

**Determinants of tax collection performance on category "B"
in case of Sheka Zone Revenue department South west
Ethiopia.**



**MIZAN-TEPI UNIVERSITY
POSTGRADUATE DIRECTORATE**

MSc Thesis

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**Jan /2024
Mizan-Aman, Ethiopia**



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A thesis submitted to the College/ School of business and economics,
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(MSc).

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**Jan /2024
Mizan-Aman, Ethiopia**

Dedication

This thesis is dedicated to my family: Firehiwot H/giorgis, Minase Sewunet and Herani Sewunet.

Declaration

I declare that this Thesis is my own work and that all sources and materials used for the thesis have been duly acknowledged. This thesis has been submitted in partial fulfillment of the requirements for a Master degree at Mizan-Tepi University. I solemnly declare that this Thesis is not submitted to any other institution anywhere for the award of any academic degree, diploma, or certificate.

Name: _____ Signature _____

Date _____

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ACRONYMS

CC:	Contingency Coefficient
CSA:	Central Statistics Agency
ERCA:	Ethiopian Revenue and Custom Authority
FDRE:	Federal Democratic Republic of Ethiopian
FGD:	Focus Group Discussion
GDP:	Gross Domestic Product
GTP:	Growth and Transformation Plan
IMF:	International Monterey Fund
NBE:	National Bank of Ethiopia
OECD:	Organization for Economic Cooperation and Development
SPSS:	Statically Package of Social Science
SSA:	Sub Sahara Africa
TOT:	Turn over tax
TIN:	Tax Identification Number
UNDP:	United Nation Development Program
VAT:	Value Added Tax

Abstract

Tax collection plays crucial and significant role in raising revenue to the level required for economic growth and development for both local as well as national government. The main objective of this study was to examine the determinants of tax collection performance on category B in case of Sheka zone revenue Department.

To achieve the objectives, descriptive and explanatory research design and mixed (qualitative and quantitative) approaches were employed. To conduct this study primary were gathered through self-administrated questionnaires, semi-structured interview and secondary data from five (2019 to 2023) years Sheka zone revenue department reports. The data was collected from 99 respondents of category B taxpayers selected through stratified and simple random sampling techniques and an interview conducted from 10 purposively selected tax employees. The gathered data was analyzed by descriptive and inferential statistics through ordered logistic regression model by using SPSS version, 27 software. The finding of the study was tax knowledge, tax compliance, simplicity of the tax system, fairness, organizational strength and penalty have positive and significant effect on tax collection. On other hand, tax evasion and political instability have negative effect on tax collection performance. The researcher recommended that tax knowledge and tax compliance of taxpayers, have a vital role on tax collection therefore, the Sheka zone revenue department and each tax office should give emphasis on creating awareness of taxpayers more than just doing before. Provide continues training to taxpayers that reduce intentional or unintentional breaking of laws, wrong attitude of taxpayers and reward loyal taxpayers. In addition, informing taxpayer's obligation by using media opportunities to improve their tax collection performance. Finally, further studies should fill the gap by applying different research model to enhance the accuracy of the result.

Key words: *Tax collection performance, category B taxpayers, Sheka zone revenue department*

CHAPTER ONE

1. INTRODUCTION

1.1. Background of the study

Tax is the most important sources of revenue for any government in the world (Elke, 2010 and Yoseph, 2018). Developed and developing countries depend on taxation to generate revenue for their governments spending, but the amount of revenue mobilization performance differs to some extent. The generated revenue is used to finance public projects or goods (Kanbiro, 2018 and Mengistu et.al, 2020).

Tax is compulsory contributions levied by the government on its citizens to cover general expenses incurred for the public good, without corresponding benefit to the taxpayers (Misrak, 2008 and Messay, 2019). That means it is not paid directly under exchange agreements like other payments, except for subsidies paid by the state. All citizens pay whether or not they benefit from government projects and tax assistance programs (Mengistu et al, 2020).

The tax systems in developing countries, especially African countries, lag behind in mobilizing domestic tax revenue and rely on external sources for economic growth. The tax systems in developing countries impose high costs, low efficiency, high fees, waste of taxpayers' and staff time, and low taxes on society (Arshalo, 2020).

Moreover, in developing countries many problems like poor administration, failing to collect sufficient tax revenues, tax structures where tax horizontal and vertical equity considerations are not integrated, lack of government and economic stability. Developing countries collect lower tax revenue comparing to developed countries (Amina & Saniya, 2015 and Fitsum, 2017).

Ethiopia is one of the developing countries that have difficulty in raising revenue to the promotion of economic growth through making different tax reforms for improving revenue generation, enhancing the efficiency of tax administration and improving equity in the tax system (Arshalo, 2020). In Ethiopia, there is a gap between budgeted and actual tax collection (World Bank, 2018).

In Ethiopia, tax administration and tax collection are delegated to the federal or central government and local governments. The constitution of the (1987E.C) federal democratic Republic of Ethiopia (FRDE) separates tax revenues to be collected

jointly by the federal and regional governments (Federal Income Tax Proclamation No. 979/2016).

Taxes levied by the central and local governments include direct and indirect taxes. Direct tax is a tax that includes tax on earned income, business income tax, etc., while indirect tax mainly consists of value-added tax (VAT) and excise taxes (consumption tax). The law classifies the business income tax payers into three main categories: A, B, and C based on their legal personality and annual turnover. Category “A” taxpayers are whose annual turnover in a tax year is greater or equal to Birr 1,000,000. Category “B” taxpayers are whose annual turnover greater than Birr 500,000 and less than Birr 1,000,000. All taxpayers with an annual turnover of less than Birr 500,000 are calcified as category C taxpayers (Federal Income tax proclamation No.979/2016).

In the national bank of Ethiopia (NBE) 2022, report shown the gross domestic income was 540.0 billion Birr, of which Birr 477.7 billion came from taxes and Birr 62.3 billion non-taxable income. Tax revenues increased by 22.9 % due to improved tax collection and tax management. It accounted for 88.5 % of total domestic sales. About 54.8 % of the revenue was collected as indirect taxes, which increased by 22 % due to efficiency of domestic and import taxes.

Meanwhile, direct tax revenue increased by 24.1 % year-on-year, driven by higher taxes on income & profit taxes and higher municipal land use fees. Non-tax revenue was 62.2 billion Birr showing up 11.6% year-on-year driven by increases in all components except public investment revenue. Total revenue and execution of grant amount to 92.4 % of the annual plan.

The overall financial performance of the general government sector (excluding subsidies) posted a deficit of 239.0 Billion Birr, up from a deficit of 154.4 billion Birr recorded a year earlier. Total revenue (including subsidies) increased by 18.3 % per annum. The income- to- GDP ratio was 8.8 % compared to 10.2% in the previous year. General government spending increased by 30.1 % and the expenditure- to- GDP ratio reached 12.7%. General government spending totaled 979.1 billion Birr, up 30.1 % year-to-year due to higher operating and capital expenditures. Operating expenses increased by 42.2 % compared to the previous year due to cost increases in all components.

Capital expenditures amounted to 262.0 billion Birr and accounted for 33.6 % of total expenditures. Capital expenditures increased 11.3 % year over year. There were no

special programs during the review period. Overall execution of general expenditures amounted 95.7 % of the annual budget in the NBE report (2022). The above realities initiate the researcher to conduct the study on determinants of tax collection performance on category B that will help to enhance the performance of Sheka zone revenue department to collect sufficient tax revenue.

1.2. Statements of the problem

Tax revenue is the crucial part of annual national budget for most of developed and developing countries pointed out that annual national budget deficit was the vital problem of most of the under developed countries in the past numerous periods. The main cause of this budget deficit was tax collection inefficiency (Yoseph and Neway et al, 2018). Developed countries collect more tax revenue than developing countries in proportion to their GDP. Developing countries often struggle to collect sufficient tax revenue, resulting in annual national budget deficit (Emenlike et al, 2017). Development program of many developing countries was bottlenecked by inadequacy of tax revenue collection (Neway et al, 2018).

The annual national budget deficit is a significant problem for most developing countries over the past several years with insufficient tax collection being the main cause. Therefore, the tax agency's efficiency and effectiveness in improving the tax assessment and collection procedures, raising awareness, and enforcing tax law has a positive impact on tax collection. Socio-cultural factors also positively and negatively influence taxpayers' attitudes toward their taxes (Yosef, 2018).

Tax revenue has declined in almost all Sub-Saharan countries, leading to weakened fiscal balances and the need for governments to finance their national budget with borrowed funds (Emenlike et al, 2017).

Therefore, domestic resource mobilization is critically important for sustainable financing of development plans. Nevertheless, domestic resource mobilization in developing countries like Ethiopia is challenged by several factors such as illegal financial outflows (tax evasion, tax avoidance, and corruption), slow structural transformation in the economy, substantial tax incentives like tax holidays, and other exemptions. In Ethiopia, domestic resource mobilization is low, and as a result, external debt is the main source to finance the resource gap (Amina & Saniya, 2015).

Studies conducted by (Manaye et al., 2019) on the effect of organizational or institutional, administrative and demographic factors such as perceptions of tax evasion and avoidance, corrupt tax officials, and strength of the tax authority on tax

revenue collection. The studies conducted on the determinants of tax revenue collection performance in Ethiopia cover some variables such as taxpayer's awareness, the capacity of the tax authority, tax evasion, tax compliance, social norms, participatory tax system, equity, and fairness of the tax system.

The study by Messay (2019) on Tax Assessment and Collection Problems Adiss Ababa Gulelle sub city, the findings indicated that majority of taxpayer's lack of tax knowledge of assessment and collection Ways, rules, and regulations. There is absence of understandable, clear, and updated info and on the job training. Moreover, tax assessment and collection officers are inefficient and insufficient in relation to taxpayers number of in the sub-city, tax officers are non-motivated, lack adequate skills. Due to this and other factors mentioned in the analysis of this study, carelessness, delay in tax taxpayers use payment and evasion as solution to escape from tax. The researcher did not address all of the problems could also be responsible for low revenue collection and tax assessment problems. The findings from probit model showed what factors influence the compliance behavior of category `B` tax payers. Accordingly, four variable factors were found to have significant influence on the tax compliance in the study area these are tax evasion, marginal tax rate, tax penalty, and fairness of the tax system.

However, many studies conducted in of Ethiopia by (Shenkute ,2018; Ergo, 2018; Yoseph, 2018; Messay, 2019; Arshalo, 2020; Mengistu, et al., 2021; Zewude, 2021 and Eticha et al., 2021) on determinants of tax revenue collection performance in Ethiopia, but still, the problems of tax revenue collection are not solved and inefficiencies in tax collection. In addition, there is disagreement between study results. Furthermore, the report of 2023 sheka zone Revenue department shows Sheka zone is a part of Ethiopian that has inefficiencies in tax collection its five years tax collection performance was 87.66% compare to its plan. Additionally, there was inefficiency and inconsistency of tax collection between each three-study areas that means the five years average collection of each tax office in the study areas shown as 91.84%, 81.38% and 49.46% in Teepi, Masha and Andracha respectively. Therefore, the aim of the study is to show agreement on previous studies results and to fill the area gap and the knowledge gap because, there is no prior study conducted on the topic of determinants of Tax collection performance on category B in Sheka zone revenue department.

1.3. General Objectives of the study

The general objective of this study was to examine the determinants of tax collection performance on category B in case of Sheka zone revenue Department South west Ethiopia.

1.3.1. Specific Objective of the study

The specific objectives of this study includes

1. To evaluate the effects of individual factors (tax knowledge, tax compliance and tax evasion) on category B tax collection performance.
2. To assess how institutional factors (simplicity of tax system, fairness, organizational strength and penalty) influences category B tax collection performance.
3. To assess how socio economic factor (political instability) affects category B tax collection performance.

1.4. Research Hypothesis

To achieve the objectives, the following hypotheses were tested concerning the determinants of Tax collection performance relying on different theoretical review and empirical studies. Hence, there are eight alternative hypotheses stated below:

- Ha1: Tax knowledge has positive and significant effect on tax collection performance.
- Ha2: Tax compliance has positive and significant effect on tax collection performance.
- Ha3: Tax evasion has negative and significant effect on tax collection performance.
- Ha4: Simplicity of the tax system has positive and significant effect on tax collection performance.
- Ha5: Fairness has positive significant effect on tax collection performance.
- Ha6: Organizational strength of the tax offices has positive and significant effect on tax collection performance.
- Ha7: Penalty has positive and significant effect on tax collection performance.
- Ha8: Political instability has negative and significant effect on tax collection performance.

1.5. Significance of the study

This study would provide clear understanding on determinants of tax collection performance category B taxpayers and what problems and how both taxpayers and tax offices handle these problems. Therefore, all stakeholders would to strength their tax procedures, to adopt a comprehensive strategy, and to minimize the observed individual factors tax administration problems and socio economic to improve the tax collection performance in Sheka zone. The Sheka zone revenue department uses the finding to revise its planning strategies concerning category B tax collection to enhance its tax collection efficiency. Furthermore, the results would contribute to the existing literature on tax revenue collection in Ethiopia those other researchers in the field of study would be used as a frame of reference.

1.6. Scopes and Delimitation of the Study

Tax collection is broad in scope but due to time and budget constraints, the study delimited the focus on determinants of category B tax collection in Sheka Zone, specifically Masha city administration, Tepi city administration, and Andracha woreda and five years (2019-2023) secondary data was used. Tax collection has many variables, but the paper was focus only eight variables and the data was collected from 106 respondents of who are category B taxpayers.

1.7. Limitation of the study

The study had a certain limitations these were Lack of sufficient reference materials and organized secondary data such as articles, journals, books, and research papers. To solve this problem, the researcher was search different research journals, web sites, consult with friends, and refer different year reports of Sheka zone revenue department. In addition, the knowledge gaps of the researcher was another challenge but the researcher to fill this gap by referring different research papers, consulting with his advisor and seeking help from other individuals who have sufficient knowledge about research.

1.8. Organization of the Study

This study consists of five chapters. The first chapter provides an introduction, statement of the problem, research hypotheses, and research objectives, significant of the study, scope, limitation of the study, and, organization of the study. The second chapter describes review of related literatures with regard to the determinant of tax collection performance and the variables that determines the tax collection performance with conceptual and empirical review. The third chapter describes the methodology used to conduct this study, the data collections tools, and the sampling techniques used by the model to conduct the study. The fourth chapter includes the data analysis and interpretation, the fifth, and the final chapter will be discusses findings, conclusions, and recommendation.

CHAPTER TWO

2. REVIEW OF RELATED LITERATURE

2.1. Theoretical Literature Review

2.1.1. Definition of Taxation

The main source of government revenue is tax. Different scholars define tax in many ways. According to Bhatia (2003), "tax is defined as a compulsory levy and those who are taxed have to pay the sums irrespective of any corresponding return of services or goods by the government." Similarly, Dalton defines, as "tax is a compulsory contribution imposed by a public authority irrespective of the exact amount of service rendered to the taxpayer in return." In addition, according to dictionary of Modern Economic, "Taxation means 'Compulsory levies on private individuals and organizations made by government to raise revenue to finance expenses on public goods and services and to control the volume private expenditure in the economy.'" (Kulkarni, 2001).

Taxation deals with assessment, collection, administration, and management of taxes. It deals with increasing public revenue, managing public expenditure and public debt. The general idea behind taxation is the giving of public goods and services. However, the benefits taken by taxpayers from the government are not related to or proportionate to the tax paid (James, 2000) conducted the study that "taxation is one method of transferring resources from the private to the public sector."

Taxation is the act of levying taxes on a subject or upon their property by the government to provide security, social amenities and create conditions for the economic well-being of members of any particular society. It is a vital tool in every economy of the world since it is a noninflationary and sustainable source of revenue for government and a tool for fiscal policy and macroeconomic management.

Therefore, in generally, tax is a compulsory contribution of either natural or legal persons to satisfy the needs of the government's requirements, especially for financing ever-growing needs and wants for public expenditures as its end purposes. The Tax Justice Network Africa argues that tax is "a fee levied by a government or regional entity on a transaction, product, or activity in order to finance government expenditure." (TJNA, 2015; Misrak, 2008 and Messay, 2019).

2.1.2. Sources of Taxes

As (Yohannes & Sisay, 2009; Misrak, 2014 and Arshalo, 2020) the source of tax revenue in Ethiopia consists of two types. These are direct and indirect tax. Direct tax are on income from employment, business profit tax, rental income tax, tax on interest income on deposits, dividend income tax, tax on income from royalties, tax on income from games of chance, ...etc are classified under direct tax. Indirect taxes are taxes based on consumption or expenditure, such as value added tax (VAT), turn over tax (TOT), excise tax, and custom duty. These classifications are the major source of local government tax revenue that is collected by local government in line with regional government.

The Federal republic of Ethiopia income tax proclamation No. 979/2016 categorizes taxpayers according to their income levels. Category “A” taxpayers are whose annual turnover for a single tax year is Birr 1,000,000 or more. Category “B” taxpayers are those taxpayers with annual turnover greater than Birr 500,000 but less than Birr 1,000,000. All taxpayers with annual turnover income less than Birr 500,000 are grouped as category C taxpayers.

The proclamation provides for the taxation of income in accordance with the following schedules:

- 1) Schedule A, income from employment;
- 2) Schedule B, income from rental of buildings;
- 3) Schedule C, income from business;
- 4) Schedule D, other income;
- 5) Schedule E, exempt income.

2.1.3. Procedure of Tax collection

The tax procedure expects people's tax payments to be in line with their income, and they are required to pay a tax in proportion to their level of income. On the other hand, the tax collectors should be time- conscious and convenient, and the cost of collecting the taxes should not be high to discourage business (Tanzi, 2001) & Arshalo, 2020). The procedures undertaken by tax authority to ensure collection are discussed below.

Identification and Registration of Taxpayers

A tax Identification Number (TIN) is used to identify taxpayers. Every taxpayer has a unique TIN, which they are supposed to use in all their correspondence with the tax authority, and no taxpayer should have more than one TIN. In countries like Uganda, they issue TIN free of charge upon the taxpayer completing a TIN application form (Kangave, 2005; Arshalo, 2020 & Asefu, 2021).

Upon receiving a taxpayer's return, the tax authority officers examine the accuracy of the return by determining whether the return is properly completed if the tax has been properly computed, and whether there are any errors. The officer then allocates an assessment number to the return and issues the taxpayer with a Bank payment advice Form stating the tax payable (James, 1999 and Arshalo, 2020).

Payment of Taxes

Taxes are due on the due date of the submission of the self-assessment returns. Tax should be paid to an authorized bank using the Bank Payment Advice Form (Arshalo, 2020).

Audit and Examination

As cited by (Arshalo, 2020), an audit is defined as the structured examination of business- relevant commercial systems, financial and non-financial records, physical stock, and other assets, internally generated data, and that produced independently of the business. The role of tax audits and examinations is to check the accuracy of the information that taxpayers provide to tax authorities. The audits range from simple field and desk audits to comprehensive audits. However, tax audit is a critical and significant component of the compliance activities of tax administration. It is the conduct by audit staff for the appropriate verification of selected taxpayers whether they have been correctly declaring the tax liabilities, including a review of taxpayer's systems, books of account, and other related information. It may include crosschecks of taxpayer's records with those of taxpayer's suppliers or with other government, departments and agencies' source of information and its effectiveness and efficiency must be guaranteed by means of proper procedures and application of modern audit tools and techniques (OECD, 2006).

Filing Returns

Taxpayers are required to file returns within specified months of the end of their tax accounting year. The return should be filed in quadruplicate and should contain all the

particulars of the taxpayer. All documents respecting taxation should be presented to the tax authority office where the taxpayer has their file (Arshalo, 2020).

Returns Processing

Upon receiving a taxpayer's return, the tax authority officers examine the accuracy of the return by determining whether the return is properly completed, whether tax has been properly computed, and whether there are any penalties to be paid by the taxpayers. The officer then allocates an assessment number to the return and issues the taxpayer with a Bank Payment Advice Form, stating the tax payable (Arshalo, 2020).

Declaration

Taxpayers are expected to document their incomes within a definite period at the end of their tax accounting period. The incomes should be filed in quadruplicate and must include all the details of the taxpayer. All files regarding taxation need to be submitted to the tax authority office where the taxpayer has their record (Arshalo, 2020).

Checking accuracy

On getting a taxpayer's income, the tax office check the accuracy of the income by determining whether the income is properly completed, whether tax has been properly calculated, and whether there are any penalty bills to be paid by the taxpayer. The officer then assigns an assessment range to the income and issues the taxpayer with a bank payment advice form, declaring the tax payable (Asefu, 2021).

Submission of payment

Duties are unpaid on the submission deadline of the self-declaration returns. Taxes should be paid to an authorized bank, and the taxpayer should provide a Bank Payment advice (Asefu, 2021).

2.1.4. Determinants of Tax collection

a. Individual factors

Tax knowledge

Tax knowledge is an essential element in a voluntary compliance tax system (Palil, 2011). According to (Palil, 2011), tax education is knowledge about tax laws to determining taxpayers' compliance behavior. Tax educations promote taxpayers understanding of the tax systems, processes, law, and associated penalty for

defaulting. This tends to increase people propensity to comply with tax obligation. Knowledge of taxation owned by the taxpayer will affect the obedience of the taxpayer itself in carrying out its tax obligation and affect tax revenue received by the state if the people already have low tax knowledge. Personal circumstantial factors like tax knowledge, personal financial constraints, and awareness of penalties and offences are therefore likely to have a significant impact on taxpayers' compliance attitude. The influence of tax knowledge on compliance behavior has been described in various researches (Kanbiro, 2018)

Previous studies have evidenced that tax knowledge has a very close relationship with taxpayers' ability to comply (Ermias, 2014 and Mesfin, 2016) concluded that tax knowledge have significant impact on tax compliance attitude of the taxpayers.

According to (Tigist, 2017) sufficient knowledge about any deductions and computations of liability is crucial for any business entity. Individual taxpayer's technical skills in tax accountability, awareness of available tax regulations, and Sanctions (penalties fines prosecutions) are factors for better tax revenue mobilization. Tax education improves tax collection by reducing the level of non-compliance, increasing tax accountability and improving the knowledge level on tax regulations.

Tax compliance

Tax compliance is the willingness of taxpayers' to obey tax laws by true reporting of tax bases, correct computation of the tax liability, timely filing of returns and timely payment of the amount due (Ahmed and Kedir,2015). It is therefore an important factor for the collection of tax revenue. Taxpayers make conscious decisions on whether or not to comply with tax laws. An assumption can be made that taxpayers' knowledge and concepts of taxation form the basis of their judgments, evaluations, and perceptions of fairness, willingness, and ability to comply with the law. Nevertheless, it is important to gain an understanding of taxpayers' behaviors, as they will most probably behave in accordance with the subjective knowledge that they have. Subjective knowledge does not focus on whether the knowledge is correct or not, but instead focuses on the knowledge that taxpayers have and how such knowledge is organized to form a meaningful representation (Kirchler, 2009).

Tax compliance may be seen in terms of tax avoidance and tax evasion (Tulu, 2007). The two activities are conventionally distinguished in terms of legality, with avoidance referring to legal measures to reduce tax liability and evasion to illegal

measures. In the contrary, tax noncompliance is individual failure to comply with their tax obligation. Tax noncompliance consists of three distinct types:

Filing noncompliance: refers to non-filing of returns to the tax authority, which will lead to tax gap i.e. the amount of unpaid taxes due foregone.

According to (James et al, 2003), the degree of non-compliance measured in terms of the net tax gap (the difference between true individual income tax liability and that finally collected on a voluntary basis or by enforcement action) which happens by means of both tax avoidance and tax evasion. Mainly two factors affect the improvement of tax collection. These are lack of tax compliance and difficulty in finding effective instruments for improving compliance given institutional constraints (Ahmed, et al., 2012).

Tax Evasion

One of the most important problems that any tax administration faces is cheating or evasion. Tax evasion involves the intentional disregard of the legislation in order to escape the liability to tax. Tax evasion must be achieve the understating income, overstating expenses, making false claims for allowances or failing to disclose a chargeability tax. Because of its illegal nature, there is little hard evidence as to measure the true extent of tax evasion (Juliet, 2018).

Tax evasion is illegal and the offender may be liable to prosecution, however, the authorities will usually only resort to criminal prosecution where the case involves substantial amount of lost revenue, many minor cases of tax evasion that are discovers the revenue are generally steels the out of court. Tax evasion occurs in the informal economy where the whole activity takes place in an informal manner. This means the business is not only evading tax payments but is also not registered as formal enterprise at all (Temesgen, 2018).

Tax evasion is one's tax obligation by techniques that cut-up tax rules and it is a crime that if one discovered might result in imposition of illegal measures contrary to the taxpayer. Like other authorities, Ethiopia's tax structure is bothered with tax evasion. One issue that significantly donates to the tax evasion is absence of care full audit and nonexistence of structured audit pre conditions. And lack of automation in tax office inspires tax evasion (ERCA, 2010). Tax evasion is illegal, unethical, uneconomical, and highly risky since it may result in penalty, imprisonment, and closing up of business (Kirchler, 2009).

b. Institutional factors

Simplicity of tax System

Tax system ought to be as easy as possible for the rationale that taxpayers are from varied background, with different level of education, earning level, various culture, and different tax awareness. In serving to taxpayers to complete the tax returns accurately, the tax authorities need to have a simple, but sufficient, tax return (Ahmed & Kedir, 2015). Tax knowledge and the simplicity of tax returns have a different impact on compliance. It is noted that a taxpayer with low tax knowledge may be able to file the tax returns accurately provided the tax returns are simple, clearly explained, and consistent (Kirchler, E., & Wahl, 2008).

However, simplifying the tax system and therefore generating simpler tax returns implicitly might not be an effective deterrent to tax evasion because taxpayers may not necessarily consider a complex tax system to be unfair. To identify any relationship between complexity and perception of unfairness and concluded that while simplifying the tax law would not automatically improve compliance, many taxpayers perceive that tax systems are always complex and become a burden to them (Forest & Sheffrin, 2002 and Temesgen, 2018).

Tax authority should have a simple tax system from a taxpayer's point of view (Silvani & Baer, 1997 and Temesgen, 2018).

Fairness

Ahmed & Kedir, (2015) express as tax fairness square measure typically seen from two angles: equity of trade, that is expounded with the profit received from paid tax and also the alternative is equity in reference to burden of liabilities compared to alternative tax payers. Perceived tax fairness referred to as those activity aspects that utterly have an impact on the taxpayers' decision to conform. A remunerator of United Nations agency perceives the tax to be truthful is predicted to obey diligently (Mukasa, 2011; Tilahun & Yidersal, 2014); Maseko, 2015; Desta Sawyer et al., 2014 and Paper et al., 2016) also confirmed that perception on equity and fairness of the tax system is the factor that significantly affect tax compliance behavior equity and fairness of the tax system is statistically significant to affect tax compliance levels. However, in the studies conducted by (Ahmed, 2013 and Tadesse and Goitom, 2014) and it was indicated that the relationship between the equity perceptions of the taxpayers and their tax compliance intention is not statistically significant.

Organizational Strength of the Tax offices

Organizational strength of the tax offices can be taken as one factor, which can affect tax compliance behavior of taxpayers. The perceptions of small and medium enterprises operators about tax service quality greatly affect their tax compliance decisions (Maseko, 2015). Efficiency and effectiveness of the authority in improving the tax assessment and procedures of tax collection, building of awareness, enforcement of the tax law influence positively the voluntary tax compliance behavior of taxpayers (Mehari et al., 2017 and Daniel and Pasha, 2017). The study conducted by (Feyitimi, 2014) on the level of the effectiveness and efficiency of tax administration and voluntary tax compliance in Nigeria indicated that the level of effectiveness and efficiency of tax administration affects taxpayers voluntarily compliance with the relevant tax laws. But, the studies of (Tadesse and Goitom, 2014 ; Olatunji, 2017) on determinants of tax compliance behavior of tax payers indicated that the roles of the tax authority was not significantly correlated with tax compliance. (Desta, 2010) conducted a study on assessment of taxpayers' voluntary compliance with taxation in Mekelle City, Tigray, Ethiopia using factor analysis and multiple regressions showed that organizational strength of tax authority was found to be the cause of impelling voluntary compliance behaviors of taxpayers.

The organizational strength of tax authority is found to have a significant impact on increasing the probability of collecting high tax revenue. However, it significantly decreases the probability of collecting a low level of tax revenue. It is also found that the main factors for organizational strength tax authority are possession of technological and human resources and ways of its enforcement mechanisms (Zewude, 2021; Mengistu D.al.et, 2021) analyzed the organizational strength of the tax authority has its own impact on tax collection.

Penalty

Penalty is money paid generally to a central authority, as a punishment for a crime or different offence (Muoki et al., 2014). Increases in tax deterrence sanctions pertaining detection chance and the severity of consequences ended in lower non-compliance amongst taxpayers (Sawyer et al., 2014). Fines and consequences had high quality impact on stage of tax compliances; the greater the penalty and consequently the capacity audit chance the higher discouragement for potential tax evasion. The extent of penalty rate is statistically big to have an effect on tax compliance stages (Muoki et al., 2014 and Paper et al., 2016).

That is similar with the have a look at of (Palil & Mustapha, 2011) which suggests that the charge of tax penalties has a fantastic impact at the tax compliance behavior.

Furthermore, (Ahmed & Kedir, 2015) showed that the penalty value is considerably positively associated with tax compliance intentions; this is when taxpayers perceived that there is high penalty rate for any non-compliance, the level of non-compliance will decrease. but, the study of (Tilahun, 2014) studied conducted on factors influencing tax compliance attitude in Ethiopia in Bahir Dar town management indicated that offences and penalties are not critical variables in explaining tax compliance mindset.

Similarly, (Waithira2016; Oladipupo & Obazee 2016) confirmed that there exists a trifling terrible impact among fines and consequences and home rental profits tax compliance with the aid of assets proprietors. Similarly, in Nigeria, no matter the penalties put in area to make certain tax compliance that taxpayers still may not fully comply. This means that penalties do not deter tax evasion (Pambudi, Restianto & WK, 2015). Moreover, the study of (Modugu & Anyaduba, 2014) in Nigeria discovered that the tax penalties and enforcements will be predisposed to negatively and substantially impact tax compliance. This implies that boom in penalty will have a propensity to decrease tax compliance.

c. Socio economic factors

Political Instability

Political instability is may relate to violent conflicts of low intensity. Political instability arises due to types of government coalitions with paramilitary groups in rural areas, displacing people and expropriates land from its owners. The main reason for a low level of tax revenue collection is political instability. During the period of political instability, all government bodies including tax authority think about bringing stability than collecting tax; therefore, tax revenue collection falls from the budgeted amount. It is also political instability has a negative impact on tax collection, and it blocks the overall economic growth (Amin, et al., 2014 and Wayau, 2017)

The study by Zewude, (2021) on Political instability is also another determinant of tax revue collection. As the level of political instability increases, the probability of

collecting a low level of tax revenue would increase. On contrary, political instability decreases the likelihood of collecting a high level of tax revenue.

2.2. Empirical Review and Knowledge Gap

2.2.1. Evidence from other countries

The study by Amin, et al., (2014) explore the “Factors affecting tax collection in Pakistan” using time series data from 1980-2010, with Autoregressive Distributed Lagged model was applied to find out the long-run relationship between variables.

The authors applied macro-economic variables as determinants of tax revenue collection. They found that inflation has a positive but insignificant relationship with tax collection. Further, the result suggested that real per capita income, corruption, and political instability have a negative and significant effect on tax collection. They also found trade openness has a positive and significant relationship with tax revenue.

(Mohammed, 2018) conducted a study on “factors affecting revenue collection efficiency in county Governments of Kenya” using primary data collected from employee work on tax-related issues and secondary data obtained from financial reports. The authors applied descriptive statistics and inferential statistics (correlation analysis and regression analysis) to analyze data. The result suggested that tax collection efficiency is affected by staff competence, taxpayer’s education (taxpayers’ knowledge of tax laws) and tax compliance. Staff competence has a positive and insignificant effect on tax revenue collection efficiency while taxpayer’s education and compliance have a positive and significant effect on revenue collection efficiency. Authors further indicated the effect of technology, which shows an improvement in technology, leads to collect tax efficiently.

According to (Juliet, 2018) Factors affecting tax revenue collection in kenya revenue authority Nyeri. Tax evasions have a great influence on tax revenue collection level.

2.2.2. Evidence from Ethiopia

The study by Ergo, (2018) investigated performance determinants of business income tax collection in the Boditi Town Revenue Collecting Branch Office, Wolaita Zone; SNNPR, Ethiopia using primary data collected through five Likert scale questionnaires, interview, and secondary data. Descriptive research design with quantitative and qualitative techniques and regression analysis were used. The result suggested that fairness and equity, culture and social norm, taxpayer’s education, attitude towards the government and competency of tax experts have a positive and

significant impact on tax collection performance. Further, the finding indicated organizational strength of tax authorities has a positive and insignificant effect on tax collection.

According to (Shenkute, 2018) conducted “Factors affecting tax revenue collection in the case of Addis Ketema sub-city tax office”. The author used primary data surveyed from category "A" and "B" taxpayers and supported with secondary data. The study was conducted using descriptive statistics and inferential analysis. The findings show tax revenue collection is affected by tax evasion, taxpayer’s awareness, and tax compliance. Tax evasion has a negative and significant effect on tax revenue collection while tax compliance and taxpayer’s awareness have a positive and significant impact on tax collection.

Study conducted by (Zewude, 2021) on determinants of tax revenue collection was examined using the ordered logistic model and an interview was used. Tax evasion and Political instability have a negative effect on tax revenue collection, which causes a reduction in tax collection. Organizational strength of tax authority and educational status of taxpayers have a positive effect on tax revenue collection.

As (Mengistu D.al.et, 2021) assessment of tax payment and collection problems in Jimma zone, Ethiopia organizational strength of the tax authority has its own impact on tax collection.

The study of (Yoseph, 2018) conducted on the factors affecting tax revenue collection in Addis Ketema sub city tax Office. The study used explanatory research design and mixed research approach employed. Data gathered from primary and secondary sources. The primary data obtained by interview and questionnaire. The survey is conducted on category A and category B taxpayers of Addis Ketema sub city and employees of the tax office by the use of purposive sampling. The secondary data collected from reports and manuals of Addis Ketema sub city. Data analyzed with descriptive statistics such as frequencies, percentages, mean, and standard deviation through statistical tool of SPSS version 20. The result indicates that tax awareness, tax compliance, and tax evasion have a significant effect on tax revenue collection and tax office capacity has insignificant effect on tax revenue collection.

According to (Arshalo, 2020) the study on factors affecting the practice of tax collection system in Alle special woreda, southern Ethiopia. The result shown that tax payers compliance related to tax collection practice were based up on explanatory

variables including age, education level, attitude of tax payer, tax rate, tax laws and rules, administrative efficiency, audit, and penalty have a positive effect on tax compliance level.

The study by (Messay, 2019) on Tax Assessment and Collection Problems Adiss Ababa sub city, the findings indicated that majority of taxpayer's lack of tax knowledge of assessment and collection Ways, rules, and regulations. There is absence of understandable, clear, and updated info and on the job training. Moreover, tax assessment and collection officers are inefficient and insufficient in relation to taxpayers number of in the sub-city, tax officers are non-motivated, lack adequate skills. Due to this and other factors mentioned in the analysis of this study, carelessness, delay in tax taxpayers use payment and evasion as solution to escape from tax. The researcher did not address all of the problems could also be responsible for low revenue collection and tax assessment problems. The findings from probit model showed what factors influence the compliance behavior of category `B` tax payers. Accordingly, four variable factors were found to have significant influence on the tax compliance in the study area these are tax evasion, marginal tax rate, tax penalty, and fairness of the tax system

The study of (Tigist, 2017) provides valuable insight about the fairness perception of Category B taxpayers in Bole sub city. The study states awareness of the issues that needed to be addressed and suggests solutions for the tax authorities and other decision- makers at various governmental levels (e.g. regional or local) to understand the taxpayers' concerns and perception on tax system and improve the system in order to increase taxpayers' voluntary compliance.

A study conducted by (Mengistu et al, 2020) on assessment of tax payment and collection problems in Jimma zone, Ethiopia. The study found that corruption and political instability, organizational strength of the tax authority, tax fairness, and modes of Tax collection are independent variables that have a significant relationship with tax collection. This indicates that these variables have an impact on collection of taxes. On the other hand, others variables such as taxpayers' awareness and starting a business without a license show no significant relationship.

According to (Alemayehu, 2018), the study on performance determinants of business tax collection in Ethiopia shows the following factors. From so many factors, fairness and equity has positive and significant effect on tax collection and organizational strength has positive and insignificant effect on tax collection.

According to (Eticha AB et al., 2021), a study on assessment on Factors that affect tax collection in Teppi Town Merchants, Yeki Woreda, Sheka Zone, South West Ethiopia, listed the following factors. These are, the significant source of problems were: lower level education in taxpayer, cash machine use, service satisfaction of revenue office, estimate large pay amount and time liability to pay tax are the main factors that lead tax payment problem. Another variables such as average annual income, gender, age, business type, get adequate training about the cash register machine, signature to tax identification, level of satisfaction, tax awareness and category of taxpayers indicate that they are not significant to tax collection problem.

2.3. Knowledge Gap

Several studies conducted on the effects of macro-economic variables on tax revenue. These studies recognized the effect of GDP, trade openness, inflation, foreign aid, foreign direct investment, urbanization, agricultural sector, industrial sector, service sector, and mining sector on tax revenue generation (Workineh 2016; Gobachew, et al., 2018; Bayu, 2015; Gupta, 2007; Jeza, et al., 2016; Terefe & Teera, 2018 and Kumari, 2017). On opposite, some studies conducted the effect of institutional or organizational, administrative factors such as taxpayer's awareness, the capacity of the tax authority, tax evasion, mode of tax collection. In addition, political instability, employee qualification, participatory tax system, equity and fairness of the tax system, technology, social norms, and tax Compliance on tax revenue collection (Abate, 2019; Amin, et al., 2014; Eja, et al., 2018; Mugambi, 2018; Kelvin, 2017 and Manaye, et al., 2019).

However, in these studies, the effect some variable like political instability, simplicity of tax system, and organizational strength were not included in category B tax collection in the Ethiopia study but the effect of these variables were conducted in category A and C taxpayers.

In addition, studies conducted in and out of Ethiopia by (Shenkute ,2018; Ergo, 2018; Yoseph, 2018; Messay, 2019; Arshalo, 2020; Mengistu, et al., 2021; Zewude, 2021 and Eticha et al., 2021), on the factors and determinants of tax collection performance. The researcher believes that there is disagreement between different researchers within the same variables on tax collection. According to (Ergo, 2018, Mengistu, et al, 2020; Zewude, 2020 and Arshalo, 2021) the effect of organizational strength has positive and significant effect on tax collection.

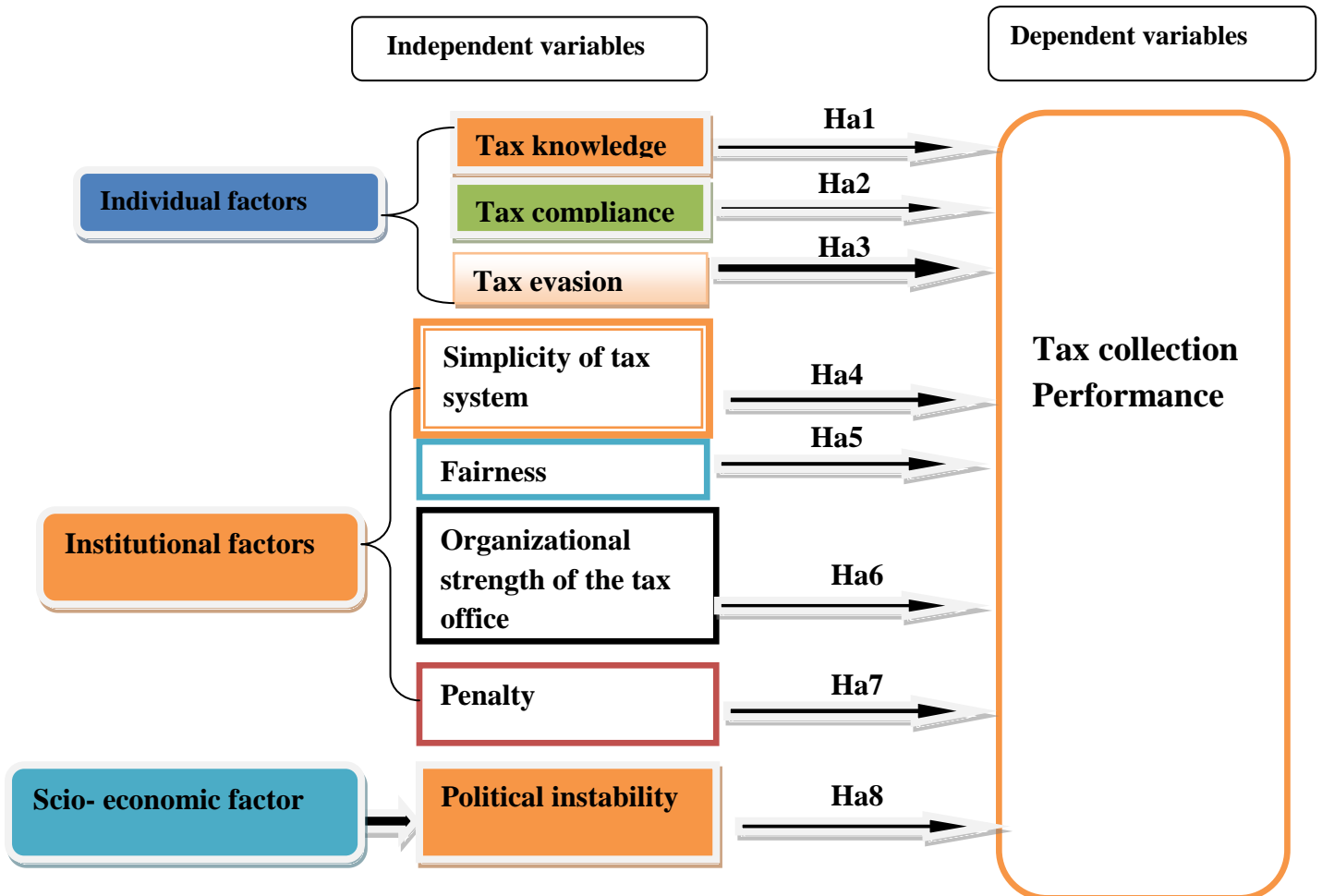
Contradictory, organizational strength has positive and insignificant effect on tax collection (Yoseph and Alemayehu, 2018). According to (Yoseph, 2018; Shenkute, 2018 and Mesay, 2019) tax evasion has positive effect on tax collection to the opposite (Temesgen, 2018 and Arshalo, 2021) tax evasion has negative and insignificant effect on tax collection.

Study by (Shenkute 2018; Mesay, 2019; Arshalo, 2021) shows penalty and tax awareness have positive and significant effect on tax collection and the study by (Temesgen, 2018 and Mengistu, et al ,2020) state that penalty and tax awareness have negative and insignificant effect on tax collection. Therefore, in this study the researcher tried to show his agreement with above results and tried to fill the gap as well as provide material for further researchers to conduct in similar issue because there were no documented researches undertaken on the determinants of category B tax collection in the study area.

Furthermore, this study is different from the previous by the sample size, variables used, and the nature of data used to investigate the determinants of category B tax collection.

2.4. Conceptual Framework

The conceptual framework of this study explains that the focal interactions of interrelated variables and their interdependencies in determining tax collection. The internal variables and their relationships are derived from ongoing empirical and theoretical studies of the determinants on tax collection.



Source: Researcher's own design (2024)

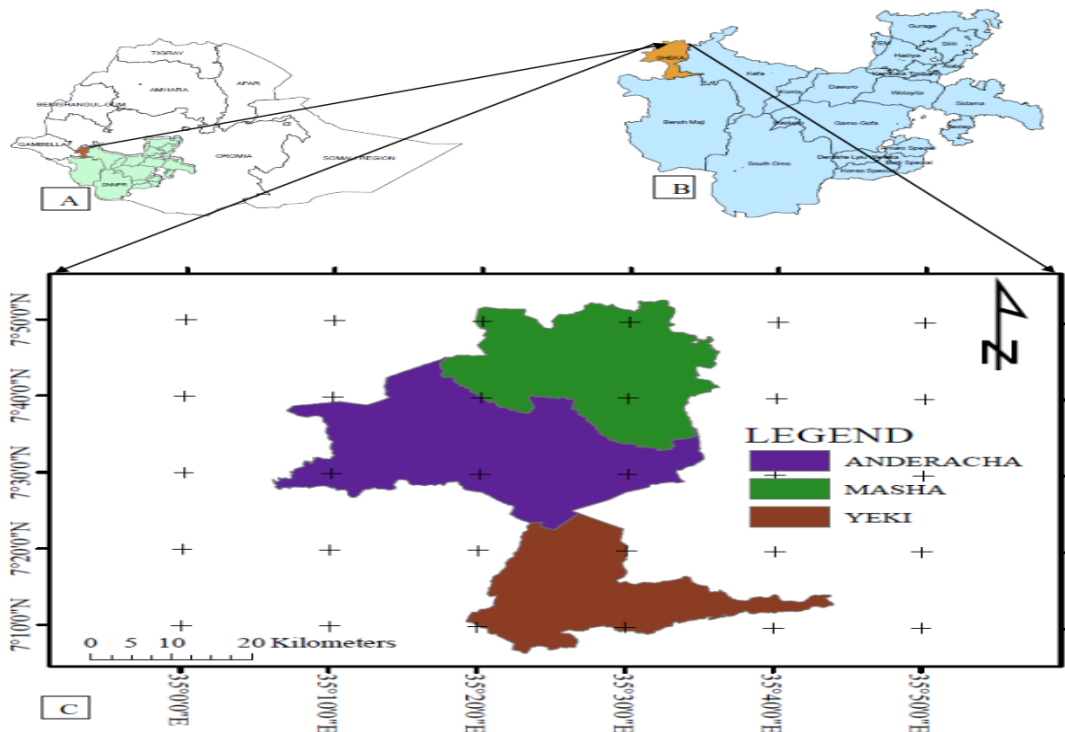
CHAPTER THREE

3. RESEARCH METHODOLOGY

3.1. Description of the Study Area

Sheka zone is located at 611 km southwest of Addis Ababa in the southwest Ethiopia people Regional State. Sheka zone is bordered on the south by Bench Sheko zone, on the west by the Gambela region, on the north by the Oromia region and on the east by Kaffa zone. The administrative center of Sheka zone is Tepi. The geographical coordinates of Sheka Zone based on actual field observation lies between $07^{\circ} 07.494'$ to $07^{\circ} 52.301'$ N and $035^{\circ} 16.576'$ to $035^{\circ} 39.516'$ E with altitudinal ranges of 950 (Bako River in the south) to 2780 (peak around Lake Gandochi in Andracha District) AMSL (above mean sea level). The average elevation of the Zone is about 1846 meters and composed of three-woredas and two-city administration in Sheka Zone namely Anderacha, Masha, Yeki, Tepi city administration and Mash city administration.

Source: Sheka Forest Biosphere Reserve Nomination Form-Sept (2024)



Map of the study area (2024)

3.2. Research Design and Method

3.2.1. Research Design

The research design provides the conceptual framework and serves as foundation for the data collection, measurement, and analysis (Kothari, 2004). The main objective of this study is to examine the determinants of tax collection performance on category B in the case of Sheka zone revenue Department. To achieve this objective and to test the formulated hypotheses, the researcher employed descriptive and explanatory research design. Because explanatory research design always starts with a theory or hypothesis and after gathering evidences; it approves or disapproves a theory (Akhtar, 2016). In addition, the explanatory type of research design helps to identify and evaluate the causal relationships between the different variables under consideration (Kothari, 2004). Thus, explanatory researches design study chosen for this study because it evaluates the relationship between dependent and independent variables. For these above reasons, a descriptive and an explanatory research designs were employed.

3.2.2. Research Approach

According to Creswell, (2002) there are three research approaches. These are qualitative, quantitative and mixed approaches. A qualitative research approach is an approach used to explore and understand the meanings that people or groups attach to social or human problems. The research process includes merging questions and procedures; data typically collected from participants' environments, analysis of data that builds inductively from specific topics to general themes, and interpretation of the meaning of the data by the researcher.

A quantitative research approach is one that tests theories by examining the relationships between variables. Since the instrument of statistical procedures can usually measure these variables, they can be used to analyze the numbered data.

A mixed research approach is a research approach involves the collection of quantitative and qualitative data, the integrating of the two data formats, and the use of a unique design that may involve philosophical assumptions and theoretical frameworks (Creswell, 2014). Therefore, considering the above three research approaches and the research hypothesis and objectives, this study was used a mixed research approach.

3.3. Target Population and Sample Selection

This study focused on category B taxpayers in Sheka zone, specifically Tepi city administration, Andracha woreda and Masha city administration, and tax office employees (whose the target population of 146 category B taxpayers) according to the information received from the Sheka zone revenue department in (2023).

3.3.1. Sampling Frame

This studies would cover category B taxpayers in Sheka zone specifically Tepi city administration, Andracha woreda and Masha city administration and staff members. Regarding the staff, the tax office has nine business processes in the tax operation division and six business processes in the law enforcement division. Therefore, the researcher was take four major business processes workers as sample that are directly related to tax collection performance.

These key business processes are tax audit, tax liability management, tax assessment, and tax collection. Therefore, the sample was covered both the tax law enforcement division and tax operations division.

3.3.2. Sampling Techniques

To conduct this study, the purposive, stratified, and simple random sampling technique was used to select sample of taxpayers. Sheka zone has two city administrations (Teppi and Masha city administrations) and three woredas (Yeki, Andracha and Masha woredas) from these Teppi and Masha city administration and Andracha woreda were purposively selected. In addition to this, stratified with random sampling technique was used to select respondents from taxpayers. After ensuring that each respondent had, an equal chance in the homogenous strata simple random technique was used. The entire set of the taxpayers was grouped in to different strata, and the taxpayers list was taken from the tax office records. Then, the TIN of each possible sample was collected on a piece of paper, and these pieces of paper were carefully mixed in a container. The samples were selected by drawing them using a lottery method, rotating a container until the samples were selected (Kothari, 2004). On the other hand, non-probability sampling technique would be used to select the tax office employees because, the tax office employees work at different position and different tasks in tax offices. Therefore, the researcher used judgmental (purposive) sampling to select 12 tax employees for interview.

3.3.3. Sample size

Cochran (1977) developed a formula to calculate a representative sample for proportions as
$$n_o = \frac{z^2 pq}{e^2}$$

where, n_o is the sample size, z is the selected critical value of desired confidence level, p is the estimated proportion of an attribute that is present in the population, $q = 1 - p$ and e is the desired level of precision.

To calculate a sample size of a large population whose degree of variability is not known. Assuming the maximum variability, which is equal to 50% ($p = 0.5$) and taking 95% confidence level with $\pm 5\%$ precision, the calculation for required sample size will be as follows: $p = 0.5$ and hence $q = 1 - 0.5 = 0.5$; $e = 0.05$; $z = 1.96$

So,
$$n_o = \frac{(1.96)^2 (0.5)(0.5)}{(0.05)^2} = 384$$

Cochran pointed out that if the population is finite, then the sample size can be reduced slightly. This is due to the fact that a very large population provides proportionally more information than that of a smaller population. He proposed a correction formula to calculate the final sample size in this case which is given below so, by using the correction formula to calculate the final sample size. Here, $N = 146$,

$n_o = 384$ (determined by using equation 1)
$$n = \frac{n_o}{1 + \frac{(n_o - 1)}{N}}$$

$$n = \frac{384}{1 + \frac{(384 - 1)}{146}} = 106$$

Table 1. Number of samples

Area of taxpayers	Population	Proportion	Sample from taxpayers
Tepi city administration	110	$110/146 * 106 = 79.86$	80
Masha city administration	30	$30/146 * 106 = 21.78$	22
Andracha	6	$6/146 * 106 = 4.35$	4
Total	146		106

Source: Sheka zone Revenue department (2024)

3.4. Data Sources and Method of Data collection

The data sources are considered to be reliable and relevant because they were obtained from reputable authorities (Masiya & Chafuwa, 2016). According to (Mugenda and Mugenda, 2003), the data sources can be classified in two categories such as primary and secondary sources. Primary data consists of all the data collected throughout the study that directly can be related to the study purpose, both personally gathered as well as data from a third party that has been collected with equivalent purpose. According to Kothari (2004), Primary data is the data that is first collected and verified as original.

According to Walliman (2011), secondary data can use associating with primary data that may have collected. Because secondary data are useful in order to triangulate the findings. Secondary data would be collected from published and unpublished documents, including government policy proclamations and directives about tax administration, annual reports, articles, and past case studies, depending on the research purpose. In addition, Secondary data contains relevant data that has been collected for a different purpose, but from which the conclusion is valuable for the purpose.

In this study, the researcher was used both primary and secondary sources of data. Primary data was data collected from the sampled respondents of category B taxpayers in my study area through both closed-ended and open-ended questionnaires. The interview was conducted purposively selected tax office employees through semi-structured questionnaires.

Secondary data was gathered from five years (2019 - 2023) Shaka zone revenue department report by reviewing the report document.

3.5. Method of Data Analysis

The collected data was analyzed and interpreted using mixed method (qualitative and quantitative) data analysis methods. It also helps to triangulate the results of different approaches to provide greater validity to the study. In this study, both the descriptive statistical and inferential statistical analysis methods was used, and the data would be analyzed by using SPSS version 27 software. Statistical inference methods would use p-values and chi-square tests for categorical variables to see which variables are significant between tax collection and the independent variable (Arshalo, 2020).

3.6. Variable Description and Hypothesis

The variables for this study were selected based on literature review on determinants of category B tax collection performance in the study area. In there were one dependent that is Tax collection performance and eight independent variables in this paper. These are tax knowledge, tax compliance, tax evasion, simplicity of tax system, Fairness, organizational strength of tax offices, penalty, and political instability as independent variables and gender, age, educational level, and business type as controlling variables. For simplification purposes tax evasion, tax knowledge and tax compliance as individual factors and institutional factors these are organizational strength of tax offices, simplicity of tax system, penalty, and fairness were considered as administrative factors, because these variables occurred with tax administrative and political instability as socio economic factor (Palil, 2010).

3.6.1. Dependent Variable

The dependent variable of this study is tax collection level. Tax collection performance is an ordinal variable that categorized into three ordered groups these are (1) Low, (2) Medium, and (3) High. The previous studies categorized the dependent variable categorical variable (Arshalo, 2021 and Zewude, 2021).

3.6.2. Independent variables

The explanatory variables in this study were determinants of category B tax collection performance and thee variables are categorical /ordinal/ variables that measured by likert scale from 1= strongly disagree to 5= strongly agree (Tadesse and Goitom, 2014; Adimassu & Jerene, 2016 and Arshalo, 2020).

Tax Knowledge

Individual taxpayer's awareness of available tax regulations and sanctions (penalties fines prosecutions) are factors for better tax revenue mobilization. Tax education improves tax collection by reducing the level of non-compliance, increasing tax accountability and improving the knowledge level on tax regulations (Eugene, et al., 2020). Tax knowledge is the important factor that has positive and significant effect on tax collection (Shenkute, 2018; Jaldhe, 2021; Yoseph, 2018 and Dejene, 2021). On other hand, Tax knowledge has positive and insignificant effect on tax collection performance (Mengistu, et al., 2020). *Hal: Tax knowledge has positive and significant effect on tax collection performance.*

Tax compliance

Tax compliance is another important factor that affects the collection tax revenue. Tax compliance is the willingness of taxpayers' to obey tax laws by true reporting of tax bases, correct computation of the tax liability, timely filing of returns and timely payment of the amount due (Ahmed and Kedir,2015). It has positive and significant effect on tax collection performance (Shenkute and Yoseph, 2018). Contrary, it has negative and insignificant effect on tax collection (Dejene, 2021). *Ha2: Tax compliance has positive and significant effect on tax collection performance.*

Tax evasion

Tax evasion usually implies taxpayers' activities of intentional misrepresenting or concealing the true state of their affairs to the tax authorities in order to minimize their tax liability, and includes, in particular, dishonest tax reporting such as understating their actual income, profits, or gains; or in reverse overstating deductions. As indicate by (Adeniyi & Folayan, 2018) tax evasion is one of the main factors that reduced tax revenues. It has negative and significant effect on tax collection performance (Shenkute and Yoseph, 2018 and Mesay, 2019) on other hand Tax evasion has insignificant effect on tax collection (Temesgen, 2018 and Zewude, 2020). Contrary, it has positive and significant effect on tax collection (Juliet, 2018). *Ha3: Tax evasion has negative and significant effect on tax collection performance.*

Simplicity of tax system

Tax system ought to be as easy as possible for the rationale that taxpayers are from varied background, with totally, different level of education, earning level, various culture, and different tax awareness. In serving to taxpayers to complete the tax returns accurately, the tax authority needs to have a simple, but sufficient, tax return (Ahmed & Kedir, 2015 and Abdu M.et al, 2018). *Ha4: Simplicity of the tax system has positive and significant effect on tax collection performance.*

Tax fairness and equity

Ahmed & Kedir, (2015) stated that tax fairness square measure typically seen from two angles: equity of trade, which is expounded with the profit, received from paid tax and the alternative is equity in reference to burden of liabilities compared to alternative taxpayers. According to (Ergo, and 2018; Alemayehu and Jaldhe, 2021) Tax fairness and equity has positive and significant influence on tax revenue

collection. On other hand, it has negative and significant influence on tax collection performance (Temsgen, 2018 and Dejene, 2021). *Ha5: Fairness has positive significant effect on tax collection performance.*

Organizational strength of tax office

Organizational strength of tax office is a factor for the low level of business income tax collection (Ergo, 2018). It has a significant relationship between tax administration and tax collection performance Manaye, et al. (2019). Similarly, Abate (2019) stated that the organizational strength of tax office is positively affected tax revenue collection. Contrary, organizational strength of tax office has insignificant influence on tax collection performance (Yoseph and Alemmayehu, 2018). *Ha6: Organizational strength of the tax offices has positive and significant effect on tax collection performance.*

Penalty: - Penalties and fines also appear to play a significant role in the success of good tax system. Some studies showed that compliance increased significantly with higher penalties (Arshalo, 2020). Penalty has positive and significant influence on tax collection performance (Tilahun & Yidersal, 2014 and Arshalo, 2020) on other hand it has insignificant influence on tax collection (Temesgen, 2018). *Ha7: Penalty has positive and significant effect on tax collection performance.*

Political instability

Political instability is important factor that positive significant effect on tax collection performance (Geleta, 2022). Contrary, it has negative and significant effects on tax collection performance (Zewude, 2020). According to Amin, et al., (2014), the main reason for a low level of tax collection is political instability. *Ha8: Political instability has negative and significant effect on tax collection performance.*

Table 2. Summary of Variables and Measurement

Variables specification	Symbols	Description	Measurement of scale	Expected Sign
Tax collection performance	TC	The level of revenue collected from tax sources.	Ordinal scale (1=low, 2=medium, & 3=High)	DV
Tax knowledge	Tkno	The knowledge of taxpayers	likert scale	(+)
Tax compliance	Taco	Tax compliance of taxpayers	likert scale	(+)
Tax evasion	TE	The effect of tax evasion	likert scale	(-)
Simplicity of tax system	Sim	The effect of Simplicity of tax system	likert scale	(+)
Tax fairness and equity	Fair	Fairness of tax payment among taxpayers	likert scale	(+)
Organizational strength of tax office	OrgSt	The institutional strength tax collection	likert scale	(+)
Penalty	Pena	The influence of penalty	likert scale	(+)
Political instability	PoIn	The effect of political instability on tax revenue collection	likert scale	(-)

Source: Own Description, 2024

3.7. Model Specification

To examine the determinants of tax collection on category B taxpayers, ordered logit model was employed. Ordinal logistic regression model is used to explain the relationship between an ordinal polychromous dependent variables and categorical and /or continuous independent variable (Ababio, et al, 2012; Abdu, et al, 2018 and Arshalo, 2020). In these circumstances, the best commonly used model is proportional odds model for ordinal logistic regression where the dependent variable is ordinal (Fuks & Salazar, 2008). To meet aim of this study, the researchers consulted the variables used in different studies stated on the review of the literature and formulated the model as follows. $Y_i^* = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} + \dots + \beta_k X_{ki} + \epsilon_i$

Where Y_i^* is latent outcome variable measure of tax payers; $X_1, X_2, X_3, \dots, X_i$ are vectors of independent variables of ith case; β_0 , threshold values; $\beta_1, \beta_2, \dots, \beta_k$ are parameter vectors to be estimated (regression coefficients); ϵ_i is a random error term; k is the number of regression coefficients.

Tax collection (Y_i^*) is the dependent variable measured by overall average score of the three items. Filing tax returns on time, reporting all the income and claiming the right deductions and where taxes are due making tax payments on time and this overall score of taxpayers (which will individually measured from 1= strongly disagree to 5= strongly agree) (Tadesse and Goitom, 2014; Adimassu & Jerene, 2016), Arshalo, 2020). Therefore, the probability of each tax collection (low- y_1 , medium- y_2 , and high- y_3) is computed as:

$$y=1 \text{ if } y_i^* \leq \mu_1$$

$$y=2 \text{ if } \mu_1 < y_i^* \leq \mu_2$$

$$y=3 \text{ if } y_i^* > \mu_2$$

Where y is an observable variable that shows different levels of taxpayers' collection amount, μ is a set of threshold of tax collection to be estimated with the parameters vector of β . Based on the above general equation, the following model would be established to estimate the parameters for the study.

$$TCO = \beta_0 + \beta_1(\text{Gender}) + \beta_2(\text{Age}) + \beta_3(\text{Edu}) + \beta_4(\text{TKno}) + \beta_5(\text{Taco}) + \beta_6(\text{TE}) + \beta_7(\text{Simp}) + \beta_8(\text{Fair}) + \beta_9(\text{OSTO}) + \beta_{10}(\text{Pena}) + \beta_{11}(\text{PoIn}) + \epsilon.$$

Where: TCO =Tax collection β_0 , Constant (Y intercept); ϵ , the stochastic error term, β_1 to β_{13} are model parameters. Gender, Age, Education (Edu), Tax knowledge(TKno), Tax compliance(TC), Tax evasion (TE), Simplicity of tax system (Simp), Fairness(Fair), Organizational strength of the tax office(OSTO), Penalty (Pena) and Political instability (PoIn). .

3.8. Validity and Reliability Test

The collected data through questionnaires were tested the validity and reliability before analyzing and interpreting the data. Checking the validity and reliability of data collecting instruments before providing to the actual study subject is the core to assure the quality of the data (Kerr et al., 2006).

3.8.1. Validity Test

Validity tests the extent to which differences may found with a measuring instrument reflect true differences among those being tested. Validity refers to the extent to which differences found with a measuring instrument reflect true differences among those being tested. For this study to validate the instruments the researcher has considered whether there were ambiguous, confusing and poorly organized questions along with the instruments were used to a certain their validity and suitability, by

adjusting as per respondents understanding in collecting the required data. The advisor has thoroughly examines all item one by one and providing feedback and guidance on the questionnaire particulars that may be amended Kothari, (2004).

3.8.2. Reliability Test

Reliability is the degree to which the data collection instrument and analyzing procedures yield consistent findings (Saunders, et al., 2009). Reliability is a measurement that can be used to test the stability, consistency, or dependability of items of the questionnaires. It will be tested by calculating a Cronbach's alpha. The reliability coefficient 1.00 is the better. In general, reliabilities below 0.60 are considered weak; those ranged from 0.60 to 0.80 are considered good and acceptable (Masdia 2009 and Daba 2017). The Table (3) result indicates that there is not reliability problem in the questionnaires.

Table 3. Reliability of variable Cronbach's Alpha

Scale	Cronbach's Alpha	N of Items
Tax collection	.782	2
Tax knowledge	.771	2
Tax compliance	.806	4
Tax Evasion	.900	4
Simplicity of tax system	.965	4
Fairness	.810	2
Organizational strength	.977	6
Penalty	.955	3
Political instability	.951	3
TOTAL	.933	30

Source: SPSS output from survey data, 2024

3.9. Ethical Consideration

In accordance with the ethical guideline for Research investigators, oral consent would required from participants in this study. Based on their verbal consent, research participants would be asked to choose a convenient time and location for interviews and questionnaires. Therefore, all the research participants included in this study would be adequately informed of the purpose of the study, given the questionnaire, and have their preparation and consent secured prior to asking interview questions. Collected data would be stored separately from other materials to prevent loss. Additionally, the researcher must maintain confidentiality of information, all interview sessions will be recorded by tape-recording, transcription, and other data related activities. Regarding respondents' right to privacy, the study would maintain the confidentiality of each participant's identity. In addition, the researcher never discloses the personal information of the participants.

CHAPTER FOUR

4. Result and Discussion

This chapter includes the results and discussion of the study. It consists of the sample selected and the data collected from the selected woreda and city administrations in southwest region Sheka zone.

The main purpose of the study was to examine the determinants of category B tax collection practice in Sheka zone revenue department. The data was collected from both primary and secondary sources through questionnaires, interview, and document review. The collected data was analyzed by both descriptive statistics and inferential statistics through order logistic model by using SPSS version 27 software and different tests.

4.1. Descriptive Analysis

4.1.1. Response rate

Table 4. Response rate of respondents

Kinds of respondents	Total Number of distributed questionnaires	Returned questionnaires	Answers in percent (%)
Category B taxpayers	106	99	93.4%
Total	106	99	93.4%

Sources: SPSS output from survey, 2024

The above Table 4 shows that, the distributed questionnaires to category B taxpayers were 106 from these 99 or 93.4% were returned. Therefore, the collected data was enough and capable to address the objective of the research.

4.1.2. Demographic Characteristics of the respondents

The results of demographic characteristics of the respondent such as gender taxpayers, age of taxpayers, and education level of taxpayers and business types were discussed in Table 4 below.

The Table 4 below Shows that majority of the respondents were male 87(88.88%) and the rest 12(11.12%) were female. This implies that more males are participating in business the study area compared to female.

Concerning the age, 48 or 48.5% of the respondents are in between 29 to 39, 40 or 40.4% of respondents are in between 40 to 50 and the rest are in between 18 to 28. This shows that majority of the respondents are young group.

The education level of taxpayer's shows that, majority of the respondents are under primary and general secondary education, which is 83.9% and rest or 16.1% are college diploma and BA degree.

Regarding to the business type, 66.7% of the respondents are work in commercial, 28.3% of the respondents work in service and the rest or 5% are work in other.

Table 5. Demographic Characteristics of the respondents

Variables		Frequency	Percent
Gender of taxpayers	Male	87	88.88
	Female	12	11.12
	Total	99	100.0
Age level of taxpayers	18-28	11	11.1
	29-39	48	48.5
	40-50	40	40.4
	Total	99	100.0
Education level of taxpayers	PE	18	18.2
	GSS	65	65.7
	CD	13	13.1
	BA/BSC	3	3.0
	Total	99	100.0
Business type	Commercial	66	66.7
	Service	28	28.3
	Other	5	5.1
	Total	99	100.0

Source: SPSS output from survey data, 2024

4.1.3. Determinant for Category B tax collection practice

In this section, data were described through descriptive statistics and outcomes are discussed.

A. The level of tax collection from category B taxpayers

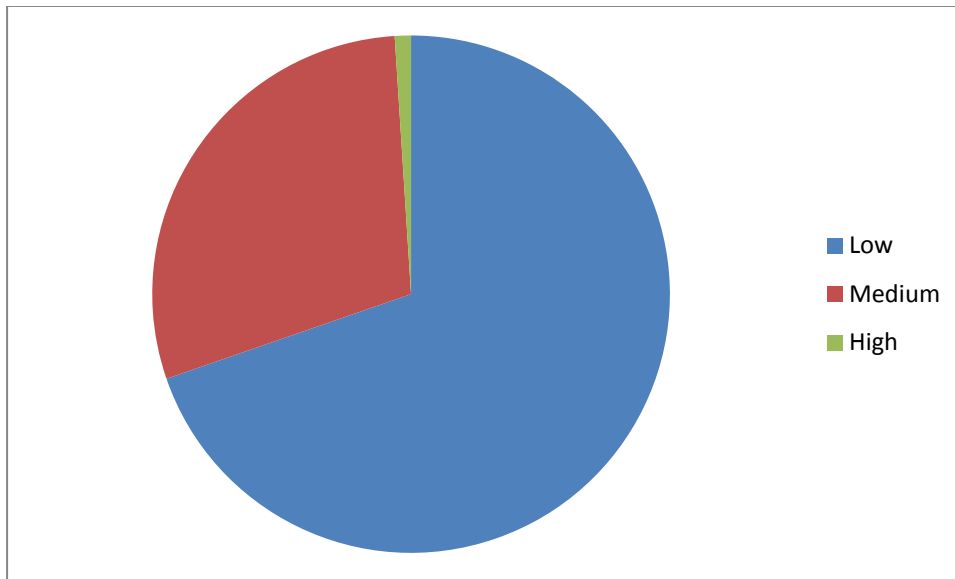


Figure 1. Tax collection performance

Source: SPSS output from survey data, 2024

The above Figure (1) shows that, majority 69.7% of respondents agreed on the category B tax collection performance is low 29.3% medium and the remains 1% agreed high.

A. Tax knowledge of taxpayers

The responses of the respondents for the variables indicated below were measured on five point Likert scale with: 1= strongly disagree, 2= disagree, 3 = neutral, 4= agree and 5= strongly agree. But, while making interpretation of the results of standard deviation and mean the scales were reassigned as follows to make the interpretation easy and clear; 1 - 1.8= Strongly Disagree, 1.81 – 2.6 = Disagree, 2.61 – 3.4= Neutral, 3.41 – 4.20= Agree and 4.21 – 5 = Strongly Agree (Daba, 2017). Furthermore, the overall tax collection level of taxpayers was computed using the mean score category of low = 1.00 to 2.60; medium = 2.61 to 3.40 and high = 3.41-5 (Palil & Rusyidi, 2013).

Table 6. The perceptions of taxpayers on tax knowledge

		Frequency	Percent	Mean	S.D
The level awareness creation and media dissemination for TOT payer perform by tax office.	very low	30	30.3		
	Low	34	34.3		
	Medium	25	25.3		
	High	5	5.1		
	Very high	5	5.1		
Total		99	100.0	2.20	1.088
How do you familiar with the Ethiopian TOT Laws and proclamations?	Little	54	54.5		
	Good	27	27.3		
	Indifferent	12	12.1		
	Very much acquainted	6	6.1		
	Total	99	100.0	1.70	.909

Grand mean = 1.95 SD= 0.9985

Sources: SPSS output from survey, 2024

In order to know the knowledge level of the respondents about law, rules, and regulations of taxation in the study area, the following questions were forwarded to them and their responses were summarized Above in Table 6. The Table (6) Indicates that, 64.6% of the respondents agreed on the awareness creation and media dissemination to category B taxpayers in the study area is low, 10.2% agreed high, and the rest 25.3% medium. Regarding the familiarity of the Ethiopian tax law and proclamation, about 55% of have little, 27.3% good, 12.1% indifferent, and 6.1% very much acquainted. This indicates that, level of awareness creation performed by the tax offices is low and the taxpayers are not familiar to the tax laws, procedures, and proclamations. The grand mean and standard deviation (Mean 1.95 & SD 0.9985) shown as the awareness level of taxpayers on tax laws and procedures was low that also affects tax collection performance in the study area. Niway & Wondwossen (2017) has pointed out in their research paper that the tax knowledge was the major challenge for tax collection performance.

B. Tax compliance

Table 7. The Perception of Respondents on Tax compliance

		Frequency	Percent	Mean	S.D
I have never been accused of any tax related crimes	Strongly disagree	26	26.3		
	Disagree	47	47.5		
	Undecided	10	10.1		
	Agree	10	10.1		
	Strongly agree	6	6.0		
Total		99	100.0	2.22	1.130
During the past years, I always reported my business transactions honestly.	Strongly disagree	10	10.1		
	Disagree	45	45.5		
	Undecided	14	14.1		
	Agree	20	20.2		
	Strongly agree	10	10.1		
Total		99	100.0	2.75	1.190
I always report the issued receipts to the tax office honestly.	Strongly disagree	4	4.0		
	Disagree	70	70.7		
	Undecided	5	5.1		
	Agree	20	20.2		
	Strongly agree	4	4.0		
Total		99	100.0	2.41	.857
I always based on the tax law of the country	Strongly disagree	10	10.1		
	Disagree	45	45.5		
	Undecided	14	14.1		
	Agree	20	20.2		
	Strongly agree	10	10.1		
Total		99	100.0	2.75	1.190

Grand mean = 2.53 SD = 1.091

Sources: SPSS output from survey, 2024

As we saw Table 7, item 1, the majority 73.8% of the respondents were disagreed on they never been late in paying their taxes liability whereas 16.1% of the respondents agreed the remains 10.1% of the respondents were undecided. This implies majority of taxpayers were pays their tax liability after due date. On item (2), 55.6% of the respondents disagreed, 30.3% of the respondents were agreed on they always reported their business transactions honestly and 14.1% of the respondents were undecided. On question (3), 74.7% of the respondents were disagree whereas, 20.2% of the respondents were agree on they never accused of any tax related crimes and 5.1% of the respondents were undecided. Item(4) shows that, the majority 55.6% of the

respondents were disagree on they always based on the tax law of the country whereas, 20.3% of the respondents were agree and 14.1% of the respondents were undecided. The grand mean and standard deviation (2.53, 1.091) of the above Table shown that, there is tax compliance level of taxpayers were low in the study area that affects tax collection performance. The finding is in line with (Shenkute, 2018) state that tax compliance has positive and significant effect on tax collection

C. Tax evasion

Table 8. The Perception of Respondents on Tax Evasion

		Frequency	Percent	Mean	S.D
I always issue the TOT receipt with cash register machine.	Strongly disagree	10	10.1		
	Disagree	60	60.7		
	Undecided	4	4.0		
	Agree	19	19.2		
	Strongly agree	6	6.0		
	Total	99	100.0	2.32	.902
I always issue the TOT receipt to all buyers without failure.	Strongly disagree	5	5.1		
	Disagree	60	60.7		
	Undecided	6	6.1		
	Agree	20	20.2		
	Strongly agree	8	8.0		
	Total	99	100.0	2.41	.869
I always report the issued TOT receipts to the tax office.	Strongly disagree	4	4.0		
	Disagree	70	70.7		
	Undecided	5	5.1		
	Agree	18	18.2		
	Strongly agree	2	2.0		
	Total	99	100.0	2.41	.869
I always receive the tax receipt when I purchase goods from wholesalers/distributors	Strongly disagree	13	13.1		
	Disagree	65	65.7		
	Undecided	3	3.0		
	Agree	18	18.2		
	Strongly agree	5	5.0		
	Total	99	100.0	2.26	.910

Grand mean =2.35 **SD** = 0.8845

Sources: SPSS output from survey, 2024

As we seen the above Table (8) item (1), 70.8% disagree, 25.2% agree and 9.1% of the respondents were undecided on issuing the receipt with cash register machine. This shows majority of taxpayers were use cash register machine. On item (2), 65.8%

of the respondents were disagree, 28.2% are agree, and 6.1% of the respondents were undecided on issuing the TOT receipt to all buyers without failure. On item (3), 74.7% of the respondents were disagree, 20.2% of the respondents were agree and 5.1% are undecided on reporting the issued TOT receipts to the tax office.

When we come to item 4, 69.8% of the respondents were disagree, 23.2% are agree and 3% of the respondents were undecided on receiving the tax receipt when they purchase goods from wholesalers/distributors. These implies that the majority of taxpayers not use cash register machine and were not issue receipt during providing service and selling goods. This also has negative effect on tax collection performance. The above result consistent with (Shenkute, 2018 and Mesay, 2019) tax evasion has negative and significant effect on tax revenue collection

D. Simplicity of tax system

Table 9. The Perception of Respondents on Simplicity of tax system

		Frequency	Percent	Mean	S.D
Tax declaring documentation is clear, and simple to file.	Strongly disagree	14	14.1		
	Disagree	55	55.6		
	Undecided	9	9.1		
	Agree	19	19.2		
	Strongly agree	2	2.0		
Total		99	100.0	2.32	1.008
The tax laws and procedures about taxation are simple to understand.	Strongly disagree	13	13.1		
	Disagree	49	49.5		
	Undecided	15	15.2		
	Agree	16	16.2		
	Strongly agree	6	6.1		
Total		99	100.0	2.53	1.100
I do not have any problem with completing and filing the tax return form(s)	Strongly disagree	20	20.2		
	Disagree	39	39.3		
	Undecided	16	16.2		
	Agree	16	16.2		
	Strongly agree	8	8.1		
Total		99	100.0	2.45	1.198
The reporting and payment	Strongly disagree	12	12.1		
	Disagree	52	52.5		

tax liabilities formats are	Undecided	9	9.1		
simple to understand.	Agree	18	18.2		
	Strongly agree	8	8.1		
	Total	99	100.0	2.58	1.161

Grand mean = 2.47 SD= 1.1168

Sources: SPSS output from survey, 2024

According to Table 9 question (1), 69.7% the respondents disagree whereas, 21.2% agree and 9.1% were undecided on the tax declaration documents are clear, and simple to file. This implies taxpayers had no clear understanding on tax laws and procedures. In the Table 9 item (2), the majority 66.7% of the respondents disagreed that they do not have any problem with completing and filing the tax return form(s) whereas 23.3% were agreed and the remain 10.1% undecided. Based on Table 9 item (3), 59.5% of the respondents disagreed, 24.3% of the respondents were agreed and 16.2% of the respondents were undecided on they do not have any problem with completing and filing the tax return form(s). Item 4 indicates that, the significant size 67.6% of the respondents were disagreed on the reporting and payment tax liabilities formats are simple to understand whereas 26.3% of the respondents were agreed and 9.1% were undecided. This implies that tax system is not simple and understandable to taxpayers this implies simplicity of the tax system has positive and significant effect on tax collection performance. This supported by (Brainyyah and Rusydi 2013 as sited Mohammed, Riayati& Mohd 2016) showed in their study that tax complexity has a negative and significantly impact on tax collection performance.

E. Fairness

Table 10. The Perception of Respondents on Fairness and equity

		Frequency	Percent	Mea n	S.D
I believe everyone pays his or her fair share of income tax under the current income tax system.	Strongly disagree	17	17.2		
	Disagree	50	50.5		
	Undecided	13	13.1		
	Agree	15	15.2		
	Strongly agree	4	4.0		
	Total	99	100.0	2.38	1.066
The amount of tax I am paying is fair and based on	Strongly disagree	16	16.2		
	Disagree	40	40.4		
	Undecided	16	16.2		
	Agree	19	19.2		

my ability to pay.	Strongly agree	8	8.1		
	Total	99	100.0	2.63	1.200

Gran mean= 2.505 SD=1.133

Sources: SPSS output from survey, 2024

As we observed the Table 10 item (1), 67.7% of the respondents disagreed they pays their fair share of income tax under the current income tax system whereas, 19.2% of the respondents were agreed and 13.1% of the respondent's undecided. This implies that there is unfair payment in income tax system in the study area. On item (2) stated that, 56.6% of the respondents disagree on the amount of tax they paying is fair and based on their ability to pay whereas, 27.3% of the respondent agree and 16.2% were undecided. The grand mean and standard deviation (2.505 & 1.133) shown as unfairness tax system in the study area this has negative effect on tax collection performance but tax fairness has positive and significant effect on tax collection performance. The finding was in line with the result of (Ergo and Alemayehu, 2018; Mesay, 2019 and Jaldhe, 2021) shows fairness has positive effect on tax collection performance.

Organizational strength of tax offices

Table 11. Organizational strength of tax offices

		Frequency	Percent	Mean	S.D
The tax office managers and officers have skill on existing tax procedures	Strongly disagree	35	35.4		
	Disagree	52	52.5		
	Undecided	7	7.1		
	Agree	3	3.0		
	Strongly agree	2	2.0		
	Total	99	100.0	1.78	.708
Tax office managers and officers give different trainings related to tax and tax issues.	Strongly disagree	35	35.4		
	Disagree	50	50.5		
	Undecided	10	10.1		
	Agree	2	2.0		
	Strongly agree	2	2.0		
	Total	99	100.0	1.85	.837
The tax offices have adequate human and technological resources.	Strongly disagree	61	61.6		
	Disagree	30	30.3		
	Undecided	2	2.0		
	Agree	4	4.1		
	Strongly agree	2	2.0		
	Total	99	100.0	1.48	.734
	Strongly disagree	43	43.4		

The tax officials are committed to enforce the law potential of the authority is strongly.	Disagree	50	50.5		
	Undecided	1	1.0		
	Agree	2	2.0		
	Strongly agree	3	3.1		
	Total	99	100.0	1.62	.618
The authority delivers quality tax services to taxpayers	Strongly disagree	52	52.5		
	Disagree	30	30.3		
	Undecided	8	8.1		
	Agree	5	5.1		
	Strongly agree	4	4.0		
Total	99	100.0	1.66	.835	
The tax administrations have strong control system to control non-registered and illegal activities of taxpayers.	Strongly disagree	21	21.2		
	Disagree	60	60.6		
	Undecided	1	1.0		
	Agree	16	16.2		
	Strongly agree	1	1.0		
Total	99	100.0	2.12	.929	

Grand mean = 1.75 SD = 0.7768

Sources: SPSS output from survey, 2024

AS we observed Table 11 item (1), Majority 87.9% of the respondents disagree on the tax office managers and officers having skill on existing tax procedures whereas, 5% of the respondents agreed and the remains 7.1% were undecided. This implies the tax official's performance affects the tax collection. On item (2), 85.9% disagreed, 2% of the respondents agreed and 10.1% of the respondents were undecided on the tax office managers and officers giving different trainings related to tax and tax issues. This shows that majority of the taxpayers had no awareness about taxation.

When we see item (3), significant size (91.9%) of the respondents disagreed on the tax offices having adequate human and technological resources whereas 6.1% agreed and 2% were undecided. This implies the tax offices are not equipped with adequate human and technological resources to increase the collectivity tax revenue. On item (4), 93.9% of the respondents were disagreed, 5.1% agreed and 1% of the respondents were undecided on the law enforcement potential of the authority is strong. When we come to question (5), the majority 92.8% of the respondents were disagreed, 9.1% agreed and the remains 8.1% undecided on the quality of services delivered to taxpayers. The last item in Table (11), shows that 81.8% disagree, 17.1% agree and 1% of the respondents were undecided on the tax administrations having strong control system to control non-registered and illegal activities of payers. The grand

mean and standard deviation (1.75 & 0.7768) shown that tax offices in the study area were not strong to perform effective tax collection system this has effect on tax collection performance. This result is in line with the finding of (Ergo, 2018; Zewude and Mengistu et al. 2020 and Arshalo, 2021) the organizational strength of tax authority capacity in terms of competent staff, technology, and enforcement mechanisms significant effect on tax collection performance.

Penalty

Table 12. The Perception of Respondents on penalty

		Frequency	Percent	Mean	S.D
The tax office always impose penalty on late pay and illegal activities.	Strongly disagree	45	45.5		
	Disagree	34	34.3		
	Undecided	11	11.1		
	Agree	4	4.0		
	Strongly agree	5	5.1		
	Total		99	100.0	2.57
Penalty decreases the collectivity tax on TOT taxpayers.	Strongly disagree	13	13.1		
	Disagree	47	47.5		
	Undecided	12	12.1		
	Agree	24	24.2		
	Strongly agree	3	3.0		
	Total		99	100.0	2.27
I certainly pay the expected tax without penalty or legal enforcement procedure.	Strongly disagree	17	17.2		
	Disagree	56	56.6		
	Undecided	10	10.1		
	Agree	14	14.1		
	Strongly agree	2	2.0		
	Total		99	100.0	1.89

Grand mean =2.23 SD= 1.051

Sources: SPSS output from survey, 2024

The above Table (12) (1) shows the majority (79.8%) of taxpayers disagreed on the tax office always imposing penalty on late pay and illegal activities whereas (9.1%) of

respondents agree and the remaining 11.1% undecided. This implies the tax offices were failure to imposing penalty on late pay and illegal activities.

When we come to question (2), the significant size (60.6%) of the respondents were disagree, 27.2% agreed and the rest 12.1% were undecided that penalty decreases the collectivity tax on TOT taxpayers.

On item (3), 73.8% of the respondents were disagree, 16.1% agree and the remain 10.1% of the respondents were undecided on paying their expected tax without penalty or legal enforcement procedure. This implies that, without penalty and legal enforcement tax revenue cannot collect effectively. Therefore, it has a significant effect on tax collection performance. This result is consistent with the finding of (Deyganto, 2018 and Arshalo, 2021) indicate that penalty has greater power for discouraging potential tax evasion.

F. Political instability

Table 13. The Perception of Respondents on Political instability

		Frequency	Percent	Mean	S.D
During Political instability, I don't pay tax because there is no guaranty for my business during crises.	Strongly disagree	4	4.0		
	Disagree	15	15.2		
	Undecided	1	1.0		
	Agree	55	55.6		
	Strongly agree	24	24.2		
	Total	99	100.0	3.81	1.094
When political instability exists, it affects my income report is checked and assessed by government body	Strongly disagree	2	2.0		
	Disagree	10	10.1		
	Undecided	2	2.0		
	Agree	60	60.6		
	Strongly agree	25	25.3		
	Total	99	100.0	3.97	.931
Political instability may caused to stop my business operation .	Strongly disagree	2	2.0		
	Disagree	18	18.2		
	Undecided	14	14.1		
	Agree	40	40.4		
	Strongly agree	25	25.3		
	Total	99	100.0	3.95	.952

Grad mean =3.91 SD= 0.9923

Sources: SPSS output from survey, 2024

In the Table 13 item (1), 79.8% agreed, 19.2% disagreed, and 1% of the respondent's undecided that during Political instability, they do not pay tax because there is no guaranty for their business during crises. In Table 13 item (2) shown that, 85.9% of the respondents agreed, 12.1% disagreed and 2% were undecided that political instability affects their income report that was checked and assessed by government body. Table 13 item 3, stated that, the majority 65.7% of the respondents agreed on Political instability might causes to stop their business operation whereas 20.2% were disagreed and 14.1% undecided. The grand mean and standard deviation (3.91 & 0.9923) shown that majority of the respondents agreed that political challenges have negative effect on tax collection performance. The result is consistent with (Zewude, 2020; Jaldhe, 2021 and Geleta, 2022) political instability has negative and significant effect on tax revenue collection.

4.1.4. In-depth interview results

In this study, qualitative data was gathered from 10 (83.33%) tax employees who were purposively selected. The purpose of this interviews was to analyze the reasons why the law performance of tax collection in Sheka zone revenue department. According to respondents, the tax collection problem was caused by two parities: these are taxpayers themselves and the tax officials or employees. Taxpayers expressed fear to entering into category B because maintaining of book of account, issuing receipt by using cash register, withholding TOT, and reporting to tax officials, and periodically declaring their income statement are mandatory. Therefore, when they fail to meet these obligations, they would face penalty. For this reasons they feared entering the category. Another reason was that they had no chance to evade their tax liability because; the tax officials would obtain information about their sells turnover from the reports. Additionally, the taxpayers did not have cash register machines and did not always issue the receipts to their customers, which all indicates an intentional to evade tax. These all above reasons caused the problems of Tax knowledge, tax compliance, tax evasion, and simplicity of tax system that had significant effect on tax collection performance.

On other hand, the researcher observed that the tax officials and tax employees caused a major the tax collection problem. Firstly, there was a poor planning procedure, meaning there was no clear plan for category B. The tax officials believed that category B taxpayers paid their tax liabilities based on their tax declaration, so

planning was deemed unnecessary. Secondly, there was a commitment problem among the tax officials and tax employees. This implies that they were not committed to assess and follow-up with the taxpayers, and they were not committed to enforcing the tax laws according to tax procedures to collect sufficient tax revenue from the category. That means they were not continuously imposing penalties on illegal activities. Thirdly, unfair assessment by the tax officials; this means unfair assessment of their sell turnover, and the assessment was not based on ability to pay. Finally, the above all problems show that there were tax administrative problems, such as lack of organizational strength/weak organizational performance/, lack of fairness, and not imposing penalty on illegal activities. Therefore, the problems had a significant effect on tax collection performance in the study area.

4.1.5. Analysis of secondary data

Table 14. Five Years tax collection performance

Year	Town/Woreda	Collection Plan in Birr	Actual	Performance
			collection Performance in Birr	in %
2019	Teppi	415,200	364,878.91	87.88%
	Masha	105,000	83,686.60	79.70%
	Andiracha	25,735.45	15,325.35	59.55%
	Total	545,935	463,890.86	84.97%
2020	Teppi	425,500	399,608.39	93.92%
	Masha	130,000	107,828.06	82.94%
	Andiracha	35,297	19,270	54.59%
	Total	590,797	526,706.45	89.15%
2021	Teppi	500,000	436,288.12	87.26%
	Masha	150,000	121,605.50	81.07%
	Andiracha	46,325	36,038	77.79%
	Total	696,325	593,931.62	85.30%
2022	Teppi	690,000	691,016.47	100.15%
	Masha	250,000	211,121.99	84.45%
	Andiracha	50,786	15,018	29.57%
	Total	990,786	917,156.46	92.57%

2023	Teppi	1,500,000	1,349,558.16	89.97%
	Masha	275,000	216,596.30	78.76%
	Andiracha	58,900	15,201	25.81%
Total		1,833,900	1,581,355	86.23%
The average collection		4,657,743	4,083,040.85	87.66%

Source: Sheka zone revenue department, 2024

The Table 14 indicates that, the five-year tax collection performance compared to the plan. This secondary data shows that, Sheka zone revenue department underperformed in five years from 2019 to 2023, and the average collection was 87.66%. Additionally, there was inefficiency and inconsistency in tax collection between each three-study areas that means the five years average collection of each tax office in the study areas shown us 91.84%, 81.38% and 49.46% in Teppi, Masha and Andracha respectively. This inefficiency and inconsistency of tax collection had significant effect on Zonal level tax revenue collection performance. This problem may have happened due to poor planning and implementation, lack of commitment between tax offices managers and employees, poor follow-up and enforcement tax laws and procedures as the researcher gathered from interview. The inefficiency and inconsistency in tax collection performance in the study area was caused by due to three major factors these were individual factors/ tax knowledge, tax compliance and tax evasion/, institutional factors/ simplicity of tax system, fairness, organizational strength and penalty/ and socio economic factor/ political instability/.

4.1.6. Summary of Descriptive

Table 15. Summary of Descriptive

	N	Mean	St.dev	Minimum	Maximum
Takno	99	1.95	0.999	1.00	5.00
Taco	99	2.53	1.091	1.00	5.00
TE	99	2.35	0.885	1.00	5.00
Simp	99	2.47	1.117	1.00	5.00
Fair	99	2.50	1.133	1.00	5.00
OrgSt	99	1.75	0.777	1.00	5.00
Pena	99	2.23	1.051	1.00	5.00
PoIn	99	3.91	0.992	1.00	5.00

Sources: SPSS output from survey, 2024

4.2. Econometric Analysis

4.2.1. Factors affecting tax collection performance

This part is used to identify the determinants of Category B tax collection. The dependent variable of the study is tax collection performance. The explanatory variables, which were selected from different empirical and theoretical literature, were examined using ordinal logistic regression to identify their effects on the dependent variable.

The ordinal logistic regression was used because the dependent variable has an ordinal measurement scale. Before using the model, the multicollinearity problem among the independent variables was tested using the Contingency Coefficient (CC) and it was found that there was no such problem among the variables.

Multicollinearity Test

Collinearity is two independent variables are highly correlated or multicollinearity where more than two independent variables are highly correlated and this can have decrease effects on multiple regressions. Different authors, suggest different way of identifying multicollinearity problem, if VIF value is less than 10 there is no multicollinearity in the model. Multicollinearity occurs because of highly correlation of independent variables with each other or exists when one independent variable is at linear combination with other independent variables (Keith, 2006).

Table 16. Multicollinearity Test

Model	Collinearity Statistics	
	Tolerance	VIF
Tkno	.898	1.114
TaCo	.845	1.183
TE	.760	1.316
1 SImp	.816	1.225
Fair	.912	1.097
OSt	.877	1.141
Pen	.845	1.183
PoIn	.842	1.188

Sources: SPSS output from survey, 2024

According to (Yfield, 2009) suggested that variable inflation factor (VIF) of any independent variables should not be greater than 10, or the tolerance should not be less than 0.1. Therefore, above Table 16 shows that, all of variables have less than 2

VIF value; this implies there is no multicollinearity problem between the explanatory variables.

Correlation Analysis

Table 17. Pearson Correlation Coefficients

		Me	SD	1	2	3	4	5	6	7	8	9	10
	an												
2	Tkno	1.45	0.57	.24*	1								
3	TEv	2.28	0.72	0.05	-0.01	1							
4	OrSt	2.56	1.02	0.05	-0.01	.48**	1						
5	Pena	2.34	0.91	0.05	0.05	.51**	.52**	1					
6	PoIn	3.91	0.95	0.00	-0.06	-0.03	0.16	0.16	1				
7	Sim	2.29	0.92	0.08	0.08	.48**	.53**	.58**	0.01	1			
8	Taco	2.83	0.86	0.01	-0.14	.38**	.29**	.47**	0.14	.61**	1		
9	Fair	2.37	0.92	0.08	0.05	.44**	.47**	.59**	-0.03	.93**	.75**	1	
10	TC	2.71	0.51	-0.01	-0.19	-0.18	-0.08	-0.13	0.13	-0.06	-0.06	-0.10	1

Source: SPSS output from survey, 2024

According to Gujarati (2004), the purpose of correlation analysis is to measure the degree of linear association between two variables. However, correlations do not indicate whether there is a causal relationship between variables, this is because of variables that are not theoretically related and have no causal effect may reveal a significant relationship with one another. In this study, Pearson correlation analysis was employed to know the degree of correlation among variables (dependent variable and explanatory variables) and the degree of correlation among independent variables as well. The Table17 shows correlation of independent variables with the dependent variable.

Autocorrelation Test

Table 18. Autocorrelation Test

Model Summary^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.190 ^a	.63	.51	.676	2.188

Source: SPSS output from survey, 2024

According to the assumption, the covariance between the error terms over time and cross-section could be zero. In other words, it is assumed that the errors are uncorrelated to one another's. This serial correlation of the error terms causes the standard errors of the coefficients to be smaller than they actually are and higher R-squared (Gujarati, 2004). If the errors not correlated with one another, it would state that they are “auto correlated” or that they serially correlated. The autocorrelation assumption is tested by Durbin-Watson test. That means the value of Durbin-Watson greater or equal to two we accept the Null hypothesis and when the value is less than two (<2) we reject the null hypothesis. Therefore, the Durbin-Watson test for autocorrelation the data in this study, the null hypothesis is being accepted and the assumption is not violated.

Table 19. Tests of Normality

Tests of Normality						
	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	Df	Sig.
TC	.033	99	.200	.988	99	.552

Source: SPSS output from survey, 2024

The above Table 19 presents the results from two well-known tests of normality, namely the Kolmogorov-Smirnov Test and the Shapiro-Wilk Test. Shapiro-Wilk Test is more appropriate for small sample sizes (< 50 samples) but can also handle sample sizes as large as 2000. For this reason, we will use the Shapiro-Wilk test as our numerical means of assessing normality. If $p < 0.05$, reject the H_0 because the test is significant and $p > 0.05$ accept the Null hypothesis this indicates that there is no significant different between the data (Atnkut, 2018). In our survey result, $p > 0.05$ therefore we accept the Null hypothesis and the assumption is not violated.

Table 20. Model Fitting Information

Model	-2 Log Likelihood	Chi-Square	Df	Sig.
Intercept Only	404.771			
Final	296.085	108.686	8	.000

Source: SPSS output from survey, 2024

The above result shows that, the list of the model, log-likelihoods, chi-square, degree of interval and significant level for each of the iteration.

Model – This indicates the parameters of the model for which the model fit is calculated.

The above model summary indicates that, the number of observations df 99 that is the number of observations undertaken in the ordered logistic regression model. The Likelihood Ratio (LR) Chi-Square test shows that at least one of the predictors' regression coefficients is not equal to zero in the model. The LR Chi-square is 108.686 which was computed as $-2 (\text{null model} - \text{fitted model}) = (404.771 - 296.085)$.

df – This indicates the degrees of freedom of the chi-square distribution used to test the LR Chi-Square are statistic and is defined by the number of predictors in the model.

Sig. – This is the probability getting a LR test statistic being as extreme as, or more so, than the observed statistic under the null hypothesis; the null hypothesis is that all of the regression. The small p-value from the LR test, <0.0001 , would lead to conclude that at least one of the regression coefficients in the model is not equal to zero. The model chi-square is highly significant and indicates that explanatory variables have a significant effect on the level of tax revenue collection.

Table 21. Goodness-of-Fit

Goodness-of-Fit			
	Chi-Square	Df	Sig.
Pearson	774.062	1156	1.000
Deviance	296.085	1156	1.000

Source: SPSS output from survey, 2024

Table 21 indicates the Pearson chi-square and deviance statistics assess the goodness of fit of the model. Here, statistical significance is no desired because it would indicate a difference between the final model and a perfect model. Non-significance indicates that the final model adequately duplicates the observed frequencies at the various levels of the outcome (Tabatchnick & Fidell, 2007).

Table 22. Pseudo R-Square

Pseudo R-Square	
Cox and Snell	.670
Nagelkerke	.681
McFadden	.269

Source: SPSS output from survey, 2024

The above Table (22) the Pseudo R-Square values of Cox & Snell and Nagelkerke show how much variance in the dependent variable is explained by the model independent variables. Instead of the true R-square values that are presented in the multiple regression output, these are referred to as pseudo R square statistics

(Pallant, 2011). The Pseudo R-Square of Nagelkerke value is equal to 0.681(68.1%) of the total in tax collection performance is explained by explanatory variables. This implies that 31.8% variance of tax collection cannot explained by predictors.

4.3. Ordinal Logistic Regression Model Results

Table 23. Parameter Estimates

	B	Std. Error	Wald	Sig.
Tkno	.863	.295	8.580	.003
TaCo	1.600	.275	33.855	.000
TE	-3.122	.524	35.461	.000
Sim	.869	.210	17.172	.000
Fair	.601	.299	4.030	.045
OSt	.641	.291	4.847	.028
Pen	1.474	.648	5.168	.023
PoIn	-.727	.343	4.501	.034

Source: SPSS output from survey, 2024

The above ordinal logit model contains eight (tax knowledge, tax compliance, tax evasion, simplicity of the tax system, fairness, organizational strength, penalty and political instability) explanatory variables. The regression coefficients result was interpreted as follows:

From Table (23), when tax knowledge of taxpayers increased by one unit, the tax collection performance increased by 0.863 when other predictors keeping constant. This tells us tax knowledge and tax collection performance has positive and significant relationship at 5% confidence interval. This result is agreed on (Yoseph, 2018; Dejene and Jaldhe 2021) tax awareness of taxpayers has positive and significant influence on tax revenue collection and disagreed on Mengistu et al., 2020) it has insignificant effect on tax collection. Therefore, *the researcher accepts (Ha1) which stated that tax knowledge has positive and significant effect on tax collection.*

From the above Table 23, another factor is tax compliance of taxpayers that has positive and strongly significant influence on tax collection at 5% significant level the p value is 0.000. That means, when tax compliance of taxpayers increased by one unit, tax collection performance increased by 1.6 when other independent variables keeping constant. The finding is in line with (Shenkute, 2018) but disagreed with the result of (Dejene, 2021) state that tax compliance has negative and insignificant effect on tax collection. As the result, *the researcher is accept the hypothesis (Ha2) stated that tax compliance has positive and significant effect on tax collection.*

According to Table (23), when tax evasion increased with one unit, tax collection level decreased by 3.122 keeping other dependent variables constant. This implies that, tax evasion and tax collection had negative and strongly significant relationship. The above result consistent with (Shenkute, 2018 and Mesay, 2019) tax evasion has negative and significant effect on tax revenue collection and contrary with Temsgen, 2018 and Arshalo, 2021) state that tax evasion has negative and insignificant effect on tax revenue collection. As the result, *the researcher accepts the hypothesis stated on (Ha3) tax evasion has a negative and significant effect on tax collection.*

As observed Table (23), simplicity of the tax system has positive and strongly significant ($p < 0.05$) effect on tax collection. That means, when simplicity of the tax system increased by one unit, tax collection performance increased by 0.869 when the other explanatory variables remains constant. As a result, *the researcher accepts the hypothesis states that (Ha4) Simplicity of the tax system has a positive and significant effect on tax collection.*

Fairness is the last independent variables Table (23) and its result indicates that, when fairness increased by one unit, tax revenue collection increase by 0 .601 when other predictors keeping constant. This implies, fairness of tax payment has positive and significant effect on tax revenue collection at 0.05% significant level with the p value 0.045. The finding agreed with the result of (Ergo and Alemayehu, 2018; Mesay, 2019 and Jaldhe, 2021) shows fairness has positive effect on tax revenue and contrary with (Mengistu et al 2020 and Dejene, 2021) state that fairness has negative influence on tax revenue collection. Therefore, the researcher accepts *the hypothesis stated that (Ha5) fairness and equity has positive and significant effect on tax collection in the study area.*

From the above Table 23 result shows when organizational strength increased by one unit, tax collection performance increased by 0 .641 when other explanatory variables in the model remains constant. This implies that, organizational strength has positive and significant influence on tax revenue collection at 0.05% confidence interval with the p value 0.028. This result is in line with the finding of (Ergo, 2018; Zewude and Mengistu et al. 2020 and Arshalo, 2021) the organizational strength of tax authority capacity in terms of competent staff, technology, and enforcement mechanisms significant effect on tax collection. However, opposing to the finding of (Yoseph and Alemayehu, 2018) shows that organizational strength has significant on tax revenue

collection. Therefore, *the researcher accepts (Ha6) that stated Organizational strength of the tax offices has a positive and significant effect on tax collection.*

As we observed from the above Table (23), penalty has positive and significant effect on tax revenue collection at 0.05% significant level with the p value 0.023. That means, when penalty increase by one unit, tax revenue collection performance increase by 1.474 when other independent variables keeping constant. This result is consistent with the finding of (Deyganto, 2018 and Arshalo, 2021) indicate that tax penalty has greater power for discouraging potential tax evasion. Contrary with the finding of (Tamesgen, 218) state that penalty has insignificant effect on tax collection. Therefore, *the researcher accepts (Ha7) that stated that Penalty has a positive and significant effect on tax collection.*

The result of Political instability shows that, it has negative and significant effect on tax collection at 0.05% significant level the result indicates the p value of 0.034 and its coefficient result shows negative. That means, when level of Political instability increase by one unit, tax collection performance will decrease by 0.727. However, the result is consistent with (Zewude, 2020; Jaldhe, 2021 and Geleta, 2022) political instability has negative and significant effect on tax revenue collection. Therefore, *the researcher accepts (Ha8) which states that stated Political instability has a negative and significant effect on tax collection.*

Table 24. Summary of Variables and Measurement

Variables specification	Symb	Measureme nt of scale	Expected result	Actual result	Decision
Tax knowledge	Tkno	likert scale	Positive and significant	(+)	Accepted
Tax compliance	Taco	likert scale	Positive and significant	(+)	Accepted
Tax evasion	TE	likert scale	Negative and significant	(-)	Accepted
Simplicity of tax system	Sim	likert scale	Positive and significant	(+)	Accepted
Tax fairness and equity	Fair	likert scale	Positive and significant	(+)	Accepted

Organizational strength	OrgS	likert scale	Positive and significant	(+)	Accepted
Penalty	Pena	likert scale	Positive and significant	(+)	Accepted
Political instability	PoIn	likert scale	Positive and significant	(-)	Accepted

Source: Own Description, 2024

CHAPTER FIVE

5. CONCLUSIONS AND RECOMMENDATIONS

This chapter deals with summary of major finding, conclusions drawn from the findings, recommendations, and highlights of the area that require further research.

5.1. Summary of finding

This study was governed by three specific objectives. The study results from descriptive statistics and ordinal logistic regression model shown us; the major determinants of category B tax collection performance in the study area were individual factors (tax knowledge, tax compliance, and tax evasion). In addition, institutional factors (simplicity of the tax system, fairness, organizational strength and

penalty) and socio-economic factor (political instability) these all were significant effect on tax collection performance in the study area.

The first specific objective was to measure the effects of individual factors (tax knowledge, tax compliance, and tax evasion) on category B tax collection. These individual factors were greatly affects the tax collection in the study area. The descriptive result shows that, the mean value of tax knowledge, tax compliance and tax evasion were (1.95, 2.69, and 2.67). This implies majority of the respondents agreed have no tax knowledge, low compliant level with tax laws and evade their tax liability.

The regression output shows us, tax knowledge of taxpayers increased by one unit, the tax collection performance increased by 0.863 when other predictors keeping constant. This tells us tax knowledge and tax collection performance has positive and significant relationship at 5% confidence interval. In addition, tax compliance of taxpayers had positive and strongly significant and tax evasion had negative and strongly significant influence on tax collection at 5% significant level. Therefore, individual factors affect the tax collection performance.

The second specific objective was to assess how institutional factors (simplicity of tax system, fairness, organizational strength, and penalty) influences category B tax collection performance. According to descriptive statistics and ordinal regression result, institutional or administrative factors were major factors that influence the collectivity of tax from category B in the study area. As descriptive statistics the mean value of Simplicity of the tax system, tax fairness, organizational strength and Penalty were (2.47, 2.51, 2.75 and 2.24) respectively. This shows the tax declarations documents, tax laws and procedures, and the reporting formats are not clear, simple, and understandable to taxpayers. In addition, there is lack of tax skill in the tax officials, they not provide training, and different awareness creation programs to taxpayers to improve their awareness on taxation. Additionally, they do not equip different technologies to improve the tax collection process, there is management commitment problem on enforcement of tax laws, they had no adequate controlling system to reduce illegal activities, and they do not provide quality service to taxpayers. In the study area, the tax payment by tax office is not fair and based on ability to pay and the tax offices does not continuously impose penalty on illegal activities these all affect the collectivities tax in Sheka zone.

According to ordinal logistic regression model result indicates, these institutional or administrative factors had effect on tax collection in the study area. This implies that, Simplicity of the tax system has positive (0.869) and strongly significant ($p < 0.05$) effect on tax collection. Fairness has positive significant effect on tax revenue collection at 0.05% significant level with the p value 0.045. Organizational strength has positive and significant influence on tax revenue collection at 0.05% confidence interval with the p value 0.028. Penalty has positive and significant effect on tax revenue collection at 0.05% significant level with the p value 0.023.

The third specific objective was to assess how socio economic factor (political instability) affects category B tax collection. Political instability is one of socio-economic factor that reduces the collection of tax revenue the study area. It has negative and significant effect on tax collection at 0.05% significant level the result indicates the p value of 0.034 and its coefficient result shows negative, when political instability increase by one unit, tax collection performance will decrease by 0.727.

5.2. Conclusions

The main objective of this study is to examine the determinants of category B tax collection practice in Sheka zone revenue department.

In this study, tax collection is taken as dependent variable and tax knowledge, tax compliance, tax evasion, simplicity of the tax system, fairness, organizational strength, penalty, and political instability are taken as independent variables. Based on the findings obtained from descriptive statistics and the ordered logistic regression results, the following conclusions were made.

The survey study result shown that Tax knowledge causes to increase the probability of collecting a high level of tax revenue collection. That means, tax knowledge increases the voluntary tax compliance. The regression result shown that, tax knowledge of taxpayers has positive and strongly significant influence on tax collection at 5% significant level. Tax compliance is another explanatory variable in this study that increases the probability of collecting a high level of tax revenue collection. As regression output, it has positive and significant effect on tax collection. Another factor of tax collection is tax evasion that decreases the collection of tax revenue. The result in the model shown that, tax evasion and tax collection have opposite relationship and statistically significant at 5% confidence interval.

In this study, simplicity of tax system is explanatory variable that affects tax collection in the study area. Majority of respondents agreed on the tax system is not simple, clear, and easily understandable. In addition, tax declarations documents, tax laws and procedures, and the reporting formats are not clear, simple, and understandable to taxpayers. This indicates that the tax system is complex in the study area. This also greatly affects the tax collection. As regression analysis shown, simplicity of the tax system has positive and statistically strong significant effect on tax collection at 5% significant level.

Fairness is other factor has positive effect on tax revenue collection. Fairly imposing tax laws, procedures, and the tax payment based on ability to pay increases the probability of collecting high level of tax revenue. As regression result indicates, fairness has positive influence on tax collection and statistically significant at 5% confidence interval.

The survey study result shown organizational strength is one of the major factors that cause inefficient tax collection performance in Sheka zone that compared to the collection plan. As the survey result revealed that majority of tax officials do not have skills and commitment to enforce tax law and procedures. In addition, the training given by the officials is not addressed to all taxpayers to improve their awareness and most of the time the officials do not impose penalty on illegal activities. That means, in Sheka zone the tax offices are not strong enough to collect sufficient tax revenue. According to the regression analysis result, organizational strength has positive and statistically significant influence on tax revenue collection at 0.05% confidence interval.

Concerning Penalty, it is caused to increase the probability of collecting a high level of tax revenue collection. However, it increases the likelihood of collecting a high level of tax revenue. It also, decreases tax evasion and late pay. The regression result indicates penalty has positive effect on tax revenue collection and statistically significant at 5% significant level.

Another determinant of tax revue collection is political instability. As the level of political instability increases, the probability of collecting a low level of tax revenue would decrease. Contrary, political instability decreases the likelihood of collecting a high level of tax revenue. As the regression result, political instability has negative effect on tax revenue collection and significant at 5% significant level.

Finally, the study concluded that, tax knowledge, tax compliance, simplicity of the tax system, fairness, organizational strength and penalty have positive and significant effect on tax collection. On other hand, tax evasion and political instability have negative effect on tax collection performance.

5.3. Recommendations

Based on the findings of both descriptive statistics and regression results the following recommendations are forwarded to the stakeholders in sheka zone.

- ❖ Tax knowledge and tax compliance of taxpayers, have a vital role on tax collection performance. Therefore, both the tax office and Sheka zone revenue department should place great emphasis on creating awareness among taxpayers, rather than just taking action after the fact. This can achieved by providing continuous awareness creation programs and training to taxpayers to reduce intentional or unintentional breaking of laws, to minimize wrong attitudes. Additionally, educating and informing taxpayers of their obligations can be done through various printed and electronic mass Media such as magazines, pamphlets, radio, TV, etc. Furthermore, rewarding loyal taxpayers can help to improve their tax collection performance. Similarly, awareness creation should not be limited to consultative sessions with the elderly, religious leaders, prominent personalities in the society or other influential individuals. Moreover, similar to civics and ethics, the government of the country should include taxation courses in the curricula of schools at each levels of education. Therefore, students can be educated early in their live about tax responsibilities. Therefore, ministry of education should consider taxation.
- ❖ The revenue department should focus on administrative activities such as being committed to enforce tax laws and procedures, ensuring fair and unbiased assessment to all taxpayers, using effective, up-to-date technological infrastructure and controlling mechanism to reduce illegal activities (such as tax evasion, corruption and avoidance), and maintaining continuous follow-up, to build strong and effective tax institution.
- ❖ There is inconsistency in tax revenue collection between woredas and city administrations. To overcome the problem, the revenue department should support each tax office to prepare a potential-based tax collection plan and continuously follow-up on the implementation of the tax collection plan.

- ❖ The tax offices should ensure that taxpayer status, contacts and location are updated and simplify the registration of businesses with effective door-to-door inspection and a transparent tax collection system. In addition, the tax office should build trust and confidence with taxpayers, rather than always considering them as thieves; it is better thinking as development partners.
- ❖ Finally, the local and Federal government should work on bringing and maintaining stable political system to collect adequate and sufficient tax revenue because political instability greatly affects the tax collection in the study area. This can be achieved by installing the citizens a sense of full social responsibility and citizens who love their country. Additionally, educating people about the purpose of tax toward the country enables them to be independent of the political party, thereby opening ways for the tax office to collect more tax revenue. Therefore, to create patriot citizens, the government should be accountable for tax revenue collected and how it is used, and education on tax should be given to citizens both formally (in school) and informally (radio, television and programs on awareness creation).

5.4. Further Research and limitation

This study aimed to fill the gap on determinants of category B tax collection practice in the study area. In the existing literature identified in the problem statement, listed under the objectives, and in the research gap. However, this study has not free from limitations and these limitations should be addressed by future studies. Furthermore, further researchers should apply different research models to enhance the accuracy of the result.

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Appendixes

Appendix A. Questionnaires

Mizan-Tepi University

College of Business and Economics

Department of Accounting and Finance

Dear Participant:

The intent of this questionnaire is to examine the determinants of category "B" Tax collection practice in case of Sheka zone Revenue Department and to conduct Master Thesis (Research) for the partial fulfillment of Master Degree in accounting and finance at Mizan-Tepi University. The questionnaires will be distributed to category B taxpayers and tax office employees that found in Sheka zone. The results of the study will expect to contribute to identify the determinants of category "B" Tax collection. The conclusions of the study will draw in aggregate terms, without any reference to specific office or individual respondents. Please, do not write your name on the questionnaire. I would also like to assure you that the information you provided will treated as strictly confidential and used only for the purpose of this research only.

We highly appreciate your genuine cooperation in advance!

Date: _____ Time: _____

Zone: _____

Woreda: _____

Town: _____

I. General Instruction:

Please indicate your choice by putting "X" mark in the bracket.

Section I: Demographic information of respondents

1. **Gender** Male Female

2. **Age :(in year)**

18 to 28 29 to 39 40 to 50 51 to 61 62 & above

3. **Educational status:**

1. Non-formal education (NFE)

2. Primary education (PE)

3. General secondary school (GSS)

4. College diploma (CD)

71

5. BA/BSc degree
6. MSc & above (MSc)

4. Please, state your business type

Commercial Service others

4.1. If it is commercial, specify it. -----

4.2. If it is service, specify it. -----

4.3. If it is others, specify it. -----

Section II: Questions Related to Tax Collection Practices

1. Tax collection

1.1. Does the tax office effectively enforce during tax collection?

Yes No

1.2. Does the cash register machine reduce tax evasion and fraud and increase the collectivity of tax?

Yes No

2. Tax knowledge

2.1. The level awareness creation and media dissemination for TOT payer perform by tax office.

very low Low Medium High
Very high

2.2. Are you familiar with the Ethiopian TOT Laws and proclamations?

Little Good Indifferent
Very much acquainted

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

No	3. Tax compliance	5	4	3	2	1
3.1	I have never been late in paying my taxes					
3.2	During the past years, I always reported my business transactions honestly					
3.3	I have never been accused of any tax related crimes					

3.4	I always behave based on the tax law of the country					
4.	Tax evasion	5	4	3	2	1
4.1	I always issue the TOT receipt with cash register.					
4.2	I always issue the TOT receipt to all buyers without failure.					
4.3	I always report the issued TOT receipts to the tax office.					
4.4	I always receive the tax receipt when I purchase goods from wholesalers/distributors.					
5.	Simplicity of the tax system	5	4	3	2	1
5.1	Tax declaring documentation is clear, and simple to file.					
5.2	The tax laws and procedures about taxation are simple to understand.					
5.3	I do not have any problem with completing and filing the tax return form(s)					
5.4	The reporting and payment tax liabilities formats are simple to understand.					
6.	Fairness of tax payment	5	4	3	2	1
6.1	I believe everyone pays their fair share of income tax under the current income tax system					
6.2	The amount of tax I am paying is fair and based on my ability to pay.					
7.	Organizational strength of tax offices					
7.1	The tax office managers and officers have skill on existing tax procedures.					
7.2	Tax office managers and officers give different trainings related to tax and tax issues.					
7.3	The tax offices have adequate human and technological resources.					
7.4	The law enforcement potential of the authority is strong.					
7.5	The authority delivers quality tax services to taxpayers					
7.6	The tax administrations have strong control system to control non-registered and illegal activities of TOT payers.					

8.	Penalty	5	4	3	2	1
8.1	The tax office impose penalty on late pay and illegal activities.					
8.2	Penalty decreases the collectivity tax on TOT taxpayers.					
8.3	Always I pay my tax liability at due date.					
8.4	I certainly pay the expected tax without penalty or legal enforcement procedure.					
9.	Political instability	5	4	3	2	1
9.1	During Political instability, I don't pay tax because there is no guaranty for my business during crises.					
9.2	When political instability exists, it affects my income report is checked and assessed by government body.					
9.3	Political instability caused to stop my business operation.					

Interview questions for tax office employees

1. Do your office and you impose penalty on taxpayers? Why?
2. Do you think that tax administrations are strong enough to control non-registered and illegal activities of TOT payers?
3. Do you think that tax office has capable and required work forces are empowered to collect TOT efficiently?
4. How well do you control tax collectors and assessors?
5. How do you improve the competence of your employee on tax collection and assessment?
6. Is there training for employees those perform tax collecting and assessing task or for any other employees?
7. How do you evaluate the effect of tax collection during political instability?



ሚዛን -ቴፒ ዩኒቨርሲቲ

በድህረ-ምረቃ ክፍል

የግብር ከፋዮች መጠይቅ

የጥናቱ ርዕስ « በሸካ ዞን ገቢዎች መምሪያ የደረጃ (ሰ) ግብር አሰጣሰ ስራ ለውስጥ የሚችሉ ነገሮች» በሚል ርዕስ የሚሰራው አቶ ሰውነት እንዳሻው በሚዛን -ቴፒ ዩኒቨርሲቲ

በቢዚነስና ኢኮኖሚክስ ኮሌጅ በአካወንቲንግና ፋይናንስ ትምህርት ክፍል የሁለተኛ ዲግሪ ተማሪ ነው።

ይህ መጠይቅ ዋና ዓላማ በሽካ ዞን ገቢዎች መምሪያ የደረጃ "ሰ" የግብር አሰጣሪ አሰሪዎች ሲሆን የሚችሉ ነገሮች በሚል አርዕስት ለሚሰራው ጥናት ግብዓት የሚውል ሲሆን ይህም በአካወንቲንግና ፋይናንስ ትምህርት ክፍል የማስተርስ ዲግሪ ሚሚያ ተደርጎ ይወሰዳል። የዚህ ጥናት ውጤትም ለህግ አውጪዎችና ለግብር ሰብሳቢ መስሪያ ቤቶች ከግብር ከፋይ ሕብረተሰብ ግብርን በአግባቡ ለማስከፈልና ለመሰበሰብ ይጠቅማል።

በዚህ ጥናት ውስጥ ያለዎት ተሳትፎ ሙሉ በሙሉ በፈቃደኝነት ሳይ የተመሰረተ ነው። የቃሉ መጠይቆች ውጤቶች ማንነትዎን በማይገልፅ መልኩ ይመዘገባሉ በግለሰብ ደረጃ የሰጡት ምላሾችም ሚስጥርነታቸው የተጠበቀ ነው።

ለሚያደርጉት ትብብርና ፈጣን ምላሽ በቅድሚያ አመሰግናለሁ!!

ቀን:- _____
ዞን: _____
ወረዳ: _____
ከተማ: _____

I. የግብር ክፍሎች የግል መረጃ

- 1. ልጅ ወንድ ሴት
- 2. ዕድሜ 18-28 29- 39 40- 50 51-60 ከ60 በላይ
- 3. የትምህርት ደረጃ
 - 1. መደበኛ ያልሆነ ትም/ት
 - 2. መጀመሪያ ደረጃ ትም/ት
 - 3. ከፍተኛ ሁለተኛ ደረጃ ትምህርት
 - 4. የኮሌጅ ዲፕሎማ
 - 5. ዲግሪ

6. ማስተርስ እና በላይ

4. እባክዎን የንግድዎን አይነት ይግለጹ

የንግድ አገልግሎት ሴሎች

የንግድ ከሆነ, ይግለጹ.-----

የአገልግሎት ከሆነ, ይግለጹ.----- ሴሎች -----

II. ዋና መጠየቅ ክፍል

1. የግብር አሰጣሰ

- 1.1. የግብር መሥሪያ ቤቱ በታክስ አሰጣሰ ወቅት በብቃት ያስፈጽማል?
- አዎ አይደለም
- 1.2. የጥራት ገንዘብ መመዘገቢያ ማሻሻያ የታክስ ስወራ እና ማጭበርበርን ይቀንሳል እና የታክስ ስብስቦችን ይጨምራል? አዎ አይደለም

2. የግብር እውቀት

- 2.1. ስ TOT ከፋዎች ደረጃ የገንዘብ ማስጨበጫ እና የሚዲያ ስርጭት በግብር መ/ቤት አከናውኗል።
- በጣም ዝቅተኛ ዝቅተኛ መካከለኛ ከፍተኛ በጣም ከፍተኛ
- መልስህ "በጣም ዝቅተኛ" ከሆነ ምክንያቶችን ይግለጹ-----
-
- 2.2. የኢትዮጵያን የቶት ህጎች እና አዋጆች ያውቃሉ?
- ትንሽ ጥሩ ግዴለኛ በጣም አውቃለሁ

ከዚህ በታች ባለው በመረጠክው/ጥሽው/ ሠንጠረዥ ውስጥ ይህን (X) ምልክት ያስቀምጡ

1. ፍጹም አልሰማማም (ፍ/አል) 2. አልሰማማም 3. ገለልተኛ ነኝ 4. አስማማለሁ 5. በጣም አስማማለሁ

ተ/ቁ	3. የግብር ተገዢነት	5	4	3	2	1
3.1	ግብረን ሰመክፈል ዘግይቼ አላውቅም					

3.2	ባለፉት ዓመታት፣ የንግድ ልውውጦችን ሁልጊዜ ሪፖርት አድርጌ ነበር።					
3.3	ከታክስ ጋር በተያያዙ ወንጀሎች ተከላኪ አላውቅም					
3.4	እኔ ሁል ጊዜ የምሰራው በሀገሪቱ የግብር ህግ መሰረት ነው።					
4.	የግብር ስወራ	5	4	3	2	1
4.1	የ TOT ደረሰኝ ሁልጊዜ በጥሬ ገንዘብ መመዝገቢያ አሰጣሪ።					
4.2	የ TOT ደረሰኝን ያለ ምንም ችግር ለሁሉም ገዥዎች ሁልጊዜ አሰጣሪ።					
4.3	የወጡትን የ TOT ደረሰኞች ሁልጊዜ ሰግብር ቢሮ ሪፖርት አድርጋለሁ።					
4.4	አቃዎችን ከጅምላ ሻጮች/አከፋፋዮች ስገዛ ሁል ጊዜ የግብር ደረሰኝ አቀበላለሁ።					
4.5	የንግድ አካባቢ ግብር ከፋዮች ከታክስ እንዲሸሹ ያነሳሳቸዋል።					
5.	የግብር ስርዓት ቀላልነት	5	4	3	2	1
5.1	የግብር ማወጅ ሰነድ ግልጽ እና ቀላል ነው።					
5.2	ስለ ቀረጥ የግብር ህጎች እና ሂደቶች ለመረዳት ቀላል ናቸው።					
5.3	የታክስ መመሰሻ ቅጽን በመሙላት እና በመሙላት ላይ ምንም ችግር የሰብኝም።					
5.4	የሪፖርት ማቅረቢያ እና የክፍያ የግብር እዳ ቅርፀቶች ለመረዳት ቀላል ናቸው።					
6.	የግብር አከፋፈል ፍትሃዊነት	5	4	3	2	1
6.1	እሁን ባለው የገቢ ታክስ ስርዓት ሁሉም ሰው ተገቢውን የገቢ ግብር ይከፍላል ብዬ አምናለሁ።					
6.2	የምክፍለው የግብር መጠን ፍትሃዊ እና በመክፈል አቅጣጫ ላይ የተመሰረተ ነው።					
7.	የታክስ ቢሮዎች ድርጅታዊ ጥንካሬ	5	4	3	2	1
7.1	የግብር መሥሪያ ቤቱ ሥራ አስኪያጆች እና ኃላፊዎች በነባር የግብር አሰራሮች ላይ ችሎታ አላቸው።					
7.2	የታክስ ቢሮ ኃላፊዎች እና ሌሎች ከታክስ እና ከታክስ ጉዳዮች ጋር በተያያዙ					

	የተሰደደ ስልጠናዎችን ይሰጣሉ።					
7.3	የታክስ መስሪያ ቤቶች በቂ የሰው እና የቴክኖሎጂ ግብአቶች አሏቸው።					
7.4	የባለሥልጣት የሕግ ማስከበር አቅም ጠንካራ ነው።					
7.5	ባለሥልጣት ጥራት ያለው የታክስ አገልግሎት ሰግብር ከፋዮች ይሰጣል					
7.6	የግብር አስተዳደሩ በቶች ከፋዮች ላይ ያልተመዘገቡ እና ህገወጥ ድርጊቶችን ለመቆጣጠር ጠንካራ የቁጥጥር ስርዓት አላቸው።					
8.	ቅጣት	5	4	3	2	1
8.1	የግብር መሥሪያ ቤቱ ዘግይቶ ክፍያ እና ሕገወጥ ድርጊቶች ላይ ቅጣት ይጥሳል.					
8.2	ቅጣቱ በ TOT ግብር ከፋዮች ላይ የሰብስብ ታክስን ይጨምራል።					
8.3	ሁልጊዜ የግብር አዳዪን በማሰቃይ ቀን አከፍላለሁ።					
8.4	ያለ ቅጣት ወይም የህግ ማስፈጸሚያ ሂደት የሚጠበቀውን ታክስ በእርግጠኝነት አከፍላለሁ።					
9.	የገሰጠኝ አስመረጋጋት	5	4	3	2	1
9.1	በገሰጠኝ አስመረጋጋት ወቅት፣ በችግር ጊዜ ለንግድ ስራዬ ምንም አይነት ሞትና ሰለሴ ግብር አልከፍልም።					
9.2	የገሰጠኝ አስመረጋጋት ሲኖር የገቢ ሪፖርቴን ይገዳል በመንግስት አካል ይገመገማል።					
9.3	የገሰጠኝ አስመረጋጋት የንግድ ሥራዬን አቆመ።					

ሰግብር ቢሮ ሰራተኞች የቃሰ መጠይቅ ጥያቄዎች

1. ከደረጃ «ሰ» ከፋዮች ከፍተኛ ግብር ለመሰብሰብ በጽ/ቤቱ ምን እየተሰራ ነው ?
2. ሁሉም ደረጃ «ሰ» ግብርከፋዮች ካሽ ራሽከተር/cash register/ ማሽን ተጠቅመው ሽያጭ እና ግዥ ይፈፅማሉ?
3. ዘግይቶ ግብርቸውን የሚከፍሉ ፣ ያልተመዘገቡ እና ህገወጥ ድርጊቶችን የሚፈፁ ግብር ከፋዮች ተቀጥተው ይቃሉ?

- a. መስሰዎ እዎን ከሆነ በቅጣቱ የመጣ ሰውጥ እስ?
4. ደረጃ «ሰ» ከፋዎች ስታክስ ያላቸውን ግንዛቤ ሰማሳደግ መ/ቤትዎ በተሰየዩ ጊዜያት በሚመጡ የግብር ህጎችና አዋጆች ዙሪያ በተደጋጋሚ ስልጠናዎችን ይሰጣል?
5. ደረጃ«ሰ» ከፋዎች ከእነዚህ ቢሮ የሚሳኩትን የተያዩ ቅጻዎችን በቀሳሱ በመረዳት ሞልተው ይመስላሉ?
6. ሁሉም ደረጃ«ሰ» ከፋዎች ሰግብር ህጎች ተገዥዎች ናቸው?
7. በገሰቲካ አስመረጋጋት ባለበት ወቅት የግብር አሰባሰብን ሁኔታ ምን ይመስላል?

Appendix B: Five Years tax collection performance from Category B taxpayers in Sheka zone revenue department

Five Years tax collection performance from Category B taxpayers in Sheka zone revenue department

Year	Town/Woreda/	Number of taxpayers			Collection Plan in Birr	Actual collection Performance Birr	Performance in %
		M	F	Total			
2011E.C	Teppi	115	21	136	415,200	364,878.91	87.88%
	Masha	23	2	25	105,000	83,686.60	79.70%
	Andiracha	2	1	3	25,735.45	15,325.35	59.55%
2012E.C	Teppi	91	19	110	425,500	399,608.39	93.92%
	Masha	23	3	26	130,000	107,828.06	82.94%
	Andiracha	2	1	3	35,297	19,270	54.59%
2013E.C	Teppi	104	15	119	500,000	436,288.12	87.26%
	Masha	23	4	27	150,000	121,605.5	81.07%
	Andiracha	5	1	6	46,325	36,038	77.79%
2014E.C	Teppi	98	8	115	690,000	691,016.47	100.15%
	Masha	24	4	28	250,000	211,121.99	84.45%
	Andiracha	5	1	6	50,786	15,018	29.57%
2015E.C	Teppi	98	12	110	1,500,000	1,349,558.16	89.97%
	Masha	26	4	30	275,000	216,596.30	78.76%
	Andiracha	5	1	6	58,900	15,201	25.81%
Total 2015E.C		129	17	146			

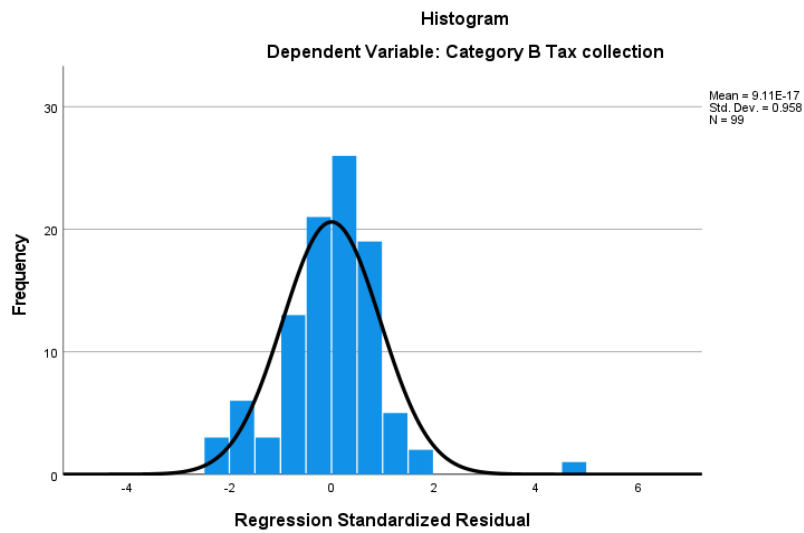


Appendix C: Test of Reliability of variable Cronbach's Alpha

Scale	Cronbach's Alpha	N of Items
Tax collection	.782	2

Tax knowledge	.771	2
Tax compliance	.806	4
Tax Evasion	.900	4
Simplicity of tax system	.965	4
Fairness	.810	2
Organizational strength	.977	6
Penalty	.955	3
Political instability	.951	3
TOTAL	.933	30

Appendix D: Graph for Normality Test



Appendix E: Correlation analysis

Correlations													
	Mea n	SD	1	2	3	4	5	6	7	8	9	10	
2	Tkn	1.45	0.57	.24*	1								
3	TEv	2.28	0.72	0.05	-0.01	1							
4	OrSt	2.56	1.02	0.05	-0.01	.48**	1						
5	Pena	2.34	0.91	0.05	0.05	.51**	.52**	1					
6	PoIn	3.91	0.95	0.00	-0.06	-0.03	0.16	0.16	1				
7	Sim	2.29	0.92	0.08	0.08	.48**	.53**	.58**	0.01	1			
8	Taco	2.83	0.86	0.01	-0.14	.38**	.29**	.47**	0.14	.61**	1		
9	Fair	2.37	0.92	0.08	0.05	.44**	.47**	.59**	-0.03	.93**	.75**	1	
10	TC	2.71	0.51	-0.01	-0.19	-0.18	-0.08	-0.13	0.13	-0.06	-0.06	-0.10	1

Appendix F: Test of Autocorrelation

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.190 ^a	.63	.51	.676	2.188

a. Predictors: (Constant), Fair, TaCo, Tkno, Pen, PoIn, OSt, SImp, TE

b. Dependent Variable: Tax collection from category B taxpayers

Appendix G: Regression result of the study

Parameter Estimates

		Estimate	Std. Error	Wald	df	Sig.	95% Confidence Interval	
							Lower Bound	Upper Bound
Threshold	[TC = 1.00]	2.000	2.323	.741	1	.389	-2.553	6.553
	[TC = 1.50]	2.116	2.322	.830	1	.362	-2.436	6.668
	[TC = 1.75]	2.334	2.322	1.011	1	.315	-2.216	6.884
	[TC = 2.00]	4.600	2.333	3.888	1	.049	.028	9.172
	[TC = 2.25]	4.863	2.338	4.327	1	.038	.281	9.444
	[TC = 2.50]	6.688	2.400	7.764	1	.005	1.984	11.393
	[TC = 2.75]	6.787	2.404	7.969	1	.005	2.075	11.498
	[TC = 3.00]	7.971	2.452	10.565	1	.001	3.164	12.777
	[TC = 3.25]	8.361	2.467	11.488	1	.001	3.526	13.195
	[TC = 3.50]	9.368	2.502	14.023	1	.000	4.465	14.271
	[TC = 3.75]	9.590	2.509	14.613	1	.000	4.673	14.507
	[TC = 4.00]	12.482	2.656	22.079	1	.000	7.275	17.688
Location	Tkno	.863	.295	8.580	1	.003	.286	1.441
	TaCo	1.600	.275	33.855	1	.000	1.061	2.140
	TE	-3.122	.524	35.461	1	.000	-4.150	-2.095
	Sim	.869	.210	17.172	1	.000	.458	1.279
	Fair1	.601	.299	4.030	1	.045	.014	1.187
	OSt	.641	.291	4.847	1	.028	.070	1.211
	Pen	1.474	.648	5.168	1	.023	.203	2.744
	Poln	-.727	.343	4.501	1	.034	-1.399	-.055

Link function: Logit.