



**EXCISE TAX REFORM: THE CHALLENGES AND OPPORTUNITIES OF
NEW EXCISE TAX LAW IMPLEMENTATION**

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**EXCISE TAX REFORM: THE CHALLENGES AND OPPORTUNITIES OF
NEW EXCISE TAX LAW IMPLEMENTATION**

A thesis submitted to Addis Ababa University, College of Business and Economics, Department of Accounting and Finance in partial fulfillment of the requirements for the degree Master of Science in Accounting and Finance

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DECLARATION

I, Kiya Bulto, declare that this thesis, titled "EXCISE TAX REFORM: the Challenges and Opportunities of New Excise Tax Law Implementation," is my original work, submitted in partial fulfillment of the degree of Masters of Science in Accounting and Finance. The thesis, according to the researcher, met the standards and met the requirements of the rules and regulations governing the character of the degree. The thesis' contents have not been submitted for consideration for any other degree or diploma at this or any other university. The research has been supplemented by a referenced source that has been properly acknowledged. When data, photographs, or tables are taken from other sources, they are accelerated and references are referenced using the APA citation system and anti-plagiarism standards.

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This is to certify that the work contained in the thesis entitled "EXCISE TAX REFORM: the Challenges and Opportunities of New Excise Tax Law Implementation," submitted by Kiya Bulto (GSR/1654/12) for the award of the degree of Masters of Science in Accounting and Finance to the College of Business and Economics at Addis Ababa University. Her research was carried out under my direct supervision and guidance, and this thesis was submitted for examination to the School of Graduate Studies of Addis Ababa University College of Business and Economics with my approval as a university advisor.

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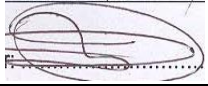
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APPROVAL SHEET

This is to certify that Kiya Bulto's thesis, **EXCISE TAX REFORM: the Challenges and Opportunities of New Excise Tax Law Implementation**, has been completed. It is submitted in partial fulfillment of the requirements for the Master of Science in Accounting and Finance degree, and it complies with university regulations and meets accepted quality and originality standards.

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DEDICATION

This thesis is dedicated to my late grandmother Damee Badhadha Boru.

ACKNOWLEDGMENT

Then Job answered the Lord: “I know you can do everything. You make plans, and nothing can change or stop them” Job 42: 2

My deepest gratitude and praise go to the God of Israel, who calls me by name, travels ahead of me and flattens the mountains, destroys the bronze city gates and cuts the iron bars on the gates, gives me the wealth hidden in secret places and the hidden treasures. The LORD came and visits me as he said and he kept his promise to me. So, glory to the name of the Father and the Son and the Holy Spirit.

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ABSTRACT

This study is about the recent Excise Tax Reform. Knowing which components of the new law contribute to its complexity, enforceability, and tax revenue is critical for tax offices to be effective in implementation. The study's general objective is to assess the challenges and opportunities of new excise tax law implementation at federal large taxpayers' branch office. To achieve this objective the research used a survey questionnaire and semi-structured interviews to gather primary data. Part of the results from the primary data was verified and confirmed using secondary data concerning excise tax following the reform. A stratified random sampling technique was also used. The challenges and opportunities of the new excise tax law implementation were identified utilizing a concurrent triangulation strategy of the mixed research approach, which included responses from 109 LTO tax office personnel and purposively selected interviewees. To analyze the data, the researcher used SPSS software (version 20) and descriptive statistics like percentages and tables. The findings of this study indicate that following the reform, in 2019/2020 the excise tax contribution to the branch's overall revenue increases to 10.02 percent from 7.56 in 2018/2019. However one of the peculiar challenges of the excise tax reform is that the infrastructure required ensuring effective taxation of excises and that Ethiopia now lacks the essential infrastructure to fully implement the law. As a result, the study recommended the Ministry of Revenue to establish an excise tax department that would be fully responsible for the law's effective implementation.

Key Terms: *Tax Reform, Complexity, Certainty, Enforceability, Mixed Methods*

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ABBREVIATIONS AND ACRONYMS

ASEAN – Association of Southeast Asian Nations

AIDS – Almost Ideal Demand System

COVID – Corona Virus Disease

EPP- Ethiopian Prosperity Party

EPRDF – Ethiopian Peoples’ Revolutionary Democratic Front

ETB – Ethiopian Birr

EU – European Union

GDP – Gross Domestic Product

GTP II – Growth and Transformation Plan II

IMF – International Monetary Fund

IFIs – International Financial Institutions

KIHBS – Kenya Integrated Household Budget Survey

LTO – Large tax Payers Branch office

MOF – Ministry Of Finance

MOH – Ministry Of Health

MOR – Ministry Of Revenue

OECD – Organization of Economic Cooperation and Development Community

PIT – Personal Income Tax

RST’S – Retail Sales Tax

SSA – Sub Saharan Africa

SPSS – Statistical Package for the Social Sciences

SSB’S – Sugar-sweetened Beverages

VAT – Value Added Tax

CHAPTER ONE

INTRODUCTION

The background of the study, the statement of the problem, the study's purpose, the research questions, the study's importance, the study's scope and limitations, and the paper's organization are all highlighted in this chapter.

1.1. Background of the study

Tax revenue mobilization is a top priority for policymakers in many countries (Akitoby et al., 2020) and excise taxes, long the stepchildren of tax policy, have recently emerged as highly revenue-efficient tax instruments that are easy to collect, economically justifiable, and socially desirable for domestic revenue mobilization (Cnossen, 2020).

According to Akitoby et al., (2020) enhancing tax revenue collection, particularly in developing countries, is integral for governments to provide budgetary flexibility to fund public investment and deliver public services. In this regard Ochieng and Agwaya (2020) stated that, coupled with low compliance or administrative costs and high tax rates, excise taxes are attractive to governments as sources of additional revenue to finance budget deficits.

Cnossen (2020) pointed out that, in many Sub-Saharan countries, the total tax intake is not much more than 15 percent of GDP —barely sufficient to finance essential government functions (basic education and health care) and service the national debt—with next to nothing to spare for poverty relief and essential infrastructure. Accordingly, almost all countries are looking for ways to increase revenue while maintaining fiscal sustainability in order to achieve progress toward their Sustainable Development Goals (IMF, 2018). Since the debt-financed public investment-led development model has reached its limits and amid a buildup in external vulnerabilities (IMF, 2020), governments in developing countries may propose tax reforms to increase their domestic revenue mobilization (Kibret & Mamuye, 2016; Dom and Miller, 2018).

Iadrennikova (2017) stated that excise taxes are one of the most stable sources of government revenue in any country, especially during times of crises and economic reforms, and refining excise taxation is a necessary requirement for improving the country's economic and social status while also raising public revenue.

Ethiopia's tax-to-GDP ratio declined from 12.4 percent in 2014/15 to about 10% in 2018/19, despite its ambitious goal of increasing tax revenue to 17.2 percent of GDP by the end of the decade as part of GTP II (Harris and Seid, 2021). Consequently, Ethiopia introduced the new excise tax regime as a part of its "Homegrown Economic Reform Plan"¹ following the IMF's policy recommendation to "intensify reforms to enhance domestic revenue mobilization" (IMF, 2020).

According to Dom and Miller (2018), tax reform occurs in a globalized world and is influenced by international forces and this is particularly the case for developing countries, which often rely on international support for tax reform. Reforms that have been successfully implemented include (1) the adoption of new tax policy measures, (2) the updating of tax laws by amending or drafting new ones, and (3) the introduction of revenue administration improvements (Mohamud and Isak, 2019). In recent years, administrative issues have also been at the forefront of efforts to reform taxes (Gale & Holtzblatt, 2000). The main administrative aims of tax policy, according to Gale & Holtzblatt (2000), are uncontroversial: taxes should be simple to comprehend and comply with, and they should be enforced and administered in a competent and equitable manner.

Prior to the recent excise tax reform, according to Ensesu (2019), the percentage performance of excise taxation in relation to the overall government revenue was 17.59 percent of total tax revenue in the fiscal year 1999/00 and 7.75 percent of total revenues in the fiscal year 2017/18. Also, the excise tax as a percentage of GDP has decreased from 1.12 percent in 1999/00 to 0.79 percent in 2017/18 (Ensesu, 2019). Moreover, in 2018/19 the excise tax contributions declined to 6.6 percent of overall government tax revenues (Harris and Seid, 2021).

Ethiopia has made excise tax reform and issued a new Excise Tax Proclamation (No. 1186/2020) by repealing Excise Tax Proclamation No. 307/2002 and its amendments (Excise Tax (Amendment) Proclamation No. 570/2008 and 610/2008) in February 2020. This is because, in order to address the problems that have arisen in collecting sufficient excise tax as a result of flaws in the old proclamation, it has become necessary to implement a new law that establishes a system that addresses the issues that have arisen thus far (Excise Tax Proclamation, 2020).

¹ The Homegrown Economic Reform Plan is the economic reform the current Ethiopian government, or the EPP, introduced.

The new excise tax law incorporates new concepts in Ethiopia's history of excise tax reform. The excise tax law, Excise Tax Proclamation No.1186/2020 and Excise Tax Proclamation Enforcement Directive No. 67/2013, is being implemented by the Ministry of Revenue through its branch offices. As a result, the purpose of this study is to assess what challenges and opportunities the excise tax reform brought to the federal large taxpayers' branch office.

1.2. Problem Statement

According to the MOR's annual report data, the federal government continues to show year-over-year increases in excise tax collections in nominal terms. The excise tax on domestically produced goods took the lead role and became the largest contributor to overall federal excise tax revenue in the two years prior to the reform, in 2017/18 and 2018/19(See Appendix IV). In this regard, the MOR's annual report data also shows that the Federal Large Taxpayers branch office is the federal government's largest contributor of tax revenue. However, due to challenges in collecting excise tax and other reasons that resulted from the former excise tax law (Excise Tax Proclamation, 2020), the House of People's Representatives ratified a new excise tax proclamation in February 2020.

The new excise tax law introduced new concepts to Ethiopia's excise tax system. The new proclamation has made changes in the areas of the excise tax base, tax rate structure, and detailed rules on exemptions, starting with expanding the tax net by including items that were previously excluded from the tax net and removing items discovered to be unqualified for the stated rationale of excise taxation in Ethiopia from the tax net. Aside from that, there was a radical change in the administration of excise taxes. The new proclamation introduced license requirements for eligible taxpayers, as well as the excise tax control system and the excise stamp. (Excise Tax Proclamation, 2020)

Furthermore, Directive No. 67/2013 provided additional instructions on the concepts introduced by the new proclamation. Thus, tax reforms should also result in a reduction in the complexity of the tax system and an increase in the effectiveness of the tax authorities (Menck, 1992). On the other hand, according to the OECD (2011), tax administration issues may be an obstacle to reform if a change would entail additional costs for the tax administration and taxpayers. In this regard, ex-post evaluations of tax policy changes could provide useful insights and provide an

opportunity to learn from previous tax reforms, thus improving the likelihood of better reforms in the future. Countries could assess whether tax reforms achieved their goals ex post and examine why some goals were attained and others were not. This will provide an opportunity to improve existing tax reforms as well as provide useful information for future tax reforms. (OECD, 2011)

Because they got so little attention in the tax literature, excise taxes were called the "orphans of tax policy" (Cnossen 1978; Bolnick and Haughton, 1998; Cnossen 2010). As well, a few studies on excise tax have been conducted (Ochieng and Agwaya, 2020; Cnossen, 2020; Ensesu, 2019). However, researchers appear to have overlooked the administrative concerns of the excise tax. Besides, the study by Ensesu (2019) on the challenges of excise tax and its contribution to government revenue was conducted prior to the reform. As a result, this study assessed the challenges and opportunities of the new excise tax law's implementation at federal large taxpayers' branch offices. The study looked at which aspects of the new law contribute to the complexity, enforceability, and excise tax revenue of the tax administration. To the best of the researcher's knowledge, there has been no empirical evidence on the topic in Ethiopia. The research question of this study was:

What challenges and opportunities did the new excise tax law bring to the tax administration?

1.3. Research Questions

1. What are the peculiar challenges in the new excise tax law implementation in terms of administrative simplicity, certainty, and enforceability?
2. What opportunities are in the new excise tax law implementation in terms of administrative simplicity, certainty, and enforceability?
3. How the new excise tax law implementation is going on?

1.4. Objectives of the Study

1.4.1. General Objective

The general objective of the study is to assess the challenges and opportunities of new excise tax law implementation at federal large taxpayers' branch office.

1.4.2. Specific Objective

In line with the general objective the specific objectives of the study are:

- To identify the challenges in the new excise tax law implementation in terms of administrative simplicity, certainty, and enforceability.
- To ascertain the opportunities in the new excise tax law implementation in terms of administrative simplicity, certainty, and enforceability.
- To assess how the new excise tax law is being implemented.

1.5. Significance of the Study

Outlining the challenges and opportunities associated with the implementation of the new excise tax law will enable academicians to better comprehend the gaps that exist between what is known and taught about excise tax in Ethiopia and what will be observed in the future through an empirical investigation. Besides, understanding the challenges and opportunities is critical for making adjustments and/or amendments to overcome the challenges and capitalize on the opportunities. As a result, the study will enable the federal large taxpayers' branch office to identify institutional challenges and take relevant action. The study also assists the Ministry of Revenue in conducting additional research and/or remedial action on the challenges that the minister's office must solve. Furthermore, identifying the parts of the excise tax reform that do not fulfill their objectives helps the Ministry of Finance in improving the existing excise tax reforms.

1.6. Scope of the Study

The researcher assessed which components of the new excise tax law brought complexity, excise tax revenue, and enforceability to the tax administration in order to determine the challenges and opportunities of the excise tax reform. Prior to the study, the researcher conducted a preliminary review and discovered that, in addition to contributing the most to federal government revenue, the LTO has a large number of excise tax transactions. Thus, on May 7, 2021, survey data from 109 federal large taxpayer branch office staff was obtained and analyzed for the study. As a result, because the survey data was limited to LTO, the results may differ if research is

undertaken in other Ministry of Revenue branch offices. Thus, the results do not represent the general public or other branch offices like medium and small taxpayers' offices.

1.7. Limitation of the Study

The study's assessment is limited to federal large taxpayer branch offices and excludes other branch offices such as medium- and small-taxpayer offices, as well as other federal branches. Furthermore, using statistical analysis tools such as mean, the study cannot determine how much more or less the respondents agree because the interval between "strongly agree" and "agree" may not be equivalent to the gap between "agree" and "Neither agree nor disagree." However, the scope is considered, and the most widely used scale to measure attitude toward anything, especially for survey research, is a Likert-type summated scale. As a result, the study's findings are unaffected by the limitations noted above.

1.8. Organization of the Study

The study is organized into five chapters. Following the first chapter's introduction, the second chapter offered a review of literature in the areas of tax reform, excise tax, and administrability. In the third chapter, the research design and methodology of the research, as well as the rationale for it, are discussed. This chapter described the data source and nature of the study, as well as the sampling process, research design, a description of data collection techniques, and statistical methods for data analysis. The study's results and findings are also presented in chapter four. Finally, the last chapter included a summary of the findings, conclusions, and recommendations, as well as future research directions.

CHAPTER TWO

LITERATURE REVIEW

This chapter mainly provides significant theories and past research studies completed so far in the domain of tax reform, excise tax, and administrative issues; in order to provide readers with a clear understanding of the study.

2.1. THEORETICAL REVIEW

2.1.1. Definition and Purpose of Tax Reform

Tax reform is a change from the existing tax structure (Feldstein, 1976). It is a change in the status quo (Osoro, 1993; Daba, 2014; Mekonnen, 2018), increases or decreases in tax rates, brackets, or thresholds; changes in the tax base; the introduction of new taxes and/or the elimination of old taxes; changes in the tax mix; changes in administrative practices and procedures, e.t.c. (Jha, 2009). On the other hand, fundamental tax reforms go beyond minor changes in tax rates and provisions; they can also be limited to a single tax, such as a VAT or PIT base-broadening reform that funds a reduction in the statutory rate of the tax, or they can involve a more complex package of tax increases and reductions (OECD, 2011).

Mohamud and Isak (2019) also define tax reform as “the act of changing how the government collects and manages taxes in order to improve the tax administration process,” which may include simplifying the tax system to make it more understandable and accountable. As a result of the foregoing definitions of the term “tax reform” by many scholars, the researcher deduce and generalize that “there is no consensus on what exactly tax reform is (Gashaw, 2015),” and the phrase “tax reform” is broad, encompassing a variety of actions related to tax and tax policy.

The trigger for tax reform is often highly context-specific, originating in fiscal pressures or political changes; thus, reforms often reflect the influence of contemporary as well as historical social, political, and economic pressures in a country (Dom and Miller, 2018). However, the main objective of tax reforms is similar among developing countries because the immediate reason for tax reforms has been the need to enhance revenues to meet impending fiscal crises (Roa, 2000; Oriakhi & Ahuru, 2014; Mekonnen, 2018). So, tax reform is generally undertaken to

improve the efficiency of tax administration and to maximize the economic and social benefits that can be achieved through the tax system (Rao, 2014).

2.1.2. Definition of Excise Tax

The term "excise" has a historic connotation (Terra, 1996). Excises on tea, wine, fish, and reeds used for fuel and thatching were levied as early as the Han dynasty (207 B.C.–A.D. 220), according to Cnossen (as cited in Terra, 1996). According to Cnossen, the word excise comes from the Middle Dutch "*exijs*", which could be a derivative of the old French "assise," meaning session, settlement, or assessment. On the other hand, Terra (1996) claimed that the word excise could also be derived from the Latin "*excisere*": to carve, to cut out, referring to the carvings on a stick used to measure beer or liquor quantities.

Excise taxes, also termed "sin taxes" (Ochieng and Agwaya, 2020), are an indirect tax that is levied on specific products to raise revenue for the government and deter bad habits. According to McCarten and Stotsky (1995), goods to be chosen for excise coverage typically have one or more of the following characteristics: first, their production and sales are closely supervised by the government, indicating that they are sumptuary goods or services; second, they have price-inelastic demand schedules; third, they have an income elasticity of demand greater than unity, indicating that they are luxury goods or services; or fourth, their consumption is regarded as causing negative externalities by the government.

Excise taxes are the most harmonized in terms of taxable products or the list of excisable goods because most nations follow the IMF's recommendations and confine themselves to five categories of goods: 1) alcoholic beverages; 2) tobacco products; 3) automobiles; 4) oil and petroleum products; and 5) automobile spare parts (Iadrennikova, 2019). However, under the influence of economic crises at the beginning of the century, the levy of excise taxes has changed. Some nations in the EU and other parts of the world have an additional list of excisable goods in addition to the harmonized list. (Iadrennikova, 2017)

Mayburov & Sokolovskaya (as cited in Iadrennikova, 2017) stated that in some countries, excisable goods may include soft drinks, tea and coffee, sugar, salt, and matches; luxury goods; mineral fertilizers; and foodstuffs containing a lot of salt, sugar, flavoring agents, and fats

(crisps, butter, fast food). Furthermore, the structure of certain excise taxes has changed over time to encourage more responsible behavior toward the collective welfare, particularly the environment (OECD, 2016).

Depending upon the range of goods and services covered, excise systems may be of the limited, intermediate, or extended type. While a limited excise system includes selective taxes on traditional excise goods (tobacco, alcoholic beverages, petroleum products), road use, entertainment services, and items such as sugar, soft drinks, and cement, an intermediate excise system typically includes a number of other non-traditional excise goods such as textiles, paints, cosmetics, perfumes, and specified services such as insurance and travel. In addition, extended excise systems include a large number of selective taxes on luxury items and producer goods. (Cnossen, 1978)

2.1.3. Excise Tax and Other Consumption Taxes

Consumption taxes, such as VAT, sales taxes, and excise duties, are frequently classified as indirect taxes because they are not levied directly on the person who is supposed to bear the tax burden. Unlike VAT and other general consumption taxes, excise is levied only on specific goods. (OECD, 2016)

According to Cnossen (1978), the scope of coverage is the most useful distinction between excises and sales taxes. Taxable commodities are individually enumerated in the law under an excise system, but under a sales tax, the base is typically defined to include all commodities for sale other than those specifically exempted (Cnossen, 1978). Moreover, excises differ from the general consumption taxes, such as VATs and retail sales taxes (RST's). Consumption taxes are levied only to raise revenue, whereas excises are often also justified on other grounds, or viewed as serving a special purpose. Aside from that, excise tax collection is typically linked to physical controls, whereas VAT or RST liability is typically verified through checks on books of account and other documentary evidence. (Cnossen, 2005)

Besides, the OECD (2016) stated that a number of general characteristics differentiate excise duties from VAT and these are:

- Excises are levied on a limited range of products.

- Until the goods enter free circulation, which may be at a late stage in the supply chain, they are not normally due.
- Excise taxes are generally assessed by reference to the weight, volume, strength; or quantity of the product, combined in some cases, with ad valorem taxes.
- Unlike VAT, which is collected through a staged collection process by all the stakeholders in the value chain until the final consumer, excise duties are normally collected only once from a licensed operator at the time the goods are released for consumption.
- Consequently, and unlike VAT, the excise system is characterized by a small number of taxpayers at the manufacturing or wholesale stage (although, in some cases, they can also be levied at the resale stage).

Thus, according to Cnossen (1978), the distinguishing features of excise taxation are selectivity in coverage, discrimination in intent, and usually some form of quantitative measurement in determining the tax liability.

2.1.4. The Rationale For Excise Taxation

Excise taxes are imposed in different countries for various reasons (Ochieng and Agwaya, 2020). However, the rationale for levying excise taxes in addition to a general sales tax or VAT is to increase government revenue, discourage bad habits, and promote vertical equity in the tax system. Despite the fact that their fundamental topics are identical, scholars convey their thoughts on the rationale for excise taxation in several ways.

➤ Revenue Generation

Taxes are imposed in order to generate revenue for the government, so revenue generation is one of the main reasons for excise taxation. Excises can raise substantial revenue for the government at relatively low administrative or compliance costs than nearly any other tax (Okello, 2001; Ochieng' and Agwaya, 2020; Cnossen, 2020) and provide limited opportunities for tax evasion (Mccarten and Stotsky, 1995). Cnossen (2020) pointed out that, for the same amount of revenue, the cost of collecting excises is merely a quarter of the cost of doing so by way of VAT.

The most convincing rationale for using excise taxes is that they have the ability to raise a great deal of money with minimal distortion and little excess burden. The percentage change in consumption will be smaller than the percentage change in price if excises are applied only to goods and services with inelastic own-price demand within the observed range of price changes. Excess burdens deriving from the implementation of excise will be less than for equal revenue-producing taxes levied on commodities or factors with more elastic demands if the compensated own-price elasticity for excisable commodities is similarly low. When supply is infinitely elastic, the theory of optimal taxation states that the indirect tax structure with the smallest efficiency loss is one in which tax rates for different commodities are set at different rates so that the tax rate expressed as a proportion of the after-tax price is inversely proportional to the compensated demand elasticity. (Mccarten and Stotsky, 1995)

In support of Mccarten and Stotsky's explanation, Cnossen (2010) stated that the differentially higher taxation of excisable goods for revenue purposes also has an economic rationale since the absence of close substitutes for addictive or indispensable products, such as tobacco, alcohol, and energy, implies that the demand for them is inelastic. Excise duties on tobacco, alcohol, SSBs, motor fuel, motor vehicles, and fossil fuels are good potential sources of revenue because the products are easy to identify, the volume of sales is high, and the fact that there tend to be few producers simplifies collection. Also, there are few substitutes that consumers and users would find equally satisfactory, so that consumers, and by extension revenue, remain high despite excise-induced price rises. (Cnossen, 2020)

➤ **Correcting for Negative Externalities**

While the original reason for introducing excise duties was to raise revenue, they are now increasingly used to discourage consumption of certain products that are considered harmful to health or the environment (OECD, 2016). According to Cnossen (2020) a very strong argument in favor of excise duties is that they can serve as proxies for the costs that users or consumers of the excisable products impose on social costs that are not reflected in the price. On the basis of the negative externalities associated with their use, Mccarten and Stotsky (1995) stated that two commodity classes are appropriate targets for excise taxation. These groups are sumptuary or

regulated goods and inputs into motor vehicle use, including both fuel and the vehicles themselves (Mccarten and Stotsky, 1995).

The most obvious examples of sumptuary goods are such as tobacco products and alcoholic beverages (Cnossen, 1978; Mccarten and Stotsky, 1995). Consequently, excises are often rationalized as charges for the cost that consumers or producers of excisable products impose on others, but which is not reflected in the price (Cnossen, 2010). The social and medical expenses of drunkenness, as well as the medical risks of cigarette smoking, are frequently used to justify high sumptuary levies. Likewise, the use of high excise taxes on motor vehicles, both gasoline, and cars, is also justified on the basis of negative externalities, particularly environmental costs. Motor vehicles produce negative externalities such as pollution of the air, water, and noise, as well as producing congestion. (Mccarten and Stotsky, 1995)

Moreover, Cnossen (1978) stated that at one time or another similar reason have been given for the excise taxation of sugar, soft drinks, playing cards, fireworks, cabaret admissions, and betting and gaming activities. If the young are not fully cognizant of the detrimental health effects of smoking, drinking, or consuming soft drinks, then the excise could be used to raise the price of tobacco, alcohol, and SSBs for them and thus reduce their consumption (Cnossen, 2020).

However, taxes on "bads," such as cigarettes and alcohol, have a strong inverse relationship with the consumption of these products, according to the literature (Davis, 2019). The absence of close substitutes for addictive or indispensable products like cigarettes, alcohol, and energy, indicates that demand is inelastic. As a result, the potential for excise levies to distort economic decisions is relatively small. (Cnossen, 2010; 2020)

➤ **Improving Vertical Equity**

Lastly, excise taxes are used to improve the tax system's vertical equality. This is usually accomplished by levying them on commodities that can be considered as luxuries that are consumed in higher proportions by higher-income consumers. Excise taxes are also utilized to promote fairness by allocating collected revenue to job-creating and poverty-reduction programs that assist low-income people. (Okello, 2001)

Cnossen (1978) stated that excises on cosmetics, perfumes, jewels, and furs are the most obvious examples under this rationale but in developing countries, selective taxes on electrical appliances, other entertainment-related goods, and vehicles have a similar role. Furthermore, excises on services such as overseas travel, restaurants, hotels, admissions, and club dues would fall within this category (Cnossen, 1978).

Additionally, Cnossen (2020) also makes a 'progressivity' argument for excise taxation. According to Cnossen, the impacts of excise taxes on persons with lower incomes who consume harmful products are progressive. Moreover, Kavuma et al. (2020) stated that excises by and large also encourage an 'ability-to-pay' approach, for example by taxing luxury items that are disproportionately consumed by higher-income individuals, such as perfumes and some expensive alcohols.

2.1.5. Excise Taxation's Role in East Africa

In most African countries, excise taxes are an important source of revenue (Bolnick and Haughton, 1998). Nevertheless, in 2015, Sub-Saharan African nations collected 1.4 percent of GDP on average from all forms of excise taxes, which are less than half of what emerging Europe collected, thus excise tax is an underexploited revenue source in SSA (IMF, 2018). Cnossen (2020) also stated that, despite their 'easy-to-collect' characteristics, excise tax receipts in most developing countries amount to just about 10% of total tax revenue or 1½-2% percent of GDP, implying that their revenue potential is underutilized. A study by IMF (2018) indicates that only a few East African countries, such as Uganda, Tanzania, and Kenya, have a better profile with excise tax than their neighbors and the excise tax is still a revenue stream that is underutilized in East Africa countries.

➤ Excise Tax's role in Uganda

Excise duty has emerged as a significant revenue source, ranking third in Uganda's tax structure. When excise duty revenue is compared to income from other tax heads over time, it indicates that excise duty revenue has overtaken the proportion of revenue from corporate tax. Uganda's excise revenue has increased by roughly 380 percent over the last decade, thanks in part to revisions in the excise duty regime, particularly from local excise duty. Besides, as a proportion

of total consumption taxes and total taxes, excise duties increased from 20.1 percent and 8.3 percent in the financial year 2013–14 to 22.7 percent and 9.0 percent respectively in 2018–19. This increase in revenue, particularly domestically, can be attributed in part to the increase in excisable items, which went from 8 in 2009-2010 to 18 in 2018-2019. Thus following a series of tax reforms in Uganda over the last decade, excise duty reforms—such as the harmonization of excise duties applied to telecommunication services and the introduction of new product and service lines upon which excise duty is charged, as well as compliance initiatives—have resulted in modest growth in excise revenue to GDP, as measured by a rising tax-to-GDP ratio. (Kavuma et al., 2020)

➤ **Excise Tax's role in Kenya**

In Kenya, excise taxes were imposed specifically to meet the government's revenue needs. Between 1980 and 2017, Kenya implemented a number of tax reforms aimed at increasing revenue collecting, and the general principle of excise tax reform was to make excise taxes (i) simple to administer by keeping a small number of domestic production points; (ii) fair by netting products that are not consumed by the poor; and (iii) efficient by focusing on consumption rather than production. Consequently, between 1980 and 2018, excise taxes as a proportion of overall tax revenue and as a percentage of GDP averaged 13 percent and 3.1 percent, respectively. It shows a constantly growing trend from an average of 8.2% between 1980 and 1990 to 16% between 1991 and 2000, before starting to fall to an average of 14.3% between 2001 and 2018. Furthermore, between 2000 and 2010, the share of excise taxes in GDP climbed from 1.8 percent to 4%, before slowing down to 3.3 percent between 2011 and 2018. The excise tax's good performance between 1990 and 2000 is due in part to the expansion of the excise tax basket to include imports and other products previously subject to sales tax, such as petroleum; on the other hand, the removal of excise duty on kerosene and diesel, as well as price wars among mobile telecoms firms, were reasons for a sharp decline between 2010 and 2012. (Ochieng' and Agwaya, 2020)

2.1.6. Tax Reform and Excise Taxation in Ethiopia

Tax reform in Ethiopia dates back to the 1940s, the time when the modern tax system began to take hold in the country. Emperor Haileselassie, according to history, was the first in Ethiopia to implement a modern tax system after World War II. Emperor Haileselassie introduced elements of modern taxation as well as a variety of taxes; and under their reign, all in-kind taxes were removed and monetary taxation was implemented. Since then, Ethiopian governments have implemented a number of tax reforms and introduced various taxes at different times in an effort to strengthen the tax system and increase government revenue.

According to the literature, different tax reforms were implemented in Ethiopia after the introduction of modern taxation in the 1940s. Tax reforms were implemented during the imperial regime from 1942 to 1944, 1947 to 1952, and the early 1960s, according to Yirko (1994). Yirko also pointed out that following this, during the Derg regime, considerable modifications in all sorts of taxes were enacted in terms of rate and structure from 1974 to 1991, including broadening the land tax base, introducing capital and surplus transfers from nationalized businesses, and a variety of other arrangements. However, significant changes in Ethiopia's tax system have occurred for the past three decades under the EPRDF regime, signaling the creation of the country's current tax system profile.

Since the founding of the EPRDF administration, Ethiopia has federal tax system with the federal government and regional states dividing tax powers and revenues. The power to charge and collect various taxes is divided into three categories: "exclusively to the federal government," "exclusively to the regional governments," and "concurrently to the federal government and regional states." (Constitution of the Federal Democratic Republic of Ethiopia proclamation No. 1/1995)

According to Wolde & Demissie (2016), various reform actions have been undertaken since 1992 with the goals of; a shift from reliance on high tax rates to broadening tax bases, a shift from production taxes to consumption taxes, a shift from international trade taxes to domestic transactions taxes, a shift in the burden of taxation from the poor to the rich, to the restructuring of investment objectives, and to conduct rigorous tax administrations reform. Daba (2014), on the other hand, noted that the Ethiopian tax reforms were driven by both internal and external

causes. The transformation of the country's economic system from planned economic development to market-based economic resource allocation, on the one hand, and the poverty-eradication strategy of the developmental program, on the other, was the key internal driving factors for the tax system. Reforms in economic policy from a centrally planned to a market-oriented economy required the country to make a series of systematic changes to its tax system in order to boost tax collections and finance government expenditure. The obligation of International Financial Institutions (IFIs) to meet the standard of loan and aid were external pushing factors. (Daba, 2014)

As far as excises are concerned, the tax reforms of the EPRDF regime are also credited with some of the most significant excise tax reforms. The major tax policy reform during the EPRDF period occurred in 2002 (Mascagni, 2016), and the reforms were focused on the three key taxes (i) income and profit taxes, (ii) taxes on goods and services, and (iii) taxes on foreign commerce (Geda and Shimeles, 2005). As a result, through the Excise Tax Proclamation No. 307/2002, the excise tax was introduced as a component of the indirect tax to the Ethiopian tax system on December 31, 2002, and repealed Sales and Excise Tax Proclamation No. 68/1993 and its amendments, Sales and Excise Tax (Amendment) Proclamation No. 77/1997, 149/1999, 237/2001, and 228/2001.

Prior to that, during the Imperial period (1941-1974), excises were levied separately on Salt Tax Proclamation 146/1955, Excise Tax Proclamation 204/1963, Alcohol Excise Tax Proclamation 217/1965, and Petroleum Products; Lubricants Excise Tax Proclamation 249/1967. However, during the Derg regime, several of these excises were amended. Excise Tax (Amendment) Proclamation No. 153/1978 and later Proclamation No. 331/1987 altered the tax. The law modified the rates on sugar and footwear, such as birr 0.02-0.25 per bottle of soft drink, including mineral water, birr 21 per 100 kg sugar, and birr 2.82 per kg yarn, nylon, and natural silk. However, there was a minor modification on soft drinks, including mineral water and any sugar-based beverage with no more than 3 degrees of alcohol on the later amendment. Tobacco taxes were also amended by Tobacco Amendment Proclamation No. 154/1978, which set a rate of 75 percent on tobacco leaf and cigarettes domestically produced and imported from other countries. Legal notice 67/1979 and Proclamation No. 331/1987 amended the petroleum products; lubricants excise tax and the alcohol excise tax, respectively. Birr 0.60-3.50 per liter on

alcohol was levied by Proclamation No. 331/1987. Following that, Chat Tax Proclamation No.309/1987 was issued, which imposed a chat tax. All of these tax laws were consolidated into a single law, including their amendments, and repealed by the Council of State special decree 16/1990 in the late years of the Derg administration. Subsequently, the EPRDF amended a special decree of the State Council on Sales Tax and published Sales Excise Tax Proclamation 68/1993. (Mamo, 2017; pp. 56-58)

Then the Excise Tax Proclamation No. 307/2002 remained in effect for almost two decades until it was repealed by the new excise tax proclamation, Excise Tax Proclamation No. 1186/2020. The researcher shows what the former excise tax reform has done on the history of excises in Ethiopia in order to comprehend what the recent excise tax reform brings to the tax system and to construct a full picture of excises. The Excise Tax Proclamation No. 307/2002 dictated that:-

➤ **The Rationale for Excise Taxation in Ethiopia**

In Ethiopia, “it has become necessary to impose excise tax payable on selected goods (i) to improve government revenue; (ii) it is believed that this tax should be imposed on luxury goods and basic goods which are demand inelastic; (iii) it is believed that imposing the tax on goods that are hazardous to health and which are cause to social problems will reduce the consumption thereof” (Excise Tax Proclamation, 2002) and this was in line with the general theoretical rationale of excise taxation.

➤ **The Scope, Rate, Base and Payment of Excise Tax**

Excise taxes were applied on items imported or manufactured locally (Excise Tax Proclamation, 2002). There were intermediate excise systems, based on Cnossen (1978) classification, with 19 groups of items restricted on their applicability. Sugar, soft drinks, bottled water, alcoholic beverages, tobacco products, salt, petroleum products, perfumes, textiles, gold, silver, and other materials jewelry, laundry and dishwashing machines, video decks, television, video cameras, television broadcast receivers, motor passenger cars, carpets, asbestos, clocks, watches, dolls, and toys were all subject to the excise levy. Moreover, except Chat, Ethiopia had ad-valorem excise tax and the applicable tax rate also ranges from a low of 10 percent on textiles and

television sets to 100 percent for alcohol, perfumes, and automobiles. (Excise Tax Proclamation, 2002)

Chat Tax Proclamation No.309/1987 was repealed by Chat Excise Tax Proclamation No.767/2012, which was published in August of 2012. The goal of chat excise taxation, according to Chat Excise Tax Proclamation (2012), is to implement a tax system that helps to curb domestic chat consumption, which is expanding at a higher rate and to ensure equality in the collection of chat tax. The tax rate for Chat produced locally and destined for sale is Birr 5 (Five Birr) per kilogram (Chat Excise Tax Proclamation, 2012). Under the repealed proclamation (No.309/1987) the rate was 2 Birr per kg on all chat sales, regardless of destination, and 5 Birr per kg on chat sales destined for export under the repealed proclamation (Chat Tax Proclamation, 1987).

According to the Excise Tax Proclamation (2002), the tax basis for calculating excise taxes differed between locally manufactured and imported commodities. The tax base for domestically manufactured items was set at the cost of production and the tax base for imported products was the sum of the cost of the product, plus insurance and freight charges, as well as the applicable customs duty (Excise Tax Proclamation, 2002). However, the tax authority faced administrative issues in computing and validating the tax base for locally manufactured items (Ensesu, 2019; Harris and Seid, 2021).

Besides, the payment of excise duty for the case of imported products, tax is paid by the importer when the items are cleared from customs, and in the case of goods produced locally, tax is paid by the producer not later than 30 days after the date of production. The eligible taxpayers were required to: - maintain books and accounts in accordance with accounting standards; present to the authority necessary information for proper tax collection; comply with inspections by delegates of the tax authority; respect all of the proclamations' duties. Article 9 of the proclamation explains the authority of the tax authority in detail. (Excise Tax Proclamation, 2002)

2.1.7. The Role of Excise Taxation's in Ethiopia

According to certain analyses, the role of excise tax in Ethiopia was decreasing. In the fiscal year 1999/00, excise tax accounted for 17.59 % of overall government revenue and 1.12 % of GDP. The percentage performance of excise taxation in relation to total tax revenue increased to 16.82 % (2003/04) from 14.91 % (2002/03) following the comprehensive tax reform of 2002. However, it has been steadily declining since 2003/04, falling to 7.75 % of total revenues in 2017/18. In 1999/00, the percentage performance of excise taxation in relation to GDP was also 1.12%. It increased to 1.30 % (2003/04) from 1.03 % (2002/03) after the reform. Yet, this also has been steadily declining since 2003/04, dropping to 0.79 percent in 2017/18. (Ensesu, 2019; pp.82)

Harris and Seid (2021) also pointed out that excise tax contributions declined to 6.6 percent of overall government tax revenues in 2018/19. VAT, on the other hand, is the single largest contributor to overall tax collections and in 2018/19, it accounts for over 33% of total tax revenues (and nearly three-fifths of all indirect tax revenues). (Harris and Seid, 2021)

The power of excise taxation in Ethiopia is divided into three categories: "exclusively to the federal government," "exclusively to the regional governments," and "concurrently to the federal government and regional states", according to articles 96 (3), 97 (7), and 98 (1) of the FDRE Constitution. However, despite the devolution of certain tax powers to regional governments, the federal government continues to collect the majority of tax revenue. According to Harris and Seid, (2021) the federal government's majority share is primarily by collections of domestic indirect taxes (with the federal government collecting 73% of these taxes).

2.1.8. Excise Tax Reform 2020

The Ethiopian government approved Excise Tax Proclamation No. 1186/2020 on February 13, 2020, by repealing Excise Tax Proclamation No. 307/2002 and its amendments (Excise Tax (Amendment) Proclamation No. 570/2008 and 610/2008). According to Proclamation No. 1186/2020, this is because, in order to address the problems that have arisen in collecting sufficient excise tax as a result of flaws in the previous proclamation and review excisable goods, it has become necessary to enact a new law that establishes a system that addresses the issues

that have arisen thus far. In Ethiopia's history of excise tax reform, the new excise tax law incorporates new concepts. Thus, in this part, the researcher discusses the new concepts included in the new Excise Tax Proclamation No. 1186/2020 as follows:-

NB: - “Authority” in the following discussion means the Ministry of Revenue or Tax Authorities of the Regional Governments and City Administrations (Excise Tax Proclamation, 2020).

❖ **Excisable Goods**

The Excise Tax Proclamation (2020) stated that the tax is imposed on commodities that are considered to be luxurious, harmful to one's health, causes societal problems, as well as basic goods with inelastic demand; and these are in line with the rationale of excise taxation in Ethiopia under the repealed proclamation. As a result of reviewing the type of goods on which excise tax is collected, the excisable goods listed in Part I of the First Schedule of the Proclamation indicated that excise tax applies to 19 categories of items and 391 goods. As well under the new proclamation, the excise tax coverage has been expanded to include fats and oils, non-alcoholic beverages, chocolate and cocoa-based culinary preparations, motorcycles, plastic bags, tires, wigs and human hair, fireworks, and artificial flowers, which were previously excluded from the tax net. On the other hand, other things that were formerly subject to excise tax, such as laundry and dishwashing machines, clocks and watches, dolls and toys, and video decks, have been removed. (Excise Tax Proclamation, 2020)

❖ **Exemption**

Unlike the repealed proclamation, commodities that were not listed on the schedule of excisable goods were presumed to be exempt from paying excise duty; the new proclamation has detailed rules on exemptions. The Second Schedule specified the “Exempt Goods”, and only commodities that meet its conditions are exempted. In this schedule excisable goods and services in relation to the “international agreement”, which means an agreement between the Government of Ethiopia and a foreign government, international organization, or aid agency for the provision of financial, technical, humanitarian, or administrative assistance to the Government of Ethiopia, are exempted from excise tax. Moreover, goods in accordance with the Investment incentives

Regulations and one motor vehicle for use by persons with disabilities are exempted from excise tax. (Excise Tax Proclamation, 2020)

❖ **Base of Computation of Excise Tax**

According to Excise Tax Proclamation (2020) excise taxes are currently implemented in Ethiopia based on excisable value or quantity of excisable goods.

I. Excisable Value

The excisable value is applicable where the First Schedule indicates that the rate of tax payable is based on the excisable value of the good. For excisable goods imported into Ethiopia, the sum total of the customs value of the goods and the amount of customs duty payable on the goods are subject to excise tax. The excisable value of products manufactured in Ethiopia is the ex-factory selling price of the goods and this does not include VAT on the supply of the goods, the cost of returnable containers, and the cost of excise stamps if any. The ex-factory selling price of excisable goods shall be the amount paid by the purchaser when the items are sold by the manufacturer or the open market value of the goods at the time of removal from the manufacturing factory; this shall be separately shown in the invoice. (Excise Tax Proclamation, 2020)

II. Quantity

The quantity of excisable goods is the basis of excise tax computation if the First Schedule specifies a rate of excise tax due by reference to a quantity measured by volume or weight. If the package of excisable goods, whether imported or manufactured, is not marked or labeled with net weight; is not commonly sold as containing a specific quantity or weight; or the owner of the goods is unable to satisfy the Authority of the correct net weight, the package, and its contents will be subject to an excise tax based on the gross weight of the package and its contents. If the packaging is marked or labeled, is generally sold as containing, or is widely reputed to include a specific quantity of the goods, the package shall be treated as containing not less than the specified quantity of the goods. (Excise Tax Proclamation, 2020)

❖ **Excise Rates**

The new proclamation introduced an ad valorem or specific excise rate on some alcoholic beverages and spirits, whichever is higher. On the other hand, ad valorem plus a specified excise tax rate was introduced for cigarettes and other tobacco products (See also Appendix 3). Plastic shopping bags are subject to a specific excise tax of 40 birr per kilogram. Except for the above-mentioned group products, however, the ad valorem excise tax rate is applicable. (Excise Tax Proclamation, 2020)

❖ **Excise Administration**

The new proclamation introduces the following new concepts and requirements that were not previously mandatory in regard to eligible taxpayers and excisable goods.

I. License Requirement

According to Excise Tax Proclamation (2020) the eligible taxpayers must be licensed by the Authority before engaging in the importation and manufacturing of excisable products or the rendering of services. In this regard, the transitional provision, states that persons engaged in the manufacture of excisable goods and provision of excisable services continue to do so without a license for 6 months from the date of issuance of the proclamation. (Excise Tax Proclamation, 2020)

However, because of the Corona Pandemic, it has become necessary to extend the period in which persons engaged in the manufacture of excisable goods or provisions of services may continue to do so without having the license. As a result, under Excise Tax (Amendment) Proclamation No. 1229/2020, Article 43(1) of the Proclamation is repealed and replaced by a new Article 43(1), which extends the time for eligible taxpayers to do so without a license until March 9, 2021.

II. Excise Control

The new Proclamation establishes an "Excise Taxes Control" system, in which goods liable to an excise tax at the manufacturer's store are subject to the Authority's control. The excise control period begins when all raw materials and intermediate goods are received at the factory for use in the manufacture of excisable goods and ends when goods are removed from a licensed

manufacturer's factory for consumption in Ethiopia or export outside, and the goods are destroyed. Goods under control are subject to inspection by an Authority officer at any time, and no one is allowed to meddle with or remove the goods from the factory. (Excise Tax Proclamation, 2020)

In relation to excisable goods under the Authority's control, the manufacturer has a number of obligations. The administrative penalties and violations relating to licensing and excise control are also explicitly stated in Articles 38 and 39. (Excise Tax Proclamation, 2020)

III. Excise Stamp

The New Proclamation's second major feature is that excisable items will be required to display excise stamps and other indications. According to Excise Tax Proclamation (2020) the excise stamps are marks or objects affixed to excisable goods to show that Excise Tax has been paid on them.

❖ Relief for Raw Material

Prior to the reform, only the 'excise tax paid on import of inputs that are used to produce textile and textile products and vehicles assembly locally was deductible from excise tax' (Excise Tax (Amendment) Proclamation, 2008). The new proclamation except for alcohol, tobacco, and sugar products extends this privilege to goods imported or manufactured that have been used as raw materials in the manufacture of other excisable goods. Accordingly, the excise tax paid on the raw materials will be set off against the excise tax payable on the final goods. (Excise Tax Proclamation, 2020)

❖ Time of Payment

The new proclamation states that a licensed manufacturer's liability for excise duty on excisable goods manufactured in Ethiopia arises at the time the goods are removed from the manufacturer's factory. Furthermore, if the goods are consumed in the manufacturer's factory rather than being removed from the factory, the excisable commodities are viewed as being removed from the factory at the time of consumption. The excise tax payable from a licensed manufacturer on these

excisable goods removed from a manufacturer's factory during a calendar month must be paid not later than the 30th day of the following month. (Excise Tax Proclamation, 2020)

☞ According to the study, the above listed are the major themes incorporated in the excise tax reform 2020. The Ministry of Finance issued the Excise Tax Implementation Directive No.67/2013, which governs the implementation of the new excise tax proclamation. Except for excise stamps, the directive includes a detailed explanation of the above-mentioned principles. As a result, the researcher urges anyone who is interested in understanding more about excise taxes and this study to look at Directive No. 67/2013.

2.1.1. Excise Tax Reform and Administrative Issue

The key to any tax system is the administrability of that system. The concepts within administrability equally speak to the concepts of equity and efficiency (naturally so, as none of these concepts can or should be considered in isolation). The inability to monitor and enforce taxes imposed by a state renders them inefficient, creating discontent between efficiency and equity. (Pistone et al., 2019)

The researcher for the case of this study brings the notions of administrability, a feature of good tax policy, with excise taxation in the following discussion.

I. Simplicity

In the context of administrability, simplicity refers to making tax laws easier for taxpayers to comply with. Simplicity in terms of compliance is an attempt to avoid the rising costs of compliance and enforcement that come with complex legislation. Overly complex tax laws increase the cost of compliance and the deadweight loss caused by taxes in general. Complex tax rules make the system difficult to understand, as well as for revenue officials to enforce. Besides complexity frequently leads to aggressive tax planning and unethical tactics, which take advantage of loopholes that have been created unintentionally. Complexity also leads to inequality, as those that can afford the necessary tax advice may reduce their burden, putting those that cannot at a disadvantage. Thus simplicity for the sake of taxpayer compliance adds a level of protection for taxpayers against exploitation by both the tax authorities and unscrupulous tax advisers. (Pistone et al., 2019)

According to Bird (2015) if too many objectives of social and economic policy are incorporated into tax law, the result may be a system too complex for both taxpayers and tax administration. Structure aspects, such as the tax base, tax rate structure, and permissible deductions, exemptions, and credits, as well as administrative features of the tax law, can influence the amount of complexity (Gale and Holtzblatt, 2000). Excise taxes are collected on specific goods, and taxable commodities are individually enumerated in the law at a predetermined amount of excise duty; thus, simplicity in administrability arises in different aspects. In this regard, the researcher feels that concerns of excises are very high and that they have an impact on the entire tax system's administrative simplicity.

Excise duties can also be levied at specific rates (*ad quantum*) or *ad valorem* rates (Cnossen 2020). An *ad quantum* excise is a tax levied on the volume of sales, with a fixed amount of tax levied per unit of product (e.g. USD 1 per liter). *Ad valorem* excise is a tax on the value of sales that is levied as a percentage of the product price (for example, 20% of the selling price). The type and qualities of the tax base must be precisely defined for the *ad quantum* tax, whereas the *ad valorem* tax is simply based on the price. (OECD, 2016)

A simplified excise tax structure will make tax administration easier, reduce tax evasion and avoidance, and improve revenue collection (Ochieng' and Agwaya, 2020). A simple excise tariff, according to the ASEAN Excise Tax Reform resource manual (2014), is one with a small number of items or categories and sub-items or sub-categories, with all items and categories (including sub-items or sub-categories) clearly prescribed or defined.

According to Cnossen (2020), depending on the market situation, revenue requirements, and non-revenue aims of excise duty, specific (*ad quantum*) and *ad valorem* rates have different effects. Ochieng and Agwaya (2020) also emphasized that the nature of the excise tax rate has an impact on excise tax administration and compliance. Even though excisable products have a variety of characteristics, according to the OECD (2016), *ad quantum* taxes are easier to administer because all that is necessary is to determine the physical quantity of the taxable product. Exemptions, on the other hand, could be similarly problematic, because when exemptions exist, people are inclined to try to tweak formulations slightly to acquire access to the exception (ASEAN Excise Tax Reform, 2014).

II. Certainty

Certainty in the context of administrability has many dimensions and could plausibly be defined in different ways. In addition to Adam Smith's 1776 work, which described certainty in tax matters as requiring that the "taxpayer should know exactly what is being taxed, how much he has to pay and how and when he has to pay it", Pistone et al., (2019) stated that in the context of administrability there should equally be certainty in the manner in which the tax law will be interpreted and applied (especially by the tax authorities).

Providing too much discretionary power to the tax authorities will decrease certainty. Equally, there should be transparency in respect of the manner in which the tax authorities apply the law, which should be uniform for all taxpayers. Thus certainty should also be present in the manner in which returns are to be completed and filed. Besides certainty for the taxpayer that he can comply with the tax law encourages good compliance behavior. On the other hand, certainty further ensures that the clarity of tax laws facilitates the taxpayers' understanding of when and how tax liability arises, as well as certainty regarding the extent of the liability. (Pistone et al., 2019)

Excise taxes emerge as a particularly certain form of taxation, with little room for tax officials to make arbitrary decisions and interpretations because the basis is so obvious (Cnossen, 2020). In contrast to Cnossen, the researcher believes that the excise tax base, cost of manufacturing, and ex-factory pricing have an impact on the excise system, particularly in the context of administrability certainty. Ad valorem taxes are more difficult to manage, and they frequently result in disputes between tax authorities and taxpayers about which costs should or should not be included in the excisable value. Furthermore, under ad valorem tax, taxpayers are constantly looking for ways to reduce their tax burdens by moving some expenditure above the taxing point and therefore out of excisable value used to calculate the tax. (Ochieng' and Agwaya, 2020)

When taxpayers have difficulty determining their obligations correctly, voluntary compliance also may not work well, and withholding (and its verification) becomes difficult when the tax base is ill-defined or when there are numerous exemptions and deductions (Bird, 2015). On the other hand, the ex-factory selling price is the most widely utilized ad valorem tax basis and that price is usually "net" of taxes like excise and VAT. "Ex-factory" values are typically connected

to the producer's invoice selling price to their customer. Some governments adopt more subjective definitions (the "open market price") or legislate the values in order to deal with non-length arm's transactions. (ASEAN Excise Tax Reform, 2014)

III. Enforceability

A distinction should be made between the enforceability (and therefore, the administrability) of taxes in a developed versus developing economy. Regulation and enforcement are often easier to achieve in established and well-regulated formal marketplaces. However, in states with large informal economies, compliance and enforcement mechanisms do not guarantee the payment or collection of taxes. Accordingly, any tax design must take into account the practical enforceability of the tax to be levied. Enforceability should take into account the simplicity of operating the tax system from both government and taxpayer perspectives. Simple systems requiring low compliance costs may serve to significantly reduce the tax gap. (Pistone et al., 2019)

IV. Tax Revenue/ Collection Cost

The cost (to the government) of collecting the tax vs. the tax that will be accomplished through appropriate enforcement should be considered when determining the administrability of a tax. Aside from that, the efficiency and convenience of use of tax collecting and enforcement mechanisms should be evaluated. Tax authorities should constantly review collection practices in an effort to improve efficiency and reduce the cost of collection. Taxes with broad bases and simple, cost-effective administration are sought in a good tax system. However, the cost to the state of the collection of taxes should also not simply be transferred to the taxpayer or third parties. (Pistone et al., 2019)

In this regard ad valorem excise taxes may keep up with inflation better than ad quantum taxes, though ad quantum taxes can be indexed for inflation as well. Ad valorem taxes are more volatile than ad quantum taxes because they are sensitive to price variations. (OECD, 2016)

V. Information security and confidentiality

Policymakers should also look to stakeholders beyond the government in determining excise tax policy (ASEAN Excise Tax Reform, 2014). Vital to the design of any tax system and the administration of that system are safeguards and the protection of taxpayer data. The erosion of confidentiality requirements will result in non-compliant and evasive taxpayer behavior. The tax authority's incorruptibility and impartiality are critical to the achievement of information security and confidentiality. (Pistone et al., 2019)

2.2. EMPIRICAL REVIEW

Since tax policy encompasses a wide range of fields, including but not limited to economics, behavioral science, political science, accounting, finance, and law (Pistone et al., 2019), research on excises was performed by different scholars. However, because excises are selective taxes imposed by one or more specific objectives thus researchers investigate one or many excises based on their similarities, such as alcohol excise tax, sugar-sweetened beverages excise tax, cigarette excise tax, and so on. As a result, the researcher presented the following selected researches that have been conducted in the studies thematic area.

2.2.1. International Studies

A situation analysis of excise taxation in Kenya was undertaken by Ochieng and Agwaya (2020). The study looks at how excise taxes have performed in Kenya over the last three decades. According to the findings of the study, excise taxes account for a major share of revenue in Kenya, yielding an average of 3.1 percent of GDP between 1980 and 2018. They also look at the Kenyan excise tax system's institutional and regulatory framework. Using KIHBS data and Deaton's AIDS model, the elasticity of demand for cigarettes, alcoholic goods, financial services, and petroleum products is also estimated by calculating the demand functions of the excisable products, and all of the excisable products have negative price elasticity. Soft drinks and financial services, on the other hand, have the lowest demand price elasticity, ranging from -0.210 to -0.548 and -0.203 to -0.635, respectively. Finally, Ochieng and Agwaya emphasized that the imposition of excise taxes should be treated with caution depending on the policy

objective, since any rises in excise tax rates may result in unfavorable outcomes, and so should not be guided by the concept of elasticity alone.

According to qualitative research by Cnossen (2020) on excise taxation for domestic resources, mobilization pointed out that, raising money through excise tax is likely a good approach for developing countries to generate tax revenues in the event of a corona pandemic. Cnossen also concluded that excise charges are extremely simple to collect and enforce, which is a significant benefit over other taxes that rely on accounting checks for compliance monitoring. Besides, excise charges help to allocate resources more efficiently by internalizing the external and internal costs associated with the consumption and manufacture of potentially dangerous products. Moreover, excise charges improve the tax system's progressivity by benefiting low-income persons who consume more of the harmful product and have higher demand elasticity than those with higher incomes. Finally, excise taxes are less damaging to economic growth than broad-based income and consumer taxes. There is no other tax or fee that offers all of these benefits.

Iadrennikova (2017) has published a study on the prospects for introducing a sugar-sweetened beverage excise tax in Russia. The essay examined the significance of excise taxes in the state revenue system and argues that the list of excisable commodities in Russia should be expanded to include sweetened alcohol-free beverages. The paper also proposed a tax rate for the aforementioned beverages, as well as the type and amount of the tax rate. The article suggested that a sugar-sweetened beverage excise tax be imposed, which would have a large fiscal impact on the state budget, cut expenditure on the beverages in question, and contribute to the nation's health.

Okello (2001) has conducted a study that has done the analysis of excise taxation in Kenya and investigates the extent to which the taxes have met their commonly stated objectives. In order to attain his objective, the demand equations are estimated for alcoholic beverages and tobacco products in order to measure own and cross-price elasticity and income elasticity. The buoyancy and elasticity of excise taxes in Kenya are also estimated. The study finds that there is some scope for additional revenue from excise taxes on cigarettes and beer (except Guinness). Overall, the excise system does not require major changes: excise revenue amounts to 4.5% of

GDP and has income elasticity close to one. Okello stated that might be wise to exclude perfumes, mineral waters, and soft drinks from excises, while expanding collections to cover small manufacturers and the importance of excise taxes would justify a separate administrative unit, apart from the customs department.

2.2.2. Local Studies

One of the notable researches in the thematic area is a study by Ensesu (2019), which assessed the challenges of excise tax and its contribution to government revenue. The research used both primary and secondary series data, and descriptive statistics were used to analyze the data. Aside from that, the analysis used a mixed-methods approach. The study's findings revealed that the lack of a clearly defined excise tax base, a lack of clear and justifiable excise tax computation procedure manuals and guidelines, insufficient access to adequate training and education on excise tax rules, a lack of an integrated framework for the excise tax refund, and corruption issues are all peculiar excise tax challenges. Ensesu also pointed out the percentage performance of excise taxation in relation to national income and total government revenue, noting that in the fiscal year 1999/00, the excise tax accounted for 17.59 percent of total tax revenue, decreasing to 7.75 percent in the fiscal year 2017/18. Furthermore, the excise tax as a percentage of GDP has decreased from 1.12 percent in 1999/00 to 0.79 percent in 2017/18.

Even if it is not specifically about the excise tax, in their report on the effect of tax reform on private sector performance in Ethiopia, Abdella, and Clifford (2010) examined tax reforms that have been made to Ethiopia's tax system. According to the study findings, there are major inconsistencies between laws and directives, as well as many ambiguities in proclamations, rules, and directives. Furthermore, there is often a significant time lag between the issuance of tax proclamations and regulations and the corresponding enforcement orders, increasing risk and confusion for companies.

Using incidence analysis, Geda and Shimelis (2005) investigated the contribution of tax reform (1990-2003), improvements in its structure, and institutional reform to better understand its role in raising revenue. They discovered that most goods subject to some kind of tax, whether excise, import duty, or sales tax, are progressive, while salt, sugar, and kerosene are regressive, implying that lower taxes on these commodities, offset by higher taxes on, say, tobacco, alcohol, or

butane, or even electricity, could improve overall social welfare. The distributional effect of benefits from freely available services like education is also investigated.

2.3. RESERCH GAP

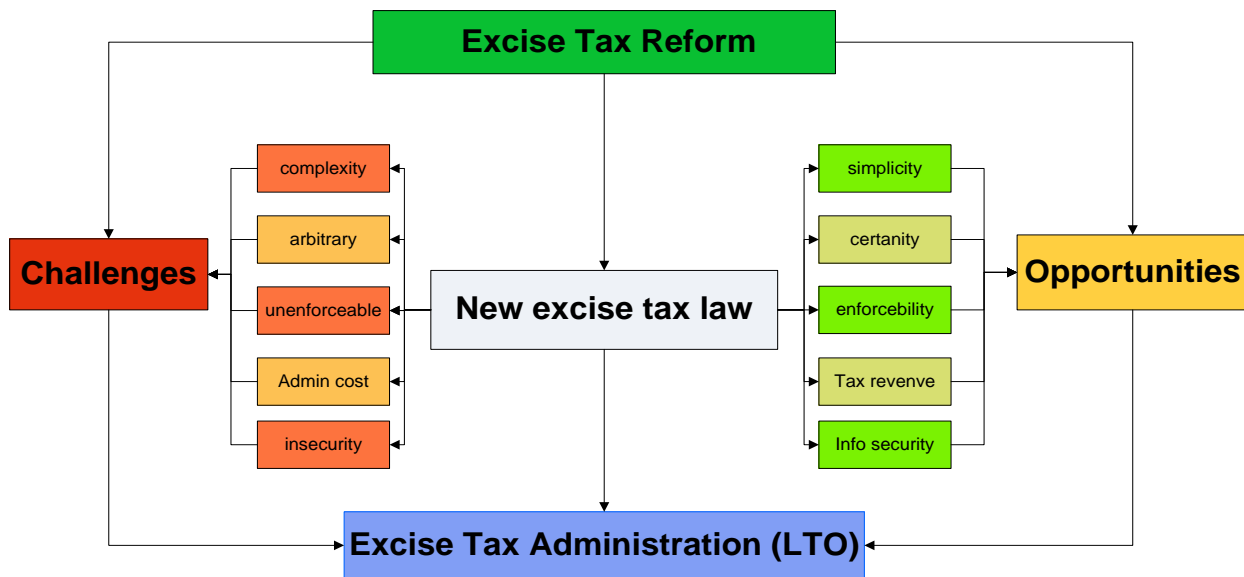
Excise taxes were often known as the "orphans of tax policy" because they received so little attention in the tax literature (cossen, 1978; Bolnick and Haughton, 1998; cossen 2010). But, cossen (2010) stated that this has changed dramatically in recent years, owing to increased knowledge of the harmful health impacts of smoking and heavy drinking, as well as the social costs connected to the massive growth in traffic. On the other hand, to the extent of the researcher's knowledge and understanding, there are few studies conducted on excise taxation in the tax literature (Ochieng and Agwaya, 2020; Ensesu, 2019). But Ochieng and Agwaya focused on the contribution of excise tax on tax revenue and their impact on GDP without considering the impact of excise tax law on the excise tax administration and revenue. Moreover, the Ensesu (2019) study's main flaw was a lack of focus on the overall goal of the study. The study inside raises the question of the impact of excise tax and firm financial results in manufacturing sectors, as the subject is about the challenges of excise tax and its contribution to government revenue. To the best of the researcher's knowledge, no empirical evidence on the topic has been found in Ethiopia. As a result, this study aims to fill a knowledge and literature gap by assessing the challenges and opportunities of implementing the new excise tax law at federal large taxpayer offices.

2.4. CONCLUSION AND CONCEPTUAL FRAME WORK

The researcher came to the following conclusion based on the aforesaid literature review: Tax reform refers to changes in tax laws and/or tax administration practices. Excise tax, a type of indirect tax having multiple tax policy objectives, is a type of consumption tax. It can be a great source of revenue if properly managed. Kenya's and Uganda's experiences are instructive in this regard. The excise tax was an underutilized tax revenue source in Ethiopia. As a result, Ethiopia's excise tax reform 2020 has marked a watershed moment in the country's history of excise tax reform. The new Excise Tax Proclamation (No.1186/2020) introduced new concepts to Ethiopia's excise tax system that had never been seen before. In this sense, one of the major goals of any tax administration is administrative efficiency in enforcing the law. As a result, the issue

of administration, which derives from tax law, is the focus of this research. The lack of empirical evidence on the topic was the motivation and purpose of this study. In this regard, the study tried to assess the challenges and opportunities associated with the implementation of the new excise tax law at the federal large taxpayers' office. According to Pistone et al. (2019), the concepts within administrability includes; simplicity, certainty, enforceability, tax revenue, and information security. In this regard, the researcher assessed which features of the new excise tax law contribute to the complexity, enforceability, and excise tax revenue of the tax administration. Since one of the main goals of tax reform should be simplicity, the researcher wants to see what opportunities and challenges the excise tax reform brings to the administration of the excise tax system. Thus, the study, in general, assessed the challenges and opportunities emanating from the new excise tax law. The diagram below provides an overview of the research and was prepared based on the thoughts of Pistone et al. (2019).

Figure 2.1: Conceptual Frame Work of the study



Source: Researcher's own drawing based on the literature

CHAPTER THREE

RESEARCH METHODOLOGY AND DESIGN

3. INTRODUCTION

This chapter gives an outline of the research methodology used to investigate the challenges and opportunities of the new excise tax law implementation at the federal large taxpayer's branch office, as well as the reasoning for the design. Specifically, the study's data source and type, sampling technique, research design, a description of data collection techniques, and statistical method for data analysis are all provided. The ethical considerations are also discussed in the final section of this chapter.

3.1. Research Approach

The philosophical worldview or paradigm that underpins this study is known as the "Pragmatic Worldview." Rather than antecedent circumstances, as in post-positivism, pragmatism as a worldview emerges from actions, situations, and consequences (Creswell, 2009). Pragmatists, according to Sekaran and Bougie (2016), do not take a position on what constitutes successful science and believe that research on both objectives, observable phenomena and subjective meanings, can produce useful knowledge depending on the study's research questions. Sekaran and Bougie also stated that the value of research for pragmatists is its practical relevance; theory's aim is to educate practice. Consequently, pragmatism worldview researchers prioritize the research problem and use all available approaches to explain the problem rather than concentrating on methods (Rossman & Wilson, 1985). Thus, this is a philosophical foundation for mixed methods studies (Johnson & Onwuegbuzie, 2004; Bashir, Syed, & Qureshi, 2017).

Since the primary goal of the study is to assess the challenges and opportunities of new excise tax law implementation at the LTO, the research questions cannot be answered solely through "qualitative" or "quantitative" approaches. Thus, the study was carried out using a mixed-methods research methodology, which was appropriate for the research problem. The attractiveness of this approach is that it allows researchers to combine inductive and deductive thinking, to address the research problem using more than one research method, and to solve the problem using different types of data (Sekaran and Bougie, 2016, pp. 106). According to Bazely (2004), mixed methods are neither more nor less legitimate than specific approaches to research,

and the validity of any research derives more from the appropriateness, thoroughness, and effectiveness with which those methods are applied, as well as the consideration given to thoughtful weighing of the evidence, than from the application of a specific set of rules or adherence to an established tradition.

3.2. Research Design

Research design represents a structure that guides the execution of a research method and the analysis of the subsequent data (Bryman and Bell, 2011, pp.41). The study question, “What challenges and opportunities did the new excise tax law bring to the tax administration?” needed data from many different individuals who work at the tax offices. Thus, for this study, a cross-sectional research design was found to be appropriate.

3.3. Research Method

A research method is simply a technique for collecting data (Kothari, 2004), so the researcher used the data collection methods listed below to answer the research questions stated in the first chapter.

3.3.1. Data Type and Source

To attain its objective and answer the research questions, the study used both primary and secondary data sources. In a cross-sectional design, the necessary data for the study are primarily gathered at a single point in time via a self-completion questionnaire or a structured interview (Bryman and Bell, 2011). Consequently, a survey questionnaire and a semi-structured interview were used to gather primary data for the study. Both the survey questionnaire and the semi-structured interview were developed by the researcher based on the new Excise Tax Proclamation No. 1186/2020 and Directive No. 67/2013. There were two sections in the survey questionnaire. The first part featured inquiries about personal information. The second set of questions focused on excise tax reform, with respondents being asked to rate their level of agreement with five-point Likert-scale claims about administrative issues related to the new excise tax law implementation. Respondents were asked to rate their level of agreement on the following scale: 1 = strongly disagree; 2 = disagree; 3 = neither agree nor disagree; 4 = agree; 5 = strongly agree. Then, semi-structured interview questions were prepared and used to gather

qualitative data for the study from the excise task force at MOR and the office of deputy manager of the tax operation sector of LTO, as well as the tax law enforcement sector of LTO.

Besides, the researcher analyzed further and utilized quantitative secondary data in the study. The researcher used secondary data concerning excise tax revenue following the reform to verify and confirm parts of the results from the survey questionnaire and semi-structured interview. The principal sources of secondary data in this respect are annual reports from the Ministry of Revenue (MOR) and the Federal Large Taxpayers Branch Office (LTO).

3.3.2. Target Population

The research's target population was the tax office staff of the federal large taxpayer branch office, and the target population was systematically chosen from the LTO's total workers in order to achieve the desired study goal exactly. Before determining the target population and its composition, the researcher conducted preliminary interviews with respected officials from the excise tax task force of MOR and the large taxpayers' branch office. As a result, the researcher discovered that only 268 of the 362 workers at the LTO worked specifically on taxes. However, since the study is about excises, not all tax office employees were eligible to participate due to their job specialization. As a result of their interactions with excises, only 173 of the 268 tax office employees were eligible. Thus, the study's overall target population was 173 workers from the LTO's tax operation, tax law enforcement, and tax decision compliance offices. (Personal communication, March 16, 2021)

3.3.3. Sample Size

The decision about how large the sample size should depend on the researcher's precision that he/she wants in respect of his/her estimates concerning the population parameters, so the researcher has to specify it (Kothari, 2004). Accordingly, for this study, the researcher wants to be 95 % confident that the percentage has been estimated to be within $\pm 5\%$ of the true value. Sekaran and Bougie (2016) stated that in social science research, a 95% confidence level – which implies that there is only a 5% probability that the findings may not be correct – is accepted as conventional, and is usually referred to as a significance level of 0.05 ($p = 0.05$).

Yamane (1967) provides a simplified formula to calculate sample sizes. Many researchers used this formula to calculate the sample size for their study, where n represents the sample size, N represents the population size, and e represents the level of precision.

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

Consequently, the sample size of the study is determined from the target population as follows.

$$\begin{aligned} n &= \frac{173}{1 + 259(0.05)^2} \\ &= \mathbf{121} \end{aligned}$$

3.3.4. Sampling Method

Since the target population of the study includes a heterogeneous population that includes tax office staff from different departments, the stratified random sampling technique was adopted for the study. Stratified random sampling is a useful method for data collection if the population is heterogeneous (Kothari, 2004; Singh & Masuku, 2014). Since each important segment of the target population is better represented (Saunders, Lewis, & Thornhill, 2019), a stratified sampling design is more efficient than a simple random sampling design (Sekaran and Bougie, 2016). Thus, the entire target population of the study was divided into three strata as follows:

Strata I: Tax decision complaint office

Strata II: Tax operation sector

Strata III: Tax law enforcement sector

Then the researcher adopts the proportional allocation method, under which the sizes of the samples from the different strata are kept proportional to the sizes of the strata, to answer questions about how many items are selected from each stratum or how to allocate the sample size of each stratum. Around 3% of the overall sample size of 121 respondents comes from the Tax Decision Complaint Office, 56 percent from the Tax Operation Sector, and 41 percent from the Tax Law Enforcement Sector.

Table 3.1: Proportional allocation of samples

STRATA	Number of population (P_i)	Number of subjects in the sample $= \frac{p_i \times n}{N}$
Strata I: Tax decision complaint office	5	3
Strata II: Tax operation sector	97	68
Strata III: Tax law enforcement sector	71	50
TOTAL	N = 173	n = 121

Source: researcher own computation

The interviews, on the other hand, were performed with officials selected purposively from MOR and LTO. One from MOR's excise tax task force and two from LTO were taken by the researcher. The researcher noticed through a preliminary interview with two officials and the new proclamation that the mandate to implement the new law was handed down by both the LTO and the task force. Because excises are not new laws to the tax system, existing taxpayers of LTO are required to file and pay taxes in compliance with the new legislation without having the license since the ratification of the new proclamation until March 9th, 2021 (Excise Tax (Amendment) Proclamation, 2020). The task force, on the other hand, had sole authority over the licensing of eligible taxpayers. As a result, the researcher decided that only the LTO's high officials, tax operation sector, and tax law enforcement sector officers, as well as one MOR task force officer, should be addressed.

3.3.5. Data collection Method

In order to fulfill the research aim, the study used two main data collection methods: personally administered questionnaires and face-to-face interviews, in accordance with the study design above. The study area is limited to Addis Ababa, where the researcher studies and lives, so personally administering the questionnaires and conducting face-to-face interviews is a good technique to collect data.

Furthermore, personally administering questionnaires to groups of individuals helps to (1) establish rapport with respondents while introducing the survey, (2) provide clarification sought by respondents on the spot, and (3) collect completed questionnaires immediately. In that regard, there is a perfect response rate. Furthermore, face to face interviews provide rich data, allow for rapport building with interviewees, and aid in the exploration and understanding of complex issues. During such interviews, many ideas that are normally difficult to articulate can be brought to the surface and discussed. (Sekaran and Bougie, 2016)

3.3.6. Data Analysis Method

Data analysis occurs both inside the quantitative and qualitative data because the study used a mixed-method approach. The researcher was interested in triangulating the findings in order to answer the study questions in this regard. As a result, the researcher used a concurrent triangulation method in this research.

Of the six primary mixed methods models, the concurrent triangulation approach is arguably the most well-known. The researcher collects both quantitative and qualitative data at the same time in a concurrent triangulation approach. The mixing in this strategy is to really merge the data (i.e. transform one type of data to the other type of data so that they can be easily compared) or integrate or compare the outcomes of two databases side by side in a discussion. This type of integration is common in published mixed methods studies, where a discussion section first provides quantitative statistical results, followed by qualitative quotes that confirm or refute the quantitative results. (Creswell, 2009)

After the appropriate raw data was collected from respondents using the data collection method, the researcher did process classification and coding of the gathered raw data. Then, the researcher utilized SPSS software (version 20) to organize, summarize, and analyze the primary data, which is the survey questionnaire. Likert scales are ordinal scales in which the response categories have a rank order, but the intervals between values cannot be assumed to be equal (Kothari, 2004; McLeod, 2008; Sekaran and Bougie, 2016). There is no reason to believe that the five positions on the scale are evenly distributed. The distance between "strongly agree" and "agree" could not be the same as the distance between "agree" and "undecided." This suggests that the Likert scale does not have a higher status than an ordinal scale. (Kothari, 2004)

As a result, the researcher used descriptive statistics such as percentages and tables to analyze the data collected for this study. Aside from data analysis, side-by-side integration is used to interpret and discuss the results. The data analysis and discussion begin with quantitative statistical data, followed by qualitative remarks that support or refute the quantitative conclusions.

3.3.7. Reliability of the Test

Cronbach's alpha was used to examine the reliability of the items in the survey questionnaire in this study. A score of 0.7 or above indicates that the scale's questions are internally consistent in their measurement (Saunders, Lewis, and Thornhill, 2019). As a result, the reliability test of all items used to measure the independent variables in this study was 0.916 using SPSS Version 20. This means that the items in the survey questionnaire had a high level of internal consistency and reliability.

Table 3.2: The survey questionnaire's items' reliability

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.916	.920	44

Source: Computations based on data from survey (2021)

3.3.8. Validity of the Test

The questionnaire was provided to the Ministry of Revenue's research and development department to be checked for validity before being utilized in this study. Then, the researcher made some changes after getting the feedback. Moreover, one excise tax expert who works in MOR's excise tax task force department and one lecturer who presently teaches at Haramaya University accounting and finance department evaluated the questionnaire for content validity.

3.4. Ethical Consideration

Ethical issues can arise at any point during the study process (Bryman and Bell, 2011). In this regard, Creswell (2009) stated that many ethical issues arise during data collection, so researchers need to respect the participants and the sites for research. Besides this, several ethical

issues should be addressed while collecting primary data (Sekaran and Bougie, 2016). From the beginning to the end, the research study was conducted formally by applying for both Ministry of Revenue and the Federal Large Tax Payers branch office by using application letters from the accounting and finance department. As a result, both primary and secondary data were gathered ethically from the appropriate offices. Furthermore, in the data analysis and in discussing the results from participants of the study, the researcher protect the anonymity of individuals for both quantitative and qualitative data respondents; and used aliases like A₁, A₂, and A₃ for interviewees. In the interpretation of data, the researcher also provides an accurate account of the information.

3.4.1. Confidentiality and Privacy

The researcher bears a responsibility for the confidentiality and privacy of the respondents' responses because the study used two principal data collection methods, a survey questionnaire and a semi-structured interview. Treating the information given by the respondent as strictly confidential and guarding his or her privacy is one of the primary responsibilities of the researcher (Sekaran and Bougie, 2016). So, prior to data collection, the promise of secrecy and privacy of the information provided to the respondents is explicitly stated in the survey questionnaire's introductory section. Likewise, before conducting the data, the researcher promised interviewees, respondents for the qualitative data, that their comments would be kept confidential and that the researcher would not divulge their individual responses to anybody or any organization. As a result, the confidentiality of the data obtained by the researcher was kept and used for this study only.

3.4.2. Voluntary Participation and Informed Consent

Following the permission from the branch manager of LTO and Officers of each operation sector, the researcher collected the data through voluntary participation and informed consent from the sampled respondents. Since the questionnaire is administered personally by the researcher, respondents are requested for their voluntary participation. Furthermore, the survey questionnaires introductory section clearly outlines what the researcher is doing and why the researcher is doing it; so respondents were aware of the study from the start. Moreover, the survey respondents were not asked to write their names on the questionnaire. However, given the

interviews were being recorded, the researcher requested informed consent from the interviewees. Furthermore, the researcher agreed to maintain the respondents' identities when submitting their responses to the study.

CHAPTER FOUR
DATA ANALYSIS AND DISCUSSIONS

This chapter principally contains the study's data analysis and discussion. With side-by-side integration, qualitative quotes and descriptive analyses of the results based on data collected on the challenges and opportunities of new excise tax law implementation at federal large tax payers' offices are provided. In Section one, basic information about respondents and Section Two, the tax office staff's responses to the new excise tax law implementation on the survey questionnaire are included.

4.1. Response Rate

The study's primary data was gathered from tax office employees of the LTO. The self-administered strategy for distributing surveys and collecting data resulted in a relatively high response rate. Of the 121 survey questionnaires issued, 114 were returned. The returned questionnaires were thoroughly examined, and those with considerable missing data were discarded, resulting in 109 useable questionnaires. As a result, 109 questionnaires were analyzed, with a 90.08 percent response rate.

4.2. Descriptive Analysis

4.2.1. The Respondents' Demographic Information

Table 4.1: Descriptive statistics result for the respondents' demographic profile

Variables		Categories	Frequency	Percent	Cumulative %
Gender	Valid	Male	66	60.6	60.6
		Female	43	39.4	100.0
Age	Valid	<=25 Year	3	2.8	2.8
		26-35 Year	82	75.2	78.0
		36-45 Year	21	19.3	97.2
		46-55 Year	3	2.8	100.0
Educational Background	Valid	Bachelor Degree	65	59.6	59.6
		Master Degree	44	40.4	100.0
Work Experiences in	Valid	< 5 Year	33	30.3	30.3
		5-10 Year	52	47.7	78.0

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year		10-15 Year	18	16.5	94.5
		>15 year	6	5.5	100.0
Work department	Valid	Tax decision compliant office	3	2.8	2.8
		Office of the deputy operating officer of the tax operation sector	1	.9	3.7
		Taxpayer registration service	14	12.8	16.5
		Tax filing	21	19.3	35.8
		Return and service tax audit	15	13.8	49.5
		Tax debt management process coordinator	10	9.2	58.7
		Office of the deputy law enforcement officer	1	.9	59.6
		Risk and compliance strategy work	2	1.8	61.5
		Taxpayer education and information	5	4.6	66.1
		Tax data and cash registration machine administration process coordinator	3	2.8	68.8
		Tax audit	34	31.2	100

Source: Own survey data (2021)

According to Table 4.1, survey data responses of the tax office staff, there were 60.6 percent of male respondents and 39.4 percent of female respondents. The respondents' most common age group was 26–35 years old (75.2 percent), with 36–45 years old being the second most common (19.3 percent). In terms of education, the majority of respondents (59.6%) have a bachelor's degree, with 40.4 percent having a master's degree. When it came to working experience, the majority of respondents (47.7%) had between 5 and 10 years of experience, with 30.3 percent having less than 5 years and 16.5 percent having 10–15 years of work experience. The remaining 5.5 percent of respondents had worked for more than 15 years. Furthermore, each major group of

the target population was better represented, with 55.9% from the tax operation sector and 41.3 percent from the tax law enforcement sector. The rest (2.8%) came from the tax decision-compliant office. Thus, the educational background and work experience of the respondents demonstrate that they were qualified enough to understand and appropriately respond to the questionnaire. Besides, through the stratification, each work department was well represented and this had a great contribution to the finding of the study.

4.2.2. Excise Tax Reform Implementation

In the second part of the survey questionnaire, respondents were asked to rate their level of agreement with the survey questionnaire's statements about administrative concerns surrounding the implementation of the new excise tax proclamation, which can be either challenges or opportunities for the tax office. As a result, the researcher evaluated the findings, compared them to some relevant literature, and presented the implications as follows.

4.2.2.1. Acquaintance with the new excise tax law

According to Table 4.2 below, survey data responses of the tax office staff, 85 (78 percent) of respondents agreed and strongly agreed that they are familiar with the current excise tax proclamation, whereas 24 (22 percent) of respondents strongly disagreed and disagreed. On the other hand, out of 109 respondents, 81 (74.3%) agreed and strongly agreed that they are well-informed about excise implementation directive 67/2013, whereas 28 (25.7%) disagreed and strongly disagreed. The tax office staff's knowledge of the new excise tax proclamation (No. 1186/2020) and directive (No. 67/2013) were the first two questions to rise above the other key survey questions. Their knowledge or acquaintance with them is required for the following survey questionnaire responses. In this regard, the findings of the survey questionnaire responses imply that the majority of respondents are aware of the current excise tax proclamation (No. 1186/2020) and the excise directive 67/2013 on the implementation of the excise tax proclamation. As a result, the researcher believed that the respondents were qualified to comprehend and react effectively to the survey questionnaire.

Table 4.2: Acquaintance of respondents with the new excise tax law

You are familiar with the current excise tax proclamation (No.1186/2020)			Frequency	Percent	Cumulative Percent
	Valid	Strongly Disagree		8	7.3
Disagree			16	14.7	22.0
Agree			68	62.4	84.4
Strongly agree			17	15.6	100.0
Total			109	100.0	
You are well-informed about the excise directive 67/2013 on the implementation of Excise Tax Proclamation	Valid	Strongly Disagree	7	6.4	6.4
		Disagree	21	19.3	25.7
		Agree	65	59.6	85.3
		Strongly agree	16	14.7	100.0
		Total	109	100.0	

Source: Own survey data (2021)

4.2.2.2. Simplicity of new excise tax law

According to Table 4.3 below, survey data responses of the tax office staff, 73 (66.9 percent) of 109 LTO staff respondents agreed and strongly agreed that the statement dealing with the new excise tax law/proclamation is simple to understand, while 28 (25.7 percent) were undecided. Only 8 (7.4%) of respondents disagreed and strongly disagreed which means they believe that the new excise tax law/proclamation is not simple to understand. Furthermore, 75 (68.8%) of the 109 LTO staff respondents agreed or strongly agreed with the understandability of the new excise tax proclamation enforcement directive, whereas 23 (21.1%) were neutral with it. However, 11(10.1%) of the respondents disagreed and strongly disagreed. Since complex tax laws make the system difficult to understand and apply for revenue officials, the recent excise tax reform is expected to result in administrative simplicity. Accordingly, the findings of the survey questionnaire responses imply that the new excise tax law/proclamation is simple to comprehend, as is the excise tax proclamation enforcement directive.

Table 4.3: The understandability of the new proclamation and directive

			Frequency	Percent	Cumulative Percent
	The new excise tax law/proclamation is easy to understand	Valid	Strongly Disagree	3	2.8
Disagree			5	4.6	7.3
Neither agree nor disagree			28	25.7	33.0
Agree			59	54.1	87.2
Strongly agree			14	12.8	100.0
Total			109	100.0	
The excise tax proclamation enforcement directive is understandable	Valid	Strongly Disagree	4	3.7	3.7
		Disagree	7	6.4	10.1
		Neither agree nor disagree	23	21.1	31.2
		Agree	68	62.4	93.6
		Strongly agree	7	6.4	100.0
		Total	109	100.0	

Source: Own survey data (2021)

- The ex-factory price method of assessment simplifies the determination of excise tax liability of taxpayers

According to Table 4.4 (below), the majority (64.2 percent) of respondents agreed and strongly agreed that the ex-factory price method of assessment simplified the determination of taxpayers' excise tax liability, while 32 (29.4%) of respondents rated neither agree nor disagree. Prior to the reform, Ensesu (2019) stated that there were differences of opinion in practice not only between taxpayers and tax officials but also among tax officials in the treatment of certain costs and the determination of costs of production in general when it came to the cost of production, which was used as the tax base for locally manufactured excisable goods. Multiple debates exist over the definition of "cost of production," which complicates tax administration (Ensesu, 2019). Because the cost of the production method of assessment was the primary source of unpredictability in excise tax liability, one component of the excise tax reform was to replace the production cost assessment with the ex-factory price method of assessment. As a result of the

survey questionnaire responses, it appears that the ex-factory basis for domestically manufactured goods simplified the determination of taxpayers' excise tax liability.

Table 4.4: The ex-factory price method of assessment

		Frequency	Percent	Cumulative Percent	
The ex-factory price method of assessment simplifies the determination of excise tax liability of taxpayers.	Valid	Disagree	7	6.4	6.4
		Neither agree nor disagree	32	29.4	35.8
		Agree	58	53.2	89.0
		Strongly agree	12	11.0	100.0
		Total	109	100.0	

Source: Own survey data (2021)

- The ex-factory price assessment reduces total compliance time of tax payers (preparation, filling and payment)

Moreover, according to survey data responses of the tax office staff, 65 (59.6%) agreed and strongly agreed that ex-factory price assessment reduces total compliance time of tax payers, whereas 31 (28.4%) of the respondents' levels of agreement were neither agree nor disagree. However, 13 (12%) of respondents disagreed and strongly disagreed. The result of the survey questionnaire responses implies that because of the change in the tax base to ex-factory price assessment, the total compliance time of taxpayers is reduced. (See table below for details)

Table 4.5: The compliance time of tax payers

		Frequency	Percent	Cumulative Percent	
The ex-factory price assessment reduces total compliance time of tax payers (preparation, filling and payment)	Valid	Strongly Disagree	3	2.8	2.8
		Disagree	10	9.2	11.9
		Neither agree nor disagree	31	28.4	40.4
		Agree	59	54.1	94.5
		Strongly agree	6	5.5	100.0
		Total	109	100.0	

Source: Own survey data (2021)

- The detailed presentation of excisable goods with different rates has made the new excise tax proclamation complex to understand and implement by the tax official

Table 4.6: The detailed presentation of excisable goods

		Frequency	Percent	Cumulative Percent	
The detailed presentation of excisable goods with different rates has made the new excise tax proclamation complex to understand and implement by the tax official.	Valid	Strongly Disagree	6	5.5	5.5
		Disagree	27	24.8	30.3
		Neither agree nor disagree	33	30.3	60.6
		Agree	36	33.0	93.6
		Strongly agree	7	6.4	100.0
		Total	109	100.0	

Source: Own survey data (2021)

According to table 4.6, survey data responses of the tax office staff, the majority of the respondents (39.4%) agreed and strongly agreed that the detailed presentation of excisable goods with different rates has made the new excise tax proclamation complex to understand and implement by the tax official, whereas 33 (30.3%) of the respondents' levels of agreement were neither agree nor disagree. However, 33 (30.3%) of respondents disagreed and strongly disagreed. In this regard, according to the interview with tax officials, the researcher found that detailed presentation or diversification increases the complexity. According to respondent A₃, even if detailed presentation of excisable goods increases the complexity, it also increases the tax base and discourages harmful consumption of harmful products for health and the environment (like car accidents because of too old imported vehicles). Thus, both the findings of quantitative and qualitative data reveal that the detailed presentation of excisable goods or the first schedule increases the complexity for tax officials.

- The broad range of rates (5% - 500%) in the tax rate structure of new excise tax has made the implementation of the law tiresome.

The survey data responses of the tax office staff (see table 4.7 below) indicate that a majority of the respondents (44%) agreed and strongly agreed that the broad range of rates (5%-500%) in the tax rate structure of the new excise tax has made the implementation of the law tiresome, whereas 42 (38.5%) of the respondents' levels of agreement were neither agree nor disagree.

However, 19 (17.5%) of respondents disagreed and strongly disagreed. However, according to respondent A₃, "the tax reform brought fair treatment of tax payers through the same rate and the same system for all tax payers." Thus, both the findings of quantitative and qualitative data reveal that the broad range of rates (5%-500%) in the tax rate structure of the new excise tax has made the implementation of the law tiresome.

Table 4.7: The tax rate structure of new excise tax

		Frequency	Percent	Cumulative Percent	
The broad range of rates (5% - 500%) in the tax rate structure of new excise tax has made the implementation of the law tiresome.	Valid	Strongly Disagree	3	2.8	2.8
		Disagree	16	14.7	17.4
		Neither agree nor disagree	42	38.5	56.0
		Agree	37	33.9	89.9
		Strongly agree	11	10.1	100.0
	Total	109	100.0		

Source: Own survey data (2021)

- The detail rule on exemption or “Exempt good” on the excise tax reform sets clear demarcation for eligible taxpayers and activities.

The survey data responses of the tax office staff pointed out that a majority of 75 (68.8%) of respondents agreed and strongly agreed that the detailed rule on exemption or "exempt good" in the excise tax reform sets a clear demarcation for eligible taxpayers and activities, while 24 (22%) of respondents neither agree nor strongly disagree. The rest of the 10 (9.2%) respondents' rates of disagree and strongly disagree. The findings of the survey data reveal that the tax reform brought clear demarcation for eligible taxpayers through its detailed rules on exemption. (See table below for details)

Table 4.8: The goods exempt from excise tax

		Frequency	Percent	Cumulative Percent	
The detail rule on	Valid	Strongly Disagree	7	6.4	6.4
		Disagree	3	2.8	9.2

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exemption or “Exempt good” on the excise tax reform sets clear demarcation for eligible taxpayers and activities.	Neither agree nor disagree	24	22.0	31.2
	Agree	61	56.0	87.2
	Strongly agree	14	12.8	100.0
	Total	109	100.0	

Source: Own survey data (2021)

- The implementation of excise tax reform reduces the tax payers compliance cost

Of 109 respondents, 72 (66.1%) agreed and strongly agreed that the implementation of excise tax reform reduces the tax payers' compliance cost, while 19 (17.5%) disagreed and strongly disagreed. The rest of the 18 (16.5%) respondents' rates were neither agree nor strongly disagree. The findings of the survey data reveal that the implementation of excise tax reform reduces the tax payers' compliance costs. (See table below for details)

Table 4.9: The tax payers' compliance cost

		Frequency	Percent	Cumulative Percent	
The implementation of excise tax reform reduces the tax payers compliance cost	Valid	Strongly Disagree	3	2.8	2.8
		Disagree	16	14.7	17.4
		Neither agree nor disagree	18	16.5	33.9
		Agree	56	51.4	85.3
		Strongly agree	16	14.7	100.0
		Total	109	100.0	

Source: Own survey data (2021)

- The excise tax reform alleviates the complex tax incidence problem in relation to imported/ manufactured good used as an input for further production of excisable goods.

The survey data responses of the tax office staff pointed out that a majority of 76 (69.7%) of respondents agreed and strongly agreed that the excise tax reform alleviates the complex tax incidence problem in relation to imported or manufactured goods used as an input for further production of excisable goods. while 23 (21.1%) of the respondents neither agree nor strongly disagree. The rest of the 10 (9.2%) respondents' rates of disagree and strongly disagree. The

findings of the survey data reveal that the tax reform alleviates the complex tax incidence problem. (See table below for details)

Table 4.10: The complex tax incidence problem

		Frequency	Percent	Cumulative Percent	
The excise tax reform alleviates the complex tax incidence problem in relation to imported/ manufactured good used as an input for further production of excisable goods.	Valid	Strongly Disagree	3	2.8	2.8
		Disagree	7	6.4	9.2
		Neither agree nor disagree	23	21.1	30.3
		Agree	69	63.3	93.6
		Strongly agree	7	6.4	100.0
	Total	109	100.0		

Source: Own survey data (2021)

- The new proclamation has loophole with regards to unethical behavior like tax avoidance tax evasion and corruption

The survey data responses of the tax office staff pointed out that a majority of 46 (42.2%) of respondents agreed and strongly agreed that the new proclamation has loopholes with regards to unethical behavior like tax avoidance, tax evasion, and corruption. while 43 (39.4%) of the respondents neither agree nor strongly disagree. The rest of the 20 (18.3%) respondents' rates of disagree and strongly disagree. Even if the rate of respondents who "disagreed" (42.2%) and "neutral" (39.4%) is almost approximate, the findings of the survey suggest that the new proclamation has loopholes with regard to unethical behavior. (See table below for details)

Table 4.11: The tax avoidance, tax evasion and corruption

		Frequency	Percent	Cumulative Percent	
The new proclamation has loophole with regards to unethical behavior like tax avoidance tax evasion and corruption	Valid	Strongly Disagree	6	5.5	5.5
		Disagree	14	12.8	18.3
		Neither agree nor disagree	43	39.4	57.8
		Agree	34	31.2	89.0

		Strongly agree	12	11.0	100.0
		Total	109	100.0	

Source: Own survey data (2021)

4.2.2.3. Certainty of new excise tax law

- The ex-factory price assessment of the excise tax reform increases certainty of tax payers in determining their tax liability.

Table 4.12: The certainty of tax payers in determining their tax liability

		Frequency	Percent	Cumulative Percent	
The ex-factory price assessment of the excise tax reform increases certainty of tax payers in determining their tax liability.	Valid	Strongly Disagree	1	.9	.9
		Disagree	11	10.1	11.0
		Neither agree nor disagree	18	16.5	27.5
		Agree	67	61.5	89.0
		Strongly agree	12	11.0	100.0
		Total	109	100.0	

Source: Own survey data (2021)

According to table 4.12, survey data responses of the tax office staff, of 109 respondents, 79 (72.5%) agreed that the ex-factory price assessment of the excise tax reform increases the certainty of tax payers in determining their tax liability, while 18 (16.5%) respondents neither agreed nor disagreed, and the remaining 12 (11%) respondents disagreed. In this regard, all the interviewees share the same idea that excise tax reform brings opportunities for the tax office/administration and taxpayers. One of the opportunities that the reform brought is that it "increases the certainty of tax payers in determining their tax liability". Thus, both the quantitative and qualitative data suggest that the ex-factory price assessment of the excise tax reform increases the certainty of tax payers in determining their tax liability.

- The determination of fair market value is easy to apply where there is no arms length transaction

Table 4.13: The fair market value

		Frequency	Percent	Cumulative Percent	
The determination of fair market value is easy to apply where there is no arms length transaction	Valid	Strongly Disagree	18	16.5	16.5
		Disagree	27	24.8	41.3
		Neither agree nor disagree	28	25.7	67.0
		Agree	29	26.6	93.6
		Strongly agree	7	6.4	100.0
		Total	109	100.0	

Source: Own survey data (2021)

According to table 4.13, survey data responses of the tax office staff, the majority of 45 (41.3%) of respondents disagreed and strongly disagreed that the determination of fair market value is easy to apply where there is no arms-length transaction, while 36 (33%) of respondents agreed and strongly agreed. The rest of the 28 (25.7%) respondents neither agreed nor disagreed. However, according to the interview with tax officials, the researcher found out that determination of fair market value is not possible if there is no arms-length transaction. According to respondent A2, "If there are no documents in relation to ex-factory price, there is no fair market value in Ethiopia." Thus, both the quantitative and qualitative data imply that the determination of fair market value is not easy to apply where there is no arms length transaction. According to ASEAN Excise Tax Reform (2014), in an attempt to deal with non-arm's length transactions, some countries use more subjective definitions (the "open market price") or mandate the values.

- The introduction of specific excise tax in combination with ad valorem on alcohol, beer, and cigarette has made the excise tax determination difficult in relation to those specific goods.

The survey data responses of the tax office staff (see Table 4.14 below) pointed out that a majority of 52 (47.7%) of respondents agreed and strongly agreed that the introduction of specific excise taxes in combination with ad valorem on alcohol, beer, and cigarettes has made the excise tax determination difficult in relation to those specific goods, while 31 (28.4%) of respondents disagreed and strongly disagreed. The rest, 26 (23.9%), respondents' rates were neither agree nor disagree.

According to the OECD (2016), the rationale for a combination of ad quantum and ad valorem taxes is stronger if the purpose of the tax is to discourage consumption of, or maximize income from, both high- and low-value products. When there are significant price variations between products, an ad quantum tax is less likely to dampen demand for the high-value commodity and raise less money than an ad valorem tax. Furthermore, higher-income consumers who are more likely to purchase high-value goods may be less responsive to the implementation of a tax than low-income individuals (although ad quantum taxes may reduce the price differentials). To influence behavior, a greater aggregate tax on these pricey products will be required. To accomplish this, an ad valorem tax combined with an ad quantum tax, as seen in tobacco taxes, can be used. (OECD, 2016)

However, the findings of the survey data reveal that the determination of tax liability for alcohol, beer, and cigarettes is difficult due to the specific excise tax introduced in combination with ad valorem by the reform.

Table 4.14: The determination of tax liability for alcohol, beer, and cigarette

		Frequency	Percent	Cumulative Percent	
The introduction of specific excise tax in combination with ad valorem on alcohol, beer, and cigarette has made the excise tax determination difficult in relation to those specific goods.	Valid	Strongly Disagree	4	3.7	3.7
		Disagree	27	24.8	28.4
		Neither agree nor disagree	26	23.9	52.3
		Agree	38	34.9	87.2
		Strongly agree	14	12.8	100.0
		Total	109	100.0	

Source: Own survey data (2021)

- The local raw material usage and dry goods (weight) in production of beer and wine is can easily identifiable.

Of 109 respondents, 52 (47.7%) agreed and strongly agreed that the local raw material usage and dry goods (weight) in the production of beer and wine can be easily identified, while 35 (32.1%) respondents rated neither agree nor disagree. And the rest, 22 (20.2%), disagreed and strongly disagreed. The findings of the survey data reveal that the local raw material usage and dry goods

(weight) in the production of beer and wine can be easily identifiable. (See table below for details)

Table 4.15: The local raw material usage and dry goods (weight)

		Frequency	Percent	Cumulative Percent	
The local raw material usage and dry goods (weight) in production of beer and wine is can easily identifiable.	Valid	Strongly Disagree	3	2.8	2.8
		Disagree	19	17.4	20.2
		Neither agree nor disagree	35	32.1	52.3
		Agree	43	39.4	91.7
		Strongly agree	9	8.3	100.0
		Total	109	100.0	

Source: Own survey data (2021)

➤ There is proper measuring and metering devices implementation

The survey data responses of the tax office staff pointed out that a majority of 58 (53.2%) of respondents agreed and strongly agreed that there is proper measuring and metering device implementation, while 27 (24.8%) strongly disagreed and disagreed, and the remaining 24 (22%) respondents rate neither agree nor disagree. The findings of the survey data reveal that there is proper measuring and metering device implementation. (See table below for details)

Table 4.16: The measuring and metering devices implementation

		Frequency	Percent	Cumulative Percent	
There is proper measuring and metering devices implementation	Valid	Strongly Disagree	4	3.7	3.7
		Disagree	20	18.3	22.0
		Neither agree nor disagree	27	24.8	46.8
		Agree	43	39.4	86.2
		Strongly agree	15	13.8	100.0
		Total	109	100.0	

Source: Own survey data (2021)

- The payment period/payment of excise tax after the time of removal of the goods from the manufacturer’s factory, which is not later than the 30th day of the succeeding month, under the new proclamation is enough.

The survey data responses of the tax office staff pointed out that the majority of 74 (67.8%) of respondents agreed and strongly agreed that the payment period/payment of excise tax after the time of removal of the goods from the manufacturer’s factory, which is not later than the 30th day of the succeeding month, under the new proclamation is enough, while 26 (23.9%) of respondents did neither agree nor disagree, and the rest of 9 (8.3%) disagreed. The findings of the survey data reveal that the current payment period is enough. (See table below for details)

Table 4.17: The payment period/payment of excise tax

		Frequency	Percent	Cumulative Percent	
The payment period/payment of excise tax after the time of removal of the goods from the manufacturer’s factory, which is not later than the 30th day of the succeeding month, under the new proclamation is enough.	Valid	Strongly Disagree	1	.9	.9
		Disagree	8	7.3	8.3
		Neither agree nor disagree	26	23.9	32.1
		Agree	60	55.0	87.2
		Strongly agree	14	12.8	100.0
	Total		109	100.0	

Source: Own survey data (2021)

- Monthly reconciliation be made among delivery note, invoices, declaration and stock movement documents (Raw material, work in process and finished good stock) of tax payers

Of 109 respondents, 83 (76.2%) agreed and strongly agreed that monthly reconciliation be made among delivery notes, invoices, declarations, and stock movement documents (raw material, work in process, and finished good stock) of tax payers, and 18 (16.5%) neither agreed nor agreed, while the rest of eight (7.3%) respondents disagreed. The findings of the survey data reveal that there is a monthly reconciliation made among delivery notes, invoices, and declaration and stock movement documents by the tax officials. (See table below for details)

Table 4.18: The document reconciliation

		Frequency	Percent	Cumulative Percent	
Monthly reconciliation be made among delivery note, invoices, declaration and stock movement documents (Raw material, work in process and finished good stock) of tax payers	Valid	Strongly Disagree	1	.9	.9
		Disagree	7	6.4	7.3
		Neither agree nor disagree	18	16.5	23.9
		Agree	58	53.2	77.1
		Strongly agree	25	22.9	100.0
	Total	109	100.0		

Source: Own survey data (2021)

- The input/output ratio implementation helps the control process.

Table 4.19: The input/output ratio implementation in the control process

		Frequency	Percent	Cumulative Percent	
The input/output ratio implementation helps the control process.	Valid	Strongly Disagree	4	3.7	3.7
		Disagree	1	.9	4.6
		Neither agree nor disagree	17	15.6	20.2
		Agree	64	58.7	78.9
		Strongly agree	23	21.1	100.0
	Total	109	100.0		

Source: Own survey data (2021)

According to table 4.19, survey data responses of the tax office staff, the majority (87, or 79.8%) agreed and strongly agreed that the input/output ratio implementation helps the control process, and 17 (15.6%) neither agreed nor disagreed, while the remaining five (4.6%) disagreed. However, respondent A₂ from the interviewees pointed out that "there is no study in relation to this in order to make it as a reference." Thus, even if there is no study in relation to this in order to make a reference, the findings of the survey data reveals that the input/output ratio implementation helps the control process.

- There is excise tax declaration document submitted regularly in each calendar month and payment made soon.

Of 109 respondents, 85 (78%) agreed and strongly agreed that there is an excise tax declaration document submitted regularly each calendar month and payment made soon, while 17 (15.6%) neither agreed nor disagreed. The rest of respondents (7, or 6.4%) disagreed and strongly disagreed. The findings of the survey data reveal that there is an excise tax declaration document submitted regularly each calendar month and payment is made soon. (See table below for details)

Table 4.20: The excise tax declaration document

		Frequency	Percent	Cumulative Percent	
There is excise tax declaration document submitted regularly in each calendar month and payment made soon.	Valid	Strongly Disagree	1	.9	.9
		Disagree	6	5.5	6.4
		Neither agree nor disagree	17	15.6	22.0
		Agree	64	58.7	80.7
		Strongly agree	21	19.3	100.0
		Total	109	100.0	

Source: Own survey data (2021)

- The new excise tax invoice system improves the excise control audit trial.

The survey data responses of the tax office staff pointed out that the majority of respondents (82, or 75.2%) agreed and strongly agreed that the new excise tax invoice system improves the excise control audit trial, and 18 (16.5%) neither agreed nor disagreed, while the remaining 9 (8.3%) disagreed and strongly disagreed. However, according to the interview with tax officials, the researcher found out that the new excise tax invoice receipt method of the reform results in a manual invoice method. According to respondent A3, pointed out that "producers transfer from the cash register to the manual invoice method in order to show the amount of excise tax clearly." Thus, even if it results in the manual invoice method, the findings of the survey data reveal that the new excise tax invoice system improves the excise control audit trail. (See table below for details)

Table 4.21: The new excise tax invoice system

		Frequency	Percent	Cumulative Percent	
The new excise tax invoice	Valid	Strongly Disagree	3	2.8	2.8

system improves the excise control audit trial		Disagree	6	5.5	8.3
		Neither agree nor disagree	18	16.5	24.8
		Agree	61	56.0	80.7
		Strongly agree	21	19.3	100.0
		Total	109	100.0	

Source: Own survey data (2021)

- There is a robust audit trial for non compliant tax payers.

The survey data responses of the tax office staffs pointed out that majority of respondent (60.5%) were agree and strongly agree that there is a robust audit trial for non compliant tax payers; while 31 (28.5%) of them were neither agree nor disagree. The rest 12 (11%) respondents were disagreeing and strongly disagree. The findings of the survey data reveal there is a robust audit trial for non compliant tax payers. (See table below for details)

Table 4.22: The robust audit trial for non compliant tax payers

			Frequency	Percent	Cumulative Percent
There is a robust audit trial for non compliant tax payers.	Valid	Strongly Disagree	1	.9	.9
		Disagree	11	10.1	11.0
		Neither agree nor disagree	31	28.5	39.4
		Agree	53	48.6	88.1
		Strongly agree	13	11.9	100.0
		Total	109	100.0	

Source: Own survey data (2021)

4.2.2.4. Enforceability of new excise tax law

- The new excise tax law is easy to implement by tax officials

Table 4.23: The implementation of the law

			Frequency	Percent	Cumulative Percent
The new excise tax	Valid	Strongly Disagree	3	2.8	2.8
		Disagree	8	7.3	10.1

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law is easy to implement by tax officials		Neither agree nor disagree	31	28.4	38.5
		Agree	59	54.2	92.7
		Strongly agree	8	7.3	100.0
		Total	109	100.0	

Source: Own survey data (2021)

According to table 4.23, survey data responses of the tax office staff, 67 (61.5%) agreed and strongly agreed that the new excise tax law is easy to implement by tax officials, whereas 31 (28.4%) of the respondents' levels of agreement were neither agree nor disagree. The rest 11(10.1%) were disagree and strongly disagree. In this regard, according to the interview with tax officials, the researcher found out at what stage the implementation of the new excise tax law is. All the interviewees said that the tax law is not fully implemented. For the reason that of the COVID crises the transitional provision of the proclamation was not effective. However, since, excises are not new laws to the tax system, existing taxpayers of LTO are required to file and pay taxes in compliance with the new legislation without having the license since the ratification of the new proclamation until March 9th, 2021. However, currently the license registration is completed. Thus, according to respondent A1, "the implementation is in an infant stage." The findings of the survey data reveal that the new excise tax law is easy to implement by tax officials, and the interview data reveals that only the assessment and licensing of the tax reform are implemented. Thus, both the quantitative and qualitative data imply that because the implementation of the new tax law is at an infant or start-up stage, the new excise tax law is easy to implement by tax officials.

- The necessary infrastructure required to ensure effectiveness in taxing excises in Ethiopia is currently not in place.

Table 4.24: The necessary infrastructure

		Frequency	Percent	Cumulative Percent	
The necessary infrastructure required to ensure effectiveness in taxing excises in Ethiopia is currently not in place.	Valid	Strongly Disagree	4	3.7	3.7
		Disagree	24	22.0	25.7
		Neither agree nor disagree	31	28.4	54.1
		Agree	39	35.8	89.9

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		Strongly agree	11	10.1	100.0
		Total	109	100.0	

Source: Own survey data (2021)

According to table 4.24 survey data responses of the tax office staff, of 109 respondents, 50 (45.9) agreed and strongly agreed that the necessary infrastructure required to ensure effectiveness in taxing excises in Ethiopia is currently not in place, while 31 (28.4%) respondents neither agreed nor disagreed, and the remaining 28 (25.7%) disagreed and strongly disagreed. All the interviewees also said that "there is no necessary infrastructure required to ensure effectiveness in taxing excises and full implementation of the law in Ethiopia". Respondent A₃ said that infrastructure like technology for excise control purposes and also facilitation for this is not in place. Moreover, respondent A₁ pointed out that "there is no single unit for physical observation." Thus, both the quantitative and qualitative data revealed that the necessary infrastructure required ensuring effectiveness in taxing excises and full implementation of the law is not currently in place in Ethiopia.

- The license requirement introduced in the excise tax reform, which eligible taxpayers to be licensed by the "Authority", is appropriate.

Table 4.25: The appropriateness of license requirement

		Frequency	Percent	Cumulative Percent	
The license requirement introduced in the excise tax reform, which eligible taxpayers to be licensed by the "Authority", is appropriate.	Valid	Strongly Disagree	3	2.8	2.8
		Disagree	3	2.8	5.5
		Neither agree nor disagree	10	9.2	14.7
		Agree	80	73.4	88.1
		Strongly agree	13	11.9	100.0
		Total	109	100.0	

Source: Own survey data (2021)

According to table 4.25, survey data responses of the tax office staff, the majority of respondents 93 (85.3%) agreed and strongly agreed that the license requirement introduced in the excise tax reform, which requires eligible taxpayers to be licensed by the "Authority", is appropriate. Only 10 (9.2%) of respondents were neither agreeing nor disagreeing, while the remaining 6 (5.5%)

strongly disagreed. Thus, this implies that a great majority (85.3%) of survey data respondents agreed that the license requirement introduced in the excise tax reform is appropriate.

Entities that manufacture, store, move, or deal in any way with excisable goods under duty suspension will often have large duty liabilities with the relevant revenue agency administering excise taxes. It should therefore be a legal or administrative requirement for all such entities dealing in excisable goods to be licensed or registered in some way. This will ensure that the relevant revenue agency has full knowledge as to who is operating within the excise system and, indeed, through an application and vetting process, should look to reject certain applications for licensing until the applicant’s risk to the revenue is acceptable. (ASEAN Excise Tax Reform, 2014)

- The “excise control” of the reform is feasible for implementation.

Table 4.26: The enforceability of excise control

		Frequency	Percent	Cumulative Percent	
The “excise control” of the reform is feasible for implementation.	Valid	Strongly Disagree	3	2.8	2.8
		Disagree	10	9.2	11.9
		Neither agree nor disagree	24	22.0	33.9
		Agree	62	56.9	90.8
		Strongly agree	10	9.2	100.0
		Total	109	100.0	

Source: Own survey data (2021)

According to table 4.26, based on survey data responses of the tax office staff, the majority of respondents (72, or 66.1%) agreed and strongly agreed that the "excise control" of the reform is feasible for implementation, while 24 (22%) respondents neither agreed nor disagreed, and the rest of 13 (11.9%) disagreed and strongly disagreed. In this regard, according to the interview with tax officials, the researcher found out that the tax administration does not start the excise control according to the law.

According to respondent A1, "the implementation is in an infant stage" and "the implementation of the new excise tax law is not effective because of the additional responsibilities the new law

requires with respect to license and excise control; the implementation faced resistance from the alcohol and beer producers' side, and there was an organizational gap too. In this regard, the interviewees were asked about which department is responsible for the implementation of the new "excise control system," and according to respondent A2, "Unlike VAT, which has a responsible department named the tax declaration department, currently there is no responsible department for excise tax at LTO." As a result, both quantitative and qualitative data revealed that "excise control" of the reform is currently not feasible due to a lack of a responsible department.

- Record keeping is properly designed and applied so as to maintain proper control.

The survey data responses of the tax office staff pointed out that the majority of respondents (78, or 71.5%) agreed and strongly agreed that the record keeping is properly designed and applied so as to maintain proper control, while 16 (14.7%) respondents neither agreed nor disagreed, and the rest of 15 (13.8%) disagreed and strongly disagreed (See table 4.27 below for details). However, official interviewee respondent A₃ pointed out that "the Transition Provision was not effective and because of the transition from the cost of production method of assessment to the ex-factory price method of assessment, there was a need to record input inventory, which if not properly kept, is expected to result in the audit trial effect." The findings of the survey data reveal that the record keeping is properly designed and applied so as to maintain proper control. However, at the beginning, the finding from the interviewee indicates that there is an expected result in the audit trial effect.

Table 4.27: The recordkeeping

		Frequency	Percent	Cumulative Percent	
Record keeping is properly designed and applied so as to maintain proper control.	Valid	Strongly Disagree	4	3.7	3.7
		Disagree	11	10.1	13.8
		Neither agree nor disagree	16	14.7	28.4
		Agree	58	53.2	81.7
		Strongly agree	20	18.3	100.0
		Total	109	100.0	

Source: Own survey data (2021)

- The requirement of license tightened the excise control

The survey data responses of the tax office staff pointed out that of 109 respondents, 80 (73.4%) agreed and strongly agreed that the requirement of a license tightened the excise control, while 23 (21.1%) respondents neither agreed nor disagreed, and the rest of six (5.5%) disagreed and strongly disagreed (See table 4.28 below for details). The survey data responses of the tax office staff pointed out that the license requirement tightened the excise control. According to the ASEAN excise tax reform manual (2014), the excise licenses are condition to restrict licensees to activities directly related to their business and keeping proper and accurate records.

Table 4.28: Descriptive statistics result for the license requirement in excise control

		Frequency	Percent	Cumulative Percent	
The requirement of license tightened the excise control	Valid	Disagree	6	5.5	5.5
		Neither agree nor disagree	23	21.1	26.6
		Agree	63	57.8	84.4
		Strongly agree	17	15.6	100.0
		Total	109	100.0	

Source: Own survey data (2021)

- Excise tax offence and penalties are clear and easy to implement.

Of 109 respondents, 79 (72.5%) agreed and strongly agreed that the excise tax offences and penalties are clear and easy to implement, while 18 (16.5%) respondents neither agreed nor disagreed, and the remaining 11 (10%) disagreed and strongly disagreed. The survey data response of the tax office staff implies that the excise tax offences and penalties are clear and easy to implement. (See table below for details)

Table 4.29: The offence and penalties

		Frequency	Percent	Cumulative Percent	
Excise tax offence and penalties are clear and easy to implement.	Valid	Strongly Disagree	3	2.8	2.8
		Disagree	9	8.3	11.0
		Neither agree nor disagree	18	16.5	27.5

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		Agree	62	56.9	84.4
		Strongly agree	17	15.6	100.0
		Total	109	100.0	

Source: Own survey data (2021)

- There is excise tax stamp implementation in the control process.

The survey data responses of the tax office staff pointed out that a majority of respondents (50, or 45.9%) agreed and strongly agreed that there is excise tax stamp implementation in the control process, while 36 (33%) disagreed and strongly disagreed. The rest, 11 (10%), neither agree nor disagree. However, according to the interview with tax officials, the researcher found out that there was no excise tax stamp implementation and, according to R3, "there was no directive regarding this until now." (See table below for details)

Table 4.30: The excise tax stamp implementation

			Frequency	Percent	Cumulative Percent
There is excise tax stamp implementation in the control process.	Valid	Strongly Disagree	1	.9	.9
		Disagree	35	32.1	33.0
		Neither agree nor disagree	23	21.1	54.1
		Agree	37	33.9	88.1
		Strongly agree	13	11.9	100.0
		Total	109	100.0	

Source: Own survey data (2021)

- The implementation of the new excise tax law requires continuous training/education to officials

Table 4.31: The training/education to officials

			Frequency	Percent	Cumulative Percent
The implementation of the new excise tax law requires continuous training/education to officials	Valid	Strongly Disagree	1	.9	.9
		Disagree	4	3.7	4.6
		Neither agree nor disagree	11	10.1	14.7
		Agree	64	58.7	73.4

		Strongly agree	29	26.6	100.0
		Total	109	100.0	

Source: Own survey data (2021)

According to table 4.31, survey data responses of the tax office staff, the majority of respondents (93, or 85.3%) agreed and strongly agreed that the implementation of the new excise tax law requires continuous training and education for officials, while 11 (10.1%) respondents neither agreed nor disagreed, and the rest of 5 (4.6%) disagreed and strongly disagreed. Also, respondent A₁, from the interviewee, said that "there is a lack of training for tax officials." The survey data responses of the tax office staff pointed out that implementation of the new excise tax law requires continuous training and education of officials.

4.2.2.5. Information security & Confidentiality in new excise tax law

- The tax administration take taxpayers’ input into account in the design of administrative processes, products and changes to laws

Table 4.32: The stakeholders’ consideration

		Frequency	Percent	Cumulative Percent	
The tax administration take taxpayers’ input into account in the design of administrative processes, products and changes to laws	Valid	Strongly Disagree	4	3.7	3.7
		Disagree	10	9.2	12.8
		Neither agree nor disagree	23	21.1	33.9
		Agree	64	58.7	92.7
		Strongly agree	8	7.3	100.0
		Total	109	100.0	

Source: Own survey data (2021)

According to table 4.32, survey data responses of the tax office staff, the majority of respondents (72, or 66.1%) agreed that the tax administration takes taxpayers’ input into account in the design of administrative processes, products, and changes to laws, while 23 (21.1%) respondents were neither agree nor disagree, and the rest of 14 (12.8%) disagreed and strongly disagreed. In this regard, according to the interview with tax officials, the researcher found out how much the tax administration takes taxpayers’ feedback or input into account. According to respondent A₂, "the stakeholders have participated from design up to the policy ratification and have taken the

education and training almost four times." On the other hand, respondent A₁ pointed out that "taxpayers, manufacturers, like water, alcohol, saturated fat, and those who assemble cars, say it is not enough." Respondent A₃ said that "the excise tax reform from the beginning had a debate. The draft design has been debated by stakeholders such as MOH, MOF, MOR, and taxpayers. For the question rose from tax payers they are trying to be convinced by the Authority." Thus, both the quantitative and qualitative data indicate that tax administration takes taxpayers' input into account in the design of administrative processes, products, and changes to laws. But, according to the interview data, the tax administration works more on convincing the taxpayers than taking their feedback.

- The new "Excise tax control system" destructs businesses normal operation as it limits the rights of manufacturers on excisable goods.

Table 4.33: The stakeholders' and the new excise control

		Frequency	Percent	Cumulative Percent	
The new "Excise tax control system" destructs businesses normal operation as it limits the rights of manufacturers on excisable goods	Valid	Strongly Disagree	7	6.4	6.4
		Disagree	33	30.3	36.7
		Neither agree nor disagree	31	28.4	65.1
		Agree	28	25.7	90.8
		Strongly agree	10	9.2	100.0
		Total	109	100.0	

Source: Own survey data (2021)

According to table 4.33, survey data responses of the tax office staffs, majority 40(36.7%) of respondent were disagree and strongly disagree that the new "Excise tax control system" destructs businesses normal operation as it limits the rights of manufacturers on excisable goods while 38(34.9%) respondent were agree and strongly agree. The rest 31(28.4%) of them were neither agree nor disagree.

Even if the rate of respondents who "disagreed" (36.7%) and "agreed" (34.9%) is almost approximate, the findings of the survey suggest that, from the tax administration or tax office side, there is a belief that the new excise tax control system does not disrupt businesses' normal operation even if it limits the rights of manufacturers on excisable goods. However, respondent

A₃ from the interviewees pointed out that "for tax payers the new law has technology cost in relation to the new excise control system and this affects tax payers' compliance" as one of the peculiar challenges the new proclamation faces during its implementation.

- The new excise tax law discourages business/investors current and future investment/expansion

The survey data responses of the tax office staff pointed out that the majority of respondents (46, or 42.2%) disagreed and strongly disagreed that the new excise tax law discourages business/investors' current and future investment and expansion, while 37 (33.9%) agreed and strongly agree. The remaining 26 (23.9%) were neither agree nor disagree. Thus, the findings of the survey suggest that the tax administration or tax office belief that the excise tax reform does not discourage business/investors' current and future investment/expansion. (See table below for details)

Table 4.34: Business/investors current and future investment/expansion

		Frequency	Percent	Cumulative Percent	
The new excise tax law discourages business/investors current and future investment/expansion	Valid	Strongly Disagree	13	11.9	11.9
		Disagree	33	30.3	42.2
		Neither agree nor disagree	26	23.9	66.1
		Agree	33	30.3	96.3
		Strongly agree	4	3.7	100.0
		Total	109	100.0	

Source: Own survey data (2021)

4.2.2.6. Tax Revenue/ Collection Cost of new excise tax

- The implementation of new "Excise tax control system" entails additional costs to the tax administration (Costs like:- organizational or structural change, training e.t.c)

Table 4.35: The excise tax control system and administrative cost

		Frequency	Percent	Cumulative Percent	
The implementation of new "Excise tax control system"	Valid	Strongly Disagree	3	2.8	2.8
		Disagree	17	15.6	18.3

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entails additional costs to the tax administration (Costs like:- organizational or structural change, training e.t.c)	Neither agree nor disagree	25	22.9	41.3
	Agree	51	46.8	88.1
	Strongly agree	13	11.9	100.0
	Total	109	100.0	

Source: Own survey data (2021)

The excise tax control system was one of the major concepts introduced by the reform, and administrative control in relation to its implementation is expected. Thus, respondents are asked to indicate their attitude toward it. According to table 4.35 (above), survey data responses of the tax office staff, 64 (58.7%) agreed and strongly agreed that the implementation of the new "excise tax control system" entails additional costs to the tax administration (costs like: organizational or structural change, training, e.t.c), while 25 (22.9%) respondents neither agree nor disagree. The rest (20, or 18.4%) disagreed and strongly disagreed. In this regard, all the interviewees cited that there was only a training cost because the implementation of the reform is at an infant stage. According to respondent A₃, "currently the excise tax reform is treated like a project, not as an individual system." Then, even if it increases the administrative cost, with respect to its excise tax revenue impact, it is least. " Thus, both the quantitative and qualitative data indicate that the implementation of the new "excise tax control system" entails additional costs to the tax administration, but the cost was limited to the cost of training for both tax office staff and taxpayers. This is because the implementation of the reform is in its start-up or infant stage.

➤ The new excise tax minimizes the tax administration cost

The survey data responses of the tax office staff (see Table 4.36 below) pointed out that the majority of respondents (75, or 68.8%) agreed and strongly agreed that the new excise tax minimizes the tax administration cost, while 20 (18.3%) respondents neither agreed nor disagreed. The rest, 14 (12.9%) of them disagreed and strongly disagreed. Prior to the reform, Ensesu (2019) pointed out that the cost of production for local producers, on which items and costs are included in the production cost, creates more administrative costs separating record keeping and the bases, which were sometimes not consistent with the tax officer's computation. In this regard, the survey data findings imply that, currently, the excise tax reform minimizes the

tax administration cost. Accordingly, the change in the new excise tax, especially the change in the tax base, has a great positive impact.

Table 4.36: The excise tax reform and tax administration cost

		Frequency	Percent	Cumulative Percent	
The new excise tax minimizes the tax administration cost.	Valid	Strongly Disagree	3	2.8	2.8
		Disagree	11	10.1	12.8
		Neither agree nor disagree	20	18.3	31.2
		Agree	61	56.0	87.2
		Strongly agree	14	12.8	100.0
		Total	109	100.0	

Source: Own survey data (2021)

- The group of items and goods included under the new proclamation are appropriate in relation to the objective of excise taxation.

The rationale for levying excise taxes is to increase government revenue, discourage bad habits, and promote vertical equity in the tax system. Thus, respondents are asked to indicate their attitude towards the current excisable goods in the excise tax rationale. Of 109 respondent 82(75.2%) agreed that the group of items and goods included under the new proclamation are appropriate in relation to the objective of excise taxation while 17(15.6%) respondent neither agree nor disagree. And the rest of 10 (9.2%) disagreed. This indicates that a majority of respondents agree on the appropriateness of excisable goods with respect to the rationale of excise taxation. (See the table below for details)

Table 4.37: The appropriateness of excisable goods

		Frequency	Percent	Cumulative Percent	
The group of items and goods included under the new proclamation are appropriate in relation to the objective of excise taxation.	Valid	Strongly Disagree	3	2.8	2.8
		Disagree	7	6.4	9.2
		Neither agree nor disagree	17	15.6	24.8
		Agree	69	63.3	88.1
		Strongly agree	13	11.9	100.0

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	Total	109	100.0	
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Source: Own survey data (2021)

- The detail rule on exemption or “Exempt good” on the excise tax reform broadened the tax base.

The survey data responses of the tax office staff pointed out that the majority of respondents (65, or 59.6%) agreed and strongly agreed that the detail rule on exemption or "exempt good" in the excise tax reform broadened the tax base, while 27 (24.8%) respondents neither agreed nor disagreed, and the rest of 17 (15.6%) disagreed and strongly disagreed. A clearly stated exemption rule is the best mechanism for increasing the number of tax payers in the tax net. Thus, this implies that the detailed rules on exemption or "exempt good," which the excise tax reform brought to the excise tax system, broadened the tax base. (See table below for details)

Table 4.38: The exempt good and the tax base

		Frequency	Percent	Cumulative Percent	
The detail rule on exemption or “Exempt good” on the excise tax reform broadened the tax base.	Valid	Strongly Disagree	7	6.4	6.4
		Disagree	10	9.2	15.6
		Neither agree nor disagree	27	24.8	40.4
		Agree	51	46.8	87.2
		Strongly agree	14	12.8	100.0
		Total	109	100.0	

Source: Own survey data (2021)

- The excisable group of items and rates of the new excise tax proclamation are enough to generate tax revenue for the government

Of 109 respondent 75(68.8%) were agree and strongly agree that the current excisable group of items and rates of the new excise tax proclamation are enough to generate tax revenue for the government; while 18(16.5%) respondent neither agree nor disagree. The rest of them (16, or 14.7%) disagreed and strongly disagreed. Thus, the findings of the survey data imply that the excisable group of items and rates the reform brought are enough to generate tax revenue for the government.

Table 4.39: The excisable group of items and tax revenue

		Frequency	Percent	Cumulative Percent	
The excisable group of items and rates of the new excise tax proclamation are enough to generate tax revenue for the government	Valid	Strongly Disagree	3	2.8	2.8
		Disagree	13	11.9	14.7
		Neither agree nor disagree	18	16.5	31.2
		Agree	62	56.9	88.1
		Strongly agree	13	11.9	100.0
		Total	109	100.0	

Source: Own survey data (2021)

- The rate of excise tax payable on the current proclamation by reference to the excisable value of excisable goods is fair

The survey data responses of the tax office staff (see Table 4.40 below) pointed out that the majority of respondents (71, or 65.1%) agreed and strongly agreed that the rate of excise tax payable on the current proclamation by reference to the excisable value of excisable goods is fair, while 21 (or 19.3%) respondents neither agree nor disagree. The rest (17, or 15.6%) of them disagreed. This implies that the rate of excise tax payable on the current proclamation by reference to the excisable value of excisable goods is fair. The high tax rate would create strong incentives for (legal) tax avoidance and (illegal) tax evasion (Gale & Holtzblatt, 2000). Thus, the rate of new excise tax proclamation needs follow-up from respective bodies.

Table 4.40: The rate of excise tax payable

		Frequency	Percent	Cumulative Percent	
The rate of excise tax payable on the current proclamation by reference to the excisable value of excisable goods is fair	Valid	Strongly Disagree	6	5.5	5.5
		Disagree	11	10.1	15.6
		Neither agree nor disagree	21	19.3	34.9
		Agree	60	55.0	89.9
		Strongly agree	11	10.1	100.0
		Total	109	100.0	

Source: Own survey data (2021)

- Domestic excise taxes or the specific rates of excisable goods are adjusted regularly for inflation.

Table 4.41: The inflation adjustment

		Frequency	Percent	Cumulative Percent	
Domestic excise taxes or the specific rates of excisable goods are adjusted regularly for inflation.	Valid	Strongly Disagree	7	6.4	6.4
		Disagree	28	25.7	32.1
		Neither agree nor disagree	23	21.1	53.2
		Agree	44	40.4	93.6
		Strongly agree	7	6.4	100.0
		Total	109	100.0	

Source: Own survey data (2021)

According to table 4.41, based on survey data responses of the tax office staff, the majority of respondents (51, or 46.8%) agreed and strongly agreed that the domestic excise taxes or the specific rates of excisable goods are adjusted regularly for inflation, while 35 (32.1%) disagreed and strongly disagreed. The remainder (21.1%) were neither agreeing nor disagreeing. However, the data from all the interviewees shared the same idea and said that "in the previous trend, there was no experience of this since the excise tax rate under the repealed proclamation was ad valorem for all goods." So there was no adjustment for inflation until now. On the other hand, respondent A₃ said that "following the corona pandemic crisis (COVID 19) there were some adjustments through circulars (No. 3 C/57/9) for alcohol producers and textile producers who produce face-mask become free from excise tax." Thus, even if a majority (46.8%) of the survey respondents agreed that the domestic excise taxes or the specific rates of excisable goods are adjusted regularly for inflation, the interview data with the officials reveals that there was no adjustment for inflation until now..

- The excise tax reform has an effect on other taxes like VAT and business income tax.

Table 4.42: The excise tax reform its impact on VAT and business income tax

		Frequency	Percent	Cumulative Percent	
The excise tax reform has	Valid	Strongly Disagree	6	5.5	5.5

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an effect on other taxes like VAT and business income tax.	Disagree	22	20.2	25.7
	Neither agree nor disagree	17	15.6	41.3
	Agree	51	46.8	88.1
	Strongly agree	13	11.9	100.0
	Total	109	100.0	

Source: Own survey data (2021)

According to table 4.42, survey data responses of the tax office staffs, of 109 respondent 64(58.7%) were agree and strongly agree the excise tax reform has an effect on other taxes like VAT and business income tax ; while 28(25.7%) respondent disagree and strongly disagree. The rest 17(15.6%) of them were neither agree nor disagree.

In this regard, according to the interview from tax officials, the researcher find out that with respect to VAT all the interviewees' belief that the excise tax reform has a positive impact on VAT. Accordingly respondent A₃ said that "in case of VAT the direct positive effect because of, the output control or goods sold from the factory also has direct VAT control positive effect". Moreover respondent A₂ pointed out that "the VAT shows and has an increment in relation to excise assessment change. Following the reform the percentage of taxpayers' who made cash payment of VAT increased from 47% to 54%". However, respondent A₁ pointed out this will be feasible "if it is effective at implementation it has an impact on VAT". But for the case of "business income tax", both respondent A₂ and A₃ share the same idea. The reform brought an opportunity for the Authority enables it to better control since the goods are under the control of the Authority from raw material to finished good besides the producers margin and market price information all has positive impact on the business income tax of those eligible tax payers. In contrast to them respondent A₁ said that "in relation with business income tax they have doubt."

In collaboration with the excise tax rate and excise control the tax base seems to have an effect on VAT and business income tax. Thus, both the quantitative and qualitative data indicates that the excise tax reform has an effect on taxes like VAT. The rationale behind this is excise is normally part of the VAT tax base, meaning that VAT is usually levied on the duty-paid value of the excise products (OECD, 2016). Therefore, according to OECD (2016) an increase of excise duty rates implies an increase of both excise and VAT burden. For the case of business income

tax, according to the interview data, its effect depends on the excise control system implementation effectiveness.

- The implementation of excise tax reform increases tax revenue from excises.

Table 4.43: The tax revenue from excises

		Frequency	Percent	Cumulative Percent	
The implementation of excise tax reform increases tax revenue from excises.	Valid	Strongly Disagree	1	.9	.9
		Disagree	6	5.5	6.4
		Neither agree nor disagree	10	9.2	15.6
		Agree	67	61.5	77.1
		Strongly agree	25	22.9	100.0
		Total	109	100.0	

Source: Own survey data (2021)

According to table 4.43, based on survey data responses of the tax office staff, the majority of respondents (92, or 84.4%) agreed and strongly agreed that the implementation of excise tax reform increases tax revenue from excises, while 10 (9.2%) respondents neither agreed nor disagreed, and the rest, 7 (6.4%) disagreed and strongly disagreed. In this regard, all the interviewees said that, even if it is not studied how much the implementation of excise tax reform increases the excise tax revenue, the excise tax revenue ratio to total tax revenue/ domestic tax revenue, the reform shows a radical change in excise tax revenue. One of the main objectives of the excise tax reform was the need to enhance revenue from the excise tax. Thus, the findings of both quantitative and qualitative data imply that the implementation of excise tax reform increases excise tax revenue.

Accordingly, even if it's too early to assess the impact of the excise tax reform on the tax revenue, the researcher made a simple investigation into the pre and post-trend of the excise tax revenue at LTO. The pre-reform annual reports of the federal large taxpayers' branch office reveal that excise tax contributes to less than 10% of the branch's overall revenue (see Table 4.44 below). Besides, most of the time, there were deficits on excises from the budgeted excise tax revenue. On the other hand, following the reform, in 2019/2020 the excise tax contribution to the branch's overall revenue increases to 10.02 percent from 7.56 in 2018/2019 (see Table 4.45

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below). Moreover, the monthly report of the LTO verifies that there is no deficit following the reform. According to the primary data, this is due to the change in the excise tax base or the implementation of the ex-factory price method of assessment. Thus, if the volumes of production stay normal, the excise tax reform will increase revenue from excises in the future too.

Table 4.44: Trends of excise tax at LTO

Year	Budgeted Excise Tax Revenue	Actual Excise Tax Revenue	Total Revenue	Contribution of Excise Tax from Total Revenue %	Difference From the budget
2009/2010	1,121.57	989.05	11,689.57	8.46	-132.52
2010/2011	1,616.21	1,390.65	19,662.69	7.07	-225.54
2011/2012	2,185.59	1,893.55	26,134.97	7.24	-292.04
2012/2013	2,234.00	2,026.04	32,520.04	6.23	-207.96
2013/2014	2581.55	2,623.12	43,916.19	5.97	41.57
2014/2015	3,148.29	3,311.37	53,043.68	6.24	163.08
2015/2016	3,731.90	3,552.05	60,567.55	5.86	-179.85
2016/2017	4,915.25	4,689.18	68,210.03	6.87	-226.07
2017/2018	5,598.02	4,688.64	74,193.00	6.31	-909.38
2018/2019	6,382.42	6,499.96	85,968.14	7.56	117.54
Post Reform Trend					
2019/2020	8,315.22	8,854.33	88,384.51	10.02	539.11

Source: the researcher's calculation based on data from LTO annual reports

Excise Tax Reform

Table 4.45: LTO monthly excise tax trend after reform from March 2020 to March 2021

Month & Year	Budgeted Excise Tax Revenue	Actual Excise Tax Revenue	Total Revenue	Contribution of Excise Tax from Total Revenue %	Difference From the budget
Mar – April 2020	737.44	792.98	5,722.91	13.85	55.54
April-May 2020	1,034.99	901.27	6,072.03	14.84	-133.72
May –June 2020	1,009.25	1,447.22	7,403.36	19.54	437.97
June-July 2020	733.55	925.63	4,280.74	21.62	192.08
July – Aug 2020	738.25	1,162.40	9,422.77	12.33	540.47
Aug – Sep 2020	897.46	1,008.10	8,331.01	12.10	110.64
Sep – Oct 2020	1,017.16	1,047.55	9,161.94	11.43	30.39
Oct – Nov 2020	872.92	2,168.46	28,778.31	07.53	1,295.54
Nov- Dec 2020	762.78	964.79	7,028.68	13.73	202.01
Dec –Jan 2021	839.67	921.22	9,699.83	13.85	81.55
Jan – Feb 2021	902.50	551.26	7,560.83	14.84	-351.24
Feb – Mar 2021	936.68	1,419.74	8,646.46	19.54	483.06

Source: the researcher’s calculation based on data from LTO monthly reports

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

This chapter is divided into three sections: a summary of the findings, a conclusion, and possible recommendations based on the findings of the previous chapters.

5.1. Summary of Findings

The primary goal of this study is to assess the challenges and opportunities of the new excise tax law implementation at federal large taxpayer branch offices. The study based its findings on the responses of 109 LTO tax office staff, the majority of whom (47.7%) had between 5 and 10 years of experience. The remaining 30.3 percent had less than 5 years of work experience, 16.5 percent had 10–15 years, and 5.5 percent had more than 15 years. Furthermore, each major segment of the target population was better represented, with 55.9% from the tax operation sector, 41.3 percent from tax law enforcement, and 2.8 percent from tax decision compliance offices. 78 percent of the respondents agreed that they are familiar with the new excise tax law, and also 74.3 percent agreed that they are well-informed about the excise directive. Survey data responses of the tax office staff, 78 percent of the respondents agreed that they are familiar with the new excise tax law, and also 74.3 percent agreed that they are well-informed about the excise directive. Thus, the findings of the survey questionnaire responses imply that the respondents were qualified enough to understand and appropriately respond to the questionnaire. The final outcome of the survey response and interview data reveals that: -

The new excise proclamation and directive are both simple to understand. The majority (64.2 percent) of respondents agreed and strongly agreed that the ex-factory price method of assessment simplified the determination of taxpayers' excise tax liability, while 32 (29.4%) of respondents rated neither agree nor disagree. Thus because of the ex-factory basis for domestically produced goods, determining taxpayers' excise tax liability has become simpler, as has taxpayers' total compliance time. Furthermore, through its detailed exemption rule, the tax reform provided a clear demarcation for eligible taxpayers. Besides that, the reform lowers taxpayer compliance costs and alleviates the complex tax incidence problem in relation to raw materials used in the manufacture of other excisable goods. However, the detailed presentation

of excisable goods or the first schedule increases the complexity for tax officials, and the tax rate structure's broad range of rates (5 percent - 500 percent) has made the law's implementation tiresome. Majority of the respondents (44%) agreed and strongly agreed that the broad range of rates (5%-500%) in the tax rate structure of the new excise tax has made the implementation of the law tiresome, whereas 42 (38.5%) of the respondents' levels of agreement were neither agree nor disagree. In contrast, data from interviews show that the first schedule of the new proclamation broadened the tax base while discouraging harmful consumption of harmful products for health and the environment (Like car accidents because of too old vehicles imported). Furthermore, it ensured that all taxpayers were treated fairly by charging the same rate and using the same system.

Furthermore, the excise tax reform's ex-factory price assessment increases taxpayers' certainty in determining their tax liability. Of 109 respondents, 79 (72.5%) agreed that the ex-factory price assessment of the excise tax reform increases the certainty of tax payers in determining their tax liability, while 18 (16.5%) respondents neither agreed nor disagreed. Besides, the use of local raw materials and dry goods (weight) in the production of beer and wine is easily identifiable, and proper measuring and metering devices are used. Following that, an excise tax declaration document is submitted on a regular basis in each calendar month, and payment is made as soon as possible. In addition, there is a thorough audit trail for noncompliant taxpayers. Even if it results using a manual invoice method, the survey results show that the new excise tax invoice system improves the excise control audit trail. Even though the survey data findings imply that implementing the input/output ratio aids the control process, the data from the interview revealed that there has been no study in this area to serve as a reference. Furthermore, the introduction of a specific excise tax in combination with ad valorem by the reform makes determining tax liability for alcohol, beer, and cigarettes difficult. Furthermore, determining fair market value is difficult to apply when there is no arms-length transaction. In line with the survey results, the data from the interview show that there is no FMV in Ethiopia if there is no proper documentation regarding the ex-factory price.

The new tax law is still in its early stages of implementation because Ethiopia lacks the necessary infrastructure to ensure the effectiveness of excise taxation and full implementation of the law. In this regard, the reform's "excise control system" is not able to be implemented. There

is also no implementation of excise tax stamps. In this regard, the researcher discovers that the implementation of the new excise tax law necessitates ongoing training/education for officials. The license requirement introduced in the excise tax reform, on the other hand, is appropriate and has tightened the excise control. Majority of respondents also 93 (85.3%) agreed and strongly agreed that the license requirement introduced in the excise tax reform, which requires eligible taxpayers to be licensed by the "Authority", is appropriate. Furthermore, record-keeping is properly designed and implemented in order to maintain proper control.

Following the reform, there is a nominal increase in excise tax revenue. With regard to the rationale of excise taxation in Ethiopia, the current excisable goods are appropriate. Furthermore, detailed exemption rules or "Exempt good" broadened the tax base. The excisable group of items and rates introduced by the reform are also sufficient to generate tax revenue for the government. Furthermore, both quantitative and qualitative data show that the excise tax reform has an impact on taxes such as VAT. According to the interview data, the effect of business income tax is dependent on the effectiveness of the excise control system implementation. However, the implementation of the new "Excise tax control system" adds to the tax administration's costs. According to the interview data, the cost was limited to the cost of training for both tax office staff and taxpayers, owing to the fact that the reform's implementation is in its early stages.

Moreover, the tax administration considers taxpayer feedback when developing administrative processes, products, and legislative changes. However, according to the interview data, the tax administration focuses on persuading taxpayers rather than listening to their feedback. Furthermore, there is a belief on the tax administration or tax office side that the new excise tax control system does not disrupt business operations, even if it limits manufacturers' rights on excisable goods; and that the excise tax reform doesn't discourage business/investors' current and future investment/expansion. However, according to data from taxpayer interviews, the new law has technology costs in relation to the new excise control.

5.2. Conclusions

The primary objective of this study was to assess which features of the new excise tax law contribute to the complexity, enforceability, and excise tax revenue of the tax administration. Hence, the researcher concluded that:-

- The study assessed how the new excise tax law is being implemented and finds out that the new excise tax law is still in its early stages of implementation. Because, Ethiopia lacks the necessary infrastructure to ensure the effectiveness of excise taxation and full implementation of the law. As a result, one of the peculiar problems/challenges of the recent excise tax reform is the lack of legal enforceability.
- In terms of enforceability even if the "excise control" of the new excise tax proclamation is the backbone of the reform, its implementation is impractical and lacks a responsible department. Since the impact of excise control is not limited to excise taxes, one of the challenges of the new excise tax law is its non-implementation.
- The new excise tax invoice system improves the audit trail for excise control, but it still uses a manual invoice method. Furthermore, the lack of FMV in Ethiopia creates issues when there is no arms-length transaction. Thus, these are also the challenges of the excise tax reform.
- In terms of complexity even if the first schedule of the new proclamation provided taxpayers with fair treatment by imposing the same rate and system on all taxpayers, the detailed presentation of excisable goods or the first schedule increases the complexity for tax officials.
- The study also assessed challenges in the new excise tax law implementation in terms certainty and the implementation of ad valorem taxation in combination with the specific excise tax rate for alcohol, beer, and cigarettes has a negative impact. This is also a challenge of the excise tax reform because it makes determining tax liability with respect to those goods difficult.
- ❖ One of the opportunities of the excise tax law implementation brought is the ex-factory price basis method of assessment for domestically produced goods, which was introduced by the new excise tax law. This makes determining taxpayers' excise tax liability simple and increases taxpayers' certainty in determining their tax liability. Furthermore, taxpayers' total compliance time and cost were reduced.
- ❖ The new law's license requirement is also one of the opportunities for reform in terms of certainty, as it allows the Authority to have full knowledge of who is operating within the excise system and to tighten excise control.

- ❖ One of the opportunities that the reform brought to the country's excise tax system is also the second schedule of the new excise tax proclamation. The detailed exemption rule, or "Exempt good," broadened the tax base and established a clear demarcation for eligible taxpayers.
- ❖ Besides, one of the positive outcomes of the reform is an increase in excise tax revenue.

5.3. Recommendations

Based on the survey responses and information obtained from the interviews, the researcher recommends the MOF, MOR, and LTO on the following points for the aforementioned challenges.

- ☞ Because of the new responsibilities and changes brought to the tax administration because of the reform, the excise tax requires its own structure. As a result, the study advised that to make structural changes like establish the excise tax department that would be fully responsible for the law's effective implementation.
- ☞ Capabilities of tax officials are required as a result of structural change building. As a result, the study also advised officials to be trained and educated on a regular basis by the tax office in order for the law to be effectively implemented.
- ☞ The manual invoice method, which was resulted as a result of the reform, requires immediate attention from the MOR. In addition, the MOF should work to improve the existing excise tax reforms for the case of "no arms-length transaction."
- ☞ Because the reform's new excise control system has a wide range of perspectives, the need for an excise intelligence department is unavoidable.

FUTURE RESEARCH DIRECTION

Because this study was limited to assessing the challenges and opportunities arising from the new excise tax law at the federal large taxpayers' office, the researcher suggested that future researchers who are interested in researching the topic include other branch offices that were not taken into account in this research, such as the medium and small taxpayers' offices or other federal branches in their research.

Excise tax in Ethiopia, unlike VAT, is a relatively untouched topic in the field of taxation research. Thus, any future researcher with an interest in conducting a study on excise tax utilizing various quantitative elements can do so on the impact of excise tax reform on government tax collection or business profitability. Businesses should be specified, for example, beer, soft drinks, tobacco and tobacco goods, alcohol and alcoholic products, and textile and textile product makers, due to the varied justification of excise taxation on them. It will also be fascinating to study the impact of excise tax reform on imported goods.

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APPENDIX I
ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF ACCOUNTING AND FINANCE
SURVEY QUESTIONNAIRE

Dear participant,

This questionnaire is designed to study “the challenges and opportunities of new excise tax law implementation on federal large tax payer’s branch office”. All responses will be used to conduct a study for the partial fulfillment of Master’s Thesis in Accounting and Finance from Addis Ababa University and, then, as an input for Ministry of Revenue, especially LTO, and Ministry of Finance to improve, make revision and/or amendments to overcome the challenges with it and exploit the opportunities.

Since the objective of the study is to assess the challenges and opportunities of the new excise tax implementation, and to point out possible remedies for the problems, the information you provide will help the researcher better understand the issue of excise tax reform. Because you are the one who can give us a correct picture about the implementation of the new excise tax law, I request you to respond to the questions frankly and honestly.

Your response will be kept strictly confidential and will be used for the purpose of the study only. Please put a “√” mark to all your responses in the space provided beside each question (if necessary).

I sincerely appreciate the help of your organization and yourself in furthering this research endeavor. Thank you very much for your time and cooperation in advance!

Cordially!

Kiya Bulto

Student researcher

Part I: Personal Information

1. Gender : Male Female

2. Age : ≤ 25 year 26-35 year
36-45 year 46-55 year ≥56 year

3. Educational Background:

Diploma Bachelor Degree Master Degree PhD Above

4. Work Experience in year (in or in relation with tax)

Below 5year 5-10 year 10-15 year above 15 year

5. Your work department:

- A) Tax Decision Complaint Office
- B) Office of the Deputy Operating Officer of the Tax Operations Sector
- C) Taxpayer Registration and Service
- D) Tax filing
- E) Return and Service Tax Audit
- F) Tax Debt Management Process Coordinator
- G) Revenue Accounts Management
- H) Risk and compliance strategy work
- I) Taxpayer Education and Information
- J) Tax Information and Tax Administration
- K) Tax audit

PART II: EXCISE TAX REFORM IMPLEMENTATION

6. Indicate in the following table the extent to which you agree with each of the following statements about the new excise tax law and its implementation by using the following scale ranging from “5=strongly agree” to “1=strongly disagree”

☞ Where: - **SD** - strongly disagree **D** - disagree **N** - neither agree nor disagree
A - Agree **SA** - strongly agree

ACQUAINTANCE

No	Attributes	SD 1	D 2	N 3	A 4	SA 5
1.	You are familiar with the current excise tax proclamation (No.1186/2020)					
2.	You are well-informed about the excise directive 67/2013 on the implementation of Excise Tax Proclamation					

SIMPLICITY

No	Attributes	SD 1	D 2	N 3	A 4	SA 5
3.	The new excise tax law/proclamation is easy to understand					
4.	The excise tax proclamation enforcement directive is understandable.					
5.	The ex-factory price method of assessment simplifies the determination of excise tax liability of taxpayers.					
6.	The ex-factory price assessment reduces total compliance time of tax payers (preparation, filling and payment)					
7.	The detailed presentation of excisable goods with different rates has made the new excise tax proclamation complex to understand and implement by the tax official.					
8.	The broad range of rates (5% - 500%) in the tax rate structure of new excise tax has made the implementation of the law tiresome.					

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9.	The detail rule on exemption or “Exempt good” on the excise tax reform sets clear demarcation for eligible taxpayers and activities.					
10.	The excise tax reform alleviates the complex tax incidence problem in relation to imported/ manufactured good used as an input for further production of excisable goods.					
11.	The implementation of excise tax reform reduces the tax payers compliance cost					
12.	The new proclamation has loophole with regards to unethical behavior like tax avoidance tax evasion and corruption					

CERTAINTY

No	Attributes	SD 1	D 2	N 3	A 4	SA 5
13.	The determination of fair market value is easy to apply where there is no arms length transaction					
14.	The introduction of specific excise tax in combination with ad valorem on alcohol, beer, and cigarette has made the excise tax determination difficult in relation to those specific goods.					
15.	The local raw material usage and dry goods (weight) in production of beer and wine is can easily identifiable.					
16.	The ex-factory price assessment of the excise tax reform increases certainty of tax payers in determining their tax liability.					
17.	There is proper measuring and metering devices implementation					
18.	The input/output ratio implementation helps the control process.					
19.	Monthly reconciliation be made among delivery note,					

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	invoices, declaration and stock movement documents (Raw material, work in process and finished good stock) of tax payers					
20.	There is excise tax declaration document submitted regularly in each calendar month and payment made soon.					
21.	There is a robust audit trial for non compliant tax payers.					
22.	The new excise tax invoice system improves the excise control audit trial.					
23.	The payment period/payment of excise tax after the time of removal of the goods from the manufacturer's factory, which is not later than the 30th day of the succeeding month, under the new proclamation is enough.					

ADMINISTRATION

No	Attributes	SD 1	D 2	N 3	A 4	SA 5
24.	The new excise tax law is easy to implement by tax officials					
25.	The requirement of license tightened the excise control					
26.	There is excise tax stamp implementation in the control process.					
27.	The "excise control" of the reform is feasible for implementation.					
28.	Record keeping is properly designed and applied so as to maintain proper control.					
29.	Excise tax offence and penalties are clear and easy to implement.					
30.	The necessary infrastructure required to ensure effectiveness in taxing excises in Ethiopia is currently not in place.					
31.	The implementation of the new excise tax law requires continuous training/education to officials					
32.	The license requirement introduced in the excise tax reform,					

Excise Tax Reform

	which eligible taxpayers to be licensed by the “Authority”, is appropriate.					
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TAX REVENUE

No	Attributes	SD 1	D 2	N 3	A 4	SA 5
33.	The excisable group of items and rates of the new excise tax proclamation are enough to generate tax revenue for the government					
34.	The detail rule on exemption or “Exempt good” on the excise tax reform broadened the tax base.					
35.	The implementation of excise tax reform increases tax revenue from excises.					
36.	The rate of excise tax payable on the current proclamation by reference to the excisable value of excisable goods is fair					
37.	The new excise tax minimizes the tax administration cost.					
38.	The implementation of new “Excise tax control system” entails additional costs to the tax administration (Costs like:- organizational or structural change, training e.t.c)					
39.	Domestic excise taxes or the specific rates of excisable goods are adjusted regularly for inflation.					
40.	The group of items and goods included under the new proclamation are appropriate in relation to the objective of excise taxation.					
41.	The excise tax reform has an effect on other taxes like VAT and business income tax.					

OTHER

No	Attributes	SD 1	D 2	N 3	A 4	SA 5
42.	The tax administration take taxpayers' input into account in the design of administrative processes, products and changes to laws					
43.	The new "Excise tax control system" destructs businesses normal operation as it limits the rights of manufacturers on excisable goods					
44.	The new excise tax law discourages business/investors current and future investment/expansion					

I sincerely appreciate your time and cooperation. Please check to make sure that you have not skipped any questions inadvertently.

APPENDIX II
ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF ACCOUNTING AND FINANCE
INTERVIEW QUESTIONS

REF:- Relating to the new excise tax law implementation

1. On what stage is the implementation of new excise tax law (proclamation No. 1186/2020)?
Does the provisions governing the transition period was effective?
2. Is there any training or education given to tax officials and taxpayers regarding new excise tax law?
3. What are the peculiar challenges the new proclamation faces during the implementation process?
4. Is the necessary infrastructure required to ensure effectiveness in taxing excises in Ethiopia is currently in place?
5. Does the excise tax reform have an effect on other taxes like VAT and business income tax?
If your response is yes how its effect shown?
6. Does the tax administration take taxpayers' feedback/input into account in the design tax of administrative processes, products and changes to laws?
7. How domestic excise taxes or the specific rates of excisable goods are adjusted regularly for inflation?
8. Is there any opportunity of new excise tax law implementation brings to government, tax administration and taxpayer?
9. How much the implementation of excise tax reform increases the excise tax revenue, excise tax revenue ratio to total tax revenue/domestic tax revenue of LTO/MOR?
10. How the implementation of new excise tax law affects the tax administration cost? Costs like Salary, ICT & Training
11. Which department is responsible for the implementation of new "Excise control" system/excise tax administration?

APPENDIX III

Excise Tax Proclamation No. 1186/2020: Excise rate for each group of item

	Categories of Items	Excise Rates
2.	Fats and Oils	Ad valorem
3.	Sugar and Sugar Confectionery	Ad valorem
4.	Chocolate and food preparation containing cocoa	Ad valorem
5.	Soft Drink Powder	Ad valorem
6.	Beverages and Spirits	
5.1.	Non- Alcoholic Beverages	Ad valorem
5.2.	Beer products, other fermented beverages and ready to drink (alcoholic content not exceeding 7%)	Ad valorem or Specific
5.3.	Wine products, fermented beverages, indentured style alcohol and all types of pure alcohol	Ad valorem
7.	Tobacco and Tobacco Products	
6.1	Tobacco Leaf	Ad valorem
6.2	Cigarettes and other tobacco product	Ad valorem plus Specific
8.	Salt	Ad valorem
9.	Mineral Fuel, Oil and their product	Ad valorem
10.	Perfumes, Toilet Waters, Cosmetics and beauty products	Ad valorem
11.	Fireworks	Ad valorem
12.	Plastic Bags	Specific
13.	Tyres	Ad valorem
14.	Textiles and Textile products manufactured by industries	Ad valorem
15.	Artificial flowers, foliage and fruit and Articles made of artificial flowers, foliage or fruit	Ad valorem
16.	Human Hair and Wigs	Ad valorem
17.	Asbestos and Asbestos Products	Ad valorem
18.	Natural or cultured Pearls and Precious or Semi-precious Stones	Ad valorem

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19.	Video recordings or reproducing apparatus, Television broadcast receivers, Cameras	Ad valorem
20.	Motor Passenger Cars, station wagons, utility cars, and Land Rovers Jeeps Pickups, Similar Vehicles	Ad valorem

Source: the researcher's summary from Excise Tax Proclamation No. 1186/2020 first schedule

APPENDIX IV

FEDERAL GOVERNMENT EXCISE TAX REVENUE, 2009-10 to 2019-20

