

ADDIS ABABA UNIVERSITY
SCHOOL OF BUSINESS AND PUBLIC ADMINISTRATION
DEPARTMENT OF ACCOUNTING AND FINANCE
(GRADUATE PROGRAM)

Taxpayers' Perception towards Fairness: Personal Business
Profit Taxpayers in Addis Ababa

By:

Wubshet Aborat

June 2011

Addis Ababa

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A Thesis Submitted to the School of Graduate Studies of Addis Ababa University in Partial Fulfillment of the Requirements for the Degree of Master of Science in Accounting and Finance.

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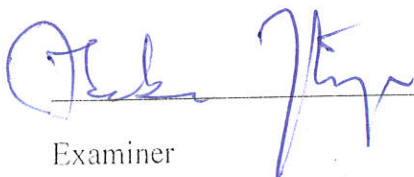
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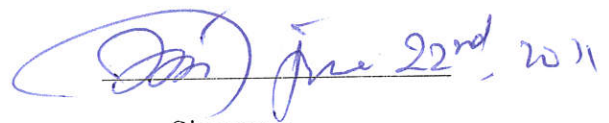
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This is to certify that Wubshet Aborat G/meskel has carried out his research work on the topic entitled "Taxpayers' perception towards fairness: Personal business profit taxpayers in Addis Ababa". The work is original in nature and it is suitable for submission for the reward of the M.sc Degree in Accounting and Finance.

Advisor: - Woliela Abehodie (PhD):- W. Ab. 20/06/2011

Abstract

This study investigates the fairness perceptions of Addis Ababa City business profit taxpayers and its impacts in their perceptions, together with other variables. A theoretical framework was developed based on the equity, distributive justice, and procedural justice theories. The study adopted a mixed method research approach to test the hypotheses and answer research question.

The data collected from 230 business profit taxpayers of which 200 were through distributing of self-administered questionnaires and the remaining 30 through in-depth-interview.

The latest statistical package (SPSS) software, correlation and regression analysis, were used to analyse the survey and thematic analysis was applied to in-depth interviews.

The results of this combined research methodology suggest that Addis Ababa City business profit taxpayers did not perceive positively in respect of general, vertical, personal, exchange, and administration fairness except horizontal fairness on the prevailing business profit tax system. With regard to tax knowledge and complexity, the finding of the paper showed that, the taxpayers did not have sufficient knowledge and there were no easily understandable and vague procedures of the business profit tax system.

Finally the thesis suggests a series of measures, which could be taken by the government in general, and tax authorities in particular; improving policy and administration issues, educating the taxpayers and conducting awareness creation and consultation sessions, and providing all necessary social service to the public, as well as maintaining the tax system fair and equitable.

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Acronomy

AD	Administrative fairness
DJT	Distributive Justice Theory
EC	Ethiopian calendar
ECA	Ethiopian Customs Authority
EF	Exchange fairness
EFIRA	Ethiopian Federal Inland Revenue Authority
EMoFED	Ethiopian Ministry of Finance and Economic Development
EMoR	Ethiopian Ministry of Revenue
ERCA	Ethiopian Revenue and Custom Authority
ETB	Ethiopian Birr
FIRA	Federal Inland Revenue Authority
GF	General fairness
GST	Goods and services tax
GTP	Growth and transformation Plan
H1	the first hypothesis
H2	the second hypothesis
H3	the third hypothesis
H4	the fourth hypothesis
HF	Horizontal fairness
PF	Personal fairness
PJT	Procedural Justice Theory
RQ1	the first research question
TC	Tax complexity
TE	Tax Evasion
TK	Tax knowledge
TOT	Turnover tax
VF	Vertical fairness
CA	Category A
CB	Category B
CA	Category C
SS	Sample size

Chapter 1: Introduction

This thesis investigates taxpayers' perception towards the fairness of business profit tax in the context of Ethiopia, particularly Addis Ababa City business profit taxpayers' case. Tax fairness issues encompass a number of tax fairness dimensions and other fairness affecting factors. If all tax fairness dimension and other affecting factors negatively interpreted by taxpayers, it could lead to the negative perceptions of the tax system by the taxpayers.

The purpose of this chapter is to provide background information on the thesis. The remaining parts of the chapter are organised as follows. The first section presents background of the thesis. While the second section sets out statement of the problem. The objective of the research is presented in the third section. This is followed by research question and hypotheses in the fourth section. In the fifth and six sections presents the research methods and scope of the study. Structure of the thesis is provided at the end of the chapter.

1.1 Background of the thesis

The issue of tax fairness and attitudes towards the fairness of tax system has evoked great attention among many revenue authorities in the world. Tax fairness is essential because tax systems have been perceived as fair in order to obtain a high degree of voluntary tax compliance. In other words, good understandings of taxpayers' fairness perceptions are important for the tax authority to improve the tax system. Consequently encourage taxpayers' compliance. In connection to this, Wenzel (2007 p, 53) stated that:

“Taxation involves numerous considerations of justice and fairness, that includes perceived fairness of outcomes (e.g., tax burdens and tax funded benefits), fairness of the procedures and treatment (e.g. rights and respectful treatments), and fairness of sanctions (e.g., punishments and amnesties)”.

Currently the Ethiopian Revenue and Custom Authority (ERCA) are the main administering bodies of the tax laws in the Country. The ERCA is responsible for the enforcement of the tax laws relating to income tax particularly business profit taxes, and other types of taxes. In addition to this, the ERCA is also responsible for collecting withholding tax on payments made to non-residents relating to interest, royalties, contract payments, special classes of income (such as fees for technical advice) and income in respect of services performed by a public entertainer. Moreover, to the customs duties (import and export duty), excise duty, service tax and sales tax. The current income tax system administered according to the Proclamation No.286/2002 -article 6, and the Income Tax Regulation No.78/2002 show that taxes that collected from various taxable sources. These sources , according to FERA(2002), are income from employment exercised in the country, business activities, an enterpruneral activities, immovable property, dividend of resident company, income from transfer of property, income obtained from a foreign country, income paid by government units, residents, or non-residents through their permanent establishment, and profit shares of registered partnership.

In many under developed countries like Ethiopia, the low revenue yield of taxation can only be attributed to the fact that the tax provisions are not properly enforced, either on account of the inability of the administration to cope with them, on account of straightforward corruption or the system get little attention. That is, scanty attention is given to the cultural background of taxpayers, their awareness level, and its determinants when designing a given tax system. It has been argued, for voluntary system to work successfully, the people must be confident that the taxes levied are fair and everyone pays his/her share (Amin and Jhon, 2010).

Studies have shown that the business profit tax system must be fair; to promote the objective of an equitable distribution of income. This is documented in the works of, for instance, Gerbing (1988), Hite and Roberts (1992), Roberts (1994), Christensen and Weihrich (1996), Richardson (2005) and Coetzee, and Oberholzer, (2009). To the knowledge of the researcher, it appears that there is no research conducted on taxpayers' perceptions towards the fairness of business profit tax system so far in the Ethiopian context. Hence, this study mainly intends to investigate taxpayers' perception towards the fairness of business profit tax system in Ethiopia with a particular emphasis on Addis Ababa City Administration.

1.2 Statement of the problem

Realizing the importance of the fairness criterion, the Ethiopian government has continuously given attention to the issues of tax policy of the country pursuant to the structural changes. For instance, the tax authority has reduced the top employment income tax rate and business marginal income tax rate from 40% (from 1991 to 1995) to 35% (from 1995 to until now) and from 40% (from 1991 to 1995) to 30% (from 1995 to until now) respectively, with six tax brackets. This is for encouraging individuals to work more and to address the issue of vertical equity. Besides, the dividend tax rate reduced from 25% to 10% to encourage private sectors to participate in share companies (FIRA, 2002).

Theoretically, the equity theory says a tax system considered both horizontal equity-equal treatment of equals and vertical equity-the unequal treatment of unequals. This implies horizontal equity ensuring as fairness of a tax system while vertical equity aims to achieve distributive justice. According to Amin and Jhon (2010), there is no equity in the tax system under a condition where the burden of tax falls excessively on those large businesses that are clearly visible and within easy reach of the authorities. Amin and Jhon further reveal that the impact of over-taxation of big and visible businesses is excessively lowering legally earned profits creating a loophole whereby those small businesses, including the large informal sectors, taxed to a much lesser extent or not at all. Consistent with this, it is documented in ERCA (2002) that the tax system in Ethiopia mainly stresses on legal enforcement as a remedy to ensure its proper functioning. For example, Proclamation No. 608/2008 amends the earlier Income Tax Proclamation (No. 286/2002); the amendments include the change of the name of the Federal tax

authority to the ERCA: it also allows deduction of the actual amount of maintenance and improvement expenses of a business asset. The amendment on the proclamation mainly focuses on the various penalties and enforcement mechanisms, while it stated nothing about how to create and increase the awareness of the taxpayers. It gave the tax authorities the right to sell the property of evaders without going to courts in order to collect the outstanding tax liability. Most of the reform efforts targeted institutional capacity building putting enforcing legal frameworks in place while only insignificant effort, if any deployed to make the public aware of the benefits of paying tax to the nation. The taxpayers education program that is being carried very occasionally, stresses more about teaching the contents of the tax laws and penalties rather than promoting citizens' sense of responsibility toward taxation and devising ways to reward compliant behavior.

According to the information that the researcher obtained from Addis Ababa City Tax Administration Authority, only about 55% of the business communities are committed to fulfill their tax obligations regardless of the existing powerful tax proclamation. This clearly shows that relying solely on legal enforcement (stick approach) may not work always and forever.

According to GTP (2010) forwarded by MoFED, there is a plan of increasing tax to GDP ratio to 17 percent in the five years plan. However, the evidence obtained recently shows that the tax to GDP ratios has decreased. According to MOFED, this is specifically due to the prevalence of a high number of non-compliance business communities. Thus the aforementioned persistence problems call for a thorough investigation toward identifying the root causes of these problems and uncovering some other obstacles(if any) overlooked mainly by the tax authorities.

1.3 Objective of the study

In the context of the problems highlighted above, the broad objective of the study is to explore how Addis Ababa City business profit taxpayers perceive business profit tax fairness issues. Thus, this paper tries much to show taxpayers' perception towards the fairness of business profit tax system in line with the social aspects (perception of the taxpayers); political aspects (the way the administration conducts in accordance with tax fairness dimensions); in the case of the City of Addis Ababa.

1.4 Research question and hypotheses

Therefore in order to achieve the above broad objective, researcher developed one-research question and four hypotheses.

- 1) *'How is the perception of Addis Ababa City business profit taxpayers towards the business profit tax system?*

Hypothesis1: *There is no difference in the level of fairness perceptions, tax knowledge, and the levels of perceptions of the complexity among Addis Ababa City taxpayers of their business profit tax systems.*

Hypothesis 2: *Addis Ababa City taxpayers perceive fairness of their business profit tax systems as being multi dimensional*

Hypothesis 3: *Knowledge of business profit tax system has influence on taxpayers' fairness perceptions in the City of Addis Ababa.*

Hypothesis 4: *Complexity of business profit tax system has impact on taxpayers' fairness perceptions in the City of Addis Ababa.*

1.5 Research methods

In order to achieve the main research objective of the study, both positivism and non-positivism fundamental research framework were combined. The positivism approach which emphasizes on empirical means (or objectivity) to create knowledge is used to investigate whether the relationship between the factors under study exist, while the non-positivism approach which is more subjective in nature is used to provide an in-depth understanding of such relationship and enrich the findings from the quantitative approach. In other words, the two inquiry paradigms are related in the sense that the qualitative approach is used to inform the quantitative approach. This mixed methodology approach is to gather data that could not be obtained by adopting a single method. To be consistent with the critical realism approach (at least) one empirical method (in this study, a survey) and one qualitative approach (that is in-depth interview) were employed. The methods were carried out sequentially with the intention that the interviews were enriching the findings in the survey.

1.6 Scope of the study

For undertaking this study, the researcher would only confine to examination of business profit tax payers' perception towards the fairness of business profit tax system in the case of Addis Ababa, Ethiopia i.e., sole proprietorship and partnership (personal business profit taxpayers).

1.7 Structure of the thesis

The thesis focuses on the examination of taxpayers' perception towards the fairness of business profit tax system in the case of Addis Ababa City Administration. Therefore structured as follows. Chapter 2 contains a review of the literature including tax compliance theory, theories on fairness perceptions, application of the theories in the study and a review of past studies and research gap. The research design and methodology are presented in chapter 3. Specifically, this chapter shows the research question and hypotheses to be addressed by this thesis followed by a discussion of the underlying principles of qualitative and quantitative research approaches. In addition, chapter 3 presents the rationale for the adoption of the mixed methods approach in the thesis. Chapter 4 presents the results of survey and in-depth interviews subsequently this is followed by an analysis of the results of the different methods concurrently. That is, the findings of all the different methods adopted in this study are pooled together, the research question is answered, and hypotheses tested. Finally, chapter 5 presents an overview of the thesis and its major findings, recommendation, contribution to the literature, and tax authorities and limitation of the research.

Chapter 2: Literature review and relevant theories

In light of the above, the purpose of this chapter is to review the literature in the area taxpayers' perception towards the fairness of business profit tax system. This review of the literature establishes the framework for the study and highlights the apparent strengths and weaknesses of the previous studies, which, in turn, help in clearly identifying the gap in the literature and formulating the research question for the study. The review has five sections. Section 2.1 presents a review of the theory of tax compliant. This is followed by fairness perceptions theory (equity theory, distributive justice theory, and procedural justice theory) presents in section 2.2. Section 2.3 presents the application of the theories in this study. This is followed by a review of the relevant empirical studies on business profit tax fairness issues and factors that affect business profit tax fairness issues in section 2.4. Finally, conclusions on the literature review and knowledge gaps presented in section 2.5

2.1 Tax compliance theory

Tax compliance means obeying tax laws. Andreoni et al. (1998) stated that compliance with reporting requirements means the taxpayer files all required tax returns at the proper time and that the returns accurately report tax liability in accordance with the Internal Revenue Code, regulations, and court decisions applicable at the time the return filed. According to Singh (2003), the definition of tax compliance is an action by a person filing his Income Tax Form (or usually referred as Returns), declaring all taxable income accurately, and disbursing the payable tax within the stipulated time without getting the tax authority to keep reminding or taking action

against those noncompliance taxpayers. Similarly, according to James S. et al (2003), tax compliance expressed in terms of the degree that taxpayers' comply with tax law and the degree of non-compliance measured in terms of the tax gap. This gap happens by means of both tax avoidance and tax evasion. Similarly, compliance gap also defined in (FIRA, 2002) as the break between the actual, and the potential tax revenue and how that gap varies among the different sectors of taxpaying population. Noncompliance refers to not abiding the tax laws. The types of noncompliance; Firstly, the case of filing; the noncompliance refers to non filing of returns to the tax authority will lead to tax gap i.e. the amount of unpaid taxes due foregone. Second, the nonpayment compliance refers to untimely taxes paid, that means payment not made in a timely manner to the tax authority. Timely tax payment is important to the tax authority. The dues received now will be used for the government's expenditure otherwise, the insufficient fund needs to be borrowed and incur additional cost. Thirdly, issue on noncompliance and tax underreporting. This is considered a criminal offence that imposes severe penalty. The taxpayer practices no reporting by way of evasion and avoidance; both are the same except that the latter is legal while the former is illegal. This area of noncompliance poses a serious problem to tax authority because these taxpayers escape tax and their burden is pushed to the other complying taxpayers. This is where the fair and equitable tax system is questionable.

Andreoni et al. (1998) referred to the magnitude of evasion being the tax gap which is the difference between the federal income taxes households actually owe, and what they report and pay voluntarily on a timely basis but is mainly concerned with tax evasion as the central part of the tax gap definition. As mentioned earlier taxpayers' compliance is a multi-faceted measure.

Brown and Mazur (2003) stated that theoretical definition of taxpayer compliance consists of 'three mutually exclusive and exhaustive measures' (Payment, filing, and reporting compliance). There are many predictors for tax compliance from the economic to the non-economic factors. The economic factors are detection and punishment, harsh enforcement, burden of taxation whereas the non-economic factors as mentioned by (Alm, Sanchez, and Ana, 2003) are behavioral in nature. Fiscal psychological factor is an important element in tax compliance research and numerous tax compliance researches on tax fairness showed significant results. Generally the decision to comply or not is an individual's rational profit seeking attitude (e.g. Allingham and Sandmo, 2007). A major difficulty in analyzing noncompliance is in its methods of measurement.

Braithwaite (2003) argues both taxpayers' attitudes towards the tax system and their tax paying behaviour together will have influence on the level of noncompliance. Therefore, both have to measure to understand overall levels of non-compliant behaviour. Naturally, individuals have incentives to conceal their cheating. Based on the above expressions the definition of tax compliance can be shortly refined as the desire or willingness of the taxpayers to act in accordance with the tax law and the voluntary effort they exercise to pay their tax liability on timely basis.

2.1.1 Deterrence theory

The taxonomy of tax compliance studied under theoretical perspectives of deterrence theory and fiscal psychology. Deterrence theory relates to sanctions, threats (fines and penalty structure). It has association with criminal justice. Tax noncompliance is a soft type of "illegal" act of not complying with the tax laws. In fact, evasion of tax which illegal act of evading tax and avoidance of tax refers to a legal concept of tax evasion and activities related to avoidance are tax planning and tax investment. What made the deterrence theory that crucial? They needed to deter the noncompliance activities of taxpayer who default to pay the government its rightful source of revenue. Taxpayers are profit seeking by gambling the benefits of evasion against the risk of detection and punishment.

Researchers found a negative correlation using sanctions. However, despite this relationship between fear of sanction and crime rate it can lead to a passive behaviour by individual as reported by Jackson B. and Milliron V. (1986), and Cuccia A. (1994), studied on the detection probability and the intentions to evade taxes and his findings were consistent with the deterrence theory.

Nevertheless, literature that emerge later in late 80's, psychology based variables were tested to understand tax compliance behavior e.g. role of moral obligation, perceptions of fairness, self-interest and others. As stated by Torgler (2001), an increase in deterrence on honest taxpayers will disrupt a balance. Taxpayers' who paid fair dues but gets audited and later fined, and even more disturbed when others who violated the law not punished. Therefore, taxpayers' cannot treat

harshly, because according to Murphy (2005) it is not to punish but to repair the harm done and secure future compliance. Many tax researchers have questioned the appropriateness of the deterrence theory framework (model) that used to explain compliance behaviour because deterrence can also be counterproductive. Thus, the study suggested attitudes towards the tax system in explaining taxpayer noncompliance. What can deduce is that taxpayer will only pay taxes because of fear of detection and punishment. In addition, stated crime is an industry where market participants act to optimize their utility. Therefore, a crime will be committed if expected utility is greater than the utility that could gathered if efforts devoted elsewhere. Next paragraph will write on fiscal psychology.

2.1.2 Fiscal psychology

Attitudes research on tax compliance first introduced in 1959 by Schmolders. Thereafter attitude become a prevalent concept with the numerous studies that covers the field of economics, accounting, criminal justice (decision sciences), law, psychology, sociology, ethics and taxation as discussed in the literature review in this study. This has provided plenty of issues and questions to understand attitude of taxpayers. Models using the attitudes tradition are more complex than deterrence theory models besides being unique because it looks at compliance intentions of the taxpayer. However, according to Cuccia (1994), fiscal psychology suffers from a methodological shortcoming because it failed to identify the mechanisms through which the link exists and that economic based compliance research will be better at understanding taxpayer reporting. Factors under fiscal psychology which are behavioral in nature are demographic, (e.g. age, gender), perceptions of the moral of evasion, perceptions of peer compliance and fairness of

the laws. The taxpayer may not reveal the truth in the survey due to bias because one person may perceive that underreporting is not wrong as compared to another.

Alm and Ana (2003) stated that equity models in understanding perceived fairness. The most common point of difference in different theories on tax compliance studies used the concept of exchange equity, vertical equity, and horizontal equity (e.g. Ana and Schisler, 2003). When public goods and services increase at a certain level of tax payment it boosts the taxpayer's perception of exchange equity and therefore the chances of tax evasion would be less.

Becker, Buchner, and Slesking (1987) supported that the presence of government expenditure will motivate compliance. Respondents reported more than one income when they receive public goods than when they did not receive. However, as more theories stated that when public goods increase, tax evasion reduces leading to better compliance, there was still doubt whether the interdependence of taxpayer and government in providing public goods is due to the equity effect or economic effect or both are responsible. They point out a significant support for the relations between perceptions of fairness and compliance, exchange equity and compliance, and compliance and commitment when tested for tax noncompliance using concepts such as tax underreporting and dishonesty.

2.1.3 Factors determining tax compliance behavior

Fischer et al. (1992) stated there are four basic factors that determine tax compliance behavior in his expanded model (Fischer Model). i.e., (i) demographic (e.g. - age, gender and education) (ii) noncompliance opportunity (e.g. income level, income source and occupation), (iii) attitudes and perceptions (e.g. fairness of the tax system and peer influence) and (iv) tax System/structure (e.g. complexity of the tax system, probability of detection and penalties and tax rates). Thus, from The Factors, that affecting compliance behaviour the specific factors that is fairness issue and the fairness affecting factors of the Ethiopian income tax system remain as questions to be addressed.

Demographic factors

The relationship between demographic variables and tax compliance has long been of interest (Tittle, 1980). Three major personal characteristics for which there is evidence of a relationship are age, gender, and education (Jackson and Milliron, 1986). The Fischer model suggests that demographic variables indirectly affect taxpayer compliance by their impacts on noncompliance opportunities and attitudes and perceptions.

There is a positive link between age and taxpayer compliance is reported (Jackson and Milliron, 1986). Generally they pointed out young taxpayers are more willing to take risks and are less sensitive to sanctions as well as age is a factor for intentional evaders, with younger taxpayers less complain. In addition noncompliance is significantly less common and of lower magnitude among householders in which either the head or the head's spouse is over age 65.

Early research (Tittle, 1980) testing the tax compliance level of males versus females reports that females are more likely to tax compliance. Traditionally “females identified with conforming roles, moral restraints, and more conservative life patterns” (Jackson and Milliron, 1986). All these attributes may promote higher tax compliance.

Education, as a demographic variable relates to the taxpayers' ability to comprehend and comply or not comply with the tax laws (Groenland and Veldhoven, 1983). Two aspects of education distinguished: “the general degree of fiscal knowledge and the degree of knowledge involving evasion opportunities” (Jackson and Milliron, 1986). They find that those with more fiscal knowledge had more positive tax ethics scores than those with lower fiscal knowledge.

Non-compliance opportunity

In the Fischer model, noncompliance opportunity can affect taxpayer compliance directly through income level, income source, and occupation. Almost all the theoretical model indicates that as income rises, tax evasions should increase over most ranges (Andreoni et al., 1998). In other way, the lower income group tends to have a lower proportion of tax compliance by under-reporting income and by over-claiming expenses than their counterparts in the higher income group. Taxpayers vary in terms of the opportunities available to them to overstating expenses and understating incomes. Greater tax noncompliance opportunity is generally resulted from self-employment and income sources not subject to withholding taxes. Sutherland (1949) point out that tax evasion considered as a white-collar crime, committed by an individual of respectability and high social status in the course of performing his employment. In addition, almost all sole

proprietors those who engaged in sales from fixed locations (car dealerships, stores, restaurants etc) understated taxes by the greatest percentage.

Attitudes and perceptions

The Fischer model suggests two major considerations for altering taxpayers' attitudes and perceptions to tax compliance are the fairness of the tax system and peer influence. Richardson (2006) it is widely believed by tax administrators and the taxpayers that growing dissatisfaction with the fairness of tax system is the major causes for increasing tax noncompliance. As well as Grasmick and Scott (1982) indicate that respondents with peers who practice tax noncompliance are more likely to commit as well. My intention specifically focuses this theory area (investigating taxpayers' perception and attitudes towards the fairness of income tax system).

Tax System/structure

It is widely acknowledged that the extent of tax compliance in many developing countries has been decreasing. The underdeveloped tax system/structure is one of the major causes for this phenomenon. In the Fischer Model the effectiveness of tax system affected by complexity of tax system, probability of detection, and penalties and tax rates.

As the tax law has become increasingly complex, complexity has come to recognize as a possible reason for tax noncompliance (Jackson and Milliron, 1986). In the context of tax compliance decisions, complexity should include two dimensions, excessive detail in the tax rules and numerous computations required. In addition, if there is a higher audit probabilities and severe penalties encourage tax compliance. The third major construct of tax system/structure in the

Fischer model is tax rates. Which reveal that the probability of underreporting and the level of underreporting are positively related to the marginal tax rate.

Socio-economic and psychological factors

Culture considered as one of a powerful environmental factor that affects the taxpayer's compliance. Different social norms and ethical values will create different incentives for tax compliance. These cultural differences may have a direct impact on ethical values and moral development and ultimately affecting tax compliance decisions (Chan et al, 2000). The next part will discuss about tax fairness theories

2.2 Theories on fairness perceptions

As stated in Bhatia (1976), a good tax system, in order to achieve various objectives, chooses and adheres to certain principles, which become its characteristics. A good tax system, therefore, is one, which is designed based on an appropriate set of principles, such as equality or fairness and certainty. According to James (2003), the most obvious requirement of equity or fairness is to treat equal people in equal circumstances in an equal way. To put it differently, it is essential that a good tax system should appear equitable to the taxpayers.

The literature has suggested that, distributive justice, and procedural justice equity theory can give insights to examine tax fairness. Torgler (2001) mentioned that tax fairness is a very important factor influencing taxpayers' compliance behaviour because it is related to tax burdens. Next paragraph is about tax fairness framed under the theories below.

2.2.1 Equity theory

Equity Theory emerged in the 1960s through the work of Adams (1965) who was particularly interested to test the concept of justice in organizations (Greenberg, 1987). Since Equity theory has been extends (Leventhal et al. 1980; Greenberg 1987; Watson et al. 1996) and applied in various fields of studies, such as payment and job-related rewards (Aryee et al. 2004) and information systems (Douglas et al. 2007).

Adams (1965) suggests that Equity Theory comprises two dimensions namely reciprocation and allocation. Reciprocal equity, or exchange fairness, based on the premise that one would only respond fairly if the other party acts fairly to them. Within this exchange framework, equity, or fairness achieved when there is an equivalence of the outcome/input ratios for all parties involved in the exchange (Cook and Hegtvædt, 1983). Inequity, on the other hand, said to exist when these ratios are not equal. In other words, a person will perceive a system as fair if the benefit he/she receives equals their contribution, and vice versa.

In contrast to reciprocal fairness, which deals with mutual exchange, Eckhoff (1974) contends that allocation fairness merely involves a one-way distribution of resources across a group or circle of recipients. This fairness dimension is also known as indirect exchange (Blalock and Wilken, 1979).

Porcano and Price (1992) suggest that traditionally equity theory indicates two types of equity within a tax system: (1) horizontal equity and (2) vertical equity. Horizontal equity refers to

providing equal treatment to all in the same group whereas vertical equity refers to giving a suitable differentiation among unequal persons in that group. That means those who are rich should treat as able to pay higher than lower groups of income earners. In addition, the implementation of the tax systems based on either progressive tax structure or flat tax rate structure however, most of the individual taxes are progressive tax structures. i.e., that is vertical in terms of providing equity does not meet the expected equity. Therefore, saw, K, and Sawyer, A. (2010) found that taxpayers adjust their perceived inequalities through tax evasion. Therefore for reaching in to judgment of tax fairness issue looking the attitudes of taxpayers' is quite important. The taxpayer behaves as tax fair or not based on the attitudes he/she has framed against the tax system. Therefore the researchers critical of equity theory claim that in a judgment on fairness, a number of other factors need to be addressed apart from exchange (either mutual or indirect) and horizontal and vertical equity aspect of tax fairness.

2.2.2 Distributive justice theory

In order to extend the idea of allocation as suggested in Adam's (1965) and Porcano's and Price (1992) Equity Theory, DJT will introduced. DJT, which represents one part of Social Comparison Theory (Lamm and Schwinger, 1980), postulates that individuals not only judge equity in terms of assessing their benefits they receive from their tax dollars (exchange fairness), but also by comparing themselves with others. In other words, individuals compare their benefits-received-to-contributions-ratio with that of others in their reference group. Based on this premise, DJT assumes that distribution outcomes should be equal among those with similar contributions. However, in the process of allocating an incentive or reward, the principle of exchange fairness

will not always maintain. There are circumstances in which the allocation of rewards violates exchange fairness as indicated in previous studies (Schwinger, 1980). Having this in mind, Leventhal (1980) contends that distributive fairness can achieve by applying allocation rules, namely the equity rule, equality rule or needs rule, depending on the situation. In achieving fairness, the equity rule suggests that there must be relative equality between an individual's contribution and benefits. Simply stated, the equity rule requires individuals that compensated with the same ratio to their effort, as stated in exchange fairness. In contrast, the equality rule calls for equal distribution of rewards regardless of individual contribution. The equality rule suggests that everyone deserves treated equally irrespective of his or her contribution. With the needs rule, Leventhal (1980) proposes that the allocation decision should made after taking into account the recipients' needs. Based on this rule, individuals with a low or a zero contribution may be allocated more benefits (to fulfill their needs), as compared to those with a higher contribution. Porcano (1992) argued justice is a multidimensional concept thus it is appropriate to use distributive theory which uses several justice rules in determining one' deservingness

Another thing is, that it is no longer one is personal, or group treatment, but the distribution of tax burdens across as a whole e.g., the fairness of progressive tax rate. Eckhoff (1974), on the other hand, incorporates five principles that form DJT, of which three of them are similar to Leventhal (1980). The principles are relative equality (the equity rule), objective equality (the equality rule), subjective equality (the needs rule), rank order equality and equal opportunity. The rank equality criterion postulates that, if investments of the members of one group are higher than, those of another their rewards should be higher too. This principle suggests that, even though the



effort/reward is not necessarily equivalent, yet those with higher contributions should allocate more benefits than other groups. The remaining principle is equal opportunity, which normally discussed in relation to racial integration policies (Cook and Hegtvedt 1983). The above discussion tends to focus on the positive side of DJT, that is, the allocation of benefits. However, DJT is also concerned with the fairness of allocation of punishments, known as retributive fairness (Cook and Hegtvedt 1983). Under retributive fairness, the social system considered fair if the penalty imposed matches the committed crime. Similarly, the social system will also perceived as fair if the compensation received is equivalent to any loss incurred in the social system.

2.2.3 Procedural justice theory

PJT, an extension of equity theory, originally inspired by the contention in the legal context, that a community's acceptance of judicial decisions is highly influenced by the procedures employed to formulate them (Fuller, 1961). Applying that foundation, Thibaut and Walker (1975) embark on a study of dispute resolution procedures and report two interesting findings. First, the disputants with process control perceive verdicts fair than those without process control. Second, disputants that are involved in the decision-making process are more likely to accept the decisions even in the case of adverse outcomes. These findings conclude that procedural fairness is important as it enhances the acceptance level of the outcomes received. Based on the pioneering effort of Thibaut and Walker (1975), Leventhal (1980) extends the notion of procedural justice into organizational settings contexts. Leventhal (1980) identifies six principles

against which fairness of procedures may evaluate, namely: consistency, bias suppression, accuracy, correctability, representativeness, and ethicality.

A consistency criterion requires the allocative procedures applied consistently among different individuals at all times. No one should be given privileges over another. In addition, the consistency criterion also demands the allocative procedures remain constant without frequent change. Regular alterations made to the procedures may lead to a violation of the consistency rule. When the consistency rule is violated perceptions of procedural fairness will decline.

A bias suppression criterion posits that prejudice should be avoided in allocative procedures. Everyone should be treated fairly without any discrimination or misconception. Allocative procedures that promote preferential treatment, or personal self-interest, will violate a bias suppression rule, and consequently procedural fairness will be perceived as unfair.

The accuracy criterion states that allocative decisions based on accurate information. This is essential since failure to collect and process accurate information will result in incorrect decision-making and jeopardize an individual's confidence in the fairness of the procedures adopted. Thus, the accuracy criteria should sustain to increase a positive perception of procedural fairness. Correctability deals with the opportunity to revise incorrect decisions made. This criteria requires a legitimate channel to modify decisions must exist as a prerequisite for allocative procedures to be perceived as fair.

Representativeness defined as the opportunity given to persons in the decision-making process. The rule postulates that the allocation process must represent the concerns of all recipients to ensure greater acceptance of the procedures. The final criterion is ethics, which contends that allocation procedures based on prevailing moral and ethical standards. In the absence of the ethics rule, individuals may perceive that procedural fairness violated and thus their fairness perceptions will reduce.

Gerbing (1988) mentioned the pivotal role of legitimacy on tax compliance behaviour. Procedural justice will lead to legitimacy. Legitimacy in tax compliance behaviour is define as a belief/ trust by taxpayer on the tax authority. This belief that they are fairly treated will want to obey the laws. Murphy (2005) states every year significant middles income taxpayers' use aggressive tax planning to either legally or illegally conceal their actual income. The illegal taxes planning behaviour cannot settle just by using force or threatening strategies, because in the end the legitimacy of tax authorities will be undermine. People are less inclined to accept an unfavorable outcome and are likely to challenge the situation when they believe that the procedures are unfair. Therefore, the authority has to play a fair role that will increase the perception of legitimacy and can create cooperation and get the public to obey tax laws. Two aspects; attitudes and behavioral can be measured to assess the noncompliance behaviour of taxpayer as well tax fairness issue.

In general, terms, from the above-mentioned theories the six principles of Leventhal (1980), consistency (Fry and Cheney, 1981, Barret and Tyler, 1986) and representativeness (Makkai and Braithwaite, 1996), are the most important criteria that indicate procedural fairness.

2.3 Theories in tax fairness perception

Under this section, the researcher deducted the general overview of the theory that is applicable for this study only as follows:

2.3.1 Equity theory and tax fairness

Equity Theory predicts that individual's judge fairness based on outcomes and they believe that incentives and punishments should distribute accordingly, with reference to the inputs or contributions (Bobek, 1997). In addition, Equity Theory postulates that individuals are more likely to comply with the rules if they perceive that they treated fairly under the system. In simple terms, Equity Theory is concerned with exchange fairness.

In the context of taxation, the 'exchange parties' are individuals (taxpayers) and the government. Theoretically, individuals will perceive the tax system as fair if the benefits received from the government for tax paid is an equitable ratio. If the ratio is not equitable, then the exchange deemed as unfair and individuals are likely to seek to restore equity, through non-compliance. However, in practical terms, exchange fairness in taxation may not achieve due to different needs or requirements of taxpayers. For example, a high-income earner will probably receive less benefit from the government, despite their contribution, compared to the low-income earner.

2.3.2 Distributive justice theory and tax fairness

The essence of DJT is that individuals evaluate the fairness of the distribution outcomes by comparing the benefits-received-to-their contributions-ratio with that of others in their reference group. Individuals will find their interactions, as equitable if the distribution outcomes are equal among those with similar contributions (Walster, et al. 1978); this known as horizontal fairness.

In the context of taxation, horizontal fairness (equity) suggests that equals before tax should be equal after tax (Gravelle, 2006). In other words, it requires individuals in similar economic positions taxed at similar rates regardless of their welfare. This based on the equality rule suggested by (Gravelle, 2006). However, in taxation, horizontal fairness should least be permitted to stand on its own. Notwithstanding a similar amount of income, two persons might have different commitments, such as the number of dependents. A single person having tax deducted of \$2,000 from a gross salary of \$10,000 would consider the tax deducted as not so burdensome compared to another person with the same income (and tax withheld) but with four dependents. Thus, this dimension of fairness should complement with the other dimensions of distributive fairness to ensure an overall fairness perception.

Leventhal (1980) suggests that distributive fairness should make after taking into account the recipients' necessities. The idea of this principle is that the ratio of inputs and outputs need not necessarily be equivalent to achieve fairness, but rather it depends on individuals' needs. This implies as vertical fairness (equity). In the case of taxation, vertical fairness is usually concerned with the ability to pay (Kirchler et al. 2006). In other words, vertical fairness suggests that those

with higher incomes should pay more tax (at a higher rate) than those with lower incomes. Alternatively, vertical fairness also linked to benefits received by the low-income earners. In relation to this, the low-income earners do not only pay less tax but they are also entitled to receive more benefits from the government. Thus, unlike horizontal fairness, vertical fairness takes into account the “welfare” of individuals before determining their contribution to tax and entitlement to receive government benefits.

2.3.3 Procedural justice theory and tax fairness

Procedural Justice Theory (PJT) predicts that procedural fairness may have influential effects because fairness in procedures may lead to fairness in outcomes (Thibaut and Walker, 1975). In other words, PJT suggests that the employment of fair procedures is likely to lead to more equitable outcomes than when unfair procedures employed. In addition, Leventhal (1980) asserts that there are six principles against which fairness of procedures may evaluate, namely: consistency; bias suppression; accuracy; correctability; representativeness: and ethicality.

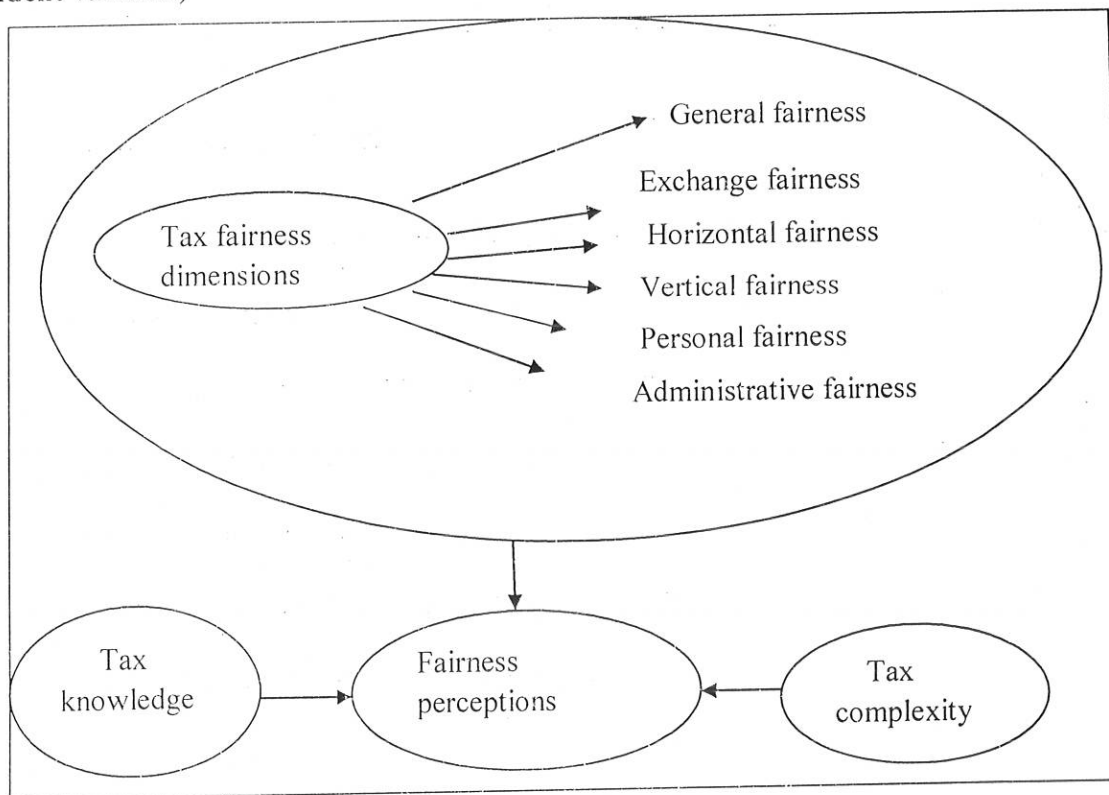
In the context of taxation, procedural fairness employed by the tax system may influence the fairness perceptions of taxpayers. If taxpayers perceive that procedures applied in assessing their tax returns are unfair, the tendency for taxpayers not to comply is high, and vice versa. In forming their fairness judgments, taxpayers will normally evaluate the consistency of the procedures applied by the tax system. The procedures applied by the tax system should perceive as consistent throughout time and across all taxpayers. In addition to this, bias suppression is also an important feature of fairness procedures. The procedures in the tax system should not promote

preferential treatment or personal self-interest. In other words, all taxpayers must treat in a similar manner. With regard to accuracy, the tax system should handle tax matters with great care. Decision-making based on the wrong information will lead to perceptions of unfairness by taxpayers. For the correctability criteria, this requires taxpayers given an opportunity to revise and amend any incorrect decisions made by them. To ensure greater acceptance of the tax system, the procedures employed must be representative of all recipients. Thibaut and Walker (1975) provide evidence that disputants who are involved in the decision-making process are more likely to accept the decisions even in the case of adverse outcomes.

Finally, the procedures employed based on prevailing moral and ethical standards. The presence of the above principles in the tax system is important because they form the basis of procedural fairness evaluation. If taxpayers perceive procedural fairness violated, and consequently their fairness perceptions will decline (Ajzen, 1982; Douglas et al. 2007).

Therefore based on the tax fairness theories discussed so far, the researcher developed the model shown in figure 2.1. the model depicts the relationship between business profit tax fairness perceptions and the factors that affects tax fairness perceptions.

Figure 1: Factors affecting fairness perceptions (the influence of independents variables on dependent variable)



2.4 A review of empirical studies

Policymakers claim that tax fairness is an important goal for the state in order to encourage tax compliance (for example, the tax authority in the US (Inland Revenue Service – (IRS)) has put a great emphasis on fairness perceptions in an effort to improve tax compliance – Bobek,1997). Thus, it is common for a tax system that violates the basic principles of fairness and efficiency to anticipate non-compliance among taxpayers (Head, 1999). The question is how to define fairness? According to Kirchler et al. (2006), a tax system defined as being fair when taxpayers are taxed based on their ability to pay (or vertical fairness), i.e., vertical fairness asserts that

taxpayers with different economic situations should be taxed at different rates. This would result in higher income earners paying tax at higher rates than the low-income earners.

However, this definition does not encompass the comprehensive fairness perception since past studies have unanimously agreed that tax fairness is a multi-dimensional construct. For example, Jackson and Milliron (1986) suggest another component to fairness, horizontal fairness. Horizontal fairness recommends that taxpayers of similar economic positions should pay the same amount of tax. However, such equal treatment sometimes conflicts with other economic objectives of taxation, which therefore need to be compromised (Holmes 2001). Holmes (2001) further claims that, in practice, all income tax systems have breached the horizontal fairness premise to meet economic, social, or political objectives.

Other dimensions of fairness further documented in the following studies. The first study is a major study on fairness perceptions, which was undertaken in the US after the (then) latest Tax Reform Act of 1986 by Gerbing (1988), through a mail survey of 225 taxpayers in the Dallas/Ft. Worth metropolitan area. Using a factor analysis on the self-developed measures of fairness, Gerbing (1988) identified four underlying dimensions of fairness that include:

- (1) General fairness and distribution of the tax burden;
- (2) exchange with the government;
- (3) Attitude towards taxation of the wealthy; and
- (4) Preferred tax rate structure

Using a refined version of the survey instrument of Gerbing (1988), Christensen et al. (1994), who studied the impact of education on fairness perceptions among 296 university students in the US, report consistent underlying dimensions of fairness, as found in Gerbing (1988), with an additional dimension known as self-interest. Similar findings were documented when a survey instrument was administered among tax professionals and tax educators in the US (Christensen and Weihrich 1996), providing evidence of the robustness of the instrument (Richardson 2005).

Another study on the US income tax system was conducted by Bobek (1997), that concerned with distributive fairness, procedural fairness and policy fairness. While distributive fairness deals with horizontal and vertical equity, procedural fairness relates to the process employed to reach distribution outcomes. Bobek (1997) Procedural fairness argued to be important since it may lead to greater acceptance of the distribution outcomes similarly, argues that the content of the tax law (policy) is also important since it is the antecedent for the distribution outcomes. Bobek (1997) concludes that policy fairness is important for the distribution outcomes to perceive as fair. In her study, Bobek (1997) selected three groups of respondents consisting 108 university students, 19 elementary school parents and 51 residents of Florida and Georgia.

While agreeing that fairness perceptions are multi-dimensional, Turman (1995), on the other hand, focuses on one dimension of fairness, that is, preference for either progressive or proportional taxation. In Turman's (1995) study, an experiment involving several tax tasks conducted with 58 community college students, revealing an overall preference for progressive tax rates.

The above-mentioned literature on various dimensions of fairness perceptions has been widely discussed overseas, especially in the US, while a growing concern over this issue can be seen in Australia and Hong Kong. In Australia, for instance, a survey (also using a modified version of the Gerbing's (1988) instrument) conducted on postgraduate business students to evaluate their fairness perceptions and the relationship with their tax compliance behaviour (Richardson, 2005). That study reveals five underlying dimensions of fairness perceptions including general fairness, exchange with government, special provision, tax rate structure, and self-interest. In Hong Kong, six dimensions of fairness reported in a survey among postgraduate students (Richardson, 2006). The dimensions are general fairness; tax rate structure; middle-income earners' tax burden; exchange with the government; self-interest; and special provisions for high-income earners. In his extension to the research, Richardson (2005) and Gilligan and Richardson (2005) made a cross-cultural comparison between the findings from Australia and Hong Kong, where several significant differences of opinion regarding the fairness perceptions were reported. Such differences expected due to markedly different tax systems between the two countries, where Hong Kong applies a flat tax rate structure, no withholding tax, no self-assessment system, and no tax on dividend and interest incomes (Richardson, 2005). Notwithstanding the importance of fairness issue as far as researcher, view almost no literature on fairness perceptions in Ethiopia, particularly Addis Ababa City case.

The multi-dimensional perceptions of fairness are not limited to the direct tax only but also extended to the area of indirect tax i.e., this is empirically established by Takenishi (1990) who revealed that fairness judgment is multi-dimensional. By using multiple regression analysis, the



researchers found that procedural fairness, (*note: This refers to emotion-based attitude, which is the opposite of cognitive attitude (value-based)*), outcome evaluation, and affective responses, made up the fairness judgment of the consumption tax among Japanese citizens (Takenishi, 1990).

With regard to fairness perceptions a comparative fairness perception study (which is not related to tax) undertaken in Singapore and China to observe how people across different regions form their fairness judgments found that people in a more developed region and living in a more competitive society will be more tolerant of social unfairness (Richardson, 2005). Therefore based on the above literature the researchers suggest that, in the case of an environment filled with reward and punishment (where the income tax system can be considered as one of the legalized environments, with various penalties), such fairness perceptions remain approximately the same, irrespective of the regions and economic backgrounds (Richardson, 2005).

While such a contention is yet to be tested in this study, empirical findings from previous studies indicate that taxpayers from different countries have dissimilar levels of fairness perceptions towards their respective income tax system. For instance, a comparative study conducted in Hong Kong and Australia by Richardson (2005), revealed that there were several significant differences of fairness perceptions on their income tax system, particularly in terms of general fairness, special provisions, tax rate structure and self-interest. It argued that such differences were due to the different nature of the income tax systems implemented between the two countries. While Richardson (2005) investigates perceptions on various dimensions of fairness, measures personal taxpayers' fairness perceptions based on their ratings on the Australian income tax system. From

the survey, it indicated that more than 60 percent of the personal taxpayers who completed their own return forms perceived that tax system to be unfair.

In the US, Etzioni (1986), who measured fairness perceptions in terms of the tax rate over 14 years (from 1961 to 1980), found that the American taxpayers had increasingly perceived the tax system as unfair. Meanwhile, a study on Dutch taxpayers (who were selected using marketing bureau, and surveyed either through internet or face-to-face interview) on distributive fairness (which is measured by one item) suggests that they perceived the tax system as moderately fair (Verboon and Dijke, 2007). However, when another survey was undertaken using five items to measure distributive fairness, the taxpayers' fairness perceptions of the income tax system declined (Verboon and Dijke, 2007). Apart from the different measures used, the contradicting results may also due to the different sample selection used in this study where it was concentrated on Dutch employees who worked for at least eight hours a week. Besides this fairness, issues can also affect by other factors like tax knowledge and complexity of tax system.

Harris (1989) stated that tax knowledge had an indirect effect on compliance behaviour through fairness perceptions. In that study, Harris (1989) separated tax knowledge into fiscal awareness and technical knowledge, and observed the impact of each type of knowledge on fairness perceptions. The findings show that the types of tax knowledge influence fairness perceptions. The influence of tax knowledge on fairness perceptions further documented by Schisler (1995) who carried out a study comparing tax preparers and taxpayers. Taxpayers that selected amongst MBA students with at least five years working experience while tax preparers comprised of tax practitioners from certified public accountant (CPA) firms in the US. Based on the analysis,

stated that taxpayers have significantly lower fairness perceptions compared to tax preparers. The result might be due to the absence of tax knowledge among taxpayers compared to tax preparers. Fallan (1999) later confirmed the findings that tax knowledge significantly changed attitudes towards the fairness of the tax system.

To extend the studies on tax knowledge and fairness perceptions, researchers have investigated possible ways to improve tax knowledge among taxpayers, and consequently their fairness perceptions. For instance, White et al. (1990), in their experimental study on tax students, suggested that a formal class in taxation would enhance their knowledge about the law and appreciation of fiscal policy goals, thus increasing perceived fairness. This study is supported by Wartick (1994), who claimed that exposure of information during a tax law change will improve taxpayers' knowledge, and subsequently mitigate their perceptions that the tax system is unfair.

Apart from the impact of tax knowledge and fairness perceptions, a review of previous studies also provides overall picture of taxpayers' level of knowledge in several countries. While it is also appropriate for the researcher to have a general understanding of taxpayers' knowledge of taxation as a whole.

Coetzee and Oberholzer (2009) also stated in their studied the tax practitioners in South Africa to gauge their perceptions on the trainees' tax knowledge. The results reveal that majority of tax practitioners (about 85 percent) believed that trainees mainly have general knowledge and a working knowledge of individual income tax. It is not surprising that they possess such good tax knowledge, as the trainees are the future tax professionals who will be assisting less specialist

taxpayers. It expected of such trainees to possess such a high level of knowledge, as suggested by tax practitioners and educators.

Tax complexity can take many forms such as computational complexity, forms complexity (American Institute of Certified Public Accountants, 1992), compliance complexity, rule complexity (Carnes and Cuccia, 1996), procedural complexity (Cox and Eger, 2006), and the low level of readability (Saw and Sawyer, 2010) and suggested that tax complexity arises due to the increased sophistication in the tax law.

A review on tax complexity in a comparative study of seven countries by Strader and Fogliasso (1989) suggests that Japan, the UK, France, Italy and the US, all have highly complex tax systems. Only Sweden and Netherlands considered having a moderately complex tax system. Hasseldine and Bebbington in Malaysia reforms made since the mid 1980s to overcome the complexity of the tax system. However, Tan and Tower (1992) claim that the efforts made by the tax authority at that time to simplify the tax law failed. In their study, the authors applied the Flesch Reading Ease Index to measure the readability level of New Zealand tax legislation, Tax Information Bulletins (TIBs) and Tax Return Guides. The Flesch Reading Ease Index measures the difficulty ranging from zero (most difficult) to 100 (least difficult). Their findings indicated that there was no progress with simplification at that time, except for the Tax Return Guides. Tan and Tower (1992) recommend that shorter sentences and an active style of writing will help improve the readability of tax legislation and consequently reduce the complexity of the tax law.

A more recent study by Pau et al. (2007), however, provides contrary evidence on tax simplification in New Zealand. The researchers test the effectiveness of the newly written Income Tax Act 2004, TIBs, and binding rulings using readability measures, namely the Flesch Reading Ease Index, Flesch-Kincaid Grade Level Index, average sentence length, and percentage of passive sentences. They found significant improvements in respect of tax simplicity through these measures. Sawyer (2007) agrees that there have been some improvements in tax simplification but continual change to the legislation has a certain extent delayed the rewrite programmer (and delayed the benefits).

As an extension to the previous studies (Pau et al. 2007; Richardson and Sawyer 2007; Tan and Tower 1992), Saw and Sawyer (2010) recently examine the readability of a sample of the selected sections of the Income Tax Act 2007, TIBs, and binding rulings using similar measures as in Pau et al. (2007). Overall, the results suggest further significant success to the rewrite project, undertaken by the New Zealand government in its tax simplicity goals in the context of improved readability. Interestingly, the Income Tax Act 2007 appears to be more readable compared to either binding rulings or TIBs, although these tax-related materials are supposed to be the explanatory materials. Following this rewrite project, the results of this study also indicate that the percentage of people with an education level of Years 11-13 to understand the Income Tax Act 2007 has significantly increased.

In Malaysia, Mustafa (1996), who studied taxpayers' perceptions towards the self-assessment system which was to be introduced (at that time), suggests the presence of tax complexity in

Malaysia, particularly in terms of record-keeping, too much detail in the tax law and ambiguity. The findings are partly consistent with the six potential causes of complexity labeled as ambiguity, calculations, changes, details, forms, and record keeping, identified by Long and Swingen (1997). Such complexity is also present in Australia where it forces taxpayers to engage tax agents to deal with their tax matters (McKerchar 2005). McKerchar (2005) further identified the most common problem faced by taxpayers is to understand the instructions in the Tax pack. This followed by the problems of understanding the rules, the tax return forms, and other relevant written information provided by the tax authority.

In Australia, McKerchar (2005), who carried out a survey among tax agents, notes that tax agents are not happy with the increasing complexity of the tax law. Also further claims that the tax agents desire a much simpler tax law, with less regulatory material and ad-hoc change.

Some researchers agree that a certain degree of complexity in the income tax system is necessary to ensure the system is fair (for example, Forest and Sheffrin, 1990). This particularly represents the perceptions of the tax authority and tax professionals, as suggested by White (1990). Applying four scenarios of tax complexity, White (1990) asserts that both the tax authority and tax professionals (tax lawyers and tax accountants) prefer complexity in the tax law but at different levels. The tax authority prefers tax complexity that will increase their probability of winning cases in disputes, while tax lawyers on the other hand, are in favour of tax complexity that gives rise to a higher probability that the taxpayers will win the case. Similarly, tax accountants' preferences are also towards a high level of tax complexity, as it will increase the

demand for their tax services. Despite these differing levels of desired complexity, the ultimate goal of the tax authority and tax professionals is to earn as much fee income as possible from taxpayers. Thus, undoubtedly, taxpayers do not support tax law complexity.

Notwithstanding preferences by the tax authority and tax professionals, tax complexity actually causes disappointment and consequently negative perceptions of fairness among taxpayers (Carrol, 1980). Milliron (1985) claims, in a study of jurors, that the participants viewed complexity and fairness as distinct but incompatible features of the income tax system.

Carnes and Cuccia (1996), and Kirchler et al. (2006), also share similar views on the inverse relationship between complexity and fairness perceptions. In that respect, however, Carnes and Cuccia (1996) further argued that such association might be perfectly true in the case of “unnecessary complexity,” but not on “justified complexity”, where the perceived justification may moderate the effect of “justified complexity” on fairness perceptions. In Carnes and Cuccia (1996), the authors provide evidence of the weakening effect of complexity on fairness perceptions when the perceived justification increases.

In general, by adopting a deductive approach on the review of the literature the following section presents conclusions and knowledge gaps.

2.5 Conclusions and knowledge gaps

This chapter describes the relevant theories, including equity theory, distributive justice, procedural justice, and deterrence theory that form the background of this study. Based on the

discussion, the extension to equity theory considered that appropriate to explain that perceptions of fairness of the business profit tax system. Briefly, the extended equity theory (which embedded DJT and PJT) asserts that individuals normally form their overall fairness judgments on any particular system by referring to their views on reciprocal fairness, distributive fairness and procedural fairness. When they have positive perceptions on these dimensions of fairness, the likelihood to have a fair judgment on the system would be high, and vice versa. Accordingly, judgment so formed would be influence their intentions.

A review of past studies on tax fairness, tax knowledge, and tax complexity indicate mixed but interesting findings. For instance, while the proposition under the equity theory that fairness perception have a number of considering factors mainly supported by empirical work which is widely conducted in developed countries particularly in Australia, Canada, New Zealand, and USA. On the other hand, in developing countries there has been a relatively small number of tax fairness issues studies carried out in Kenya, Hong Kong, and Malaysia. More specifically, in the case of Ethiopia to the knowledge of the researcher there is no single study on such issues especially in the case of business profit tax system. This encourages the researcher to assess taxpayers' perception towards the fairness of business profit tax system through considering various tax fairness dimensions and other influencing factors in the case of Addis Ababa City Administration Business profit taxpayers.

These gaps lead to the main research question of the thesis. *How is the Addis Ababa business profit taxpayers perception towards the fairness of business profit tax system?* The following chapter provides details of the research method in respect of the identified research problem.

Chapter 3: Research design

The preceding chapter indicated that the literature on business profit tax fairness issues is limited. Especially from the perspective of Ethiopia, it appears that there is no research conducted in investigating activities of whether the Ethiopian tax system is fair or not.

The purpose of this chapter is to present the research question and hypotheses, the underlying principles of research methodology and the choice of the appropriate research method for the thesis. The chapter arranged as follows. Section 3.1 presents the hypotheses and research question for the thesis. Section 3.2 presents the research approaches. This is followed by the philosophy of quantitative (section 3.2.1), qualitative (section 3.2.2), and mixed methods (along with discussion of the choice of the appropriate method for the current research) (section 3.2.3) approaches. Then, the research methods adopted in this study in section 3.3. The quantitative aspect in section 3.3.1 and qualitative aspect in section 3.3.2` presented. Finally, conclusion and the relationship between research question and hypotheses, and sources of data are presented in (section 3.4).

3.1 Hypotheses and research question

As presented in chapter 1, the broad objective of the thesis is to explore how Addis Ababa City business profit taxpayers perceive business profit tax fairness issues. Thus, this paper tries much to show taxpayers' perception towards the fairness of business profit tax system in line with the social aspects (perception of the taxpayers); political aspects (the way the administration conducts in accordance with tax fairness dimensions); in the case of the City of Addis Ababa.

To achieve these broad objective, one-research question and four hypotheses was developed in this chapter.

- 1) *“How is the perception of Addis Ababa City business profit taxpayers towards the business profit tax system?”*

Tax fairness considered as the practices place an undue tax burden on certain segments of the tax-paying population, while making it easy for other segments that significantly lower their tax burdens. Fairness issues relate with justice; it means that what is right and being equal in opportunity and provision (Richardson, 2005).

Schisler (1995), who carried out a study comparing tax preparers and taxpayers, documented the influence of tax knowledge on fairness perceptions. Schisler found that taxpayers had significantly lower fairness perceptions compared to tax preparers. The result might be due to the absence of tax knowledge among taxpayers compared to tax preparers. Despite the evidence that fairness is a multi-dimensional construct, these prior studies tend to focus on the effect of tax knowledge on the overall fairness of the tax system rather than on each dimension of fairness. For critical assessment of the role of tax knowledge on fairness perceptions of the tax system, I believe it is essential not only to distinguish the types of knowledge, but also the dimensions of fairness that the type of knowledge has affected.

Tax complexity arises due to the increased sophistication in the tax law and this leads to negative perceptions of fairness among taxpayers; however, the participants viewed complexity and fairness as distinct but incompatible features of the income tax system (Richardson, 2005). Also

claimed that complexity in tax law resulted in a negative perception of the tax system and consequently encouraged an unwillingness to comply. Based on the prior discussion, therefore hypothesized that:

Hypothesis1: There is no difference in the level of fairness perceptions, tax knowledge, and the levels of perceptions of the complexity among Addis Ababa City taxpayers of their business profit tax systems.

The earlier review of various theories and studies of fairness suggests approximately ten dimensions of fairness (for example; Gerbing, 1988; Richardson, 2005; and 2006; Azmi and Perumal, 2008). However, in this study, six dimensions identified to be important in assessing the fairness of the income tax system. The dimensions are general fairness; exchange fairness; horizontal fairness; vertical fairness (measured by ability to pay); personal fairness; and administrative fairness.

General fairness relates to an overall fairness evaluation of the income tax system. Exchange fairness is concerned with reciprocal exchange between taxpayers and the government, while horizontal fairness deals with equal tax treatment among taxpayers in similar economic positions. Vertical fairness based on the ability to pay principle and preference for tax rate structure, either a flat rate or progressive rates. Personal fairness leads to individuals' judgments about whether the income tax system is favourable to them. Finally, administrative fairness relates to the content of the tax law (policy fairness) and procedures employed by the tax authority (procedural fairness). A review of the literature also suggests that the multi-dimension of fairness perceptions is not

limited to income tax (as indicated in the above-mentioned studies), but also applies to property taxes and indirect taxes (Vlassenko, 2001)

While the research conducted to date has provided useful insights into various fairness dimensions, this study aims to extend the tax fairness literature by looking at Addis Ababa City environments. Thus, the study proposes the following hypothesis:

Hypothesis 2: Addis Ababa City taxpayers perceive fairness of their business profit tax systems as being multi dimensional.

The effect of tax knowledge on fairness perceptions provides strong support to the argument that possess adequate knowledge of the income tax system will improve taxpayers' fairness perceptions. In line with this argument, some researchers have enhanced their studies by investigating the possible ways to improve taxpayers' knowledge and fairness perceptions. White et al. (1990) found that a formal class in taxation and exposure to information, especially during tax law changes, would helpful to improve taxpayers' knowledge and fairness perceptions. Loo et al. (2008) stated that taxpayers who have adequate knowledge of government expenditure for public benefits view the income tax system to be unfair, as they are not receiving sufficient benefits in return for their tax paid.

Whereas, in the context of our country Ethiopia there is no organized sources that implies the impact of tax knowledge on fairness perceptions of the people. In the absence of such empirical evidence, the proposition that tax Knowledge influences fairness perceptions should have to be tested. However, this study covers the overall aspects of the tax knowledge. i.e, Knowledge

Hypothesis 4: *Complexity of business profit tax system has impact on taxpayers' fairness perceptions in the City of Addis Ababa.*

The above discussion has shown the hypotheses and research question developed based on the broad objective of the thesis. The research problem along with the philosophy of research methodology would guide the choice of the appropriate research method. Depending on the nature of the research problem and the research perspective, the research method based on the philosophy of quantitative or qualitative or a combination of these two approaches.

3.2 Research approaches

The inquiry paradigm used in research is generally influenced by a researcher's ontological and epistemological beliefs. These beliefs represent how the researcher views and seeks to understand the world. The two extremely contradicting paradigms are positivism and constructivism. Thus, positivist researchers normally adopt quantitative methods and constructivist researchers adopt qualitative methods. The other paradigm is combination of positivism and constructivism (that is mixed method). Thus, this section includes the philosophy of quantitative in section 3.2.1, qualitative in section 3.2.1, and mixed methods approaches in section 3.2.3 respectively.

3.2.1 Quantitative research approach

Leedy and ormrod (2005) explains that a study is classified as quantitative, if the researcher wants to quantify the variation in a phenomenon, situation, problem or issue, if information is gathered using predominantly quantitative variables (interval and ratio scales), and if the analysis is geared to ascertain the magnitude of the variation.

Quantitative research is the systematic and scientific investigation of quantitative properties and phenomena and their relationship. Creswell (2003) noted that quantitative research is one in which the investigator primarily uses positivist claims for developing knowledge. The positivism approach views that the world as objective realism and therefore suggested that knowledge created by deductive reasoning where by a precise and systematic process is adopted (McKerchar, 2010). Besides quantitative research is to develop and employ mathematical models, theories, and hypotheses pertaining to natural phenomena. The process of measurement is central to quantitative research because it provides the fundamental connection between empirical observation and mathematical expression of an attribute. i.e., in this approach, the research problem translated to specific variables and hypotheses. As the literature on research methodology indicates, quantitative research approach it usually starts with a theory or a general statement proposing a general relationship between variables. With this approach, it is likely that the researchers will take an objective position, and their approach will be to treat phenomena as hard and real. As a result proposing of such studies claim that quantitative research would undertaken in a value free framework. In line with this, quantitative research tests the

theoretically established relationship between variables using sample data with the intention of statistically generalizing for the population under investigation.

Quantitative research favor methods such as experiments and surveys, and will attempt to test hypotheses or statements with a view to infer from the particular to the general. This approach typically concentrates on measuring or counting and involves collecting and analyzing numerical data and applying statistical tests. Well-formulated quantitative research has a significant contribution of generalizing of the broader population. This leads to consistent procedures in sample selection, instrument design, implementation, and analysis. This consistency in turn increases the replicability of procedures, and the reliability of findings helpful to mitigate interviewee biases.

Apart the above significant contribution, quantitative research design has its own insignificance. Like quantitative research based on the assumption that research procedures (instrument design, sample selection, measurement decision, and implementation) can standardized, and would lead to reliable outcomes. In practice, this may not be easy for a number of conditions. First of all the research problem may require creating of new ideas, which is impossible through structured procedures. Secondly, due to absence and access of information about the population and for the achievement, the sample selected may not be representative of the population under study. This would bring as insignificance, which may compromise the reliability of findings. Also in the case of preparation of questions and document analysis bias may be inducing. For instance, in the case of designing survey questions, the researcher may use wordings, which would lead to predetermined outcomes. The other insignificance of this approach is that it does not assess

human behavior in general this leads to reduce human behavior to predetermined variables. Because these approaches believe that, there are human characteristics and processes that constitute a form of reality in that they occur under a wide variety of conditions and thus can be generalize to some degree. Therefore, this approach can be criticized for its attempt to study human. In addition, quantitative research appears that there is a flexibility problem in design, which may be vital when additional information revealed through data collection needs further exploration for knowledge. Therefore quantitative research approach alone may not bring effective result in interpretive and exploration of research problems.

3.2.2 Qualitative research approach

Leedy and ormrod (2005) explains that a study categorized as qualitative, if its purpose is primarily to describe a situation, phenomenon, problem, or event. i.e., the information is gathered using variables measured on nominal or ordinal scales (that is, qualitative measurement scales); and an analysis is done to establish the variation in the situation, phenomenon or problem without quantifying it. This approach also called as interpretative, constructivist or post positivist approach (Leedy and Ormrod, 2005). In addition qualitative approach views as the world based on researcher's interpretation, which may influenced by the researcher own views, beliefs, experiences, and existing knowledge (McKerchar, 2010). In this respect, it assumes that knowledge is created by inductive reasoning and typically adopts qualitative methods in their research, such as interviews. A quantities research approach involves studies that do not attempt to quantify their results through statistical summary or analysis rather to seek describe various aspects about behavior and other factors studied in the social science and humanities. Thus, data

are often in the form of descriptions not numbers. Qualitative research it is exploratory in its nature because of this in qualitative research approach there are no hypotheses, which would guide the study and mostly qualitative research approach more appropriate when the researcher have little knowledge or idea about the area of investigation or exploration.

McKerchar (2010) stated that, the qualitative approach views the world based on researcher's interpretation, which may influenced by the researcher own views, beliefs, experiences, and existing knowledge. This shows qualitative research tries to assess experiences and events contextually and within their natural setting as well as attempts to analyse them holistically. In addition to examines events without much disruption in their natural environment and it focuses on understanding a phenomenon in its entirety instead of detaching a constituent and assessing it separately from its whole part this leads to a comprehensive understanding of the investigation area.

A qualitative research approach characterized by adherence to diverse array of orientations and strategies for maximizing the validity of trustworthiness of study procedures and results, it is thus a type of empirical enquiry that entails purposive sampling for gathering data. It typically involves in-depth interview, group discussion, projective techniques, and observation without formal measurement are a data collection methods of a qualitative research approach. That is, in qualitative research the main emphasis is on phenomenological and interpretative research or in description and inductive discovery of evolving theory that may arise after data is collected.

Specifically the qualitative research design has its own Merit and demerit as quantitative research approach too. The merit of a qualitative research design is that it is flexible and emergent without

being constrained by standardized procedures (Liamputtong and Ezzy 2005, p. 204 cited in Wollela 2009 P, 74). This feature of qualitative research enables the investigator to explore and understand phenomena entirely in their natural environment and discover emerging theories. Notwithstanding the above advantage, qualitative research design has its own demerit. First, the lack of standardized rules in the research design and the emphasis on giving meanings and interpretations to events and things reduces the objectivity and replicability of the research process. This in turn compromises the reliability of findings. Sarantakos (2005, p. 46 cited in Wollela 2009 P, 74) as argued, qualitative studies do not produce data that allow comparison; the methodological approach does not ensure objectivity, and hence the quality of the findings is questionable and the research structure and procedure do not ensure the validity and reliability of methods. Further, there is no way of assuring that the researcher fully and correctly captures the true meanings and interpretations of the respondents.

The concern about reliability in qualitative research design also related to issues of bias. In qualitative research bias may introduced by the researcher or interviewer. For example, the way the interviewer asks questions, the appearance of the interviewee and facial expressions, among other actions, may introduce bias in the design. Further, the personal view and stand of the researcher may introduce bias in the interpretation of the data. Secondly, the findings of qualitative research cannot be statistically generalised for a broader population of interest it based on a small and unrepresentative number of investigated cases.

3.2.3 Mixed methods approach

Other inquiry paradigms lie between positivism, and constructivism known as critical realism and pragmatism. These two paradigms generally combine both orientations of positivism (quantitative) and constructivism (qualitative) research approach. Researchers adopting these paradigms view the world as complex and therefore difficult to understand simply through empirical realism (McKerchar, 2010).

A gradual development of studies incorporating both quantitative and qualitative orientations that indicate not only moves toward an end of paradigm wars (between positivist and constructivist) with respect to taxation, but also the compatibility of the two approaches. This development clearly expressed by Brewer and Hunter (1989 p, 16-17) in the following quote:

"Social science methods should not be treated as mutually exclusive alternatives among which we must choose our individual methods may be flawed, but fortunately the flaws are not identical. A diversity of imperfections allows us to combine method to compensate for their particular faults and imperfections."

McKerchar (2010 p,20) argues that *"each strategy has its strength and weaknesses and the drive for mixed method research is to use one strategy to either inform, validate, or compensate for the weaknesses of another."* In other words, the combination of both quantitative and qualitative methods is a more pragmatic approach to gain a better understanding of the phenomenon under study.

While acknowledging an important contribution of a mixed method approach in taxation studies, McKerchar (2010) also highlights several reasons behind the use of such an approach. The first is the need to address different objectives of the study, which cannot achieve by a single method. The second reason is to enable one approach to inform another approach, either in design or in interpretation. The third reason is to triangulate the findings of different approaches (either performed concurrently or sequentially) in an effort to provide greater confidence to the study. Based on the above researcher recommendations, it appears that the main reason for the researcher to adopt a mixed method approach is to enable one approach to inform another approach in the interpretation of the overall results. To be consistent with this strategy, a similar sampling frame used to draw the potential respondents for both approaches.

In the current study, as stated in the previous chapter, the overall research question is *"How is the perception of Addis Ababa City business profit taxpayers towards the business profit tax system?"* In order to address this research problem and to answer the research objective comprehensively several hypotheses and one specific research question were developed at the beginning of this chapter. In light of the research question and hypotheses, the studies were employed both qualitative and quantitative research approach, i.e., self administrated questionnaires and in-depth interview. Therefore, using both approaches is helpful for generating the benefits of a mixed methods approach presented earlier and mitigating the bias in adopting only either quantitative or qualitative approach. Thus, the following sections present the specific quantitative and qualitative aspects of the research method used for this study.

3.3 Research methods adopted

This study incorporated both quantitative and qualitative research approaches (used mixed method) in order to generate the advantage of both approaches like; to address different objectives of the study, which cannot be achieved by a single method; and to enable one approach to inform another approach, either in design or in interpretation. As well as to triangulate the findings of different approaches (either performed concurrently or sequentially) in an effort to provide greater confidence to the study. McKerchar (2010, p. 20) argues that *“each strategy has its strength and weaknesses and the drive for mixed method research....is to use one strategy to either inform, validate or compensate for the weaknesses of another”*.

Thus, this section presents the specific data collection methods from both approaches. As a result of this Section 3.3.1 presents quantitative data collection method used while section 3.3.2 and 3.3.3 present the qualitative data collection method and data analysis methods (both qualitative and quantitative components) respectively.

3.3.1. Quantitative aspect-Survey design (self-administered questionnaires)

To gather data relevant for the examination of taxpayers' perception towards the fairness of business profit tax system in Addis Ababa City case to employee a survey method with self-administered questionnaire.

Surveys is one method of descriptive research method that help us to gather data at a particular point in time with the intention of describing the nature of existing conditions, or identifying standards against which existing conditions can be compared, or determining the relationships that exist between specific events. They may vary in their levels of complexity and in terms of their scope.

Therefore, the adoption of survey design in the study, helpful in order to represents a wider population, provides descriptive, inferential and explanatory information, gather data on a one-shot basis(hence is economical and efficient), or gathering of information that will not available from archive records. As well as to make inferences about the income tax system and perception about it based on the responses of a sample of respondents. In this regard, Fowler (1984, p. 12) noted that the strengths of survey methods that result in their wider use included the value of statistical sampling, consistent measurement, and the ability to obtain information not systematically available elsewhere.

From a different type of survey for this study, a researcher was goes to use self-administered questionnaires. When we see the self-administered questionnaires has the advantage of scanning a wide field of issues, population, programs etc. with low cost. However, this method is likely to result in a low response rate. On the demerits of self-administered the response rates were typically not as high as might be desired. With very low response rates, it is difficult to establish the representativeness of the sample because those who responded to the survey may be different from the population they will intend to represent. In the current research, by using the survey method with self-administered questionnaires, the desired data for the study were gathered. The



drawbacks of the self-administered questionnaires will believe to be mitigating largely by informing respondent through different necessary personal techniques and using other methods. In addition to the mode of collecting data, a sample survey is concerned with issues including sampling and instrument designs, and pre-survey evaluation. The subsequent sections, hence, review these issues in a sample survey in respect of the current study.

Sample design

It is a common practice in research to use sample in order to generalize about the targeted populations. Tabachnick and Fidell (2001) noted that ideally, samples are selected on randomly bases this indicates the representative of the population.

The intention of the study was to generalize the findings to all taxpayers and potential taxpayers in Addis Ababa City business profit taxpayers as well to obtain a large and sufficiently diverse sample in order to obtain a meaningful spread of perceptions concerning tax issues. Therefore, the sample designs and mode of collecting data would be statistically representative of the perceptions of the all business profit taxpayers of Addis Ababa City. In the case of sample design, as the literature on survey method reveals, how well a sample represents a population depends on the sample frame, the sample size, and the specific procedures of selecting potential respondents.

In respect of sample frame, in a study with the intention of statistically generalizing about a Addis Ababa City business profit taxpayers , the sample frame from which potential respondents are to be chosen have to be representative of the population. In sample design, a sample selection about broader potential respondents giving equal chance of selection is vital to increasing the

representativeness of the sample. Therefore, the target for the sample includes population consists of all business profit taxpayers in Addis Ababa City Administration. There are 230,036 business profit taxpayers in Addis Ababa City Administration as the information gathered from City Government of Addis Ababa finance and Economy development Bureau Revenue Agency in March 2011.

Another point in sample design is the sample size. The choice of a sample size has a bearing on the reliability of a study. However, this does not mean that large sample size always leads to high level of accuracy rather it is to indicate that sample size is one of the factors that contribute to the credibility of a survey estimate. For the choice of sample size, different researchers give different ideas. For example , Alreck and Settle (1995 p,63) noted that the choice of sample size is normally made after considering statistical precision, practical issues and available resources (e.g. cost and time). Fowler (1984 p, 43) noted that there is no a single precise way for the determinations of sample size hence there are a number of inadequacy for deciding on sample size. For instance, in deciding of a sample size by specifying the fraction of the population to be included in the sample, there is no any right way. This is because the population from which a sample of a particular size is drawn has virtually no impact on how well that sample is likely to describe the population. In addition, for using that a particular sample is the typical approach to studying a population may also practically lead to the wrong answer. Therefore, it is better if to see the sample size used by other researchers, because it is better if the sample size to be decided by considering the different goals to be achieved by a particular study. Finally, also for deciding on the sample size by calculating a desired confidence interval for one variable for an entire population is uncommon .However, Fowler contends that nothing is wrong with this approach in

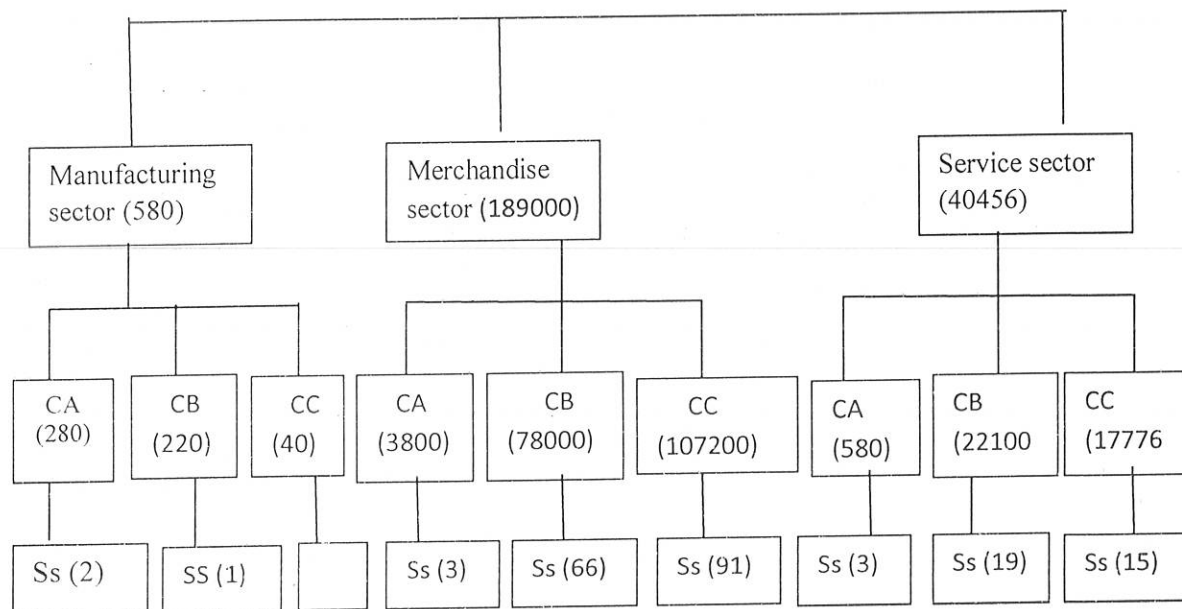
terms of some theoretical sense. Apart from the problem of basing sample size decision on the need for precision of a single estimate and the difficulty of determining the level of specific precisions in advance, the estimation of the level of accuracy fails to take into account errors arising from sources other than sampling.

The aforementioned points help us consider different conditions in deciding on the desired sample size like the availability of time and resources, and the aim of the research. However, if the final condition is employed, Fowler (1984, p. 43) indicated that for a population, the level of precision increases steadily up to sample sizes of 150 to 200. If the desire is to increase the sample size beyond this limit, there is much more gain that is modest. In this regard, taking the available resources, time, budget, data, and geographic distances into account, a sample size of 200 were feasible from the 230,036 Addis Ababa City business profit taxpayers. In order to supplement the information obtained from 200 business profit taxpayers, 30-business profit taxpayers were interviewed. In order to ensure representativeness and thereby explore the general perceptions towards the fairness of business profit tax system, the business profit tax paying population was stratified into annual turnover and sector categories. Random sampling technique was employed to draw samples from each stratum. Stratified sampling technique was chosen to make sure that all characteristics in the population are reflected in the samples drawn.

According to the Addis Ababa City Revenue Agency of Information communication technology and Administration department (MIS), there are 230,030 individual taxpayers in Addis Abeba City Administration. These are stratified in to three sectors, namely Manufacturing, Merchandise, and service. Each sector is further stratified in to three taxpayers' categories A, B and C based

annual turnover. To draw a representative sample size of 200, Stratified –multi-stage – proportionate sampling technique is employed as follows.

Chart 3.1 Sample size selection procedures; using stratified multistage sampling



Note that: CA (Category A), CB (Category B), CA (Category C) and SS (Sample size from each category)

The survey instruments

The adoption of the survey instrument would helpful to represents a wide target population, and generates numerical data as well as to gather information that would not available from archive records. Babbie (1990) noted that the survey as the preferred type of data collection procedure for study because it is used to generalize from a sample to a population. In designing survey instruments caution needs to exercise in preparing instructions and wording of questions to avoid

ambiguity and enable the collection of the relevant data for the research. The survey instruments consisted of both open and closed ended questions. To designed for collecting both qualitative and quantitative data to investigate business profit taxpayers' perception towards the fairness in case of Addis Ababa City. The questionnaires was initially prepared in English and then translated into the Amharic. Copies of the English and Amharic versions of the taxpayer survey instrument along with the covering letters are at Appendices 1 and 2 respectively.

The survey instruments that used in this study prepared in the form of semi structured self-administered questionnaire and the questionnaire served as the measuring instrument for the study. There are five parts to the questionnaire. The first part intended to gather background information about respondents. While the second part is concerned with taxpayers' perceptions of tax, fairness issues specifically determinants of tax fairness perceptions such as General fairness, exchange fairness, vertical fairness, horizontal fairness, personal fairness, and administrative fairness. In Part three, questions related to taxpayers' general knowledge about taxation. The fourth section questions related to the complexity of business profit tax system. In the last section provided respondents with the opportunity to suggest possible solutions if to take by the government make the tax system fair and gives respondents the opportunity to provide further comments on the entire business profit tax fairness issues and the factors which affecting the tax fairness.

In order to measure, the items the researcher was used a Likert type-scale. (i.e., "Strongly Agree" to-, "Strongly Disagree" "yes", and "no", "agree" and "disagree". As well as multiple choice and multiple-response scales (which provides multiple options but the respondent can select

anything from one to several alternatives). In this regard, John W. Creswell (2003) noted that open-ended questionnaires are appropriate when the objective is to discover opinions, attitudes, and degrees of knowledge and Nardi, P. M. (2003) noted that the specific measurement scales that comprised the questionnaire are Simple category scale, Multiple-choice single-response as well as multiple choice and multiple-response scales.

3.3.2 Qualitative aspect: - in depth interviews

In addition to self-administered questionnaires, this study involved in-depth interviews to provide more information to the data obtained through the survey questionnaires. The use of interviews is appropriate in obtaining either multifaceted or sensitive information, as well as understanding concepts that require detail elaboration (Hair et al. 2007). Since fairness perceptions considered sensitive issues this approach appears to be suitable. In relation to the interview method, research in the social sciences has seen a range of interview approaches, including structured interviews, semi-structured interviews and unstructured interviews. In Nardi, P. M. (2003) book provides the underlying criteria of each type of interview described as structured, semi-structured, and unstructured interviews. Structured interview: the interviewer follows scripted questions in a particular sequence, the interviewee chooses responses from a range of options that are fixed coded quantitatively (responses provided by the interviewer), and asymmetrical structure. In addition, data analyzed via deductive analysis for hypothesis testing in multivariate studies. Whereas Semi-structured Interviews: Interview protocol is used as a guide and questions may not always be asked in the same order (the interviewer initiates questions and poses follow up

“probes” in response to the interviewee’s descriptions and accounts), asymmetrical structure and data analyzed via inductive analytic methods for descriptions and interpretations in interpretive studies. Unstructured Interviews: Both interviewer and interviewee initiate questions and discuss topics, possibly less asymmetrical structure, and data analyzed via inductive analytic methods for descriptions and interpretations in interpretive studies. With reference to the guidelines, this study adopts semi-structured interviews to collect qualitative data. It anticipated that this approach would provide richer and more accurate data to enhance the findings for this study. Eleven questions were developed as a guide for the semi-structured interview sessions. These questions were formulated with reference to the topics under study, that is: fairness perceptions; tax knowledge; and tax complexity. The semi structured in-depth interview questions attached in the last section appendix 3.

3.3.3 Data analysis

This section sets out the proposed analysis to evaluate the survey data beginning with the non-response bias test and response representativeness. Next is a brief discussion of the descriptive analysis and the *Wald*-test analysis. Finally the applied multiple regression analysis through logit model

3.3.3.1 Non-response bias and response representativeness for quantitative aspect

A non-response bias test was performed to ensure that there is no bias on the samples. Leong, C. Y. (1980), highlight that the popular approach to prove non-response bias is by comparing first responses to responses generated after follow-ups. If there are no significant differences between the two groups of responses, it assumed that there is no problem of non-response bias. One

method of proving response representativeness is by comparing the demographic background of the responses with the entire population (Leong, C. Y. 1980). In this study, the responses considered representative of an entire population if they reflected a similar distribution in terms of sectors and annual turnover. Therefore result of the study indicated about the response rate, response bias and response representativeness as follows:

Response rate

The survey was conducted between April and May 2011. Questioners were distributed to 200 randomly chosen business profit taxpayers. All the taxpayers' survey respondents were located in Addis Ababa City. A one-week return date was requested. To increase the response rate, Follow-up reminders (together with questionnaires), and alternatively, telephone call reminders were made to the representatives requesting them to remind them to return the questionnaires. Out of this sample, 10 questionnaires were returned as non-answered. One possible reason for not completing the questionnaires is the subject of research itself (taxation) considered as difficult subject. This is based on the comments given by the sample in the blank response section of the questionnaire: unable to supply answers as I have little knowledge of taxes." and I do not have much knowledge on taxation, etc."

Overall, 150 responses were received, giving a response rate of 75 percent. This shows that the response rate considered as fair. (Dillman, 2007) suggests that the response rate for a personal delivery approach varies considerably from the lower of 28 percent to the highest of 50 percent.

Non-response bias

To test if there is any non-response bias on the samples, a t-test analysis performed comparing the early responses to responses generated after follow-ups (Dillman, 1992). Therefore in order to decide whether the groups were significantly different from each other, the p-value was examined. The result shows that the majority of the items have a p-value of more than 0.05, indicating that the groups are not significantly different. While the results provide an indication that there is no problem of response bias among the early and late responses in the Addis Ababa City business profit taxpayers' sample, it is important to note that they do not guarantee that the sample is free of non-response bias considering the low response rate achieved.

Response representativeness

One method of establishing response representativeness is by comparing the respondent profile with the entire population (McInnis, 2006). In this study, the responses were compared based on turnover and work sector. The majority of the respondent in the survey responses is under the annual turnover of ETB of below 100,000. In terms of working sector, however, the percentage of the survey responses is comparable to the total population. The majority of them are merchandise sector as well as service sector was represented. In sum, comparing the survey responses with the total population on two criteria signifies no major differences. Thus, it can conclude that the responses are representative of the total population (Addis Ababa business profit taxpayers).

3.3.3.2 Descriptive analysis, the logit model, and Wald's-test analysis quantitative aspect

Descriptive analysis provides on how taxpayers perceive their business tax systems, in relation to tax fairness, tax knowledge, and tax complexity. In this analysis, basic features of the survey data presented where the mean, standard deviation, variance, and minimum and maximum value for each item are calculated. In addition, the frequency distribution is also determined. All these measures obtained from the descriptive statistics available in the SPSS software.

Subsequent to the descriptive analysis, Wald's-test analysis carried out to check whether there is any difference in perceptions among taxpayers. For this purpose, an independent samples *Wald's*-test performed using the SPSS program the latest version, where the *p*-values generated. With reference to the *p*-values obtained, the degree of differences (whether significant or not) are determined, and subsequently a conclusion can be drawn whether to accept or reject the hypotheses in the study. In respect of data gathered from interviews. To conducting the interview and transcribe the data. Subsequent to this, main interview captured and analysed to produce a report.

In this study, the researcher applied the logit model. Logit model become very popular among social scientists due to its ability to perform path analytic modeling with latent variables Pallant, J. (2005). Hair et al. (2006) claim that logit model relatively new statistical tool, which combines the multivariate tools such as multiple regression, path analysis, factor analysis and principal component analysis, as well as a solution to the multicollinearity problem actually originated in the first half of the twentieth century but only became widely used in the 1990s. The reason why the use of logit is preferred among researchers is its greater flexibility to interact between theory

and data, the estimation of multiple and interrelated dependence relationships, and an ability to represent unobserved concepts and correct for measurement error in the estimation process (Chin and Newsted 1999). More importantly, it helps to test binary type of data for making linear. Let π denote the probability that $Y=1$ when $X=x_i$. If we use the standard linear model to describe π , then our model for the probability would be:

$$\pi = \Pr(Y=1/X=x) = \beta_0 + \sum \beta_i x_i + \mu_i$$

Since π is a probability it must lie between 0 and 1. the relationship the probability π and X can often be represented by a logistic response function. The probability π initially increases slowly with increase in X , then the increase accelerates, finally stabilizes, but does not increase beyond 1. intuitively this make sense. Consider the probability of a fairness issues being fair as a function of General Fairness, Vertical Fairness, Exchange Fairness, Horizontal Fairness, Personal Fairness, Administrative Fairness, Tax Knowledge and Tax Complexity.

$$\pi = \Pr(Y=1/X=x) = \frac{e^{\beta_0 + \sum \beta_i x_i}}{1 + e^{\beta_0 + \sum \beta_i x_i}} + E_i \text{ (this is called Logistic regression function)}$$

Where x_i represents the factors affecting tax fairness issue for $i=1, 2, \dots, 8$. Particularly,

TFair = Tax fairness, β_i = Coefficient for X_i , x_1 = General Fairness,, x_2 = Vertical Fairness,,

x_3 = Exchange Fairness, x_4 = Horizontal Fairness, x_5 = Personal Fairness, x_6 = Administrative

Fairness, x_7 = Tax Knowledge and x_8 = Tax Complexity. E_i = Residual term

$$TFair_i = \alpha_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \beta_8 X_8 + E_i$$

Source=Samprit Chattergee, Alic, Hadi 2006

Instead of working directly with Π , we work with a transformed value of Π . If Π is the probability of a fairness issues being fair, the ratio $\Pi / (1 - \Pi)$ called the odds ratio.

$$1 - \Pi = \Pr(Y=0/X=x_i) = 1 / (1 + e^{\beta_0 + \sum \beta_i x_i})$$

$$\Pi / (1 - \Pi) = e^{\beta_0 + \sum \beta_i x_i}$$

Taking the logarithm of the above equation

$$\begin{aligned} G(x_1, \dots, x_P) &= \log(\Pi / (1 - \Pi)) && \text{(this is called logit)} \\ &= \beta_0 + \sum \beta_i x_i \end{aligned}$$

The logarithm of the odds ratio is called the logit note also that while the range of values of Π is between 0 and 1, the range of value of $\log(\Pi / (1 - \Pi))$ is between $-\infty$ and $+\infty$, which makes the logits (the logarithm of the odds ratio) more appropriate for linear regression fitting.

Modeling the response probabilities by the logistic distribution and estimating the parameters of the model constitutes fitting a logistic regression. In logistic regression, the fitting carried out by working with the logits. The logit transformation produces a model that is linear in the parameters. The method of estimation used is the maximum likelihood method. The maximum likelihood of estimates obtained numerically, using an iterative procedure. Unlike least square fitting, no closed-form expression exists for the estimates of the parameters.

Prediction oriented measures, such as the R-squares (R²), path coefficients and the bootstrapping techniques used in this study to evaluate the logit model. R-squares (R²) indicates that the independent variables expression of dependent variables and to examine the impact of a

particular independent variable on a dependent variable. The path coefficient values indicate the strength of relationships among independent and dependent variables (Chin, 1999).

Therefore, the researcher used this model to test hypotheses H2 – H4. The model measures the six tax fairness dimensions together with tax knowledge and tax complexity system to see the influence on tax fairness perceptions and the analysis of all factors controlled by using dummy variable. i.e., .1 if fair 0 otherwise. In addition, with regard to the qualitative aspect, the data gathered from interviews were analysed using thematic analysis, a method that identifies analyses and reports patterns within data.

3.4 Conclusions and the relationship between research question/ hypotheses and sources of data

This chapter has presented the research question and various hypotheses as well as the methods appropriate to address them. Table 3.1 sets out how research question/hypotheses addressed by the appropriate item in the survey and in depth interviews with business profit taxpayers.

To sum up, based on the overarching research problem stated in the earlier chapter, one research question and four hypotheses have been developed. With respect to methodology, the principles of qualitative, quantitative, and mixed methods research approaches shown. Based on the underlying principles of research methods the mixed method approach were chosen as appropriate to this research. More specifically, to address the research questions, survey (self-administered questionnaires) and in-depth interviews were shown to be the appropriate methods of inquiry for this research. The next chapter presents the results and analysis of each of these methods of inquiry.

Table 3.1 Relation between the research question/ hypotheses and source of data

Research question/hypotheses	Name of variables investigated	Items in the self-administered questionnaires and in-depth interviews
<i>RQ1) "How is the perception of Addis Ababa City business profit taxpayers towards the business profit tax system?"</i>		Self-administered questionnaires 8,9,10,11, 12,13,14,15,16,17,18,19,20,21,22,23,24,25 Taxpayer survey interview questions 1,2,3, 6, and 8
<i>H1) There is no difference in the level of fairness perceptions, tax knowledge, and the levels of perceptions of the complexity among Addis Ababa City taxpayers of their business profit tax systems.</i>	<i>Tax Fairness dimensional, Tax Knowledge and Tax Complexity</i>	Self-administered questionnaires 8,9,10, 11,12,13,14,15,16,17,18,19,20,21,22,23,24,25,26,27,28,29,30,31,32,33,34,35,36,37,38, 39,40,41, 42 and 43 Taxpayer survey interview questions 2,3,6,7, and 8
<i>H2) Addis Ababa City taxpayers perceive fairness of their business profit tax systems as being multi dimensional</i>	<i>Tax Fairness dimensional</i>	Self-administered questionnaires 8,9,10,11, 12,13,14,15,16,17,18,19,20,21,22,23,24,25 Taxpayer survey interview questions 2, and 3
<i>H3 Knowledge of business profit tax system has influence on taxpayers' fairness perceptions in the City of Addis Ababa.</i>	<i>Tax Knowledge</i>	Self-administered questionnaires 26,27,28, 29,30,31,32, 33,34,35,36 and 37 Taxpayer survey interview questions 4,5 and 6
<i>H4) Complexity of business profit tax system has impact on taxpayers' fairness perceptions in the City of Addis Ababa.</i>	<i>Tax Complexity</i>	Self-administered questionnaires 38,39, 40,41,42 and 43 Taxpayer survey interview questions 7, and 8

Chapter 4: Results and analysis

The previous chapter presented the methodology used in the thesis. More specifically, the chapter was showed the different research approaches, methods of data collection, and analysis adopted in the study.

This chapter presents the results of the various data collection methods and analysis in the context of the existing knowledge reviewed in chapter two. Accordingly, this chapter is arranged into four sections; the first section (4.1) presents overview of the research objective, specific research question, and hypotheses and in section (4.2) presents the results of the different data sources. This is followed by the analysis of results in the context of the knowledge in the literature as reviewed in chapter two in section (4.3). Finally, conclusion for the chapter presented in section (4.4).

4.1 Objective, research question and hypotheses

As shown in the presiding chapter the broad objective of this study is to explore how Addis Ababa City business profit taxpayers perceive business profit tax fairness issues. Thus, this paper tries much to show taxpayers' perception towards the fairness of business profit system in line with the social aspects (perception of the taxpayers) and political aspects (the way the administration conducts in accordance with tax fairness dimensions) in the case of the City of Addis Ababa. To achieve this broad objective the following four hypotheses and one specific research question were developed.

Hypothesis 1: *There is no difference in the level of fairness perceptions, tax knowledge, and the levels of perceptions of the complexity among Addis Ababa City taxpayers in the business profit tax systems.*

Hypothesis 2: *Addis Ababa City taxpayers perceive fairness of their business profit tax systems as being multi-dimensional*

Hypothesis 3: *Knowledge of the business profit tax system influences taxpayers' fairness perceptions.*

Hypothesis 4: *Complexity of the business profit tax system influences taxpayers' fairness perceptions.*

The specific research question: *"How is the perception of Addis Ababa City business profit taxpayers towards the business profit tax system?"*

4.2 Results

One of the purposes of this study is to investigate Addis Ababa City business profit taxpayers' perception towards the fairness of business profit tax system. The principal data sources to this end are the survey and in-depth interview conducted to Addis Ababa City business profit taxpayers. The following discussion presents the results of the survey and in-depth interview therefore in section 4.2.1 presents survey results while in section 4.2.2 presents in-depth interview result.

4.2.1 Survey result

In light of the above idea, the purpose of this section is to show the results from survey that conducted in Addis Ababa City business profit taxpayers. Therefore, it covers the respondents' profiles in section 4.1.1.1. Investigation of taxpayers' attitude towards the fairness of business profit tax system in section 4.1.1.2., and in section 4.1.1.3 it covers tax knowledge and tax complexity.

4.2.1.1 Respondents' profile

According to Income Tax Regulation No. 78/2002, there are different categories of business sectors. For this study, the sectors distribution of respondents was summarized in Table 4.1. As per the outcomes of the survey, about 63.0 percent of the respondents were engaged in merchandise/trading activities, while 35.0 and 2.0 percent were to be engaged in service and manufacturing sectors respectively (Table 4.1).

Table 4.1: Sectors distribution survey of respondents

Business sector	Frequency	Percentage
General manufacturing industries production (factory level) and other type of production	3	2.0
General merchandise and other different types of trade	94	63.0
Services like professional and other type of services	53	35.0
Total	150	100.0

Source: *Business profit taxpayers' survey and own computations*

In terms of forms of business ownership, 84 percent and 16 percent of the survey of taxpayer respondents were sole proprietors and partnership respectively (Table 4.2).

Table 4.2 Forms of business ownership

Type of ownership	Frequency	Percentage
Sole proprietors	126	84.0
Partnership	24	16.0
Private limited companies	0	0
Share companies	0	0
Total	150	100.0

Sources: *Business profit taxpayers' survey and own computations*

The outcomes of the business profit taxpayers' survey in respect of the corresponding business' year of establishment also revealed that about 31.3 percent were established before the 1998/1999 fiscal year while 35.3 percent, 16 percent, 8 percent were established in the 2000/01, 1999/2000, and 2002/03 fiscal years respectively (Table 4.3). (All the stated years in the data are in Ethiopian calendar).

Table 4.3 Year of establishment

Years of establishment(fiscal year)	Frequency	Percentage
Before 1998/1999	47	31.3
1999/2000	24	16.0
2000/01	53	35.3
2001/02	14	9.3
2002/03	12	8.0
Total	150	100.0

Sources: *Business profit taxpayers survey and own computation*

Examination of business profit taxpayers survey respondents in terms of their turnover in the fiscal year 2002/03 showed that more than half (64.7 percent) had a total turnover of Ethiopian birr (ETB) 100,000 or less while 23.3 percent had turnover between ETB 100,001 and ETB 500,000 (Table 4.4).

Table 4.4 Respondents' turnover for the 2002/03 fiscal year

Total annual turnover range (ETB)	Frequency	Percentage
Up to 100,000	97	64.7
100,001 – 500,000	35	23.3
500,001 –1,000,000	13	8.7
Above 1,000,000	5	3.3
Total	150	100.0

Sources: *Business profit taxpayers survey and own computation*

In respect of knowing the position of the respondent in the sector, the result showed that about 60.7 percent and 15.3 percent of the respondents respectively were owners and managers while 24 percent were employees (Table 4.5).

Table 4.5 Respondents' positions

Position	Frequency	Percentage
Owners	91	60.7
Employees	36	24.0
Managers	23	15.3
Total	150	100.0

Sources: *Business profit taxpayers survey and own computation*

In addition to the respondent position, the result shows the working duration of managers and employees in the sectors that covers the period from 1 to 5 years (Table 4.6).

Table 4.6 Working durations of managers and employees in a respective sectors

Working duration	Frequency	Percentage
1-5 years	58	38.7
Missing	92	61.3
Total	150	100.0

Sources: *Business profit taxpayers survey and own computation*

In case of the educational qualification of respondents, the survey revealed that about 31.3 percent had Diploma while 12.7 percent had a Bachelor Degree. Nearly 32 percent of respondents indicated that they had completed grade 12, while 14.7 percent and 7.3 percent were below grade 12 and no formal schooling respectively (Table 4.7)

Table 4.7 Respondents educational background

Level of education	Frequency	Percentage
No formal schooling	11	7.3
Below 12 grade	22	14.7
12 grade complete	48	32.0
Diploma	47	31.3
Bachelor degree	19	12.7
Master or above	3	2.0
Total	150	100.0

Sources: *Business profit taxpayers survey and own computation*

4.2.1.2 Attitude towards the fairness of business profit tax system

With respect to attitudes towards the fairness of business profit tax systems, different questions were asked. One of the questions inquired about the respondents' attitude towards the size of business profit taxpayers who are not willing to pay their taxes. In this regard, the survey outcomes revealed that about 32 percent, 38.7 percent, 25.3 percent and 4 percent indicated that taxpayers that fail to meet their obligation would be many, significant, few respectively whereas 4 percent of the respondents replied that there is no unwillingness to pay tax (Table 4.8).

Table 4.8 The size of taxpayers who are not willing to pay business profit taxes

Size of taxpayers	Frequency	Percentage
Many	48	32.0
Significant	58	38.7
Few	38	25.3
None existence	6	4.0
Total	150	100.0

Sources: *Business profit taxpayers survey and own computation*

To know the reason why taxpayers fail to comply profit taxes other than the non-existant group the result revealed that about 42.7 percent showed lack of awareness as the major reason while 38.7 percent, 10 percent, and 8.7 percent showed lack of ability to pay, negligence and only intentional behavior respectively(table 4.9).

Table 4.9 Reasons for taxpayers' failure to comply with profits tax system

Reasons	Frequency	Percentage
Lack of knowledge	64	42.7
Lack of ability to pay	58	38.7
Negligence	15	10.0
Intentionally	13	8.7
Total	150	100.0

Sources: *Business profit taxpayers survey and own computation*

Table 4.10 presents the descriptive statistics result on tax fairness perceptions issues. Examination of the mean value of horizontal fairness showed horizontal fairness was the only fairness dimension with a mean of more than 4.0 for all its indicators. Which consequently resulted in high mean for the construct of 'horizontal fairness' itself, at 4.14 similarly 94 percent of the respondents described that horizontal tax system is fair. Inversely the mean value of administrative fairness had below the average, which resulted in 2.3 similarly 67 percent of the respondents described that the tax system lacks administrative fairness. In addition, the mean value and percentage for general fairness, vertical fairness, personal fairness and exchange fairness were mixed, which is 2.78, 3.32, 3.22, and 3.87 respectively as the same time for this construct the percentage showed below the average.

Table 4.10 Descriptive statistics on fairness perceptions of Addis Ababa City business profit taxpayers

Measures	Strongly disagree		Disagree		Neutral		Agree		Strongly agree		Mean	Std.dev
	No	%	No	%	No	%	No	%	No	%		
Sum of general fairness	88	58.7	143	95.3	63	42	91	60.6	65	43.4	2.78	.70
I believe the government utilizes a reasonable amount of tax revenue to achieve social goals, such as the provision of benefits for low income families	43	28.7	76	50.7	18	12.0	9	6.0	4	2.7	2.03	.94
I believe everyone pays their fair share of income tax under the current income tax system	34	22.7	53	35.3	18	12.0	20	13.3	25	16.7	2.66	1.40
I think the government spends too much tax revenue on unnecessary welfare assistance. This is especially true in developed countries with what is true in countries like Ethiopia	11	7.3	14	9.3	27	18.0	62	41.3	36	24.0	3.65	1.16
Sum of exchange fairness	64	42.7	109	92.4	76	50.6	139	92.7	62	41.4	3.87	.87

It is fair that low-income earners receive more benefits from the government compared to high-income earners.	19	12.7	25	16.7	33	22.0	45	30.0	28	18.7	4.44	1.64
The income taxes that I have to pay are high considering the benefits I receive from the government	12	8.0	25	16.7	14	9.3	78	52.0	21	14.0	3.47	1.16
I receive fair value from the government in return for my income tax paid (e.g. benefits)	33	22.0	59	39.3	29	19.3	16	10.7	13	8.7	3.70	1.74
Sum of horizontal fairness	6	8.5	12	8.0	28	18.7	143	95.4	11	74	4.14	.60
It is fair for individuals with similar amounts of income to pay a similar amount of income tax.	2	1.3	4	2.7	21	14.0	67	44.7	56	37.3	4.14	.85
I believe it is fair for me to pay a similar share of income tax compared with other taxpayers earning an equivalent amount of income	4	7.2	8	5.3	7	4.7	76	50.7	55	36.7	4.13	0.92
Sum of vertical fairness	50	33.3	100	66.6	51	34	155	103.4	94	62.7	3.32	.74
It is fair that high-income earners are subject to tax at progressively higher tax rates than low-income earners. This also applied practically.	14	9.3	41	27.3	13	8.7	55	36.7	27	18	3.27	1.29
It is fair that low-income earners are taxed at a lower rate than middle-income earners.	7	4.7	17	11.3	14	9.3	64	42.7	48	32.0	3.86	1.13

The share of the total income taxes paid by high-income earners is much too high.	29	19.3	42	28.0	24	16.0	36	24.0	19	12.7	2.83	1.33
Sum of personal fairness	68	45.4	83	55.3	74	49.4	135	90	90	60	3.21	.73
I believe that I pay my fair share of the tax burden under the current income tax system	43	28.7	42	28.0	31	20.7	24	16.0	10	6.7	2.44	1.25
Compared to other taxpayers, I pay more than my fair share of income tax.	21	14.0	29	19.3	30	20.0	40	26.7	30	20.0	3.19	1.34
I believe there are a number of factors that affect the fairness of income tax system	4	2.7	12	8.0	13	8.7	71	47.3	50	33.3	4.01	.99
Sum of administrative fairness	85	56.6	114	76	45	30	38	25.3	18	12	2.3	.78
There are a number of ways available to me to correct errors in the calculation of my tax liability, if necessary, at no additional cost.	35	23.3	55	36.7	21	14.0	26	17.3	13	8.7	2.09	1.05
The administration of the income tax system by the Ethiopian Revenue and Custom Authority or Inland Revenue Authority is consistent across years and taxpayers	50	33.3	59	39.3	24	16.0	12	8.0	5	3.3	2.09	1.05

1-Minimum for mean, 5- the maximum mean, Number of respondent- 150, St.Dev-standard deviation

Sources: Business profit taxpayers survey and own computation

4.2.1.3 Tax knowledge and tax complexity

To know the point why taxpayers pay taxes, the survey result showed that 99 percent of the respondents responded that they knew why they pay taxes. 59.3 percent of the respondents replied that they pay taxes because it is a compulsory act while 28 percent of the respondent said that it is a duty of anticipation in public services. On the other hand, 6.7 percent of the respondent replied that they have no opportunity to evade, and the remaining 6 percent of the respondents said that they pay taxes to escape from the government intimidation (table 4.11).

Table 4.11 Reasons why taxpayers pay taxes

Reasons	Frequency	Percentage
To avoid disturbances (penalties, sanctions)	9	6.0
In anticipation of public services	42	28.0
There is no opportunity to evade	10	6.7
It is an obligation towards the government	89	59.3
Total	150	100.0

Sources: *Business profit taxpayers survey and own computation*

As Table 4.12 revealed, 80 percent of taxpayer survey responded that the tax system is not fair and based on the principle of ability-to pay while the remaining 20 percent of the respondent responded that the tax they paid is fair and equitable.

Table 4.12 Tax fairness and ability to pay taxes

Fairness issues	Frequency	Percentage
Yes(fair)	30	20.0
No (unfair)	120	80.0
Total	150	100.0

Sources: *Business profit taxpayers survey and own computation*

The justification of the respondent showed that the tax system is unfair and not based on the ability to pay principle. In this respect, 14.7 and 13.3 percent of taxpayers' responded that there is no administrative fairness and custom of paying taxes respectively. On the other hand, the survey results of 15.7, 9.1, 18.4, 23.0, and 5.8 percent showed that the tax system is not in line with general, exchange, vertical, personal fairness, and simplicity of tax system respectively (table 4.13).

Table 4.13 Reasons for unfairness of a tax system

Reasons	Frequency	Percentage
Absence of general fairness	4	15.7
Absence of exchange fairness	8	9.1
Absence of vertical fairness	7	18.4
Absence of personal fairness	9	23.0
Absence of tax knowledge	20	13.3
Absence of administrative fairness	22	14.7
Absence of tax knowledge	20	13.3
Complexity of tax system	12	5.8
Total	82	100.0

Sources: *Business profit taxpayers survey and own computation*

To know whether the tax authority delivered training or education for enhancing the knowledge of taxpayers' the survey result showed that 43.3 percent of respondents were not taken any trainings that could developed there awareness. Whereas 19.3 percent and 26.7 percent of the respondent replied that, they had taken twice and once in a year respectively (table 4.14).

Table 4.14 Programs of education/ training sessions delivered in a year

Education	Frequency	Percentage
Once a year	40	26.7
Twice a year	29	19.3
Three times per year	10	6.7
Above three times per year	2	1.3
Not at all	65	43.3
Total	146	97.3
Missing system	4	2.7
Total	150	100.0

Sources: *Business profit taxpayers survey and own computation*

Table 4.15 and 4.16 presents the descriptive statistics result on personal perceptions of tax knowledge and tax complexity of the current income tax system. Examination of the mean value of tax knowledge showed that slightly above the average mean value, which resulted in 2.85 similarly 88 percent of the responses indicated that there is lower level of tax knowledge. Besides the mean value for personal perceptions tax complexity of the income tax system, showed high, which resulted in 3.48 similarly 91 percent of the respondents described that the tax system had complexity nature. (Remark: in this study High mean value for tax complexity believed to be treated as the tax system as complex and for tax knowledge lower mean value).

Table 4.15 Descriptive statistics of personal perception on tax knowledge of the business profit tax system

Measures	Strongly disagree		Disagree		Neutral		Agree		Strongly Agree		Mean	St.Dev
	No	%	No	%	No	%	No	%	No	%		
General knowledge	214	71.3	335	92.2	211	80.6	291	93.9	149	99.4	2.85	.40
The rules related to income tax are clear and understandable	52	34.7	54	36	26	17.3	14	9.3	4	2.7	2.09	1.27
I do not have any problem with completing and filing the tax return form(s), if they are required	50	33.3	62	41.3	6	4.0	19	12.7	13	8.7	2.22	1.27
I know all what is required from me in respect of my business profit tax obligations	20	13.3	71	47.3	29	19.3	18	12.0	12	8.0	2.54	1.12
As far as I am aware, everyone who earns income sourced in this country is taxable, regardless of whether that person is resident or not	32	21.3	26	17.3	29	19.3	36	24.0	27	18.0	3.00	1.41
I believe that I do not have to be abide by the deadline for the submission of tax return form s.	38	25.3	44	29.3	22	14.7	33	22.0	13	8.7	2.59	1.31
To my knowledge I have little idea about the deductions that I can claim as a taxpayer in the computation of my tax liability	7	4.7	27	18.0	34	22.7	53	35.3	29	19.3	3.46	1.31
As far as i know the business profit tax is not fair in general.	10	6.7	28	18.7	29	19.3	56	37.3	27	18.0	3.41	1.17
The income tax system is a legitimate way for the government to collect revenue to manage an economy	5	3.3	23	15.3	36	24.0	62	41.3	24	16.0	3.51	1.40

1-Minimum for mean, 5- the maximum mean, Number of respondent-150, St.Dev-standard deviation

Sources: Business profit taxpayers survey and own computation

Table 4.16 Descriptive statistics of personal perception on tax complexity of the business profit tax system

Measures	Strongly disagree		Disagree		Neutral		Agree		Strongly agree		Mean	St.Dev
	No	%	No	%	No	%	No	%	No	%		
Tax Complexity	73	48.5	132	88.1	155	803.3	363	91.1	177	87	3.48	.48
I do not have to make a lot of effort to understand the explanations given in Ethiopian Revenue and Custom Authority guidebooks and other similar explanatory materials	9	6.0	10	6.7	26	17.3	76	50.7	29	19.3	3.70	1.04
I find tedious in procedural complications and to maintain all my relevant records for the whole year for tax purposes	17	11.3	19	12.7	22	14.7	64	42.7	28	18.7	3.44	1.25
The term used in the tax return forms are difficult to understand	14	9.3	18	12.0	32	21.3	52	34.7	34	22.7	3.49	1.23
The Ethiopian business profit tax system is too complicated	8	5.3	25	16.7	26	17.3	66	44.0	25	16.7	3.50	1.12
The Ethiopian business profit tax rules are bulky and hard for taxpayers like us to navigate	14	9.3	25	16.7	28	18.7	48	32.0	35	23.3	3.43	1.27
Most of the time, I need to refer to others (professionals) for assistance in dealing with the tax matters. Because of unclear and unfair treatment of the business profit tax system	11	7.3	35	23.3	21	14.0	57	38.0	26	17.3	3.34	1.22

I-Minimum for mean, 5- the maximum mean, Number of respondent-150, St.Dev-standard deviation

Sources: Business profit taxpayers survey and own computation

With regard to measures taken by the government, the survey respondents were given the opportunity to suggest on the issue that is better if it implement for making the tax system fair. In this aspect, 42 percent of the respondents agreed with strengthening legal enforcement and penalties to ensure tax fairness whereas, 58 percent disagreed with the aforementioned idea likewise the mean value remained below the average. In the case of other measures (improving policy and administration issues, educating the taxpayers and conducting awareness creation and consultation sessions, to provide necessary information to taxpayers' like, services and utilization of tax revenues. In addition reducing tax rates and making the collection procedures simple, transparent, and seating of different programs to enhance taxpayers' knowledge regarding the importance of imposing tax, and convincing taxpayers to believe, as the tax system is fair) 93 to 99 percent of the respondents agreed that the government has to take measures that could ensure tax fairness. Hence, the mean value also showed above the average i.e. 1.97 and 1.93 (table 4.17).

Table 4.17: Taxpayers' responses on measures taken by the government to improve tax fairness issue

Possible measures	Mi	Ma	Mean	Std. dev	Response	
					Disagree (%)	Agree (%)
Improving policy and administration issues	1	2	1.97	.16	3	97
Educating the taxpayers and conducting awareness creation and consultation sessions	1	2	1.93	.25	7	93
To provide necessary information to taxpayers' like: services and utilization of tax revenues.	1	2	1.94	.24	6	94
Seating of different programs to enhance taxpayers' knowledge regarding the importance of imposing tax, and convincing taxpayers to believe as the tax system is fair.	1	2	1.99	.12	1	99
Strengthening legal enforcement and penalties	1	2	1.21	.49	58	42
Reducing tax rates and making the collection procedures simple and transparent	1	2	1.98	.14	2	98

Mi- Minimum, Ma- Maximum, and Std.dev-standard deviation, 1-minimum min value, 2-maximum mean value

Sources: *Business profit taxpayers survey and own computation*

Apart from the discussions so far, survey respondents were given the opportunity to comment on the overall fairness of business profit tax system. More specifically, open-ended questions were asked concerning fairness of business profit tax system and factors affecting the tax fairness like; tax fairness dimensions, complexity of the business profit tax system and knowledge of the business profit tax system.

Therefore the following results were drawn: The current business profit tax system strained the practice of fairness and ability to pay. 32percent of the respondents indicated that the current business profit tax system did not consider taxpayers self-interest. Whereas 24.7 and 19.3 percent of the respondents replied that, the current business profit tax system is unequated with tax rate and unfair treatment of wealthy people (Table 4.18).

Table 4.18 Fairness of business profit tax

Summary of response	Frequency	Percentage
Unfairness of tax burden distribution	15	10.0
Inappropriateness of exchange with the government	21	14.0
Unfair treatment of wealthy	29	19.3
Unequated tax rate/ structure	37	24.7
Lack of keeping self interest	48	32.0
Total	150	100.0

Sources: *Business profit taxpayers survey and own computation*

In respect of the business profit tax knowledge, 37.3 and 38.0 percent of survey respondents' replied there are no explicit mechanisms that enhance the awareness of tax system and tax knowledge in general. In addition, 15.3, 3.3, and 6.0 percent of the survey respondents indicated that there are no any tax training /follow up, technical and legal knowledge provided by the respective party (Table 4.19).

Table 4.19 Knowledge of the business profit tax system

Summary of responses	Frequency	Percentage
Doesn't have technical knowledge	5	3.3
Doesn't have legal knowledge	9	6.0
Unavailability of follow up and tax training	23	15.3
Not have much of general knowledge	57	38.0
Unavailability of tax awareness creation mechanism	56	37.3
Total	150	100.0

Sources: *Business profit taxpayers survey and own computation*

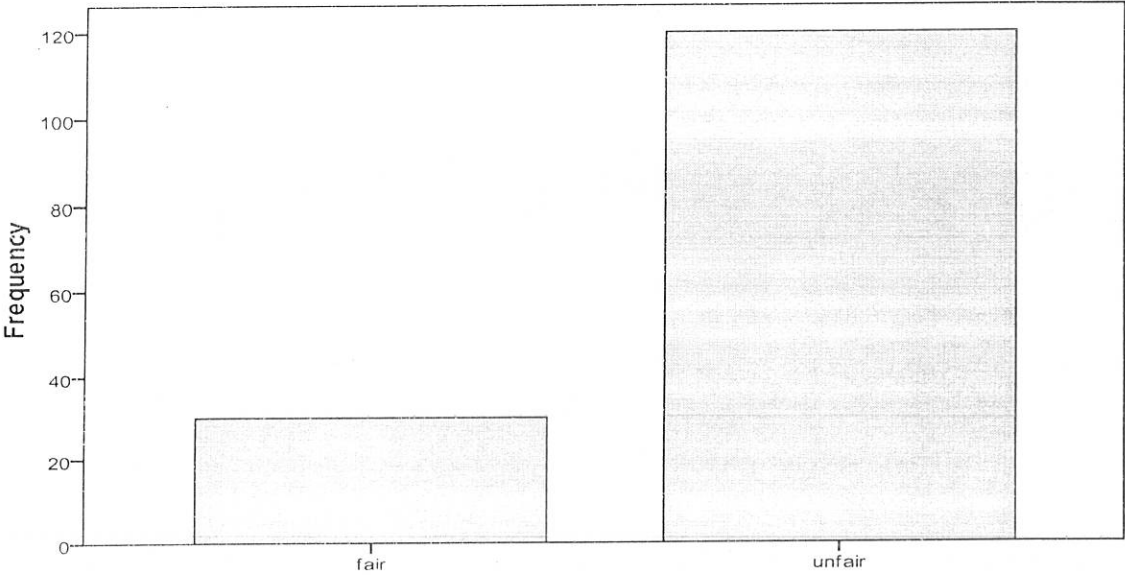
Besides the above-mentioned idea, survey respondents were also given the opportunity to comment on the complexity of the business profit tax system. Based on this 40.7 percent of the respondent replied that the business profit tax system have computational and procedural complexity. In addition, 28.7 and 20.0 percent of the respondents pointed out the business profit tax systems low level of readability and complexity of tax treatment procedure respectively. Whereas 6.7 and 4.0 percent of survey respondents further showed that the tax return form and procedure is unclear and highly complex (Table 4.20).

Table 4.20 Complexity of business profit tax system

Summary of responses	Frequency	Percentage
The tax structure by itself complex	6	4.0
The tax return form and procedure is unclear	10	6.7
Complexity of tax treatment procedure	30	20.0
Computational complexity and procedural complexity	61	40.7
Low level of readability and rule complexity	43	28.7
Total	150	100.0

Sources: *Business profit taxpayers survey and own computation*

figure 4.1 Do you think that the business profit tax you are paying is fair and based on your ability to pay?



Sources: *Business profit taxpayers survey and own computation*

4.2.1.4 The logit model results

This section presents the result of the model through regression analysis such as Wald's-test, mean value, p-value, R-squares (R²), adjusted R-square, significant test, path coefficients using SPSS.

Investigating the mean values of fairness perceptions among Addis Ababa City business profit taxpayers, together with the corresponding two-tailed *p*-values to determine whether or not taxpayers' perceptions different. The *p*-values column shows values of less than 0.05 for all dimensions of fairness tax complexity and tax knowledge with the exception of horizontal fairness. In respect of the Wald's-test, analysis revealed results with regard to the taxpayers' perceptions towards the fairness of business profit tax system. The result shows that almost all of the respondents have different perception towards the business profit tax system. More specifically The *Wald's*-test analysis shows that the respondents have lower fairness perceptions, and tax knowledge. Whereas in terms of complexity of the tax system, similarly the Wald's test viewed that the system is more complex. At the same time, path coefficients, in the logit model, represents the predictive link among constructs. Therefore, the path coefficients for tax fairness dimension tested variables except horizontal fairness and other variables like tax knowledge and tax complexity were highly significant at the 0.005 level. Finally, the R² value suggests to what extent the independent constructs help to explain the dependent constructs. Thus, the bigger the R², the more predictive power the model possesses. Therefore, the R² result shows that 70 percent of those fairness dimension, tax knowledge and tax complexity system explain the

dependent variable. Table 4.21 presents the statistical outcomes, which include p-value, mean, path coefficient, observed *Wald's*-statistics, and significance level.

Multiple regression analysis

Multiple regression analysis is conducted to identify the relationship between tax fairness perception as dependent variable and the independent variables. The outputs of multiple regressions are showed in (Tables 4.21).

Table 4.21 Summary of the Regressions Model/using logit model/

Variables	R ²	Adjusted R ²	Path Coefficient	Wald's-statistics	Significance Level	Mean	p-value (two-tailed)
Effects on Fairness Perceptions	0.69	0.67					
General fairness			.054	4.225	.005	2.78	.003
Exchange fairness			.033	3.123	.005	3.87	.011
Vertical fairness			.026	2.768	.005	3.49	.832
Horizontal fairness			.002	2.901	.005	3.32	.000
Personal fairness			.013	3.0045	.005	3.23	.006
Administrative fairness			.037	3.430	.005	2.30	.000
Tax knowledge			.023	3.0569	.005	2.96	.012
Tax complexity			.420	5.2063	.005	4.14	.013

Level of significance; $p < 0.001$, * $p < 0.05$, Tol= tolerance level (acceptable level < 0.10)

$$TFair_i = \alpha_0 + \beta_1 GF + \beta_2 EF + \beta_3 VF + \beta_4 HF + \beta_5 PF + \beta_6 AF + \beta_7 TK + \beta_8 TC + E_i$$
$$TFair = 0.054GF + .033EF + .026VF + .002HF + .013PF + .037AF + 0.324TK + 0.420TC + E_i$$

Sources: Business profit taxpayers survey and own computation

Pearson correlation coefficient

A correlation test is conducted to determine the relationship between fairness perception of business profit tax system as the dependent variable and the independent variable in this study.

Table 4.22 shows the correlations between fairness perception of on tax and the eight factors.

Table 4.22: Correlation of the major variables

	TF	GF	EF	HF	VF	PF	AD	TK	TC
TF	1	.510	.596	-.202(***)	.509	.467	.764	.328	.421
GF		1	.369	.601	.270	.758	.516	.504	.623
EF			1	.232	.663	.663	.328	.688	.643
HF				1	.301	.515	.340	.456	.503
VF					1	.250	.584	.138	.266
PF						1	.442	.430	.516
AD							1	.346	.412
TK								1	.212
TC									1

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

Note that: TF(tax fairness),GF(general fairness),EF(exchange fairness),HF(horizontal fairness),VF(vertical fairness),PF(personal fairness).AD(administrative fairness),TK(tax knowledge) and TC(tax complexity)

Sources: *Business profit taxpayers survey and own computation*

4.2.2 In-depth interview results

As stated in chapter 3, apart from the survey, this study employed in-depth interviews with business profit taxpayers. This aimed at obtaining the taxpayers' perception of the fairness on the business profit tax system and the effect of tax knowledge and tax complexity on fairness perceptions. In the study, the business profit taxpayers participated from the different sectors and turnover levels. This in turn enables the study to assess divergent views and arguments from different angles. In the context of the above data sources, the following section presents the results of in-depth interviews with 30 business profit taxpayers.

As far as this study is concerned on the issues of fairness perception, the participants' had reflected mixed ideas. Accordingly, from the different tax fairness dimension, 20 percent of interviewees showed that taxpayers had fair perception towards the current income tax system whereas 80 percent of them however were unhappy with the prevailing income tax system (table 4.23).

Table 4.23 Summary of responses on tax fairness issues

Responses	Frequency	Percentage
Those individuals with similar amounts of income pay a similar amount of tax.	4	11.0
Those who earns equivalent amount of income pays tax accordingly	2	6.0
Reforms following BPR improved certain tax collection process	1	3.0
The administration of the income tax system by the Ethiopian Revenue and Custom Authority or Inland Revenue Authority is inconsistent across years and taxpayers	5	18.0
Not all taxpayers paid their fair share of the tax burden	4	11.0
Practically high-income earners are not taxed at progressive tax rates than low-income earners.	3	10.0
The government are not effectively utilizes a reasonable amount of tax revenue to achieve social goals, such as the provision of benefits for low income families	4	12.0
The benefit receive from the government by high-income and low-income earners are not equitable and ability to pay principles	3	9.0
The government spends too much tax revenue on unnecessary welfare assistance	2	5.0
The initial late payment penalty on the unpaid tax, imposed on non-compliant taxpayers under the current tax system, is unfair	2	7.0
Individuals who deliberately evade paying their taxes should be penalized with the same amount of penalty regardless of the amount of tax evaded is observable this is unfair	2	8.0
Total	30	100.0

Sources: *Business profit taxpayers in- depth interview outcomes and own computation*

With respect to level of tax knowledge issues the researcher has sought that 62 percent of the participant had general idea on the business profit taxes whereas the remaining 38 percent replayed that they don't have detail technical and legal knowledge on the system. Besides, this 94

percent of participant of the interview reflected that the business profit tax system has complexity nature with respect to tax treatment procedure, computational complexity and procedural complexity, and low level of readability and rule complexity. Whereas 6 percent of the participant reflected, there is no complexity nature and procedure of the current of the income tax system. Furthermore, 91 percent of the participant agreed that the absence of tax knowledge and tax complexity had series effect on the tax fairness perceptions. As the same times 99 percent of the respondent replayed that, the government particularly the tax authority should improve the current tax system, through giving high emphasis on tax fairness dimension (table 4.24).

Table 4.24 Tax knowledge and tax complexity response

Response	Frequency	Percentage
Tax payers have only know how with a general knowledge and ideas of the tax system	7	23.0
There are many problems and un understandable with respect to completing and filing the tax return form(s).	8	27.0
There is a little idea about the deductions that taxpayer in the computation of tax liability	5	17.0
Doesn't have technical knowledge and legal knowledge	10	35.0
Total tax knowledge response	30	100.0
Some of the participant reflected, there is no complexity nature and procedure of the current of the income tax.	2	6.0
The Ethiopian business profit tax rules are bulky and hard for taxpayers like us to navigate	12	40.0
The tax structure and treatment procedure by itself complex	10	35.0
Low level of readability and the tax return form and procedure is unclear	6	21.0
Total tax complexity response	30	100.0

Source: *Business profit taxpayers in-depth interview and own computation*

To sum up the abovementioned result section presented the result of different methods that adopted in the research independently. Specifically, the results of the quantitative and qualitative methods of inquiry, namely survey and in-depth interview with business profit taxpayers were presented. Data obtained through these methods were employed to investigate attitude towards the fairness of business profit tax system, tax knowledge and tax complexity. The results of the different data collection methods revealed consistent findings. However, in order to address the research problems of this study, as detailed in chapter 3, it is crucial to examine the results of the different methods concurrently. It is therefore to pool the results presented in this section together and comprehensively address the research question (specific research question) and hypotheses. The subsequent section, hence, endeavours' to analyse the results and address the research questions holistically.

4.3 Analysis

As stated in chapter 2 the specific research question of this thesis is '*How is the perception of Addis Ababa City business profit taxpayers towards the business profit tax system?*' In this context, the broad objective of this research, as presented previously, is to explore how Addis Ababa City business profit taxpayers perceive business profit tax fairness issues. i.e, (It tries much to show taxpayers' perception towards the fairness of business profit tax system in line with the social aspects (perception of the taxpayers) and political aspects (the way the administration conducts in accordance with tax fairness dimensions); in the case of the City of Addis Ababa).

This broad objective was stated as hypotheses and specific research question in section 4.1. The purpose of this chapter is to address the specific research question and hypotheses through considering broader objective of the study at large, using data presented in the preceding section. Accordingly, the following Analysis presents; how the research question and all the hypotheses were addressed. This is followed by a discussion of the application of the findings to the research objectives.

Hypothesis1, which states, *there is no difference in fairness perceptions, level of tax knowledge perception, and level of complexity perception among Addis Ababa City business profit taxpayers of the current business profit tax systems.* And "*How is the perception of Addis Ababa City business profit taxpayers towards the fairness business profit tax system?*"

Data obtained from business profit taxpayer' survey and in-depth interviews were employed to address this specific research question and hypotheses.

Based on table 4.9, 4.10,4.12,4.13 4.15,4.19 and 4.20 the mean values of survey results of fairness perceptions among Addis Ababa City business profit taxpayers, together with the corresponding two-tailed p -values to determine whether or not taxpayers' perceptions is different. The p -value column shows values of less than 0.05 for all dimensions of fairness with the exception of horizontal fairness. Based on these statistics, the null form of hypothesis1, which states, *there is no difference in fairness perceptions, level of tax knowledge perception, and level of complexity perception among Addis Ababa City business profit taxpayers of the current income tax systems. In Fairness perception case, not accepted at 5 percent significance level.* In other word, the result implies that fairness perceptions among Addis Ababa City business profit taxpayers are different. The only fairness dimension that taxpayers had similar perceptions was horizontal fairness. Apart from providing evidence of significant difference in five dimensions of fairness perceptions among taxpayers, the mean values further indicate that taxpayers have better fairness perceptions on the horizontal fairness. The result indicates that the tax they pay is not fair responded as the tax rates are too high, tax revenues are not spent on public services, and taxpayers are not willing to pay. From this response, it is clear that the tax rate is not based on the ability-to-pay principle or it is perceived to be unfair by taxpayers. In the *levels of tax knowledge case*, similar to the above case it is not accepted at the 5 percent significance level. This signifies that business profit taxpayers have different levels of tax knowledge. In addition to this, mean values indicate that taxpayers have lower knowledge. Finally, in the case of *perceptions of tax*

complexity among business profit taxpayers, the result indicates that there is a difference in the levels of perceptions of the complexity among business profit taxpayers in the current business profit tax systems as the same time the mean values, it appeared that taxpayers perceived the income tax system as a more complex.

Besides this, the results from the Wald's-test analysis described earlier, the fairness perceptions among business profit taxpayers indicate that the taxpayers who perceived their business profit tax system is unfair in different dimension i.e., General fairness, exchange fairness, vertical fairness, personal fairness, and administrative fairness aspects with the exception of horizontal fairness. Because the data indicates that, those taxpayers who are in similar economic positions taxed at similar rates. As the same time, the tax knowledge of the taxpayers in table 4.15 earlier as the mean value indicated that taxpayers had low level of knowledge. The possible explanation for these findings is the business profit and other investment incomes of taxpayers where their filing mechanism is difficult to understand easily. In this respect, possibly, respondents felt that their limited knowledge of tax is inadequate for them to comply with their tax obligations, and therefore which require more knowledge of the income tax system in the process of filing their tax return forms. Whereas the finding from interviews shows that, lack of knowledge among business profit taxpayers caused difficulty for dealing with tax matters the main reason for this as the suggestion of taxpayers is the tax authority does not provide any general, technical, and legal knowledge. Subsequently, the survey results of business profit taxpayers indicated in table 4.15 showed the mean value of tax complexity is high in other words the tax system has complex morphology; this is due to the protracted and prolonged in nature of the tax system.

As the interviewed data analysis indicated that business, profit taxpayers had mixed perceptions on the fairness of the income tax system. Participants who viewed the business profit tax to be fair considered that paying tax is fair and not burdensome in the sense that one part of a social responsibility that should not be avoided by any person living in a city. Some of the respondents explained that: It is designed reasonably fair to the Ethiopian society because of the recent modifications of the government, and the income tax system is fair, but it could always be possible to fine-tune it. In addition to this, taxpayers pointed out the complexity of the tax system in respect of their sources of incomes, while complying with the difficulties of the tax law for the business profit taxpayers.

Furthermore, the findings from the interviews indicated that the majority of taxpayers criticized several aspects of fairness. This is due to the variations in each dimension of fairness perceptions with the exception of horizontal fairness.

In general, terms based on the survey, and an in-depth interview discussion implies that the findings answer the research question negatively and the justification opposes hypothesis 1. Similarly, scholars like Fallan (1999), Richardson (2005) and (Saw and Sawyer 2010) as stated in the literature chapter support this justification.

Hypothesis 2, which states: *“Addis Ababa City taxpayers perceive fairness of business profit tax systems as being multi dimensional.”* To test this hypothesis survey result coupled with the outcome of in-depth interviews were used.

As Table 4.10 survey data revealed, the taxpayers perceived the fairness of business profit tax system from various dimensions: general, exchange, horizontal, vertical, personal, and administrative fairness. These include the government spending extent of the collected tax revenue for the benefits of the society at large, the consideration of business profit taxpayers in different economic levels in respect of compliance of tax. As well as administration of the business profit tax system in line with legal, formal and procedural aspect and the fulfillments of self-interest for reacting with tax fairness issues.

Whereas in case interview result showed tax, fairness perceptions noted from different angles. For instance, there was a claim that fairness of the income tax system should be determined based on how tax is collected and how tax revenue is spent. If fairness were defined in these manners, some taxpayers would have improved perceptions of the fairness of the business profit tax system.

While majority of the participants perception went beyond the aforementioned two aspects of the business profit tax system. For them efficient tax collection and proper government spending of the collected tax revenues as measure for tax fairness dimensions, this supported by the analysis performed on taxpayers' views on fairness perceptions, which subsequently generated four main themes of fairness perceptions :(1) General fairness; (2) Vertical fairness; (3) Administrative fairness; and (4) Personal fairness.

In this study, general fairness is concerned with taxpayers' perceptions of the broader aspects of the income tax system, such as government spending of the tax revenue and the benefits system.

The results from the interviews indicated that, very the government spending of the collected tax revenues whereas the majority of the interviewed business profit taxpayers signaling their disappointment and discomfort concerning this issue satisfied few. These participants firmly believed that tax revenues were not properly spent in desired areas, such as health and education and instead wasted on government bureaucracy. This has intern led to the violation of trust in the government.

In relation to government spending, some participants further commented on the transparency issue where they claimed that the taxpayers were not well- informed on the details of how the tax revenue was spent. They expected a full disclosure of the government expenditure allowing them to examine the accounts and demonstrating greater government accountability. Specifically comments like there are a lot of a hidden cost, which has not been made public or told to the public and the people should be informed, everyone has the right to be informed and there should be an open book.

With regard to the social welfare/government benefits system, participants were generally pleased with the idea of assisting low-income taxpayers to have sufficient money to live on. However, participants stated that the system implemented with care to ensure that wealth distributed fairly and only to those genuinely in need. This is essential to avoid the misuse of money by those not deserving assistance.

Vertical fairness suggests that people in different economic situations should tax differently (Kirchler et al. 2006). Ideally, vertical fairness maintained when people with higher incomes

taxed at higher rates than those with lower incomes. This issue considered by the Ethiopian income tax system where the progressive tax rates currently as follows (FIRA, 2010): The participants theoretically agreed this idea of progressive tax rates when they claimed that it is fair to impose higher tax rates on high-income earners rather than low-income earners. However, the implementation of the progressive tax rate under the current business profit tax system appeared to be unsuccessful. The result of the interviews indicated, vertical fairness was not accurately maintained in the tax system because; higher incomes earners were not sufficiently taxed. Others condemned the income tax system as 'oppressing' the poor and hence, there was a suggestion to not tax low-income business profit taxpayers and between small business owners, who largely represent the middle-income group, and big companies. Participants who had experience running a small business, such that small business operators not treated fairly relative to the big companies, who were entitled to various tax breaks.

Administrative fairness is concerned with taxpayers' perceptions of how the tax authority administers the business profit tax. This concept of fairness emerged from Procedural Justice Theory (PJT), which asserts that fairness in procedures may lead to fair outcomes. PJT postulates six principles underlying fair procedures, namely: consistency, bias-suppression, accuracy, correctability, representativeness, and ethicality. This statement signals that the bias-suppression principle violated.

Despite the criticisms on the accessibility of the revenue authority, participants were quite satisfied with the tax authority those their annual turnover less than hundred thousand were no

longer required to file tax return forms. Such simplicity, however, were not enjoyed by their annual turnover greater than hundred thousand business profit taxpayers groups, who remain burdened with a lot of paperwork. This situation seems to be most unsatisfactory as the responsibilities to organize tax matters rests solely with the taxpayers.

Another aspect of administrative fairness that participants commented on was administering taxes for beneficiaries. Participants claimed that taxing beneficiaries and low-income people had actually resulted in huge tax administrative costs. In addition, participants commented that it seems unreasonable for the tax authority to impose tax on benefits, which essentially designed to help low-income people. In relation to this, participants were suggested excluding low-income people from the income tax system, which would subsequently reduces the number of people ERCA has to administer, and associated administration costs.

Personal fairness deals with taxpayers' perceptions as to whether the current income tax system is fulfilling their self-interest. From the interview conducted, the amount of tax an individual personally pays is too high generally and in comparison with others, this shows they were unhappy with the current tax rates and wished to have both lower rates.

In order to perceived as fair, the policy employed by the revenue authority must have gone through a decision-making process, which not only involved the tax authority, and tax experts, but also taxpayers. This PJT principle of representativeness suggests that society will be more likely to perceive a system to be fair when they have been involved in the relevant decision-making. The participant suggests that it should concerns about the administration of the income

tax system in terms of; accessibility to the tax authority; responsibility in administering tax matters; and decision-making process; all of which subsequently affected their fairness perceptions.

Thus, Addis Ababa City business profit taxpayers viewed fairness perceptions as multi-dimensional, and consequently this provides support to the literature, theory, and Hypothesis 2, which states: "*Addis Ababa City taxpayers perceive fairness of their business profit tax systems as multi dimensional.*"

Hypothesis 3 and Hypothesis 4 which assumes that '*knowledge of the business profit tax system influences taxpayers' fairness perceptions and 'complexity of the business profit tax system influences taxpayers' fairness perceptions.*' respectively. Examination of this hypothesis required survey result with the in-depth interview.

As the survey result showed in table 4.21, and table 4.22 hypothesis 3 was tested by examining the path coefficient of tax knowledge to the fairness perceptions. The path coefficients of 0.023 were highly significant at the 0.005 level. Therefore, the study reveals that respondents of the City agreed, tax knowledge had influence on fairness perceptions. At the same time Hypothesis 4, which was tested by examining the path coefficient of tax complexity effect on fairness perceptions, this showed that the path coefficient had positive signal this implies 0.0120, were significant at the 0.005 level. This intern suggests that the less complex tax system will improve taxpayers' fairness perceptions. Therefore, the statistical outcomes reveal that tax complexity was a significant factor affecting taxpayers' fairness perceptions.

In addition to this, *Wald's-test* analysis also employed. In relation to tax knowledge the *Wald's-test* analysis indicates, the respondents are in a lower position. Whereas the tax complexity tests result indicates the tax, system has complexity nature. Similarly, the logit model result with respect to R2 reveals that, the tax knowledge and tax complexity system explain the dependent variable (influence tax fairness issues).

As indicated in table 4.15, 4.16 and 4.19 and 4.20 respectively, the survey result showed the tax knowledge and tax complexity had strained fairness perceptions to a certain degree. This implies that taxpayers who were well aware of the tax knowledge understood the business profit tax system moderately.

As the interview, result revealed, some participants who were asked about their knowledge on business profit tax system had described that a general idea(objectives of income tax, and types of income tax) about the business profit tax but not much on the details of the system.

With regard to the complexity of the business profit tax system, the majority of the interview participants (business profit taxpayers) claimed that the system is generally too complex for taxpayers to understand. Since business profit taxpayers deals with various tax matters including income tax, turnover tax (goods and service tax) and so on, which expected to result in high compliance costs. Whereas participant put the blame on the multitude forms and tax itself is inherently causing the complexity in the business profit tax system.

Thus, the interviews result showed, both tax knowledge and tax complexity are affected fairness perceptions to a certain degree. In other word, they suggested that taxpayers with good tax knowledge understood more of the business profit tax system, which would result in better perceptions on fairness; as well, a justifiable business profit tax system would lead a simple and easily understandable business profit tax system. Based on the survey and in-depth interview result, Hypothesis 3, which assumes that *'knowledge of the business profit tax system influences taxpayers' fairness perceptions,'* accepted by taxpayer and resulting in acceptance of the hypothesis 4, which stated that *'complexity of the business profit tax system influences taxpayers' fairness perceptions.'* Similarly, scholars like Harris (1989), and Cox and Eger (2006), as stated in the literature chapter supports these justifications.

The correlation between dependent variable and independent variables of tax fairness issues as Table 4.22, the results show clearly that the correlation between fairness perception (dependent variable) and General and exchange fairness (independent variable) is Pearson Correlation (r) = 0.510 and 0.596 with p -value = 0.003 and .011. The correlation is positive and can be accepted in the relationship between the two variables, as the Pearson Correlation is less than 0.5 Coefficients. In this method, the significant level is at 0.05. in case of the correlation between fairness perception and exchange fairness is Pearson Correlation (r) = 0.013 with p -value = .011. The correlation is positive and accepted the relationship between the two variables, as the Pearson Correlation is less than 0.5 coefficients. In this method, the significant level is at 0.05. The correlation between tax fairness perception and horizontal and vertical fairness is Pearson Correlation (r) = -0.202 and 0.509 and with p -value = .832 and .000. The correlation is negative for

horizontal fairness and positive for vertical fairness this implies horizontal fairness is not accepted (negative relationship) but vertical fairness is accepted, as the Pearson Correlation is less than 0.5 coefficients. In this method, vertical fairness only the significant level is at 0.05. The correlation between fairness perception and personal, Administrative fairness as well as tax knowledge and tax complexity is Pearson Correlation (r) = 0.467, .764, .328 and .421 with p-value = .006, .013, .012 and .000 respectively. The correlation is positive and can be accepted in the relationship between the dependent and independent variables, as the Pearson Correlation is less than 0.5 coefficients. In this method also, the significant level is at 0.05. Thus, the relationship is acceptable.

4.4 Conclusion

To sum up, the discussions in this chapter endeavored to integrate the results of the quantitative and qualitative methods so as to address the specific research question and hypotheses and achieve the objectives of the research holistically. However, the findings in this study are not without weaknesses. The subsequent chapter, thus, presents the strengths and weaknesses of the study coupled with implications to the tax authorities and the literature with future research directions

Chapter 5: Conclusions and recommendations

This chapter presents the conclusions and recommendations. The purpose of the chapter is to review the whole thesis and highlight future research directions. Accordingly, section one presents overview of the thesis and its major findings while the second section presents the recommendations with future research directions. The third section covers the contribution of the thesis to the literature and tax authority. The limitations of the thesis presented in the last section.

5.1 Overview of the thesis and its major findings/Conclusions

Fairness perceptions, which derived from Equity Theory, established as an important element in individuals' lives (Zhiyong and Qingyang 2007). In taxation, a number of studies in abroad had undertaken on the fairness perceptions, which provide inconclusive results. In Ethiopia, there is no studies are available, thus requiring more research in this area. Therefore, the researcher has identified a research gap that needs to be investigated the fairness perceptions, and the factors contributing to fairness perceptions.

The identified research gap leads to the formation of broad objectives in the study. i.e., to understand how Addis Ababa City business profit taxpayers perceive business profit tax fairness issues. Thus, the paper tries much to show taxpayers' perception towards the fairness of business profit tax system in line with the social aspects (perception of the taxpayers); political aspects (the way the administration conducts in accordance with tax fairness dimensions); in the case of the City of Addis Ababa. To answer this objective, taxpayers' responses in the survey questionnaires were analyzed using descriptive analysis through SPSS. The results suggest that

Addis Ababa Business profit taxpayers viewed the current business profit tax system as reasonably fair in terms of horizontal fairness, but not on vertical fairness, personal fairness, administrative fairness, exchange fairness, and general fairness. Accordingly, a *Wald's-test* analysis conducted to test how taxpayers test fairness perceptions on their current business profit tax system. In case of taxpayers' perceptions of fairness as multi-dimensional, the results from the analysis indicate that taxpayers have multi-dimensional perceptions of the fairness of their income tax system. A similar indication provided in the interviews from the discussion on various aspects of fairness perceptions. The findings from the approaches provide support, not only to the premises under Equity Theory, but also to the existing literature on fairness perceptions. In course of understanding the role of fairness perceptions, the study simultaneously addressed major factors that affect fairness perceptions, namely tax knowledge and tax complexity.

Based on the presiding analysis the paper finally drawn the following conclusions/findings:

- ✓ The absence of adequate training, follow up, education and limited knowledge on their respective business profit tax systems intern resulted in difference in the perception of taxpayers towards income tax system and the government ought to obtain the intended revenue from the taxpayers. Further more awareness is a corner stone as far as voluntary compliance is concerned. As the finding shows, lack of awareness was cited as the major and leading reason for tax.
- ✓ The absence of clear-cut objectives, programs, procedures, rules and regulations which have, direct intact with the taxpayers knowledge and awareness intern brought about complex tax system.

- ✓ The authorities treat those individuals who have similar income level equally. This indicates the acceptability of horizontal fairness by the business profit taxpayers.
- ✓ There is no administration consistency in respect of the provisions of business profit tax system. This negates the principles of administrative fairness across business profit taxpayers.
- ✓ There is an overlap in the actual practice and the stated principles in respect of vertical fairness; those business profit taxpayers who make high-income would not be taxed in association with progressive tax structure.
- ✓ The tax authority as a responsible organ to activate tax system in the city is not effectively utilize a reasonable amount of tax revenue to achieve social goals and it spends much of the tax revenue for unnecessary welfare assistance. This implies the improper practice of general and exchange fairness;
- ✓ In respect of tax estimation most of the time experts from the tax authority levy tax burdens at the spot without considering the capacity of individual taxpayers (levy beyond the actual capacity of taxpayers), this contradict the concepts of personal fairness.

From the above findings, what the paper generally conclude that, though there have been considerable attempts and progresses to improve taxation system in the City, there are significant drawbacks. Unless these strains are resolved there might not be changed the perceptions and attitudes of the taxpayers as well as the social and economic development of the city.

5.2 Recommendations

Edlund (2003) summarizes that those who have carefully studied the public's attitudes, perceptions, and knowledge of taxes and tax policy have generally found that citizens are indeed remarkably misinformed/ confused. In other way Edlund (2003), pointed attitudes towards the tax system may affect by the behavior of an individual's reference group (relatives, neighbors, friends, and political associates) and nature of the tax systems (taxing environment).

Based on the study conducted using survey method and in depth interview taxpayers perception towards the fairness of business profit tax system were identified and possible recommendations would be forwarded so that it may help the tax authority and other policy makers to approach the issue accordingly.

- ✓ Firstly, as for some direction for future research, researcher in this area of study might want to explore further on the new dimensions found discovered in this exploratory study. A comprehensive study need to be considered to further validate the operational aspects of the new dimensions. Another possible research would be conducted to change the sample, to survey business profit taxpayers (sole proprietors or taxpayers doing own business) and employments income tax payers then make a comparative study to find out if there are any significant difference between these groups of taxpayers'. The present study surveyed business profit taxpayers. This is recommended because employments income tax is subjected to monthly Scheduler Tax Deduction (STD) and is mandatory for employers to comply. However, for business profit taxpayers they pay in full yearly bases. Therefore, the

differences in the schemes might show differences in perceptions of tax fairness and their tax reporting behaviour.

- ✓ Secondly, the tax authority educating the public must be considered crucial. It is possible through tax education, concepts of taxation and tax knowledge shall be imparted. Furthermore, taxpayers' need more information about their tax obligations and their role in promoting the growth of the economy of the country and the well-being of its citizens. The tax education can be a tool to inculcated tax fairness issue up on taxpayers'. In the context of reaching to the society, the tax authority can use the electronic media as a means to educate taxpayers' and change their perceptions about their tax reporting behavior and their overall perceptions of taxation in general. Public service advertisement covering aspects of tax reporting behavior to influence change of perceptions among taxpayers' can be aired over television.
- ✓ Thirdly, a remedial suggestion to the tax authority and future researcher, there should be a large-scale survey to study perception of taxpayers covering many determinants of tax fairness. Results from the study will provide indication to tax authority of the perceptions of taxpayers' in particular and the government in general to consider changes that will further enhance the tax system in Country.
- ✓ Fourthly, the most obvious requirement for maintaining fairness or equity among taxpayers it should treat all taxpayer based on his/her ability to pay and fair way. Maintaining tax equity and fairness is not achieved only through levying equal taxes on individuals who have equal income (horizontal fairness) but also in others cases of affecting factors of fairness issues i.e., vertical , general, personal, administration, and exchange fairness etc. Therefore the question

of fairness or equity is not only dealing with current taxpayers but also concerned with people outside the tax system because ensuring equity means encouraging and protecting honest and loyal society by adopting fair competition and efficient tax administration system. i.e, (Effective and efficient tax assessment, collection, awareness creation, and providing information), so that it will be perceived as strong and powerful by the society especially taxpayers. Hence, to create fair tax system the tax authority needs to strengthen itself by educating and training its employees, computerizing its operations, devoting additional resources, the tax law and procedures simple, understandable, and transparent because tax fairness is enhanced when vibrant and efficient tax authority exists.

- ✓ Fifthly, one of the areas to stress while dealing with the issue of fairness perception is the development of persuasive communications between the tax authorities and taxpayers. The most effective tool for making people more positive is to empower them with knowledge and changing taxpayers' attitude through sustainable awareness creation programs. Awareness creation should go beyond simply giving tax education to taxpayers it should be extended to having consultative sessions. There should be more preventative education for the public and increased awareness of tax responsibilities in schools. Students should be educated early in their career about tax responsibilities. All of these promote a view for tax system fair at the same time to inculcate in citizens a sense of responsibility toward taxes and finally
- ✓ There is no sufficient provision of social services by the government. According to the result, the taxpayers need various social services from the government in return of what they have paid as a tax. If there is no provision of sufficient services, the willingness and motivation of the taxpayers to pay their tax obligation in full and on timely basis may be affected, i.e. the

taxpayers perceive that their money is being misappropriated or used for meaningless purposes. Therefore the government should be transparent for the taxpayers' money and the service provided to the society.

- ✓ Finally, to improve tax collection enforcement measures and requirements of submission (regarding annual tax returns) and the income tax rates should be adjusted, with adjustments made to both the income threshold and rates.

5.3 Contribution and implications of the study

The findings of this study expected to provide updated information and advanced practices towards fairness perceptions in the City. In the researcher's view, the results of this study have contributed to the tax literature as well as to the tax authorities (policy makers of the city Administration) of the Country. The contributions discussed below:

To the literature

This study contributes to the existing literature in several ways. First, this study adds to the limited literature available in the world and countries. Because Most of the prior studies undertaken on such area conducted in United States (US), Europe, and Australia as well as there is no any research conducted in our countries context therefore this study shows the fairness perceptions in the cases of Ethiopia. In particular, the findings of this study which suggest that taxpayers appeared to have negative perceptions on general fairness, exchange fairness, vertical fairness, administrative fairness and personal fairness of the current income tax system. Thus, the findings documented in this study will be a 'stepping stone' for more studies in the future. Second, the mixed-method approach undertaken in this study provides complementary views

from different perspectives. While the survey results emphasise the predictive power and significance level of the analysis, the in-depth interviews enhance the findings by providing explanations that are more detailed. For instance, while the survey results suggest that a fairness perceptions and affecting factors, the interview participants further explain their concerns with the income tax systems that reflect their perceptions on fairness issues. Finally, this study helps as instrument for future researchers intending to study fairness perception and factors affecting fairness issues.

To the tax authorities

In addition to advancing academic and knowledge in the taxation area, this study also has its practical implications. First, the information pertaining to various dimensions of fairness will be useful to the tax authorities to improve the areas, which have led to negative attitudes on the tax system among taxpayers as well as to incorporate measures that address these pitfalls while designing a tax system or policy (in reviewing and modifying current income tax systems). Besides, it may give some highlights that will serve as a basis for further nationwide research and policy design. For instance, being aware that taxpayers of the City were dissatisfied with government spending and disclosure issues would assist the tax authorities in encouraging the governments improve the efficiency of government expenditure and the level of transparency. Secondly, the information obtained in this study on taxpayers' knowledge of tax, which is generally limited, would also be useful for tax authorities to develop an appropriate education programme. A more consistent, rather than seasonal campaign through the public media, could be an effective way to communicate tax matters to the public. Incorporating tax education in the

secondary schools curriculum may also help for early exposure to tax. Finally, the information on taxpayers' perceived complexity of the income tax system provides a signal to the tax authorities, to increase their efforts in providing a more user-friendly income tax system. While the income tax system has undoubtedly gone through a simplification programme, the benefits of such a programme are still vague in the view of taxpayers. Perhaps more assistance offered to taxpayers, especially the business profit taxpayers, to deal with their tax obligations at the early stages of their business activities.

5.4 Limitations of the research

Notwithstanding the significant contributions of this study, it also has a number of limitations. The first is the inherent weaknesses with the survey approach itself, like the respondents' differing interpretation of the questions. However, acknowledged that these weaknesses may remain to some extent. For example, In terms of the different interpretation of the questions by respondents, the researcher has made reasonable efforts to ensure the wording and sentences were straightforward and precise. In terms of the interview approach, the main weakness is probably the use of similar samples for the survey. In this study, participants for the interview invited to participate via the survey.

On the other hand, the study only used business profit taxpayers who are largely sole proprietors and partners. This because the aforementioned sectors were under the control of Addis Ababa City Government whereas, the rest business profit taxpayers were Administered under the Federal Government. Thus, it need critical caution should take when generalizing to other

business profit taxpayers. Besides the respondents' attitudes in course of giving responses felt or perceived the study as if it encountered with the government.

The time allotted by the department for the accomplishment of this paper is not sufficient and it intriguing the researcher a lot. Beside this, the scarcity of sufficient fund and the absence of adequate source of materials made the work more complex. Unless the undying effort of the researcher exerted for each of the protracted problems the paper would not been reaching to this status.

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APPENDICES!

Appendices 1 Taxpayers survey instrument (English version)

ADDIS ABABA UNIVERSITY
School of Business and Public Administration
Department of Accounting and Finance

Dear Participant

This project is entitled "Taxpayers' perception towards fairness: personal business profit taxpayers in Addis Ababa". The investigator is Wubshet Aborat Gebremeskel who is currently an MSc (in accounting and finance) student at the Addis Ababa University.

The aim of this project is to understand how Addis Ababa City business profit taxpayers perceive income tax fairness issues. To supplement the data obtained from in depth interviews with purposively selected business profit taxpayers in Addis Ababa, the investigator seeks to gather relevant information from randomly selected taxpayers by means of self-administered questionnaire.

Participation in this project is completely based on your willingness. The self-administered questionnaire results will be recorded anonymously and strict confidentiality will be maintained. Individual responses will not be identified in the investigator's MSc thesis.

For further information, please contact **Wubshet Aborat Gebremeskel** by the following address:

Tel: 0912-75-09-16

E-mail: wub2001@gmail.com

Section I: Background information

Please tick (✓) where appropriate

1) What is your main business activity?

- 1 ☐ Manufacturing
2 ☐ General Merchandise and Trade
3 ☐ Services i.e., professional etc
4 ☐ Other, please specify.....

2) What is your legal form of business operation?

- 1 ☐ A sole proprietorship
2 ☐ A private limited Co.
3 ☐ A partnership
4 ☐ A share company
5 ☐ Others, please specify.....

3) When did you start business? Startbus

- 1 ☐ Less than 1 year ago
2 ☐ 5-10years ago
3 ☐ 1-5 years ago
4 ☐ more than 10 years ago
5 ☐ Other, please specify.....

4) What was the approximate turnover/birr value of sales that your enterprise made in 2002 fiscal year?

- 1 ☐ Under Birr 100,000
2 ☐ Birr 100,001 – Birr 500,000
3 ☐ Birr 500,001 – Birr 1,000,000
4 ☐ Birr1000, 001more

If your turnover was more than Birr 1000,001, please state the approximate turnover in 2002 fiscal year: Birr.....

5) What is your level of education?

- 1 ☐ Below 12 grade
2 ☐ 12 grade completed
3 ☐ Diploma
4 ☐ Bachelor degree ,
5 ☐ Masters or above
6 ☐ Other

Please specify

6) What is your position in the sector?

- 1 ☐ Owners
2 ☐ Employees
3 ☐ Manager
4 ☐ Other responsibilities, please specify

7) If your answer to question number 6 is other than owners, how long you have been in the position?

- 1 ☐ Less than 1 year
2 ☐ 1-5 years
3 ☐ 5-10 years
4 ☐ More than 10 years
5 ☐ Other, please specify.....

Section II: Questions related to taxpayers' attitude towards the fairness of Business profit tax system.

8) How do you guess the size of taxpayers who are not willing to pay business profit taxes?

- 1 ☐ Many
2 ☐ Few
3 ☐ Insignificant
4 ☐ None existence
5 ☐ Do not know

9) Why these taxpayers are not willing to pay business profit taxes? (Multiple answers are possible).

- 1 ☐ Lack of knowledge
2 ☐ Lack of ability to pay
3 ☐ Negligence
4 ☐ Intentional

Please provide further comments if any.....

.....

Please state your agreement or disagreement to the statements listed in the following table

Ser no	Statements	1 Strongly disagree	2 Disa gree	3 Neutral	4 Agree	5 Strongly Agree
10	I believe the government utilizes a reasonable amount of tax revenue to achieve social goals, such as the provision of benefits for lower income families					
11	It is fair that high-income earners are subject to tax at progressively higher tax rates than low-income earners. This also applied practically.					
12	The income taxes that I have to pay are high considering the benefits receive from the government					
13	The administration of income tax system by taxing Authority is consistence across years and taxpayers					
14	I think the government spends too much tax revenue. This is especially true in developed countries with what is true in countries like Ethiopia					
15	There are a number of ways available to me to correct errors in the calculation of my tax liability, If necessary at no additional cost.					
16	I believe that I pay my fair share of the tax burden under the current income tax system.					
17	I believe it is fair for me to pay a similar share of income tax compared with other taxpayers earning an equivalent amount of income					
18	I believe there are a number of factors that affect the fairness of income tax system					
19	I receive fair value from the government in return for my income tax paid (e.g. benefits)					

1. *Journal of the American Medical Association*, 2000; 284: 2689-2695.

Section III: Questions related to taxpayers' general knowledge about taxation

26) Why do you pay taxes?

- 1 ☐ To avoid disturbances (penalties, sanctions)
- 2 ☐ In anticipation of public services
- 3 ☐ There is no opportunity to evade
- 4 ☐ It is an obligation towards the government
- 5 ☐ Do not know
- 6 ☐ Others, Please specify.....

27) Do you think that the business profit tax you are paying is fair and based on your ability to pay? 1 ☐ Yes 2 ☐ No

28) If your answer to question number 22 above is No, why not? -----

29) How often you are attending education sessions about taxation?

1 ☐ Once a year

2 ☐ Twice a year

3 ☐ Three times per year

4 ☐ Above three times per year

5 ☐ Not at all

Please state your agreement or disagreement to the statements listed in the following table

No	Statements	1 Strongly disagree	2 Disagree	3 Neutral	4 Agree	5 Strongly agree
30	The rules related to income tax are clear and understandable					
31	I do not have any problem with completing and filing the tax return form(s), if they are required					
32	I know all what is required from me in respect of my business profit tax obligations					
33	As far as I am aware, everyone who earns income sourced in this country is taxable, regardless of whether that person is resident or not					
34	I believe that I do not have to be abide by the deadline for the submission of tax return form (s) (in case of having other income such as rental and business income), as the deadline is only a guideline and does not result in penalties					
35	I have little idea about the deductions that I can claim as a taxpayer in the computation of my tax liability					
36	As far as i know the business profit tax is not fair in general.					
37	The income tax system is a legitimate way for the government to collect revenue to manage an economy					

Section IV: Questions related to the Complexity of business profit tax system

Please state your agreement or disagreement to the statements listed in the following table

No	Statements	1 Strongly disagree	2 Disagree	3 Neutral	4 Agree	5 Strongly agree
38	I do not have to make a lot of effort to understand the explanations given in Ethiopian Revenue and Custom Authority guidebooks and other similar explanatory materials					
39	I find tedious in procedural complications and to maintain all my relevant records for the whole year for tax purposes					
40	The term used in the tax return forms are difficult to understand					
41	The Ethiopian business profit tax system is too complicated					
42	The Ethiopian business profit tax rules are bulky and hard for taxpayers like us to navigate					
43	Most of the time, I need to refer to others (professionals) for assistance in dealing with the tax matters. Because of unclear and unfair treatment of the business profit tax system					

44. Please indicate your agreement or disagreement to the measures that the government should undertake in order to improve the fairness of the income tax system

Possible measures	1 Agree	2 Disagree
Improving policy and Administration issues		
Educating the taxpayers and conducting awareness creation and consultation sessions		
To Provide necessary information to taxpayers' like: services and utilization of tax revenues.		
Seating of different programs to enhance taxpayers' knowledge regarding the importance of imposing tax, and convincing taxpayers to believe as the tax system is fair.		
Strengthening legal enforcement and penalties		
Reducing tax rates and making the collection procedures simple and transparent		

45. Please provide further comments (if any) on the following issues:

- A fairness of business profit tax
-
- B Complexity of business profit tax
-
- C. Knowledge of the business profit tax

Thank you very much for your cooperation!

Appendices 2 Taxpayers survey instrument (Amharic version)

አዲስ አበባ የኒሸርሲቲ

በዚህ ስና ፓሰለክ አድሚኒስትሬሽን እስከል

አካወንቲንግና ፋይናንስ ት/ክፍል

የገቢ ግብርን (business profit tax system) ጥናት መጽደቅ

የተከበሩ የጥናቱ ተሳታፊ

የዚህ ጥናት ርዕስ "Taxpayers' perception towards the fairness of Business profit tax system in the case of Addis Ababa City tax payers" ነው። አጥኝው ወብሽት አቦረት ገ/መስቀል ሲሆን በአሁን ጊዜ በአዲስ አበባ የኒሸርሲቲ በበዚህ ስና ፓሰለክ አድሚኒስትሬሽን እስከል በአካወንቲንግና ፋይናንስ ት/ክፍል የመከተረ ተሞላ ነኝ።

የጥናቱ ዋና አላማ እንዴት ነው በአዲስ አበባ ወሰን የሚገኙ ግለሰብ ታክስ ከፋዮች (Business profit taxpayers) አጠቃላይ ታክስ ሲሰጥ የሚደረግ (Perception) ፡፡ እርሶ ወይም የእርሶ ደርጅት በዚህ ጥያቄ ላይ እንዲሳተፉ በአጣ ተመርጠዋል። በዚህ ጥያቄ ላይ መሳተፍ መቼ በመቼ በፍቃድኝነት ላይ የተመሰረተ ነው። የጥያቄውን መልስ በተመለከተ የተሳታፊው ማንነት ሳይገለጥ ይመዘገብና ጥብቅ በሆነ መከተልነት ይጠበቃል። ከላይ እንደተጠቀሰው ጥናቱ የሚካሄደው ለትምህርት ምሥራቅ ፅሐፍ ለመጻፍ ነው። የአያንዳንዱ ተሳታፊ መልሶች በአጥኝው ፅሐፍ ወይም በሚጻፍበት ስራ ላይ የመላሹ ማንነት ተገልጦ አይቀመጥም። ተሳታፊዎች የጥናቱን ግኝት ጠቅላላ መግለጫ አጥኝው ጥናቱን ከጨረሰ በኋላ በጤቁ ሊያገኙ ይችላሉ።

ለተጨማሪ መረጃ ወብሽት አቦረት ገ/መስቀል በሚከተለው አድራሻ ማግኘት ይችላሉ።

ስልክ

251912750916

ኢሜል;

wub2001@gmail.com

ክፍል አንድ:- መንደርደሪያ ሃሳብ

1. የድርጅቶች ዋና የስራ እንቅስቃሴ ምንድን ነው?
 - 1 ☐ ማምረት
 - 2 ☐ የንግድ ሥራ
 - 3 ☐ የአገልግሎት ሥራ
2. የእርስዎ ድርጅት:
 - 1 ☐ በአንድ ግለሰብ የተያያዘ (sole Proprietorship) ነው የአክሲዮን ማህበር ነው
 - 2 ☐ የሽርክና ማህበር ነው
 - 3 ☐ ሌሎች (አባዝዎ
 - 4 ☐ ኃላ.የተ. የግ.ማህበር ነው-ሌሎች ካሉ አባዝዎ ያብራሯቸው.....
3. መቼ ነው ሥራውን የጀመራችሁት

1 ☐ ከ1 ዓመት በታች	3 ☐ ከ5 ዓመት እስከ 10 ዓመት
2 ☐ ከ1 ዓመት እስከ 5 ዓመት	4 ☐ ከ10 ዓመት በላይ
5 ☐ ሌሎች (አባዝዎ ያብራሯቸው).....	
4. በ2002 የበጀት አመት በግምት እርስዎ ወይም ድርጅታዎ ምን ያህል ሽያጭ ነበረዎት / ነበረዎ?
 - 1 ☐ ከብር 100,000 በታች
 - 2 ☐ ብር100,000- ብር 500,000
 - 3 ☐ ብር 500,000- ብር 1000000
 - 4 ☐ ብር 1000000 ወይም ከዚያ በላይ
 - 5 ☐ ከዚህ በላይ ከሆነ መጠኑ አባዝዎ በግምት ይግለጹልን ::ብርሚሊዮን
5. የትምህርት ደረጃዎ:
 - 1 ☐ ከ12 ክፍል በታች
 - 2 ☐ 12 ክፍል ያጠናቀቀ
 - 3 ☐ ዲፕሎማ
 - 4 ☐ ባችለር ዲግሪ
 - 5 ☐ ማስተርስ
 - 6 ☐ ከዚያ በላይ ከሆኑ (እባዝዎ ይግለጹልን).....

6. በደርጅቱ ውስጥ ያለዎት ድርሻ ምንድነ ወ?

- 1 ☐ ባለቤት
- 2 ☐ አስተዳዳሪ
- 3 ☐ ቅጥረኛ
- 4 ☐ የተለየ ከሆነ (እባክዎ ይግለፁልን)

7. በጥያቄ ቀ.6 መሠረት ባለቤት ካልሆኑ ለምን ያህል ጊዜ በቦታው ቆይተዋል ::

- 1 ☐ ከ1 ዓመት በታች
- 2 ☐ ከ1 ዓመት- 5 ዓመት ባለው ጊዜ ውስጥ
- 3 ☐ ከ5 ዓመት-10ዓመት ባለው ጊዜ ውስጥ
- 4 ☐ ከዚህ ወጪ ከሆነ (እባክዎ ይግለፁልን)

ክፍል ሁለት: የገቢ ግብር ከፋዮች በግብር ስርዓት ላይ ያላቸው አመለካከት

8. እንዴት ነው ፍቃደኛ ያልሆኑትን ግብር ከፋዮችን ብዛት የማይመስሉት?

- 1 ☐ ብዙ ናቸው
- 2 ☐ ጥቂት ናቸው
- 3 ☐ በቁጥር ውስጥ የማይቡ አይደሉም
- 4 ☐ አላውቅም

9. በጥያቄ ቀ.8 መሠረት መጠሰዎ ብዙ ናቸው ከሆነ ለምንድነ ወ የገቢ ግብር ለመክፈል ፈቃደኛ ያለሁት (መጠሰ ከ1 በላይ ለሆነ ይሻላል)

- 1 ☐ የግንዛቤ እጥረት
- 2 ☐ የመክፈል አቅም ማጣት
- 3 ☐ ችልተኝነት
- 4 ☐ ቀልጣፋ ያልሆነና አድካሚ የግብር አሰባሰብ ስርዓት በመኖሩ
- 5 ☐ እባክዎ ተጨማሪ ሃሳብ ካልዎ ይግለፁልን

ቁ		በጣም አስማላሁ 1	አስማላሁ 2	ግልጽ ትኛ 3	አልሰማም 4	በጣም አልሰማም 5
10	እንደምላከተው ከሆነ መግሥት የግብር ገቢወን በአግባቡ በሥራ ላይ ያወለዋል					
11	ትልቅ ገቢ ያላቸው ከትንሽ ገቢ ካላቸው አኳያ ግብር ከፋዮች እንደየገቢያቸው መካከል ቢከፍሉም ፍታዊ ነው					
12	ከመግሥት ከመገኘው ጥቅም ጋር ሲተያይዝ እኔ የምከፍለው ግብር እጅግ ከፍተኛ ነው . . .					
13	የገቢ ግብርን በተመለከተ የግብር ባለሥልጣኑ የሚመዘገዘው አስተዳደራዊ ህግ ከዓመት ወደ ዓመት ወጥ ነው					
14	ሳስበው መግሥት አብዛኛውን የግብር ገቢ ላልተገባ ሁኔታ ያወለዋል እንደዚህ ዓይነት ሁኔታ በአብዛኛው ባደጉት ሀገር ወስጥ ይታያል ልክ እንደዚሁ በኢትዮጵያም ተመሳሳይ ሁኔታ ይሰለዋል					
15	የግብር ዕዳን ሲሰራ የሚሄዱ ሰህተቶችን ለመታወቅ ብዙ አሜሪካኛ ያለምንም ወጭ አሉን					
16	የምከፍለው የግብር መጠን ተገቢና ተከክለኛ ነው ብዬ አምናለው					
17	እንደ እኔ ካሉ ሰነዶች ጋር አከል የሆነ ግብር መከፈሉ ተገቢ ነው ብዬ አምናለው . . .					
18	እንደ ዓይነት (fair) የገቢ ግብር ስራዓት እንዳይኖር ብዙ ዓይነት ምክንያቶች አሉ ብዬ አምናለው					
19	ከመግሥት እንደምከፍለው የገቢ ግብር ልክ ጥቅም አገኛለው ብዬ አስባለው . . .					
20	ትልቅ ፣ መካከለኛ እና አነስተኛ ገቢ ያላቸው ግብር ከፋዮች እንደየ ገቢያቸው የገቢ ግብራቸውን ቢከፍሉ ተገቢ ነው ብዬ አምናለው					

ክፍል ሦስት፡ የገቢ ግብር ከፋዮች በግብር ስርዓት ላይ ያላቸው እወቅት

21. የገቢ ግብር ለምንድነ ው የምትከፍሉት?

- 1 ☐ ከቅጣትን ለመረቅ
- 2 ☐ በህዝባዊ ስራ ላይ ለመሳተፍ
- 3 ☐ ለማግኘት በር ምንም አሜሪካ ስለሌለን
- 4 ☐ ግዴታዬ ስለሆነ
- 5 ☐ አላወቅም
- 6 ☐ ሌሎች ምክንያቶች ካሉ አባክዎ

ይግለፅልን.....

22. የምትከፍሉት የገቢ ግብር ፍታዊና አቅማችሁን ያገናኘበ ነው ብላችሁ ታስባላችሁ?

- 1 ☐ አዎ
- 2 ☐ አይደለም
- 3 ☐ አላወቅም

23. በጥያቄ ቁጥር 22 መሠት መላላችሁ አይደለም ከሆነ

ለምን?.....

24. ለምን ያህል ጊዜ በግብር ዙሪያ ትምህርት ወስደዋል ?

- 1 ☐ በዓመት አንዴ
- 2 ☐ በዓመት ሁለቴ
- 3 ☐ በዓመት ሶስቴ
- 4 ☐ በዓመት ከሶስቴ ጊዜ በላይ
- 5 ☐ ወስጄ አላወቅም

አባክዎ በሚቀጥለው ሰንጠረዥ በተሰጠው አማራጭ መሰረት እስማማለሁ ወይም አልስማማም በማለት ሃሳቦዎን ይግለፁልን

ቁ		በጣም አስማማለሁ	እስማማለሁ	ገለልተኛ ነኝ	አልስማማም	በጣም አልስማማም
		1.	2.	3	4	5
25	በገቢ ግብር ዙሪያ ላይ ያሉት ህጎች ግልፅና መረዳት የማይቻሉ ናቸው					
26	የገቢ ግብርን ፎርም ሞልቶ ፋይል ለማድረግ ምንም ዓይነት ችግር የለብኝም					
27	በገቢ ግብር በኩል ግዴታዬንና ክእኔ ምን እንደሚጠበቅ አውቃለሁ					
28	እንደሚገባኝ ከሆነ ማንኛውም ሰው የሃገሪቷ ነዋሪ ሆነም አልሆነም ከሚያገኘው ገቢ ግብር መክፈል መቻል አለበት					
29	እንደሚገባኝ ከሆነ ማንኛውም የገቢ ግብር ከፋይ በዕለቱ ግብርን መክፈል ለቅጣት አይጋልጠውም					
30	የግብር ዕዳዬን በማስላት ረገድ ያለኝ ግንዛቤ አነስተኛ ነው					
31	እንደምረዳው ከሆነ በአጠቃላይ የገቢ ግብርን በተመለከተ በተለያዩ ምክንያቶች መሠረት ፍታዊ አይደለም					

ክፍል አራት፡ የገቢ ግብርን ውስብስብነት በተመለከተ

እባክዎ በሚቀጥለው ሰንጠረዥ በተሰጠው አማራጪ መሰረት እስማማለሁ ወይም አልስማማም በማለት ሃሳብዎን ይግለጹልን

ቁ		በጣም እስማማለሁ	እስማማለሁ	ከዚህ ወጭ ነኝ	አልስማማም	በጣም አልስማማም
		1.	2.	3.	4	5
32	በኢትዮጵያ ገቢዎች ባለስልጣን የሚሰጠውን መጽሔቶች፣ በክሊት፣በራሪ ወረቀቶች እና ሎሌች ተመሳሳይ ማቴሪያሎችን ለመረዳት ብዙም ጥረት አላደረግም...					
33	የገቢ ግብርን ለመክፈል በሚደረጉ ነገሮች ላይ ለምሳሌ በመዝገብ እያያዝና መመዝገብ ላይ ያሉት ሁኔታዎች በጣም አድካሚ ናቸው ...					
34	በግብር ስርዓት ላይ የሚጠቀሙት ቃላቶችና ስርዓቶችን ለመረዳት አስቸጋሪ ነው					
35	በአጠቃላይ የገቢ ግብርን ስርዓት በተመለከተ በጣም ውስብስብ ነው ...					
36	የገቢ ግብርን ህጎች በተመለከተ በጣም ብዙና ለመረዳት የምክብዱ ናቸው					
37	የገቢ ግብር ግልፅ እና ፍታዊ አለመሆን የተነሳ ብዙውን ጊዜ ባለሙያ እንጠቀማለን...					

38.የገቢ ግብርን ፍታዊነት ለማምጣት መንግሥት መውሰድ አለበት የምትሉትን ሃሳብ ቀጥሎ በተገለፀው ጉዳዩ ላይ ያለዎትን አመለካከት ያመልክቱ

	በጣም እስማማለሁ	እስማማለሁ	ከዚህ ወጭ ነኝ	አልስማማም	በጣም አልስማማም
ህግና አስተዳደራዊ ጉዳዮችን ማሻሻል					
ግብር ከፋዮችን ማስተማር፣ ግንዛቤን መፍጠርና የምክር አገልግሎት መስጠት					
ለግብር ከፋዮች ተገቢውን ኢንፎርሜሽን ማስተላለፍና ማቅረብ ለምሳሌ የግብር ገቢን በአግባቡ ስለመጠቀም ማስረዳት ወዘተ...					
የተለያዩ ፕሮግራሞችን በመቅረፅ የግብር ከፋዩን እውቀት ማሳደግ ለምሳሌ የግብር መክፈል ጠቀሚነቱን እና ግብር ከፋዩን ስለ ግብር ፍታዊና ህጋዊ መሆኑን ለማስረዳት					

39. ተጨማሪ ሃሳብ ካለዎት እባክዎ በሚቀጥሉት ሃሳቦች ላይ ያብራሩልን

- ሀ. የገቢ ግብርን ፍታዊነት በተመለከተ
- ለ. ስለ ገቢ ግብር አስቸጋሪ ባህሪ በተመለከተ
- ሐ. ስለ ገቢ ግብር ያለዎትን እውቀት ወይም ሃሳብ በተመለከተ.....

በዚህ ጥናት ላይ ተገቢውን ትብብር ስላደረጉልኝ ለትብብረዎት በጣም አመሰግናለሁ፡፡

Appendix 3 In-depth Interviews – to Addis Ababa City Business profit Taxpayers.

- 1) What do you think of the current business profit tax system?
- 2) Is the current business profit tax system fair/unfair? Could you please elaborate on the aspects (dimension) that you think it is fair/unfair?
- 3) If you are given a chance to improve the current tax system, which aspect would you focus on?
- 4) How do you rate your current knowledge of tax? .Which aspect of tax knowledge that you think that you are lacking of?
- 5) Do you think that taxpayers have at least average level of tax knowledge?
- 6) Do you think that if you have sufficient knowledge, your perception on fairness would be different? In your opinion, how does knowledge of taxation affect one's perception on the tax system?
- 7) How do you perceive the complexity of the tax system? Does the level of complexity lead to fairness perceptions?
- 8) Do you believe that a simpler tax system would improve fairness perceptions?
- 9) Do you think the middle-income earners treated fairly under the current tax system?
- 10) What is your opinion about the belief that high-income earners can easily evade tax with the help from tax consultants?
- 11) Do you agree that the low-income earners receive many benefits despite of the low tax paid?
- 12) Would you have any other comments and ideas?

Apendix4: Correlation matrix

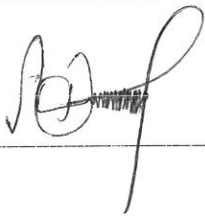
Tax	Pearson correlation	1.	.510	.596	-.202**	.509	.467	.762	.328	.421
fairness	Sig.(2-tailed)	.000	.000	.000	.000	.000	.000	.000	.000	.000
	N	150	150	150	150	150	150	150	150	150
General	Pearson correlation		1	.369	.601	.270	.758	.516	.504	.623
fairness	Sig.(2-tailed)	.000		.000	.000	.000	.000	.000	.000	.000
	N	150	150	150	150	150	150	150	150	150
Exchange	Pearson correlation	.596	.369	1	.232	.663	.328	.688	.205	.
fairness	Sign(2-tailed)	.000	.000		.000	.000	.000	.000	.000	.000
	N	150	150	150	150	150	150	150	150	150
Horizontal	Pearson correlation	-.202**	.601	.232	1	.301	.515	.340	.456	.503
fairness	Sign(2-tailed)	.000	.000	.000		.000	.000	.000	.000	.000
	N	150	150	150	150	150	150	150	150	150
Vertical	Pearson correlation	.509	.270	.663	.301	1	.250	.584	.138	.266
fairness	Sign(2-tailed)	.000	.000	.000	.000		.000	.000	.000	.000
	N	150	150	150	150	150	150	150	150	150
Personal	Pearson correlation	.467	.758	.328	.515	.250	1	.442	.430	.516
fairness	Sign(2-tailed)	.000	.000	.000	.000	.000		.000	.000	.000
	N	150	150	150	150	150	150	150	150	150
Administrative	Pearson correlation	.762	.516	.688	.340	.584	.442	1	.346	.412
fairness	Sign(2-tailed)	.000	.000	.000	.000	.000	.000		.000	.000
	N	150	150	150	150	150	150	150	150	150
Tax knowledge	Pearson correlation	.328	.504	.205	.456	.138	.430	.346	1	.212
	Sign(2-tailed)	.000	.000	.000	.000	.000	.000	.000		.000
Tax complexity	N	150	150	150	150	150	150	150	150	150
	Pearson correlation	.421	.623	.643	.503	.266	.516	.412	.212	1
	Sign(2-tailed)	.000	.000	.000	.000	.000	.000	.000	.000	
	N	150	150	150	150	150	150	150	150	150

Statement of declaration

I, the undersigned, declare that this study is my original work and has not been presented for a degree in any other university, and that all sources of materials used for the study have been duly acknowledged.

Declared by:

Name Wubshet Aborot

Sign 

Date 22/06/2011