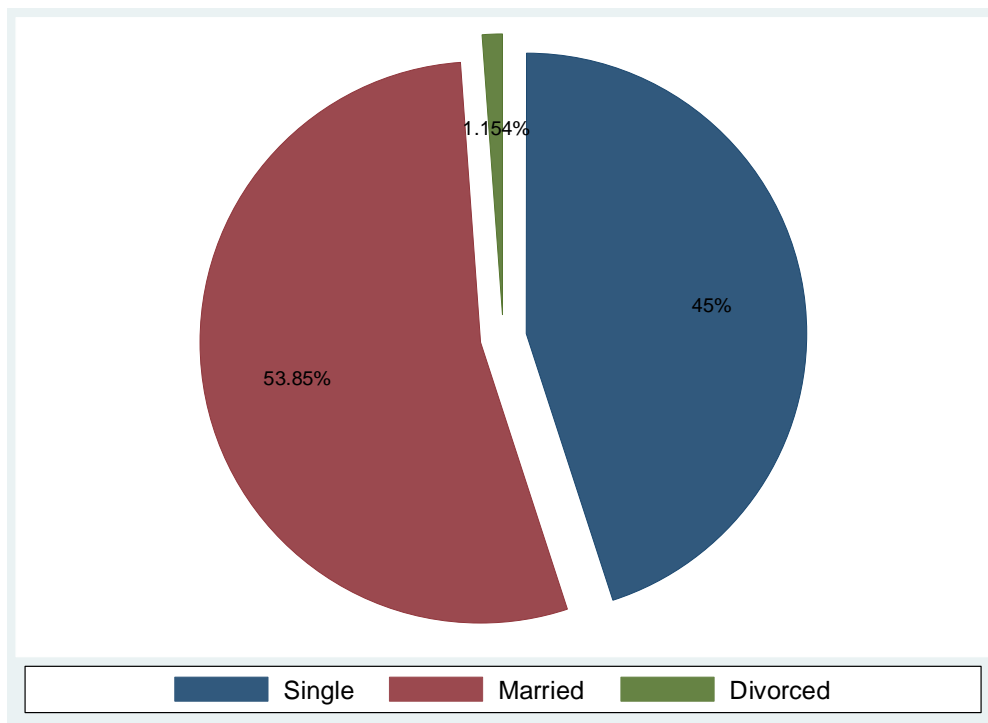
Variable	Obs	Mean	Std. Dev.	Min	Max
Age	260	33.77692	8.364999	22	62

Source: Researcher's Own compilation

As table 4.2.1 indicated, the mean age of respondents was 34 with a standard deviation of  $\pm 8.365$ . This indicates that there are young ages of respondents. Young taxpayers are more willing to take risks and are less sensitive to sanctions. Therefore, this is an indication of taxpayer's possibilities to evade tax because of their age distribution.

#### 4.2.3 Marital status

**Figure 4.2. 2: Marital Status of Respondents**



Source: Researcher's Own compilation

According to figure 4.2.2, 54% of the respondents were married, 45% were single, and 1% were divorced. This indicates that a married person who are taking the responsibility and made the obligations effectively than the single one.

#### 4.2.4 Educational level

Again education influences ones understanding of the role of tax in the economic environment of any country. To this end, the study sought information on the level of education of respondents.

**Table 4.2. 2: Educational level of Respondents**

<b>Respondents Educational level</b>	<b>Freq.</b>	<b>Percent</b>	<b>Cum.</b>
Below Secondary School	14	5.38	5.38
Complete Secondary School	35	13.46	18.85
Diploma	50	19.23	38.08
Degree	134	51.54	89.62
Master's Degree	27	10.38	100
<b>Total</b>	<b>260</b>	<b>100</b>	

Source: Researcher's Own compilation

As table 4.2.2 indicates, 5% were below the secondary school, 13% completed secondary school, 19% earned Diploma, as the majority 52% completed first degree and the rest 10% earned a master's degree.

This may imply that the respondents have been formally educated. Therefore, the tax authority can easily communicate and transmit messages to the taxpayer about the tax laws, rules and regulations.

#### 4.2.5 Position

**Table 4.2. 3: Position of Respondent in the Organization**

<b>Respondent Position in the Company</b>	<b>Freq.</b>	<b>Percent</b>	<b>Cum.</b>
Owner	64	24.62	24.62
Manager	29	11.15	35.77
Owner and Manager	53	20.38	56.15
Employee	114	43.85	100
<b>Total</b>	<b>260</b>	<b>100</b>	

Source: Researcher's Own compilation

According to table 4.2.3, 25% of the respondent were owners, 11% were managers, and 20% were owners and managers and the rest 44% were employees. This may confirm the reliability of the data sources as they emanated from key and responsible people in the organizations.

#### 4.2.6 Nature of Business

The Ethiopian government wants manufacturing to have a "dominant role" in the economy over the next decade. However, the result indicated that enormous number of investors take part mainly on international trade which suffering a negative trade balance (import more goods than exports).

**Table 4.2. 4: Nature of Business**

<b>Nature of Business</b>	<b>Freq.</b>	<b>Percent</b>	<b>Cum.</b>
Import	69	26.54	26.54
Export	1	0.38	26.92
Whole sale trade	6	2.31	29.23
Retail trade	43	16.54	45.77
Construction	38	14.62	60.38
Service	98	37.69	98.08
Manufacturing	5	1.92	100
<b>Total</b>	<b>260</b>	<b>100</b>	

Source: Researcher's Own compilation

Following the classification of tax authority, the nature of business are divided into seven major sectors. These are Import, export, wholesale trade, retail trade, construction, service, and manufacturing. In this research, as per table 4.2.4, 27% were importers, 1% were exporters,, 2% were whole sellers, 17% were retails, , 15% were engaged in construction, 38% were service providers, and the remaining 2% are manufacturing companies. This category that helps to the tax agency to create effective and strategic management of taxpayers.

#### 4.3 Descriptive Statistics for Determinants of Tax Evasion

This section presents the results of the statistical analysis and interpretations of the data using mean and standard deviations. The self-administered questionnaire were prepared and presented using a five point Likert scale where 1= strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree. For the triangulation purpose a key informant interview was conducted with few tax office employees.

The study used judgment to classify the range of scores obtained on the five point Likert scale as follows: - a variable with a mean score of greater than 3.0 to 5.00 have taken as agree/strongly agree on the five point Likert scale, a score of 3.0 as neutral on the five point Likert scale and a score of 1 to 3.0 as strongly disagree/disagree on the Likert scale.

#### 4.3.1 Tax Evasion

**Table 4.3. 1: Descriptive Statistics of Tax Evasion**

		Descriptive statistics										
N=260		Percentage of each repondants under each weight										
S/No.	Statement: Tax Evasion	1	2	3	4	5	Total Freq. %	Mean	Std. Dev.	Min	Max	
1	The expansion of tax evasion increases the amount of resources accumulated by the individuals.	20	14	5	31	30	100	3.36	1.52	1	5	
2	The expansion of tax evasion reduces the amount of public services supplied by the government.	6	4	2	32	56	100	4.28	1.09	1	5	
3	Tax evasion has a negative consequences for economic growth of a country.	6	2	1	36	55	100	4.31	1.05	1	5	
4	Tax evasion lead the government to unnecessary debt to bridge the fiscal gap.	6	4	4	41	46	100	4.15	1.09	1	5	
<b>The overall mean of tax evasion</b>								<b>4.03</b>	<b>0.54</b>			

Source: Researcher's Own Compilation

As table 4.3.1 indicated, the (mean = 4.03 and standard deviation = 0.54) that the respondents agreed on tax evasion had a negative impact on the development of the country economy and spending on public goods and services.

#### 4.3.2 Tax Rate

**Table 4.3. 2: Descriptive Statistics of Tax Rate**

		Descriptive statistics										
N=260		Percentage of each repondants under each weight										
S/No.	Statement: Tax Rate	1	2	3	4	5	Total Freq. %	Mean	Std. Dev.	Min	Max	
5	In general, business tax rate imposed in category "tax payer are fair.	21	37	23	15	5	100	2.47	1.12	1	5	
6	Tax payers evade tax if tax rates are too high.	6	7	8	42	37	100	2.17	1.23	1	5	
7	The tax rate is unfair which enhances tax evasion.	12	13	5	36	34	100	3.66	1.38	1	5	
<b>The overall mean of tax rate</b>								<b>2.76</b>	<b>0.79</b>			

Source: Researcher's Own Compilation

From the results of table 4.3.2 above, the (mean = 2.76 and standard deviation = 0.79) indicating that the respondents perceived the current tax rate imposed on category "A" taxpayers are heavy. They are also of the opinion that an increased tax rate motivates tax evasion. According to one of the key informant explained that, *"the amount of tax that the tax payers had paid is beyond their ability to pay, it encourages tax evasion."*

### 4.3.3 Income Level

**Table 4.3. 3: Descriptive Statistics of Income Level**

		Descriptive statistics										
N=260		Percentage of each repondants under each weight										
S/No.	Statement: Income Level	1	2	3	4	5	Total Freq. %	Mean	Std. Dev.	Min	Max	
8	Considering your ability to pay tax increased over time, your tax liability is also increased.	12	22	11	41	14	100	3.24	1.27	1	5	
9	Tax payers with higher business income are more evasive.	7	13	19	29	31	100	3.64	1.24	1	5	
10	Tax payers with smaller business income are more evasive.	21	47	18	10	5	100	2.31	1.06	1	5	
<b>The overall mean of Income level</b>								<b>3.07</b>	<b>0.77</b>			

*Source: Researcher's Own Compilation*

As table 4.3.3 indicated, the (mean = 3.07 and standard deviation = 0.77) that the respondents perceived that those taxpayers who are earning enough profits should not evade taxes since their income is increasing. And also taxpayers with high business incomes were more evasive than those who are earning smaller income. One of the key informant described, *"employees are the true taxpayer those who earned high or low monthly salary while business peoples mostly do not comply."*

#### 4.3.4 Probability of Detection

**Table 4.3. 4: Descriptive Statistics of Probability of Detection**

		Descriptive statistics									
N=260		Percentage of each repondants under each weight									
S/No.	Statement: Probability of detection	1	2	3	4	5	Total Freq. %	Mean	Std. Dev.	Min	Max
11	Tax payers might not be evade tax if the probability of detection is high.	14	17	8	33	28	100	3.43	1.42	1	5
12	The tax administration office has the capability to investigate all income reported by the tax payers.	31	32	12	15	10	100	2.43	1.34	1	5
13	Tax evasion is habitual if probability of getting caught is low.	7	8	10	37	37	100	2.36	1.33	1	5
<b>The overall mean of Probability of detection</b>								<b>2.74</b>	<b>0.86</b>		

Source: Researcher's Own Compilation

As table 4.3.4 indicated, the (mean = 2.74 and standard deviation = 0.86) the respondents think that the probability of being detected determines one's compliance. At the same time, they are of the opinion that they doubt the tax administration ability to investigate the accuracy of the reported income. Thus, evasion has become habitual.

#### 4.3.5 Penalty

**Table 4.3. 5: Descriptive Statistics of Penalty**

		Descriptive statistics									
N=260		Percentage of each repondants under each weight									
S/No.	Statement: Penalty rate	1	2	3	4	5	Total Freq. %	Mean	Std. Dev.	Min	Max
14	If penalty rate is high, there is no possibility that tax payers evade tax.	6	7	8	40	38	100	2.80	1.49	1	5
15	A good legal enforcement practice increase your tendency on tax compliance.	7	6	2	36	49	100	4.14	1.17	1	5
16	Tax payers who have an awareness of penalties for tax evasion are more compliant.	7	7	13	50	22	100	3.37	1.27	1	5
17	The past penalties paid for tax evasion behaviour affect positively one's current compliance behaviour.	8	16	13	44	19	100	3.50	1.21	1	5
<b>The overall mean of Penalty rate</b>								<b>3.45</b>	<b>0.69</b>		

Source: Researcher's Own Compilation

As table 4.3.5 indicates, mean = 3.45 and standard deviation = 0.69, tax payers perceive that the penalty rate matters on the behavior of tax compliance. This does not mean, however, that higher penalty rates always result tax compliance since some tax payers might not be aware of high penalty rate. High penalty rate particularly effective among those tax payers who are

aware of the penalty of the tax rate and those who have been penalized with high penalty rate sometime in the past. These results are consistent with the key informant interview results. According to one of the key informant said that, "*tax authority and other responsible bodies should work to improve voluntary compliance by using different awareness-raising programs instead of fear of punishment.*" In addition, the other key informant described, *tax authority that the severity of the penalty imposed on any tax evasion has a positive impact on the level of compliance.*"

#### 4.3.6 Complexity of Tax System

**Table 4.3. 6: Descriptive Statistics of Complexity of Tax System**

		Descriptive statistics									
N=260		Percentage of each repondants under each weight									
S/No.	Statement: Complexity of tax system	1	2	3	4	5	Total Freq. %	Mean	Std. Dev.	Min	Max
18	Complexity of tax system creates an obstacle to comply the tax law.	7	9	5	37	41	100	3.95	1.22	1	5
19	Tax administration system in the authority is consistent with each other across years.	21	25	11	28	14	100	2.89	1.39	1	5
20	Other professionals are required to assist in formulating tax liabilities due to unclear treatment of tax systems.	6	8	6	39	41	100	4.02	1.14	1	5
21	If tax laws are easy to understand it encourages tax compliance.	6	12	5	41	35	100	3.87	1.20	1	5
<b>The overall mean of Complexity of tax system</b>								<b>3.68</b>	<b>0.83</b>		

*Source: Researcher's Own Compilation*

As table 4.3.6 indicates, mean = 3.68 and standard deviation = 0.83, respondents opinion between the relationship between tax compliance and the complexity of tax system is negative. As the tax system complexity increases, the likelihood of compliance decreases. The complexity manifest itself into two ways, i.e., inconsistent application of the tax administration over the years and the need to seek professional assistance for filing yearly income. The respondent are of the opinion that having an easily understandable tax law, encourages the compliance of tax payers.

The qualitative result also points that the existing tax system is complex. One of the key informant tax office employee said that: "*the current tax rules and regulations are too complex and have loopholes.*" This presents the impossibility of detecting undeclared tax liabilities, and underreporting income complies with the tax law confirming that the tax office was tolerant for tax offenses.

### 4.3.7 Perceived Role of Government

**Table 4.3. 7: Descriptive Statistics of Perceived Role of Government**

		Descriptive statistics									
N=260		Percentage of each repondants under each weight									
S/No.	Statement: Perceived role of government	1	2	3	4	5	Total Freq. %	Mean	Std. Dev.	Min	Max
22	If the government spends too much tax revenue on unnecessary welfare assistance it encourages tax evasion.	16	16	13	27	28	100	3.34	1.44	1	5
23	If peoples are getting comparable public services from the government for they tax paid, it enhance taxpayerø compliance.	5	9	7	37	42	100	4.02	1.16	1	5
24	If tax payerø perceptions of tax fairness increases, the level of tax evasion will also decrease.	5	4	4	50	38	100	4.13	0.99	1	5
<b>The overall mean of Perceived role of government</b>								<b>3.83</b>	<b>0.94</b>		

*Source: Researcher’s Own Compilation*

As table 4.3.7 indicates, mean = 3.83 and standard deviation = 0.94, that the opinion of tax the extent to which the government effectively delivers its role determines the level of compliance. If the government was inefficiently manages its resources, spending it on unnecessary welfare assistance, tax payers are not encouraged to comply. On the other hand the effective delivery of public goods encourages the compliance of tax payers. Equally important is also how tax payers perceive about the fairness of the tax. Whenever the perception of the tax as fair, they are likely to comply. According to one of the key informant explained: *“the government should spend the tax collected on the development of the country, allow society to benefit equally from the provision from the government and to feel confident about the fruit of its payment on its own country.”*

### 4.3.8 Attitude of Tax Evasion

**Table 4.3. 8: Descriptive Statistics of Attitude of Tax Evasion**

		Descriptive statistics									
N=260		Percentage of each repondants under each weight									
S/No.	Statement: Attitude of tax evasion	1	2	3	4	5	Total Freq. %	Mean	Std. Dev.	Min	Max
25	A good governance positively impacts one's compliance behaviour towards tax.	5	12	9	38	35	100	3.86	1.19	1	5
26	Desirable government programs encourage tax compliance behaviour.	10	18	21	33	17	100	3.29	1.24	1	5
27	Paying tax is my own responsibility.	3	4	3	28	62	100	4.42	0.95	1	5
28	Taxpayers might not be evade tax due to fear of punishments.	7	4	22	58	9	100	2.71	1.29	1	5
29	Effective administration of the tax law discourages tax evasion.	9	14	9	47	22	100	3.58	1.22	1	5
<b>The overall mean of Attitude of tax evasion</b>								<b>3.57</b>	<b>0.66</b>		

Source: Researcher's Own Compilation

From the result in table 4.3.8 above, the mean = 3.57 and standard deviation = 0.66, indicates that a good governance and the desirability of government programs have impact on the attitude of taxpayers towards avoiding tax. Whenever tax payers feel that there is good governance and the state has desirable government programs they are likely to comply with the tax laws. This is true even if almost all of the tax payers think that it is their responsibility to pay taxes. For them, fear of punishment is not as such a sufficient cause to comply the tax law. They are also of the opinion that effective enforcement of the tax law also encourages tax compliance. One of key informant tax office employee described: *“voluntary compliance is promoted not only by punishment but also be clear, simple and user-friendly administrative systems and procedures.”*

### 4.3.9 Peer Influence of Tax Evasion

**Table 4.3. 9: Descriptive Statistics of Peer Influence of Tax Evasion**

		Descriptive statistics									
N=260		Percentage of each repondants under each weight									
S/No.	Statement: Peer influence of tax evasion	1	2	3	4	5	Total Freq. %	Mean	Std. Dev.	Min	Max
30	The noncompliance of other taxpayers impacts negatively others tax payers behaviour.	4	6	7	39	44	100	4.13	1.06	1	5
31	My friends attempt to reduce taxes, affects me to attempt to pay a reduced tax.	22	28	17	25	9	100	2.71	1.29	1	5
32	Whenever a taxpayer is penalised for tax evasion, it affects other not to evade tax.	9	17	13	47	15	100	3.42	1.18	1	5
<b>The overall mean of Peer influence of tax evasion</b>								<b>3.42</b>	<b>0.79</b>		

Source: Researcher's Own Compilation

As table 4.3.9 indicates the (mean = 3.42 and standard deviation = 0.79) the peers behavior impacts their compliance. A non-complying peer, negatively influences their compliance. If one's peer is penalized as a result of tax evasion, it is likely that it discourages their intention to evade. A key informant interview with the tax office employee said that: *the expectations of an individual with regard to tax non-compliance have a significant impact on the compliant behavior.*

### 4.3.10 Age

**Table 4.3. 10: Descriptive Statistics of Age**

		Descriptive statistics									
N=260		Percentage of each repondants under each weight									
S/No.	Statement:Age	1	2	3	4	5	Total Freq. %	Mean	Std. Dev.	Min	Max
33	Young taxpayers are more likely to take risk and engage in tax evasion behaviours.	15	26	13	31	15	100	3.05	1.34	1	5
<b>The overall mean of Age</b>								<b>3.05</b>	<b>1.34</b>		

Source: Researcher's Own Compilation

As table 4.3.10 indicates, (mean = 3.05 and standard deviation = 1.34186) young taxpayers are likely to take more risks and as a result likely to engage in tax evasion.

### 4.3.11 Gender

**Table 4.3. 11: Descriptive Statistics of Gender**

		Descriptive statistics									
N=260		Percentage of each repondants under each weight									
S/No.	Statement: Gender	1	2	3	4	5	Total Freq. %	Mean	Std. Dev.	Min	Max
34	Females are more likely to comply to the tax laws than men.	8	18	17	34	23	100	3.47	1.24	1	5
<b>The overall mean of Gender</b>								<b>3.47</b>	<b>1.24</b>		

*Source: Researcher's Own Compilation*

According to table 4.3.11 above, the (mean = 3.47 and standard deviation = 1.24) the respondents agreed that women comply more with tax law than men. And men are more risk-takers than women.

### 4.3.12 Education

**Table 4.3. 12: Descriptive statistics of education**

		Descriptive statistics									
N=260		Percentage of each repondants under each weight									
S/No.	Statement: Education	1	2	3	4	5	Total Freq. %	Mean	Std. Dev.	Min	Max
35	The government conducted awareness creations to the tax payers about the impact of tax evasion in the country economy.	24	31	13	23	8	100	2.59	1.29	1	5
36	Knowing my tax obligations helps me to comply to the tax laws.	3	12	8	49	29	100	3.90	1.03	1	5
37	Having a good knowledge of the tax law encourages tax compliance.	3	7	5	37	48	100	4.20	1.02	1	5
<b>The overall mean of Education</b>								<b>3.56</b>	<b>0.80</b>		

*Source: Researcher's Own Compilation*

As shown table 4.3.12, (mean = 3.56 and standard deviation = 0.80) respondents do not feel that government conducted enough awareness creations that would reduce the non-compliance behavior of tax payers. They think this is very important because knowing well what is required from the tax law is helpful for compliance behavior. A key informant interview with the tax office employee described: *“sufficient education does not provide to taxpayers by the tax authority to boost awareness.”*

Lastly, respondents were asked to list out any determinant which they think affects the tax evasion of taxpayer. Generally, the following were forwarded. First, officials of the tax authority are not ready to serve the taxpayers properly, when they asses, they are biased by

different factors: so, there must be a system which help to asses as well as the employees being given training and working towards free corruption. Second, respondents complained that the tax system is not fair and is not based on the taxpayer's ability to pay. Lastly, they suggested that the system should be fair and based on the taxpayer's ability to pay. Third, the tax authority imposes a higher penalty rate on non-compliance, as suggested by the respondents, this discourages taxpayers from voluntarily paying their obligations and opens the way to finding evasive loopholes, if there is an opportunity to do so. The tax authority should work to ensure that the taxpayer complies with the various mechanisms voluntarily. Many taxpayers are not satisfied with the current tax system; they recommend that the tax authority introduce a modern and efficient system of collection that saves both the taxpayer's and tax authoritiesø time.

#### 4.4 Inferential statistics

In this study, the researcher used inferential statistics to determine the validity of the data on the different tests of importance for normality, autocorrelation, heteroscedasticity, and multicollinearity. The data were classified according to each variable into a group of questions. Finally, the study analyzed the correlation between variables and their effect by correlation matrix and multiple regressions used to test the hypothesis as well as the model fitness of factors affecting determinants of tax evasion. Tests and analysis of the data, which is presented below.

##### 4.4.1 Correlation between the variable

**Table 4.4. 1: Correlations matrix**

```
. corr te tr il pd pr cts prg ate pite age gender education
(obs=260)
```

	te	tr	il	pd	pr	cts	prg	ate	pite	age	gender	educat-n
te	1.0000											
tr	0.2453	1.0000										
il	0.2740	0.2352	1.0000									
pd	0.3133	0.2032	0.2181	1.0000								
pr	0.3545	0.1069	0.0471	0.2127	1.0000							
cts	0.4693	0.1541	0.1078	0.1776	0.2222	1.0000						
prg	0.4360	0.0238	-0.0558	0.1567	0.3237	0.3812	1.0000					
ate	0.4202	0.0494	-0.0613	0.1285	0.2695	0.3841	0.4169	1.0000				
pite	0.4575	-0.0485	0.1349	0.1365	0.2160	0.3329	0.2799	0.3462	1.0000			
age	0.4003	0.0313	0.1528	-0.0437	0.1103	0.1265	0.1267	0.1539	0.3315	1.0000		
gender	0.4520	0.0551	0.0510	-0.0287	0.0534	0.1297	0.1470	0.2725	0.2023	0.1826	1.0000	
education	0.2946	0.0609	0.0584	0.1013	0.1356	0.2112	0.1063	0.1855	0.0217	-0.0684	0.1258	1.0000

Source: Researcher's Own compilation

As Brooks (2008) noted that, "the correlation between two variables measures the degree of linear association between them." (p. 28). In addition Brooks (2008) noted that, "correlation coefficient must lie between -1 and +1 by definition." (p. 108). As shown table 4.3.1 above, the correlation matrix for dependent and independent variables that has a positive and close to

0 correlation coefficient with tax rate, income level, probability of detection, penalty rate, complexity of tax system, perceived role of government, attitude of tax evasion, peer influence on tax evasion, age, gender and education respectively. Therefore, it indicates that each variable are mutually interdependent among each other as shown in the conceptual framework of chapter two of this study.

#### 4.4.2 Test for normality

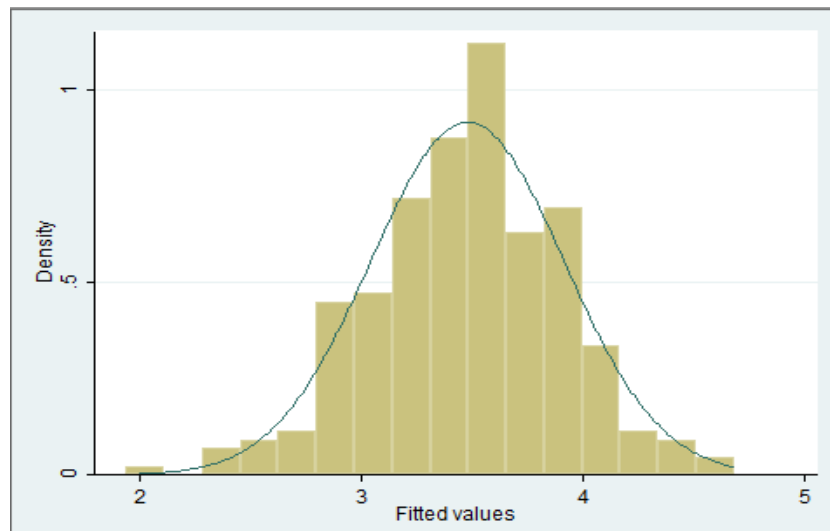
**Table 4.4. 2: Normality test for residual**

```
. sum uhat, detail
```

Fitted values				
	Percentiles	Smallest		
1%	2.345133	1.938339		
5%	2.756731	2.295786		
10%	2.932025	2.345133	Obs	260
25%	3.20161	2.379813	Sum of Wgt.	260
50%	3.509333		Mean	3.476923
		Largest	Std. Dev.	.4355838
75%	3.772926	4.461114		
90%	3.998456	4.503863	Variance	.1897333
95%	4.155611	4.556839	Skewness	-.2175706
99%	4.503863	4.680625	Kurtosis	3.391802

Source: Researcher's Own compilation

**Figure 4.4. 1: Normality test for residual**



Source: Researcher's Own compilation

As Brooks (2008) noted that, a normal distribution is not skewed and is defined to have a coefficient of kurtosis of 3.0 (p. 161). Table 4.4.2 and figure 4.4.1 above indicate that, the

coefficient of skewness and kurtosis was close to 0 and 3 respectively implying that the data were consistent with a normal distribution assumption.

#### 4.4.3 Test for Multi-collinearity

**Table 4.4. 3: Multicollinearity test result**

```
. estat vif
```

Variable	VIF	1/VIF
ate	1.48	0.673860
pite	1.40	0.712631
prg	1.40	0.714887
cts	1.40	0.715199
pr	1.21	0.828465
age	1.19	0.837142
il	1.18	0.845463
pd	1.18	0.849567
gender	1.14	0.878333
tr	1.14	0.879807
education	1.10	0.905596
Mean VIF	1.26	

Source: Researcher's Own compilation

As Wooldridge (2009) discussed that,  $\alpha$  value 10 is chosen: if  $VIF_j$  is above 10 (equivalently,  $R^2_j$  is above .9), then we conclude that multi-collinearity is a problem for estimating  $\beta_j$  (p. 99). The result of a multi-collinearity test shown in table 4.4.3 above, the maximal variance inflation factor (VIF) value among independent variables is 1.48 and the mean variance inflation factor (VIF) is 1.26. So, in this study there is no any variance inflation factor (VIF) higher than 10. The low variance inflation factor (VIF) indicates that, there is no a problem of multi-collinearity. Therefore, it can be concluded that there is no significant correlation between the explanatory variables of the study.

#### 4.4.4 Test for Heteroscedacity

**Table 4.4. 4: Test for Heteroscedacity**

```
. estat hettest
```

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity  
Ho: Constant variance  
Variables: fitted values of te

```

chi2(1)      =      0.10
Prob > chi2  =      0.7469

```

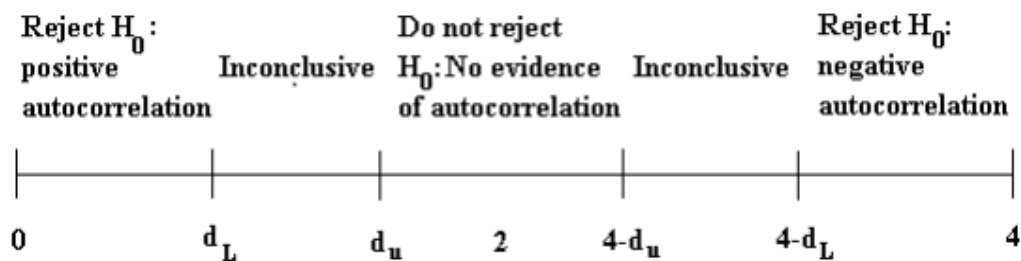
Source: Researcher's Own compilation

To test for the presence of heteroscedasticity, the Breusch-Pagan test would be employed in this study. This test involves testing the null hypothesis that the variance of the errors is constant (homoscedasticity) versus the alternative that the errors do not have a constant variance (heteroscedasticity). Since the p-values are in excess of 0.05. The research couldn't accept the alternative hypothesis of homoscedastic. In table 4.4.4 shows that, the P- value is greater than 0.05 that is 0.7469 and small value of chi2 that is 0.10. Therefore, at 5% significance level there is homoscedasticity by accepting the null hypothesis.

#### 4.4.5 Test for Auto-correlation

It is the assumption of independent error reasonable test. If the errors are correlated with one another, it would be stated that there is a serial auto correlated. The Durbin-Watson test is used to test for serial correlation between errors.

**Figure 4.4. 2: Durbin-Watson test**



As Brooks (2008) noted that  $\delta DW$  has 2 critical values: an upper critical value ( $d_U$ ) and a lower critical value ( $d_L$ ), and there is also an intermediate region where the null hypothesis of no autocorrelation can neither be rejected nor not rejected. (p. 147). The rejection, non-rejection, and inconclusive regions are shown on the number line in figure 4.4.2.

**Table 4.4. 5: Test for Auto-correlation**

```
. dwstat
Durbin-Watson d-statistic( 12, 260) = 2.280582
```

*Source: Researcher's Own compilation*

Hence, the null hypothesis is rejected and the existence of positive autocorrelation presumed; if DW is less than the lower critical value, the null hypothesis is rejected and the existence of negative autocorrelation presumed; if DW is greater than 4 minus the lower critical value, the null hypothesis is not rejected and no significant residual autocorrelation is presumed; if DW is between the upper and 4 minus the upper limits, the null hypothesis is neither rejected nor not rejected; if DW is between the lower and the upper limits, and between 4 minus the upper and 4 minus the lower limits.

The DW test statistic value in the multivariate regression result in table 4.4.5 is 2.280582. There are 260 observations and 11 explanatory variables in the regression. The relevant critical values for the test are  $d_L = 1.55$ ,  $d_U = 1.75$ , so  $4 - d_U = 2.25$  and  $4 - d_L = 2.45$ . The test statistic is clearly between the upper critical values and 4 minus upper limit (2.28), therefore no evidence for auto correlation.

#### 4.4.6 Regression analysis of tax evasion

**Table 4.5. 1: Regression**

. reg te tr il pd pr cts prg ate pite age gender education						
Source	SS	df	MS	Number of obs = 260		
Model	49.1409182	11	4.4673562	F( 11, 248) = 43.07		
Residual	25.7206203	248	.103712178	Prob > F = 0.0000		
Total	74.8615385	259	.289040689	R-squared = 0.6564		
				Adj R-squared = 0.6412		
				Root MSE = .32204		
te	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
tr	.0791782	.0269572	2.94	0.004	.0260839	.1322725
il	.0850272	.0281811	3.02	0.003	.0295225	.140532
pd	.1019326	.0253375	4.02	0.000	.0520285	.1518367
pr	.0813506	.0320512	2.54	0.012	.0182233	.1444779
cts	.0975841	.0284629	3.43	0.001	.0415242	.153644
prg	.0991089	.0252325	3.93	0.000	.0494115	.1488062
ate	.037954	.0370292	1.02	0.306	-.0349778	.1108858
pite	.1004277	.0300154	3.35	0.001	.0413101	.1595454
age	.0944295	.0162989	5.79	0.000	.0623275	.1265315
gender	.1240041	.0171665	7.22	0.000	.0901933	.1578148
education	.1131175	.0263704	4.29	0.000	.061179	.1650559
_cons	-.0519152	.1886886	-0.28	0.783	-.4235517	.3197212

Source: Researcher's Own compilation

The results of the multiple regressions measured the extent of relationship between the dependent variable and the independent variables are presented in table 4.5.1 above. As Brooks (2008) defined that, goodness of fit ( $R^2$ ) is "some measure of how well the regression model actually fits the data" answer to the question, how well does the model containing the explanatory variables that was proposed actually explain variations in the dependent variable? (pp. 106 - 107)

Table: 4.5.1 demonstrates that the regression summary of the dependent and independent variable and their results showed that all the explanatory variables tax rate (tr), income level (il), probability of detection (pd), penalty rate (pr), complexity of tax system (cts), perceived role of government (prg), attitude of tax evasion (ate), peer influence on tax evasion (pite), age,

gender and education factors) explained the tax evasion (te) by 65.64% and the remaining 34.36% the model is by extraneous uncontrollable variables (external factors).

Muijs (2004) discuss the rule of thumb in relation with goodness of fit ( $R^2$ ) measure. He writes, "there is a rule of thumb which can be used to determine the goodness of fit ( $R^2$ ) value as follows: 0.1: poor fit, 0.11 to 0.30: modest fit, 0.31 to 0.50: moderately fit, > 0.50: strong fit." (p. 166)

Therefore, in this study goodness of fit ( $R^2$ ) is account 0.6564 indicates (which is greater than 0.50) that the model is strongly fit for predicting the tax evasion dependent variable.

The P - value indicates at what percentage or precision level of each variable is significant and insignificant. Based on table 4.5.1 result all the factors except attitude of tax evasion (ate) are significant at 95 % confidence interval and their P-value are 0.0040, 0.0030, 0.0000, 0.0120, 0.0010, 0.0000, 0.0010, 0.0000, 0.0000,0.0000 and 0.3060 respectively. In addition to the explanatory variables the constant value ( $\beta_0$ ) is insignificant at 95 % confidence interval having P-value 0.7830.

Based on table 4.5.1 Beta ( $\beta$ ) weight reveals that the impacts of each factor shows that the change in the dependent variable for every one unit increase in the explanatory variables, while other variables being held constant. Therefore, the coefficient tells us by average that when independent variable increases by 1 unit the dependent variable is negatively or positively affected by amount.

The  $\beta_0$  is the constant, where the regression line intercepts of the y axis, representing the amount of dependent, when all the independent variables are 0. Here  $\beta_0$  is -0.0519 the probability of the coefficient is insignificant at 5%. Therefore the model that applied in this study is as follows:

$$TE = -0.05 + 0.08TR + 0.09IL + 0.10PD + 0.08PR + 0.10CTS + 0.10PRG + 0.04ATE + 0.10PITE + 0.09AGE + 0.12GEN + 0.11EDU + U_i$$

#### 4.5 Hypothesis testing

As Brooks (2008) noted that "p-value has also been termed the 'plausibility' of the null hypothesis; so, the smaller is the p-value, the less plausible is the null hypothesis." (p. 75). In other words if p value is less than the specific level of significance ( $\alpha$ ), either accept the alternative hypothesis or do not accept the alternative hypothesis. (Hypothesis testing was conducted using 5% significant levels.)

**H1A: Higher tax rate encourages tax evasion positively and significantly.**

According to table 4.5.1 above the regression result demonstrate that higher tax rate has a statistically significant positive coefficient of 0.079 at 5% significance level. Therefore, the researcher has sufficient statistical evidence to accept the alternative hypothesis stating a tax rate which is perceived as heavy, unfair, and inequitable has a significant factor for tax evasion, hence, the P- value is 0.004 which is less than 0.05 significant levels. This implies that there is 0.079 unit increase in tax evasion for each unit increase in tax rate with respect to other factors held constant. This finding is in line with the findings of, McGee R. W. (2016) and Marshal (2014) who found that tax evasion is increased by an increase in tax rate and in return increases tax burden for voluntary tax payers.

**H2A: Income level has a positive significant relationship with tax evasion.**

According to table 4.5.1 above, the regression result both higher and lower income have a statistically significant positive coefficient of 0.085 at 5% significance level. Therefore, the researcher has sufficient statistical evidence to accept the alternative hypothesis stating both higher and lower income level taxpayers have a significant role for tax evasion, hence, the P- value is 0.003 which is less than 0.05 significant levels. This implies that there is 0.085 unit increase in tax evasion for each unit increase in income level (higher or lower) with respect to other factors held constant. This is in line with the findings of Marshal (2014) cited from Witte and Woodbury (1983) in Richardson (2006) who found that "middle income taxpayers are usually compliant with tax laws, while low income level taxpayers and high income level taxpayers are relatively non-compliant with tax laws."

**H3A: Lower probability of detection through audit encourages tax evasion and have a positive significant effect.**

As the result of table 4.5.1 above the regression analysis states that lower probability of detection has a statistically significant positive coefficient of 0.102 at 5% significance level. Therefore, the researcher has sufficient statistical evidence to accept the alternative hypothesis stating lower probability of detection and incapability of tax office has significant factor for tax evasion, hence, the P- value is 0.000 which is less than 0.05 significant levels. This implies that there is 0.102 unit increase in tax evasion for each unit lower in probability of detection with respect to other factors held constant. This is in line with the findings of Allingham & Sandmo (1972), Jayawardane & Low (2017) cited from Allingham and Sandmo (1972) found that "an increase in the probability of detection will always lead to a larger income being declared."

**H4A: Lower penalty have significant positive correlation with tax evasion.**

According to table 4.5.1 above the regression result, lower penalty and unfair legal enforcement has a statistically significant positive coefficient of 0.081 at 5% significance level. Therefore, the researcher has sufficient statistical evidence to accept the alternative hypothesis stating lower penalty and unfair legal enforcement having a significant factor for tax evasion, hence, the P- value is 0.012 which is less than 0.05 significant levels. This implies that there is 0.081 unit increase in tax evasion for each unit in lower penalty rate and unfair legal enforcement with respect to other factors held constant. This is in line with the findings of Allingham & Sandmo (1972) and Marshal (2014) who found that to control tax evasion the most strategy used are legal enforcement and severe penalties.

**H5A: The complexity of the tax system significantly and having positive effect on tax evasion.**

According to table 4.4.1 above the regression result, complexity of the tax system has a statistically significant positive coefficient of 0.098 at 5% significance level. Therefore, the researcher has sufficient statistical evidence to accept the alternative hypothesis stating complexity of the tax system has a significant factor for tax evasion, hence, the P- value is 0.001 which is less than 0.05 significant levels. This implies that there is 0.098 unit increase in tax evasion for each unit in complex tax system with respect to other factors held constant. This is in line with the findings of Stankevicius & Leonas (2015) and Jayawardane & Low (2017) cited from (Mohani, 2001; Bird, 1998; Silvani and Baer, 1997) who found that, the most important determinant is complexity of tax system.

**H6A: Low perceived role of government's influence on taxpayers' compliance and significantly having a positive encouragement in tax evasion.**

According to table 4.4.1 regression result above, perceived role of government has a statistically significant positive coefficient of 0.099 at 5% significance level. Therefore, the researcher has sufficient statistical evidence to accept the alternative hypothesis stating low government's legitimacy, efficiency, and credibility having a significant factor for tax evasion, hence, the P- value is 0.000 which is less than 0.05 significant levels. This implies that there is a 0.099 unit increase in tax evasion for each unit and lower perceived role of government with respect to other factors held constant. This is in line with the findings of Amoah, Asuamah, & Amaning (2014) cited from McGee & Gelman (2008) and McGee, Aljaaidi, & Musaibah (2012) found that if the tax system is unfair and when the government abuses human rights, tax funds wind up in the pockets of corrupt politicians; tax evasion is more likely to be viewed as justifiable.

**H8A: The influence of the reference groups (that is friends and families) are positively and significantly correlated with tax evasion.**

According to table 4.4.1 regression result above, peer influence of tax evasion has a statistically significant positive coefficient of 0.100 at 5% significance level. Therefore, the researcher has sufficient statistical evidence to accept the alternative hypothesis stating taxpayers perceive that others are not paying their tax obligation properly. They also will not comply with the tax rules and regulations. If taxpayer's friends and relatives are not paying their tax liability and are not detected or penalized even after detection, other taxpayers will follow their system of not complying which has a significant factor for tax evasion, hence, the P- value is 0.001 which is less than 0.05 significant levels. This implies that there is 0.100 unit increase in tax evasion for each unit increase in peer influence on tax evasion with respect to other factors held constant. This is in line with the findings of Amoah, Asuamah, & Amaning (2014) and Alabede, Ariffin, & Idris (2011) who found that tax compliance in the group may result from group perceived that it is not fairly treated in respect to tax burden in relation to other groups.

**H9A: Younger age and tax evasion are positively and significantly correlated.**

According to table 4.4.1 above the regression result, younger age has a statistically significant positive coefficient of 0.094 at 5% significance level. Therefore, the researcher has sufficient statistical evidence to accept the alternative hypothesis stating younger ages has a significant factor for tax evasion, hence, the P- value is 0.000 which is less than 0.05 significant levels. This implies that there is a 0.099 unit increase in tax evasion for each unit increase (new young taxpayer added) with respect to other factors held constant. This is in line with the findings of Amoah, Asuamah, & Amaning (2014) found that people become more ethical as they get older.

**H10A: Males are tax evader tax than females.**

According to table 4.4.1 above the regression result, male has a statistically significant positive coefficient of 0.124 at 5% significance level. Therefore, the researcher has sufficient statistical evidence to accept the alternative hypothesis stating business men with less tax compliant has a significant factor for tax evasion, hence, the P- value is 0.000 which is less than 0.05 significant levels. This implies that there is 0.124 unit increase in tax evasion for each business manø join the business world. While other factors held constant. This is in line with the findings of Amoah, Asuamah, & Amaning (2014) cited from McGee (2005) found that ðí .male respondents were slightly opposed to tax evasion than were women.ö

**H11A: Limited tax knowledge have a positive and significant relationship with tax evasion.**

According to table 4.4.1 above the regression result, poor educational background has a statistically significant positive coefficient of 0.113 at 5% significance level. Therefore, the researcher has sufficient statistical evidence to accept the alternative hypothesis stating that taxpayers get poor knowledge with regard to the reasons why they are paying tax. This has a significant factor for tax evasion, hence, the P- value is 0.000 which is less than 0.05 significant levels. This implies that there is a 0.113 unit increase in tax evasion for each taxpayer's limited tax knowledge. While other factors held constant. This finding is in line with the findings of Amoah et al. (2014) cited from McGee and Tyler (2007) and Chau & Leung (2009) cited in (Jackson and Milliron, 1986) found that an all-encompassing compliance of taxes are directly related to better education.

Table 4.5.1 below illustrate that the summary result of hypothesis testing, hypothesis of H1A H2A H3A H4A H5A H6A H8A H9A H10A and H11A are accepted, that means tax rate, income level, probability of detection, penalty rate, complexity of tax system, perceived role of government, peer influence on tax evasion, age, gender and education are found to be significant determinants of tax evasion at 5% significance level. Hypothesis of attitude of tax evasion (H7A) were rejected.

**Table 4.5. 2: Summary of hypothesis testing**

Hypothesis	P-value	Expected Relationship	Result	Decision Accept/Reject
<b>H1A:</b> Higher tax rate encourages tax evasion positively and significantly.	0.004	Positive	Positive	Accept H1A
<b>H2A:</b> Income level has a positive significant relationship with tax evasion.	0.003	Positive	Positive	Accept H2A
<b>H3A:</b> Lower probability of detection through audit encourages tax evasion and have a positive significant effect.	0.000	Positive	Positive	Accept H3A

<b>Hypothesis</b>	<b>P-value</b>	<b>Expected Relationship</b>	<b>Result</b>	<b>Decision Accept/Reject</b>
<b>H4A:</b> Lower penalty have significant positive correlation with tax evasion.	0.012	Positive	Positive	Accept H4A
<b>H5A:</b> The complexity of the tax system significantly and having positive effect on tax evasion.	0.001	Positive	Positive	Accept H5A
<b>H6A:</b> Low perceived role of government's influence on taxpayers' compliance and significantly having a positive encouragement in tax evasion.	0.000	Positive	Positive	Accept H6A
<b>H7A:</b> Tax attitude and tax evasion are significantly and positively correlated.	0.306	Positive	Positive	Reject H7A
<b>H8A:</b> The influence of the reference groups (that is friends and families) are positively and significantly correlated with tax evasion.	0.001	Positive	Positive	Accept H8A
<b>H9A:</b> Younger age and tax evasion are positively and significantly correlated.	0.000	Positive	Positive	Accept H9A
<b>H10A:</b> Males are tax evader tax than females.	0.000	Positive	Positive	Accept H10A
<b>H11A:</b> Limited tax knowledge have a positive and significant relationship with tax evasion.	0.000	Positive	Positive	Accept H11A

## Chapter Five: Conclusion, recommendation and further research area

### 5.1 Conclusion

The objective of the study was to identify the determinants of tax evasion. Elven potential determinants of tax evasion were analyzed in this research; namely, tax rate, income level, probability of detection, penalty, complexity of tax system, perceived role of government, attitude of tax evasion, peer influence on tax evasion, age, gender and education.

From the qualitative data collected and the triangulation done by the researcher it is reached to the following conclusions about tax evasion. According to respondents, the tax being levied is not fair and equitable. As a result it reduces one's motivation for voluntary compliance. Respondents are also of the opinion that employees are the true tax payer while business peoples mostly do not comply. From the interview as well as the quantitative finding, awareness is a corner stone for enhanced voluntary compliance. To the respondents, legal enforcement and penalties by itself cannot ensure voluntary tax compliance behavior. It is as well seen from the responses of the staff that the complex tax system encourages tax evasion because taxpayers can identify the loopholes to escape from tax paying. The research also showed that attitude and peer influence has a positive effect on tax evasion.

The regression analysis of the dependent and independent variable showed that all the explanatory variables (tax rate (tr), income level (il), probability of detection (pd), penalty rate (pr), complexity of tax system (cts), perceived role of government (prg), attitude of tax evasion (ate), peer influence on tax evasion (pite), age, gender and education factors) explained the tax evasion (te). And also almost all explanatory variables were statistically significant for tax evasion except attitude of tax evasion (ate).

Normality, multi-collinearity, heteroscedacity and auto-correlation test of models are conducted. The assumption of ordinary least square (OLS) is satisfied with the above tests. Therefore, the study revealed that almost all factors identified in the objectives has played key role in the tax evasion.

### 5.2 Recommendation

Tax rates which are considered as high and unfair are discouraging to taxpayers. Tax authorities and other responsible parties need to analyze the current tax system. The research findings has showed that the tax authority has to work more on awareness raising to the taxpayers focusing on the purpose of collecting taxes, how they are calculating and on what they are invested in.

If taxpayers understand all these and other related concepts through awareness and capacity development programs, it will eliminate the negative perception on tax and at the same time it will increase tax compliance.

The branch office requires a strong and fair tax evaluation system and good audit coverage at all levels that should control the customers are pay, the right tax extent at the right time, with the minimum administrative and compliance cost for both the tax office and customers. At the same time, high probability of early detection will promote compliance with taxes and prohibit tax evasion.

The tax authority has to ensure penalties to tax defaulters and made official to public. This helps to create awareness among the taxpayers and encourage voluntary compliances.

Tax authorities should need to have a comprehensive and straightforward approach to improve tax compliance. This means that authorities need to establish easy and understandable tax laws. As the result, tax laws must be simple, easy to understand, indeed it has an indispensable effect to remove any confusing loopholes that give room for different interpretation.

In compliance with tax laws, the influence of reference groups meaning friends and family members are important. Therefore, awareness raising on personal compliance and educating about the benefit and importance of voluntary compliance to the entire society will help to minimize the negative attitudes of families and friends. This will in turn, help to improve tax compliance.

The tendency to evade tax by taxpayers because of the employee of the branch office are incapable to investigate all income reported by taxpayer. So, the branch office should improve the efficiency of the provision of services to taxpayers. In order to create an efficient tax administration by the branch office, it must capacitate its employee through education and training, computing and supporting the system's operations and allocating additional resources.

### 5.3 Area of further research

The researcher suggests that interested researchers can add more variables to the model, which are expected to affect tax evasion, with the same title. Another possible research would be to increase and incorporate taxpayers of categories "A" and "B" into the population, increasing the sample size and then conduct a comparative study between taxpayers.

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## Appendixes

Questionnaire (English and Amharic versions)

**Addis Ababa University**

**School of Business and Economics**

**Department of Accounting & Finance**

Dear Respondents,

This study is entitled *Determinants of Tax Evasion: the Case of Bole Sub City Category “A” Taxpayers Ethiopian Revenue & Customs Authority Branch Office*. It is conducted by Endashaw Demle in partial fulfilment of the requirements for the Master’s Degree in Accounting & Finance at Addis Ababa University. Its main objective is to identify and understand the determinants of tax evasions.

The purpose of this questionnaire is to obtain your perceptions and views regarding various aspects of determinants of tax evasion. Therefore, there is not right or wrong answer.

The information provided is purely for academic purpose and strictly confidential. In order to accomplish this study, you are kindly request to answer every question; your kind cooperation is highly appreciated.

I thank you very much in advance for your cooperation.

Researcher’s Name: Endashaw Demle

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## Questioners

### Section I: Background information

Please tick (✓) where appropriate

1) Gender: Male

Female

2) Age (in years): \_\_\_\_\_

3) Marital Status: Single

Married

Divorced

4) Educational Level:

Below Secondary School

Complete Secondary School

Diploma

Degree

Master's Degree

Above Master's Degree

5) Your status/position in the business company:

Owner

Manager

Owner and Manager

Employee

6) What is your main business activity?

Import

Export

Wholesale Trade

Retail Trade

Construction

Services

Manufacturing

## Section II

Kindly respond to the following statements to indicate your opinion to each of the statements. (Please tick one box on a 5 point scale for each statement.)

Variables	Questions related with each variable	Strongly disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly agree (5)
<b>Tax Evasion</b>	1. The expansion of tax evasion will increase the amount of resources accumulated by the individuals.					
	2. The expansion of tax evasion will reduced the amount of public services supplied by the government.					
	3. Tax evasion has a negative consequences for economic growth of a country.					
	4. Tax evasion lead the government to unnecessary debt to bridge the fiscal gap.					
<b>Tax Rate</b>	5. In general, business tax rate imposed in category "A" tax payer are fair.					
	6. Tax payers evade tax if tax rates are too high.					
	7. The tax rate is unfair which enhances tax evasion.					
<b>Income Level</b>	8. Considering your ability to pay the amount of tax liability you have paid increased year to year.					
	9. Tax payers with higher business income are more evasive.					

	10. Tax payers with smaller business income are more evasive.					
<b>Probability of detection</b>	11. Tax payers might not be evade tax if the probability of detection is high.					
	12. The tax administration office has the capability to investigate all income reported by the tax payers.					
	13. Tax evasion is habitual if probability of getting caught is low.					
<b>Penalty rate</b>	14. If penalty rate is high, there is no possibility that tax payers evade tax.					
	15. A good legal enforcement practice increase your tendency on tax compliance.					
	16. Tax payers who have an awareness of penalties for tax evasion are more compliant.					
	17. The penalty that taxpayers have paid in the past, it affects the liability of tax that will paid in the next.					
<b>Complexity of tax system</b>	18. Complexity of tax system create an obstacle to comply the tax law.					
	19. Tax administration system in the authority is consistent with each other across years.					
	20. Other professionals are required to assist in formulating tax liabilities due to unclear treatment of tax systems.					

	21. If tax laws are easy to understand it encourages tax compliance.					
<b>Perceived role of government</b>	22. If the government spends too much tax revenue on unnecessary welfare assistance it encourages tax evasion.					
	23. If peoples are getting comparable public services from the government for they tax paid, it enhance taxpayer's compliance.					
	24. If tax payer's perceptions of tax fairness increases, the level of tax evasion will also decrease.					
<b>Attitude of tax evasion</b>	25. A good political system has positive impact on tax payer's attitude towards to avoid the tax evasion.					
	26. Tax payer's behavior towards the general level of tax evasion is dependent on the desirability of the government program.					
	27. Paying tax is my own responsibility.					
	28. Taxpayers might not be evade tax because of fear of punishments.					
	29. If the tax law should be respected it discourages the attitude of tax evasion.					
	30. If the noncompliance of other taxpayers have a negative impact on compliant tax payer behavior.					

<b>Peer influence of tax evasion</b>	31. If my friends action that affect my decision to reduce tax liability.					
	32. If one taxpayer are penalized due to tax evasion that affects others not to evade tax.					
<b>Age</b>	33. If young taxpayers are more willing to take risks, it has more sensitive to tax evasion.					
<b>Gender</b>	34. Females are more likely to comply tax compliance than men.					
<b>Education</b>	35. The government conducted awareness creations to the tax payers about the impact of tax evasion in the country economy.					
	36. I know all what is required from me in respect of my business obligations, this helps to comply tax compliance.					
	37. Having of good tax knowledge that encourages tax compliance.					

❖ **Is there anything to add in relation to determinants of tax evasion?** \_\_\_\_\_

\_\_\_\_\_.

**THANK YOU FOR TAKING TIME TO PARTICIPATE IN THIS SURVEY.**

**CONFIDENTIALITY: The views expressed in the completed questionnaire will be treated in the strictest confidence. Any information identifying the respondents will not be disclosed.**

# ቢዝነስ እና ኢኮኖሚክስ ኮሌጅ አካውንቲንግ እና ፋይናንስ ትምህርት ክፍል

ውድ የተከበራችሁ ምላሽ ሰጪዎች

ይህ ጥናት የግብር ማጭበርበር ወሳኝ ገላጭች በቦሌ ክፍለ ከተማ ደረጃ "ሀ" ግብር ከፋዮች በኢትዮጵያ ገቢዎችና ጉምሩክ ባለስልጣን ቅርንጫፍ ጽ/ቤት የሚል አርዕስት ሲኖረው ፤ አጥኚው እንዳሻው ደምሌ በአዲስ አበባ ዩኒቨርሲቲ አካውንቲንግ እና ፋይናንስ ትምህርት ክፍል የሁለተኛ ዲግሪ ተማሪ ነው። ይህ ጥናት የሁለተኛ ዲግሪ ማሙያ ተደርጎ ይወሰዳል።

ዋነኛው የዚህ ጥናት ዓላማ የግብር ከፋዮችን ተፅእኖዎችን መለየት ፣ መረዳት እና የግብር ከፋዮችን ተፅእኖዎች ተዛማችነታቸውን ማወቅ ነው። ስለዚህም ትክክል ወይም የተሳሳተ መልስ የለም።

ይህ ጥናት ትምህርታዊ ለሆነ አገልግሎት ብቻ የሚውል ሲሆን ፤ የእርስዎ ሀሳብ እና አስተያየት ለጥናቱ በጣም አስፈላጊ እና ከፍተኛ ክብር የሚሰጠው ሲሆን በሚሰጥም የሚያዝ ይሆናል። በዚህ መጠየቅ ላይ መሳትፍ በፈቃደኝነት ላይ የተመረከዘ ነው። ስለዚህ ይህን አጠር ያለ መጠየቅ በጥንቃቄ እንዲሞሉ በትህትና እና በላቀ አክብሮት እጠይቃለሁ። ጥራት እና ብዛት ያለው መረጃ በመስጠትዎ ለጥናቱ ተአማኝነት የበኩሎን ሚና ይጫወታሉ።

በመጨረሻም ተሳታፊዎች የጥናቱን ግኝት ጠቅላላ መግለጫ ቢጠይቁ አጥኚው ጥናቱን ከጨረሰ በኋላ ሊያገኙ ይችላሉ።

ለሚያደርጉት የላቀ ትብብር እና ፈጣን ምላሽ በቅድሚያ አመሰግናለሁ።

ለተጨማሪ መረጃ እንዳሻው ደምሌ በሚከተለው አድራሻ ማግኘት የችላሉ።

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## መጠይቅ

### ክፍል 1 የግል መረጃዎችን በተመለከተ

እባክዎ ከመጠይቆቹ አጠገብ ካባሉት ሳጥኖች የሚሰማሙበትን ምልክት ያድርጉ

1. ያታ : ወንድ  ሴት

2. ዕድሜ : \_\_\_\_\_

3. የትዳር ሁኔታ : ያላገባ/ች  ያገባ/ች  የፈታ/ች

4. የትምህርት ደረጃ :

ሁለተኛ ደረጃ በታች  ሁለተኛ ደረጃ ያጠናቀቀ/ች  ዲፕሎማ

የመጀመሪያ ዲግሪ  ሁለተኛ ዲግሪ  ሁለተኛ ዲግሪ በላይ

5. በድርጅቱ ውስጥ ያለዎት የሥራ ድርሻ:

ባለቤት  ስራ አስኪያጅ

ባለቤት እና ስራ አስኪያጅ  ሰራተኛ

6. የድርጅቱ ዋና የንግድ እንቅስቃሴ:

አስመጪ  ላኪ  በጅምላ ንግድ

ችርቻሮ ንግድ  ግንባታ  አገልግሎት

## ክፍል 2

በእያንዳንዱ መጠይቅ ላይ አስተያየትዎን እንዲያሳዩ እና በቅንነት ምላሽ እንዲሰጡ በአክብሮት እጠይቃለሁ። (በእያንዳንዱ መጠይቅ 5 ምርጫ ሲኖረው እባክዎን የሚሰማዎትን መልስ አንዱ ሳጥን ላይ ብቻ (✓) ምልክት ያድርጉ።)

ገላጭ	ከእያንዳንዱ ገላጭ ጋር የተዛመዱ ጥያቄዎች	በእጅግ አልሰማማም (1)	አልሰማማም (2)	ገለልተኛ ነኝ /አይመለከተኝም (3)	እስማማለሁ (4)	በእጅግ እስማማለሁ (5)
ታክስ ስወራ	1. የግብር ስወራ መስፋፋት የግለሰቦችን ሀብት የሚያሳድግ ነው።					
	2. የግብር ስወራ መስፋፋት በመንግስት የሚሰጡ የህዝብ አገልግሎቶችን ያቀጭጫል።					
	3. ግብር መሰወር በአገር የኢኮኖሚ ዕድገት ላይ አሉታዊ ተጽእኖዎችን ይፈጥራል።					
	4. በታክስ ስወራ ምክንያት መንግስት የበጀት ክፍተትን ለመሙላት ወዳልተፈለገ ብድር ያመራል።					
የግብር ተመን	5. በአጠቃላይ በደረጃ "ሀ" ግብር ከፋይዎች የሚከፈል የንግድ ግብር ቀረጥ ፍትሃዊ ነው።					
	6. የግብር ቀረጥ በጣም ከፍተኛ ከሆነ ግብር ከፋዮች ግብር መሰወር አለባቸው።					
	7. የግብር ቀረጥ ፍትሃዊ ያልሆነ ከሆነ ግብር ስወራን ያበረታታል።					
የገቢ ደረጃ	8. የሚከፍሉት ግብር የመክፈል አቅምዎን ከግምት በማስገባት ከዓመት ወደ ዓመት እየጨመረ ነው።					
	9. ከፍተኛ የንግድ ትርፍ ያላቸው ግብር ከፋዮች ግብርን ይበልጥ ይሰውራሉ።					
	10. አነስተኛ የንግድ ትርፍ ያላቸው ግብር ከፋዮች ግብርን ይበልጥ ይሰውራሉ።					

የመጋለጥ እድል	11. ግብርን አለመክፈል የመታወቅ እድሉ ከፍተኛ ከሆነ ግብር ከፋዮች በትክክል እንዲከፍሉ ያበረታታል።					
	12. የታክስ አስተዳደር ቢሮ የተመዘገበውን ገቢ ሁሉ ለመመርመር የሚያስችል አቅም አለው።					
	13. በግብር አስተዳደሩ በኩል የመገኘት እድሉ ዝቅተኛ ከሆነ ግብርን መሰወር ትክክለኛ ነው።					
የቅጣት መጠን	14. የቅጣት መጠን ከፍተኛ ከሆነ በግብር ከፋዮች ዘንድ ግብር መሰወር አይኖርም።					
	15. መልካም የህግ አፈጻጸም ልምዶች የእርስዎን ለህግ ተገዢነት ያለዎትን ዝንባሌ ይጨምራል።					
	16. ግብር ከፋዮች ግብር መሰወር የሚያመጣውን ቅጣት ካወቁ ግብር አይሰውሩም።					
	17. ቀደም ባሉት ጊዜያት ግብር ከፋዩ የከፈለው የቅጣት መጠን በቀጣዩ በሚከፈል የግብር እዳ ላይ ተፅእኖ ይኖረዋል።					
የግብር ስርዓት ውስብስብነት	18. የግብር ሥርዓቱ ውስብስብ መሆን የግብር ግዴታን እንዳልወጣ እንቅፋት ይሆናል።					
	19. የባለስልጣኑ የግብር ስርዓት አስተዳዳሪ በሁሉም ዓመታችን ላይ ተመሳሳይነት አለው።					
	20. የግብር ስርዓቱ ግልጽ ባለመሆኑ ምክንያት ከግብር ጉዳዮች ጋር በተያያዘ የሌሎች ባለሙያዎች እርዳታ ያስፈልጋል።					
	21. የግብር ህጎች ለመረዳት ቀላል ቢሆኑ የግብር ስወራን ይቀንሳል።					
ከመንግሥት የተገኙ ሚናዎች	22. መንግሥት ከግብር ከፋዩ የሰበሰበውን ግብር አላስፈላጊ ለሆኑ ዘርፎች ድጋፍ ቢያደርግ የግብር ስወራን ያበረታታል።					
	23. ህዝቦች ለሚከፍሉት ግብር ከመንግሥት ተገቢውን አገልግሎት ቢያገኙ የግብር ስወራን ያጠፋል።					
	24. በግብር ከፋዩ አመለካከት የግብር ፍትሃዊነት የተስተካከለ ከሆነ የግብር መሰወር ደረጃም እየቀነሰ ይሄዳል።					

የግብር ስወራ ዝንባሌ	25. ጥሩ የፖለቲካ ስርአት ካለ በግብር ስወራ ዝንባሌ ላይ ግብር ከፋዮች አዎንታዊ ተፅእኖ ይፈጥርባቸዋል።					
	26. በአጠቃላይ የግብር ስወራ ደረጃ ላይ የግብር ከፋይ ባህሪው በመንግስት ፕሮግራም አስፈላጊነት ላይ የተመሰረተ ነው።					
	27. ግብር መክፈል የእኔ ኃላፊነት ነው።					
	28. ግብር ከፋዮች ቅጣትን በመፍራት ነው ግብርን የማይሰውሩት።					
	29. የግብር ህግን ማክበር የግብር ስወራ ዝንባሌን አያበረታታም።					
የአቻ ተጽእኖ በግብር ስወራ ላይ	30. የግብር ህጎች በሌሎች ግብር ከፋዮች አለመክበር በእውነተኛ ግብር ከፋዮች ላይ አሉታዊ ተፅእኖ ይፈጥራል።					
	31. የዘመድ አዝመዶቼ ተፅዕኖዎች የኔን የግብር ግዴታዬን ለመቀነስ ያደረግሁትን ውሳኔ ይለውጣል።					
	32. የአንዱ ግብር ከፋይ ቅጣት ሌላኛው ግብር ከፋይ ላይ ተፅእኖ ያመጣል።					
ዕድሜ	33. በወጣትነት እድሜ ላይ ያሉ ግብር ከፋዮች ደፋር በመሆናቸው ለግብር ስወራ ይበልጥ የተጋለጡ ናቸው።					
ፆታ	34. ሴቶች ከወንዶች በበለጠ የግብር ግዴታቸውን የመወጣት እድላቸው ከፍተኛ ነው።					
ትምህርት ዕውቀት /	35. መንግሥት በአገሪቱ ኢኮኖሚ ውስጥ የግብር ስወራ የሚያስከትለውን ተፅዕኖዎችን በተመለከተ ለግብር ከፋዩ የግንዛቤ ማስጨበጫዎችን ሰጧል።					
	36. በእኔ የሥራ ግዴታዎች ረገድ ከእኔ የሚጠበቀውን ሁሉ አውቃለሁ፤ ይህ ደግሞ ግብር እንድከፍል ያበረታታኛል።					
	37. ጥሩ የግብር ዕውቀት ያለው ግብር መክፈልን ያዳብራል።					

❖ ተጨማሪ ሃሳብ ካለዎት እባክዎ ይግለጹ።

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በዚህ መጠይቅ ውስጥ ለመሳተፍ ውድ ጊዜዎትን በመሰዋት ላሳዩት ፈቃደኝነት እጅግ አመሰግናለሁ።

ምስጢራዊነት በተመለከተ-በተጠናቀቀው መጠይቅ የተገለፁት አስተያየቶች ጥብቅ በሆነ ቁርኝት ይታያሉ፤ ምላሽ ሰጪዎቹን ለይቶ የሚያሳይ ማንኛውም መረጃ አይገለጽም።

Raw Data

Background							Dependent Variable	Independent Variable										
S.No	sex	Age group	Marital status	Educational level	Position of respon.	Business activity	TE	TR	IL	PD	PR	CTS	PRG	ATE	PIT E	Age	Gender	Education
1	0	26	0	4	3	1	4	4	3	4	4	3	5	4	3	5	5	5
2	0	25	0	4	4	1	3	3	3	4	3	2	3	3	4	1	1	2
3	0	28	1	4	4	1	3	4	3	3	3	4	4	4	3	2	3	4
4	0	24	0	4	4	1	3	3	4	3	3	5	3	4	4	2	4	3
5	0	30	0	4	4	1	4	5	3	4	5	5	4	4	4	4	5	5
6	1	28	0	5	4	1	4	3	3	4	5	4	4	4	3	5	2	3
7	1	46	0	2	2	1	3	3	3	3	3	4	3	4	3	3	4	4
8	0	26	1	4	3	2	3	3	1	2	4	4	4	5	2	1	5	4
9	1	28	0	4	3	5	3	4	3	2	4	4	4	4	3	4	1	5
10	1	51	1	5	3	5	3	4	4	5	3	5	4	3	4	3	3	2
11	1	35	1	3	4	5	3	3	4	2	2	4	2	4	3	5	2	3
12	1	40	0	4	4	5	4	5	3	4	5	5	5	5	4	4	4	3
13	1	33	1	3	1	3	4	4	3	4	5	4	5	4	4	1	2	5
14	0	29	0	3	1	4	3	2	2	2	4	4	2	3	3	1	4	5
15	1	22	0	3	2	4	4	3	4	5	5	5	5	5	5	4	4	5
16	1	47	1	3	1	4	4	3	3	4	4	5	5	5	4	5	5	4
17	0	25	0	4	3	4	4	5	5	4	4	4	3	4	3	4	4	4
18	1	28	0	4	4	4	4	2	4	4	4	4	4	4	4	2	4	5
19	1	30	1	2	4	6	4	4	4	3	3	4	3	4	4	5	5	4
20	1	45	1	5	4	6	4	3	4	4	4	3	4	4	4	5	5	4
21	0	33	1	4	4	6	5	5	4	4	5	5	5	4	5	5	5	4
22	0	40	0	2	4	6	4	4	2	3	5	5	5	4	2	4	2	4
23	1	38	1	1	1	6	3	4	3	5	4	4	4	3	3	2	2	3
24	1	43	1	4	1	6	3	2	2	2	2	4	5	5	2	3	5	5
25	0	35	1	5	4	6	3	4	3	2	4	3	4	4	3	4	4	3
26	1	32	1	5	3	6	4	3	3	3	4	5	3	4	4	4	4	3

S.No	sex	Age group	Marital status	Educational level	Position of respon.	Business activity	TE	TR	IL	PD	PR	CTS	PRG	ATE	PIT E	Age	Gender	Education
27	1	28	0	3	4	6	3	4	3	4	4	4	3	4	3	2	4	4
28	0	25	0	3	4	6	4	3	3	4	4	4	3	4	4	4	4	3
29	1	56	1	1	1	6	4	4	4	4	4	4	3	4	3	4	4	3
30	1	35	0	5	3	6	3	4	3	3	4	3	4	3	3	4	4	3
31	1	30	0	4	4	1	4	4	4	3	4	5	4	4	4	5	3	4
32	0	35	1	2	1	4	4	3	3	3	4	4	5	4	4	3	5	4
33	1	32	1	5	3	5	4	3	4	5	4	5	5	3	3	1	3	3
34	1	40	0	4	3	5	3	4	3	3	4	4	3	5	3	4	4	3
35	0	30	1	4	1	1	3	4	2	4	4	4	4	4	2	2	2	4
36	1	37	0	2	1	4	3	5	3	2	4	4	1	2	2	1	1	5
37	0	30	1	4	2	1	4	4	1	4	5	4	5	4	4	3	5	4
38	1	31	1	3	3	1	3	2	2	4	3	4	2	3	5	2	5	3
39	1	48	1	3	4	1	3	4	3	3	4	3	3	4	3	3	3	3
40	1	25	0	4	2	5	3	4	3	3	4	3	4	3	3	2	4	3
41	0	31	0	4	3	1	4	2	3	2	4	5	5	5	4	5	5	3
42	1	40	1	3	4	1	4	2	2	3	4	4	4	4	3	4	4	4
43	0	26	1	4	1	1	3	3	3	4	4	4	4	4	3	2	4	3
44	0	27	1	1	4	1	3	4	3	3	5	4	3	3	2	4	2	4
45	1	32	0	4	2	7	3	4	4	4	4	4	5	3	3	1	1	3
46	1	30	0	2	1	1	3	4	3	3	4	4	4	4	4	4	2	4
47	1	29	1	2	2	1	3	2	3	4	4	4	4	4	3	1	1	4
48	0	28	0	4	4	1	3	3	3	3	4	4	4	4	3	2	4	4
49	0	36	1	5	4	1	4	3	2	5	4	4	4	4	3	1	5	4
50	0	33	0	4	4	6	3	3	2	4	4	4	3	3	2	2	1	5
51	1	22	0	4	4	4	3	3	3	3	3	4	3	3	3	2	2	4
52	0	24	0	4	2	6	4	3	3	2	5	4	5	4	4	5	5	4
53	1	42	1	3	1	5	4	4	5	5	4	4	4	3	2	4	4	3
54	1	36	1	4	4	1	3	4	2	4	4	3	3	4	3	2	2	4
55	1	42	1	4	2	5	3	3	3	1	5	4	4	4	4	5	4	2
56	1	62	1	4	2	1	3	4	3	3	4	3	2	4	4	4	4	3

S.No	sex	Age group	Marital status	Educational level	Position of respon.	Business activity	TE	TR	IL	PD	PR	CTS	PRG	ATE	PIT E	Age	Gender	Education
57	0	32	1	4	3	4	4	2	2	1	5	4	5	4	4	5	5	4
58	0	23	0	4	4	1	4	3	3	3	4	4	4	3	4	5	3	3
59	1	28	1	4	1	5	3	4	3	3	4	3	5	3	3	5	2	2
60	1	32	1	1	4	3	3	3	4	2	5	3	4	3	4	1	5	3
61	1	40	0	1	3	4	3	3	2	3	4	3	5	4	2	3	5	4
62	0	27	0	3	4	5	4	3	2	2	5	4	4	4	3	3	5	5
63	1	48	1	4	4	6	3	3	3	4	4	3	2	2	2	4	4	4
64	1	49	1	4	4	3	3	1	3	1	4	3	5	4	3	2	2	4
65	1	34	1	2	1	4	4	3	3	3	4	4	4	4	4	4	2	4
66	0	27	0	4	3	5	3	3	2	3	4	3	4	4	4	3	4	3
67	1	31	1	3	1	6	4	2	3	4	5	4	5	5	5	5	5	5
68	1	34	1	4	1	6	4	4	4	3	3	5	4	4	4	2	2	5
69	1	33	0	3	2	5	3	4	4	2	3	3	1	3	2	4	4	4
70	1	38	0	5	1	3	3	2	2	1	2	4	4	3	2	1	5	4
71	1	54	1	3	4	6	3	3	3	3	4	4	3	4	3	2	2	3
72	0	27	1	4	4	6	3	3	1	4	3	2	4	3	1	1	5	4
73	1	29	0	4	3	5	4	4	3	3	4	4	5	4	4	5	4	3
74	1	47	1	4	1	1	4	3	3	4	4	4	4	4	4	4	4	4
75	1	39	0	2	1	6	3	4	3	3	4	3	3	3	2	1	2	4
76	1	50	1	2	1	1	4	2	4	3	4	5	4	4	4	4	4	4
77	0	25	0	4	4	6	3	4	3	3	4	4	4	4	3	1	5	3
78	0	27	1	4	1	4	3	3	3	3	4	4	3	3	3	2	4	3
79	0	25	0	4	4	3	4	4	3	4	4	5	4	4	3	3	3	4
80	0	25	1	3	4	1	3	3	3	2	2	1	2	3	3	1	5	4
81	1	32	0	4	1	4	3	3	2	3	3	2	3	2	2	4	4	3
82	1	28	0	3	4	1	4	3	3	4	3	4	3	4	3	4	4	4
83	0	29	1	4	1	3	4	3	3	3	4	5	4	4	5	5	5	4
84	0	26	1	4	2	4	3	1	2	4	4	4	5	4	4	1	1	3
85	1	34	1	4	4	4	3	3	3	4	5	4	4	4	3	2	2	2
86	1	27	0	4	4	1	4	4	3	2	4	5	4	5	4	5	4	3

S.No	sex	Age group	Marital status	Educational level	Position of respon.	Business activity	TE	TR	IL	PD	PR	CTS	PRG	ATE	PIT E	Age	Gender	Education
87	1	40	1	4	3	6	4	5	4	5	3	5	5	3	3	4	4	4
88	1	46	1	5	3	1	3	3	3	3	3	4	3	3	4	4	3	3
89	1	38	1	3	4	5	3	3	3	2	4	3	4	3	3	4	4	3
90	1	60	1	3	3	6	4	2	5	4	5	3	4	3	4	5	1	4
91	0	28	1	5	1	5	4	4	4	4	5	4	5	4	5	5	5	4
92	0	23	0	4	4	4	4	3	2	3	3	5	5	4	4	5	5	4
93	0	29	1	4	4	4	4	4	3	4	4	4	5	4	4	4	5	5
94	0	38	1	2	4	6	4	4	3	3	3	4	4	4	4	5	2	4
95	1	60	1	2	4	6	3	4	4	2	3	3	4	3	3	1	4	4
96	1	26	0	3	1	5	3	3	2	4	3	3	4	4	3	1	1	3
97	1	26	1	1	1	4	3	3	3	2	4	3	3	3	3	4	5	5
98	1	33	1	5	2	6	2	2	2	2	3	2	3	2	2	1	1	2
99	1	26	0	4	3	6	3	3	3	3	4	4	3	4	3	3	3	5
100	0	34	1	4	1	1	4	3	4	3	4	5	4	3	4	3	4	4
101	1	36	0	4	1	5	4	4	3	3	3	4	4	4	4	4	4	3
102	1	57	1	1	2	5	3	3	4	2	5	5	4	3	2	2	2	3
103	0	25	0	4	3	4	4	4	3	4	3	4	4	4	4	3	5	3
104	0	28	1	4	4	5	3	2	3	2	3	4	4	4	4	2	2	3
105	0	23	0	4	2	6	3	2	3	3	3	3	3	3	3	2	2	4
106	1	32	0	2	4	5	4	4	5	3	4	4	5	4	5	5	2	5
107	1	33	1	4	3	1	4	4	3	3	4	4	4	4	4	4	4	3
108	1	36	1	4	1	4	3	3	4	4	4	4	4	4	3	2	3	4
109	1	23	0	4	1	4	3	3	3	3	4	4	3	4	4	2	4	3
110	1	40	1	4	2	6	4	4	3	3	4	4	3	4	4	3	3	3
111	1	28	1	4	3	4	4	3	4	4	5	4	5	4	4	5	2	4
112	0	23	1	1	4	4	3	4	2	2	3	3	1	3	3	2	2	3
113	1	42	1	4	4	5	4	3	3	3	4	4	4	4	5	3	5	5
114	0	28	1	2	2	4	3	3	4	3	4	4	5	3	3	4	1	3
115	1	45	0	2	4	5	3	3	3	3	4	3	4	3	2	2	4	4
116	1	30	0	5	1	1	3	3	3	4	4	4	4	4	3	3	3	4

S.No	sex	Age group	Marital status	Educational level	Position of respon.	Business activity	TE	TR	IL	PD	PR	CTS	PRG	ATE	PIT E	Age	Gender	Education	
117	1	25	0	4	4	4	3	4	2	4	4	3	5	3	3	3	2	3	
118	1	27	0	4	1	5	4	4	3	4	4	4	5	5	4	2	2	3	
119	1	36	0	3	4	6	4	3	4	3	4	4	5	4	3	4	4	4	
120	0	38	1	3	4	1	4	3	3	4	4	4	3	3	3	3	5	3	
121	1	62	1	4	1	1	3	2	2	3	4	2	4	4	4	4	4	3	
122	1	45	1	4	1	5	4	4	3	4	5	4	5	4	4	4	1	5	3
123	0	50	1	2	1	6	4	2	3	5	5	5	5	4	4	4	3	4	4
124	1	35	0	3	4	5	4	1	3	3	5	4	4	5	4	4	5	4	4
125	1	32	0	4	3	4	3	4	4	4	4	4	3	4	4	4	2	3	3
126	1	42	1	2	4	1	4	3	3	4	4	4	5	4	3	4	5	3	3
127	1	45	1	2	4	1	3	2	2	5	4	4	4	4	3	4	4	4	3
128	0	32	0	4	4	1	4	2	3	4	4	3	4	3	4	5	5	3	3
129	0	29	1	4	3	4	3	4	2	4	4	5	5	5	4	1	1	4	4
130	1	35	0	4	4	1	4	4	4	4	5	4	4	4	4	4	5	2	4
131	1	34	1	2	3	6	4	3	2	4	4	4	4	3	5	5	2	3	3
132	1	32	0	4	1	4	4	4	3	4	4	4	4	3	4	3	4	4	4
133	1	35	1	4	2	4	4	4	2	2	5	5	3	4	3	5	3	4	4
134	0	55	1	4	3	6	3	2	2	3	5	5	4	4	4	2	2	3	3
135	1	34	0	3	1	1	4	4	3	3	4	3	3	4	3	4	4	4	4
136	1	30	0	2	1	1	4	4	4	4	5	4	3	4	4	3	4	4	4
137	1	34	0	3	4	4	4	3	4	4	5	4	4	5	4	4	4	4	3
138	1	35	1	4	3	5	4	3	3	3	5	4	5	4	4	2	4	4	4
139	0	28	1	2	3	5	4	3	4	3	4	4	3	4	3	2	5	5	5
140	0	38	1	3	3	6	2	3	4	2	4	1	1	2	2	1	4	2	2
141	0	24	0	4	2	1	3	3	2	3	3	3	3	3	3	5	3	3	3
142	1	23	0	4	1	5	3	3	3	3	4	3	2	3	4	1	2	4	4
143	1	40	0	3	4	6	4	2	3	3	4	4	5	4	4	4	4	4	4
144	1	47	1	2	3	5	4	3	4	4	4	4	2	4	4	2	5	5	5
145	1	35	0	3	1	5	3	3	3	2	5	3	4	4	3	2	2	3	3
146	1	42	1	1	1	4	3	4	4	3	4	4	2	3	2	4	2	2	2

S.No	sex	Age group	Marital status	Educational level	Position of respon.	Business activity	TE	TR	IL	PD	PR	CTS	PRG	ATE	PIT E	Age	Gender	Education
147	0	26	0	5	4	6	4	3	3	2	4	4	3	4	4	4	4	3
148	0	28	1	3	4	6	4	5	3	4	5	3	5	5	4	2	5	3
149	1	35	0	2	4	6	3	3	3	3	4	3	3	3	3	2	2	4
150	0	24	1	3	4	1	4	4	3	3	4	3	4	4	3	4	5	4
151	1	34	0	4	4	4	3	4	3	4	4	4	4	4	4	4	1	3
152	1	36	1	4	4	5	3	4	3	2	3	2	3	3	3	4	3	3
153	1	31	0	4	1	6	4	4	3	2	5	4	5	4	3	1	4	4
154	1	42	0	3	1	4	3	3	3	3	4	3	4	4	4	2	2	3
155	1	33	0	4	1	6	4	3	2	3	5	4	5	4	4	2	4	3
156	0	23	0	4	4	5	3	3	3	2	3	3	3	3	3	3	3	3
157	0	26	0	4	4	6	3	4	3	3	5	3	5	4	3	2	2	4
158	0	28	0	4	2	5	4	3	3	4	4	4	4	4	4	2	4	5
159	1	36	1	4	1	5	3	4	3	3	4	3	4	4	4	2	4	3
160	0	35	1	5	4	6	3	4	1	2	3	3	4	4	1	1	3	4
161	0	24	1	4	1	6	4	2	4	4	4	3	3	4	4	4	4	4
162	1	33	1	4	3	5	3	3	3	3	4	4	3	4	3	1	4	4
163	1	40	1	5	2	5	3	3	2	3	4	4	3	4	3	2	2	3
164	0	45	1	4	2	6	4	4	3	1	4	5	5	4	4	5	5	5
165	1	44	1	3	3	5	3	4	4	2	4	3	2	3	3	1	4	3
166	0	37	1	4	4	1	4	4	4	3	4	4	5	4	3	4	4	3
167	1	34	0	4	1	6	3	2	2	2	4	4	4	4	4	4	3	3
168	1	26	0	4	1	1	4	3	3	4	5	5	4	5	4	2	5	4
169	1	24	0	4	2	6	3	3	3	2	3	3	3	4	3	2	4	4
170	1	48	0	2	3	6	4	4	4	3	4	5	4	3	3	4	5	4
171	0	30	1	4	4	6	3	3	2	3	3	3	2	3	3	2	3	2
172	0	26	0	4	4	6	3	4	3	3	4	4	3	4	2	2	5	3
173	1	33	1	5	1	6	4	4	4	4	4	4	4	4	4	2	4	3
174	0	23	0	4	4	6	3	3	2	3	4	4	4	4	3	2	2	3
175	1	30	0	4	4	1	3	3	3	3	4	3	3	4	3	4	4	3
176	0	31	1	4	4	6	4	4	3	2	4	3	4	4	4	3	4	4

S.No	sex	Age group	Marital status	Educational level	Position of respon.	Business activity	TE	TR	IL	PD	PR	CTS	PRG	ATE	PIT E	Age	Gender	Education
177	1	29	0	3	4	4	4	3	2	2	4	4	5	4	3	4	3	4
178	0	35	1	5	3	6	3	3	3	2	4	5	4	4	3	3	4	3
179	1	34	1	5	3	6	3	4	5	4	3	1	2	2	1	1	1	4
180	0	35	1	5	4	6	4	3	4	2	4	4	4	4	4	5	4	2
181	0	24	0	4	3	6	4	4	3	4	4	4	5	4	4	4	3	4
182	0	50	1	4	4	1	4	4	3	4	5	5	5	4	4	4	4	4
183	1	28	0	3	1	6	3	2	3	4	3	4	4	4	3	1	3	4
184	1	38	1	4	3	6	4	3	3	5	5	4	5	4	3	1	4	5
185	0	32	1	1	4	4	4	3	3	3	3	4	5	4	4	2	5	3
186	1	32	1	4	4	4	3	2	2	2	2	5	5	4	4	3	4	3
187	1	35	1	5	1	6	4	4	4	4	5	4	4	4	4	2	4	4
188	1	32	1	1	4	1	3	3	3	3	3	3	4	4	2	4	3	2
189	1	45	1	3	4	6	3	4	4	3	3	4	5	3	4	4	2	3
190	0	29	0	4	3	6	4	4	3	4	4	5	4	5	4	2	5	3
191	0	42	1	2	1	6	4	4	3	4	4	4	4	4	3	4	4	3
192	0	48	1	5	4	6	4	4	2	3	5	4	4	4	4	5	5	4
193	1	34	1	3	3	6	3	3	3	3	4	3	3	3	3	2	4	3
194	1	30	0	3	1	4	3	3	4	3	4	4	4	5	3	2	2	3
195	1	47	1	3	4	4	4	5	5	4	4	5	5	5	2	1	5	5
196	1	36	1	2	4	1	4	4	4	3	4	4	4	3	3	4	5	4
197	1	29	1	4	2	6	4	4	4	4	5	4	4	4	2	5	3	3
198	1	60	1	3	1	6	4	3	3	4	5	4	4	3	4	2	2	5
199	1	30	0	2	1	6	3	2	3	3	3	3	3	3	3	3	3	3
200	0	30	1	3	4	4	3	3	3	3	4	4	4	3	3	3	3	3
201	0	30	1	5	3	6	4	4	2	3	4	5	5	5	3	2	5	2
202	1	26	0	4	1	1	4	3	4	4	5	5	4	5	5	5	5	4
203	1	28	0	4	1	1	4	4	4	3	4	5	5	4	5	5	5	3
204	1	39	1	3	2	1	3	3	3	3	4	2	3	4	3	1	3	4
205	1	28	0	5	3	1	3	3	3	3	4	3	4	3	3	2	2	3
206	0	23	0	4	4	6	4	4	4	5	4	4	4	4	3	4	3	4

S.No	sex	Age group	Marital status	Educational level	Position of respon.	Business activity	TE	TR	IL	PD	PR	CTS	PRG	ATE	PIT E	Age	Gender	Education
207	1	24	0	1	1	1	3	3	3	3	4	3	4	3	4	1	1	4
208	1	26	0	4	4	1	4	4	3	4	5	5	4	5	4	4	3	4
209	1	30	0	4	1	1	3	4	1	3	4	3	5	4	2	1	1	3
210	1	29	1	1	3	1	3	2	3	3	4	4	5	4	4	1	5	2
211	1	35	0	4	1	1	4	5	4	4	4	4	3	3	4	4	4	3
212	1	40	1	4	2	1	4	3	3	3	4	4	5	4	4	4	3	2
213	1	38	1	2	1	1	3	3	3	4	5	4	4	4	2	1	1	5
214	0	40	2	2	3	1	4	4	3	3	4	4	4	5	4	2	5	2
215	1	35	0	4	4	1	4	4	3	4	4	4	4	4	4	4	4	3
216	0	36	1	3	4	6	3	2	2	2	4	1	4	5	4	5	5	4
217	1	40	1	3	4	1	3	5	2	5	4	3	2	5	3	2	3	4
218	0	38	1	2	2	6	2	2	4	3	2	2	1	2	3	5	1	1
219	0	28	0	4	4	1	4	3	3	3	4	4	3	4	3	4	4	3
220	0	25	1	3	4	4	3	3	3	4	4	4	3	4	3	4	2	4
221	0	34	1	4	4	6	4	3	4	4	4	4	3	4	3	4	4	3
222	0	42	1	2	4	6	3	4	4	3	4	4	4	3	3	2	4	4
223	0	30	1	4	4	6	3	3	3	3	4	4	3	3	3	2	4	3
224	1	28	0	4	1	1	3	3	4	4	4	4	4	4	4	1	1	3
225	1	34	0	4	4	6	3	2	2	4	5	4	4	4	3	4	2	3
226	1	31	0	4	3	1	4	4	3	4	4	4	5	4	4	2	4	3
227	0	38	1	3	1	1	4	4	4	4	4	4	4	4	3	2	5	4
228	0	27	1	3	4	1	3	3	2	3	4	4	3	3	4	5	2	2
229	0	55	1	4	3	6	4	3	3	3	4	4	4	4	3	4	4	4
230	0	45	1	3	3	6	3	4	3	4	3	5	2	3	2	1	3	4
231	1	38	1	2	3	6	3	4	3	3	4	4	4	4	4	2	2	3
232	0	36	2	4	2	1	4	4	4	3	4	4	4	4	4	5	5	3
233	1	35	0	4	4	6	4	5	4	4	3	4	4	4	3	2	3	4
234	1	33	0	1	2	6	3	3	2	3	4	5	3	3	5	1	4	4
235	1	30	1	3	3	4	4	3	3	2	5	5	4	4	4	4	3	3
236	1	45	1	3	3	6	3	3	4	2	4	3	3	4	3	4	2	3

S.No	sex	Age group	Marital status	Educational level	Position of respon.	Business activity	TE	TR	IL	PD	PR	CTS	PRG	ATE	PIT E	Age	Gender	Education
237	0	34	1	4	4	1	4	4	3	4	4	4	5	4	4	4	5	3
238	1	34	0	4	4	6	4	4	3	4	5	3	3	3	4	4	3	3
239	1	39	1	5	3	6	3	4	3	3	5	5	4	3	3	2	2	4
240	1	34	1	4	4	6	4	3	3	2	2	5	4	4	4	5	3	4
241	1	24	0	3	1	6	3	3	3	2	4	2	3	3	3	4	4	3
242	0	40	1	4	3	6	4	4	4	3	4	4	3	4	2	2	5	4
243	1	43	2	4	2	6	3	4	3	3	4	3	4	3	4	4	4	2
244	0	31	0	4	4	6	3	3	3	3	3	3	3	4	4	4	3	4
245	0	30	1	5	4	6	4	4	4	3	4	4	4	4	4	3	5	4
246	1	25	0	4	4	6	3	3	3	4	4	4	4	4	4	4	1	5
247	1	27	0	5	4	6	3	4	3	3	4	4	5	3	2	3	3	3
248	0	22	0	4	4	6	4	4	4	4	5	4	4	3	3	2	4	4
249	1	24	0	4	4	6	3	4	3	3	4	3	1	4	4	4	3	4
250	1	24	0	4	4	6	4	3	4	3	4	4	5	4	4	4	4	3
251	1	24	0	4	4	6	4	4	2	3	4	4	4	4	4	3	4	4
252	1	26	0	4	4	6	4	4	4	4	4	4	4	3	4	3	4	3
253	0	27	0	4	4	6	4	4	4	4	4	4	4	4	4	4	4	4
254	1	25	0	2	4	4	2	2	3	2	3	2	2	2	2	2	3	3
255	1	26	1	2	3	6	3	4	2	3	4	2	4	4	3	4	4	2
256	1	36	1	4	4	7	3	3	3	3	4	4	4	3	3	3	3	3
257	1	34	0	4	4	4	3	3	3	3	3	3	3	3	3	3	3	2
258	1	27	0	4	3	7	3	3	1	2	5	4	5	3	3	2	2	3
259	0	26	0	4	4	7	4	4	4	4	3	5	5	4	4	1	5	5
260	0	28	1	2	4	7	4	2	4	5	5	1	4	4	3	4	4	3

Work confirmation letter



በአዲስ አበባ ከተማ አስተዳደር የገቢዎች ባለስልጣን  
የቦሌ ክ/ከተማ አነስተኛ ግብር ከፋዮች ቅ/ጽ/ቤት  
Addis Ababa City Government Revenues Authority  
Bole sub City Small Tax Payer Branch Office



ቁጥር ቦ/ክ/ከ/አ/ግ/ክ/ቅ/ጽ/ቤት/---25188/11  
ቀን 25/10/14---

ለአዲስ አበባ ኒቨርሲቲ

የቢዝነስና ኢኮኖሚክስ ኮሌጅ

አካውንቲንግና ፋይናንስ ት/ክፍል

አዲስ አበባ

ጉዳዩ፦ መረጃ ስለመስጠት።

ከላይ በርዕሱ ለመግለፅ እንደተሞከረው የዩኒቨርሲቲያችሁ ተማሪ የሆኑት አቶ እንዳሻው ደምሌ የመመረቂያ ጽሁፋቸውን ለማዘጋጀት ይረዳቸው ዘንድ ከቅርንጫፍ ጽ/ቤት አስፈላጊውን መረጃ የሰበሰቡ እና የተጠቀሙ መሆኑን እንጋልጻለን።

ከሰላምታ ጋር

በይተ ወልደ ፍርኛ

የሰው ሀብት ሥራ አመራር ቤት  
አስተሳሰብ



ግልባጭ

> ለሰው ሀብት ስራ አመራር ቤትን

ቦሌ/ክ/ከ/አ/ግ/ክ/ቅ/ጽ/ቤት

