

DEBRE BIRHAN UNIVERSTY



COLLAGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF MANAGEMENT

MASTER OF BUSINESS ADMINISTRATION

**FACTORS AFFECTING PROFIT TAX ADMINISTRATION EFFICIENCY (A
CASE OF CATEGRY “A” TAX PAYERS IN DEBERE-BIRHAN CITY
ADMINISTRATION)**

THESIS

BY:

GIRUM LAKEW

JUNE/2024 G.C

DEBRE BIRHAN, ETHIOPIA

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A THESES SUBMITTED TO: DEBRE BIRHAN UNIVERSITY COLLEGE OF BUSINESS AND ECONOMICS, SCHOOL OF GRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF ART IN BUSINESS ADMINISTRATION (MBA)

BY:

GIRUM LAKEW

UNDER THE SUPERVISION OF HAILE YESHANEW (PHD)

JUNE/2024 G.C

DEBRE BIRHAN, ETHIOPIA

APPROVAL SHEET

DEBRE BREHAN UNIVERSITY

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DEPARTMENT OF BUSINESS MANAGEMENT

THESIS FINAL SUBMISSION FOR DEFENSE

As members of Board examiners of the final MSc. Thesis open defense examination, we certify that we have read and evaluated the thesis prepared by Girum Lakew entitled “factor affecting Profit Tax Administration efficiency: A Case Of Debere-Birhan City Administration” and examined the candidate. We recommend that thesis be accepted as fulfilling the thesis requirement for the degree of masters of Science in Business Administration MA.

Board of Examiners

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DECLARATION

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

Name: Girum Lakew

Signature: _____

Date: _____

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ENDORSEMENT

As Thesis Research advisor, I hereby certify that I have read and evaluated this thesis prepared, under my guidance, by Girum Lakew, entitled “factor affecting Profit Tax Administration efficiency: A Case of Debere-Birhan City Administration”. I recommended that it be submitted as fulfilling the thesis requirement for the degree of masters of Art in Business Administration.

Haile yeshanew (PhD) _____

Name

Signature

Date

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LIST OF ABBREVIATIONS AND ACRONYMS

EC	Ethiopian calendar
ECA	Ethiopian Customs Authority
EFIRA	Ethiopian Federal Inland Revenue Authority
EMoFED	Ethiopian Ministry of Finance and Economic Development
EMoR	Ethiopian Ministry of Revenue
ETB	Ethiopian Birr
FBT	Fringe benefits tax
FDRE	The Federal Democratic Republic of Ethiopia
FY	Fiscal year
GDP	Gross Domestic Product
GST	Goods and services tax
IMF	International Monetary Fund
IRS	Internal Revenue Service
ITAA	Income Tax Assessment Act
ITP	International tax program
LMSB	Large and medium size businesses
LTO	Large Taxpayers Office
MIS	Management information systems
NBE	National Bank of Ethiopia
NIC	National Insurance Contribution
OFAGE	Office of the Federal Auditor General of Ethiopia

Abstract

The main objective of this study was examining factors that determine tax administration efficiency in Debre Brihan city revenue office in the case of selected taxpayers'. In this study a quantitative and qualitative research method was employed and primary data was collected through questionnaire and interview. The study also employed descriptive and explanatory research design. The study were selected 276 categories A tax payers using stratify random sampling technique while key informants were purposively selected for interview question. The data collected through questionnaires was analyzed using descriptive (mean, standard deviation, frequency) and using inferential (correlation and multiple linear regressions). The findings showed that leadership style, employees' training, employees' motivation and ICT have positive and statistically significant effect on tax administration efficiency. The study recommended that increasing leadership style, Information Technology for tax system and change in attitude of tax payers for improving positive in tax revenue that can increase profit tax efficiency.

Key words: Autonomy, leadership style, employees' training, employees' motivation, Information Technology and tax administration efficienc

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

A tax is the imposition of compulsory levies and those who are taxed have to pay the sums irrespective of any direct corresponding return of services or goods by the government. Government needs financial resources to act as a government and play a role that is expected from it by the public (James, 2000). So what the government gives it must first take away. The economic resources available to society are limited, and so an increase in government expenditure normally means a reduction in private spending. In this regard James (2000) states that taxation is one method of transferring resources from the private to the public sector. The role of taxes as an instrument stabilizes the economy, and reduces private demand when resources are released for public sector use. Taxes are not payments for some special privilege granted or services rendered and are, therefore, distinguishable from various other charges imposed for particular purposes under particular powers or functions of government.

Taxes are fundamental to the existence of governments, for the tax revenues help to finance the bulk of services that governments provide including education, welfare, public safety, infrastructure and other basic public services. Improved tax compliance amplifies the revenues available for supporting public services without increasing the current tax burden on compliant taxpayers (Bird & Richard, 1991).

Tax compliance has been an important subject of research in a large number of developed and a number of developing countries. Since each country has its own approach to managing tax compliance levels and each has different tax laws and regulations, the factors impacting tax compliance behavior appear to vary among countries (Palil, 2010).

Ethiopian, like any other developing countries faces difficulty in raising revenue to the level required for the promotion of economic growth. Hence, the country has been experiencing consistent surplus of expenditure over revenue for long period of time. To address this problem, the government divided taxpayers in to three categories based on their volume of sale and the form of business and introduced the imposition of tax (direct and indirect), among others as a major and important source of public revenue. Tilahun (2014) also reveals that direct tax revenue in Ethiopia consists of tax on income from

employment, business profit tax, rental income tax, tax on interest income on deposits, dividend income tax, tax on income from royalties, tax on income from games of chance, tax on gains of transfer of certain investment property, rendering of technical services outside Ethiopia and agricultural income tax are classified under direct tax. Indirect taxes are taxes based on consumption or expenditure. Some examples of indirect taxes are value added tax (VAT), turn over tax (TOT), excise tax and custom duty. Some of those classifications are the major source of local government tax revenue which is collected by local government in line with regional government.

According to income tax proclamation No. 979/2016/ 2008 E.C, taxable business income would be determined per tax period on the basis of the profit and loss account or income statement. Accordingly, taxable business income of corporate businesses is taxed at a flat rate 30% and other business (unincorporated individual businesses and PLCs) taxpayers are taxed at a progressive rate, between 10% to 35%. The standard rate of VAT is 15% of the value of every taxable transaction by a registered person and all imports of goods and services other than those exempted.

The tax law also classified business income taxpayers into three major categories based on their annual turnover as category 'A', 'B' and 'C'. Therefore, taxpayers with annual turnover of Birr 1,000,000 and above are categorized under Category "A" taxpayers, business income taxpayers with annual turnover between Birr 500,000 and Birr 1,000,000 are under category "B" and business profit taxpayers with annual turnover less than Birr 500,000 are under category "C" taxpayers.

1.2. Statements of the Problem

Taxes are major source of state revenue which is used for funding the Governments expenditures and development programs. Tax contribution is very important for the organization of a Country beside other revenues such as natural resources, profits of state owned enterprises, fees, and other revenue sources. It can be said that taxes revenue is worth the largest domestic revenue and needs to be administered properly (Fauziati, et al, 2016).

Development program of many developing countries was bottlenecked by low collection of tax revenue. Tax revenue has vital importance for the sustainability of developed and developing countries because of the following reasons. Firstly, taxation is the main source of central government revenue, even in aid-dependent low income countries. Secondly, taxation aims to meet the social and public needs by providing public goods and services. Thirdly, government need tax revenue to establish armed forces and judicial systems to ensure the secure environment and justice of the society.

According to Bhushan and Samy, (2012) global economic crisis coupled with uncertainty and instability of aid flows has given due attention for governments to look for stable and sustainable modes of development finance. In addition, excessive reliance on foreign financing may in the long run leads to problems of debt sustainability. As a result, developing countries will need to rely substantially on domestic revenue mobilization Gupta, (2007). One way of mobilizing domestic resource is achieved through rising of revenue from taxation.

As Tanzi (1987) has pointed out, tax administration plays a crucial role in determining the real (or effective) tax system, as opposed to the statutory tax system. Indeed, there is a growing conviction among tax policy specialists in developing countries that “policy change without administrative change is nothing”.

The “best” tax administration is not simply one that collects the most revenue. *How* that revenue is raised that is, the effect of the revenue-generation effort on equity, on the political fortunes of governments, and on the level of economic welfare may be equally important. A poor-quality tax administration may collect large amounts from easy-to-tax sectors such as wage earners, while being unable to enforce taxes on business enterprises and professionals. The level of collection is therefore a somewhat unsophisticated measure of the effectiveness of tax administration. A more accurate measure is the size of the “compliance that is, the gap between actual and potential tax revenues and how that gap varies among the different sectors of the tax-paying population (Richard M. Bird, 1992).

In Ethiopia, the government imposes tax (direct and indirect), as major and vital sources of public revenue for the promotion of its economic process. However, this imposition of tax couldn't still bring the required results as the country still faces difficulty in raising revenue to the level required for the promotion of economic growth. Hence, the country has been experienced a consistent budget deficit because of having the higher public expenditure than the revenue. Ethiopia is not covering its budget requirements from domestic tax revenues. As indicated in the country's budget for 2022/2023 which was about 360 billion and the expected tax revenue which was around 336.7 billion birr. This shows a deficit of 23.30 billion birr in that particular year (Ministry of Finance and Economic Development, 2023).

As highlighted in a study by Temtime (2014), the ratio of tax to gross domestic product in Ethiopia targeted by the top of the five-year Growth and Transformation Plan setup in 2015 was 15.3% which is below the Sub-Saharan average (18%) in. He also noted that as compared to some selected Eastern African countries, the Ethiopian tax performance is extremely low and even under the averages of the

these chosen African countries. Ayele et al. (2017) and Abraraw (2011) have stated that failure in tax collection in Ethiopia was highly practiced and this failure could have been due to inefficient tax administration among others.

It was suggested tax authorities in developing countries suffer from weak capacity due to weak leadership, shortage of skilled man power and the lack of modern infrastructure such as IT (GIZ, 2010). However, majority of the previous studies about tax administration efficiency in Ethiopia were concentrated on studying procedural and legal aspects of tax administration together with taxpayers' behavior. For instance, studies by Markos (2010), Mesele (2016), Mlay (2013) and Temtime (2014) showed tax assessment procedures, tax collection methods, tax laws and taxpayers' awareness to have an impact on the ability of the tax administration to collect the required revenue. Studies done by Haft (2016) and Samson (2012) did not account leadership and employees motivation with regard to tax administration efficiency in Ethiopia. This study attempts to fill this gap by investigating the effect of autonomy, leadership, employees' training, employees' motivation and use of ICT (Werner and Weck-Hannemann, 2006) on the tax administration efficiency. Therefore, conducting research with could fill the gap of such contradicting findings is timely and worth taking. Hence, research is aimed at is assessing the factor of business profit tax administration efficiency in Debere-Birhan city.

1.3. Objectives of the study

1.3.1. General objective

The general objective of this study was examining the determinants of business profit tax administration efficiency in the case of D/Birhan city administration.

1.3.2. Specific objectives

- To examine the effect of autonomy on tax administration efficiency in the case of D/Birhan city administration.
- To examine the effects of leadership on tax administration efficiency in the case of D/Birhan city administration.
- To investigate the effect of employees' training on tax administration efficiency in the case of D/Birhan city administration.
- To examine the effects of employees' motivation on tax administration efficiency in the case of D/Birhan city administration.

- To investigate the effect of Information Technology on tax administration efficiency in the case of D/Birhan city administration.

1.4.Hypothesis of the study

- **H0₁**: autonomy has no statistically significance effect on Efficiency of business profit tax.
- **H0₂**: Leadership has no statistically significance effect on Efficiency of business profit tax
- **H0₃**: employee motivation has no statistically significance effect on Efficiency of business profit tax.
- **H0₄**: employee training has no statistically significance effect on Efficiency of business profit tax.
- **H0₅**: Information Technology has no statistically significance effect on Efficiency of business profit tax.

1.5. Significance of the Study

There are several valuable benefits expected from this study. The significance of establishing the issues related to the efficiency of business profit tax administration provides a greater insight and understanding on the issue to stakeholders of tax administration in Debere-Birhan city tax office administrators and employees. This can be achieved by applying theoretical concepts discussed in many literatures into practice in business profit tax administration. It is hoped that these findings would be guide efforts to improve the performance of business profit tax administration and would be useful to tax authorities and policy makers.

This study can also important to the government specifically for regional and branch tax branch office administrator in related to tax administration and the way these policies are implemented. The findings of this study was provide useful guidelines for policies by presenting the effect of each variable has on business profit tax administration efficiency, which can provide additional input for administration officials and policy makers to understand what affects efficiency of tax administration and take remedies accordingly.

Among other things, this paper would have the following significance:

- Enable the reader to observe the economic importance of business profit tax.
- Highlight the major challenges of business profit tax Administration in Debere-Birhan city administration and its future implication.
- Highlight areas of weaknesses and strengths during business profit tax implementation

1.6. Scope of the Study

Geographical scope: The scope of this research focused on examining business profit tax administration process at Debere-birhan city administration revenue office. It considers service providing employees working at the Debere-Birhan revenue offices.

Variable scope:-the study will use both independent variable (autonomy, leadership style, employees“ training, employees“ motivation, Information Technology, and, attitudes of tax payers) and dependent variable (business profit tax administration).

Methodological scope:-the research would be used descriptive and explanatory research design. The study will use both quantitative and qualitative research approach correlation and multiple liner regression to investigate the results of the study.

Time scope: - the time horizon covered by the study is 2023/2024

1.7. Limitations of the study

The scope of this study Examines factors affecting Efficiency of business profit tax for only category “A” taxpayers in the Debre Birhan city administration revenue office. Even though A wide range of variables are expected to affect Efficiency of business profit tax, limitations of study affected the research output; lack of willingness and reliability of the data that was occupied by the respondents were the main problems face in the study process and affect its output. Moreover, as is difficult to assess all potential determinants that may have an effect on tax administration efficiency, this research work is limited in examining six factors and their potential effect on tax administration efficiency.

The research limitation, the researcher makes reference to what the researcher find as limitations in terms of the focus of prior studies when it comes to the understanding of the factors and their potential effect on tax administration efficiency, this would have been pertained to the fact that identifying effect of factors and their Efficiency of business profit tax.

1.8. Definition of key Terms

- **Tax payer:** an individual or business entity that is obligated to pay taxes to a federal, state, or local government. Taxes from both individuals and businesses are a primary source of revenue for governments.
- **Tax Administrations:** assess and collect tax according to tax laws.

- **Autonomy:** revenues that the authorities are entitled to collect
- **Leadership:** - minimize taxpayer burden and maximize revenue collection. While ensuring fairness and integrity in the tax system.
- **Employees' training:**-tax administration efficiency is crucial for ensuring compliance accuracy and effectiveness in handling tax related tasks.

1.9. Organization of the study

The study will be organized in to five chapters. The first chapter of the study deals about the introduction of the paper. The second Chapter of the paper discusses the relevant literatures from the perspectives of scholars in this area of study. Chapter three constitutes of the methodology employed in the study. It includes the research design, source of data, sample and sampling technique, data collection techniques and data analysis.

The fourth chapter of this work includes analysis, presentations and interpretations of collected data. The final chapter, chapter five was provide summary of major findings, the conclusion of the study and suggests possible recommendations.

CHAPTER TWO

2. LITERATURE REVIEW

This chapter presents the related literatures on the study so as to have an insight in to the research topic and briefly explain some of the major areas of the subject matter under consideration. The chapter begins by presenting concepts related with tax administration, business profit tax, importance of tax administration and tax administration efficiency. Related studies and their findings are presented in the second part of this chapter. The chapter also presents conceptual framework of the study.

2.1. Theoretical Review

2.1.1 Definition and Concepts of Tax Administration

Taxes are major source of state revenue which is used for funding the Governments expenditures and development programs. Tax contribution is very important for the organization of a Country beside other revenues such as natural resources, profits of state owned enterprises, fees, and other revenue sources. It can be said that taxes revenue is worth the largest domestic revenue and needs to be administered properly (Fauziati, et al, 2016).

According to Dalton (1920), “a tax is a compulsory contribution imposed by a public authority, irrespective of the exact amount of service rendered to the tax payer in return, and not as penalty for any legal offence”. A tax is not a voluntary payment or donation, but an enforced contribution, exacted pursuant to legislative authority and is any contribution imposed by government, whether under the name of toll, tribute, import, duty, custom, excise, subsidy, aid, supply, or other similar name.

Taxes are an involuntary payment for government services (Parameswaran, 2005), taxpayers have a strong incentive to minimize their tax liabilities either through avoidance (legal) or through evasion (illegal). Tax administration, therefore, has to secure compliance with the laws by applying an array of registration, assessment and collection procedures.

According to Kangave (2005) tax administration refers to the identification of tax liability based on the existing tax law, the assessment of this liability, and the collection, prosecution and penalties imposed

on recalcitrant taxpayers. Tax administration, therefore, covers a wide area of study, encompassing aspects such as registration of taxpayers, assessments, returns processing, collection, and audits.

By definition, Tax Administrations administer. They implement and enforce tax laws and receive their mandates by law. Tax Administrations, like private companies and other organizations, have a core business. The core business of Tax Administrations is the levying and collection of taxes imposed by law. It is important that Tax Administrations establish a clear definition of their core business from the outset and make it known to their stakeholders (Bird, 2008). Tax administration is a body responsible for implementing and governing the tax laws and other tax related matter. They are held responsible for assessing, collecting and administering tax processes (Zakariya & Muzainah, 2015).

Tax administration refers to the identification of the taxpayer, assessment of tax payable, collection of taxes and enforcement of tax liability. In addition to the above definition tax administration refers to a structure/procedure of identification of potential taxpayer, collection and laws governing taxation (Odongo, 2016).

It is expected that people's tax payments should be in line with their income and they are required to pay a tax in proportion to their level of income. On the other part of the tax collectors, collection of tax should be time conscious and convenient and the cost of collecting the taxes should not be high to discourage business. Alternatively, this means that the ideal tax system in developing countries should raise essential revenue without excessive government borrowing and should do so without discouraging economic activity and without deviating too much from tax system in other countries (Tanzi, 2001).

According to Odongo (2011), much attention should be paid to critical aspects of tax administration, training, procedures, staffing, collection and use of information. The weaknesses in tax administration are mainly caused by lack of relevant information about taxpayer, continued criticism of the tax and its structure should be simple in order to avoid tax evasion.

2.1.2. Identification and registration of taxpayers

Tax Identification Number (TIN) is used to identify taxpayers. Every taxpayer has a unique TIN, which he or she is supposed to use in all his or her correspondence with the tax authority, and no taxpayer should have more than one TIN. In countries like Uganda, they issue TIN free of charge upon the taxpayer completing a TIN application form (Kangave, 2005).

Filing returns

Taxpayers are required to file returns within specified months of the end of their tax accounting year. The return should be filed in quadruplicate and should contain all the particulars of the taxpayer. All documents respecting taxation should be presented to the tax authority office where the taxpayer has their file (Kangave, 2005).

Return processing

Upon receiving a taxpayer's return, the tax authority officers examine the accuracy of the return by determining whether the return is properly completed, whether tax has been properly computed, and whether there are any penalty payments to be made by the taxpayer. The officer then allocates an assessment number to the return and issues the taxpayer with a Bank Payment Advice Form, stating the tax payable (Kangave, 2005).

Payment of taxes

Taxes are due on the due date of the submission of the self-assessment returns. Tax should be paid to an authorized bank, using the bank payment advice form.

Audit and examination

The role of tax audits and examinations is to check the accuracy of the information that taxpayers provide to tax authorities. The audits range from simple field and desk audits to comprehensive audits (Kangave, 2005).

Audits are also performed to ascertain the validity and reliability of information; also to provide an assessment of a system's internal control. The goal of an audit is to express an opinion on the person/organization/system (etc) in question, under evaluation based on work done on a test basis. Due to practical constraints, an audit seeks to provide only reasonable assurance that the statements are free from material error. In the case of financial audits, a set of financial statements are said to be true and fair when they are free of material misstatements - a concept influenced by both quantitative and qualitative factors (Kamal and Arora, 1999).

Collection and enforcement

When the taxpayer has not made payment on the due date, and does not object to the tax assessed, tax authority can enforce payment in a number of ways. The commissioner may bring a suit against the taxpayer or request a person owing or holding money for the taxpayer to pay the money on a specified date or institute distress proceedings against the taxpayer's moveable property. In a wider context, the issue of enforcement includes offences committed by the taxpayer, and the penalties for these offences (Kangave, 2005).

Moreover, Bahel (1989) explains that the legal framework is an important prerequisite for any enforcement activity. For example, the size and nature of penalties that are incurred after evasions have been detected is directly connected to the level of tax compliance.

2.1.3. Tax system and the tax reform

The first major change in Ethiopia's tax system was initiated in the post-Second World War period (1942-1944), the years 1947-1952 covering its second stage. These changes were generally discretionary, including amendments to property taxes (land and cattle). Broad-based taxes on goods and services were also introduced in the mid-1950s. Later in the decade and in the early 1960s, changes were also made in the rate and structure of taxes, especially on income. In the post-revolution period (1974-91), particularly during 1976-79, significant major changes on the rate and structure of all types of taxes were made. These involved widening the land tax base, introducing capital and surplus transfers from nationalized firms, as well as certain minor arrangements on other taxes (Wogene 1994). Leaving aside this brief description of the evolution of the tax system before the 1991/2 reform, the subsequent taxing system in Ethiopia can be divided into three broad categories:

- I. Taxes on income and profits,
- II. Taxes on goods and services and
- III. Taxes on international trade.

Most of these taxes have been reformed and amended in the last decade following the general 1992 liberalization (or reform) policy. Some institutional reforms aimed at enhancing the government's capacity to raise tax revenue have also been made.

Taxes on income and profits Tax on employment income used to be guided by Income Tax Proclamation No. 173/1961. In the 1990s, this proclamation was amended with modifications to the legislation regulating income tax on employment: rural land and agricultural income tax; rental income tax; taxes on business and other profits; tax on income from mining activities; capital gains tax, and taxes on other sources of income such as chance wining (which carries a tax rate of 15 percent), royalties (with a tax rate of 5 per cent) and tax on non-resident persons offering services in Ethiopia (which carries a tax rate of 10 percent). This reform resulted in a schedule for marginal tax rate which is currently being applied to income exceeding Birr 150, the assumed minimum wage rate. Compared to the marginal tax rate of 89 per cent during the military (Derg) period, the current reform which reduced the maximum marginal tax rate to 35 per cent was quite radical. The 1978 income tax for rural land and

agricultural activities was also amended in 1995 and 1997. For land use, farmers are now taxed Birr 10 for the first hectare and Birr 7.5 for each additional half hectare.

Taxes on goods and services, the reform in this category refers to Excise Tax Proclamation (Nos 68/193, 77/1997, and 149/1999), and the applicable tax rate ranges from a low of 10 per cent on textiles and television sets to 100 per cent for alcohol, perfumes and automobiles. Sales tax on goods constitutes the second category and these ranges from 5 percent (mainly for agricultural goods) to 15 percent. Many basic goods are exempt from taxation. The reform also introduced a 5 per cent tax rate for work contracts and financial services, while a 15 per cent rate is applied to the sale of other services. Valued-added tax (VAT) was introduced in January 2003 and may mean a shift from Ethiopia's dependence on foreign to domestic trade, but it is too early to evaluate its impact. It is not, however, difficult to see that its implementation is a challenge, owing to the predominance of small and informal operators in the country, its history of tax evasion and corruption, lack of standard recordkeeping systems as well as the lack of knowledge about VAT and a tax base for its computation

2.1.4. Tax Administration on Government Revenue

The tax system in Ethiopia is made up of the tax policy, the tax laws and the tax administration. All of these are expected to work together in order to achieve the economic goal of the nation.

According to the National tax policy reform (1992), the central objective of the Ethiopian tax system is to contribute to the wellbeing of all Ethiopia directly through improved policy formulation and indirectly through appropriate utilization of tax revenue generated for the benefit of the people. In generating revenue to achieve this goal, the tax system is expected to minimize distortion in the economy. Other expectations of the Ethiopian tax system according to the National tax policy reform (1992) include;

1. Encourage economic growth and development.
2. Generate stable revenue or resources needed by government to accomplish loadable projects and or investment for the benefit of the people.
3. Provide economic stabilization.
4. To pursue fairness and distributive equity

5. Correction of market failure and imperfection. In an attempt to fulfil the above expectation, the national tax policy is expected to be in compliance with the principle of taxation, the lubricant to effective tax system.

Tax payer consciousness of the exchange relationship with the government (sacrificing purchasing power in return for public goods and services) can be postulated as vital to the tax compliance decision. If it can be assumed that the tax payer implicitly carries out a cost benefit analysis of the taxes paid-benefits received tradeoff, then it follows that the amount of satisfaction (dissatisfaction) perceived in this exchange will be a powerful deterrent of the degree of tax compliance (Mann and Smith, 1988). This indicates that the tax payers are positive about paying tax if the government applies it appropriately for the benefit of the tax payers.

According to Kangave (2005), the procedures undertaken by tax authority to ensure compliance are the following;

2.1.5. Importance of Tax Administration

According to Asamnew (2012), tax administration dictates tax policy. Indeed, tax administration and compliance issues determine the broad evolution of tax systems. The shift in industrialized countries over a century ago from reliance on excise, customs and property taxes to corporate income and progressive income taxes can be explained, in large part, by the relative decline in the rural sector, the concentration of employment in large corporations and the growing literacy of the population. In recent years, the shift away from these taxes corporate income and progressive individual income tax and toward tax systems that rely more on broad based consumption taxes such as the value added tax, flatter rate structures, and the adoption of “dual income taxes,” in which a progressive tax on labor income is accompanied with a low flat rate tax on capital income, as adopted in certain Scandinavian countries, can be explained, in large part, by the forces of globalization and developments in financial innovation and the inability of tax administrators to develop technologies to cope with these forces and developments.

In tax reforms there is a close correlation between successful tax policy and efficient tax administration. In other words, there is no good tax policy without efficient tax administration (Jenkins, 1994).

Over the past century, changes in the size of governments themselves, and differences in the relative size of governments around the world, can be explained by changes and differences in the environment, resources and technologies available to the country’s tax administrators. Aside from the role of tax

compliance and administrative issues on the evolution and general features of the tax system, there is no question that administrative considerations influence, and often impose decisive limits, on particular tax laws. Most obviously, the failure to tax all sources of economic power, such as the imputed rental value of homes or accruing capital gains, are often justified by reference to practical concerns of administer ability. It is futile to design a complex and sophisticated response to a tax policy problem if the rules to implement the regime cannot be administered (Asian Development Bank, 2016).

However, as if these traditional forms of tax evasion were not challenge enough, the combined effects of information technology and globalization is now alleged to allow those who have been able to hide in the shadow economy to evade paying their fair share of tax to disappear altogether. Many individuals are no longer tied to one national jurisdiction; those that are increasingly receive payments from work and investment abroad; anyone can have access to an over sea's bank; anyone with access to a computer can transact business anywhere in the world; property is becoming increasingly fungible and can be shifted relatively easily between jurisdictions. Those and other developments are said to call into question governments' continued ability to levy taxes in a world in which companies, assets, and people are infinitely mobile (Asian Development Bank, 2016).

2.1.7. Administrative structures

On the side of ERCA, the identified administrative inefficiencies include:

- (1) The perception that enforcing tax laws on the public sector is a hard or even impossible task;
- (2) A fragmented VAT withholding system;
- (3) Malfunctioning e-filing and e-payment systems;
- (4) limited taxpayer sensitization campaigns;
- (5) Low levels of automation; and
- (6) Unsatisfactory tax services rendered.

2.1.8. Tax Administration Efficiency.

Efficiency is defined by Webster dictionary as *“having the ability to produce desired results with little or no waste.”* It is the capability of performing or functioning in the best possible manner with the least

waste of time and effort; having and using requisite knowledge, skill and competency to produce reliable results.

When it comes to taxation, an efficient tax administration is the one that collect tax revenue for the government according to the established tax laws and enforce government tax policies in ways that increases tax compliance. An efficient tax administration process maintains and restores taxpayers' confidence in the tax system and ensures high compliance rate in implementing and administering the tax system (Rahman, 2009).

According to Rahman (2009), tax administration efficiency is a primary determinant of effective revenue generation, implementation of tax policy and a conducive environment for investment. Earlier, Erard (1994) argued that the main objective of any tax authority is to collect tax revenue for the government according to the established tax laws and enforce government tax policies that can increase tax compliance and restore taxpayers' confidence in the tax system as well as tax administration. This is a good quality of tax administration, include efficient in the process and ensure high compliance rate in implementing and administering the tax system and tax policies.

Inefficient tax administration would not provide quality services to the taxpayers, and hence, there will be a high cost of running the system and problems for voluntary tax compliance. The OECD (2011) states that efficient tax administration would enhance tax compliance reduce operational and compliance costs, and above all, increases revenue generation. In addition, they further opined that internal structure and design of tax administration would also determine the efficiency of the process together with resource allocation, motivation and autonomy of the tax authority.

According to Alm and Duncan (2014), the efficiency of tax collection and tax administration is high in many developed countries and low in developing nations because of variations in the tax system and tax policies that are designed to monitor the revenue authorities and increase tax revenue collection.

Several factors have been identified as the causes of tax administration inefficiency in developing countries. Ogbonna (2011) argued that lack of trained officials, lack of autonomy, poor record-keeping, lack of accountability and transparency, corruption and poor service quality are some of the factors that cause tax administration inefficiency in a country's tax system. Normally, tax administrations are faced with different issues related to tax collection due to some predominant characteristics in the economy and taxpayers' attitude toward taxation. Often, the tax administration's incapability results in inefficiency and ineffectiveness.

2.2. Determinants of Tax Administration Efficiency

Werner and Weck-Hannemann (2006) suggested five determinants of tax administration efficiency which include autonomy, leadership style, employees' training, employees' motivation and use of ICT. They argued that these determinants play a vital role for enhancing tax administration efficiency. However, Ogbonna (2011) proposed six determinants of tax administration inefficiency which include inadequate infrastructure, ad-hoc practices, lack of motivation, lack of training, incompetent tax administration and unsuitable tax planning and ad-hoc practices. Many scholars and researchers applied five determinants suggested by Werner and Weck-Hannemann (2006) to investigate the effect of these determinants (individually and/or in combination) on tax administration efficiency. Now, the five determinants are discussed in more detail with special focus on their effect on tax administration efficiency.

2.2.1 Autonomy

Allison (2013) defined autonomy as "the withdrawal of activities from a governmental organization or the shift of activities inside that organization". It can be seen as organizational power for easier policy making.

The concept of autonomy deals with the degree to which substantial freedom, independence, and discretion is given to the organization in scheduling work and in determining the procedures to be used in carrying it out. Autonomy in the organization can be explained as, a physical performance or set of practices relating the allocation of responsibility and produce the chain of command so as to give greater than before decision-making power in respect to the implementation of the main work activities (Saragi, 2011). Autonomy has an influence on work approaches, exertion pace, and objective setting. Organizations through autonomy require the right to regulate the step of work and to order exertion procedures and evaluation actions (Nedelsky 2011).

Various researchers have investigated the relationship between autonomy and organizational administration and performance. A study conducted by Weske and Schott (2016) revealed that autonomy assists in managing inter-organizational relationships. Turkel and Turkel (2015) found that there is a high positive correlation between autonomy and administration efficiency. Moreover, the study concluded that autonomy makes decision-making process easier, creates sources of capital, enhances usage of human resources and creates capital for infrastructure. Furthermore, the study revealed that autonomy increases competency and user satisfaction.

Another study performed by Wynen and Verhoest (2016) tested the impact of autonomy on organizational performance in public sector organizations. The results revealed that autonomy positively

affected organizational performance in terms of policy efficiency, freedom, confidence and knowledge about the barriers to overcome. Broer (2008) found that autonomy increases transparency of tax administration in terms of efficiency and effectiveness regarding funds which further reduces corruption. Furthermore, Crandall (2010) -confirmed that autonomy of tax related organizations increases performance in terms by eliminating problems, improving efficient and effective tax administration and enhancing accountability and transparency.

2.2.2. Leadership

Leadership is considered to be a process through which a manager can direct, guide and influence the performance and behavior of others to achieve the defined objectives and goals. Broadly speaking, it is the ability of a manager to motivate the subordinates into the work with confidence and zeal. Leaders are vital for developing the vision of the organization and motivating organizational members to achieve this vision. Bohn (2002) defined leadership as “leadership is the ability to persuade others to seek defined objectives enthusiastically. It is the human factor which binds a group together and to improve their performance and to direct them towards goals”.

According to Robbins (2001), Leadership is the capacity of a person to impact the conduct of a gathering to accomplish organizational objectives. Leadership occurs when one group member modifies the motivation or competencies of others in the group. Leadership is a dynamic process whereby one man influences other to contribute voluntarily to the realization and attainment of the goals objectives; aspiration of values of the group that is representing the essence of leadership to help a group or an Organization to attain sustainable development and growth (Cole, 2005).

As Katrina (2016) explains, leadership is described as an act of influence; while some view it as a process; others describe it as the quality or trait of an individual. A leadership style depends on the situation of the company like nature of the task, the culture, objectives, availability of recourses and also the general environment. Different combinations of leadership styles are appropriate depending on factors such as skill and experience, locus of control, task structure and team dynamics.

Keskes (2014) discussed three leadership styles: autocratic, democratic and participative, depending on the authority and decision-making power shared among leaders and subordinates. The autocratic style is based on “I tell” philosophy. With this style, leaders tell the subordinates what to do and the ignore input from them. However, this style is suitable in some situations when the organization is in, crisis and need some immediate action. The democratic style is based on “I share” philosophy. With this style, leaders make decisions through teams where input by every subordinate carries equal weight. Participative style

deals with involving all the subordinates to identify goals and formulating strategies to achieve these goals. In participative style, the role of the leader is like a facilitator instead of issuing orders and making assignments. This style is most common in business settings and volunteer organizations. This style is also seen as favorable for creating additional leaders in the organizations.

Hambley et al. (2007) described two types of leadership styles: transformational leadership and transactional leadership. Transformational leadership style focuses on the development of subordinates and their needs. It emphasizes on the growth and development of the value system of employees, their moralities and inspirational level. Transactional leadership style is based on employees' compensation for meeting specific goals. In this way, it trades between the leader and sub-ordinates.

In the discipline of public management, various researchers have examined the various leadership styles. For example, Wart (2014) performed a literature review on leadership styles. The findings of the study revealed that the internal conflict creates sharp problem in administration efficiency in public sector organizations. Moreover, administration efficiency can be improved by inter-connecting mission, public services and intrinsic rewards. Therefore, leadership style bears a big responsibility towards organizational performance.

2.2.3. Employees' Training

Training is a learning process that impacts on knowledge and skills of the employees and enables the employees to perform their tasks better (Almhamed, 2010). Training helps the employees to gain new knowledge and information related to new technological know-how and other emerging concepts in a particular field.

Training is „a planned process to modify attitude, knowledge or skill behavior through learning experience to achieve effective performance in an activity or range of activities. Its purpose, in the work situation, is to develop the abilities of the individual and to satisfy the current and future manpower needs of the organization (Armstrong, 1999).

Training and development can be offered by external bodies such as educational institution, industry controlling body or training institutions and internal bodies such as in house trainings developed by the authority itself. These kinds of training and development can enhance the tax officers' performance in line with the department performance, and value adding role of internal auditors. The greater the competence of staff within the authority (in terms of educational qualifications, professional qualifications, work experience, and continuing professional development) the more efficient the tax administration process will be (Almhamed. 2010).

Shen (2014) argued that investment in training the employees for teamwork, decision-making and interpersonal relationship results in employees' productivity and performance which ultimately lead towards organization-al performance. Training opportunities improves individual performance and organizational commitment among workers. Training methods should be according to its purpose, nature of tasks and levels of employees. The effectiveness of a training program should be evaluated so that further improvements can be incorporated from time to time.

Many studies have investigated the effect of employees' training on employees' productivity and/or performance and organizational productivity and/or performance in private and public sector organizations. Gintis (2014) found that technical training has positive effect on productivity and learning of employees. Bishop (1994) established a positive relationship between employees' education and employees' productivity. Furthermore, Barrett and O'Connell (2001) revealed a significant relationship between employees' training and employees' productivity.

A study conducted by Asencio (2016) in the perspective of public sector administration found that by improving the employees' skills, the employees' productivity in terms of provision of services to the citizens can be increased. The study also revealed that untrained employees spent six times more time to perform a same task in contrast to the trained employees. The study suggested that the trained employees of public sector organizations like tax administration perform their tasks more efficiently in time which reduces the need to hire more employees.

A study conducted by Ely and Calabrese (2016) revealed that by increasing employees' training 10%, the effect of productivity is 5.9% and 4.9% in public sector organizations and in private organizations respectively. Similarly, Bishop (1994) proved that the organizations which provide training to their employees achieve approximately 16% in-crease in productivity.

2.2.4. Employees' Motivation

Malhotra (2010) defined motivation as "psychological processes that cause the arousal, direction and persistence of behavior". In the lives of the organizations, motivation plays a crucial role to escalate the morale of employees and individual, team and organizational level performance.

Motivation is important to an organization because it increases the performance level of employees, decreases employees turnover and absenteeism, and helps in accepting of organizational changes. Motivation is a factor that exerts a driving force organization's actions and outcomes. According to Baron (1983), motivation is an accumulation of different processes which influence and direct our behavior to achieve some specific goal. It is such a dynamic, in today's environment, that explicitly creates and

encompasses a positive impact on job. Within an organization, the best performance is feasible with most committed employees that can be achieved through employee motivation.

Organizations can motivate the workforce most through introducing appropriate reward and recognition programs and other benefits. Bishop (1987) suggested that, pay is directly related with productivity and reward system depends upon the size of an organization. Firm's reward system plays a critical role in motivating employees to perform creatively. Effective reward and recognition system can be a good motivator but lack of reward de-motivates employees and thereby efforts of employees towards excelling in their tasks diminish. Thus the main objective of rewards is to attract and retain employees, by motivating them to pursue higher performance levels (Peters, 2010). Several organizations have succeeded to boost their progress enormously implementing strategies that aim to provide appreciation programs that recognize and acknowledge high performers.

Employees are motivated through various strategies which may vary from employee to employee, place to place and organization to organization. Employees may get motivated by cash, rewards, encouragement, appreciation and/or respect etc. Various researchers have studied the impact of employees' motivation on individual performance and/or organizational performance. Here is a brief description of some of previous studies.

Muogbo (2013) conducted a study to investigate the relation-ship between employees' motivation and organizational performance in manufacturing industry using descriptive re-search design. The results revealed that a positive relationship existed between employees' motivation and organizational performance.

Another study performed by Dobre (2013) investigated the effect of motivational factors on organizational performance. The results revealed that empowerment and appreciation of employees positively correlated with organizational performance. Moreover, empowerment and involvement of employees positively correlated with efficiency, growth and innovation.

According to the study of Solomon et al. (2012) organizations should harmonize continuous improvement in order to increase employee motivation.

Likewise, a study was performed by Belfield and Marsden (2003) in Inland Revenue staff to investigate the relationship between motivation and performance of the employees. The findings of the study concluded that employees' motivation improve the efficiency and effectiveness of the tasks. Moreover, competent and motivated employees are vital to enhance service delivery and improve organizational productivity.

2.2.5. Information and Communication Technology

Gatchair (2015) defined ICT as “all forms of technology applied to the processing, storing and transmitting information in electronic form; stressing that the physical equipment used for this purpose include computers, communication equipment and net-works; fax machines and electronic, pocket calculator”. It can be used to improve the tax administration efficiency by minimizing human errors and processing time, assuring readily available data for the taxation personnel, increasing voluntary compliance to reduce tax evasion and promoting better decision making. The use of ICT helps in maintaining reliable records, quick processing and timely access to required data.

Automation based approaches have become an important vehicle for achieving efficiency in tax administration. Hence, automation impacts on the efficiency of tax administration. Several studies have identified automation as a predictor of efficiency and research shows a link between tax administration efficiency and automation (Engman, 2005).

In the work of (Eric, 2015) it was mentioned that technology can have the following benefits to tax and taxation. First, technology could improve the quantity and quality of information available to taxing authorities and their ability to use that information effectively. Secondly, technology may make tax administrations more effective by improving information flow, facilitating coordination, and improving the allocation of resources. Third, technological changes may reduce taxpayer compliance costs by improving information and services to taxpayers (for example, software for maintaining books and records, and for calculating tax liabilities, or electronic or return-free filing alternatives). Finally, technology can reduce opportunities for corruption by reducing the face-to-face interaction between taxpayers and taxing authorities.

A study conducted by Oluwafemi (2015) revealed that the use of ICT greatly affects employees’ productivity. Moreover, Efunboade (2014) found that the use of ICT increases the internally generated revenue, compliance, productivity and economic development. He further added that the ICT is change agent for poverty reduction and growth in developing countries.

The use of IT enhances innovation, efficient practices, productivity and performance of the public sector organizations. Moreover, the use of ICT and other electronic gadgets improves the administration efficiency, service delivery, confidence and trust of the customers and transparency of the government organizations (Alabar and Agema, 2014).

2.3. Empirical literature review

According to Rahman (2009), tax administration efficiency is a primary determinant of effective revenue generation, implementation of tax policy and a conducive environment for investment.

Earlier, Erard (1994) argued that the main objective of any tax authority is to collect tax revenue for the government according to the established tax laws and enforce government tax policies that can increase tax compliance and restore taxpayers' confidence in the tax system as well as tax administration. This is a good quality of tax administration, include efficient in the process and ensure high compliance rate in implementing and administering the tax system and tax policies.

Inefficient tax administration would not provide quality services to the taxpayers, and hence, there will be a high cost of running the system and problems for voluntary tax compliance. The OECD (2011) states that efficient tax administration would enhance tax compliance reduce operational and compliance costs, and above all, increases revenue generation. In addition, they further opined that internal structure and design of tax administration would also determine the efficiency of the process together with resource allocation, motivation and autonomy of the tax authority.

A study sponsored by the United Nations (2000) on improving tax administration performance in Sub-Saharan African countries shows that to achieve tax administration efficiency; there is a need to have clear administrative transparency in decision-making, motivated tax officials and incentives for taxpayers. In addition, an adequate time framework and competent human resources that can handle the improvement process and deliver positive outcomes are also vital. This discussion and identification from the UN and other studies highlighted above, clearly show the importance of an efficient tax administration and how efficiency is determined using the same factors.

A study by Gurama and Mansor (2015) stated that any modern and efficient tax administration needs to review its tax policies and tax administration style by incorporating new strategies and efficient tax processes through motivation, accountability and transparency of all of the administrative processes. Joon and Kim (2011) added that the function of the tax administration could be enhanced by establishing an autonomous administration, improving staff motivation and strong commitment by the government.

Also another study by Shagari (2014) argued that autonomy of tax administration, motivation, transparency, trained personnel and ICT are strong determinants of tax administration efficiency.

Furthermore, Muaen (2016) added that leadership style, motivation, ICT, autonomy and training are the determinants of tax administration efficiency in Libya. Therefore, strong tax administration is characterized by the efficiency of processes and effectiveness of tax administration in coordinating all the resources under its disposal to earn a meaningful and fruitful outcome.

Shagari (2014) also contended that adequate training of personnel and optimal allocation of technological resources can enhance tax administration efficiency. Hassan (2012) added that the lack of adequate staff, motivation and incentives and infrastructure could affect the tax administration's efficiency.

According to Muuz (2015) evaluated the efficiency of standard assessment system for category „C“ taxpayers in Ethiopia. Specifically, the study discovers the practical applications of presumptive tax system in Tigray as follows: The tax authority in Tigray apply daily sales estimations twice a year. The study shows, the main problem in the estimation were lack of technical knowledge on estimation, limited training, non-appearance of some assessors, and lack of voluntary cooperation by tax payers to give information and understate the revenue at the time of reporting. In addition the amount of tax revenue collecting by the tax authority is small with or without considering the cost of administration of the income tax assessment. The researcher also specifies presumptive tax in Ethiopia as: In Ethiopia presumptive taxation has been exercised through standard and estimated assessments.

Markos (2010) identified the challenges of tax administration in Mekele branch took 120 tax payers and 20 tax officers and conclude that the main challenges was the attitude of tax payer. As a result there was on awareness creation problem by tax payer and lack of awareness was the main challenges. The branch tax administration practice has a problem and there are tax payers who are not declaring with payments as a challenge identified by the tax researcher.

Temtime (2014) came up with business tax payers are not satisfied with the existing tax system. The authority's way of providing tax information, tax collection, tax refund, the tax audit procedure are found to be dissatisfied and the researcher identified the tax system is so complex and unfair.

Mlay (2013) studied on challenges facing tax collection from micro tax payers and he found that tax payers are transacted only through cash, and this lack of e-payment decreased tax revenue.

Mesele (2016), in his study on problems associated with tax payers and the revenue authority, found that most of category A and B tax payers are convinced for the fairness of the tax assessment. However, some of the above group tax payers and most of category C tax payers do not agree with the fairness of

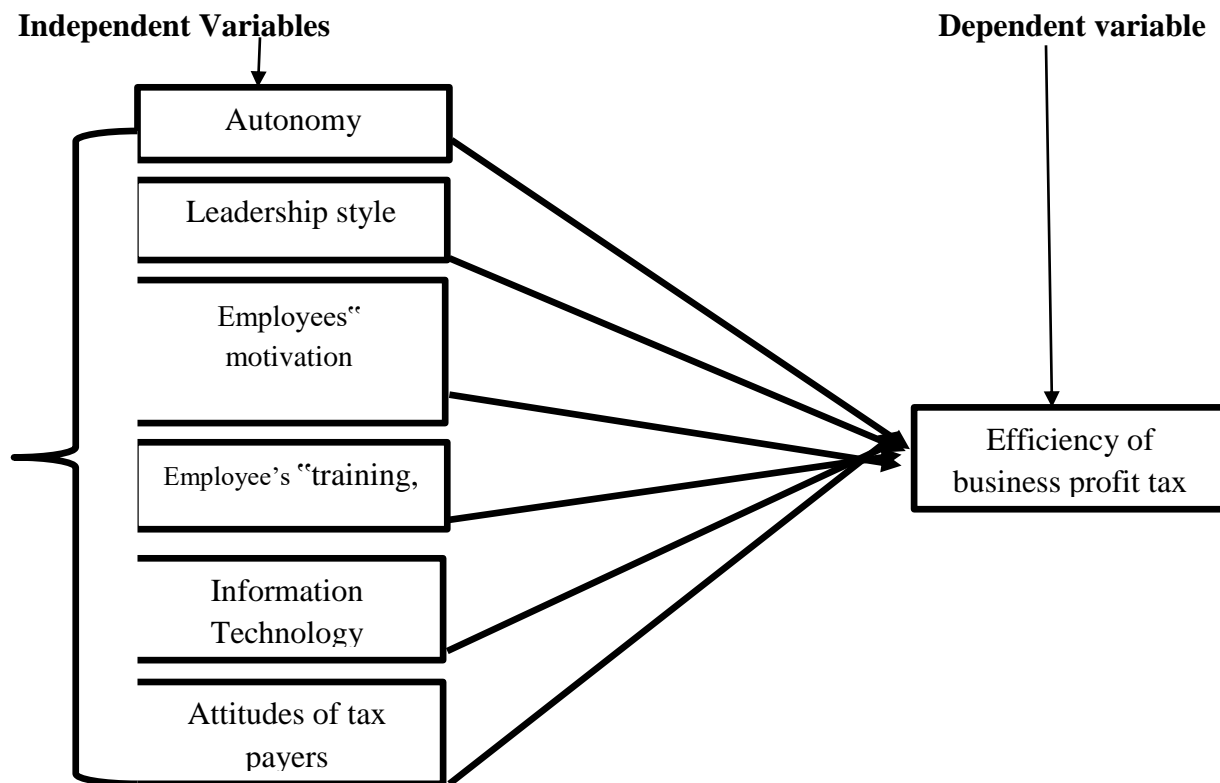
tax assessment in addition to that the authority is not making effort to create awareness to tax payers, there are many traders who run their business without trade license.

Tax administration employees are amongst the most frequently contacted government officials and often represent to the public what is right and wrong about the government, the responsiveness, integrity and quality of tax administration staff must therefore meet a very high standard (Baurer, 2005). An efficient tax administration system is integral to any country's well-being. Because of this reason knowing the attitudes of the taxpayers towards service delivery, tax collection efficiency, their knowledge on tax related issue and their awareness creation activity are vital to increase the tax compliance of Hosana town (D. Tumoro, 2020)

Mlay (2013) found that micro taxpayers transact with cash only. As ERCA declares, the main challenging factors in tax administration it is not only lack of awareness but also unable to issue sales invoice during transactions and providing illegal purchase invoice to overstate the expenditure and understate the tax to be paid or payable. The dissatisfied taxpayers are not only dissatisfied by the authority but also by themselves because they didn't try to make any effort towards understanding the tax laws and regulations only asks for tax officials the manner how to run the business. For example, when taxpayers want to report their tax obligations commonly they come at the deadline of the reporting period, and this creates poor service delivery and become dissatisfied. Mlay in his finding transacting with only cash for micro tax payers is a challenging factors, but in reality micro-taxpayer (category-c-taxpayer) are not obligated to keep books they are treated through the presumptive taxation which is based on the estimated daily sales. So this can't be the challenging factor for category „c“ taxpayer it may be a challenge for category „a“ and „b“ taxpayer.

2.4. Conceptual Framework

Based on the related literature review and the above points with regard to each element and their effect on the efficiency of tax administration, the conceptual framework is developed. The framework shows the variables of the study which include autonomy, leadership style, employees' training, employees' motivation, Information Technology, and, attitudes of tax payers use as the (independent variable) that affect the efficiency of business profit tax administration (dependent variable).



Source: researchers own design (2024)

Figure 2.1: conceptual framework

CHAPTER THREE

METHODOLOGY

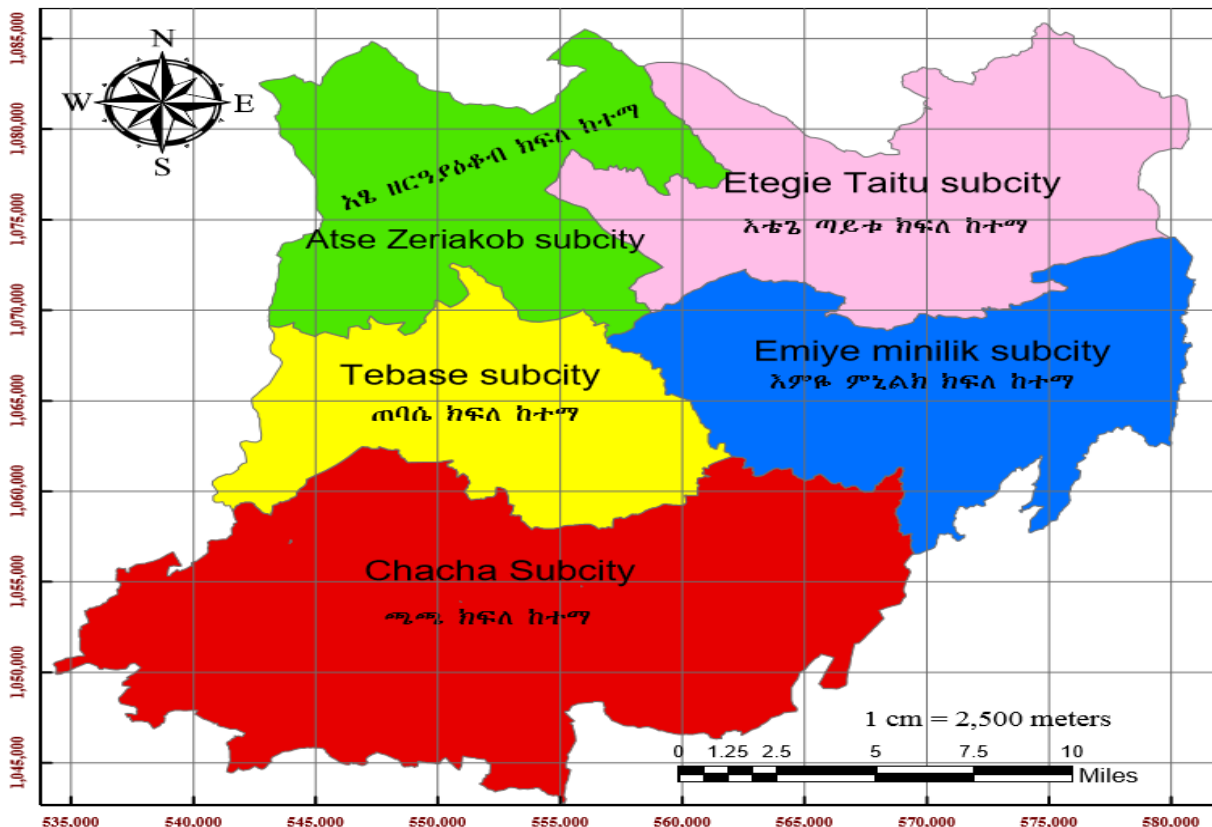
INTRODUCTION

This chapter contains the research methodology that suitable to achieve the researcher objective. It describes description of the study area, research approach, research design, target population, sampling size, sampling techniques, Methods of Data Collection, Data Analysis Procedure, Reliability, Validity of the Study and Ethical Consideration has also been presented in this section.

3.1. Description of the study area

This study conducted in Debreberhan Town. Debreberhan Town is located in North Shewa zone Amhara region. It found 130 Km far from Addis Ababa. Debreberhan Town has various investment potentials for Manufacturing Industry, poultry, Dairy farm are some of the most important investment sectors. Debre Birhan city administration revenue office are, the research site, is located in Debreberhan town, North Showa Zone.

Location Map of Debreberhan Town



3.2. Research design

Research design is the blue print for fulfilling research objectives and answering research questions (Johna.H.et al., 2007). In other words, it is a master plan specifying the methods and procedures for collecting and analyzing the needed information. It ensures that the study is relevant to the problem and that it uses economical procedures. Then this study describes and critically assesses factors affecting profit tax administration efficiency, the case of Debre Berhan city administration. The study was employed both descriptive and explanatory research design. Explanatory research design was used to show that the relationship between dependent and independent variables is correlated to estimate the integrated influence of determinants on profit tax administration efficiency while descriptive research design was employed to describe variables through mean, standard deviation and mean. Descriptive research is used to describe some aspect of a phenomenon, i.e., the status of a given phenomenon. It can help understand a topic and lead to causal analysis (Creswell, 2012).

3.3. Research Approach

For the purpose of this study, both qualitative and quantitative research approaches were employed. Quantitative approach is beneficial to gather numerical and qualitative approach is beneficial to gather non-numerical and in-depth information from interviews and open ended questions. Mixed approach is a type of research that blends qualitative and quantitative methods within a single research study (Creswell, 2012).

3.4. Target Population

This study was conducted at Debre Berhan city administration revenue office. Since population is the total collection of individuals to be studied and from which sample is drawn, the target population for this study responsible to the population is 969 Category A tax payers at Debre-Birhan city Administration revenue office.

3.5. Sample size, sampling technique and Sampling Procedure

The quality of the research outcome depends on the size and representativeness of the sample and the sampling strategy used (Kothari, 2004). Size of sample refers to the number of items to be selected from the universe to constitute a sample. The size of sample should neither be excessively large, nor too small. It should be optimum. An optimum sample is one which fulfills the requirements of efficiency,

representativeness, reliability and flexibility. While deciding the size of sample, researcher must determine the desired precision as also an acceptable confidence level for the estimate (Kothari, 2004). When determining a sample size, it is essential to make sure that: the sample is representative of the population; this is because an unrepresentative sample results in biased conclusions. This study was employed stratify random and purposive sampling technique. Category A tax payers and key informants purposively selected while 276 category “A” tax payers were selected using stratified random sampling from 969 Category “A” tax payers at Debera-Birhan city Administration revenue office.

According to Kothari (1995), when the target population is less than 10, 000 the formula in which we calculate the sample size is the following.

$$n = \frac{z^2 * p * q}{e^2}$$

Where n= desired sample size when the population is less than 10,000

P=the degree of variability in the attributes being investigated, Assuming the maximum variability, which is equal to 50% (p =0.5)

N= the total number of category A tax payers in the branch at the end of 2015 E.C

e= is the desired level of precision taken is 5 % (0.05 will be used in this research)

z=is the selected critical value of desired confidence level taking 95% confidence level

$$p = 0.5, \quad q = 1 - p = 0.5, \quad e = 0.05, \quad z = 1.96$$

$$\text{Therefore; } n = \frac{(1.96)^2 * 0.5 * 0.5}{(0.05)^2} = \frac{0.9604}{0.0025} = 384$$

In this case, the sample size (384) exceeds 5% of the population size (969). So, we need to use the correction formula to calculate the final sample size.

Then according to Kothari, if the population (N) is less than 10, 000 the following formulae will be used to calculate the actual sample size.

$$Fn = \frac{n}{1 + \frac{n}{N}}$$

Where;

Fn= the desired sample size when the target population is less than 10,000

N= the target population size

Accordingly, $n = 384$, $N = 969$

$$F_n = \frac{384}{1 + \frac{384}{969}} = 276 \text{ category A tax payers will be selected.}$$

Table 1: category a tax payer’s proportional distribution of sample respondents

Types of Business	no of tax payers	Proportion of the sample	No of sample tax payers
Services	120	0.284	34
Manufacturing	110	0.284	32
Constriction	215	0.284	61
Merchandising	300	0.284	85
Others	224	0.284	64
Total	969	0.284	276

3.6.Sources of data

In this study, both primary and secondary data will be used as a source of information. The sources of primary data will be responses from both tax payers in the tax administrative office of Debera-Birhan town. The secondary data will be relevant published and unpublished materials, journals, articles, proclamations, procedures, ERCA directives, regulations, website information, and information available in the tax authority office like annual reports and revenue enhancement plan.

3.7. Data Collection Instruments

3.7.1 Questionnaires

According to Kothari (2004), a questionnaire is the most frequently used data collection instrument in academic research. It is a list of carefully designed questions or a set of questions usually in a highly structured written form to be answered by selected group of research participants or respondents. It helps to gather information on knowledge, attitudes, opinions, behaviors, facts and other information. Kothari (2004) explains that the existence of visual presentation, the possibility of judging quality of response, its low cost and the presence of personal contact are the advantages of questionnaire. For this reason, the researcher was intends to use questionnaire as the research instrument to gather baseline

information for the research. For the purpose of this research, the researcher was chose to use closed ended questionnaires to collect quantitative data. This is because questionnaire is convenient to collect information from large number of respondents within short period of time and in a cost effective way.

The close ended type of questionnaires is mainly of rating scale type or Likert scale. The items of the questionnaire is adopted from the prior literature (Tadesse and Goitom, 2014; Shangri, 2014). The adopted items are slightly modified according to the context of the study. The questionnaire that will be used in this study has two parts. The first part is designed to collect the demographic information from each respondent. The second part contains information to assess variables and is prepared on five point Likert scale ranged from "1=Strongly Disagree" to "5=Strongly Agree".

3.7.2 Interview

Interview is a direct interaction of the participants and the researchers. Thus, it enabled to manipulate depth information about the current study. Interview as a main data collection instrument permits a level of in depth information, free response, and flexibility can complement questionnaire. For this study Semi structured interview questions was employed to get relevant information from tax office administrators. This type of data collection instrument helps to the researcher to get specific information that not access by questionnaires. Thus, interview was conducted with department heads, supervisors and managers by purposive sampling technique.

3.8. Method of Data Analysis

For this study the data were collected through questionnaire and interview. Therefore, the researcher was analyzed the data by using descriptive statistics like (central tendency measurements such as the frequency, mean, and standard deviation, correlation and regression analysis using IBM SPSS statistics (statistical Package for social science) software version 20. Descriptive statistic collected though questionnaire presented in the form of mean and standard deviation while to examine the relationship between business profit tax administration efficiency and each of the seven selected factors describe Pearson's Correlation coefficient. Moreover, to examine the effect of each independent variable has on business profit tax administration efficiency. The study was conducted multiple linear regressions after conducting reliability test, descriptive statistics and Pearson correlation. The qualitative data which gather using open ended questions was analyzed or described in paragraph and sentence through triangulation

3.9. Model specification

- Dependent variable: Business Profit Tax Administration Efficiency
- Independent variable: Autonomy, Leadership style, Employees Training, Employees Motivation, modern technology adoption and, attitudes of tax payers.

Accordingly, the regression equation on the above variables can be stated as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + e_i$$

Where:

Y is the response or dependent variable- Business profit Tax Administration Efficiency

X₁ = Autonomy,

X₂ = Leadership,

X₃ = Employees Training,

X₄ = Employees Motivation,

X₅ = Information Technology use

X₆ = attitudes of tax payers

e_i = Error term set up to demonstrate the unexplained portion of the dependent variable through the above four important exogenous variables.

3.10. Measurement of Reliability and Validity

3.10.1. Reliability test

Reliability is the degree that shows data collection techniques or analysis procedures will yield consistent findings. So as to ensure the reliability of the instrument testing is an important and possible activity (Creswell, 2009).

According to (Bougie and Sekaran 2010), an instrument needs to be consistent when it measures. This consistency can be measured by using a reliability test. In short, this test is described as a test of worth

or value of the survey data. Internal consistency reliability was verified using Cronbach's Coefficient Alpha.

Accordingly, the respondents involved in the pilot test were asked to comment on the questionnaire. Most respondents gave feedback directed to the comprehensibility of items; therefore, researcher modified some of the items to improve their clarity. The researcher also ensured the reliability of the questionnaire to determine its consistency in testing what it was intended to measure. The reliability of the questionnaire was tested with the help of Statistical Package for Social Science (SPSS) version 24 to confirm that the Cronbach's Alpha coefficient values above 0.7 are generally accepted.

Reliability analysis is very important in research and is widely used to measure the accuracy of the study. So, reliability was conducted via pre-testing the questionnaire by simple random sampling selected 20 taxpayers working in Debre-Birhan city administration. To measure the internal consistencies and stability of the constructs namely, Autonomy, leadership style, employees training, employees motivation, ICT and Attitudes of taxpayer and profit tax administration efficiency, Cronbach's Alpha coefficient was applied. It indicates an average correlation among the items that have developed the scale. Such a value ranges from 0 to 1 with 1 indicating greater reliability. A coefficient of reliability range of between 0.30 and 0.80 is acceptable (Pallant, 2007). Reliability test in this study found that all item is reliable by Cronbach's Alpha > 0.7 (Bhuwono and Agung, 2005).

Table 2: Item reliability Test using Cronbach's Alpha

Variables	No. of Item	Sign	Alpha	Internal consistency
Autonomy	5	+	0.7015	Acceptable
leadership style	7	+	0.7142	Acceptable
employees training	7	+	0.7315	Acceptable
employees motivation	6	+	0.7016	Acceptable
Information Technology	4	+	0.6731	Acceptable
Attitudes of taxpayer	8	+	0.8731	Very good
Efficiency of business profit tax	8	+	0.7016	Acceptable
Test Scale			0.7325	Acceptable

Source: (Researcher's own survey, 2024)

As indicated in Table 2 for this study, the researcher developed a total of 6 constructs with 52 items. These 52 items of 7 constructs were measured by reliability test the reliability of Autonomy related questionnaires profit tax administration efficiency is 0.7015, leadership style related questionnaires on profit tax administration efficiency is 0.7142, employees training related questionnaires on profit tax administration efficiency is 0.7315, employees motivation related questionnaires on profit tax administration efficiency is 0.7016, ICT related questionnaires on profit tax administration efficiency is 0.6731 and Attitudes of taxpayer related questionnaires on profit tax administration efficiency is 0.8731. Since a rule of thumb suggested that the Cronbach's alpha value exceeds 0.70 the items shows good reliability and considered acceptable and As shown in the table 4.8 the overall Cronbach's Alpha for 7 items was 0.7325 which is very good and highly acceptable because the closer the reliability coefficient gets to 1 the better.

3.10.2. Validity of Instruments

Validity is defined as the degree to which an instrument accurately measures what is supposed to measure. It is concerned with how well the concepts are defined by the measures (Hair et al., 2007). In this study, structured questionnaire will be developed based on the conceptual framework of the study designed to address the intended assessment questions and objectives. To establish the validity of the data collection instrument, the researcher examined previous research works and developed the questionnaires based on the reviewed literatures.

3.11. Ethical Consideration

According to Collin F, 2007, when conducting research, treating people unfairly and using or encouraging others to use the knowledge gathered during the research work to hurt people is unethical. Reasonable research ethics are taken into account in this report. The respondents are told that they are required to provide accurate information and that they have the right to privacy, not to be misled, and to be informed about all aspects of the study. According to Creswell (2003) a researcher has a duty to respect the informants' privileges, needs, values, and wishes, so the rights, needs, values, and interests of respondents are respected. Throughout the study method, the researcher followed legal and morally correct procedures. The data was obtained with the participants' full consent, and the researcher explicitly explained the intent of the study, maintained objectivity, and protected the subject's rights and confidentiality.

CHAPTER FOUR

RESULT AND DISCUSSION

4.1. Introduction

This chapter presents analysis, interpretation and finding of the data collected from Debere-Birhan city Administration regarding the challenges related to implementation of profit tax Administration and compliance of taxpayers.

In Debere-Birhan city Administration, the application of income tax was challenged by different factors that affect taxpayers' satisfaction. Thus, as it is introduced at the very beginning, the major objective of the research was to identify the challenges and problems encountered in the presumptive tax administration, which could be the causes for taxpayers' complaints. Under this section, the data collected through different data collection methods and tools are discussed and analysed carefully in order to show the true nature of the problems. During the field work, an attempt was made to examine empirical conditions of presumptive tax administration with theoretical and conceptual frameworks discussed in chapter two for searching out the reality of the problems in actual sense. As a result, the factors affects related to business profit tax administration efficiency registration i.e. Autonomy, leadership style, employees training, employee's motivation, Information Technology and Attitudes of taxpayer are thoroughly discussed using empirical data.

4.2. Response Rate

The population of the study is category "A" taxpayers who are required by law to declare their income or keep books of account. According to the income tax Proclamation No 240/2016 category "A" taxpayers are those whose annual gross income 1,000,000. There are more than 969 taxpayers in Debere-Birhan city Administration who are category "A". Among these 276 categories "A" taxpayers Sample were selected from Debere-Birhan city Administration. Thus, 52 questionnaires were given to taxpayers of the category "A". Of which 266 questionnaires were correctly filled in and returned which makes a response rate of 96.37% and 10 questionnaires or 3.63% were invalid due to incompleteness. This response rate was good enough to make conclusions for the study. The data of the respondents is analyzed by using appropriate statistical tools. The first part of this chapter discusses about the demographic characteristics of respondents, while the rest deals with the analysis and interpretation of findings of the study.

4.3. Demographic Characteristics of the Respondents

The sex of the respondents is shown in table3. The table shows that most of the respondents are male (67.3%) while 32.7% are female.

Table 3: sex of respondent

		Frequency	Percent	Cumulative Percent
Valid	Male	179	67.3	67.3
	female	87	32.7	100.0
	Total	266	100.0	

Source: survey on sample taxpayers, 2024

The respondents, age is shown in the following table 4. The table shows that 28.9% are Below 25 years, 41.7% are the age of 25-35 years old, followed by respondent at the age between 36-45 years old with 24.1%. The remaining of the respondents 5.3% were above 45 years old.

Table 4: age group of taxpayers

		Frequency	Percent	Cumulative Percent
Valid	below 25	77	28.9	28.9
	25-35	111	41.7	70.7
	36-45	64	24.1	94.7
	above 45	14	5.3	100.0
	Total	266	100.0	

Source: survey on sample taxpayers, 2024

According to the Table5 below, the study involved different respondents with different level of education as follows, Diploma level 93 (35%) of the respondents, those who were having Degree level of education were 83(31.2%) respondents, postgraduate and above 33 (12.4%) of the respondents, and the remaining respondents were having Certificate and below were 57 (21.4%).

Table 5: Level of education

		Frequency	Percent	Cumulative Percent
Valid	Certificate and below	57	21.4	21.4
	Diploma	93	35.0	56.4
	Degree	83	31.2	87.6
	MA and above	33	12.4	100.0
	Total	266	100.0	

Source: survey on sample taxpayers, 2024

Based on the table below, the business types of the respondent they rely on shows 32 (12 percent) service, 34 (12.8 percent) construction, 57 (21.4 percent) Merchandising, 82 (30.8 percent) manufacturing, 61 (22.9 percent) engaged other business.

Table 6: Type of the business

		Frequency	Percent	Cumulative Percent
Valid	Service	32	12.0	12.0
	Construction	34	12.8	24.8
	Merchandising	57	21.4	46.2
	Manufacturing	82	30.8	77.1
	Others	61	22.9	100.0
	Total	266	100.0	

Source: survey on sample taxpayers, 2024

The years of the companies that have been come into the tax system shows that out of 266 sample respondents, 25 (9.4 percent) less than two years, 59 (22.2 percent) between two and five years, 96 (36.1%) between five and ten years and 86 (32.3%) above ten years. 182(68.4%) of companies have five years and above years with in tax system after they joined in it.

Table 7: years of the company gone into the tax system

		Frequency	Percent	Cumulative Percent
Valid	Less than 2-year	25	9.4	9.4
	2-5 years	59	22.2	31.6
	5-10 years	96	36.1	67.7
	above 10 years	86	32.3	100.0
	Total	266	100.0	

Source: survey on sample taxpayers, 2024

Based on the table7. shown below the position of sample taxpayers were 23 (8.6 %) company owners, 57 (21.4%) company managers, 95 (3.7%) accountants, 56(21.1%) company representative and 35(13.2%) are work on other positions in the company.

Table 8: status/position in the business

		Frequency	Percent	Cumulative Percent
Valid	Owner	23	8.6	8.6
	Manager	57	21.4	30.1
	Accountant	95	35.7	65.8
	Company representative	56	21.1	86.8
	Others	35	13.2	100.0
	Total	266	100.0	

Source: survey on sample taxpayers, 2024

The experience of sample taxpayers were 30 (11.3 %) less than two years, 47 (17.7%) between two and five years, 101 (38%) between five and ten years and 88 (33.1%) above ten years. majority 189 (71.05%) of sample taxpayers have five years and above years of experience.

Table 9: experience of tax payers in the business

		Frequency	Percent	Cumulative Percent
Valid	Less than 2 year	30	11.3	11.3
	2-5 years	47	17.7	28.9
	5-10 years	101	38.0	66.9
	above 10 years	88	33.1	100.0
	Total	266	100.0	

Source: survey on sample taxpayers, 2024

4.4. Descriptive Statistical Analysis

In this section various statistical data analysis tools such as mean and standard deviation are used to analyze the collected data. The summary of descriptive statistics of all variables that are evaluated based on a 5-point Likert scale (“1” being “strongly disagreed” to “5” being “strongly agreed”). According to Zaidaton and Bagheri (2009) the mean score below 3.39 was considered as low, the mean score from 3.40 up to 3.79 was considered as moderate and mean score above 3.8 was considers as high as illustrated by Comparison bases of mean of score of five point Likert scale instrument. Thus, detail of the analysis is as follows.

Table 10: Respondents Perceptions on Autonomy

Autonomy			
	N	Mean	Std. Deviation
There is tax sharing arrangement in which the revenue split is determined in legislation	266	3.67	1.353
Easy understanding of tax laws, that is, rates of tax, filing and paying dates, etc.	266	2.27	.852
Annual turnover Specified to each Category is good	266	3.89	1.236
There is autonomy on sets of tax rate and tax relief in the city revenue office	266	4.20	.933
There is no control over either the tax rate or any tax relief	266	3.21	.951
Grand		3.448	1.065

The Mean Score Interpretation Table constructed by Zaidaton and Bagheri (2009) the mean score below 3.39 was considered as low, the mean score from 3.40 up to 3.79 was considered as medium high and mean score above 3.8 was considers as high.

Findings show that there is a tax-sharing framework where the revenue split is predetermined by law. Additionally, the Annual Turnover defined for each Category is good, the City Revenue Office has autonomy on sets of tax rates and tax relief, the Tax Laws are Simple to Understand, including Tax Rates, Filing and Paying Dates, etc., and there is no control over the Tax Rate or any Tax Relief. The outcome demonstrates unequivocally that profit tax administration efficiency is comparatively effective.

Table 10 above presents the mean score for overall perception of respondents towards Autonomy is 3.448 SD 1.065. This result indicates that the Autonomy practice of Debre-Birhan city administration revenue medium high.

Table 11 : Respondents Perceptions on Leadership style

Leadership style			
	N	Mean	Std. Deviation
How is the service delivery by the tax authority?	266	3.20	.943
There are public resources and service provision in the city.	266	2.18	.989

There is awareness creation for tax payers by tax authority.	266	3.18	.948
There is no award for taxpayers, that is, giving a trophy for being the best taxpayer	266	4.14	1.009
The provision of administrative penalties	266	3.11	.822
There are strong measures taken by the government to control the illegal traders.	266	4.11	1.064
No unregistered traders were found in the city.	266	2.10	1.057
Grand		3.14	0.976

Table 11 above presents the mean score for overall perception of respondents their leadership style is 3.14 SD 0.976. This results indicates that the leadership style practice of Debre-Birhan city administration revenue is low.

Table 12: Respondents Perceptions on Employee's training

Employee's training			
	N	Mean	Std. Deviation
The office provides ongoing trainings and development courses to improve employees' capacity.	266	3.13	.814
The office provides effective awareness creation trainings on tax laws to tax Officers	266	4.12	1.062
The office provides initial training for new employees	266	2.14	.976
The tax office has policies for training of tax officials	266	3.14	1.028
There is a continuous professional development activities (such as Professional association sponsored programs and correspondence courses) provided for the employees at the office	266	2.09	.757
Adequate short-term training is arranged for tax officers	266	3.07	.970
Administrations use knowledge-sharing initiatives to help increase the capability of staff through the sharing of best practice, techniques, learning and experiences	266	4.12	1.049
Grand		3.116	0.951

According to Zaidaton and Bagheri (2009) the mean score below 3.39 was considered as low, the mean score from 3.40 up to 3.79 was considered as moderate and mean score above 3.8 was considered as high.

Table 12 above presents the mean score for overall perception of respondents towards their Employee's training is 3.116 SD 0.951. This result indicates that the Employee's training practice of Debre-Birhan city administration revenue low.

Table 13: Respondents Perceptions on Employee's Motivation

Employee's Motivation			
	N	Mean	Std. Deviation
I have been motivated by my organization to put my best effort in my job Done	266	2.07	.970
I have been remunerated for staying beyond the working hours to finish my Daily routine task	266	3.10	.415
Employees in my organization work as hard as employees in other Organization with similar remuneration	266	3.16	.706
I have been motivated by my organization to do extra work for my job that isn't normally expected for me	266	2.14	.994
Non monetary incentives are provided in order to motivate employees	266	4.17	.965
Employees are encouraged to feel that the work they do makes important Contributions to the larger aims of the tax office.	266	3.15	.988
Grand		2.965	0.839

Table 13 above presents the mean score for overall perception of respondents towards Employee's Motivation is 3.1429 SD 0.56169. This result indicates that the Employee's Motivation practice of Debre-Birhan city administration revenue low.

Table 14: Respondents Perceptions on Information Technology

Information Technology					
	N	Minimum	Maximum	Mean	Std. Deviation
Using technology in TRA decreases errors in taxation	266	1	5	3.18	.982
Using technology in TRA prevents corruption and abuse	266	1	5	2.21	.637
Using technology in TRA reduces the tax compliance cost	266	1	5	4.20	.937
Information Technology tools are highly integrated to facilitate tax administration process	266	1	5	3.19	.738
Grand				3.195	0.589

Table 14 above presents the mean score for overall perception of respondents towards their ICT is 3.195 SD 0.589. This result indicates that the Information Technology practice of Debre-Birhan city administration revenue is low.

Table 15: Respondents Perceptions on Attitudes of taxpayers

Attitudes of taxpayers			
	N	Mean	Std. Deviation
I know why I have to pay tax	266	1.90	1.050
Legal traders refuse to pay tax honestly by opposing of the existence of illegal traders.	266	1.95	1.140
There is Positive peer attitude, that is, a belief that your neighbors are reporting and paying tax honestly.	266	3.82	.950
Some people do not pay tax honestly, because they believe that large portion of collected money is not used to the public.	266	4.25	.899
The burden of tax is so heavy that many people are forced to Evade in order to surviving	266	2.90	1.034
Business income tax rate should be reduced	266	1.73	.950
The business income tax rate should be the same regardless of the amount of income earned.	266	4.23	.954
Unlicensed traders are important to society since they sell with lesser prices than legal traders do.	266	4.74	.980
Grand		3.19	0.875

Table 15 above presents the mean score for overall perception of respondents towards their Attitudes of taxpayers is 3.19 SD 0.875. This result indicates that the Attitudes of taxpayers towards profit tax administration efficiency in Debre-Birhan city administration revenue is low.

Table 16: Respondents Perceptions on Efficiency of business profit tax

Efficiency of business profit tax			
	N	Mean	Std. Deviation
The business profit tax collection improved	266	4.23	1.929
Improved the infighting tax evasion	266	3.79	.976
enforce government tax policies that can increase tax compliance	266	3.49	.778
implementation of tax policy improved through time	266	3.18	.978

Improved administering the tax system and tax policies.	266	3.21	1.085
lower operational and compliance costs	266	3.85	.935
There is a clear administrative strategies, accountability, transparency in decision-making, motivated tax officials and incentives for taxpayers.	266	3.80	.969
Adequate time framework and competent human resources that can handle the improvement process and deliver positive outcomes	266	4.24	.913
Grand		3.724	1.070

According to revenues reports 2011 up to 2015 E.C yearly report, profit tax collection performance was between 67% and 76% It's collection cover on average 75% of indirect tax and 43% of total revenue collection. Profit tax collection has a great contribution to the tax revenue collection. But, from the total of tax revenue plan that are not collected in this five fiscal years on average 10% of uncollected amount is because of profit tax collection inefficiency.

Table 16 above presents the mean score for overall perception of respondents towards their Efficiency of business profit tax is 3.724 SD 1.070. This results indicates that the Efficiency of business profit tax practice in Debre-Birhan city administration revenue is medium high.

Here reflects attitudes of tax payers towards business income tax collection process or tax payers feeling towards tax system. In this case, attitude of taxpayers could be positive or negative on the tax system. Evidence by Everest-Phillips (2008) shows, understanding attitudes towards the level of tax morale, the effectiveness of the tax-authority, and the resulting extent of compliance provides an essential diagnostic of the political realities for reform.

4.5. Correlation Analysis

To determine the relationship between independent variables and dependant variable, Pearson correlation was computed. Table 17 below presents the results of correlation on the relationship. Profit tax administrations efficiency was a response variable and factor variables are (autonomy, leadership, expertise/ employees, ICT, procedures and perception). Here is significant Multi co-linearity since any of them are not above the conventional 80 percent.

Table 17: correlation coefficients

		Autonomy	Leadership	Training	Motivation	ICT	Attitude of tax payers
Autonomy	Pearson Correlation	1					
	Sig. (2-tailed)						
Leadership	Pearson Correlation	.197**	1				
	Sig. (2-tailed)	.010					
Employee Training	Pearson Correlation	.441**	.665**	1			
	Sig. (2-tailed)	.000	.000				
Employee Motivation	Pearson Correlation	.418**	.374**	.475**	1		
	Sig. (2-tailed)	.000	.000	.000			
Information Technology	Pearson Correlation	.318**	.680**	.692**	.437**	1	
	Sig. (2-tailed)	.000	.000	.000	.000		
Attitude of tax payers	Pearson Correlation	.518**	.620**	.792**	.537**	.474**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
Tax Administration Efficiency	Pearson Correlation	.216**	.516**	.305**	.435**	.705**	.835**
	Sig. (2-tailed)	.0047*	.000*	.000*	.000*	.000*	.000*

Note: * indicates the correlation is significant at 1% level of significance.

Source: (SPSS output of the questionnaire survey, 2024)

The results in table17 shows the Pearson correlation coefficient was used to measure the relationship between independent variable profit tax administration efficiency factors(i.e. Autonomy, Leadership style , Employees training, Employees motivation, Information Technology ,and Attitude of tax payers) and profit tax administration efficiency in Debre-Birhan city administration. table-17 presents the correlation between motivation and employee performance. The R-value shows the direction, the strength and the significance of the correlation. The bigger the r value the more significant it is. The sign (*) indicates that there is a correlation between the variables.

As output of the model as shown in the table-17, there is a significant positive relationship between the two variables; Autonomy and profit tax administration efficiency [$r = 0.2169$, $n = 266$, $p = 0.0047$]. a p-

value of 0.0047 which is less than 0.01 level of significance ,this indicates that there is a significant correlation between the Autonomy with profit tax administration efficiency.

Leadership style and profit tax administration efficiency [$r= 0.5161$, $n = 266$, $p = 0.000$].p-value is less than 0.01 level of significance; this indicates that there is a positive and significant correlation between the Leadership style with profit tax administration efficiency.

Employees training and profit tax administration efficiency [$r= 0.3050$, $n = 266$, $p = 0.000$]. a P-value is less than 0.01 level of significance , there is a significant correlation between the two variables this Employees training with profit tax administration efficiency.

Employees motivation and profit tax administration efficiency [$r= 0.4355$, $n = 266$, $p = 0.000$]. a p-value is less than 0.01 level of significance, there is a significant correlation between the Employees motivation with profit tax administration efficiency.

Information Technology and profit tax administration efficiency [$r= 0.7355$, $n = 266$, $p = 0.000$].p-value is less than 0.01 level of significance, indicating that Information Technology has positive, strong and significant correlation with Tax Administration Efficiency.

Attitude of tax payers and profit tax administration efficiency[$r= 0.8355$, $n = 266$, $p = 0.000$].p-value is less than 0.01 level of significance, indicating that Attitude of tax payers has positive, strong and significant correlation with Tax Administration Efficiency.

The above correlation result implies that the three of the above independent variables have positive and strong association with tax administration efficiency. In addition, the findings revealed that Autonomy, employee Training and employees Motivation has moderate, significant and positive relationship with tax administration efficiency. This implies there is significant association between the independent variables and tax administration efficiency (Leadership, Information Technology and Attitude of tax payers indicating that they have an effect on tax administration efficiency.

4.6. Regression Analysis

A number of assumptions need to be met before performing regression analysis with confidence. The important assumptions that are to be tested in this section are; independent variables shouldn't be too strongly correlated to one another (Multicollinearity), the value of residuals to be independent from one another and the residuals should be normally distributed. The following tests performed to

check whether the data fits the assumptions of linear regression in order to conclude the analysis results are valid and reliable.

4.7.1. Test of regression analysis

4.6.1.1. Normality test

The exact normality of the OLS estimators hinges crucially on the normality of the distribution of the error, in the population. If the errors are random draws from some distribution other than the normal, they will not be normally distributed, which means that the t statistics will not have t distributions and the F statistics will not have F distributions. This is a potentially serious problem because our inference hinges on being able to obtain critical values or p-values from the t or F distributions. A histogram of residuals is a simple graphic device that is used to learn something about the shape of the PDF of a random variable. On the horizontal axis, we divide the values of the variable of interest (e.g., OLS residuals) into suitable intervals, and in each class interval we erect rectangles equal in height to the number of observations (i.e., frequency) in that class interval. If you mentally superimpose the bell-shaped normal distribution curve on the histogram, you will get some idea as to whether normal probability density function (PDF) approximation may be appropriate (Gujarati, 2004).

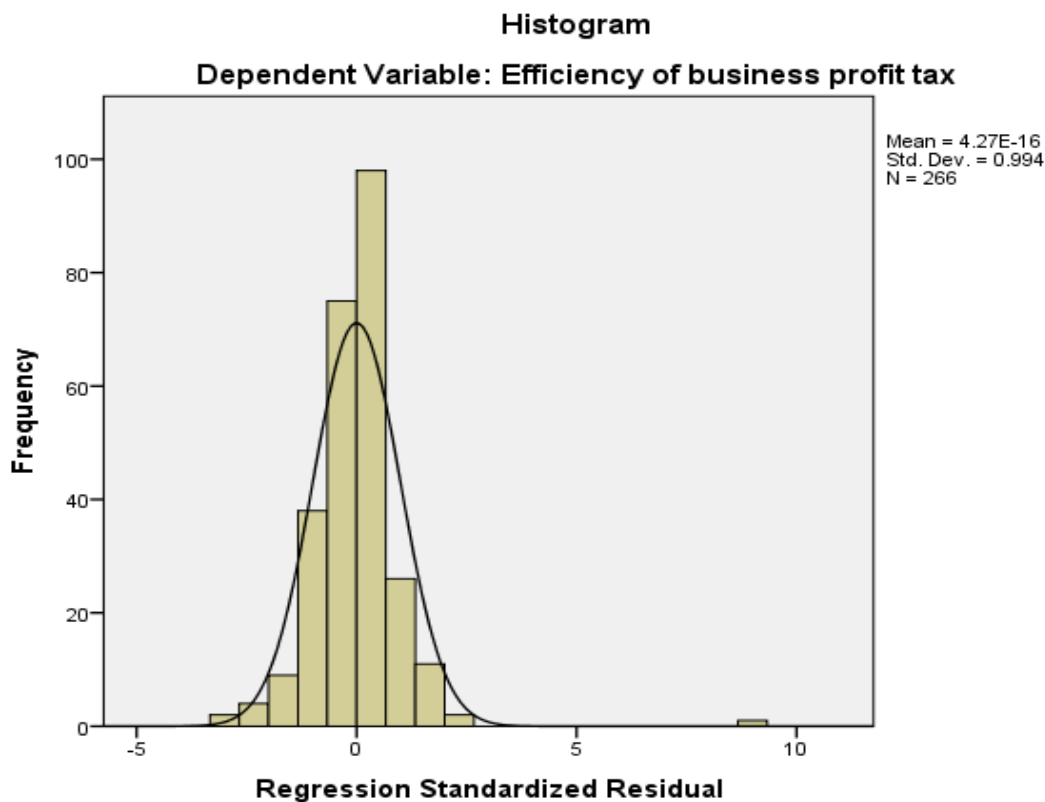


Figure 1: normality tests

4.6.1.2. Linearity Test

To test the linearity between the dependent variable and the independent variables used in the multiple linear regression model a distributional plot was made on the standardized residuals to see the linearity of the residuals. The following graph shows the distribution of the standardized residuals. Based on Figure 3 below, the standardized residuals were linearly distributed along the reference line implying perceived profit tax efficiency and the explanatory variables (Autonomy, leadership style, Employees Training, Employees motivation, Information Technology and attitudes of tax payers) were linearly distributed. Therefore, the dependent and the independent variables are linearly related satisfying the basic assumption of classical linear regression model.

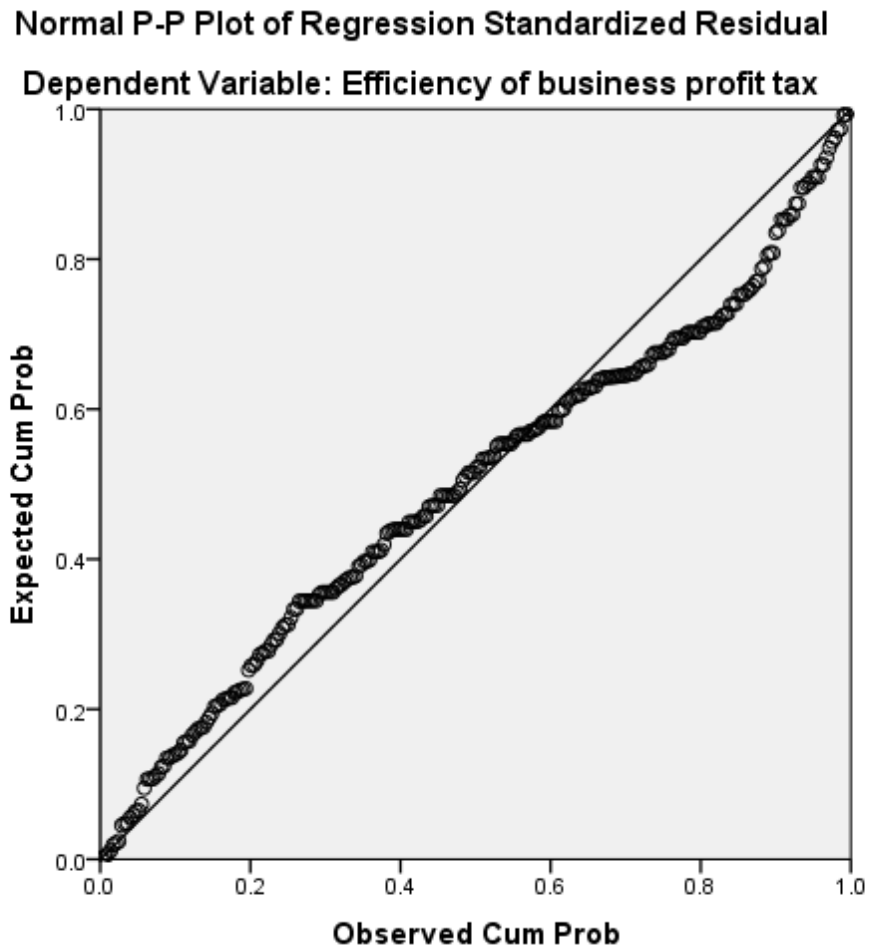


Figure 2: scatter plots

4.6.1.3. Multicollinearity test

Multicollinearity assumption can be also tested by looking at the coefficients table. As explained by Muijs (2010, p.181) Tolerance and Variance Inflation Factors (VIF) do exactly the same thing, tolerance is the amount of variance in the individual variable not explained by the other predictor variables. It varies from 0 to 1; a value close to 1 indicates that the other predictors do not explain the variance in that variable. A value close to 0 implies almost all the variance in the variable is explained by the other variables. This permits us to more formally check that our independent variables are not too highly correlated. To meet multiple regression assumptions we need tolerance score above 0.2 and VIF scores below 18.

Table 18: multi-co-linearity

Independent Variables	VIF	ToL (1/VIF)
Autonomy	1.39	0.72
Leadership style	1.54	0.65
Employees training	6.31	0.24
Employees motivation	3.47	0.29
Information Technology	2.31	0.43
Attitude of tax payers	3.85	-----
Mean VIF	2.978	

Source: - Own survey result, 2024

As seen in the above table VIF results of the independent variables are less than six which indicates there is no multi col-linearity among them. The output provides some measure of whether there is col-linearity in the data. Specifically, it provides the VIF (Variance inflation Factor) and tolerance statistics (with tolerance being 1 divided by the VIF) .For this, as cited by Andy, 2010, there are few guidelines from section that can be applied:

- If the largest VIF is greater than 10 then there is cause for concern.
- If the average VIF is substantially greater than 1 the regression may be biased
- Tolerance below 0.1 indicates a serious problem.
- Tolerance below 0.2 indicates a potential problem.

For the current model the VIF values are all well above 18 and the tolerance statistics all well above 0.2; therefore, we can safely conclude that there is no col-linearity within our data.

4.6.1.4. Heteroscedasticity test

Breusch-Pagan/Cook Weisberg Test for Heteroskedasticity. The Breusch-Pagan test is designed to detect any linear form of heteroskedasticity. Breusch-Pagan / Cook-Weisberg test the null hypothesis that the error variances are all equal versus the alternative that the error variances are a multiplicative function of one or more variables. Alternative hypothesis states that the error variances increase (or decrease) as the predicted values of employee performance increase, in this table 19, the chi-square value was small, indicating heteroskedasticity was probably not a problem (or at least that if it was a problem, it wasn't a multiplicative function of the predicted values).

Table 19: Breusch-Pagan / Cook-Weisberg Test for Heteroskedasticity

Model	Chi2(1)	P-value
1	2.43	0.1765

H₀: The Error Term has Constant Variance (Homoscedastic)
H_A: The Error Term has No Constant Variance (Heteroscedastic)
Variables: Fitted Values of profit tax administration efficiency

Source: (SPSS output of the questionnaire survey, 2024)

As it can be revealed from the above table13, the probability value of chi- squared statistics is 0.1765, The result showed that there no serious heteroscedasticity problem, because the p-value (0.1765>0.01) is statistically in significant which indicates, that we accept the alternative hypothesis and the null hypothesis cannot be rejected indicating that there is constant variance. Therefore the estimation result is consistent and valid; the basic assumption of homoscedastic is satisfied.

4.6.2. Multiple Regressions Model

A. Model Summary

There are several useful criteria for measuring the goodness of fit of the multiple regression models. One such criterion is to determine the square of the multiple correlation coefficients R^2 (also called the coefficient of multiple determinations). The R^2 value 0.6729 in the regression output indicates that 67.3

% of the total variation of Efficiency of business profit tax values about their mean can be explained by the predictor variables used in the model.

Table 20: regression Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.7734	.6729	.5510	0.0499

Source: survey, 2024

B. ANOVA

To check whether or not the model was a significant predictor of the outcome variable using the results of the ANOVA. From the Analysis of Variance table, we observe that the p-value is (0.000). This implies that the model estimated by the regression procedure is significant at an α -level of 0.05. Thus at least one of the regression coefficients is different from zero.

Table 21: ANOVA table

ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	16318.865	6	4079.716	120.643	.000 ^b
	Residual	12545.940	260	33.817		
	Total	28864.806	266			

Source: survey, 2024

Predictors: (Constant), Autonomy, leadership, Employees training, Employee motivation, Information Technology Attitude of tax payers.

Dependent Variables: profit tax administration efficiency

According to the above table concerning the goodness fit of the model, the R^2 is high implying 67.3% of the variation in Business Profit Tax Administration Efficiency is explained by the variation in those explanatory variables included in the multiple linear regression model and the rest 32.7% of the variation in perceived Business Profit Tax Administration Efficiency explained by other factors which are not included in the multiple linear regression model. Analysis of variance (ANOVA) is an analysis tool

used in statistics that splits an observed aggregate variability found inside a data set into two parts: systematic variation and random variation. The systematic factors have a statistical influence on the given data set, while the random factors do not. Analysts use the ANOVA test to determine the influence that independent variables have on the dependent variable in a regression analysis. From Table above we can infer that the model is statistically significant or adequate at 5% level of significance since $p\text{-value} < 0.000$. This indicates that the explanatory variables included in the multiple linear regression model i.e. Autonomy, leadership style, Employees training, Employees motivation, ICT and Attitude of taxpayers variable factor were jointly statistically significant in explaining the perceived profit tax administration efficiency.

Table 22: Regression Coefficients

Model	Unstandardized Beta Coef.		t_{cal}	P-value	Standard Beta Coef.
	Coef.	Std. Err.			
Autonomy	0.131	0.058	2.26	0.009*	0.089
Leadership style	0.473	0.092	2.98	0.003*	0.135
Employees training	0.384	0.055	6.98	0.000*	0.410
Employees motivation	0.256	0.042	13.19	0.000*	0.949
Information Technology	0.419	0.081	5.17	0.000*	0.501
Attitude of tax payers	0.512	0.035	7.17	0.000*	0.201
Constant	2.022	0.388	5.21	0.291	-

Note: * indicates the regression coefficient significant at 1% level of significance

Source: (SPSS output of the questionnaire survey, 2024)

The estimated mathematical model (or parsimonious model) for describing the relationship between the perceived profit tax administration performance and those independent variables included in the multiple linear regression model became;

- Dependent variable: Business Profit Tax Administration Efficiency
- Independent variable: Autonomy, Leadership style, Employees Training, Employees Motivation, modern technology adoption and, attitudes of tax payers, procedures and, Law.

Accordingly, the regression equation on the above variables can be stated as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + e_i$$

Where:

Y is the response or dependent variable- Business profit Tax Administration Efficiency

X₁ = Autonomy,

X₂ = Leadership,

X₃ = Employees Training,

X₄ = Employees motivation

X₅ = Information Technology

X₆ = attitudes of tax payers

e_i = Error term set up to demonstrate the unexplained portion of the dependent variable through the above four important exogenous variables.

$$Y = 2.022 + 0.131X_1 + 0.473 X_2 + 0.384 X_3 + 0.256X_4 + 0.419X_5 + 0.512X_6 + e_i$$

Therefore, Business profit Tax Administration Efficiency (Y) would be:

$$Y = 2.022 + (0.131A) + (0.473LS) + (0.384Et) + (0.256Em) + (0.419It) + (0.512Att) .$$

The inferential analysis is used to examine the degree and direction of the relationship between the covariates and the dependent variables. The part of the inferential analysis regression is conducted to study if the dependent variables are significantly related to the independent variables and to examine the extent of influence of the independent variables on the dependent one. Before embarking the discussion of the major findings from the descriptive statistics, inferential statistics, and econometric analysis respondents profile and reliability test and related results are presented.

From the table 22 shown, we can easily compare the relative contribution of each of the different variables by taking the beta value under the unstandardized coefficients. The higher the beta value, the strongest its contribution becomes.

As output of the model shown in table 22 reveals, the most influential factor that significantly affect the Efficiency of business profit tax is Attitude of tax payers with a beta value (beta = 0.512), at 99% confidence level (p < 0.01), The Beta-value of 0.512 indicates that one unit increase or positive change

in Attitude of tax payers would lead to a 0.512 unit increase the level of Efficiency of business profit tax.

4.7. Hypothesis Testing and Discussion

To test the hypotheses, the Pearson correlation coefficient was adopted. The reason is that the Pearson was used to study the relationship between variables and it also helps to show the strength, direction and significance of the correlation between the variables. Pearson correlation coefficient was used to measure the relationship between the independent variables i.e., factor (Autonomy, Leadership style , Employees training, Employees motivation, Information Technology ,and Attitude of tax payers) and the dependent variable (profit tax administration efficiency). The decision criteria either to reject or accept the hypothesis is depend up on the value of p, meaning that if $p \leq 0.01$ reject the null hypothesis, but accepting the alternative hypothesis and if $p \geq 0.01$ reject the alternative hypothesis, but accepting the null hypothesis.

Hypothesis-1: Autonomy is significantly and positively related to Efficiency of business profit tax

Based on the result the correlation Table11 depicts ($r = 0.2169$, $p = 0.0047$), the relationship between Autonomy and Efficiency of business profit tax is significant at 0.01 level. In this case, the relationship between Autonomy and Efficiency of business profit tax reports a statistical significance with p-value ≤ 0.01 . This means, p-value = 0.0047 and this is ≤ 0.01 level of significance. The finding in this research depicted that Autonomy and Efficiency of business profit tax is positively linked. As such, we reject the null hypothesis (H_0) and accept the alternative hypothesis (H_a). Therefore, it can be safely concluded that there is a statistically significant relationship between Autonomy and profit tax administration efficiency in Debre-Birhan city administration revenue.

Hypothesis-2: Leadership style is significantly and positively related to Efficiency of business profit tax

Based on the result the correlation Table17 depicts ($r = 0.5161$, $p = 0.000$), the relationship between Leadership style and Efficiency of business profit tax is significant at 0.01 level. In this case, the relationship between Leadership style and Efficiency of business profit tax reports a statistical significance with p-value ≤ 0.01 . This means, p-value = 0.0000 and this is ≤ 0.01 level of significance. The finding in this research depicted that Leadership style and Efficiency of business profit tax is positively linked. As such, we reject the null hypothesis (H_0) and accept the alternative hypothesis (H_a).

According to Robbins (2001), leadership has the capacity to impact the conduct of a gathering, and hence, influencing the accomplishment of organizational objectives. The result of the study is consistent with the consensus among researches in the area that stipulated leaders, managers and supervisors play a vital role to boost the morale of the employees in various organizational settings and can have a positive effect on organizational administration efficiency (Savareikiene, 2014; Wright, Christensen, and Isett, 2013). Moreover, studies by Shagari (2014 and Muaen (2016) have also showed a positive association between leadership and tax administration efficiency in particular. The results in the study and the above discussions shows that leadership that considers employees input, that pin areas of improvement and that gives recognition for better performance will encourage employees motivation and can positively affect tax administration efficiency.

Therefore, it can be safely concluded that there is a statistically significant relationship between Leadership style and profit tax administration efficiency in Debre-Birhan city administration revenue.

Hypothesis-3: Employee training is significantly and positively related to Efficiency of business profit tax

The above correlation table17 shows that, there is a significant positive relationship between Employee training and Efficiency of business profit tax which carries correlation coefficient value of 0.3050 and p-value of 0.0000 which is less than the alpha value 0.01. Hence, we reject the null hypothesis (H_0) and accept the alternative hypothesis (H_a).

This result support the consensus among researchers, who stated that training provides benefits to the all stakeholders involved in the organization. It is revealed in many researches that the trained employees were more productive than untrained employees, hence increasing organizational efficiency. It is stated the trained employees of organizations like tax administration bureaus perform their tasks more efficiently in time which reduces the need to hire more employees. It is argued in a number of studies (Shen, 2014; Gintis, 2014; Bishop, 1994 and Asencio, 2016) that investment in training the employees for teamwork, decision- making and interpersonal relationship results in employees“ productivity and performance which ultimately lead towards organizational efficiency.

Therefore, it can be concluded that there is a statistically significant relationship between Employee training and profit tax administration efficiency in Debre-Birhan city administration revenue.

Hypothesis-4: Employees motivation is significantly and positively related to Efficiency of business profit tax

To test the proposed hypothesis which states there is positive and significant relationship between Employees motivation and Efficiency of business profit tax which carries correlation coefficient value of 0.4355 and p-value of 0.0000 which is less than the alpha value 0.01. Hence, we reject the null hypothesis (H_0) and accept the alternative hypothesis (H_a).

The result is consistent with the studies of Belfield and Marsden (2003), Peters (2010) and Solomon et al. (2013), who all concluded that motivated employees are vital to enhance service delivery and improve organizational performance. It is stated that motivated employees are vital to enhance service delivery and improve organizational performance. Motivation is important to an organization because it increases the performance level of employees, decreases employees turnover and absenteeism which then helps to reach expected level of efficiency in organizations.

Therefore, it can be concluded that there is a statistically significant relationship between Employees motivation and profit tax administration efficiency in Debre-Birhan city administration revenue.

Hypothesis-5: Information Technology is significantly and positively related to Efficiency of business profit tax

This result is consistent with the findings of Blair (2016) which revealed that the use Information Technology enhances service delivery and increases administration efficiency of government organizations. Furthermore, several studies (Eric, 2015; Engman, 2005; Efunboade, 2014 & Oluwafemi, 2015) have showed that the use of Information Technology facilitates effective and efficient communication regardless of time and distance, assist organizations to manage data efficiently, reduces costs and saves time and helps organizations to generate accurate financial information for effective performance.

As shown the result of correlation Table17 ($r = 0.7355$ and $p = 0.0000$), the relationship between Information Technology and Efficiency of business profit tax is significant at 0.01 level. In this case, the relationship between Information Technology and Efficiency of business profit tax reports a statistical significance with $p\text{-value} \leq 0.01$. This means, $p\text{-value} = 0.0000$ and this is ≤ 0.01 level of significance. The finding in this research depicted that Information Technology and Efficiency of business profit tax is positively related. As such, we reject the null hypothesis (H_0) and accept the alternative hypothesis

(H_a). Therefore, it can be safely concluded that there is a statistically significant relationship between Information Technology and profit tax administration efficiency in Debre-Birhan city administration revenue.

Hypothesis-6: Attitude of taxpayers is significantly and positively related to Efficiency of business profit tax

As shown the result of correlation Table17 ($r = 0.8355$ and $p = 0.0000$), the relationship between Attitude of taxpayers and Efficiency of business profit tax is significant at 0.01 level. In this case, the relationship between Attitude of taxpayers and Efficiency of business profit tax reports a statistical significance with $p\text{-value} \leq 0.01$. This means, $p\text{-value} = 0.0000$ and this is ≤ 0.01 level of significance. The finding in this research depicted that Attitude of taxpayers and Efficiency of business profit tax is positively related. As such, we reject the null hypothesis (H₀) and accept the alternative hypothesis (H_a). Therefore, it can be safely concluded that there is a statistically significant relationship between Attitude of taxpayers and profit tax administration efficiency in Debre-Birhan city administration revenue.

Table 23 : Summary of Hypothesis

Hypotheses		Accept or Reject
H0₁:	Autonomy is significantly and positively related to Efficiency of business profit tax	Accept
H0₂:	Leadership style is significantly and positively related to Efficiency of business profit tax	Accept
H0₃:	Employee training is significantly and positively related to Efficiency of business profit tax.	Accept
H0₄:	Employees motivation is significantly and positively related Efficiency of business profit tax	Accept
H0₅:	Information Technology is significantly and positively related to Efficiency of business profit tax	Accept
H0₆:	Attitude of taxpayers is significantly and positively related to Efficiency of business profit tax	Accept

Source: (SPSS output of the questionnaire survey, 2024)

However, correlation analysis shows only the strength, relationship and directions of one independent and dependent variables, it does not permit the researcher to make analysis of more than one

independent and dependent variables, and fall short in predicting the beta value of independent variables that explains the dependent variable, and in making inferences regarding the overall relationship between the identified variables. Hence, to analysis the factors on Efficiency of business profit tax the researcher uses regression analysis that overcomes the shortcoming of correlation analysis.

4.8. Analysis of the interviews questions of the respondents

Relying on the survey responses of category “A” business profit taxpayers and interview result with tax consultants and Debre Birhan city Administration Revenue Office staffs, the researcher came up with findings which were used to make conclusions and the related recommendations to the concerned body.

4.8.1. Knowledge of tax rules and procedures

With regard to knowledge of tax rules and procedures, the study result showed that the majority of category “A” business profit taxpayers are not clear with the tax rules such as tax rates, deductible and nondeductible expenses used in the determination of taxable income and they lack timely information and updates on changes of tax directives and guidelines issued by the revenue office.

Taxpayers are also unable to easily calculate their tax liability and they have problems of timely filing of taxes due to complexity of formats. The study result also showed that category “A” business profit taxpayers have problems of general record keeping and filing of documents of their business.

As a result, some of categories “A” business profit taxpayers are forced to pay penalty on late filing and late tax payments. In addition to that, as the result of lack of the necessary tax knowledge & information, the respondents said that they are forced to hire external services such as tax consultants to make sure that they are doing in line with the tax laws and procedures.

The respondents explained that Debre Birhan city Administration Revenue Office do not give frequent and consistent tax training and education to category “A” business profit taxpayers and updates made to different directives and guidelines concerning tax are not made available to taxpayers.

The majority of the respondents and almost all Debre Birhan city Administration Revenue Office staffs and tax consultants participated in this study agreed that taxpayers training and education plays a positive role in enhancing tax compliance. Frequent education and training given to taxpayers enhances future compliance and through this knowledge taxpayers are able to know their rights and obligations expected of them.

4.8.2. Attitude of taxpayers to wards Tax

The survey response of category “A” business profit taxpayers indicated that most of them want to comply with the tax laws as they believe they are contributing for the general economic growth by paying the right amount of income tax. The respondents also confirmed the existence of unfair tax among similar businesses. That means the presence of similar traders and friends that do not pay taxes contributed for their tax noncompliance.

Interviewers of Debre Birhan city Administration Revenue Office staffs and the tax consultants believed the existence of major suppliers which transact without issuing legal receipts. Since there are a number of category “A” business profit taxpayers which purchase their major imputes from those kind of suppliers intentionally or having no choice, this process affected the tax compliance of category “A” business profit taxpayers as they cannot easily get legal receipts to settle their transactions. These informal groups have family ties and are suppliers most of the time. They have no regular location, create informal or non-invoice market and can increase or decrease price of goods easily to make the loyal taxpayers out of the market.

4.8.3. Perception on tax equity and fairness

This indicates that the profit tax was something that unfair and lacks equity in the town. This has great influence in the level of tax compliance. If taxpayers are forced to pay taxes not based on their ability, they prefer to be non-compliant rather than being voluntary, in extreme cases, popular perceptions of unfairness can lead to a loss of legitimacy.

On the same issue, Lemmesa’s study (2007) revealed Determinants of Taxpayers’ Voluntary Compliance towards Taxation in Dire Dawa City, he found that the tax being levied is not fair and equitable and may reduce the motivation and the voluntary compliance behavior of current taxpayers.

The study also warned that it could deter potential taxpayers from joining the tax system voluntarily. The fairness of a tax system would be perceived in different ways by the taxpayers and tax office. What is fair in the eye of the tax office may not have the same image in the mind of the taxpayers. According to Bhatia, (1976), “the attitude of taxpayers is an important variable determining the contents of a good tax system”. It may be assumed that each taxpayer would like to be exempted from taxpaying, while he would not mind if others bear that burden. In any case, he would want his share to be within the general level of tax burden being borne by others. If this is not so, he will feel exploited.

4.8.4. Business activities which are more non-compliant to Pay Taxes

Tax compliance is a behavior in which a taxpayer file all required tax returns at the proper time and that the returns accurately report tax liability in accordance with the internal revenue laws. On the other hand, tax noncompliance may be thought of as the failure of taxpayers intentionally or unintentionally to keep the required records,

From the findings, of these study contractors are found to be more non-compliant than other business types in the town. The in-depth interviews made with the tax officer's and tax consultants also confirm that businesses such as Manufacturer, Wholesaler or Retailer and Service Deliverer or Provider are relatively found to be more compliant than contractors. Because, even though most contractors perform their work based on contract agreement, they include excess expenditures using different mechanisms. However, according to the Contractors points of view manufacturer and service providers respectively are more non-compliant than others.

4.15.10. Services

Based on the study results, most of the respondents of category "A" business profit taxpayers are not satisfied with services delivered by Debre Birhan city Administration Revenue Office.

Most of the respondents explained that there are no timely and quality services given by the revenue office. Category "A" business profit taxpayers spent too much time to file monthly and quarterly returns. The revenue office is not efficient in dealing with the taxpayers such as making refunds of overpaid tax, solving problems of tax related issues timely and correctly, issuing tax clearance and delivering regular tax training and education. These problems are attributed to lack of staff motivation to serve the taxpayers due to work loads, lack of experienced staff and system break down are the major factors.

As a result, the taxpayers could not get timely and quality services; inconsistent and incomplete solutions are given for different problems encountered the taxpayers. Most of the taxpayers feel that there is no trust between the taxpayers and Debre Birhan city Administration Revenue Office.

As a result, officers of Debre Birhan city Administration Revenue Office reject expenditure receipts without giving adequate justification as they consider most of the taxpayers as evaders. The interview result with Debre Birhan city Administration Revenue Office staffs and tax consultants confirm the presence of the above problems. Fairness and trust are perceived by many researchers to be important drivers for compliance. Murphy (2014) pointed out the importance of mutual trust and cooperation between the taxpayers and their tax authority in order to achieve voluntary tax compliance.

He argues that fair treatment of taxpayers and trustworthiness of tax office will enhance voluntary compliance. Therefore, it can be concluded that lack of timely and quality services and lack of trust between the taxpayers and the revenue office is the major factor contributed for tax noncompliance.

Similarly, most of the respondents and the interviewed of Debre Birhan city Administration Revenue Office staffs and tax consultants explained that the tax system is not uniformly applied by the revenue office. Most of the respondents believed that there is no fair tax among similar category “A” business profit taxpayers. Similar sized category “A” businesses engaged in similar, Activities may not be subject to the same tax reporting requirements-one on presumptive tax while the other is required to register for VAT, and use cash register machine and maintain records based on their annual turnover. This created unfair competition among similar category “A” business profit taxpayers. This clearly shows that the tax system is not fair and this has its own negative impact on the level of tax compliance of category “A” business profit taxpayers.

CHAPTER FIVE

5. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The purpose of this study was to investigate the relationship between the independent variables working environment (i.e. Autonomy, Leadership style, Employees training, Employees motivation, Information Technology, and Attitude of tax payers and the dependent variable (profit tax administration efficiency) in Debre-Birhan city administration revenue. To achieve this purpose, a general objective, specific objectives and research questions were formulated. Additionally, six hypotheses with a combination of null hypotheses and alternative hypotheses were formulated in line with the research questions. For data analysis, descriptive statistics and inferential statistics were used. In this section the main findings of the research is summarized and conclusions on major findings are presented. Recommendations are given based on the research findings and the limitation of the study is mentioned. Finally, the study forwarded some suggestions for further investigations.

5.2. Summary of Findings

The results of regression, as presented in table22 above, shows that leadership style has a positive and significant effect on Efficiency of business profit tax with a beta value (beta = 0.473), at 99% confidence level ($p < 0.01$), The Beta-value of 0.473 indicates that one unit increase or positive change in leadership style would lead to a leadership style unit increase the level of Efficiency of business profit tax.

The results of regression, as presented in table 22 above, shows that Employee training has a positive and significant effect on Efficiency of business profit tax with a beta value (beta = 0.384), at 99% confidence level ($p < 0.01$), The Beta-value of 0.384 indicates that one unit increase or positive change in Employee training would lead to a 0.384 unit increase the level of Efficiency of business profit tax.

The findings of regression, as presented in table22 above, reveals that employees motivation has a positive and significant effect on Efficiency of business profit tax with a beta value (beta = 0.256), at 99% confidence level ($p < 0.01$), The Beta-value of 0.256 indicates that one unit increase or positive change in employees motivation would lead to a 0.256 unit increase the level of Efficiency of business profit tax.

The findings of regression, as presented in table18 above, reveals that Information Technology has a positive and significant effect on Efficiency of business profit tax with a beta value (beta = 0.419), at 99% confidence level ($p < 0.01$), The Beta-value of 0.419 indicates that one unit increase or positive change in Information Technology would lead to a 0.419 unit increase the level of Efficiency of business profit tax.

The findings of regression, as presented in table18 above, reveals that Attitude of taxpayers has a positive and significant effect on Efficiency of business profit tax with a beta value (beta = 0.512), at 99% confidence level ($p < 0.01$), The Beta-value of 0.512 indicates that one unit increase or positive change in Attitude of taxpayers would lead to a 0.512 unit increase the level of Efficiency of business profit tax.

From the Pearson correlation coefficient table 17 of dependent variable (profit tax administration efficiency) positive and significance relationship between six independent variables; Autonomy ($\beta = 0.2169$, $p = 0.0047$), Leadership style ($\beta = 0.5161$ $p = .0000$), Employees training ($\beta = 0.3050$, $p = .0000$), Employees motivation ($\beta = 0.4355$, $p = .0000$), Information Technology *ICT* ($\beta = 0.7355$, $p = .0000$), Attitude of tax payers makes the strongest contribution to explaining the dependent variable profit tax administration efficiency followed by autonomy, and employee training. Hence, a change in the above mentioned variables will result in a substantial change on the dependent variable profit tax administration efficiency.

To test significance of this model ANOVA (F- test) was performed. It can be revealed above the ANOVA table 18 that the model as a whole is significant ($F_{(6, 260)} = 120.64$, $P = .000$). Hence, it is concluded that the proposed hypothesis which states that there is positive and significant relationship between the factors and profit tax administration efficiency ($P < 0.01$, $F > 1$) which indicates that the proposed hypothesis which states that there is positive and significant relationship between the factors and profit tax administration efficiency is accepted.

5.3. Conclusions

Based on the above discussion and analysis, the researchers concluded the following facts in relation to taxpayers in the study area: In conclusion, Autonomy, leadership/Administration, employee training, employee motivation, Information Technology and Attitude of tax payers are statistically significant determinant factors in affecting business profit tax administration efficiency.

- Regarding to the relationship of the business profit tax and the tax administration efficiency, the researchers identified and summarized facts below:
 - There is no strong effort by the tax authority to create tax awareness to taxpayers.
 - The manner of tax payment is not fully convenient to taxpayers specifically for low taxpayers.
 - There are many citizens in Debere-Birhan city administration that are running their business without legal trade license and the tax authority has need more law enforcement on such type of business persons.
 - Even though the tax authority in Debere-Birhan city administration improved the quality of customer handling, still there are needs more work in relation to treating each and every taxpayers equally and fairly.

The researchers also identified perception of the taxpayers such as great resistance to take or attend the tax awareness training or panel discussion arranged by the tax authority, hiding their actual taxable income intentionally and not to pay the true amount of tax to the government, lack of understanding the tax authority's employees work burden at the time of taking the tax authority's service, gossiping, running their business illegally.

Furthermore, the results presented in the study showed Information Technology and Attitude of tax payers have a positive and strong significant effect on tax administration efficiency. From this it can be said that the use of Information Technology enhances innovation, productivity and performance of the tax authorities, thus increasing efficient practices. In addition, the use of Information Technology facilitates effective and efficient communication regardless of time and distance, assist organizations to manage data efficiently, reduces costs and saves time and helps tax offices to generate accurate financial information for effective performance. Information communication technology tools can make tax administrations more effective by improving information flow, facilitating coordination, and improving the allocation of resources.

5.4. Recommendation

This study indicated that, the city tax authority didn't play their role well to collect adequate amount of revenue to the government.

Hence the researchers provided the following recommendations to each party:

- Since it is the time of globalization, taxpayers in Debere-Birhan city Administration better update and modernize themselves in relation to running their business transactions.

- In order to integrate into the tax net in a transparent manner, the Revenue Authority should have strong follow-up on unregistered taxpayers and build strong cooperation with stakeholders, notably with the trade, industry, and transport office and local administration during license issuance. Unlawful and unregistered company practices to discourage voluntary compliance and cut government revenue. A mechanism to manage and bring the unregistered people who are conducting business into the system should be developed by the government in general and the revenue authority in particular, working together with the relevant organizations.
- To encourage tax compliers the authority should follow the incentive giving mechanism at year end for model taxpayers in the city level officially.
- At time when the city tax authority arranged tax awareness program, they should actively attend and get reliable information about the current tax rules, regulations, and procedures in order to improve their tax awareness.
- Category "A" tax payers should maintain the necessary source documents and prepare various financial statements, such as an income statement and balance sheet, based on the established criteria for their business transactions, either with the assistance of their professional accountants or using external licensed accountants who have received permission from the government to perform this professional service. This will help them avoid assessment of tax by estimation and reduce complaints with the tax authority.
- Taxpayers also should improve their culture or behaviour such as running business without getting trade license from the concerned government body, hiding their true income to the tax authority, being careless to give receipt to their customers for the services or goods they sold, and seeing the tax authority employees as an enemy.
- Information technology is a life blood of all day to day activities of human life. Its significance is paramount for revenue administrating bodies since all of its dealings are with business persons, whose time management is crucial. The revenue authority should have adequate logistic like computer and improve the application of the Information Technology system for efficient data management system to make simplified registration, filing, estimation and collection process. It is also advisable the authority train its entire staff to get acquainted with the technology so that all its efforts hit its target and the organization starts a journey towards modern tax administration.

Tax systems that depend on ad hoc administrative procedures rapidly become discredited and endanger compliance. To encourage compliance it is equally important that tax authority administers the law fairly. The tax authority needs to be strong enough in order to implement the tax law effectively and efficiently. Hence, to create an efficient tax administration, the tax authority needs to strengthen itself by

educating and training its employees, by computerizing its operations, devoting additional resources. Training should include customer service training and cross functional training for employees so they have an understanding of the entire system of tax administration. In addition to this, the authority should make the tax law and procedures simple, understandable, and transparent.

Further, it can be noted that the key challenges and their causes identified among both tax authority and tax payers revolve around one and pivotal variable, which is lack of tax education. It is lack of tax education that entails poor tax payers' perception on the relevance of tax payment, the taxpayers' culture to evade and avoid taxes and social disapproval among taxpayers against tax offences. It is in this regard that strategies to overcome these challenges should build on boosting tax payers' morality, and this explains the necessity to develop tax education policies including reach out programs.

5.5. Future research

- The researcher was limited to six factors which affect profit tax administration efficiency but the future researchers may focus on different factors.
- The study was conducted in the category A tax payers limiting its scope. The future researches may examine the determinant factors on profit tax administration efficiency on all categories.
- The current study focused only on the quantitative measure, so future approach should also include a qualitative inquiry for a better understanding of the issue under study.

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Appendix 1

DEBRE BIRHAN UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF MANAGEMENT

Research Questionnaire for tax payers

Dear Participant

I am a postgraduate student of the Debre-birhan university College business and economics Department of management. Therefore conducting research is one of the requirements to the program. Currently, I am doing research on “factors affecting profit tax administration efficiency, a case of Debre-Birhan city administration revenue.)”

This questionnaire is designed to meet the research objectives by obtain reliable and valid information. Therefore, the category A tax payers selected as a respondent in this research. Your rational and genuine answer is highly important to attaining the research objective. Participation in this research is voluntary. All information you provide would be strictly confidential.

Do not write your name on the questionnaire.

Thank you in advance for your cooperation.

Girum Lakew

0914667701

girumlakew11@gmail.com

Part I: Background information

Please provide your responses by marking a tick (✓) in the relevant boxes.

1. **Gender:** Male Female
2. **Age:** below 25 years 25-35 years 35-45 years above 45 years
3. **Level of education:** Certificate and below Diploma Degree MA and above
4. **Type of the business/unit:** service construction Merchandising Manufacturing
Others, please specify _____
5. **How many years have the company gone into the tax system?**
Less than 2-year 2-5 years 5-10 years above 10 years
6. **Your status/position in the unit/business?** owner manager accountant
Company representative others , please specify _____
7. **Years of experience in the specific office/units** Less than 2 year 2-5 years 5-10
years above 10 years

Part II: factors that affect business profit tax

Please provide your responses by marking a tick (✓) in the relevant boxes.

After you read each of the statement, evaluate them in relation to business profit tax then put a tick under the check mark box.

1. Strongly disagree
2. Disagree
3. Neutral
4. Agree
5. Strongly agree

2.1. Autonomy

No.	Autonomy	1	2	3	4	5
1.	There is tax sharing arrangement in which the revenue split is determined in legislation					
2.	Easy understanding of tax laws, that is, rates of tax, filing and paying dates, etc.					
3.	Annual turnover Specified to each Category is good					
4.	There is autonomy on sets of tax rate and tax relief in the city revenue office					
5.	There is no control over either the tax rate or any tax relief					

2.2. Leadership style

No.	Leadership style	1	2	3	4	5
1.	How is the service delivery by the tax authority					
2.	There are public resources and service provision in the city.					
3.	There is awareness creation for tax payers by the tax authority					
4.	There is no award for taxpayers, that is, giving a trophy for being best taxpayer					
5.	The provision of administrative penalties					
6.	There are strong measures taken by the government to control illegal traders.					
7.	No unregistered traders were found in the city					

2.3. Employee's training

No.	Employee's training	1	2	3	4	5
1.	The office provides ongoing trainings and development courses to improve employees' capacity.					
2.	The office provides effective awareness creation trainings on tax laws to tax Officers					
3.	The office provides initial training for new employees					
4.	The tax office has policies for training of tax officials					
5.	There is a continuous professional development activities (such as Professional association sponsored programs and correspondence courses) provided for the employees at the office					
6.	Adequate short-term training is arranged for tax officers					
7.	Administrations use knowledge-sharing initiatives to help increase the capability of staff through the sharing of best practice, techniques, learning and experiences					

2.4. Employee's Motivation

No.	Employee's Motivation	1	2	3	4	5
1.	I have been motivated by my organization to put my best effort in my job Done					
2.	I have been remunerated for staying beyond the working hours to finish my Daily routine task					
3.	Employees in my organization work as hard as employees in other Organization with similar remuneration					
4.	I have been motivated by my organization to do extra work for my job that isn't normally expected for me					
5.	Non-monetary incentives are provided in order to motivate employees					

6.	Employees are encouraged to feel that the work they do makes important Contributions to the larger aims of the tax office.					
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2.5. Information Technology

No.	Information Technology	1	2	3	4	5
1.	Using technology in TRA decreases errors in taxation					
2.	Using technology in TRA prevents corruption and abuse					
3.	Using technology in TRA reduces the tax compliance cost					
4.	Information Technology tools are highly integrated to facilitate tax administration process					

2.6. Attitudes of taxpayers

No.	Attitudes of tax payers	1	2	3	4	5
1.	I know why I have to pay tax					
2.	Legal traders refuse to pay tax honestly by opposing of the existence of illegal traders.					
3.	There is Positive peer attitude, that is, a belief that your neighbors are reporting and paying tax honestly.					
4.	Some people do not pay tax honestly, because they believe that large portion of collected money is not used to the public.					
5.	The burden of tax is so heavy that many people are forced to Evade in order to surviving					
6.	Business income tax rate should be reduced					

7.	The business income tax rate should be the same regardless of the amount of income earned.					
8.	Unlicensed traders are important to society since they sell with lesser prices than legal traders do.					

2.7. Efficiency of business profit tax

No.	Efficiency of business profit tax	1	2	3	4	5
1.	The business profit tax collection improved					
2.	Improved the infighting tax evasion					
3.	enforce government tax policies that can increase tax compliance					
4.	implementation of tax policy improved through time					
5.	Improved administering the tax system and tax policies.					
6.	lower operational and compliance costs					
7.	There is a clear administrative strategies, accountability, transparency in decision-making, motivated tax officials and incentives for taxpayers.					
8.	Adequate time framework and competent human resources that can handle the improvement process and deliver positive outcomes.					

አባሪ 1

**ደብረ ብርሃን ዩንቨርሲቲ
የንግድ እና ኢኮኖሚ ኮሌጅ
የአስተዳደር ክፍል**

ለግብር ከፋዮች የምርምር መጠይቅ

ውድ ተሳታፊ

የደብረ-ብርሃን ዩንቨርሲቲ ኮሌጅ የቢዝነስና ኢኮኖሚክስ ማኔጅመንት ዲፓርትመንት የድህረ ምረቃ ተማሪ ነኝ። ስለዚህ ምርምር ማካሄድ ለፕሮግራሙ ከሚያስፈልጉት መስፈርቶች አንዱ ነው። በአሁኑ ወቅት “የትርፍ ታክስ አስተዳደር ቅልጥፍን የሚነኩ ምክንያቶች፣ የደብረ-ብርሃን ከተማ አስተዳደር ገቢ ጉዳይ” ላይ ጥናት እያደረግሁ ነው።

ይህ መጠይቅ አስተማማኝ እና ትክክለኛ መረጃን በማግኘት የምርምር አላማዎችን ለማሳካት የተነደፈ ነው። ስለዚህ በዚህ ጥናት ውስጥ የምድብ ሀ ግብር ከፋዮች ምላሽ ሰጪ ሆነው ተመርጠዋል። የርስዎ ምክንያታዊ እና እውነተኛ መልስ የምርምር አላማውን ለማሳካት በጣም አስፈላጊ ነው። በዚህ ጥናት ውስጥ መሳተፍ በፈቃደኝነት ነው። ሁሉም የሚያቀርቡት መረጃ በጥብቅ ሚስጥራዊ ይሆናል።

በመጠይቁ ላይ ስምዎን አይጻፉ።

ስለ ትብብርዎ በቅድሚያ እናመሰግናለን።

ግሩም ላቀጢ

0914667701

girumlakew11@gmail.com

ክፍል አንድ፡ መነሻ መረጃ

እባክዎ ምላሾችዎን በሚመለከታቸው ሳጥኖች ላይ ምልክት (✓) ምልክት በማድረግ ያቅርቡ።

1. ያታ፡ ወንድ ሴት
2. ዕድሜ፡ ከ25 ዓመት በታች ከ25-35 ዓመት ከ36-45 ዓመት ከ45 ዓመት በላይ
3. የትምህርት ደረጃ፡ ሰርተፍኬት ከዲፕሎማ ዲግሪ MA እና ከዚያ በላይ
4. የንግድ/የክፍሉ ዓይነት፡ የአገልግሎት ግንባታ የሸቀጣሽቀጥ ማምረቻ ሌሎች እባክዎን ይግለጹ.....
5. ከባንያው ወደ ታክስ ሥርዓቱ ስንት አመት ይሆነዋል?
ከ2-አመት ከ2-5 አመት ከ5-10 አመት ከ10 አመት በላይ
6. በንግድ ድርጅትዎ ውስጥ ያለዎት የስራ ሁኔታ/ቦታ? ባለቤት/ አስተዳዳሪ ሒሳብ የከባንያው ተወካይ ሌሎች እባክዎን ይግለጹ.....
7. በንግድ/ ድርጅትዎ ውስጥ ያለዎት የዓመታት ልምድ ከ2 ዓመት በታች ከ2-5 ዓመት ከ5-10 ዓመት ከ10 ዓመት በላይ

ክፍል II፡ የንግድ ትርፍ ግብርን የሚነኩ ምክንያቶች

እባክዎን ምላሾችዎን በሚመለከታቸው ሳጥኖች ውስጥ ምልክት (✓) ምልክት በማድረግ ያቅርቡ።

እያንዳንዱን መግለጫ ካነበቡ በኋላ ከንግድ ትርፍ ግብር ጋር በተያያዘ ይገምግሙ ከዚያም በቼክ ማርክ ሳጥን ስር ምልክት ያድርጉ።

1. በጣም አልስማማም
2. አልስማማም
3. ገለልተኛ
4. እስማማለሁ
5. በጣም እስማማለሁ

2.1. እራስን የማስተዳደርና የሰልጣን ክፍፍል

ቁጥር	እራስን የማስተዳደርና የሰልጣን ክፍፍል	1	2	3	4	5
1	የገቢ ክፍፍሉ በሕግ የሚወሰንበት የታክስ መጋራት አደረጃጀት አለ፤					
2	የታክስ ህጎችን በቀላሉ መረዳት፣ ማለትም የታክስ ተመኖች፣ የመዝገብ እና የመክፈያ ቀናት ወዘተ.					
3	በእያንዳንዱ ምድብ የተገለጸው አመታዊ ሽግግር ጥሩ ነው ፤					
4	በከተማው ገቢዎች ጽ/ቤት ውስጥ የታክስ ተመን እና የታክስ እፎይታ ስብስቦች ላይ የራስ ገዝ አስተዳደር አለ፤					
5	በግብር ተመንም ሆነ በማንኛውም የታክስ እፎይታ ላይ ምንም ቁጥጥር የለም፤					

2.2. የአመራር ዘይቤ

ቁጥር	የአመራር ዘይቤ	1	2	3	4	5
1	በግብር ባለስልጣን አገልግሎት አሰጣጥ እንዴት ነው፤					
2	በከተማው ውስጥ የህዝብ ሀብት እና የአገልግሎት አቅርቦት አለ፤					
3	በግብር ባለስልጣን ለታክስ ከፋዮች የግንዛቤ ፈጠራ ስራ ተሰርቷል፤					
4	ለግብር ከፋዮች ሽልማት የለም፣ ማለትም፣ ምርጥ ግብር ከፋይ በመሆን ዋንጫ መስጠት፤					
5	የአስተዳደር ቅጣቶች አቅርቦት፤					
6	ህገ-ወጥ ነጋዴዎችን ለመቆጣጠር በመንግስት የተወሰዱ ጠንካራ እርምጃዎች አሉ፤					
7	በከተማው ውስጥ ያልተመዘገቡ ነጋዴዎች አልተገኙም፤					

2.3. የሰራተኛ ስልጠና

ቁጥር	የሰራተኛ ስልጠና	1	2	3	4	5
1	ጽ/ቤቱ የሰራተኞችን አቅም ለማሻሻል ተከታታይ ስልጠናዎችን እና የልማት ኮርሶችን ይሰጣል					
2	ጽ/ቤቱ ለታክስ ህጎች ላይ ውጤታማ የግንዛቤ ማስጨበጫ ስልጠናዎችን ይሰጣል					
3	ጽ/ቤቱ ለአዳዲስ ሰራተኞች የመጀመሪያ ደረጃ ስልጠና ይሰጣል					
4	የግብር መሥሪያ ቤቱ የታክስ ኃላፊዎችን ለማሰልጠን ፖሊሲዎች አሉት					
5	ተከታታይ ሙያዊ እድገት እንቅስቃሴዎች አሉ (እንደ የሙያ ማህበር ስፖንሰር የተደረጉ ፕሮግራሞች እና የደብዳቤ ትምህርቶች) በቢሮ ውስጥ ለሚገኙ ሰራተኞች ተሰጥቷል					
6	ለታክስ ኦፊሰሮች በቂ የአጭር ጊዜ ስልጠና ተዘጋጅቷል።					
7	አስተዳደሮች የሰራተኞችን አቅም ለማሳደግ የእውቀት መጋራት ጅምርን በመጠቀም ምርጥ ልምዶችን፣ ቴክኒኮችን፣ ትምህርትን በማካፈል ይጠቀማሉ።					

2.4 የሰራተኛ ተነሳሽነት

ቁጥር	የሰራተኛ ተነሳሽነት	1	2	3	4	5
1	በስራዬ የተቻለኝን ሁሉ ጥረት በማድረግ በድርጅቱ እበረታታለሁ፤					
2	ስራዬን ለመጨረስ ከስራ ሰዓቱ በላይ በትርፍ ሰዕት በመቆየት እሰራለሁ፤					
3	በእኔ ድርጅት ውስጥ ያሉ ሰራተኞች ሌላ ተመሳሳይ ክፍያ ያለው ድርጅት ሰራተኞች እኩል ጠንክረው ይሰራሉ ፤					
4	በሥራዬ ውጤታማ እንደሆንና ተጨማሪ ስራ እንደሠራ በድርጅቱ ከመደበኛ ክፍያዬ ውጭ እበረታታለሁ ፤					
5	ድርጅቱ ሰራተኞችን ለማበረታታት የገንዘብ ነክ ያልሆኑ ማበረታቻዎችን ይሰጣል።					

6	ሰራተኞች የሚሰሩት ስራ-ለግብር መሥሪያ ቤቱ ጠቃሚ እንደሆነ እንዲሰማቸው ይበረታታሉ።					
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2.5. አይሲ.ቲ/ቴክኖሎጂ

ቁጥር	አይሲ.ቲ/ቴክኖሎጂ	1	2	3	4	5
1	በግብር አስተዳደር ሂደት-ቴክኖሎጂን መጠቀም ስህተቶችን ይቀንሳል።					
2	በግብር አስተዳደር ሂደት ቴክኖሎጂን መጠቀም ሙስናን እና አላግባብ መጠቀምን ይከላከላል።					
3	በግብር አስተዳደር ቴክኖሎጂን መጠቀም የታክስ ወጪን ይቀንሳል።					
4	የታክስ አስተዳደር ሂደትን ለማመቻቸት የመረጃ ቴክኖሎጂ መሳሪያዎች በጣም የተዋሃዱ ናቸው።					

2.6. የግብር ከፋዮች አመለካከት

ቁጥር	የግብር ከፋዮች አመለካከት	1	2	3	4	5
1	ለምን ግብር መክፈል እንዳለብኝ አውቃለሁ።					
2	ህጋዊነ ኃይሎች የህገ-ወጥ ነጋዴዎችን በመቃወም ግብር በታማኝነት ለመክፈል ፈቃደኛ ናቸው።					
3	አዎንታዊ አመለካከት አለ። ማለትም፣ ጎረቤቶችዎ ሪፖርት ትእያደረጉ እና ግብር በታማኝነት እየከፈሉ ነው የሚል እምነት አለዎት።					
4	አዎንታዊ አመለካከት አለ። ማለትም፣ ጎረቤቶችዎ ሪፖርት ትእያደረጉ እና ግብር በታማኝነት እየከፈሉ ነው የሚል እምነት አለዎት።					

5	የግብር መጠን በጣም ከባድ ከመሆኑ የተነሳ ብዙ ሰዎች ለመሸሸግ ይገደዳሉ፤					
6	የንግድ ሥራ የገቢ ግብር መጠን በቂ ነው ብዬ አምናለሁ።					
7	የገቢው መጠን ምንም ይሁን ምን የንግድ ሥራ የገቢ ታክስ መጠን ተመሳሳይ መሆን አለበት ብዬ አምናለሁ					
8	ፍቃድ የሌላቸው ነጋዴዎች ከህጋዊ ነጋዴዎች ባነሰ ዋጋ ስለሚሸጡ ለህብረተሰቡና ለሀገር እድገት ጥቅም የላቸውም የሚል አመለካከት ሰፍኗል፤					

2.7. የንግድ ትርፍ ግብር ውጤታማነት

ቁጥር	. የንግድ ትርፍ ግብር ውጤታማነት	1	2	3	4	5
1	የንግድ ትርፍ ግብር ውጤታማነት እያደገ ነው፤					
2	የግብር ስወራን በመታገል ረገድ ተሻሽሏል፤					
3	የንግድ ትርፍ ግብር ስርዓት ተገዢነትን ሊያሳድጉ የሚችሉ የመንግስት የታክስ ፖሊሲዎችን ተግባራዊ ማድረግ፤					
4	የንግድ ትርፍ ግብር ፖሊሲ ትግበራ በየጊዜው ተሻሽሏል፤					
5	የተሻሻለ የታክስ ስርዓት እና የታክስ ፖሊሲዎች አስተዳደር አለ፤					
6	ዝቅተኛ የሥራ ማስኬጃ እና የተሟሉ ወጪዎች					
7	ግልጽ የሆነ የአስተዳደር ስልቶች፣ ተጠያቂነት፣ የውሳኔ አሰጣጥ ላይ ያለ ግልጽነት፣ ተነሳሽነት ያላቸው የታክስ ኃላፊዎች እና ለታክስ ከፋዮች ማበረታቻዎች በተቋሙ ውስጥ አሉ፤					
8	የግብር ትመና ማሻሻያ ሂደቱን የሚቆጣጠር እና አወንታዊ ውጤቶችን የሚያመጣ በቂ የጊዜ ማዕቀፍ እና ብቁ የሰው ሃይል በተቋሙ አለ፤					

Part-III-Questions for Interview with Debre Birhan cityAdministration Revenue Office employees

1. How long have you in Debre Birhan cityAdministration Revenue Office as an employee and what are your responsibility?
2. What are the major factors affecting profit tax administration efficiency? Please explain? Autonomy, leadership style, employees“ training, employees“ motivation, Information Technology, and, attitudes of tax payers

Debre Birhan city Administration Revenue Office to category A business profit taxpayers?

3. Is the Income Tax Law clear and easily understandable by category ‘A’ registered business profit Taxpayers?
4. What should Debre Birhan cityAdministration Revenue Office do to improve category ‘A’ business profit taxpayers’ to increase government revenue

Part -IV- Questions for Interview with tax consultant who is working in Debre Birhan cityAdministration Revenue Office.

1. How long have you been in the accounting business and what type of serves do you offer to category ‘A’ business profit tax payers?
2. Do you believe that the tax system is fair?
3. Is the Income Tax Law clear and easily understandable?
4. What basic qualifications should one have to qualify as a tax consultant or tax practitioner?
5. Do you think that all tax consultant familiar with the FDRE or Amhara Regional state Income Tax Proclamation and its Regulations?
6. From your experience are there any tax issues that are to category ‘A’ business profit taxpayers who are working in Debre Birhan city?