ST. MARY’S UNIVERSITY
BUSINESS FUCULTY
DEPARTMENT OF ACCOUNTING

AN ASSESSMENT OF TAX COLLECTION PRACTICE: THE CASE
OF KALITY CUSTOMS BRANCH OFFICE

BY
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JUNE 2014
SMU
ADDIS ABABA
AN ASSESSMENT OF PROBLEMS RELATED TO TAX COLLECTION SYSTEM
CASE OF KALITY CUSTOMS BRANCH OFFICE

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FOR THE DEGREE OF BACHELOR OF ARTS IN
ACCOUNTING

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DEPARTMENT OF ACCOUNTING

APPROVED BY THE COMMITTEE OF EXAMINERS

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Internal Examiner  Signature

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External Examiner  Signature
ACKNOWLEDGEMENTS

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DECLARATION

We, the underassigned, hereby declare that this senior essay entitled “An Assessment of tax collection Practice: The Case of Kality Customs Branch Office ” is our original work prepared under the guidance of Ato Belayneh H/Giorgis. All sources of materials used for the manuscript have been duly acknowledged.

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Place of submission: SMU

Date of submission _____________________
ADVISOR’S DECLARATION

This paper has been submitted for examination with my appropriate approval as university advisor.

Name  Belayneh H/Giorgis

Signature ______________________

Date ______________________

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CHAPTER ONE

1. Introduction

1.1 Background of the Study

It is believed that public finance is one of the major factors that shape the course of economic development. It affects resource use and financing pattern, and together with monetary policies, influences the rate of inflation and public spending. Tax policies also affect the behaviour of producers and consumers, and influence the distribution of wealth and income in the economy. Taxation is a system of raising government revenue through tax. It is a system of collecting money by government to finance its operation (Gupta, 2001). Tax is a compulsory contribution payable by economic units to a government without expectation of direct and equivalent return from the government for the contribution made. Taxes have both micro and macroeconomic effects in a modern economy. Taxes have good as well as bad effect in the production, distribution of income and stabilization of the economy (Misrak, 2008).

The first principle of classical school was that the best government governs the least. Government activity should be confined to enforcing property right, providing for national defence, and providing public education. To finance these government activities, Smith recommended taxation. According to Smith, the tax should be proportional, predictable, uniform and convenient to the contributor. Keynesians advocate tax as one of important fiscal policy instrument to promote full employment, price stability and economic growth. On the other hand, the new institutional economics promotes imposition of taxes on consumer goods and services to increase the availability of public sector goods and services (Brue, 2000). However, the central idea of supply side economists is that certain types of tax cuts can be expected to increase aggregate supply, i.e. taxes can be cut in way that raises the rewards for working, saving and investing. If people actually respond to these incentives, such tax cuts will increase the total supplies of the labour and capital into the economy (Baumol, 1994).
Taxes have been classified by various economists in various ways from different angles. The major classification is based on the impact (immediate burden and incident (ultimate burden) of the tax. Accordingly taxes are classified into two broad categories, which are direct tax (whose impact and incident falls on the same person) and indirect tax (whose impact and incident falls on different persons). 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 (Misrak, 2008, 31).

Customs duty is a tax levied on imports (and, sometimes, on exports) by the customs authorities of a country to raise state revenue, and/or to protect domestic industries from more efficient or predatory competitors from abroad. Customs duty is based generally on the value of goods or upon the weight, dimensions, or some other criteria of the item (such as the size of the engine, in case of automobiles). Customs and other import duties (% of tax revenue) in Ethiopia were last measured at 45.2 in 2011. According to the World Bank customs and other import duties are all levies collected on goods that are entering the country or services delivered by non-residents to residents. They include levies imposed for revenue or protection purposes and determined on a specific or ad valorem basis as long as they are restricted to imported goods or services (Misrak, 2008:31).

With the aim of broadening the tax based and facilitating the overall development of the economy, the government of Ethiopia has undertaken a comprehensive tax reform program. The reform measures are intended to encourage trade, investment and development through transparent and stable functioning of the tax system and to increase government revenue to support social and economic development programs and thereby alleviate poverty, strengthen the enforcement capacity of the taxes and custom authorities, and promoting equity in the tax system (Derartu, 2007).

When we come to the study area, according to article Third of the proclamation No.587/2008, the authority is looked upon as “an autonomous federal agency having its own legal personality”. Authority came into existence on 14 July 2008, by the merger of the ministry of Revenue, Ethiopian Customs Authority and Federal Inland Revenue Authority who formerly were
responsible to raise revenue for the federal government to prevent contraband. Reason for merging to provide the basis for modern tax and custom administration, to cut through the red tape or avoid unnecessary and redundant procedures that results delay and are considered cost inefficient, to be much more effective and efficient in keeping and utilizing information, to promoting law or order, resource utilization and service delivery and to transform the efficiency of the revenue sector to a high level.

The ERCA has its headquarters in Addis Ababa. It is led by a Director General who reports to the Prime Minister and is assisted by five Deputy Director Generals, namely D/Director General for Program Designing of Operation and Development Businesses. The Ethiopian Revenues and Customs Authority (ERCA) is the body responsible for collecting revenue from customs duties and domestic taxes. In addition to raising revenue, the ERCA is responsible to protect the society from adverse effects of smuggling. It seizes and takes legal action on the people and vehicles involved in the act of smuggling while it facilitates the legitimate movement of goods and people across the border.

1.2 Statement of the Problem

In order to provide public utilities or goods and services like police defence and other administration, the government obtains its revenue from taxation. It is known that tax collection have an administrative and compliance cost. So the government must have tax laws that enable it to collect its revenue efficiently. In connection with this Addis Ababa Kality custom branch will have the responsibility to assess and collect revenue (tax) from imported goods in order to achieve economic development of the country.

However, when collecting these taxes and providing those services, the offices is not running without problems. The office assesses and collects tax by structuring in its branch. There are weaknesses and problems that exist in reality during tax assessment and collection on imported goods during clearing process problem such as customer remaining reluctant to pay tax and the authority finds it difficult to collect tax on time and problems related to awareness are some of the problem encountered on the tax collection process.

Therefore, this research assessed the problems related to tax collection system of Addis Ababa Kality Customs Branch and thereby answered the basic research questions listed here below.
1.3 Research Questions

Based on our understanding the following research questions are identified:

1. How do the customers describe their understanding of the taxation rules and regulation in place by ERCA?
2. How efficient is the authority in curbing the problems prevalent in tax collection process?
3. What are the recurrent problems that the Authority faces with its customers with regard to collection of tax practice?

1.4 Objectives of the Study

1.4.1 General Objective

The general objective of this study is to assess the tax collection practice in the Ethiopian Revenue and Customs Authority and provide worthwhile recommendations to the existing problems.

1.4.2 Specific Objectives

The specific objectives of the study include:

1. To assess how the customers describe their understanding of the taxation rules and regulation in place by ERCA
2. To analyze how efficient the authority is in curbing the problems prevalent in tax collection process
3. To identify the recurrent problems that the Authority faces with its customers with regard to collection of tax

1.5 Significance of the Study

This study has multiple significances: The case company take advantage of recommendations that had been given and address the problems. It helps other branches to take remedial measures from the strengths and weaknesses of the ERCA Kality branch and take their own action in time.
Beside its primary intention required as a senior essay for the prospective graduate student researcher, this paper also serve as a reference material.

In conducting the study, we practice and implement those lessons on research that learning in theory.

1.6 Delimitation of the Study

The study is very much delimited in the assessment of the tax collection process of ERCA in Kality branch. In order to arrive at sound conclusions on the tax collection process of ERCA entirely, it would be necessary to assess the issue broadly. However, the researchers are not able to do so due to financial and time constraints make difficult to undertake such a wide scope research. Thus, the scope of the research is delimited to the assessment of the Kality branch of the Authority. The branch is selected because many customers visit it and for the researchers it provided better opportunity to access the respondents. What is more, novice operations will be implemented at this branch. Consequently, the researcher can access responsible individuals easily in this branch than otherwise. The data is collected for all that is available from 2010-2014. Finally the study is take account of the available data both in secondary and primary from customers that was willing and the supervisors and managers.

1.7 Research Design and Methodology

1.7.1 Research Design
In order to meet our objective we have used a descriptive research design. This is so because descriptive research involves gathering data that describe events and then organizes, tabulates and describes the data collected. Thus it often uses descriptive statistics to aid the reader in understanding the data distribution. Khothari (2007) states that descriptive research studies will be those studies concerned with describing the characteristics of particular individual, group or phenomena under study. Thus studies concerned with specific prediction, with narration of facts and characteristics concerning individual, group or situation will be all examples of descriptive research studies. Hence this study employed on using such a design since it is typical of such description.
1.7.2 Population and Sampling Techniques
The Kality Branch selected by using purposive sampling because many customers can be accessed and the responsible managers are found at the Kality Branch. The target populations of the study were managers and customers of ERCA. The selection of the customer respondents is carried out by using non probability sampling technique. Among the various non probability sampling techniques accidental or convenience sampling have used to contact customers. According to Anol, (2012: 70) convenience sampling also called accidental or opportunity sampling, is a technique in which a sample is drawn from that part of the population that is close to hand, readily available, or convenient. In this case the researchers have customers who visit the branch which is easily accessible as they use the services of the branch and is provided the questionnaire to fill out and return. In order to determine the sample size the student researcher have used the model proved by Malhotera, (2006:339). The researcher took sample of 200 peoples who are ordinary customers who do not have a listed name and specific identification code. The researchers have been there for four days at a row and distributed 150 questionnaire customers while they come to use the service at the ERCA Kality branch. Managers and supervisors who have been contacted for an interview were selected by taking 5% of the 522 employee increased respondents by 25. The sample size 25 was determined as most of the respondents were homogeneous and it was recommended that in interviews it is better to accommodate smaller samples.

1.7.3 Type of Data Collected

Primary and secondary data were used for the study. The primary data were obtained from the Manager and customers, whereas, secondary data was gathered from company profile, research works, books and web pages.

1.7.4 Methods of Data Collection

Both primary and secondary data have been used during data collection. The primary data were obtained through personal interviews with the managers and questionnaire was distributed to the customers. Secondary data was collected from books, journal articles, research works and web pages.
1.7.5 Method of Data Analysis

The collected data is analyzed and interpreted by using both qualitative and quantitative data analysis techniques. The data collected from open ended and interview responses is analyzed qualitatively. Data that was gathered from closed ended questions is analyzed quantitatively specifically by using tables and percentages.

1.8 Organization of the Paper

The paper is organized into four chapters. The first chapter consists of the introduction part which consists: background of the study, statement of the problem, objectives of the study, hypothesis, and significance of the study, delimitation of the study, methodology and method of data collection. The second chapter presents literature review while the data presentation, analysis, and interpretation included under chapter three and finally summary of findings, conclusion and recommendation are presented under chapter four.

1.9 Limitation of the Study

The study is limited to examine the tax collection practice of the Ethiopian Revenues and Customs Authority. Nevertheless, had the student researchers had sufficient time, human resource that could the required data over time and the financial amount required to successfully undertake the research this research could have been accomplished at larger scope. What is more, the student researcher were intended to contact 200 respondents, customers of the office at first and then 150 questionnaire were distributed to those who were willing though only two third of the respondents have filled out the questionnaire. Consequently the responses of those respondents were not considered in this study and this has affected the findings of the study. However due attempt has been done to enhance the reliability and validity of the study by triangulating the views of employees.
CHAPTER TWO
LITRETURE REVIEW

2.1. Concept of Taxation

Taxation is a process by which the government secures funds to pay for government expenditure. Tax and Taxation are generally regarded as unpleasant subjects by the tax payer. Justice John stated that “the power to tax is the power to destroy” represents the historic linkage of tax and taxes so, taxes are inevitable. But against this expression of unpleasantness must be set the statement of justice Oliver Wendell home, is Stated that “taxes are the price pay for civilization” (the encyclopaedia American, 1997) tax is contribution to state revenue legally levied on person, property or business.

- Government can finance their activity by borrowing creating money or by obtaining technical assistance from aboard and donations.
- Government also secure resources by profit from public enterprise or from sale of products produced on lands, but the major service of revenue to finance public expenditure is taxes compulsory to contribution by persons or organizations to the government.

Taxes are burdensome thus reduce the economic welfare of individuals and business (public) organization but activities that are financed from taxes will bring benefits to individual or organization. (The encyclopaedia American, 1997)

The net burden of tax then must take on to the whole of a governments’ budget to a certain the burden and benefit to individual or for group or classes of individual (The encyclopaedia America 1997). Due to these economic and individuals financial motives, peoples try to ignore or avoid paying tax.

Tax avoidance, in contrast of to tax evasion is considered by many to be a legitimate aim, since it is not illegal but consists of exploiting the discrepancies and loopholes in the tax laws to the further extent.
Among the most common methods of tax avoidance are the manipulation of capital gains’ and losses, the information of holding companies to create artificial deductions, and the creation of multiple trusts for relatives and dependents.

Tax avoidance the case of indirect taxes is highly but taxes avoidance is relatively low because direct taxes cannot be easily shifted forward or backward. For example, a typical worker cannot shift the tax burden resulting from an income tax on his or her evening.

Some taxes while vertical equity is with different circumstances and levels of income are treated differently, taxpayers with dissimilar taxpayers with circumstance income pay taxes, according to their different ability to pay.

2.2 Classification of Taxes Based On Their Effect on Income

Taxes, based on their impact on income can be classified as progressive, proportional and Regressive (Tesfaye, 2008).

2.2.1 Progressive Taxes

If the tax system is progressive, the proportion of income, which is taken as a tax, will rise with income or spending power. In developed countries they use progressive income tax for example, the USA income tax is the most progressive tax in the USA. Progressive taxes are most equitable than regressive or proportional taxes in the sense that they are levied according to the ability to pay. Some criticize progressive taxes that too much degree of progression discourages work effort and risk taking but some equalitarian economists and politician tend to favour progressive taxes (Douglas and Green 1983:275).

In Ethiopia some of the progressive taxes are personal income taxes of proclamation 30/1990 and 107/1994 and the rental income taxes of proclamation 64/1993. The income level is categorized in different income brackets and taxed by progressive tax.

2.2.2 Proportional Taxes

This kind of tax is a tax whose rate remains constant as the size of the base increases. A proportional tax rate is usually stored as a flat percentage of the base regardless of its size. For example, the property tax usually operates with proportional rates, and the tax might be
expressed as 1% of the assessed property. Sales and excise taxes, payroll taxes, and most customs duties are also levied on the basis of proportional rates (Douglas and Green 1983:275).

2.2.3 Regressive Taxes
In these kinds of taxes the marginal rate of tax decreased as the income or consumption increases. This tax takes larger share of income from the lower income tax payer than from the high income tax payer. A tax, which is technically proportional in terms of the tax base, can often, be considered regressive in terms of tax payer’s income. Common examples of such regressive taxes are sales taxes, excise taxes and property taxes. For example an excise taxes on cigarettes is based on the number of cigarettes sold. Thus by definition is proportional since the number of cigarettes consumed may rise as income rises, however, the rate of the tax decreases with the increasing income and thus can be regressive.

Most of the indirect taxes are regressive, for example excises and sales taxes, the same amount of tax is paid per unit purchases. This amount of taxes represents a higher proportion of income tax to the poorer (Douglas and Wald; 1983; 275)

2.3 Effects of Taxation

Now days, revenue rising is not the only purpose of taxation. In a welfare state, taxation has also been used as a tool of monetary policy to achieve socio-economic objectives. It is used to promote economic growth by controlling the effects of trade cycles and regulation the production and consumption. It has been used to reduce the inequalities of income and wealth if diverted to some other industries, producing goods of common consumption etc. This is a “beneficial diversion”.

The taxation on the goods of common consumption will increase their price. Hence the consumption of such goods may be reduced. This will affect the production of these commodities, and the resources used in their production may be diverted to the production of some other commodities which may be in the nature of luxury or harmful to health. Thus, such a diversion of resources in harmful and is socially not desirable. it is known as ‘ harmful diversion’. (Douglas and Green Wald; 1983; 275)
2.4 Types of Taxes

2.4.1 Direct Taxes
Direct Taxes are levied (directly) on individuals, households, and firm’s income as per the revenue and expenditure account. Direct taxes are made up on six different individual taxes. They are: Personal income tax, rental income tax, business profit tax, agricultural income tax, tax on dividend, chance winning tax, and rural land use fee (Baumol, 1994:21).

2.4.2 Indirect Taxes
Indirect Taxes:
- Are levied on the basis of production cost, and on the amount of sales from manufacturing and service. These taxes include excises tax, value added tax, customs duty and turnover tax. These taxes are termed as expenditure or consumption taxes (Alka 2001:15).

2.4.3 Excise Taxes

Different Governments levy excise taxes, which are sales taxes on specific goods and services. Excise taxes are also called selective sales taxes. Goods subject to excise taxes are mostly luxury items and harmful products. Excise taxes are applied either on a Per Unit Basis, such as per package of cigarettes or per litter or gallon of gasoline, or a fixed percentage of the sales price.

In Ethiopia, Excise Tax was introduced in 1993 under Sales and Excise Tax Proclamation No. 68/1993, and this proclamation was repealed in 2002 through Excise Tax Proclamation No. 307/2002. Excise tax is payable either on production of goods listed in Excise Tax Rate Schedule or on the importation of the same goods from foreign countries. For Excise Tax purposes, the Taxpayer is either a person who is importing the goods or producing the goods. This person is liable to pay excise tax according to the Excise Tax Proclamation (ERCA, 2010).

2.4.4 Custom Duty

Customs Duty is a duty or tax levied on Import and Export goods by Government. Goods shall mean any commodities, personal effect and animals including money. Importation of goods shall mean bringing or cause to be brought, goods through the first custom station into Ethiopia and Exportation goods shall mean taking or cause to be taken out, goods through the final port of
departure from Ethiopia. Thus, Importation and Exportation indicates that goods are crossing Customs Area of Ethiopia. The Customs Area refers to the territory of Ethiopia or boundary of Ethiopia. The goods are crossing the Ethiopian border to outside or inside. The Duty is payable at Customs Stations. Customs station shall mean any place designated as customs office at the port of entry or exit of goods, transit routes or at customs area for the control of import and export goods, collection of duties and taxes; Customs Duty is the responsibility of Ethiopian Customs Authority (Tesfay 2008).

The Ethiopian Customs Authority has either a branch offices or customs stations in different part of the Customs Areas to collect the Customs Duty while the head office in Addis Ababa. It has also a police force called Customs Police to enforce the Customs Laws and the Collection of Customs Duty or Tariffs and to Control the Contraband. Customs Police shall mean an armed police force assigned by the Federal Police Commission to enforce customs laws under the command of the Authority. The Ethiopian Customs Authority shall have the following powers and duties: Customs Declaration is a Form prepared by the Customs Authority in which the details of import, export or transit goods are described for the accomplishment of customs formalities (Tesfay, 2008).

2.5 Importance of Objectives of Taxation

The political structure of public sector in Ethiopia is that a division of sovereign government power between government and regions. Most taxes exist both revenue and welfare purposes, but revenue motive is usually dominant.

All taxes by nature exert an income effect since they compel withdrawal of revenues for the private sector and, thus reduce the level of private sector purchasing power. However, public sector revenues may be either tax revenue or non-tax revenues. Typically, taxes are the primary source of government revenues though the proportion of tax revenues varies among levels of government. A tax can be defined as a compulsory contribution from an individual for the purpose or goal though a single purpose is typically dominated. All taxes by their very nature provide revenues to the government which imposes the tax. In most instances this is the primary motive for the existence of tax. However, a tax may exist primarily for regulatory purposes.
Taxes may be regulatory either in microeconomic or a in macroeconomic sense. In the microeconomic context, they may influence the consumption of a particular good or the utilization of a productive resource. In addition to source of revenue, the tax policy of a nation enables government to stabilize economy to distribute income, to allocate resources and used stimulate private sector (Brue, 2000).

**2.6 The Importance of Tax Reform**

The dominant motive of taxation in developing countries is to finance public administration and the public provision of economic and social services. Secondary motivations are the redistribution of income and the correction of market imperfections. Although some level of taxation is necessary to achieve, these goals, taxation always has costs both direct cost of administration and indirect costs associated with the distribution of income. The appropriate level of taxation depends on country’s desired role for the state, the efficiency and equity of its public spending and efficiency and equity of its tax structure and demonstration (Baumol, 1994).

According to World Bank, the rational for tax reform is twofold. First, as part of structural adjustment tax reform is designed to reduce severe distortions in economic incentives and the resulting inefficiencies and inequities in the allocation of resources. Second, as part of efforts to stabilize the economy tax reform in tandem with costs in public expenditure, may be needed to generate public revenue in reasonable non-distorting, equitable and sustain, manner. There is no optimal tax structure, but useful reference set of taxes has emerged (Baumol, 1994).

There is no unique prescription for the design of a system of taxes or even a particular tax nor is there a single country in which all taxes are optimally designed. Broadening the base of the tax system should be a high priority. If the tax base is narrow, government must rely on relatively high rates to generate revenue. The tax rates need to be rationalized. The higher the rate, the greater the distortion in private economic activity and the greater the associated efficiency costs of taxation. Tax reform can lower the burden on the poor. Reform of tax structure is generally more effective when accompanied by improvements in tax administration and also a desirable component of any tax reform (Alan, 1988).
Major contributing factor to weak tax administration is the excessive complexity of tax laws. To improve the tax administration the following activities have to be taken place.

1. **Presumptive taxation**
   - Simplified and cost effective method
   - Small business (hard-to –tax groups standard assessment).
   - Even for large once- with holding tax plus minimum tax.

2. **Value added tax implementation**
   - Replaced sales tax

3. **Computerized TIN (tax payer’s identification number) system.**
   - Need huge computerization
   - Lay basis for modern tax administration system.
   - Gives identification number to tax payers
   - Established dependable database on tax payers.
   - Provided efficient tax operation service
   - Helps to control tax evasion (Brue, 2000)

### 2.7 The Present Tax Reform in Ethiopia

The fiscal systems of government should reflect the economic and social conditions of a given period of time. Since such conditions are likely to change overtime, public sector revenues and expenditures are subject to change in reflection of these changing economic and social parameters. The reasons presently being given for Ethiopia tax reform include that the existing tax system was:

1. old and loose tax legislation
2. weak administration
3. tax base principles not in place
4. operation programmers, reorganization and tax payers education

The present’s tax reform is aimed at over having the tax legislation and improving the tax administration (ERCA, 2010).


2.8 Tax Administration

Nation’s ability to collect taxes for public expenditure programs and to use the tax system on a basis for modifying the distribution of personal incomes will depend not only on the enactment of appropriate tax legislations but more importantly on the efficiency and integrity of tax authorities who must implement these laws. The law revenue yield of taxation can only be attributed to the fact that the tax previsions are not properly enforced either on account of the inability of administration to cope with them or on account of straight for ward collusion between the tax administration and tax payers (Alan, 1988).

Since taxes are an involuntary payment for government services, tax payers have a strong inventive to minimize their tax liabilities either through avoidance (legal) or through evasion (illegal) (Alan, 1988)
CHAPTER THREE

3. DATA PRESENTATION, ANALYSIS AND INTERPRETATION

3.1 Introduction

This chapter is dedicated to data presentation, analysis and interpretation that are obtained from the primary and secondary data sources. The data collected from the customers of the Authority’s branch were collected using questionnaires and interview was held with the supervisors and department heads. The data are presented by using tables followed by its analysis. Moreover, the result of the interview with the managers was analyzed to support and elaborate the facts. The questionnaire was distributed to 200 customer respondents and 100 customers who visited the branch, have filled out the questionnaire and returned. This chapter is organized in the same way the measurement questions in the questionnaire are organized. Accordingly, the chapter has different sections.
3.2 Background Information of Respondents

3.2.1 Tax Payers Responses

Table 1 General Characteristics of the Respondents (the tax payers)

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<td></td>
</tr>
<tr>
<td></td>
<td>1-3 years</td>
<td>47</td>
<td>47</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
<td></td>
</tr>
</tbody>
</table>

As it has been indicated in the table 1 of item1 the gender of the respondents is described and the composition of the respondents is somehow proportional in that 53(53%) of the respondents are male where as 47(47%) of the respondents are women. Based on the data indicated above the
student researchers can deduce that more male respondents participated in filling out the questionnaire compared to female respondents.

As it is indicated in item 2 of table 1, 13(13%) of the respondents have attended formal education, those who have attained diploma account for 27(27%) of the respondents and those who have achieved their first degree is composed of 60(60%) of the respondents while no one has attended MA/MSC and above and also no one has attended certificate level course. From this the student researchers can deduce that the majority of the respondents have more than diploma which would help them to understand and respond to all the questions in the questionnaire. What is more, provided that the organization wants to address a written document and that requires certain customers who have to read, understand and synthesize on such areas as policy and guidelines of the Authority, then it is likely that the Authority will have to spend little time as most of its customers taken as a sample can show that they have exposures to some academic areas.

Item 3 table 1 the respondents were also evaluated based on the length of time since the respondents being a customer of the Authority’s Kality branch and 13(13%) of the respondents have been customers for less than a year, 40(40%) of the respondents have been customers of the Authority’s Kality branch one up to two year, 47(47%) of the respondents have been customers for two to three years. From this it is possible to infer that most of the respondents have been customers of the Authority’s Kality branch for more than a year and based on the entire age of the Authority’s Kality branch, three years, it is meant to say that most of the customers have started using the services rendered by the branch since the last three years when the federal government has come up with some guiding principle with regard to customs. These respondents are working towards to it and it is expected that they know better about the Authority’s Kality branch’s tax collection more than the new customers yet to come.
### 3.2.2 Responses of Employees

#### Table 2 Responses of the Employees

<table>
<thead>
<tr>
<th>Item</th>
<th>Question</th>
<th>Category</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Sex</td>
<td>Male</td>
<td>18</td>
<td>72</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Female</td>
<td>7</td>
<td>28</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td></td>
<td><strong>25</strong></td>
<td><strong>100</strong></td>
</tr>
<tr>
<td>2</td>
<td>Level of Education</td>
<td>Some Formal Education</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Certificate</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Diploma</td>
<td>4</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Degree</td>
<td>18</td>
<td>72</td>
</tr>
<tr>
<td></td>
<td></td>
<td>MA/MSc and Above</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td></td>
<td><strong>25</strong></td>
<td><strong>100</strong></td>
</tr>
<tr>
<td>3</td>
<td>Employee for</td>
<td>Less than 6 months ago</td>
<td>16</td>
<td>64</td>
</tr>
<tr>
<td></td>
<td></td>
<td>6 months -1 years</td>
<td>4</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1-3 years</td>
<td>5</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td></td>
<td><strong>25</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

As it has been indicated in the table 2 of item 1 the gender of the respondents is described 18(72%) of the respondents are male where as 8(28%) of the respondents are women. Based on the data indicated above the student researchers can deduce that more male respondents have participated in filling out the questionnaire compared to female respondents.

As it is indicated in item 2 of table 2 1(4%) of the respondents have attended some formal education, those who have certificate account for 2(8%) of the respondents and those who have achieved their diploma is composed of 4(16%) of the respondents while 18(72%) of the
respondents have attended their first degree. From this the student researchers can deduce that the majority of the respondents have diploma and more which would help them to understand and respond to all the questions in the questionnaire. What is more, they can better address the customers’ needs.

Item 3 of table 2 the respondents were also evaluated based on the length of time since the respondents being a employees of the Authority’s Kality branch and 16(64%) of the respondents have been employees for less than a year 4(16%) of the respondents have been employees of the Authority’s Kality branch one up to two year 5(20%) of the respondents have been customers for two to three years. From this it is possible to infer that most of the respondents have been employees of the Authority’s Kality branch for less than a year. Thus it can be inferred that most of the employees are junior employees.
Table 3 Skills of the service providers

<table>
<thead>
<tr>
<th>Items</th>
<th>Questions</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Sum</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Officers are skilled enough</td>
<td>9</td>
<td>14</td>
<td>14</td>
<td>-</td>
<td>-</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3</td>
<td>3</td>
<td>9</td>
<td>9</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td>2</td>
<td>Managers are skilled enough</td>
<td>3</td>
<td>3</td>
<td>40</td>
<td>40</td>
<td>-</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5</td>
<td>5</td>
<td>7</td>
<td>7</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>3</td>
<td>Officers are transparent and genuine to the tax payers</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2</td>
<td>2</td>
<td>7</td>
<td>7</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>4</td>
<td>Officers are transparent and genuine to their managers</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1</td>
<td>19</td>
<td>8</td>
<td>8</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>5</td>
<td>Fair customer handling is available</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td>3</td>
<td>-</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3</td>
<td>3</td>
<td>6</td>
<td>6</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>6</td>
<td>If the service is more than the current state, I think I pay my tax genuinely</td>
<td>58</td>
<td>58</td>
<td>22</td>
<td>22</td>
<td>9</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2</td>
<td>2</td>
<td>9</td>
<td>9</td>
<td>9</td>
<td>10</td>
</tr>
</tbody>
</table>
3.3 Analysis of the Respondents response on Taxation

From table 3 of item 1 above it is indicated that 9(9%) of the customers strongly agree 14(14%) agree while no one said neutral, 39(39%) of the customers disagree and 38(38%) of the respondents disagreed when asked if officers are skilled enough. Then it is possible to say that the authority has employees that are hardly skilled. This means it is difficult for customers to get the required service from the branch in this regard since the service providing operational employees often do not understand the intention of the customers and/or customers have not gotten what they have perceived and what they have expected to have happened in the branch as they visit the Authority to pay taxes and other related services. Thus whenever the customers have this understanding about the employees, then it is likely it will affect their intention to pay tax on time and honestly.

As one can see in table 3 of item 2 above when asked if the managers are skilled enough 3(3%) of the respondents strongly agree 40(40%) of the respondents agree, no one said neutral and 57(57%) of the respondents disagree and 0(0%) of the respondents strongly disagree. Based on this figure it is possible to deduce that most of the customers, more than half of them, do not think that the managers have the required skill to treat their customers and activities that are required of them while customers visit the authority. This will imply that the customers have also developed poor trust on the managers of the authority. This will also likely have an effect on service expectation that the organization believes to improve.

As it is indicated in table 3 of item 3 above the customers were asked if the officers are transparent and genuine and none of the respondents strongly agreed, none of the respondents agreed to the statement, still none of the respondents said neutral to the statement 24 (24%) disagree and 76(76%) of the respondents strongly disagreed to the statement. From this one can infer that the respondents believe that the officers lack the transparency and genuineness that the customers otherwise expect of them. Genuine customer experience is not only the responsibility of the service employees or the business head. Every single person associated with the offering the service – employees, customers and even vendors are a part of the experience. There is no shortcut to building strong relationships and earning their trust. Genuine caring about the needs of each of these people groups and then developing a model that allows synergic interaction
between each group is the best…possibly the only way forward to delivering genuine customer experience.

As it is indicated of item 4 of table 3 above the respondents were required about whether officers are transparent and genuine managers no one strongly agreed, 19(19%) said neutral while none of them has agreed and 81(81%) of the respondents disagree, none of the respondents have strongly disagree to the statement. This shows there were occasions those officers often not genuine and transparent in the way that the customers should be handled. It is one of the most difficult situation that when the two parties publicly remain dishonest to one another. What is more the customers will lose confidence and reliability of the service they are rendered.

As it is indicated of item 5 of table 3 the respondents were required about whether fair customer handling is available 1(1%) strongly agreed, 3(3%) said agree, no one said neutral while 34(34%) of the respondents have disagreed and 62(62%) of the respondents have strongly disagreed, to the statement. Based on this one can infer that there is hardly fair customer handling in the Authority’s Kality branch. Customer service is the provision of service to customers before, during and after a purchase. According to Turban et al. (2002) "Customer service is a series of activities designed to enhance the level of customer satisfaction – that is, the feeling that a product or service has met the customer expectation. Therefore the services in series are not put in place appropriately as the respondents are not happy with the existing service.
Table 4 The way the Authority is addressing customer issues.

<table>
<thead>
<tr>
<th>Items</th>
<th>Questions</th>
<th>No</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>No</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The Authority is strengthening legal enforcements and penalties</td>
<td>63</td>
<td>63</td>
<td>31</td>
<td>31</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>2</td>
<td>The Authority is improving relationships with the public</td>
<td>23</td>
<td>23</td>
<td>12</td>
<td>12</td>
<td>-</td>
<td>-</td>
<td>27</td>
<td>27</td>
<td>38</td>
<td>38</td>
</tr>
<tr>
<td>3</td>
<td>The Authority is creating awareness through training and education</td>
<td>31</td>
<td>31</td>
<td>8</td>
<td>8</td>
<td>-</td>
<td>-</td>
<td>11</td>
<td>11</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>4</td>
<td>The Authority is providing information about service provisions</td>
<td>3</td>
<td>3</td>
<td>6</td>
<td>6</td>
<td>3</td>
<td>3</td>
<td>68</td>
<td>68</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>5</td>
<td>The Authority is reducing tax rate</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>11</td>
<td>11</td>
<td>89</td>
<td>89</td>
</tr>
<tr>
<td>6</td>
<td>The Authority is making tax collection procedures simple</td>
<td>19</td>
<td>1</td>
<td>9</td>
<td>6</td>
<td>6</td>
<td>5</td>
<td>36</td>
<td>36</td>
<td>64</td>
<td>64</td>
</tr>
<tr>
<td>7</td>
<td>There is often aggressive enforcement efforts by tax officials</td>
<td>87</td>
<td>8</td>
<td>7</td>
<td>8</td>
<td>8</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>

As it is indicated of item 6 of table 4 above the respondents were required about if the service is more than the current state, I think I pay my tax genuinely 58(58%) strongly agreed, 22(22%) said agree, 2(2%) said neutral while 9(9%) of the respondents have disagreed and 9(9%) of the respondents have strongly disagreed, to the statement. One can therefore observe that the
majority of the respondents believe that the tax collection and other customer duties would have been successfully responded if the service is more than the current state. Thus customers would have efficiently and effectively discharged their responsibilities if the existing service provision has been improved to cater their interest.

As it has been indicated in table 4 of item 1 above one can see that 63(63%) strongly agree, 31(31%) of the respondents said agree, and no one has responded to the option that is marked as neutral 2(2%) disagree and 4(4%) strongly disagree to the question that asked the respondents that The Authority is strengthening legal enforcements and penalties. Based on this data we can infer that the Authority’s operating branch was found to strengthening legal enforcements and penalties which will have both negative and positive ends. Even though the legal enforcements are found to be effective tools some tax payers would rather prefer education and training and voluntary involvement to discharge their responsibilities through an automated systems.

According to table 4 of item 2 above 23 (23%) of the respondents strongly agree, 12(12%) of them said agree while none of them said neutral 27(27%) disagree and 38(38%) of the respondents strongly disagree to the issue that the Authority is improving relationships with the public. From this we can understand that the partly the respondents still believe that the Authority is improving relationships with the public, but most of the respondents withstand this argument in that they don’t agree to the statement. In holistic terms one can identify the fact that there is a sign that there is an opportunity in the way the Authority is doing in the way it is negotiating and building relationship as public relationship is one of the most indispensable one required in such instances.

The respondents were also asked about the rate of service creation as it has been shown in table 4 of item 3 above31 (31%) of the respondents strongly agree 8(8%) of them said agree while no one of them said neutral and the other 11(11%) disagree and 40(40%) strongly disagreed to the question that asked them that the Authority is creating awareness through training and education. Based on this one can infer that indeed some of the respondents believe that the Authority is creating awareness through training and education but to most of the respondents it is the other way around and the Authority needs to do far better.
As it can be seen item 4 of table 4 above the respondents were asked to express their level of agreement to the question that asked the Authority is providing information about service provisions and 3 (3%) of the respondents strongly disagreed 6(6%) of them agreed to the statement while 3(3%) of them said neutral 68(68%) of the respondents disagreed to the statement and 20(20%) of the respondents strongly disagreed. Based on this data it is possible to infer that the information has significantly fallen short of the information with regard to service provision. Thus had it had such solid and genuine forms of service provision tact informed to the customers, then the customers will have to have their says, evaluate the services, have a standard tools to evaluate the service qualities and at least who to complain to and who to comment and complement.

As it is indicated in table 4 of item 5 above the respondents were also asked if the Authority is reducing tax rate none of the respondents have responded disagree none of them said agree still none of them said neutral 11(11%) of the respondents said disagree to the statement and 89(89%) strongly disagree in this regard. From this we can understand that the Authority does not reduce tax to any regards be it for claims made by customers or any other reasons.

As it is indicated in table 4 of item 6 above the respondents were also asked if the Authority is making tax collection procedures simple 19(19%) of the respondents have strongly disagree 6(6%) of the respondents have disagree 5(5%) of them said neutral 36(36%) of the respondents said disagree to the statement and 64(64%) strongly disagree in this regard. From this we can understand that the Authority has a little bit made the tax collection simple, but it is clearly observed from the responses that it has not made it simple to address the larger public.

As it is indicated in table 4 of item 7 above the respondents were also asked if there is often aggressive enforcement efforts by tax officials 87(87%) of the respondents have strongly disagree 8(8%) of the respondents have disagree 1(1%) of them said neutral 2(2%) of the respondents said disagree to the statement and 2(2%) strongly disagree in this regard. From this we can understand that the Authority usually takes aggressive effort instead of teaching in various ways to implement its sophisticated taxation system. However, it is usually efficient
when an organization has a smooth and educational as well as legally tailored means of enforcement.

An open ended question distributed to employees and supervisors of the Authority has found out that Customers have problems to understand the Authority’s guidelines they do read and understand but when it comes to implement the guideline they remain reluctant. They have problems the taxation system has often times been updated to cater the specific needs and interests of the parties in place: the stakeholders, the Authority, the customers and the government. Thus sometimes new regulations often are publicized and our customers do hardly understand that the publicized one is also in the guideline. Some customers come up with significant complaints that often arise from the guideline. The guideline could have problems but they do often criticize rather than providing their input.

The Authority has not offered a session that will bring those customers of them who for various reasons do not understand our guidelines. For that matter we have lagged behind though the authority is trying to go to its place not to collect the tax alone to strengthen their understanding about the guidelines the regulations.

In general one can infer from these responses that the problems indeed exist but the problems have existed from both customers’ resistance to accept some potential updates and the authority itself that did less to ‘go’ to the customers’ place.
3.3.1 Analysis of the interview Response

Whenever the customers are unwilling or remain unwilling to the law what are your measures? And why?

In this regard often they take legal actions they take legal actions and penalty because customers are against the abiding law they have. Thus legal actions are the option they have since they have to collect the tax
Therefore, one can infer that the customers often are not taking the required training instead they are sued

Do you think your customers know their right and the bureaucratic chain of command to appeal in case of tax collection problems? If yes or no why?

As customers have to appeal often they do not know where to start and they prefer to keep silent. The employees doubt if the customers have a clear understanding of their legal right and they often criticize the bureaucratic line in place. The employees also think they know but customers are not ready to discharge their responsibilities in cases of corruptions and they prefer to be part of the game.

Do you have educational or training programs for your customers? If yes or no please explain.

The respondents feel that there is definitely well cascaded educational and training program offered by the Authority. There is of course a training program but its scope seems to be somehow less than it should have been the way the authority is reaching its customers is less than we should.

There is no doubt that there is training and development program but some of them are afraid that the system will hardly address the greater public.

What are the potential challenges you often face in tax collection practice?
In tax collection employees often suffer from having a system that is automated and allow our esteemed customers can have access to pay taxes at their convenience without coming to our place. What is more, often times there are frequent and massive employee turnover in our branch and this has a potential loophole by itself in catering their customers effectively. Thus as employee leave the Authority there is time, cost of money and various other training related issues to hire another new employees. This hinders the tax collection process indirectly. Sometimes some customers remain resistant to discharge their responsibility and instead blame the authority for letting them pay too much.

One can understand that the system in place, the customers and indirectly customer turnover have their potential impact in the way tax could have been collected effectively otherwise.

What are the potential solutions you have devised to the existing problems in tax collection?

Responses have indicated that every time the Authority never stops thinking about devising novice and tolerant ways to address tax related issues, such as offering continuous trainings, developing good relationship with the customers, updating the skills and abilities of the management and employees, sophisticating thereby easing the tax payment system to address the needs of the tax payers. Employees do not have the required skill (employees that provide the trainings). They still believe that this can be solved strategically aligned through their taxation system where they can equip the HR along with keeping them and train their customers. The employees are yet hypothesizing designed various novice systems that will respond to the existing challenge and that could be a digital training system that can be accessed at any reach.
CHAPTER FOUR

4. SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

4.1 Summary

- 53(53%) of the respondents are male where as 47(47%) of the respondents are women.
- Among the respondents those who have achieved their first degree comprise 60(60%) of the respondents.
- When evaluated based on the length of time since the respondents being a customer of the Authority’s Kality branch 47(47%) of the respondents have been customers for two to three years.
- 39(39%) of the customers disagree and 38(38%) of the respondents disagreed when asked if officers are skilled enough.
- When asked if the managers are skilled enough 57(57%) of the respondents disagreed.
- The customers were asked if the officers are transparent and genuine 76(76%) of the respondents strongly disagreed to the statement.
- 81(81%) of the respondents disagree to the statement officers are transparent and genuine managers.
- When required about whether fair customer handling is available 62(62%) of the respondents have strongly disagreed to the statement.
- The respondents were required about if the service is more than the current state, I think I pay my tax genuinely 58(58%) strongly agreed.
- 63(63%)of the respondents strongly agree to the question that asked the respondents that the Authority is strengthening legal enforcements and penalties.
- 23(23%) of the respondents strongly agree, 12(12%) of them said agree while none of them said neutral 27(27%) disagree and 38(38%) of the respondents strongly disagree to the issue that the Authority is improving relationships with the public.
- 40(40%) strongly disagreed to the question that asked them that the Authority is creating awareness through training and education.
68(68%) of the respondents disagreed to the statement the Authority is providing information about service provisions.

89(89%) strongly disagree to the statement the Authority is reducing tax rate in this regard.

The respondents were also asked if the Authority is making tax collection procedures simple 64(64%) strongly disagree in this regard.

When asked there is often aggressive enforcement efforts by tax officials 87(87%) of the respondents have strongly agreed.
4.2 Conclusion

As it has been described the authority’s performance with regard to its existing challenges, successes and future prospects has been clearly set. Thus one can easily understand that the data gathered above can generally be said to have responded the research questions given above.

- The respondents describe their understanding of the tax payment and the collection process by the authority as poor. Thus it can be deduced that the customers do not have the required knowledge with regard to customs and duty and its practice in tax collection.

- It has been identified that the authority was not as such efficient in both perspectives in the way it addresses the customers with regard to tax collection rules and regulations. Thus it was identified that the authority fails to solve the existing problems. In this regard the Authority has a poor structure that questions the efficiency of the tax collection process.

- There are two main problems that are prevalent for not have the required information with regard to tax collection practice: for one thing the Authority’s reach has been limited and the medium was limited for that matter and the customers are not ready to accept the new systems or they are reluctant to be abided by the regularities till they are penalized for not doing so.

- As identified by the customers and the officials the management and the employee lack genuineness, efficient service delivery skill and transparency. This has probably does obscure their way of thinking with regard to identifying their right as tax payers. Moreover, the system the frequent employee turnover doesn’t allow the customers to identify who to appeal for.
4.3 Recommendation

As it has been described authority’s performance with regard to its existing challenges, successes and future prospects have been clearly set. Thus one can easily understand that the data gathered above can generally be said to have responded the research questions given above. Following those findings the following recommendations have been made.

- As it was identified earlier the respondents describe their understanding of the tax payment and the collection process by the authority as poor. The authority in this regard should briefly describe the situation in a very accessible and convenient manner. The ways that the authority can describe the taxation rules can be through print media that can appeal the readers, the audio video.

- As it has been identified earlier, the Authority lacks has a poor structure in solving recurrent problems and it also fails to keep its existing and new employees. As a result, the authority is unable to keep track of offering quality services in collecting taxes and communicating its customers. It should, however, needs to offer continuous trainings programs that curb the existing challenges in this regard.

- The Authority’s reach should be accessible and the medium for that and the customers should be of a value that each customer and employees can accept it easily. This reduces the resistance level of employees and customers.

- As identified by the customers and the officials the management and the employee lack genuineness, efficient service delivery skill and transparency. This will remain a major challenge up on the efficient performance. Moreover if it is not solved in time it might remain a ‘norm’ which will demolish the performance of the authority. Therefore the authority needs to avoid these issues by using extensive trainings.

- Finally by providing continuous training, building an efficient system of operation that does not only focus on announcing about tax issues it should rather depict the benefits and impacts in a practical examples through a medium can solve the existing problem.
### Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>ERCA</td>
<td>Ethiopian Revenue and Custom Authority</td>
</tr>
<tr>
<td>TOT</td>
<td>Turn Over Tax</td>
</tr>
<tr>
<td>VAT</td>
<td>Value Added Tax</td>
</tr>
<tr>
<td>TIN</td>
<td>Tax Payer’s Identification Number</td>
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Faculty of Business
Department of Accounting

Questionnaire filled by Customers of ERCA

This questionnaire is designed to gather information on “The Assessment of tax collection practice in the Ethiopian Revenue and Customs Authority”. The purpose of the study is to fulfill a senior essay requirement for the Bachelor degree on the field of Accounting at St. Mary’s University. Your highly esteemed responses for the questions are extremely important for successful completion of my senior essay. The information that you provide will be used only for the purpose of the study and will be kept strictly confidential.

You do not need to write your name.

Finally, I would like to thank you very much for your cooperation and sparing your valuable time for answering my request.

Please tick to show how much you agree or disagree.

1. Gender
   1. Male □ 2. Female □

2. Your position in the organization______________________________

3. Educational qualification
   A. Grade 1-12 □ diploma □
   B. Masters degree □
   C. 1st degree □
   D. Doctorate degree □
   E. Other please specify ____________________________

4. Work experience as an internal auditor year(s)___________________________
Section II: Please indicate on a five point scale the extent to which you find the following statements important by ticking on the box in the column on a five point scale the extent to which you are satisfied or dissatisfied with the following statements.

1= Strongly Agree  2= Agree  3= Neutral  4= Disagree  5= Strongly Disagree

<table>
<thead>
<tr>
<th>S.N</th>
<th>Items</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Officers are skilled enough</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>2</td>
<td>Managers are skilled enough</td>
<td></td>
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<tr>
<td>3</td>
<td>Officers are transparent and genuine</td>
<td></td>
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<tr>
<td>4</td>
<td>Officers are transparent and genuine managers</td>
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<tr>
<td>5</td>
<td>Fair customer handling is available</td>
<td></td>
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<tr>
<td>7</td>
<td>If the service is more than the current state, I think I pay my tax genuinely</td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>8</td>
<td>Officers are skilled enough</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| 1   | The Authority is strengthening legal enforcements and penalties      |   |   |   |   |   |
| 2   | The Authority is improving relationships with the public             |   |   |   |   |   |
| 3   | The Authority is creating awareness through training and education   |   |   |   |   |   |
| 4   | The Authority is providing information about service provisions      |   |   |   |   |   |
| 5   | The Authority is reducing tax rate                                   |   |   |   |   |   |
| 6   | The Authority is making collection procedures simple                 |   |   |   |   |   |
| 7   | There is often aggressive enforcement efforts by tax officials        |   |   |   |   |   |
St. Mary’s University
Faculty of Business
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Interview for Supervisors and Department Managers of ERCA

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Please tick to show how much you agree or disagree.

1. Gender
   1. Male □  2. Female □

2. Your position in the organization____________________________________

3. Educational qualification
   B. Grade 1-12 □ diploma □ C.1st degree □ B. Masters degree □
   Doctorate degree □ E. Other please specify _______________________

4. Work experience as an internal auditor year(s)__________________________
1. Do you think your customers have problems to understand the rules and regulations of ERCA?
2. If yes or no please explain
3. What are the potential challenges you often face in tax collection?
4. Do you have educational or training programs for your customers?
5. If yes or no please explain
6. Whenever the customers are unwilling or remain unwilling to the law what are your measures? And why?
7. Do you think your customers know their right and the bureaucratic chain of command to appeal in case of tax collection problems?
8. If yes or no why?
9. What are the frequent problems that the Authority faces with its customers with regard to collection of tax?
10. What are the potential solutions you have devised to the existing problems in tax collection?