ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF PUBLIC ADMINISTRATION AND DEVELOPMENTAL MANAGEMENT

An Assessment of the Performance of Annual VAT Revenues Collection by the Ethiopian Revenues and Customs Authority [ERCA] with Special Emphasis to Large Tax Payers Office [LTO]

BY

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Addis Ababa, Ethiopia

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Department of Public Administration and Developmental Management

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APPROVED BY BOARD OF EXAMINERS

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DECLARATIONS

This is the thesis written by Aklilu Bekele entitled "An Assessment of the Performance of Annual VAT Revenues Collection by the Ethiopian Revenue and Customs Authority [ERCA] with Special Emphasis to Large Tax Payers Office [LTO]" and submitted in Partial fulfillment of the requirement of the degree of Master of Public Management and Policy complies with regulation of university and meets accepted standards with respect to originality and quality.

Researcher: Akililu Bekele

Signature ______________________

Date __________________________

This thesis proposal has been submitted for the award of the Degree of Masters of Arts in Public Management and Policy examination with my approval as university Advisor.

Advisor: _____________________________

Sign____________________

Date ___________________

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LIST OF ABBREVIATIONS

BoFED:	Bureau of Finance and Economic Development
BPR:	Business Process Reengineering
ERCA:	Ethiopian Revenues and Customs Authority
LTO:	Large Tax payers Office
MoR:	Ministry of Revenues
TOT:	Turn Over Tax
TSRP:	Tax System Reform Program
VAT:	Value Added Tax

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ABSTRACT

The objective of the study is an assessment of the performance of annual Value added tax revenues collection by the Ethiopian Revenue and Customs Authority with Special Emphasis to Large Tax Payers Office. The research design is descriptive type of research is a study. It is concerned with describing the characteristics of the subject of a particular study, as being currently going on. The Target Population was the members of the large taxpayers group that pay Value Add Tax to the Large Taxpayers' Office at the federal level. A total number of 246 sampled respondents were participated of which 108 were properly filled the questionnaires and returned back. To select the sample respondents a stratified sampling technique was employed. The researcher identified the factors which include Economic and social affairs, law and policy, strategy, process, VAT administration(Tax payers identification and registration),trade organization self-assessment of tax and auditing, legal protection to tax crime investigator, schedule of service to deliver service for tax payers, VAT performance appraisal and feedback delivery system The finding of the study indicated that the presence of relationship between performance of Value Add Tax revenue collection and the factors that determine it. VAT performance appraisal, legal protection of Tax and VAT crime investigator, and tangible and intangible resources have strong relationship magnitude. Moreover, the problems observed were attitude of tax payers and the capacity of employee in the branch office. As a result business men and companies not registered and the office is losing Billions of birr per year. Based on the finding of the study the following recommendations were forwarded Ministry of Revenue should work on economic and social affairs, law and policy, strategies, tangible and intangible resources, Value Add Tax revenue collection and legal protection, Value Add Tax performance appraisal result, design the conducive environment which enables to receive feedback, create environment system which enable to expand tax payers organization to evaluate organization self-assessment and tax auditing practices. Moreover, the ministry needs to conduct further research and create collaboration with the nearby university.

Keywords: Large tax payers, VAT revenue, Ethiopian Revenues and Customs Authority

CHAPTER ONE

1. INTRODUCTION

1.1. Background of the Study

The need for increasing and stabilizing of tax revenues has been given a serious attentions by the governments throughout the world in order to be substantially reliant on the internal sources of funds required to finance public expenditures. The case has also become so crucial for developing countries that their sustainable economic development has been negatively affected by their extensive dependency on foreign revenue sources. On one hand, an excessive reliance on foreign financing in the long run led these countries to fail into a trap of debt perpetuation. On the other hand, there were times that the expected funds required to cover their pre – planned development expenditures were unlikely available when needed because of unpredictable nature of external funding sources resulting from financial and economic crisis and other uncertain incidents happened at global level. Such unfavorable situations related to external funding in turn motivated many countries to shift their efforts towards improving their taxation mechanisms. In view of that, governments sought other alternatives to increase revenues and improve economic distortions created by the existing sales tax (Abhijit, 2007; Kitessa and Jewaria, 2018). The Value Added Tax (VAT), which is a tax to be levied on the value added at each stage of the production and distribution of goods and services, has been universally accepted as the most effective solution for all sorts of tax created problems for its ability to increase revenues and provide many additional advantages as compared to other type of traditional taxes. As a consequence, VAT has been able to widely spread in both developed and developing economies across the continents in a relatively short period of time (Charlotte, 1973).

Apart from increasing tax revenues, the governments are also required to give a serious attention to the need for an effective tax administration which should be recognized as the most reliable means to get the taxes. More importantly, the World Bank Group [WBG] (2016) emphasizes that any scheme in the design of a good tax policy could be unsuccessful as a consequence of its tax administration failure, especially in developing countries. Further Matthijs and Victor (2016) note that an effective modern tax administration is characterized by its capacity to ensure an adequate and timely collection of tax revenues, which able to allow the government to deliver goods and services to the public, but with minimizing obstacles to private businesses and economic growth. In the same way, Haile and Roza (2016) state that tax collection should be effectively administered for the sake of maintaining fairness, leveling the playing field and avoiding economic distortions. Samuel (2015) also notes that successful tax administration is required to be in place, which is capable to generate a timely and adequate amount of tax revenues in order to meet the requirements of the planned targets that have been set by the government to cover the public budget from tax sources in a certain fiscal period. Besides, the tax administration should be also capable to fairly and effectively investigate, detect and prevent loss of collectable taxes and stabilize the flows of revenue mobilization. Otherwise, revenue loss in the public expenditure budget and may lead to an unnecessary load on the honest taxpayers who are able to discharge their tax commitment in a proper manner (Tax Gap Project Group [TGBG], 2016).

Recently, including Ethiopia, many African countries adopted VAT and took the reform measures on tax systems to modernize their tax administrations. however, some of which have been able to record a remarkable performance in increasing their tax revenues in few years of time whiles others have been failed to do so (Haile & Roza, 2016).Given that the potential capacity of VAT to increase revenues, the variations shown among the countries in their revenue performance can inspire to conduct a performance assessment on tax administration of a particular country. However, such type of performance assessment requires a systematic analysis of external factors from its operating environment which can potentially influencing the performance capacity of the tax administration besides of analyzing its internal factors (Gill, 2000). In addition, Arturo etal (2013) note that the revenue target is the most common performance measure to be used in determining the performance of a tax administration.

it is against this background that the researcher is motivated to conduct a study on assessing the actual performance of annual VAT revenue collection against the targets set by the Ethiopian Revenue and Customs Authority (ERCA) with special emphasis to its Large tax Payers Office (LTO).

1.2. Statement of the Problem

In spite of tax administration reform and VAT in place, some of the developing countries could not be favorable in revenue collection as much as expected. In these countries, tax has not increased as much as a proportion with the rate at which public expenditures being increased , and they are constantly rely on foreign capital inflow as a major source of their government budget. Therefore, it is very important to investigate the forces working behind it (Kitessa and Jewaria, 2018).

Similarly, Haile and Roza (2016) note that although in the past decade Ethiopia has made encouraging progress in mobilizing more revenues from domestic sources, there is still a challenge of increasing the tax revenue with proportionate to Gross Domestic Product (GDP) since the tax to GDP ratio remained below the Sub Saharan countries average. The authors further remarks that the slow growth in the tax to GDP ratio likely indicating a huge untaxed potential.

The WBG (2016) emphasize that while the tax policy can be appropriately set, some of the directives outlined could be completely undermined by a poor tax administration. This is especially true in developing countries, where administrative constraints, corruption, and weak institutions existed. If the tax administration has a low technical capacity or if corruption is a problem, incorrect assessments may negate the benefits of official assessment. Besides, Bird (2013) notes that the way in which taxpayers and tax officials conceptualize and carry out the process of key administrative issues like assessing, collecting, and enforcing taxes would be neglected in these countries.

In addition, although no modern tax system can function on fear alone, the prevalent attitude in the tax administration in many developing countries appears to be that all taxpayers are potential criminals and that subjecting them to taxation is fundamentally a matter of identifying and controlling them and catching those who cheat. Further, many countries are unable to find the right mix and sequencing for upgrading Information technology (IT) and human resources (Bird, 2013).

WBG (2016) states that while tax administration would be obliged to raise as much revenue as the tax laws prescribe, its primary responsibility is not enforcement. Rather, informing, educating, and assisting law-abiding citizens with their tax obligations are equally important.

Nevertheless, the findings on the study conducted on VAT administration in Ghana by Dadson (2016) found that a large proportion of the respondent group has not been registered for VAT because of lack of education and bad tax collection system, and it was suggested that they need more education about the modalities of VAT to increase compliance.

The Large Taxpayers Office (LTO) is found in Addis Ababa which was established as the sole branch of the Ethiopian Revenue and Customs Authority (ERCA) with a mandate of administering tax revenues to be collected from the large taxpayers group at the federal level.

However, ERCA reports that the LTO has been unable to collect annual VAT revenues as much as they have been targeted, and specifically, this problem is needed to address by this research.

there are a number of researchers conducted on various aspects of VAT in Ethiopia, but only such note able studies (Bekure, 2004; Getachew, 2013; Hailemariam, 2011; Misganaw, 2016; Simon, 2013; Angesom, (2013); Teklu 2011; WBG 2016; Wollela, 2009) and some others were conducted on the areas related to assessing the performance of VAT administration. Most of these studies did not view the tax administration in a way that able to integrate both of the internal and external factors influencing revenue performance. Additionally, as to the knowledge of the researcher, no study has been conducted which addressed a tax administration organized at the federal level to manage a specific segmented group of taxpayers. It is, therefore, that this study is proposed which is built on and will be expected to contribute its own part to the current body of knowledge through filling a knowledge gap with addressing the areas uncovered by the empirical researches done in the past.

1.3. Research Questions

The study addresses the following basic questions:

1. How wide is the performance gap created between the annually collected and the targeted VAT revenues from 2005/06 to 2009/10 (E.F.Y)?
2. How do the key external factors able to influence the performance of the LTO?
3. To what extent does the LTO competently respond the needs demanded by its external operating environment?
4. How do the internal constituents of the LTO affecting its outputs performance?

1.4. Objectives of the Study

1.4.1 General Objective

The main objective of this study is to explore the performance effectiveness of the LTO towards collecting annual VAT revenue against the respective planned targets during the period between 2005/06 and 2009/10 (E.F.Y) , and identifying the key administration areas which possibly need improvements by analyzing selected major external and internal factors which have been considered to have influences on the planned targets and actual performances of VAT revenues.

1.4.2 Specific Objectives

1. To explore the performance achievement of the LTO towards collecting annual VAT revenue against the respective planned targets during the period between 2005/06 and 2009/10 (E.F.Y).
2. To assess selected external factors, which have been, considered to be potentially influencing VAT administration of the LTO.
3. To evaluate the internal aspects of the LTO which are considered to affect the transformation process of VAT revenues.

1.5 Significance of the Study

The outcomes of this study is providing valuable inputs in setting annual target estimates of VAT to be collected from the large tax payers group . ERCA is also able to get important information on the key areas that will be identified in different aspect of VAT administration of the LTO, besides the contributing of the remedial suggestions of this study towards able to improving tax compliances. The taxpayers may be able to be beneficial in terms of getting improved services may be taken by the LTO and ERCA based on imitating to take corrective measures on improving that would be likely expected to be identified in the areas of service providing aspects. This study also contributes its part to the existing research body of knowledge in the area of VAT administration practices in stimulating the need of empirical researches to be carried out in an integrated way of approach which able to simultaneously consider an external and internal environments of the business of VAT revenue administration.

1.6. Scope of the study

In spite of the large tax payers group includes all business organizations paying taxes to the LTO at federal level, but their locations are dispersed across the country, because of time and logistic constraints the coverage of this study is limited to collect primary data only from the sampled VAT- registered large tax payer segmented group of domestic and importing business organizations located in Addis Ababa. In addition, it also covers the sampled staff to be drawn from the head office of ERCA and the LTO located in Addis Ababa

1.7. Limitation of the Study

Since this study is restricted to collect data from the business organizations only located in Addis Ababa, it fails to capture opinions and feelings of large taxpayers business organizations found in other places of Ethiopia, the resulted findings may not able to reflect and generalize the views of all large tax payers who are paying VAT to the LTO at federal level.

1.8 Organization of the Study

Including the introduction, this study proposal is structured into of five chapters. The first chapter introduces the study with highlighting its background, problem statement, objectives, significance, scope and limitation of this research. The second chapter describes about the review of literatures related to this study, the third chapter deals with the methodology to be by this research, chapter four deals with data analysis and interpretation finally ends up with the fifth chapter which presents conclusions and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The researcher attempted to review the theoretical and empirical literatures related to this study in search of relevant conceptual ideas and experiences from previous works done on the areas of concern of this study. Accordingly, this chapter describes about the reviewed literatures by categorizing into five major sections, which include the review of theoretical literatures, the review of empirical literatures, conclusions on the reviewed literatures and the knowledge gap , an overview of the LTO , and the conceptual framework of the study , as the details are discussed below.

2.1 A Review of Theoretical Literatures

2.1.1 The Role of Taxation and its Determinants

Haile and Roza (2016) consider tax as an involuntary charge and a policy tool helps to mobilize revenue to public goods and services. It helps to redistribute wealth in the society that addresses inequality issues. It can also be used to encourage economic activities and supporting economic growth. A good tax system follows the principles of efficiency, fairness and easy to administer. The authors further state that the presence of variations in tax collection performances among different countries as to be reflected in their level of economic structure and institutional sophistication which could be associated with significant and positive correlation between quality of institutions and revenue mobilization. In particular, per capita income, inflation, foreign aid, tax incentives and a policy such as low legislative rates and selective privileged tax treatment could be considered to be the major determinants of tax revenue. However, Charlotte (1973) argues that an application of Value Added Tax (VAT) would not be followed by inflation or greater inequality of income distribution.

The findings of a study conducted on the determinants of tax revenue in East African countries by Kitessa and Jewaria (2018) demonstrates that per capita GDP, foreign aid, trade openness, share of agriculture, share of industry and share of services have positive contribution for tax revenue of East African countries. On the other hand, urbanization, official exchange rate and rate of inflation have negative impact on the tax revenue to GDP ratio of the region. Further, the study suggested that tax revenue increases under stable macroeconomic environment. Hence, East African countries should therefore better to have economic policies that at least promoting low inflation rate and favorable trade policies. It is also required to set a macroeconomic policy environment, which create economic integrations among different sectors, mobilizes domestic resource and improve external trade policies to make each country's growth sustainable based on domestic resource mobilizations.

2.1.2 The Value Added Tax

2.1.2.1 Concept, Origination and Development of VAT

As its name implies, the VAT is a tax to be levied on the value added at each stage of the production and distribution of goods and services. According to Charlotte (1973) before VAT coming into existence, domestic indirect taxes which were typically limited to narrowly defined products were recognized in the world. The distortions created by the sales tax combined with increased revenue requirements, provided an incentive to seek alternative tax which can have a smaller amount of distortion. It was then become an opportunity for VAT to be generally approved as the most effective solution in developing as well as developed countries. The author further states that many countries in different continents have adopted some form of VAT in a relatively short period of time. Although the basic idea of the VAT appears with a German businessman, Von Siemens, but first it appeared in France in 1948 which initially applied up to the manufacturing stage and provided no credit for tax on capital goods. It was then changed to a consumption type by 1954. The choice of its design, rates and type, can vary from country to country. It means that some countries use the value added technique for sales taxes which has been restricted to the manufacturing industries, while others imposed a tax using the value added technique on manufacturers and importers. Abhijit (2007) also emphasizes the rapid prevalence of VAT throughout the world that its greater potential of improving the revenue performance compared to traditional commodity taxes, which resulted in VAT to be adopted in many developing countries in recent years. Further, its self-enforcing mechanism which can encourage greater compliance, and its ability to broad the tax base and eliminates the cascading effects involved in turnover taxes and other sales tax systems also made VAT to be globally adopted relatively in a short period of time.

2.1.2.2 Basic Characters and Features of VAT

For any firm paying the VAT, the "value added" for a particular item is the amount by which the sales price of the product exceeds the cost of all the products purchased to make that item. The main difference from that of a retail sales tax on sales price is that the VAT is collected a little bit at a time at each stage of the production process, as reflected in the difference between the output and inputs, rather than being collected in one lump sum at the time of the final retail sale. It means that not solely at the stage where a product is sold to the consumers. In general, VAT is a tax, which is characterized by its nature to be charged on the increase in value of goods and services at each stage of production and circulation (Charlotte, 1973). Further, the author also underlines the outstanding feature of VAT that its flexibility to be used itself to the diverse socio - economic conditions, legal frame works and administrative institutions of any adopting country. In addition, introduction of VAT requires certain initial adjustments in the constitution of the country to legalize its basic features. While exempting certain products and sectors for the sake of progressivity, care has to be taken to keep the VAT rate at such a level that will yield sufficient revenue. Fortunately, VAT is competent enough in meeting of all these requirements. Besides, it gives total transparency to the tax system as the computation of the actual tax payable on a commodity is easy.

2.1.2.3 Advantages and disadvantages of Adopting VAT

In one hand, adopting of VAT has several advantages : much simplicity in tax liability assessment of a firm, applicability with different rates, non-obstructing of adoption of capital intensive technology, avoiding of cost cascading effect unlike to the conventional sales tax, neutrality to resource allocation, resource allocation, minimizing tax evasion, encouraging of exports, and improving performance and reduction of costs are recognized as the main advantages. On the other hand, the need for honest and efficient government machinery , more dependability on a cooperative tax payer, and the possibility of generating smaller tax revenue except the VAT rates are high could be considered as the disadvantages which may result from adopting of VAT. Additionally, the necessity of maintaining of elaborating and costly account by tax payers, the difficulty of checking and preventing tax evasion and to do other accounting activities if the system contains some exceptions and differential tax rates, and its requirement of a highly efficient administration and competitive market of taxation are found to be its demerits (Simon, 2013**)**.

2.1.2.4 Basic Considerations in Designing VAT

VAT is able to take several forms which could be considered as an opportunity of to make a number of choices while designing it, but (Charlotte 1973) remarks that the following five basic decisions should be kept in view while designing VAT: Types of VAT; Consumption, Income and Gross Product, Principles of VAT; the Origin Principle and the Destination Principle, Methods of calculation: Subtraction, Tax credit or Invoice and Addition Method, Exemption and zero rating; A single rate VAT or a VAT with two or more rates. Further, the author states that a country aiming at changing to VAT from the traditional sales tax system has to decide carefully which variant of VAT it is going to adopt. The VAT both in theory and practice may take a wide variety of forms. A variety of exemptions, rebates, deductions and zero rates, sectors and goods to be covered under VAT, sectors to be left outside the tax net or exempted, treatment of hard to tax items, can shape the tax base in different ways.

2.1.2.5 The Determinants of VAT

The potential revenue which can be raised from the VAT depends on a number of factors. For example, the study conducted on the determinants of VAT in Kenya by Asirigwa (2011) suggests that the standard tax rate, the number of taxes, the range between the highest and the lowest non zero rates, the age of VAT, foreign exchange and inflation rates, how broad the tax base will be and the degree of tax compliance should be considered as a major determinants of VAT. Nevertheless, in their study conducted on VAT tax impact on the state budget expenditures and incomes in Slovak Republic, Vita etal (2015) argue that although there is a gradual increase of tax revenues to the state budget, the share of VAT on tax total revenues did not increase after increasing of VAT rate by one percentage point.

2.1.2.6 Major Considerations in Estimating the VAT Gap

While estimating the VAT Gap, four basic elements are required to be taken into account. These include, the clear definition of the VAT Gap itself, the main principles to be adhered, VAT evasion and fraud and the type of methodology to be employed to estimate the VAT gap should be carefully selected and treated (Tax Gap Project Group [TGPG], 2016). The details are discussed below.

2.1.2.6.1 Definition of VAT Gap

The VAT gap is defined as the difference between the total amounts of VAT theoretically collectable based on the applicable tax law (i.e. including exemptions and lower rates) and the total amounts of VAT actually collected in a given period. It can be expressed in absolute or percentage terms.

Arithmetically, VAT gap = (total amounts of VAT theoretically collectable based on the applicable tax law) – (total amounts of VAT actually collected)

VAT gap (%) = VAT GAP / Total amounts of VAT theoretically collectable based on the applicable tax law.

There are several reasons for VAT revenue loss creating the gap. Some of the reasons relate to tax evasion and fraud, tax avoidance, bankruptcies, insolvencies, errors in determining tax liability, as well as cancelled or deferred VAT debts. It is therefore important to understand that the above defined VAT gap captures more than only deliberate non-compliance by taxpayers, and that each tax gap estimate needs to be interpreted in the light of the specific methodology and underlying data employed for the estimation (TGPG, 2016).

2.1.2.6.2 Main Principles

TGPG (2016) further, states that the VAT system in the European Union (EU) is governed by a common legal VAT directive framework. In line with this, VAT is charged when VAT taxable businesses sell to other businesses or to a final consumer. When VAT is charged to businesses, they are in principle able to deduct the VAT that they pay on their purchases (i.e. input VAT). Ultimately, only the final consumer should bear the burden of the VAT. The system of deduction of input VAT ensures that at each stage of production and distribution, VAT is levied only on the 'value added' to the product. The 'value added' means the difference between the cost of inputs into the product and the price at which it is sold to the consumer. So to estimate the VAT gap, it is important to understand which economic actors pay final VAT and all amounts of final VAT need to be taken into account to be able to adequately estimate the total amounts of VAT theoretically collectable and so the VAT gap.

2.1.2.6.3 VAT Evasion and Fraud

Tax evasion by businesses is usually relate to segments of the value chain where the right to deduct VAT is limited and the business is practically in the position of a final consumer. Since there is no generally applicable definition of VAT evasion, the meaning of evasion depends on the interpretation given to it in the national administrations or on the context in which it is used. Usually, VAT evasion refers to the deliberate under-declaration of taxable transactions, but it can also cover the non-declaration of taxable transactions related to concealed legal and illegal economic activities. While, VAT fraud is a specific phenomenon which is inherent to the VAT system and, in general, involves a fraudulent deduction or claim of input VAT and non-payment of output VAT.

2.1.2.6.4 VAT Gap Estimation Methodologies

The two major types of widely used to estimate the VAT Gap is top-down and bottom-up methodologies. In the top-down methodologies of VAT gap estimation, the tax gap is usually estimated on the basis of national accounts data. For the purposes of determining the amount of VAT theoretically collectable, basically, two different methods can be followed: the consumption based and the production based methods.

2.1.2.7 Tax Administration of VAT

2.1.2.7.1 The Need for Tax Administration

Although the potential capacity of VAT to increase revenues and able to provide many additional advantages is known, as compared to other taxes, a competent tax administration is required to manage it. The WBG (2013) emphasizes that any initiative in the design of a good tax policy could be unsuccessful because of its tax administration failure. Although tax policy can be appropriately set to minimize the burden that the tax system imposes on business, this could be undermined by a poor tax administration, as observed in developing countries, where administrative constraints, corruption, and weak institutions exercise substantial costs on business. Hence, before outlining the role of the tax administration, it is necessary properly and clearly defining its scope, from the point of view that a competent tax administration would be obliged to raise as much revenue as the tax laws prescribe, and discharge its duty at the least possible social cost.

2.1.2.7.2 Basic Considerations in the Design of Tax Administration

The design of tax administration should aim a to make more responsive to the needs of the taxpayers, which could be done by restricting unessential contact with taxpayers in the performance of their functions and by acting efficiently to address taxpayer requirements. To ensure tax administration effectiveness and efficiency, it is necessary to plan several organizational concerns. Key issues include management autonomy, external reporting and accountability, management flexibility and decision powers, internal organization, and outsourcing of selected functions. Registration for VAT plays an important role in determining the taxable status of businesses and their compliance obligations. The scopes of major tax administration functions, such as taxpayer information and education, and taxpayer compliance are required to be properly and clearly defined. The author further states that primary responsibility of tax administration is not enforcement. Rather, informing, educating, and assisting law-abiding citizens with their tax obligations are equally important. More importantly, it is vital to note that registration is usually linked to the size of the current tax base of the business and is far from a stable characteristic. Thus, including direct indicators of registration status in the Taxpayers Identification Number (TIN) is not a good practice. In addition, the tax Administration should operate as efficiently and cost effectively as possible. In addition to receiving value for their money, the public would expect that the Tax Administration and its employees would be free from any type of corruption or undue influence and would adhere to strict integrity standards (WBG, 2013).

Taxpayers should be able to expect that their tax information will remain private, there should be legal, and employment related consequences for improper disclosures by any employee of the Tax Administration. Every employee of the tax Administration should be trained r regarding the confidentiality of tax information and the consequences for improper disclosures. Taxpayers have the right to expect that employees of the Tax Administration will be well trained in their area of technical responsibility. Employees should also have an overall understanding of the Tax

Administration's operations so taxpayer problems can be resolved without forcing taxpayers to make numerous contacts. It is a valid expectation on the part of the public that the Tax Administration will have procedures and processes in place on how the law should be applied and how employees should conduct themselves in performing their duties (WBG, 2013).

2.1.2.7.3 Mandate of a Tax Administration

Mandates of tax administrations vary widely. In some countries, tax administrations are mandated to administer all taxes at central government level; in others they have limited mandates restricted to the administration of direct taxes or indirect taxes, e.g. the positioning of administering VAT differs significantly in different countries. In some federal-based countries, the tax administration at federal level is also tasked with the collection of local taxes or state taxes for all states or for a limited number of states. In other countries, central tax administrations have no task in collecting local or state taxes. Differences can be explained by different legal, economic, governmental and cultural traditions and histories. Merging of different similar functions into one single organization and integrating different processes with similar characteristics and purposes enables Tax Administrations effectively achieve their objectives in a more cost-efficient way and to provide better services to taxpayers (Arturo etal, 2013).

2.1.2.7.4 Organization of tax Administration

The organizational design of an organization reflects the chosen combination of differentiation and integration of the organization's operations. According to Arturo etal (2013) differentiation refers to the subdivision of functional units, each concentrating on a particular aspect of the organization's operations; integration refers to the linking of differentiated units to achieve unity of effort in working toward the organization's goals. The broader concept of integration is the constitution of one process, system or resource to be applied in different applications, instead of every application having its own. This definition also includes the constitution of cross reference links, which connect processes with different objectives, but with usage of identical source data.

In addition, tax administrations need to develop effective organizational structures and be provided with adequate powers to effectively and efficiently implement and operate the tax systems they administer. A tax administration needs an adequate level of autonomy that is reflected in its structure and operational responsibilities, and should be provided with adequate resources and is accountable for its operations. Its relationship with taxpayers must be laid down in a system of rights and obligations (Arturo etal, 2013).

According to Arturo etal (2013), the definition of the core business of a tax Administration should be able to provide answers to the question, “What should a tax administration do and how the administration performs the responsibilities assigned to it? The core functions include taxpayer’s registration, services and audit; taxpayer’s objections and appeals; collection of tax arrears; and tax fraud investigation. In addition, support functions of tax administration include information technology, legal services, human resources management, budget planning and resources management, and integrity investigation.

2.2 A Review of Empirical Literatures on VAT Administration Practices

KPMG International (2016) states that most of the countries in Africa have adopted the VAT tax system, and African revenue authorities are becoming more effective in their tax collection processes and can impose harsh penalties for non-compliance, but one of the most important challenges for businesses operating there is to ensure having sufficient resources and systems to manage the VAT regulations in various countries. Nevertheless, Dadson (2016) in his study conducted on VAT administration in the construction industry of Ghana, notes that tax administration in developing countries has not been effective due to some challenges it poses. Further, he states that institutional sustainability of an effective and efficient tax system in developing countries is not an easy task as it faces several challenges. These challenges include the structure of the economy, limited capacity of the tax administration, the poor quality of basic data, and the political set up. The findings of this study revealed that the respondent contractors and consultants need more education about the modalities of VAT to increase compliance in the construction industry in Ghana. Despite the low level of awareness about VAT, a large proportion has not registered for VAT because of lack of education and bad tax collection systems. Thus, the study suggested that the staff of Ghana Revenue Authority should be equipped through training programmes to be familiar with the amendment of VAT Act for effective administration of the tax law together with intensifying their education on VAT in the construction industry.

Samuel (2015) conducted a descriptive survey on the effect of establishing enforcement measures on the large corporate VAT payers in Kenya, the research found that a strong tax enforcement measures on the VAT revenue for firms could contribute significantly to the attainment of the goal of revenue collection. The study suggested that a stable revenue collection helps promote and strengthen a country's revenue collection targets, which helps to meet the required expenditure within a certain financial period. Further, the findings of the study showed that enforcement measures such as audit rate; imposition of penalties, criminal sanctions had varying degrees of relationship to the VAT revenue for firms in the large corporate taxpayer category. More importantly, Abhijit (2007) in his study conducted on determinants of tax revenue efforts in developing countries, emphasize that a successful tax administration is capable to investigate, detect and prevent loss of tax revenue. The research found that among the institutional factors, corruption is a significant determinant of a country's revenue performance.

Oberholzer and Stack (2014) in their study conducted on the tax perception of different population groups in South Africa, note that different population groups may have differing perceptions of taxation resulting from their cultural backgrounds or even their political and social histories. These perceptions, in turn, may influence their attitudes towards tax compliance. Hence, in order to change taxpaying behavior, perceptions must be first identified, and then influenced in a positive way towards tax compliance.

the study conducted by Kitesa and Jewaria (2018) on determinants of tax revenue in nine East African countries by employing the multivariate panel co integration approach shows that failure to collect sufficient revenue and low capacity of tax administration exposed East African countries to suffer from small proportion of tax revenues which further deteriorated the financial situations of the countries and exposed them to external shocks. However, the long run estimation indicates that per capita GDP, foreign aid, trade openness, share of agriculture, share of industry and share of services have positive contribution for tax revenue of east African countries over the study period. On the other hand, urbanization, official exchange rate and rate of inflation have negative impact of the tax revenue to GDP ratio. The study also suggested that since tax revenue collection is not optimal in developing countries to a number of factors, it is, therefore, essential to explore forces working behind it.

Apart from the researchers conducted in other developing countries that have been discussed above, the related empirical researches conducted in Ethiopia are discussed as follow:

The study conducted on performance and prospects of tax collection in Ethiopia by Haile and Roza (2016) suggests that although in the past decade Ethiopia has made encouraging progress in mobilizing more revenues from domestic sources, there is a challenge in increasing the tax revenue (including VAT) proportionate to GDP; the tax to GDP ratio remained below the Sub Saharan countries average. Further, in spite of the economy has been growing at a remarkable rate, the slow growth in the tax to GDP ratio suggests the growth in tax collection is not proportionate with the economic growth, which perhaps indicating a huge untaxed potential.

The survey conducted on tax compliance cost burden and tax perceptions in Ethiopia by the WBG (2016) demonstrates that the actual tax revenue as a share of GDP is low compared to that of the average for Sub-Saharan African and low income countries. The share of tax revenue in GDP hardly changed, suggesting that tax revenue has failed to grow as much as expected with the overall economic growth. This situation in the revenue system might be due to poor tax compliance behaviour and weak tax administration. The study also found that most businesses that participated in the survey obtained TIN and registered for VAT. With regard to the advantages of registering for VAT, cash flow benefits and opportunity for participating in government tenders were shown to be the first biggest advantages of registering for VAT, and it also allowed them to trade with a larger number of suppliers and customers. The study findings also show that tax compliance cost in Ethiopia is observed to be high in comparison to the countries considered in the study. The findings of this study further claim that evasion is another critical problem in developing and transition countries, and although it is very difficult to make cross-country comparisons, Ethiopia seems to have similar problems to other countries, such as Armenia.

Hailemariam (2011) conducted a study on the implementation of VAT and its related problems in Ethiopia and the research found that a considerable number of VAT registrant do not handle VAT invoice appropriately in addition to the observed weak administration of the revenue authority like absence of strong follow-up, existence of a lot of non-registered businesses, absence of strong enforcement and control mechanisms, the existence of employees who seek personal benefits rather than complying with the rules and regulations.

Similarly, a study conducted on VAT administration in Ethiopia by Wollela (2008) found that VAT collection is facing difficulties in developing countries including Ethiopia that it has been observed to compromise the benefits to be derived from it to be lost.

Bekure (2004) in his study on the VAT regime under Ethiopian law with special emphasis on tax exemption suggests that it is necessary to initiate a process to influence the policy framework on taxation for Non-Government Organizations (NGOs), with regard to the goals, objectives and activities that NGOs are involved in. Further, the taxation of NGOs should be viewed from a different angle other than the commercial businesses since this two are completely different and more often with opposing missions and objectives.

Angesom (2013) in his study conducted on assessment of VAT collection practices of the Eastern Branch of ERCA related with category "A" tax payers in Addis Ababa city states that there is a considerable size of VAT gap that has been unable to collect. . The study further explains the reason for the existence of the gap is that the targets might not be planned with perfect forecasting and not based on standard planning procedures along with the poor practices and implementation problems of the authority to collect the desired amount of VAT from tax payers.

The study conducted on practices and challenges of VAT administration in Yeka sub-city of Addis Ababa city administration the case of category "A" taxpayers by Misganaw (2016) found that poor administration practices and corruptions in the office of the authority are able to a level to discourage entering into a business.

the findings of the study conducted by Getachew (2013) on an assessment of taxpayer satisfaction of VAT administration of ERCA in its Merkato branch office reveal that non refunding claims on VAT, inefficient service delivery of the branch, unfairly treatment and employees capacity and negative attitude towards taxpayer and illegal trade could be taken as causes of dissatisfaction.

A study conducted on an assessment of the implementation of VAT in Mekelle City by Simon (2013**)** explored the major problems and prospects of VAT implementation in Mekelle City Administration. The findings of the research shows that a significant number in the business community felt that the government is the sole beneficiary of VAT and negative perception about the fairness of the tax payments across the businesses, and the number of voluntarily business registrant is inadequate. There is also a significant decline in the number of customers because of the implementation of VAT. The study also reveals that many consumers believe that VAT has been the very reason for business firms to impose higher price on products or services delivered and in some cases, they believe that the rate of the VAT charged is more than double since it is imposed on the total price of the product. The level of enforcing business firms to provide bill during payments is low as majority of the consumers fail to ask for receipt during payments like to many consumers fail to tear down the receipt as it give the chance to use illegal businesses for tax evasion.

The findings of the study conducted on challenges of tax administration in Arada Sub-City under Addis Ababa city administration by Teklu Kassu (2011) demonstrates the main constraints of the tax administration as lack of well-trained and credible tax officials mainly in the TIN and registration process. The study also found that lack of well-trained officials to use the Standard Integrated Government Tax Administration System (SIGITAS), absence of supportive office facilities and procedures, weak enforcement, absence of a well-organized taxpayers' education and assistance program about VAT, poor refund management and low voluntary compliance of taxpayer are considered as other bottlenecks.

2.3 Conclusions on the Reviewed Literature and Knowledge Gap

The review conducted on empirical literatures shows that there are several types of researches, which directly or indirectly considered VAT administration had been conducted in Ethiopia and other developing countries. As discussed above, particularly the empirical researches conducted in Ethiopia assessed different aspects of VAT administration practices in the country and found a considerable number of important facts about the area of concern. To conclude that, despite their specific objectives and scope of coverage varies one from another, the findings of all of these studies without any exception agree on the existence of poor tax administration practices and low performance of generating VAT revenue in the country. .referring with their sequential order in which they have been discussed above, except the first four researches (Haile and Roza, 2016; WBG 2016; Hailemariam, 2011; Wollela, 2008), the scope of all the remaining other researches did not cover tax administration at the federal level. Rather, they have been restricted to focus on single branch a tax administration office which deals only with taxpayers of a regional or city administration level, where the sophistication and complexity of the administration functions are thought to be less compared to the federal level. In addition, none of the conceptual frameworks of all of these studies applied a congruence model which can be instrumental for easily understanding and systematically analyzing the tax administrating aspects in a comprehensive approach with integrating the concerned internal and external factors influencing performances. Another limitation of the past researches conducted on the performance assessment of tax administration capacity in revenue collection mostly emphasizing only comparing the ratios between the rate of increasing in tax revenue to the rate of n to increasing in GDP and government expenditures of the respective years. However, such approach could be important to provide general information on the capacity of the country to generate tax revenues from its economy, but fails to provide information on the performance capacity of a particular tax administration office. So it is required to assess the performance capacity of a particular tax administration office against its planned revenue targets. It is therefore that this study will attempt to contribute its own part to the existing body of knowledge with filling of such knowledge gaps with addressing issues which have-not been fully uncovered by the researches done in the past.

2.4 An Overview of the LTO

Ethiopia, like most countries in Africa, restructured its tax system with a view to increase tax revenue and reduces distortions in the economy (Delessa, 2014). It also introduced VAT in 2003, as a major component of its tax reform which was designed to replace the out dated sales tax served for more than four decades (Yohannes & Sisay, 2009). Following this, the government took an institutional reform measure and conducted Business Process Reengineering (BPR) which resulted in a merging of three institutions to be combined under the umbrella of one ministry. The merged institutions include the Inland Revenues Authority & the Ethiopian Customs Authority and National Lottery and the Ethiopian Revenue and Customs Authority (ERCA). The Ethiopian Proclamation No. 587/2008 legalized ERCA as an autonomous federal agency having its own personality and mandated to collect and administer taxes in Ethiopia in 2008. ERCA has the following major objectives: to establish modern revenue and collection systems, to enforce tax and customs laws by preventing and controlling contraband as well as tax fraud and evasion, to collect timely and effectively tax revenues to generated by the economy and to cause tax payers compliance charge their tax obligations. In order to pursuit these objectives, it adapted a new strategic directions and formulated a multi-sector change and tax modernization framework and developed a five year strategic plan.

In the sense of recognizing the advantages of taxpayer segmented organizational set up, ERCA established a Large Taxpayers Office (LTO) in Addis Ababa as part of a package in its tax modernization and reform framework. The LTO is mandated to solely administer taxes to be collected from Large Taxpayers group at a federal level which was previously done by its branch offices located in Addis Ababa and in regional capital cities which have been responsible to administer and collect taxes from all types of tax payer segments in addition to large tax payers group (ERCA, 2011). Currently, including VAT, the LTO collects and administers different types of direct and indirect taxes from large taxpayers group.

2.5 Conceptual Framework

According to Jane (2006), a conceptual framework plays an important role in guiding the entire process o the research study, and within which theories are constructed in order to explain and master phenomena such as relationships, events and behaviors. In the case of evaluation, it is important to articulate the pathways by which an intervention is expected to cause a desired outputs and outcomes. It provides evaluators with essential elements of the phenomenon/case needed to assess. A Conceptual Framework can be expressed with a Conceptual model, which is a diagram of proposed casual linkages among a set of concepts believe to be related to a particular case. Conceptual models drawn on one or more theories, empirical evidence and know ledges specific to a particular case. They serve summarize & integrate knowledge and provide explanations about casual linkages.

Arturo etal (2013) state that basic mission, core functions, main responsibilities, and operating environment are considered as the major aspects or conceptual framework of tax administration. A congruence model is used to conduct this study which was adapted from (Gill, 2000), but it is slightly modified by the researcher in line with the requirements of the objectives and scope of this research,

The model assumes that VAT administration of the LTO could be considered as an open system consisting of an inter-related set of factors which interacts with the environment. It means that the LTO takes Inputs and utilizes them through a Transformation Process and produces Outputs. The LTO also has a capacity for getting a Feedback that could potentially be used for control and correction purposes. Gill, (2000) notes that, the fundamental idea of the congruence model is that the effectiveness of an organization in achieving its objectives depends on the congruence or fit between different parts of the Model. Effectiveness is greatest when: (I) the strategy fits the environment, resources and history, on the one hand, and the transformation process outputs and feedback mechanisms, on the other; (II) the Transformation Process fits the strategy, desired outputs and feedback mechanisms; and (III) the four components of the transformation process fit each other. Whenever there is a lack of congruence between any of these elements, the result is inadequate performance. In order to improve the effectiveness of an organization, it is necessary to identify areas of lack of fit and, then design remedial measures to improve the fit (Gill, 2000).

Gill (2000) further provides the conceptual definitions on the factors to be used and how they will be applied in the congruence model, as follows:

An operating environment is the contexts in which the LTO tax administration conducts its business processes. The major components include: the economic environment, fiscal policy, tax laws and rules, general laws the executive body, the Judiciary, public and private organizations, banks and financial institutions, taxpayers.

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

The resources are all the assets that are available to the LTO for use in its activities. These include capital, people, infrastructure, technology, information, legal authority and goodwill.

From the two inputs pointed out above and other elements which are beyond the scope of this study, a third input is developed. This is the Strategy of the ERCA.

A Strategy includes the entire set of decisions that are made about how the organization will use its resources in response to the demands, constraints and opportunities presented by the environment, in the context within which its business operated. Strategy defines the c*ore mission* of the organization, its v*ision* of what it wants to be, the *specific goals* it would pursue to realize its mission and vision and the *actions* it would take to achieve the goals.

Although it is an input, strategy has to take into account the realities of the transformation process and the outputs being produced by the LTO.

Transformation Process: The LTO converts its inputs into outputs through a transformation process that is an interaction of four components: core and support functions, formal organizational arrangements, informal organization or culture and staff.

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

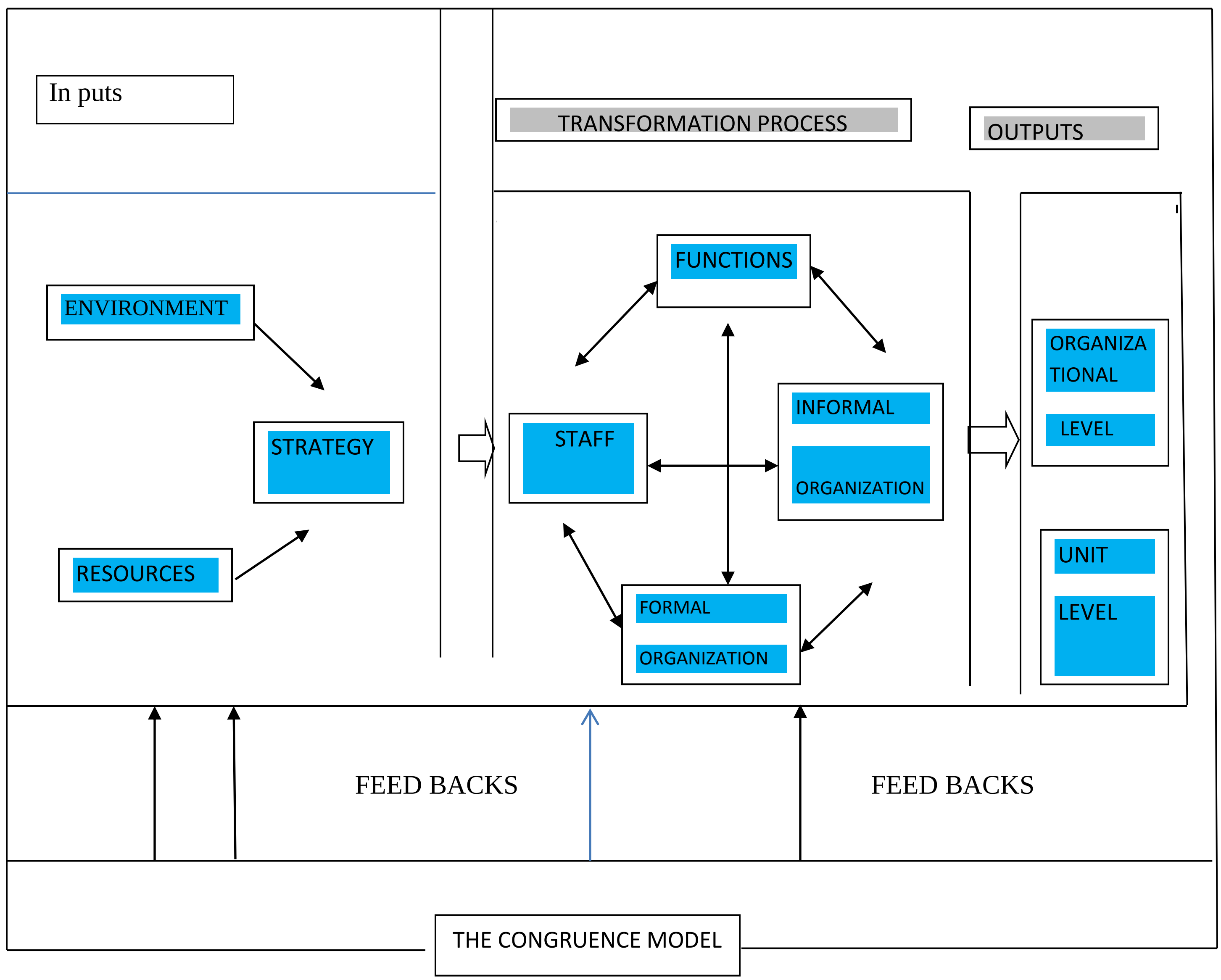


Figure 1: The Congruence Model, adapted from (Gill, 2000) with some modification by the researcher

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This study aims to measure the performance effectiveness of the LTO towards its capacity to collect VAT revenues being targeted over five consecutive years (2005/06 - 09/10 E. F. Y.) ,and analyzing selected major external and internal factors influencing targeting and actual performances in order to identify key administration areas, which possibly need improvements in the future. Towards this effect, the proposed methodology that will be needed to conduct this research is proposed as it has been an issue of concern of chapter three and to be discussed in detail under which. This chapter discusses the overall methodology of this research by grouping into four major sections, which include: research design, target population and sampling techniques, data collection and Analysis, and ethical considerations.

3.1 Research Design

A research design is the theoretical structure within which the research is carried out and arrangements to be made with an economical procedure for data gathering and analysis in a way that able to achieve the research purpose. Further, a descriptive type of research is a study which is concerned with describing the characteristics of the subject of a particular study, as being currently going on (Kothari, 2004). In accordance with a view of the congruence model presented in chapter two, this study will attempt to identify critical aspects in the tax administration areas to be focused and need corrective measures in order to enhance the competitiveness of the LTO in VAT revenues mobilization within its operational context. So a mixed type of quantitative and qualitative approaches was used effectively meet the requirements of objectives of this study.

3.2 Target Population and Sampling Technique

3.2.1 Target Population

Among the members of the large taxpayers group that pay VAT to the LTO at the federal level, there are some business firms operating in different places outside the capital city of the country. However, the sample frame to be used by this study is determined to include the list of large taxpayers group of registrants only located in Addis Ababa because the majority of members of the large taxpayer business group are found there in addition to the logistic problems and time constraints taking onto account. . Thus the target population of large taxpayers group of population engaged in domestic and import/export business firms in Addis Ababa, but officially registered as large taxpayers by the LTO at the federal level are targeted to this study. Additionally, in order to ensure the respondents are to be drawn only from the real target group of population who are knowledgeable about the issue of concern within the proposed period of this study, the on – going business firms established in 2005/06 (E.F.Y) and the years afterward to be excluded from the sample frame. In spite of expecting variation in the number large tax payer business firms in the future because of a frequently occurring drop out and drop in this segmented taxpayers group, currently, there are a total of 612 eligible large taxpayer business firms (491 from domestic business and 121 from m import/export business) to be included in the sample frame. Another target group of population is the staff of LTO. Using the similar criterion that was applied to framing the large taxpayers population group, there are 102 eligible staff to be included in the sample frame based on the criterion of date of employment in the LTO.

3.2.2Sampling Technique and Sample Size

A sample is a representation or subset of the total population to be studied as it is impossible to study the entire population (Kothari, 2004). So, the following formula developed and cited by Daniel (1999) is used to determine the required sample size of the respondents who to be participating in the self-administering quantitative survey of this study.

n= $Z^2 P (1 – P) /d^2$

Where:

n = Sample Size

Z = Z Statistics for a Level of Confidence

P = Estimated Prevalence of Proportion (p = 0.2 or 20%)

d = Precision (d=0.05 or 5%)

Based on the calculation using the formula above, a total number of 246 sampled respondents are required to conduct the quantitative survey aspect of this study. To select the sample respondents from the large taxpayer population group, a stratified sampling technique will be used to stratify the total target population into two categories, which include the domestic and import/export business groups. Such grouping method will give more chance to the different types of business sectors to be included in the sample. Following this, 212 large taxpayers group of respondents (42 from the domestic and 170 from the import/export business) and 34 from the targeted staff of the LTO will be proportionally selected by a simple random sampling technique.

As a supplement to the quantitative survey, using a checklist, discussions will be conducted with the knowledgeable staff that will be selected by purposive sampling technique. Accordingly six staff (2 from the ERCA head office and four from the LTO) to be selected based on the types of their position and profession required to meet the qualitative information requirement of this study.

Table 3.1: Sample size of the survey respondents

Respondent type	**Total Number of Targeted Population**	**Sample Size**
Domestic Business Firms	121	42
Import/Export Business Firms	491	170
Sub – Total	612	212
Staff of the LTO	102	34
Total number of respondents	714	246

3.3 Data Collection and Analysis

3.3.1 Data Collection Method and instruments

The data to be used in this study was collected from a variety of sources. Using structured survey questionnaires, the primary data was collected from the sampled large tax payer's business firms and the LTO's staff respondent groups through self-administration. The quantitative survey questions are set in a way that able to capture the level of views and perceptions of respondents using a 5- point Likert scale ranging from "Strongly Disagree = 1" to "Strongly Agree =5".

Regarding the qualitative aspects of this study, using a checklist, a discussion was made with selected staff of ERCA and LTO in order to supplement the survey to be conducted on the sampled large tax payer's business firms and the LTO's staff respondent groups.

A pre – test was conducted and the required corrections and adjustments made on the questionnaire set based on the feedbacks to be obtained before the questionnaire being distributed to the actual respondents. A telephone communication was done by the researcher to provide explanations whenever needed by the respondents and to follow – up the timely return of the questionnaires filled out.

3.3.2 Data Analysis Method and Instruments

Before starting to analyze, the collected raw data should processed in such a way that able to be clean and suitable for the analysis (Mugenda, 2003). Accordingly, the data to be collected from the questionnaire filled out by the respondents was cleaned to ensure their completeness and accuracy, and will be coded in a way that they can be suitable to electronically processed and analyzed, then they will be entered into the computer and analyzed using a Statistical Package for Social Science (SPSS) software in the way that able to meet objectives and sufficiently answer basic questions of this research. In the data analysis, descriptive statistical parameters like mean and standard deviation was employed. Besides, in order to draw meaningful conclusion, the data summarized and presented using appropriate table format with frequencies, percentages for classifications of responses in the way that able to be visually attractive and easily understood.

3.4 Ethical Considerations

It is required to provide an attention to the ethical issues associated with carrying out research. Accordingly, the confidentiality of the respondents who will be participating in this research is appropriately maintained and the researcher motivates the participants to participate in a voluntarily base and actively to respond the questions through elucidating the objectives significance of the study and promising that their information to be kept confidential.

CHAPTER FOUR

4. Data Analysis and Interpretation

This section of the study deals with data analysis and interpretation. To collect data different types of data collection instruments were employed. The data obtained from the field summarized as follows.

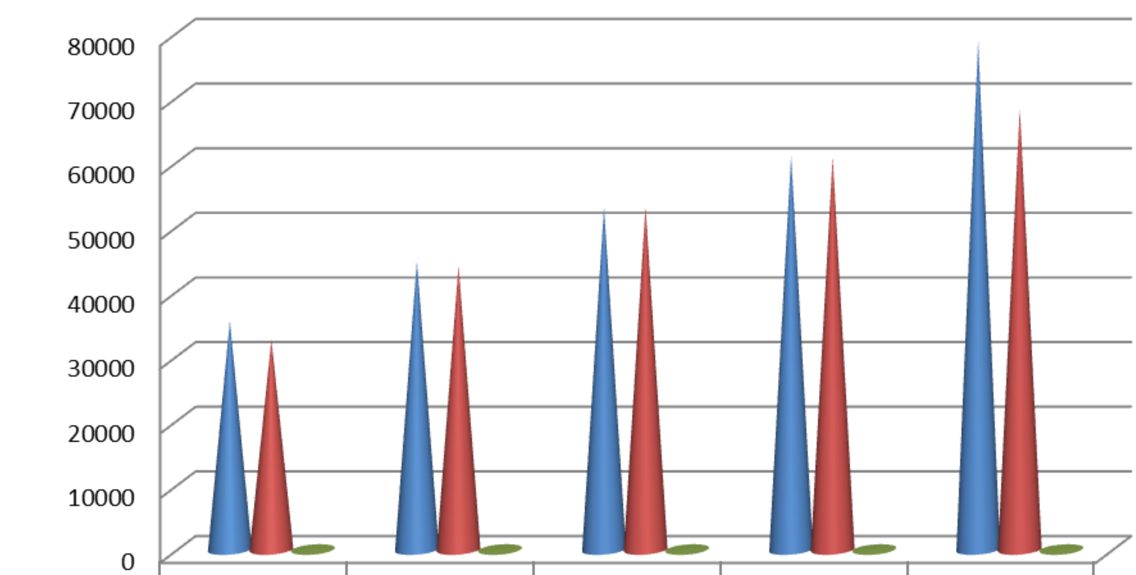
4.1. Descriptive Statistics

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

Large tax Payers Performance of Tax Payment (in Million)

Under this section, summery of tax revenue collection performance of tax payers is given as follows. It is obtained from documents.

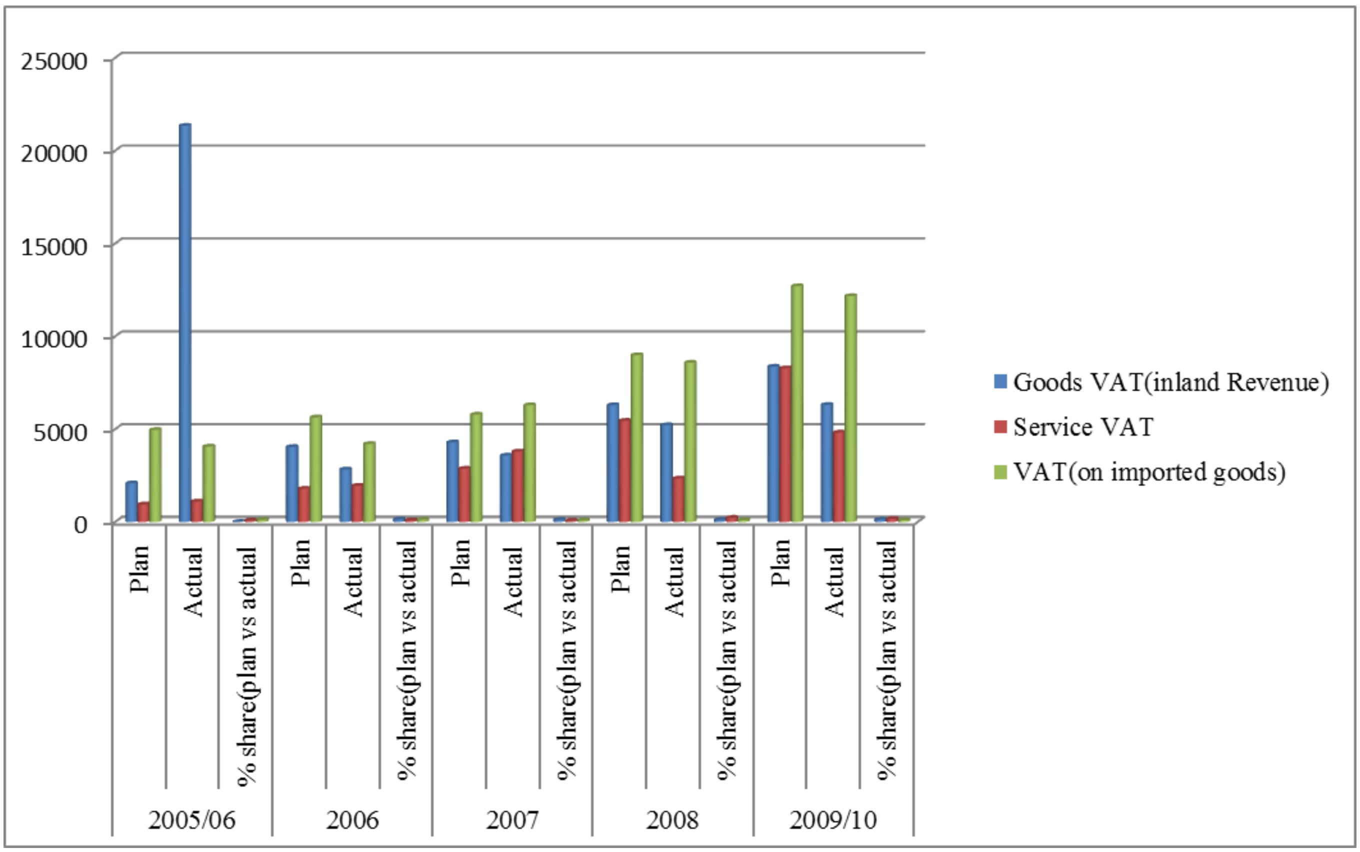
Figure 4.1: Summery of LTO Tax Payment



	2005	2006	2007	2008	2009
Planned	35401.34	44680.76	53000.06	60992.81	78692.45
Performed	32492.38	43933.73	53043.13	60719.98	68235.22
Percent	91.78290991	98.32807231	100.0812641	99.55268498	86.71126646

Figure 4.1 deals with tax revenue collected from Large Tax payers. In 2005 there was plan which accounts 35401.34 and performed accounts 32492.38 which accounts 91.8%. In 2006 planned are 44680.76 and performed is 43933.73 which accounts 98.3%. In 2007 the planned was 5300.06 and the performed was 53043.13 which accounts 100%. In 2008, the planned was 60992.81 and the performed was 60719.98 which accounts 99.6%. In 2009 planned was 78692.45 and the performed was 68235.22 which accounts 86.7%. From the above information it is possible to conclude that The LTO performed better in the budget year of 2007 and followed by 2006.

Figure 4.2: Annually collected and the targeted VAT revenues from 2005/06 to 2009/10(in million)



Source	2005/06			2006			2007			2008			2009/10		
	Plan	Actual	% share(plan vs actual	Plan	Actual	% share(plan vs actual	Plan	Actual	% share(plan vs actual	Plan	Actual	% share(plan vs actual	Plan	Actual	% share(plan vs actual
Goods VAT(inland Revenue)	2086.75	21343.7	9.78	4047.3	2833.3	142.85	4292.33	3583.29	119.79	6299.73	5221.59	120.65	8369.85	6316.5	132.51
Service VAT	951.02	1109.1	85.75	1797	1950.7	92.12	2879.7	3798.9	75.81	5459.7	2348.6	232.46	8282.9	4823.9	171.70
VAT(on imported goods)	4964.65	4069.52	122.00	5641.94	4204.14	134.20	5791.27	6295.77	91.99	8988.13	8585.93	104.68	12705.5	12172.8	104.38

Figure 4.2 showed that annually collected and the targeted VAT revenues from 2005/06 to 2009/10. The VAT form goods of inland revenue in 2005/6 percent share between plan to actual was 9.78%, percent share between plan to actual in 2006 was 142.83% it is above the planned, percent share between plan to actual in 2007 was 119.79%, percent share between plan to actual in 2008 was 120.65% which was above the plan, percent share between plan to actual in 2009/10 was132. 51%. Annual VAT Revenue collected from service of percent share between plans and actual in 2005/06 was 85.75%, in 2006 it was 92.12%, in 2007 it was 75.81%, in 2008 it was 232.46%, in 2009/10 it was 171.70%. Annual VAT revenue collected from imported goods percent share between plan and actual in 2005/06 was 122.0%, in 2006 (134.20%),in 2007(91.99%),in 2008(104.68%),2009/10(104.38). From the above information it is possible to conclude that VAT revenue collection practice was above planned in each year.

4.1.1. Socio - Demographic Characteristics

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

Table 4.1: Socio-Demographic and Related Factors of Respondents

Category	Responses	Frequency	Percent
Gender	Male	78	72.2
	Female	30	27.8
	Total	108	100.0
Age range (in year):	18-30	26	24.1
	31-40	41	38.0
	41-50	29	26.9
	51-60	7	6.5
	above 60	5	4.6
	Total	108	100.0
The highest level of education attained	PhD	2	1.9
	Master's Degree	13	12.0
	Bachelor Degree	21	19.4
	Diploma	53	49.1
	Certificate	19	17.6
	Total	108	100.0
Position in the organization	The company owner	21	19.4
	Manger	27	25.0
	Owner and Manager	60	55.6
	Total	108	100.0
Type of legal ownership status of the business	Private limited company	49	45.4
	Partnership	21	19.4
	Share company	25	23.1
	Public Enterprise	13	12.1
Type of the business	Domestic	37	34.3
	Import/Export	71	65.7
	Total	108	100.0
Sector of the business Operation	producer/ construction	27	25.0
	wholesales/retailers	30	27.8
	professional/technical service	26	24.1
	accommodation and food service	11	10.2
	transport and storage service	7	6.5
	Bank and insurance service	3	2.8
	educational and health services	3	2.8
	Others	1	.9
	Total	108	100.0

Source: Field Survey, 2019

Table 4.2 deals with socio-demographic and related factors of respondents. In this regards, 78(72.2%) of the respondents were male while 30(27.8%) of the respondents were female. From the above information it is possible to conclude that the majority of the participant of the study is male sex category. The second item was age range of respondents. The age range of the respondents, 41(38.0%) of the respondents were in the age category of 31-40 years where as 29(26.9%) of the respondents were in the age category of 41-50 years. From the above information it is possible to conclude that, the majority of respondents who participated in the study in the age category of 31-40 years. The third item was educational level. Regarding to educational level, 53(49.1%) of the respondents were diploma holders while 21(19.4%) of the respondents were first degree holders. From the above information it is possible to conclude that the majority of respondents were diploma holders. The fourth item was position in the organization, concerning to this, 60(55.6%) of the respondents were owner and manager while 27(25.0%) were mangers. Thus, from the above information it is possible to conclude that the majority of respondents were owner and manager. Concerning legality the majority of the company participated in this study were private limited companies.

Most of them also import/export companies. The sector of their business was wholesalers/retailers.

VAT Payment Related Issues

In this section VAT payment related issues were dealt with. Some of the issues were company performance of VAT and related activities by competent professionals, nature of tax payment, the process of refunding when mistake is identified by The large tax payers branch office, any VAT related measure taken on your company by revenue branch office, use of internet service to perform various activities by the company, VAT payment procedure employed by the company.

Table 4.2: VAT Payment Related Issues

Questions	Response	Frequency	Percent
What is the extent of your company performance of VAT and related activities by competent professionals?	It is performed by competent professionals	26	24.1
	sometimes performed by competent professionals	57	52.8
	No competent professionals	25	23.1

	Total	108	100.0
What is the nature of VAT Payment	VAT payment is paid on time	40	37.0
	VAT payment paid late from regular schedule	38	35.2
	VAT payment is not performed not on time	30	27.8
	Total	108	100.0
What is the process of refunding when mistake is identified by The large tax payers branch office?	Refunded is concluded immediately mistake identified	29	26.9
	Refunded lately	62	57.4
	The refund is arranged to be deducted from next VAT payment	17	15.7
	Total	108	100.0
Is there any VAT related measure taken on your company by revenue branch office?	Yes	65	60.2
	No	43	39.8
	Total	108	100.0
Does your company use internet service to perform various activities?	Yes	40	37.0
	No	68	63.0
	Total	108	100.0
What is the VAT payment procedure employed by your company?	Directly paid to branch office	65	60.2
	Paid at delegated bank branch to collect VAT	43	39.8
	Total	108	100.0

Source: Field Survey, 2019

Table 4.2 depicted that VAT payment related issues. Concerning to this, sometimes the company performance of VAT and related activities were performed by competent professionals. This is confirmed by 57(52.8%) of the respondents. Regarding the nature of VAT Payment40 (37.0%) of the respondents were paid on time. In the process of refunding it is lately to refund to the mistake which is identified by the large tax payers' branch office. It is reported by 62(57.4%) of the respondents. There are VAT related measures taken on your company by revenue branch office. This is confirmed by 65(60.2%) of the respondents. The companies do not use internet service to perform various activities. This is confirmed by 68(63.0%) of the respondents. Most the company VAT payment procedure employed directly paid to the branch office.

Table 4.3: Autocorrelations

Autocorrelations					
Series: Performance of VAT Revenues Collection					
Lag	Autocorrelation	Std. Error[a]	Box-Ljung Statistic		
			Value	Df	Sig.[b]
1	.954	.095	101.079	1	.000
2	.908	.094	193.541	2	.000
3	.862	.094	277.697	3	.000
4	.817	.094	353.867	4	.000
5	.771	.093	422.382	5	.000
6	.742	.093	486.492	6	.000
7	.713	.092	546.307	7	.000
8	.684	.092	601.937	8	.000
9	.655	.091	653.497	9	.000
10	.627	.091	701.106	10	.000
11	.598	.090	744.884	11	.000
12	.569	.090	784.958	12	.000
13	.540	.089	821.457	13	.000
14	.511	.089	854.516	14	.000
15	.483	.088	884.271	15	.000
16	.454	.088	910.866	16	.000
a. The underlying process assumed is independence (white noise).					
b. Based on the asymptotic chi-square approximation.					

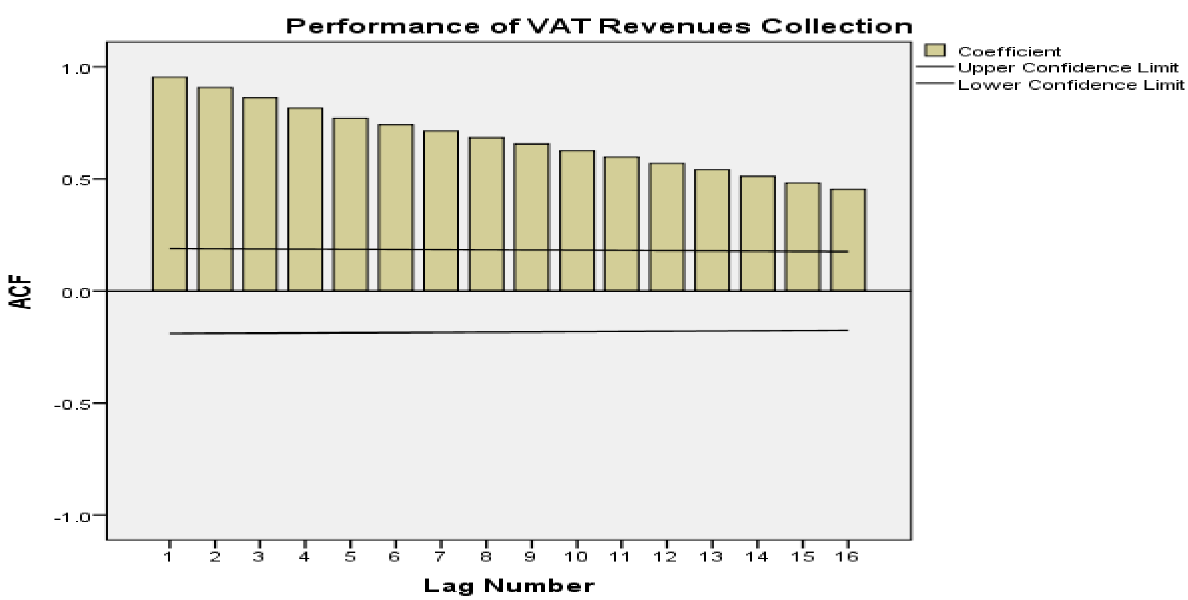


Table 4.4: Tests of Normality

Tests of Normality							
	Economic and Social affair	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
		Statistic	df	Sig.	Statistic	df	Sig.
Performance of VAT Revenues Collection	Undecided	.377	36	.000	.734	36	.000
	Agree	.320	72	.000	.829	72	.000
a. Lilliefors Significance Correction							
	Law and Policy	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
		Statistic	df	Sig.	Statistic	df	Sig.
Performance of VAT Revenues Collection	Undecided	.357	35	.000	.758	35	.000
	Agree	.312	73	.000	.835	73	.000
a. Lilliefors Significance Correction							
	Tangible and Intangible Resources	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
		Statistic	df	Sig.	Statistic	df	Sig.
Performance of VAT Revenues Collection	Disagree	.269	78	.000	.816	78	.000
	Undecided	.310	30	.000	.761	30	.000
a. Lilliefors Significance Correction							
	Strategy	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
		Statistic	Df	Sig.	Statistic	df	Sig.
Performance of VAT Revenues Collection	Disagree	.509	39	.000	.433	39	.000
	Undecided	.418	32	.000	.602	32	.000
	Agree	.449	18	.000	.566	18	.000
	Strongly Agree	.456	19	.000	.555	19	.000
a. Lilliefors Significance Correction							
	VAT revenue collection process	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
		Statistic	Df	Sig.	Statistic	df	Sig.
Performance of VAT Revenues Collection	Disagree	.416	26	.000	.604	26	.000
	Undecided	.225	74	.000	.826	74	.000
	Agree	.391	8	.001	.641	8	.000
a. Lilliefors Significance Correction							

	Key activities of VAT administration(tax payers identification and registration)	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
		Statistic	df	Sig.	Statistic	df	Sig.
Performance of VAT Revenues Collection	Disagree	.242	72	.000	.794	72	.000
	Undecided	.336	24	.000	.640	24	.000
	Agree	.374	12	.000	.640	12	.000
a. Lilliefors Significance Correction							

Source: Field Survey, 2019

Table 4.4 showed that test of Normality. Performance of VAT revenue collection with the factors affecting performance of VAT revenue collection. The Kolmogorov-Smirnov Shapiro-Wilk p value was .000 which less than 0.05.

4.1.2. Performance of VAT Revenue Collection

In this section internal and external factors that determine performance of VAT revenue collection is discussed. Some of the factors which are discussed under this section were economic and social affairs, law and policy, resources, strategy, VAT revenue collection process, VAT administration (tax payers' identification and registration), Trade organization self-assessment of Tax and Auditing, VAT.

Revenue collection and legal protection, the program of service to deliver for tax Payers, VAT performance appraisal result, and Feedback delivery system. The result from field survey summarized as follows.

4.1.2.1. Economic and Social Affair

One of the factors which were designed to describe performance VAT revenue collection was economic and social affair. To describe economic and social affair statements were designed and against each statement the following result was obtained from field presented as follows.

Table 4.5: Economic and social affair as a factor determine the performance of VAT revenue collection

Statements	N	Minimum	Maximum	Mean	Stan dev
Most of large tax payer trade activities carried out of Addis Ababa and this made large tax payer branch office service and follow up access is limited.	108	1.00	5.00	3.5185	1.12309
The expansion of illegal trading played a great role to the reduction of VAT revenue collection by the office.	108	2.00	5.00	3.8519	.84073
The tradition of the community to ask and receive receipt for tax charged commodities is contributed to VAT fraud and has played great role to reduce VAT revenue.	108	3.00	5.00	4.0000	.58004

Source: Field Survey, 2019

Table 4.5 describes economic and social affair as a factor determine the performance of VAT revenue collection. The highest mean value of 4.000 was noted for item "the tradition of the community to ask and receive receipt for tax charged commodities is contributed to VAT fraud and has played great role to reduce VAT revenue" (mean=4.00). Other popular item included "the expansion of illegal trading played a great role to the reduction of VAT revenue collection by the office" (mean=3.8519). The third item was "Most of large tax payer trade activities carried out of Addis Ababa and this made large tax payer branch office service and follow up access is limited"(mean=3.5185). Findings of the study show that the tradition of the community to ask and receive receipt for tax charged commodities is contributed to VAT fraud and has played great role to reduce VAT revenue".

Interviewee reported that the complexities arising from international business transaction might be beyond the capacity of the LTO to effectively realize VAT revenue collection; that the accessibility of technological sophistication and qualified professional supports to business firms could be utilized both for increasing compliance and evasion of VAT; un controlled illegal business practices could result in a considerable loss of potential VAT revenues to be collected; the locations of majority of business undertakings to be different places outside Addis Ababa may resulted in the LTO could face serious difficulties in its VAT administration

4.1.2.2. Law and Policy

Law and policy was the second dimension that was designed to explain performance of VAT revenue collection. To describe performance of VAT collection statements were designed and the result presented as follows.

Table 4.6: Distribution of Respondents by law and policy

Statements	N	Minimum	Maximum	Mean	Stand dev
The VAT law and implementation procedures are not easily understandable and difficult to implement.	108	3.00	5.00	3.9722	.61838
The punishment amount for those who are not implemented VAT proclamation, late tax payer and commit fraud and do not make psychologically challenged.	108	3.00	5.00	4.0278	.67614
The minimum allotted financial amount for large tax payers is very small.	108	1.00	4.00	2.5926	.90726

Source: Field Survey, 2019

Law and policy explained on how VAT revenue collection is determined (Table 4.6). The findings showed that most of the respondents performance of VAT revenue collection is determined by "the punishment amount for those who are not implemented VAT proclamation, late tax payer and commit fraud and do not make psychologically challenged" (mean=4.0278), followed by item "The VAT law and implementation procedures are not easily understandable and difficult to implement" (mean=3.9722), and "the minimum allotted financial amount for large tax payers is very small" (mean=2.5926). The punishment amount included in law and policies to punish those who are not implemented VAT proclamation, late tax payer and commit fraud and do not make psychologically challenged.

The interview reported that complexity of procedural requirements of the VAT law is difficult to understand and apply; the penalties for non-compliance of VAT law is inadequate to discourage delay &

tax evasion ;the VAT threshold to large taxpayers is unfair ; flat fixed 15% VAT rate is considered to be high and not applied to consumer goods.

4.1.2.3. Tangible and Intangible Resources

Tangible resources like physical, human resources and intangible resources like knowledge and expertise were very important to perform certain tasks. Thus, in these section resources which are important to improve the practices of VAT revenue collection presented as:

Table 4.7: Tangible and Intangible Resources

Statements	N	Minimum	Maximum	Mean	Stand dev
Large tax payers' branch office departments are sufficiently empowered by competent professional to implement VAT activities.	108	1.00	3.00	2.1296	.65699
The technological machines used by large tax payers' branch office enable to make information communication and exercise tax law.	108	1.00	3.00	1.9167	.78687
Large tax payers' branch office has good name by VAT payers and other stockholders.	108	1.00	5.00	2.4444	.99844
Employee of large tax payers' office performs their task with affection.	108	2.00	5.00	2.5741	1.00656
Large tax payers' office tax law executing department is competent and free from corruption.	108	1.00	5.00	2.6019	1.24510

Source: Field Survey, 2019

In terms of tangible and intangible resources, the findings in table 4.7 showed that the highest mean value of2.6019 was noted for item ‘‘large tax payers' office tax law executing department is competent and free from corruption’’ (mean=2.6019) followed by Employee of large tax payers' office performs their task with affection" (mean = 2.5741).The other important item was "large tax payers' branch office has good name by VAT payers and other stockholders (mean=2.4444). Thus one of resources that determine VAT revenue collection was large tax payers' office tax law executing department is competent and free from corruption.

The interviewee reported that materials & equipment have been adequate to different functional units involved in VAT related activities ; different functional units involved in VAT related activities utilize the desired quality of materials & equipment required by the specific task ;the LTO is equipped with powerful technological equipment used to adequate information sharing and enforcement of VAT laws; the LTO has a good image among VAT payers and other stakeholders; the level of morale and commitment of staff to organizational goals is high; the level of enforcement is powerful and free from corruptions.

4.1.2.4. Strategy

Strategy the most important platform to accomplish the organization established goals. Strategy can be the determinant factor affecting the performance of VAT revenue collection and the result from field survey presented as follows.

Table 4.8: Strategy as determinant factor affecting performance of VAT revenue collection

Statements	N	Minimum	Maximum	Mean	Stan dev
Large taxpayers' branch office strategic and annual VAT revenue plan preparation and assessment practices allow the participation of tax payers and other concerned stakeholders.	108	2.00	5.00	3.1574	1.10362

Source: Field Survey, 2019

Table 4.8 showed that strategy as determinant factor affecting performance of VAT revenue collection. In this regards, large taxpayer's branch office strategic and annual VAT revenue plan preparation and assessment practices allow the participation of tax payers and other concerned stakeholders" (mean 3.16).

4.1.2.5. VAT Revenue Collection Process

VAT revenue can be accomplished by its own steps of processing. Thus, in this section VAT revenue collection process was dealt with. The result from field survey is presented as follows.

Table 4.9: VAT Revenue Collection Process

Statements	N	Minimum	Maximum	Mean	Stand dev.
Large tax payers' branch office administrative rules and regulation are appropriate and has sprite of accountability to VAT revenue collection process.	108	1.00	5.00	2.6759	1.16674
Some VAT department activities create work stress.	108	2.00	5.00	3.6019	.98531
Most of the experts of VAT process owner always have a tradition of respecting rules and regulations of the office.	108	1.00	4.00	2.0463	.84703
VAT process owner service delivery is corruption free	108	1.00	4.00	2.0741	.89342

Source: Field Survey, 2019

Table 4.9 depicted that VAT Revenue Collection Process. The highest mean value of 3.6019 was noted for the item *"some VAT department activities create work stress."* (Mean=3.60), and *"large tax payers' branch office administrative rules and regulation are appropriate and has sprite of accountability to VAT revenue collection process."* (Mean= 2.68). The majority of the respondents Some VAT department activities create work stress as a factor that determines the performance of VAT revenue collection.

4.1.2.6. VAT administration (taxpayers' identification and registration)

In the process of VAT administration tax payers' identification and registration was carried out. Thus, VAT administration result from the field survey presented as follows.

Table 4.10: VAT administration (tax payers' identification and registration)

Statements	N	Minimum	Maximum	Mean	Stand dev
Daily increase of the number of registration of large tax payers is becoming above the administrative capacity of large tax payers branch office.	108	1.00	3.00	1.9074	.73034
There are Traders organizations which are identified as large tax payers but not registered in large tax payers' branch office.	108	1.00	5.00	2.2222	1.06194
Conducive environment is available for tax payers to be registered in the office.	108	2.00	5.00	2.7407	1.01733

Source: Field Survey, 2019

Table 4.10 showed that VAT administration (tax payers' identification and registration). In this regards, the highest mean value of 2.74 was noted for the item *"conducive environment is available for tax payers to be registered in the office"*, followed by item *"there are trade* organizations which are identified as large tax payers but not registered in large tax payers' branch office" (Mean=2.22) and "daily increase of the number of registration of large tax payers is becoming above the administrative capacity of large tax payers branch office"

(Mean=1.91).Thus, the performance of VAT revenue collection is determined by Conducive environment is available for tax payers to be registered in the office.

The interviewee reported that strategic objectives of the LTO regarding VAT administration consider the constraints imposed by the environment, resources &transformation process of VAT; VAT administration of the LTO is not guided by a realistic strategic plan; including annual VAT revenue collection targets, operational performance objectives of VAT administration of the LTO are not consistent with its resources and internal capacity; VAT administration of the LTO uses no effective strategy to monitor VAT compliance & evasion and VAT administration of the LTO has effective strategy to upgrade its resources & modernize its operations to meet emerging challenges.

4.1.2.7. Trade organization self-assessment of Tax and Auditing

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

Table 4.11: Trade organization self-assessment of Tax and Auditing

Statements	N	Minimum	Maximum	Mean	Stand dev.
The system and procedure of self-notification of the tax burden by tax payers is becoming accepted practice	108	1.00	4.00	2.1667	.70379
Regarding VAT the audit investigation practice of Large Tax Payers branch office follows legal procedure	108	2.00	5.00	2.7315	.93335

Source: Field Survey, 2019

As displayed in Table 4.11 regarding trade organization self-assessment of Tax and Auditing , the highest mean value of 2.73 was noted for the item Regarding VAT the audit investigation practice of Large Tax Payers branch office follows legal procedure", followed by item "The system and procedure of self-notification of the tax burden by tax payers is becoming accepted practice" (mean=2.17).Thus, the performance of VAT revenue collection determined by the audit investigation practice of Large Tax Payers branch office following legal procedure.

4.1.2.8. VAT Revenue Collection and Legal Protection

In the process of VAT revenue collection legality is very important. Legal procedures should be considered in the process of conducting VAT revenue collection. Regarding to VAT Revenue collection and legal protection the result from the filed survey presented as follows.

Table 4.12: VAT Revenue Collection and Legal Protection

Statements	N	Minimum	Maximum	Mean	Stand dev
The branch bank which are received delegation to collect VAT payment by large tax payers branch office have the capacity to deliver effective and efficient service	108	1.00	5.00	2.2500	1.14488
The large Tax payers branch office have a capacity to take legal measure those tax payers not registered for VAT should registered and follow legal practice	108	1.00	4.00	1.9444	.92558
The legal enforcement on the organization which do not pay VAT on time; the measure of punishment and the step followed to make interest to be paid is effective	108	1.00	5.00	2.1296	1.11147
There is effective measure on tax payers who do not have the file and terminated to file.	108	1.00	5.00	2.3611	1.18762

Source: Field Survey, 2019

Table 4.12 showed that VAT revenue collection and legal protection. The highest mean was 2.36 which indicate the item that "there is effective measure on tax payers who do not have the of file and terminated to file" and followed by the mean 2.25 which describe "the branch bank which are received delegation to collect VAT payment by large tax payers branch office have the capacity to deliver effective and efficient service". Thus, the effective measure on tax payers who do not have the file and terminated to file determines the performance of VAT revenue collection

4.1.2.9. Program of service to deliver for tax Payers

Program or schedule is very important to receive and deliver service in the organization. The Tax revenue office should have program of service to deliver for tax payers. Thus, result from field survey presented as follows.

Table 4.13: Program of service to deliver for tax Payers

Statements	N	Minimum	Maximum	Mean	Stand dev
The awareness creation program of Tax Payers have a capacity to create awareness to right and obligations of tax payers communities	108	1.00	5.00	2.4444	1.29220
Sufficient briefing about the concept of VAT is delivered to the public by the Large tax payers office	108	1.00	5.00	2.7130	1.24593
The information, the formats, the printings and education given about tax have contributed to tax payers to shoulder their responsibility	108	1.00	5.00	2.4630	1.24874
The Large Tax Payers branch office have service program and separately organized work department and have assigned professionals to implement the activities of the department	108	1.00	5.00	2.5185	1.19564
There is appropriate system or procedure of tax evaluation when the tax payers present complain and grievance	108	1.00	4.00	2.0093	1.07212

Source: Field Survey, 2019

Table 4.13 showed that the program of service to deliver for tax Payers. In this regards, the highest mean was to the item Sufficient briefing about the concept of VAT is delivered to the public by the Large tax payers office (Mean=2.71) and followed by the item the Large Tax Payers branch office have service program and separately organized work department and have assigned professionals to implement the activities of the department (Mean=2.52). Thus, sufficient briefing about the concept of VAT is delivered to the public by the Large tax payers office determine the performance of VAT revenue collection.

4.1.2.10. VAT Performance Appraisal Result

For better accomplishment VAT performance appraisal need to be conducted. Regarding to this, the result from field survey is presented as follows.

Table 4.14: VAT Performance Appraisal Result

Statements	N	Minimum	Maximum	Mean	Stand dev
The result of activities of various department of large tax payers' branch office presented to tax payers sufficiently and on time.	108	1.00	3.00	1.9352	.51652
The large tax payers branch office collect VAT revenue on time and properly in accordance with the success of the planned	108	1.00	3.00	1.8333	.69039

Source: Field Survey, 2019

Table 4.14 showed that VAT performance appraisal result. In this regards, the highest mean was 1.83 which describe the item the large the result of activities of various department of large tax payers' branch office presented to tax payers sufficiently and on time (mean= 1.93) and followed by the item "the large tax payers branch office collect VAT revenue on time and properly in accordance with the success of the planned (Mean= 1.83). Thus, the large taxpayers' branch office collection of VAT revenue on time and properly in accordance with the success of the planned is the factor for the performance of VAT revenue collection.

4.1.2.11. Feedback Delivery System

Feedback is very important to improve the system of delivering service to customers. Thus, the organization should design the feedback delivery system and the result obtained from field survey presented as follows.

Table 4.15: Feedback delivery system

Statements	N	Minimum	Maximum	Mean	Stand dev
The system of feedback delivery have a standard to evaluate performance strength	108	1.00	3.00	1.7593	.62458
The feedback delivery system is active and have competency to collect comment from customers and stakeholders	108	1.00	3.00	1.8056	.72934
The feedback delivery system received used to correct procedural wrong doings and strategic plans	108	1.00	3.00	1.9444	.80690

Source: Field Survey, 2019

Table 4.15 showed that feedback delivery system. In this regards, the highest mean was 1.94 which describe "the feedback delivery system received used to correct procedural wrong doings and strategic plans" and followed by the item "the feedback delivery system is active and have competency to collect comment from customers and stakeholders"(Mean=1.81). Thus, the feedback delivery system is active and have competency to collect comment from customers and stakeholders was the determinant factor for the performance of VAT revenue collection.

4.2. Inferential Statistics

4.2.1. Correlation Analysis

The study sought to establish the relationship between independent variables and dependent variables. Pearson Correlation analysis was used to achieve this end at 95% confidence level ($\alpha = 0.05$). Correlation analysis is one of the most widely used in research, it is often used to determine a relationship between two different variables, if so how significant or how strong is the association between variables. And also a very useful means to summarize these relationships between the variables with a single number that falls between -1 and +1. A correlation analysis with Pearson´s correlation coefficient (r) was conducted on all variables in this study to explore the relationships between them. The correlation coefficient r is statistics used to measure the degree or strength of this type of relationship. To interpret the strengths of relationships between variables in the classification of the correlation coefficient (r) is as follows:≤ 0.35 is considered to represent low or weak correlation; 0.36 – 0.67 is modest or moderate correlation; 0.68-0.89 is strong or high correlation and a correlation with r coefficient ≥0.90 is very high correlation. Again if the correlation result lies between -1 and 0, the two variables are negatively related. However, the result is interpreted and discussed using this criterion in each dependent and independent variables. The result presented as follows.

According to Appendix I, economic and social affairs is negatively correlated with a dependent variable performance of VAT revenue collection and the relationship between variables is weak or low with a value of -.022. Economic and social affairs is not significant with a value of 0.819 which is greater than 0.05. Hence, an economic and social affair is found to have a negative not statistically significant relationship with the performance of VAT revenue collection. Likewise, law and policy is negatively correlated with performance of VAT revenue collection and the relationship between variables is low or weak with a value -0.081. Law and policy is not significant with a value of 0. 406 which is greater than 0.05. Hence, law and policy is found to have a negative and not statistically significant relationship with performance of VAT revenue collection. Furthermore, strategy positively correlated with dependent variable performance of VAT revenue collection and have a high or strong relationship with a value of 0.769. Strategy is significant with a value of 0.000 which is less than 0.05. Hereafter, strategy is found to have a positive and statistically significant relationship with performance of VAT revenue collection. Moreover, VAT administration (tax payers identification and registration) have positively correlated with dependent variable performance of VAT revenue collection and the relationship between variables is strong or high with a value of. .827. VAT administration (tax payers identification and registration) have significant value of 0.000 which is less than 0.05. Hence, VAT administration (tax payers identification and registration) are found to have a positive and significant relationship with performance of VAT revenue collection. Tangible and Intangible Resources have positively correlated with a dependent variable performance of VAT Revenue collection and the relationship between variables is modest or moderate correlation with a value of .636 . Tangible and intangible resources have significant value of 0.000 which is less than 0.05. Hence, tangible and intangible resources are found to have a positive and significant relationship with performance of VAT revenue collection.

4.2.1. Regression Analysis

The study sought to establish how the dimension of performance of VAT revenue collection using multiple linear regression analysis. The regression model was:

$$Y= \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \varepsilon$$

Whereby Y is Performance of VAT Revenues Collection, β_0 is regression constant, $\beta_1 - \beta_7$ regression coefficients, $X_1$is Economic and Social affair, $X_2$is Law and Policy, X_3 is Tangible and Intangible Resources, X_4 is Strategy, X_5 is VAT Revenue collection and legal protection, X_6 is VAT performance appraisal result, X_7 is Feedback delivery system and ε model's error term.

Table 4.16: Model Summery

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.894[a]	.800	.786	.54597	.400
a. Predictors: (Constant), Feedback delivery system , Law and Policy , Tangible and Intangible Resources , Economic and Social affair , strategy, VAT performance appraisal result , VAT Revenue collection and legal protection					
b. Dependent Variable: Performance of VAT Revenues Collection					

Source: Field Survey, 2019

According to table 4.16, R square is 0.800 which shows that 80.0 % of the dependent variable is being explained by independent variables. This depicts that the model accounts for 80.0 % of the variations in influencing performance VAT revenue collection while 20% remains unexplained by the regression model.

Table 4.17: ANOVA Analysis

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	119.044	7	17.006	57.052	.000[b]
	Residual	29.808	100	.298		
	Total	148.852	107			
a. Dependent Variable: Performance of VAT Revenues Collection						
b. Predictors: (Constant), Feedback delivery system , Law and Policy , Tangible and Intangible Resources , Economic and Social affair , strategy, VAT performance appraisal result , VAT Revenue collection and legal protection						

Source: Field Survey, 2019

The ANOVA statistics presented in Table 4.17 was used to present the regression model significance. An F-significance value of at df (7, 100) $P< 0.05$ was established showing that there is a probability of less than .05 of the regression model. Thus, the model is very significant.

Table 4.18: Regression Analysis

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.526	.739		-2.066	.041
	Economic and Social affair	.282	.198	.113	1.427	.157
	Law and Policy	-.324	.182	-.129	-1.780	.078
	Tangible and Intangible Resources	.359	.202	.137	1.777	.079
	Strategy	-.321	.137	-.301	-2.345	.021
	VAT Revenue collection and legal protection	.584	.292	.341	1.997	.049
	VAT performance appraisal result	1.046	.173	.726	6.041	.000
	Feedback delivery system	.048	.161	.035	.298	.766
a. Dependent Variable: Performance of VAT Revenues Collection						

Source: Field Survey, 2019

From the findings in Table 4.18, the multiple linear regression equation becomes:

$Y= -1.526+.282X_1+-.324X_2+.584X_3+ 1.046X_4+.048 X_5$

From the model, when other factors (Feedback delivery system, law and Policy, tangible and intangible resources, Economic and Social affair, strategy, VAT performance appraisal result, VAT Revenue collection and legal protection) are at zero, the performance of VAT revenue collection becomes -1.526. Holding other factors Feedback delivery system, Law and Policy, Tangible and Intangible Resources, Economic and Social affair, strategy, VAT performance appraisal result, VAT Revenue collection and legal protection) is constant, a unit increase in Economic and Social affair would lead to .282 increase in the performance of VAT revenue collection .A unit increase of law and policy would lead to -.324 decrease in the performance of VAT revenue collection. A unit increase of tangible and intangible resource would lead .584 increases in the performance of VAT revenue collection. A unit increase of strategy would lead to -.321decrease in the performance of VAT revenue collection. A unit increase VAT Revenue collection and legal protection would lead to .584 increases in the performance of VAT revenue collection. A unit increase of VAT performance appraisal result would lead to 1.046 increases in the performance of VAT revenue collection. A unit increase of Feedback delivery system would lead to .048 increases in the performance of VAT revenue collection.

CHAPTER FIVE

5. Conclusions and Recommendations

5.1. Conclusions

The main objective of this study is to explore the performance effectiveness of the LTO towards collecting annual VAT revenue against the respective planned targets during the period between 2005/06 and 2009/10 (E.F.Y) , and identifying the key administration areas which possibly need improvements by analyzing selected major external and internal factors which have been considered to have influences on the planned targets and actual performances of VAT revenues. The study addresses the following basic questions:

1. How wide is the performance gap created between the annually collected and the targeted VAT revenues from 2005/06 to 2009/10 (E.F.Y)?
2. How do the key external factors able to influence the performance of the LTO?
3. To what extent does the LTO competently respond the needs demanded by its external operating environment?
4. How do the internal constituents of the LTO affecting its outputs performance?

The finding of the study presented as follows .economic and social affairs is negatively correlated with a dependent variable performance of VAT revenue collection and the relationship between variables is weak or low with a value of -.022. Economic and social affairs is not significant with a value of 0.819 which is greater than 0.05. Hence, an economic and social affair is found to have a negative not statistically significant relationship with the performance of VAT revenue collection. Likewise, law and policy is negatively correlated with performance of VAT revenue collection and the relationship between variables is low or weak with a value -0.081. Law and policy is not significant with a value of 0. 406 that is greater than 0.05. Hence, Law and policy is found to have a negative and not statistically significant relationship with performance of VAT revenue collection. Furthermore, strategy positively correlated with dependent variable performance of VAT revenue collection and have a high or strong relationship with a value of 0.769 .Strategy are significant with a value of 0.000 which is less than 0.05. Hereafter, strategy is found to have a positive and statistically significant relationship with performance of VAT revenue collection. Moreover, VAT administration (tax payers identification and registration) have positively correlated with dependent variable performance of VAT revenue collection and the relationship between variables is strong or high with a value of. .827. VAT administration (tax payers identification and registration) have significant value of 0.000 which is less than 0.05. Hence, VAT administration (tax payers identification and registration) are found to have a positive and significant relationship with performance of VAT revenue collection. Tangible and Intangible Resources have positively correlated with a dependent variable performance of VAT Revenue collection and the relationship between variables is modest or moderate correlation with a value of .636 . Tangible and Intangible Resources have significant value of 0.000 which is less than 0.05. Hence, Tangible and Intangible Resources is found to have a positive and significant relationship with performance of VAT revenue collection. Moreover, the study sought to establish how the dimension of performance of VAT revenue collection using multiple linear regression analysis. The regression model was:

$$Y= \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \varepsilon.$$

R square is 0.800 which shows that 80.0 % of the dependent variable is being explained by independent variables. This depicts that the model accounts for 80.0 % of the variations in influencing performance VAT revenue collection while 20% remains unexplained by the regression model.

The ANOVA statistics presented was used to present the regression model significance. An F-significance value of at df (7, 100) $P< 0.05$ was established showing that there is a probability of less than .05 of the regression model. Thus, the model is very significant. The multiple linear regression equation becomes:

$$Y= -1.526+.282X_1+-.324X_2+.584X_3+ 1.046X_4+.048\ X_5$$

From the model, when other factors (Feedback delivery system, Law and Policy, Tangible and Intangible Resources, Economic and Social affair, strategy, VAT performance appraisal result, VAT Revenue collection and legal protection) are at zero, the performance of VAT revenue collection becomes -1.526. Holding other factors Feedback delivery system, Law and Policy, Tangible and Intangible Resources, Economic and Social affair, strategy, VAT performance appraisal result, VAT Revenue collection and legal protection) is constant, a unit increase in Economic and Social affair would lead to .282 increase in the performance of VAT revenue collection .A unit increase of law and policy would lead to -.324 decrease in the performance of VAT revenue collection. A unit increase of tangible and intangible resource would lead .584 increases in the performance of VAT revenue collection. A unit increase of strategy would lead to -.321 decrease in the performance of VAT revenue collection. A unit increase VAT Revenue collection and legal protection would lead to .584 increases in the performance of VAT revenue collection. A unit increase of VAT performance appraisal result would lead to 1.046 increases in the performance of VAT revenue collection. A unit increase of feedback delivery system would lead to .048 increases in the performance of VAT revenue collection.

5.2. Recommendations

Based on the finding of the study the following recommendations were forwarded

- Ministry of Revenue should work on economic and social affairs which determine the performance of VAT revenue collection.
- Ministry of Revenue should work on law and policy for better performance of VAT Revenue collection.
- Ministry of Revenue should work on strategies for greater performance of VAT revenue collection
- Ministry of Revenue should work on tangible and intangible resources for better performance of VAT revenue collection.
- Ministry of Revenue should work on VAT revenue collection and legal protection for better performance of VAT revenue collection.
- Ministry of Revenue should work on VAT performance appraisal result for better performance of VAT revenue collection,
- Ministry of Revenue should design the conducive environment which enables to receive feedback of the performance of VAT revenue collection.
- Ministry of Revenue should work on create environment system which enable to expand tax payers organization to evaluate organization self-assessment and tax auditing practices.

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Appendices

Appendix I: Correlation Matrix

Correlations													
		Performance of VAT Revenues Collection	Economic and Social affair	Law and Policy	Strategy	VAT administration(tax payers identification and registration)	Tangible and Intangible Resources	VAT revenue collection process	Trade organization self-assessment of Tax and Auditing	VAT Revenue collection and legal protection	VAT performance appraisal result	Feedback delivery system	The program of service to deliver for tax Payers
Performance of VAT Revenues Collection	Pearson Correlation	1											
	Sig. (2-tailed)												
	N	108											
Economic and Social affair	Pearson Correlation	-0.022	1										
	Sig. (2-tailed)	0.819											
	N	108	108										
Law and Policy	Pearson Correlation	-0.081	.769**	1									
	Sig. (2-tailed)	0.406	.000										
	N	108	108	108									
Strategy	Pearson Correlation	.769**	-0.149	-0.171	1								
	Sig. (2-tailed)	0	0.124	0.077									
	N	108	108	108	108								
Key activities of VAT administration(tax payers identification and	Pearson Correlation	.827**	0.086	0.074	.879**	1							
	Sig. (2-tailed)	0	0.376	0.448	0								
	N	108	108	108	108	108							

registration)													
Tangible and Intangible Resources	Pearson Correlation	.636**	-.263**	-0.189	.645**	.714**	1						
	Sig. (2-tailed)	0	0.006	0.05	.000	.000							
	N	108	108	108	108	108							
VAT revenue collection process	Pearson Correlation	.299**	0.037	-0.068	.422**	.378**	0.154	1					
	Sig. (2-tailed)	0.002	0.706	0.486	.000	.000	0.111						
	N	108	108	108	108	108	108	108					
Trade organization self-assessment of Tax and Auditing	Pearson Correlation	.864**	-0.113	-0.13	.895**	.856**	.602**	.470**	1				
	Sig. (2-tailed)	.000	0.246	0.181	.000	.000	.000	.000					
	N	108	108	108	108	108	108	108	108				
VAT Revenue collection and legal protection	Pearson Correlation	.827**	0.086	0.074	.879**	1.000**	.714**	.378**	.856**	1			
	Sig. (2-tailed)	.000	0.376	0.448	.000	.000	.000	.000	.000				
	N	108	108	108	108	108	108	108	108	108			
VAT performance appraisal result	Pearson Correlation	.864**	-0.113	-0.13	.895**	.856**	.602**	.470**	1.000**	.856**	1		
	Sig. (2-tailed)	.000	0.246	0.181	.000	.000	.000	.000	.000	.000			
	N	108	108	108	108	108	108	108	108	108	108		
Feedback delivery system	Pearson Correlation	.783**	.212*	0.135	.769**	.886**	.508**	.594**	.829**	.886**	.829**	1	
	Sig. (2-tailed)	.000	0.027	0.162	.000	0	0	0	0	0	0		
	N	108	108	108	108	108	108	108	108	108	108	108	
The program of service to deliver for tax Payers	Pearson Correlation	.864**	-0.113	-0.13	.895**	.856**	.602**	.470**	1.000**	.856**	1.000**	.829**	1
	Sig. (2-tailed)	0	0.246	0.181	0	0	0	0	0	0	0	0	
	N	108	108	108	108	108	108	108	108	108	108	108	108

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

*. Correlation is significant at the 0.05 level (2-tailed).

Appendix I I: QUESTIONNAIRE FOR LARGE TAXPAYERS BUSINESS FIRMS

Dear respondent, the aim of this questionnaire is to gather some information about the Large tax Payers Office (LTO) to be used the purpose of academic research to be carried out in partial fulfillment of the requirements of a Master's degree in Addis Ababa University. The research is entitled "An Assessment of the actual performance of annual VAT revenue collection against the targets set by the Ethiopian Revenue and Customs Authority (ERCA) with special emphasis to its Large tax Payers Office (LTO) ".

I would like to ask you a number of questions about the LTO. I would be grateful if you can take some time to answer these questions. You are not obligated to answer any of the questions. If you choose to participate, nothing you say will be used against you under any circumstances. I also assure that the information you give will be used solely for the purposes conducting academic research and your identity and information will be kept confidential.

Your cooperation in this study will significantly contribute to the fulfillment of the study objectives sincerely appreciate your time and efforts invested in answering my question.

Thanks in advance for your kind contribution towards the success of this study.

Sincerely,

Aklilu Bekele

Tel. No. 251- 9-73-95-13-62

Part One: Respondent's Background Information

Please tick (√) on the line in front of your appropriate choice for each of the given statement below.

1. Gender:

Male--------- Female---------

2. Age range (in year):

18-30_____, 31-40_____, 41-50_____, 51-60_____, above 60----------

3. The highest level of education attained

PHD----------, Master's Degree------, Bachelor Degree ------, Diploma-------------, Certificate-------,

Others (if any, please specify) _______________

4. Type of legal ownership status of the business

Private limited company----- Partnership---- Share company---- Public enterprise------

Others (if any, please specify--------------------------------

5. Nature of the business

Domestic------------------- Import/Export____________

6. Sector of the business Operation

Manufacturing----- Construction----- Wholesale/Retail trade----- Professional/Technical service--- Accommodations &food service----- Transport &storage service--- Bank & insurance service--- Educational & health services------ Others (if any, please specify-------------

7. Number of employees---------

8. Year of the business started, in the Ethiopian Fiscal Year --------------------

9. Year of registration as a large Value Added Taxpayer by the LTO in the Ethiopian Fiscal Year--------------------

10. Initial Capital in the Ethiopian Birr---------

Below 5,000,000.00---- 5,000,001.00 to 10,000,000.00---- 10,000,001.00 to 20,000,000.00--- 20,000,001.00 to 30,000,000.00---- 30,000,001.00 to 50,000,000.00---- Above 50,000,000.00----

11. Annual sales volume in the Ethiopian Birr

Below 500,000.00--- 500,001.00 to 1,000,000.00--- 1,000,001.00 to 10,000,000.00-- 10,000,001.00 to 40,000,000.00----- 40,000,001.00 to 50,000,000.00— Above 5 0,000,000.00 -----

12. Average VAT payment per month in the Ethiopian Birr

Below 100,000.00---- 100,001.00 to 250,000.00---- 250,001.00 to 350,000.00-----

350,001.00 to 450,000.00--- 450,001.00 to 550,000.00--- Above 550,000.00------

13. Taxpayer Identification Number (TIN) to be used for the purpose of VAT and other type of taxes is

Different -------   Same-----------

14. Registration of the business firm for VAT

Voluntarily registered---------   Forcedly   Registered ---

15. On average, frequency of VAT returns submitted to the LTO

Monthly--   Quarterly-----   Bi—annually--- Others (if any, please specify-------------

16. Returns are filed

In hard copy-----   In electronics file----   In both types---

17. VAT payments are made
    In the LTO----   In the bank----- Electronically------
18. when VAT return reflects a refund due to this business firm, the refund
19. Paid to the business firm -------
    Or the business firm had been required to utilize the refund as a credit against future payments----

Part Two: Information on the Large Taxpayer Office
The following statements are concerning with different aspects of the LTO. Please, rate your level of agreement with ticking (√) in the box under one of the five alternatives shown against each of the statements given below in the following

Table. the weight of the values given the alternatives are: Strongly Disagree = 1, Disagree =2, Undecided = 3, Agree= 4, and Disagree = 5.

Note: this study is conducted to evaluate past performance of the LTO and you are kindly to respond to the statements in contrast with the cases happened during the period between 2005/06 – 2009/10 (Ethiopian Fiscal Year)

S/N	**Statement**	**Strongly Disagree**	**Disagree**	**Undecided**	**Agree**	**Strongly Agree**
		1	**2**	**3**	**4**	**5**
1	The VAT collected from taxpayers to be paid promptly since it is required by the government to finance public goods and services					
2	VAT is more advantageous in comparison with the replaced sales tax					

3	Corruption may not be wide spread leading to harassment of taxpayers when they come in contact with LTO officials					
4	Corruption may not made enforcement of LTO arbitrary and ineffective					
5	Legal decisions may not be routinely based on arbitrary interpretation of law and may not be backed by defensible evidence					
6	Officers of the LTO are good mannered, helpful and approachable to taxpayers.					
7	Staff assigned on taxpayer assistance have the aptitude for client service.					
8	Employees working on audit know enough of accounting, law and business practices to properly examine the taxpayer's accounts					
9	Individuals in the LTO fit the formal organizational arrangements					
10	Tax laws and rules are easily understood by the staff					
11	The tax system among taxpayers is fair and the tax burden is reasonable					
12	Political interference in individual tax assessment cases is never observed to happen					
13	The tax administration faces problems in collecting taxes from businesses owned or protected by politicians					
14	A registration threshold determined for large taxpayers is fair and appropriate					
15	measures taken to register businesses in the informal sector is appropriate and encourage compliance					
16	There is a strict control regarding the issuance of TINs, as well as ensuring of a unique TIN					
17	Extensive reliance on self-assessment combined with targeted enforcement allows the tax administration to effectively administer the tax system					
18	The taxpayer service programs of the LTO is adequate to facilitate taxpayers' understanding of their obligations and entitlements					

19	The procedures to be followed by taxpayers to conduct self-assessment are simple and easily understood					
20	The LTO is capable to efficiently and timely identifies and take measures on stop-filers and non-filers					
21	A simplified filing procedure and a reasonable frequency of filing is practiced by the taxpayers					

Interview guidelines for Staff of the Large Tax Payers Office (LTO)
Dear respondent,
The aim of this interview is to gather information about the Large tax Payers Office (LTO) for the purpose of academic research to be conducted in partial fulfillment of the requirements of the Master's Degree in Addis Ababa University. The research is entitled "An Assessment of the Actual Performance of Annual VAT Revenues Collection against the Targets Set by the Ethiopian Revenue and Customs Authority (ERCA) with Special Emphasis to Large Tax Payers Office (LTO)." Accordingly, I kindly request you to provide answers to a few numbers of my questions about the LTO. As your cooperation in this study will significantly contribute to the fulfillment of its objectives, I am hopeful that you can take some of your time to spend on carefully answering the questions based on the given formats requirement.
Then, if you are willing to do so, the questionnaire set consists of two main parts. The first part deals with background information of the Respondent and the second part focuses on the information about the LTO. However, the scope of this study is limited to cover only the time horizon ranging from 2005/06 to 2009/10 - the Ethiopian Fiscal Year- (EFY), as well as cases concerning about VAT. It is therefore that please take into consideration these two important notable points when you provide your answers to the questions.

I would like to assure you that the information you give will be used solely for the purposes of conducting this academic research, and besides of that your identity and information will be kept confidential. If you have any question, do not hesitate to contact me at any time, which is convenient to you.

Thank you in advance for your kind contribution towards the success of this study.

Sincerely,
Aklilu Bekele Tel. No. 251- 9-73-95-13-62

Part One: Respondent's Background Information

Your gender ______________

Your age range in year_________________

Your highest level of education attained ______________________

Your length of service with the LTO, in year _______________________

The name of the directorate in the LTO you are working in ----------------------------

The name of Team under the directorate department you are working in ---------------------

Your current position ---

The relation of your specific task engagement with Value Added TAX functions of the LTO is _______

Part Two: Information on the Large Taxpayer Office

The following statements consider different aspects of the LTO. Please, rate each of the given statements with putting a tick mark (√) in one of the rectangles situated in the row side situated under your most preferable choice among the alternatives levels of agreement indicated in the last five columns of the table sown below. The values given to each of the five alternatives include Strongly Disagree = 1, Disagree =2, Undecided = 3, Agree= 4, and Disagree = 5.

1	**Operating Environment**
1.1	Economic Environment
1.1.1	Do you think that the complexities arising from international business transaction might be beyond the capacity of the LTO to effectively realize VAT revenue collection?
1.1.2	Do you think that the accessibility of technological sophistication and qualified professional supports to business firms could be utilized both for increasing compliance and evasion of VAT
1.1.3	Do you think that Un controlled illegal business practices could result in a considerable loss of potential VAT revenues to be collected
1.1.4	Do you think that the locations of majority of business undertakings to be different places outside Addis Ababa may resulted in the LTO could face serious difficulties in its VAT administration
1.2	**Socio – Cultural Environment**
1.2.1	Do you think that contraband businesses which have been adapted as a legal means of livelihood by several community groups could considerably reduce the level of VAT revenue collection

1.2.2	Do you think that reluctance feeling of many consumers to ask receipts when purchasing taxable products/services highly contributed to VAT avoidance					
1.3	**Legal & Policy Environment**					
1.3.1	Do you think that complexity of procedural requirements of the VAT law is difficult to understand and apply					
1.3.2	Do you think that the penalties for non-compliance of VAT law is inadequate to discourage delay & tax evasion					
1.3.3	Do you think that the VAT threshold to large taxpayers is unfair					
1.3.4	Do you think that the flat fixed 15% VAT rate is considered to be low					
2	Resources of the LTO					
2.1	**Tangible Resources**					
2.1.1	Human Resources					
2.1.1.1	Do you think that management and technical staff engaged in VAT related functions are Well trained and skilled					
2.1.1.2	Do you think that the rate of staff turnover of is considerably at low level					
2.1.1.3	Do you think that the amount of salaries and other benefits to be paid to the staff is reasonable as compared to other similar organizations					
2.1.2	Finance					
2.1.2.1	Do you think that annual financial budget allocations are sufficient for current operations and to invest on institutional capacity improvement					
2.1.2.2	Do you think that after they being allocated, annual financial budgets are free from the risk of unpredictable cut					
2.1.3	**Physical Resources**					
2.1.3.1	Do you think that materials & equipment have been adequate to different functional units involved in VAT related activities					
2.1.3.	Do you think that different functional units involved in VAT related activities utilize the					

2	desired quality of materials & equipment required by the specific task?
2.1.3.3	Do you think that The LTO is equipped with powerful technological equipment used to adequate information sharing and enforcement of VAT laws?
2.2	**Intangible Resources**
2.2.1	Do you think that the LTO has a good image among VAT payers and other stakeholders?
2.2.2	Do you think that the level of morale and commitment of staff to organizational goals is high?
2.2.3	Do you think that the level of enforcement is powerful and free from corruptions?
3	**VAT Administration Strategy of the LTO**
3.1	Do you think that strategic objectives of the LTO regarding VAT administration consider the constraints imposed by the environment, resources &transformation process of VAT
3.2	Do you think that VAT administration of the LTO is guided by a realistic strategic plan
3.3	Do you think that Including annual VAT revenue collection targets, operational performance objectives of VAT administration of the LTO are consistent with its resources and internal capacity
3.4	Do you think that VAT administration of the LTO uses effective strategy to monitor VAT compliance & evasion
3.5	Do you think that VAT administration of the LTO has effective strategy to upgrade its resources & modernize its operations to meet emerging challenges
4	**The Transformation Process of VAT Revenue**
4.1	Formal Organizational Arrangements
4.1.1	Do you think that the quality of administrative rules and procedures are appropriate to accountability and effective processing of VAT revenue
4.1.2	Do you think that effective control, coordination and communication linkages are in place
4.1.3	Do you think that allocation of resources and workload are fairly distributed among different functional units involved in VAT administration process
4.2	Informal Organization (Culture)
4.2.1	Do you think that the staff have a shared value and dedicated commitment towards achieving organizational targets of VAT revenues collection accompanied with appropriate services to

	taxpayers
4.2.2	Do you think that in relation with VAT revenue performance, Staff voluntarily adhere formal rules and regulations in a regular manner
4.2.3	Do you think that the process of VAT revenues administration is free from widely spread corruption
4.2.4	Do you think that VAT officers are helpful and not threat taxpayers
4.3	**Individuals**
4.3.1	Do you think that there is a conformity between qualification, skills, experience and aptitude of staff in charge of and requirement of the task
4.3.2	Do you think that individual Staff involved in VAT revenue process could fit the formal organizational rules and regulations
4.3.3	Do you think that individual Staff engaged in the task of VAT revenue process would not be contrary to working culture required for the proper performance of the task
4.4	**VAT Administrative Functions**
4.4.1	Do you think that encouraging enforcement measures could be taken by the LTO to impose the informal business to legally registered
4.4.2	Do you think that the taxpayer service program is adequate to facilitate taxpayers' understanding of their obligations and entitlements
4.4.3	Do you think that simple formats and procedures to conduct self-assessment have been made accessible to VAT payers
4.4.4	Do you think that a comprehensive audit plan has been implemented by the LTO
4.4.5	Do you think that the LTO timely identifies and take measures on stop-filers and non-filers of VAT
4.4.6	Do you think that the LTO has good working relations and networked cooperation with its key stake holders
5	**Outputs (Performance Results) of the LTO**
5.1	Do you think that the actual performances of annual VAT revenue collections could meet strategic objectives requirements of the LTO

5.2	Do you think that the level of periodical performance result achievements of different functional units/team would match annual organizational targets of the LTO
5.3	Do you think that performances of the LTO is free from producing any outputs undesirable by the taxpayers
6	**Feedback system**
6.1	Do you think that feedback system of the LTO is adequate to measure the quality of its performance results
6.2	Do you think that feedback of the LTO is proactive to solicit opinions of clients and stakeholders
6.3	Do you think that remedial action are taken by the LTO to correct performance problems or adjust strategy

[illegible]

[illegible]

[illegible] “An Assessment of the Actual Performance of Annual VAT Revenues Collection against the Targets Set by the Ethiopian Revenue and Customs Authority (ERCA) with Special Emphasis to Large Tax Payers Office (LTO).” [illegible]

[illegible] ([illegible]/[illegible]) [illegible]/[illegible] [illegible]

[illegible] 2005/06 [illegible] 2009/10 ([illegible].[illegible].[illegible]) [illegible]/[illegible] [illegible]

[illegible]

[illegible]

[illegible]

[illegible]. [illegible]. 251- 9- 73-46-73-31

(√)

1. ?

1.1

1.2

2. ?

2.1 18-30

2.2 31-40

2.3 41

2.4 51-60

2.3 60

3. ?

3.1

3.2

3.3

3.4

3.5

4. ?

4.1

4.2

4.3

4.4 ----------------------------------

5. ?

5.1

5.2

5.3

5.4

5.5 ----------------------------------

6. [illegible]/[illegible] [illegible]?

6.1 [illegible]   6.2 [illegible]

7. [illegible]/[illegible] [illegible]?

7.1 [illegible]/ [illegible]   7.2 [illegible]/ [illegible]   7.3 [illegible]

7.4 [illegible]/ [illegible]   7.5 [illegible]/ [illegible]

7.6 [illegible]/ [illegible]   7.7 [illegible]/[illegible]   7.8 [illegible] -
----

8. [illegible]?

8.1 [illegible]

8.2 [illegible]

8.3 [illegible]

9. [illegible]?

9.1 [illegible]

9.2 [illegible]

9.3 [illegible]

10. [illegible]/[illegible]

10.1 [illegible]

10.2 [illegible]

10.3 [illegible]

11. [illegible] /[illegible]?

11.1 [illegible] 11.2 [illegible]

12. [illegible]?

12.1 [illegible] 12.2 [illegible]

13. [illegible] /[illegible]?

13.1 [illegible] 13.2 [illegible]

14 [illegible]?

14.1 [illegible] /[illegible] 14.2 [illegible] /[illegible] 14.3 [illegible] 14.4 [illegible]

[illegible] /[illegible]

[illegible] (X) [illegible] 1[illegible] 2[illegible] 3[illegible] 4 [illegible] 5[illegible]

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3.2	□□□□□□ **(Intangible)** □□□□					

3.2.1	[illegible]/[illegible]					
3.2.2	[illegible]/[illegible]					
3.3.3.	[illegible]/[illegible]					
4	[illegible]					
4.1	[illegible]/[illegible]					
5	[illegible]					
5.1	[illegible]					
5.1.1	[illegible]/[illegible]					
5.1.2	[illegible]					
5.2	[illegible] ([illegible])					
5.2.1	[illegible]					
5.2.2	[illegible]					
5.3	[illegible]					
5.3.1	[illegible]					
5.3.1.1	[illegible]/[illegible]					
5.3.1.2	[illegible]/[illegible]					
5.3.1.3	[illegible]/[illegible]					

	[illegible]					
5.3.2	[illegible]					
5.3.2.1	[illegible]					
5.3.3.2	[illegible]					
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5.3.3.1	[illegible]					
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5.4.1	[illegible]					
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5.4.5	[illegible]					

6	[illegible]					
6.1	[illegible]					
6.2	[illegible]					
7	[illegible]					
7.1	[illegible]					
7.2	[illegible]					
7.3	[illegible]					