



**ADDIS ABABA UNIVERSITY**  
**COLLEGE OF BUSINESS AND ECONOMICS**  
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**(MSc) IN ACCOUNTING & AUDITING**

**The challenge of concurrent tax collection and Administration in  
case of Oromiya Revenue Authority**

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**June 2019 Addis Ababa**

I the undersigned, hereby declare that this research project work entitled “the challenge of concurrent tax collection and administration in case of Oromiya revenue authority” is my original work and has not been presented for a degree in any other university or institution and that all sources of materials used for the study has been dully acknowledged.

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**Certification**

This is to certify that Bayou Teysir Hassen has done a study on the topic “the challenge of concurrent tax revenue collection and administration in case of Oromiya revenue authority”. This study is of his original work and all the sources of materials used for the research project paper has been fully acknowledged.

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## **List of Acronyms and Abbreviations**

CSA	Central Statistics Agency
E.C	Ethiopian Calendar
FDRE	Federal Democratic Republic of Ethiopia
G.C	Gorgonian Calendar
TOT	Turn over Tax
VAT	Value Added Tax
SIGTAS	Supreme Integrated Tax Administration System
DRM	Domestic resource mobilization
SDGs	Sustainable Development Goals
OECD	The Organization for Economic Co-operation and Development
BPR	business process redesign
DRM	domestic revenue mobilization
AAAA	Addis Ababa action agenda
SDG	sustainable development goal
GDP	gross domestic product
Hof	house of federation
SS	sab Saharan Africa

## ABSTRACT

*Proper tax collection and administration were one of the impetuses to bring socio-economic transformation in any country. For this end, countries put in place different system. Nonetheless, their effort faces many challenges. At federal level it is the federal parliament which is responsible for levying taxes assigned to the federal government (Art. 51). Regional State Taxation Powers Taxation power of the regional states within their jurisdiction. Federal government and states all collect taxes and shall share revenue taking the federal government into account (Art.95). Article 98 lists concurrent powers of taxation as follows: profit, sales, exercise, and personal taxes on enterprises they jointly establish; taxes on the profits of companies and individuals to shareholders; taxes on the incomes of derived from large-scale mining and all petroleum and gas operations. In general, the division of revenue-raising power in Ethiopia is mainly structured according to the categories of taxpayers or particular things as a source of revenue. The exclusive domain of each government is not the tax base but the tax source. The concurrent tax collection by the federal government and Oromiya Regional Government and major challenges in the process. The research uses descriptive research approach and the data is collected using questionnaires, interviews and focus group discussion. The data collected from the survey questionnaires were analyzed by using descriptive statistics, including mean, frequencies and percentages. The result shows that the regional state in the case Oromiya is losing its due share due to a tax base pattern instead of Tax source. Dangote is a good example of this sorry saga, it is large taxpayer in the country but due to is tax center based in Addis Ababa being sourced from Oromiya , Oromiya is losing a great deal of income every fiscal year. No system was established to tackle this and the Federal Government and the Oromiya regional state did not take any corrective measure over the last fifteen years intentionally or negligently. There was no any promulgation of guideline or policy that compel individual or company has to pay its profit tax in area where it investing not in area where its tax center based.*

# CHAPTER ONE

## 1. INTRODUCTION

### 1.1 Background of the Study

Tax revenue collection is one significant issue of economic development among others. Taxation is defined as government revenue to fulfill public necessities. That is for social, economic and political aspect of the society. Generally tax revenue is an important for the improvement of the living standard of the general public for a country growth and for implementing policies and strategies.

Developing countries across the world typically suffer from insufficient supply of internal resources. Despite much effort, many countries fail to raise sufficient revenues to finance the government budgets and to support the development needs of the country. This incapability is a major hindrance for the government's regular operations and for the capacity to accelerate economic growth initiatives (Haque, 2012; Hadler, 2000).

According to Bhatia (1998) "tax is a compulsory levy and those who are taxed have to pay the sums irrespective of corresponding return of services or goods by the government." Based on the impact (immediate burden) and incidence (ultimate burden) of tax, taxes are classified into two broad categories: Direct taxes and Indirect taxes. Direct taxes are those taxes whose impact (immediate burden) and incidence (ultimate burden) fall on the same or a single person (Bhatia, 1998). Indirect taxes are those taxes whose impact (immediate burden) and incidence (ultimate burden) may fall on different persons (tax payers). That is, the impact of a tax may fall on the person who pays it to the government in the first instance, but the incidence of the tax may fall on another person who finally (ultimately) bears the burden of the tax. Indirect taxes can be shifted (passed on)

to others and the burden of indirect taxes is on ultimate consumers. The indirect tax includes Value Added Tax (VAT), Turnover Tax (TOT), Excise tax, Sales tax, Customs duties (import and export taxes,), Stamp duty, and import Sur-tax (Bhatia, 1998).

The long state hood history of Ethiopia is known for its decentralized governance system with many autonomous regions and principals ruled by hereditary regional chiefs under various titles, but accountable to King of Kings at the center. The autonomous regions were not only paying annual tribute to the king of kings, but also had to cooperate with the center. Powers of the regional chiefs started to diminish at the turn of the nineteen century and had been completely abolished in the early twentieth century. The century old exclusive, suppressive and highly centralized governance system came to end in 1991 and a multi-ethnic federal arrangement has been adopted (Constitution, 1995). Considerable political and administrative powers have been devolved to the states. Constitutionally speaking assignment of responsibilities to the states makes Ethiopia one of the most decentralized federations Tadesse Lencho,(2012) The states have also access to a range of tax bases, except the custom duties related taxes. They have power to determine tax base, tax rate and administer. They have legislative power to levy and administer jointly over concurrent taxes.

## **1.2 Back ground of the organization**

The study region, namely, Oromiya is currently facing daunting challenges in relation to tax assessment, tax collection and service delivery. The region is not able to benefit from concurrent taxes collected by federal government which is a serious problem that has the possibility to result in the failure of providing basic social services and infrastructure to the community.

## **1.3. Tax Administration in Oromiya Regional State**

### **1.3.1. Taxes Levied in Oromiya**

The FDRE Constitution (Article 97, 1995) stated that state governments have exclusive power to:

- levy and collect income taxes on employees of the State and of private enterprises,
- Determine and collect fees for land.
- levy and collect taxes on the incomes of Private farmers and farmers incorporated in cooperative associations,
- levy and collect profit and sales taxes on individual traders carrying out a business and
- Taxes on income from transport services rendered on waters within their territory.
- levy and collect taxes on income derived from private houses and other properties within the State and
- collect rent on houses and other properties they own,
- Levy and collect profit, sales, excise and personal income taxes on income of enterprises owned by the States.
- in consistent with the provisions sub-Article 3 of Article 98, States shall levy and collect taxes on income derived from mining operations, royalties and land rentals on such operations.

- Determine and collect fees and charges relating to licenses issued and services rendered by State organs. They shall fix and collect royalty for use of forest resources

#### **1.4. Statement of the Problem**

Fiscal federalism deals with separation of assignment of responsibilities and taxation powers among different levels of governments, why and how intergovernmental transfers are designed and distributed. The Federal Constitution of Ethiopia defines powers and Authorities of the Federal Government and the States respectively. The separation of power enables the Federal Government and the States to make decisions independently on their domain areas. But, it is by no means to say that the assignments of responsibilities are strictly exclusive of each other. Rather there are numerous shared functions which call for co operations and negotiations between the two levels of government.

In Ethiopia the federal government has the power of levy and collect tax. Article 96 of the constitution show that the state shall levy and collect tax, Article 97 and concurrent power of taxation article 98 ( 1995) .So article 98 of the FDRE constitution provides that the federal government and the states shall jointly levy and collects profit ,sales excises ,and personal income taxes on enterprise they jointly establishes. According to Article 98 (1995) they shall jointly levy and collect taxes on the profits of companies and on dividend due to share holder article, 98 they shall jointly levy and collect taxes on income derived from large scale mining and all petroleum and gas operation ,and royalties on such operation article 98,(1995)

Based on those regulations of concurrent tax, In Oromiya there are 112 of sole proprietor tax payers. Their tax is fully collected by Oromiya revenue authority and 1800 plc. and non PLC tax payers there tax is collected by federal government. According to federal revenue authority high official the collected tax

has been distributed to the region that tax payer tax center. That means during registration the tax payer asked by revenue authority his tax center and the tax payer register his office, based on his wish, based on the given information given by tax payer the SIGTAS distributed the collected tax share to the tax payer tax center (region)

But practically there production area are different from there office, for example Midroc gold mining his investment area at Guji zone but his registered office (tax center) at finfine (Addis Ababa), like Midroc Derba cement, One Wuha, Ambo Wuha, Dangote Cement, Derba lime and chemicals, Balezaf Alcohol, Ethiopian centric textile. ("anonymous" pag.4) and the like there production in Oromiya the registered tax center is in Addis, so they direct and indirect tax which is collect by federal revenue authority has been given to Addis revenue authority. And the other problem was one tax payer has different investment in different regional government but no system was established to share this type of concurrent taxes.

When we see our research area Oromiya regional state plc. tax payers, there are 1800 in number there tax is concurrent but due to the above problem they share was 3 of them there investment is in Oromiya regional state but there tax share has been given for Tigray region, 9 of them there investment in Oromiya but there tax which collected by federal revenue authority the share has been given for South region, 1 of them manufacture in Oromiya and his tax share has been given For Gambela region, 886 of them there investment is in Oromiya but there tax share has been given For Addis Ababa, Only 924 has been given For Oromiya region (Anonymous, 2011, p 22).

Thus, the first motive to undertake this research was to correct improper tax share and to stop everlasting this tax gambling by federal government, as well as fully aware the plc. Tax payers that there investment has been in Oromiya there tax centers was other region through government officials. Enforce the federal government in order to establish the system of distribution the collected taxes of investor invested in different regional government. To fill the research gap that

were not addressed by any one of the earlier studies, specifically problems associated with high tax payers in the region (concurrent taxes) and revenue authority in Oromiya Region.

### **1.5. Research Questions**

We should have to understand that what is the reason behind that the rules and regulation are not respected by federal Government, and not exercising their right of collecting there tax share of concurrent tax by the Oromiya regional government by fording the following questions:-

1. What are the problems of Oromiya tax Administration that causes for not to fully collect tax revenue (concurrent tax) share of the region?
2. What are the main challenges of tax collection and administration activities in Oromiya revenue authority?
3. What are the performance gaps of the Oromiya Revenue office in collecting and administering concurrent tax?

### **1.6 Objective of the Study**

The main objective of this study is to assess the challenges of concurrent tax administration and collection and the underpinning problems by taking the case of Oromiya Regional state and the federal government of Ethiopia.

#### **The specific objectives are:**

- To identify the problems associated with concurrent tax collection between the federal government and Oromiya Tax Authority
- To identify problems associated with collection and administration problem tax revenue authority of the Oromiya Region

### **1.7 Significance Of The Study**

The study will have the following significances for different stake holders: The end result of this study may provide additional knowledge to the researchers. Enable the concerned body to set alternative courses of actions to fully implement

rules and regulation or possible solutions to be taken to collect Oromiya share and enhance administration by implementing the suggestions and recommendations forwarded by the study.

### **1.8 Scope Of The Study**

Administration in Oromiya Revenue Authority, because the other tax items were touched by other Researchers.

### **1.9. Organization of the Study**

The paper has been organized in to five chapters. The first chapter will deal with background of study, statement of the problem, objectives, scope, methodology and organization of the study. Chapter two will cover literature review and conceptual framework. Chapter three about countries experience chapter four will about presentation, analysis, and interpretation of data collect. The fifth chapter is the methodology section present summary of findings and chapter six contains conclusions and recommendations of the study.

## **CHAPTER TWO**

### **2. LITRATURE REVIEW**

Tax is at the heart of our societies. A well-functioning tax system is the foundation stone of the citizen-state relationship, establishing powerful links based on accountability and responsibility. The tax system is an avenue for government to collect additional revenue that is needed in discharging its immediate obligations. A tax system serves as one of the most effective means of mobilizing a nation's internal resources and it lends itself to creating an environment conducive to the promotion of economic growth (Azuibik, 2009).

Taxes constitute important sources of revenue to the federation account jointly shared by the federal, state and local governments (Nzotta, 2007). It's also critical for inclusive growth and for sustainable development, providing governments with the resources to invest in infrastructure, education, health, and social protection systems. OECD Secretary-General (2018-2019)

#### **2.1. Nature of Federalism**

Federalism is a system of government that establishes a constitutionally specified division of powers between different levels of government. There are usually two main levels: (a) a national, central or federal level; and (b) a state, provincial or regional level. In some cases, however, a federal system may prescribe a three-fold distribution of power by recognizing the constitutional powers of local government (e.g. South Africa) or by creating complex forms of overlapping territorial and linguistic federalism (e.g. Belgium).

Federalism thereby allows distinct communities, defined by their territorial boundaries, to exercise guaranteed autonomy over certain matters of particular importance to them while being part of a larger federal union through which shared powers and responsibilities are exercised over matters of common concern.

To achieve this, the components of a federal system include, in addition to legislative and executive (and sometimes judicial) institutions at each level of government, a relatively rigid constitution that sets out the distribution of powers among the various levels of government and a supreme judicial body that is responsible for adjudicating disputes between them.

There are two main contexts in which federalism may be considered.

*Identity federalism* occurs when two or more culturally, linguistically, religiously or otherwise distinct national communities have enough commonality of interest or identity to make them want to live together in one polity, but enough distinctiveness of interest or identity to make them demand substantial autonomy within that polity (e.g. Canada, Switzerland).

*Efficiency federalism* occurs when a culturally homogeneous but geographically large nation wishes to improve democratic representation and accountability by decentralizing power and giving greater control over resources and policies to local people while maintaining national unity and the ability to act coherently in matters of national policy (e.g. Germany, Argentina). Federalism attempts to reconcile a desire for unity and communality on certain issues with a desire for diversity and autonomy on others. International IDEA,(2015)

Federalism has been adopted by a lot of countries in different continents in the past centuries and it is still prevalent. A continent wise Federalism countries list can be given as follows.

- Federalism Countries in Asia: India, Iraq, Malaysia, Nepal, Pakistan and United Arab Emirates
- Federalism Countries in Europe: Austria, Belgium, Bosnia and Herzegovina, Germany, Russia and Switzerland
- Federalism Countries in Africa: Ethiopia, Somalia, South Sudan and Sudan.

- All North American Federalism Countries: Canada, Mexico and United States of America
- Federalism Countries in South America: Argentina, Brazil, and Venezuela (Pet therapy, n.d.).

## **2.2. Components of Fiscal Federalism**

Financial responsibility is a core component of decentralization. If local governments and private organizations are to carry out decentralized functions effectively, they must have an adequate level of revenues –either raised locally or transferred from the central government– as well as the authority to make decisions about expenditures. Fiscal decentralization can take many forms, including a) self-financing or cost recovery through user charges, b) co-financing or co-production arrangements through which the users participate in providing services and infrastructure through monetary or labor contributions; c) expansion of local revenues through property or sales taxes, or indirect charges; d) intergovernmental transfers that shift general revenues from taxes collected by the central government to local governments for general or specific uses; and e) authorization of municipal borrowing and the mobilization of either national or local government resources through loan guarantees. In many developing countries local governments or administrative units possess the legal authority to impose taxes, but the tax base is so weak and the dependence on central government subsidies so ingrained that no attempt is made to exercise that authority. (Pet therapy, n.d.).

**Components of fiscal federalism are discussed hereunder.**

## **2.2.1. Expenditure Assignment**

Fiscal decentralization involves shifting some responsibilities for expenditures and/or revenues to lower levels of government. One important factor in determining the type of fiscal decentralization is the extent to which subnational entities are given autonomy to determine the allocation of their expenditures. (The other important factor is their ability to raise revenue.) This note outlines principles and best practice and highlights how country specifics will ultimately be the best determinant of expenditure assignments.

Unitary and federal governments provide different opportunities for fiscal decentralization. Unitary countries do not have sub-national governments that are constitutionally empowered to make decisions over a specified range of government functions and services; rather, they have multiple subordinate levels of the same government (e.g., central, provincial, district). Federal governments, on the other hand, have constitutionally protected sub-national governments and thus, the possibilities for independent decision making are clearly stronger under these systems. Despite the complexity of the existing situation in many countries, both theory and experience suggest strongly that it is important to state expenditure responsibilities as clearly as possible in order to enhance accountability and reduce unproductive overlap, duplication of authority, and legal challenges. Many would argue that decision-making should occur according to the principal of "subsidiarity" -- that is at the lowest level of government consistent with allocative efficiency (e.g., the geographic area that internalizes the benefits and costs of decision-making for a particular public service). The optimal size of jurisdiction for each service could theoretically differ, but in practice economies of administration and transactions costs lead to "grouping" of roughly congruent services at local (e.g., street lighting, refuse removal), regional (rural-urban roads, refuse disposal), and national (intercity highways, environmental

policy) levels. Decentralized decision-making enlarges possibilities for local participation in development. In addition, national allocative objectives may be carried by local governments responding to incentives created by national grants and regulations as well as interlocal or interregional agreements. National governments have obvious roles with respect to both stabilization and distribution, and due attention must be paid to possible local conflicts with these policies.

Experience has clearly shown that effective decentralization requires complementary adaptations in institutional arrangements for intergovernmental coordination, planning, budgeting, financial reporting, and implementation. Such arrangements may encompass both specific rules (e.g., in the design of fiscal transfers) and provision for regular intergovernmental meetings and periodic reviews of intergovernmental arrangements. Detailed central control over local use of funds is seldom appropriate. Instead, what is needed is transparency and accountability to local constituencies supported by strengthened higher level monitoring and reporting of local fiscal performance. (Pet therapy, n.d.).

### **2.2.2. Revenue Assignment**

Governments rely on a wide variety of tax instruments available for their revenue needs, such as direct, indirect, general, specific, business and individual taxes. The question addressed here is which types of taxes are most suitable for use by each level of g The assignment of taxes by jurisdiction depends partly on the mix of various taxes used in the country overall. In public finance theory, the issue of the ideal tax mix even in the unitary state has not been widely developed. Governments almost universally employ balanced tax systems which have the feature that different taxes apply to basically the same bases. For example, general sales taxes, payroll taxes, and income taxes have bases which overlap considerably. From the point of view of standard efficiency and equity, one

should be able to make do with a single general tax base, yet no governments behave that way. The usual reason given for this is that administrative considerations play an important role. A mix of taxes keeps the rate on any tax low, thereby reducing the incentive to evade or avoid the tax. Furthermore, by using a mix of taxes, taxpayers who would otherwise be able to avoid taxation of one type are caught in the net of another, making the tax system fairer. The importance of the various taxes in the overall mix remains, however, a matter of judgment rather than something that can be deduced from the principles. Decentralization has the potential to reduce accountability by breaking the links between the levels of taxation and expenditure. Major expenditure responsibilities are being transferred to local governments in an effort to improve service delivery, but there are few high-revenue taxes which can be assigned to local governments without creating national economic distortions. Efficiency in tax administration suggests that local governments should levy taxes on immobile factors (e.g. property taxes) and fiscal need criteria suggest that they should also levy cost recovery user charges such as frontage taxes (tax per linear front foot of property), tolls on local roads and poll taxes. These tax revenues are unlikely to be sufficient in many localities, and thus, intergovernmental transfers are required to mitigate this imbalance. While taxation increases can create constituent pressure for good local performance, some grant designs can create central government pressure for local performance. (Pet therapy, n.d.).

### **2.2.3. Intergovernmental Transfer**

Intergovernmental transfers are the dominant source of revenues for subnational governments in most developing countries. The design of these transfers is of critical importance for efficiency and equity of local service provision and fiscal health of subnational governments.

#### *Taxonomy of Grants*

For the purpose of economic analysis, grants can be broadly classified into two categories: non-matching and selective matching.

Nonmatching transfers: Non-matching transfers may be either selective (conditional) or general (unconditional).

Selective non-matching transfers offer a given amount of funds without local matching, provided they are spent for a particular purpose. Such conditionality will ensure that the recipient government's spending on the specified category will be at least equal to the amount of grant monies. If the recipient is already spending an amount equal to grant funds, some or all of the grant funds may be diverted to other uses. In theory, due to fungi ability of funds, increase in expenditures on the specified category would only at the limit equal to grant funds; in practice it is possible that the lumpiness of investments in areas such as infrastructure may result in increases in expenditures exceeding grants.

If the non-matching grant is unconditional or general, no constraints are put on how it is spent and unlike conditional grants; no minimum expenditure in any area is expected. Since the grant can be spent on any combination of public goods or services or to provide tax relief to residents, general non-matching assistance does not modify relative prices and is the least simulative of local spending.

#### *Revenue Sharing*

Many countries attempt to achieve various of the objectives ascribed above to transfers through systems variously described as "tax sharing" or "revenue sharing." While there are a wide variety of such systems, most of them - perhaps most markedly in the transitional countries - suffer from several common problems. First, if they are partial, that is, do not apply to all national taxes but only to a subset of such taxes, they may bias national tax policy. Second, if - as is often the case - they share the revenues from origin-based (production) taxes to the jurisdictions from which the revenues are collected, they break the desirable link between benefits and costs at the local level and hence reduce accountability and the efficiency of decentralization. Third, since in such systems tax rates are

invariably set by the central government, and in addition since the sharing rate is often applied uniformly throughout the country, once again the accountability link is broken and subnational governments have no incentive to ensure that the amount and pattern of their spending is efficient. In addition, if, as in some of the transitional countries, such taxes are collected by local governments and then supposedly shared with national governments - and in this case perhaps especially if the sharing rates are higher (more flows upwards) for richer areas - either an undesirable disincentive for collection effort is created or, more usually, the temptation to "cook the books" is likely to be overwhelming. (Pet therapy, n.d.).

#### **2.2.4. Borrowing**

The debt crisis of subnational governments in Brazil, the inflationary impact of subnational financing in Argentina, and city-level bankruptcies in the United States have often been used to illustrate the possible macroeconomic implications of decentralizing borrowing powers. The moral hazard problem—the proposition that access to financial markets by subnational governments may create unplanned fiscal liabilities for central government—is the core of the argument.

##### *Why Is Access to Financial Markets Important?*

There are three primary reasons why access to financial markets is considered important for subnational governments:

Financing capital expenditure: Subnational governments often have responsibility for public investments that are lumpy in nature. Financing such capital investment through increases in current taxes would be inefficient. In addition, because the benefits of such public investments often last several decades, equity considerations would suggest that future generations participate in the financing. Capital markets provide this inter temporal link.

Matching expenditure and tax flows: Within a particular fiscal year, expenditures incurred and tax intake may not be fully in synchrony. Access to financial markets offers an opportunity to smooth out such mismatches.

Fostering political accountability: The pricing of capital by markets may provide an independent mechanism for fostering political accountability. Markets may signal the poor performance of subnational governments through increases in interest rates or simply by blocking access.

What Are the Mechanisms for Accessing Capital Markets by Subnational Tiers?

At least four channels exist for access to capital markets by subnational governments:

- Direct borrowing by central government and on-lending to subnational tiers
- Through a public intermediary, a state-owned financial institution
- Direct borrowing from capital markets
- Through market decentralization of public services, where possible (see below).

*How Should the Regulatory Framework for Subnational Governments Be Designed?*

A well-designed regulatory framework is necessary to ensure that the decentralization of borrowing does not provide perverse incentives for excessive lending by markets and excessive borrowing by subnational governments—excesses that may eventually end up as liabilities of central authorities.

Such a framework requires transparency, preferably through information systems with standardized accounting systems for subnational governments and better

public information on their liabilities. However, more public information will not by itself curb moral hazard problems. Penalties would need to be associated with excessive borrowing. One method is to legislate debt thresholds and penalties for crossing them and to establish transparent mechanisms for enforcing public bankruptcies. Examples of the latter include the U.S. type of financial control boards or the New Zealand system of court-appointed receiverships.

Finally, the back-door channels to creating financial liabilities need to be monitored and, where possible, closed. In particular, legislation must ensure that dipping into pension funds or using subnational corporations to borrow on behalf of subnational governments is not permitted or is explicitly included in debt limits. In addition, balanced budget requirements for subnational governments may ensure that current accounts are balanced by the end of each fiscal year so that borrowing to match expenditures and revenue streams does not lead to the financing of current account deficits over time.

Ultimately, the combined use of information systems, access to subnational governments' own fiscal base, public legislation, bankruptcy laws, and market decentralization offers an institutional setting, creates an incentive to stick to a hard budget constraint at all tiers of government, and permits borrowing to be decentralized.

#### *Should Foreign Borrowing Be Allowed?*

Direct access to international capital markets by subnational governments is further complicated by issues of general capital controls, capital account liberalization, and the nature of the foreign exchange regime adopted by the government. This overall context of the exchange rate regime should determine whether direct borrowing by subnational governments in international markets should be permitted. Because this decision is further influenced by the depth of

local capital markets, a sequencing issue may arise as well. Sometimes it may be preferable to allow direct access to local capital markets prior to opening access to international markets. Given the limited consensus on this issue, there seems to be a bias toward not granting direct access to international markets by subnational governments. In any case, the issues raised in this note about the regulatory framework for decentralizing borrowing apply equally to local and foreign borrowing. (Pet therapy, n.d.).

## **CHAPTER THREE**

### **3. COUNTRIES EXPERIENCE**

#### **3.1. Federal Countries Experience on Concurrent Tax Allocations**

##### **3.1.1. Concurrent Taxes Allocation in USA**

In America All the questions in relation to the conflicting powers of taxation by the National and State Governments have been settled by the Supreme Court; The United States Government have a right to the full exercise of all the powers and functions granted by the constitution, without any interference by the State Governments, the State Governments have no right to any of the constitutional means employed by the Government of the Union, to execute its powers. Now, to issue bonds for loans, to charter a national bank, or any number of national banks, are legitimate means to carry out or execute its constitutional powers. But let us turn to the action of the United States Government in regard to the power of taxation, and see if it has not been in the highest degree liberal and equitable. The National Government has concurrent power with the States to tax. All subjects of property; but, it has not taxed lands and homes. This great mass of property, known as real estate, the National Government has left entirely to the State. This was the most natural object of taxation, and the States only appropriated it. A double tax would be vexatious, and the National Government wisely abstained from it – and resorted to the tariff – the excise and transfer stamps. The greater part of the taxation by the National Government is on subjects the State Government could not tax at all. To complain of the National Government, on this score, is to the last degree unjust and unwise. THE BEECHES,( 1865)

##### **3.1.2. Concurrent Taxes Allocation in Nigeria**

The Nigerian Tax System has undergone significant changes in recent times. The Tax Laws are being reviewed with the aim of repelling obsolete provisions and

simplifying the main ones. Under current Nigerian law, taxation is enforced by the 3 tiers of Government, i.e. Federal, State, and Local Government with each having its sphere clearly spelt out in the Taxes and Levies (approved list for Collection) Decree, 1998. Of importance at this juncture however are tax regulations pertaining to investors both foreign and local. Ariyo, (1997).

### **3.1.3. Concurrent Taxes Allocation in India**

#### Concurrent dual GST

Here GST is levied by both tiers of governments concurrently. There will be central GST to be administered by the central government and there will be state GST to be administered by the state governments. Thus, the GST would comprise a central GST and state GST, central-level GST will subsume central taxes, such as, excise, duty, CVD,SAD, and service tax, and a state level GST will subsume VAT, auctorial, entry taxes, luxury tax, etc. Therefore, under this model, both goods and services would be subject to concurrent taxation by the center and the state. This variant is closer to the model recommended by the kelker committee in,( 2002) eg under existing system center can leave tax on goods as well as on services, such as excise duty on manufacture of goods and services tax on services but state has no power to levy tax on manufactured goods such as VAT but in concurrent dual GST model both center and state will have power to levy taxes on both goods and services. Dr.Sanjiv Agarwal,(2016)

### **3.1.4. Concurrent Taxes Allocation in china**

The Chinese authorities follow some basic principles of multi-level fiscal systems. Among these are the following. First, international experience in countries big and small, federal and unitary indicates that the Central Government must have effective control over the most important sources of tax revenue, not only in terms of tax law and policy, but also in terms of administration, collection, and allocation of revenue. Second, taxes should not be looked upon mainly as

providers of revenue; they must also be seen as tools of policy that, whether intended or not, affect the allocation of resources and their efficient utilization, inter regional and interpersonal distribution, and the level of aggregate demand. Third, while for the sake of efficiency and equity most of the major taxes have to be collected centrally, a considerable degree of decentralization is required on the expenditure side because closeness to the beneficiary helps efficiency. There is thus a need for designing a system for transfer of resources from the center to the localities, but it needs to be done in a way that is transparent and equitable and gives incentives to the localities to maximize their efforts for revenue mobilization. .( Ramgopal,Agarwala,)

### **3.1.5. Concurrent Taxes Allocation in Canada**

In the field of fiscal psychology, researchers have identified the perception of fairness as one of the most important factor that can influence tax compliance and plays a very important role in tax reporting behavior (Kim, 2002). Fairness is recognized as an attribute of a good tax system (Tan & Chin-Fatt, 2000) and plays a very important role in tax reporting behavior (as cited in Kim, 2002; Hartner, Rechberger, Kirchler & Scabmann, 2008., Razak & dan Adafula, 2013., Oberholzer & Stack, 2014., Damayanti, Sutrisno, Subekti & Baridwan, 2015).

Therefore, if a tax system is perceived to be unfair and inequitable, it can encourage taxpayers to evade tax payment and render the tax system less successful (Richardson, 2005). This is hinged on the assumed relationship between tax compliance and public perception of fairness; as a result, perception of tax fairness is seriously recognized in tax compliance literature. Rivers State,(2017)

### **3.1.6. Tax system in Brazil**

Exports are generally exempt. Certain items are tax-exempt e.g. medicine from ICMS, wheat flour from IPI. ISS is not levied on export of services. Method of

Calculation, Declaration and Settlement Four types of value-added tax are in effect in Brazil, at federal, state and municipal levels: (i) State VAT (ICMS) applies to the circulation and importation of goods and the supply of interstate transportation, communication services and electricity; (ii) Federal VAT (IPI) is levied on “finished goods” that are moved in and out of the country; (iii) Municipal Service Tax (ISS), a sales tax payable to municipalities that applies to service not taxable by ICMS; (iv) Gross Receipt Contributions (PIS-PASEP and COFINS) levied on companies’ gross revenues and imports. Companies must register with federal and state authorities to sell goods and with municipalities to provide services as well. In general, all the taxes are filed monthly. (Pet therapy, n.d.).

### **3.1.7. Tax Administration Offices in Federal System**

In some federal-based countries, the Tax Administration at federal level is also tasked with the collection of local taxes or state taxes for all states or for a limited number of states. In other countries, central Tax Administrations have no task in collecting local or state taxes. In some countries, taxes and Customs are merged in a single Tax and Customs Administration; in others the responsibility for administering taxes and Customs are mandated to separate organizations a well-functioning tax system is the foundation stone of the citizen-state relationship, establishing powerful links based on accountability and responsibility. It is also critical for inclusive growth and for sustainable development, providing governments with the resources to invest in infrastructure, education, health, and social protection systems. OECD Secretary-general, (2019).

To what extent have the efforts to implement decentralization policies actually devolved power and fiscal resources to sub-national levels, for the benefit of the local populations? The present research confirms what other studies have concluded: that in Sudan the center remains the ultimate arbiter when it comes to the distribution of economic and political resources between the center and local

states and regions. Economic control and fiscal transfers in Sudan remain relatively centralized. There is no systematic relationship between actual transfers to states and poverty reduction. Government expenditures for states have increased at the same time that state-generated revenues have decreased, and a fair and equitable system of fiscal equalization and gap-filling is absent. Finally, there exists a mismatch between fiscal decentralization and the political set-up. The prevailing features of governance in Sudan do therefore not embrace genuine political and fiscal decentralization. (Hassan Ali; Gadkari, 2017 )

Tax helps to redistribute income/wealth in the society that addresses inequality issues. It can also be used to encourage economic activities such as work, investment, equity and supporting economic growth. A good tax system follows the principles of efficiency, fairness and easy to administer.

Ethiopia, like most countries in Africa, has been making considerable efforts in recent years to restructure its tax system with a view to increase tax revenue as well as reduce distortions in the economy. The impact these reforms have had on the poor is of considerable importance to policymakers, given that the poor and the vulnerable constitute a significant majority of the population in Ethiopia. However, to analyse the distributional impact of its tax system is not so straight forward. (Alemayehu & Abebe, 2005)

The Ethiopian federal arrangement follows the dual structure in which all the three branches of government (legislative, executive and judicial) co-exist in respect of the Federal and Regional powers. This, in taxation, means in principle that both the Federal Government and the Regional States enjoy full legislative, Executive, and judicial powers with respect to taxation powers reserved to them. In practice, however, the Federal Government has had the most dominant presence in the legislation of taxation, respecting not just “federal exclusive taxes” but also “concurrent taxes” and at times even “regional exclusive taxes.” Although Regional States have the prerogative to issue their own tax laws with respect to tax sources reserved to them by the Constitution,

One of the striking features of the Ethiopian Constitution on matters of taxation is the unusual specificity and detail of provisions that assign taxation powers between the Federal Government and the Regional States. Since the Ethiopian Constitution is unusually concrete and specific in the area of tax powers, its language in this respect leaves very little room for argument about which layer of government has what tax powers. Nonetheless, some issues remain contentious. One is the exercise of concurrent powers. The Constitution gives out very little as to how the concurrent tax powers are to be exercised in practice. Practice of other federal systems, several options may be open to both layers of the Ethiopian federation.

The Regional States may impose their own taxes in addition to the Federal Government taxes. The Regional States may choose to impose additional tax rates on an otherwise federal tax law. Or the Regional States may choose to agree with the Federal Government to share the proceeds of federally collected taxes.

In Ethiopia, it is the third option that prevails, presumably because there is a hint to that effect in Article 62( 1995) of the Constitution. The Federal Government levies and collects concurrent taxes. The revenues from concurrent taxes are shared on the basis of a revenue-sharing scheme approved in, (2004) by the House of the Federation (HoF). The practice of fiscal federalism: comparative perspectives 21 (2007). Article 62, sub-article 7, of the Ethiopian Constitution empowers The Federal House of Federation (HOF) to determine the division of revenues derived from joint Federal and State sources, which must be the case

Because the Federal Government collects joint/concurrent tax sources; *The Constitution of the Federal Democratic Republic of Ethiopia (1995, Articles 95-99,)* In this regard, it is also instructive to review the practice prior to the ratification of the Constitution. During the transition period (1991-1995), the division of revenues was regulated by a proclamation issued in 1992; that proclamation has a clear provision regarding the levying and collection of “joint” or “concurrent” revenues. It provides that ‘joint’ taxes shall be collected by the

central (federal) government and the proceeds distributed among Regional States on the basis of derivative principles. There is reason to believe that this practice continued unabated after the Constitution has replaced the proclamation in 1995. Proclamation to Define the Sharing of Revenues between the Central Government and the National/Regional Self-Governments. Article 8(4), Proclamation No. 33,(1992.) The revenue sharing scheme instructs the Federal Government to share with the Regional States 50% of the proceeds of profit and dividend taxes, 30% of the indirect taxes and 40% of the mineral taxes..( *Lencho, 2011*)

The core tasks of a Tax Administration are centered around the implementation and enforcement of tax legislation and regulations. These activities include identification and registration of taxpayers, processing of tax returns and third-party information, examination of the completeness and correctness of tax returns, assessment of tax obligations, (enforced) collection of taxes and provision of services to taxpayers. Tax Administrations operate in societies that are rapidly changing and have to fulfill increasing demands and growing expectations from their stake holders, including new demands from taxpayers for sophisticated government services. Tax Administrations must develop a contemporary vision. Rapid economic developments and ever-higher expectations on the part of taxpayers make it necessary for a Tax Administration to redefine ne its strategic course. Its relationship with taxpayers must be laid down in a system of rights and obligations.

## **CHAPTER FOUR**

### **4. RESEARCH METHODOLOGY AND DESIGN**

#### **4.1. Research Approach**

In order to address the above research objectives appropriate research methods have to be adopted. The sections below hence examine respectively the philosophy of the different research methods and the choice of the appropriate research method for this study. There are different approaches including quantitative, qualitative and mixed (Cooper, 2006). As Cooper (2006) stated, quantitative research method is used to precisely measure something and answer the questions related to how much, how often, how many, when and who.

It's used when the sample size is large and the sample design is probability. Cooper (2006) in addition stated that qualitative research method is used when the focus of the research is to understand and interpret rather than describing, explaining, and predicting variables. It is also used when the sample size is small and selected using non Probability or purposive sampling method. Qualitative research method aims to achieve an in depth understanding of a situation. Mixed research method is the combination of two research methods: qualitative and quantitative methods (Cooper, 2006). As cooper (2006) stated, most researchers recognize that qualitative method compensates for the weaknesses of quantitative methods and vice versa. Looking at the research problems and the philosophy of the different research methods together triangulation method was adopted in this study.

In this triangulation, both qualitative and quantitative methodologies were used to increase the perceived quality of the research. To examine the challenge of concurrent tax collection and administration to identify the major problems both qualitative and quantitative research methods (mixed methods approach) were used.

Individual in-depth interview, administered face-to-face, was used to collect data from tax administrators to explore and analyze data from limited number of respondents. Both open ended and closed ended (semi structured) questions were included in the interview to let respondents express their understanding freely. And close ended questionnaires was used for key workers

The sampling method used was purposive sampling and probability sampling; the sample size was limited to only 10 from high officials and 80 from key workers because the respondents were selected purposively from high officials and probability sampling from key workers.

To supplement the data obtained through interview, the constitution and different publications of government offices including, media reports, web resources and other researches made on the area were examined.

The relevant statistics referring concurrent tax were assessed. The analysis methods used were relative descriptions.

Based on this analysis method adopted the data obtained through interview, focus group discussion, and from publications and web resources are thoroughly analyzed. The outcome of the analysis is presented in the next chapter.

## **4.2. Target Population of The study**

The study population includes tax payers of Oromiya revenue Authority. There are 1800 high tax payers [concurrent] tax payers., There are three core processers under those three core processers there are six sub core processers and support workers lead by six directors, total employees 176 so, the populations of the study is Oromiya high tax officials and key workers because this concurrent tax administration problem directly related to corporate level managers (leaders and key workers)

### **4.3. Sample Size Determination**

In Oromiya revenue authority there are 65 supportive workers and 101 professionals and 10 high officials the sample size is based on Yamane (1967) provides simplified formula to calculate sample size:

$n = \frac{N}{1 + N(e^2)}$ , Where n= Sample Size

N=Number of Target Population

e = The Desired Margin of error

Based on Yamane (1967) formula the sample size from Oromiya revenue authority will be 9 from high officials 80 from professional. at the margin error of 5%.

### **4.4. Data Sources and Data Collection Instruments**

#### **4.4.1. Data Sources**

The data sources used in this study are both primary and secondary sources. The primary data is collected from the Revenue Office key workers and head officials, whereas secondary data is gathered from official document.

#### **4.4.2. Data Collection Instruments**

Principally, self-administrated questionnaire (closed ended) is prepared as a tool for primary data collection. Unstructured interview is held with the administration Officials of revenue office. Non participant observation and key informed interview is undertaken.

#### **4.4.3. Methods of Data Analysis and Interpretation**

Once the data are gathered, synthesized and categorized quantitatively both quantitative and qualitative data analysis methods are employed using Ms. Excel .The results of processed data are present in Tables and graphs with frequency and percentages. Thus descriptive statistic including mean, frequency and percentage

are applied to facilitate meaningful data analysis and interpretation of research findings.

In addition, the data gathered from interviews and other secondary sources are qualitatively analyzed.

# CHAPTER FIVE

## 5. DATA ANALYSIS AND DISCUSSION

### 5.1. The Federal Arrangement in Ethiopia and Taxing Powers

The fundamental authority to tax is derived from the Constitution of 1995 Which, following the federal structure, shares tax powers between the Federal Government and the Regional States. The Ethiopian Constitution goes to greater lengths than other areas of power in allocating taxation powers between the Federal Government and the Regional States. The Constitution classifies taxation powers as “taxes exclusive to the Federal Government,” “taxes exclusive to the Regional States,” “taxes concurrent to both the Federal Government and the Regional States,” and “taxes undesignated.”. “federal power of taxation” and “state power of taxation”; the word “exclusive” is added here to highlight what these powers actually mean Constitution, (1995, Articles 95-99,)

There is an implicit fifth category: a tax designated by the Constitution but requiring re-designation via an amendment of the Constitution Profit taxes are assigned on the basis of the legal status of the business enterprise subject to profit taxes; similarly, sales taxes appear to be assigned on the basis of the legal status of the business enterprise collecting sales taxes; taxes on federally owned and With the exception of customs duties, which are the exclusive preserve of the Federal Government, most other taxes are sliced into pieces by the Ethiopian Constitution and shared between the Federal Government and the Regional States on the basis of certain set formulas.

Income taxes on employment income are, for example, shared on the basis of the identity of employers so that if an employer is a Federal Government or an international organization, the Federal Government exercises the power to impose tax on the employees, and if an employer is a state government or a private enterprise, state governments get to levy tax on the employees. The Constitution

follows similar patterns of tax-power sharing on most other taxes regional-state-owned enterprises are assigned to the federal and regional states respectively.

This form of tax legislation has created some curious developments in the Ethiopian Federation, casting doubts over the capacity and the will of the Regional States to chart their own autonomous course. The only area of tax law where the Regional States have not copied from federal tax laws is the agricultural income tax laws, presumably because there is no federal agricultural income tax law—agricultural income taxes are the exclusive preserve of the Regional States under the Ethiopian Constitution fiscal federalism in the Ethiopian ethnic-based federal system. (Solomon, 2006)

Survey Table:- Federal Budget Subsidy to Regional States (in Billion Birr)

	2011	2010	2009	2008	2007	2006	2005
Oromiya	45.37	39.844	28.521	23.814	16.691	13.979	11.820
Amhara	28.44	24.975	20.410	17.055	11.954	9.9659	8.427
SNNP	26.478	23.252	17.670	14.758	10.374	8.645	7.310
Tigray	7.940	6.972	6.282	5.247	3.678	3.088	2.611
Gambela	1.751	1.538	1.318	1.101	0.772	0.645	0.546
Somali	13.140	11.539	7.135	5.96	4.177	3.501	2.690
Benshang ul	2.410	2.116	1.889	1.578	1.106	0.903	0.764
Afar	3.976	3.492	2.741	2.289	1.605	1.355	1.156
Harari	1.001	0.879	0.879	0.734	0.514	0.430	0.364
Dire Dawa	1.159	1.016	1.019	0.851	0.597	0.499	0.422
Addis Ababa	3.937	1.636	0.007	3.421	0.085	0.040	0.189
Total	135.6	117.26	87.87	76.81	51.52	43.05	36.559

Source: Federal Government Budget Proclamations

**Table 1 Tax revenue of Oromiya Regional State**

item of revenue	2008	2009	2010	2011
direct tax (1100-1110)	6,748,655,060.52	6,832,425,100.14	8,755,179,506.09	10,118.150
perol tax govermet (1101A)	2,854,266,234.79	2,878,098,728.37	3,689,073,552.55	4,115.130
perol tax tax payer (1101B)	1,914,489,503.61	1,828,089,110.69	2,175,415,563.82	2,819.900
tax from rent (1102)	66,846,603.62	71,614,125.86	90,030,288.47	108.830
with holding tax (1103)	1,604,768,376.89	1,740,096,167.16	2,423,296,904.29	2,703.220
proft tax (1104)	24,553,864.71	24,919,656.42	39,613,444.66	46.470
agiricalcheral tax (1107)	126,574,033.49	136,860,002.41	110,625,420.92	117.600
tax on Royaalitii (1108)	103,456,050.63	96,131,771.78	107,823,537.86	60.190
others	53,700,392.79	56,615,537.46	119,300,793.53	146.810
indirect tax (1120-1290)	2,611,583,661.40	2,536,092,150.49	3,171,115,539.71	3,744.390
VAT(1120-1190)	1,854,478,576.90	1,734,023,976.37	1,798,428,379.33	2,188.380
Eksaayizii tax(1200-1210)	128,889,910.40	113,384,811.39	273,506,655.91	298.300
TOT (1220-1270)	350,121,326.50	375,534,400.05	691,125,169.19	751.980
tembir sels (1290)	278,093,847.60	313,148,962.68	408,055,335.29	505.740
non tax revenue (1400-1500)	1,084,875,618.92	1,227,055,699.33	1,407,657,984.64	1,559.920
gavernance service (1411-1420)	238,039,365.59	233,912,727.70	239,275,250.77	252.720
service charge (1431-1450)	349,672,720.99	542,213,544.00	645,490,895.71	740.210
invest ment income (1461-1469)	161,458,178.66	171,235,310.14	140,370,131.65	150.370
other (1479)	332,860,221.13	279,007,758.83	382,218,393.22	415.970
capital income (1500-1506)	2,845,132.55	686,358.66	303,313.30	0.650
<b>total</b>	<b>10,445,114,340.84</b>	<b>10,595,572,949.96</b>	<b>13,333,953,030.45</b>	<b>15,422,464,180.02</b>

### **5.2.2. Type of Taxpayers**

Oromiya revenue authority was established on proclamation no 74/95, his human resource structure is as follows, after BPR ,there are three core processors under those three core processors there are six sub core processors and support workers .

In Oromiya the authorized body to collected tax was Oromiya revenue authority, Zonal revenue authority, and, Woreda revenue authority. Three of them are independent of each other .the tax payers are categorized by three categories:- category A tax payer their annual turnover > 1,000,000, category B tax payer their annual turnover >500,000, category C tax payer their annual turnover <500,000

In Oromiya region there are 22,294 category A tax payers 26,905 categories B , tax payers and 348,435 categories C tax payers out of category A tax payers 112 sole tax payers their tax was collected by Oromiya revenue authority and 1800 plc tax payers which their tax has concurrent

### **5.2.3. Concurrent Tax Allocation**

During the transition period (1991-1995), the division of revenues was regulated by a proclamation issued in 1992; that proclamation has a clear provision regarding the levying and collection of “joint” or “concurrent” revenues. It provides that ‘joint’ taxes shall be collected by the central (federal) government and the proceeds distributed among Regional States on the basis of derivative principles. There is reason to believe that this practice continued unabated after the Constitution has replaced the proclamation in (1995.) *See* Proclamation to Define the Sharing of Revenues between the Central Government and the National/Regional Self-Governments. Article 8(4), Proclamation No. 33(1992) the revenue sharing scheme instructs the Federal Government to share with the Regional States 50% of the proceeds of profit and dividend taxes, 30% of the indirect taxes and 40% of the mineral taxes.

## 5.2.4. Challenges of Concurrent Tax Allocation in Oromiya Regional State

Supreme Integrated Tax Administration System (SIGTAS) software problem that means when tax payer asked by tax authority during registration, the tax payer, deliberately or honestly register his tax center out of the Oromiya region even though his production center is in Oromiya Region, that makes problem of revenue sharing activity because the revenues are shared based on tax payer tax center.

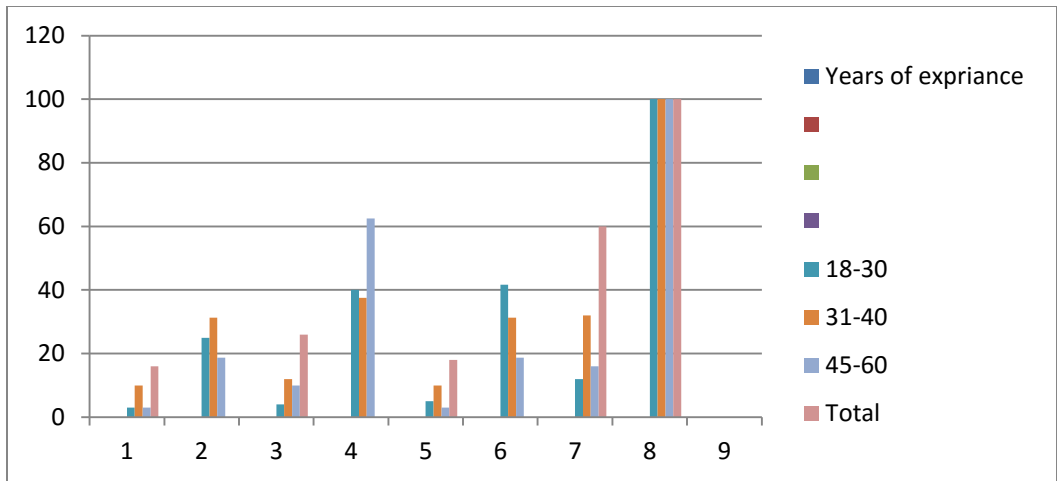
No system was established for the company exist in different regions like mother company in Oromiya region and sister company exist in another region that made problem because taxes is calculated based on consolidated financial statement.

Federal revenue authority disobedience, not respecting tax rule and regulation like for example heavy companies like Dangote cement factory tax collection right has given for region but the federal revenue authority collected this tax .

### 4.3. Respondents' Profile

**Table 2 Respondents experience**

Years of expiance	Revenue operation branch		Inspection branch		Awareness creation branch		Total	
	Frequency	%	Frequency	%	Frequency	%	Frequ ency	%
	18-30	3	25	4	40	5	41.67	12
31-40	10	31.25	12	37.5	10	31.25	32	100
45-60	3	18.75	10	62.5	3	18.75	16	100
Total	16		26		18		60	100



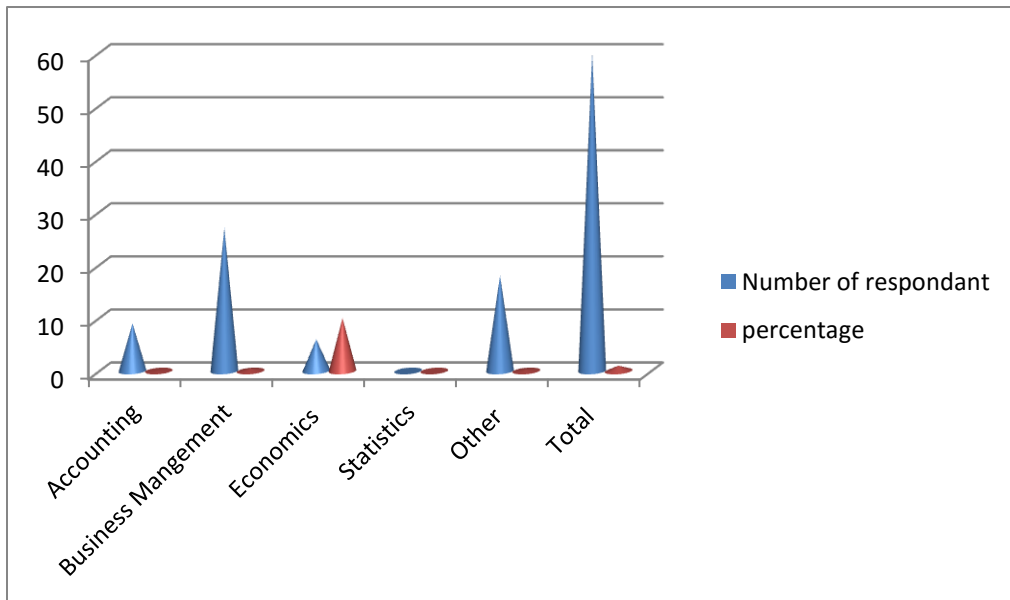
*Source: survey data 2019*

The study requested respondents to indicate the number of service years they had served for. The study revealed that 18-30 year of experience 3(25%) in revenue operation branch 4(40%) in inspection branch 5(41.67) in awareness creation branch 31-40 years' experience Revenue operation branch 10(31.25), Inspection branch 12(37.5%), Awareness creation branch 10(31.25), in 45-60 years' experience Revenue operation branch 3(18.75%), Inspection branch 10(62.5%), Awareness creation branch 3(18.75) of the respondents have been working. This implies that majority of the respondents have below 40 years experiences accumulated and which in turn added recognized value for this study.

The data concludes that, all of the experience working profession of the revenue authority respondents is well experienced.

**Table3 Professions of the respondents**

Filed of study	Number of respondant	percentage
Accounting	9	15%
Business Mangement	27	45 %
Economics	6	10
Statistics	0	0
Other	18	30 %
Total	60	100 %



***Source: survey data 2019***

As it is indicated above, almost 45(75%) Of the respondents are business managment profession which is directly related to the job position and 9(15%) accounting profession other18(30%) and the remaining 6(10%) are economics field

study. Shows that the data, there was almost all workers has related field of steady and enough experience to do their job.

### 5.3.1 Findings

**data related to the problems of Oromiya tax administration that causes for not to fully collected tax revenue (concurrent tax )share of the region**

**Table 4**

No												
1	data related to the problems of Oromiya tax administration that causes for not to fully collected tax revenue (concurrent tax )share of the region	SD	%	D	%	N	%	A	%	SA	%	Mean
1.1	the high officials of Oromiya revenue authority laziness	15	0.25	18	0.30	15	0.25	12	0.20	0	0.00	2.15
1.2	external pressure	6	0.10	21	0.35	6	0.10	3	0.05	24	0.40	2.96
1.3	SIGTAS share division problem	9	0.10	21	0.35	18	0.30	0	0.00	12	0.20	2.46

*Source: survey data 2019*

**The survey result Table 3 the high officials of Oromiya revenue authority laziness**

Shown by a mean of 2.15 and 55% of the respondents disagree (15 SD, 18 disagree), and 20% agree (12 agree, 0 SA) chooses agree respectively. The rest 15(25%) of the respondents responds neutral.

The result indicates the high official of Oromiya revenue authority laziness was not the cause for not fully collecting of concurrent tax share of the Region.

**The data collected as per the above table 3 of item 2:-** showed that the external pressure may cause for not collected concurrent tax share of the Region Shown by a mean of 2.96. Equal percentage of the respondents i.e. 45% agreed (3 agreed, 24 strongly agreed) and 45% (9 strongly disagreed, 21 disagreed) chooses disagree respectively. The rest 10% of the respondents responds neutral. This implied that half worker believe that the external pressure is the cause for not collecting concurrent tax of the region similarly half of the workers believe that the external pressure is not the cause it implies that the high officials laziness is the cause not external pressure .

According to the survey result in table 3 of item 3 above, SIGTAS share division problem was the cause for not collected concurrent tax of the rejoin Shown by mean of 2.46 or 45% of the respondents disagreed (6 SD and 21 disagree) whereas 20% of the respondents agreed (0 agreed and 12 strongly agree on this issue.) but 18(30%) of the respondents are neutral on this statement. This implied that SIGTAS software was not the cause for not collected concurrent tax share of the rejoin.

**Data related to the main challenges of concurrent tax collection and administration, No respecting of rules and regulations**

**Table 5:**

No												
2	data related to the main challenges of concurrent tax c/administration	SD	%	D	%	N	%	A	%	SA	%	Mean
2.1	High officials poor political commitment	6	0.10	30	0.50	9	0.15	3	0.05	12	0.20	2.46
2.2	Federal Revenue Authority Disobedience	12	0.20	24	0.40	0	0.00	0	0.00	24	0.40	2.69
2.3	No respecting of rules and regulations	9	0.15	12	0.20	9	0.15	0	0.00	30	0.50	3.55

**Source: survey data 2019**

**The survey result Table 4 high official’s poor political commitment**

A mean of 2.46 and 60% the respondents disagree i.e. (6 SD, 30 disagreed), whereas 25 % of the respondents agree (3 agree and 12 strongly agree on this issue.) but 9(15%) of the respondents are neutral on this statement. This indicate that high officials poor political commitment was not the cause for not fully collected concurrent tax of the Oromiya region the data collected as per the above table of item 2 showed that federal Revenue Authority Disobedience Shown by amen of 2.69. High percentage of the respondents i.e. 60% disagreed (12 SD, 24

dis agreed) and 40% (24 strongly agreed, 0 agreed) chooses agree respectively. The rest 0% of the respondents responds neutral. This indicates that federal revenue authority disobedience was not the cause for not fully collect concurrent tax share of the rejoin.

According to the survey result in table 4 of item 3 above, no respecting of rules and regulations as shown by mean of 3.55, 50% of the respondents strongly agreed (30 SA and 0 agreed) whereas 35% of the respondents disagreed (9 SD and 12 disagree on this issue.) but 9(15%) of the respondents are neutral on this statement. This indicates majority respondent believe that rules and regulation was not respected in all of the country.

### **Data related to the performance gapes of Oromiya revenue authority**

**Table 6 Gaps assessment**

N o	Description	Ye s	%Y es	N o	%N o	Tot al	Mea n
1	Do you know all the performance standard of your work process	33	.55	27	.45	93	1.55
2	Does your office conduct performance gap assessment in each work process	15	.25	45	.75	75	1.5
3	Have you ever got any short term or long term training opportunity on the area of concurrent tax proclamation and regulation	21	.35	39	.65	81	1.35

*Source: survey data 2019*

The survey result Table 5 Do you know all the performance standard of your **work process** shown by a mean of 1.55 and 55% of the respondents say yes (33 yes), and

45% say no (27 say no ) this indicate that workers are know their performance standard of their work process

Does your office conduct performance gap assessment in each work **process**:- shown by a mean of 1.5 and 75% of the respondents say no (45 no ), and 25% say yes (15 say yes ) this indicate that there is no workers performance gap assessment at the authority in each work process

The survey result Table 5 Have you ever got any short term or long term training opportunity on the area of concurrent tax proclamation and regulation shown by a mean of 1.35 and 65% of the respondents say no (39 no), and 35% say yes (21 say yes) this indicate that workers are didn't get short term or long term training opportunity on the area of concurrent tax thy didn't know deeply about concurrent tax.

### **5.3.2. Summary of the finding**

#### **A –SIGTAS problem**

One of the great problem for not implementing concurrent tax collection and administration was, according to the outcome of the interview, group desiccation, and close ended questioner's indicate that when the tax payer asked their tax center by revenue authority during registration ,the tax payer honestly or deliberately register his tax center out of the production center (region) that means his production center has Oromiya region but tax payer register his tax center out of Oromiya region, because of this, when tax share was processed the share was given to the tax payer tax center, even though, this problem was existed and known, no correction measure was taken by respected body.

#### **B –System Establishment problem**

According to the interview, questionnaires, & group desiccation result indicate that no system was established for the tax payer that investing their investment between

different regions was not established, because of this when their tax was calculated based on consolidated financial statement, then how money income was generated at different region is an known, because of this the tax share of the region was not known and the concurrent tax rule is not respected

### **C –Federal Revenue Authority disobedience**

Interview, group desiccation and close ended questionnaires indicated that, so many application has been sent and so many questions was raised for the last fifteen years for the federal government high officials, but no correction measure was taken by respected bodies, and even heavy tax payers like Dangote cement factory, his tax should be collected by Oromiya revenue authority but inversely this tax has been collected by federal authority, this tax was not concurrent and the collection right was given for the Region by article 97,(1995), this indicate that the tax rules and regulation was not respected by federal government.

## **CHAPTER SIX**

### **6. CONCLUSION AND RECOMMENDATION**

#### **6.1 CONCLUSION**

From our distributed close indeed questionnaires' and interviews we concluded that when the tax payer asked their tax center by revenue authority during registration ,the tax payer honestly or deliberately register his tax center out of the production center (region) that means his production center has Oromiya region but tax payer register his tax center out of Oromiya region, no system was established for the tax payer that investing their investment between different regions, because of this when their tax was calculated based on consolidated financial statement then how money income was generated at different region is an known, many questions was raised for the last fifteen years for the federal government high officials, but no correction measure was taken by respected bodies, and even heavy tax payers like Dangote cement factory, his tax should be collected by Oromiya revenue authority but inversely this tax has been collected by federal authority.

The Oromiya revenue authority key workers didn't get long term or short term training about resource based tax rules and regulation (concurrent tax) ,No performance gap assessment was made between workers this has its own impact on the revenue collection activity. The federal government does not respect resources based (concurrent tax) tax rules and regulations of the country.

Our country Ethiopia enjoy social distraction for the last fifty years, different ethnic groups raise different questions of self-right, sometime get conflict and war was made between the regime and people, this source of conflict has been question of fair distribution of equity. An tile recently this problem was not resolved and create government reformation, but the problem has steal there.

## **6.2. RECOMMENDATION**

To solve those problems rules and regulations should be respected by concerned bodies. Clear and visible work should be done, clear and believable system should be established for investors work at different regions, taxes which given for state government should be collected and the rules and regulation about tax should be respect by federal government.

Workers should be given the long term or short term training about concurrent tax. There should be made performance gap assessment periodically, Resource based tax rules and regulations should be respect by federal government revenue authority.

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**Annex I**  
**ADDIS ABABA UNIVERSITY**  
**COLLEGE OF BUSINESS AND ECONOMICS**  
**DEPARTMENT OF ACCOUNTING & FINANCE**  
**MSC IN ACCOUNTING & AUDITING**

This questionnaire is prepared as partial fulfillment for the MSc in accounting & auditing, we have chosen to conduct my study on the challenges of concurrent tax collection and administration in Oromiya revenue authority. The aim of the study is only to know the potential problems of concurrent tax collection and administration in Oromiya revenue authority

I would like to assure you that the responses obtained from the questionnaire will be strictly held confidential.

Therefore, this will not affect you in your future work activity. So, please, sincerely try to give me accurate and unbiased information.

**Thank you for your honest cooperation!**

**Respondent's Status**

- A. Age: 18-30  31-40  41-50  above 50
- B. Sex: Male  Female
- C. Name of your Work Process \_\_\_\_\_
- D. Your position \_\_\_\_\_
- E. Educational Background
- Degree and above  Diploma  Certificate and below
- F. Work experience for key workers
- Years 0-10  11-15  above 16
- G your profession:- Accounting  Economics  Management other

**1. Data related to the problems of Oromiya tax administration that causes for not to fully collect tax revenue (concurrent tax) share of the region**

**1.1** the high officials of Oromiya revenue authority laziness was the cause for not collect fully concurrent tax share of the region

Strongly agree      Agree     Disagree     Neutral     Strongly Disagree

**1.2** external pressure was the cause for not collect fully concurrent tax share of the region

Strongly agree      Agree     Disagree     Neutral     Strongly Disagree

**1.3** SIGTAS share division problem was the cause for not collect fully concurrent tax share of the region.

Strongly agree    Agree     Disagree     Neutral     Strongly Disagree

**2. Data related to the main challenges of concurrent tax collection and Administration**

**2.1** Oromiya revenue authority high official's poor political commitment was the cause for not collect fully concurrent tax share of the region.

Strongly agree    Agree     Disagree     Neutral     Strongly Disagree

**2.2** Federal revenue authority disobedience was the cause for not collect fully concurrent tax share of the region.

Strongly agree    Agree     Disagree     Neutral     Strongly Disagree

**2.3** No Respecting of rules and regulation in the country during TPLF regime concerning revenue sharing.

Strongly agree    Agree     Disagree     Neutral     Strongly Disagree

**3. Data related to the performance gapes of Oromiya revenue authority**

3.1. Do you know all the performance standards of your work process?

Yes  No

3.3. Does your office conduct performance gap assessment in each work process?

Yes  No

3.4. Have you ever got any short- term or long-term training opportunities on the area of concurrent tax Proclamations and Regulations before?

Yes  No

**Annex II**  
**ADDIS ABABA UNIVERSITY**  
**COLLEGE OF BUSINESS AND ECONOMICS**  
**DEPARTMENT OF ACCOUNTING & FINANCE**  
**MSC IN ACCOUNTING & AUDITING**

**(Interview on general issues to be answered by the heads of Oromiya revenue authority and concurrent tax head Officials)**

- 1 How do you evaluate the trends of Revenue Office in administering concurrent tax in the last five years?
2. What are the main constraints in administering concurrent tax in your authority; registration, collection, auditing, enforcement activities?

**Thank you very much**

The dialog is made by Afan Oromo language then translated to English language