

RENTAL INCOME TAX PRACTICE AND ITS CONTRIBUTION TO
REVENUES OF CITY ADMINISTRATION IN THE CASE OF JIMMA
TOWN



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DECLARATION

I, FufaAdugna , have carried out a research work the rental income tax practice and its contribution to revenue independently in partial fulfillment of the requirement of the Masters of Science (MSC) Degree in Accounting and Finance with the guidance and support of the research advisor, Matewos .K. (PhD) and co- advisor: SintyehuT.(M.Sc.)

I, also declare that this thesis is my original work and that all sources of materials used for the thesis have been duly acknowledged.

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List of Acronyms and Abbreviations

| | |
|---------------|--|
| BIT: | Business Income Tax |
| BOFED: | Bireu of Finance and Economic Development |
| EBDSN: | Ethiopian Business Development Services Network |
| ECC: | Ethiopian Chamber of Commerce |
| EIT: | Employment Income Tax |
| JFEC: | Jimma finance and Economic Cooperation |
| JRA: | Jimma Revenue Authority |
| RIT: | Rental Income Tax |
| Proc.: | Proclamation |
| SIGTAS: | Standard Integrated Government Tax Administration System |
| <i>SPSS</i> : | Statistical Package for Social science |
| TOT: | Turnover Tax |
| VAT: | Value Added tax |

Abstract

The purpose of this paper is to analyze the rental income tax practice and its contribution to revenue city administration. The main objective of the study is to explore the rental income tax practice and its contribution by taking Jimma town revenue offices a sample of the study. To undertake the study on this particular title used primary and secondary data series data set that consists of ten years. The 142 rental income taxpayers were selected from three sub-cities using systematic random sampling to fill the schedules and returned 139 completed questionnaires were obtained. Besides, a personal interview has been conducted with the collection managers and tax experts of the three sub-cities. Descriptive statistics and SPSS analytical tool were employed to analyze and presented using tables, graphs, frequency, mean and standard deviation of obtained data. Based on the findings some possible recommendations were given. These include rental income tax revenue contribution 1.09 to total tax revenue in the given period of tenth years, the authority should focus on rental income tax, building an understanding of taxpayers, upholding tax fairness and equity, constructing capacity of the tax authority, and providing required social services to the general public to get trust from society and critical follow up over taxpayers those evade tax by their problem. This study also searches out most of the rental income taxpayers complain about the tax system plus the tax collection mechanism of the authority also terrible. Even if the authority has been doing well in creating awareness to the rental income taxpayers about the way rental income tax was computed, time of payment and mode of payment, it lacks informing the public about the rental income tax. Furthermore, the outcome also indicates the rental income tax payers understate the amount they received from rental of buildings while informing to the authority.

Keywords: *The amount of tax collection from Rental income tax, tax improvement, Tax system*

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

Tax is the charge levied by the government of a country upon its habitants for its support or for the purpose of facilitating the service delivery in a country Minyichel,(2017) It is an enforced payment to the government. Though the major aim of revenue collection for most governments is to motivate and guide the economic and social development of the country, there are several determinants for an effective realization of the exercise. The obvious challenges facing revenue collection can be generalized for most countries Minyichel.(2017) Tax is a compulsory payment of money to pay to the Government by an Individuals or Organizations as the government covers its expenses on various public functions, and is interference in political, economic and society life without direct return of benefit to be derived by the taxpayer. In other words, there is no direct return to the taxpayer for what he pays; though public in general derives a common benefit. Thus, tax is a mandatory contribution collected by the Government to meet the expenses of various public functions Bhatia,(2003)The government expenditure is financed through four main sources: government revenue, internal and external borrowing, and printing money. Taxation has been the main source of revenue for the bulk of government activities. Taxation is a system of raising government revenue through tax. It is a system of collecting money by government to finance its operation Gupta, (2001). VADDEand GUNDARA,(2012) stated that the objective of a modern tax is not only to expand the revenue for the government but also to stabilize the economy of a country. Governments impose tax on their citizens in order to make influence on the consumption, production and distribution so that ensuring the social welfare of the peoples through the economic development of a country. The modern income tax was first developed in England in the year 1799. Besides, the progressive income tax was introduced in Germany since the year 1853 and further on, other countries also adopted the system including Ethiopia. In Ethiopia, the modern taxation system was introduced during the Emperor Haileselassie regime in the year 1944. In this year, Ethiopia enacted the first income tax law under Proclamation No. 60 of 1944.ABATE, (2011)As indicated in the Ethiopian Income Tax

Proclamation No.286/2002, income tax includes employment income tax, business income tax/profit tax, rental income tax, and other income tax which includes royalty income tax, income paid for services rendered outside of Ethiopia; tax on income from games of chance, dividend income tax, income from casual rental of property, interest income tax, and specified non-business capital gain tax. FDRE income tax proclamation,(2016).

Major types of taxes existing in Ethiopia are review; those are divided in to two: namely direct and indirect types of taxes practices in Ethiopia. Direct tax revenue in Ethiopia consists of tax on income from employment, Business Profit Tax, Rental Income Tax, Tax on Interest Income on Deposits, Dividend Income Tax, Tax on Income from Royalties, Tax on Income from Games of Chance, Tax on Gains of Transfer of Certain Investment Property, Rendering of Technical Services outside Ethiopia and Agricultural Income Tax. Tilahun, (2014). Indirect tax revenue in Ethiopia consists of Turn over Tax, Excise Tax, Value Added Tax and Customs Duties Tilahun, (2014). This study is concerned with one of the direct tax which is rental income tax. Rental income taxes are a fundamental source of revenue to government in both developing and developed countries. However the amount of revenue to be generated from these sources for its expenditure program depends among other things, on the willingness of the individuals to comply with tax laws of a country. DABA,G.(2017).Rental income tax is one of the income taxes that were also introduced in Ethiopia in the year 1944 during the Haileselassie regime, Haymanot, (2013).The Schedule B of the Ethiopian Income Tax Proclamation indicates that, rental income tax is levied from the income which is received from rental of buildings. There are two types of tax rate systems applied in rental of buildings which are proportional and progressive. Proportional taxing system is applied on the income of bodies which is 30 percent of their taxable income whereas progressive taxing system applied on income of persons according to the ScheduleB.Federal income tax proclamation,(2016) .There are two major parties who participate in rental activities for which different names are given. The owners of the building are also referred to as land lord, renter &/or lesser; on the other hand, the person who rents the building from the owner is known as tenants or lessee. And the agreement made between the owners and lessee is called lease. There may be another person who included in the rent contract which is called the sub-lessor, the person who sub-leases the building. If the sub-lessor fails to pay the proportion of its tax liability, the owner of the building i.e. the lesser is obligated to pay

the tax. Robert, (2016)The researcher, indeed, continues to use the name lessee and the lesser which is available in the Ethiopian proclamation for the purpose of this study.

1.2 Justification of the study

Although there are some research conducted on tax issues in Ethiopia, there is still insufficient research to investigate their relative importance and on their practices. This is resulted, perhaps, from the recent enforcement of different tax in Ethiopia; particularly, rental income tax. Assamnew (2012) who studied the tax assessment and collection problems on Category ‘A’ tax payers focusing on employment income tax, business income tax and rental income tax in Yeka sub city of Addis Ababa. He found that, lack of investigating and managing those registered and unregistered tax payers regarding the tax office, the tax payers submitted fictitious data to the tax authority as a problem, insufficient numbers of tax officers, lack of commitment by tax officers to exercise their duties adequately and poor tax attitude by taxpayers.

Vadde and Gundarapu (2012) studied factors that influence rental income taxpayers’ compliance with tax system in Mekelle city. They found that there were poor control of the tax authority and the rental income tax payers lack awareness.Haymanot, (2013), conducted a study on assessment and collection practice of rental income tax. She selected four Addis Ababa sub-cities using simple random sampling. Systematic random sampling was used to select the rental income tax payers. She found that, rental income taxpayers were having awareness regarding the rental income tax computation; there were also tax payers who haven’t awareness regarding the tax.

Oromia revenue authority has the following objectives:

- Establish modern revenue assessment and collection system; and render fair, efficient and quality service.
- Assess, collect and account for all revenues in accordance with tax laws set out in legislation.
- Collect timely and effectively all the regional tax revenues generated by economy.

Therefore, Jimmatown revenue authority is the branch of Oromia revenue authority which is, it has the objective above indicters under oromia revenue authority.

The insufficient researches on tax issues and their focus on particular area and the importance of the rental income tax, therefore, can make the need of conducting this research unquestionable. Thus, this study aims to examine the rental income tax practice and its contribution *to* revenue by

selecting Jimma town revenue office. The reason for selecting the city is the researcher agreed with that of the idea of MacMillan and Carlson (1977) i.e. renting is significant in the growing cities. The reason is that, jimma revenue authority is not focused on rental income tax as income of another income tax. And the other one is jimma the center for the south west of the country. Therefore, the rental income tax payers are important in Jimma city like other cities of the country. Generally, this research has been different from previous studies in that it gives attention for rental income tax and the populations for the study comprises both the jimma revenue authority and the rental income tax payers. On average rental income tax In its ten years report for the current fiscal year, 1.09% to total revenue. In general rental income tax is very important in revenue increasing as other income tax for growth of city.

Researcher declares that, rental income tax practice and its contribution to total revenue systems from those; this paper focused on: rental income tax contributed to tax revenue, challenges during collecting rental income and problems attributing to tax administration and tax payers.

1.3 Statement of the Problem

The purpose of taxation is different for developed and underdeveloped countries. Developed countries imposed tax for stabilizing their economy. Whereas, the governments of underdeveloped countries levied tax in order to raise the revenue. Therefore, governments of underdeveloped countries have to increase their revenue by broadening their tax base by considering the canons of taxation, Bhatia.(2003) . Whereas, Carr, (1994)concluded that, the tax payers should be enforced to pay rental income tax rather than avoiding since it would increase the government revenue. Generally this indicates that, there are two kinds of beliefs regarding rental income tax. One of the belief is it should be removed whereas, the other is rental income tax should be enforced to increase revenue for government. Although there are some research conducted on tax issues in Ethiopia, there is still insufficient research to investigate their relative importance and on their practices. This is resulted, perhaps, from the recent enforcement of different tax in Ethiopia; particularly, rental income tax. Assamnew, (2012). studies indicated that who studied the tax assessment and collection problems on Category ‘A’ tax payers focusing on EIT, BIT and RIT in Yeka sub city of Addis Ababa.He used by stratified and simple random sampling techniques in his study.He found that, lack of investigating and managing those registered and unregistered tax payers regarding the tax office, the tax payers submitted fictitious

data to the tax authority as a problem, insufficient numbers of tax officers, lack of commitment by tax officers to exercise their duties adequately and poor tax attitude by tax payers.

Haymanot,A.(2013), conducted a study on assessment and collection practice of rental income tax. She selected four Addis Ababa sub-cities using simple random sampling. Systematic random sampling was used to select the rental income tax payers. She found that, rental income taxpayers were having awareness regarding the rental income tax computation; there were also tax payers who haven't awareness regarding the tax. Therefore, the rental income tax payers are important in Jimma city like other cities of the country. Generally, this research is different from previous studies in that it gives attention for rental income tax and the populations for the study comprises both the jimma revenue authority and the rental income tax payers. On average rental income tax revenue contributes 1.09%, in the research period covered (2008/09 to 2017/18) as the data from jimma revenue authority reported. In general rental income tax is very important in revenue increasing as other income tax for growth of city. The researcher also feeling that no study has been carried out on the factors up to my reading on this area (challenges of Collecting rental income tax, the relation between Rental tax payment and tax payers attributes and also in the contribution of total revenue is low) affecting rental income tax in Jimma city administration on tax revenue authority .Thus, while conducting this study, the student researcher is expected to provide answers to the following basic research questions based on the major findings of the study.

Research Question

1. How far the rental income tax contributed to tax revenue in Jimma Town?
2. What are the major challenges of collecting rental income tax in Jimma Town?
3. What are the relation between Rental tax payment and tax payers attributes?

1.4 Objectives of the Study

1.4.1 General Objective

The main objective of this study is to investigate the rental income tax practice and its contribution to total revenue in the selected Jimma city administration, Jimma town revenue authority.

1.4.2 Specific Objectives

This study has the following specific objectives;

1. To investigate the rental income tax contributed to tax revenue in the study area.
2. To identify the challenges during collecting rental income tax in the study area.
3. What are the relation between Rental tax payment and tax payers attributes?

1.5 Significance of the Study

The findings of this study may give clear understanding of what problems are there and how those problems were handled by both tax payers and Jimma revenue authority and the contribution of rental income on total revenue. Therefore, Jimma revenue authority office could use this study to curb the problems there by it might increase the revenue collection from the rental income tax. It might also help rental income tax payers if Jimma revenue authority works on the problems they mentioned. Besides, this study might have support for other interested researchers who need to conduct further study concerning rental income tax or other related fields.

1.6 Scope of the Study

This study was conducted in jimma town which is the capital city of south west of Ethiopia. People migrate to this town from other parts of the south west of country (i.e. Nation and nationality of south regional state and 21 woreda of jimma zone) in order to search for jobs so that rental activities are greater in this area. The study was focused on, one of the direct income taxes which is the rental income tax. The reason for choosing this topic is that people of jimma town could get information on the area and it enables both JRA and the rental income tax payers to communicate each other. In Ethiopia, there are two kinds of rental income tax which are: the tax from income of rental of buildings [Schedule 'C'] and the tax from rental of property

[Schedule 'D']. However, this study focuses on the rental income tax from buildings. The tax payers also classified based on their income as Category 'A', Category 'B' and Category 'C' tax payers. In addition the scope of the study was limited to tenth years (from 2008/09 to 2017/18) time based on the availability of data and introduction of RIT practice.

1.7 Limitations of the Study

The limitations this study encountered was on the side of rental income tax payers hence some of them were living outside Jimma even out of the country. Rental income tax payers who were not willing to fill the schedule though they were living in the city due to corona virus. Another Limitation is shortage of time and finance of the researcher to conduct the rental income tax behavior of all the taxpayers in Jimma town.

1.8 Organization of the study

This research paper was organized in to five chapters. Chapter one states introduction that includes background of the study, problem of the statement, objectives of the study, significance, scope and limitation of the study. The second chapter presents review of related literature. The third chapter deals with research design and methodology. The fourth chapter composed data collection and analysis and finally the last chapter deals with the summary, conclusion and recommendations

CHAPTER TWO

LITERATURE REVIEW

2.1 Theoretical review

2.1.1 Definition

Tax is one of the most important sources of government revenues. The combined consumption of public goods and services like roads, electric power, internet and communication services, water supply, and other infrastructures require putting some of the income of the society into government hands. This will have constructive results on each family, business enterprises, industries and the whole society. Government intervention in the provision of such goods and services is therefore, very important and this can be facilitated if the community pays taxes. Minychel.(2017) The government expenditure is financed through four main sources: government revenue, internal and external borrowing, and printing money. Taxation has been the main source of revenue for the bulk of government activities. Taxation is a system of raising government revenue through tax. It is a system of collecting money by government to finance its operation Gupta.(2001). Tax is defined as a "a compulsory contribution payable by an economic unit to a government without expectation of direct and equivalent return from the government for the contribution made" Bhatia.(2003).Adde and Gundarapu(2012) stated that the objective of a modern tax is not only to expand the revenue for the government but also to stabilize the economy of the country. Governments are imposed tax on their citizens in order to make influence on the consumption, production and distribution so that ensuring the social welfare of the peoples through the economic development of a country. As stated in the booklet published by ECC and EBDSN (2005), government provides public goods such as constructing roads, electric power, municipal services and the like using the revenue collected from tax. The public should pay tax to the government in order to fulfill those public goods and services. Musgrave, (1989) defines tax as a compulsory payment and the huge portion of the government revenue. Similarly, Bhatia.(2003) defines tax as a compulsory payment collected by the government without receiving a definite and direct quid pro quo from the government. The authors on taxation agreed on its obligatory payment paid by the persons to their government without getting any direct benefit for the payment they made. As stated in the booklet published by ECC

and EBDSN (2005), government provides public goods such as constructing roads, electric power, municipal services and the like using the revenue collected from tax. The public should pay tax to the government in order to fulfill those public goods and services. Developed and underdeveloped countries stand for two different angels regarding the objectives of taxation. The developed countries have an objective with the tax system of stabilizing the income and employment thereby their economy. This is because the economic growth is not a primary concern for the developed countries as a result of saving and investing capacity they have. However, underdeveloped countries have a primary objective of raising government revenue through tax for the economic growth and removal of poverty and inequalities of their country Bhatia. (2003).

2.1.1 Characteristics of a Good Tax System

The good tax system Musgrave (1989), Gupta (2001) and Bhatia, (2003) includes the following major attributes: the government must have using different tax bases in order to collect adequate revenue from tax for its expenditures; governments should consider the attitudes of the tax payers when designing the tax system; even if the tax payers want to be free from the tax burden, the tax system should be equitable to the tax payers plus the overall burden of the tax system is of equal importance; a good tax system recognizes the basic rights of the tax payers. The tax payers should pay their tax liability without harassment i.e. the tax system should allow fair and non-arbitrary administration and should be understandable by the tax payers. In addition, administration and compliance costs should be as low as is compatible with the objectives of taxation

2.1.2 Classification of Taxes

Gupta. (2001) classified taxes based on the tax bases as; **taxes on income and expenditure**; governments' collects tax from the persons based on the level of income and the expenditures they make; **Taxes on property and capital transaction** are levied on the property of the owner and/or on the capital transactions made. It includes wealth tax, gift tax, etc; **Taxes on commodities and services** are taxed from the tax payers when making expenditures such as custom duties, excise duties, VAT, etc. Taxes are also classified based on the burden of taxes which are **direct** and **indirect taxes**. Direct tax is a kind of charge, which is imposed directly on the taxpayer and paid directly to the government by the persons (juristic or natural) on whom it is

imposed. A direct tax is one that cannot be shifted by the taxpayer to someone. And indirect tax is a tax collected by an intermediary (such as a retail store) from the person who bears the ultimate economic burden of the tax (such as the customer). An indirect tax is one that can be shifted by the taxpayer to someone else. An indirect tax may increase the price of a good so that consumers are actually paying the tax by paying more for the products.. It includes custom duties, excise tax, TOT, VAT, etc. Now the researcher reviews the merits and demerits of the direct tax as indicated in Gupta (2001), Assamnew (2012) and Tilahun, A.(2014) since the scope for this study is concerned with one of the types of these taxes, which is rental income tax.

Merits of Direct Tax

Direct taxes are equitable as they imposed on the basis of the principle of progression. The tax payers are the rate and the amount are known by tax payer as well as collector; they have a progressive nature and can reduce inequalities. Governments can also get more revenue by increasing the rates of taxation so that they satisfy the principle of elasticity. Furthermore, the rates of direct taxes can be altered in time to avoid their adverse effects on the willingness and ability to work, save and invest.

Demerits of Direct Taxes

Direct taxes violates the canon of convenience i.e. they are payable in the lump sum basis which makes the tax payers uncomfortable; they are certain so that the tax payers have awareness regarding the tax rate they are paid and can easily evade the tax authority by reporting fictitious amount; they lack scientific principle to determine the degree of progression in taxation i.e. they are arbitrary in nature so that, the authorities may underestimated or overestimated the taxable capacity of the peoples. Moreover, it has an adverse effect on the willing to work and save if higher taxes are levied on the income of the tax payers.

Authors on the tax system also classified taxes based on the basis of progression of tax as proportional, regressive and progressive tax system. The tax is said to be **progressive** when the rate rises over the tax base. The tax base is more progressive over the lower- middle range, then flattens out and further it becomes essentially proportional over the higher ranges. Income and property tax mostly have progressive nature with the intention that with the increasing of income &/or wealth, the tax liability will also increasing.

In **proportional** taxation, the tax is proportional for a range over which the rate is constant so that the tax liability increases in the same proportion as the increase in income. In this tax system, the governments collect the same proportion of the income &/or property from the tax payers. Arguments in favor of and against progressive and proportional tax system are described Since Ethiopia applies only the two types of tax system for the rental income tax Haymanot,A.(2013)

Arguments in Favor of Progressive Taxation

The progressive tax rates are just and equitable i.e. inequalities are reduced between the rich and poor by taking away the higher proportion of income and wealth of the rich than the poor. The cost of collection does not rise with the increase in the rates of taxes so that the taxes are justified economically. The progressive tax system has the nature of elasticity i.e. the revenue can be increased by increasing the rates of taxes and vice versa. The growth and economic stability can be achieved by using progressive taxes since it can reduced consumption demand and resource mobilization may directed towards productive investment which increase the supply of commodities.

Arguments against Progressive Taxation

The progressive taxation has an arbitrary nature. Since there is no guiding principle for the tax rates to be determined, the government can increase or decrease the tax rate arbitrarily and may affect the tax payers' attitude. Progressive tax discourages the capital formation of the peoples of the country. It adversely affects the production and discourages the growth of industry. The saving potential may also be lost or reduced. It encourages evasion i.e. the tax payers can easily evade the amount of tax by reporting fictitious document in their income and wealth.

Arguments in Favor of Proportional Taxation

The relative position of the tax payers is not affected since the tax rate is similar among the tax payers. So that proportional tax is neutral in terms of the allocation of resources of the economy to different uses. Proportional taxation has simple administrative system. The tax rates are uniform for both the poor and the rich, the tax payers do not feel uncomfortable of paying their tax. It is also convenient and easy in terms of fixing the rate. Proportional taxation fulfills the

canon of certainty therefore; governments can easily estimate and compute the amount of taxes because of applying the same tax rate for all tax payers. The willingness of the tax payers to work and save is not affected while the rates of taxes are constant. Proportional taxes are also just and equitable since the burden of tax goes up in the same proportion as the income increases.

Arguments against Proportional Taxation

Some people who are against this principle argue that proportional taxation system is not just and equitable. The poor pay greater amount of tax as a result of greater marginal utility than the rich people. However, justice needs that the sacrifice made by each tax payer should be equal in paying tax. The proportional taxation may not give adequate resources hence the same tax rate imposed on the rich and the poor, the government cannot get what the rich tax payers can give because of this reason the system is not provide sufficient revenue for the government with its increasing financial requirement. The revenue from proportional tax system also cannot increase as the government needs since the tax rate is heavy for the poor than the rich so that it does not fulfill the principle of elasticity.

2.1.3 Canon of Taxation

There are **four canons of taxation** as prescribed by Adams,S.(1776).

Canon of equality: Every person should pay depending on the individual's ability to pay. Higher income individuals should pay more because without protection of government they could not have earned and enjoyed their income taxes should be proportionate to income

Canon of certainty: in this canon, smith shows that the tax system should be comfortable to both the government and the tax payers. The tax a person should pay should not be arbitrary Taxpayer should know in advance ,The tax system also should clearly state the amount to be paid, the time to be paid and The form the tax is to be paid The government should also be certain of the amount it will collect from the tax

Canon of convenience: when designing the tax system, the time and manner of payment should be convenient for the tax payer. The time which is most available to the tax payers and how they are paying their tax should be carefully selected.

Canon of economy: The cost of collection should be low compared to the tax collected. Tax collection should be efficient taking no more from the taxpayer than is necessary to defray the cost of providing services. The amount collected should cover the full cost of providing governmental services (Balanced budget). In addition to the canon of Smith, some of the canons of taxation written by others are canon of productivity, canon of Elasticity, canon of simplicity, canon of Diversity, canon of Flexibility, canon of Neutrality and canon of coordination. Bhatia, (2003) and Gupta, (2001).

2.1.4 Approaches /Theories of taxation

There are various Approaches /theories of taxation. Musgrave(1989), Gupta (2001) and Bhatia (2003) which are described as follows.

Cost of Service Approach

This approach is the oldest approach and it is levied taxes based on the cost the government is incurred on different services for the benefit of individual tax payers. The citizens are protected from getting any benefit if they are not paying the cost. This approach has many limitations; there is a problem of measuring the costs of the states i.e. the benefit received by each individual like defense, so that it is very difficult to accept this approach as the basis for taxation; it is not fair in a welfare state since it becomes difficult for the government to perform various functions if cost is taken as the basis for taxation; and it is not in accordance with the character of the tax system i.e. there is no direct pro quo to the tax payer and the cost of services received is fixed arbitrary which may not be justified.

The Expediency Approach

This approach states that every tax proposal should pass the test of practicability. There are different pressures from various groups of the society to protect and promote their own interests.

In this approach, the government bows before these pressures and formulates its tax policy. This approach is criticized in that it depends on many occasions and would increase inequalities and socio-economic injustice.

The Socio-Political Approach

According to Wanger (1880) cited in Gupta (2001), the factors that should be used for deciding the tax liability should be based on considering the socio and political objectives. He advocated that the tax system should not be designed to serve the needs of individual society rather it should be designed for the society as a whole. This policy has also limitations: it is more academic nature rather than of much practical relevance; the policy has encouraged the tax payers to evade.

The Benefit Received Approach

This approach is based on the principle that the government should levied taxes on peoples based on the benefit received from the state. If the government provides services to the society, they contribute to these supplies in proportion to the benefits received. In this principle the truly equitable tax system is based on the expenditure structure i.e. each tax payer is expected to pay for the benefits they received from public services. It is based on the combination of the cost and value of service principle. The drawbacks for this approach are: they have a nature of prices in which the peoples are willing to pay the services rendered to them; there is a difficulty of measuring the benefits received from the government expenditure (such as police army, education, road etc.); it does not perform the welfare activities of the state which brings in any distributive changes; the government fails to accomplish its objective of economic growth and stabilizing its economy. Since the benefits accruing to the total economy cannot be divided among the individual members of the society; it does not follow the objective of equity in taxation.

Ability to Pay Principle

In this approach, peoples are required to contribute on their ability to pay towards the cost of the government. It is not related to the expenditure determination and considers the tax as an obligatory payment without any direct benefit for the contribution made. This approach is widely accepted and the equity is categorized as horizontal and vertical equity. Horizontal equity states that those peoples with the same capacity have to pay the same amount of tax. And vertical equity recognizes that peoples with different capacity have to pay different amount of tax. There are two major opinions on the measurement of the persons' ability to pay: objective and

subjective indices of ability. The objective index of ability considers income, property, consumption and the size of the family as a measurement of ability to pay. Whereas, the subjective index considers the sacrifice to be evolved to measure the ability to pay i.e. each tax payer should make equal sacrifice, if the tax liability is justly distributed. There are three alternative ways to interpret equal sacrifice: equal absolute sacrifice, all tax payers should be treated equally under the law as well as all affairs of the government; Equal proportional sacrifice, the tax liability is disseminated in proportion of the tax payers' income i.e. no one is exempt from sharing the tax burden; Equal marginal sacrifice, the tax payers should Pay tax according to their income i.e. the tax liability is spread to different categories of tax payers that the marginal sacrifice of all the tax payers is equal.

2.1.5 Rental Income Tax in Ethiopia

Rental income taxes are a fundamental source of revenue to government in both developing and developed countries. However the amount of revenue to be generated from these sources for its expenditure program depends among other things, on the willingness of the individuals to comply with tax laws of a country Daba, (2017). With regard to rental income tax payers, Rizal, (2011) found that there is attitudinal and knowledge difference, unfair tax rate, dishonesty of rental tax payers, lack of awareness, complexity of tax law and regulation and inadequacy of government spending. According to Desta, (2010). Taxpayers perceive that tax evasion as a crime and as it indicates that there is an attention towards taxation by taxpayers. But the problem here is that there is poor compliance even though tax evasion is considered as crime by the taxpayers because of they think unfair and less transparent system and tax rate used and also non-believing on government spending on public services. In several developing countries it's observed that there is low capacity of tax administration to monitor compliance among rental taxpayers. Ethiopia, like any other developing countries, faces difficulty in raising revenue to the level required for the promotion of economic growth. Hence, the country has been experienced a consistent surplus of expenditure over revenue for long period of time Tesfaye, (2015) .In Ethiopia, the modern taxation system was introduced during the Emperor Haileselassie regime in the year 1944. In this year, Ethiopia enacted the first income tax law under proclamation no. 60 of 1944. At the same time rental income tax, one of the income taxes was also introduced in Ethiopia under Schedule B. It was collected from the income received from the rental of land and buildings which is used for other than agricultural purposes. Consequently, Derg was repealed

the rental income tax during its governing period. However, it was reintroduced during the transitional government period and it levied on income derived from renting houses, building, material and goods. In 1991, there was a change in government and made some reforms in the tax system. As a result, the rental income tax was amended in EPRDF by Proclamation No. 286 of 2002 and Proc. No. 608/2008 Worku, (2006), Abdella (2010) and Abate (2011). The Ethiopian Income Tax Proclamation No. 979/2016 states that, When the construction of a rental building is completed or when the building is rented, the owner and the builder are required to notify the administration of the kebele in which the building is situated about such Completion and the name, address, and tax identification number of the person (or persons) subject to tax on income from rental of the building. The kebele administration has the obligation to communicate this information or information obtained by the administration's own initiative to the appropriate tax authority. When analysis the data reported by jimma revenue authority rental income tax collected from tax payers in ten years in the study period was very low, due to unfair tax rate, dishonesty of rental tax payers, lack of awareness, complexity of tax law and regulation and inadequacy of government spending and less transparent system Desta, (2010) and Daba, (2017) .

2.1.6 Rental Income Tax Accounting in Ethiopia

As stated in the Ethiopian Income Tax Proclamation No. 979/2016, the taxable income from rental of a building includes; the income from the leases furnished quarters, the amounts received attributable to the lease of furniture and equipment. If the lessee re-leases the building and the amount received from the sub-lessor is more than the amount payable to the lessor, the difference between the amounts paid to the lesser and the income received from the sub-leasing is subject to tax. When the sub-lessor fails to pay for the payment of tax, the owner of a building who allows a lessee to sub-lease is liable for the payment of tax. The lesser may leases merely a building or a furnished building. In the case of a furnished quarter, for the purpose of tax, income from rental of a building includes; the amounts of the equipment and furniture received attributable to the lease. At the time of paying taxes, the taxpayers are allowed to deduct taxes paid with respect to the land and buildings being leased; except income taxes from income in computing taxable income. In addition to this, the tax payers are classified as: taxpayers who are not maintaining books of account and the taxpayers who are maintaining books of account for the tax purpose. For those taxpayers not maintaining books of account, one fifth (1/5) of "the gross income received as rent for buildings furniture and equipment as an allowance for repairs, maintenance

and depreciation of such buildings, furniture and equipment shall be deducted from income in computing taxable income; For those taxpayers maintaining books of account, the expenses incurred in earning, securing, and maintaining rental income, to the extent that the expenses can be proven by the taxpayer and subject to the limitations specified by this Proclamation; deductible expenses include (but are not limited to) the cost of lease (rent) of land, repairs, maintenance, and depreciation of buildings, furniture and equipment in accordance with Article 23 of the Proclamation as well as interest on bank loans and insurance premiums. In Ethiopia, tax is imposed on rental of a building by using proportional and progressive tax. The proportional rate is applied on the income of bodies on the taxable income which is 30% and the progressive rate is used for persons other than bodies as declared in the following table;

Table 2.1 Schedule ‘B’ Rental Income Tax Rate

| Taxable Income from Rental (per year) | | Income Tax Payable (in percent) |
|---------------------------------------|---------|---------------------------------|
| Over Birr | to Birr | |
| 0 | 7200 | exempt threshold |
| 7,200 | 19,800 | 10 |
| 19,801 | 38,400 | 15 |
| 38,401 | 63,000 | 20 |
| 63,001 | 93,600 | 25 |
| 93,601 | 130,800 | 30 |
| Over 130,801 | | 35 |

Source: Proclamation' No.979 /2016 Income Tax Proclamation

2.2 Review of Empirical literature

Aaron (1966) made a study on rent controls and urban development in Mexico City. He studied the effect of rent controls on the parties involved in the rent particularly on the tenants. He argued that, rent control should be avoided since it let the land lords to raise the price of rent on tenants. He gave an option for rent control which benefits tenants and the landlords also get no additional losses. The option he recommended in his study was, to make 100% tax on the landlord in excess of charging the tenant over the controlled rent but he/she can charge any rent

that wishes. And the money received is returned to the tenant as a subsidy. He also depicted that rent control is not efficient for the mechanism of income redistribution. Carr (1994) who conducted a study on rental income tax compliance and threshold rental rates indicates that, because of the availability of facilities in urban areas such as water and electricity, the landlords receive higher rental amount from tenants than rural areas. Tenants are not shifting their residence in the short run and also the rents shows a small increase because of rental income tax. In Gambia, the tax collectors were visiting to the lessors and collect the rental income tax even monthly. He further argued that, this kind of collection process makes the compliance and collection costs high. Therefore, taxes should be collected when the transaction is completed in order to reduce the collection costs. He also stated that, it is superior if making the lessor to pay in their municipal authorities rather than by the tax collectors. Carr (1994) concluded that centralization system is preferred to enforce the tax payers and to reduce the collection costs. He recommended that the enforcement should begin in urban areas where rents are more than in rural areas. He also recommended that; since the landlord may not live in the area where the rented building exists, the obligation to register is better to fall in the tenant rather than the landlord in order to increase the number of rental income tax payers and also the revenue of the government.

G/Selessie (2012) studied tax assessment and problems of Category “A” tax payers in Yeka sub-city of Addis Ababa city. The study included profit tax, VAT, and rental income tax. He had used mixed method approach i.e. both qualitative and quantitative approach. He used questionnaires and in-depth interview to collect his data. In his findings, he stated that, there is lack of investigating and managing those registered and unregistered tax payers regarding the tax office since there are inadequate employees. He also stated that, the tax payers submitted fictitious data to the tax authority. Additionally, he mentioned that, insufficient number of tax officers, lack of commitment by tax officers to exercise their duties adequately and poor tax attitude by taxpayers were other problems regarding the rental income tax assessment and collection problems.

Green (2011) made a study on thoughts on rental housing and rental housing assistance. He studied the reasons for the needs of rental housing and he talks about the programs that encourage the citizens to rent rather than to become homeownership. The researcher indicated

that rental housing is preferable for those peoples who move from place to place in order to avoid the fixed cost and the management cost of owning the house. He agreed that rental subsidies is apt for both equity and efficiency grounds. Green also studied policies that make the lessors advantageous by making three categories which are zoning policy, financial policy and tax policy. Since the scope of the paper would be focused on tax, this study focused on tax policy literature by taking away other policies. The researcher stated that owners get imputed rate. Taxing imputed rent is Difficult for explaining to the tax payers and it is not transparent and imputed rate is hard to be measured so that it is not usually taxed.

MCCLUSKEY, W.J.(1999). Studied the effect of the change in the residential property tax in Northern Ireland from the annual rental value to the capital value. In Ireland, Great Britain, they were used the net annual rental values for collecting taxes from rent. In NAV system the tenant was responsible for paying any rates, taxes or other public charges in addition to the rent he/she paid. According to the researcher NAV have major drawbacks which are lack of openness to the market and lack of transparency of the system. Another drawback of NAV system as the researcher cited McDowell; is the rates are regressive so that there is little correlation to ability to pay. Therefore, the Ireland changes its system from NAV to the capital value which has important implication in terms of both horizontal and vertical equity. The researcher concluded that the capital value basis has a significant redistribution of rates burden owing primarily to the lag between revaluations and the growth in property capital values. Smith (1983) studied the causes for rental housing that was occurred in Canada. He also compared the Canadian rental housing crisis with that of U.S. Before 1972 Canada had a tax structure that made the rental income free from tax. Whereas in the year 1972, Canada made revision to its tax structure i.e. the elimination of the tax on the rental income. The researcher stated that this introduction of rental income tax is the major one to rental crisis of Canada with other factors such as rent control, increasing inflationary expectations and government support towards other housing mechanisms. Therefore, according to his study, the investment towards rent was decreased as a result of the above factors so that rental housing crisis was occurred. From his study, the researcher understands that the tax policy towards rental income should give emphasis in order to avoid the above mentioned problems.

Vadde, and Gundarapu, (2012) made research on the factors which affects the rental income tax payers by considering the tax system. They conducted the study by taking a sample size of 3 out of 7 kebeles and selected 140 sample sizes out of 5480 total populations in Mekelle city. They used purposive sampling technique to conduct the study. The researchers collected the data from both primary and secondary sources. From the primary data, they used structured questionnaire to gather data from the targeted population. The researchers found that there are rental tax payers who are behaving in dishonest way and there are also people who did not pay the rental income tax which affects the persons who pay the tax. They also found that majority of the rental income tax payers are not well educated so that they cannot easily understand the laws and regulations of the tax system. According to Vadde and Gundarpu, the reason for those tax payers who did not attended the tax training program are the poor control of the tax authority and/or lack of awareness of the rental income tax payers .

To conclude the literature review, there were various researches made regarding rental income tax in the world. However, most of the literatures are not the recent one. In some of the literatures, there is a view that the government should not control rent since it increases burden in tenants by the landlords. On the other hand, there should be enforcement for taxing income received from rent by governments and starts in urban areas in order to increase government revenue. And also the collection and compliance costs should be reduced as stated in the study of Carr. In Ethiopia, there are few researches made regarding RIT as the detail indicated above. The study made by Assamnew does not consider RIT in detail and also the study of Vadde and Gundarpu conducted Mekele city and focused on the taxpayers' problem. Haymanot .A, (2013), conducted a study on assessment and collection practice of rental income tax. She selected four Addis Ababa sub-cities using simple random sampling .Systematic random sampling was used to select the rental income tax payers. She found that, rental income taxpayers were having awareness regarding the rental income tax computation; there were also taxpayers who haven't awareness regarding the tax. Tilahun A. (2014) on the title Determinants of Tax Compliance Behavior in Ethiopia: The Case of Bahir Dar City Taxpayers with the objective to identify factors that determine tax compliance behavior has been open for empirical investigation. Accordingly the researcher used Frequency, percentage the data was collected using structured questionnaire. However, this study was conducted on Jimma city Revenue Office and focusing

on RIT from rental of buildings. Moreover, the target populations for this study were both the taxpayers and the management of the Jimma revenue authority.

2.3 Research Gap

From the literature examined, studies show inadequacies in the way provides a theoretical analysis of the hindering factors on failure to achieve full potentiality on rental income tax in Jimma city. The researcher believes that this study fills some gaps in the area of Rental Income tax factors not tested in the above study for the coming researchers and current policy recommendations in addition fill the literature and addresses the issue in depth by considering relevant to achieve full potentiality on rental income tax performance and follow ups as well as conduct awareness on the alternative recommendations that can be made to improve the performance of rental income tax. To the knowledge of the researchers no study has been carried out on the factors up to my reading on the study area and tax authority collected from rental tax was low (challenges of Collecting rental income tax, the relationship between rental income tax payment and rental income tax payers attributes and also in the contribution of total revenue) affecting rental income tax in Jimma city. Renting is significant in the growing cities. The reason is that, Jimma revenue authority is not focused on rental income tax as income of another income tax. And the other one is Jimma the center for the south west of the country. Therefore, the rental income tax payers are important in Jimma city like other cities of the country. Generally, this research has been different from previous studies in that it gives attention for rental income tax and the populations for the study comprises both the jimma revenue authority and the rental income tax payers. On average rental income tax revenue contributes 1.09%, in the research period covered (2008/09 to 2017/18) as the data from jimma revenue authority reported was rental income tax collected only. In general rental income tax is very important in revenue increasing as other income tax for growth of city.

Researcher declares that, the rental income tax practice and its contribution to total revenue systems from those; this paper focused on challenges of Collecting rental income tax, the relationship between rental income tax payment and rental income tax payers attributes and also in the contribution of total revenue. Therefore a research gap exists that need to be filled by doing a thorough survey on the rental income tax practice and its contribution to total revenue in Jimma city administration.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Study Area

The study was conducted in Oromia regional state, Jimma town revenue authority office. The site located is south western of Ethiopia and 356 km away from Addis Ababa city. According to the current used master plan, Jimma town has the total area of 100.2km² and The population of the town is estimated 206,943 until 2011. Currently the town undertakes its administrative duties and responsibility with three sub city, and seventeen kebeles Jimma town Planning, Development and Economic Office (2011) .The data concerning the study **variables** are collect on the rental income tax payers, sub cities revenue office and Jimma town revenue authority. By taking this in to account, the researcher select these rental income tax payers who pay their tax to the revenue tax authority office.

3.2 Research Design

The study followed a mixed method research design in order to achieve the stated research objective and to answer research questions. Specifically, the study used quantitative survey and qualitative in-depth interview and documentary analysis. To collection of information on large groups of respondents, with minimum costs. The survey was conducted with rental income tax payers while the in-depth interviews were conducted with management of jimma revenue authority and the managers of sub cities revenue office. In addition, documentary analysis was made referring annual reports of the past ten year which relevant for the conduct of the study.

3.3 Data Source

The study used both primary and secondary data obtained from various sources relevant to the study objective.

3.3.1 Secondary Data sources

Secondary data sources of the study mainly collected from different periodical reports by Jimma revenue authority. These data was obtained from literatures sources such as, reports, and other research related to this study. These sources were very useful in the literature review about Rental income tax administration and revenue performance, challenges and opportunity. The

literatures reviewed served for both theoretical and empirical base for the analysis of the data collected.

3.3.2 Primary data sources

The primary data were collected through standard questionnaire and interview. The researcher used both quantitative and qualitative methods of data collection to gather the data. Which data collected from rental income tax payers registered in jimma town revenue authority and the management of the revenue authority.

3.3.2.1 Methods of primary data collection.

The primary data were collected through standard questionnaire. The demographics of the respondents were firstly established in the questionnaire. The questionnaire comprised of both closed and open ended questions to allow the respondents to write their opinions without restrictions and interview was employee to obtain structured qualitative data from the management of the authority.

3.4 Target Population

The population considered in this study the rental income tax payers which locate in Jimma town. As per Jimma town revenue authority there are three sub cities. On the second stage of sampling procedure, a stratified sampling design proportion to size was employed to select the sample unit (tax payers) from each three sub-cites.

Table 3.1. Target Population

| Sub-cities | number of Rental income tax payers | sample Size |
|------------------|------------------------------------|-------------|
| Bacho Bore, | 149 | 45 |
| Kebele 5 | 121 | 37 |
| Hiramatamarkatto | 201 | 60 |
| Total | 471 | 142 |

3.4.1 Population and Sampling Design

The study population includes the rental income tax payers in Jimma town. Jimma town was classified into 3 sub cities and 17 kebeles. The target population, 471 rental income tax payers, is

distributed in these sub cities (Jimma city revenue authority, 2019). In line with the nature of the population, a multi-stage sampling procedure was used to choose study participants. First, three kebele where revenue authority office is located was purposively selected. In this three kebele jimma revenue authority branch located. The numbers of rental income tax payers are available in jimma revenue authority plus the populations are homogeneous, it is appropriate to collect the required data. It is, indeed, difficult to conduct this study by taking the whole population (i.e. universe), so that the sample was taken from the rental income tax payers. The researcher used Yamane' (1967) formula to calculate sample size. Thus, the sample size for this study is determining as under. Total population of the Rental income tax payers for three sub-cities = 471

$$n = \frac{N}{1 + N * (e)^2}$$

Where:- n is the sample size
N is the population size
e is the level of precision

$$n = \frac{471}{1 + 471 * (0.07)^2} = 142$$

3.4.2 The survey instrument

The survey instrument, questioner, was developed by the researcher based on the review of related literature. Questionnaires were used to collect data from rental income taxpayers. The schedules include both open-ended and close-ended questions to get enough information from the respondents. The questionnaire comprised of two parts, refer to as part I to II. The first part (part I) contained questions about the personal information, Part II generally produce information on respondents regarding rental income tax. The questioner selected to the rental income tax practice and its contribution *to tax* measurement using 5 point likert scale.

3.4.3. Survey Administration

The survey was conducted from March 2 to April 3, 2020. To ensure the data quality, the researcher directly approached the sample selected respondents while administering the survey. Each response from the respondents was recorded on the questionnaire by the researcher.

3.5 Method of Data Analysis

For the qualitative researches using interviews and questionnaire data collection methods the researcher analyzed the data to involved in identifying common patterns within the responses and critically analyzing them in order to achieve research aims and objectives. Scales of Measurement the type of data analysis used on a set of data and the relevant forms of pictorial presentation or data display. The decision is based on the scale of measurement of the data. These scales are nominal, ordinal and numerical.

- A nominal scale is where: the data can be classified into non numerical or named categories, and the order in which these categories can be written or asked is arbitrary.

- An ordinal scale is where: the data can be classified into non-numerical or named categories an inherent order exists among the response categories. Ordinal scales are seen in questions that call for ratings of quality (for example, very good, good, fair, poor, and very poor) and agreements (for example, strongly agree, agree, neutral, disagree, and strongly disagree).

-A numerical scale is: where numbers represent the possible response categories there is a natural ranking of the categories zero on the scale has meaning there is a quantifiable difference within categories and between consecutive categories

The researcher used two types of measurement scales in using SPSS which are nominal and ordinal scales. In addition the researcher used the following statically calculations to look insight into the responses:

| | Method of data analysis | Calculations |
|---|---|--------------------|
| 1 | To identify how many individuals check the answer | Frequency |
| 2 | To proportion people answer in certain way | Percentage |
| 3 | To average the number of scored | Mean |
| 4 | To show the degrees to which responses varies from the mean | Standard deviation |
| 5 | To compare one group with other | Cross tab |

Output data from SPSS version 20 was presented in the form of Percentages, Tables and Figures. Finally the relationships between responses were summarized in addition to interview ideas gathered from the respondent.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the analysis and discussions based on rental income tax practice and its contribution to total revenues of the city administration in case of Jimma town. The data was gathered from sample organizations through questionnaire as data collection instrument. A total of 471 (four hundred seventy one) rental income tax payers were identified as the population of the study. Questionnaire is given to 142 (one hundred forty two) sample rental income tax payers that are selected as respondents from rental income payers of each sub city office based on sampling technique. 139 (one hundred thirty nine) rental income tax payers have responded to the questionnaire. Three rental income tax payers did not respond to the questionnaire. Data was gathered through interview from the employee and management of the revenue authority. Tax variance analysis reports, rental income tax are used to collect secondary data. Based on this, table's graphs and charts are used to present the facts of the study.

4.2 Total tax revenue collection in the past tenth years

Under this chapter, the study discussed about Total tax revenue collection in the past tenth years from 2008/2009 to 2017/2018, tax revenue collection from domestic sources consisting of Personal income tax, Rental income tax, business income Tax, capital gain tax, , tax on interest income and withholding tax on goods and service as a direct tax and turn over tax on goods and services and timber tax as an indirect tax.

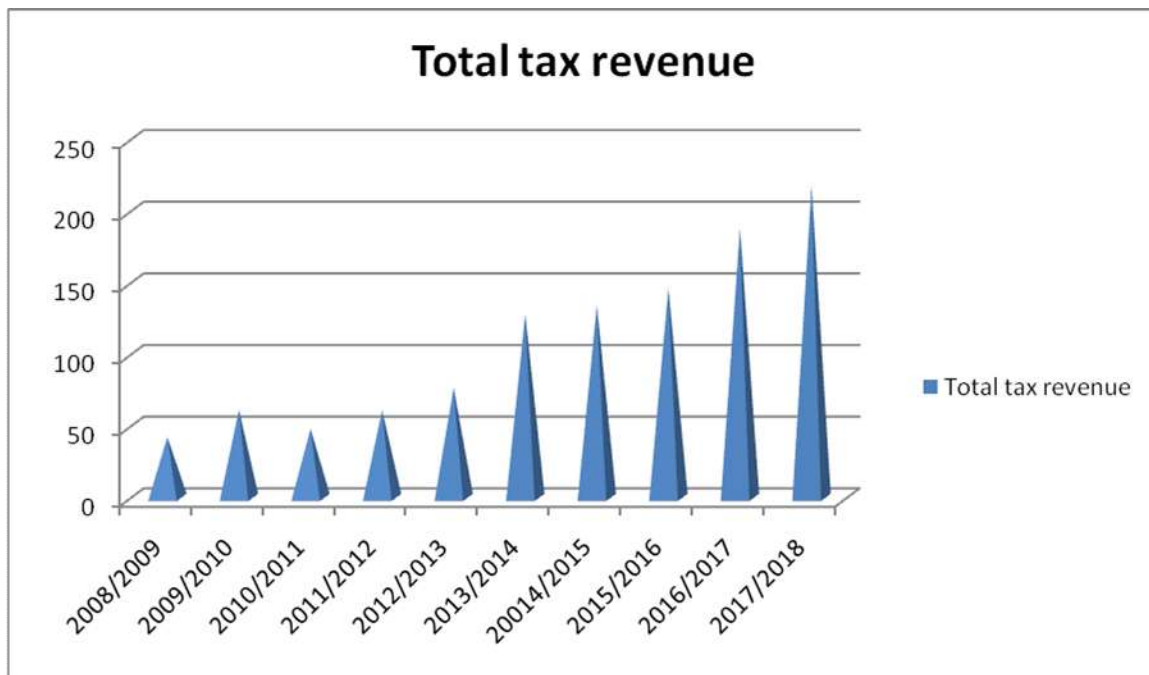
In the below listed tables the researchers presented domestic tax to total tax revenue ratio, From Oromia revenue to total revenue ratio, Rental income tax revenue to total tax revenue ratio. As stated on the objective the study the specific objectives are to look at rental income tax revenue contribution to tax revenue, in the past 10 years according the researcher presented in the following tables.

4.2.1 Tax revenue collection performance

Tax revenue is one of the most important domestic sources of revenue. Taxes are compulsory payments to government without expectation of direct return or benefit to tax payers. It imposes a personal obligation on the taxpayer. Taxes received from the taxpayers, may not be incurred for their benefit alone. In Ethiopia, government collect various types of taxes revenue: income and expenditure (income tax, corporate tax etc.), taxes on property and capital transactions

(estate duty, tax on wealth, gift tax etc) and(taxes on commodities and services, covers excise duties, customs duties, withholding tax ,VAT etc.)The aforementioned taxes types can be reclassified into direct and indirect taxes. Tax performance of a given country measured in terms of ability to collect tax from the total GDP in the year which is tax to GDP ratio. As jimma level Tax performance measured in terms of ability to collect year to year changes of ratio. From the table 4.1 below, the researcher concluded that on average Jimma revenue authority collects 110.266 million birr in the past ten years from 2008/09 to 2017/18. The Total Tax Revenue collection was increased from time to time and Jimma revenue authority collects birr 217.69 million in year 2017/18 from tax

Table 4.1 Total tax revenue collected by Jimma revenue authority from 2008/2009 up to 2017/2018



Source: JRA and JFEC

4.2.2 Sources of tax revenue

In the research period Jimma town collects tax revenue from two sources which were collected from their tax payers and from oromia Finance and Economic Development sources as depicted on the table 4.2 below collected from their tax payers of tax revenue contributes 78.99% in the years 2008/09 to 2017/18 and from Oromia Finance and Economic cooperation contributes 21.01% in the years 2008/09 to 2017/18

Table 4.2 Total tax revenue by source and their percentage contribution to tax revenue

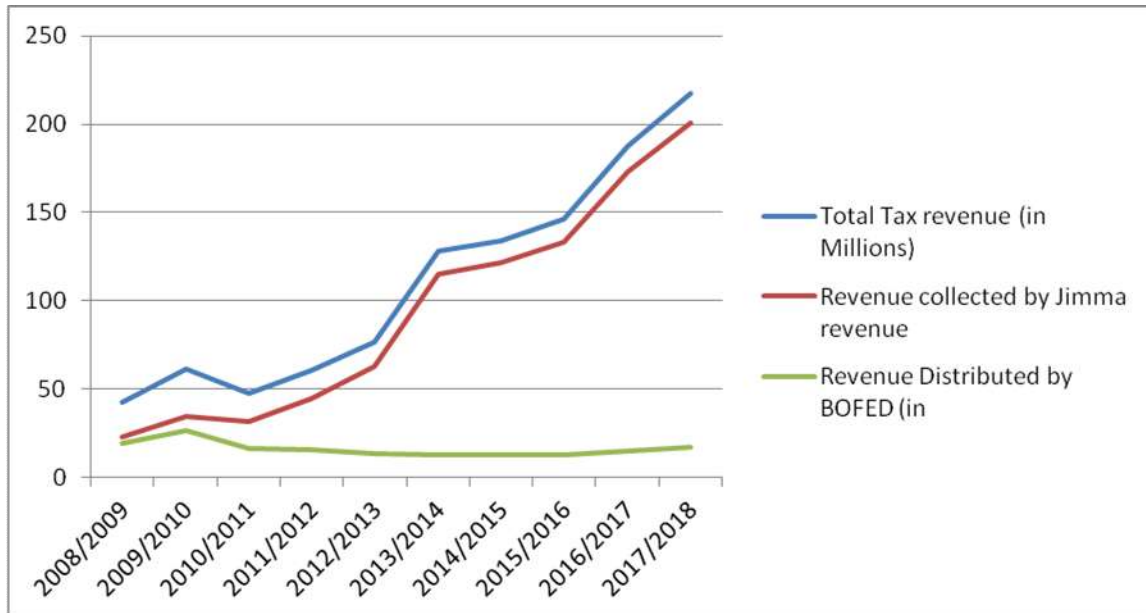
| Years | Total tax revenue (in millions of Birr) | Revenue collected by Jimma revenue office (in Millions) | Revenue Distributed by BOFED (in Millions) | Revenue collected by Jimma revenue office to Total tax revenue ratio | Revenue Distributed by BOFED to Total tax revenue ratio |
|-----------|---|---|--|--|---|
| 2008/2009 | 42.27 | 23.09 | 19.18 | 54.63 | 45.37 |
| 2009/2010 | 61.19 | 34.88 | 26.31 | 57.00 | 43.00 |
| 2010/2011 | 47.9 | 31.70 | 16.20 | 66.18 | 33.82 |
| 2011/2012 | 60.91 | 44.91 | 16.00 | 73.73 | 26.27 |
| 2012/2013 | 76.65 | 63.08 | 13.57 | 82.30 | 17.70 |
| 2013/2014 | 127.9 | 115.26 | 12.64 | 90.12 | 9.88 |
| 2014/2015 | 134 | 121.38 | 12.62 | 90.58 | 9.42 |
| 2015/2016 | 146.15 | 133.14 | 13.01 | 91.10 | 8.90 |
| 2016/2017 | 188 | 173.02 | 14.98 | 92.03 | 7.97 |
| 2017/2018 | 217.69 | 200.69 | 17.00 | 92.19 | 7.81 |

Source: JRA and JFED

Revenue collected by Jimma revenue office contribution below 80% to tax revenue in the first four years (2008/2009 to 2011/2012) which and shows incremental each year. After 2012/13 onwards contribution of Revenue collected by Jimma revenue office exceeds 80% and reached 92.19% in year 2017/18 these shows the policy direction of Jimma town and organizational vision to cover government expenditures from own sources by raising enough tax from domestic /collect by Jimma town sources. The researcher concluded that revenue collected by Jimma town Shows incremental over time which in line with government policy and recommended as the best source of tax income. Revenue Distributed by BOFED contributes above 20% to tax revenue in the first four years (2008/009to 2011/2012) which and shows declining each year. After 2012/13 onwards contribution of Revenue Distributed by BOFED below 20% and reached 7.81% in year

2017/18. Researcher concluded that declining the Revenue Distributed by BOFED of income support Jimma town policy direction and good improvement..

Graph 4.2 sources of tax revenue as Revenue collected by Jimma revenue office and Revenue Distributed by BOFED



4.2.3 Types of Tax revenue

In Ethiopian context there are major two types of tax as direct and indirect taxes and customs related taxes. Direct tax consists of tax on employment, business profit tax, tax on income from rental of building, tax on interest income on deposits, dividend income tax, tax on income from royalty, tax on income from games of chance, tax on Gains of Transfer of Certain Investment Property, Tax on Income from Rental of Property, Rendering of Technical Services Outside Ethiopia, Agricultural Income Tax and Land Use Tax. Indirect tax consists of turn over tax; value added tax, excise taxes and customs duties. In the table below the researcher identified the contribution of Rental income tax to tax revenue, to answer the specific objective number one of the study saying rental income tax contribution to tax revenue accordingly the result was presented succinctly.

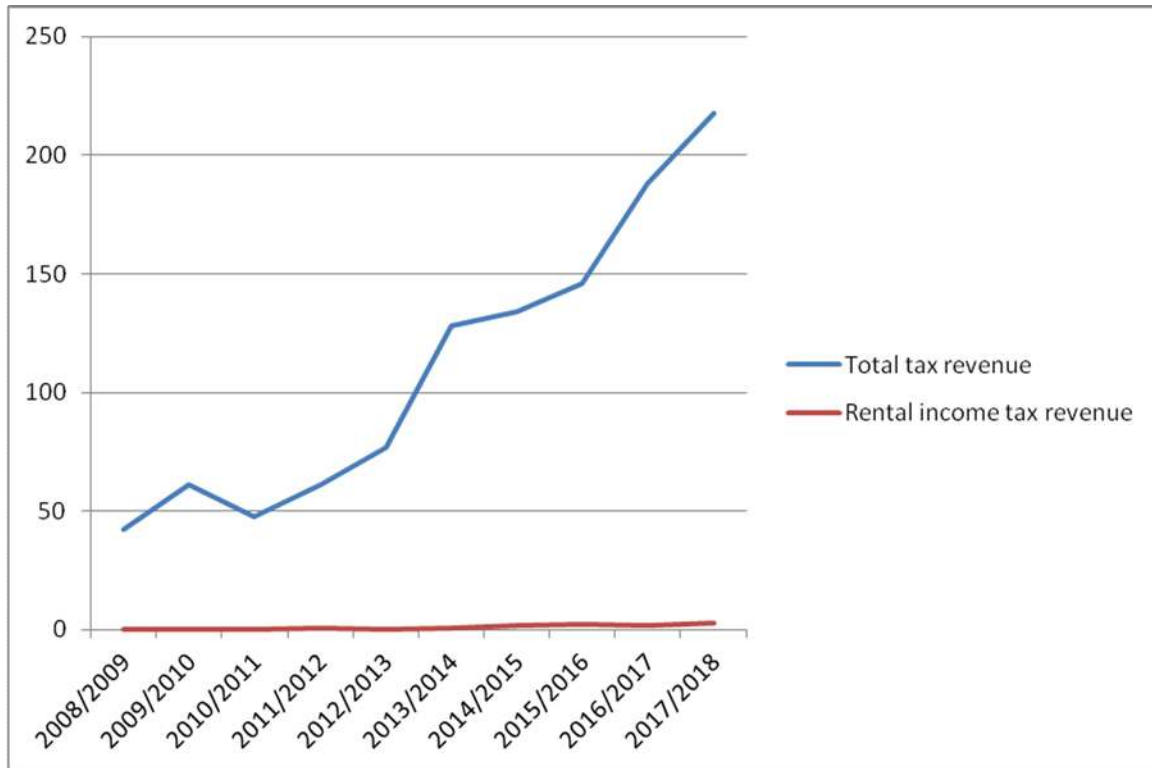
Table 4.3 rental income tax revenue and their respective percentage share to tax revenue

| Year | Total Tax revenue (in Millions) | Rental income tax revenue (in millions) | Rental income tax revenue to Total tax revenue Ratio |
|-----------|------------------------------------|---|--|
| 2008/2009 | 42.27 | 0.23 | 0.54 |
| 2009/2010 | 61.19 | 0.21 | 0.34 |
| 2010/2011 | 47.9 | 0.39 | 0.81 |
| 2011/2012 | 60.91 | 0.5 | 0.82 |
| 2012/2013 | 76.65 | 0.3 | 0.39 |
| 2013/2014 | 127.9 | 0.69 | 0.54 |
| 2014/2015 | 134 | 1.84 | 1.37 |
| 2015/2016 | 146.15 | 2.17 | 1.48 |
| 2016/2017 | 188 | 1.81 | 0.96 |
| 2017/2018 | 217.69 | 2.75 | 1.26 |

Source: Source: JRA and JFED

From the above table on average rental income tax revenue contributes 1.09%, in the research period covered (2008/09 to 2017/18) as the data from JRA reported. The maximum rental income tax to total tax ratio was registered in year 2015/16 having the value of 1.48% while the minimum registered in year 2009/2010 with the value of 0.34%. It is, thus inferred from the results that the contribution of rental income tax was varying over years covered in the research period. Even if rental income tax from years of 2009/2010 to 2011/2012 had showed incremental, but showed a declining pattern on year of 2012/2013 declining, years of 2013/2014 to 2015/2016 increasing and then declining, these indicates that the contribution of rental income tax to total income tax collected by the Jimma Town revenue authority remained small and showed decline in some years. This shows that jimma revenue authority to collect tax from rental income is very low and not focused on rental income tax as others income tax. The result also suggested that there are some scopes for improvement on the rental income tax assessment and collection practices in the town in order enhance the amount of rental income tax in a consistent manner with expected increase in rental property holding in the city, that is demonstrated by increasing number of commercial buildings and house construction in different parts of the city.

Graph 4.3 tax revenue and rental income tax



4.3 characteristics of study participants

Information's how the Characteristics of the components in the sample size are: As such the researcher required to establish the general information of the respondents, which forms the basis under which the analyses are done.

Table 4.4 characteristics of participants

| Gender | | Frequency | Percent |
|------------------------|--|------------|------------|
| Gender | Male | 85 | 61.2 |
| | Female | 54 | 38.8 |
| | Total | 139 | 100 |
| Age bracket | 18-30 | 14 | 10.07 |
| | 31-45 | 99 | 71.22 |
| | Above 45 | 26 | 18.71 |
| | Total | 139 | 100 |
| Marital Status | Single | 31 | 22.3 |
| | Married | 93 | 66.9 |
| | Divorced | 6 | 4.3 |
| | Widowed | 9 | 6.5 |
| | Total | 139 | 100 |
| Academic Qualification | No formal Education & unable to read and write | 0 | 0 |
| | No formal education but able to read and write | 2 | 1.439 |
| | Complete primary Education | 15 | 10.79 |
| | Secondary School Complete | 37 | 26.62 |
| | TVET/Diploma and above | 43 | 30.9 |
| | First degree and above | 42 | 30.2 |
| | Total | 139 | 100 |

Source: Own data survey, 2020

Characteristics participants one examined the gender of the respondents. This information was necessary to enable the researcher to obtain information on whether the respondents were either male or female. Sixty one point two percent (61.2%) of the respondents were male whereas Thirty eight point eight (38.8%) were female.

Demographic factor displays the age brackets of respondents, (10.07%) of the respondents are between 18-30years of age, (71.22%) are between 31-45years, and those above 45years of age are (18.71%).Therefore, both the young and old ages were paying the rental income tax.

In terms of rental income tax payers marital status, the results of this study showed that, the majority of respondents 31 (about 22.3 percent) were single, 99 (66.9 percent) were married and the rest 15 (10.8percent) were both divorced and widowed.

Demographic factor examines the academic credentials of the respondents. The information is necessary to assist the researcher to recognize whether the respondents are educated or illiterate. Information on the academic qualifications of the respondents is statistically shown in table 4.1 above. It reflects the academic qualifications of the respondents. One point forty four percent (1.44%) no have formal education, Ten point seventy nine percent(10.79%) have a completed primary school certificate, Twenty six point sixty two percent (26.62%) have a completed secondary school certificate, thirty point nine percent(30.9%) have a diploma and thirty point two(30.2%) hold first degree and above .

4.4 Regarding the Rental Income Tax practices

4.4.1 Distribution of respondents by Sources of Income.

The survey instrument asked whether respondents have earnings other than the rental income on which they are subject to pay tax. The results are summarized on table 4.5 below.

Table 4.5 Information about other income source except rental income

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|--|-------|-----------|---------|---------------|--------------------|
| | yes | 58 | 41.7 | 41.7 | 41.7 |
| | no | 81 | 58.3 | 58.3 | 100.0 |
| | Total | 139 | 100.0 | 100.0 | |

Source: Own data survey, 2020

As indicated in table 4.5. The majority of rental income tax payers (58.3%) have no other income source than the rental income which implies the fact that their livelihood mainly depends on their rental income. And the remaining of 41.7% replied that they have additional incomes sources such as other business.

4.4.2 Information about the Rental Income Tax Payment

Information about rental income tax was requested from respondents. The response of the respondents about the information of rental income tax payments indicates the below table 4.6. Hence, majority of respondents (56%) stated that they were familiar about the payment of rental income tax from the jimma revenue office; 23 % had got the information from the sub -city and the remaining 13% and 8 % responded that they got information from media and friends respectively. From this data, the researcher understands that, the jimma revenue authority office were contributed greater part than sub cities. But sub cities were contributed greater than Medias and friends to aware the societies about rental income tax. However, Medias were also the next collaborator with respect to giving information about the payment of rental income tax. Besides, friends play an important role even if their contribution is very small.

Table 4.6 how do you know there is payment of rental income tax

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|----------------------|-----------|---------|---------------|--------------------|
| Jimma revenue office | 78 | 55.7 | 56.1 | 56.1 |
| sub city | 32 | 22.9 | 23.0 | 79.1 |
| Media | 18 | 12.9 | 12.9 | 92.1 |
| Friends | 11 | 7.9 | 7.9 | 100.0 |
| Total | 139 | 99.3 | 100.0 | |

Source: Own data survey, 2020

4.4.3 Information about the Extent of the Payment Period.

Table 4.7 shows that the rental income tax payers were also asked about how long they have been paying the rental income tax. The largest percentage (82.7%) of the rental income tax payers have been paying rental income tax from one to three years; 11.5% of them have been

paying four to six years and the rest, 5.8% of the respondents were starting to pay the rental income tax from seven to ten years.

Table 4.7 rental income tax payment period.

| | Frequency | Percent | Valid Percent | Cumulative Percent | mean |
|------------|-----------|---------|---------------|--------------------|------|
| 1-3 years | 115 | 82.7 | 82.7 | 82.7 | 1.23 |
| 4-6 years | 16 | 11.5 | 11.5 | 94.2 | |
| 7-10 years | 8 | 5.8 | 5.8 | 100.0 | |
| Total | 139 | 100.0 | 100.0 | | |

Source: Own data survey, 2020

4.4.4 Forms of Registration

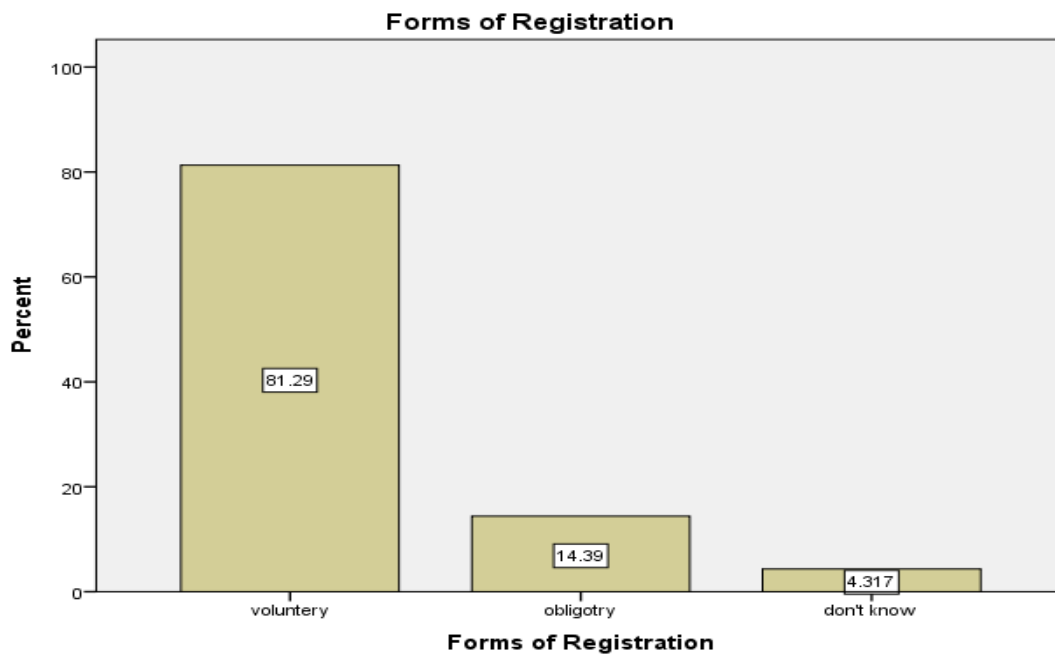


Figure 4.1 Form of registration.

The tax authority registers the rental income tax payers either voluntarily or obligatorily. The researcher poses the question to the rental income tax payers whether they were registered voluntarily or obligatorily to pay tax. As indicated in figure 4.1, 81.29% of the respondents were registered voluntarily to pay rental income tax, 14.39 % were registered obligatorily and the remaining 4.317 % do not know how they were registered to pay rental income tax. This implies

that, if other lessors who meet the criteria for registration have information about the tax, they could register for the rental income tax. The interview result also supports the finding in that, most of the rental income tax payers were registered voluntarily. The reasons for this as specified by those interviewees were; the rental income taxpayers were taking the development of the country in to account; participating on bidding to competitive for rent the body of government, they recognized they were not free from requesting for payment of the tax. In addition to this, if the rental income tax payers were making financial statements, they fear not to lose the expenditure they incurred.

The interview also indicates that, there were rental income tax payers who were registered obligatorily. The reasons for obligatorily registrations were: the rental income tax payers feared the punishment; the intelligence departments are discovering those who are not registered, so that they are making them to pay the tax moreover, the lessee is expected to take Tin No. from the authority so that the lessor is paid obligatorily.

4.4.5 Knowledge of taxpayers about the rental income tax rate

As indicated in table 4. 8, the majority of rental income tax payers (76.3%) know the tax rate for making the payment of rental income tax whereas 23.7% of the samples have no knowledge of the rental income tax rate.

The rental income tax payers who have awareness about the rental income tax rate stated the mechanisms of knowing the tax rate in the open-ended questions. These mechanisms were; brochures, book which was prepared by the Oromia Revenue Authority and the income tax proclamation. They also mentioned that, the tax experts of the authority give description about the tax rate. Those rental income tax payers who lack awareness on the tax rate also express the reason in the open-ended questions. They stated that, Jimma revenue authority didn't give emphasis to create knowledge and to give training on the tax rate, there is no explanation about the rental income tax rate while, other respondents accounted themselves in that, they are not initiated and motivated to know the rental income tax rate

In contrary to Vadde and Gundarapu (2012) study, who concluded that the rental income tax payers lack knowledge on the computation of taxable income, this study found that the rental income tax payers had awareness regarding the ways rental income tax is computed.

Table 4.8 knowledge of tax payers about rental income tax rate

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-------|-----------|---------|---------------|--------------------|
| Valid | yes | 106 | 76.3 | 76.3 | 76.3 |
| | no | 33 | 23.7 | 23.7 | 100.0 |
| | Total | 139 | 100.0 | 100.0 | |

Source: Own data survey, 2020

4.4.6 Knowledge on nature of rental income liability

There are three types of rates for making tax payments which are progressive, regressive and proportional tax rates. In Ethiopia, both proportional and progressive methods were used for making rental income tax. The proportional tax system is applied on the income of bodies while the progressive method applied on income of rental income tax payers other than bodies.

Table 4.9, The tax system for paying the RIT liability

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|--|--------------|-----------|---------|---------------|--------------------|
| | Progressive | 108 | 77.7 | 77.7 | 77.7 |
| | Proportional | 3 | 2.2 | 2.2 | 79.9 |
| | don't know | 28 | 20.1 | 20.1 | 100.0 |
| | Total | 139 | 100.0 | 100.0 | |

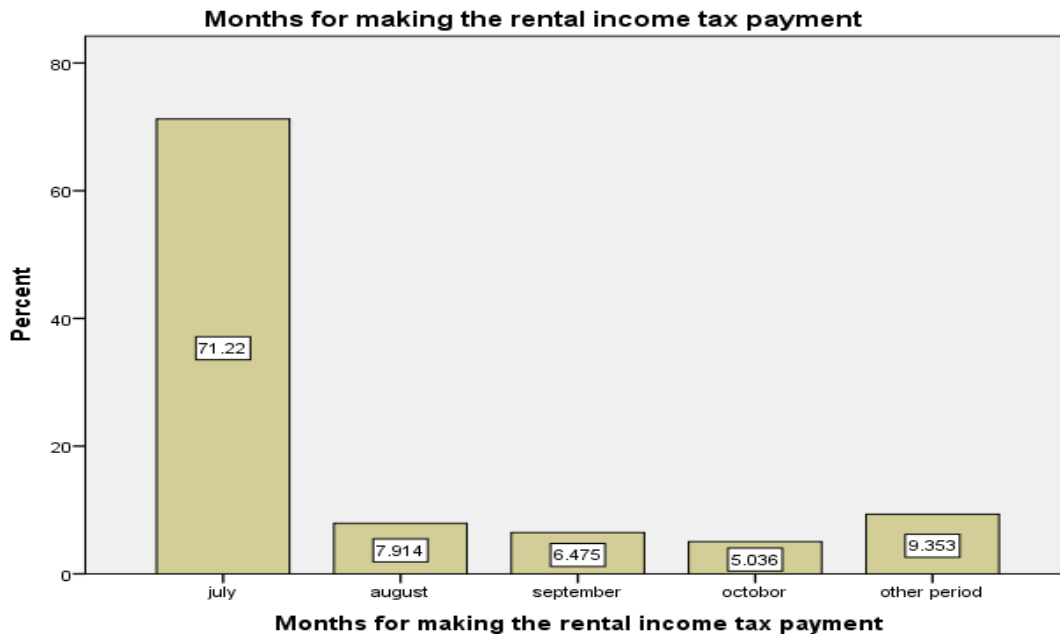
Source: Own data survey, 2020

As indicated above in table 4.9, 77.70 % of the total sample population was paying their rental income tax liability based on progressive tax rate and 2.16 % of the respondents were paying based on proportional tax rate and 20.14 % do not understand about the rental income tax system, This figure indicates that, majority of the rental income tax payers were paying based on the progressive method i.e. as their income from rental of buildings increase; the rental income tax payment also increases. In the case of proportional tax rate some rental income tax payers have Private limited company and share company.

4.4.7 Knowledge on time of rental income tax payment

The rental income tax payment is carry out based on the category of income that the rental income tax payers fall. Category 'C' tax payers (up to birr 500,000 annual income) are expected to pay their tax from July 7 to August 6; Category 'B' tax payers (from birr 500, 000 to birr 1000,000 annual income) are expected to declare and pay tax after the budgetary year of continues two months and Category 'A' tax payers (Above birr 1000,000 annual income) are expected to declare and pay tax after the budgetary year of four months. The researcher included the question about the period of payment for rental income tax payers and the results were presented below in the chart.

Figure 4.2 Months for making the rental income tax payment



As indicated in the above figure 4.2, the majority of the rental income tax payers (71.22%) were paying their rental income tax on July; 7.914% of the rental income taxpayers were paying on August and 11.51% were paying on September and October. The rest 9.35 % of the respondents mention different months for paying the rental income tax. In addition to this, the result shows mass of the respondents were paying in July. This indicates that majority of rental income tax payers registered on category C tax payers.

4.4.8 Reasons for Nonpayment of the RIT

For rental income tax purpose, if an individual obtain birr 7201 annual income, he/she has expected to pay the rental income tax. However, there are individuals who qualify this threshold and not paying the tax. As indicated below in the table, the researcher requested the respondents the reasons for not paying the rental income tax regarding the lessors who meet the threshold.

Table 4.10, Reasons for nonpayment of the RIT

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|-----------|---------|---------------|--------------------|
| Lack of knowledge about the rental income tax | 115 | 82.7 | 82.7 | 82.7 |
| Lack of enforcement from the Government | 5 | 3.6 | 3.6 | 86.3 |
| Carelessness of the Lessors | 17 | 12.2 | 12.2 | 98.6 |
| Other | 2 | 1.4 | 1.4 | 100.0 |
| Total | 139 | 100.0 | 100.0 | |

Source: Own data survey, 2020

As shown in table 4.10, the higher percentage (82.70 %) of the sampled population responds lack of knowledge about the tax is the reason for not paying the rental income tax; 12.20 % of the respondents cited carelessness of the lessors as the major reason for nonpayment of the rental income tax; and the rest of 3.60% responded lack of enforcement from the government as the reason for not paying the rental income tax. 1.4 % gives other reason. The respondents also mention other reasons for nonpayment of the rental income tax in the open-ended question which were: the income from the rent is not enough to support their life, the society is not convinced that the tax is benefited for themselves or for the development of their country, the authority does not create knowledge about the rental income tax to the society. Furthermore, the respondents stated that, some of the lessors feared the difficulty of the payment system that the tax payers mentioned so that they were not registered for the rental income tax payment. This finding shows

that, most of the lessors who qualify the threshold were not paying the rental income tax because of lack of knowledge about the rental income tax.

4.4.9 Results concerning the training and period of rental income tax

Table 4.11 Results concerning the training and period of rental income tax

| | Frequency & Percentage of response | |
|--------------------------------------|------------------------------------|------------|
| | Yes | No |
| Training from the tax authority | 25 (18%) | 114 (82%) |
| Payment of rental income tax on time | 102(73.38%) | 37(26.62%) |
| Punishment for late payment | 41(29.50%) | 98(70.50%) |

Source: Own data survey, 2020

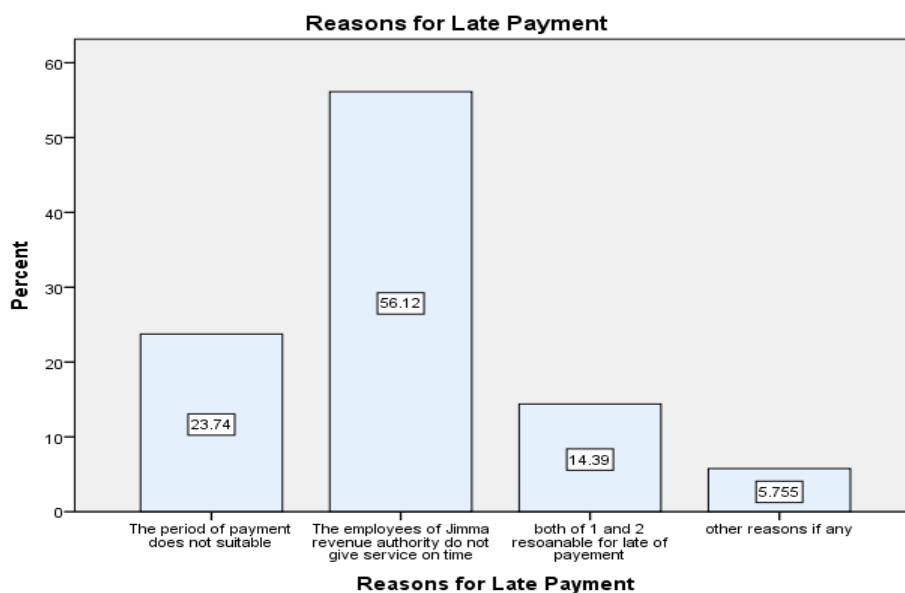
Table 4.11, shows whether the rental income tax payers obtain any training from the tax authority regarding the rental income tax. The greater percentage (82%) of the respondents replied that, the authority didn't give any training to the tax payers whereas; only 18% replied that, they obtained training concerning the rental income tax. Making payment of the tax on the given period benefits both the rental income tax payers and the authority for the reason that, the rental income tax payers would be free from punishment Resulted from late payment and the authority also able to collect the revenue as it expected. Table 4.11 shows that 73.38 % of the respondents paid their tax liability on time whereas 26.62% of the respondents replied that they are not paying their tax liability on time.

Table 4.11 indicates whether there is punishment that the rental income tax payers face for late payment or not. From the total respondents, 70.50% replied that, they were not facing punishment for late payment and 29.50 % replied that, they were punished for late payment. The collection managements of the sub-cities and tax revenue office also replied in the interview, the authority mostly collects the rental income tax on time. However, there were also tax payers who do not pay their tax on time. Those who answered the rental income tax were collected as

the authority expects reason out that the taxpayers fear the punishment for late payment so that they were paying their liability on time. Whereas, those who said the rental income tax were not collected as the authority expects reason out that there is awareness problem and most of the rental income tax payers were not preparing financial statements. As the survey and the interview result indicates, the authority didn't give any training to the rental income tax payers separately. However, even if the rental income tax payers didn't get training from the tax authority, they had information from the authority to pay the rental income tax on time. From the rental income taxpayers' response on open-ended questions, the main reason for paying their tax on time was to escape from punishment.

4.4.10. The Reasons for Late Payment

Graph 4.3, reasons for late payment



Source: Own data survey, 2020

The researcher also requested the reason for late payment of the rental income tax. The result of the responses from the sample rental income tax payers is presented in the above chart. The graph 4.3 indicates that, 56.12% of the respondents replied that Jimma revenue authority's do not give the service on time is the reason for late payment. While, 23.74 % of the respondents replied the reason for late payment is unsuitability of the payment period (month). 14.39% of the respondents indicate both Jimma revenue authorities' do not to give the service on time and unsuitability of the payment period could be the reason for late payment. The remaining 5.755%

of the respondents pointed out other reasons for late payment. According to the respondents response, the tax payers were delayed the rental income tax payment because of inability to pay the tax, the negligence and carelessness of the taxpayers and when the rental income tax payers are not receiving the income from the lessee.

4.5 Opinion of Rental income tax payers’ on the Rental Income Tax Collection practice

The tax system should encourage the taxpayers to make payment plus the authority have to be easily accessible to all taxpayers in order to decrease the burden. So, the tax system should be designed in a mechanism to make lessors to register for the payment of tax. The human resources are the backbone of one organization either to lead to success or failure. Moreover, the tax payment processes have to be completed quickly as much as possible. Jimma revenue office also has to create awareness regarding the tax payment as a whole. In relation with these descriptions, the responses of the rental income tax payers were indicated under.

4.5.1 Results concerning the rental income tax system of the Jimma revenue office

The respondents are invited to indicate their level of agreement on the following statements in relation to rental income tax system. The responses are rated on a five point Likert scale where 1 indicate strongly disagree; 2 disagree; 3 neutral; 4 agree and 5 strongly agree. The frequency, mean and standard deviation are generated from SPSS as illustrated below

Table 4.12 Results concerning the rental income tax system of the Jimma revenue office

| | 1 | 2 | 3 | 4 | 5 | Mean | SD |
|---|----|----|----|----|----|-------------|-------|
| Rental income tax payers understanding about tax system | 11 | 75 | 21 | 29 | 3 | 2.55 | .979 |
| Jimma revenue authority is easily accessible to all Rental Income Tax payers | 9 | 77 | 23 | 26 | 4 | 2.56 | .964 |
| Employees of Jimma revenue authority treat you as their customer | 13 | 58 | 32 | 22 | 14 | 2.76 | 1.141 |
| When you go to pay your tax liability, the process is completed on your expected time | 12 | 29 | 19 | 27 | 2 | 2.48 | .951 |
| Jimma revenue authority gives emphasis and creates awareness to the RIT payers. | 5 | 66 | 32 | 27 | 9 | 2.77 | 1.009 |
| Grand Mean | | | | | | 2.62 | |

Source: Own data survey, 2020

Concerning results on the rental income tax system, respondents reach on censuses that they are not certain regarding with easily understanding the tax system (mean=2.55). And also, respondents regarding with Jimma revenue authority tax offices were not easily accessible for the tax payers (mean=2.56). In addition to this, respondents has great employees of Jimma revenue authority didn't treat them as their customer (mean =2.76). Jimma revenue authority did not give emphasis to create awareness to the society concerning the rental income tax (2.77). Generally the rental income tax system has lower mean that indicate the taxpayers has negative outlook for the tax authority and the tax systems (mean=2.62) .This signifies that the taxpayers have not positive view towards the tax system.

4.5.2. Attitude of Respondents on Rental Income Tax Payment Connivance

As stated on the Canon of convenience under the literature part, the period and manner of payment should be convenient for the tax payers while the government is proposing the tax system. The time and manner of payment which are most comfortable for the tax payers should be carefully selected. In Ethiopia, the period for payment of the rental income tax is from July to October based on the income level of the tax payers. Table 4.13 shows that the responses are rated on a five point Likert scale where 1 indicate strongly disagree; 2 disagree; 3 neutral; 4 agree and 5 strongly agree. The frequency, mean and standard deviation are generated from SPSS as illustrated below

Table 4.13 Results of the period and manner of payment on rental income tax

| | 1 | 2 | 3 | | 5 | mean | SD |
|---|----|----|----|----|----|-------------|-------|
| The period for payment of rental income tax is comfortable to you | 13 | 45 | 34 | 29 | 18 | 2.96 | 1.197 |
| The manner of payment for rental income tax is comfortable to you | 5 | 56 | 33 | 32 | 13 | 2.94 | 1.075 |
| Grand mean | | | | | | 2.95 | |

Source: Own data survey, 2020

Attitude of Respondents on Rental Income Tax Payment Connivance, respondents reach on censuses that the period for payment of rental income tax was not comfortable to the tax payers (mean 2.96). And respondents regarding with the manner of payment for rental income tax was not comfortable to tax payers (mean 2.94).

Generally attitude of rental income tax payment connivance i.e. the period and the manner of payment for rental income tax payers were not comfortable (mean 2.95). In general, the result of

the survey indicates the majority of the rental income tax payers were not happy with the time and manner of payment. This shows that, both the period and manner of payment are not suitable for the rental income tax payers. The reasons for feeling uncomfortable on the side of the rental income tax payers were different types of taxes had paid in one place and there is a problem of giving the service in comfortable and accelerated manner. However, there were also rental income tax payers who felt comfortable with the period and manner of payment. The result of the interview indicates that, the methods that the authority uses for collecting the rental income tax is best comfortable to the authority than the tax payers. They give the reason that it is difficult to collect the rental income tax by sending tax officers to the tax payers since the process is done using the system SIGTAS; the human resources are not adequate and not consistent with the number of rental income tax payers and the location of the tax payers are in different places. Therefore, they said that the method of collecting the rental income tax benefits the authority since it decreases the cost of the collection process. But there were also interview responses that the mechanism used for collecting rental income tax was comfortable to both the authority and rental income tax payers; The interviewees said that the current system also benefited the rental income tax payers since it is easier for making payment to the tax authority directly and it enables them to acquire the brief description about the tax from the authority. Moreover, there were also interviewees who said the current collection mechanism is not comfortable for both the tax authority and the rental income tax payers and they preferred to use electronics method.

4.5.3 Attitude of Rental Income Taxpayers' on Customer Grievance handling practices

The respondents are invited to indicate their level of agreement on the following statements in relation to rental income tax payers on customer grievance handling practices. The responses are rated on a five point Likert scale where 1 indicate strongly disagree; 2 disagree; 3 neutral; 4 agree and 5 strongly agree. The frequency, mean and standard deviation are generated from SPSS as illustrated below

Table 4.14 Attitude of rental income tax payers

| | 1 | 2 | 3 | 4 | 5 | mean | SD |
|--|----|----|----|----|----|-------------|-------|
| You give any comment if you face any problem or for better service you get when paying the tax to the tax authority. | 29 | 47 | 22 | 33 | 8 | 2.6 | 1.22 |
| There is an effect on you that others who qualify the threshold are not paying the tax. | 14 | 31 | 26 | 41 | 27 | 3.26 | 1.282 |
| Grand mean | | | | | | 2.93 | |

Source: Own data survey, 2020

As a result shown in the above table 4.14, the respondents agreed that there is an effect on you that others who qualify the threshold are not paying the tax (mean 3.26), You give any comment if you face any problem or for better service you get when paying the tax to the tax authority(mean 2.6).This result was consistent with that of Vadde and Gundarapu (2012) study in which majority of the rental income taxpayers are affected whenever lessors who qualify the threshold are not paying the rental income tax.

Therefore, majority of the respondents didn't give any comment. According to the response of the tax payers on open-ended question, the reason is that, even if the tax payers are giving comment, the authority didn't accept and implement their comment. According to their response, the authority does not recognize their comments so that, they feel to give comments are a waste of time. Yet, there are tax payers who are generous about the comment. In addition to this, the mass of rental income tax payers were affected by those lessors who were not paying tax. However, the percentage of those tax payers who were not affected by unregistered lessors also high. These tax payers responded that, other lessors who meet the criteria and not paying the rental income tax affect the country as a whole since it decreases the government revenue rather than affecting them personally.

4.6 Cross Tabulation

Bivariate analysis examines the relationship between two variables. Different methods for analyzing bivariate analysis are available, of which cross tabulation is one of the important and frequently used methods. A cross tabulation counts the number of observations in each cross category of two variables. The descriptive result of a cross tabulation is a frequency count for each cell in the analysis. Following section deals with analysis of bivariate data using cross tabulation method.

Table 4.15– Cross Tabulation for Payment of rental income tax on time * Education of Respondents

| | | Education | | | | | Total |
|--------------------------------------|-----|--|----------------------------|---------------------------|--------------|------------------------|-------|
| | | No formal education but able to read and write | Complete primary Education | Secondary School Complete | TVET/Diploma | First Degree and above | |
| Payment of rental income tax on time | Yes | 1 | 10 | 29 | 34 | 28 | 102 |
| | no | 1 | 5 | 8 | 9 | 14 | 37 |
| Total | | 2 | 15 | 37 | 43 | 42 | 139 |

Table 4.15 shows Cross tabulation of respondents based on Payment of rental income tax on time and education status reveals that, from the total” yes” respondents 33 percent (n=34) were TVET/Diploma, 28 percent (n=29) were secondary school complete and 27 percent respondents possess first degree and above Majority of” no” respondents37 percent (n=14) were first degree and above, 24 percent (n=9) were TVET/Diploma and Secondary School Complete n=8 (22 percent).

Table 4.16 Cross Tabulation for payment of rental income tax on time * other income sources

| | | Information about other income source except rental income | | Total |
|--------------------------------------|-----|--|----|-------|
| | | Yes | No | |
| Payment of rental income tax on time | Yes | 35 | 67 | 102 |
| | no | 23 | 14 | 37 |
| Total | | 58 | 81 | 139 |

Cross tabulation of others income with payment of rental income tax on time reveals that 67(66%) respondents has no other income but paid rental income tax on time. And 35(34%) respondents have other income tax except rental income tax and paying their tax on time. The

other one is 23(62%) respondents has other income tax but not paying their tax on time.14 (38%) respondents have no other income tax and not paying their tax on time. From this we can understand that the majority of the respondents/rental income tax payers in jimma town (66 percent) have not source of income, but payment of rental income tax on time. This indicates that tax payers who have other source of income do not paying the rental income tax on time because depend on time value of money and to develop their activity.

Table4.17 Cross Tabulation for payment of rental income tax on time * Training from the tax authority

| | | Training from the tax authority | | Total |
|--------------------------------------|-----|---------------------------------|-----------|------------|
| | | Yes | no | |
| Payment of rental income tax on time | Yes | 24(17.3%) | 78(56.1%) | 102(73.4%) |
| | No | 1(.0.7%) | 36(25.9%) | 37(26.6%) |
| Total | | 25 | 114 | 139 |

Cross tabulation of Training from the tax authority with payment of rental income tax on time reveals that 78(56.1%) respondents do not get training from tax authority but paid rental income tax on time. And 24(17.3%) respondents get training from tax authority and paid rental income tax on time. The other one is 36(25.9%) respondents has not get training from tax authority and also not paid their tax on time. From this we can understand that the majority of the respondents/rental income tax payers in jimma town (73.4 percent) paid rental income tax on time and the rest 26.6 percent not paid rental income tax on time.

Table 4.18 Payment of rental income tax on time * Knowledge of taxpayers about the rental income tax rate Cross tabulation

| | | Knowledge of taxpayers about the rental income tax rate | | Total |
|--------------------------------------|-----|---|----|-------|
| | | Yes | No | |
| Payment of rental income tax on time | Yes | 77 | 25 | 102 |
| | no | 29 | 8 | 37 |
| Total | | 106 | 33 | 139 |

Cross tabulation of knowledge of tax payers with payment of rental income tax on time reveals that 77(75%) respondents were knowledgeable about rental income tax and paid rental income tax on time. And 25 (25%) respondents no understand about rental income tax. But pay their tax on time. From this we can understand that the majority of the respondents/rental income tax payers in jimma town (75 percent) respondents were knowledgeable about rental income tax and paid rental income tax on time. This indicates that 76% respondents were understood about rental income tax .the rest 24% respondents were not understood about rental income tax rate.

4.7 Chi– Square Test

The purpose of chi-square test is to show the relationship or lack of relationship between two variables. It is used to test the statistical significance of the observed association in a cross tabulation (Malhotra, 2009). It assists in determining whether a systematic association exists between the two variables. The test is conducted by computing the cell frequencies that would be expected if no association were present between the variables, given the existing row and column totals. A number of tests are available to determine if the relationship between two cross-tabulated variables is significant. One of the common tests is chi-square test. In present research to study the association between two variables chi-square statistics has been used. For below; all hypotheses test were performed at 5 percent level of significance.

4.7.1 Association between Education Level of Respondents and payment of rental income tax on time.

Hypotheses

H0 There is no significant association between education level of respondents and payment of rental income tax on time

H1 There is significant association between education level of respondents and payment of rental income tax on time

Table 4.19 Association between Education Level of Respondents * payment of rental income tax on time

| | Value | Df | Asymp. Sig. (2-sided) |
|------------------------------|--------------------|----|-----------------------|
| Pearson Chi-Square | 4.520 ^a | 4 | .340 |
| Likelihood Ratio | 4.452 | 4 | .348 |
| Linear-by-Linear Association | .358 | 1 | .550 |
| N of Valid Cases | 139 | | |

Table 4.19 present the output of chi-square test. The Pearson Chi Square value is 0.340 at 4 degrees of freedom, which is more than cut of value 0.05 at 95 percent confidence level.

Therefore, null hypothesis accepted and hence it can be said that there is no association between education level of the respondents and payment of rental income tax on time. It can be also said that education level and payment of rental income tax on time are independent. There is no relationship between them.

4.7.2 Association between income source of Respondents and payment of rental income tax on time.

Hypotheses

H0 There is no significant association between other income source of respondents and payment of rental income tax on time.

H1 There is significant association between other income source of respondents and payment of rental income tax on time

Table 4.20 Association between income source of Respondents and payment of rental income tax on time.

| | Value | Df | Asymp. Sig. (2-sided) | Exact Sig. (2-sided) | Exact Sig. (1-sided) |
|------------------------------|--------------------|----|-----------------------|----------------------|----------------------|
| Pearson Chi-Square | 8.660 ^a | 1 | .003 | | |
| Continuity Correction | 7.552 | 1 | .006 | | |
| Likelihood Ratio | 8.599 | 1 | .003 | | |
| Fisher's Exact Test | | | | .006 | .003 |
| Linear-by-Linear Association | 8.597 | 1 | .003 | | |
| N of Valid Cases | 139 | | | | |

Table 4.20 present the output of chi-square test. The Pearson Chi Square value is 0.003 at 1 degrees of freedom, which is less than cut of value 0.05 at 95 percent confidence level.

Therefore, null hypothesis rejected and hence it can be said that there is association between income source of Respondents and payment of rental income tax on time. It can be also said that income source of Respondents and payment of rental income tax on time for risk level are significantly related.

Concerning the level of others source of income and the Payment of rental income tax on time (see Table 4.20), the results analysis shows that there is significant difference of Payment of rental income tax on time between the other sources of income. (Pearson Chi-Square= 8.660; df= 1; $p = 0.003 < 0.05$). Finally, the Pearson's Chi-Square shows that there is a significant and negative relation between income source of Respondents and payment of rental income tax on time. This indicates that rental income tax who have another income, do not payment rental income tax on time.

4.7.3 Association between Training of Respondents and payment of rental income tax on time.

Hypotheses

H0 There is no significant association between Training and payment of rental income tax on time.

H1 There is significant association between Training and payment of rental income tax on time

Table 4.21, Association between Training of Respondents and payment of rental income tax on time.

| | Value | Df | Asymp. Sig. (2-sided) | Exact Sig. (2-sided) | Exact Sig. (1-sided) |
|------------------------------------|--------------------|----|-----------------------|----------------------|----------------------|
| Pearson Chi-Square | 7.984 ^a | 1 | .005 | | |
| Continuity Correction ^b | 6.634 | 1 | .010 | | |
| Likelihood Ratio | 10.491 | 1 | .001 | | |
| Fisher's Exact Test | | | | .005 | .002 |
| Linear-by-Linear Association | 7.926 | 1 | .005 | | |
| N of Valid Cases | 139 | | | | |

Table 4.21 present the output of chi-square test. The Pearson Chi Square value is 0.005 at 1 degrees of freedom, which is equal to the cut of value 0.05 at 95 percent confidence level. Therefore, null hypothesis rejected and hence it can be said that there is association between Training and payment of rental income tax on time. It can be also said that Training and payment

of rental income tax on time are significantly related. When training of rental income tax payers increase, payment of rental income tax also increase.

4.7.4 Association between Knowledge of taxpayers about the rental income tax rate and payment of rental income tax on time

Hypotheses

H0 There is no significant association between Knowledge of taxpayers about the rental income tax rate and payment of rental income tax on time

H1 There is significant association between Knowledge of taxpayers about the rental income tax rate and payment of rental income tax on time

Table 4.22 Association between Knowledge of taxpayers about the rental income tax rate and payment of rental income tax on time

| | Value | Df | Asymp. Sig. (2-sided) | Exact Sig. (2-sided) | Exact Sig. (1-sided) |
|------------------------------------|-------------------|----|-----------------------|----------------------|----------------------|
| Pearson Chi-Square | .125 ^a | 1 | .724 | | |
| Continuity Correction ^b | .016 | 1 | .898 | | |
| Likelihood Ratio | .127 | 1 | .722 | | |
| Fisher's Exact Test | | | | .824 | .456 |
| Linear-by-Linear Association | .124 | 1 | .725 | | |
| N of Valid Cases | 139 | | | | |

Table 4.22 present the output of chi-square test. The Pearson Chi Square value is 0.724 at 1 degrees of freedom, which is more than cut of value 0.05 at 95 percent confidence level. Therefore, null hypothesis accepted and hence it can be said that there is no association between Knowledge of taxpayers about the rental income tax rate and payment of rental income tax on time. It can be also said that Knowledge of taxpayers about the rental income tax rate and payment of rental income tax on time are independent.

- **Problems Faced at the Time of Rental Income Tax Payment**

The rental income tax payers mentioned various problems concerning the payment of rental income tax on the open ended questions. Consequently, the researcher categorized them in to six problems that are related to employees; the period and/or place of payment; up-to-date information and awareness; and punishment on the rented building. These problems were described under as follows.

- **Problems related to Employees**

The respondents stated that the employees have low capacity so that they were not completed the payment service on time. There were also some employees who do not qualify for the job of tax system and also not given to us equal service all rental income tax payers. This makes the payment system slow and disappointing for the tax payers. The rental income tax payers also stated that, the employees lack tolerance and lack respect to the taxpayers. Some of employees were not behaving in good manner and shows negligence. Moreover, the employees think that all tax payers evade for paying the tax and this makes communication difficult.

The other problem the respondents mentioned regarding the employees was; they were partial regarding the payment of the tax and information. Furthermore, some tax payers have unnecessary connection with the employees so that they were not waiting for payment.

The survey indicates that, the rental income tax payers' face problem mostly with regard to the employees. This shows that the employees were not serving the rental income tax payers properly.

- **Problems related to the Period and/or Place of Payment**

According to the response of the rental income tax payers, the process of paying the tax takes a long period of time. In parallel to this problem, the number of employees and the payment places are unmatched with the number of tax payers. This is because the authority makes force in that different types of taxes to be paid at the same place and time.

- **Lack of up-to-date Information and Awareness**

According to the respondents' response, there was lack of information about the tax payment system although the tax payers were going to pay their tax. Consequently, unnecessary

sophistication of the tax payers was observed. They also stated that the authority didn't file documents properly. Furthermore, the tax payers mentioned that there were few awareness creation mechanisms and the authority also doing occasional works to create awareness to the society concerning the rental income tax.

- **Problems related to Punishment**

Another problem that the rental income tax payers mentioned was related to punishment. The respondents stated that the authority is only focusing on the punishment and collection of tax rather than creating knowledge and giving training about the rental income tax. According to the rental income tax payers response, the authority punished them by saying their contract of lease is falsified. As of the data collected from the schedule and interview, the researcher understands that the assessment of rental income tax was made based on the contract of evidence presented to the authority by the lessors. As a result of this, the authority didn't believe the contract of evidence and gives subjective estimation to the rented buildings by assuming the contract of evidence were falsified. This would lead the rental income tax payers for punishment.

- **Results of Interview Questions**

Jimma revenue authority Enforcement on the Rental Income Taxpayers

The interviewees said that, Jimma revenue authority enforces those tax payers who do not make their payment on time by using different mechanisms. Some of the mechanisms were: punishment which is applied on the rental income tax payers who didn't make report and also to give lesson so that they will not be late again in paying their tax; the interest is applied for the money that is delayed in the hands of the taxpayers since the taxpayers cannot use income of the society for individual purpose; the rental income tax payers who didn't pay the tax were identified using electronic system and the tax experts are going door to door and give them caution. Furthermore, the result of the interview shows that, the enforcement is goes up to imprisonment and prohibiting the materials that the taxpayers have until they paid the tax.

Influences of Jimma revenue authority on Unregistered Lessors

The response of the interviewees shows that, the authority makes influence on the lessors who qualify the threshold to register. Some of the mechanisms used for making influence on the lessors who meet the criteria were: the jimma revenue authority of education and tax departments

in collaboration with sub-cities and kebele, are investigating those who are not paying the rental income tax to make influence to pay the tax; if lessors who were not registered for paying the tax investigated, they are being punished. Furthermore, if they are not voluntary to pay the tax, their materials were sold by bidding. The respondents also said that, lessors are expected to pay the tax from the time they were renting the building otherwise, administrative penalties were applied to them.

Controlling Mechanisms after Registration

The interviewed managers said that Jimma revenue authority uses different controlling mechanisms after the rental income taxpayers were registered. Some of the mechanisms mentioned by the interviewees were: the sub-cities attached notice on those who are not paying the rental income tax via observing their file; Monitoring and Evaluating department are checking those who are not paying and making direct communication or using letters for those tax payers not paying the tax. In addition, the tax officers are also going to those tax payers who are not paid the tax on time by their address for collecting the tax.

Problems on the Collection of Rental Income Tax

As the response of the collection managers and tax experts expresses, there were a lot of problems jimma revenue authority faces during the collection of rental income tax. Some of the problems stated were: the rental income tax payers were understating the amount received from rental of buildings while declaring to the authority; there is lack of up-to-date information about the rental income tax payers regarding the rental income of the building; the lessors are also hiding the leased building by telling to the authority that, the building is not leased rather it is for family; some rental income tax payers were not paying the tax on time particularly the payment of VAT and TOT on rental income tax; there is gap to make the contract of lease legal under the law; the rental income tax payers are not giving the correct document and/or lack of full document for instance if they are leased the building.

Mechanisms used by jimma revenue authority to curb the Problems during Collection of Rental Income Tax.

According to the responses of managers, jimma revenue authority has been using different mechanisms to curb the problems it faced at the time of collecting the rental income tax. The

interviewees mentioned that if the citizen of the country is telling the correct information to the authority by taking patriotism in to account, they are getting commission from the authority; when the taxpayers take business license from the authority, they were requested to come up with the map of the building; giving continuous information to create awareness by using media, brochures and repetitive connection with the tax payers to pay on time. Moreover, the interview indicates that, the lessors are expected to inform the contract of lease made between the lessors and the lessees plus different enforcements are applied on those tax payers who didn't pay their tax on time and on those unregistered lessors.

The future plans of Jimma revenue authority to increase the Income from the Rental Income Tax

The responses of interviewees concerning the future plans of jimma revenue authority indicates that: creating awareness to the society using media and to make the tax payers paying the tax on their own motive rather than using enforcement; increasing the number of income tax payers in order to decrease the tariffs from import and export of goods and services; making the Monitoring and evaluation department strong to improve the manner of investigating the lessors. The interviewees also stated that, jimma revenue authority plans to make the payment of the tax through bank account by using the network SIGTAS. It will be applied by taking the sample of taxpayers at the federal Level as well as informing their tax by using electronic mechanism and if it is becoming successful, it will be applied at the sub-city level. Lastly, the interviewees suggested various means to create conducive environment on the rental income tax collection process. Some of these mechanisms were: the income tax payers have to inform the correct amount for the tax authority; both the authority and the tax payers are also benefited, if they are giving their contract of evidence document on time; the lessees shouldn't cooperate with the lessors regarding the wrong information given by the lessors; since the tax is computed based on the agreement from the lessors and lessee, evasion of tax is greater. Therefore, to minimize this problem there should be the monitory body, which controls whether the rental income taxpayers were informing the correct amount to the tax authority. Furthermore, the interviewees said that if the tax is paid on the right way without understating the income, it enables the country to cover its expenditure.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

The final chapter of the paper discusses topics about the conclusion driven from the analysis of the study and possible recommendations are made

5.1 CONCLUSION

The objective of this study is to investigating the rental income tax practice and its contribution of to total revenue in jimma town .Based on the discussion and analysis made in chapter four the researcher concluded that rental income tax revenue contributes on average 1.09% to total tax revenue in the research period year 2008/09 to 2017/18.

5.1.1 Tax revenue collection performance and rental income tax revenue contribution to tax revenue.

- Tax revenue collected by Jimma town on average was 110.266 million birr in the past tenth years from 2008/09 to 2017/2018. Total Tax Revenue collected was increased from time to time and Jimma town collects birr 217.69 million in year 2017/18 from tax revenue and these taxes tax collection by jimma revenue authority 78.99% % of total revenue percentage which is shows improvements from year to year. With an incremental rate from the lowest percentage 54.63 in year in 2008/2009 and the maximum 92.19% in year 2017/18

- In the research period Jimma town collects tax revenue from two sources which were revenue collected by jimma revenue authority and BFOED. Overall revenue collected by jimma revenue authority contributes 78.99% in the years 2008/09 to 2017/18 and Revenue contributed by BOFED contributes 21.01% in the years 2008/09 to 2017/18. Revenue collected by jimma revenue authority contribution below 80% to tax revenue in the first four years (2008/09 to 2011/2012). After 2012/13 on wards contribution of Revenue collected by jimma revenue authority exceeds 80% and reached 92.19% in year 2017/18 . Revenue contributed by BOFED contributes above 20% to tax revenue in the first four years (2008/09 to 2011/12) which and shows declining each year. After 2012/13 on wards contribution of Revenue contributed by BOFED below 20% and reached 7.81% in year 2017/18.

- In Ethiopian context there are major two types of tax as direct and indirect taxes and customs related taxes. Direct tax consists of tax on employment, business profit tax, tax on income from rental of building, tax on interest income on deposits, dividend income tax, tax on income from royalty, tax on income from games of chance, tax on Gains of Transfer of Certain Investment Property, Tax on Income from Rental of Property, Rendering of Technical Services Outside Ethiopia, Agricultural Income Tax and Land Use Tax. Indirect tax consists of turn over tax.

- Rental income tax contribution to tax revenue on average was 1.09% which was collected at jimma town revenue authorities under the research period the maximum rental income tax to tax revenue ratio was 1.48% in year 2015/16 and the minimum rental income tax to tax revenue ratio was registered in year 2009/10 having the value of 0.34%.

-The survey result indicated that majority of the rental income tax payers have awareness regarding the rental income tax computation, mode of payment and period of payment. From the response of the rental income tax payers and interview with the authority, the researcher concludes that, the authority gives description and uses different mechanisms like distributing media, broacher and so on by Jimma revenue regarding the payment period and the way the rental income tax were computed, to create awareness to the rental income tax payers. The taxpayers' educational status also had an effect on their level of understanding about the rental income tax. However, there were also taxpayers who lack knowledge regarding the rental income tax particularly in the computation part. This is because the authority didn't arrange the training program for the rental income tax payers. Jimma revenue authority also didn't give emphasis to create awareness to the rental income tax payers. This is the main reason in which other lessors who qualify the threshold didn't register for the tax as shown on the finding part. Generally, this shows that, the authority performs better in creation of awareness after the lessors are registered for payment of the tax.

-Both the authority and the rental income tax payers had faced various problems at the time of tax collection or payment process. Most of the rental income tax payers feel uncomfortable regarding the tax payment system. The reason for this is the authority lacks accelerated working style and also lacks addressing up-to-date information to the rental income tax payers. The major problem facing the tax authority was, the rental income tax payers were not declare the correct amount i.e. they were understating the income from the leased building. This have an enormous effect on the country hence evasion understates the government revenue.

5.2 RECOMMENDATION

Based on the findings of the study, the following recommendations and further research areas are identified:

- 1) Jimma revenue authority create awareness to rental income tax payers and change the idea of the employee and Revenue collection performance should have to be enhanced to increase rental income tax to total revenue ratio which is cities standard and as well to cover government expenditure with own revenue sources which is strength of good governance and to full fill the infrastructure of the cities.
- 2) More emphasis and awareness creation should be given to rental income tax payers since on average contribution of 1.09 % to total tax collected in the research period. Therefore Jimma revenue authority to increase their revenue should be focus on rental income tax as other income tax.
- 3) Jimma revenue authority better arranges awareness creation programs permanently to create awareness. Furthermore, the authority has to make the society to clearly observe and understand the activities done by the collected tax revenue by means of different mechanisms like using billboards in the main places of the city. This enables the government to increase the revenue collected from tax.
- 4) In order to reduce the problems which the rental income tax payers face regarding the rental income tax payment system, the authority is expected to modify its current system. The authority expected to facilitate methods for the rental income tax payers to pay the tax.
- 5) Majority of the rental income tax payers were dissatisfaction about the service giving system of employees, the authority has to use different mechanisms to reduce these problems. The authority advised to assign those employees who have capacity and make separation of power between employees. The other suggestion regarding employees is they have to be impartial for the tax payers while giving the service. Training on customer handling also has to be offered to the employees of the authority. The researcher also recommends the authority to follow up the job of the employees and assigning enough employees to make them working properly.
- 6) The main problem that the authority has been facing is the rental income tax payer understates the income they got from rental of buildings while declaring to the authority. The authority is advised to make the rental income tax payers to declare the contract of lease which is evidenced by law in order to minimize evasion.

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Appendix A

Schedules

JIMMA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

MSc. PROGRAM IN ACCOUNTING AND FINANCE

Questionnaire to be filled by the Rental Income Tax Payers

Dear respondents! The research is conducted for investigation the effect of Rental Income tax practice on increase of revenue. The sponsoring body of the study is Jimma University Business and Economics College. The survey is important to you in that after this study is completed your opinions' about the rental income tax, suggestions or problems can easily communicated with the jimma town revenue authority. You are choosing for participating for this study because you are paying the rental income tax. So, you have knowledge about the problems occurred when paying the rental income. Your participation for the reliability of the study is necessary so that please reply the questions honestly and truth fully. The information you provide is used only for academic purpose so that, the confidentiality of the data you provide is maintained.

Thank You!!!

Dear respondents! The question you respond is both open ended and close ended questions. In the case of open-ended questions you can respond what you have in your mind regarding the stated questions. Whereas, in case of close-ended questions you should select the response from the given alternatives.

If you do not understand the questions, please ask the enumerators who provide the questions to you.

Part I. Personal Information

- 1) Gender: Male Female
- 2) Age: 18-30 years 31-45 years Above 45 years
- 3) Marital status: Single Married Divorced Widowed
- 4) Education:
- No formal Education & unable to read and write

No formal education but able to read and write

Complete primary Education

Secondary School Complete

TVET/Diploma First Degree Second Degree & Above

Part II. Questions regarding the effects of Rental Income Tax practices

5) Do you have another income source?

Yes No

5.1) if your answer is "yes" question 5 what is your income

Is only from rental activity

Rental Activity and Salary Rental activity and Business Income

6) How do you know there is payment of rental income tax?

Jimmarevenue office Sub-city Media Friends

Others _____

7) How long you have been paying the rental income tax? _____

8) You registered to pay rental income tax by;

Voluntarily Obligatory don't know

8.1) If your answer "obligatory" for question No 6, what is the reason you registered by obligation? _____

9) Do you know the threshold for making the payment of rental income tax?

Yes No

9.1) If your answer "yes" for question No 7 how do you know the threshold for rental income tax?

9. If you answer “no” for question No. 7, what do you think the reason for not knowing the threshold?

10) On which rate you pay your liability on rental income tax?

To measure respondents knowledge on rental income tax we used three objective questions. the first question asked about rental tax rate system.

Progressive Proportional Regressive Don't Know _____

If your answer is” don't know” why? _____

11) During which period (month) you make payment of rental income tax for the tax authority?

July

August

September

October

Other Period _____

12) What do you think the lassoers who qualify the threshold do not pay the rental income tax?

Lack of knowledge about the Tax

Lack of enforcement from the Government

Carelessness of the Lassoers

Other _____

13) Do you get any training from the tax authority regarding the rental income tax?

Yes

No

13.1) If your answer” no” for question No 11 what is the problem faced during payment of rental income tax? _____

14) Do you pay your tax on time?

some time frequently days

15) Is there any punishment you face if you pay late?

Yes

No

16) In your opinion, what is the reason for late payment?

a) The period of payment does not suitable

b) The employees of Jimma revenue authority do not give the service on time

c) Other reason (if any) _____

17) How do you pay the rental income tax?

a) You are going to the authority to pay the Rental income tax

b) The authority is sending employees directly to collect the rental income tax

c) Deposit amount in bank

d) Other method _____

18) About Rental income tax and other tax related issue for the following questions please put tick (X) mark on the choice of your response which shows the level of your agreement.

| | Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree |
|--|----------------|-------|---------|----------|-------------------|
| 18) Rental income tax payers understanding about tax system. | | | | | |
| 19) In your opinion, Jimma revenue authority is easily accessible to all Rental Income Tax Payers. | | | | | |

| | Strongly agree | Agree | Neutral | Disagree | strongly disagree |
|--|----------------|-------|---------|----------|-------------------|
| 20) The period for payment of rental income tax is comfortable to you. | | | | | |

| | | | | | |
|---|--|--|--|--|--|
| 21) When you go to pay your tax liability, the process is completed on your expected time. | | | | | |
| 22) You give any comment if you face any problem&/or for better service you get when paying the tax to the tax authority. | | | | | |
| 23) In your opinion, Jimma revenue authority gives emphasis and creates awareness to the society. | | | | | |

24) What are the problems you faced when you pay the rental income tax?

25) In your opinion, what are the solutions for the problems you raised above and what must be done to improve the Rental income tax system in Jimma town revenue authority?

Thank you for your cooperation!!

Appendix B

Interview Questions

Jimma University

Business and Economics College

Department of Accounting and Finance

Interview Questions to Jimma revenue authority Management

Thank you very much for your participation!

- 1) What are the mechanisms that Jimma revenue authority uses to create awareness to the society regarding the rental income tax?

- 2) Does the authority give training to the rental income taxpayers?

Yes

No

If yes, what kind of training it gives?

- 3) Does Jimma revenue authority collect rental income tax on time?

Yes

No

If not, what are the reasons?

4) Does Jimma revenue authority enforce the rental income tax payers to make their payment on time?

Yes

No

How do you enforce the taxpayers to make payment on time?

5) In what way most of the rental income tax payers register?

Voluntary registration obligatory registration

In your opinion, what are the reasons if voluntarily registration is the dominant method on which the tax payers registered?

If obligatory registration is the main method that the rental income taxpayers are registered, in your opinion what is the reason behind this?

6) Does the authority make influence on the Lassoers who qualify the threshold to register?

Yes

No

If yes, in what way? _____

If not, what are the reasons? _____

7) Do you control the rental income tax payers after registration for rental income tax?

Yes

No

What are the mechanisms you use to control rental income tax payers?

8) What are the ways for collecting the rental income tax?

a. By sending the employees directly to the tax payers

b. The tax payers come to the authority to pay tax

c. Other mechanisms -----

-----.

9) In your opinion, the methods that the authority uses for collecting the rental income tax is best comfortable to;

A. The authority

B. The rental income tax payers

C. Both the authority and rental income tax payers

D. Others _____

10) What are the problems Jimma revenue authority faces during the collection of the Rental Income Tax?

11) Does the authority use any mechanism to solve the problems during collection of rental income tax? If there, state some of them?

12) How to conclude the rental income tax contributed to tax revenue in Jimma Town?

13) If you have any comment or suggestions you can state;

Thank you for your cooperation!!!

አባሪሀ

መርሃግብሮች

የጃማይኒቨርስቲ

የቢዝነስናኢኮኖሚክስ

ኤም.ሲ. በሂሳብናበፋይናንስውስጥያለመርሃግብር

በኪራይየገቢግብርከፋዮችለመሙላትመጠይቅ

ውድአድማጮች!

ጥናቱየሚካሄደውየኪራይየገቢግብርአሰራርገቢንበመጨመርላይየሚያሳድረውንተጽዕኖለመመርመርነው።
ይህጥናትከተጠናቀቀበኋላስለኪራይየገቢመጠንያለዎትንአስተያየትበተመለከተጥናቱለእርስዎበጣምአስፈላጊ
ሲነው።

ውድአድማጮች!

እርስዎየሚሰጡትመልስለሁለቱምክፍትእናየተጠናቀቁጥያቋዎችነው።ክፍትለሆኑጥያቋዎችበተገለጹጥያቋዎ
ችላይበአዕምሮዎውስጥያለዎትንመልስመስጠትይችላሉ።ለቅርብጊዜጥያቋዎችግንከተሰጡትአማራጮችም
ላችንመምረጥይኖርብዎታል።

ጥያቋዎቹንካልተረዳዎአባክዎንጥያቋዎችንለእርስዎየሚሰጡትንዘጋገቢዎችንይጠይቁ።

ክፍል I. የግልመረጃ

1) ጾታ: ወንድሴት

2) ዕድሜ: 18-30 ዓመትከ5 ዓመትከ 45 ዓመትይ

3) የጋብቻሁኔታ: ነጠላያትየሞተ

4) ትምህርት:

የለምመደበኛትምህርትለማንበብእናለመፃፍአልቻለም

ፎርማልመደበኛትምህርትየለም፣ግንማንበብእናመጻፍየሚችል

የተሟላየመጀመሪያደረጃትምህርት ዲፕሎማ

የሁለተኛ ደረጃ ትምህርት ቤት የተማሪ ለ ፊደል ግርሀት ለተኛ ደረጃ ግር ለይ

ክፍል II የኪራይ የገቢ ግብር አሠራሮች ተፅዕኖን በተመለከተ ጥያቄዎችን።

5) ሌላ የገቢ ምንጭ ይኖርዎታል? አዎ የለም

5.1) ለጥያቄ ቁጥር 5 መልስዎ “አዎ” ከሆነ ምን ዓይነት ገቢ ይኖርዎታል;

የቤት ኪራይ ብቻ

የኪራይ እንቅስቃሴ እና ደመወዝ

የቤት ኪራይ እንቅስቃሴ እና የንግድ ሥራ ገቢ

6) የኪራይ ገቢ ግብር መክፈት እንዴት ያውቃሉ?

ጅምገቢ ጽ / ቤት ክ ተማሚ ዲያሪ

ከሌሎች _____

7) ለምን ያህል ጊዜ ለኪራይ የገቢ ግብር ሲከፍሉ ነበር? _____

8) የኪራይ የገቢ ግብር ለመክፈል የተመዘገቡት በ

በፈቃደኝነት የ ታላቅ ትምህርት

8.1) ለጥያቄ ቁጥር 8 መልስዎ “አስገዳጅ” ከሆነ በግዴታ የተመዘገቡት ምክንያት ምን ይህ?

9) የኪራይ ገቢ ግብር ለመክፈል ምን ያህል እንደሚያስፈልግ ያውቃሉ?

አዎ አ ለም

9.1) መልስዎ “አዎ” ከሆነ ጥያቄ ቁጥር 9 እንዴት ለኪራይ የገቢ ግብር ምን ያህል እንደሆነ እንዴት ያውቃሉ?

9.2 ለጥያቄ ቁጥር 9 “አይሆንም” ብለው ከመለሱ፣ የሚያውቁበት ምክንያት ምን ይመስልዎታል?

10) በኪራይ የገቢ ግብር ላይ ኃላፊነት ምን ያህል ከፍሎት በየትኛው ተመንነው?

ቀስበቀስየሚጨምርበ ትየተገናኘ፣የተመጣጠነየተቀነስ

አላውቅም

ጥያቄጥር 10 መልስዎ “አላውቅም” ከሆነለምን?

11) በየትኛውወቅት (ወር) ለግብርባለስልጣንየኪራይገቢግብርየሚከፍሉት?

ሐምሌነሐሴ በረምጥቅ ሌላጊዜ _____

12) የኪራይገቢግብርንበሚመለከትከግብርባለስልጣንምንምዓይነትስልጠናአግኝተዋል?

አዎአይለም

12.1) ለጥያቄዎ 12 መልስ “አይደለም” ከሆነየኪራይገቢግብርበሚከፈልበትጊዜችግሩምንይመስላል?

13) ግብርዎንበሰዓቱይከፍላሉ?

ለተወሰነጊዜሁ ም አይለዎም

14) ዘግይተውከከፈሉየሚያጋጥሙዎትቅጣትአለ??

አዎአ ም

15) በእርስዎአስተያየት፣ ዘግይቶየመክፈሉምክንያትምንድነው?

ሀ) ክፍያውጊዜምቹአይለም

ለ) የጅማገቢባለስልጣንሰራተኞችአገልግሎቱንበሰዓቱአይሰጡም

ሐ) ሌላምክንያት (ማንኛውንም) _____

16) ለኪራይገቢግብርእንዴትይከፍላሉ?

ሀ) የኪራይገቢግብርለመክፈልወደባለስልጣኑይሂዱ

ለ) ባለሥልጣኑበቀጥታየኪራይገቢግብርለመሰብሰብሰራተኞችንይልካል

ሐ) በባንክ

መ) ሌላዘዴ _____

ክፍል III:

ስለኪራይየገቢግብርእናለሚከተሉትጥያቄዎችከቀረጥጋርተያይዞለሚከተሉትጥያቄዎችእባክዎንየ ስምምነትዎንደረጃየሚያሳየውንየምላሽዎምርጫለይምልክትያድርጉ (X) ምልክትያድርጉ።

| | ጠንካራእስማማለሁ | እስማማለሁ | ገለልተኛ | አለመግባባት | ጠንካራአለመግባባት |
|--|------------|--------|-------|---------|-------------|
| 17)የኪራይየገቢግብርከፋዮችስለታክስስርዓትመረዳትን። | | | | | |
| 18)በእርስዎአስተያየትዎጅማየገቢባለስልጣንለሁሉምየኪራይየገቢግብርከፋዮችበቀላሉተደራሽነው። | | | | | |
| 19)የግብርግዴታንለመክፈልበሚሄዱበትጊዜሂደቱበተጠበቀውሰዓትዎይጠናቀቃል | | | | | |
| 20)ማንኛውምችግርከገጠምዎወይምለግብርባለስልጣኑግብርበሚከፍሉበትጊዜለሚሰጥዎትየተሻለአገልግሎትማንኛውንምአስተያየትይሰጣሉ። | | | | | |
| 21)በአስተያየትዎመሠረትዎጅማገቢባለስልጣንትኩረትይሰጣልእናለሁብረተሰቡግንዛቤንይፈጥራል | | | | | |
| 22)የኪራይየገቢግብርየሚከፍልበትጊዜለእርስዎምቼነው | | | | | |

23) የኪራይየገቢ ግብር ሲከፍሉ ያጋጠሙዎት ግጥሞች ምን ድናቸው?

24) በአስተያየትዎ፣ በጅማ ከተማ የገቢ ባለስልጣን የኪራይየገቢ ታክስ ስርዓት ን ለማሻሻል ምን መደረግ አለበት ያሉ ባቸው መፍትሄዎች ምን ድናቸው?

በትብብር ዎ እና መሰግናለን !!!