

ASSESSMENT OF FACTORS THAT AFFECT THE
ATTITUDE OF BUSINESS PERSONNEL TOWARDS
GOVERNMENT TAXATION (A CASE STUDY IN
HADARO TOWN)



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Abstract

This study was conducted on the assessment of factor that affect the attitude of business personnel towards government's taxation , in case of KembataTembaro Zone, focus on Hadero town . The primary aim of this study was to know the attitude of business personnel had towards government's taxation and knowing factors that affects their attitudes. This study was delimited on the factors that affect the attitudes of business personnel towards government taxation of Hadero town . The design of this study was descriptive survey design that purely qualitative kind of approach . Regarding the sources of data, primary sources of data was applied by the researcher. Simple random sampling method was taken as sample techniques of the study. Therefore, out of 150 total population of the traders of KembataTembaro Zone, Hadero town , the researcher take 75 population as the sample for the study . The data collection tools such as questionnaire and interview were utilized by the researcher. Data was analyzed by using table and charts , which offered to interpretation and detail description of the obtained data . Finally, the researcher concluded that there was certain problems(attitudes , lack of knowledge , mal administration and etc) were factors that affect the attitudes of traders on government taxation of this town. . Therefore, the researcher concluded that awareness that change the negative attitudes of the traders in this town should be given . In addition, the concerned body of this institution should facilitate the condition in which work shop and training should be given for traders to being aware about the importance of the taxation of the government . Finally, as the researcher I recommended that taxation system should be balance the income and expenditure of the traders at large.

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Chapter One

1. Introduction

Back ground of study

The concept that forms the basis on which tax is imposed on various business activities by which we mean at least as a first approximation, something like the accounting concept of net income (receipt less allowance for the cost of producing those receipts) the question seems to depend up on two propositions. The first is that we think it fair that business entities or peoples should be taxed according to their ability to pay. According to their capacity to contribute to the cost of national defense, relief of poverty, education and social services, health services and so forth, Bank man (1997). The second is that the use of income as a measure of the more suitable and fundamental capacity we are trying to identify is a compromise reflecting our determination not only to find a fair measure of ability but also to use measure that reasonable objective.

The goal for good taxation system is fairness. Fairness is divided in to two categories. Horizontal equity and vertical equity concept. Horizontal equity concept identify that people in the same economic circumstance should bear the same tax burden. The concept of vertical equity is that refers to the relative amount of taxes paid with different income. The second goal of good taxation system is administrative feasibility one important part of these goal is that the governmental cost of enforcement and the tax payers cost of compliance should be as low as possible. The third major goal of taxation policy is sound economic effects or economic rationality. The criterion requires simply that in appraising tax provision we should consider carefully its economic effects. (Robert E. Beam, F.C.A. 1999-2000).

There are various kinds of taxation adopted in Ethiopian economy. These taxations pertain to individuals, sole business entities and corporations with application of different rate structure. Among the various types of taxes adopted; Income tax, (that applicable to individuals, sole traders, etc), sales

tax, (imposed up on the exchange of goods and services), property tax and so forth.

Compliances are the frequent and regular circumstances shown in taxation process. Among the compliances in practices; failure to file the income tax return, or cheating the government by concealing facts and government loses his due revenue, In other worlds, Tax evasion and Tax avoidances are frequently shown in taxation practices.<< Tax evasion involves knowingly reporting tax that is less than the tax payable under the law with an attempt to deceive by omitting revenue fraudulently claiming deductions or failing to use all the true facts of a situation. Tax avoidance is generally considered to arise in cases in which the tax payer has legally circumvented the law resulting in the reduction or elimination of tax through a scheme or series of transactions which do not truly reflect the real facts. (Robert E. Beam, F.C.A federal income taxation, 1999-2000).

The above common problems are assumed to be basically raised on the attitude of individuals towards it. Since attitude is represents a predisposition to respond to the phenomenon, not actual behavior towards it and since attitude is a latent variable that produce consistency in behavior either verbal or physical. (Gilbert A.churchil, Jr)

1.2 Statement of the problem

Taxation has a substantial effect on the allocation of resources in our economy. Various kinds of taxation on individuals and corporate are expected to produce the largest percent of financing federal state and local government revenue. Accordingly the payment of tax by individual entities and corporate constitutes to the cost of national defense, education and social service, health service, relief of poverty and so forth.

Keep in view the above facts; the attitude of individuals and business personnel towards the payment of tax is ambiguous. Individuals fail to file an income tax return or they cheats the government by concealing facts and government loses his due revenues, in other worlds individuals are shown while they are practicing tax evasion and Tax avoidance, The evasion, therefore, denotes down right defrauding of revenue through illegal acts and deliberate suppression or falsification of facts relating to one's true tax liability and tax avoidance is to refer to arrangements by which a person acting with in the letter of law , reduce his true tax liability, infringing in the process, both the spirit and intention of law. In other words, tax avoidance is method of reducing ones tax liability by making use of loopholes in tax laws. These problems are arise in tax practice frequently and tax avoidance and tax evasion problems are in question in the current taxation practice. Many business personnel in hadaro town does not have enough awareness about general taxation system of government.

So this study emerges due to the compliances raised in business area about the taxation practices held today and to make aware business personnel about the purpose of taxation by giving enough training and education about the purpose for which tax is imposed and its rate.

Therefore, the importance of this study is the identification of possible factors that underline towards taxation, relating certain variables (i.e level of

education, burden of tax (rate of tax) and level of income to the attitude of business personnel.

On the other hand the study provided clear and brief explanation and inferences about the existing problems related to taxation.

1.2.1 Research question

- 1 what is the attitude of business personnel toward taxation
- 2 what is relation between attitude and tax rate of sole trader
- 3 whether attitude of business personnel is related to level of education.
- 4 what is business personnel's feeling about taxation system imposed on them
- 5 whether or not personnel attitude is related to their level of income.
- 6 what is the attitude of business personnel about tax imposed by government on them.

1.3 Objectives of the study

1.3.1 General objective:-The general objective of this study is to assess the factor that affect attitude of business personnel toward government taxation.

1.3.2 Specific objective: - specifically the research was designed

- 1 To identify possible factors that affect individuals attitude towards government taxation.
- 2 To examine whether the attitude of those personnel are related to their level of education.
- 3 To provide possible explanation and interpretation for further study which enable the application of fair tax rate.
- 4 To provide appropriate and feasible solutions or recommendations based on the finding of the study.

1.4 Significance of the study

The study important in assessing the attitude of business personnel on the existing tax practice of Ethiopian government imposed up on a sole trading business enterprises and in finding out factors that affect their attitude. The need for this study was basically emerges due to the compliances raised in business area on the taxation practice held today and helps to make aware the business personnel about the purpose of taxation. On the other hands the study provided clear and brief explanations and inferences about the existing problems related to taxation because there is no any research conducted for the identification of the problem area in the past.

1.5 Scope of the study

The study was conducted in kambata tembaro zone hadaro town. The study focused on factor that affect business personnel and sole trader attitude towards government taxation like education level, income level and tax rate.

1.6 Organization of the study

For the purpose of this study the paper was organized into five chapters

The first chapter is introduction part. This section gives general back ground of this study and need for undertaking this study.

The second chapter literature review concerned with previous work related to study area

The third chapter is methodology which consists of sampling size and design and method of data analysis and tools. And The fourth chapter is analysis and interpretation of collected data and conclusion and the fifth chapter is about conclusion and recommendation.

Chapter Two.

2.1. Review of Related LITERATURE.

The best instrument which the governments can use as a source of revenue is taxation. It can be said, therefore, that a major function of taxation is to marshal the necessary funds to finance the ever-expanding level of government expenditures. (Nigar Hashimzade, Chris Heady, 2014)

As in all other countries, one of the purposes of taxation in Ethiopia is the raising of as much revenue as possible to meet the ever-expanding government expenditure for the supply of public goods and services which otherwise would not be available to the general public by the market. The central aim of the tax system in Ethiopia is to collect sufficient money to finance the administrative machinery of the government as well as to finance the fulfillment of basic infrastructures like roads, telecommunication, electricity and other basic social services like education, health and water supply facilities. (Nigar Hashimzade, Chris Heady, 2014)

In developing countries personal savings are usually low. This is because the per capital income of the population in these countries is very low. Moreover, the population in these countries is so high that it demands their government to spend much of their limited revenues on public goods, such as infrastructure, education, health, etc. thus the governments of these countries normally have to look in to various sources of finance, one of which is tax revenue, so that public goods and services which in turn positively impact development are supplied in reasonable quantities.

With the increasing task of the government, the role of taxation in economic development has become even more significant, Such goals addressed through taxation like maintain and expanding adequate system of social services, the curtailing of unnecessary consumption of luxury items, the maintaining of economic stability, and the raising of funds for capital formation are justified. In general the fundamental principle of the tax structure is the mobilization of economic surplus. .(Nigar Hashimzade, Chris Heady, 2014)

The tax system in Ethiopia is not only meant to raise revenue for current expenditures but also aims at directing economic agents to the development goals foreseen by the government through the incentive schemes embedded within the prevailing tax laws. If the investments are of high priority in terms of the country's overall development goals, then they are entitled to better tax incentives like tax holidays and the vice versa if otherwise. By doing so the government can direct the allocation of resources in to areas of its priority.

Through the tax system, government can protect domestic industries from competing imported good through levying high tariff on the later.

Taxation is also used for non-fiscal purposes such as reducing the inequalities in income distribution; encouraging certain industries and discouraging other depending on how useful and appropriate they are at that particular economic stance.

Hence, some of the specific purposes of taxation in Ethiopia can be summarized as follows:

- Raising of as much revenue as possible to finance the country's social and economic development programs and to alleviate poverty.
- Promotion of capital investment and trade
- Ensuring equity, fairness and consistency in the administration of tax laws
- Encouraging certain industries which are important in developing the country and
- Discouraging other industries which are not important to the long-run developmental the country

2.2 Views of the business community

MSEs being part of the Ethiopian business sector complain that the tax assessment method is based on subjective estimation as a result of which they are frequently exposed to over-taxation. Since micro and small

enterprises do not have simplified access to and clarification on information of the tax laws, they lack awareness on tax regulations and their implementation

As a compliment to the new tax law, the business community has the view that the new income tax proclamation has included all previously proposed amendments in the areas of income tax and it made it easier both for the business community and the tax collectors themselves to obtain all the necessary information, with respect to income tax, from one document and make use of it. On the other hand however, there are the following concerns and reservations reflected in various occasion by the business community.

The business community has got the view that the bases of the tax policy should be promoting investment and production so as to broaden the economic tax base of the country and not only aim at over imposing taxes on existing incomes.

Some members of the business community have the view that tax penalties are aimed at reaping additional revenue for the government instead of correcting and guiding the business community. The tax penalties are also considered to be beyond the businesses' ability to pay which then makes it very hard for government as well to enforce payment..

There is an opinion that the equity issue needs to be considered. Taxes must be fair i.e. Citizens should be taxed in proportion to their abilities to pay “ in proportion to the benefit they derive from the government”. A tax is considered fair if those who have the means to pay are assessed either in proportion to their capacity to pay or, depending on the situation, in proportion to what they receive from the government. Both “ ability to pay” and “ benefits received”, therefore, are criteria of fairness. Taxation in accordance with appropriately applied standards of ability to pay or of benefits received is said to meet the requirements of vertical equity (Because such taxation exacts different amounts from people in different situations). Just as important is horizontal equity- the principle that people who are equally able to pay and who benefit equally should be taxed equally.

The business community also has got the view that the tax exempt income threshold is very low; and as a result micro and small enterprises which normally generate meager income from their activities are obliged to pay taxes which they could not afford. Micro business have low returns that barely cover their daily basic needs. Such micro business operators rather expect from the government various supports among which tax incentive is one.

There is an opinion that the value added Tax (VAT) escalates the prices of goods and services and weakens the purchasing power of the people which is already low. This in turn discourages investors from producing goods and services for local consumption. By discouraging investment and hence income and employment VAT is considered to perpetuate poverty. This perception by some of the business community has to be addressed by concerned government bodies in a manner transparent and full of supporting facts. Ethiopian chamber of commerce; Ethiopian Business Development Services Network: - direct and indirect taxes.A.A.10/2004. 8

2.3 CATEGORIES OF TAX PAYERS

Tax payers are classified in to three major categories;

1. category “A” tax payers:- this category tax payers are include
 - A/ any company incorporated under the laws of Ethiopia or in a foreign country.
 - B/any other business having an annual turnover of birr 500,000 or above.

These category tax payers are required to submit to the tax authority, at the end of the year.

2. Category “B” payers unless already classified in category ‘A’ any business having on annual turnover of birr 100,000 would be classified under category “B” tax payers. This category of tax payers should submit to the tax authority profit and loss statement at the end of the year.

Category “C” tax payers: unless classified in category “A” and ‘B’ those businesses as whose annual turnover is estimated up to birr 100,000 are classified in category “C” of tax payers.

2.4 Moral & psychological factors

Certain moral and psychological factors have been pointed out as responsible for tax evasion (tax compliance) in the country. Every person should realize his responsibility towards the government. Unfortunately all citizens do not realize their duties to the state and the necessity of paying the correct amount of taxes and paying them in time. Only a reformed moral outlook and the development of better civic conscience can improve matters in this respect. (Dr. Alka Gupta (2001) public finance & tax planning)

2.5 Characters of Good Tax System

1. Tax is compulsory contribution:-it is a compulsory payment from the person to the government without expectation of any direct returns from it.
2. Taxes are levied by the government:-no one has the right to imposes taxes except the government. Only the government has the right to impose taxes and collect tax proceeds from the people.
3. Common benefit to all:- the tax collected by the government is spend for the common benefits of all people.
4. No direct benefit:- the government compulsorily collects all types of taxes and does not give any direct benefits to the tax payers for the taxes paid and the tax payers cannot demand any direct benefits against the payment of taxes.
5. Certain taxes levied for specific objectives:- though taxes are imposed for collecting revenue for the government to meet its expenditure on social wants and merit wants for example heavy taxes are levied on luxury goods to reduce their consumption.
6. Attitude of the taxpayers:- the attitude of the tax payers is an important variable determining the contents of good tax system.

7. Good tax system should be in harmony with national objectives:- a good tax system should run in the same direction with important national objectives.
8. Tax system recognizes basic right of tax payers:-a good tax system recognizes the basic rights of tax payers. The tax payer is exacted to pay the tax but not undergo the harassment. (Tax system manual by Addis chamber 2004)

2.6 Taxation Principles

Taxation principles are basic concepts by which government is meant to be guided in designing and implementing all equitable taxation regimes these includes.

1. Adequacy:-taxes should be just enough to generate revenue required for provision of essential public services.
2. Broad basing:- taxes should be spread over as wide as possible section of the population or sector of economy to minimize the individual tax burden.
3. Compatibility- taxes should be coordinated to ensure tax neutrality and over all objectives of good governance.
4. Convenience:- taxes should be enforced in a manner that facilitates voluntary compliance to the maximum extent possible.
5. Ear marking:- tax revenue from specific source should be dedicated to a specific purpose only when there is a direct cost and benefit like between the tax sources and expenditures such as use of motor fuel tax for road maintenance.
6. Efficiency:-tax collection efforts should not cost an inordinately high percentage of tax revenues.
7. Neutrality taxes should not favor only one group or sector over another and shouldn't be designed to interfere with or influence individual decision making.
8. Equity:-taxes should equally burden all individuals or entities in similar economic circumstances.

9. Predictability:-collection of taxes should reinforce their inevitability and regularity.
10. Restricted exemptions: tax exemptions must only be for

2.7 Canons of Taxation

Canons of taxation are the main basic principles (i.e rules) set to build a “Good tax system”

canon of taxation were first originally laid down by economist Adam smith in his famous book “ the wealth of nations” in this book, Adam smith only gave four canons of taxation. These original four canons are now known as the “original main canons of taxation”.

As the time changed, governance expanded and became much more complex than what it was at the Adam smith’s time soon a need was felt by a modern economists to expand smith’s principles of taxation and as a response they put forward some additional modern canons of taxation.

Adam smith gave the following four important canon of taxation

1. Canon of equity:- the principles aim at providing economic justice and social justice to the society. According to this every person should pay depending on the ability to pay. The rich should pay higher taxes to the government, because without the protection of the government a authorities (police, defense etc). They could not have earned and enjoyed their income. A. smith argued that tax should be proportional to income.
2. Canon of certainty: - according to Adam smith the tax w/c an individual has to pay should be certain, not arbitrary. The tax payer should know in advance how much, at what time and in what form the tax to be paid to the government. at the same time a good tax system also ensure that the government is also certain about the amount that will be collected by way of tax.
3. Canon of convenience: the mode and timing of tax payment should be as far as possible, convenient to the tax payers for example and revenue is convenient tax located at time of harvest income tax is deducted at source. System will encourage people to pay tax and will increase tax revenue.

4. canon of economy:- this canon implies that the administration cost of tax collection should be minimum, i.e. the difference between the money, which come, out of the pockets of people and that which is deposited in the public treasury should be as small as possible. (H.Gebrie worku mengesha,2008)

2.8 Major Types of Taxes in Ethiopia

1. Direct taxes:- direct taxes are those which are paid entirely by those person whom they are imposed. A direct tax is one paid directly to the government by the persons on whom it is imposed. Examples include some income taxes, some corporate taxes and transfer taxes such as estate (inheritance) tax and gift tax.

2. Indirect taxes are computed indirectly in the cost of goods or service you purchase such as taxes imposed on companies for doing business. A good example of indirect tax would be shipping cost which are included in the cost of merchandise you buy at the store. Cost on commodities like custom duties, sale taxes, excise taxes etc included in types of indirect taxes.(Gabriel worku mengesha,2004).

2.9 Types of Indirect Tax

2.9.1. Employment Personal Income Tax: every person deriving income from employment is liable to pay tax on that income at the rate specified in schedule. Employment income shall include any payment origins in cash or in kind received from employment by an individual. Employees have an obligation to withhold the tax from cash payment to an employee, and pay the tax authority the amount withheld during each calendar month in applying the procedure, income attributable to the month of Nihassie and Pagume shall be aggregated and treated as the income of one month. If the tax on income from employment, instead of being deducted from the salary or wage of the employee is paid the employer in whole or in part, the amount so paid shall be added to the taxable income and shall be considered as part thereof (Gebrie worku Mengesha, 2008)

2.9.2 Business Profit Tax

This is the tax imposed on the taxable business income /net profit realized from enterprenurial activity. Taxable business income would be determined per tax period on the basis of the profit and loss accounting standard corporate business are required to pay 30% of fiat rate of business income tax. For with incorporated or an individual business are taxed in accordance with the determined schedule and rate. In the determination of business income subject tax in Ethiopia, deductions would be allowed for expense incurred for the purpose of earning, securing and maintaining that business income to the extent that the tax payer can prove the expenses.

The following expenses calculating shall be deductible from gross income in calculating taxable income.

- ❖ The direct cost of producing the income such as the direct cost manufacturing, purchasing, importation, saving and such other similar cost.
- ❖ General and administrative expense connected with the business activity.
- ❖ Premium payable on insurance directly connected with the business activity.
- ❖ Expenses incurred on connection with the promotion of the business inside and outside the country. Subject to the limits get by the directive issued by the minister of revenue.(IBID)

2.10 Types of Indirect Taxes

2.10.1 Turn over Tax

The turn over tax would persons not registered for value added tax render payable on good sold and services. The rate of turn of over tax is

- ❖ 2% on good sold locally.
- ❖ For service rendered locally.
- ❖ 2% on contractors, grain mills, tractors and combine harvesters.
- ❖ 0-50% on other.

2.10.2 Value Added Tax

Value added tax is tax on consumer expenditure: it is collected on business transactions and imports. A taxable person can be an individual firms company, as long as such a person is required to be registered for VAT most of transactions, inviolable supplies of goods or services, VAT is payable if they are:

- Supplies made in Ethiopia.
- Made by a taxable person
- Made in the course or further once of business.
- Every import of goods, other than an example import and import of service.

The registered person is required to issue the VAT invoices to the purchaser of goods or services up on the supply or rendering, but not later than 5 days after the transaction. (Tax system Manual by Addis Chamber, 2004)

2.10.3 Excise Tax

Excise tax in Ethiopia is imposed and payable on selected goods, such as luxury goods and on goods that are hazardous to health witch are cause social problems, so excise tax will reduce the consumption of such goods.

Rate of excise tax

The excise tax shall be paid on goods mentioned under the senedule of the proclamation

1. when it is imported and
2. when produced locally at prescribed in the schedule

Base o computation of exercise tax

1. In respect of goods, produced locally the cost of production.
2. In respect of goods imported cost of insurance and freight (CIF)

2.10.4 Payment of excise tax

The excise tax shall be paid within the time prescribed according to proclamation no 307 sub article 12)

1. In respect of goods produced locally, by the producer.
2. In respect of goods imported by the importer([www.Addis chamber.com](http://www.Addis-chamber.com)).

2.10.5 Time of payment

According to the proclamation, excise tax on goods shall be paid under the schedule.

1. When imported at the time of clearing the goods from customs area.
2. When produced locally, not late than 30 days from the date of production.

CHAPTER THREE

METHODOLOGY OF THE STUDY.

3.1 Design of the study

The design of this study was descriptive survey, which mainly focus on qualitative approach of the study .Therefore, the study was described the result of the study by using different explanation methods that described the final output of the study.

3.2 Source of data

In this study the researcher used both primary and secondary source of data to achieve the objective of the study. The primary source of information is collected directly from business personnel through structured interview, Questionnaire's and observation. The secondary source of information include published and unpublished source related to study area.

3.3 . Sampling size and Sampling techniques

In this research random sampling technique was employed to assess the attitude of sole traders towards government taxation. Out of 150 total population of traders, the researcher was randomly selected 75 sample for the study. Therefore, this study was primarily applied simple random method for the employee of the Hadaro Finance institution and officials of this organization.

3.4 Data collection Tools

This study was designed to get insight or ideas of personnel. So exploratory study is particularly helpful on breaking the broad. Because exploratory study is to clarify concepts and give compute explanation about the problem.

Since exploratory research are concerned then the researcher must depend up on primary data to assess the inclination, views and feeling towards taxation. One type of primary data of great interest to the research is the subjects, demographic and socio economic characteristics such as education, income and social class.

Since the researcher interested in determining whether person's attitude is related to their level of education, level of income, and rate of taxation,

A structured - questionnaires have been used in research these refers to the degree of standardization imposed on the questionnaire. A fixed alternative questions which the respondents are limited to the stated alternateness.

On the other hand unstructured or open ended questions were also used to assess the attitude and help the interviewer to drive a more accurate picture of the respondent's true position on taxation.

So the study involved semi- structured questionnaires with an interview with personnel in which the respondents are limited to the stated alternative in structured questions and some unstructured questions to get the subject to talk freely about his/her opinion towards taxation.

3.5 Method of Data Analysis and presentation

After data collection further research procedures like processing and analysis of collected data will be undertaken. Editing will be used for the collected data to detect errors, omissions and unnecessary questionnaires used in the field of editing techniques in the analysis.

Finally, the collected data is presented by using different methods like tables, pie charts, bar graphs and percentage coding using numerical and classifying or organizing large volume data in to homogeneous group.

The consideration that underlie here is a choice of analysis method for best interpretation and demonstration of results. Appropriate technique depends up on the type of data research design, the assumption underling the test statistics and its related consideration, and the power of test.

3.6 Ethical Consideration of the study.

Some of the expected views of ethical behavior that are widely accepted within the scientific community kept in the research process. The researcher kept the following Ethical consideration through all the process of the research. Participants in this research were aware that their participation in the study was voluntary, that they have the freedom to withdraw from the study at any time without any unfavorable consequences, and they were not be harmed as a result of their participation or non-participation in the study .

Chapter four

4.1 Data presentation and analysis

This section was deal about the data analysis and inter pretention, which was mainly focus on result and discussion of the data that obtained from the respondents.

Tables: 1- Attitude of trades on taxation

No.	item	Alternations	Numbers of respondents	percentages
1	What is your attitudes towards taxation?	Negative	42	56
		Positive	33	44
		Total	75	100

As table 1 above show that majority 42 (56%) of the respondents were replied that as they have negative attitudes towards government taxation. In contexts to this, minority 33 (44%) of the of the respondents were replied that as they have negative attitudes towards government taxation

Table2- The extent tax support traders

no	item	Alternatives	Numbers of respondents	percentages
2	To what extent do government	Extremely	-	-
		Highly	14	18.66
		Medium	25	33.33
		Low	36	48
		Total	75	99.99

As table 2above show that majority 36 (48%) of the respondents were replied that as taxation support them low, and about 25 (33.33%) of the respondents were said that as it, support them medium, and very minor 14(18.66%) of the respondents were replied that it highly support them. Therefore, this indicated that trades were not benefited from government taxation.

Table 3: Fairness of taxation

No	Item	Alternatives	Numbers of Respondents	Percentages
3	Do you think taxation system impose on trader is fair?	Yes	18	24
		No	57	76
		Total	75	100

As table 3 above show that above shot that majority 57 (56%) of the respondents were replied that no taxation imposed by the government is not fair, in contrast to this minority 18 (24%) of the respondents were reprised that yes taxation was fair.

Table 4: Awareness on taxation

No.	item	alternatives	Numbers of respondents	%
4	Do you have an awareness on government taxation?	yes	21	28
		No	54	72
		total	75	100

As table 4 above indicated that majority 54(72%) of the respondents said 'no' and minority 21(28%) of them replied that 'yes'. Therefore, this indicated that most traders importance of government taxation.

Table 5:- How government taxation paid

No.	item	Alternatives	Numbers of respondents	%
5	How often you are pay government taxation	Always	-	-
		Once a month	26	34.66
		Once a year	49	65.33
		Total	72	99.99

As table 5 above show that majority 49 (65.33%) of the respondents were replied that as they paid government taxation once a year, and minority 26 (34.66%) of the respondents replied that as they paid it once a month

Table 6 :satisfaction of traders on taxation

No.	item	alternatives	no of respondents	%
6	Are you satisfied with the current government taxation	yes	29	38.66
		No	46	61.33
		total	75	99.99

As table 6 above indicated that majority 46(61.33%) of the respondents replied that ‘no’ and as they were not satisfied with the government current taxation. And minority 29(38.66%) of the respondents were said ‘yes’ as they were satisfied with government taxation.

Table 7: Factors affecting government taxation

No.	item	Alternatives	Numbers of respondents	%
7	what are the factors affecting government taxation	Lack of awareness	29	38.66
		Lack of resources	46	61.33
		Mal-administration	75	99.99
		total	75	100

As table 7 above show that majority 30 (40%) of the respondents and also majority 30(40%) of the respondents also replied that lack of resources and mal – administration were the major factor that affect in contrast, minority 15 (20%) of the respondents were replied that lack of resources was the other factor that affect government taxation.

Table 8: Balance between income and taxation

No.	item	Alternatives	Numbers of respondents	%
8	Do your income and taxation is balanced?	Yes	-	-
		No	75	100
		Total	75	100

As table 8 above show that all 75 (100%) of the respondents were replied that ‘no’, this As table 8 above show that all 75 (100%) of the respondents were replied that ‘no’, This indicated that there was no balance between traders in come and taxation imposed on them.

Table 9. how do you evaluate the knowledge of person income tax payer about taxation.

N O.	Item	Alternative s	Number of respondent s	Percentages
9	How do you evaluate the knowledge of person income tax payer about taxation.	High	60	80%
Medium		15	20%	
Total		75	100%	

The response of employees concerning knowledge of tax payers describe that 80% of the respondents come out with the knowledge of tax payer is low, and the remaining 20% respond that their knowledge is medium.

Chapter five

5. Major Finding, Conclusion and Recommendation

5.1 Major Finding

Based on the data that obtained from the questionnaire, the researcher draw the following major finding of the study.

- ✓ As majority 42 (56%) of the respondents were replied that as they have negative attitudes towards government taxation.
- ✓ As majority 36 (48%) of the respondents were replied that as taxation support them low.
- ✓ Majority 57 (56%) of the respondents were replied that no taxation imposed by the government is not fair.
- ✓ Majority 54(72%) of the respondents were not aware about the importance of taxation.
- ✓ As majority 49 (65.33%) of the respondents were replied that as they paid government taxation once a year.
- ✓ Majority 46(61.33%) of the respondents replied that as they were not satisfied with the government current taxation.

- ✓ All 75 (100%) of the respondents were replied that ‘no’, this indicated that there was no balance between traders income and taxation imposed on them.
- ✓ Majority 30 (40%) of the respondents and also majority 30(40%) of the respondents also replied that lack of resources and mal – administration were the major factor that affect taxation.
- ✓ All 75 (100%) of the respondents were replied that there was no balance between traders income and taxation imposed on traders .

5.2 Conclusion

As per the objective of the study, this paper has attempted to identify the factors that affect the attitudes of business personnel toward government taxation and it has identified and explained the relationship between variables.

The study on its finding concluded the factors that affect the attitude of personnel significantly are education level, Income level and tax rate. These factors have a considerable impact on the attitudes of sole traders, that is education level and income level have the positive impacts, whereas tax rate has a negative impact on the attitudes of sellers toward taxation. In other words, attitude of business personnel towards taxation is significantly depend on their education level, income level and tax rate imposed up on them. The result significantly indicated that, education level is positively related to attitude the same is true for income level factor, whereas, tax rate is negatively related to attitude towards taxation. In other words, there is a high negative relationship between tax rate and attitude. Let us discuss one by one

5.3 Recommendation

Based on the major finding of the study and conclusion, the researcher draws the following major finding of the study.

- ✓ First of all traders have to aware about the significance of the study .because, most of them were not clearly understand about the importance of the taxation.
- ✓ Hence traders have been developing negative attitude towards government taxation, therefore, certain work shop and training should be given for the traders to change their attitudes towards taxation.
- ✓ Taxation system should be modify in this institution and attention should be given for the traders as they have to be initiated to pay tax voluntarily.
- ✓ Taxation system of this town need to considered the revenue and income of the traders.
- ✓ The taxation and taxation system should impose fairly and create satisfaction for the traders.
- ✓ The concerned body should balance between the tax paid and the profit that traders obtain from what they gained.

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APPENDIX

JIMMA UNIVERSITY

1. COLLEGE OF BUSINESS AND ECONOMICS

Research Questionnaire

Introduction

- First of all I would like to thank your co-operation to respond the questionnaire items.
- Dear respondent, the purpose of this questionnaire is to gather data on the attitude of business personnel towards government taxation, which is only for academic purpose. Therefore, responding to the questions will not create any problem.
- Each of your response is very helpful for the study. Therefore, please give your genuine answers.

Part I

1. Age -----, sex -----
2. Education level
 - a. Primarily school
 - b. Secondary school
 - c. Diploma
 - d. Degree
 - e. Masters
 - f. Ph.D.
3. What type of business are you undertaking?
 - A. merchant (retailer)
 - b. wholesaler
4. How much capital did you invest in your business? -----

5. How much your yearly income? -----

6. Are you subject to tax on your income
 - a. Yes
 - b. No
7. If yes, to Q7 what type of tax are you subject to pay
 - a. Property tax
 - b. Sales tax
 - c. Income tax
 - d. other specify

8. How much is your yearly tax?-----

9. How do you pay taxes on request?

- a. At a time
- b. 6 month lag
- c. One year lag
- d. More than 1 year lag

10.If you pay taxes on lag , what are your reasons for lagging explain ----

Part II

Choose the letter from the alternatives A, B, C, D, & E on the space provides to the statement you are favored.

A

B

C

D

E

Strongly Agree

Agree

Strongly Disagree

Disagree

Nether Agree not disagree

11. Persons or business entities should pay tax -----

12. Taxation is the effect of law (law compels to pay tax) -----

13. Tax is a major source of income for government and has a significant economic consequence -----

14. Paying tax is the obligation of every person (entity)-----
-

15. The current rate of tax is very high-----

16 .The amount of tax (tax rate) is consistent with my income -----

17. The burden (tax rate) should have to decrease -----

18. There should be penalty for lag of payment -----

Part III

The following questions are related to part II and should be answered on the basis of answers given on that section.

On Q 17

19. If you think that the current rate of tax is unfair what are your reasons? explain -----

20. If you think that the rate of taxes are not consistent with your income what are your reasons? Explain -----

21. If you think that business entity or persons should not pay tax what are your reasons? Explain -----

-

22. If you think that taxation had a significant economic consequence what are those consequences? ----- Explain -----

23. What do you expect from government on the rates of tax? Explain -----

Declaration

I would declare that the senior essay entitled assessment of factors that affect the attitude of business personnel towards government taxation submitted to department of accounting and finance ,college of business and Economics in Jimma university for partial fulfillment of for requirement of bachelor of art degree in accounting and finance.

Name of student.....

Signature.....

Date.....

This student's research paper is submitted or examined with my approval as a University advisor.

Name of Advisor.....

Signature.....

Date.....