DETERMINANTS OF TAX COMPLIANCE OF BUSINESS TAXPAYERS

(The Case Of Jimma City Adminstration)

A Thesis Submitted to the School of Graduate Studies of Jimma University in Partial Fulfilment of the Requirements for the Award of the Degree of Master of Accounting and Finance

BY:

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JIMMA UNIVERSITY

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DECLARATION

I hereby truthfully declare that the above titled thesis work is my original work and that it has not been presented for the award of a master degree in any university.

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Signature _________________ Date ____________________________

We confirm that this thesis paper has not been submitted for examination with our approval

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CERTIFICATE

This is to certify that the thesis paper entities "Determinants of Tax Compliance of Business Taxpayers: The Case of Jimma City Administration" Submitted to Jimma University for the award of the Degree of master of science in accounting and finance and is a record of research work carried out by Mr. Mohammed Kemal, under our guidance and supervision.

Therefore, we hereby declare that part of this thesis paper has not been submitted to any other university or institutions for the award of any degree or diploma.

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Abstract

This study was conducted with the aim of identifying the determinants of tax compliance of tax payer of Jimma city administration. The target populations of the study were taxpayers of Jimma town which were 8,988 in number. A sample of 383 of category A,B and C tax payer was taken using self-administered questionnaires consisting of close-ended questions with five Liker-scale (strongly agree (5), agree (4), neutral (3), disagree (2), strongly disagree (1)) forms. The study tried to explore the determinants of tax compliance and how these determinants are related with tax compliance. Tables, graphs and charts were used to present the result of the analysis. Pearson correlation coefficient and regression model was used to identify the main factors that determine tax compliance. The findings of the study shows that knowledge and awareness of tax aspects, tax system, tax authority services and tax rates are significant determinants of tax compliance. In general, it is recommended that the tax authority and other responsible bodies; to increase taxpayers' awareness which help to enhance the level of voluntary compliance of taxpayers, evaluate the detection method, analyze and evaluate the taxation system in order to investigate the loopholes. This will help to enhance the level of compliance which helps taxpayers to comply voluntarily through all possible ways.

Keywords: Tax Compliance, Taxpayers, multiple linear regression, category A, B and C tax payers

List of Acronyms /Abbreviations

ALTP: Awareness Level of Taxpayers

COC: Compliance Cost

CTPA: Central for Tax Policy and Administration

ERCA: Ethiopian Revenues and Customs Authority

FETS: Fairness/ Equity of Tax System

IMF: International Monetary Fund

IRB: Internal Revenue Board

IRS: Internal Revenue Service

LTO: Large Taxpayers Office

LTP: Large Tax Payers

OECD: Organization for Economic Co-operation and Development

OSTA: Organizational Strength of Tax Authorities

PEN: Extent of Penalty

PGS: Perception of Government Spending

PLC: Private Limited Company

S.C: Share Company

SPSS: Statistical Package for Social Study

TOT: Turn Over Tax

VAT: Value Added Tax

VTC: Voluntary tax compliance

CHAPTER ONE

Introduction

1.1. Background of the study

A tax is a compulsory levy and those who are taxed have to pay the sums irrespective of any direct corresponding return of services or goods by the government. Government needs financial resources to act as a government and play a role that is expected from it by the public (Bhatia, 1976; James, 2000). So what the government gives it must first take away. The economic resources available to society are limited, and so an increase in government expenditure normally means a reduction in private spending. In this regard James (2000) states that taxation is one method of transferring resources from the private to the public sector. The role of taxes as an instrument stabilizes the economy, and reduces private demand when resources are released for public sector use. Taxes are not payments for some special privilege granted or services rendered and are, therefore, distinguishable from various other charges imposed for particular purposes under particular powers or functions of government (Murphy and Higgins, 2001).

Taxation is a significant business instrument for raising funds for prudent and efficient investment planning and management, as well as for the efficient operation of the economy as a whole (NapariSeidu et.al, 2015; Ozen et.al. 2014). Finding the ideal balance between a tax system that encourages business and investment and one that can generate enough income for the delivery of public services to increase the attractiveness of the economy, however, is a major challenge for African countries (Vadde and Gundarapu, 2012).

Despite various administrative reforms, levels of tax collected have remained quite low due to low tax compliance (Abdixhiku, 2013; Baldacchino et. al., 2017). Tax disobedience could be a substantive universal development that transcends cultural and political boundaries and takes place in all societies and economic systems. Notwithstanding time and place, the most issue pie-faced by all tax authorities is that it is never been simple to influence all taxpayers to befit the rules of a tax system (Peter, 2013).

Most Least Developing Countries (LDCs) are presently captivated with external moneyresources to fund their development activities. Unlike developed countries, developing and emerging countries are particularly prone to tax evasion and avoidance activities of individual taxpayers and firms. However, it is debatable on what has been done towards the study of taxpayer behavior towards tax system in developing countries as they concentrate more on studies which might increase their budgets “bottom-line” in terms of enormous revenue assortment and social control efforts at the expense of studies on taxpayers’ behavior which might build increase during this government income to be complete and social control efforts work (Marti, et al., 2010). Following the increasing cases of tax disobedience, particularly nonpayment and its consequences on the capability of a government to lift public revenue, large amount of attentions are paid to the difficulty of tax compliance globally by public policy makers and researchers for the past few decades. In line with on top of realities, the aim of this study is to depict level of tax compliance and its determinative factors: evidence from Jimma city tax payers.

While reviewing the researches done in the area, the vast majority of them are concerned with specific determinants of tax compliance; and so far no research appears to have been done in similar or related topics in Jimma city. Thus, the current research attempts to investigate the determinants of tax compliance in Jimma city administration. The current study is different from other researches as it tries to study the general determinants of tax compliance rather than their compliance on some specific type of tax or on the effect of some specific determinants on tax compliance.

1.2. Statement of the Problem

Taxes are the primary source of revenue for the government and can be used to fund all of its economic stabilization initiatives. In Ethiopia, the government imposed tax (direct and indirect), among others; as major and vital sources of public revenue for the promotion of its economic process. Due to a number of factors, the main one being that tax payers fail to pay their fair share of taxes, this imposition of tax was unable to produce the desired results. The challenges facing tax collectors include, among other things, the existence of a culture among taxpayers to evade and avoid taxes, social disapproval among taxpayers against tax offenses, and taxpayers' tardiness in filing their taxes. According to Agbi (2014), tax evasion may be a significantdrawback that most nations experience globally. There is no question that tax arrangements are skewed by the fact that tax avoidance and evasion are widespread throughout the world (Slemrod&Yitzhaki, 2002).

With the goal of streamlining the income tax system and boosting government revenue, the Ethiopian government has recently made significant efforts to reform and modernize the revenue administration (Temtime, 2014).Ethiopia, like many developing countries, has a loss of tax revenue despite government attempts (Ahmed and Kedir, 2015). The government's revenue as a percentage of GDP was 11.6%, whichwas less than the ratio of taxes to GDP in 2003, according to research done by Temtime (2014) and cited in the Ministry of Finance and Economic Development of Ethiopia (MOFED) (2010), African Economic Outlook (2012), and International Fund (2013).The study by Temtime (2014) also makes note of the fact that the goal tax to GDP ratio at the conclusion of the five-year Growth and Transformation plan in 2015 is 15.3%, which is lower than the Sub-Saharan average (18%) in 2005. Temtime further stated that when compared to a few chosen Eastern African nations, Ethiopia's tax performance is incredibly poor and even falls short of the averages of these African nations.The failure of taxpayers to file their taxes on time is one of the major problems the local tax authority has to deal with, according to Mesele and Tesfahun's (2016) study in Desse Town. If the tax payers' reasons for noncompliance are well understood, it is easier to reduce noncompliance. The tax authority can use this knowledge to its advantage by providing information and guidance on the best strategy to increase tax compliance.

There are few researches done on determinants of tax compliance attitude and related issues in Ethiopia. For example, the researchers have done by (Alemu, 2014; kassahun, 2016.Hiwot, 2014; and Teka, 2018) on the same issue by on incorporating six explanatory variables in their study and made different suggestions about tax compliance attitude of taxpayers on different study areas. But, this research different from the above reviewed researches by taking into one more additional factor, perception on tax rate which was not incorporated and tested in previous researches. And also unlike the previous studies, current study employed regression model and tried to fill gap that the studies have been conducted earlier time does not disclose the current impact that determinants of tax compliance attitude in Jimma town. As a result, the aim of this study was to examine the factors that affect tax payers' level of compliance with the law.in Jimma City Tax as proof.Hence, this study mainly assesses the determinant of tax compliance in Ethiopia with a particular emphasis on Jimma town.

1.3. Objective of the Study

1.3.1. General Objective

The general objective of this particular study was to identify the determinants of tax compliance in Jimma city administration tax payers.

1.3.2. Specific Objectives

The study had the following basic specific objectives.

- To examines the effect of knowledge and awareness about taxation on tax compliance behavior in Jimma city administration category A, B and C tax payers.
- To identifythe effect of Tax systems about taxation on tax compliance behavior in Jimma city administration category A, B and C tax payers.
- To assess the effect of tax office service about taxation on tax compliance behavior in Jimma city administration category A, B and C tax payers.
- To find out Government Spending of Tax about taxation on tax compliance behavior in Jimma city administration category A, B and C tax payers.
- To assess the effect of Simplicity of Tax System about taxation on tax compliance behavior in Jimma city administration category A, B and C tax payers.
- To identifythe effect of Tax Penalties and Enforcement about taxation on tax compliance behavior in Jimma city administration category A, B and C tax payers.
- To identifythe effect of Tax Rate about taxation on tax compliance behavior in Jimma city administration category A, B and C tax payers.

1.4. Research Hypothesis

In order to answer the research objective the researcher states the research hypothesis for themajor determinants of tax compliance in this study comprises. The effect of knowledge & awareness about tax, tax systems, tax office service, government spending of tax, simplicity of tax system, tax penalties and enforcement and tax rate on; The possible relationship between these variables and taxpayer’s compliancebehaviors is considered in the context of seven main research hypothesis are stated in thealternatives forma which are described as follows:

H1: There is positive significant relationship between taxpayers' perception of knowledge and awareness about tax with tax compliance behavior.

H2: There is significant relationship between taxpayers' perception ofTax systems and tax compliance behavior.

H3: There is significant relationship between tax office service and taxcompliance behavior.

H4: There is significant relationship between government spending of tax and taxcompliance behavior.

H5: There is significant relationship between simplicity of tax system and tax compliance behavior.

H6: There is significant relationship between tax penalties and enforcement and tax compliance behavior.

H7: There is significant relationship between business income tax rate and tax compliance behavior.

1.5. Significance of the study

The findings of this study are expected to identify determinants of tax compliance of business and the government at large by identifying the core problems on the tax assessment and collection enforcement activities so as to enabling them to put their effort to the observed problems. Thus, the government may able to minimize the observed tax administration problems to increase tax revenue. Furthermore, this study would also provide an insight into the government's need for sustainable socialization on the importance of paying taxes.On the other hand, the findings of this study might encourage further studies and can throw new areas of research in the largely unexplored area and would be for academics, communities, and governments as they are related to the subject of this study.

1.6. Scope of Study

This study was includes business profit taxpayers found in Jimma city to identify tax compliance determinants. A lot of factors can be considered to analyze the determinants of tax compliance in business profit taxpayers. But in this study, only the following factors are included. These are knowledge &awareness of business tax payers, simplicity of tax system, attitude of people towards tax, tax service, tax rate, fairness of the tax system, tax penalties and enforcement and government spending of taxare considered.Furthermore, the study was geographically delimited to only one town as it would need more time to conduct the study in more than one case study areas.

1.7. Limitations of the Study

Like any other studies the study is not without its limitations. One of them is that respondents are not willing to response because they challenge current tax fee condition especially on the collection of data in the study area faced tax instability in this condition difficult to collect data. Therefore, there is the problem of getting the needed data both primary and secondary, as in the case of primary data the potential interviewees have the notion that they would be exposed to the tax officials, even if the area under study is a seems literate there isn't going to be maximum co-operation.

With regard to secondary data, such of sorts of sources books, articles, journals, reports and other relevant scholarly or academic writings for this study are difficult to find easily. Since, the time allotted for the submission of this work is limited; the researcher find it difficult to collect and combine necessary data for the study.

1.8. Organization of the study

The study is organized into five chapters. Chapter one introduces the study by giving the background information on the research problem, main and specific objectives. The chapter further outlines the research questions, significance, scope as well as the organization of the study. Chapter two, deals with the review of relevant literature on the research problems and concepts with specific reference to how it applies toJimma town.Chapter three discusses the research design and methodology adopted for the study and relevant justifications. It outlines the methodology for carrying out the secondary and primary data collections and how results was analyzed. Chapter four is devoted to data presentation, analysis and interpretation to study thesis. The last part, Chapter five provides the conclusion and policy implication of the study.It was also lay out the reference and questioner on the last page of this paper.

CHAPTER TWO

Review of Related Literature

2.1. Concept of Tax Compliance

Tax compliance is produced by several tax authorities as a result of the power and temperament of taxpayers to regulate to tax laws, declare the right income in annually and pay the right amount of taxes on time (Palil, 2010). This refers to adherence to the executive rules of reporting and paying taxes on time. This includes compliance with the coverage requirements, procedural rules and laws. This entails filing tax returns on time, coverage all the income and claiming the right deductions and making tax payments on time. As cited in Muoki and Peter (2014), Mohd et al, (2011) stated that the tax compliance is a person's act of filing their tax returns, declaring all nonexempt financial gain accurately, and disbursing all collectable taxes at intervals the stipulated amount while not having to attend for follow-up actions from the authority. As cited in the study of Akhand & Hubbard (2016), Brown and Mazur (2003) stated that tax compliance is composed of three mutually exclusive elements: filling, reporting, and payment. Filling compliance refers to the proportion of returns submitted by registered taxpayers; reportage compliance measures the accuracy of financial gain reportage, and payment compliance measures the share of taxes paid on reportable financial gain. In African countries, like Kenya, the tax compliance needs consistency with the tax laws regarding keeping of up books of account by businessmen, holding of Private Identification Numbers (PIN) by all potential taxpayers, declaration of financial income consistent with the stipulated rules and regulation, correct determination of liabilities, filing of returns on financial gain by the prescribed date, paying of tax dues by the prescribed date, payment of fines and penalties for due taxes and admitting of audit by tax collectors if deemed necessary (Marti, et al., 2010).

2.2. General Over View of Business Profit Tax Payers

This is the tax imposed on the taxable business income / net profit realized from entrepreneurial activity. Taxable business income would be determined per tax period on the basis of the profit and loss account or income statement, which shall be drawn in compliance with the generally accepted accounting standards. Corporate businesses are required to pay

30% flat rate of business income tax. For unincorporated or individual businesses the business income tax ranges from 10% - 35%. Unincorporated or individual businesses are taxed in accordance with the schedule prepared by Ministry of revenues.

2.3. School of Thought

Models and theories of compliance behavior tend to reflect one of three schools of thought commonly referred to as economic deterrence, social psychology, and fiscal psychology (McKerchar and Evans, 2009).

2.3.1. Economic Deterrence Model

Economic deterrence models in general are based on the theory that behavior, in a wide range of contexts including tax evasion, is responsive to punishment or sanctions. Economic deterrence models tend to have a narrow, theoretical view of behavior, reducing its dimensions to numerical measures and assigned probabilities from which outcomes can be predicted using calculus. In order to determine behavior in this manner, economic deterrence models tend to rely upon a wide range of fundamental assumptions that are generally unrealistic. For example, that all people respond to a change in any one variable in an identical and predictable manner; that all taxpayers have a full knowledge of the probability of being audited; and that all taxpayers have the same level of risk preference. Although empirical testing has been limited, the theoretical principles of economic deterrence have been widely adopted by tax administrations in developing enforcement strategies that rely principally on penalties and the fear of getting caught (McKerchar and Evans, 2009).

2.3.2. Social Psychology Model

Social psychology models are concerned with the prediction and understanding of human behavior, or how people make decisions, using a range of methodological approaches including compositional modeling, attribution theory and equity theory (McKerchar and Evans, 2009). Compositional modeling is characterized by the view that individuals undertake deliberate and reasoned action according to their personal preferences. This approach assumes that people consider the implications of their actions before they decide, or form an intention, to engage or not engage in a given behavior. Further, this approach assumes that intention directly translates into behavior, without any further influences. The model then seeks to explain how intention is formed (Azjen and Fishbein, 1980).

Attribution theory is based on the assumption that individuals rationally interpret and analyze events in order to understand causal structures. People have internal (personal) and external (situational) attributes. In judging the behavior of others, people will generally attribute the outcome as being caused by their own internal attributes. In judging their own behavior, people tend to believe the cause is due to external attributes. Equity theory proposes that individuals are more likely to comply with rules if they perceive the system that determines those rules to be equitable. Where there are perceived inequities, individuals will adjust their inputs to the exchange until equity is restored. Based on equity theory, addressing inequities in the exchange relationship between government and taxpayers would result in improved compliance (McKerchar and Evans, 2009).

2.3.3. Fiscal Psychology Models

Fiscal psychology models draw on both the economic deterrence and the social psychology models and generally view tax enforcement as a behavioral problem, one that can be resolved by co-operation between taxpayers and tax collectors. To obtain this co-operation, the role of the tax system itself in providing the positive stimulus (such as decreasing penalties) is emphasized. This stimulus is then expected to generate a more positive attitude in taxpayers that will in turn impact on their compliance decisions (McKerchar and Evans, 2009). It has been held that tax mentality; feelings of tax tension, and tax morale were the three psyches that together made up a taxpayer's attitude. The more positive the taxpayer's attitude towards paying tax the greater the level of co-operation with the tax authority and the greater the willingness to pay tax. However, fiscal ignorance may be a negative influence on a taxpayer's attitude (Lewis, 1979).

2.4. Tax Compliance by Business Profit Taxpayers'

The fundamental purpose of taxation is to raise revenue effectively, through measures that suit each country's circumstances and administrative capacity. In fulfilling the revenue function, a well-designed tax system should be efficient in minimizing the distortionary impact on resource allocation, and equitable in its impact on different groups in society (Ojochogwu& Stephen, 2012). An effective and efficient tax administration system is integral to any country’s wellbeing; it is a result of this that Baurer (2005) believes that the tax administration must provide an even playing field for businesses by ensuring that all taxpayers meet their tax filing and paying requirements. The tax administration must balance its educational and assistance role with its enforcement role.

Tax non-compliance may be in one of many forms; it could either be failure to submit a tax return within the stipulated period or no submission, understatement of income, overstatement of deductions, failure to pay assessed taxes by due date (Hanefah et al, 2002). And in some cases non-compliance may mean an outright failure to pay levied taxes. Studies have shown that the problem of tax evasion is a widespread one. Furthermore, Fagbemi& Noah (2010) found that it is prevalent in developing countries and it hinders development thereby leading to economic stagnation and other socio-economic problems. Ojochogwu& Stephen (2012) identified tax rates and complex filling procedures as the major causes for tax non-compliance. They pointed out that a higher tax rate increases taxpayers‟ burden and reduces their disposable income therefore, the probability of evading taxes is higher. Studies have identified different variables as core determinants of tax compliance business taxpayers/ enterprises namely tax rates, tax audits, perception of government spending, role of tax authority, simplicity of tax return and administration, probability of detection, awareness on offenses and penalty, and personal financial constraint (Yong & Hooper, 2011).

Similarly, the taxpayers‟ attitude on compliance may be influenced by many factors, which eventually influence taxpayer’s behavior. Those factors which influence tax compliance and/or non-compliance behavior are different from one country to another and also from one individual to another (Kirchler&Hoelzl, 2008). They include: taxpayers perceptions of the tax system and revenue authority, peer attitude, taxpayers understanding of the tax system (tax laws), morality of the taxpayer and the tax collector, equity of the tax systems; demographic factors such as sex, age, education and size of income and use of informants.

In Ethiopia, all businesses taxpayers are required to be formal, properly licensed and subject to paying taxes as per the tax proclamation of the country (Income Tax Proclamation

No. 286/2002& new proclamation 983/2016). Taxpayers who receive income from trade are required by law to register for tax (have their TIN-Taxpayers‟ Identification Number), keep and maintain sufficient records for tax purposes, carryout tax assessments, pay taxes (as due) and carryout other tax related duties like withholding and paying employment income tax on behalf of their employees. All small and medium businesses are required to use cash register machine. Most business operators of small and medium taxpayers are subject to indirect taxes, like VAT, TOT and are required to comply with all applicable provisions under the respective tax status. For instance, businesses whose annual taxable transaction is greater than Birr 1000,000 are required to pay value added tax/ VAT/ to equalize and fairness in commercial relations and make complete the coverage of tax system so as to increase government revenue from taxation (ERCA, new proclamation 983/2016).

According to Federal Income Tax Proclamation No. 983/2016, tax is imposed on business income. The Proclamation under Article 21 defines business income as:

a. Subject to this Proclamation, the business income of a taxpayer for a tax year shall the gross amounts derived by the taxpayer during the year from the conduct of a business, including the gross proceeds from the disposal of trading stock and the gross fees for the provision of services (other than employment income); the gross amounts derived by the taxpayer during the year from the investment of the capital of a business, including dividends, interest, and royalties; again on disposal of a business asset (other than trading stock) made by the taxpayer during the tax year; any other amount included in business income of the taxpayer for the tax year under this Proclamation.

b. Business income shall not include an amount that is exempt income.

c. Subject to sub-article (4) of this Article, the gain on disposal of a business asset included in business income under sub-article (1)(c) of this Article is the amount by which the consideration for the disposal of the asset exceeds the net book value of the asset at the time of disposal.

d. If a business asset is a taxable asset under Article 59 of this Proclamation:

The gain on disposal of the asset included in business income under sub-article (1)(c) of this article is the amount (if any) by which the cost of the asset exceeds the net book value of the asset at the time of disposal; and any gain above cost is taxable under Article 59.

As per the Federal Income Tax Proclamation No. 979/2016, the tax rates are as follows:

1. Taxable business income of bodies (e.g. PLC, Share Company) is taxable at the rate 30%;
2. Taxable business income of other taxpayers is taxed in accordance with the following

Table 2.1: Taxable Business Income of other Taxpayers

S.No.	TaxableBusinessIncome(PerYear)	TaxRate(%)	DeductioninBirr
1	0 -7200	Exempted	None
2	7,201 -19,800	10	720
3	19,801 -38,400	15	1,710
4	38,401 -63,000	20	3,630
5	63,001 -93,600	25	6,780
6	93,601 -130,800	30	11,460
7	Over130,800	35	18,000

Source: www.erca.gov.et

Compliance to tax regulations is mandatory. For most businesses, because of the various limitations they face, tax compliance is sometimes associated with heavy costs that burden operations of Enterprises in developing and underdeveloped countries, (EC, 2007; OECD, 2008). In addition to that, lack of awareness of tax rules and procedures faced by SMEs (Yohannes&Zerihun, 2013) particularly in maintaining proper and sufficient records for management and taxation purposes is another problem for small and medium businesses Ethiopia.

Compliance by businesses to the different tax regulations requires some level of tax knowledge in order for them to be able to interpret the provisions of different tax status. Without this knowledge, small and medium businesses incur internal and external costs as they seek to becompliant with the tax laws and regulations. This study therefore, seeks to find out the major factors affecting tax compliance of business profit taxpayers in jimma city administration, Ethiopia.

2.5. Tax Payer Service by the Tax Office

The international trend is for tax authorities to administer the tax regime in a way that encourages and expects taxpayers to self-assess their tax liability and then remit the relevant amount of tax to the government. Conceptually, this is a sound approach for two reasons: (1) The taxpayer generally has better information on his/her sources of income and expenses; and (2) It is relatively expensive for the government to assess every taxpayer's return.

Through the self-assessment process, tax administrations rely on a system of voluntary compliance, where taxpayers pay what is due, when it is due, and without enforcement. However, self-assessment will only work if the majority of taxpayers know what their obligations are and are able to comply with them. The overall level of compliance is also improved if the costs borne by taxpayers in carrying out self-assessment are low. Therefore, an essential element of tax compliance is helping taxpayers understand their tax obligations and promoting the inexpensive, voluntary, timely, and accurate reporting of tax liabilities.

Taxpayer service plays a critical role in maximizing voluntary compliance by providing taxpayers with the information and assistance they need to enable them to meet their tax obligations. Taxpayer services curb compliance costs by providing programs that enable taxpayers to fulfill their obligations more easily, thereby minimizing the need for the tax administration to expend more costly resources to enforce compliance. With effective public information, forms, and services, and by convincing noncompliant taxpayers that they can comply with relative ease, taxpayer services can also encourage and help accomplish greater voluntary compliance.

The purpose of this chapter is to address capabilities of a modernized taxpayer service program, outline strategies to assist tax administrations in developing and implementing effective taxpayer service programs, and provide performance indicators to ensure taxpayer service programs are delivering the results intended.

2.5.1. Leading Practice

Generally, the term "taxpayer services" refers to the manner in which taxpayers are treated (e.g., respectful, fair, professional, etc.). Although these are characteristics of an effective taxpayer services program, taxpayer services in the context of this chapter is defined as a set of strategic initiatives undertaken by the tax administration to assist taxpayers in complying with the tax laws. An effective taxpayer services strategy integrates three broad themes:

Tax simplification: Most tax administrations agree that simplified policies and procedures greatly facilitate voluntary compliance. Without institutional simplification enabling taxpayers to fulfill their responsibilities more effectively, even the most comprehensive services offered to taxpayers will not be effective;Taxpayer assistance: Taxpayer assistance means providing taxpayers with information to prepare tax returns and to resolve issues of filing, as well as questions and adjustments that may arise after the tax returns have been submitted to the tax administration. These areas of assistance have also been referred to as the pre-filing, filing, and post-filing stages of assistance; andFacilitation of tax collection and enforcement: The ultimate goal of the tax administration is to collect the proper amount of taxes due to the government. Therefore, providing the mechanism to facilitate the payment of taxes – especially for business taxpayers who are required to regularly remit multiple tax payments for different taxes – is an essential enabling tool to encourage voluntary compliance.

2.5.2. Organization of the Taxpayer Services Program

As a tax administration formulates its organizational structure around various functions and/or activities, questions often arise relative to who is responsible for "taxpayer services." Although each employee within the organization must embrace the concept of providing effective taxpayer services, the tax administration should establish a dedicated unit responsible for programs, product design, planning, and coordination of initiatives related to taxpayer services. The section within a tax administration that is responsible for activities related to taxpayer services has taken on various titles, including: Taxpayer Services Directorate (Costa Rica); Stakeholders,Partnership, Education, and Communication (United States); Service and Collection (Mexico); etc. No matter what the actual function is called, the core responsibilities consistently center on three basic activities:Registration/walk-in: The objective of this activity is to assist those taxpayers who believe their issues are best handled face-to-face. The scope of the activity includes answering taxpayer questions, furnishing tax forms and publications, and assisting in the preparation of tax returns;Taxpayer education/outreach: The objective of this activity is to develop and deliver integrated strategic communications and educational products to employees, taxpayers, and other stakeholders, including practitioners and industry groups. The scope of this activity is to develop forms and publications and to review and update these periodically based on changes in law, policies, and procedures; delivered via a variety of channels, e.g., face-to- face, online services, telephone, written, etc.; andCall center: This activity is dedicated to addressing telephone inquiries to minimize disruption to normal operational activities. Call center operations supported by modern telephone technology are becoming an increasingly significant element in service delivery.

2.5.3. Responsibilities of the Taxpayer Services Program

The taxpayer services division, which generally consumes about 10 percent of a tax administration's human resources, generally has responsibility for developing comprehensive taxpayer services strategies linked to the organization's overall compliance strategy and taking into account taxpayer demands, needs, geography, and service channel options.

Most modern taxpayer service functions are the centralized point for providing taxpayer information and educational services and typically include the following activities: (Registering taxpayers/assigning unique taxpayer identification number (TIN) Maintaining and updating taxpayer registers; interacting with taxpayers who visit, call, or write; providing and staffing taxpayer service counters and call-in operations; responding to general inquiries, including but not limited to registration, filing or payment requirements, basic tax law, and ensuring that taxpayers are routed to other areas as appropriate; providing tax returns and instructions; developing informational and educational publications; conducting seminars on changes to tax laws and procedures for targeted business audiences; monitoring subjects of queries to determine the need for additional educational materials for taxpayers, internal tax administration training, and/or internal operational changes; and developing and maintaining the content of the tax administration website

2.6. Determinates of Tax Compliance in Ethiopia: Review of Study

Tax compliance behavior is not simple phenomena. It is affected by economic determinants, institutional factors, social factors, psychological factors and individual and demographic factors (MOHD (2010); Joana, M. (2014); and Alm, Jackson and Mckee (1992)). The study of Kidst M. (2013) on "tax assessment problems and collection procedure in Category C tax payers of Addis Ababa Nifas Silk sub-city" was aimed to identify problems in the process of tax collection procedure. Using a descriptive method of analysis, the study found that the method of collection is too vulnerable to unfair treatment of tax payers and created a loop hole for corruption. It also found that tax payers do not know the rules and regulations of different types of taxes they pay. This led them to delay for tax payments and evasion.

Similarly the study of Selamawit W. et al. (2012) indicated that lack of awareness about tax procedures, problem of equity and simplicity of paying taxes and lack of objective tax estimation are the main problems happenings on collection of category C tax payers. The study of Suresh and Sirinvas (2012) made on rental tax payers of Mekelle city aimed to identify the influential factors that affect tax compliance behavior. Using a descriptive method, it indicated that lack of awareness and inability in capturing the tax laws &regulations raised from little education and lack of trainings to tax payers are main obstacles to comply positively to the tax laws.

The study of Lemessa(2007) also aimed in assessing the factors that affect voluntary tax compliance behavior in Dire Dawa City category C tax payers. Using purposive sampling and descriptive method, it found that fairness & equity, knowledge gap of tax payers and provision of social services by the governments were the main factors which influence tax compliance behavior.The study of Zelalem(2011) which targeted to examine whether education can influence respondents‟ compliance behavior in Addis Ababa city. Using survey and experimental approach, the study found that tax compliance behavior is influenced by education.

But,the study of Girma (2019) onassessment of determinate of tax compliance the case of Addis Ababa city government administration new large tax payers branch office Ethiopia, using descriptive and inferential statistics the study found that tax knowledge and education, tax system, tax service and government spending has no significant effects on tax compliance.

On the other side Abdu Mohammed Assfaw and Wondimu (2019) analysis of tax compliance and its determinants evidence from Kafa, Bench Maji and sheka zone category B tax payer, Ethiopia.The findings of the investigation showed that tax compliance was positively affected by education level of tax payers, tax knowledge and awareness of tax payers, simplicity of the tax system, attitude of tax payers towards tax, perceived role of government expenditure, and rewarding scheme of for loyal tax payers. But, age, sex of respondents, tax penalties and enforcements, organizational strength of the tax authority, fairness of the tax system, tax rate and tax audit were not statistically significant factors influencing compliance behavior of tax payers. The study Yohannes and Zerihun(2013) assessed challenged by business community tax payers of Dire Dawa Administration using qualitative information gathered through a survey and focus group discussions with the city's chamber of commerce and sectorial association, tax and revenue authority and federal custom and internal revenue authority. Using descriptive statistics, the study found that most C tax payers face problems related to taxation system, and tax rate is reported as it is beyond their ability to pay.

Similarly the study of Mohammed Hamzaet al. (2017) determinates of tax compliance behavior in Dire Dawa Administration In the case of small businesses enterprise using descriptive and inferential statistics the study found that majority of the respondents, paid their taxes on time but significant number of the respondents did not understand tax laws and policies due to language problem. In the study, absence /low level of penalty is mentioned among the factors for non- compliant behavior. But this is statistically insignificant for compliance behavior and his econometrics model result indicated that tax compliance behavior is significantly and positively influenced by tax payer's level of knowledge, referent group, ethics of tax payers, and change of market condition, unfair treatment and role of tax authority.

2.7. Conclusion and Knowledge Gap

This chapter describes the relevant theories about tax compliance; various opinions exist about the best ways to improve tax compliance. Given the chance, a lot of businesses will not pay tax unless there is a motivation to do so. Some believe that the best way is to increase incentives (Feld & Frey, 2007) others believe the best way is to increase penalties.

Models and theories of compliance behavior tend to reflect one of three schools of thought commonly referred to as economic deterrence, social psychology, and fiscal psychology (McKerchar and Evans, 2009).

Economic deterrence models in general are based on the theory that behavior, in a wide range of contexts including tax evasion, is responsive to punishment or sanctions. Economic deterrence models tend to have a narrow, theoretical view of behavior, reducing its dimensions to numerical measures and assigned probabilities from which outcomes can be predicted using calculus. In order to determine behavior in this manner, economic deterrence models tend to rely upon a wide range of fundamental assumptions that are generally unrealistic. Although empirical testing has been limited, the theoretical principles of economic deterrence have been widely adopted by tax administrations in developing enforcement strategies that rely principally on penalties and the fear of getting caught (McKerchar and Evans, 2009).

Social psychology models are concerned with the prediction and understanding of human behavior, or how people make decisions, using a range of methodological approaches including compositional modeling, attribution theory and equity theory (McKerchar and Evans, 2009). Equity theory proposes that individuals are more likely to comply with rules if they perceive the system that determines those rules to be equitable. Where there are perceived inequities, individuals will adjust their inputs to the exchange until equity is restored. Based on equity theory, addressing inequities in the exchange relationship between government and taxpayers would result in improved compliance (McKerchar and Evans, 2009).

Fiscal psychology models draw on both the economic deterrence and the social psychology models and generally view tax enforcement as a behavioral problem, one that can be resolved by co-operation between taxpayers and tax collectors. To obtain this co-operation, the role of the tax system itself in providing the positive stimulus (such as decreasing penalties) is emphasized.

Reviews of past studies on tax compliance of business tax payers indicate mixed but interesting findings. For instance, Abdu Mohammed Assfaw and Wondimu(2019) analysis of tax compliance and its determinants evidence from Kafa, BenchMaji and sheka zone category B tax payer, Ethiopia. The findings of the investigation showed that tax compliance was positively affected by education level of tax payers, tax knowledge and awareness of tax payers, simplicity of the tax system, attitude of tax payers towards tax, perceived role of government expenditure, and rewarding scheme of for loyal tax payers. But, age, sex of respondents, tax penalties and enforcements, organizational strength of the tax authority, fairness of the tax system, tax rate and tax audit were not statistically significant factors influencing compliance behavior of tax payers.

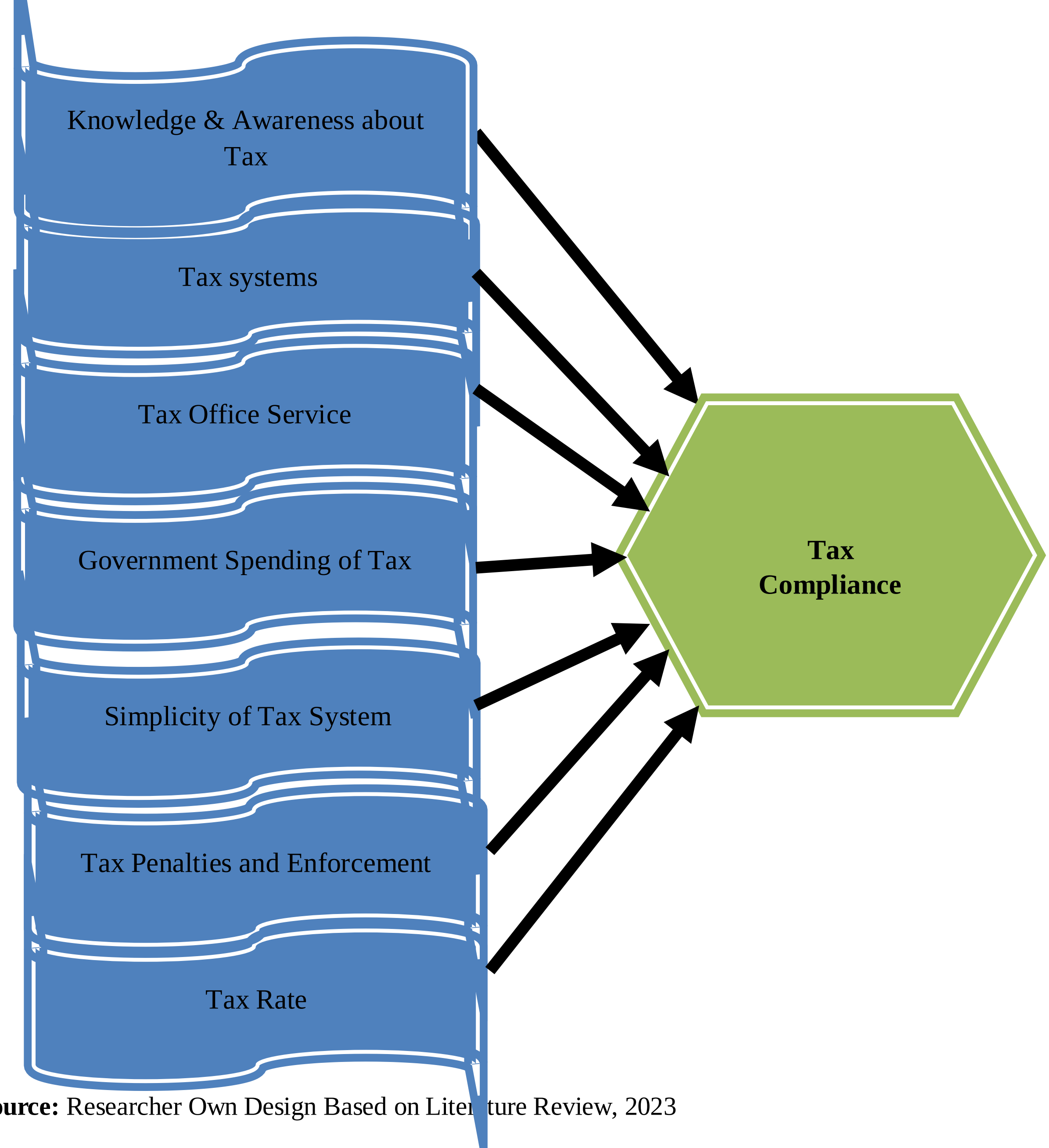
In opposite to this, Girma (2019) on the other hand produced a contradict result in their study in of Addis Ababa city government administration new large tax payers branch office Ethiopia. He found that tax knowledge and education, tax system, tax service and government spending has no significant effects on tax compliance.

This indicates that there is a contradictory results of studies conducted on tax compliance determinants. Therefore, this difference in results and knowledge gap motivates the researcher to carry out this study.

2.8. Conceptual Framework

This study conceptualizes that the tax compliance could be affected by Attitude of people towards tax, Tax rate, Perception of government spending, tax services, Simplicity of tax system, Tax penalties and enforcement & Tax knowledge and awareness. The purpose of this study is therefore to test the nature and the strength of these relationships. This study tests the conceptual framework presented in the following manner.

Figure 2.1: Determinants of Tax Compliance of Taxpayers



Source: Researcher Own Design Based on Literature Review, 2023

NB: The variable in the pentagon at the right (tax compliance) is dependent variable and the other variables (tax rate, perception of government spending, tax services, simplicity of tax system, tax penalties and enforcement & tax knowledge and awareness) that listed in the lift side were independent variables.

CHAPTER THREE

Research Methodology

This chapter deals with the methodological approaches used in conducting this study. It presents the research design, the study population, the sample size and sample procedure, sources of data, data collection techniques, data analysis, validity and reliability of data and ethical principles considered by the study**.**

3.1. Research Approach

Research approaches are strategies of inquiry that provide specific direction for procedure in a research design. Creswell, (2018) classified scientific research approaches into three: quantitative, qualitative and mixed research approaches. Qualitative research seeks to describe various aspects of social and human behavior through particular methods such as interview, observation, focus grouping and so on.Quantitative research is the systematic and scientific investigation of quantitative properties and phenomena and their relationships. Whereas, mixed research approach involves collecting and analyzing quantitative (numeric) and qualitative (descriptive) forms of primary data in a single study Creswell, (2018). Accordingly, this research was adopted a quantitative and qualitative research approach by using a primary data source.

3.2. Research Design

Designing a study has help the researcher to plan and implement the study in a way that help the researcher to obtain the intended results, thus increasing the chances of obtaining information that could be associated with the real situation (Burns & Grove, 2001).The study willuse both descriptive and explanatory research design. According to Bluman (2007) Descriptive research design is preferable to describe a situation needs a means of presenting the data in some meaningful form, such as charts, graphs, or tables. On the other hand, explanatory strategy is the most straightforward of the six major mixed methods approaches. It is characterized by the collection and analysis of quantitative data followed by the collection and analysis of qualitative data. (Creswell, J., 2012).

3.3. Target Population

The population of this research is tax payers in Jimma city administration. According to the information of the city administration revenue office in total 8988 taxpayers presently available.

3.4. Source of data and method of data collection

To ensure the validity of the research and met the objectives of the study, the researcher was collect relevant data of both primary and secondary sources. To get the required primary data, self-administered questionnaires consisting of close-ended questions with five Liker-scale (strongly agree (5), agree (4), neutral (3), disagree (2), strongly disagree (1)) forms was implemented to sampled business income tax payers to identify the factors influencing tax compliance behaviors of tax payers.The researcher collect relevant secondary data related to the study's topic by analytically reviewing different documentary sources. Among such sorts of sources books, articles, journals, internet, reports and any other relevant scholarly or academic writings.

3.5. Sample Size

The list of names of all elements of customers was the sample frame of the study from which the researcher draws the samples of the study. A simple random sampling was employed to select sample from the study populations. The reason for using simple random sampling is that first, we have more precise information inside the sub-population about the variables we are studying. And second, we can raise precision of the estimate of the variables of the whole population. The total target population of the study was 8,988 business income tax payers as of 2023. But, for this study, Yamane (1967) formula as cited in singh and Masuku (2014) and by Jaro (1989) as cited by Esay (2014). A 95% confidence level and e = 0.05 are assumed.

N=8,988

n = N/1 + N (e^2) = 8988/1 + 8988 $(0.05)^2$ = 382.96 ≈ 383

Where:

n= is the sample size.

e=acceptable sampling error, at 95% confidence level, e=0.05

N= Target Population

e= (0.04….0.08) for this study 0.05 was chosen as confidence interval.

n=8988/1+8988(0.05)2

=8988/23.47

n =383

So, the total sample size is 383. Since the number of office customers and employees in each category is imbalanced, the sample size for each category was defined as follows;

ni = (n*Ni) Where: ni= sample of ith strata

N n= target sample

Ni= population of ith strata

N= Total population

Table 3.1: Sample size of customers from MOR offices in the Jimma town

No	**Target population**	**Population (N=8988)**	**Sample size**
1	Large (category „A") taxpayers	1262	1262(383/8988)=54
2	Medium(category „B") taxpayers	616	616(383/8988)=26
3	Small (category „C") taxpayers	7110	7110(383/8988)=303
Total		8988	383

Source:From MOR, office of Jimma town (2023)

3.6. Sampling Techniques and Procedures

To go with the available resource and to be economical, the researcher was employed sampling techniques of both probability and non-probability sampling methods. Briefly speaking, the researcher was used multistage sampling strategy that is assumed help the researcher reach the target group.

3.7. Sources and Types of Data

To ensure the validity of the research and met the objectives of the study, the researcher collected relevant data of both primary and secondary sources. This study used both primary data collected through self-administered questionnaire with closed ended questions that provides less effort by respondents to complete the questionnaire and easy for analysis. It also includes opinion and recommendation section. The survey questionnaire was prepared both in English and Afan oromo version to reduce the impact of language barriers. Questions to assess tax compliance behavior were based on Palil (2010), Troutman (1993) and Chan et al. (2000) with some modification to suit Ethiopia's context. The close ended questions are designed on a Likert type-scale with a 5 point scale choice from Strongly Disagree to Strongly Agree. Clarification about the purpose of the survey was given in the questionnaire. The researcher got involved only when respondents needed clarification. The questionnaires were personally distributed to ascertain the respondent's willingness to participate in this study. This arrangement also provided the opportunity for researchers to explain verbally and respectfully on the importance of the study. The questionnaire comprised three parts. The first part is about demographic information of the respondents. The second part comprises questions related to factors influencing taxpayer's tax compliance behavior and the last part contains comments and recommendations given by taxpayers for making conclusions.

Secondary data such as annual tax revenue and annual GDP were collected from published books, relevant documents and annual reports to support statement of the problem. Due considerations is given to the time period, reliability, and relevance of the data for the purpose of the study.

3.8. Methods of Data Analysis and Interpretation

Descriptive and econometric data analysis methods were employed for this study. In this study, the descriptive analysis method employed frequency, mean, standard deviation in line with mean comparison t-test and one-way ANOVA. Econometric analysis particularly multiple linear regression analysis was employed in order to address the major objective of the study.

3.9. Model Specification

A multiple linear regression model was used to examine the level of tax compliance using theseven independent variables namely knowledge and awareness about tax, tax systems, tax office service, government spending of tax, simplicity of tax system, tax penalties and enforcement and tax rate. Following Gujarati (2004), the general multiple linear regression models was specified as follows:

$$\mathbf{Y = \beta_0 + \beta_1 KAT_1 + \beta_2 TS_i + \beta_3 TOS_i + \beta_4 GST_i + \beta_5 STS_i + \beta_6 TPE_i + \beta_7 TR_i + \varepsilon_i}$$

Where,

Y = Tax Compliance

KAT = Knowledge &Awareness about Tax

TS = Tax Systems

TOS = Tax Office Service

GST = Government Spending of Tax

STS = Simplicity of Tax System

TPE = Tax Penalties Rates

TR = Tax Rate

$\boldsymbol{\varepsilon_i}$ = Error Terms

β_0 is the intercept term- it gives the mean or average effect on Y of all the variables excluded from the equation, although its mechanical interpretation is the average value of Y when the stated independent variables are set equal to zero. β_1, β2, β3, β4, β5β_6 and β_7 refer to the coefficient of their respective independent variable which measures the change in the mean value of Y, per unit change in their respective independent variables.

3.10. Variables

3.10.1. Dependent variable

The dependent variable in this study includes Tax Compliance. The occurrence of tax payers and tax compliance is directly influenced by independent variables.

3.10.2. Independent variable

The determinants of tax compliance are the independent variables which include knowledge and awareness about tax, tax systems, tax office service, government spending of tax, simplicity of tax system, tax penalties and enforcement and tax rate.

3.11. Validity and Reliability

Patton (2002), states that validity and reliability are two factors which any researcher should be concerned about while designing a study, analyzing results and judging the quality of the study.

3.7.1. Validity

Validity, according to Healy & Perry (2000), evaluates if the research genuinely measures what it was designed to assess or how accurate the study results are. It calculates how well the data collected in the study accurately reflect a specific variable or construct in the investigation (Mugenda, 2008).According to Saunders et al., (2009), it is necessary to assess the validity and reliability of an instrument prior to its final delivery in any research.

3.7.2. Reliability

According to Healy and Perry (2000), dependability is defined as the degree to which results are consistent throughout time and accurately represent the overall population under study. Cronbach's alpha was employed as a measure of internal consistency and reliability. Cronbachs Alpha is a reliability coefficient that indicates how well items in a set are positively correlated to one another. It measures the inter correlations among test items, with a measure of 1 being higher in terms of internal consistency and reliability and 0.7 to 0.9 being acceptable (Revelle& McDonald, 2006).

Table 3.2. Summary of reliability test result

Section	No.oforiginal items	Cronbach's alpha	Interpretation
Independent variables			
Knowledge & Awareness about Tax	7	0.735	Good
Tax systems	7	0.743	Good
Tax Office Service	7	0.725	Good
Government Spending of Tax	6	0.702	Good
Simplicity of Tax System	6	0.716	Good
Tax Penalties and Enforcement	7	0.831	Good
Tax Rate	6	0.715	Good
Dependent Variable			
Tax compliance	7	0.736	Good
Total	53	0.799	Good

Source: Authors calculation based on survey data (2023)

3.12. Ethics of the Study

In order to keep the confidentiality of the data that was given by respondents, the researcher is ensured that there is no exploitation for personal gain of research. The researcher didn't influence over respondents and others to enforce them to participate in the research questions and related matters.

The researcher was considered cultural, religious, gender and other significant differences into account within the research variables. The researcher was used the data only for the intended purpose of the study.

To sum up, this chapter deal with the overall research design of the study and it gives clear path about what kind of data are required and from whom, how to gather those data, and how to analyze and present those data was put orderly.

CHAPTER FOUR

4. Data Presentation, Analysis and Interpretation

4.1. Introduction

This chapter deals with presentation, analysis and interpretation of the data gathered from the respondents through questionnaires and document analysis. Thus, the quantitative as well as qualitative analysis of data was incorporated in to this chapter. The qualitative part was supposed to be complementary to the quantitative analysis. Hence, the qualitative data includes the data gathered through document analysis. The analysis was done using mean and standard deviation values which were computed for each variable and the results are presented using tables and graphs. The second inferential analysis section is used to present the relationship between independent variables and Tax compliance.

4.2. The Response Rate of the Questionnaire

After a letter submitted from Jimma University to the revenue authority Jimma branch in order to cooperate in providing the necessary data office head assigned the business owners to take the responsibility in handling the case. So the office arranged how to access those respondents and their sections. Thus, based on the prepared schedule 383 questionnaires were distributed to the participants and from these 8 respondents did not return back the questionnaire. Due to this reason, 97.9% of the distributed questioners are collected, almost all respondent express their view properly. The questionnaire administered to the respondents, returned and the percentage of returned questionnaire was analyzed in the table 4.1 below.

4.3. Demographic Information

On the basis of respondents' background information's, a number of variables were investigated. The researcher's interest here was to measure the level of attachment of the respondents to their business. The results on the demographic information of the respondents are indicated in the following presentation.

4.3.1. Characteristics of the Respondents

Respondents were asked to indicate their background information. The details of the characteristics of the respondents are given in table 4.1 below.

Table 4.1. Demographic characteristics of respondents

Item	**Category of item**	**Frequency**	**Percent**
Gender	Male	281	74.9
	Female	94	25.1
	Total	375	100
Age	Below 30 years	28	7.5
	30- 39 years	94	25.1
	40- 50 years.	126	33.6
	51-60 years.	127	33.9
	above 60 Years	0	0
	Total	375	100
Marital status	Married	252	67.2
	Single	114	30.4
	Widowed	0	0
	Divorced	9	2.4
	Total	375	100
Education	Grade 1-8	38	10.1
	Secondary	79	21.1
	Diploma	99	26.4
	Degree	123	32.8
	Masters	24	6.4
	other	12	3.2
	Total	375	100
How long you have been in your business ?	0-5 years	145	38.7
	6-10 years	171	45.6
	11-15 year	52	13.9
	above 15 Years	7	1.9
	Total	375	100

Source; SPSS output from own survey data, 2023

As can be observed from table 4.1 above, With regards to gender distribution of the selected sample reveals that male respondents were 281(74.9%) whereas, female respondents were 94(25.1%) of the sample. This implies that there are more male respondents than female. In other words it can be deduced that most of the organization customers are males.

With regards to age, respondents in the age group of 51-60 years constituted the majority (which is 33.9%), The second largest age group is that of 40- 50 years which accounts for 33.6%. The third largest age group is that of 30- 39 years, accounts for 25.1%. The other 7.5% of the respondents are categorized in the age range of below 30 years. This picture might very possibly be the general situation because majority of respondents are shared among these age brackets. Therefore, this implies that business activities were related with the matured in age. In other words Matured leads in to increases business activities.

As observed in the Table 4.1 above clearly shows that 114(30.4%) of the respondents were single as compared to 252 (67.2%) who were married. Therefore, most of the respondents of who participated in this particular study were married. Since majorities of Jimma town revenue authority customers were married, this implies that being married has great role in business activities.

With regards to their educational background, surprisingly those with Degree level happened to be the dominant group, followed by Diploma holders. This point to the fact that majority of the respondents are not poorly educated neither is they well educated, as only 12(3.2%) of them have other education status. Therefore, the majority of the respondents had Degree level and Diploma holders respectively and can be said that most of the branches‟ customers were found in a good educational level and the fact can help for the study to find logical response and it is important that customers can easily understand the provided questions.

With related to respondent's information in figure 4.1 above considers for how long the business of the respondents had existed in business income tax. From the study 145(38.7%) of respondents, identify that the business has been in existence for between 0 and 5 years, with (171) 45.6% exist between 6 and 10 years, (52)13.9% exist between 11 and 15 years and (7)1.9% in existence for more than 15 years in existence. Almost majority of the responded of taxpayers business operated for 5 years and above. Which implies that majority of the respondent tax payers who are registered in the tax authority have relatively better business experiences implies they have better understanding of business and related tax laws in the tax system.

4.4. Data Analysis of the independent and dependent variables

In this section various statistical data analysis tools for each specific statement are compared using the mean and standard deviation score. The degree of agreement or disagreements of the respondent for each statement are also analysed. Accordingly, the respondents were guided to follow with Likert Scale approach Survey scale is designed in this accord. 1=Strongly Disagree, 2=Disagree, 3=Undecided 4 = Agree, and 5=Strongly Agree.

To measure the level of Tax compliance, the items of the instrument were analyzed with the help of descriptive statistics. The higher the mean score, more than the respondent agreed with the statement and vice versa. The figures for Standard Deviation (SD) also indicate the degree to which responses varied from each other; the higher the figure for SD, the more variation in the responses. According to Norasmah and Sabariah (2007) and; Norasmah and Salmah, (2011), the mean score below 2.00 was considered as low, the mean score from 2.01up to 3.00 was considered as Moderately low, and mean score between 3.01- 4.00 was considered as Moderately High and the mean score from 4.01-5.00 was considered as High as illustrated below.

Table 4.2. Interpretation of Mean Scores

Mean Scores	Description
1.00-2.00	Low
2.01-3.00	Moderately Low
3.01-4.00	Moderately High
4.01-5.00	High

Sources: Norasmah&Sabariah, 2007; Norasmah&Salmah, 2011

Descriptive statistics were used to assess the level of Tax compliance. To present the mean and Standard Deviation (SD) the results of each independent variable was calculated, to establish the respondents, assessment of the extent to which their Tax compliance practice.

4.4.1. Descriptive analysis of Knowledge & Awareness about Tax

Table 4.3. Knowledge & Awareness about Tax

Item No	Questions	SD		D		UND		A		SA		$\overline{X}$	SD
		N	%	N	%	N	%	N	%	N	%		
1	Iknow all taxlaws with regard to my business	0	0.0	82	21.9	58	15.5	160	42.7	75	20	3.61	1.039
2	I know tax proclamation with regard to my business	7	1.9	172	45.9	93	24.8	87	23.2	16	4.3	2.82	0.952
3	I participated different training given by tax with regard to taxation	0	0.0	14	3.7	68	18.1	264	70.4	29	7.7	3.82	0.614
4	I know the tax regulations, directives and circulars	0	0.0	14	3.7	231	61.6	102	27.2	28	7.5	3.38	0.68
5	Awareness created by tax authority about taxation helps us to improve our tax knowledge	0	0.0	193	51.5	102	27.2	80	21.3	0	0	2.7	0.799
6	I know how to declare any tax returns	0	0.0	80	21.3	91	24.3	148	39.5	56	14.9	3.48	0.989
7	I have enough information about tax system	9	2.4	50	13.3	69	18.4	162	43.2	85	22.7	3.7	1.037
Average Mean and Standard deviation												3.36	0.87

Source; SPSS output from own survey data, 2023

According to the table 4.3 above, indicates the measure Level of Knowledge & Awareness about Tax Dimensions on customers Tax compliance within the study variables. The first question asked to I know all tax laws with regard to my business and 21.9 percent of customers ranked their level of disagreement as “disagreed", 15.5% of participants have not decided and remained neutral, 42.7% of the respondents rated their agreement to the statement and the remaining 20% of the participants of the research have strongly agreed.

As described in the same table, item no 2 above, study respondents were asked to assess their level of agreement with the statement " I know tax proclamation with regard to my business " and 1.9 percent of respondents ranked their level of disagreement as "strongly disagreed", 45.9% of the research respondents selected disagreed response, 24.8% of participants have not decided and remained neutral,   of the respondents rated their agreement to the statement and the remaining 4.3% of the participants of the research have strongly agreed.

As described in the same table above,item no 3, indicates the measure Level of Knowledge & Awareness about Tax on Tax compliance within the study variables. The question asked to access they participated different training given by tax with regard to taxation and3.7 percent of customers ranked their level of disagreement as “disagreed", 18.1% of participants have not decided and remained neutral, 70.4 % of the respondents rated their agreement to the statement and the remaining 7.7% of the participants of the research have strongly agreed.

As observed from the results of the study in table 4.3, item no 4 above, it can be seen that 14(3.7 %) of respondents are responded as disagreed that on the item of we know the tax regulations, directives and circulars. In contrary to this, 102 (27.2 %) and 28 (7.5 %) of respondents indicated that they agreed and strongly agreed that on the item of they know the tax regulations, directives and circulars respectively. In addition, majority (61.6 %) of participant of tax payers indicated that they have no any felling about this issue under investigation.

As indicated in the same table, item no 5 above, study respondents were asked to assess their level of agreement with the statement " Awareness created by tax authority about taxation helps us to improve our tax knowledge " and 51.5 percent of respondents ranked their level of disagreement as " disagreed", 27.2% of participants have not decided and remained neutral, 21.3 % of the respondents rated their agreement to the statement and none of participants of the research have strongly agreed.

As illustrated in the same table above,item no 6, indicates the measure Level of Knowledge & Awareness about Tax on Tax compliance within the study variables. The question asked to assess they know how to declare any tax returns and 21.3 percent of customers ranked their level of disagreement as " disagreed", 24.3% of participants have not decided and remained neutral, 39.5 % of the respondents rated their agreement to the statement and the remaining 14.9% of the participants of the research have strongly agreed.

Finally questions in the table 4.3, item no 7 above, study respondents were asked to assess their level of agreement with the statement " I have enough information about tax system " and (2.4 %) and (13.3 %) of respondents ranked their level of disagreement as strongly disagreedand disagreed respectively, 18.4% of participants have not decided and remained neutral, 43.2% of the respondents rated their agreement to the statement and the remaining 22.7% of the participants of the research have strongly agreed.

To generalize, the mean score for the Knowledge & Awareness about Tax dimensions questionnaire was (x=3.36), indicating that respondents agreed with this interpretation of the Likert scale (Scott, 1999). Overall, the results reveal that the average mean (AM) for the Level of Knowledge & Awareness about Tax on Tax compliance of respondents regarding Knowledge & Awareness about Tax dimensions obtained M= 3.36. The result shows that the respondents have awareness on level of Knowledge & Awareness about Tax dimensions for Tax compliance since the mean score recorded on level of Knowledge & Awareness about Tax dimensions on Tax compliance was moderate.

4.4.2. Descriptive analysis of Tax systems

Table 4. 4. Tax systems

Item No	**Questions**	SD		D		UND		A		SA		$\overline{X}$	SD
		N	%	N	%	N	%	N	%	N	%		
1	Tax laws are not easy & simple	8	2.1	95	25.3	108	28.8	105	28	59	15.7	3.3	1.078
2	Taxratesareveryhigh	0	0.0	50	13.3	100	26.7	168	44.8	57	15.2	3.62	0.899
3	Tax proclamations , regulations & directives are not clear	0	0.0	80	21.3	91	24.3	148	39.5	56	14.9	3.48	0.989
4	Tax system as a whole is not suitable with the current economic situation of the country	1.6	31	8.3	54	14.4	126	33.6	158	42.1		4.06	1.019
5	Tax system is not fair because of disbelief of government & taxpayers	0	0.0	62	16.5	113	30.1	150	40	50	13.3	3.5	0.922
6	The sending of government expenditure for tax is not fair.	9	2.4	50	13.3	69	18.4	162	43.2	85	22.7	3.7	1.037
7	The amendments of tax rates are not fair	12	3.2	70	18.7	57	15.2	110	29.3	126	33.6	3.71	1.202
Average Mean and St.deviation												3.6	1.02

Source; SPSS output from own survey data, 2023

Table 4.4 above indicates the Tax systems measure of tax payers in Jimma town. As it is indicated in table, Tax laws are not easy & simple, Tax rates are very high, Tax proclamations , regulations & directives are not clear, Tax system as a whole is not suitable with the current economic situation of the country, Tax system is not fair because of disbelief of government & taxpayers, The sending of government expenditure for tax is not fair and

The amendments of tax rates are not fair has high mean score of 3.3, 3.62, 3.48, 4.06, 3.5, 3.7 and3.71 with, 1.078, 0.899, 0.989, 1.019, 0.922, 1.037 and 1.202 standard deviation respectively. Therefore, it can be concluded from the above result that Tax systems measures pushes for tax compliance of respondents within the town.

In general, the average mean (AM) for Tax systems on tax compliance of respondents regarding Tax systems obtained M= 3.6. The results show that the respondents have enough knowhow of regarding Tax systemson tax compliance since the mean score recorded on regarding Tax systems on tax compliance was moderate. This implies that generally they have better awareness on regarding Tax systems on tax compliance within the town.

4.4.3. Descriptive analysis of Tax Office Service

Table 4. 5. Tax Office Service

Item No	Questions	SD		D		UND		A		SA		$\overline{X}$	SD
		N	%	N	%	N	%	N	%	N	%		
1	There is no modernizedtaxpayersregistrationsystem to give on timeservice	4	1.1	62	16.5	82	21.9	123	32.8	104	27.7	3.7	1.079
2	Tax office employees are easily adapt tax technological developments to given better survives	1	0.3	66	17.6	112	29.9	120	32	76	20.3	3.54	1.012
3	The level of education& knowledge ofemployees working inthe taxadministrationoffice is sufficient togive good service	0	0.0	30	8.0	109	29.1	165	44	71	18.9	3.74	0.857
4	Tax staffs do not give better services because they do not know tax laws issued by the government	6	1.6	62	16.5	94	25.1	99	26.4	114	30.4	3.67	1.121
5	positive relationship between tax officials & taxpayers helps us to get better services	3	0.8	63	16.8	94	25.1	116	30.9	99	26.4	3.65	1.068
6	Tax officials do not have enough knowledge about accounting, bookkeeping& auditingto give quality services	6	1.6	38	10.1	111	29.6	129	34.4	91	24.3	3.7	0.999
7	Auditing services isconducted on time	0	0.0	60	16.0	71	18.9	142	37.9	102	27.2	3.76	1.024
Average Mean and St.deviation												3.7	1.02

Source; SPSS output from own survey data, 2023

As can be seen from the above table respondent levels of Tax Office Service on the organization on tax compliance were assessed using different types of questions. Table 4.5above illustrates respondents' grand mean for all items measuring on Tax Office Service. The table also shows the average scores for each of the items measuring tax compliance.

According to the table, the grand mean for Tax Office Service was 3.7 with the standard deviation of 1.02. Whereas, item by item analysis also show that respondents scored a mean of 3.7with the standard deviation of 1.079 on item 1 which inquires there is no modernized taxpayer's registration system to give on time service.

Respondents also scored a mean of 3.54 with the standard deviation of 1.01 on item 2 which asks Tax office employees are easily adapt tax technological developments to given better survives. Similarly, respondents scored a mean of 3.74 with the standard deviation of 0.857 on item 3 which deals with the level of education & knowledge of employees working in the tax administration office is sufficient to give good service. Respondents also scored a mean of 3.67 with the standard deviation of 1.12 on item 4 which asks whether Tax staffs do not give better services because they do not know tax laws issued by the government. Respondents scored shows a mean of 3.65 with the standard deviation of 1.07 on item 5 which asks whether positive relationship between tax officials & taxpayers helps us to get better services. Respondents scored a mean of 3.7 with the standard deviation of 0.999 on item 6 that deal with Tax officials do not have enough knowledge about accounting, bookkeeping& auditing to give quality services. Respondents also scored a mean of 3.76 with the standard deviation of 1.02 on last item 7 that deal with Auditing services is conducted on time. In general, respondents were found to have average mean scores of the grand mean and from the above description, almost majority of tax payers agreed in each statement. This shows that, as of the respondents tax payer knowledge and tax compliance have some relationship with each other.

In general, the average mean (AM) for determinants of tax office service dimensions on tax complianceof respondents regarding tax office service obtained M= 3.7. The results show that the respondents have enough knowhow of tax office service dimensions for tax compliance since the mean score recorded on tax office service dimensions for tax compliance was high. This implies that generally respondents have good awareness about tax office services for tax compliance within the organization.

4.4.4. Descriptive analysis of Government Spending of Tax

Table 4.6. Government Spending of Tax

Item No	Questions	SD		D		UND		A		SA		$\overline{X}$	SD
		N	%	N	%	N	%	N	%	N	%		
1	A government who collect a tax and not spent to public infrastructure purpose can easily collect taxes from taxpayers	29	7.7	32	8.5	41	10.9	169	45.1	104	27.7	3.77	1.172
2	The governmentexpenditure is rationaltotaxpayers	29	7.7	33	8.8	52	13.9	175	46.7	86	22.9	3.68	1.148
3	There is a disbelieve ofthe governmentexpenditures bytaxpayers	16	4.3	31	8.3	58	15.5	169	45.1	101	26.9	3.82	1.053
4	The governmentexpenditures ofinfrastructure are clear	71	18.9	111	29.6	134	35.7	59	15.7	0	0	2.48	0.972
5	Government spendingare equitable &economical	69	18.4	112	29.9	151	40.3	43	11.5	0	0	2.45	0.92
6	The collected tax by taxadministrationoffice isspent equitably topublic infrastructureservices.	80	21.3	120	32.0	136	36.3	39	10.4	0	0	2.36	0.931
Average Mean and St.deviation												3.1	1.03

Source; SPSS output from own survey data, 2023

From the above table 4.6 regarding a government who collect a tax and not spent to public infrastructure purpose can easily collect taxes from taxpayers, most of the respondents agree and strongly agree with average of 45% and 27.7% respectively while strongly disagree and disagree with percent of 7.7% and 8.5% respectively, the remaining 10.9% respondents were neither agree nor disagree. In table 4.6, item no 2, it can be seen that the government expenditure is rational to taxpayers are strongly agree and agree with percent 46.7% and

22.9% while strongly disagree and disagree with percent of 7.7% and8.8% respectively, the remaining 13.9% respondents were neither agree nor disagree.Concerning the issues that there is a disbelieve of the government expenditures by taxpayers are strongly agree and agree with percent 45.1% and 26.9% while strongly disagree and disagree with percent of 4.3% and8.3% respectively, the remaining 15.5% respondents were neither agree nor disagree.

Regarding The government expenditures of infrastructure are clear and majority of the respondents disagree and strongly disagree with average of 18.9% and 29.6% respectively while the rest 15.7% were agreed and the remaining average score 35.7% respondents were neither agree nor disagree.

Concerning Government spending are equitable & economical and majority of the respondents disagree and strongly disagree with average of 18.4% and 29.9% respectively while the rest 11.5% were agreed and the remaining average score 40.3% respondents were neither agree nor disagree.

Regarding the last items that The collected tax by tax administration office is spent equitably to public infrastructure services and majority of the respondents disagree and strongly disagree with average of 21.3% and 32% respectively while the rest 10.4% were agreed and the remaining average score 36.3% respondents were neither agree nor disagree.

In general, respondents were found to have low mean scores of the grand mean. In general, the average mean (AM) for determinants of government spending of tax dimensions on tax compliance of respondents regarding government spending of tax obtained M= 3.1. The results show that the respondents have enough knowhow ongovernment spending of tax dimensions for tax compliance since the mean score recorded on government spending of tax dimensions for tax compliance was low. This implies that generally respondents have no good awareness aboutgovernment spending of tax for tax compliance within the organization.

4.4.5. Descriptive analysis of Simplicity of Tax System

Table 4. 7. Simplicity of Tax System

Item No	Questions	SD		D		UND		A		SA		$\overline{X}$	SD
		N	%	N	%	N	%	N	%	N	%		
1	Taxcalculationmethod should besimpleto be understand	29	7.7	32	8.5	41	10.9	169	45.1	104	27.7	3.77	1.172
2	It is difficult to understand some technical terms on taxation document	24	6.4	36	9.6	54	14.4	201	53.6	60	16	3.63	1.064
3	Forms designed by ERCA are easily understandable	72	19.2	125	33.3	139	37.1	39	10.4	0	0	2.39	0.912
4	Thereis flexibletime schedule to paytax	16	4.3	31	8.3	58	15.5	169	45.1	101	26.9	3.82	1.053
5	Itisdifficultto gettaxationdocumentin organized way	29	7.7	33	8.8	52	13.9	175	46.7	86	22.9	3.68	1.148
6	Tax officialshavepossibilitiestocooperate withtaxpayerswhointendtoevadetaxandeng agein bribery	26	6.9	51	13.6	48	12.8	169	45.1	81	21.6	3.61	1.167
Average Mean and St.deviation												3.5	1.09

Source; SPSS output from own survey data, 2023

Table 4.7 above indicated the simplicity of tax system of Jimma revenue authority. As indicated in the table to measure simplicity of tax system on tax compliance within the study area. Respondents are tending to agree on the idea that Tax calculation method should be simple to be understand has mean score of 3.77 with standard deviation of 1.172. This shows that the authority does not concern about Tax calculation method and it is low within the institution. Therefore, these imply that majority of respondents are inclined to disagree with these statements.

As mentioned in table 4.7, item no 2 above, study respondents were asked to assess their level of agreement with the statement “It is difficult to understand some technical terms on taxation document”and 6.4 percent of respondents ranked their level of disagreement as "strongly disagreed", 9.6% of the research respondents selected disagreed response, 14.4% of participants have not decided and remained neutral, 53.6% of the respondents rated their agreement to the statement and the remaining 3.6% of the participants of the research have strongly agreed on this issues.

As stated in table 4.7, item 3 above, study respondents were asked to assess their level of agreement with the statement " Forms designed by ERCA are easily understandable " and 19.2 percent of respondents ranked their level of disagreement as "strongly disagreed", 33.3% of the research respondents selected disagreed response,37.1% of participants have not decided and remained neutral, 10.4% of the respondents rated their agreement to the statement.

As shown in table 4.7, item 4 above, study respondents were asked to assess their level of agreement with the statement " There is flexible time schedule to pay tax" and 4.3 percent of respondents ranked their level of disagreement as "strongly disagreed", 8.3% of the research respondents selected disagreed response, 15.5% of participants have not decided and remained neutral, 45.1% of the respondents rated their agreement to the statement and the remaining 26.9% of the participants of the research have strongly agreed on this issues.

As depicted in table 4.7, item 5 above, study respondents were asked to assess their level of agreement with the statement " It is difficult to get taxation document in organized way " and 7.7 percent of respondents ranked their level of disagreement as "strongly disagreed", 8.8% of the research respondents selected disagreed response, 13.9% of participants have not decided and remained neutral, 46.7% of the respondents rated their agreement to the statement and the remaining 22.9% of the participants of the research have strongly agreed on this issues.

As indicated in table 4.7, item 6 above, the respondents of the study were asked about their thinking on Tax officials have possibilities to cooperate with tax payers who intend to evade tax and engage in bribery. In this response, the respondents reported that 26(6.9% rated for strongly disagreeing the statements, 51(13.6% rated for disagreeing the statements, 48 (12.8%) not decided and remained neutral, 169 (45.1%) rated their agreement to the statement and the remaining 81(21.6%) of the participants of the research have strongly agreed. The above data implies that majority of the respondents agreed up on the issues that Tax officials have possibilities to cooperate with tax payers who intend to evade tax and engage in bribery.

In general, the average mean (AM) for simplicity of tax system on tax compliance of respondents regarding simplicity of tax system obtained M= 3.5. The results show that the respondents have enough knowhow of regarding simplicity of tax system on tax compliance since the mean score recorded on regarding simplicity of tax system on tax compliance was moderate. This implies that generally they have better awareness regarding simplicity of tax system on tax compliance within the organization.

4.4.6. Descriptive analysis of Tax Penalties and Enforcement

Table 4.8. Tax Penalties and Enforcement

Item No	Questions	SD		D		UND		A		SA		$\overline{X}$	SD
		N	%	N	%	N	%	N	%	N	%		
1	Tax penalties andenforcement areapplicableby tax payer do to incent topay on time.	6	1.6	46	12.3	68	18.1	158	42.1	97	25.9	3.78	1.015
2	Serious enforcement and penalty by theERCA mayresult if I do not comply.	27	7.2	65	17.3	91	24.3	140	37.3	52	13.9	3.33	1.132
3	My relatives do not comply and they havenever been penalized.	5	1.3	83	22.1	75	20	177	47.2	35	9.3	3.41	0.977
4	I was punished due to failure on stickingtaxation rules.	16	4.3	58	15.5	105	28	163	43.5	33	8.8	3.37	0.989
5	There is lack ofconsistency andtransparency in imposingpenalties.	18	4.8	58	15.5	83	22.1	147	39.2	69	18.4	3.51	1.104
6	If any person issued incorrect invoice resulting in a decrease in the amount	11	2.9	40	10.7	57	15.2	145	38.7	122	32.5	3.87	1.075

	of taxit need penalties.												
7	If any person engages in taxable transactions without vat registrationtakingpenalties is comply.	10	2.7	22	5.9	35	9.3	160	42.7	148	39.5	4.1	0.977
Average Mean and St.deviation												3.6	1.04

Source; SPSS output from own survey data, 2023

Table 4.8 above shows the penalties and tax enforcement measures for clients who are tax administrators.As shown in the table measuring the level of tax penalties and tax compliance enforcement in the study area. Respondents tended to agree that tax penalties and enforcement imposed by taxpayers to promote timely payments had a mean score of 3.78 with a standard deviation of 1.015. This suggests that a competent authority's interest in the matter is moderate within the organization. This therefore implies that the majority of respondents tend to agree with this statement.

As mentioned in table 4.8, item 2 above, study respondents were asked to assess their level of agreement with the statement " Serious enforcement and penalty by the ERCA may result if I do not comply "7.2% of the research respondents responded as "strongly disagreed", 17.3% of the research respondents selected disagreed response, 24.3% of participants have not decided and remained neutral, 37.3% of the respondents rated their agreement to the statement and the remaining 13.9% of the participants of the research have strongly agreed on this issues.

As stated in table 4.8, item 3 above, study respondents were asked to assess their level of agreement with the statement " My relatives do not comply and they have never been penalized " and 1.3% of respondents ranked their level of disagreement as "strongly disagreed", 22.1% of the research respondents selected disagreed response,20% of participants have not decided and remained neutral, 47.2% of the respondents rated their agreement to the statement and the remaining 9.3% of the participants of the research have strongly agreed.

As shown in table 4.8, item 4 above, study respondents were asked to assess their level of agreement with the statement " I was punished due to failure on sticking taxation rules " and 4.3% of customers ranked their level of disagreement as "strongly disagreed", 15.5% of the research respondents selected disagreed response, 28% of participants have not decided and remained neutral, 43.5% of the respondents rated their agreement to the statement and 8.8% of the participants of the research have strongly agreed.

As depicted in table 4.8, item 5 above, study respondents were asked to assess their level of agreement with the statement " There is lack of consistency and transparency in imposing penalties" and 4.8% of customers ranked their level of disagreement as "strongly disagreed", 15.5% of the research respondents selected disagreed response, 22.1% of participants have not decided and remained neutral, 39.2% of the respondents rated their agreement to the statement and 18.4% of the participants of the research have strongly agreed.

As shown in Table 4.8, item 6 above, the study participants were asked about their opinion that if someone issues a wrong invoice resulting in a reduction in the amount of tax they should be penalized. In this response, respondents indicated that 11 (2.9%) strongly disagree with the statements, 40 (10.7% disagree with the statements, 57 (15.2%) undecided and still neutral, 145 (38.7%) agree with the statement and the rest 122 (32.5%) of the study participants completely agree. The above data implies that the majority of people all respondents agreed that anyone who issued an incorrect invoice resulting in a lower tax amount should be penalized.

The last items s indicated in table 4.8, item 7, study respondents were asked to assess their level of agreement with the statement " If any person engages in taxable transactions without vat registration taking penalties is comply" and 2.7% of customers ranked their level of disagreement as "strongly disagreed", 5.9% of the research respondents selected disagreed response, 9.3% of participants have not decided and remained neutral, 42.7% of the respondents rated their agreement to the statement and 39.5% of the participants of the research have strongly agreed.

In general, the average mean (AM) for tax penalties and enforcement on tax compliance of respondents regarding tax penalties and enforcement obtained M= 3.6. The results show that the respondents have enough knowhow of regarding tax penalties and enforcement on tax compliances since the mean score recorded on regarding tax penalties and enforcement on tax compliance was moderate. This implies that generally they have better awareness on regarding tax penalties and enforcement on tax compliance within the authority.

Overall, the average mean (AM) scores for tax penalties and enforcement of tax compliance respondents in relation to tax penalties and enforcement scored M = 3.6. The results show that the respondents have sufficient knowledge about tax penalties and enforcement and tax compliance enforcement because the average score recorded in tax penalties and enforcement and tax compliance enforcement is moderately high. This implies that they generally have a better knowledge of tax penalties and enforcement and tax compliance enforcement within the authority.

4.4.7. Descriptive analysis of Tax Rate

Table 4.9. Tax Rate

Item No	**Questions**	SD		D		UND		A		SA		$\overline{X}$	SD
		N	%	N	%	N	%	N	%	N	%		
1	I know that tax rate is fair and equitable to all tax payers.	6	1.6	187	49.9	84	22.4	66	17.6	32	8.5	2.82	1.024
2	I know that tax rate imposed to tax payers depending on his/her goods and service.	45	12.0	129	34.4	62	16.5	114	30.4	25	6.7	2.85	1.173
3	I would pay tax depending on ERCA tax rate system without miss chaffing exact income.	40	10.7	46	12.3	87	23.2	142	37.9	60	16	3.36	1.2
4	My relatives pay tax depending on ERCA tax rate system without miss chaffing exact income.	0.0	29	7.7	272	72.5	67	17.9	7	1.9		3.14	0.559

5	Any tax payers are decreasing its annual income because of decease tax rate.	46	12.3	129	34.4	61	16.3	114	30.4	25	6.7	2.85	1.177
6	I know that frauds come on the resulting of high tax rate.	54	14.4	64	17.1	78	20.8	105	28	74	19.7	3.22	1.332
Average Mean and St.deviation												3.04	1.01

Source; SPSS output from own survey data, 2023

The result of the above table 4.9 above show that on the idea regarding with we know that tax rate is fair and equitable to all tax payers, we know that tax rate imposed to tax payers depending on his/her goods and service, we would pay tax depending on ERCA tax rate system without miss chaffing exact income, My relatives pay tax depending on ERCA tax rate system without miss chaffing exact income, Any tax payers are decreasing its annual income because of decease tax rate and I know that frauds come on the resulting of high tax rate has high mean score of 2.82, 2.85, 3.36, 3.14, 2.85 and 3.22with 1.024, 1.173, 1.2, 0.559, 1.177 and 1.332 standard deviation respectively.This therefore implies that the majority of respondents tend to disagree with these statements. This data shows that along with tax rate are the best-practice factor variables for tax compliance of tax authorities' clients and this data shows that tax rates are the most practiced factor variables. The best for the client's tax rate variables is the tax compliant for revenue authority in the town.

The averagemean (AM) for the tax rate in tax compliance obtained M = 3.04. The results show that respondents need a tax compliant tax rate because the average score recorded for a tax compliant tax rate is moderate. This means that they often have a good knowledge of tax compliance rates and are ineffective when doing so at the tax authority.

Generally, as shown in the table above, the grand mean also indicated that, the respondent tax payers agreed with the overall statements provided by the researcher. The Grand Mean (GM) value cumulated as (GM=3.04) which shows that the respondents agreed that Tax Payers' Knowledge about taxation has a good effect on the tax compliance.

4.4.8. Descriptive analysis of Tax compliance

Table 4.10. Tax compliance

Item No	Questions	SD		D		UND		A		SA		$\overline{X}$	SD
		N	%	N	%	N	%	N	%	N	%		
1	The company files its tax return on time	6	1.6	178	47.5	86	22.9	83	22.1	22	5.9	2.83	0.984
2	The company pays its tax on time	0	0.0	33	8.8	65	17.3	139	37.1	138	36.8	4.02	0.946
3	The company pays its correct amount of tax	6	1.6	194	51.7	71	18.9	90	24	14	3.7	2.77	0.958
4	Based on our willing we obey our tax obligations	18	4.8	25	6.7	52	13.9	114	30.4	166	44.3	4.03	1.133
5	We show our loyalty to the tax office by paying our tax	8	2.1	17	4.5	28	7.5	195	52	127	33.9	4.11	0.881
6	we have poor mentality of tax because of the unfair tax system of the governments	7	1.9	179	47.7	86	22.9	83	22.1	20	5.3	2.81	0.977
7	We pay taxes based on our ability to pay	6	1.6	171	45.6	94	25.1	87	23.2	17	4.5	2.83	0.953
Average Mean and St.deviation												3.34	0.98

Source; SPSS output from own survey data, 2023

From above table 4.10 above, results regarding to descriptive statistics analyzing Tax compliance as taxpayer obedience in carrying out the tax provisions that have been required and implemented.

Regarding the company filing tax returns on time, the majorities of opinions disagree and strongly disagree with an average of 1.6% and 47.5%, respectively, while other opinions are 22.1 and 5.9% agree and strongly agree with the statements while the rest give an average score of 22.9% of respondents neither agree nor disagree.

On the question of companies paying taxes on time, there are few respondents who disagree with an average of 8.8%, while the majority of 37.1% and 36.8% agree and strongly agree while the remaining average score 17.3% respondents were neither agree nor disagree.

Concerning the issues in the above table item no.3 that the company pays its correct amount of tax and majorities of opinions disagree and strongly disagree with an average of 1.6% and 51.7%, respectively, where as 24% and 3.7% were agreed and strongly agreed the statements, whereas the remaining normal score 18.9% respondents were not one or the other concur nor oppose this idea.

With respect to the focuses in table 4.10, item no.4 over that based on our willing we obey our tax obligations and there are few respondents who are emphatically oppose this idea and oppose this idea with an normal of 4.8% and 6.7% separately, whereas the larger part of 30.4% and 44.3% agree and strongly agree, whereas the remaining normal score of 13.9% respondents were not one or the other concur nor oppose this idea.

Regarding the point in table 4.10 above, item #5: "We show our loyalty to the tax office by paying our tax and few respondents were outright opposed, averaging 2.1% or 4,5% strongly disagree and disagree respectively, but the majority of 52 % and 33.9% of respondents agreed and fully agreed, respectively, while the remaining average of 7.5% either agreed or disagreed. Neither did it.

With respect to the focuses in table 4.10, item no 6: over that" we have poor mentality of tax because of the unfair tax system of the governments" and the majorities of opinions strongly disagree and disagree with an average of 1.9% and 47.7%, respectively, while other opinions are 22.1 and 5.3% agree and strongly agree with the statements while the rest give an average score of 22.9% of respondents neither agree nor disagree.

With respect to we pay taxes based on our ability to pay and larger part of the respondents oppose this idea as disagree and strongly disagree with normal of 1.6% and 45.6%

separately, whereas the rest 23.2 and 4.5% agree and strongly agree with the explanations separately and the remaining normal score 25.1% respondents were not one or the other concur nor oppose this idea.

According to MOR (2022), tax compliance is found to be lower the availability of taxpayers to fulfill their tax obligations following applicable regulations without any actions such as inspection, investigation, warning or threat and the application of sanctions in punishment or administrative fines. In general, respondents would be happy if there is a smooth and fair relationship between tax payers and the tax offices. The tax authority should exert maximum effort to bring voluntary tax compliance in the taxpayers.

4.5. Results of Inferential Statistics

Inferential statistics was used to make interpretations and forecasts concerning the population of this investigation. Pearson correlation and regression model were used to show relationship on the variables under exploration.Even though, tax knowledge and perception, tax system, tax authority services, government tax spending, simplicity of tax system, tax penalties and Enforcement and tax rates dimensions towards tax compliances of respondents. This does not necessarily mean that all variables have equal effect. This can be further investigated by the correlation analysis as follows.

4.5.1. Correlation Analysis

In this section, the researcher tried to investigate the correlation between the dependent variable, i.e., tax compliance with independent variables, i.e. tax knowledge and perception, tax system, tax authority services, government tax spending, simplicity of tax system, tax penalties and Enforcement and tax rates dimensions. The researcher employed the Pearson correlation coefficient in line with the level of significance to examine the direction and strength of the correlation between the two variables. A correlation coefficient is a very useful means to summarize the relationship between two variables with a single number that falls between -1 and +1 (Field, 2005). As per the guideline suggested by Field (2005), the strength of relationship ±0.1 to ±0.29 shows week relationship; ±0.3 to ±0.49 is moderate; > ±0.5 shows the strong relationship between the two variables. Hence, in this study correlation analysis was used to examine the relationships the strength of correlations can be interpreted as follows:

Table 4. 11. Ranges for Correlation Coefficients and Strength of Correlation

Correlation Coefficients	Strength of Correlation
r= ±0.10 up to r= ±0.29	Weak
r= ±0.30 up to r= ±0.49	Moderate
r= ±0.50 up to r= ±1.00	Strong

Source: Field, 2005

In this study, Spearman's correlation coefficient was used to determine whether there is a significant relationship between tax knowledge and perception, tax system, tax authority services, government tax spending, simplicity of tax system, tax penalties and Enforcement and tax rates dimensions with tax compliances of tax payers. The following section presents the results of the correlation on the relationship between independent variables and dependent variables. Table 4.12 below indicates that the correlation coefficients for the relationships between independent variables (tax knowledge and perception, tax system, tax authority services, government tax spending, simplicity of tax system, tax penalties and Enforcement and tax rates) and the dependent variable (tax compliance) are linear and positive ranging from weak to strong correlation coefficients.

Table 4. 12. Pearson's product Moment correlation coefficient of all variables

Correlations									
		Knowledge & Awareness about Tax	Tax systems	Tax Office Service	Government Spending of Tax	Simplicity of Tax System	Tax Penalties and Enforcement	Tax Rate	Tax compliance
Knowledge & Awareness about Tax	Pearson Correlation	1	.426**	.302**	-.024	.011	-.008	.260**	.463**
	Sig. (2-tailed)		.000	.000	.646	.831	.877	.000	.000
	N	375	375	375	375	375	375	375	375
Tax systems	Pearson Correlation	.426**	1	.403**	-.255**	-.089	-.036	.100	.018
	Sig. (2-tailed)	.000		.000	.000	.086	.487	.054	.731
	N	375	375	375	375	375	375	375	375
Tax Office Service	Pearson Correlation	.302**	.403**	1	.070	.087	.071	-.043	-.064
	Sig. (2-tailed)	.000	.000		.177	.094	.169	.408	.217
	N	375	375	375	375	375	375	375	375
Government Spending of Tax	Pearson Correlation	-.024	-.255**	.070	1	.877**	.272**	-.070	-.102*
	Sig. (2-tailed)	.646	.000	.177		.000	.000	.175	.048
	N	375	375	375	375	375	375	375	375
Simplicity of Tax System	Pearson Correlation	.011	-.089	.087	.877**	1	.263**	-.091	-.108*
	Sig. (2-tailed)	.831	.086	.094	.000		.000	.077	.037
	N	375	375	375	375	375	375	375	375
Tax Penalties and Enforcement	Pearson Correlation	-.008	-.036	.071	.272**	.263**	1	.003	-.055
	Sig. (2-tailed)	.877	.487	.169	.000	.000		.947	.284
	N	375	375	375	375	375	375	375	375
Tax Rate	Pearson Correlation	.260**	.100	-.043	-.070	-.091	.003	1	.302**
	Sig. (2-tailed)	.000	.054	.408	.175	.077	.947		.000
	N	375	375	375	375	375	375	375	375
Tax compliance	Pearson Correlation	.463**	.018	-.064	-.102*	-.108*	-.055	.302**	1
	Sig. (2-tailed)	.000	.731	.217	.048	.037	.284	.000	
	N	375	375	375	375	375	375	375	375
**. Correlation is significant at the 0.01 level (2-tailed).									
*. Correlation is significant at the 0.05 level (2-tailed).									

Source; SPSS output from own survey data, 2023

The Pearson correlation coefficient statistics was computed using SPSS version 20.0. According to Kothari (2004) describe that for a unit change in independent variable, if there happens to be a constant change in the dependent variable in the same direction, then correlation will be termed as perfect positive. But perfect negative implies if such change occurs in the opposite direction.

As it can be seen from table 4.12 above Pearson correlation was performed to study the size and magnitude of the relationship between the variables.

Based on the survey result, the findings indicate that a significantly Moderate positive correlation was found to exist between tax compliance and Knowledge & Awareness about Tax ($r = 0.463^{**}$, $p<0.05$). Accordingly, the relationship between the two variables is Moderate and positive relationship.

Pearson correlation for the tax compliance with Tax systems dimension test shows significant weak correlation ($r = 0.018^{**}$) $p<0.05$ between Tax systems dimension with tax compliance with significant level of 5%. According to result there is weak relationship between tax system dimensions with tax compliance within the Jimma revenue branch office.

Pearson correlation for the tax compliance with tax office service variables test result shows significant negative correlation ($r = -0.064^{**}$) $p<0.05$ between tax office service dimension with tax compliance with significant level of 5%. According to result there is weak negative relationship between tax office servicevariables with tax compliance within the Jimma revenue branch office.

Pearson correlation for the tax compliance with government spending of tax variables and test result shows significant negative correlation ($r = -0.102^{**}$) $p<0.05$ between government spending of tax dimension with tax compliance with significant level of 5%. According to result there is weak negative relationship between governments spending of tax dimensions with tax compliance within the Jimma revenue branch office.

Pearson correlation for the tax compliance with simplicity of tax systemdimension and test result shows significant negative correlation ($r = -0.108^{**}$) $p<0.05$ between simplicity of tax system variables with tax compliance with significant level of 5%. According to result there is weak negative relationship between simplicity of tax systemvariables with tax compliance within the Jimma revenue branch office.

Pearson correlation for the tax compliance with tax penalties and enforcement variables and test result shows significant negative correlation ($r = -0.055^{**}$) $p<0.05$ between tax penalties and enforcement variables with tax compliance with significant level of 5%. According to result there is weak negative relationship between tax penalties and enforcement variables with tax compliance within the Jimma revenue branch office.

Pearson's correlation on tax compliance with tax rate and the test results show a significant positive correlation ($r = 0.302^{**}$) $p<0.05$ between tax rate to tax compliance with a significant level of 5%. As a result, there is a moderate positive relationship between tax rate variables with tax compliance in the Jimma revenue branch.

In general, the correlation of seven independent variables with tax compliance is analyzed with the help of SPSS. These were only knowledge & awareness about tax and tax rate variables were found to have positive and moderate linear relationship with tax compliance in general.

4.5.2. Regression analysis

Multiple regressions are one of the more bad-tempered of the statistical techniques. It makes a number of assumptions about the data, and it is not all that forgiving if they are violated. It is not the technique to use on small samples, where the distribution of scores is much skewed.

Regression models can be used in an explanatory study where researcher is interested in predicting the value of dependent variable based on the value of independent variable. While in case of more than one independent variables in the study, researcher has to make use of multiple regression models Lind et al., (2008).

4.5.2.1. Normality assumption

This tells as that, the residuals should be normally distributed about the predicted. Skewness and kurtosis values are also provided as part of the descriptive statistics output, giving information about the distribution of scores for the study group. These statistics are displayed with their standard errors. Skewness is the measures of the asymmetric. The normal distribution is symmetric has a zero skewness. Distribution with a significance positive skewness has a log right tail. Distribution with a significance negative skewness has a log left tail. As a guideline, skewness values more than twice its standard error is taken to indicate a departure from symmetry. Kurtosis on the other hand is a measure of the extent to which observation cluster around a central point. For a normal distribution the value of the kurtosis is zero. Positive kurtosis indicates that, relative to a normal distribution, the observation are more clustered about the centre of the distribution and have thinner tails until the extreme value of the distribution at which point the tails of the leptokurtic distribution are thicker relative to a normal distribution.

Negative kurtosis indicates that, relative to the normal distribution the observations are cluster less and have thicker tails, until the extreme value of the distribution at which point the tails of the platykurtic distribution are thicker relative of normal distribution. IBM, SPSS statistics base 20 (2017) cited by sultan (2014) based on the information shows that the coefficient of skewness (-1.284) and kurtosis (1.531) is not far from zero or between them the zero value is indicated. Thus it can be said that the distribution is normal for this study.

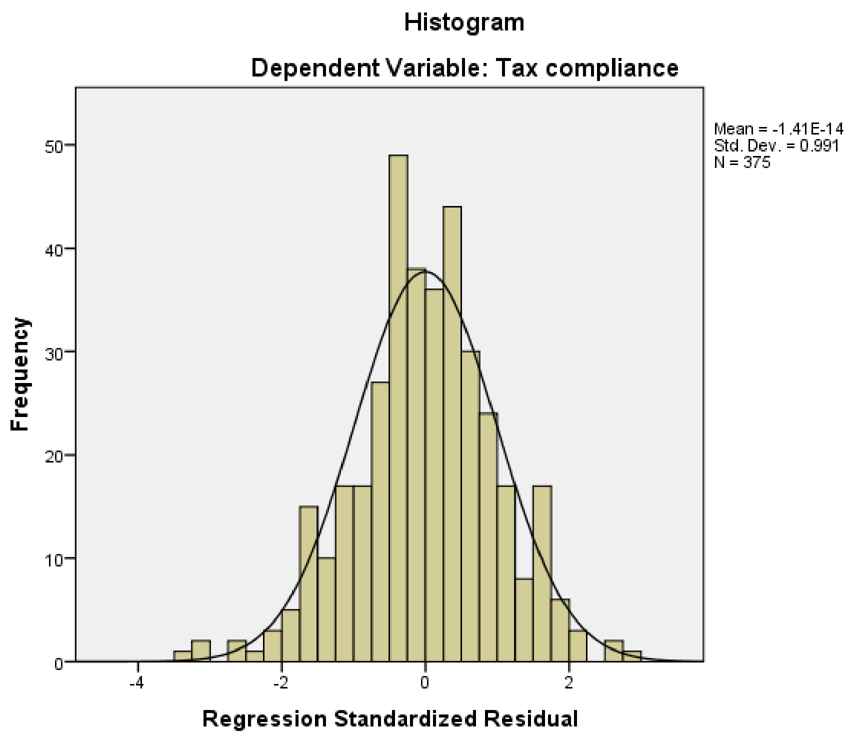


Figure 4. 13. Histogram

4.5.2.2. Linearity test

The residuals should have a straight-line relationship with predicted value and the figure below explains the distribution have linear relationship because of having some what a straight line.

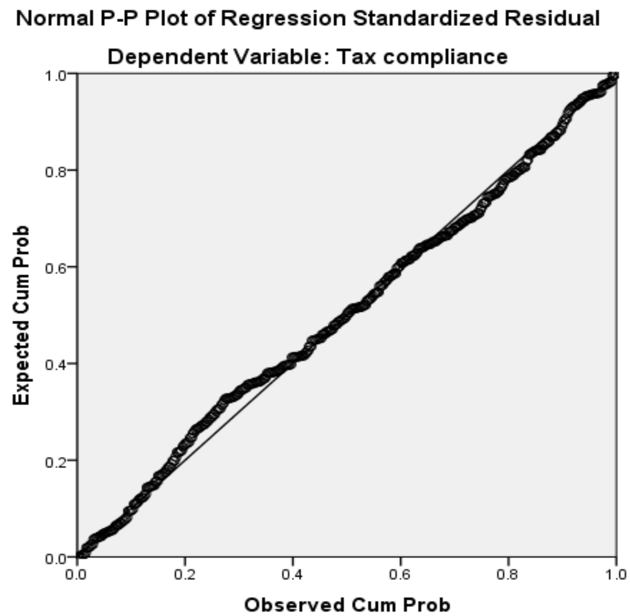


Figure 4.14. Normality p-p plot

The above figure 4.14, shows that the normality assumption on the distribution and the linear relationship between dependent and independent variables.

4.5.2.3. Homoscedasticity test of the scatter plot

The scatter plot enables to check for violation of the assumptions of linearity and homoscedasticity. Inspection of the scatter plots also gives a better idea of the nature of the relationship between the variables. This helps to test whether the regression model of the residual variance inequality occurred on one observation fixed, if it is fixed it is called homoscedasticity and if it is not it called hetroscedasticity. A good regression model is homoscedasticity. According to Rahmawati and Hosen,(2012 pp.149) this can be determined by simply observing the plot, the residual plot shown in the figure below shows that scatter plot result with approximately constant variability.

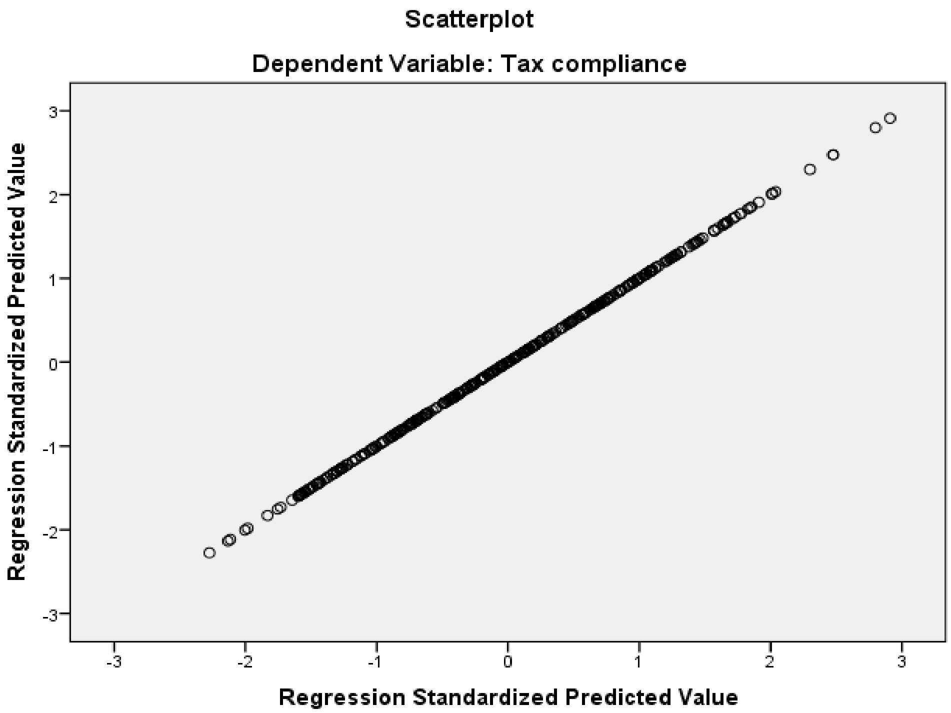


Figure 4.15. Scatter plot

4.5.2.4. Test of collinearity diagnose

Multi-collinearity is a high degree of correlation (linear dependency) among several independent variables. It commonly occurs when a large number of independent variables are incorporated in a regression model. It is because some of them may measure the same concepts or phenomena. In order to test the multi-collinearity between predictor variables, two common methods such as correlation coefficient and variance inflation factor (VIF) with tolerance values are employed (Groebner et al., 2005). There is no single rule of thumb available in the literature that specifies the standard coefficient value for multicollinearity.

The "rule of thumb" test suggested by Anderson et al. (1990) states that any correlation coefficient exceeding (0.7) indicates a potential problem. On the other hand, (Triola, 2008) noted that multi collinearity exists when the independent variables are highly correlated (r=0.9 and above). And if the value of VIF is less than 10 then there is no problem of multicollinearity (Gujarati and Porter, 2009). On the other hand, Groebner et al., (2005) and Zikmudet at. (2009) propose the value of VIF should be 5 or less to avoid multicollinearity problem and according to Menard (1995) a tolerance value should be greater than 0.2 to avoid multicollinearity problem.

This research used both Pearson's correlation and VIF methods to test multicollinearity between independent variables. Pearson's correlation was used to analyse correlations among the independent variables.

Table 4.16. Colinarity Statistics

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		β	Std. Error	Beta			Tolerance	VIF
1	(Constant)	15.234	1.715		8.882	.000		
	Knowledge & Awareness about Tax	.619	.057	.545	10.865	.000	.738	1.355
	Tax systems	-.199	.052	-.211	-3.811	.000	.603	1.660
	Tax Office Service	-.122	.047	-.127	-2.582	.010	.769	1.301
	Government Spending of Tax	-.132	.107	-.122	-1.238	.216	.190	5.262
	Simplicity of Tax System	.006	.099	.006	.061	.951	.206	4.843
	Tax Penalties and Enforcement	-.014	.035	-.018	-.412	.681	.919	1.088
	Tax Rate	.176	.047	.168	3.710	.000	.905	1.105
a. Dependent Variable: Tax compliance								

Source; SPSS output from own survey data, 2023

Based on the coefficient output collinearly statics obtained VIF value of 1-6 to 9.4 meaning that the VIF value between 1 to 10, it can be concluded that there are no multi collinearly symptoms after the test is completed multi collinear researchers also should examine whether there was a difference of residual variance observation period to another period of observation by way of heteroskedasticity test (Cooper & Schindler, 2008).

The model for the relationship between independent variables (tax knowledge and perception, tax system, tax authority services, government tax spending, simplicity of tax system, tax penalties and Enforcement and tax rates) and dependent variables (tax compliance) can be seen as:

Y (Tax compliance) =β0+ βx1+ βx2+ βx3+ βx4 + βx5 + βx6+ βx7+£ Where,

Y = 15.234+ 0.619X1-0.199X2 - 0. 122X3 - 0.132X4+ 0.006X5-0.014X6 +0.176X7.

The intercept (β0) is the point on the vertical axis where the regression line crosses the Y axis. The value of β0 is 18.466 which mean the expected value of independent variables were 15.234 when all the seven variables assume zero value.

Table 4.16 on the above presents the results on the coefficients of the regression model. Tax knowledge and perception dimensions were the first contributor to the variation in tax compliances and it was positively influencing the level of tax compliance $p < 0.05$. The regression coefficient of 0.545 indicated that the Tax knowledge and perception dimensions had a direct (positive) influence on tax compliance i.e. Tax knowledge and perception dimensions has a positive statically significant effect on tax compliance by 0.545units.

Tax systems was the second contributor to the variation in tax compliance and it was significant in influencing the level of tax compliance $p < 0.05$.The coefficient -0.211 indicated that Tax systems dimensions had an indirect (negative) influence on tax compliance i.e. Tax systems dimensions has a negative statically significant effect on tax compliance by -0.211 units.

Tax Office Service dimensions was the third contributor to the variation in tax compliance and it was significant in influencing the level of tax compliance $p < 0.05$.The coefficient -0.127 indicated that Tax Office Service dimensions had an indirect (negative) influence on tax compliance i.e. Tax Office Service dimensions has a negative statically significant effect on tax compliance by -0.127 units.

Government spending of tax was the fourth contributor to the variation in tax compliance and it was significant in influencing the level of tax compliance $p < 0.05$. The coefficient -0.122 indicated that Government spending of tax dimensions had an indirect (negative) influence on tax compliance i.e. Government spending of tax dimensions has a negative statically significant effect on tax compliance by -0.122 units.

Simplicity of Tax System dimensions were the fifth contributor to the variation in tax compliances and it was positively influencing the level of tax compliance $p < 0.05$. The regression coefficient of 0.006 indicated that the Simplicity of Tax System dimensions had a direct (positive) influence on tax compliance i.e. Simplicity of Tax System dimensions has a positive statically significant effect on tax compliance by 0.006 units.

Tax penalties and enforcement dimensions was the sixth contributor to the variation in tax compliance and it was significant in influencing the level of tax compliance $p < 0.05$.The coefficient -0.018 indicated that Tax penalties and enforcement dimensions had an indirect (negative) influence on tax compliance i.e. Tax penalties and enforcement dimensions has a negative statically significant effect on tax compliance by -0.018 units.

Tax rate dimension was the final contributor to the variation contributor to the variation in tax compliance and it was positively influencing the level of tax compliance $p < 0.05$. The regression coefficient 0.168 indicated that the Tax rate had a direct (positive) influence on tax compliance, i.e. Tax rate dimensions has a positive statically significant effect on tax compliance by 0.168 units.

4.5.2.5. Regression model analysis

R2 is the percentage of variation in the response that is explained by the model. It is calculated as 1 minus the ratio of the error sum of squares (which is the variation that is not explained by model) to the total sum of squares (which is the total variation in the model).

In the model summary below (table 4.17), the multiple correlation coefficients R, indicates a correlation of 0.566 between tax compliance of respondents dimensions and the seven independent variables. $R^2 = 0.320$ reveals that the model accounts for 32% of the variation in the tax compliance and is explained by the linear combination of all the independent variables.

Table 4.17. Regression model summary

Model Summary[b]									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.566[a]	.320	.307	3.087	.320	24.660	7	367	.000
a. Predictors: (Constant), Tax Rate, Tax Penalties and Enforcement, Tax Office Service, Government Spending of Tax, Knowledge & Awareness about Tax, Tax systems, Simplicity of Tax System									
b. Dependent Variable: Tax compliance									

Source; SPSS output from own survey data, 2023

In table 4.14 above, the overall regression model value of R square is 0.320 which describes variance of 32% in the tax compliance of respondents because of independent variables (i.e. tax knowledge and perception, tax system, tax authority services, government tax spending, simplicity of tax system, tax penalties and Enforcement and tax rates). The remaining (68%) of the variance is described by other variables not explained in this study. Further research is needed to explore the rest variables which of out of it. Based on the researcher investigation there is no standard measures that predict the value of R, R2 and adjusted R. Generally, from the regression analysis R^2 is 0.320 which is moderate according to Chin (1998) recommendations, R values for endogenous latent variables based on: 0.67 (substantial), 0.33 (moderate), 0.19 (weak). The R value is 0.566 which is in the accepted scientific range.

4.5.2.6. ANOVA in the regression model

The ANOVA table below indicates that, as with any ANOVA the essential pieces of information needed are the degree of freedom, the f value and the probability value, and the ANOVA table indicates that the overall variance accounted for in the model the F- value (24.660) indicate that, the predictor variable (tax knowledge and perception, tax system, tax authority services, government tax spending, simplicity of tax system, tax penalties and

Enforcement and tax rates) are not controlling equally to the tax compliances of tax payers within the Jimma revenue branch office.

Table 4.4. ANOVA

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1644.681	7	234.954	24.660	.000[b]
	Residual	3496.702	367	9.528		
	Total	5141.383	374			
a. Dependent Variable: Tax compliance						
b. Predictors: (Constant), Tax Rate, Tax Penalties and Enforcement, Tax Office Service, Government Spending of Tax, Knowledge & Awareness about Tax, Tax systems, Simplicity of Tax System						

Source; SPSS output from own survey data, 2023

4.5.3. Regression coefficient

Table 4.15. Regression Coefficient for Tax Compliance

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		β	Std. Error	Beta			Tolerance	VIF
1	(Constant)	15.234	1.715		8.882	.000		
	Knowledge & Awareness about Tax	.619	.057	.545	10.865	.000	.738	1.355
	Tax systems	-.199	.052	-.211	-3.811	.000	.603	1.660
	Tax Office Service	-.122	.047	-.127	-2.582	.010	.769	1.301
	Government Spending of Tax	-.132	.107	-.122	-1.238	.216	.190	5.262
	Simplicity of Tax System	.006	.099	.006	.061	.951	.206	4.843
	Tax Penalties and Enforcement	-.014	.035	-.018	-.412	.681	.919	1.088
	Tax Rate	.176	.047	.168	3.710	.000	.905	1.105
a. Dependent Variable: Tax compliance								

Source; SPSS output from own survey data, 2023

A significance level (sig.) is a critical probability associated with a statistical hypothesis test that indicates how likely it is that an inference supporting a difference between an observed value and some statistical expectation is true. The term p-value stands for probability-value and is essentially another name for an observed or computed significance level. So, low p-values mean there is little likelihood that the statistical expectation is true. (Zikmund, 2009).The significance value was less than 0.05 implying that the independent variables significantly influence the dependent variable. From the data in the above table the established regression equation was

Y (Tax compliance) =β0+ βx1+ βx2+ βx3+ βx4 + βx5 + βx6 + βx7 +£ Where,

Y = 15.234+ 0.619X1-0.199X2 - 0. 122X3 - 0.132X4+ 0.006X5-0.014X6 +0.176X7.

From the above regression model, tax knowledge and perception, tax system, tax authority services, government tax spending, simplicity of tax system, tax penalties and Enforcement and tax rates dimensions constant with a tax compliance of respondents would be achieved at a unit of 15.234.

The effect of tax knowledge and perception on tax compliance of Tax payers dimensions

The above table 4.16 indicates that, The P value of Knowledge & Awareness about Tax dimensions (0.00) that is less than 0.05.The estimated coefficient of Knowledge & Awareness about Tax is (Beta= 0.545). A unit increase in Knowledge & Awareness about Tax to a 0.545 increase in the tax compliances. Thus, the research concluded that at 5% level of significance Knowledge & Awareness about Tax has a positive value and significantly influence on tax compliances of tax payers in Jimma revenue branch office.

The effect of Tax systems on tax compliance of Tax payers dimensions

As the above table shows that, Tax systems dimensions can affect the tax compliances of tax payers dimensions at P value of 0.00 which is less than 0.05 and the estimated coefficient is (-0.211). Means in the unit of increase for a (-0.211) tax systems can increase the tax compliances of tax payers. Based on the above data the researchers conclude that at 5% level of significance Tax systems have significance and negative effect on the tax compliances.

The effect of Tax Office Service on tax compliance of Tax payers dimensions

Table 4.16 above shows that the P-value of the tax office service (0.01) is less than 0.05. The estimated coefficient of the tax office service is (Beta = - 0.127). One unit increase in tax office services for a -0.127 increase in taxpayer compliance. Therefore, the study concludes that at 5% significance level, tax office service has a negative and significant effect on tax compliance of taxpayer aspects in Jimma's revenue authority.

The effect of Government Spending of Tax on taxpayers' tax compliance aspects

Table 4.16 above, shows that the P value of Government Spending of Tax (0.216) and this is greater than 0.05. The estimated coefficient of Government Spending of Tax is (Beta = -0.122). One unit increases Government Spending of Tax to a -0.122 increase in taxpayer compliance. Therefore, the study concludes that at the 5% significance level, government spending on taxes has a negative value and has a negligible effect on tax compliance of the taxpayer dimensions in the town revenue authority.

The effect of the simplicity of the tax system on the tax compliance aspect of taxpayers

Table 4.16 above shows the P-value of the simplicity of the tax system (0.951) is greater than 0.05. The simple coefficient estimate of the simplicity of the tax system is (Beta=0.006). One unit of simplicity of the tax system increases taxpayer compliance increases by 0.006. Therefore, the study concludes that at the 5% level of significance, the simplicity of the tax system has a positive but insignificant effect on the tax compliance of the taxpayer aspects in the Jimma tax authority.

The effect of Tax Penalties and Enforcementon tax compliance Aspects of Tax payers

Table 4.16 above shows the P-value of the tax penalties and enforcement (0.681) is greater than 0.05. The coefficient estimate of the tax penalties and enforcement is (Beta = -0.018). One unit of tax penalties and enforcement increases taxpayer compliance increases by -0.018. Therefore, the study concludes that at the 5% level of significance, the tax penalties and enforcement has a negative but insignificant effect on the tax compliance of the taxpayer aspects in the Jimma revenue authority.

The effect of Tax Rate on taxpayers' tax compliance aspects

The above table 4.16 indicates that, The P value of Tax Ratedimensions (0.00) that is less than 0.05.The estimated coefficient of tax rate is (Beta= 0.168). A unit increase in tax rate to a 0.168 increase in the tax compliances. Thus, the research concluded that at 5% level of significance tax rate has a positive value and significantly influence on tax compliances of tax payers in Jimma revenue branch office.

Overall, from the independent variables listed, knowledge and awareness about tax aspects and tax rates have a significant positive effect on tax compliance at 5% significance level, while other aspects of the tax system and tax office services have a significant negative impact on tax compliance at the 5% significant level.

4.5.4. Hypothesis testing

Based on the standardized coefficient of Beta and p-value, the hypotheses of the study were tested and the result is presented as follows.

Hypothesis 1:There is a Positive and Significant Relationship between Taxpayers' Perceptions of Tax Knowledge and Awareness and Tax Compliance Aspects.

As shown in Table 4.16 above, tax compliance is affected by knowledge & awareness about tax aspects with a beta value of 0.545 and a p-value of 0.00. These refer to the fact that the effect of knowledge & awareness about tax aspects is statistically significant and positively associated. Thus, the hypothesis "There is a significant effect and a positive relationship between knowledge & awareness on tax aspects and tax compliance" is accepted.

Hypothesis 2: There is a negatively and Significant Relationship between Taxpayers' Perceptions of the Tax systems and aspects of tax compliance.

As indicated in Table 4.16 above, tax compliance is affected by Tax systems aspects with a beta value of -0.211 and a p-value of 0.00. These refer to the fact that the effect of Tax systemsaspects is statistically significant and negatively associated. Thus, the hypothesis "There is a significant effect and a negative relationship between Tax systems aspects and tax compliance" is accepted.

Hypothesis 3: There is a negatively and Significant Relationship between Taxpayers' Perceptions of the Tax Office Serviceand aspects of tax compliance.

As indicated in Table 4.16 above, tax compliance is affected by tax office service aspects with a beta value of -0.127 and a p-value of 0.010. These refer to the fact that the effect of tax office serviceaspects is statistically significant and negatively associated. Thus, the hypothesis "There is a significant effect and a negative relationship between tax office service aspects and tax compliance" is accepted.

Hypothesis 4: There is a negatively and Significant Relationship between Taxpayers' Perceptions of Government Spending of Taxes and aspects of tax compliance.

As depicted in Table 4.16 above, tax compliance is affected by the government spending of taxes dimension with a beta value -0.122 and a p-value of 0.216. This indicates that the effect of the government spending of taxes aspect is not statistically significant and only weak negative associations occur. Therefore, the hypothesis that there is a meaningless effect and a negative correlation between the government spending of taxes dimension and tax compliance is rejected.

Hypothesis 5: There is a Positive and Significant Relationship between Taxpayers' Perceptions of the Simplicity of Tax Systemand aspects of tax compliance.

As shown in Table 4.16 above, tax compliance is affected by the simplicity of the tax system aspect with a beta value (Beta = 0.006) and a p value of 0.951. This indicates that the effect of the simple aspect of the tax system is not statistically significant and only weak positive associations occur. Therefore, the hypothesis that there is a nonsensical effect and a positive correlation between the simplicity of the tax system and tax compliance is rejected.

Hypothesis 6: There is a negative and Significant Relationship between Taxpayers' Perceptions of Tax Penalties and Enforcementand aspects of tax compliance.

As shown in Table 4.16 above, tax compliance is affected by the Tax Penalties and Enforcement dimensions with a beta value (Beta= -0.018) and a p value of 0.681. This indicates that the effects of the Tax Penalties and Enforcement aspects are not statistically significant and only weak negative associations occur. Therefore, the hypothesis that there is a meaningless effect and a negative correlation between the Tax Penalties and Enforcement dimension and tax compliance aspect is rejected.

Hypothesis 7:There is a Positive and Significant Relationship between Taxpayers' Perceptions of Tax Rateand Tax Compliance Aspects.

As shown in Table 4.16 above, tax compliance is affected by tax rateaspects with a beta value of 0.168 and a p-value of 0.00. These refer to the fact that the effect of tax ratedimensions is statistically significant and positively related. Thus, the hypothesis "There is a significant effect and a positive relationship between the aspects of tax rate and tax compliance" is accepted.

Table 4.6. Summary of hypothesis

No	Hypothesis	Beta	Result
1	Knowledge & Awareness about Taxaspects	0.545	**Accepted**
2	Tax systems	-0.211	**Accepted**
3	Tax Office Service	-0.127	**Accepted**
4	Government Spending of Tax	-0.122	**Rejected**
5	Simplicity of Tax System	0.006	**Rejected**
6	Tax Penalties and Enforcement	-0.018	**Rejected**
7	Tax Rate	0.168	**Accepted**

Source: own survey, 2023

CHAPTER FIVE
5. Conclusion and Recommendations

This chapter discusses the research findings and draws conclusions based on the findings that emerge from data collected from a variety of sources. Recommendations have been made to improve the tax compliance determinants of commercial taxpayers in the case of the Jimma City revenue authority for better tax compliance outcomes and, therefore, taxpayers and the organization will benefit.

5.2. Conclusion

To achieve research objectives; the study used both quantitative and qualitative research methods. Among the qualitative approaches, an ordered logistic regression model was applied. Based on the results obtained from the analysis and interpretation, the following conclusions are drawn:

The main objective of this study was to evaluate the determinants affecting the tax compliance behaviours of commercial taxpayers in the case of the Jimma town tax office and to suggest possible solutions for improvement. The study analysed seven potential tax compliance factors. Research results show that most of the identified factors have their own influence on taxpayers' tax compliance behaviours. The factors identified in the study were tax knowledge and perception, tax system, tax authority services, government tax spending, simplicity of tax system, tax penalties and Enforcement and tax rates of taxpayers. The following conclusions are drawn about tax compliance factors based on the results of analysis and interpretation of the data presented in the previous chapter.

Respondents were asked to indicate their background information. The details of the characteristics of the respondents are stated properly. With regards to gender distribution of the selected sample relives that male respondents were 281(74.9%) whereas, female respondents were 94(25.1%) of the sample.The third largest age group is that of 30- 39 years, accounts for 25.1%. The other 7.5% of the respondents are categorized in the age range of below 30 years. With regards to marital status 114(30.4%) of the respondents were single as compared to 252 (67.2%) who were married. Therefore, most of the respondents of who participated in this particular study were married.

With regards to their educational background, surprisingly those with Degree level happened to be the dominant group, followed by Diploma holders. Therefore, the majority of the respondents had Degree level and Diploma holders respectively and can be said that most of the branches" customers were found in a good educational level and the fact can help for the study to find logical response and it is important that customers can easily understand the provided questions.Various statistical data analysis tools for each specific statement are compared using the mean and standard deviation score. The degree of agreement or disagreements of the respondent for each statement are also analyzed.To measure the level of Tax compliance, the items of the instrument were analyzed with the help of descriptive statistics. The higher the mean score, more than the respondent agreed with the statement and vice versa.

- Regarding to Knowledge & Awareness about tax dimensions is a factor that discourages tax compliance. The mean score for the Knowledge & Awareness about Tax dimensions questionnaire was (x=3.36), indicating that respondents agreed with this interpretation of the Likert scale (Scott, 1999).
- The study also showed that Tax systems influence tax compliance.The average mean (AM) for Tax systems on tax compliance of respondents regarding Tax systems obtained M= 3.6. This implies that generally they have better awareness on regarding Tax systems on tax compliance within the town.
- The other determinant that found to tax compliance behaviour was Tax Office Service. The tax authority service with inferiority tended to influence to be non-compliance of their tax liability. The quality service of tax authority is positively related to tax compliance. Moreover, the findings indicated that the average mean (AM) for determinants of tax office service dimensions on tax compliance of respondents regarding tax office service obtained M= 3.7. This implies that generally respondents have good awareness about tax office services for tax compliance within the organization.

- With regard to Government Spending of Tax,the average mean (AM) for Government Spending of Tax on tax compliance of respondents regarding Government Spending of Tax obtained M= 3.1.In general, respondents were found to have low mean scores of the grand mean.

- The study indicated that Simplicity of Tax System influence tax compliance. The average mean (AM) for simplicity of tax system on tax compliance of respondents regarding simplicity of tax system obtained M= 3.5. This implies that generally they have better awareness on regarding simplicity of tax system on employee tax compliance within the organization.
- With regard to tax penalties and enforcement,the average mean (AM) scores for tax penalties and enforcement of tax compliance respondents in relation to tax penalties and enforcement scored M = 3.6. This implies that they generally have a better knowledge of tax penalties and enforcement and tax compliance enforcement within the authority.
- With regard to tax rate to the business income could make taxpayers non-compliant because they might attempt to reduce taxable income not to arrive high rate. The average mean (AM) for the tax rate in tax compliance obtained M = 3.04. Generally, the grand mean indicated that, the respondent tax payers agreed with the overall statements provided by the researcher.

The regression analysis of the study revealed that most of the identified factors influence on the tax compliance of business taxpayers'. The identified factors that might have affect tax compliance include affected by Knowledge & Awareness about Tax aspects, Tax systems, Tax Office Service and Tax Rate. In general, the results show that knowledge and awareness of tax aspects, tax system, tax authority services and tax rates are significantly correlated with business taxpayers' tax compliance. The study result revealed that those independent variables are proved tobe main factors in the tax compliance behaviour of large taxpayers.

5.2. Recommendations

Based on the findings in this study, the researcher hereby make some recommendations that are suggested as a solution to mitigate problems of tax compliance of taxpayers so that to improve and increase level of voluntary taxpayers tax compliance and to meet the revenue needs of the government of Ethiopia. Therefore, this study has tried to provide briefly the following recommendations:

- Transparency of tax authority tax system shall be improve in terms of simple and clear to be complying with policy and procedure, provide useful and accurate information, understandable collection procedure and establish more information desk to help and encourage voluntary taxpayer. Moreover, the tax information needs to be publicized by tax administration itself or through the media of communication.
- To inspire compliance it is important to create awareness on tax knowledge and education: educating and giving awareness for taxpayers will provide the necessary tax knowledge to comply with the tax matter and change the perceptions and attitudes towards tax compliance by creating more positive attitudes that tax authority administers the law and regulation fairly. The tax authority needs to be strong enough in order to implement the tax law effectively and efficiently. Functions such as tax assessment, collection, awareness creation, providing information, and enforcement has to performed effectively and efficiently, so that it will be perceived as strong and powerful by the taxpayers.
- The majority of tax payers were unaware of the importance of paying taxes. Therefore, the tax administration need to regularly organize any formal or informal tax education and awareness-building programs about taxes using different learning platforms Since there are many various learning channels available today, including radio, television, social media, etc. The education or awareness must be provided in schools since taxpayers with education levels ranging from elementary to high school were notably noncompliant with taxation.
- The profitability and viability of the company are influenced by the duties imposed by the governing policy. Therefore, the government make the necessary amendments towards its tax rules before implementing a tax and before determining a tax rate, the taxing authority try to have a clear understanding of the taxpayers' other expenses and thoroughly explore any potential personal financial constraints.
- In addition to this, efficient service delivery to taxpayers is a key factor .against which the strength of the authority in well-organized structure, with enough ethical, responsible and honest respectful manpower, with enough material and budget.
- Taxpayers tend to evade to the extent they feel by two reason one, if the government is wisely spending the national revenue, for example for basic facilities like education,

health and safety and public transportation, it is likely that voluntary compliance will increase. In contrast, if taxpayers perceive that the government is spending too much on something considered unnecessary or unbeneficial to them then taxpayers will feel deceived and attempt to evade. Therefore, government need carefully, very wisely and sensitively to spend it's expenditures in order to increase tax compliance. This maximizes heavy taxpayers trust on the government. The second reason is that the authority is weak and unable to enforce the law. This directly motivates non compliers to continue evading. Hence, to create an efficient tax administration, the tax authority needs to strengthen itself by educating and training its employees, by computerizing its operations and by devoting additional resources.

Compliance behavior towards the tax system may affected by the behavior of an individual's reference group such as relatives, neighbors, friends and political associates. Thus, they explain people's actions by examining the forces that impinge on the positions that they occupy within the system.

In general, researcher recommended the efforts made to improve tax determinants of tax compliance as first task to improve voluntary tax compliance and consequences improve government revenue generation.

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Appendix-I

Jimma University

College of Business and Economics

Department of Accounting and Finance

Dear Respondent:-

This questionnaire is prepared in order to gather the necessary information (data) that will help to study on assessment the determinants of tax compliance in Jimma city administration tax payers. Filling this questionnaire may take not more than 30 minutes pleas stick and /or write your response. The sharing of your knowledge and experience as you answer the questionnaire will be valuable to me and as such will be treated with the strictest confidence**.** No reference will be made to any individual and the information will be reported in an aggregated form.

Thank you for your cooperation.

Instructions:

- No need of writing yourname
- You are kindly requested to give genuine responses by Put a tick (√) mark in the box that corresponds your choice from the givenalternatives
- For **open-ended questions**, please write your ideas in the space provided

Questionnaires to be filled by Tax payers

Section 1: - Demographic characteristics

1) What is your gender?

Male []   Female []

2) How old are you?

Below 30 years [] 30- 39 years.[] 40- 50 years.[] 51-60 years. [ ] above 60 Years

3) What is your marital status?

Married []   Single []   widowed []   Divorced []

4) What is your level of education?

Grade 1-8[] Secondary [] Diploma [] Degree [] Masters [] Professional [ ] other []

5) How long you have been in your business?

0-5 Years [] 6-10 Years [] 11-15 Years [] above 15 Years []

Section 2: Knowledge & Awareness about Tax

Please read the question carefully before selecting an alternative based on the scale provided.

1 = Strongly Disagree (SD), 2 = Disagree (D), 3 = Neutral (N), 4 = Agree (A), 5 = Strongly Agree (SA)

S.No.	**Dimensions**	**1 = SD**	**2 =D**	**3 =N**	**4=A**	**5 = SA**
1	Iknow all taxlaws with regard to my business					
2	Iknow taxproclamation with regard to my business					
3	Iparticipated different traininggiven bytax withregardtotaxation					
4	Iknowthetaxregulations,directivesand circulars					
5	Awareness created bytaxauthorityabout taxationhelpsustoimproveourtaxknowledge					
6	Iknowhow to declare anytaxreturns					
7	I have enough information abouttaxsystem					

Section 3: Tax systems

S.No.	Dimensions	1 = SD	2 =D	3 =N	4=A	5 = SA
1	Taxlaws arenot easy& simple					
2	Taxratesareveryhigh					
3	Tax proclamations,regulations&directives arenot clear					
4	Tax system as a whole is not suitable withthecurrent economicsituationofthe country					
5	Tax systemisnotfairbecauseofdisbelief ofgovernment&taxpayers					
6	The sending of government expenditure fortax is not fair.					
7	Theamendmentsof tax ratesarenotfair					

Section 4: Tax Office Service

S.No.	Dimensions	1 = SD	2 =D	3 =N	4=A	5 = SA
1	Thereisnomodernizedtaxpayers registrationsystemto giveontimeservice					
2	Tax office employees are easily adapttaxtechnological developments to given bettersurvives					
3	The level of education & knowledgeofemployeesworkingin thetax administrationofficeissufficienttogivegoodservice					
4	Tax staffsdonotgivebetterservices because they do not know tax laws issued bythegovernment					
5	positiverelationshipbetweentaxofficials&taxpayershelp sustoget betterservices					

6	Taxofficialsdonothaveenoughknowledgeaboutaccounting,bookkeeping&auditing togive qualityservices					
7	Auditingservices isconducted on time					

Section 5: Government Spending of Tax

S.No.	Dimensions	1 = SD	2 =D	3 =N	4=A	5 = SA
1	Agovernmentwhocollectataxandnot spenttopublicinfrastructurepurposecaneasilycollect taxes fromtaxpayers					
2	Thegovernmentexpenditureisrationalto taxpayers					
3	Thereisa disbelieveof thegovernment expendituresbytaxpayers					
4	Thegovernmentexpendituresof infrastructureareclear					
5	Governmentspendingareequitable&economical					
6	Thecollected taxbytax administration office is spent equitably to publicinfrastructureservices.					

Section 6: Simplicity of Tax System

S.No.	Dimensions	1 = SD	2 =D	3 =N	4=A	5 = SA
1	Taxcalculationmethodshould besimpleto beunderstand					
2	Itisdifficulttounderstandsometechnical termsontaxationdocument					
3	Forms designed byERCA areeasily understandable					
4	Thereis flexibletime schedule to paytax					
5	Itisdifficultto gettaxationdocumentin organized					

	way					
6	Tax officialshavepossibilitiestocooperate withtaxpayerswhointendtoevadetaxandengagein bribery					

Section 7: Tax Penalties and Enforcement

S.No.	Dimensions	1 = SD	2 =D	3 =N	4=A	5 = SA
1	Tax penaltiesandenforcementare applicable by tax payer do to incent to payon time.					
2	Serious enforcement andpenaltybythe ERCAmayresult ifIdonot comply.					
3	Myrelativesdonotcomplyandtheyhave neverbeenpenalized.					
4	Iwas punisheddueto failureon stickingtaxationrules.					
5	Thereis lackof consistencyand transparencyin imposingpenalties.					
6	If any person issued incorrect invoiceresultinginadecreasein theamountoftaxitneedpenalties.					
7	If any person engages in taxabletransactionswithoutvatregistrationtakingpe naltiesiscomply.					

Section 8: Tax Rate

S.No.	Dimensions	1 = SD	2 =D	3 =N	4=A	5 = SA
1	Iknowthat taxrate isfairand equitableto alltaxpayers.					
2	Iknowthattaxrateimposedtotaxpayers					

	dependingonhis/her goodsandservice.					
3	IwouldpaytaxdependingonERCAtaxratesystemwithoutmisschaffingexactincome.					
4	My relatives pay tax depending on ERCAtaxratesystemwithoutmisschaffingexactincome.					
5	Anytax payers are decreasingitsannual incomebecause ofdeceasetax rate.					
6	Iknow thatfrauds come on theresultingof hightax rate.					

Section 9: Tax compliance

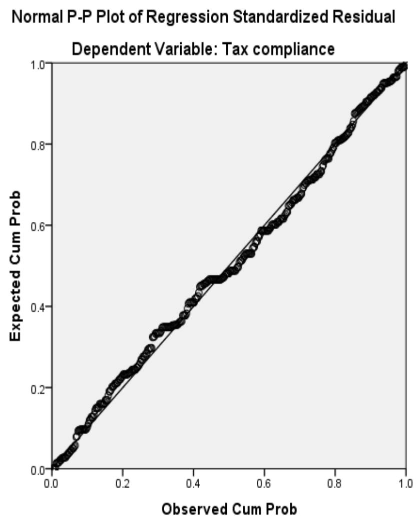
S.No.	Dimensions	1 = SD	2 =D	3 =N	4=A	5 = SA
1	Thecompanyfiles its taxreturn ontime					
2	Thecompanypays itstaxon time					
3	Thecompanypays itscorrectamount oftax					
4	Basedon our willingweobeyour tax obligations					
5	Weshowour loyaltytothetaxofficeby payingourtax					
6	wehavepoor mentalityof taxbecauseof theunfairtaxsystemofthegovernments					
7	Wepaytaxesbasedonourabilitytopay					

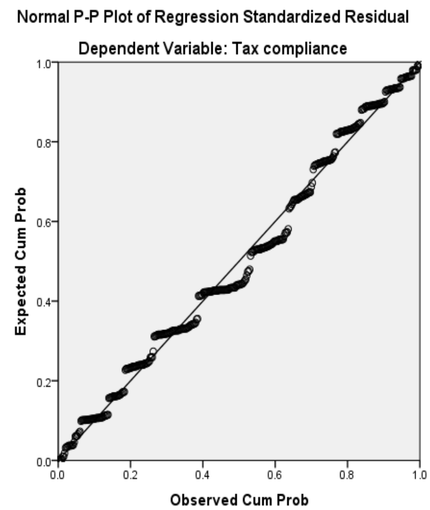
Thank you!!!

Appendix-II

Assumption test for regression equation

Linearity test





Regression residual test