DETERMINANTS OF TAX COMPLIANCE BEHAVIOR: AMONG CATEGORY "A" AND "B" TAXPAYERS IN HOSANNA TOWN

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: DEREJE LEMMA LALISHO

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BY: DEREJE LEMMA LAISHO

Under the Guidance of

Daniel Tolesa (Asst.Professor)

And

YONAS MEKONNEN

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CERTIFICATE

This is to certify that the thesis entitles "Determinants of Tax Compliance Behavior: Among Category "A" And "B" Taxpayers in Hosanna Town". This thesis submitted to Jimma University for the award of the Degree of Master of Accounting and Finance and is a record of benefit research work carried out by Mr. Dereje Lemma Lalisho, under our guidance and supervision

Therefore, we hereby declare that no part of this thesis has been submitted to any other university or institutions for the award of any degree or diploma.

Main Adviser's Name   Date   Signature

_____   _____   _____

Co-Advisor's Name   Date   Signature

_____   _____   _____

DECLARATION

I hereby declare that this thesis entitled *"Determinants of Tax Compliance Behavior: Among Category "A" And "B" Taxpayers In Hosanna Town"*, has been carried out by me under the guidance and supervision of Daniel Tolesa (Asst.Professor) and Yonas Mekonnen.

The thesis is original and has not been submitted for the award of any degree or diploma to any university or institutions.

Researcher's Name   Date   Signature

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Abstract

Tax compliance issue is a major problem in revenue generation by government in African countries, Ethiopia especially. Our country tax mobilization was also the lowest among sub-Saharan African countries and thus, this study was conducted with the aim of identify and analyze factors of tax compliance behavior of taxpayers and identify the major factor that face Hosanna town tax administration. The survey research design was used in conducting investigation. Survey data for this study were collected based on structure questionnaires from a sample of Hosanna Town business income taxpayers by distributing the total sample Stratified sampling based on settlements area to three sub cities namely Addis ketem,Gofare mada and Sechi duna using proportional sampling techniques and then simple random sampling was used. The primary source of data was used and two hundred and seven six (276) copies of self-administered question were distributed. The number of questionnaires completed and returned was two hundred and twenty-eight (228), constituting 83% response rate. Four explanatory variables were used in the multiple regression model. The p-value was used to test the significance of the study variables. The results showed that perception on government spending; perception on equity and fairness of the tax system; and business tax rates are factor that positively significantly affect tax compliance. However, a referral group (friends, relatives) was negatively significantly affect tax compliance. Therefore, researcher recommended the efforts made to improve taxpayer' perception on government spending, so as to improve voluntary tax compliance and consequences improve government revenue generation.

Key Words: Revenue Authority, Tax Compliance, Business Taxpayers

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ABBREVIATIONS (ACRONYMS AND ABBREVIATIONS)

- ❖ OECD-Organization of Economic Cooperation for Development
- ❖ GDP-Growth Domestic Product
- ❖ ANOVA- Analysis of Variance
- ❖ GTP- Growth and Transformation Plan
- ❖ ERCA-Ethiopia Revenue and Customs Authority
- ❖ MOFED – Minster of Finance and Economy Development
- ❖ OLS – Ordinary least square method
- ❖ SPSS – Statistical Package for Social Science
- ❖ SNNPR- South Nation Nationalities and People Region
- ❖ HTRA – Hosanna Town Revenue authority
- ❖ EPRDF-Ethiopian Revolution Democratic Front
- ❖ IMF-International Monetary Fund

CHAPTER ONE

1. INTRODUCTION

1.1. BACK GROUND OF THE STUDY

Tax, in the simplest form, can be explained as "a compulsory legal levy payable by an economics unit to the government without any corresponding entitlement to receive define and direct quid pro quo from the government for the contribution made" (H, Bahtia.2003). The basic functions of this economic burden imposed on citizens by the states is to provide source of funds used for development projects such as provision of infrastructure like good roads, stable power supply, stable water supply etc.

The issue of tax compliance towards tax system has evoked great attention among many revenue authorities in the World. However, it is debatable on what has done towards the study of taxpayers' behavior towards tax system in developing countries. as they concentrate more in studies which would increase their budgets "bottom-line" in terms of huge revenue collection and enforcement efforts at the expense of studies on taxpayers behavior which would make increase in this tax revenue to be realized and enforcement efforts work. Perhaps the less developed countries are not to blame as they run on "budget deficits" hence, scarce resources to see through such studies that are perceive as adding no direct value to revenue collection.

Compliance of taxpayers is one of the concerns related to raising public finances. An important issue for any government and revenue collecting authority is to obtain knowledge and understanding of the reasons for taxpayer non-compliance in order to maximize voluntary compliance in a self-assessment environment. However, measurement of the magnitude of intentional and unintentional non- compliance can be difficult as it involves estimating levels of uncollected tax OECD (2004). Government needs financial resources to act as a government and play a role that is expect from it by the public (Bhatia, 1976; James, 2000). Therefore, what the government gives it must first take away.

According to Fischer, et al., (1992) defined tax compliance as the reporting of all incomes and paying of all taxes by fulfilling the provisions of laws, regulations and court judgments. Another definition of tax compliance is a person's act of filling the Income Tax Form, declaring all taxable income accurately, and disbursing all payable taxes within the stipulated period without having to wait for follow-up actions from the authority. Singh,(2003) explained that

taxpayers need to prepare all the relevant information in the Income Tax Form within the period given, and the form must report accurate tax liability in accordance with the need of laws, regulations, and court judgments. Those who fail to adhere to taxation laws intentionally or otherwise shall considered as having committed an offence.

Jackson and Milliron (1986), as cited in Palil (2010), listed 14 main factors that have influenced tax compliance as discussed by various researchers. These factors are age, gender, education, income, occupation or status, peers' or other taxpayers' influence, ethics, legal sanction, complexity, relationship with taxation authority , income sources, perceived fairness of the tax system, possibility of being audited and tax rate. Various researchers have listed factors that influenced tax compliance such as demographic, income, compliance cost, and tax agents, in addition to moral or ethical factors (Singh, 2003; Kasipillai et al., 2003). Kirchler (2007) and Loo (2006), listed five main factors that have influenced tax compliance in which they approached tax compliance from an interdisciplinary perspective, which represents a wider perspective of tax compliance determinants compared to other researchers. These are economic factors such as; tax rates, tax audits and perception on government spending**:** Institutional factors are role (efficiency) of the tax authority/government, simplicity of tax return and administration, probability of detection. Social factors such as ethics and attitude, perception on equity and fairness and changes on current government policies, referents groups (family and friends). Individual factors such as personal financial constraint, awareness on offences and penalty and others factors(demographic) factors are age, income level , culture , education and gender.

Tax compliance has been an important subject of research in a large number of developed and a number of developing countries. Since each country has, its own approach to managing tax compliance levels and each has different tax laws and regulations, the factors influencing tax compliance behavior appear to vary among countries (Palil, 2010). Therefore, the purpose of this study is to assess the determinant of tax compliance in Ethiopia particularly in Hosanna town taxpayers. In addition to this, the relationship between some factors of tax compliance and tax compliance will be examine in the study.

1.2. Justification of the study and the motivation behind choosing the Research Topic

In the Ethiopian government five year Growth and Transformation Plan, it has been clearly stated that efforts will be geared towards promoting compliance and equipping tax collection institutions with adequate enforcement power that will further boost revenue mobilization at federal and regional levels.

The importance of tax compliance behavior, especially when government of Ethiopia is the ratio of tax revenue to GDP in Ethiopia is 14.1 per cent (IMF, 2013/14), while in many African countries the ratio exceeds 20 per cent, therefore, it has the effect on budgetary cuts face the challenge of managing even less public funds collected through taxation. The Hadiya Zone tax assessment and collection performance has increased although the performance still low among Zone of South regions such as Sidamo, GamoGofa and Gadiho Zone. Starting from these realities, Zone tax authorities is working to improve low performance by establishing enhancing voluntary tax compliance level on taxpayers and they have to find ways of increasing tax compliance to ensure the provision of public goods and citizens' well-being. In order to achieve the desired level of compliance, authorities need to consider various factors, which influence tax compliance.

The rational of the study is target at addressing the factors that affect tax compliance on taxpayers. This study covers the tax compliance behaviors on taxpayers' aspects of tax authority in the case of tax authority and socio-demographic factors that are associated with tax compliance. Studies on tax compliance are not a new research area. In fact, some research, for example,(Tilahun and Yidersal,2014; Lemesse,2007; Beza,2014) are conducted in determinants of tax compliance behaviors on category "C" taxpayers in different time, but the results of findings are still debatable among different researchers.

 Lastly, to the best of the researchers' knowledge virtually no study has made to assess the determinant of tax compliance in Ethiopia particularly in Hosanna Town on category "A" and "B" taxpayers.

Finally, the findings from this study fill literature and knowledge gap observed in the area and the finding expected to address and give possible recommendations for factors that face tax collection program on Hosanna town revenue office.

1.3. Statement of the Problem

An important issue for any government and revenue collecting authority is to obtain knowledge and understanding of the reasons for taxpayer non-compliance. However, measurement of the magnitude of intentional and unintentional non-compliance can be difficult as it involves estimating levels of uncollected tax, which by its nature not detected by the revenue authority. The amount of tax lost through evasion is potentially enormous particularly in developing countries like Ethiopia. Consequently, to prevent the erosion of government revenue, further research is required into understanding taxpayer attitudes and behavior.

Tax compliance is degree to which a taxpayer complies (or fails to comply) with the registration in the tax system with tax rules of his/her country, for example by declaring income, filing a return, and paying the tax due in a timely manner (payment of tax obligation on time). (OECD, 2004) and Taxpayers try to minimize taxes through legal or illegal means. At the same time, tax authorities attempt to improve compliance, detect tax evasion, enforce tax rules, and close unintended loopholes for legal tax avoidance (Finkelstein, 2009). Further, the ability to process the available tax information varies across individuals and may depend on the flow of information through formal and informal networks (Alstadsæter and Jacob, 2013). However Kleven et al. (2011), show that not everyone with access to tax minimization actually chooses to participate in such activity.

According to the information, the researcher obtained from Hosanna Town Tax Administration Authority, most of the business taxpayers are not committed to paying their tax obligations on time, regardless of the existing income tax proclamation. This clearly shows that tax compliance factors have contributed for not committed to pay tax liability for tax authority on time in the town (Hosanna Town Administration annual report, 2014).

According to GTP (2010) forwarded by MOFED, there is a plan for increasing tax to GDP ratio to 17 percent in the five years plan. Although the tax revenue has increased in real terms over the last three years, it still remains low compared to the tax revenue generating capacity of the economy, the financing requirements of the country's development programs and the average performances of sub-Saharan countries. (MOFED, 2014).In the report this ratio is about 12 percent, this shows that the tax to GDP ratio has decreased. According to MOFED, this is specifically due to the prevalence of a high number of non-compliance business communities. Therefore, our country's tax mobilization is also the lowest among most African countries. Thus, attention may not give toward understanding the determinants of tax as a prerequisite for increasing public revenue in Hosanna Town. Hence, the following factors, which determine that why tax payers, decide or not to comply, which are perceptions of government spending, perceptions of equity and fairness, the impact of referral groups and tax rate.

Hence, this study mainly assesses the determinant of tax compliance in Ethiopia with a particular emphasis on Hosanna town.

1.4. Objectives of the Study

1.4.1. General Objectives of the Study

The general objective of this study is to identify and analyze determinants of tax compliance behavior of taxpayers and to identify the major problems that face Hosanna Town tax administration system in Hadiya Zone.

1.4.2. Specific Objectives of the Study

➢ To identify the factors affecting tax compliance behaviors in Hosanna Town taxpayers

➢ To analyze the relationship between tax compliance and factors of tax compliance

➢ To assess the major problems faced by the taxpayers in the tax compliance behavior with determinants in Hosanna Town taxpayers.

1.5. Research Hypothesis

In order to answer the research objective the researcher states the research hypothesis for the major determinants of tax compliance in this study comprises. Perception of fairness/equity of the tax system, perception on government spending; tax rate and Referent group (friends, relatives.); The possible relationship between these variables and taxpayer's compliance behaviors is considered in the context of four main research hypothesis are stated in the alternatives forma which are described as follows:

> **H1**: There is significant relationship between taxpayers' perception of tax equity and fairness with tax compliance behavior.
>
> **H2**: There is significant relationship between taxpayers' perception of government spending and tax compliance behavior.
>
> **H3:** There is significant relationship between business income tax rate and tax compliance behavior.
>
> **H4:** There is significant relationship between referent groups (friends, relatives) and tax compliance behavior.

1.6. Significance of the Study

Improved tax compliance determinants are amplifies the revenues available for supporting public services without increasing the current tax burden on compliant taxpayers. Unless voluntary compliance determinants are pointed, out and addressed properly. It may be difficult to design an efficient and effective tax system that helps to narrow the existing compliance gap.

Hence, this study is significant in that it may help the policy makers of the Zone administration tax office and at national level to make use of the outputs of the study in addressing determinants of tax compliance problems. Moreover, it gives some highlights that would serve as a basis for further nationwide research and policy design in addressing the issue. Furthermore, the findings of the study may have also serve as stepping stone to others who have intention to study the problem further and it help as a reference for other studies in the area with similar or other themes of study.

1.7. Scope and Limitations of the Study

This study conducted on business income tax payers of Hosanna Town. As its major objectives is to examine the factors that determinants of tax compliance behavior, the scope is limited to category "A" and "B" tax payers of the hosanna town. This is because of the taxpayers' obligation to prepare and report financial statements by their own and since there is higher, annual turnover there is a possibility of evasion or avoidance of government tax revenue. The study focuses effectively on three sub city business income tax payers. The sample size for each selected tax payers on sub city determined according to the proportion of total number of their business income tax payers of "A" &"B" tax payers for the study. The limitation of the study is determinates of tax compliance is affected by various factors. Against this view, had determinants of compliance behavior with taxation had been made by including all the variables that are expected to affect taxpayers compliance behavior; the result would have been more precise and valid. Because of financial resource and time limitation, however, the study is mainly limited to the determinants of tax compliance behavior among category "A" and "B" taxpayers with taxation considering only four variables such as tax rates, referral groups (family and friends), Perception on equity and fairness and Perception on government spending.

1.8. Organization of the Paper

This research papers consists of five chapters. The first chapter comprises background of the study, Justification of the study, statement of the problem, objectives of the study, Research Hypothesis, Significance of the study, scope of the study and Description of the study.

Chapter two present literature review with respect to the theoretical perspective and empirical studies on tax compliance. Chapter three whose are Research design and methodology, Chapter four finding and discussions of collected data.
 Chapter five summary of finding, Conclusion and Recommendation for the problems of study

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1. THEORY OF LITERATURE

2.1.1. Over view of Taxation

Taxes history for more than 2,500 has focused on two significant issue: who pays and what is taxed. For most of human history, taxes were paid by the poor peasants, slaves, colonists or conquered people to support the government and the wealthy classes (Misrak, 2014).

According to (Misrak, 2014) modern taxation start by the 18th century, England started imposing various taxes on transactions. Taxes on imported goods (tariffs) assumed great importance, as did taxes on a wide variety of commodities, include sugar, meat, chocolate, alcohol, coffee, candles and soap. As time passed, people became dissatisfied with this system of public finance for several reasons. In the late 19th century AD and early 20th century AD, concern about both fairness and the ability of tax systems to generate sufficient revenue led governments to enact income taxes. In 1799, Britain enacted the first national income tax, to fiancé the Napoleonic wars. The government discontinued the tax. When the war ended in 1815.but revived it in 1842. The first progressive income tax-which imposed a greater tax burden on people with higher incomes, was introduced in Prussia (the former kingdom Germany) in 1853. Other countries introduced progressive income taxation in subsequent decades including Britain in 1907.United States in 1919, France in 1917 and Ethiopia in 1914. Although income taxes generated little revenue at first, today income taxes play a major role in all modern tax systems.

In country Ethiop the history of taxation was very difficult to get reliable documentary evidence as to when exactly taxation was introduced, it is believed that history of Ethiopia taxation comes together with the establishment of the government. Taxation was a source of government revenue from early Aksum kingdom in Ethiopia, around 500A.D (Misrak, 2014). Governments, which came to power in Ethiopia at different periods, have frequently revised and repealed the statutory bases for various types of taxes providing for tax bases and tax rates, time and mode of payment, exemptions and offenses. However, there has been no document or materials produced which compiles tax proclamations issued at different periods. The initial

statutory bases for all the tax proclamations was the 1931 Constitution of Ethiopia, which later revised and become Revised Constitution of Ethiopia.

Because most of the products on which tax was levied (tax bases) were agricultural products, the type of taxation in traditional periods was unstructured and mostly in kind. Taxation in that period was varying highly from area to area and was often arbitrary i.e. the amount to pay and the mode of payment depends on the will of the chief tax collector and the kind of resources available in the area.

The first major change in the Ethiopian tax system was initiated in the Post Second World War period between 1942 and 1944, the years 1947 to 1952 covering its second stage. These changes were generally discretionary, including amendments to property taxes (land and cattle). Broad based taxes on goods and services were also introduced in the mid1950s. Latter in the decade and in the early 1960s, changes were also made in the rate and structure of taxes, especially on income. In the post revolution period (1974-1991), particularly during 1976-1979, significant major changes on the rate and structure of all types of taxes were made. These involved widening the land tax base, introducing capital and surplus transfers from nationalized firms, as well as certain minor arrangements on other taxes.

In Ethiopia, the year 1991 marked the end of the previous policy regime of hard control that had lasted for nearly two decades. This was the year when the seventeen-year-old socialist regime was toppled by the coalition of rebel forces and the current government that is, Ethiopian Revolution Democratic Front (EPRDF) was formed. Starting from the year 1992, the EPRDF government has initiated a wide range of reforms that can be termed as liberalization. Reform of the tax system was among the range of liberalization policies that also extended, among others, to the exchange rate, interest rates, trade, domestic production and distribution.

2.1.2. Tax on Business and Other Profits in Ethiopia

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 based on the profit and loss account or income statement, which shall draw 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 following table below. (Proclamation no.286/2002)

Table 2-1: Computation of tax on business profit taxpayers

Taxable income (net profit per year)	Tax rate in (%)	Deduction in Birr
0-1800	Exempted	_____
1801-7800	10	180
2801-16800	15%	570
16801-28200	20%	1410
28201-42600	25%	2520
42601-6000	30	4950
Over 60000	35%	7950

Source: Source: (FDRE proclamation number 286, 2002)

2.2. Definition of Tax Compliance

Tax compliance has defined in various ways by various authors. For example, Kirchler (2007) stated that compliance might be voluntary or enforced compliance and it has perceived a simpler definition in which tax compliance defined as the most neutral term to describe taxpayers' willingness to pay their taxes. Voluntary compliance is possible by the trust and cooperation between tax authority and taxpayer and it is the willingness of the taxpayer on his own to comply with tax authority's directives and regulations. However, in the presence of distrust and lack of cooperation between authority and taxpayer, which creates tax hostile climate, authorities can enforce compliance through the threat and application of audit and fine.

Alm (1991) and Jackson and Milliron (1986) defined tax compliance as the reporting of all incomes and payment of all taxes by fulfilling the provisions of laws, regulations and court judgments. Another definition of tax compliance is a person's act of filing their tax returns, declaring all taxable income accurately, and disbursing all payable taxes within the stipulated period without having to wait for follow-up actions from the authority (Singh, 2003).

According to James and Alley (2004) there is no standard all-embracing definition of compliance adopted across all tax compliance studies, the meaning of compliance can see almost as a continuum of definitions.

Alm (1991) as cited in Zelalem (2011) defined tax compliance as the reporting of all incomes and paying of all taxes by fulfilling the provisions of laws, regulations and court judgments. Another definition of tax compliance is a person's act of filling the Income Tax Form, declaring all taxable income accurately, and disbursing all payable taxes within the stipulated period without having to wait for follow-up actions from the tax authority.

Murphy (2010) described tax compliance as when taxpayers seek to pay the right amount of tax in the right place at the right time where right means that the economic substance of the transactions undertaken coincides with the pace and form in which they are reported for taxation purposes.

James and Alley (2004) state that, 'compliance' refers to voluntary not compulsory behavior. Taxpayers' compliance would not be considered voluntary compliance if they adhere merely for fear of threats and or harassment.

Kirchler (2007)), tax compliance is defined as taxpayers' willingness to comply with tax laws, declare the correct income, claim the correct deductions, relief and rebates and pay all taxes on time.

2.3. Tax Non-Compliance

Taxpayers may under-declare their income and would deterred only by the chances of detection and penalties imposed. Tax non-compliance is of two types: intentional and unintentional. Intentional non-compliance is an offense against government in which the taxpayer understates the tax liability and subject to punishment. It could be emanated from seeking benefit from avoidance, taxpayers' personal attitude towards compliance, situational factors, complexity of tax structure, dissatisfaction on government service, and other including tax evasion (Kinsey, 1985), as cited in Kasipillai and Noor, 2003. Some forms of non-compliance include:

- Failure to submit a tax return within the stipulated period or non-submission;
- Understatement of income;
- Overstatement of deductions; and
- Failure to pay assessed taxes by the due date

2.4 Tax Knowledge and Tax Compliance

Demissie (2008) in his survey result revealed that taxpayer's poor knowledge of tax rules and regulations is the most deterring factor of voluntary compliance. In addition, Kasipillai et al. (2003) states that tax knowledge has impact on tax compliance The influence of knowledge on compliance behavior has been proven in various research (Mohamad Ali et. al., 2007). Singh (2003) evidenced that general tax knowledge has a very close relationship with taxpayers' ability to understand the laws and regulations of taxation, and their ability to comply with them**.**

Eriksen & Fallan, 1996 as cited by (Pilal 2010) Knowledge as one of the factors in compliance related to the taxpayers' ability to understand taxation laws, and their willingness to comply. The aspect of knowledge that relates to compliance is the general understanding about taxation regulations and information pertaining to the opportunity to evade tax. Taxation knowledge is necessary to increase public awareness especially in areas concerning taxation laws, the role of tax in national development, and especially to explain how and where the government (Pilal, 2010) spends the money collected. More importantly, it is necessary that current and future taxpayers exposed to the roles that they could play in developing the country. This exposure could be given through seminars, dialogue sessions (Mohani, 2003).

2.5. Attitudes toward Tax Compliance

Song and Yarbrough, 1978 as cited by (Pilal 2010) in a tax system which is based largely on voluntary compliance, the taxpayers' standard of ethics is 'extremely important. Ethics are a subjective continuum and the level of ethical behavior is heavily reliant on how people perceive the behavior considered. It is assumed that ethics encourage individuals to act according to them and a taxpayer with a negative attitude towards tax evasion tends to be less compliant. Based on Ajzen (1991) the theory of reasoned action or the intention to evade will encourage a taxpayer to behave negatively toward taxation and thus attempt to under-report income. On the other hand, attitudes towards the tax authority are also important as tax attitudes, ethics generally depend on perceived use of the money collected by the government According to Jackson and Milliron, (1986) tax ethics, and attitudes towards tax compliance have an influence on the inclination towards tax evasion.

Lewis (1982), as cited in Mohamad et. al. 2011, attempted to determine whether there is a connection between specific tax knowledge and compliance attitudes during completing the

tax return. His aim was to study any changes in the attitudes towards taxation that result from increased knowledge about taxation, which might have a significant impact on tax compliance.

2.6 Awareness of Offences and Penalties

According to Mohamed et. Al. (2011) penalty rates have impact upon tax compliance behavior; the awareness of offences presumed to have a significant influence as well. If the taxpayers are aware of the offences they are committing when evading tax and the consequences of being noncompliant taxpayers, they might reduce their tendency to intentional evading of tax. On the other hand, if they are not aware of the implications of being dishonest in terms of the offence they are likely to charge with if caught, they might be more inclined to cheat because they presume that they will not detected and could save money. Thus, educating taxpayers and keeping them well informed with the sentences of being an evader may be important not to be penalized (Mohamed et. al. 2011). Allingham and Sandmo (1972) have clearly indicated that penalties as well as audit probability have an impact on tax compliance. The higher the penalty and the potential audit probability the greater discouragement for potential tax evasion.

2.7. Determinants of Tax Compliance

Factors that may affect tax compliance according to the literature divided into **five main parts; these are 1) economic factors 2) institutional factors 3) social factors 4) individual factors and other factors.** Kirchler (2007) and Loo (2006)

2.7.1 Economic Factors

In relation to tax compliance, economic factors refer to actions, which are associated with the costs and benefits of performing the actions (Loo, 2006). Torgler and Schneider (2005) assumed that taxpayers are rational economic evaders who likely would assess the costs and/or benefits. They would attempt to minimize their tax liability, for example, by intentionally under reporting their income and would enjoy tax savings if the tax authorities did not detect them. Here are some factors that are under economic factor are tax rate, tax audit and perception of government spending.

2.7.1.1 Tax Rates

Kirchler, (2007) claimed that reducing tax rates is not the only policy that has the potential to discourage tax evasion but the tax rate is an important factor in determining tax compliance behavior although the exact impact is still unclear and debatable. Clotfelter also suggests that there was a significant relationship between tax rates and evasion due to tax rates used as an

instrument that can manipulated for policy goals in particular. Raising marginal tax rates will be likely to encourage taxpayers to evade tax more (Knoblett, 2001; Torgler, 2007). while lowering tax rates does not necessarily increase tax compliance (Trivedi, Shehata, and Mestelmen, 2004; Kirchler, 2007) This uncertainty and conflicting issue for example reducing tax rate to increase compliance has attracted the attention of tax researchers aiming to come up with more certain and concrete evidence of the impact of tax rates on evasion.

Other studies of rational compliance decisions however, perceived that tax rates have a mixed impact on tax compliance or predict that increasing tax rates will increase compliance behavior (Kirchler, Hoelzl and Wahl, 2008).

In contrast with various studies found that increasing tax rates encouraged noncompliant behavior or produced mixed findings (Park and Hyun, 2003). Porcano (1988) claimed that tax rates have no effect on tax compliance while most experimental studies found that increasing tax rates leads to tax evasion (Park and Hyun, 2003). Since the impact of tax rates was debatable (positive, negative or no impact on evasion), Kirchler et. al. (2008) and McKerchar and Evans (2009) suggested that the degree of trust between taxpayers and the government has a major role in ascertaining the impact of tax rates on compliance. When trust is low, a high tax rate could perceived as an unfair treatment of taxpayers and when trust is high, the same level of tax rate could be interpreted as contribution to the community (Kirchler et. al, 2008). In summary, evidence suggests tax rates have mixed impact on tax compliance i.e decreasing tax rates does not necessarily always increase compliance (Kirchler et. al., 2008) and increasing tax rates will not necessarily always decrease compliance behavior.

2.7.1.2 Tax Audit

According to Palil (2010), tax audit could be an important stimulant to compliance. This indicates that tax audit influenced tax compliance. Audits rates and the diligence of the audits could encourage taxpayers to be more prudent in completing their tax returns, report all income and claim the correct deductions to ascertain their tax liability (Palil et al., 2011). The effect was even stronger in the case of assessed liabilities per return and implying the positive effect was due to increased compliance because of deterrent effect of audit on the non-compliance of taxpayers.

Tax audits, audit rates and prior audit experience have ambiguously discussed in relation to tax compliance. Some studies claimed that audits have a positive impact on tax evasion (See Jackson and Jaouen, 1989; Shanmugam, 2003; Dubin, 2004) as cited by palil 2010. These findings suggest that in self-assessment systems, tax audits can play an important role and their central role is to increase voluntary compliance. Audits rates and the thoroughness of the audits could encourage taxpayers to be more prudent in completing their tax returns, report all income and claim the correct deductions to ascertain their tax liability. In contrast, taxpayers who have never audited might be tempted to under report their actual income and claim false deductions.

Tax audits play an important role in increasing voluntary compliance. Audits rates and the thoroughness of the audits could potentially encourage taxpayers to be more prudent in completing their tax returns. Audits rates and the thoroughness of the audits could encourage taxpayers to be more prudent in completing their tax returns, report all income and claim the correct deductions to ascertain their tax liability.

2.7.1.3. Perception of Government Spending

A tax is (Bhatia, 1976; James, 2000) a compulsory levy and those who taxed have to pay the sums irrespective of any corresponding return of services or goods by the government. Government needs financial resources to act as a government and play a role that expected from it by the public. Therefore, 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. Other writers (Auld & Miller, 1984) describe the role of taxes as an instrument that stabilizes the economy, and reduces private demand so that resources can released for public sector use.

Generally, governments levy taxes for multiple of purposes, but mainly to raise funds in order to cover public expenditures and on the other hand to properly allocated resources. Whatever its function and essence, tax is fundamentally important for the existence of a government and a nation. Hence, the taxes that governments levy have to govern by certain principles. The government should prudently spend taxpayers' money because the way in which the government spends the money produces different levels of compliance. Taxpayer's perceptions are potentially important in determining their compliance behavior (Palil, 2010). The

researcher assumed that if taxpayers perceive that the government is spending too much on something considered unnecessary or unbeneficial to them then taxpayers will feel betrayed and may attempt to evade or to be non-compliant.

2.8.1 Social Factors

Lemessa, (2007) the issue of (non-) compliance is not only a question of state-society relationships but also a question of relationship between citizens and/ or groups of citizens within local communities. There is an existing social bond between the society and this bond influences the members of the society in complying with the tax law. That is taxpayers may influenced by their peer groups to comply or not to comply with the tax law. The factors discussed in this section are therefore ethics and attitudes toward tax compliance, perceptions of equity and fairness, changes to current government policy and referent groups.

2.8.1.1 Ethics and Attitude towards Tax Compliance

As cited in Pilal, Jackson and Milliron, (1986) suggested that attitudes towards taxation, such as tax ethics and the fairness of the tax system and others have an influence on the inclination towards tax evasion, financial self-interest and moral commitment. On the other hand, attitudes towards the tax authority are also important as tax attitudes and ethics generally depend on perceived use of the money collected by the government (Kirchler et. al., 2008).

2.8.1.2. Perception of Equity and Fairness

Fairness and equity an individual is concerned about the fairness of their actions, and wants to treat in relation to his merits, efforts and needs (Kirchler et. al., 2008). If he feels that his tax burden is higher than other people within the same are income group, his tax compliance probably decreases more widely at group levels; taxpayers want a fair treatment of their group relative to other income groups. If a specific group perceives that their tax liability is higher than other groups, then tax evasion might occur among the group members Spicer and Becker, (1980) as cited by Palil, In contrast, if the society perceives that the tax system is equitable and fair, voluntary compliance expected to increase. With regard to procedural justice, the main elements for perceived fairness are neutrality of procedures used, trustworthiness of the tax authorities, and the polite, dignified, and respectful treatment of taxpayers as individuals or groups. (Tyler and Lind, 1992)

Brooks (2001) as cited by Lemessa states that fairness has always been widely regarded as the most important criteria in judging a tax system. The problem of unfairness is that a tax system allows taxes to shift from dishonest to honest taxpayers. The fairness of a tax system may also

perceived in different ways by the taxpayers and tax authorities. What is fair in the eye of the tax authorities may not have the same image in the mind of the taxpayers.

Wenzel (2003) suggested three areas of fairness from the taxpayers' point of view (social psychology): 1) distributive justice (viewed as the exchange of resources i.e. benefit and cost); 2) procedural justice (viewed as the process of resource distribution) and 3) retributive justice (viewed as the appropriateness of sanctions when norm breaking occurs).

With regard to procedural justice, the main elements for perceived fairness are neutrality of procedures used, trustworthiness of the tax authorities, and the polite, dignified, and respectful treatment of taxpayers as individuals or groups (Tyler and Lind, 1992). Taxpayers expect that tax authorities will provide sufficient information about the tax law and regulations so that they can complete their tax return as accurately as possible. It argued therefore that increased information about tax law and regulations could increase fairness perception and compliance (Wartick, 1994). Retributive justice, unreasonable and intrusive audits and unfair penalties lead to stressful and dissatisfied taxpayers (Spicer and Lundsted, 1976). Unfavorable retributive justice perceptions could lead to non-compliant behavior and consequently increase tax evasion and inflate the tax gap.

2.8.1.3 Referent Group

Clotfelter (1983) also claimed that referent groups play a significant role in evasion. The influence of friends and family members in making decisions may be important in the process of being compliant or not.

2.9.1 .Other Factors

This section describes other factors (predominantly demographic) that previous research has illustrated may affect tax compliance behavior. These include age, gender, general level of education and income level. These are the most common variables used in tax compliance research (Devos, 2005).

Chan et. al. (2000) studied the relationship between age and tax compliance and suggested that age and compliance behavior has a direct, positive effect on income and a direct, positive effect on education. Torgler (2007) as first, age does not influence compliance in all taxpayers; secondly, inconsistent non-compliance definitions used in the research; third, the effect on

taxpayers compliance is diluted when age is associated with a number of other variables and fourth, the assessing interaction of age with other variables is problematic.

2.10. Frame Work of Income Taxation in Ethiopia

2.10.1 Tax Collection Structure in Ethiopia

The Federal Democratic policy in Ethiopia (FDRE) was officially established by "The Federal constitution of Ethiopia; which was adopted in December 1994 but came into force in August 1995 by proclamation No.1/1995. The FDRE constitution divides the power of taxation into four categories, namely, federal power of taxation, state power of taxation, concurrent power of taxation and undersigned power of taxation. (Misrak Tesfaye, 2014, 2nd ed, pp126).

There are different revenue collection offices and bureaus in each region and city administration and the federal Inland Revenue Authority (FIRA) were established to administer regional and federal taxes of the country. The Ethiopian Revenues and customs Authority (ERCA) was established and come into existence on 14 July 2008 by proclamation No.587/2008 and one of its objectives is to establish modern revenue assessment and collection system, and provides customs with equitable, efficient and quality services and to enable tax payers voluntary discharge their tax obligations.(Misrak Tesfaye,2014, 2nd,pp 129). On the proclamation No.587/2008, ERCA has the following powers and duties is provide efficient, equitable and quality service within the sector, implement awareness creation programs to promote culture of voluntary compliance of tax payers in the discharge of their tax obligation.

2.10.2. Record Keeping For Income Tax Assessment in Ethiopia

In addition to supplying TIN to tax payers, an efficient and effectives system of tax administration also requires a complete, accurate and proper record keeping (maintenance of books and records) by the taxpayers with sufficient details, which allows the tax authority to assess the taxpayers.   Evidencing income tax proclamation No.286/2002 and related income tax regulation No.78/2002, the nature of books of accounts and records (i.e., journals, ledgers accounts, and supporting source documents or vouchers) that must be maintained by tax payers depends up on their categories.(Misrak Tesfaye,2014,2[nd] ,pp160-161)

2.10.3. Declaration of Income and Assessment of Taxes

Taxpayers shall submit the tax declaration to the Tax Authority at the time of submitting the balance sheet, and the profit and loss account for that tax year within the time prescribed below.

  a) Category "A" taxpayers within four months from the end of the taxpayers' tax year

b) Category "B" taxpayers within two months from the end of the taxpayers tax year

- **Maintenance of Accounts**

Category "A" and "B" taxpayers shall maintain the following records and accounts:

1. Category "A" taxpayers shall at the end of the (tax) year submit to the Tax Authority a balance sheet and profit and loss statement and the detail of the following: Category "B" taxpayers shall at the end of the year submit to the Tax Authority profit and loss statement.

   ✓ Gross profit and the manner in which it is computed;
   ✓ General and administrative expense
   ✓ Depreciation; and
   ✓ Provisions and reserves,

2. All entries in the records and account referred to in sub-Article 1 and 2 hereof shall be supported by appropriate vouchers. (Income Tax Proclamation No. 286/2002 or 286/1994 EC and its amendment Income Tax (Amendment) Proclamation No. 608/2008 or 608/2001 EC)

2.10.4. Obligations of the Taxpayer

A person who evades the declaration or payment of tax, commits an offence and in addition to any penalty may be prosecuted and be subject to a term of imprisonment of not less than five (5) years. If any amount of tax not paid by the due date, the person liable is obliged to pay interest on such amount for the period from the due date to the date the tax is paid. The interest rate is set at 25% over and above the highest commercial banks' lending interest rate that prevailed during the preceding quarter.

A person who fails to file a timely return is liable for a penalty equal to 5% of the amount of tax underpayment for each month (or portion thereof) during which the failure continues, up to 25% of such amount. The penalty is limited to 50, 000 Birr for the first month in which no return.

2.10 .5 Tax Administration Laws in Ethiopia Provision for Penalty in Tax Laws

The following penalties provided in the proclamation against non-compliance;

For Non-Declaration: Taxpayers who do not declare taxable income within the period specified in the regulation will be liable to pay Birr 1000 for the 30 days of non-declaration. The penalty is Birr 2000 for the next 30 days of non-declaration. Birr 1500 will be charged for each 30 days for failure to declare the taxable income there after

For Understatement of Taxable Income: understatement of taxable income results in a penalty of 10% the amount understated. If the understatement is substantial, the penalty will be 50%.

For Late Payment: when a taxpayer fails to pay tax with in the due date, he/she will be required to pay a penalty of 5% of the amount unpaid. An additional 2% penalty on the amount unpaid imposed on the first days of each month for non-payment.

For Failure to Keep Records: failure to keep books of account, records and other documents by any taxpayer results in a penalty of 20% of the tax assessed. If this failure continues for two consecutive years, the license of the taxpayer will suspended, one more year's failure leads the tax authority to revoke the license of the taxpayer. **Income tax proclamation, 286/02**

2.2. Empirical Studies on Determinants of Tax Compliance

The following part of the literature review focused on the review of the previous research findings that related to the research conducted. It presents the empirical evidences research on the Global level, and Ethiopian cases to date.

2.2.1. Global Studies

Jackson and Milliron (1986) listed several factors that have influenced tax compliance as discussed by various researchers. These factors include age, gender, education and income among others. Chan et al (2000) suggested that those with a higher education level are more likely to have a higher level of moral development and higher-level attitudes toward compliance and thus will tend to comply more. One of the measures to increase voluntary compliance is by assuring that taxpayers have a certain level of qualifications, ability and confidence to exercise their tax responsibility (Mohani, 2001). In contrast, the most recent study by Richardson (2008), cited in Mohd, 2010 revealed that there is a negative association between education and compliance. Regarding gender Hasseldine and Hite (2003) found that female taxpayers were more compliant than males. Mohamad Ali et. al. (2007) and Palil (2010) also reported that females were more compliant in their study.

Demographic factors like age have researched by many researchers and findings are not consistent. For example Tittle (1980), Warneryd and Walerud (1982) and Wahlund (1992) posit negative association-older people are less compliant. In contrast, Palil (2010), Clotfelter (1983), Dubin et al (1987), Mohani (2001), Chung and Trivedi (2003) and Beron et al (1992) argued that age was positively significance impact on taxpayers with the related tax compliance. However, there have been a significant number of studies, which found no

relationship between age and compliance (Spicer and Lundstedt, 1976; Spicer and Becker, 1980 and Porcano, 1988). Previous studies also revealed that perception on government spending; perception on equity and fairness of the tax system; and referral group (friends, relatives etc.) are important factors in assessing tax compliance behavior, which have found that positively, or negatively impact on it (Palil, 2010; Troutman, 1993; and Chan et al, 2000).

2.2.2. STUDIES IN ETHIOPIA

A research conducted by Lemessa T. (2007) concerning the determinants of tax payers voluntary compliance with taxation in Dire dawa city-Ethiopia conclude that tax rates undoubtedly is a lot higher than what most taxpayers would like it to be. According to Lemessa (2007), most of the respondents feel that people should pay taxes based on their ability. Voluntary compliance is promote not only an awareness of rights and expectations of a fair and efficient treatment but also by clear, simple and "user friendly" administrative systems and procedures. Voluntary compliance is enhance when it is easier for taxpayer to do so (Lemessa T., 2007). Lemessa on his study concerning the determinants of taxpayers' voluntary compliance in Dire Dawa city Ethiopia conclude that tax authority is the responsible body for assessing and collecting the tax revenue. The amount of revenue collected is directly dependent on the efficiency and effectiveness of the authority. A research conducted by Tilahuna and Yidersal.(2014) concerning the determinates of tax compliance behavior with taxpayers in Bahir dar city, Ethiopia conclude that perception on government spending; perception on equity and fairness of the tax system; penalties; personal financial constraint; changes on current government policies; and referral group(friends, relatives etc.) are factors that significantly affect tax compliance behavior. However, gender and probability of audited have no significantly impact tax compliance behavior. A research conducted by Beza Muche, (2014) concerning with the determinants of taxpayers' voluntary compliance with taxation in East Gojjam-Ethiopia conclude that the current tax determination and collection is not fair, taxpayers' has negative perception on government spending and there is no significance difference between in their tax compliance behavior between males and females.

Finally, other various studies conducted on the determinants of tax compliance behaviors in different countries. Majority of the study were focused on category of "C" taxpayers due to Ethiopian tax laws doesn't allow to keep book of account, but few study indicated that in our country case tax compliance on category of "A" and 'B' of taxpayers .However, the present

research focuses on the four determinants of tax compliance behavior of business profit taxpayers. Furthermore, the study will also analyze the tax compliance behavior of taxpayers, the impacts of factors on tax compliance activates. like economic factors[1] such as tax rates, perception of government spending; Social factors[2] such as perception of equity and fairness and referent groups (family and friends) on tax compliance behaviors of revenue authority, that were not done by the other researcher before.

2.2.3. Conclusion and Knowledge Gap Emerged From Earlier Literature

The purpose of this section was being stress on the research gap, which from previous different studies related to this research. Therefore, the gap of previous studies were taken from various author argue the current issue of Tax authority and taxpayers and improvising the level of tax collection in Ethiopia. So, the gaps were shown below:

Table 2.3 Empirical Studies in Ethiopia and Finding of Researcher Results

Author(s)	Sample area	Methodology	Results
Lemesssa (2007) Dire daw City administration	Only category "C" taxpayers	Descriptive statistics	The results showed that tax fairness and equity, organizational strength of the tax authority, awareness level of the taxpayers, socio-cultures factors, and provision of social services by the government were the determinants of taxpayers' voluntary tax compliance.
Beza(2014) East Gojjam-Ethiopa	Category "A",'B" and "C" taxpayers	Descriptive statistic and Pearson correction and chi-square	The results showed that there is no difference in their tax compliance behavior between males and females, As well as between category of A, B & C taxpayers and only perception of fairness and attitude towards taxation have positive

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[1] Economic factors; is one factor of tax compliance determinants that refers to actions refer to actions that are associated with the costs and benefits of performing the actions.

[2] Social factors; Tax compliance determinants from a social perspective relates to taxpayers' willingness to comply with tax laws in response to other people's behavior and their social environment (i.e. the government, friends and family members.

			and significant correction with tax compliance.
Tilahuna and yidersal(2014) Bahir Dar City-Ethiopia	Category "C" taxpayers	One-way ANOVA, Two – sample and one sample T-test.	The results revealed that perception on government spending; perception on equity and fairness of the tax system; penalties; personal financial constraint; change on current government policies; and referral group (friends, relatives etc.) are factors that significantly affect tax compliance behavior. However, gender and probability of audited have no significantly impact on tax compliance behavior.
Tadesse and Goitom(2014) Mekell city-Ethiopia	Rental income taxpayers	An ordered probit model	The results indicated that tax compliance influenced by the probability of audited, financial constraints, and changes in government policy. Other variable such as perception of government spending, perception of equity and fairness, penalties, role of the tax authority and tax knowledge not significantly corrected with tax compliance.

From the above discussion, as to knowledge of the researcher there is no study conducted on the determinants tax compliance behavior by taxpayers' especial reference to Hadiya Zone. Therefore, this study will fill the gap by examining the determinants of tax compliance behavior in Hadiya zone.

The following is a brief review of the literature with regard to the determinants of tax compliance behavior.

Explanation of Each of the Variables Are as Follows:

   A. Demographics control variables (DCV)

Gender(GEN) - Hasseldine and Hite (2003) found that female taxpayers were more compliant than males, Richardson (2006) suggested that gender has no significant impact on compliance

across a study of 45 countries and according to Tilahun A,& Yidersal D,(2014) conclude that sex has no significant impact on tax compliance**.** Many researches argue that gender has no significant impact. However, some research has found opposite it. So nothing can said about sign of variable. In this study, sex has hypothesized as positive sign.

Age (AG): age has by many researchers and findings are not consistent. For example Tittle (1980), Warneryd and Walerud (1982) and Wahlund (1992) posit negative association-older people are less compliant. In contrast, Palil (2010), Clotfelter (1983), Dubin et al (1987), Mohani (2001), Chung and Trivedi (2003) and Beron et al (1992) argued that age positively related with compliance. However, there have been a significant number of studies, which found no relationship between age and compliance (Spicer and Lundstedt, 1976; Spicer and Becker, 1980 and Porcano, 1988). In our country case, age has no significant impact on tax compliance behavior of taxpayers. Beza Muche, 2014. Many researches argue that age has positively impact on tax compliance. However, some research has found that opposite it. Therefore, nothing can said on sign of variable. In this study, sex has hypothesized as positive sign.

Education Level (EDL). Positive relationship between educational level and taxpayer compliance (Jackson and Miliron 1986; Roth, et. al.1989**),**

According to beza M, 2014, have no significant impact on tax compliance behavior of taxpayers. This variable expected to have a positive impact on tax compliance in general. Considering a normal circumstances, a more educated taxpayers is to use tax knowledge as compared to less educated

B. Tax background control variables (TBCV)

Perception of government spending: Meanwhile, Roberts, Hite and Bradley (1994) also suggest that attitude to one's own tax evasion (tax ethics), and attitude to other people's tax evasion are considered important. If the government is spending the national revenue wisely such as for basic facilities like education, health and safety and public transportation

Therefore, it assumed that voluntary compliance will increase, therefore they conclude that Positive perception of government spending positively correlated with tax compliance and Beza M, 2014, & Tilahun A, & Yidersal D, (2014) conclude that significantly affect tax compliance behavior in Bahir Dar city and Debre Markose taxpayers.

Perceptions of equity and fairness: Jackson and Milliron (1986) claimed that it generally accepted that perceptions of equity and fairness and tax compliance are related. Spicer (1976) and Song and Yarbrough (1978) found a significant negative association between fairness and tax evasion. Spicer and Becker (1980) also suggested that tax evasion increases (decreases)

when taxpayers perceive fiscal inequity (equity) because they feel victimized by imbalanced income redistributions. According to Beza M, 2014, & Tilahun A, & Yidersal D, (2014) factors that significantly affect tax compliance behavior on taxpayers. Therefore final conclude that Positive perception of equity and in the tax system positively correlated with tax compliance.

Referral group: Research to ascertain the importance of referent group i.e. family members and friends in tax compliance is limited. Decisions either to evade or not to evade sometimes influenced by members of family or friends (Allingham and Sandmo,1972).

Although the extent of influence not clearly determined Hasseldine, Kaplan and Fuller (1994) reported that the number of evaders known to respondents made the largest contribution to the model of under reporting income, which means that the more respondents know the evaders, the more under reporting of income might happen (Tilahun A, & Yidersal D, 2014).

Tax rate: research to ascertain the tax rate is important factor to determining tax compliance behavior, although the exact impact remain unclear and debatable (kircher, 2007). Porcano (1988) claims that tax rates have no effect on tax compliance, while most experimental studies find that increasing tax rates leads to tax evasion (Alm et al. 1992; Friedland et al. 1978; Park & Hyun 2003). Since the impact of tax rates is debatable (positive, negative or no impact on evasion), Kirchler et al. (2008) and McKerchar and Evans (2009) suggest that the degree of trust between taxpayers and the government has a major role in ascertaining the impact of tax rates on compliance. A high tax rate can be perceived as unfair treatment in the eyes of taxpayers when trust is low and the same level of tax rate can be interpreted as a contribution to the community when trust is high (Kirchler et al. 2008). In summary, evidence that tax rates have mixed impact on tax compliance behavior

The following comprises a brief review of the literature with regard to the variables mentioned earlier.

Table 2.4: Variables Description and Expected Associations with the Level of Tax Compliance

NO	Variables	Proxy	Unit of measurement	Variable and references	Hypothesis
	Tax compliance behavior	TCB	(1-5) Ordinal		N/A
	Independent Variables				

1	Age	AG	(1-5) Ordinal	Palil(2010),clotfelter(1983) and Beza(2014): + (Aged taxpayers, Higher tax compliance).tittle(1980),wahlund(1992): (aged tax payers, higher compliance	------	
2	Gender	Gen	(0-1) binary.1if male, 0 for female	Hasseldine and Hite(2003),+(female=0, higher compliance and Richardson(2006),tilahun and yidersla(2014) no significant	---------	
3	Education	EDL	(1-6) Ordinal	Jackson and miliron,1986:+ (Educated tax payers, Higher Compliance) and Beza (2014): no impact	+ve	
4	Perception on government spending	PGS	(1-5 Likert Scale) Ordinal	Beza(2014) and Tilahun and Yidersal,(2014):+(good perception, high compliance)	+ve	
5	perception on equity and fairness	PEF	(1-5 Likert Scale) Ordinal	Spicer (1976), song and Yarbrough (1978): negative impacts. Beza(2014), Tilahun and Yidersal(2014):+(good perception, high compliance)	+ve	
6	Referral group (Friends, relatives etc)	RFG	(1-5 Likert Scale) Ordinal	Allingham and sandom,1972,and hasseldine,kapaln and fuller(1994) and Tilahunan and yidersal(20140= + (high influence, high compliance)	+ve	
7	Tax rate	TR	(1-5 Likert scale) ordinal	Mohad Riza(2013)= +(high tax rate, low compliance)	-ve	

Source: Compiled by researcher

2.3. Operational Definition of Terms Used In the Study.

Tax compliance: tax compliance should defined as taxpayers' ability and willingness to comply with tax laws that are determined by ethics, legal environment and other situational factors at a particular time and place.

Economic factors; is one factor of tax compliance determinants, which refers to actions; refer to actions, which are associated with the costs and benefits of performing the actions.

Institutional factors: Institutional factors discussed in this section include taxpayers' perceptions of the efficiency of the tax authority/government, the simplicity of the tax returns as tax system more generally as well as the probability of detected.

Social factors; Tax compliance determinants from a social perspective relates to taxpayers' willingness to comply with tax laws in response to other people's behavior and their social environment (i.e. the government, friends and family members.

Individual factors: Decisions either to evade or not to evade taxes are heavily reliant on taxpayers' personal judgment by personal financial constraints and awareness of penalties and offences.

Tax payers: in income taxation theory, a tax payer refer to any person who is liable by the income tax law of a country to pay tax to the government in accordance with the requirement of the tax law of the country.(Misrak Tesafye, 2014 2nd ed.pp.142)

Category "A" taxpayers: any business income tax payers or rental income tax payers having annual gross turnover of Br.500,000(five hundred thousand) more(i.e., annual gross turnover less than equal Br.500,000). Income tax regulation 78/2002, article 18

Category "B" tax payers: business income tax payers or rental income tax payers with no legal personality and whose annual gross turnover is more than Br.100,000 but less than Br.500,000(i.e. Br.100,000<annual gross turnover <Br.500,000). (Misrak Tesaye, 2014 2nd ed.pp.162).

2.4. Conceptual Framework

Figure2.1. Frame Work of Tax Compliance

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┌─────────────────────────┐                    ┌─────────────────────────┐
│      Social factors     │                    │     Economic factor     │
│                         │                    │                         │
│   Perception on Equity  │                    │  Perception          of │
│      and fairness       │                    │  Government Spending    │
│                         │                    │                         │
│     Referent groups     │                    │  Tax rates              │
└─────────────────────────┘                    └─────────────────────────┘
              │                                              │
              │                                              │
               ╲                                            ╱
                ╲                                          ╱
                 ▼                                        ▼
                    ╭──────────────────────────╮
                    │     Tax compliance       │
                    │        behavior          │
                    ╰──────────────────────────╯
```
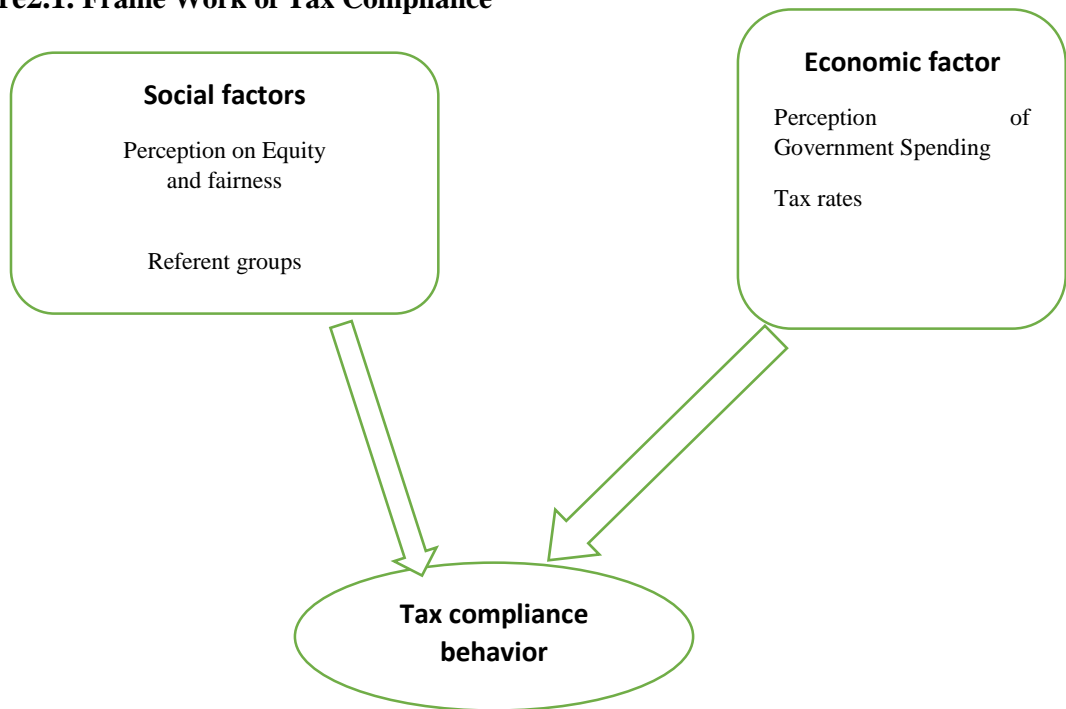
Source: Own construct

CHAPTER THREE

3. RESEARCH DESIGN AND METHODOLOGY

3.1 Description of Study Area

The study area is Hadiya Zone, one of the fourteen Zone in South Nation Nationality Region. It is located in South ward Ethiopia, and share boundaries with North west and North East part with Gurage Zone ,Yem Zone and Oromiya region ,East and south east part with Sidamo Zone , south part with Wolaita zone ,south east part with Oromiya region and South west part Yema zone. Hosanna is the capital city of the Hadiya Zone, which found at about 230 km from Adiss Ababa, and 270 km far from Jimma University with a total population of 1,231,196, of whom 612,026 are men and 619,170 women; with an area of 3,593.31 square kilometers (CSA, 2007). Hadiya has a population density of 342.64, which found 134,041 or 10.89% are urban inhabitants, a further 157 individuals are pastoralists. 231,846 households were counted in this Zone, which results in an average of 5.31 persons to a household, and 223,403 Housing units. The four largest ethnic groups reported in Hadiya were the Hadiya (90.04%), the Kambata (1.96%), and the Gurage (1.53%), and the Amhara (1.32%); all other ethnic groups made up 5.15% of the population. Hadiya is spoken as a first language by 90.94%, 2.24% spoke Amharic, and 1.94% spoke Kambaata; the remaining 4.88% spoke all other primary languages spoken. 75.35% of the population said they were Protestants, 11.13% were Muslim, and 8.45% practiced Ethiopian Orthodox Christianity and 4.31% Catholic. Hadiya has one town administration and eleven 'Woredas', which are the smallest administrative units of the city. The town administration is divided into 3 main Sub cities. Namely: Adis Ketem, Gofare Mad and Sechi Duna. The area surrounding the town is potentially rich in agricultural products with proper routes for collection, marketing and distribution of this product.

Since 1929 after the settlement of SIM missionaries in the town, Hosanna became a center of Protestant Christianity in southern Ethiopia. Around 1910 Hosanna served as the administrative center of the former Province of Kembata.

The majority of the rural households are subsistence farmers, and few pastoralists. The rural inhabitants have minimal access to electricity, very limited access to clean water and other social services. Most eligible schoolchildren are enrolled in primary school and secondary schools, and attend classes in shifts. Many schools suffer from shortage of water, lack of electricity, inadequate teaching materials and standard libraries.

Hosanna servers as a base for various humanitarian organizations, which are the main sources of aid to alleviate rural poverty in Southern Ethiopia. For instance, World Vision, Action Aid, and USAID strive to improve the living conditions of poor communities

Figure 3.1 Map of Hosanna town
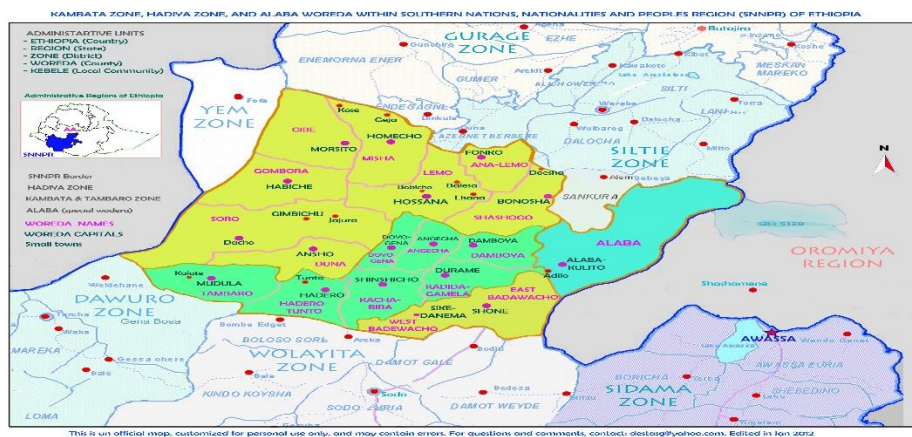
Source: http://www.weema.org/where-we-work/hadiya-zone/

3.2. Research Design

The research design used in this research is both the qualitative and quantitative approach. The use of both methods also ensures that data were effectively interpreted and analyzed using the statistical analysis, descriptive figures and narrative. According to (Creswell, 2003) three types of research approaches which are familiar for business and social science are available for namely quantitative, qualitative and mixed methods research approaches.

Quantitative research is based on the measurement of quantity or amount. It is applicable phenomena that can be expressed in terms of quantity (Kothari, 2004). Quantitative research is a means for testing objective theories by examining the relationship among variables (Creswell, 2003). This quantitative research approach can be further sub –classified into inferential

(survey research), experimental and simulation approaches to research (Kothari, 2004). Qualitative research is concerned with qualitative phenomena, which means that, phenomena relating to or involving quality or kind (Kothari, 2004).

According to above discussion researcher used quantitative research type used was Survey research, because it was examine the factors that influence tax compliance on categories "A" and "B" taxpayers in Hosanna town. For the quantitative approach, sample survey used and for the qualitative approach, an in-depth interview used. This is because the total population of Hosanna town category "A" and "B" taxpayers was 984 a complete survey cannot be used for this large number due time, cost. In view of this, quantitative approach is best if the problem is identifying factors that influence an outcome, or understanding the best predictors of outcomes. This approach is also best to test a theory or explanation. However, a qualitative approach is advisable if a concept or phenomenon needs to understand because little research has done on it. This approach is exploratory so that superior when the researcher does not know the essential variables to examine. Therefore, to study determinants of tax compliance quantitative data is more appropriate.

3.3. Source of Data and Type

The study used both primary and secondary data. The primary data collected by face-to-face interviews using structured questionnaires. The questionnaires include both closed and open-ended questions. The secondary data obtained from various published and unpublished sources of the governmental and the non-governmental organizations. Books, journals, internet sources, research reports, archives and records employed for acquiring the necessary information.

3.4. Data Collection Method and Questionnaires Design

Primary data collected through questionnaire, which comprises of both closed and open-ended questions for taxpayers. The questions prepared for taxpayers most of the closed ended questions designed on a five Likert scale method 1-"strongly disagree" to 5-"strongly agree". In addition to these open-ended question asked an in –depth interview questions was conducted on face to face for the tax officials in three sub cities. This designed to gather information from the respective bodies and to strength, the data collected from taxpayers. Data investigators or enumerators trained and hired to undertake the job collecting data from category 'A' and 'B'

taxpayers. The questionnaire translated into Amharic by taking into consideration the fact that English is not the language of the respondents. This study complied the questions from different sources. Questions to assess tax compliance behavior based on Palil (2010), Suresh,V(2014) and Helheli,Y & Ahmed,Y(2014) with some modification to suit our county's context of tax system.

3.4. Target Population

A population can defined as all people or items (unit of analysis) with the characteristics that the researchers wish to study. The analysis may be a person, group, country, organization, object, or any other entity that the researchers wish to draw scientific suggestions (Bhattacherjee, 2012). The respondents were taxpayers and tax officers of Hosanna Town Revenue authority.

The population of the study comprised of category "A" and "B" taxpayers of the town of Hosanna because these taxpayers required by law to declare their income or keep books of account. According to the income tax regulation No.78/2002, category 'A' taxpayers are those whose annual turnover is greater than 500,000 Birr and category 'B' taxpayers are those categories of taxpayers with less than 500000 and greater than 100000 annual turnover.

There are about 409 taxpayers in the category" A" ,575 tax payers in the category B and the town tax administration procedures, rules, and regulations are practiced by 64 employees. Since the category "C", group taxpayers not expected to prepare a book of records and declare their income through self-assessment they are excluded out of the target population so the target populations for the study include Category A and Category B taxpayers are totally included in the target population.

3.5. Sampling Design

Probability sampling and purposive sampling are the main types of sampling procedures available for (Dawson 2002). Depending on the nature of respondents, the study used two sampling design methods: the stratified random sampling and purposive method**:** the stratified sampling used because heterogeneous of taxpayers and purposive sampling method used to select proper tax officials from whom relevant information gathered. For responding to questionnaire, by considering each category of taxpayer as strata stratified random sampling is applied, formation of strata also performed based on the geographical location that is the

number of sub cities considered as single strata. These are: Sechi duna,addis kifle ketem and Gofari mad. Whereas for the interview purpose purposive sampling was employed and so the researcher purposely selected the coordinators of each core work process and the revenue office head for interview purpose used.

3.6. Sampling Technique and Sampling Size Determination

Sampling is important because, in almost all cases, it is not practical to study all the members of a population (Vanderstoep, Johnston 2009). Therefore, the researcher was employed through stratified random sampling in selecting the representatives following the method of proportional allocation under the size of the samples from different strata are relatively kept proportional to the sizes of the strata, like geography/Keble/ and taxpayers category since the researcher have two different populations. The first population was the population of category 'A' taxpayers, the second was category 'B' taxpayers and the sampling technique used to determine the sample size is the mathematical formula of (Taro Yamane, 2013) taking into account the total population, the sampling error, the level of reliability and the population proportion. Adequacy of the sample size and cost took into consideration in the sample size plan for the study. The total number of category A and B taxpayers in the town is 984 (HCRA, 2007).

According to Cochran's (1977) sample size, determination formula was employed for this study. The numbers of category ''A'' were 409 and ''B'' 575 taxpayers, total the study size comprised of **984 t**axpayers and it assumed that the sample should have 95% reliability and a sampling error of 5% or 0.05. Using the following scientific formula.

$n_0 = \frac{Z_{\alpha/2}^2 \text{pq}}{d^2}$ (To determine the sample size in estimating the mean or the proportion of finite population) .

Where z= value for selected alpha level of 0.025 in each tail (for 95% degree of confidence) =1.96

(p)(q) = estimate of variance = 0.25

D = acceptable margin of error for proportion being estimated 5%= 0.05

$$n_0 = \frac{(1.96)^2 * 0.5 * 0.5}{0.05^2} = 384$$

Therefore since the initial sample size is greater than 5% of the total population (5% *984=49.2), Cochran's (1977) correction formula will be used to calculate the final sample size.

These calculations are as follows:

Therefore, the maximum size sample is-

Representative sample for proportions in large populations Cochran (1977) to make

$$N = \frac{n_o}{1 + \frac{n_o}{N}}$$

Whereas,

n - The sample size

N - The population size

e - The acceptable sampling error

To get sample size, the target population size is 984; the acceptable sampling error is 95% of confidence interval,

$$\textbf{So n} = = \frac{n_o}{1 + \frac{n_o}{N}}$$

$n = \frac{384}{1 + \frac{384}{984}}$ $n = \frac{384}{1.3902439}$, **n= 276**, total sample size of survey of taxpayers   and from the

total employees the researcher used a total number of 64 employees (out of these three main core work processor coordinators and 6 tax experts) were interviewed by purposive sampling in the study.

Moreover, sample respondents were selected proportion of the sample size from each sub city as follows:

Hence, proportion of the sample size to find the number of respondents in each category was determined by dividing the sample size to target population taken. The reason for using proportionate sample was to give equal chance for all respondents. To determine sample size from each stratum, sample size determination formula was

Sample size proportion (s_n) $= (\frac{\text{sample size(Ps)}}{\text{target population (P)}})*N$ **and to get sample size of sub city**

$S_n = 276*(\frac{Ps}{P})$, whereas S_n = sample size of sub city, P_s =the sub city population, P =the city population, and 276 the sample size of the study (**Israel.1992 and Cochran, 1977**). Based on this formula sample size each stratum provided table below.

Table 3.2 Proportionate sample size from each stratum

No	Sub-city name	Sub-city population	Description	Proportionate of sample size from stratum $S_n = (P_s \div P)*N$
				Taxpayers
1	Sechi duna	458	CA(158),	44
			CB(300)	84
2	Gofare mada	420	CA(144),	40
			CB(276)	78
3	Addis ketem	106	CA(36)	10
			,CB(70)	20
4	Hosanna	984	Total	276

Source: survey result, 2015, Note that: CA (category "A"), CB (category "B") taxpayers

3.7. Measurement of Variables and Scale

Since there are, seven variables were chosen in this research to examine their influences towards tax compliance. However, three out of seven variables are reasoning on demographic profile of respondents, the other four variables, namely tax rate, perceptions of government spending, perceptions on equity and fairness and referent groups are measured with items, which adapted from several studies, from peching (2013), Tadesse and Goitoma (2014) and Suresh Vadde (2014). The items of each measurement are tested using 5-point Likert scale, where 1=strongly disagree; 2=Disagree; 3=neutral; 4=agree; 5=strongly agree. The list of

measurement items for tax rates, perception on government spending, perception on equity and fairness of the tax system and Referral group (friends, relatives etc.) are shown in Table 3.3 below.

Table 3.3: List of measurement of variables and scale

NO	Variables	Proxy	Unit of measurement	Items of measurement
1	Tax compliance behavior	TCB	Ordinal scale(1-5 Likert scale)	From survey data
2	Age	AG	Ordinal scale (1-8) group	From survey data
3	Gender	Gen	Nominal scale (0-1) binary.1if male, 0 for female)	From survey data
4	Education	EDL	Ordinal scale (1-6) group	
5	Perception on government spending	PGS	(1-5 Likert Scale) Ordinal	From survey data
6	perception on equity and fairness	PEF	(1-5 Likert Scale) Ordinal	From survey data
7	Referral group (Friends, relatives etc)	RFG	(1-5 Likert Scale) Ordinal	From survey data
8	Tax rate	TR	(1-5 Likert scale) ordinal	From survey data

Source: compiled by researcher

Transforming of Variable before Regression

Table 4.13 Description of Variables

Variable	Symbol	Descriptions
Tax compliance	Tc	The total score derived from a set of 15 questions. The minimum total score for each respondent is 15(1 mark times 15 questions, where 1=non-compliant) and the

		maximum total score is 75(5 times 15 questions, where 5=very compliant.
Tax rates	TR	Taxpayers' perception on the tax rates. The minimum score is 3 and the maximum is 15
Perception of government spending	PGS	Taxpayers' perception on how the government spends taxpayers' money or redistributes the tax collection. The minimum score is 4 and the maximum is 20
Perception of equity and fairness	PEF	Taxpayers' perception on equity and fairness on tax system (ability to pay tax, tax paid increase with the amount of the tax base). The minimum score is 7 and the maximum is 35
Referral groups	RGS	Referent groups (family and friends) having in tax authority paly on significant role in determining people's intentions and behavior. The minimum score is 1and the maximum is 5

Source; Questionnaire, 2015

3.8. Method of Data Analysis Techniques

Data analysis has been done after all relevant have been gathered from the respondents. Quantitative data edited, coded and entered into a computer and processed using SPSS version 20.0 statistical software. Errors related to inconsistency of data checked, corrected during data cleaning and transform the data by compute the variable in SPSS. The study use both descriptive statistics and econometric regression analysis to deal with the research questions, and thus achieve the objectives.

3.8.1. Descriptive Analysis

Descriptive statistics measures had been employed to examine to examine, describe and compare the taxpayers' perception toward tax compliance, socio-economic characteristics of taxpayers, factor that influence the tax compliance, age, and other. In the descriptive analysis dataset, the data had been analyzed through percentage and table, average mean, graphs, charts, used to present the data. As well as the researcher used statistical package for social sciences 20.0 version (SPSS16.0) software for data analysis. The results of the analysis of descriptive statistics percentage reported give information about the variables under investigation

3.8.2. Inferential Analysis

Kothari (2004) explained that inferential analysis is a statistic outlines the relationship between variables and generalization of the sample to the population can be made. T-test, ANOVA test, Regression and so on are those examples of inferential analysis.

T-test is used to analyze the difference between two variables by comparing means, where T-means (Two) (Peiching, 2013). In present study, one sample t-test is used for gender variable and Two-sample t-test are used for factors of tax compliance variables, whether affect significantly the level of tax compliance.

One-way anova is also used to analyses the difference between variable, and it comprises more than two variables in a test. ANOVA refers to analysis of variances, which is commonly used by researchers in behavioral sciences studies (Kothari, 2004).

3.8.2.1 Economic Regression

The econometric regression model used for analyzing the data is using multiple regressions (Ordinary Least Squares (OLS). Because the data fulfill the assumption of CLR(Classical Linear Model) and OLS regression is particularly powerful as it relatively easy to check the model assumption such as linearity; constant variance and the effect of outliers using simple graphical methods (Gujarat , 2004) and the researcher is used statistical packed for social sciences is 20.0 version (SPSS20.0) software for data analysis. Strength of the relationship between dependent and independent variables tested using correlation – co efficient (r) and according to this research, it has applied the OLS model; then the dependent and independent variable presented.

Multiple linear regression model

Multiple regression analysis used to test for relationship and strength of relationship on each factors for improving taxpayers tax compliance. The p-value of explanatory variables was used to test the research questions at 1%, 5% and 10% significance level. The multiple linear regression model for TC (tax compliance) is shown on equation below. These models were run by SPSS 20.0 software. The four variables are used to analyze of tax compliance behavior in Hosanna town. The adopted regression models are presented are follows:

$$tc_i = \alpha + pgs_{\beta 1} + pef_{\beta 2} + rgs_{\beta 3} + tr_{\beta 4} + \text{£}$$

Whereas, TC= tax compliance

PGS=perception of government spending

PEF= perception of equity and fairness

RGS= referral groups,

TR=tax rate,

ε_i is the error term

General Assumptions for the Classical Linear Regression Model (CLR)

According to Gujarat, 2004 in multiple linear regression model In order to specify our multiple linear regression model and proceed our analysis with regard to this model, some assumptions are compulsory. However, these assumptions are the same as in the single explanatory variable model developed earlier except the assumption of no perfect multi-collinearity. These assumptions are:

- ➢ Randomness of the error term
- ➢ Zero mean of the error term
- ➢ Homoscedasticity
- ➢ Normality of mean
- ➢ No auto or serial correlation
- ➢ Independence of ui and Xi: Every disturbance term ui is independent of the explanatory variables.
- ➢ No perfect multicollinearity: The explanatory variables are not perfectly linearly correlated

CHAPTER FOUR

4. FINDINGS AND DISCUSSIONS

This chapter contains the presentation, interpretation and analysis of findings of study. These findings are in alignment with the study objectives, which included. The broad objective of this study is to identify and analyze determinants of tax compliance behavior of taxpayers and to identify the major problems that face Hosanna Town tax administration system in Hadiya Zone, examining relationship between tax compliance and its determinates. Such as tax rate, perception of government spending, perception of equity and fairness and referral groups and demographic factors in the Hosanna Town taxpayers. The result obtained by using the methods of inferential statistic, multiple linear regression and descriptive statistic with the help of SPSS version.

The survey conducted by distributing questionnaires to business profit income taxpayers of category "A" and "B" and interview held with Hosanna town Revenue Authority core process coordinators. From the total 276 questionnaires intended to be collected from category "A" and "B" business income taxpayers, only 228(83% response rate) questionnaires were effectively collected and analyzed.

4.1. Descriptive Statistics Analysis

The basic analysis and test utilized in the study include percentage analysis, and the average (arithmetic Mean) score calculated according to five –point Likert scale, represent the respondents' perception of each statements.

4.1.1. Category of Respondents

Table 4.1: Category of Respondents

Category of respondent					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Owner of business	118	51.7	51.7	51.7
	Manger	92	40.3	40.3	92.0
	Accountant	18	8	8	100
	Total	228	100.0	100.0	

Source: SPSS output from survey data, 2015

The respondents' positions within organization was categorized into four categories namely owners, managers, and accountant. As given in table 4.1 above, the owner respondents a represent 51.7 percent of the total respondents. This implies that almost majority of respondent are owner of business, this helped the researcher to get behavior of taxpayers to tax compliance, so they know about their business income tax and the experience between tax compliance and non-compliance about tax. In addition to the respondent position, 8 percent of the respondents are accountant; this result indicated that in this study area they do not have enough accountant. Therefore, taxpayers have in problem on preparing of books of account. 40.3 percent of the respondents were manger the respondents, positions with in organization.

4.1.2. Gender of Respondent

Table4.2. Gender of respondent

Gender of respondent		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	89	39.0	39.0	39.0
	Male	139	61.0	61.0	100.0
	Total	228	100	100.0	

Source: SPSS output from survey data, 2015

Above table **4.2:** shows that the male respondents accounted for 61% while the female accounted for 39%. Category "A" and "B" taxpayer' enterprises are dominantly owned by male businesspersons. However, this could imply a marginal difference between men and women in their level of involvement in doing business at the category "A" and "B" taxpayers.

4.1.3. For how long has this business been in existences?

Figure 4.1 Duration of paying tax
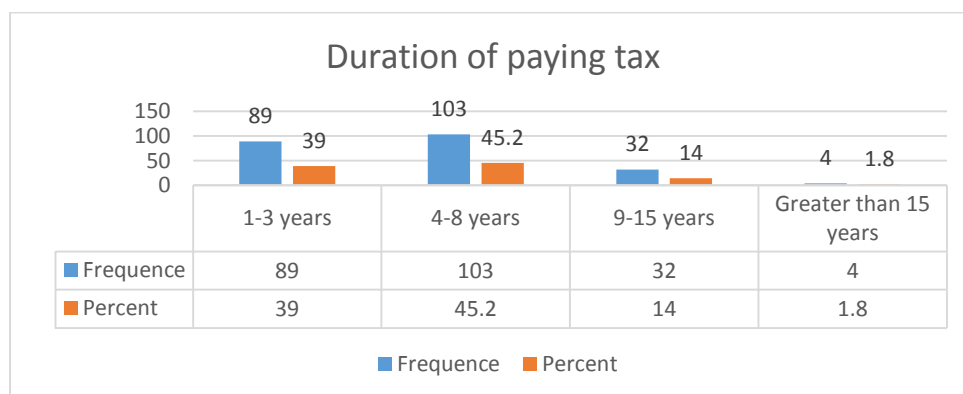
Source: SPSS output from survey data, 2015

The information in figure 4.1 above considers for how long the business of the respondents had existed in business income tax. From the study 89(39%) of respondents, identify that the business has been in existence for between 1 and 3 years, with (103) 45.2% exist between 4 and 9 years, (32)14% exist between 9 and 15 years and (4)1.8% in existence for more than 15 years in existence. Almost majority of the responded of taxpayer business operated 4 year and above.so. They have good experience on tax system of the country, and this is a clear indication that the taxpayers can understand, and at the same time keep correct books of account and records.

4.1.4. Highest Level of Education of the Respondents

Figure 4.2 Level of Education of Respondent

Level of eduction

	Below 10 grade	10 garde completed	12 garde completed	Diploma	Degree holder	Master degree
Frequency	48	37	52	65	23	3
Percent	21	16	23	28	10	1.3
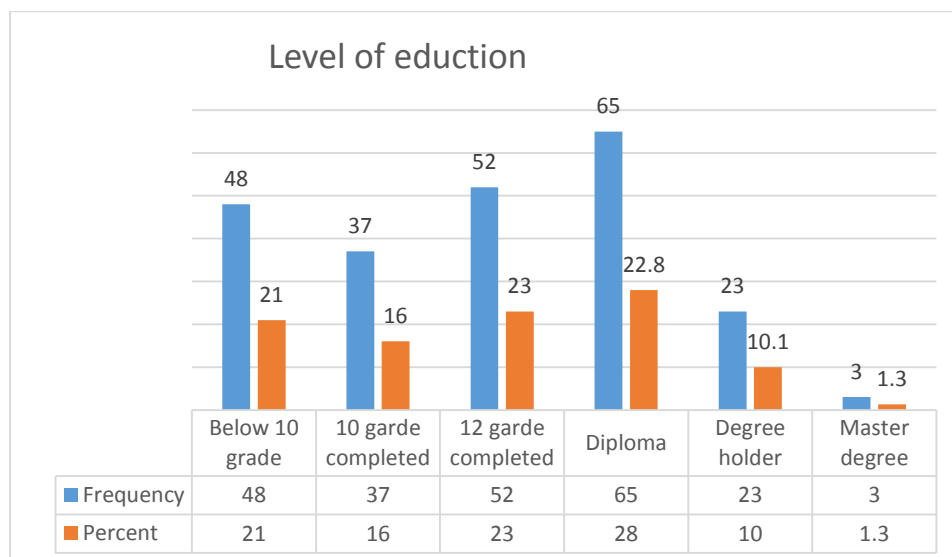
Source: SPSS output from survey data, 2015

The educational levels of respondents were averagely above secondary level of education as the majority 79% reported having attended school up to the certificate or Diploma and beyond. Those below secondary school level were the highest 21%; compare to those highest levels of education was 12 completed 23%, Diploma 28%, Degree holder 10% and Master holder 1.3%. This may imply that characteristics of the respondents is majority of the respondents have been formally educated to at least the certificate and diploma levels and therefore have basic knowledge of their business and business income tax. This is a clear indication that the taxpayers can understand business income tax, interpret the tax laws, and at the same time keep correct books of account and records.

4.1.5. Age of Respondent

Figure 4.3.age of respondent

Figure 4.3: Age of respondent

	20-25	26-30	31-35	36-40	41-45	46-50	51-55
Frequence	15	27	67	95	10	11	3
Percent	6.6	11.8	29.4	41.7	4.4	4.8	1.3
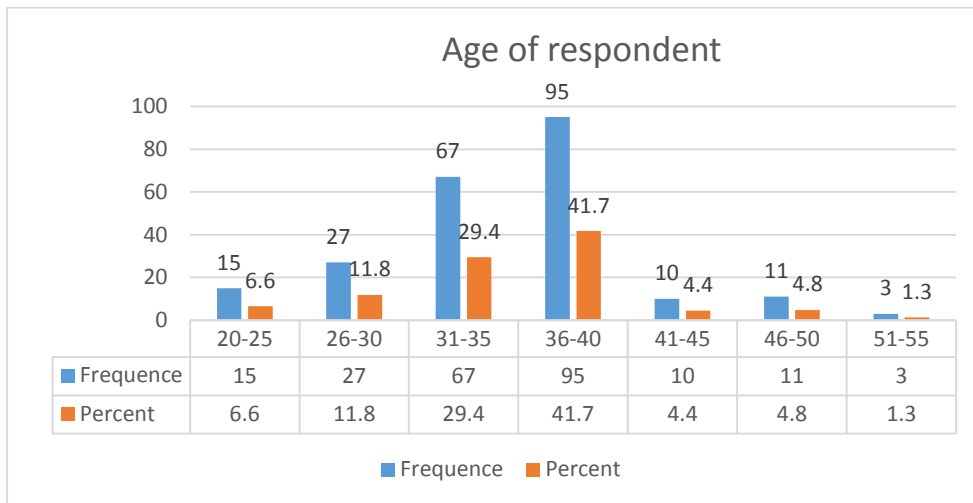
Source: SPSS output from survey data, 2015

As shown above figure 3, majority of the respondents were within the age bracket of above 31 and below 40 years. This age group contributed 71.1% of the total respondents. The total respondents were made of those below 31 years and above 19 years 18.4%, above 31 years, below 40 years were 71.1%, above 40 years, and below 50 years 9.2%, and above 50 years and below 56 years is 1.3%. The overall intuition is that those with the age range of 35 to 40 years dominate the category "A" and "B" taxpayers.

4.1.6. Marital Status of the Respondent

Figure 4.4 Marital status of respondent

Figure 4.4: Marital status of respondent

	single	married	widowed	total
Frequency	80	132	16	228
percent	35.1	57.9	7.01	2.8
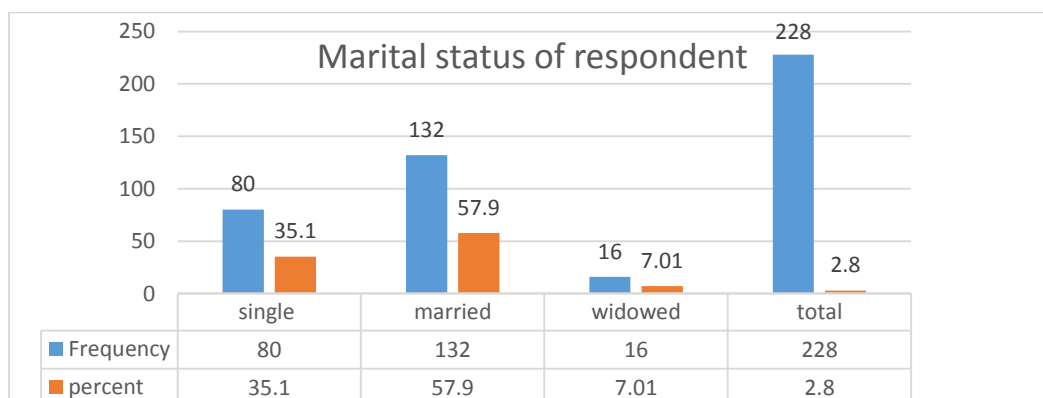
Source: SPSS output from survey data, 2015

Based on the above figure 4, in the present study, most of the respondents are married or cohabited with their life partner, which stands for 54.1percent, single 32.8 percent and those who has separated or has become single-parent stands for 6.6 percent. Almost majority of the respondents are married, this would imply that married people are more compliant than, others, especially compared to singles, because they are more constrained by their social networks. Some studies contradict which have found that (Cloterfelter, 1983; Feinstein, 1991). Thus, we would predict that married people could have a lower compliance than singles.

4.1.7. Tax Knowledge

Table4.3: Reason to pay tax				
Reasons	Frequency	Percent	Valid Percent	Cumulative Percent
To avoid disturbances (penalties, sanctions)	16	7.0	7.0	7.0
In anticipation of public services	50	21.9	21.9	28.9
There is no opportunity to evade	9	3.9	3.9	32.9
It is an obligation to wards the government	153	67.1	67.1	100.0
Total	228	100.0	100.0	

Source: SPSS output from survey data, 2015

From above table 4.2.7.to, know the point why taxpayers pay taxes, the survey result showed that 96 % of the respondent responded that they knew why they pay taxes, 67.1% of the respondents replied that they pay taxes because it is a compulsory act while 21.9% of the respondent said that is a duty of anticipation in public services. Therefore, majority of taxpayers having good knowledge about tax rules and regulations of business income taxation.

 On the other hand, 3.9% of the respondent replied that they have no opportunity to evade, and the remaining 7% of the respondent said that they pay taxes to escape from the government pressure. Almost 11% of tax the respondents taxpayer's poor knowledge of tax rules and regulations is the most deterring factor of voluntary compliance.

4.1.8. Tax Compliance

Tax compliance of business income taxpayers' towards the tax system is one of important factors to consider in analyzing this research. Tax compliance can be defined as the degree to which a taxpayer complies (or fails to comply) with the tax rules of his/her country.

Table4.4 Tax Compliance of Business Income taxpayers

Measure	Mean	Std. Dev.
I believe Tax payers should evade tax if tax rates are too high	4.36	1.170
I think Tax payers should evade tax if the tax system has lack of fairness	4.80	.470
Tax payers should evade tax if a large portion of the money collected from tax is wasted by government	4.61	.877
Tax payers should evade tax if the probability of getting caught is low	3.98	1.389
Evading tax due to lack of ability to pay should not be considered as crime/problem	4.68	.466
Tax payers should evade tax if everyone is doing it	3.75	1.493
Generally, tax evasion should not be considered as a crime	2.13	1.391
Feeling that high aggressive enforcement efforts by Hosanna revenue authority i.e. ensuring tax audits and prosecutions take place payment of fines and penalties	2.63	1.219
I believe the tax authority has limited capability to investigate all income reported to them in the year so people have an opportunity to not report their exact income	3.75	1.349
If I get detected not reporting my exact profit/income, I believe that the tax authority is NOT tolerant towards my offense and most probably I will NOT escape without any punishment	4.55	.573
I believe the tax authority has the capability to investigate all income reported to them	4.16	1.214
I believe that the probabilities of being detected by the tax authority for not declaring the exact income that I receive in a given year is high	4.14	1.138
I pay about the same amount of taxes as others making the same Income	2.71	1.444
By the paying right amount of income tax, I believe that other people especially the poor will get the benefit	2.60	1.560

Serious enforcement and penalty by the Hosanna revenue authority may result if I do not comply.	3.75	1.604
Overall mean	3.77	.357

Source: SPSS output from survey data, 2015

The respondents requested to establish the extent they agree or disagree with statements relating to the tax compliance in category "A" and "B" taxpayers' in Hosanna town. From the study descriptive statistics, which included the mean, standard deviation used to determine among category "A" and "B" taxpayers in Hosanna town as summarized in Table above 4.2.7. And some research also support this method Suresh Vadde (2014) and Chepkurui ch,et al(2014).

After computation the mean ranging from 1.55 to 2.45 and the standard Deviation from 0.4 to 0.8 represent disagree which mean that they do not comply. These finding indicated that the overall Mean score of tax compliance was 3.77 indicated that most of respondents were agree on compliance with respect to business taxation. According to the above table, the respondents who chose disagree that tax evasion should not considered as a crime (mean of 2.13).Therefore this indicates that the respondents have positive understanding on evading tax is considered as a crime and they pay taxes because they are morally committed. The respondents were not certain (neutral) that about ensuring tax audits and prosecutions take place payment of fines and penalties (mean of 2.63) and paying about the same amount of taxes as others making the same income (mean of 2.71). In addition, they were not sure that they do not have about paying right amount of income tax for those people especially the poor would get the benefit.

From the study most of respondents agreed that they have taxpayers should evade taxes if tax rates are too high (mean of 4.36). If tax system has lack of fairness (mean of 4.80), if government (mean of 4.61) wastes large portion of money collected from tax and if probability of caught is low (mean of 3.98). Tax system has lack of ability to payer should not be crime/problem (mean of 4.68), every taxpayers' is doing evading tax (mean of 3.75), tax authority has limited capacity to investigate all income reported to tax office in tax year so taxpayers' have an opportunity to not report their exact income (mean of 3.75). Also if taxpayers not reporting exact/income, revenue authority is not tolerant to do offense/penalty (mean of 4.55), revenue authority has capability to investigate all income reported from taxpayers (mean of 4.16) and the probability of being detected by revenue authority is high (mean of 4.14). serious enforcement and penalty by the revenue authority make taxpayers not

comply(mean of 3.75) and government policy on fuel price and electricity and water tariff make taxpayers not comply with business income tax(mean of 4.36).

As it is, clear the taxpayers' behavior is highly affected by his/her level of compline or non-compliance with government. This if the tax system is perceived to be unjust and tax evasion may at least partly to be considered as an attempt by the tax payer to adjust his terms of trade with the government further more attitudes towards the general level of taxation and tax incremental are dependent. of course on desirability of government programmers and on attitude towards the government itself therefore from the above analysis it is clear that most of respondents are very sensitive towards tax rate, tax system and on what purpose does the government is spent the amount collected.

Overall the tax compliance of business income taxpayers of "A" and "B" in Hosanna was found to be average, 3.497 the respondents who participated in this survey perceived Ethiopia business income tax quite positively, but chose to be disagree and neutral when they were asked whether current tax system induces them to tax compliant.

Table4.5. Response for Factors That Influence Business Income Taxpayers' Compliance

Statements	Strongly disagree		Disagree		Neutral		Agree		Strongly agree	
	No	%	No	%	No	%	No	%	No	%
Tax rates on business income are too high	20	8.8	32	14.0	7	3.1	62	27.2	107	46.9
Imposing the same tax rate to all business income taxpayers	85	37.3	66	28.9	-	-	-	-	43	18.9
The higher tax rate applied on business income makes you non-compliant.	53	23.2	84	36.8	18	7.9	41	18	32	14
Collected tax is not well-spent as public service such as infrastructure to the society makes you comply with tax laws in hosanna town	23	10.1	11	4.8	34	14.9	62	27.2	98	43
I think the government spends too much tax revenue on unnecessary assistance welfare. This is especially true in developing countries with is true in countries like Ethiopia.	30	13.2	16	7.0	34	14.9	102	44.7	46	20.2

The government spends a reasonable amount on social welfare etc.	16	7.0	34	14.9	25	11.0	123	53.9	30	13.2
I believe the government utilizes a reasonable amount of tax revenue to achieve social goals, such as infrastructure, provision of benefits for lower income families for which I am thankful.	107	46.9	62	27.2	30	13.2	13	5.7	16	7.0
Have Friends, relatives and family in tax authority will affect individuals' taxpayers' decision to comply or not.	11	4.8	16	7.0	34	14.9	73	32.0	94	41.2
Tax payers do not pay taxes on ability to pay in Hosanna	84	36.8	39	17.1	34	14.9	30	13.2	41	18.0
Higher tax imposition for higher business income	11	4.8	16	7.0	33	14.5	62	27.2	106	46.5
Tax system has lack of fairness in Hosanna Town	36	15.8	41	18.0	50	21.9	62	27.2	39	17.1
Fairness of tax imposition in hosanna town	39	17.1	53	23.2	35	15.4	62	27.2	39	17.2
I believe that taxpayers should have a good Perception of tax fairness	75	32.9	98	43.0	9	3.9	16	7.0	30	13.2
On the whole, the burden of income taxes is fairly distributed	52	22.8	64	28.1	21	9.2	36	15.8	55	24.1
I believe the income tax system is the fairness kind of system that the government could use to collect revenue	-	-	-	-	-	-	80	35.1	148	64.9

Source: SPSS output from survey data, 2015

According to the above table, the respondents response the impacts family members, friends and referent groups on the decision is 42% is strongly agreed, 32% disagreed of the respondents 14.9% of neutral 7% and 4.8% of the respondents disagreed and strongly agreed respectively. Majority of the respondents said strongly agreed that there is an impact of referent groups in tax compliance in Hosanna town.

With regard to taxpayers don't pay taxes on ability to pay is 18% is strongly agreed, 13.3% agreed, 14.9% of neutral ,36.8% and 17.1% of the respondents are disagreed and strongly agreed respectively. Therefore, this indicates that majority of the respondents are negative

understanding on taxpayers don't pay tax on ability to pay tax in Hosanna town. In connection with higher tax imposition for higher business income on compliance majority of the respondents 73.7% of the taxpayers' respondents strongly agreed and agreed, 14.5% of the respondent kept neutral, and on the contrary, 7% and 4.8% of them disagreed and strongly disagreed respectively. Therefore, this indicates that majority of the respondents have positive understanding on higher tax imposition for higher business income tax Hosanna town. On the other side 17% and 27.2% of the respondents strongly agreed and agreed respectively in the concept that tax system with fairness with tax system, where as 18% and 15.8% disagreed and strongly agreed the issue and 21.9% of kept neutral.

With regard to the fairness of tax imposition on the tax compliance 17.2% and 27.2% respondents that strongly agreed and agreed, 15.4% kept to be neutral, and 23.2% and 17.1% respondents that disagreed and strongly agreed respectively. Therefore, this indicates that majority of the respondents have good perception on the fairness of tax imposition on tax compliance in Hosanna town. In connection with perception on tax fairness and burden of income tax is fairy distributed 32.9% of the respondents strongly agreed, 43% disagreed, 3.9% kept neutral and 7% and 13.2% of the respondents of taxpayers response that agreed and strongly disagreed. Majority of the respondents have good understanding about perception on tax fairness and burden, this may tax authority implementation based on books of account of taxpayers could be fair distributed in Hosanna town.

On the other side 64.9% and 35.1% of the respondents' response that strongly agreed and agreed in the concept that business income tax system is the fairness kind of system that the government could use to collect revenue. Therefore, majority of the respondents have good image on perception of government could use the pubic revenue to society in Hosanna town.

From above all researcher, over all conclude that social factors like family member or referent groups, friends, and perception on equity and fairness have an impact on tax compliance behavior.

4.2. Internal Reliability Test

Cronbach's alpha is the most common measure of internal consistency ("reliability"). It most commonly used when you have multiple Likert questions in a survey/questionnaire that form a scale and you wish to determine if the scale is reliable(Chua yan,2012,pp261)

According to Ser peiching (2013, p.75), Cronbach's alpha internal reliability test is used to analyze the internal reliability test is used to analyze the internal correction between the items of measurement with in the same variable. Based on cited by Ser peching (2013, p.75), the minimum requirement to determine the reliability is at alpha value of 0.65 and the alpha value is lower than 0.65, it means the internal correction between the items of measurement is very weak and it is no suitable to be used. On the other hand, if the alpha value is more than 0.90 is categorized as excellent; 0.80-0.89 is good; 0.70-0.79 is at acceptable range; 0.60-0.69 is questionable; 0.50-0.59 is at poor range and alpha less than 0.50 is total unacceptable.

Referring to table 4.7, all items in the measurements in this research considered reliable as overall are at good and excellent range where at 95 percent of confidence interval. the Cronbach's alpha for measurements of variable tax rate, perception of government spending, tax compliance and perception of equity and fairness are higher than 0.90, excellent level, while variable tax rate achieved nearly 0.71 as well. Even though by deleting some of the items of measurement will increase the high alpha, yet, due to correction between the items of measurement with in variable.

Table 4.7 Results of Cronbach's Alpha Reliability Analysis

Reliability Statistics			
Variable	No of Items	Items deleted	Cronbach's Alpha
Tax compliance	15	-	.966
Perception of government spending	4	-	.839
Tax rate	3	-	.710
Perception of equity and fairness	7	-	.966
Referral groups	1	-	.861

Source: SPSS output from survey data, 2015

4.3. Inferential Analysis

The inferential analysis in the current research included one sample T-tests, two sample T-test, one-way analysis of variance (ANOVA) and post hoc test (scheffe) were used to analysis the differences in demographic variables towards the factors of tax compliance. T-test used to examine the significance difference between variables while ANOVA used to examine the significance difference among two or more means. The scheffe (at 5% level of confidence) test was under taken to make pairwise comparisons between means when the groups have different sample size as cited by palil (2010).

The variable that involved in this section is age group, highest education level and tax compliance. ANOVA, as mentioned earlier, is a statistical procedure used to analyze and compare the differences in mean between three or more groups within the variable. Sum of squares is a total variation from mean, while mean square from the table is derived by dividing sum of square over the degree of freedom (df).Peiching, 2013, p.62.

F-value is a variance ratio, which derived from comparing between-groups variance and within group's variance. If the comparison of means shows a significant F-value, then it is concluded that there is a significant different among the groups of the variable. Researcher used the Post hoc test (scheffe) to examine the significance difference among independent variables in relation to dependent variable.

Post-Hoc comparison test is another test that is generated by SPSS version 20.0 for ANOVA in order to compare each possible pair of mean and aim to determine which group of variable show significant difference in their mean score(peiching,2013,p.78).

4.3.1. Two Sample T-Test On Gender Of Respondent

Table 4.8 Two sample T-test on significance of Gender

	Gender	**Observation**	Mean	Sig
Tax rate	Female	89	1.8315	.000
	Male	139	2.7242	
Perception on government spending	Female	89	1.3539	.000
	Male	139	2.2140	

	Female	89	1.9888	.000
Perception of equity and fairness	Male	139	4.0164	
Referent groups	Female	89	1.0000	.000
	Male	139	2.9784	

Source: SPSS output from survey data, 2015

With regard to gender, although findings from other studies were not conclusive and concrete solution is still being debatable, this study found that that gender has significant impact on tax compliance behavior. This results is consistent with findings of Tadesse and Goitom (2014), opposes the findings of Tilahuna and Yidersal (2014) which found that gender has no significant impact on tax compliance behavior.

4.3.2. One –Way Anova, Post Hoc Test (Scheffe)

4.3.2.1. Highest Educational level

Tabe4.9. Post Hoc Tests of educational **level with tax compliance**

Group	Educational level	Sig.
A1	Below 10 grade	.000
A2	10 grade completed	.000
A3	12 grade completed	.000
A4	Diploma	.000
A5	Degree holder	.704
A6	Master degree	.704

In the table above illustrates ANOVA and the post hoc test between educational level and tax compliance. In general, ANOVA suggested that there was significance difference between taxpayers' educational level and tax compliance. However, as for A5-A6 relationship, surprisingly the post Hoc test reported that the Degree holder/Master holder had not significance impact with tax compliance. This result is consistent with the finding of Beza(2014) who found that educational level of taxpayers has no significant impact on tax compliance and but low level of tax payers educational has highly significant impact on this study.

4.3.2.2. Age of Respondent

Table4. 10. One way ANOVA/age group						
		Sum of Squares	Df	Mean Square	F	Sig.
Tax rate	Between Groups	644.061	6	107.343	124.041	.000
	Within Groups	191.251	221	.865		
	Total	835.311	227			
Perception of government spending	Between Groups	1360.392	6	226.732	151.581	.000
	Within Groups	330.568	221	1.496		
	Total	1690.961	227			
Referral groups	Between Groups	351.503	6	58.584	139.266	.000
	Within Groups	92.966	221	.421		
	Total	444.469	227			

Tax knowledge	Between Groups	4809.931	6	801.655	162.097	.000
	Within Groups	1092.960	221	4.946		
	Total	5902.890	227			

Table4.10. Post hoc test (scheffe) of equal variance with tax compliance

Age group	Post hoc test(scheffe).sig	Significant difference
20-25	.000	Difference
26-30	.000	Difference
31-35	.000	Difference
36-40	.000	Difference
41-45	.778	No difference
46-50	1.000	No difference
51-55	1.000	No difference

Source: SPSS output from survey data, 2015

According to above table Anova suggested that was a significant different with age and tax compliance. Researcher used post hoc test to identify which age group is comply less or more with tax compliance. In this study Post hoc test results tells us that older taxpayers will comply less. This result is consistent with the finding of Tilhuna and yidersal (2014) who has found that older taxpayer comply less with taxation.

4.3.4. One Sample T-Test Regarding To Explanatory Variables

Table 4.10 One sample T-test regarding the significance of other

Variable			
	Observation	Mean	Sig. (2-tailed)
Tax rate	228	2.375	.000
Perception of government spending	228	1.878	.000
Referral groups	228	2.214	.000
Perception on equity and fairness	228	1.860	.000

According to one Sample-test the result show that perception on government spending; perception on equity and fairness on tax system; referral groups (friends, relatives etc) and tax rates are factors that significantly affect tax compliance behavior.

In-depth Interview Result

According to **Revenue Head** currently revenue authority institutions has facing internal and external problems. Some of internal problems are in sufficient working area, poor documentation of taxpayers file, shortage of tax enforcement such as tax audit; and also,

According to **core work processors,** the most typical challenges faced by taxpayers are taxpayers do not attend tax education training program, lack of professional accountant. Taxpayers often complain about taxes for the following reasons: they are too high; they are unfair (some people or organizations pay more or less that needed); Government is wasting tax money (inefficiency) and government is spending money on wrong or unnecessary things.

According to **tax experts** the most typical changes faced by institutions was implementation of proclamations by fines and imprisonment problem on tax non-compliance and lack training program.

Final the possible solution in combating **tax non-compliance or increasing tax compliance level** are: Government should enhance the fairness with tax regime by reducing tax rate and tax pressure towards lower income earners, for example, by increasing income tax bands. Stiff punishment towards tax evaders like, imprisonment, increase fine rate, and so on; increase public government quality by increasing transparency and provide information on how tax revenue is being utilized; increase tax enforcement such as tax audit; and also and government should put more efforts in on-going anti-corruption campaigns(commissions) office.

4.3.5. Econometric Analysis and Results

4.3.5.1 Results Multiple Linear Regression

The results of regression analysis presented in this study. The regression analysis is used to test if independent variable influences a dependent variable and whether this effect is positive or

negative. In this research the researcher, use multiple regression analysis, which is used to test whether one or more independent variables (predicates) influence a dependent variable (outcome variable) and if this effect is positive or negative. However, before rushing towards data analysis and presentation the researcher made a diagnostic test for the data, which collected, from the respondents.

They have one out come (dependent) variable and multiple predictors. Therefore, the dependent variable is tax compliance and four predictor variables, tax rate, and perception on government spending, perception on equity and fairness and referral groups.

Econometric Regression Analysis Results and Discussion

The model contains one dependent variable and four independent variables and constant term. The multiple linear regression model used to come up with econometric results. The first step the researcher is all five Likert scale questioners transform by compute variable by SPSS version20.0 to change the variable into continues variable.

4.3.5.2 Model Fitness and Regression

Fitness of the model:

Table 4.15 Anova result of regression

ANOVAᵃ						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	205.433	4	51.358	1542.665	.000ᵇ
	Residual	7.424	223	.033		
	Total	212.857	227			
a. Dependent Variable: TAXCOMP						
b. Predictors: (Constant), RGS, TAXRATE, PEF, PGS						

Source: SPSS output from survey data, 2015

It can observed from Table4.14, the F-value is 1542.665 and the p-value is .000. We can conclude that the p-value of the F-test is statistically significant which means that at p-value of zero to three decimal places, the model is statistically significant. The p-value associated with the F-value is small is (.000) and when compare with our alpha level of 0.05. We conclude that the independent variables reliably predict the dependent variables. If the p-value were greater

than 0.05, we would say that the group of independent variables do not show a significant relationship with the dependent variable, or that the group of independent variables do not reliably predict the dependent variable.

How much the model is good?

Table 4.14 Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.983[a]	.967	.966	.17769

a. Predictors: (Constant), Perception On Equity And Fairness, Tax Rate, Referral Groups, Perception Of Government Spending

Source: SPSS output from survey data, 2015

It can observed in Table4.13 that the R-value is .98, which indicates the multiple corrections between tax compliance and tax rate, perception on government spending, perception on equity and fairness and referral groups. As we can see from the following (table 4.14, model summary), the result of R^2 show that all independent variables explained the dependent variables with 98% and which confirm that the model is good.

For test statistic 10 %(0.1) significance level is used to reject or not to reject the null hypothesis. The first test the researcher test Goodness of fitness model by the coefficient of determination (Gujarati, 2004) to know whether the model is valid or not to continue with regression and to measure the Goodness of fit of the fitted regression line fits the data. Accordingly, the coefficient of determination of regression result showed that the model work well.

### 4.3.5.3. Multicollinearity

Table 4.15 Test of Multi Collinearity

	Collinearity statistics	
Variables	**Tolerance**	**VIF**
Tax rates	.107	9.377
Perception on government spending	.112	8.911

Perception on equity and fairness	.141	7.100
Referral groups	.137	7.314

Before regressing, the data the researcher, check multi-collinearity test tested among the independent variables. To ensure reliability and validity of the empirical results, some diagnostic tests conducted. In order to test for the presence of multicollinearity in the model, the variance inflation factor (VIF) was carried out and the table below shows that all the variables in the regression model are relevant to the study since the VIF factors is all below the benchmark of 10 (Thomas,2007).

This indicates that the absence of Muti-collianearity in models. As these tests prove the validity of the model, the study had continued into regression analysis and hypothesis is testing.

4.3.5.4. Test of Heteroskedasticity and Normality of Residuals
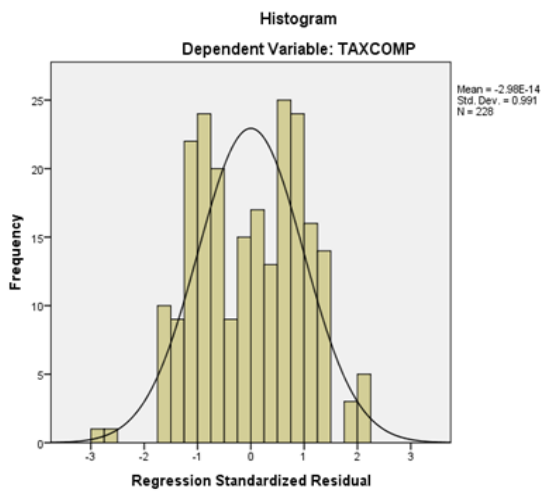
Figure 1   **Figure2.**
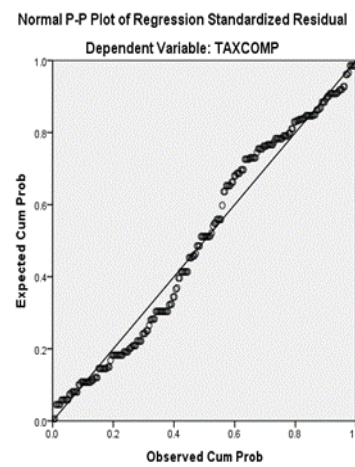
Source: SPSS output from survey data, 2015

One of the assumptions of linear regressions analysis is the residuals are normally distributed, at the mean of zero and standard deviation of one. All of the results from examine command suggest that the residuals or error term are normally distributed. The skewness and kurtosis are near to 0. As one can observe from the figure1, above the Histogram and p-p plot it looks normal. Based on these results, the residuals from this regression appear to conform to the assumption of being normally distributed.

Heteroskeascity invalidated test results it is very important to investigate whether our empirical model is Homoscedastic and there a number way of test graphical as well as statistical (Thomas, 2007). As the white test is not supported in SPSS Researcher check is the homoscedasticity and normality of residuals with the Q-Q-Plot of z*pred and z*presid. The plot indicates that in our multiple linear regression analysis there is no tendency in the error terms. If that happens you, see a figure 2, which looks like a staircase. The scatter plot graph indicates that an absence of heteroskedasticity in model.

Research to test the hypotheses, the data analyzed using multiple regressions (ordinal least square, OLS). Eqution1 used as the base regression model to test the hypotheses and establish the tax compliance determinants.

$$Tc_i = \alpha + .195tr + .315pgs + .907pef - .249rgs + \pounds$$

Where α=regression intercept

β =estimated coefficient

TC=Tax compliance

TR= Business income tax rates

PGS= perception on government spending

PEF= perception on equity and fairness

RGS= Referral groups (Referent groups family and friends)

£=error term

The results from multiple regressions that were reported in Table 4.15 indicated that tax compliance is influenced by all the four selected variables namely tax rates, perception on government spending , perception on equity and fairness and referral groups

Table 4.16 Coefficients of Regression Model

Model output					
	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	.081	.066		1.230	.220
Tr	.098	.021	.195	4.734	.000
pgs	.112	.023	.315	4.813	.000

Pef	.107	.005	.907	22.088	.000
Rgs	-.173	.031	-.249	-5.626	.000

Source: SPSS output from survey data, 2015

Discussion and Finding of Regression Model

This research examining factors that affect taxpayers' behavior in Hosanna town and four determinants of tax compliance were examined in this study, namely, perceptions of government spending, the impact of referral groups, tax rate and perceptions of equity and fairness.

The finding imply that the significantly factors affecting tax compliance in Hosanna at the time of this study include perception on equity and fairness (positive), tax rate(positive), referral groups(negative) and perception on government spending(positive). Perception on equity and fairness was found to be the main explanatory factor with a bet coefficient of β=.907, followed by tax rate .195 and perception of government spending (β=.315), and referral groups (β=-.245)

Perception of Equity and Fairness

With regard to the perception of equity and fairness, previous studies(for example, Jackson and milliron(1988),Beza(2014) and Tilahun and Yidersla(2014) have found that a positive perception on equity and fairness but some other studied found that contradicting results, such as spicer(1976) and songa and Yarbrough(1978). In this study researcher found that significant value of the perception on equity and fairness is acted 0.00 at 5%. This imply that the perception on equity and fairness affect compliance and the coefficient of the regression is positive (.907), thus the hypothesis is accepted. As far as high perception of equity and fairness could encourage tax compliance, the Hosanna town revenue authority is imposition business income tax based on ability to pay tax, which is vertical equity tax, paid increases with amount of the tax base).

Perception of Government Spending

With regard to the perception of government spending, previous studies (for example, Beza(2014), Tilahun and Yidersal(2014) have found that a high perception of government spending would encourage taxpayers to be more compliant(positive relationship). In this study, the significant value of the perception of government spending acted at 0.00 at 5%. This imply

that the perception of government spending significant affect tax compliance and the coefficient of the regression is positive (.315), thus, the hypothesis is accepted. As far as high perception of government spending could encourage tax compliance, the government of Hosanna town is wisely spending the Zonal revenue, for example, for basic like education, Health and safety and public transportation and Hosanna revenue authority should increasing controlling activity of misuse resource.

Tax Rate

With regard to the tax rate, previous studies showed that tax rate a mixed impact on tax compliance. According to existent studies, decreasing tax rates will not necessary increase compliance (kirchler etal, 2008), while increasing tax rate will not necessary decrease compliance (Allingham &Sandmo 1972). In this study, the significant value of tax rate acted at 0.00 at 5%. This imply that the tax rate of business income tax rate significant affect tax compliance and the coefficient of the regression is positive (.195), thus as researcher expected hypothesis is accepted. Tax rates are also positively significant determining in influencing tax compliance behavior in Hosanna Town. The result indicate that high tax rate can potentially increase tax compliance behavior as higher income earners will be reluctant to comply because they will have to pay higher income tax and they are taxed by preparing of book of account rather than by estimation method.

Referent Groups (Family and Friends)

With regard to the referent groups(family and friends), previous studies(for example, Allingham and Sandomo(1972), Tilahuna and Yidersal(2014) have found that a referent groups would encourage taxpayers to be compliant(positive relationship) but some other studies found contradicting results, such as higher referent groups would potentially decrease tax compliance creating a negative association Tadesse and Goitiom (2014). In this study, the significant value of referral groups acted at 0.00 at 5%. This imply that the referral group significant affect tax compliance and the coefficient of the regression is negative (-.249) thus as researcher expected hypothesis is rejected. Researchers therefore reject the hypothesis that there is negatively significant determining in influencing tax compliance behavior in Hosanna Town.

CHAPTER FIVE

5. SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1. SUMMARY OF KEY FINDINGS

The fourth chapter of the study contains the data analysis and findings of the study. In this chapter the major findings of the study are concluded and recommended based on the findings and are forwarded for the concerned bodies.

In this study attempt made to look into factors that determinants the tax compliance of taxpayers. Moreover, it assessed the impact of the tax compliance on the performance of tax collection. The present study intended to identify and analyze the determinants of tax compliance of taxpayers in Hosanna town.

A total of 228 taxpayers were including in this survey. This study intended to identify the determinants of tax compliance behavior of Hosanna Town. Data obtained from the

respondents through questioners and interview. Both descriptive and inferential analysis carried out to accomplish the above listed tasks.

The descriptive statistics show that following major findings: the owners of business in the sample are more of male than female. The proportional of male respondents accounted for 57% while the female accounted for 36%. Most of the respondents had been in existence for more than 4 years and hence they are likely to know and understand about business profit income tax. The overall intuition is that those with the age range of 35 to 40 years dominate category "A" and "B" taxpayer. It indicated in the study that the tax officials in the Revenue Authority Institution studied in terms of their positions. Accordingly, one Head, three main core processor and one Ethics follower's officers of institutions interviewed.

According to respondent educational background majority of the respondents have been formally educated to at least certificate and diploma levels, therefore they have basic knowledge of their business profit tax and they knew about because it compulsory to pay tax to the government. Out of the respondents 54.1% are married or cohobate with their life partners, where as 32.8% of are single (unmarried).

The inferential statistics show that following major findings: one way anova with Pos hoc test educational level of taxpayers with tax compliance, as higher level of educational level comply less with tax and also with age of taxpayers indicated that older taxpayers will comply less.

According to one-sample T-test all four variables factors have significantly affect the tax compliance and Cronbach's alpha (P) indicated that data collection instruments was reliable to a larger extent by yielding Cronbach's alpha(p) of .983 which is coefficient of reliability and it suggests that the measures are excellent range.

Final according to regression results the major findings: one variable is negatively affect tax compliance and three variables were positively impacts to tax compliance in this study. Referral groups (family and friends) has negatively impact on tax compliance whereas perception of government spending, perception of equity and fairness and business profit tax rate have positively impact on tax compliance in this study.

5.2. Conclusions

Based on the analysis of made in chapter four, the following conclusion are made on socio demographic characteristic of tax payers, influence of tax compliance factors and related were as follows:

> Two sample T-test revealed that gender has significant impact on tax compliance behavior in this study.

> One-way anova post hoc test reveals that age of the taxpayers of tax compliance is significant behavior. The elder taxpayers have taken less comply with tax compliance than younger.

> One sample T-test revealed that perception of government spending; perception on equity and fairness; tax rates; referent groups (family and friends) are factors that significantly affect tax compliance.

> Based on findings it concluded that the perception on government spending is significantly determinants of tax compliance behavior: which means as far high

perception of government spending could encourage tax compliance, it is advocated that Hosanna Town Revenue authority should increase wisely spending taxpayer money on public services.

➢ The other significant determinant that found to tax compliance behavior was referent groups (family and friends). If taxpayers refer to a compliant taxpayer, then the tendency to commit tax evasion is lower, but if a taxpayers to a non-complaint taxpayer, they might become a non-complaint taxpayer as well. Conclude that cultivating personal awareness of compliance is very important so that they less influenced by these factors (family and friends members' level of compliance and decrees the referral influence by implementation of code of ethics of the institutions.

➢ 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. If the taxpayers are aware of the offence and the consequence of non-compliance, they may not cheat (evade). On the other hand, if the taxpayers are unaware of the implications of being dishonest, they may cheat because they presume that they will not detected and could some money. Finally, conclude that business income taxes rates in Hosanna make complaint to taxpayers.

➢ Based on regression result perception of equity and fairness on tax system has significant impact on tax compliance. Hence, tax authority should give attention to this area. In addition, the tax authority should provide Perception of equity and fairness by means that as tax base increase as tax rate incase which called vertical equity should increase the level of tax compliance in Hosanna Town. Taxpayers' perception on compliance improves when taxpayers believe the tax system is fair and equity, they believe that they receive something valuable for their payments and when society shows no tolerance for tax evasion.

➢ Finally, overall results of demographic factors showed that sex, age and educational level have significance impact on tax compliance. Multiple regression results shows that tax rates; perception of government spending; perception of equity and fairness have positively related with tax compliance and significantly influenced tax

compliance. However, referral groups (friends, relatives etc.) influenced tax compliance negatively but significantly impact.

5.3. Recommendations

In the light of the major findings of this study and conclusion, the following recommendations suggested:

5.3.1. Government Concerned Recommendations

- Giving training to taxpayers and tax authority employees on taxation helps to create common and better understanding on the major points like, the legal aspects of taxation, how to organize their financial statements (reports) and how they can they work hand in hand for their common goal.

- The government (Revenue authority) should respond positively by wisely spending taxpayers' money and fulfilling the nations' (taxpayers'') basic needs, including infrastructure, medical allocation, and education, in order to increase taxpayers' confidence in the government. Unnecessary expenditures by the government will cultivate tax non-complaint behavior according to the results of the present study.

- As far as high perception of equity and fairness could encourage tax compliance, it is advocated Hosanna Revenue authority should maintaining fairness and

equity among taxpayers it should treat all taxpayers based on his/her ability to pay and fair way with the aim of increasing tax compliance.

- 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.
- 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.

5.3.2. Recommendations for Further Study

- Further, it is recommend that this kind of study should be conducted at the national level to gain a better understanding on compliance determinants in the country. Therefore, interested researchers can extend the same topic by incorporating more variables for example: institutional factors for example; the role of the tax authority; individual factors are; penalty rates and enforcement; personal financial constraint, tax knowledge and probability of audit into the model that are affect taxpayers' voluntary compliance behavior.
- Another possible research would be to change the sample population to category "A", Category "B" and Category "C" taxpayers by increasing the sample size and then make a comparative study between taxpayers with book of accounts and taxpayers who have no book of accounts; to find out if there are any significant difference between these groups of taxpayers' behavior towards taxation

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Appendix-1

JIMMA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE

I. **Quantitative Questionnaire (English) prepared for Category "A" & "B" taxpayers of Hosanna town**

Dear respondents,

My name is Dereje Lemma Lalisho who is currently an MSc (in Accounting and Finance) student at Jimma University College of Business and Economics and currently conducting a study for in partial fulfillment of the requirement for Master degree in Accounting and Finance. I would like to invite you to participate in this survey, which attempt to find out the **Determinants of tax compliance behaviors by "A" and "B" in Hadiyza Zone: the case Hosanna Town taxpayers**. There are 3 sections in this questionnaire and it will take approximately 10 minutes to complete it.

The information provided is purely for academic purpose and will be with utmost confidential. In order to accomplish this study, you are kindly request to complete this questionnaire; your kind cooperation is highly appreciated.

For more information, please contact.

Dereje Lemma Phone number: 0913393040.

E-mail address: derelema12@g-mail.com

SECTION A. Socio-Demographic variable

This section relates to personal background. These characteristics are very important in finding how personal characteristics affect tax compliance decision.

Kindly tick "**X**" in the appropriate box that represents your response

A1. Categories of respondent

        Owner of business   ☐

        Manager   ☐

        Accountant   ☐

        Employees   ☐

        If others, specify _____

A2. Gender

Male   ☐   Female ☐

A3. Marital status: Single ☐   Married ☐   Widowed ☐   Separated ☐

A4. Age of respondent

20-25 years ☐   26 – 30years ☐   31 –35years ☐   36-40Years ☐   41-45 years

☐ 46-50 years ☐   51-55 years ☐   56 and above years ☐

A5. What is your highest level of education.

Below 10grade ☐   10 grade completed ☐   12 grade completed ☐   Diploma ☐

First Degree ☐   Master Degree and above ☐

A6. For how long have you been paying such business income tax?

1-3years ☐ 4-8 years ☐ 9-15 years ☐ above 15 years ☐

A7. Why do you pay business taxes?

    ➢ To avoid disturbances(penalties, sanction) ☐

    ➢ In anticipation of public services ☐

    ➢ There is no opportunity to evade ☐

    ➢ It is an obligation towards government ☐

    ➢ Do not know ☐

    ➢ Other, specify_____-

Section B. Tax Compliance Measures

Please indicate the extent of your agreement or disagreement with the following Statements. Kindly tick □"✔" in the appropriate box that represents your response.

(1=Strongly Disagree 2=Disagree,3=Neutral 4=Agree. 5=Strongly Agree)

Part 1 General

No	Statements	1	2	3	4	5
1	I believe Tax payers should evade tax if tax rates are too high					
2	I think Tax payers should evade tax if the tax system has lack of fairness					
3	Taxpayers should evade tax if a large portion of the money collected from tax is wasted by government					
4	Tax payers should evade tax if the probability of getting caught is low					
5	Evading tax due to lack of ability to pay should not be considered as crime/problem					
6	Tax payers should evade tax if everyone is doing it					
7	Generally, tax evasion should not be considered as a crime					
8	Feeling that high aggressive enforcement efforts by Hosanna revenue authority i.e. ensuring tax audits and prosecutions take place payment of fines and penalties					
9	I believe the tax authority has limited capability to investigate all income reported to them in the year so people have an opportunity to not report their exact income					
10	If I get detected not reporting my exact profit/income, I believe that the tax authority is NOT tolerant towards my offense and most probably I will NOT escape without any punishment.					
11	I believe the tax authority has the capability to investigate all income reported to them					
12	I believe that the probabilities of being detected by the tax authority for not declaring the exact income that I receive in a given year is high					
13	I pay about the same amount of taxes as others making the same Income					
14	By the paying right amount of income tax, I believe that other people especially the poor will get the benefit					
15	Serious enforcement and penalty by the Hosanna revenue authority may result if I do not comply.					

Part 2: Tax Rates

(1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree)

No	Statements	1	2	3	4	5
1	Tax rates on business income are too high					
2	Imposing the same tax rate to all business income taxpayers					
3	The higher tax rate applied on business income makes you non-compliant.					

Part3: Perception On Government Spending

(1=Strongly Disagree 2=Disagree,3=Neutral 4=Agree. 5=Strongly Agree)

		1	2	3	4	5
1	Collected tax is not well-spent as public service such as infrastructure to the society makes you comply with tax laws in hosanna town					
2	I think the government spends too much tax revenue on unnecessary assistance welfare. This is especially true in developing countries with is true in countries like Ethiopia.					
3	The government spends a reasonable amount on social welfare etc.					
4	I believe the government utilizes a reasonable amount of tax revenue to achieve social goals, such as infrastructure, provision of benefits for lower income families for which I am thankful.					

Part4: Perception On Equity and Fairness

(1=Strongly Disagree 2=Disagree,3=Neutral 4=Agree. 5=Strongly Agree)

No	Statements	1	2	3	4	5
1	Tax payers do not pay taxes on ability to pay in Hosanna					

#							
2	Higher tax imposition for higher business income						
3	Tax system has lack of fairness in Hosanna Town.						
4	Fairness of tax imposition in Hosanna town						
5	I believe that taxpayers should have a good Perception of tax fairness						
6	On the whole, the burden of income taxes is fairly distributed						
7	I believe the income tax system is the fairest kind of system that the government could use to collect revenue						

Part 5: Referent Groups

(1=Strongly Disagree 2=Disagree,3=Neutral 4=Agree. 5=Strongly Agree)

1	Have Friends, relatives and family in tax authority will affect individuals' taxpayers' decision to comply or not.						

Thank you very much!

JIMMA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

MSC PROGRAM IN ACCOUNTING AND FINANCE

Qualitative Questionnaires for In-depth Interviews Questions to tax office work process coordinators and tax experts of Hosanna town Revenue administration office.

Introduction: Good morning/ afternoon. My name is Dereje Lemma: I am MSc Degree student in Accounting and finance at Jimma University. I am working this Thesis for the partial fulfillment of the requirements for the degree of Master in Accounting and Finance. I am currently conducting studies on tax compliance area: a baseline study Determinants of tax compliance behaviors in Hosanna town taxpayers. You have been selected to participate in this study because of your position in tax office work process coordinators, tax experts and Hosanna tax revenue head. The findings of this study will be for further research on this area in Hadiya Zone. All the information you give will be kept confidentially. First, I want to thank you for your voluntary to make this interview.

Date: _____

Position and name of the office: _____

The interview, which related to, determinates of tax compliance behaviors on Hosanna town taxpayers such as category "A" and "B" taxpayers.

KEY GUIDE QUESTIONS

1. What are challenges faced by taxpayers towards tax compliance behaviors? Related to both categories "A" and "B" taxpayers

2. Do you think that economic factors such as tax rates and perception on government spending affect tax compliance?

3. Do you think that social factors such as perception on equity and fairness, and referent groups such as friends, relatives and family affect tax compliance behavior of taxpayers?

4. What are the reasons for tax compliance and non-compliance of taxpayers to pay tax obligation on period in Hosanna city?

5. What measures were taken to improve the level of tax compliance behavior in Hosanna tax authority?

Thank You for Your Response!

ጅማ ዩኒቨርሲቲ

ድህረ ምረቃ ጥናት ክፍል

ቢዝነስ ና ኢኮኖሚክስ ኮሌጅ

አካውንቲንግ እና ፋይናንስ ትምህርት ክፍል

ለ ደረጀ "ሀ" ና "ለ" ግብር ከፋዮች የሚሞላ የጥያቄ መጠየቅ ቅፅ

የተከበሩ መላሽ ይህ የመማሪቂያ ጽሁፍ የሚያተኩረው በግብር ከፋዮች በፈቃደኝነት የግብር ግዴታቸውን እንዲወጡ ያሚያዳርጉ ነገሮች ዙሪያ ላይ ሲሆን ጥናቱን የሚያደርገው አቶ ደረጀ ለማ በአሁን ሰዓት በጅማ ዩኒቨርሲቲ በቢዝነስና ኢኮኖሚክስ ኮሌጅ በአካውንትንግ እና ፋይናስ ት/ት ክፍል የማስተርስ(ሁለተኛ ድግሪ) ተማሪ ነው:: እርስዎም ግብር ከፋዮ በመሆኖ በራስ ፈቃደኝነት የግብር ግዴታ እንዲወጡ የሚያደርጉ ነገሮች ምን እንደ ሆኑ ያውቃሉ ተብሎ በመታሰቡ ለዚህ ቃለ መጠይቅ ተመርጠዋል:: ስለሆነም የእርስዎ ተሳትፎ አስፈላጊ በመሆኑ ለጥያቄዎቹ በታማኝነት እንዲሁም በሀቀኝነት መልስ እንዲሰጡ ስል በአክብሮት እጠይቃለሁ::

 እርስዎ የሚሰጡት ምላሽ ለትምህርት ጉዳይ ብቻ የሚውል መሆኑ እና የሚሰጡት መልስ ለሌላ ወገን ተላልፎ የማይሰጥ መሆኑን አረጋግጣለሁ:: የእያንዳንዱ ተሳታፊ መልሶች በአጥኚው ጽሁፍ ወይም በማናቸውም ስራ ላይ የመላሹ ማንነት ተገልጦ አይቀመጥም:: ተሳታፊዎቹ የጥናቱ ግኝት ጠቅላላ መግለጫ አጥኚው ጥናቱን ከጨረሰ በኃላ ቢጠይቁ ሊያገኙ ይችላሉ::

ለተጨማሪ መረጀ አቶ ደረጀ ለማን በሚከተለው አድረሻ ማግኘት ይችላሉ::

- ➢ ስልክ:0913393040
- ➢ ኢሜል፡ derelema12@gmail.com

   ለተሳትፎዎ በቅድሚያ አመሰግናለሁ!!!

ክፍል-አንድ: አጠቃላይ ለግብር ከፋዮች የተመለከተ መረጃ

ማሳሰቢያ: በተሰጠው አማራጮዎች ላይ "X" ምልክት ይጠቀሙ::

1. የመላሹ የሥራ ድርሻ ምንድ ነው?

   A.ባለቤት ☐   B. አስተዳደር ☐   C. አከውንታንት ☐   D.ቅጥረኛ ☐   E.የተለየ ከሆነ እባኮዎን ይግለፁልን_____

2. ፆታ: ወንድ ☐   ሴት ☐

3. የጋብቻ ሁኔታ A. ያገባ ☐   B.ያላገባ ☐   C.አግብቶ የፈታ ☐   D. ምስት/ባል/ የሞተባት ☐

4. ዕድሜ: A.ከ20-25 ዓመት ☐ B. በ26-30 ዓመት ☐ C. በ31-35 ዓመት ☐ D. በ36-40 ዓመት☐ E. ከ41-45 ዓመት ☐   F. ከ46-50 ዓመት ☐   G. ከ 51-55 ዓመት ☐ I. ከ56 ዓመት በላይ ከሆነ ☐

5. የትምህርት ደረጃዎ: A. ከ10ኛ ክፍል በታች ☐ B.10ኛ ክፍል ያጠናቀቀ ☐ C.12ኛ ክፍል ያጠናቀቀ ☐   D. ድፕሎማ ☐ E.ባችለር ድግሪ ☐   F. ማስተርስ ☐ G. ከዚያ በላይ ከልሆነ እባኮዎን ይግለፁልን_____

6. ለምን ያህል ጊዜ ግብር ከፍለዋል? A. ከ1-3 አመት ☐   B. ከ4-8 አመት ☐ C.ከ9-15 አመት ☐ D.ከ15 ዓመት በላይ ከሆነ ☐

7. የገቢ ግብር ለምንድነው የምትከፍሉት?

   A. ከቅጣት ለመራቅ ☐   B. በህዝባዊ ስራ ላይ ለመሳተፍ ☐   C. ለማጭበርበር ምንም አማራጭ ስለሌለን ☐   D. ግዴታዬ ስለሆና ☐   E. አላውቅም ☐   F. ሌሎች ምክንያቶች ካሉ እባኮዎን ይግለፁልን?_____

ማሳሰቢያ: እባኮዎ በሚቀጥለው ሰንጠረዥ በተሰጠው አማራጭ መሰረት: (1=በጣም እስማማለሁ 2=እስማማለሁ 3=መልስ አልስጥም 4=አልስማማም 5=በጠም አልስማማም

ከዚህ በታች:የተዘረዘሩትን:ዐ.ነገሮች:አንበበው:መልስዎን:ከተዘረዘሩት:ምርጫዎች ውስጥ: ይምረጡ:: በሚጠየቁበት ወቅት ያልተረዱት ጥያቄ ካለ ጥያቄውን ለሚያቀርብልዎ ሰው እንዲያብራሩልዎ ይጠይቁ::

ለተጠቀሰው ዓረፍተ.ነገር:መልስዎ/ሽ:-

> "በጣም አልስማማም" ከሆነ 1ቁጥር ላይ "X"ምልክት ያኑሩ:-
> "አልስማማም" ከሆነ 2 ቁጥር ላይ "X" ምልክት ያኑሩ
> "መልስ አልስጥም" ከሆነ 3 ቁጥር ላይ "X" ምልክት ያኑሩ
> "እስማማለሁ" ከሆነ 4 ቁጥር ላይ "X" ምልክት ያኑሩ
> "በጣም እስማማለሁ" ከሆነ 5 ቁጥር ላይ "X" ምልክት ያኑሩ

ክፍል ሁለት-ግብር ከፋዮች በራስ ተነሳሽነት ግብር መከፈልን በሚመለከት:-

ተ.ቁ	ዐ.ነገር	በጣም አልስማማም 1	አልስማማም 2	መልስ አልስጥም 3	እስማማለሁ 4	በጣም እስማማለሁ 5
1	እንደምረደው:ከሆነ:ግብር:መጠን:ከፍ:ያለ: ከሆነ:ግብር:ከፋዩ፣ግብሩን በአግባቡ አይከፍልም።					
2	የግብር አከፋፋል ስርዓቱ ፍትህዊነት የጎደለው ከሆነ ግብር ከፋዩ ግብሩን በአግባቡ አይከፍልም።					
3	ከግብር የሚሰበሰበው ገንዘብ በመንግስት አካል በአግባቡ ስራ ላይ ከልዋለ ግብር ከፋዩ ግብሩን በአግባቡ አይከፍልም።					
4	ግብር በአግባቡ አለመከፈል ከሕግ አንፃር ያለው ተጠያቂነት ዝቅተኛ ከሆነ ግብር ከፋዩ ግብሩን በአግባቡ አይከፍልም።					
5	አንድ ግብር ከፋዩ ግብሩን መክፈል ያቋተው በአቅም ውስንነት ከሆነ ተግባሩ እንደ ወንጀል መቆጠር የለበትም።					
6	አንድ ግብር ከፋይ የግብር ማታለል ድርጊት ቢፈፅም፤ ሌሎች ግብር ከፋዮች የሚፈፅሙት እስከሆነ ድረስ ተገቢ ነው።					
7	ግብርን ማጭበርበር እንደ ወንጀል ሊቆጠር አይገባም።					
8	የሆሳዕና ከተማ ገቢዎች የሚከተለው የግብር አሰባሰብ ስርዓት እጅግ አስገዳጅ ከሆነ ለምሳሌ:- የግብር ግዴታቸውን በአግባቡ በማይወጡ ላይ እስራትና ሌሎች ቅጣቶችም የሚጠብቃቸው ከሆነ ይህ ሁኔታ ግብር በአግባቡ እንዲሰበሰብ ይረዳል።					
9	የግብር ሰብሰቢው አካለ አቅም ውስንነት ከሌሊ ግብር ከፋዩ ገቢውን በአግባቡ እንዲይገልፅ አስተዋፅኦ የደርጋል።					
10	ገቢዮን በአግባቡ አለመግለጼ ቢደረስበት ግብር ሰብሳቢው አካል ይህን ሁኔታ ሊታገስ አልችልም እኔም ከቅጣት ላመልጥ አልችልም።					
11	ግብር ሰብሳቢ አካል ግብር ከፋዩ የሚያቀርበውን የገቢ መጠን የመገምገም ብቃት አለው።					

12	ገቢዮን በአግባቡ የማልገልፅ ከሆነ በግብር ሰብሳቢው አካል የምታወቅ እድሉ ከፍተኛ ነው።					
13	ሌሎች ከእኔ ተመሳሳይ ገቢ ካላቸው ግብር ከፋዮች እኩል ግብር ይከፍላለሁ።					
14	ተገቢውን የገቢ ግብር መክፍል ድሃውን ህብረተሰብ ክፍል ተጠቃሚ ያዳርጋል ብሎ የምናሉን?					
15	ግብርን በአግባቡ ካልከፈልኩ ከግብር ሳብሰቢው አካል ከፍተኛ ቅጣት ይጠበቀኛል።					

ክፍል"ሦስት" ግብር በአግባቡ እንዳይከፈል የሚያደርጉ ምክንያቶችን በተመለከተ:-

1. እኮኖሚያዊ ሁኔታዎች ለምሳሌ፤ ፤የግብር መጠን፣ መንግስት የሚሰበስባውን ግብር በአግባቡ ስራ ላይ ማዋሉን በተመለከተ ያለው የግብር ከፋዩ አመለካከት፤

ተ.ቁ	ዐ.ነገር	በጣም አልስማማም 1	አልስማማም 2	መልስ አልስጥም 3	እስማማለሁ 4	በጣም እስማማለሁ 5
1	የገቢ ግብር መጠን ከፍተኛ ነው፣					
2	በሁሉም ግብር ከፋዮች ላይ ተመሳሳይ የግብር መጠን መጣል አለበት፣					
3	የሚሰበሰበው ገቢ በአግባቡ ስራ ላይ እየዋለ አይደለም፣ የሚሰበሰባው ለሕብረተሰቡ በሚጠቅም የልማት ስራ ላይ ለምሳሌ፤ መሰረተ ልማት በማስፋፋት ላይ መዋሉ የሆሳዕና ከተማ ግብር በአግባቡ እንዲሰበሰብ ያግዛል፣					
4	በንግድ ትሪፍ ገቢ ላይ የሚጣለው ከፍተኛ ግብር፣ ግብር ከፋዩ ግብሩን በአግባቡ እንዳይከፍል አስተዋፅኦ ያደርጋል፣					
5	ሳስበው መንግስት አብዛኛውን የግብር ገቢ ላልተገባ ሁኔታ ያውላዋል እንደዚህ ዓይነት ሁኔታ በአብዛኛው ባደጉት ሀገር ውስጥ ይታያል ልክ እንደዚሁ በኢትዮጵያም ተመሳሳይ ሁኔታ ይስተዋላል።					
6	መንግስት የሕብረተሰቡን ደሕንነት ለመጠበቅ ከፍተኛ ወጪ ያወጣል፣					
7	መንግስት ለሆሳዕና ሕብረተሰቡ በሚያቀርባቸው የተላያዩ አገልግሎቾች፣እና በመሰረተ ልማቶች እጅግ ደስተኛ ነኝ።					

ክፍል "አራት":- ማህበራዊ ሁኔታዎች፣ ለምሳሌ፣ እኩልነትና ፍትሐዊነት፣ ፤ዘመድ ወይም ጓደኛ በመኖሩ መ/ቤት፣ በተመለከተ ያለው የግብር ከፋዩ አመለካከት፣

ተ.ቁ	ዐ.ነገር	በጣም አልስማማም 1	አልስማማም 2	መልስ አልስጥም 3	እስማማለሁ 4	በጣም እስማማለሁ 5
1	በሆሳዕና ከተማ ግብር ከፋዩ የሚከፍለው፣የመከፋፈል አቅምን ባገናዘበ ሁኔታ አይደለም፣					
2	መንግስት፣ብዙ ገቢ በሚያገኙት ከፍ ያለ ገቢ ግብር መጣል አለበት፣					
3	የሆሳዕና ከተማ የግብር ስርዓት፣ፍትኃዊነት ይጎድለዋል፣					
4	የግብር አጣጣል ስርዓቱ ፍትኃዊነት አለው፣					
5	የግብር ስርዓቱን በተመለከተ ያለው የግብር ከፋዩ ፍትኃዊነት አለው ብሎ የምነሉ?					
6	በአጢቃላይ ስታይ የገቢ ግብር ስርዓቱ ፍትኃዊ ነው ማለት ይቻለል፣					
7	የገቢ ግብር ፍትኃዊ፣ የሆነ ለመንግስት መክፈል ያለበት ግብር ነው ብዬ አምነለው።					
8	በግብር ሰብሳቢው መ/ቤት ውስጥ ዘመድ፣ጓደኛ መኖሩ: አንድ ግብር ከፋይ ግብሩን: በአግባቡ እንዲከፍል ወይም እንደይከፍል አስተዋፅኦ ይኖረዋል።					

ለትብብርዎ አመሰግናለሁ!