



St. Mary's University
School of Graduate Studies
Department of General MBA

Sources of Tax Evasion in Addis Ababa City: The Case of Bole Sub City

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June, 2017
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A Research Report Submitted to the School of Graduate Studies of St. Mary's University in Partial Fulfillment of the Requirements for the Award of the Degree of Master of Business Administration (MBA)

BY
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Approved by the board of examiners

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Declaration

I, the undersigned, declare that this student research paper is my original work, prepared under the guidance of Arega Seyoum (phD). All sources of materials used to this paper have been duly acknowledged.

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Abstract

Tax evasion is one of the problems of developing countries including Ethiopia and particularly in bole sub city. Many problems are correlated with tax evasion that includes government budget deviation inaccessibility of social infrastructure in the case area. The main objective of the study is to asses' tax evasion in bole sub city. The study used both primary and secondary data and stratified sampling technique. The study has significant role to provide information to policy makers, guidelines for the tax authority and help other researchers as reference. Negative attitude towards the tax environment, size of business, duration of residency and the existence of underground economy are major sources of tax evasion. The study was conducted based on both primary sources of data with 60 respondents and secondary sources of data from 2010-2016 which was analyzed using descriptive method of data analysis. As, result tax evasion is high in bole sub city and deteriorates government revenue which results inaccessibility of social services. The researcher recommended that the tax authority to include and develop information with day today computerized activity, aware tax payers about tax circumstances.

KEY WORDS:

Tax, evasion, tax payers.

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

Tax is a means by which government finance their expenditure by imposing charge on citizens and corporate entities on the bases of certain established criteria. Government uses taxation to encourage or discourage a certain economic decision. Taxes are important sources of public revenue .the existence of collective consumption of goods and services necessitates putting some of our income into government hands .such public goods like roads, powers, municipal service, and other public infrastructures have favorable results on many families business enterprises, industries and the general public. Public goods are normally supplied by public agencies due to their nature of non-rivalry and non-excludability (Ministry of Revenue, 2005)

The nature of consumption of public goods is such that consumption by one does not reduce for others. Beside consumption of public goods by an agent does not exclude others from doing the same. Such a nature of public goods therefore makes them impossible for private suppliers to avail them at market price like other commodities .Government in supply of public goods is therefore inevitable and can only be done if the public pays tax for the production and supply of such goods (Ethiopian Customs Authority, 2005).

The absolute and relative weight of direct personal taxation has been growing in most developed countries and increasing attention has been focused on payroll and VAT. Developed countries usually relay more heavily on individual income taxes than developing countries but less heavily on corporate income taxes. The poorest countries have been relying more heavily on taxes of international trade and to less extent on domestic taxes from consumption a sound tax system should be so devised that it fulfills a certain basic requirements or objectives of an economy. Since 1930s special emphasis has been given to the problem of controlling economic fluctuation, maintaining full employment, preventing tendencies towards secular stagnation and controlling inflation during wars (Bahtie H.L, 1998).

Most developed countries are characterized by a broad base for direct and indirect taxes with tax liability covering the vast majority of citizens and firms. Developing countries, in contrast, are confronted with social, political and administrative difficulties in establishing a sound public finance system. As a consequence, developing and emerging countries are particularly vulnerable to tax evasion activities of individual taxpayers and corporations. This can be considered one of the primary reasons for large differences in the ability to mobilize own resources between developed and developing countries (GIZ Sector Programme Public Finance, Administrative Reform, Dec 2010).

Tax evasion is still a method of saving the true tax liability of tax payer but by dishonest and fraudulent means (action like omissions of income subject to tax, inflating deductible expenses and claiming tax deduction in fictitious transaction. it is an effort by tax payers to avoid or escape the payment of his legal tax obligation by directly breaking the technical requirements and legislative intents of tax law. Tax evasion is an activity involving an element of deceit, misrepresentation of facts, falsification of accounts and any other fraudulent means with view to violate civil and criminal provisions of tax laws. Tax evasion usually entails tax payer deliberately misrepresenting or concealing the true status of his taxable financial affair or dishonest tax reporting to reduce his true tax liability (Miskir, 2003).

Accordingly, AA city administration Revenues & Customs Office regulate, collect and utilize tax income generated through various sub cities Inland Revenues Authorities existing in its geographical area including Bole sub city.in Bole sub city there were 50,579 tax payers out of which 6,384tax payers were category “A”, 5,979tax payers were category “B” and 38,216 tax payers were category “C”. In such away Bole sub city revenue agency collected 752,194,092.46birr in 2010,1,298,531,407.08birr in 2011, 897,310,734.53birr in 2012 and1,061,862,688.94birr in 2013,1,208,295,332.35 in 2014,893,889,495.16 Birr in 2015 and1,246,230,789.56 birr in 2016.There are different problems that deviates tax from year to year. So the need to undertake this research is emanating from the curiosity to investigate source of tax evasion in Bole sub city of Addis Ababa city Administration.

1.2. Statement of the Problem

The indispensable role of tax for economic development through government financial expenditure is very significant in developing countries. Government collects tax from different parts of society in order to fulfill social requirements in different levels of sectors. Therefore, this revenue uses to satisfy local or collective consumption of goods and services. In developing countries like, Ethiopia there is problems of tax evasion among different parts of the society. It is found to be threatening tax authorities especially in developing countries. Different factors are responsible for tax evasion such as the existence of black market, the absence of Audit Policy, Expenditure, Size of business, Level of education, multiple books of record, duration of residency, and future investment opportunities. This tax evasion, therefore, results failure of the government to achieve its objectives (B.Misra, 1995).

Due to great encouragement of working environment like favorable investment opportunities created by the Ethiopian government, new firms are emerging surprisingly; however, the amount of tax revenue for the government is not increasing proportionately even a decreasing trend was observed. Accordingly, huge unfavorable variance is observed in the performance report (Asamnew, 2000).

In fact taxes are compulsory in a sense that nonpayment will lead to acclaim by the government from those who do not pay. some of them considered as punishment while paying tax and they try to hide themselves from tax and this may result greater deviation between budgeted tax to be collected and the actual collected. It is unquestionable that tax is needed for government expenditure more than ever provides access to social service. But the question is how far the population in the study area is aware about tax and how they see and evade it.

The need for undertaking this research is emanated from the curiosity to investigate whether black market, the absence of Audit Policy, expenditure, size of business level of education, multiple books of record, and duration of residency are factors of tax evasion in urban areas especially in Addis Ababa city particularly in Bole Sub City. The study is mainly emphasized how the extent of evasion can be measured? How these patterns of behavior can be explained, how can these insights use to control evasion? Many studies have been undertaken regarding this topic such as “Determinants of tax revenue in Ethiopia”, Tesfaye, 2015 but the problem remain unresolved in some urban areas including Bole sub city, but this research tried to fill the gap by gathering reliable data.

1.3. Objectives of the Study

1.3.1. General Objective

The general objective of the study is to investigate sources of tax evasion in Bole sub city.

1.3.2. Specific Objectives

- ❖ To study the nature and patterns of tax in Bole sub city.
- ❖ To study the tendency of duration of residency on tax evasion in Bole Sub City.
- ❖ To study the impact of level of Education of tax payers on tax evasion in Bole Sub City.
- ❖ To study the extents of keeping multiple accounts on tax evasion in Bole Sub City.
- ❖ To study the effect of expenditure on tax evasion in Bole Sub City.
- ❖ To observe effects of audit policy on tax evasion in Bole Sub City.
- ❖ To observe the extent of size of business on tax evasion in Bole Sub city.
- ❖ To observe the effect of currency demand on tax evasion in Bole sub city.

1.4. Significance of the Study

This study has significant use for both the researcher and the organization under study. For the researcher, the study serves as an avenue of relationship of his academic knowledge with that of what is really happened or practiced in the real work environment. For the organization since it tries to investigate sources of tax evasion it is believed that the findings and recommendations could provide better understanding about tax evasion in Bole sub city and it would be used for further investigation as a reference regarding to this topic.

1.5. Scope of the Study

Tax is very crucial issue to the study. To assess all aspects of tax requires much effort so this research is mainly focus on sources of tax evasion in Bole sub city revenue authority. The research tried try to cover the data from 2010-2016 and tax payers were used as sample frame. Duration of residency, level of Education, keeping multiple sets of books of recording, expenditure, audit policy and Size of business could be studied as sources of tax evasion.

1.6. Limitation

Although the topic of tax evasion represents a problem for developed and developing countries, literature and data concerning this topic are still scarce. This is partly due to the fact that the extent of tax evasion is hard to estimate as the phenomena is difficult to observe and precise data is thus lacking. Hence, there are no reliable empirical findings which provide a clear picture of size of the problem or the relative importance of different kinds of tax evasion. Rather, one needs to base any analysis on estimations. As a consequence, quantifying tax evasion and avoidance as well as identifying the underlying factors is a difficult task which is, especially in developing countries, aggravated by the lack of necessary high-quality data.

1.7. Definition of operational Terms

- **Taxable income:** The amount of an individual or organization's income that is subjected to taxation once all tax alliance to which the tax payer is entailed has been deducted.
- **Assessment:** The determination of the amount subjected to taxation under a particular statute requires an analysis of tax payer's situations and of legal provisions that apply to them.
- **Tax rate:** is the rate or percent that is to be applied to tax based to determine the amount of tax per unit of tax base.
- **Rates schedule:** a list of tax rates matching different levels of taxable income.
- **Tax liability:** is the legal obligation of a tax payer to the government that must be met on due date.
- **Tax year:** Twelve month period, for which tax is to be determined, it may not match with calendar year.
- **Taxpayer:** refers to any individual or organization who is obliged to pay tax. (Public finance)
- **Tax evasion:** the illegal act or practice of failing to pay tax which is owed.
- **The tax gap – or tax revenue gap:** is defined as the difference between the tax revenue which would be raised under hypothetical, perfect enforcement of taxes and the actual tax revenue.

1.8. Organization of the Study

The whole part of the research is divided in to five chapters. In chapter one, Background of the study, statement of the problem, objectives of the study, research questions, significance, scope, operational definition of terms, and organization of the study. The second chapter includes review of literature that builds major conceptual and rational frame works of the study. The third chapter discusses research, methods of data collection and analysis. Chapter four is about data presentation and analysis and chapter five is includes conclusion and recommendation.

CHAPTER TWO

LITERATURE REVIEW

The whole part of the literature is organized in to theoretical and empirical reviews. The theoretical part shows the development of arguments based on concepts or theories related to the tax evasion problems while the empirical justification shows reference to other researches.

2.1. Theoretical Reviews

2.1.1. Objective of Taxation

Taxes are compulsory payments to the government by the tax payers in the begging, government imposed tax for three basic purposes to cover the cost of administration, maintaining law and order in country and defense. But in modern days, there have been as a change in the government's expenditure patterns. Today the government is in opposition to restore social justice in the society by way of providing various social services like education, employment, pension, public health, housing, sanitation, and the development of weaker section of the society. Besides the above, the government announces heavy subside for agriculture and industry. Thus, government requires more amount of revenue than before. Non tax revenues are not sufficient to meet the entire expenditure. Hence the government imposes taxes of various types. Some general objectives of taxation are raising revenue removal of income and wealth inequality, insuring economic stability, reduction in regional imbalance, creation of employment opportunity, preventing harmful consumption (B.Misra, 1995).

2.1.2. Purposes of Tax Revenue

The best instrument which the governments can use as a source of revenue is taxation. It can be said, therefore, that a major function of taxation is to marshal the necessary funds to finance the ever-expanding level of public expenditures. As in all other countries, one of the purposes of taxation in Ethiopia is the raising of as much revenue as possible to meet the ever-expanding public expenditure for the supply of public goods and services which otherwise would not be available to the general public by the market. The central aim of the tax system in Ethiopia is to collect sufficient money to finance the administrative machinery of the government as well as to finance the fulfillment of basic infrastructures like roads, telecommunication, electricity and other basic social services like education, health and water supply facilities (Ethiopian business development service, 2005).

2.1.3. Tax Evasion

Tax evasion is still a method of saving the true tax liability of tax payer but by dishonest and fraudulent means (action like omissions of income subject to tax, inflating deductible expenses and claiming tax deduction in fictitious transaction. it is an effort by tax payers to avoid or escape the payment of his legal tax obligation by directly breaking the technical requirements and legislative intents of tax law. Tax evasion is an activity involving an element of deceit, misrepresentation of facts, falsification of accounts and any other fraudulent means with view to violate civil and criminal provisions of tax laws. Tax evasion usually entails tax payer deliberately misrepresenting or concealing the true status of his taxable financial affair or dishonest tax reporting to reduce his true tax liability (Miskir, 2003).

Tax evasion is considered to be of serious concern to those dealing with taxation issues of a country because of the detrimental effects it is assumed to have on tax revenue and the tax system as a whole. One obvious consequence of tax evasion is the loss of tax revenue for government. The fact that some income goes untaxed and also certain indirect taxes such as VAT and excise duties are evaded, leads to the conclusion that tax revenues are lower than if everyone had paid their taxes (Tesfaye, 2015).

2.1.4. Reasons for Tax Evasion

There are various reasons for tax evasion. In order to develop methods and instruments for fighting tax evasion, it is important to foremost establish a broad understanding of the different reasons underlying these problems. These reasons can be filed in two categories. The first category comprises factors that negatively affect tax payer's compliance with tax legislation. These factors can be subsumed either contributing to a low willingness to pay taxes (low tax morale) or to high costs to comply with tax laws. The second category contains reasons for the low ability of tax administration and fiscal courts to enforce tax liabilities. These factors can be summarized as low tax moral, high compliance cost, insufficient in tax collection as well as weak capacity in auditing and monitoring tax payments which limit the possibility to detect and prosecute violators (ITC, 2010).

2.1.5. Currency (money) demand approach: Assuming that informal transactions take the form of cash payments, an increase in the size of the informal economy will, consequently, increase the demand for currency (EmertaAsaminew, 2010). It is an indirect approach looking for traces of evasion in transactions financed by currency, on the assumption that the "true" level of economic activity can be estimated via a Fisherian relationship between money and its velocity. The gap between this predicted level of economic activity and the official national accounts level gives a measure of the so-called "shadow economy", which can be then use as a proxy for the amount of tax evasion. It is a function of factors that are assumed to motivate individuals to engage in evasion activities (e.g., the direct and indirect tax burden, government regulation, and the complexity of the tax system) (James Alm, 2012)

2.1.6. Techniques of Tax Evasion

According Ethiopian tax administration, 2003 the following are frequent and practical techniques to avoid or minimize legal tax liability by directly breaking tax laws.

- ❖ Omissions of sales transaction from receipts.
- ❖ Under invoicing sales transaction.
- ❖ Claiming tax deduction in fictitious transaction.
- ❖ Omissions to report taxable revenue in tax reform.
- ❖ Inflating tax deductible expenses in tax returns.
- ❖ Reporting personal expenses as business for tax purposes.
- ❖ Falsification of incomes.
- ❖ Keeping multiple set of books of accounts to record business.
- ❖ Contrabands.

2.1.7. Factors that Causes Tax Evasion

1. Higher rate of taxation: it is the first and for most reason for tax evasion. This is because higher rate of taxation create psychological barrier to greater effort and undermine the capacity and will to save and invest and on the other hand high tax rates result in heavy tax burden and the greater the risk under taken for the purposes of tax evasion, the greater is the reward (Bahtie,1998)
2. Complexity of tax laws: complicated tax laws are another factor for tax evasion. Complex tax procedure involves lot of time, cost and seeking the assistance of tax experts and their advice by tax payers. Such complication in tax laws may lead the tax payers for evasion.
3. Multiplicity and changeability of tax laws: number of laws enacted for the recovery of variety of taxes as well as frequent amendments in tax laws often leads to wide spread tax evasion.

4. Shortage of experienced personal: A shortage of trained and experienced personal is yet another cause of tax evasion. Lack of sufficient number of trained and experienced personal by the authorities enforcing the tax laws curtails timely and properly tax assessment, audit and investigation on tax payers which give loophole for the tax payers.
5. Deterioration of moral standards: every person should realize his responsibility towards the government. However in this modern computation world, the deterioration of moral standards among the people leads to falsification of accounts, misrepresentation of facts and fraudulent behavior.

2.1.8. Controlling Evasion

This discussion indicates that there is now much theoretical, empirical, and experimental evidence that individuals respond predictably, if not always significantly, to a range of policies. Tax administration typically emphasizes a variety of measures, including traditional policies such as introducing an effective audit program that identifies individuals who do not file tax returns and those who underreport income or over claim deductions and credits, applying no harsh penalties often and consistently, using source-withholding whenever possible, facilitating payments through the banking system, and making use of third-party sources of information to verify reporting behavior. These policies are consistent with views of the taxpayer as a potential criminal who must be deterred from cheating, and are clearly aligned with the economics-of-crime perspective. However, it is increasingly the case that administrative policies are not limited to these standard enforcement mechanisms. Instead, tax administrations in many countries are introducing policies that emphasize such things as developing taxpayer services to assist taxpayers in every step of their filing returns and paying taxes, broadcasting advertisements that link taxes with government services, simplifying taxes and the payment of taxes, and even promoting a taxpayer – and a tax administrator – “code of ethics”. Put differently, the taxpayer is no longer seen simply as a potential criminal but as a potential client, one whose behavior depends upon his or her moral values (James,2012).

2.1.9. Giving Finger Print

Uniquely identifying each tax payers, tax assessment and collection, educating tax payers, enforcements, of tax and custom laws are some of the key functions in any efficient and effective administration, of which identifying each tax payer should be the first step. In line with this Ethiopian tax administration authority, as part of the new tax reform started documented base TIN supply system to tax payers since December 2003 so as to independently identify each of the tax payers to the Ethiopian government.

The pioneer document based TIN supply system however, had been alleged for its inaccuracy, blender, and deceit, and tax offence since it allowed single tax payer to have more than one TIN due to various causes. For instance by changing the spelling of his name (own father, grandfather, mother), a tax payer can change his identity so that he can own more than one TIN. By getting separate trade registration certificate on one house number tax payers can also have multiple TIN. In this modern networked IT, each authorized tax registration center using laptop, cameras, (to digital images) and scanners (digital finger prints –left and right index), collect the tax payers finger prints image and other profiles and transfer them to the tax authority central data base (Miskir, 2003).

2.1.10. Taxpayer's TIN Registration

Tax payers TIN (tax payer's identification number),registrations the process of identifying the potential tax payers who are eligible to pay tax in accordance with the tax laws of the country, registering them as tax payers, and supporting them the TINS. The Potential tax payers are identified and registered in two ways ; voluntarily through the initiation of tax payers themselves without any enforcement action) and involuntarily(through identification and enforcement by the law and order controllers(Miskir, 2003).

2.2.1. Empirical Reviews

According to Clemens et al. (2009), who estimates developing countries lose US-\$288 billion per year due to tax evasion in domestic shadow economy. The most influential study in this era tries to identify profit shifting by analyzing international trade prices. The basic idea is that price charged for goods exported to developing countries are distorted upward whereas price of goods imported from developing countries are set to artificially low level, so that income effectively generated in developing countries is shifted to developed countries

According to Tiago Prata(2012), The Portuguese government loses over €12 billion annually through tax evasion - this is three times the amount it plans to cut in public expenditure in 2013 and 2014. In Portugal, tax losses relating to criminal economic activities, or the so-called parallel economy (black market), represent 23% of the total tax revenue – this means €12.3 billion in fiscal losses, which is above the European average of 22.1% and makes Portugal the seventh worst-positioned country. Tax losses to the Portuguese equate (for example) to more than 63% of the yearly expense attributed to healthcare, or 15.5% of the total expense of public administration. Portugal's parallel economy (undeclared and untaxed money) actually amounts to around €40 billion, which is 23% of GDP. The economist then compares this figure with the official tax burden, which represents 31% of GDP. This means that per €5 of income or revenue for Portugal, €1 goes out to the parallel economy.

According to Emrta tax evasion was high during 1970's and 1980's reaching as high as 10.4% of the recorded economy. Although, the share as percentage of GDP declining recently. It is growing on average by about 19 percentage points in nominal terms since 2000. It remained high, but declining since 1991 while tax revenue to GDP ratio start to increase before it start to bend downward since 2004. The declining trend in tax to GDP ratio since 2004 is mainly due to the rapidly growing economy in face of stagnated tax collection efforts.

Tax to GDP ratio in Ethiopia is one of the lowest in sub-Saharan Africa which is 9.7% as compared to over 18% for the rest of the Africa. It is even much lower than good performers such as South Africa and Namibia when tax revenue reaches 25% and 30% respectively (Emerta, 2010)

According to GIZ Sector Programme Public Finance, Administrative Reform (2010) Tax evasion by wealthy individuals is estimated to cause additional revenue losses in developing countries ranging from US\$15 billion to US\$124 billion annually. Global Financial Integrity (GFI) calculates that developing countries loose between \$859 billion to \$1.06 trillion a year through illicit financial flows. Illicit financial flows are defined as money that is illegally earned, transferred, or utilized. By definition of GFI this includes the transfer of money earned through illegal activities such as corruption, transactions involving contraband goods, criminal activities, and efforts to shelter wealth from a country's tax authorities.

CHAPTER THREE

This chapter explained about Research Method used, Research design, Type of Data and collection techniques and Data analysis and interpretation.

3.1. Research design

3.2. Data Type and Data Sources

In order to get reliable data that met objectives of the study both primary and secondary sources of data was used .The primary data was collected through organized forms of questionnaires and interview with the head of Bole sub city revenue agency. Secondary data was collected from books, magazines and reports of concerned issue of institution.

3.3. Sampling Frame and Sample Size

The study will use tax payers list as sample frame. In the study area there are about 50,579 tax payers. Out of these tax payers 6,384 are category “A” tax payers, 5,979 are category “B” and the remaining 38,216 tax payers are category “C. According to .Kothari (2004) a method of proportional allocation under which the sizes of the samples from the different strata are kept proportional to the sizes of the strata. That is if P_i represents the proportion of population included in stratum i , and n represents the total sample size, the number of elements selected from stratum i is $n \cdot P_i$. a researcher wants a sample of size $n = 60$ to be drawn from a population (tax payers) of size $N = 50,579$ which is divided into three strata of size $A= 6,384$, $B= 5,979$ and $C=38,216$ proportional allocation get the sample sizes as under for the three strata, $P=n \cdot (i/N)$. Thus, using proportional allocation, the sample sizes for the three strata is 8, 7, and 45 respectively which are in proportion to the sizes of the strata viz., 6,384, 5,979, 38,216.

Table 3.1 sampling determination

Tax payers category	Frequency	Percent
Category, A	8	13.3
Category, B	7	11.7
Category, C	45	75.0
Total	60	100.0

Source: Bole sub city revenues authority.2017

3.2.1. Sampling Technique

The researcher used stratified sampling technique because tax payers are divided into homogeneous groups, each containing subjects with similar characteristics. Accordingly, 60 tax payers was selected using proportional allocation.

3.3. Variables

1) **Duration of residency:** it has been used as proxy for the extent of tax evasion based on the assumption that people live for long period of time are supposed to evade less since they feel self-belongingness for social services and people stayed for short time period are supposed to evade tax

2) **Audit policy: another** factor that has important role in tax evasion is probability of detection of non-compliance behavior from tax authority. supposing that the tax payers are risk averse person an increase in tax audit leads to decrease in tax evasion, generally it increases reported income ,the under reported income is discovered(NevilaKiri,2016).

3) **Expenditure:** estimates evasion via some “gap” that can be estimated, such as the gap between income reported on tax returns and income in the national income accounts, between income and expenditures. Tax payers include their personal expense as their business expense. (James Alm, 2013).

5) **Level of education:** According to the attribution theory, a higher education level can increase level of taxpayer’s information about tax system. Highly educated taxpayers know more about tax laws and fiscal matters, and also are aware of the benefits of government's services to citizens. However, these taxpayers may have some criticisms about how taxes would be collected. On the other hand, highly educated individuals are in a position to improve chance of evasion and avoidance. Therefore, a higher education level seems to be one of the main decreasing factors of tax morale (MirHadi and etal. (2016)

6. **Keeping multiple bank accounts:** The concept of multiple sets of books" refers to the practice of attempting to hide or disguise certain financial transactions from outsiders by having a set of fraudulent accounting records which increases tax evasion.

7. Currency (money) demand approach: Assuming that informal transactions take the form of cash payments, an increase in the size of the informal economy, consequently, increase the demand for currency (EmertaAsaminew, 2010). It is an indirect approach looking for traces of evasion in transactions financed by currency, on the assumption that the “true” level of economic activity can be estimated via a Fisherian relationship between money and its velocity. The gap between this predicted level of economic activity and the official national accounts level gives a measure of the so-called “shadow economy”, which can be then use as a proxy for the amount of tax evasion. It is a function of factors that are assumed to motivate individuals to engage in evasion activities (e.g., the direct and indirect tax burden, government regulation, and the complexity of the tax system) (James Alm, 2012).

3.4. Method of Data Analysis

The obtained data was analyzed using statistical descriptions such as tabular presentation, graphs, and percentage and qualitative methods of data analysis.

CHAPTER FOUR

4.1. DATA PRESENTATION, ANALYSIS AND INTERPRETATION.

4.1. The Nature and Trends of tax in Bole Sub City

According to Bole sub city tax revenue authority data shown below the government is attempting to increase tax revenues by reviewing the tax policy including rationalization of the tax rates, hunting new taxable resources and improving as well as modernizing the tax collecting institutions and yet the outcome looks low and unsatisfactory. As it can be shown in table 4.1 below there is a deviation from year to year. Good progress has been shown in 2010, 2016 and 2013 among tax periods which were about 162.74, 96.35 and 94.70 percent respectively. Especially in the year 2010 actual tax collection was greater than the planned tax. In the year 2014 it was about 89.65 percent but in the years 2011 and 2012 decreasing trend has been shown. As it can be shown in the table in the year 2015 it was the lowest among the tax periods. According to Bole tax authority the variations of tax among these tax periods were due to omissions of sales transaction from receipts, omissions to report taxable revenue in tax reform, keeping multiple set of books of accounts to record business and contrabands.

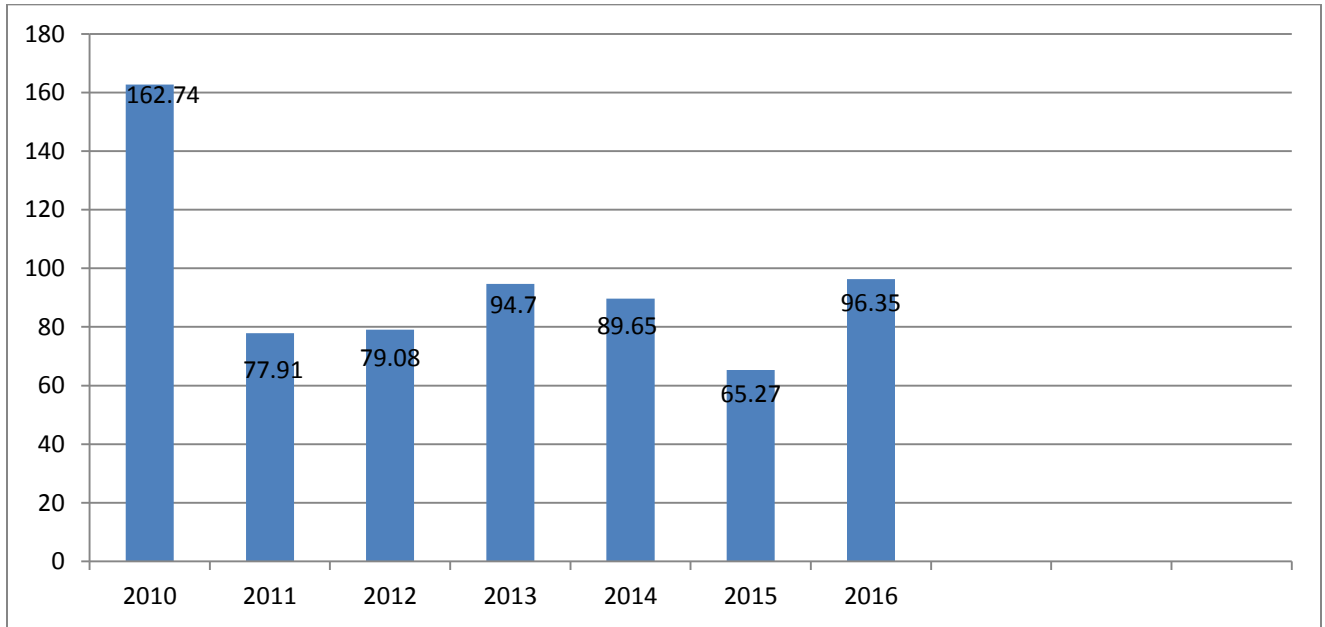
Table 4.1 the nature and trend of tax in bole sub city

Source: Bole sub city revenues authority.2010-2016

Year	Planned	Actual	Collected In %
2010	462,200,000.00	752,194,092.46	162.74
2011	1,666,639,647.50	1,298,531,407.08	77.91
2012	1,134,684,641.00	897,310,734.53	79.08
2013	1,121,290,000.00	1,061,862,688.94	94.70
2014	1,347,747,431.68	1,208,295,332.35	89.65
2015	1,369,554,570.49	893,889,495.16	65.27
2016	1,293,414,833.34	1,246,230,789.56	96.35

As presented on graph 4. 1 tax fluctuation is common issue especially in the years 2015 and 2011, high variation was observed.

Figure 4.1 Trends of tax in bole sub city



Source: Bole sub city revenues authority.2010-2016

4.2. Profile of sample respondents

The survey was conducted on 60 tax payers and interview with revenue authority of Bole sub city. The respondents were asked to answer the questions honestly while they were at work. The survey contains questions related to background of the respondents; tax payers satisfaction by the tax authority, their attitude towards tax, the type of business they run and its size, weather the have been audited or not, the category of tax they pay, their annual expenditure and declared tax, numbers of accounts they maintained, methods of transaction used, numbers of TINs, preparation of financial statements and finger print.

From the total 60 respondents conducted 43 were male respondents which account 71.7 percent and the remaining 17 respondents were female which accounts about 28.3 percent. Male respondents are greater than females, (43) this is because of in Ethiopia females spent their time at home in caring their children and running home activities.

Table 4.2 Genders of Respondents

	Frequency	Percent	Valid Percent
Valid male	43	71.7	71.7
Valid female	17	28.3	28.3
Total	60	100.0	100.0

Source: SPSS output from survey data, 2017.

From the total respondents of 60 under study 46 were married which accounts about 76.7 percent and the remaining 14 respondents were single which accounts 23.3 percent of the respondents. According to MirHadi and etal, 2016 marital status can influence legal or illegal behaviors, depending on the extent to which individuals are constrained by their social networks.

Table 4.3 Marital Status of Respondents

		Frequency	Percent	Valid Percent
Valid	married	46	76.7	76.7
	single	14	23.3	23.3
	Total	60	100.0	100.0

Source: SPSS output from survey data, 2017.

As presented in table 4.4 below age is categorized between economically active and economically non active respondents for which economically active respondents range from 18-63 and economically non active respondents are ages greater than 63. From the total 60 respondents 48(80 percent) of respondents were found to be economically active and about 12(20 percent) of respondents were ages greater than 63 which were economically inactive respondents. Even if this greater number of economically active respondents are important for the area under study it also shows that the extent of tax evasion is high.

Table 4.4 Age summary of respondents.

		Frequency	Percent	Valid Percent
Valid	18-63	48	80.0	80.0
	greater than 63	12	20.0	20.0
	Total	60	100.0	100.0

Source: SPSS output from survey data, 2017.

The educational level of respondents is divided into illiterate, Read and write, diploma, Bachelor degree, masters and PhD. and above based on their level of understanding about tax. Majority of the respondent's level of education was found to be degree which accounts 19 respondents from the total 60 respondents having a percentage share of 31.7. Following degree level of education Read and write respondents were the second majority with 25 percent and diploma holders were about 21.7 percent. Masters holders were 13.3 percent and illiterate respondents were 6.7 percent and the remaining 1.7 percent of the respondents were sharing PhD. and above. According to the attribution theory, a higher educational level can increase level of taxpayer's information about tax system. Highly educated taxpayers know more about tax laws and fiscal matters, and also are aware of the benefits of government's services to citizens so that highly educated individuals are in a position to improve chance of evasion and avoidance

Table 4.5 Educational Level of Respondents

	Frequency	Percent	Valid Percent
Illiterate	4	6.7	6.7
Read and write	15	25.0	25.0
Diploma	13	21.7	21.7
Valid Degree	19	31.7	31.7
PhD and above	1	1.7	1.7
Masters	8	13.3	13.3
Total	60	100.0	100.0

Source: SPSS output from survey data, 2017.

As proxy variables are found to be important for the study duration of residency is one important variable by dividing the time period less than 25 years and greater than 25 years. As shown in the table majority of the respondents about 39(65 percent) of the respondents stayed for years less than 25 and the remaining 21 (35 percent) of the respondents lived in Bole sub city for years greater than 25. As respondents stayed for relatively longer periods they feel self-belongingness for infrastructures or social services found in the case area under study so that they evade tax less and on the other hand people stayed for short period of time lacks self-belongingness, they do not worry about the provision of social service by the government so that they evade tax more.

Table 4.6 Duration of residency of respondents

Years	Frequenc y	Percent	Valid Percent
less than 25 years	39	65.0	65.0
Valid greater or equal to 25 years	21	35.0	35.0
Total	60	100.0	100.0

Source: SPSS output from survey data, 2017.

As survey data in table 4.7 below shows majority of the respondents, about 44 (73.3 percent) of respondents were dissatisfied with service delivered by the tax authority in bole sub city which makes tax payers noncompliant but about 16 (26.7 percent) of respondents were satisfied with service delivered. Lack of knowledge about inter-relatedness of one department with another, method of operation, styles of negotiation and the execution of service delivery were reported to be frequent causes of public dissatisfaction. Public officials believing that they are largely responsible and accountable to the State rather than the people they serve (OludeleAkinloye, 2015). As Juan Carlos (2004) concluded that the quantity and quality of public services enjoyed is another institute of the nerve of tax evasion.

Table 4.7 Satisfaction of respondents from service delivered by tax authority.

	Frequency	Percent	Valid Percent
Satisfied	16	26.7	26.7
Valid Not satisfied	44	73.3	73.3
Total	60	100.0	100.0

Source: SPSS output from survey data, 2017.

From the total 60 respondents 34 (56.7 percent) of them not plan future investment and about 26 (43.3 percent) of the respondents plan for future investment, they run temporary business. These respondents who plan future investment were supposed to be tax compliant because they believe that paying tax will promote their business by providing infrastructure.

Table 4.8 Future investments plan of respondents in bole sub city.

	Frequency	Percent	Valid Percent
Plan	26	43.3	43.3
Valid Not plan	34	56.7	56.7
Total	60	100.0	100.0

Source: SPSS output from survey data, 2017.

As data presented in the table 4.8 below shows majority of the respondents about 83.3 percent are considering their tax as unfair which makes them non-compliant tax payers and 16.7 percent of the respondents are found to be considering their tax as fair. These respondents with unfair tax perception criticize their tax as unfair burden so that they find ways to escape from unfair burden so that they do not pay their tax honestly.

Table 4.9 Relative fairness of tax in bole sub city.

	Frequency	Percent	Valid Percent
Fair	10	16.7	16.7
Valid Not Fair	50	83.3	83.3
Total	60	100.0	100.0

Source: SPSS output from survey data, 2017.

As data depicted on table 4.10 about 80 percent of the total respondents do not satisfied with infrastructure provided by the government, if they do not satisfied by the infrastructure they do not know the role of tax and they are not honest to pay their tax and on the other hand about 20 percent of the respondents are satisfied with infrastructure provided by the government by using tax revenue, these respondents know the benefit of tax by providing social services.

Table 4.10 Satisfaction of tax payers with infrastructure delivered by government in bole sub city.

	Frequency	Percent	Valid Percent
Satisfied	12	20.0	20.0
Valid Not satisfied	48	80.0	80.0
Total	60	100.0	100.0

Source: SPSS output from survey data, 2017.

As it can be seen from 4.11tables about 53.3 percent of the respondents were not audited but about 46.7 percent of the respondents were audited. These46.7 percent of the respondents were frustrated by the tax authority as they were not paying the tax liability so that audit has been done. According to Juan Carlos Molero (2004) the audit and penalty should be supported if caught against the potential benefit generated by under reporting income in order to decide whether or not to hide all or share their taxable income to tax administration. supposing that the tax payers are risk adverse person an increase in tax audit leads to decrease in tax evasion, generally increases reported income ,the under reported income is discovered(NevilaKiri,2016).

Table 4.11 Summery audited respondents.

	Frequency	Percent	Valid Percent
Audited	28	46.7	46.7
Valid Not audited	32	53.3	53.3
Total	60	100.0	100.0

Source: SPSS output from survey data, 2017.

As the data presented in table 4.12.after auditing majority of the respondents who have been audited, about 78.57 percent were found to be tax evaders so that the tax authority take some measures by increasing their tax liability. But about 14.29 percent were paying their tax liability honestly. But about 7.14 percent of these audited respondents are not found to be tax evaders rather they were paying tax beyond their capacity so that their tax liability decreased. These tax payers (78.57 percent) evade tax using different techniques such as omission of sells transaction, falsification of income, keeping multiple set of books of account to recorded business, reporting personal expenses as business expense and omission of reports taxable revenue. JamesAlm (2012) concluded if individuals are not predictive significantly to higher tax rates increase audit rates and increased use of information-sharing between government agencies.

Table4.12 Trends of tax payers after audit

	Frequency	Percent	Valid Percent
Valid Increase	22	78.57	78.57
Decrease	2	7.14	7.14
No change	4	14.29	14.29
Total	28	100.0	100.0

Source: SPSS output from survey data, 2017.

The size of business is determined based on the numbers of employees obtained from the respondents, according to united states bureau of labor statistics,2017 businesses having numbers of employees greater than 25 are considered as large business and businesses having numbers of employees less than 25 are considered as small business. Based on this category about 58.3 percent of the respondents are running small businesses and about 41.7 percent of the respondents are running large business. As size of business decreases tax evasion increases since small business are less recorded or less eligible for the tax authority and their tax liability is levied by assessment presumptive taxation method. Small size businesses evade tax because they do not prepare financial statements, unskilled on the business movement, and have less capital. But businesses having large numbers of works are large businesses size and evade tax because they understand the value of money and they are more skilled in their business.

Table 4.13 Employment opportunity

No of employees	Frequenc y	Percent	Valid Percent
less than 25	35	58.3	58.3
Valid greater or equal to 25	25	41.7	41.7
Total	60	100.0	100.0

Source: SPSS output from survey data, 2017.

As the data obtained from Bole sub city revenue authority as usual in Ethiopia and Bole sub city in particular tax payers are divided in to three categories ,category “A”, category ”B”, and category” C. As the data shows majority of tax payers in Bole sub city are found in category “C” which is about 75 percent but category “A” tax payers’ accounts about 13.3 percent of the total respondents and category “B” tax payers comprises about 11.7 percent of the total respondents. This division is made for its efficient and effective tax administration purposes. As their business size increases their tax category changed to another tax category. The number of tax payers in category “C” is because their business size is small so entry and withdraw (on and off) are common problems, their number also fluctuates.

Table 4.14 Category of tax payers

	Frequency	Percent	Valid Percent
Valid Category, A	8	13.3	13.3
Category, B	7	11.7	11.7
Category, C	45	75.0	75.0
Total	60	100.0	100.0

Source: SPSS output from survey data, 2017.

As the descriptive Statistics shows in table 4.15 the average annual expenditure of respondents was about 1,000,000 Birr and the annual officially declared tax of respondents was on average 120,000Birr. According to Mankiw, 2001 expenditure and income quantities are really the same, an individual is supposed to expend approximately equal to income earned and for the economy as a whole, income must equal expenditure. That fact, in turn, follows from an even more fundamental one: because every transaction has both a buyer and a seller, every dollar of expenditure by a buyer must become a dollar of income to a seller. Based on this economic assumption individual respondents gain an average annual income of one million. Taking the gap between annual income and annual officially declared tax the amount of income that could have been taxed can be obtained, the amount evaded. Each respondent evades tax on average about 800,000 Birr annually.

Table 4.15 An Average annual expenditure and officially declared tax

		Annual expenditure	Officially Declared tax
N	Valid	60	60
	Missing	0	0
Mode		1,000,000	120,000.00

Source: SPSS output from survey data, 2017.

As the data presented in table 4.16 about 70 percent of the respondents know the role of tax. They know why the government collects tax and during data collection they respond that government collects tax to fulfill social services such as road, hospital and school. So they pay tax honestly. But about 30 percent of the respondents do not know the role of tax that is why the government collects tax, they considered paying tax as non-purpose payment so that they do not pay honestly.

Table 4.16 purpose of tax collection in bole sub city.

		Frequency	Percent	Valid Percent
Know		42	70.0	70.0
Valid	not Know	18	30.0	30.0
Total		60	100.0	100.0

Source: own survey run by the researcher from SPSS statistics 20.

Based on the survey data from the total 60 respondents only 8 (13.3 percent) of the tax payers were maintaining one account and the remaining 52 (86.5 percent) of the respondents admitted that they had more than one accounts in different banks. About 33.3 percent of the samples have accounts from two banks and 18.3 percent have accounts from three banks and 15 percent have accounts from four banks and the remaining 8.3, 5.2, 3.3 and 3.3 have accounts 5, 6, 7 and 8 from different banks. From this it could be understood that majority of tax payers evade tax by maintaining different books of account which are not reported to the tax authority.

Table 4.17 summary of number of accounts maintained by respondents.

No. of accounts	Frequency	Percent	Valid Percent
1	8	13.3	13.3
2	20	33.3	33.3
3	11	18.3	18.3
4	9	15.0	15.0
Valid 5	5	8.3	8.3
6	3	5.2	5.2
7	2	3.3	3.3
8	2	3.3	3.3
Total	60	100.0	100.0

Source: SPSS output from survey data, 2017.

As location is one of the measures of attitude for tax payers that non accessibility of the tax authority leads non compliance.as the survey data shows in table 4.18 about 60 percent of the respondents have assumed the tax authority as non-accessible. This non accessible location creates hassle on the tax payers so that they prefer to hide themselves and about 18.3 percent of the respondents got the tax authority as accessible and about 21.7 percent of respondents got the tax authority as medium accessible.

table 4.18 location and accessibility of tax authority.

	Frequency	Percent	Valid Percent
Accessible	11	18.3	18.3
Valid Not Accessible	36	60.0	60.0
Medium	13	21.7	21.7
Total	60	100.0	100.0

Source: SPSS output from survey data, 2017.

As the survey data on table 4.19 indicates 55 percent of the respondents make the business transactions using cheque,and only 1.7 percent of the respondents use e-banking. These cheque and e-banking transactions are made through banks but about 43.3 percent of the respondents make their business transaction using cash. Assuming that informal transactions take the form of cash payments, an increase in the size of the informal economy will, consequently, increase the demand for currency (EmertaAsaminew, 2010)

It is an indirect approach looking for traces of evasion in transactions financed by currency, on the assumption that the “true” level of economic activity can be estimated via a Fisherian relationship between money and its velocity. The gap between this predicted level of economic activity and the official national accounts level gives a measure of the so-called “shadow economy”, which can be then use as a proxy for the amount of tax evasion. It is a function of factors that are assumed to motivate individuals to engage in evasion activities (e.g., the direct and indirect tax burden, government regulation, and the complexity of the tax system) (James Alm, 2012).

Table 4.18 Methods of transactions used by respondents.

Method of transaction	Frequency	Percent	Valid Percent
Cheque	33	55.0	55.0
e-banking	1	1.7	1.7
Cash	26	43.3	43.3
Total	60	100.0	100.0

Source: SPSS output from survey data, 2017.

Source: SPSS output from survey data, 2017.

The tax holders are direct participant of the tax authority. Hence they should be willing to pay timely and honestly. The tax authority can create awareness on the tax payers by different methods like using radio; panel discussion integrated with the commerce of champers why one individual pays tax.in this regard 53.3 percent of the respondents got awareness creation programs and 46.7 percent of the respondents did not participate in awareness creation programs so that lack of awareness leads to non-tax compliance.

Table 4.19 Tax payer’s level of awareness

	Frequency	Percent	Valid Percent
yes	32	53.3	53.3
no	28	46.7	46.7
Total	60	100.0	100.0

Source: SPSS output from survey data, 2017.

Data from the financial statement preparation of the respondents show that about 28.3 percent of the respondent's prepared financial statements but majority, about 71.7 percent of the respondents do not prepare financial statements. False statement business transactions subject to VAT represents' type of tax evasion.

Table 4.20 Preparation of financial statements

		Frequency	Percent	Valid Percent
Valid	Prepare	17	28.3	28.3
	Not Prepared	43	71.7	71.7
	Total	60	100.0	100.0

Source: SPSS output from survey data, 2017.

3.3. Financial reports

Category “A” tax payers

According to Bole sub city tax authority category “A” tax payers prepare financial report and submit to the tax authority, audit, balance sheet, and income statement (profit and loss statement) ,which were prepared based on book of account maintained in accordance with generally accepted accounting principles. Whenever required in writing by the tax authority, any public auditor shall also submit to audit report of his/her tax payers to the authority. Failure to submit the report will result cancelation of his license by the tax authority. According to Clemens (2009) tax evasion by wealthy individual residing in developing countries that hold financial assets abroad and do not report this income in their country of fiscal residence.

Category “B” tax payers

All category “B” tax payers who are engaged in business (trade) are required to maintain proper book of account and other supporting documents which are like category “A” tax payers. They shall use the type and quantity of vouchers required and approved by the tax authority. Nevertheless, category “B” tax payers are required to prepare and submit to the tax authority only income statement (profit and loss statement) with the required details. It is not legal requirement for category “B” tax payers to prepare and submit balance sheet to tax authority.

Category “C” tax payers

Category “C” tax payers unlike category “A” and category “B” tax payers are not required to maintain book and record and submit any financial statement to the tax authority. To determine the tax liability of such tax payers, however, standard assessment presumptive taxation method is used. It is not worth that though category “C” tax payers have no obligation to keep books of accounts and records, they are not prohibited from doing so. The tax authority even encourages category “C” tax payers to keep proper books and records as per the tax law requirement. If category “C” tax payers maintain books of accounts acceptable to the tax authority they shall pay their tax as per the books, instead of as per the standard assessment presumptive system.

As presented in table 4.21 majority of the respondents, about 76.7 percent of the respondents gave finger print which in which tax payers evaded tax by changing of their name (own father, grandfather), changing TIN (tax identification number) so that they can have more than one TIN and even about 23.3 percent of the respondents did not give finger print (they hide themselves from the tax authority).

Table 4.21 summary of finger print of respondents

	Frequency	Percent	Valid Percent
Valid Gave finger print	46	76.7	76.7
Valid Not gave finger print	14	23.3	23.3
Total	60	100.0	100.0

Source: SPSS output from survey data, 2017.

3.4. Problems of collecting tax in Bole sub city town

Bole sub city tax authority faces different problems while collecting tax from tax payers such as lack of awareness, falsification of taxable income, lack of good public image to the tax environment, the existence of underground economy, lack of self-belongingness, on and off of business activities especially in category “C” tax payers. Tax payers consider paying tax as punishment because they do not know the role of tax why and for what purpose the government collects. Using these factors tax payers hide themselves from tax authority.

CHAPTER FIVE

5.1. CONCLUSION AND RECOMMENDATION

In order to assess sources of tax evasion in Bole sub city the study is mainly conducted based on both primary and secondary sources of data using organized questionnaire and the objectives of the study is to investigate sources of tax evasion in Bole sub city. The government is attempting to increase tax revenue but based on the data from Bole sub city tax authority from the year 2010-2016 the outcome looks low and unsatisfactory.

Based on the findings people stay for short time which comprises about 65 percent of the respondents in Bole sub city evade tax more and unsatisfied tax payers with services delivered by Bole sub city tax authority evades more, people do not have good image to the tax environment comprising about 73.3 percent of the total respondents. On the other hand unsatisfied tax payers with infrastructure expanding by the government evade more tax; he (she) does not know the role of tax being about 80 percent of the respondents. Besides this tax payers those do not plan for future investment, about 56.7 percent evade more and apart from this about 83.3 percent of the respondents found their tax as unfair.

According to the data from the survey from the total respondents 28 (46.7 percent) have been audited and from these 28 (46.7 percent) audited tax payers 22 (78.57 percent) of them increase their tax. Small size business evade tax since they do not prepare financial statements, unskilled in the business movement and have less capital and large size business evade tax by presenting false financial statements before the tax authority.

There are three categories of tax payers among these tax payers category "A" and category "B" tax payers prepare financial statements and maintain proper book of account that they evade tax by presenting false financial statements before the tax authority but category "C" tax payers are not obligated to prepare financial statements and maintain book of account. As result they evade tax having characteristics of standard assessment presumptive system.

Another means of tax evasion method is maintaining multiple books of record which is not reported to the tax authority, about 86.5 percent of respondents maintain more than one account. Informal transactions take the form of cash payments, an increase in the size of the informal economy will, consequently, increase the demand for currency which adversely increases tax evasion. In this regard about 43.3 percent of the respondents use cash as means of transaction payments. Even if the tax authority creates awareness through different methods it is not fully addressed that about 46.7 percent do not have awareness about tax. Another method that tax payers hid them by having no finger print which accounts about 23.3 percent.

5.2. Recommendations

Based on the main findings discussed, some policy recommendation which are important policy implications drawn in order to achieve the objective. To avoid or minimize tax evasion the government should focus on two issues, awareness creation and attitudinal change of tax payers to establish good public image to the tax environment. Besides the above two remedies the following measures may be regarded as possible remedial to prevent or at least to minimize tax evasion.

1. Audit Policy: the government shall practice audit policy, detection of non-compliance behavior from tax authority. supposing that the tax payers are risk averse person an increase in tax audit leads to decrease in tax evasion, generally it increases reported income ,the under reported income is discovered
2. Maintenance of proper account: proper maintenance of accounts by tax payer and competent qualified tax officials help the tax enforcing authority to undertake timely and proper tax assessment, audit and investigation on the tax payers.
3. Awareness creation: since the tax holders are direct participant of the tax authority they should be willing to pay timely and honestly. The tax authority shall create awareness on the tax payers by different methods like using radio; panel discussion integrated with the commerce of chambers why one individual pays tax
- 4.. The attitude of tax payer is an important variable determining the contents of tax payers to tax. The tax payer must accept paying a tax as their duty .the taxing community must not be a kind of community that would like to be exempted from taxpaying
5. The tax authority shall establish mechanism in such a way that transaction payments shall be effected in banking system which minimizes the existence of the informal business by avoiding cash payments.

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APPENDIX

St. Mary's University
School of Graduate Studies
Department of General MBA

Dear respondents

Introduction

The purpose of this questionnaire is to undertake research on “Sources of tax evasion Addis Ababa bole sub city for the fulfillment of the requirement of masters of degree in General MBA. It is believed that tax payers could be good sources of information for this study. So your frank and honest response will have positive contribution for the success and reliability of this study. Your response and related activities will be kept confidential and the results of the research are for educational purpose only.

Finally, thank you in advance for your time and kind cooperation to answer the questions. For open ended questions write your answer on the blank space provided and use “√” for close ended with the box provided.

1 Personal characteristics of respondents.

1.1 Age _____

1.2. Level education _____

1. 3. Sex: 1.male 2.female

1.4. Marital status 1.Married 2.Single

2. Basic information about tax payers.

2.1. For how many years have you been in Bole sub city? _____

2.2. Have you been satisfied from service delivered by tax Bole sub city tax authority?

1. Yes 2. No

2.3. Have you planned for future investment?

1. Yes 2. No

2.4. Do you believe that the tax you pay is fair?

1. Yes 2. No

2.5. Do you satisfied with infrastructures provided by the government in your locality?

1. Yes 2. No

2.6. Have you ever been audited? 1. Yes 2.No

2.7. If your answer for question no_2. 6 is “yes” the tax you pay after auditing

1. Increase 2.Decrease
3. No change

2.8. How many employees do have? _____

2.9. Under which category of tax you pay?

1. Category” A” 2.Category “B”
3. Category “C”

2.10. How much your annual expenditure is? _____

2.11. What amount of officially declared tax you pay? _____

2.12. Do you clearly know the purpose of tax that the government collects?

1. Yes 2. No

2.13. From how many banks do you have account? _____

2.15. Location and accessibility of tax office/ convenience?

1. Accessible 2. Not Accessible 3.Medium

2.16. What methods of transaction do you used while running your business?

1. Checks 2. king .cash

2.17. Have you ever participated in the training /education/ awareness development programs conducted by tax authority? 1. Yes 2.No

2.18. Do you prepare financial statements?

1. Yes 2.No

2.19. Have you ever given finger print? 1.Yes 2.No

3. Basic information from tax authority.

3.1. How do you rate the nature of pattern (trend) of tax?

3.2. What are the cases for the change or variation of tax?

3.3. What are the sources of tax evasion?

3.4. What mechanisms the tax authority uses to create awareness about the role of tax?

3.5. How do you explain problems related to records of book keeping among tax payers?
