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

FACTORS INFLUENCING TAXPAYER'S ATTITUDE TOWARDS PAYING TAXES:

THE CASE OF MEDIUM TAXPAYER'S BRANCH OFFICE IN ETHIOPIA

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This is to certify that the thesis prepared by Selamawit Admasu, entitled: Factors Influencing Taxpayers Attitude towards Paying Taxes: The Case of Medium Taxpayers Branch Office in Ethiopian. Submitted in partial fulfillment of the requirements for the Degree of Masters of Science in Accounting and Finance complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

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DECLARATION

I, Selamawit Admasu, declare that this thesis entitled "**Factors Influencing Taxpayer's Attitude Towards Paying Taxes: The Case of Medium Taxpayer's Branch Office In Ethiopia**" submitted in partial fulfillment of the degree of Masters of Science in Accounting and Finance is an outcome of my own effort and that all sources of materials used for the study have been properly acknowledged. I have carried out the research work independently with the guidance and support of the research advisor and this study has not been submitted for any degree or diploma program in this or any other institution.

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ABSTRACT

The aim of this research is to look into the factors that affect taxpayer's attitudes toward paying taxes at the Ministry of Revenue's Medium Taxpayers Branch Office. Based on, firm characteristics, the tax systems and demographic factors, a conceptual framework were developed. To test hypotheses and answer research questions, the analysis used a quantitative research approach. The study's target population was 3600 taxpayers, with 360 respondents chosen as a sample from the total population. The study's data collection tool was a close end questionnaire. The responses of variables were calculated using a five-point Likert scale. Cronbach's alpha was used to determine the instrument's internal accuracy. The data was analyzed using a quantitative method, descriptive statistics (mean and standard deviation), and inferential statistics (regression analysis) using SPSS software. The study's regression analysis shown that nearly all explanatory variables, including age, gender, and educational level, as well as tax law complexity, tax rate fairness, and tax law fairness, have a positive and substantial effect on tax compliance. While the study discovered an inverse relationship between tax compliance and company size, age, and sector. Furthermore, all other factors, with the exception of gender, were statistically relevant in affecting tax compliance. Finally, the study recommended that a taxpayer's awareness of tax laws and proclamations is a significant factor in growing tax enforcement. Tax rules should spell out where and how a tax is to be charged, as well as how the amount is calculated. Related taxpayers should be charged in the same way. Taxpayers should be able to understand the rules and follow them accurately and cost-effectively. A straightforward tax system makes it easier for taxpayers to grasp the tax implications of their real and expected transactions, eliminates mistakes, and builds trust in the system.

KEYWORD: *Tax compliance, Medium Taxpayer, Factors influencing tax compliance*

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LIST OF ACRONYMS

GDP_ Gross Domestic Product

MOR_ Ministry of Revenue

OECD_ Organization for Economic Cooperation and Development

CHAPTER ONE

INTRODUCTION

This study tried to examine the factors influencing taxpayer's attitude towards paying taxes in the Ministry of Revenue Medium Taxpayers Branch Office in Addis Ababa. In this chapter the introduction section includes background of study and organization, problem of the statement, objective of the study, hypotheses of the study, significant of the study, research questions, scope/delimitation of the study and organization of the study.

1.1. BACKGROUND OF THE STUDY

Tax revenues are a powerful resource for financing the public expenditures of the developed, developing and underdeveloped countries. (Kanbiro, 2018) stated that the amount of revenue a government can raise from taxation for its spending program depends on the taxpayer's willingness to comply with a country's tax laws.

Studying tax compliance attitude in Africa is not just for academic interest, it's important for policy-makers too. Steps to expand the tax base need to draw on research into how people encounter and view tax administration and regulation, and how their tax behavior is associated with their perception of the state. Therefore (Ali, Fjeldstad & Sjursen, 2013), deeper research and more informed fiscal policy formulation need more comprehensive and consistent information on taxpayer attitudes. In a research of (Lestari & Wicaksono, 2017), taxpayer awareness of paying tax on time would impact the high and low levels of tax compliance. Therefore, making the tax awareness is to understand the taxpayer's attitude or an individual taxpayer's understanding of the meaning, function and purpose of tax payment. (Palil, 2010) state that tax knowledge and comprehension were the key factors affecting the approach of taxpayers to voluntary compliance.

Many studies have shown that tax awareness is very similar to taxpayer's ability to understand and accept the tax laws and regulations. Specifically (Singh & Bhupalan, 2001) indicated a taxpayer who favorably perceives tax compliance is likely to be more compliant than a taxpayer who negatively views tax compliance. That is, a more positive tax compliance attitude encourages taxpayers to accept the tax laws.

This paper aimed to elaborate the different views held by different scholars in relation to the influence of taxpayer's attitude on tax compliance and their relationships with other variables, which will become more useful for potential researchers when they are preparing to conduct some relevant research in this field.

This study also adds to empirical literature on factors that affect the attitude of taxpayers towards tax payments in Ethiopia.

1.2. BACKGROUND OF THE ORGANIZATION

The Ministry of Revenues (MOR) is the body responsible for collecting revenue from customs duties and domestic taxes. In addition to raising revenue, the MOR is responsible to protect the society from adverse effects of smuggling. The MOR traces its origin to July 7, 2008 as a result of the merger of the Ministry of Revenues, the Ethiopian Customs Authority and the Federal Inland Revenues into one giant organization.

The Ethiopian Ministry of Revenue has 48 branches across the region, employing over 14000 people in total. One of these divisions is the medium taxpayer's branch office. It has over 300 staff and 3600 taxpayers, with an annual turnover ranging from 3 million to 40 million. As a result, the aim of this paper was to look into the factors that influence taxpayers' attitudes toward paying taxes in the medium taxpayers at the federal level.

1.3. STATEMENT OF THE PROBLEM

Tax revenue is the government's largest source of support for public spending. This is paid as a duty by the people, without in effect anticipating any direct profit. Even if tax is the foundation of the state's life, most taxpayers are unable to pay their tax liabilities due to poor voluntary compliance.

African countries receive significantly smaller amounts of tax revenue from their GDPs, which is less than the average of 16%, even though they have a high capacity to generate tax revenue to support their economic growth (Kanbiro, 2018). As every other developing country, Ethiopia is facing difficulties in raising tax revenues to the level necessary to support economic development. (Alemayhu, 2020) stated on his study, tax revenue (% of GDP) in Ethiopia from 2018-2019 was 10.69 and 9.96 respectively.

Many empirical studies were tried to identify different determinant factors on tax compliance attitude. (Ali, Fjeldstad & Sjursen, 2013) identified five theories**:** economic deterrence, fiscal exchange, social influences, comparative treatment and political legitimacy. (Kanbiro, 2018) classifies, factors that affect taxpayer's attitude to voluntary compliance can be divided into five major categories: 1) demographic factors like age, gender and education, 2) individual factors like tax knowledge, personal financial constraints and awareness of offense and penalty, 3) social variables includes perception on equity and fairness of tax system, 4) institutional such as simplicity of taxation, role of tax authority, change in government policy and referent group and the probability of being audit and finally 5) economic factors consists of tax rate income level, tax audit and perception on government spending. (Tilahun & Yidersal, 2014) examined factors that affect taxpayers on tax compliance are probability of being audited; perception on government spending; perception on equity and fairness of the tax system; penalties; financial constraint; changes on current government policies; and referral group. (Tilahun, 2018) classified determinant of tax compliance are economic and social factor. Economic factors such as perceptions of government spending, penalty, compliance cost and tax rates. Social factors are fairness of the tax system and the effect of Referrals. (Wollela & Fjeldstad, 2016) listed, attitudes to paying taxes are influenced by the perception of government services, perception of tax rates, penalty and audit perception of others/peer compliance, perception of government treatment of taxpayers, trust in the administration, satisfaction with the tax administrative procedures and practices, and perception of corruption in the tax administration, age, gender, education level achieved, business size and sector. (Tadesse & Goitom, 2014) classified the determinants of tax compliance behaviors are Economic factors, Institutional factors, Social factors, Individual factors, Demographics and other control variables.

Despite the fact that these researchers established factors influencing tax compliance behavior in Ethiopia, the findings are not comparable, suggesting that there is a gap in which factors are important in affecting tax compliance behavior. This prompted the current study to conduct additional research in order to identify significant factors influencing tax enforcement behavior in Ethiopia. As a result, nine significant factors, such as the size of the company, its age, and its sector, were considered. Age, gender, and educational level are all demographic variables. The complexity of tax law, tax rate fairness, and tax law fairness have all been considered as important factors in the Ethiopian tax compliance case in this paper. These variables were chosen based on previous researches and observations in the field.

1.4. RESEARCH QUESTION

This study attempted to fill the research gap concerning factors influencing taxpayer's attitude towards paying taxes. By having the reasons mentioned above, the researcher tried to answer the following basic research questions:

- ✓ Do the firm's characteristics affect the tax compliance?
- ✓ Do the tax systems influence the tax compliance?
- ✓ Does the taxpayer's demographic factor affect the tax compliance?

1.5. OBJECTIVES OF THE STUDY

The main objective of this study is to examine factors influencing taxpayer's attitudes towards paying taxes in Ministry of Revenue Medium Taxpayer's Branch Office.

The specific objectives of this study are:

- ✓ To examine the firm's characteristics affect the tax compliance.
- ✓ To assess the tax system influencing the tax compliance.
- ✓ To assess the taxpayer's demographic characteristics affect the tax compliance.

1.6. HYPOTHESIS OF THE STUDY

On the basis of the variables provided in the theoretical and empirical data, it is possible to create an intellectual guess that the business size, business type, firm age, tax law complexity, tax rate fairness, tax law fairness, age, gender and educational level of taxpayer affect the conduct of tax compliance in the case of ministry of revenue medium taxpayer's branch office. For the relationship between tax compliance and factors influencing it, the following section forwards the hypothesis.

Hypothesis 1: Business size has a positive influence on taxpayer's compliance attitude

(Hanlon et al., 2005) result shows that large sized companies are more compliant than medium-sized companies and small-sized companies are described more noncompliance than medium-sized companies. (Juahir et al., 2010) are proposing company features such as company size and audit firm size with the business sector as a control variable, the distinct emphasis is to test noncompliance. There is a negative link between the size of the company and non-compliance, in which the large size companies comply more because they have greater internal controls.

Hypothesis 2: Firm age has a negative influence on taxpayer's compliance attitude

(Hutagalung & Waluyo, 2014), who tested the descriptive company over the length of the business age and size of the company, the authors concentrated on formal compliance when reviewing compliance, which is based on the timeliness of reporting on whether or not taxpayers record their tax on time. The findings are that in order to assess tax compliance, the firm age is negative and not relevant, so it is established that new companies may be more compliant than old companies.

Hypothesis 3: Business sector has a positive influence on taxpayer's compliance attitude

(Juahir et al., 2010) found that the construction industries are more non-compliant. (Hanlon et al., 2005) meanwhile, found that manufacturing, trade, transportation; warehousing, education, and healthcare was less compliant than other sectors. (Chan & Mo, 2000), on the other hand, found that the service-oriented industry is less compliant than the manufacturing industry.

Hypothesis 4: Age has a positive influence on taxpayer's compliance attitude

Older taxpayers are more compliant than younger taxpayers, some researchers say. It is in line with (Jackson and Milliron, 1986) who note that a positive relationship exists between age and compliance with taxpayers. (Wahlund, 1992), on the opposite, is a negative state relation where older taxpayers are less compliant than younger taxpayers.

Hypothesis 5: Gender has a positive influence on taxpayer's compliance attitude

Many studies have indicated that different levels of tax compliance are displayed by male and female taxpayers. Although gender issues are still debatable so far, the issue of tax compliance can still be considered. In previous studies, (Tittle, 1980), a social psychological researcher, found that women are more likely than men to comply with tax laws. In addition, (Jackson and Milliron's, 1986) related finding also points out that women have been associated with conforming roles, moral restraints and more traditional patterns of life.

Hypothesis 6: Education has a positive influence on taxpayer's compliance attitude

It is obvious that the creation of tax awareness among taxpayers is an essential element in the effective operation of the tax system. Awareness as one of the compliance factors is related to the capacity of taxpayers to comprehend tax laws and their ability to comply with them (Amin & John, 2010)

Hypothesis 7: Complexity of tax law has a negative influence on taxpayer's compliance attitude

The complexity of tax law is one of the factors producing non-compliance actions. (Larissa et al. , 2012) many other taxpayers struggle to comply because they understand the law very little, aside from information taxpayers who manage to minimize their tax burden because they understand the law very well. This is because tax law is always vague and poses many problems with its interpretation. (Razak & Adafula, 2013) furthermore, there analysis found that taxpayers did not understand the tax laws clearly. In a language that is very difficult to understand and to apply, the tax laws are written. The levels of awareness of tax laws have affected taxpayer's attitudes to a large degree. The level of comprehension of taxpayers was strongly linked to their tax compliance decisions.

Hypothesis 8: Tax rate fairness has a positive influence on taxpayer's compliance attitude

Fairness is viewed as a human right; thus, cases of perceived injustice cause strong personal emotions. They will respond by attempting not to pay taxes when taxpayers consider unfairness. His results (Bradley, 1994) show that tax avoidance has raised as the percentage of taxpayers perceives taxes to be unfair.

Hypothesis 9: Tax law fairness has a positive influence on taxpayer's compliance attitude

(Palil, 2010) as an economic factor, tax fairness has a positive significant impact, meaning that the taxpayer seeks fairness in the performance of their duty. If there are taxpayers who do not reap the repercussions of refusing to disclose their wages, such as fines or penalties, the other taxpayers will decrease their compliance due to unfairness.

1.7. SIGNIFICANCE OF THE STUDY

This study would therefore has significance in providing important information to policy makers and other bodies interested in resolving the issue of factors influencing taxpayer's attitudes towards tax compliance and contribute the improvement of government tax revenues by identifying factors affecting the taxpayer's attitude. It also encourages taxpayers to have a positive attitude for tax compliance. In addition, the finding results serve as a reference point for other researchers on this subject area. Therefore this study is important from a fiscal policy perspective as well as from an academic perspective.

1.8. SCOPE/DELIMITATION OF THE STUDY

Many factors affect taxpayer's attitude towards tax compliance. However this study is limited to examine only for three major factors of taxpayers attitude: corporate characteristics, the tax system and demographic factor. The federal level taxpayers are huge in numbers and have four branches. Due to on this fact, the current study is delimited on medium level taxpayer who has 3600 taxpayers. In addition, limitation of time, resource and Covid 19 pandemic for data collection were major problems to carrying out this study.

1.9. ORGANIZATION OF THE STUDY

This thesis is organized as follows: chapter one discussed about the background of study and organization, problem of the statement, objective of the study, hypotheses of the study, significant of the study and research questions. Chapter two analyzed, theoretical and empirical literatures reviews, summary of literature review and conceptual framework. Chapter three discussed, research methodology including research design, data source and collection tool, validity and reliability test and ethical consideration. Chapter four discussed about data presentation, analysis and discussion of results and the last chapter conclusion and recommendation of the study.

CHAPTER TWO

RELATED LITERATURE REVIEW

2.1. THEORETICAL LITERATURE REVIEW

This section attempts to review literatures which consider the theoretical aspects of factors influencing taxpayer's awareness on tax compliance.

2.1.1. TAX COMPLIANCE

Compliance with taxes relates to taxpayer's ability to behave in accordance with both the intent and the letter of the tax law and of the administration. It is possible to view taxpayer's ability to comply with tax payments as behavioral requirements. (Augustine, 2020) divide these principles into two; these are personal and social norms. The personal expectations indicate the combination of different factors correlated with individual values that have driven the positive attitudes of taxpayers towards tax administrators, but this is often difficult to quantify. Social norms influence tax behavior where the majority of people are tax compliant, leading to a reduction in the propensity to escape taxes, but where the rate of evasion is high in the country; there will also be a high rate of tax non-compliance.

Different ways of approach to tax compliance have been used; these are theoretical, experimental and observational approaches to understanding the factors influencing tax compliance and the actions of taxpayers. The aim is to improve the degree of taxpayer compliance and also to further increase government revenue generated for the purpose of financing a nation's social, economic and infrastructural growth.

(Alm, et al. 1992) indicates that tax compliance exists because the low risk of audit that they currently face is oversensitive to or overweight by certain individuals. Individuals do not act as though their desires are linear in likelihood, when coupled with the high penalty on observed evasion. Rather, they frequently pay more in taxes than would be implied by a straightforward implementation of predicted utility theory. There is also some proof, however, that compliance is not only due to overweighting or severe risk aversion, as there is some enforcement when there is no detection chance and there is some evasion when the evasion game's expected value is negative. In addition, compliance does not emerge from a conviction that avoidance is wrong by subjects, because their conduct is unaffected by the use of either loaded or neutral instructions.

(Fredrick & Peter, 2019) concluded that tax compliance is the degree to which taxpayers' tax conduct, including tax estimation and timely manners, is already acceptable to the tax laws of the country. Therefore, government-anticipated tax compliance is not enforcement imposed by the government, but voluntary tax compliance.

The five groupings of models which are mostly adapted from different researchers like (Ali, Fjeldstad & Sjursen, 2013) are: Deterrence, Fiscal Exchange, Comparative Treatment, Political Legitimacy and Trust in Government.

2.1.2. THE (ECONOMIC) DETERRENT MODEL

The principle of economic deterrence suggests that taxpayers pursue moral benefits, and their actions are guided by the measurement of costs and the incentives that arise. The taxpayer applies the economic reasoning on the premise that the taxpayer can evade taxation as long as the income from tax evasion is higher than the estimated cost of being caught (Hasseldine & Bebbington, 1991). The deterrent theories typically forecast patterns of compliance based only on the willingness to pay approach. Government revenue and expenses are handled separately, and taxes are focused on the willingness of the taxpayer to pay (Ortega & Sanguinetti, 2013).

2.1.3. FISCAL EXCHANGE

Thus, the model suggests that the existence of government spending can serve as a motivating force for taxpayer enforcement, especially when taxpayers value the goods and services they anticipate receiving from the government (Bello & Danjum, 2014). It is then fair to conclude that the conduct of a taxpayer is influenced by its satisfaction with or lack of satisfaction with its terms of exchange with the government. Therefore (Ali, Fjeldstad & Sjursen, 2013) stated that if the tax system is viewed as unfair, tax evasion may be regarded, at least in part, as an effort by the taxpayer to change his terms of trade with the government.

2.1.4. SOCIAL INFLUENCE

Consequently, enforcement actions and attitudes towards the tax system may be influenced by the conduct of the reference group of a person, such as family, neighbors, and friends. And if a taxpayer knows a lot of people in communities that are important to him who evade taxes, his / her determination to comply would be weaker. (Ali, Fjeldstad & Sjursen, 2013) on the other hand, social interactions can also help discourage individuals from evading in fear of the social penalties enforced until identified and publicly exposed.

2.1.5. COMPARATIVE TREATMENT

The three types of fairness in taxation are distributive fairness, referring to the perception of taxpayers that the government acts as a good custodian and wise spend or of tax revenue; procedural fairness, referring to the perception that tax authorities adhere strictly to established procedures and are fair in dealing with taxpayers; and retributive fairness, referring to the perceptions of taxpayers. The value of justice and tax fairness is that it doesn't really matter whether or not the result benefits the individual taxpayer. Many taxpayers may still regard a tax authority as fair and fair, even though it has acted against them, but in a good way (OECD, 2010).

2.1.6. POLITICAL LEGITIMACY

As per (Ali, Fjeldstad & Sjursen, 2013) legitimacy may be defined as belief or faith in the government, institutions, and social structures to be adequate, equitable, and function for the good.

2.1.7. FACTORS OF TAX COMPLIANCE

Tax compliance attitudes are widely used as a single definition of tax compliance, which can be more properly viewed as a collection of tax compliance determinants. While there are various determinants described as potentially affecting the attitude of tax compliance in the tax compliance literature.

2.1.7.1. DEMOGRAPHIC FACTORS

Many studies have been performed on the effect of demographic factors on taxpayer compliance, such as age, gender and education. (Jackson & Milliron, 1986) they notes that, as major demographic factors, age , gender and education have evidence of their relationship with tax compliance in which tax compliance is influenced by demographic factors. Demographic variables have an indirect impact on taxpayer enforcement through their influence on opportunities and attitudes of non-compliance, based on Fischer et al (1992).

2.1.7.1.1. GENDER

In many aspects of life, such as in business, home, and charity events, where they differ in negotiation, decision-making, and charitable giving, the different characteristics of male and female have already been known. Gender as a demographic attribute has a substantial effect on tax non-compliance, (Jackson & Milliron, 1986) found. However, it seems that there is no definitive response to the issue of whether men or women are more ethical and tax compliant, despite numerous studies examining this demographic variable. Gender is a sociological factor that affects the non-compliance conduct of an individual taxpayer, according to (Schuetze, 2002). Widespread evidence indicates that the level of compliance between women and men differs in such a way that males have a high level of non-compliance relative to females. While the question of gender is still debatable so far, the issue of tax compliance can still be considered.

(Fredrick & Peter, 2019), findings that gender has a major impact on taxpayer compliance, female taxpayers were more compliant than their male counterparts, gender was important. This is because females appear to be more worried than males about the tax officer. Male taxpayers are also more risky than female taxpayers, which explain why they are less compliant than female taxpayers.

(Jie, 2017) conclusion, women are more likely than men in developing countries to comply with tax laws. In comparison, several studies in developed countries have shown that there is no substantial difference in tax compliance attitudes between males and females.

2.1.7.1.2. AGE

Age related to non-tax compliance concerns is a different finding. Older taxpayers are more compliant than younger taxpayers, some researchers say. It is in line with (Jackson & Milliron, 1986) who state that a positive relationship exists between age and compliance with taxpayers. (Fredrick & Peter, 2019) findings that while age do not have a significant impact on taxpayer compliance.

(Jie, 2017) concluded in developed countries have shown that age has no major impact. The contradictory results on the age determinant can be clarified in many ways, including the categories of taxpayers, the use of multiple determinants in one study and the relationship with another determinant.

2.1.7.1.3. EDUCATION

(Oberholzer & Stack 2009), educational history has been described as a demographic factor influencing the attitudes of taxpayers towards tax compliance. (McGee, 2012) founded that taxpayers are more averse to tax avoidance because of a higher standard of education.

(Fredrick & Peter, 2019), findings that level of education do not have a significant impact on taxpayer compliance. Education has no direct impact on the attitude towards tax compliance, but it has an impact on tax awareness (Jie, 2017). (Eriksen & Fallan, 1996) are suggested that, to improve the perception of fairness taxpayers should be given better tax knowledge. They also proposed that tax education should be included as a mandatory subject in the education curriculum. Tax is an undeniable thing for every person, their tax awareness will be critical in pursuing tax compliance. (Alm et al. 1992) found the level of education to have an impact on tax knowledge and tax compliance and found staff training on tax policies to be expensive for the company. Literature also supports a direct, constructive relationship between the level of education and the compliance of taxpayers (Jackson & Milliron, 1986) and (Niway, 2016) indicates that the level of education is directly related to the likelihood of compliance. (Eriksen & Fallan, 1996) stated that the quality of education gained by taxpayers is an important contributing factor to the understanding of taxation, particularly with regard to tax laws and regulation. (Alstadsater, 2013) in his study on the effect of awareness and opportunities on tax evasion, found that tax awareness has an explanation as to why some taxpayers participate in lawful tax evasion practices while others do not. The taxpayer's awareness of the tax rules is dependent on tax salience. He concludes that lack of tax knowledge and complexity of the tax code could lead to accidental tax evasion by over establishing the dividend allowance.

2.1.7.2. FIRM CHARACTERISTICS

Many corporate characteristics have been believed to be explanatory variables for the status of the tax compliance. These characteristics include: organization size, business sector, firm age etc. (Sapiei, Kasipillai & Eze, 2014) the overall conclusions from there study's research findings on the tax compliance behavior of corporate taxpayers are broadly in line with existing studies in this area. This study confirms that tax complexity is an important determinant of corporate taxpayer compliance. Concerning business size, this study found it to be a significant determinant of tax non-compliance behavior.

In terms of business size, there is a combination of proof between the size of the company and the extent of tax non-compliance. According to (Mohamad M., et al. 2016, as cited in Hanlon et al. 2007) there is a positive relationship between tax non-compliance and the size of the company. Previous research, on the other hand, has shown that business size has a negative association with non-compliance with taxes. They found that, as opposed to small-scale companies, the larger the companies are, the more the company complains about tax laws due to proper internal control, a stronger accounting system and greater tax awareness.

2.1.7.3. THE TAX SYSTEMS/ STRUCTURE

Complexity of tax law, tax rate fairness and tax law fairness are some of the tax system that influences the taxpayer's attitude.

2.1.7.3.1. TAX LAW COMPLEXITY

To understand how the complexities of tax law can affect the attitudes of taxpayers, consider the implication of the general principle that a society expresses what it considers to be unacceptable conduct primarily through laws, and that the attitudes and expectations of an individual can be affected by laws and punishment for violating the law. (David & Robert, 2013) in the case of taxpayer conduct, it seems possible that the taxpayer would be likely to interpret taking the deduction as socially unacceptable tax avoidance if tax laws relating to a specific deduction were precise and explicit in preventing the deduction. As one can imagine, the uncertainty of tax law remains at the level of linguistics, (Larissa et al., 2012) legislative texts typically contain complex legal jargon that is not readily grasped by certified tax experts or financial experts, not to mention ordinary taxpayers.

2.1.7.3.2. TAX RATE FAIRNESS

Moreover, though majority of literature showed that the high tax rate is positively related to tax evasion and negatively related to tax compliance, other studies found either no relationship or in fact even positive relationship between tax rate and tax compliance. Tax fairness covers at least two distinct dimensions: (Jackson and Milliron, 1986). The equity of trade-the benefits earned for the tax rupiahs granted-tends to include one dimension. The equity of the taxpayer's burden in relation to other entities (perceptions of the taxpayers of the horizontal and vertical equity of the tax system) seems to be part of the other factor. (Porcano, 1984) found that the need and willingness to compensate taxpayers were the most critical variables correlated with the perception of a fair tax system.

(Masud, Aliyu & Gambo, 2014), study's results indicated that the tax rate has a strong positive association with African tax compliance. The result further indicates that the tax rate has a major negative impact on African tax compliance. On the basis of these results, they therefore suggest that countries that combine low tax compliance with a high tax rate can change their tax rate to an average value of 29.1985 percent or approximately 29.2 percent. This is the mean value of the overall gross tax rate in Africa of 35 per cent and the minimum tax rate of 18.10 per cent.

2.1.7.3.3. TAX LAW FAIRNESS

The duty of the government is to enact effective and effective tax laws that increase the generation of tax revenue. The legislative branch of government is accountable for the implementation of effective tax laws and these laws are generally implemented by the executive branch of government using its different government agencies.

It is difficult for taxpayers to grasp the applicable tax laws, although others have limited knowledge of the prevailing tax rates and basic knowledge of taxation. Tax law should be the first factor to be considered by taxpayers in the decision-making process, the tax law would either make them stop or evade tax payment (Augustine, 2020).

2.2. EMPIRICAL LITERATURE REVIEW

This section attempts to review literatures which consider the empirical aspects of taxpayer's attitude on tax compliance. Many empirical studies have assessed taxpayer's perceptions and attitudes towards the tax systems.

(Kanbiro, 2018) on his study, eight variables such as gender of taxpayers, age, lack of tax knowledge, simplicity of the tax system, awareness on penalty for evading tax, income level, tax audit and perception on tax rate were significantly correlated with tax voluntary compliance attitude. There were no important determinants of tax compliance attitudes, such as the level of education and the role and efficiency of the tax authority.

(Habtamu, 2019) findings, that the fairness tax system has a significant impact on tax compliance. This is because, by chance, caused chance to cheat increased non-compliance irrespective of whether or not the participants actually wanted to be non-compliant. Finally, the study concluded that there is a major impact of tax awareness and education on tax compliance. Therefore, enhancing knowledge on how to file tax returns and the value of paying tax is wise for the tax system.

Gender has a statistically significant relationship with compliance attitude, according to (Wollela & Fjeldstad, 2016). Female respondents were more likely to have a compliant attitude. Education and compliance behaviors were found to have a negative and statistically significant correlation. Higher levels of education have been linked to a less compliant attitude.

(Alemayhu, 2020) concluded, from fairness of tax system, complexity of tax system, probability of detection, income level, penalty rate, peer influence, tax knowledge, gender and age of taxpayers, the fairness of tax system and complexity of tax system are not influence tax compliance. Older people are more compliant than young people. Women were more ethical than men and were consistent with the tax laws.

(Tilahun, 2018) his study has found a positive and significant relationship between tax compliance and fairness of the tax system. This implies that making the tax system fair leads to higher levels of tax compliance behavior of the taxpayers. It can be understood from the study finding that the tax rate has a negative and important effect on tax compliance, and higher tax rates allow taxpayers to delay and escape tax. Therefore it should be in a manner that promotes the conduct of tax compliance and the tax authority is expected to keep it to the minimum as far as possible.

(Redae & Sekhon, 2017), in their area of research, it should help its awareness programs to improve the capacity of taxpayers to understand tax laws, tax rates, filling and paying dates, taxpayers should also know what tax officials need in the case of tax audit and enquiries, and the tax authority should crate absolute trust in the validity of the statements in their income tax return.

(Niway & Wondwossen, 2017), recommended that the role of tax consciousness and taxpayer perception towards the tax system be central to voluntary tax compliance decisions; hence, the Ethiopian Revenues and Customs Authority should continuously work towards creating taxpayer awareness and tax consciousness by providing adequate tax training and education to taxpayers. (Nemera, 2016) concluded that taxpayers believe they pay taxes only because they are liable for their citizenship, most of them feel they are paying fair taxes.

(Mesele, 2018), in his review, 13 possible determinants of tax non-compliance were examined. namely tax knowledge, simplicity of tax procedures, probability of audit, perception of government spending, equity and fairness, tax rates, role played by tax authorities, penalties and fines, personal financial constraints reference group sex, age and education. The findings showed that the most important determinants were tax awareness, audit likelihood, penalty and sex, which consistently influenced the likelihood of tax non-compliance conduct in the areas of under-reporting revenue, over-claiming expenses and general non-compliance. Even so, simplicity of tax procedures, perception of government spending, equity and fairness, tax rates, role played by tax authorities, personal financial constraints, reference group, age and education have an insignificant relationship with the non-compliance behavior of taxpayers.

(Abera, 2019) concluded that the perception of tax laws and proclamations by taxpayers has been found to be a significant factor in increasing presumptive tax collection. The ERCA should reduce the complexity of the tax rules in collaboration with the legal entities concerned and arrange frequent awareness-raising activities, such as seminars, workshops and conferences, and use electronic or print media to inform taxpayers about the tax rules. This will enhance tax enforcement actions and, thus, increase the rate of tax collection.

(Tilahun & Yidersal, 2014) on their study, the results show that probability of being audited is not an important factor in determining tax compliance behavior. But, perception on government spending; perception on equity and fairness of the tax system; penalties; financial constraint; changes on current government policies; and referral group (friends, relatives etc.) are factors that significantly affect tax compliance behavior.

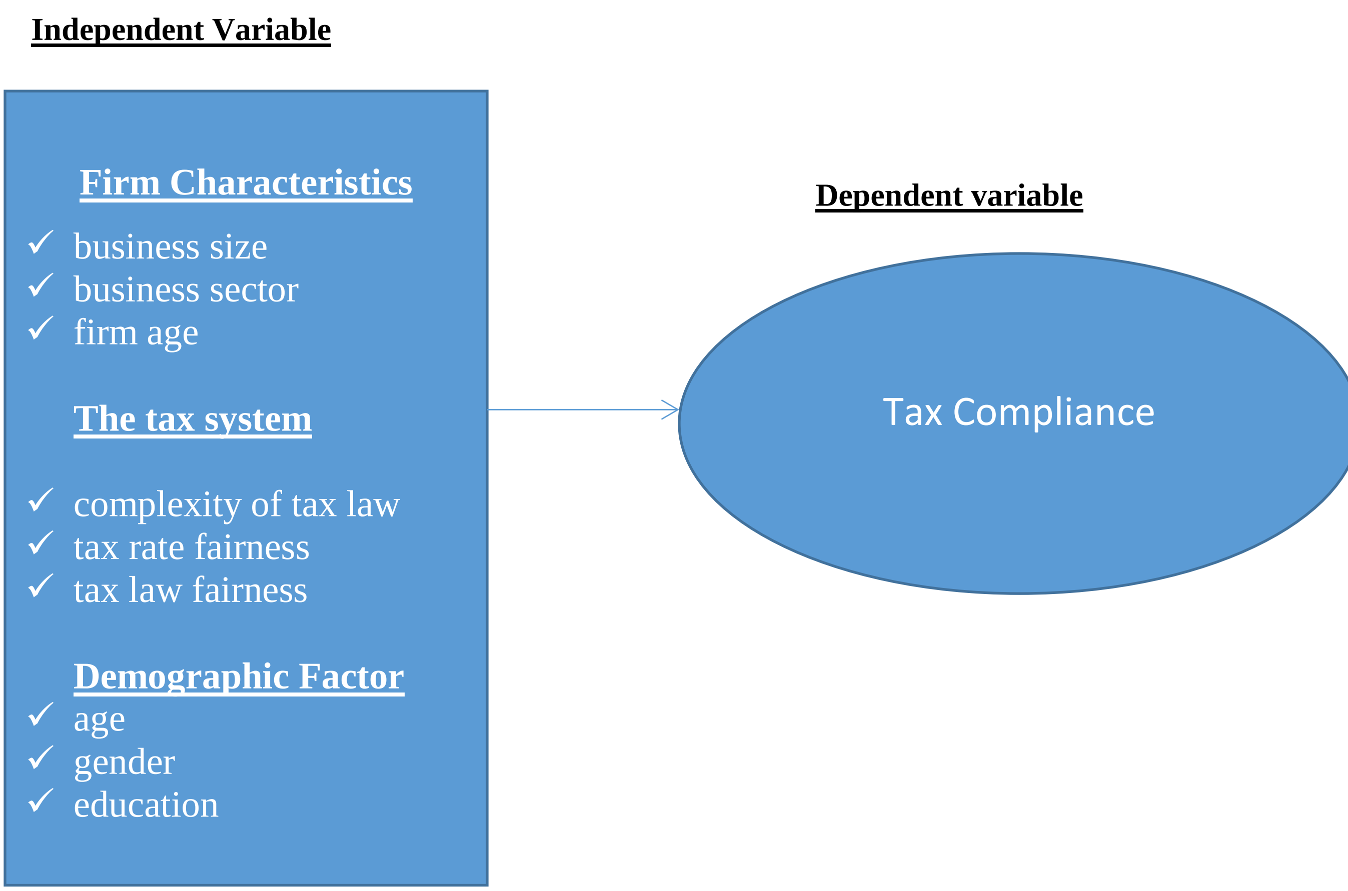
(Deyganto, 2018) gender of taxpayers, age, tax knowledge, simplicity of the tax system, perception on fairness and equity, awareness on penalty for evading tax, tax audit, perception on tax rate and the role of tax authority were significantly correlated with tax compliance attitude. The result showed that compliance attitude is significantly influenced by gender of taxpayers, age, tax knowledge, simplicity of the tax system, perception on fairness and equity, awareness on penalty for evading tax, tax audit, and perception on tax rate. Other variables such as education level and role and efficiency of tax authority were not significant determinants of tax compliance attitude.

2.3. SUMMARY OF LITERATURE REVIEW AND RESEARCH GAP

The above discussion, however, shows that those variables are often related to tax compliance and different researchers were tried to identify the real factors affecting taxpayer's attitude on tax compliance. Previous researches on the factors influencing taxpayer's tax compliance attitude in the Ethiopian context have not been clear. Factors that in some research have been shown to have a significant relationship with tax compliance activity have been shown not to be substantial in other researches. In addition most of the studies are an individual taxpayer level. The corporate level of taxpayers is not studied well. Therefore, this research was tried to confirm which variables have a major effect on the tax compliance attitude of medium taxpayers of Addis Ababa in a corporate level.

2.4. CONCEPTUAL FRAMEWORK

This study conceptualized that the taxpayer's compliance attitude could be affected by corporate characteristics, the tax system and demographic factors. The purpose of this study was therefore to test the nature and the strength of these relationships. This study tests the conceptual framework presented in the following Figure.



Source: Researcher own construction based on literature review

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

INTRODUCTION

Research methodology may be understood as a way to approach the study problem systemically or to address it. But basically, it can be understood as the method of learning how scientific research is performed. Through the approach, we are learning the different steps a researcher normally takes in solving his/her research problem and the underlying reasoning behind it.

3.1. RESEARCH DESIGN

Research design is the research methods and techniques selected by a researcher as the structure. The design helps researchers to improve in on study methods that are appropriate for the topic and set up their studies for success. This research incorporated with explanatory research design and data was collected in a surveys method. Quantitative researches try to recognize and isolate specific variables contained within the study framework, seek correlation, relationships and causality, and attempt to control the environment in which the data is collected to avoid the risk of variables.

3.2. DATA SOURCES AND METHOD OF COLLECTION

3.2.1. DATA COLLECTION METHOD

Both primary and secondary data's was used in the analysis. Primary data is classified as data collected by a researcher from a selected population of respondents for a specified reason, while secondary data refers to data collected from published sources or data existing as a result of previous events or other investigations that may have taken place.

Primary data are used because the data collected were up-to-date and the data is also collected from the issue at hand. Another explanation is that, because it is original and direct from the parties concerned, it gives a reliable picture. In this analysis, the benefit is that information is derived directly from a population sample.

This research data collection method was closed ended questionnaires. This study used a Five-point Likert scale questionnaire to get data relevant to the purpose of the study. This allows respondents to have ranges of response choices to select. In the context of the current research, this study used standard questionnaires adapted from previous related studies, but conducts reliability checks. This collection method is quicker and easier both for respondents and researcher for analysis.

3.2.2. POPULATION OF THE STUDY

The target population of the study was the ministry of revenues medium taxpayer's branch office in Addis Ababa. The populations of this office taxpayer's are totaled around 3600 as of July 7/2020.

3.2.3. SAMPLE SIZE & SAMPLING TECHNIC

Simple random sampling and systematic sampling techniques were used to select respondents from medium taxpayers at the federal level. During the selection process, a list of medium taxpayers was selected, and the first respondent was chosen at random, while the other participants were chosen from the list of taxpayers using a systematic sampling technique.

This study used (Yamane, 1967) equation formula to calculate the sample size based on the sample required estimating a proportion with an approximate 95% confidence level and with a 5% level of precision. The total population of the study covers 3600 medium taxpayers.

Assumptions:

A 95% confidence level, and e=+5%

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

Where:-

n = the sample size

N = the population size

e = the level of precision (sampling error)

$$= \frac{3600}{1+3600\,(0.05)^2}$$

$$= 360$$

The sample size of medium taxpayers is 360.

3.2.4. DATA ANALYSIS METHOD AND MODEL SPECIFICATION

This study used a linear regression model in which to determine the relationship between the dependent and independent variables. The dependent variable is tax compliance, influenced by the independent variables mentioned below. Demographics variables including gender, age and education level. Firm characteristics, such as business size, business sector and firm's age. Tax systems such as complexity of tax law, tax rate fairness and tax law fairness. To analyze the data both descriptive and inferential statistics was used. Descriptive statistics are used to describe the basic features of the data in a study. They provide simple summaries about the sample and the measures. Inferential statistics helps assess strength of the relationship between independent variables, and dependent variables. The mean was used as a basis in the descriptive interpretation and the p-value, the coefficients β of the independent variables and the required regression analysis were used in the inferential interpretation. Statistical packages SPSS software was applied by the researcher to process quantitative data obtained from the structured questionnaire.

Table 3.1 The Variables Description and Categorization

Variable	Description
Business Extent /Size/	The proxy is business type, in which the limited corporation is characterized by annual turn over
Business age	The length period of corporate taxpayer as corporate taxable enterprises
Business sector	Company sector based on the taxpayer profile in tax system
Age	Taxpayer age level
Gender	Gender of the taxpayer
Education	Taxpayer education level
Tax Law Complexity	The six questions reflect complexity of tax law
Tax rate Fairness	The four questions reflect tax rate fairness
Tax Law Fairness	The three questions reflect tax law fairness
Tax compliance	The three questions reflect on tax compliance

Based on the hypothesis the following regression model is developed and variables in the model are specified.

The general equation for the model used to test is shown below:

$$Y = \beta 0 + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \beta 5X5 + \beta 6X6 + \beta 7X7 + \beta 8X8 + \beta 9X9 + \mathcal{E}$$

Where;

Y – Tax Compliance

β - Constant

Ɛ - Error term

X1, X2….X9 Factors of compliance

TC- Tax compliance

BE- Business extent/Size

BA- Business age

BS- Business Sector

AGE-Age

GEN-Gender

EDU- Education

TLC- Tax Law Complexity

TLF- Tax Law Fairness

TRF- Tax Rate Fairness

Substituted Coefficients

$$TC = \beta 0 + \beta 1BE + \beta 2BA + \beta 3BS + \beta 4AGE + \beta 5GEN + \beta 6EDU + \beta 7TLC + \beta 8TRF + \beta 9TLF + \mathcal{E}$$

3.3. VALIDITY AND RELIABILITY TEST

Reliability and validity are principles which are used to determine research quality. Reliability is about a measure being consistent and validity is about a measure being reliable.

The validity of the questionnaire was tested before distribution to respondents; at the time of analysis the component analysis test is conducted to determine the validity of each of the questions/statements used to arrive at the finding of the study.

Reliability of the test items in the questionnaire was tested by calculating a Cronbach's alpha during piloting.

3.3.1. RELIABILITY

Reliability refers to a measure's overall accuracy. Such interventions are said to be reliable if they achieve identical results under the same conditions every time. The amount of random error that may be embedded in the score from the measurement process is the function of a set of test scores. Internal reliability for experiments with multiple possible responses was assessed using the widely used Cronbach Alpha.

Table 3.2 Summary of scales & Cronbach's alpha values

Variables	Cronbach's Alpha	No of Items
Business Extent /Size	0.918	2
Business age	0.906	1
Business sector	0.975	1
Age	0.935	1
Gender	0.988	1
Education	0.949	1
Tax Law Complexity	0.742	6
Tax Rate Fairness	0.749	4
Tax Law Fairness	0.699	3
Tax Compliance /Dependent Variable/	0.869	3

The result in the table above shows that all independent variable measures have an alpha value of Cronbach greater than 0.7. To assess, the internal reliability of the 27 items Cronbach's Alpha was used to evaluate the 9 independent variables and dependent variables. According to Table 4.20, the internal reliability of each build ranged from 0.70 to 0.98. The Cronbach alpha coefficient for all variables is greater than 0.7, suggesting a high level of precision and consistency between questionnaire statements.

3.3.2. NORMALITY

The aim of the normality test is to find out how data is distributed within the variable that is used in the study. In most instances, distrusted data is used in the study if the knowledge is good and decent. SPSS can be used to run the Kolmogorov-Smirnov test to see whether the study data is normally distributed. If the P value is greater than 0.05 in the normality test for the decision-making process, the data is normally distributed; if the P value is less than0.05, the data is not normally distributed.

The variables P Value of company size 0.207, business sector 0.226, business age 0.293, Age 0.259, Gender 0.188, education 0.304, tax law complexity 0.177, tax rate fairness 0.195, tax law fairness 0.155 are all greater than 0.05, according to the results of a one-sample Kolmogorov-Smirnov test. The data for all of the independent variables can be inferred to be normally distributed.

Table 3.3 Tests of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
Variables	Statistic	df	Sig.	Statistic	df	Sig.
Business Extent /Size/	0.207	240	0.210	0.909	240	0.889
Business sector	0.226	240	0.420	0.804	240	0.536
Business age	0.293	240	0.320	0.844	240	0.435
Age	0.259	240	0.444	0.880	240	0.085
Gender	0.188	240	0.252	0.870	240	0.354
Education	0.304	240	0.572	0.753	240	0.467
Tax Law Complexity	0.177	240	0.442	0.917	240	0.942
Tax Rate Fairness	0.195	240	0.765	0.909	240	0.079
Tax Law Fairness	0.155	240	0.525	0.928	240	0.124
a. Lilliefors Significance Correction						

3.4. ETHICAL CONSIDERATION

The researcher addresses ethical considerations of confidentiality and privacy. A guarantee was given to the respondents that their names should not be revealed in the research report. Participation in the study was voluntary, and all participant responses are confidential and can quiet to respond the question anytime they like. Finally, a copy of the final report is available.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION OF RESULTS

INTRODUCTION

This chapter describes the study's results, starting with the profile of the participants. The remaining of this chapter is divided into two sections: the first section cover a descriptive study of factors that affect tax compliance, and the second section provide an inferential statistics analysis of dependent and independent variables.

A total of 360 questionnaires were distributed by the researcher to medium-sized taxpayers in the ministry of revenue medium taxpayer's branch office. From 360 the total questionnaires distributed, 240 questionnaires were properly completed and returned, showing a 66.67%, answer rate.

4.1. RESPONDENTS PROFILE

This section gives a short overview of the demographic characteristics of the respondents, including their gender, age, level of education, and position in the company and corporate characteristics such as the form of corporation, the size of the company, and the age of the company. Such a definition is thought to be very useful in providing a better understanding of the respondents in the study and thus providing a sound framework for a thorough discussion of the results based on the study's stated objectives.

4.1.1. GENDER

Table 4.1 Respondents Gender Profile

GENDER					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	Male	103	42.9	42.9	42.9
	Female	137	57.1	57.1	100.0
	Total	240	100.0	100.0	

Male taxpayers accounted for 103(42.9%) of the overall study, while female taxpayers accounted for 137 (57.1%). As a result, it's fair to say that the bulk of the medium taxpayer branch office's taxpayers are women.

4.1.2. EDUCATIONAL LEVEL

Table 4.2 Respondents Educational Level

Education					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	High School Graduate	22	9.2	9.2	9.2
	Diploma	10	4.2	4.2	13.3
	Degree	117	48.8	48.8	62.1
	Second degree & above	91	37.9	37.9	100.0
	Total	240	100.0	100.0	

The level of education is a significant factor in a taxpayer's ability to understand and interpret tax laws. The academic credentials of the respondents are represented in the table above. In this regard, the survey's findings show that 22 respondents have finished high school and 10 have earned a diploma, which is 9.2 percent and 4.2 percent, respectively. On the other hand, 117 respondents have a bachelor's degree, while 91 have a master's degree or higher, which is 48.8% and 37.9%, respectively. This suggests that the majority of respondents were able to understand the need for taxation, as well as to understand and interpret tax law and provide useful input for this study.

4.1.3. AGE

Table 4.3 Respondents Age Profile

AGE					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	20-30	64	26.7	26.7	26.7
	31-40	64	26.7	26.7	53.3
	40-50	71	29.6	29.6	82.9
	Above 51	41	17.1	17.1	100.0
	Total	240	100.0	100.0	

The age of the respondents was divided into four age ranges, as seen in the table above. According to the results, 64% of respondents were between the ages of 20 and 30, 64% were between the ages of 31 and 40, 71% were between the ages of 41 and 50, and 41% were over the age of 51. This suggests that the bulk of the taxpayers in the sample are of working age.

4.1.4. POSITION IN THE COMPANY

Table 4.4 Respondents Position in the company

Position in the company					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	General Manager	32	13.3	13.3	13.3
	Owner	102	42.5	42.5	55.8
	Finance Manager / Accountant/	74	30.8	30.8	86.7
	Employee	32	13.3	13.3	100.0
	Total	240	100.0	100.0	

According to the survey findings, 32 (13.3 percent) of respondents worked as general managers, 102 (42.5 percent) as owners, 74 (30.8 percent) as financial managers/accountants, and the remaining 32 (13.3 percent) as other workers. This means that the majorities of medium taxpayers are owned, run, and work with owners, and the majority of them have a finance department, and it can be inferred that respondents have the ability to provide accurate information on the subject.

4.1.5. BUSINESS ENTITY

Table 4.5 Respondents Business entity

Business entity					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	PLC	199	82.9	82.9	82.9
	SC	41	17.1	17.1	100.0
	Total	240	100.0	100.0	

The survey results showed that 199 (82.9%) of respondents business entity were Private limited Company /PLC/, and the remaining 41 (17.1%) were Share companies /SC/.

4.1.6. BUSINESS SECTOR

Table 4.6 Respondents Business Sector

Business Sector					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Manufacturing	10	4.2	4.2	4.2
	Import and Export	65	27.1	27.1	31.3
	Construction	41	17.1	17.1	48.3
	General Trade	11	4.6	4.6	52.9
	Others	113	47.1	47.1	100.0
	Total	240	100.0	100.0	

The above table indicates that 10 (4.2 %) of respondents were engaged in manufacturing in terms of business form. Among the respondents, 65 (27.1%) were importers and exporters. Of the respondents, 41(17.1%) were contractors. 11(4.6%) of respondents were engaged in general trade and the remaining 113(47.1%) were engaged in other enterprises. Therefore, most medium taxpayers are engaged in other industries.

4.1.7. COMPANY AGE

Table 4.7 Respondents Company Age

Company Age					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	0-5	43	17.9	17.9	17.9
	6-10	65	27.1	27.1	45.0
	11-15	80	33.3	33.3	78.3
	16-20	31	12.9	12.9	91.3
	above 21	21	8.8	8.8	100.0
	Total	240	100.0	100.0	

The company's age in the survey were classified into five age groups. According to the results, 17.9 percent of respondent's company had been in the business for 0 to 5 years, 27.1 percent had been in the business for 6 to 10 years, 33.3 percent had been in the business for 11 to 15 years, 12.9 percent had been in the business for 16 to 20 years and 8.8 percent had been in the business for more than 21 years.

4.1.8. COMPANY ANNUAL REVENUE

Table 4.8 Company Annual Revenue

Annual Revenue					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	3,000,000-10,000,000	114	47.5	47.5	47.5
	10,000,001-15,000,000	43	17.9	17.9	65.4
	15,000,001-20,000,000	31	12.9	12.9	78.3
	20,000,001-30,000,000	21	8.8	8.8	87.1
	30,000,001-40,000,000	31	12.9	12.9	100.0
	Total	**240**	**100.0**	**100.0**	

The company's annual revenue from the sample has been split into five categories. The findings showed that 114 (47.5%) of respondents annual revenue were from 3,000,000 up to 10,000,000, 43(17.9%) were between 10,000,001 and 15,000,000, 31(12.9%) were between 15,000,001 and 20,000,000, 21(8.8%) were between 20,000,001 and 30,000,000 and 31(12.9%) were 30,000,001-40,000,000.

4.2. DESCRIPTIVE ANALYSIS OF VARIABLES

The descriptive analysis of the variables in this study is given in this section, namely corporate characteristics: business size, business entity and business age. Demographic characteristics: age, gender and level of education. In particular, the tax system: tax law fairness, tax rates fairness and complexity of tax law.

Table 4.9 Descriptive Analysis of Variables

Descriptive Statistics			
Variables	**N**	**Mean**	**Std. Deviation**
Tax Compliance	240	4.13	0.83
Business Extent /Size/	240	3.12	1.30
Business age	240	2.88	1.08
Business sector	240	3.09	0.75
Age	240	3.34	1.24
Gender	240	3.65	0.97
Education	240	4.42	0.70
Tax Law Complexity	240	3.27	0.84
Tax Rate Fairness	240	2.84	0.99
Tax Law Fairness	240	2.48	0.98

The questionnaire was prepared using a five point Likert scale where 1=strongly disagree, 2=disagree, 3=neutral, 4=agree and 5=strongly agree.

4.2.1. BUSINESS SIZE

Table 4.10 Descriptive Analysis of Business size

Statement	N	1	2	3	4	5	Min	Max	Mean	Std. Deviation
Large companies are more compliant about tax laws than small and medium companies	240	31	83	33	53	40	1.00	5.00	2.9500	1.32469
Larger companies have a proper internal control, a stronger accounting system and greater tax awareness.	240	12	82	20	75	51	1.00	5.00	3.2958	1.27413
									3.12	**1.30**

The table above deals with the study of variables related to business size. With regard to the statement, large firms are more compliant with tax laws than small and medium-sized firms, with 31 (13%) of respondents being strongly disagreed, 83(35%) of respondents were disagreed, 33(14%) of respondents were neutral, 53(22%) of respondents were agreed and 40(17%) of respondents were strongly agreed. With regard to the statement, larger firms have proper internal control, a stronger accounting structure and greater tax awareness, with 12(5%) of respondents being strongly disagreed, 82(34%) of respondents were disagreed, 20(8%) of respondents were neutral, 75 (31%) of respondents were agreed and 51(21%) of respondents were strongly agreed. Consequently, the findings show that a composite mean score of 3.12 and a standard deviation of 1.30. The mean score is above average this indicates that the respondents believe that large companies are more compliant about tax laws than small and medium companies and larger companies have a proper internal control, a stronger accounting system and greater tax awareness.

4.2.2. BUSINESS AGE

Table 4.11 Descriptive Analysis of Business Age

Statement	N	1	2	3	4	5	Min	Max	Mean	Std. Deviation
New companies are more tax compliant than old companies	240	10	103	53	53	21	1.00	5.00	**2.8833**	**1.07605**

The table above deals with the study of variables related to business age, with the mean score of 2.88 and 1.07 of standard deviation. Regarding of the statement, new companies are more compliant than old companies, with this statement 103 (43%) of respondents being largely disagree and 53 (22%) are neutral. Thus, the findings show that more taxpayers are not agreed with new companies are more compliant than old companies.

4.2.3. BUSINESS SECTOR

Table 4.12 Descriptive Analysis of Business Sector

Statement	N	1	2	3	4	5	Min	Max	Mean	Std. Deviation
The attitude toward tax compliance is affected by the business sector.	240	0	54	113	70	3	2.00	5.00	3.0917	0.74873

The table above deals with the study of variables related to business entity. With regard to the statement, the attitude towards tax compliance is affected by the business sector, with 113 (47%) of respondents being largely neutral and 54(23%) of respondents were disagreed. Consequently, the findings show that business taxpayers are not sufficiently aware of the business sector.

The above results also show that with a composite mean score of 3.09 and a standard deviation of 0.75. But the taxpayer's level of understanding regarding of the business entity is low.

4.2.4. AGE

Table 4.13 Descriptive Analysis of Age

Statement	N	1	2	3	4	5	Min	Max	Mean	Std. Deviation
Older taxpayers are more compliant than younger taxpayers	240	21	52	33	92	42	1.00	5.00	3.3417	1.24084

The table above deals with the study of variables related to Age. With regard to the statement, Older taxpayers are more compliant than younger taxpayers, with 92 (38%) of respondents being largely agreed, 52(22%) of respondents were disagreed, 42(18%) of respondents were strongly agreed, 33(14%) of respondents were neutral and 21(9%) of respondents were strongly disagreed. Consequently, the findings show that business taxpayers have different outlook on the age.

The above results also show that with a composite mean score of 3.3417 and a standard deviation of 1.24. But the taxpayer's level of understanding regarding of the age is different. However, a standard deviation is >1. This indicates that the respondents varied widely on the degree to which age influences tax compliance behavior.

4.2.5. GENDER

Table 4.14 Descriptive Analysis of Gender

Statement	N	1	2	3	4	5	Min	Max	Mean	Std. Deviation
Female taxpayers are more compliant than Male taxpayers	240	1	31	71	85	52	1.00	5.00	3.6500	0.97371

The table above displays the findings of an analysis of gender-related variables. In regards to the statement, female taxpayers are more compliant than male taxpayers, with 52 (22 percent) strongly agreeing, 85 (35 percent) agreeing, 71 (30 percent) neutral, and 31 (13 percent) disagreeing. With a composite mean score of 3.65 and a standard deviation of 0.97. The result indicates, more taxpayers conclude that female taxpayers are more compliant than male taxpayers.

4.2.6. LEVEL OF EDUCATION

Table 4.15 Descriptive Analysis of Level of Education

Statement	N	1	2	3	4	5	Min	Max	Mean	Std. Deviation
The level of education have an impact on tax knowledge and tax compliance	240	1	1	20	93	125	1.00	5.00	4.4167	0.69767

The table above deals with the study of variables related to level of education. With regard to the statement, the level of education have an impact on tax knowledge and tax compliance, with 125 (52%) of respondents being strongly agreed, 39(35%) of respondents were agreed and 20(8%) of respondents were neutral. The above results also show that with a composite mean score of 4.42 and a standard deviation of 0.69. As a result, the results indicate that a larger number of taxpayers believed that education has an effect on tax awareness and compliance.

4.2.7. COMPLEXITY OF TAX LAW

Table 4.16 Descriptive Analysis of Complexity of tax law

Statement	N	1	2	3	4	5	Min	Max	Mean	Std. Deviation
The proclamations and Directives are clearly understandable.	240	125	93	20	1	1	1.00	5.00	4.4167	0.69767
The reporting and payment liabilities are troublesome or complex	240	1	52	95	82	10	1.00	5.00	2.8000	0.83941

The rules related income taxes are clear and understandable	240	1	127	41	51	20	1.00	5.00	2.8417	1.03492
Tax system is appropriate & suitable with the economic condition	240	12	176	22	30	0	2.00	5.00	3.7083	0.74761
All tax requirements imposed by MOR are applicable	240	74	102	31	32	1	1.00	5.00	2.5625	0.89411
									3.27	**0.84**

The table above deals with the study of variables related to complexity of tax law. With regard to the statement, the proclamations and directives are clearly understandable, with 125 (52%) of respondents being strongly disagreed, 93(39%) of respondents were disagreed and 20(8%) of respondents were neutral with a composite mean score of 4.42 and a standard deviation of 0.70. Thus, the findings show that more taxpayers were agreed on the proclamations and directives are not clearly understandable.

With regard to the statement, the reporting and payment liabilities are troublesome or complex, 52(22%) of respondents being disagreed, 95(40%) of respondents were neutral and 82(34%) of respondents were agreed with a composite mean score of 2.80 and a standard deviation of 0.84. Thus, the findings indicated that more taxpayers have different opinion on the reporting and payment liabilities are troublesome or complex.

With regard to the statement, the rules related income taxes are clear and understandable, 127(53%) of respondents being disagreed, 41(17%) of respondents were neutral, 51(21%) were agreed and 20(8%) of respondents were strongly agreed with a composite mean score of 2.84 and a standard deviation of 1.03. Thus, the findings indicated that more taxpayers are disagreed on the rules related income taxes are clear and understandable.

With regard to the statement, tax system is appropriate & suitable with the economic condition, with 12(5%) of respondents being strongly disagreed, 176(73%) of respondents were disagreed, 22(9%) of respondents were neutral and 30(13%) of respondents were agreed with a composite mean score of 3.71 and a standard deviation of 0.75.Thus, the findings show that more taxpayers were agreed on tax system is not appropriate & suitable with the economic condition.

With regard to the statement, all tax requirements imposed by MOR are not applicable, with 74(31%) of respondents being strongly disagreed, 102(43%) of respondents were disagreed, 31(13%) of respondents were neutral and 32(13%) of respondents were agreed with a composite mean score of

2.56 and a standard deviation of 0.89. Thus, the findings show that more taxpayers were agreed all tax requirements imposed by MOR are not applicable.

4.2.8. TAX RATE FAIRNESS

Table 4.17 Descriptive Analysis of Tax rate fairness

Statement	N	1	2	3	4	5	Min	Max	Mean	Std. Deviation
30% profit tax /flat rate/ for corporate taxpayers is fair	240	20	116	64	40		1.00	4.00	2.5167	0.86767
10% dividend tax /flat rate/ for corporate taxpayers is fair	240	61	93	54	31	1	1.00	5.00	2.6167	1.01605
progressive tax rate for Individuals /sole proprietors/ taxpayers are more advantages than corporate flat tax rate taxpayers	240	22	12	31	145	30	1.00	5.00	3.3958	1.06954
									2.84	**0.99**

The table above deals with the study of variables related to tax rate fairness. With regard to the statement, 30% profit tax /flat rate/ for corporate taxpayers is fair, with 20 (8%) of respondents being strongly disagreed, 116(48%) of respondents were disagreed, 64(27%) of respondents were neutral and 40(17%) of respondents were agreed with a composite mean score of 2.52 and a standard deviation of 0.870.Thus, the findings show that more taxpayers were not agreed on 30% profit tax /flat rate/ for corporate taxpayers is fair.

With regard to the statement, 10% dividend tax /flat rate/ for corporate taxpayers is fair, with 61(25%) of respondents being strongly disagreed, 93(39%) of respondents were disagreed, 54(23%) of respondents were neutral and 31(13%) of respondents were agreed with a composite mean score of 2.62 and a standard deviation of 1.02.Thus, the findings show that more taxpayers were not agreed on 10% dividend tax /flat rate/ for corporate taxpayers is fair.

With regard to the statement, progressive tax rate for Individuals /sole proprietors/ taxpayers are more advantages than corporate flat tax rate taxpayers, with 22(9%) of respondents being strongly disagreed, 12(5%) of respondents were disagreed, 31(13%) of respondents were neutral, 145(60%) of respondents were agreed and 30(13%) of respondents were strongly agreed with a composite mean score of 3.40 and a standard deviation of 1.07. Thus, the findings show that more taxpayers were agreed on progressive tax rate for Individuals /sole proprietors/ taxpayers are more advantages than corporate flat tax rate taxpayers.

4.2.9. TAX LAW FAIRNESS

Table 4.18 Descriptive Analysis of Tax law fairness

Statement	N	1	2	3	4	5	Min	Max	Mean	Std. Deviation
Taxes are imposed based on the ability to pay of the tax payer	240	55	135	10	30	10	1.00	5.00	2.1875	1.05609
Nondeductible expenses on the tax proclamation are reasonable	240	127	81	10	22		1.00	5.00	2.7625	0.90434
									2.48	**0.98**

The table above deals with the study of variables related to tax law fairness. With regard to the statement, taxes are imposed based on the ability to pay of the taxpayer, with 23 (8%) of respondents being strongly disagreed, 135(56%) of respondents were disagreed, 10(4%) of respondents were neutral, 30(13%) of respondents were agreed and 10(4%) of respondents were strongly agreed with a composite mean score of 2.19 and a standard deviation of 1.06.Thus, the findings show that more taxpayers were not agreed on taxes are imposed based on the ability to pay of the taxpayer.

With regard to the statement, nondeductible expenses on the tax proclamation are reasonable, with 127(53%) of respondents being strongly disagreed, 81(34%) of respondents were disagreed, 10(4%) of respondents were neutral and 22(9%) of respondents were agreed with a composite mean score of 2.76 and a standard deviation of 0.90.Thus, the findings show that more taxpayers were not agreed on nondeductible expenses on the tax proclamation are reasonable.

4.2.10. TAX COMPLIANCE

Table 4.19 Descriptive Analysis of Tax Compliance

Statement	N	1	2	3	4	5	Min	Max	Mean	Std. Deviation
The company’s officers have a moral obligation to report all of their company’s income	240		11	74	63	92	2.00	5.00	3.9833	0.93722
The company’s officers have a moral obligation to pay the correct amount of corporate income tax	240		10	42	95	93	2.00	5.00	4.1292	0.84585
The company’s Pay taxes appropriately with the applicable rules	240		10	7	140	83	2.00	5.00	4.2625	0.66742
									4.13	**0.83**

The table above deals with the study of dependent variables related to tax compliance. With regard to the statement, the company's officers have a moral obligation to report all of their company's income, with 11(5%) of respondents were disagreed, 74(31%) of respondents were neutral, 63(26%) of respondents were agreed and 92(38%) of respondents were strongly agreed with a composite mean score of 3.98 and a standard deviation of 0.94.Thus, the findings show that more taxpayers were agreed on the company's officers have a moral obligation to report all of their company's income.

With regard to the statement, the company's officers have a moral obligation to pay the correct amount of corporate income tax, with 10(4%) of respondents were disagreed, 42(18%) of respondents were neutral, 95(40%) of respondents were agreed and 93(39%) of respondents were strongly agreed with a composite mean score of 4.13 and a standard deviation of 0.85.Thus, the findings show that more taxpayers were agreed on the company's officers have a moral obligation to pay the correct amount of corporate income tax.

With regard to the statement, the company's Pay taxes appropriately with the applicable rules, with 10(4%) of respondents were disagreed, 7(3%) of respondents were neutral, 140(58%) of respondents were agreed and 83(35%) of respondents were strongly agreed with a composite mean score of 4.26 and a standard deviation of 0.67.Thus, the findings show that more taxpayers were agreed on the company's Pay taxes appropriately with the applicable rules.

4.3. MULTICOLLINEARITY

In a multiple regression model, multicollinearity refers to a condition in which two or more explanatory variables have a strongly linear relationship. Multicollinearity should be tested. The VIF value of multicollinearity test results is determined using SPSS. If the VIF value is between 1 and 10, there is no multi-collinearity. Multicollinearity occurs when the VIF is 1 or greater than 10. The following table shows collinearity statistics for tolerance levels and variance inflation variables (VIF).

Table 4.20 Tests of Multicollinearity

Coefficients[a]								
		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
Model		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	-4.167	2.484		-1.677	.095		
	Business Extent /Size/	-.139	.063	-.152	-2.212	.028	.531	1.883
	Business age	-.546	.149	-.236	-3.661	.000	.600	1.666
	Business sector	-.636	.169	-.208	-3.754	.000	.811	1.233

	Age	.528	.151	.282	3.508	.001	.388	2.579
	Gender	.012	.171	.005	.067	.946	.440	2.275
	Education	.599	.229	.169	2.615	.010	.599	1.670
	Tax Law Complexity	.283	.055	.324	5.099	.000	.619	1.616
	Tax Rate Fairness	.541	.075	.468	7.240	.000	.599	1.669
	Tax Law Fairness	.182	.081	.131	2.235	.026	.726	1.377
a. Dependent Variable: Tax Compliance								

The multi-collinearity test result in the table above indicates a value of 2.57 for the maximum variance inflation factor (VIF) and 1.77 for the mean variance inflation factor (VIF). Therefore, there is no inflation variance factor (VIF) greater than 10. The low variance inflation factor (VIF) shows that there is no multi-collinearity problem. It can therefore be inferred that there is no significant correlation between the study's explanatory variables.

4.4. CORRELATION ANALYSIS

The degree to which two or more variables are correlated with or related to each other is determined by correlation. The correlation coefficient is always between -1 and +1, according to (Brooks, 2008). A positive correlation coefficient indicates that the two variables are perfectly related in a positive linear sense, while a negative correlation coefficient indicates that the two variables are perfectly related in a negative linear sense. A correlation coefficient of zero, on the other hand, shows that two variables do not have a linear relationship. Table 4.21 displays the correlation matrix, which estimates the possible relationship between variables in the sample.

Table 4.21 Correlation Analysis

Correlations										
	Tax Compliance	**Business Extent /Size/**	**Business age**	**Business sector**	**Age**	**Gender**	**Education**	**Tax Law Complexity**	**Tax Rate Fairness**	**Tax Law Fairness**
Tax Compliance	**1**									
Business Extent /Size/	.173**	**1**								
Business age	-.261**	-.282**	**1**							
Business sector	-.281**	.022	-.129*	**1**						
Age	.236**	.495**	-.319**	-.032	**1**					
Gender	-.079	-.415**	-.123	.054	-.480**	**1**				
Education	.326**	.398**	-.051	-.220**	.292**	-.429**	**1**			
Tax Law Complexity	.225**	-.141*	.116	-.121	.160*	.174**	.207**	**1**		
Tax Rate Fairness	.232**	.220**	-.140*	.074	-.279**	-.056	-.018	-.462**	**1**	
Tax Law Fairness	.215**	.005	.252**	-.375**	-.161*	.095	.161*	.131*	.087	**1**
**. Correlation is significant at the 0.01 level (2-tailed).										
*. Correlation is significant at the 0.05 level (2-tailed).										

4.5. REGRESSION ANALYSIS

The study used linear regression model to evaluate the relationship between the dependent variable (tax compliance) and independent variables namely business size, business age, business sector, age, gender, education, tax law complexity, tax rate fairness and tax law fairness. The result of the regression is shown below.

Table 4.22 Variables Entered/Removed

Model	Variables Entered	Variables Removed	Method
1	Tax Law Fairness, Business Extent /Size/, Tax Law Complexity , Business age, Business sector , Education, Tax Rate Fairness, Gender, Age[b]		Enter
a. Dependent Variable: Tax Compliance			
b. All requested variables entered.			

It is important to determine the model's goodness of fit, which is a calculation of how well the observed data matches the model. The R^2, which reflects the amount of variance in the outcome described by the model, is a reasonable measure of goodness-of-fit. That is, it calculates the percentage of the variance in the result that the model can account for.

The R^2 and adjusted R^2 values of 0.52 and 0.50, respectively, suggest that the model is a good match, as shown in the following table. This means that the variance in explanatory variables used in the model clarified half of the variation in taxpayers' tax compliance. However, other variables not included in the model are responsible for the remaining 50% of adjustments in tax compliance.

Table 4.23 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.752[a]	.525	.502	1.76302
a. Predictors: (Constant), Tax Law Fairness, Business Extent /Size/, Tax Law Complexity , Business age, Business sector , Education, Tax Rate Fairness, Gender, Age				

The independent and dependent variables' regression coefficients are evaluated to determine the magnitude and direction of effects. The beta coefficient can be negative or positive in the following regression outputs; beta indicates the amount of impact each variable has on the dependent variable. The P-value shows the importance of each variable at a specified percentage or precession level. The F value 18.87 in the ANOVA portion of the table above was also significant (0.000), suggesting that the combined effect of the nine variables is significant at the 99 percent level. This means that the model suits best at all of the normal levels of significance.

Table 4.24 Regression Analysis

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	528.097	9	58.677	18.878	.000[b]
	Residual	714.899	230	3.108		
	Total	1242.996	239			

a. Dependent Variable: Tax Compliance

b. Predictors: (Constant), Tax Law Fairness, Business Extent /Size/, Tax Law Complexity , Business age, Business sector , Education, Tax Rate Fairness, Gender, Age

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	-4.167	2.484		-1.677	.095
	Business Extent /Size/	-.139	.063	-.152	-2.212	.028
	Business age	-.546	.149	-.236	-3.661	.000
	Business sector	-.636	.169	-.208	-3.754	.000
	Age	.528	.151	.282	3.508	.001
	Gender	.012	.171	.005	.067	.946
	Education	.599	.229	.169	2.615	.010
	Tax Law Complexity	.283	.055	.324	5.099	.000
	Tax Rate Fairness	.541	.075	.468	7.240	.000
	Tax Law Fairness	.182	.081	.131	2.235	.026

a. Dependent Variable: Tax Compliance

A p-value between 0 and 1 is widely used to express the degree of statistical significance. The lower the p-value, the more proof there is that the null hypothesis should be dismissed. A statistically significant p value is less than 0.05 (typically <= 0.05). All of the variables excluding gender (P=0.946) are relevant at 95 percent confidence intervals and P-values of 0.028, 0.000, 0.000, 0.001, 0.010, 0.000, 0.000 and 0.026, respectively, according to the results of this study. With a P-value of 0.095, the constant value ($\beta 0$) is insignificant at the 95 percent confidence interval.

The standardized beta coefficient column indicates how much a single variable contributes to the overall model. If the independent variable increases by one standard deviation, the beta weight is the average amount the dependent variable increases (all other independent variables are held constant). We may compare them because they are standardized. The following model is defined based on the standardized coefficients (Beta) of the independent variables in the regression equation.

The general equation for the model used to test is shown below:

$$TC = \alpha + \beta 1BE + \beta 2BA + \beta 3BS + \beta 4AGE + \beta 5GEN + \beta 6EDU + \beta 7TLC + \beta 8TRF + \beta 9TLF + \varepsilon$$

$$TC = - 4.167 - .152BE - .236BA - .208BS + .282AGE + .005GEN + .169EDU + .324TLC + .468TRF + .131TLF + \varepsilon$$

4.6. TESTING OF RESEARCH HYPOTHESIS

Hypothesis testing is a mathematical method in which analysts test a hypothesis about a population parameter. Using sample data, it is used to determine the credibility of a hypothesis. From the literature, it appears that tax compliance has been the topic of comprehensive empirical study. In the determinant factors of tax compliance, however, no comparable result has been obtained. There have been several explanatory factors suggested in the literature.

The problem is settling on a selection of explanatory variables from a wide number of possible predictors. Tax compliance has a significant positive relationship with age, gender, education, complexity of the tax system, tax rate fairness, tax law fairness and inverse relationship between business size, business age and business sector of the respondents, according to the findings of this study. The hypothesis testing in this study was performed at a significance level of 5%.

H.1 Business size has a positive influence on taxpayer’s compliance attitude

The coefficient of business size is -0.152, with a P-value of 0.028, as shown in table 4.24. This suggests that if other explanatory variables remain stable at their average value, tax compliance conduct of business taxpayers will decrease by 15% as business size increase by 1%, which will be statistically relevant at the 5% level of significance. This suggests that the size of a business has a negative effect on tax compliance attitudes. This finding could contradict previous research. The findings of (Hanlon et al., 2005) indicate that large firms are more compliant than medium-sized companies, and small businesses are more noncompliant than medium-sized businesses.

Hypothesis 2: Firm age has a positive influence on taxpayer’s compliance attitude

The coefficient of firm age is -0.236, with a P-value of 0.000, as shown in table 4.26. This suggests that the firm age has a negative impact on tax compliance. As a result, the null hypothesis accepted and the alternative hypothesis rejected. This finding could back up (Hutagalung & Waluyo's, 2014) previous study, which tested the descriptive company over the length of the business age and size of the company, the authors concentrated on formal compliance when reviewing compliance, which is based on the timeliness of reporting on whether or not taxpayers record their tax on time. The findings are that in order to assess tax compliance, the firm age is negative and not relevant, so it is established that new companies may be more compliant than old companies.

Hypothesis 3: Business sector has a Positive influence on taxpayer’s compliance attitude

The coefficient of business sector is -0.208, with a P-value of 0.000, as shown in table 4.26. This means that if the business sector increase by 1%, tax compliance conduct of business taxpayers will decrease by 21%, and this will be statistically important at the 5% level of significance. This suggests that the business sector has a negative impact on tax enforcement. As a result, the null hypothesis accepted and the alternative hypothesis rejected. This finding can corroborate previous study. According to (Juahir et al., 2010), the construction industry is more non-compliant. Manufacturing, trade, transportation, warehousing, education, and healthcare, on the other hand, were found to be less compliant than other sectors (Hanlon et al., 2005). The service-oriented sector, on the other hand, is less compliant than the manufacturing industry, according to (Chan and Mo, 2000).

Hypothesis 4: Age has a positive influence on taxpayer’s compliance attitude

The age of the taxpayer has a positive coefficient of 0.282 and a p-value of 0.001. This assumes that if other explanatory variables remain stable at their average value, tax compliance would increase by 28% as age rises by one percent, which will be statistically significant at the 5% level of significance. This suggests that there is a positive significant relationship between age and tax compliance. Therefore, the null hypothesis is rejected and the alternate hypothesis is accepted. This result may be support the previous studies of (Jackson & Milliron, 1986) who note that a positive relationship exists between age and compliance with taxpayers.

Hypothesis 5: Gender has a positive influence on taxpayer's compliance attitude

Gender is found to have positive coefficient of 0.005 and its p-values is 0.946. This indicates that, holding other explanatory variables constant at their average value, when gender increases by one percent tax compliance will increases by 0.5% and statistically is not significant at 5% of significant level. Hence, the hypothesis in relation to gender is not statistical significant to affect tax compliance and therefore fail to support the hypothesis.

Hypothesis 6: Education has a positive influence on taxpayer's compliance attitude

Education has a positive coefficient of 0.169, with a p-value of 0.010. This suggests that if other explanatory variables stay stable at their average value, as education rises by 1%, tax compliance rises by 17%, which is statistically significant at the 5% level of significance.

Therefore, the null hypothesis is rejected and the alternate hypothesis is accepted. This finding can corroborate previous research (Alm et al. 1992), which found that the level of education to have an impact on tax knowledge and tax compliance and found staff training on tax policies to be expensive for the company. Literature also supports a direct, constructive relationship between the level of education and the compliance of taxpayers (Jackson & Milliron, 1986) and (Niway, 2016) indicates that the level of education is directly related to the likelihood of compliance. (Eriksen & Fallan, 1996) stated that the quality of education gained by taxpayers is an important contributing factor to the understanding of taxation, particularly with regard to tax laws and regulation.

Hypothesis 7: Complexity of tax law has a negative influence on taxpayer's compliance attitude

The positive coefficient of tax law complexity is 0.324, with a p-value of 0.000. This means that, if other explanatory variables remain stable at their average value, as tax law complexity increases by 1%, tax compliance increases by 32% and is statistically important at the 5% level of significance. This finding could back up previous research by (Larissa et al., 2012) and (Razak & Adafula, 2013).

Hypothesis 8: Tax rate fairness has a positive influence on taxpayer's compliance attitude

Tax rate fairness is found to have positive coefficient of 0.468 and its p-values is 0.000. This indicates that, holding other explanatory variables constant at their average value, when tax rate fairness increases by one percent tax compliance will increases by 47% and statistically significant at 5% of significant level. This means that there is no negative significant relationship between tax rate fairness of and tax compliance. Therefore, the null hypothesis is rejected and the alternate hypothesis is accepted. This finding can corroborate previous study. According to the findings of (Bradley, 1994), tax evasion has increased as the number of taxpayers who feel taxes are unjust has increased.

Hypothesis 9: Tax law fairness has a positive influence on taxpayer's compliance attitude

Tax law fairness is found to have positive coefficient of 0.131 and its p-values is 0.026. This indicates that, holding other explanatory variables constant at their average value, when tax law fairness increases by one percent tax compliance will increases by 13% and statistically significant at 5% of significant level. This means that there is no negative significant relationship between tax law fairness of and tax compliance. Therefore, the null hypothesis is rejected and the alternate hypothesis is accepted. This result may be support the previous studies of **(**Palil, 2010) as an economic factor, tax fairness has a positive significant impact, meaning that the taxpayer seeks fairness in the performance of their duty. If there are taxpayers who do not gain the consequences of refusing to disclose their wages, such as fines or penalties, the other taxpayers will decrease their compliance due to unfairness.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1. CONCLUSION

By developing an econometric model to research the factors influencing taxpayer's attitude towards paying taxes in the ministry of revenue medium taxpayers branch office. The primary aim of this research was to identify the factors that affect corporate taxpayer compliance from the viewpoints of company characteristics, demographics factors of taxpayers, and the tax system.

The characteristics of the firms, such as, its size, age, and sector. Age, gender, and educational level are all demographic variables. In the meantime, the tax systems, complexity of the tax law, tax rate fairness, and tax law fairness. As a result, descriptive and inferential analysis is used to evaluate the factors that affect tax compliance actions. Accordingly, factors that determine tax compliance behavior were carefully analyzed using descriptive and inferential analysis.

Respondents on the business characteristics like business size, business age and business sector have different opinions. The findings show that taxpayers are not sufficiently aware of the business size and business sector, and more taxpayers are not agreed with the business age affect tax compliance.

Subsequently, taxpayers have different level of aware on the age affect tax compliance more taxpayers are agreed with female taxpayers are more compliant than male taxpayers. The findings also indicate that, more taxpayers are agreed with the level of education have an impact on tax knowledge and tax compliance.

Another aspect that discourages voluntary tax compliance is the complexity of the tax law. The taxpayers assume that the proclamations and directives are not easily understandable, that the tax law is not clearly established by law and does not violate any higher-level, and that the tax law is not clearly set by law and does not violate any higher-level. Continuous tax reform leads to ineffective compliance of the law, and the tax conditions levied by MOR are not applicable.

On the tax rate fairness respondents believe that progressive tax rate for Individuals /sole proprietors/ taxpayers are more advantages than corporate flat tax rate taxpayers and it is fair that high profit companies should pay a higher rate of tax than low profit companies. The tax law fairness taxpayers rely on taxes are not imposed based on the ability to pay of the taxpayer, the benefits received from government in comparison with the amounts of taxes we pay are not equivalent. Nondeductible expenses on the tax proclamation are not reasonable.

The regression analysis of the study showed that almost all the explanatory variables such as, age and educational level, complexity of the tax law, the tax rate fairness and tax law fairness have positive and significant influence on tax compliance with a 5% significant level. While the study revealed an inverse relationship between business size, business age and business sector on tax compliance. Further, except gender, all other factors were statistically significant to affect tax compliance.

5.2. RECOMMENDATIONS

As the study found that the tax system, firm’s characteristics and demographic factors influence tax compliance behavior positively and negatively. The following potential recommendations and policy consequences could be made based on the study's results. Tax rules should spell out where and how a tax is to be charged, as well as how the amount is calculated. Related taxpayers should be charged in the same way. A tax should be payable at a time or in a manner that the taxpayer finds most convenient. Compliance is supported by convenience. The best payment method is affected by the amount of the obligation and how simple (or difficult) it is to obtain. Taxpayers should be able to understand the rules and follow them accurately and cost-effectively. A straightforward tax system makes it easier for taxpayers to grasp the tax implications of their real and expected transactions, eliminates mistakes, and builds trust in the system. The impact of tax law on a taxpayer's decision to engage in a specific transaction should be held to a minimum level. The scheme does not favor one form of business or investment over another. Taxpayers should be aware of the existence of a tax, as well as how and where it is levied on them and others. Taxpayers should be able to easily ascertain the true cost of purchases, as well as where and on what a tax is levied or charged. A tax should be designed in such a way that noncompliance is minimized. Laws are required to achieve an appropriate degree of compliance. However, a balance must be struck between the desired degree of compliance and the costs and intrusiveness of the tax system's implementation.

5.3. AREA OF FURTHER RESEARCH

According to the researcher, more research with the tax compliance could be done by adding more variables to the model that affect the tax compliance. In this analysis, 50% of the variables were explained. The remaining 50% of unexplained variables need to be investigated further.

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APPENDECIES

Questionnaire

Addis Ababa University
School of Business and Economics
Department of Accounting & Finance

Dear Respondents,

This study is entitled **"Factors Influencing Taxpayer's Attitude towards paying taxes"** and conducted in partial fulfillment of the requirements for the master's degree of MBA in Accounting & Finance at Addis Ababa University. The aim of the study is to identify and understand the factors that affect taxpayer's attitude towards paying taxes in the ministry of revenues medium taxpayer's branch offic**e**. The outcomes of this study will help by providing important information to policy makers and other bodies interested in resolving the issue of taxpayer's attitudes towards tax compliance and contribute the improvement of government tax revenues by identifying factors affecting the taxpayer's attitude. It will also encourage taxpayers to have a positive attitude for tax compliance. Therefore, this research is intended only for academic purpose authorized by the Addis Ababa University. Your honest response and valuable support in responding to the questions raised is importance to the success of the study. Hence, I request you to fill the questionnaire carefully and at your best knowledge in all regard. Thus, your ideas and comments are highly honored and kept confidential.

I thank you in advance for your cooperation.

For further information, please contact me Selamawit Admasu by the following address:

Tel: +251 911 41 95 60

E-mail: selamawitadmasu2@gmail.com or selamawit29@yahoo.com

Section I: General Information

Please tick (√) on your choice

1. What legal form of your business entity?

   Private limited Company ☐ Share company ☐

2. What is your position in the company?

   General Manager ☐ Owner Manager ☐ Finance Manager/Accountant ☐

   Employee ☐

3. What was the annual revenue for your company last year?

   3,000,000-10,000,000 ☐ 10,000,001-15,000,000 ☐ 15,000,001- 20,000,000 ☐

   20,000,001-30,000,000 ☐ 30,000,001-40,000,000 ☐

4. What kind of business sector did your company engage?

   Manufacturing ☐ Import and Export ☐ Construction ☐

   General Trade ☐ Other ☐

5. How long has your company been in business?

   0-5 Years ☐ 6-10 ☐ 11-15 ☐ 16-20 ☐ above 21 ☐

6. Age

   From 20-30 ☐ From 31 – 40 ☐ From 41 – 50 ☐ Above 51 ☐

7. Gender

   Male ☐ Female ☐

8. What is your level of education?

   High School Graduate ☐ Diploma ☐ Degree ☐ Second degree & above ☐

Section II: Questions about factors influencing taxpayer’s attitude on tax compliance

Business size/Extend/	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Large companies are more compliant about tax laws than small and medium companies					
Larger companies have a proper internal control, a stronger accounting system and greater tax awareness.					

Business age and Sector	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
New companies may be more compliant than old companies					
The attitude toward tax compliance is affected by the business sector					

Age and Gender	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Older taxpayers are more compliant than younger taxpayers					
Female taxpayers are more compliant than Male taxpayers					

Education	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
the level of education have an impact on tax knowledge and tax compliance					

Complexity of tax law	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
The proclamations and Directives are clearly understandable.					
The reporting and payment liabilities are troublesome or complex					
The rules related income taxes are clear and understandable					
Tax system is appropriate & suitable with the economic condition					
All tax requirements imposed by MOR are applicable					

Tax Rate Fairness	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
30% profit tax /flat rate/ for corporate taxpayers is fair					
10% dividend tax /flat rate/ for corporate taxpayers is fair					
progressive tax rate for Individuals /sole proprietors/ taxpayers are more advantages than corporate flat tax rate taxpayers					

Tax Law Fairness	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Taxes are imposed based on the ability to pay of the tax payer					
Nondeductible expenses on the tax proclamation are reasonable					

Compliance attitude	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
The company's officers have a moral obligation to report all of their company's income					
The company's officers have a moral obligation to pay the correct amount of corporate income tax					
The company's Pay taxes appropriately with the applicable rules					