JIMMA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF ACCOUNTING AND FINANCE
CHALLENGE OF TAX REVENUE COLLECTION THE CASE OF CATEGORY "C"
TAXPAYERS IN JIMMA TOWN

A RESEARCH THESIS SUBMITTED TO THE SCHOOL OF GRADUATE STUDIES OF JIMMA UNIVERSITY IN PARTIALFULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF SCIENCE (MSC) IN ACCOUNTING AND FINANCE

MAJOR ADVISOR: KENENISA LEMI (PHD, ASSOCIATE PROF.)
CO-ADVISOR ABEL WORKU (ASS.PROF)

BY
BIRHANU HATEW

UNE 2022
JIMMA ETHIOPIA

DECLARATION

This is to certify a thesis prepared by BirhanuHatew, entitled: **"**challenge of tax revenue collection the case of category "c" tax payers in Jimma townsubmitted to Accounting and Finance Department of Jimma University, in partial fulfillment ofthe Requirements for the award of Masters of Accounting and Finance in complies withthe regulations of the university and meet the accepted standards with respect to originality andquality.

Name: BirhanuHatew

Signature: _____

Date_____

CERTIFICATION

This is to certify that this thesis entitle :"challenge of tax revenue collection the case of category "c" tax payers in Jimma townsubmitted to Jimma university for the award ofdegree of masters of accounting and finance is a recorded as originalresearch work carried out by mr.BirhanuHatew under the guidance and supervision of kenenisaLemi (PhD). therefore, i declare that no part of this thesis has been submitted to any other universityor institutions for the award of any degree or diploma.

Main adviser's name   signature   date

_____   _____   _____

Co-adviser's name   signature   date

_____   _____   _____

As members of Board of Examination of the MSC in Accounting and Finance thesis defense examination we certify and evaluated this thesis properly done by Mr. BirhanuHatew and examine candidate. We recommend that this thesis could be accepted as fulfilling the requirements for the award of Master's degree in Accounting and Finance specialization in Finance.

Chair Person   Signature   Date

_____   _____   _____

Internal Examiner   Signature   Date

_____   _____   _____

External Examiner   Signature Date

_____   _____   _____

ACKNOWLEDGMENT

TABLE OF CONTENTS

Contents

LISTS OF TABLES

LIST OF FIGURES

ACRONYMS

ERCA   Ethiopia Revenue and custom Authority

FDRE: Federal democratic republic of Ethiopia

GDP: Gross Domestic Product

JTRA   :Jimma Town Revenue Authority

OECD: Organization for Economic Co-operation and Development

SIRM: Standard integrated revenue management

SPSS: Statistical Package for Social Sciences

TOT: Turn over Tax

VAT: Value Added Tax

JCARA   Jimma city administrative revenue authority

ERA   Ethiopia revenue authority

BMS   Block management system

ETB   Ethiopia Birr

ICT   Information and Communication Technology

ABSTRACT:

The main objective of this study is to analysis the challenges of tax revenue collection by Jimma City Administration Revenue Authority in Jimma town. Both quantitative and qualitative research design were adopted. The research used secondary data which was obtained from the yearly financial report in respect of the total tax revenue collected and plan from the direct and indirect taxes for the period of 2006-2012. The population of the study constitutes Tax revenue official and category "C" tax payer in sub-city one. Three kebele tax payers, and tax office Departments were selected. The major findings shows thatno trust of tax payer'sstatement caused by poor communication and understanding between the tax authority and taxpayers and over taxation as result of over estimation of daily/annual income and lack of fairness or equity of taxation among similar businesses of category "C" and On the other hand, the study found out that there is taxpayer resistance, low tax morale on part of the citizenry, low level of literacy rates of taxpayers using technology and the findings suggest that improving staff integrity while increasing taxpayers versus JCARA administrative capacity in terms of IT requirements and authority and likewise challenge of availability of low level of literacy rates to taxpayers regarding the utilization of technology in paying taxes and the respondent argued in avoidance of tax evasion which the use of legal means to reduce one's tax liabilities while tax evasion is the use of illegal means to reduce the tax liabilities. More over the findings from the study indicated that, the sample respondents of category 'C' taxpayers have negative perceptions of exchange fairness, procedural fairness, horizontal fairness, compliance fairness, simplicity and the administrative capacity of the tax and recommendation, government to ensure that equal taxes are levied on individuals who have equal income and authority must also actively involve taxpayers or their representatives while estimating the daily sales and the authority build, the enhancement of taxpayer education on tax laws and procedures, building public support and effective publicity through various ways such as media is important for the facilitation of voluntary tax compliance.

Key Words: category C, Tax revenue, Taxpayers, presumptive Taxation, assessment, Jimma

1. TRODUCTION

1.1 Background of the Study

Taxation is a system of raising revenue by a government through tax. It is the system of collecting money by government to finance government operations (Misrak, 2014). According to (Bauer, 2005), Public tax is the most important part of government sources of revenue and most of its plans and policies also depend on the revenue collected. Government has also given priority in reducing the budget deficit through the mobilization of domestic resources. The proper amount of tax must be collected on a timely manner for successfully improving and maintaining steady economic growth in a nation. To do this, the enforcement power of the tax administration, including proper tax assessment must be applied in a manner that fulfills the tax principles.

In Ethiopia, though it was difficult to get reliable documentary evidences as to when exactly taxation was introduced. It is believed that taxation came together with the establishment of the government. It was a source of revenue from early Axumite kingdom around 500 AD. It was during Atse Zerayecob time that the first tax system was introduced. The important reform carried out by Emperor Menilik II towards the end of 19th century resulted in establishment of fixed tithe rather than the undefined arbitrary system of agriculture taxes. During the Haileselassie Regime the statutory bases for all the tax proclamations will be the 1955 revised constitution of Ethiopia, and the power being given to the Minister of Finance (Misrak, 2014).

The new constitution of Federal Democratic Republic of Ethiopia, (1995),Art. 51(10) and Art. 52(2 (e)), provides the power to Federal and regional governments to levy and collect taxes from the source allocated to them. During this regime there are many amendments to previous laws of the taxes such as: reduction of the rate of employment income tax from 40% to 35%, introduction of tax payers identification number (TIN) and replacement of sales tax by VAT are some of the reforms. This tax reform program in the country has two

components: over hauling of the tax legislation and improving the tax administration (Fantahun, 2002).

The reform aims at establishing a sustainable domestic revenue base, encourage trade and investment insures fairness, equity and transparency in the administration of the tax laws. The government is doing all these that because taxes collected from the tax payers are the tools for the development of the country. The public needs such as infrastructures, education, health, and others need resources to be financed. One of source of finance which the central and regional governments rely on is the taxes that are collected from the citizens in different places and on different tax base. In order to collect sufficient revenue and to take tax administration simple and less costly the government takes different measures: merging ministry of revenue, FIRA and customs administration and forming Ethiopian revenue and customs authority is one of measures (Fantahun, 2002).

Income tax proclamation No 286/2002 section, sub Article 16 classifies tax payers in to three different categories: category 'A' and 'B' are those which are obliged to keep their book of account to present their income statement and pay their tax liabilities accordingly. Category 'C' tax payers are not treated in direct way as of 'A' and 'B', they are not forced to keep records maintain it by the tax laws instead they are treated differently by the means called presumptive method. The tax assessment on this category is based on estimation and the overall aim of this study to describe the challenges relating to presumptive tax assessment and collection.

A number of research conducted on "C" taxpayers has found out that tax assessment and collection is a problem and the category "C" taxpayers are more associated with challenges than of the other categories. Besides, the tax authority of some city administrationsare not efficient and effective in various aspects such as improving the tax assessment and collection system, creating awareness, enforcing the tax law, providing services, and information regarding tax. Research findings reveal that determinants of the tax assessment and tax collection problems are related with lack of equity and fairness of the tax system, low level of awareness of taxpayers, ineffectiveness and inefficiency of tax the authority, poor service

delivery, lack of trust of the tax payers on tax collectors and tax assessment system procedures. Other factors such as taxpayers' attitude and honesty/loyalty were found to be the result of lack of awareness Abi, (2018).

It is, thus, the main objective of this study to find out the challenges of taxrevenue collectioncategory 'C' tax payers atJimma Town Revenue Authority.

1.2 Statement of the Problem

The Ethiopian government needs to bring rapid and continuous economic development. To achieve this, government has been undergoing different reforms regarding revenue mobilization through taxation. Tax reform must involve the balancing of multiple objectives and principles of raising revenue, ensuring economic efficiency, equity and administrative efficiency. Tax reform of the country has two major parts, namely policy and administrative reforms Fantahun,(2002).

Amina and Saniya (2015)studied the determinants of tax compliance for the case ofJimma zone category 'A' taxpayers.By distributing tot taxpayers, the study tried to explore the main determinants of tax compliance. The result of their study found out that age, sex, penalty, audit, simplicity, fairness and government perception to affect tax compliance. in general it is recommended that ERCA has to work on education the young generation about the tax system and the benefit it has to the society as a whole, try to make the whole tax system as fair as possible with regard to the benefit received for paying tax and the tax burden of paying it, to expand and make more regular and consistent auditing still putting in mind the cost associated with it, work on bringing a good reputation in providing public service and making the tax system simple in general and the law, the forms, the filling, the paying and appeal system in particular in order to increase the tax compliance in one hand and the tax revenue in general. But the research overlooked tax payers of category "C"

According to World Bank (2015) report 24% of GDP to finance investment requirement is being solicited from loans and grants. Furthermore, Tadele, (2015) indicated that although the overall economic performance of Ethiopia, measured by growth in real GDP, between

2003/04- 2010/11, registered an average annual growth rate of 11.4%, and the contribution of tax revenue to GDP in 2010/11 is about 11.5% the ratio was proved to be low compared to other developing countries such as Botswana (35.2%), Djibouti (20%) Kenya (18.4%). According to Workineh, (2016) the role of tax revenue is imperative in bringing economic development, where its working or efficiency is determined by different socio economic and political factors.

There is a controversy among literature as far as the determinants of tax revenue are concerned. For instance, Eltony (2002) found foreign aid and foreign debt to have positive influence on tax revenue, whereas; Gupta (2007) indicated that both have negative effect on tax revenue. As far as the relation between tax revenue inflation rates is concerned, Mahdavi (2008) indicated that tax revenue is negatively affected by inflation. Tesfaye (2015) forwarded that, foreign direct investment to GDP percentage negative significant influence on tax revenue, but Belay (2015) in his study reveals that foreign direct investment has significant positive relationship with tax revenue.

According to Ayale (2017) the study was conducted to assess effectiveness of tax assessment and collection practice of category "C" tax payers at Alaba City The findings of the study revealed that most of the taxpayers, those in the category "C", have been facing various problems related to the taxation system. Despite the business community's positive attitude towards the general concept of taxation, most of the surveyed tax payers stated that what they are paying is beyond their ability to pay and that they neither have trust in the employees of the authority nor in the overall tax estimation, assessment and collection procedures. In light of these facts, the study concluded that the tax authority of the city administration is not being effective or is being reluctant in making the tax procedures objective, transparent and understandable to taxpayers.

In addition Amina (2013) studiesthe determinantsof tax compliance: the case ofJimma town category B tax payersThe study tried to explore the main determinants of tax compliance and how these determinants are related with tax compliance. The findings of the study shows that tax rate, probability of detection, penalty rate, reference group and tax knowledge are the

determinants of tax compliance. When tax rate is perceived as higher and inequitable, tax compliance will decrease: the higher the probability of detection, the lower the compliance: when taxpayers perceived there is high penalty rate for any non-compliance, the level of compliance will decrease: negative perception on friends and relatives result in low compliance.

Many developing countries need to spend more of their tax revenue on public infrastructure, education, health services and so on, and hence they need to increase their tax effort – tax revenue as a percentage of gross domestic product (GDP) – if they want to grow and to be less poor, (Bird, 2006). The Jimma Town Revenue Authority (JTRA) has been able to increase revenue collections; improve voluntary compliance, minimize collection costs, widen the tax base, and control evasion and fraud. In absolute terms, tax revenue collected by the JTRA increased from an equivalent of 45,575,000.00 million in 2005/06 to the current levels of 173,496,748.00 million in 2010/11 while revenue to GDP ratio increased from 22.53% to 86.45 %respectively. This analysis shows that about 86.45 of revenue in Jimma city administration was from tax revenue collection; this is contrary to the expectation of, the constitution of the government of Ethiopia article 51(10) and article 52(2) (e) provides the power of levy and collect taxes from their own sources to federal and regional governments respectively.Jimma Town Revenue Authority is one of the local government bodies which are given the authority to collect and administer its tax revenue under its jurisdiction.It is increasingly necessary for the city to find ways and means of improving its revenue generation in order to meet the higher level of their development needs The JTRA aims at raising the ratio to 100% (JCA revenue trends, 2005/06 - 2011/12).

In generating revenue through taxation from taxpayers there exist different challenges such as tax assessment method, strategies for improving enhancement of revenue collections and broadening the tax base, system based on agreement between the taxpayer and the administration capacity and simplicity and tax payers procedural fairness and identify challenges of tax revenue collection for the last six years planned vs actual revenue collection Jimma town revenue office. As far as the knowledge of the researchers is concerned, no comprehensive research has been conducted to assess the challenges of tax revenue

collection in Jimma town and bridge the gap in the existing literature and the existing literatures indicated inconclusive finding as far as the challenges of tax revenue collection is concerned study by (Bird, 2006). Mahdavi (2008) , Amina (2013)Tadele (2015), Amina and Saniya (2015),Tesfaye (2015), Workineh, (2016) Ayale (2017) were conducting research with could not fill the gap of such contradicting findings is timely and worth taking. Hence, research is aimed at is assessing the challenges of tax revenue collection in Jimmatown . Therefore, this study sought to unveil the challenges of tax revenue collection it in order to come out with strategies for their eradication

1.3 Objective of the Study

1.3.1 General Objective

The general objective of the study is to assess the challenges of taxrevenue collection inJimma Town Revenue Authority.

1.3.2 Specific Objectives

In order to attain the general objective, the following specific objectives were developed.
- To analyze challenge on the standards used in tax assessment based on estimation of category ”C” taxpayers.
- To assess challenges on category 'C' taxpayers perceive the presumptive tax regime with respect to its fairness, simplicity and administration capacity?
- To assess challenges facing the taxpayers and the revenue authority.
- To determine strategies for the enhancement of revenue collection at JTRACA

1.4 Research Questions

In line with these specific objectives the researcher developed research questions as follows.

- What are the challenge made during the methods used in tax assessment for presumptive taxation?
- How do challenges encountered in applying the scheme of presumptive taxation category 'C' taxpayers on perceptions of fairness, simplicity and administrative capacity?
- What are challenges facing the taxpayers and the revenue authority?
- What are the strategies for the enhancement of revenue collection ?

1.5. Significance of the Study

According to Ethiopian federal system power to levy and collect tax has been stretched up to the lower level of administration i.e woreda level and authority and responsibility to spend this revenue for public activities would also be decentralization to this lower level. Now a day there is highly increases of the need for public goods and services. In order to finance this demand, government at each level is expected to generate substantial domestic revenue effectively and efficiently. Therefore the contribution of this study is important:-

- To show a better way of implementing the existing new tax reform regarding presumptive tax to increase revenue generation.
- It may help the tax authority to identify the problem area and take corrective action
- It may be the base for further study on this topic in the Jimma town Revenue Authority.

1.6. Scope of the Study

The scope of this study was limited to the Jimma townRevenue Authority small business tax payers (category "C" tax payer ".) It was not include other tax payer categories (category 'A' and 'B'). The data of at least six consecutive years (2006-2012) were taken in order to evaluate the increment of revenue in Jimma town revenue authority. In order to undertake this study, only category C tax payers were selected by the researcher; found in Jimma town.

The study has taken only selected sub-city one out of three sub-city and three kebeles out of six kebeles which included in the sample (Hermata, Hermata markato,and Hermata mantina). Many challenges of tax revenue collection can be considered to analyze tax challenge of business taxpayers in general. But in this study, only fourchallenges of tax revenue collection were considered. Since this study employs the quantitative research approach, the qualitative aspects were the manager only included in the study.

1.7. Limitation of the Study

Lack of cooperation of some business taxpayer respondents to complete filling the questionnaire timely and to provide the required information was serious challenges to conduct this study and also, most of the respondents of business taxpayers are service providers and retail traders and did not have enough time to respond to the questionnaires. These all requires additional time to encourage and needed frequently to visit most of the respondents. The other limitation of this study was focused on part of category 'C' taxpayers only.Category 'A', and category 'B' taxpayers were excluded and also the study was only focused on sub-city one in three kebeles..

CHAPTER 2. LITERATURE REVIEW

2.1. Introduction

This chapter reviewed the literatures from different studies in order to capture ideas and arguments which guided the development of the study. It is based on theoretical literature review, literature review from earlier studies and conceptual framework.

2.2. Theoretical Literature Review

2.2.1. Definition of Terms

Tax/revenue is referred to as a chargeable income during a year (Chijoriga, 2012). However, in order for tax to be paid well voluntary tax compliance practices need to be emphasized. Voluntary tax compliance refers to self-assessment of a taxpayer on his/her tax ability and then remit relevant amount of tax to the government Fjeldstad, (2006).

Baurer (2005) argued that it is a well known fact that the revenue generated from the taxation of individuals and businesses is an important stream of income for government. In an economy like ours that is struggling to remain afloat, it is even more important. Tax revenue is the source of funds used for development projects such as provision of infrastructure like good roads, stable power supply, stable water supply etc. All of which combine to create an enabling environment for businesses – and in turn the economy at large- to grow.

However, Bofah (2003) stated that tax revenue collection is one significant issue of economic development among others. It has been said that 'what the government gives it must first take away'. Because the economic resources available to society are limited and so an increase in government expenditure normally means a reduction in private spending. Taxation is one method of transferring resources from the private to the public sector, but there are others i.e. creation of more money, to charge for the goods and services it provides or toborrow.

Taxation has its limits as well, but they considerably exceed the amounts that can be raised by resorting to the printing press, charging consumers directly, or borrowing. So while governments often use all four methods of raising resources, taxation is usually by far the most important source of government revenue Chaudhry, (2010). As important as tax revenue is to a nation, many people still find it difficult to comply with their tax obligation.

According to Nightingale (2002) "No one really likes paying taxes yet they are inevitable for the provision of social welfare".James, S. and Nobes, C. (2000). and Nightingale (2002) while citing Smith, K.W. and Kinsey, K. A. (1976) posit that a good tax should have the qualities of equitability, efficiency, neutrality, flexibility and simple. These principles still holds today and even act as a guide for policy formulation. However, the ability to achieve all in a single tax policy is practically impossible; hence Nightingale (2002) stated that there is no good tax. This is because an efficient tax might be inequitable. According to Małgorzata& Sabina (2017),"An efficient tax may not necessarily be considered fair and one that is considered equitable may not be efficient". Ordinarily, people abhor tax payment due to its effect on their income. Małgorzata & Sabina (2017),) noted that only a few people are enthusiastic about paying tax. Tax policy must be generally accepted by the people if it must gain compliance (Nightingale (2002). It therefore means that a good tax system must be in consonance with (Smith, 1776) cannon of taxation.

World Bank (2002) stated that the tax system in Tanzania is still complicated and non-transparent. Moreover, Logue, D. and Vettori, G. (2010) pointed out that tax legislation is unclear and causes random and partly ad hoc collection procedures. Assessors are considered to have wide discretionary powers to interpreting tax laws, for instance, to allow or disallow expenses or charges or to exempt import duty on items imported. Therefore, reforms of tax legislation and procedures, including measures to improve transparency in the taxpayer–tax officer relations, should take place concurrently to reduce opportunities for corruption and the demand for corrupt services Logue, D. and Vettori, G. (2010).

Bofah.K.(2003) argued that literacy rate is by far the most important element in success of tax revenue collection while the backbone of an effective tax system is the documentation of

the economy. Documentation comes from a literate tax base. In the present day world literacy does not only being able to keep records on books but also includes knowledge of information technology and its usage. Taxes yield less revenue in less literate economies. Tax collection requires consistency in implementation and consistency in implementation comes with political stability. Taxes, law and order situation is indirectly related. A country with stable law and order situation would mean greater investment being brought in, more jobs being created, resulting in greater purchasing power on the part of the consumers who effectively have to pay tax. Awareness to the people on the benefits of paying taxes which increase the tax morale of the people should be brought as long run policy implication Bahiigwa et al, (2004).

Garde (2004) observed that the tax incidence model focuses on the equity implications (or fairness) of alternative local revenue policies. The health of the tax/revenue system and the consequent quality of service delivery is constrained by a number of challenges including: (1) the high costs of collection relative to yield for some taxes; (2) low compliance rates for some taxes; (3) the lack of voice felt by taxpayers and negative perceptions of service quality, which affect willingness to pay taxes; (4) the propensity for some employees to ignore central government legislation in their search for new revenue sources (a dynamic that was documented following recent tax reforms in Tanzania); and (5) leakage of revenues from privatized tax collection arrangements, which can introduce wide margins between payment by taxpayers and yield to authorities Sarzin, (2007).

2.2.2 Types of Revenue

A) Tax Revenues

These include; Direct taxes such as corporate tax; personal income tax, withholding tax-rents, management and professions fees, property tax etc and indirect taxes such as import duty, excise duty (imports and local goods), VAT (imports and local supplies) and stamp duty.Misrak, (2014)

B) Non-Tax Revenues

These include; Fees such as passport, driving license etc fines and penalties regarding the breach of law or non-fulfillment/failure; surplus from public enterprises such as dividends from profits Chijoriga, (2012).

2.2.3. Purpose and scope of presumptive taxation

The ability of the tax system to adequately perform its functions is to a large extent determined by its correspondence to the economic environment along with certain principles and requirements. Specifically, tax burden should be fairly distributed among all the economic entities depending on their taxable capacity. The implementation of this principle is, however, hampered by the informal (unregistered) economic activity and active tax evasion by a significant part of the taxpayers. Another problem and, simultaneously, an important task of the state is the establishment of the economic environment favoring all kinds of socially useful entrepreneurship. Special support should be received by small enterprise and self-employed single entrepreneurs. Meanwhile, tax systems of the majority of countries will be meant from the beginning for targeting large and medium-size companies with the highest level of "budget efficiency" from the point of view of tax administration. As a results, small business as a rule finds unacceptable the costs and difficulties associated with the accountancy and submission of statements in accordance with the general tax treatment. The above issues constitute the major reasons for the application of presumptivetaxation. Special treatment schemes and methods for the assessment of tax liabilities are to a larger extent taking into account the particular features of specific groups of economic entities compared to the general tax treatment. Presumptive taxation employs relatively simple rules for the accrual and payment of taxes for those economic operators, which often avoid regular taxation Makedonskiy, (2005*)*

2.2.4 **Theoretical framework of presumptive taxation**

An application of the standard tax regime requires the keeping of appropriate books and records. This, however, creates a high compliance burden not only in terms of cost but also in

terms of the skill and capacity required, which micro businesses often lack. The presumptive approach is popular in this regard. Since there are no standard and uniform principles, the regime differs significantly in its scope of application and in the criteria used to determine tax liability. Presumptive tax systems generally can be categorised into four groups, namely: system based on turnover or gross income, system based on indicators, simple lump sum patents, and system based on agreement between the taxpayer and the tax administration Engelschalk,(2007).

2.2.5 **System based on turnover or gross income**

Turnover or gross income-based schemes are the most popular kind of presumptive taxes Mutsotso (2010:). This system can be implemented in different ways, namely: uniformturnover-based presumptive taxation, progressive turnover-based presumptive taxation, or application of different tax rates on a standardised tax base.

    a) In uniform turnover-based presumptive taxation*,* businesses are charged a similar tax rate regardless of their income, their profit margins or the business activities they are engaged in. Under this system, all micro businesses under the presumptive system are taxed uniformly. Such a system may under-tax those businesses that have higher annual income under the system and over-tax those that earn less. This form of taxation has a disincentive for micro businesses at the upper band to graduate to the standard regime. Though the uniform turnover-based system is the simplified system of taxing micro businesses, its disincentive regarding transition to the standard regime has made it less preferable and therefore less widely used Engelschalk,(2007)

    b) Progressive turnover-based presumptive taxationtaxes micro businesses withdifferent rates based on their income. However, different business activities are treated uniformly as long as they are in the same band of turnover. This form of taxation reduces the tax burden between the upper band of the presumptive system and the lower band of the standard system, smoothing the transition to the standard regime. Though there is a compliance cost in joining the standard regime, unlike the presumptive regime, the standard regime offers incentives for businesses to grow

Engelschalk (2007:)

c) Aplication of different tax rates on a standardised tax base is a system that treatsmicro businesses in a non-uniform way regardless of either their business activity or their profit margin. The tax liability of micro and small businesses differs not only depending on their income difference but also on the business activity they are engaged in. The different tax rates, however, should be kept at a minimum for simplicity and to avoid dispute between taxpayers and the tax administration. Unlike the uniform and progressive turnover-based systems, this system is difficult to administer. However, it has a tendency of increasing fairness among micro and small businesses. As there are twoforms of presumptive tax in Ethiopia, namely indicator-based and turnover-based, the system of presumptive taxation is employed for taxpayers who have an annual turnover of less than ETB 100,000 they are defined as category 'C' taxpayers ,Engelschalk,(2007).

However, in 2016 the new income tax regulation revised the categorisation of taxpayers, and category 'C' taxpayers will be re-categorised as those whose annual turnover is less than ETB 500,000. During the period of Engelschalks study, category 'C' taxpayers will be taxpayers earning annual turnover of less than ETB 100,000After the revision of the income tax proclamation in 2016, category 'C' taxpayers are those that have annual income of less than ETB 500,000. Though it is popular, the turnover-based scheme is an inefficient form of presumptive regime. It discourages businesses that are efficient by causing them to incur more costs. For example, if business A has annual gross receipts of ETB 200,000 with a cost of ETB 100,000 and business B has gross receipts of ETB 100,000 with zero cost, then under a turnover-based regime a rational business will have an incentive to join business B, which is an inefficient one, Logue and Vettorri,(2010).

2.2.6 **Presumptive system based on indicators**

This system is based on certain indicators that can be used as a proxy of the income of the taxpayer. Good indicators have to be easy to verify and record, have low risk of falsification, and must have a sufficient correlation with the income of the taxpayer. Some of the indicators used are the number of employees the business has, machine capacity, floor space,

value of inventory and years of business operation. In some cases, third party information, such as electricity and water bills, is used as a good indicator. In cases where the risk that micro businesses can get their supplies from unrecorded sources is low, few countries collect data from wholesale suppliers. Though this approach is the main alternative to the turnover-based presumptive system, it can have an adverse effect on employment generation and efficient use of capital usage as firms limit their use to reduce their tax liabilities ,Engelschalk (2007).

There are cases where both the turnover-based system and the indicator-based approaches are used in combination to tax micro and small businesses. In cases where there is understatement of gross income, indicator elements are used in the turnover-based system as the indicators provide clear counter evasion elements from the tax collectors' point of view. This is what is known as the combination of the turnover-based approach and the indicator-based system Mutsotso,(2010)

2.2.7. Simple lump sum patents

Patent systems are often implemented to tax the 'hard-to-tax' groups of micro and small businesses owners . The main objective of this system is to familiarise small businesses to encourage them to join the tax net instead of generating tax revenue. This system has a long-term objective of improving the tax culture instead of the short -term objective of generating revenue. This is justified because in many cases the number of patents collected hardly surpasses the cost of collection ,Mutsotso, (2010).

This is a system that applies a uniform tax rate to a given business division irrespective of the size or turnover of a business in the division. This is the least sophisticated form of presumptive tax system. Patent systems can be designed to capture the actual profit potential of a certain profession, like in the case of Bulgaria. In Bulgaria, this system divides small businesses into 43 sectors and each sector is divided into different sub- sectors. In addition, the system takes business locations into consideration leading to an estimation of more than 52 tax rates, making it an unpopular and unaccepted system in the country Pashev,(2005)

2.2.8. System based on agreement between the taxpayer and the administration

The prominent form of this system is the 'forfeit' system of France which has now been repealed and replaced by the turnover-based system. In this form of taxation, the tax administration conducts broad-based research on businesses and determines the profit above which tax has to be paid. Agreement will then be reached on the amount of profit on which the taxpayer pays taxes. In most cases the profit initially estimated by the tax administration is higher than the agreed system. This system is what is known as the rebuttable form of presumptive regime. This practice, however, is not often used in many countries Thuronyi (1996:).These different forms of taxing micro and small businesses have to be based on the basic tax principles such as fairness, efficiency, administrative capacity and so on. Some discussions on fairness, simplicity and administrative capacity are presented in the subsequent paragraphs.

Simplicity

Simplicity:refers to the simplification of the tax structure with regards to administrative andcompliance costs. Tax simplification is achieved through the simplification of (a) the tax system, (b) the tax legislation, and (c) the application of the tax rules Mohd and Ahmad , (2011). The type of tax, method of assessment and collection must be simple and understandable by both the taxpayer and the tax collector. Mugume (2006)asserted that, a good tax should be one which is easy to understand that to say, the tax payer must be able to know the exact amount to pay and when and how much to pay without any difficulty. Complicated taxes tend to lead to disputes, delays, and high collection costs in terms of time and resources. Organizing assessments basing on the principles ultimately improves on the Local revenue collection hence service delivery and the reverse is true.

Administrative capacity

On the other hand refers to various issues that can be dividedalong the lines of a functional

classification – registration, payment, information access, assessment, audit, litigation and the appeal system, sanctions and penalties. In this study perceptions of administrative capacity are focused on these areas.Fairness should be viewed in the general tax system and not just from the presumptive taxpoint of view as it can be offset by social security and other form of taxes. As one of the major objectives of this study is to assess the perception tax payers of fairness, it is worth discussing the different dimensions of fairness in this section. According to the American Institute of Certified Public Accountants, there are seven dimensions of tax fairness,AICPA (2007:)

Exchange fairness

Taxes are prices paid for the crucial goods and services provided by governments. Exchange fairness means that, over the long run, governmental organisations provide adequate public goods and services to meet the needs of taxpayers. Exchange equity does not mean that, during a specific period, the amount of taxes paid by an individual taxpayerwill precisely match with the value of the tax benefits directly or indirectly received. In order to avoid evasion and improve compliance, taxpayers must have a positive perception of exchange fairness. Taxpayers must feel that, in the long run, they are getting public services worth the tax they pay. Taxpayers' insufficient perceptions of exchange fairness and a lack of representation in tax decisions discourage voluntary compliance and, in most cases, lead to revolutions Moser, Evans and Kim,(1995).

Procedural fairness

There are three key aspects to procedural fairness. First, political processes give taxpayers an opportunity to influence how and to what extent they are taxed. Second, tax systems include safeguards that permit taxpayers to challenge the taxes assessed. Third, tax administrators are expected to treat taxpayers with respect. In the interest of both exchange and process equity, taxpayers should have a direct or indirect voice in how tax revenues are spent. If taxpayers have perceptions that they are not well represented, they are likely to be involved in protests against the tax laws and legislation.Alm et al (1993, 1999), Alm and Torgier (2006)

Horizontal fairness

Horizontal fairness is the most often cited aspect of tax equity. Horizontal fairness means that taxpayers with equal amounts of income should pay the same amount of tax. Horizontal fairness also suggests that similarly situated taxpayers (e.g. those with a similar family size, or business location, access to markets, expenses etc.) should be taxed similarly. Two households may earn exactly the same income, but may not be 'similarly situated', and may therefore have differing abilities to pay taxes. A certain amount of each family's income is needed to provide for basic human needs. This amount should not be subject to tax. The amount of income that should not be taxed depends on several factors, including the cost of living, the size and structure of the family, the age of family members, and extenuating circumstances such as disabilities or illness , Moser, D. V., Evans III, J. H., & Kim, C. K. (1995).

Vertical fairness

Vertical fairness means that the tax burden should be based on the taxpayer's ability to pay. Clearly individuals with subsistence levels of income should not be subject to all types of taxes because they need all their resources to provide for themselves and their families. Beyond this subsistence or poverty level of income, however, exchange equity suggests that all citizens should pay some taxes, even a relatively small amount. In general, vertical fairness is the justification for progressive tax, Maroney, J. J., Rupert, T. J.,& Anderson, B. H. (1998),wenzel (2004).

Time-related fairness

Time-related fairness means that the total tax liable is suitable over the long term and not overly distorted by fluctuations in income or wealth. Two factors contribute to potential time-

related inequities. First, tax liabilities are based on short-term or single point- in-time measures. Second, changes in the general price level affect the value of the monetary unit, as well as the relative value of various tax provisions, Meshesha, (2015).

Inter-group fairness

Inter-group fairness implies that no group is favoured at the cost of another without good cause. While some shifting of tax burdens based on the ability to pay may be appropriate, tax burden and benefit inequities should be minimisedVerboon, P., & Van Dijke, M. (2011).

Compliance fairness

Compliance equity and fairness means that all taxpayers pay what they owe on a timely basis. Significant non-compliance depresses perceptions of equity, increases tax administration costs, shifts tax burdens and expands the tax gap. A large current tax gap makes it necessary for legislative bodies to raise future tax rates, borrow additional funds or reduce costs or benefits. Changes in tax law or tax administration that make it easier for taxpayers to comply (or more difficult to not comply result in fairer tax systemsJames et al (2003), Wenzel, M. (2004).

2.2.9. Types and basic method of presumptive taxation

2.2.9.1. Standard assessments method

Standard assessments method was developed for the first time and applied in israel (1950)'s. under the israelitachshivsystem (standard taxation) careful examination of about one hundred sectors of business is made on the basis of key indicators, i.e. production factors. the average return and its interrelation with some factors are discussed with the representatives of the respective business sector. unlike the forfeit, which sets forth limits on the turnover, standard assessments do not establish such limitations. the examples of the key indicators in or standard assessments are: location; number of seats (for restaurants, cafes, hairdresser shops, etc.); qualification level of employees (for garages or carpenter shops); the nature of the used equipment (for truck and taxi drivers); water consumption (for ice producers); quality of soil

and average crop yield (for the agricultural producers). the complex preparation and continuous updating of the standard assessments require significant time and effort which contradicts to the purpose of simplicity which is associated with the presumptive taxation. as the practice has shown, the effectiveness of the application of this method decreases if the established charges are not reduced in accordance with the inflation, while the assessments of the average income are not reviewed periodically. besides, standard assessments do not take into account the specific conditions of the taxpayers, family status type, or losses in the particular year.makedonskiy, (2005)

According toMisirak, (2014), tax assessment is one of the most difficult aspects of tax administration. It requires clear, transparent and comprehensive law, directives and manuals from the tax collectors point of view and knowledge of accounting by the tax payee.   It is the process of determining tax liability base on the income obtained with in a specific period. The assessment could be based on information declared by the tax payer and information obtained from different sources and tax payers with small volume of business are not usually obliged to maintain books of account. The assessment of their taxable income is based on their self-declaration and tax office investigation. Tax offices apply presumptive assessment to decide the taxable income which is usually discretionary and involve subjective judgment.

To abandon the current estimated assessment and pave the way for introducing standard assessment, proclamation No. 227/2001 provides specific particles. It is clearly stated that beginning fiscal year of 2002/03 a standard assessment method will be applied to determine the income tax liability of category "C" taxpayers. The proclamation stipulated that the standard assessment would be fixed amount of tax, which will be determined by a regulation of the council of ministry's. Moreover, up to its implementation the law incorporates a transitional tax computation rule. Under the transition rule a category "C" taxpayers will be liable to pay the amount of tax due for the preceding tax year, adjusted up ward by a coefficient of 6% standard assessment entails to set a fixed lump-sum tax for a taxpayer based on occupation or business activity Fantahun, (2000,).

2.2.9.2.Estimated assessments method

Estimated assessments methodimplies participation of the tax administration in the assessment of incomes and tax liabilities of the taxpayers. That method is most relevant for the sectors and types of business activity, where understatement of income is regular and wide spread. However, the practice has shown that discretionary treatment (establishment of tax liability upon discretion) often backfires by becoming an "invitation for corruption" for tax authorities.Along with the complexity, difficulty and unreliability of assessing the sectoral activity by key indicators, still other negative consequences of the application of taxes on imputed earnings should also be mentioned here. Because the target of taxation is not the actual income but a certain estimate of the production factors, small business entities may loose incentives to increase the number of employees and involved capital, seeking rather to reduce their tax liabilities. The applied methods of assessment on the basis of key indicators involve expert evaluation of profitability. Such "discretionary assessments" may encourage the corruption in tax and state authorities having to do with the establishment of tax liabilities.Makedonskiy, (2005).

2.2.10. Tax assessment

Tax assessment is the definition of the amount the taxation under particular state requires an analysis of the tax payers' situation and legal provisions that apply to him with income tax and also other taxes on the transfer the property, such as inheritance tax, the tax payer submits a tax return providing information as to his professional suppliers. Additionally, copies of balance sheet, income statement and minutes of the general meeting that approved these financial reports. The return with the attached reports and statements is means to provide such complete and correct tax. Most tax systems also collect information in other ways in order to inform as potential tax liabilities, The New Encyclopedia Britannica, (1997), Volume28

2.2.11 Presumptive Taxation in Ethiopia

Peoples Representatives 2016) and regulation 410/2017, Article 60 (FDRE 2017)turnover-based presumptive taxation and taxpayers' perceptions in EthiopiaThe income tax proclamation No 286/2002 categorizes taxpayers in Ethiopia in to three: namely category "A", category "B" and category". C' Category "A" includes enterprises established as body and those who have annual turnover Birr 1,000, 000and above. Taxpayers having annual turnover greater than Birr 500,000 and less than 1,000,000 fall under the category "B." Taxpayers having annual turnover Birr 500,000 and below are grouped under category "C". The first two categories of the tax payers are required by law to keep books and records and assessment is based on such evidences. However, category "C" taxpayers are not compulsorily required to keep records of their transactions.

As the assessment and audit procedures are administratively costly, the Ministry of revenue developed presumptive methods for determining tax liability of category "C" tax payers. Article 68(1) and (2) of the income tax proclamation No 286/2002 and article 21 of the council of Ministers regulation No 78/2002 provides for the procedures determining tax liability under presumptive technique. The presumptive method used by the Ministry of Revenue for assessing the tax of category "C" tax payers is based on three variables: are Estimated annual revenue of tax payer ,the number of working days of taxpayer in a year and the profitability rate of each businessYohannes (2013)

As assessment committee formed for this purpose estimates the annual revenue and the number of working days of tax payers. The committee is formed at each kebele and the members consist of one member from the Code Enforcement Bureau of the sub city administration and One member from the kebele and One representative of the tradersThe ministry of Revenue gives the guidelines for the estimation and the committee is reported to the revenue agency at the sub city administration. The committee revises the estimation every three years and the same data is used to determine the tax liability in all cities coming under

the jurisdiction of the sub city. (Council of Ministers Regulation no. 78/2002: Article 18, Sub Article 2)

If the taxpayer does not accept the revenue and/or the number of working days estimated by the committee, there is a room for giving appeal to the appeal committee, and get the problem resolved. The Ministry of Revenue develops the other variable, the profitability rate. The research team in the Ministry of Revenue identified 69 types of trade activities through the survey conducted through the country and the profitability rate is determined from data gathered from the traders. The profitability rate so developed is finally approved by Ministry of Finance and economic Development (MoFED) before its implementation. (Ethiopian income tax proclamation 286/2002)

The profitability rate is revised every year by the team of researchers in this regard. The schedule I and 2 that accompany the income tax proclamation 286/2002 contain the information such as the profitability rates and the estimated annual income on which the tax liability of category "C" should be determined. The existence of large number of informal traders is a serious problem that the revenue agency faces. This is necessary to organize them and register them for the tax purposes and bring under the framework of taxation (ECSC, 2008, unpublished material).However, in 2016 the new income tax regulation revised the categorisation of taxpayers, and category 'C' taxpayers were re-categorised as those whose annual turnover is less than ETB 500,000types of trade activities is 99 categories Hagos (2010).

During the period of Abis, (2018) study, category 'C' taxpayers were taxpayers earning annual turnover of less than ETB 100,000 (US$ 3,616) and 69 types of trade activities . After the revision of the income tax proclamation in 2016, category 'C' taxpayers are those that have annual income of less than ETB 500,000 and 99 types of trade activities.

2.2.12. Tax Reform in Ethiopia

Tax reform must involve the balancing of multiple objectives and principles of raising revenue, ensuring economic efficiency, equity and administrative efficiency. Tax reform of the country has two major parts, namely policy and administrative reforms.

2.2.13. Tax Policy Reform

As mentioned earlier, the principal objective of taxation is to raise the necessary revenue to finance government expenditure. In addition to mobilizing revenue any tax system plays important role in implementing government fiscal policy. The policy of the previous regime was aimed at mobilizing more revenue to meet the ever-growing demand to finance the over blown public sector. In socialist-oriented economic policy the tax policy was designed merely to reduce income inequality. To that end the income tax rates at some periods were as high as 89% of the taxable income, constituting very high progressive rates on narrow bases. Such high level of tax rates coupled with relatively small tax base and a heavy reliance on few tax instruments resulted in revenue distortions in the economy and failed to mobilize sufficient revenue. Hagos (2010)

To correct such crucial policy failures, the government adopted a series of tax reform measures focusing on reducing the extreme high rates, removing undesired taxes, broadening the tax base and improving and modernizing the revenue collecting institutions.The tax reform measures taken were reducing the very high rates, reducing tariff, wide range of tax incentives and widen or broadening the tax base and so on. (Fantahun, 2000)

According to Jones Sally M. (2004) tax policy can be defined as a government's attitude, objectives, and actions with respect to its tax system. Presumable, tax policy reflects the normative standards that the government deems most important. These standards can be summarized as a good tax should be sufficient to raise the necessary government revenues, good tax should be convenient for the government to administer and for people to pay. a good tax should be fair and a good tax should be efficient in economic terms.

2.2.14. Design of the presumptive taxation system in Ethiopia

In order to evaluate a given tax design it is important to understand the objective of the system itself. The fact that there is no one single document summarising tax policy in Ethiopia has made it difficult to generally speak about the country's tax objectives. Different documents, however, lead to a conclusion that the main objectives of Ethiopian tax policy are raising revenue, stimulating economic growth, equity, and modernising the country's tax system, Araya (2011),

Economic development, on the other hand, has been focusing on the tax holidays (which were not effective for several reasons) that were provided to new investments and have not focused on small businesses. The equity objective of the Ethiopian tax policy rather has more to do with the taxation of small businesses, which yields little revenue to the government. In 2002, the introduction of the presumptive assessment on small businesses is one of the measures that signals the equity perspective of the tax policy. The introduction of this form of tax in a new form had two goals. First, to raise revenue and second, to raise the tax base of the country's tax system (Income Tax No. 286/2002, Article 68 – FDRE 2002). The GTP has focused on modernising the presumptive form of taxation. Though, in principle, there is less revenue benefit from small businesses, in developing countries, such as Ethiopia, the tax contribution of small and micro businesses has a significant impact.Hagos (2010)

In Ethiopia, in addition to the country's development status, the implementation of presumptive tax has a goal of maximising revenue that conflicts with the equity maximising objective. In discussions with Addis Ababa Revenue bureau officials and micro taxpayers in Addis Ababa, the author found that the top revenue authority expects a prior determined amount of revenue from the sub-city, and on the other hand the sub-city divides the expected revenue amount among the *woredas*that are responsible for collecting the presumptive tax.Begashaw and Bekalu (2016)

From a legal point of view, according to the directive 123/2009 (AACA 2017), though there was supposed to be a committee to assess presumptive taxation in action, there is a group of revenue authority employees visiting businesses but only one individual assessing the tax for a given business premises. This creates a lack of credibility among taxpayers which leads to chaos: for example, in the past this has led to protests, and to businesses temporarily closing as a form of boycott.(Ayele 2017)

The city administration of Addis Ababa has 10 sub-cities. These are the city's next highest administration levels. Below this there are woreda administrations that vary from 10 to 25 from one sub-city to another. In addition to these tax-administering sub-cities, there are two tax centres as well,Bogale, (2017).Presumptive tax is employed in two ways according to the proclamation 979/2016 (House of Peoples Representatives 2016) and regulation 410/2017, Article 60 (FDRE 2017). These are the turnover-based presumptive system and a system based on indicators. As mentioned above, the scope of this paper is limited to the implementation of turnover-based presumptive taxationGetnet (2010) .

The presumptive tax in Ethiopia categorises diverse business activities with different average annual gross income rates. In order to avoid major differences in the tax burden, the system applies different tax rates on turnover according to a business's annual sales. Instead of uniformly taxing all micro businesses under the presumptive regime with a single rate, this system seems to consider fairness among micro taxpayers. However, based on the 2016 revised proclamation, the Ethiopian Income Tax Regulation 410/2017 (FDRE 2017) lists 99 business activities with 19 turnover bands. This leads to settling and adjusting 1,881 different tax percentages, which is complicated given the tax administration capacity at the lower levels of the tax administrations that are responsible for the implementation of presumptive taxes, the woredas. For example, if there are 1,881 businesses with different turnover bands adjusted and different business activities, each business is expected to have a unique tax due to pay. Such an approach is complicated and difficult to understand not only for taxpayers but also for tax collectors. Since different reports including Engelschalk (2007) have been criticising this complicated system, it was expected that it would be reformed. However, the revised proclamation made it more complicated by increasing segmentation of the businesses

from 69 to 99, leading to an increase of the adjustment of tax calculations from 1,311 to 1,881. Therefore, designing the presumptive tax should consider the tax administration capacity of the lower levels of the tax authority and the understanding level of category 'C' taxpayers.Mogos (2015)

2.2.15. Income tax assessment of category c taxpayers in oromia regional state the lacunas and the way forward

Oromia region is the most center of region of Ethiopia bordering Amhara to the East north, southern nations and nationalities to the south west, the Afar region to the east and the Gambella and Benishangul Gumuz region to the Eastern.

The region has an estimated area of 288,612 km2. It is one of the regions recognized under the FDRE Constitution, as a regional state entitled with a power of law making, enforcement of the laws, and interpretation of laws through its respective legislative, executive, and judicial organs of governments within its regional jurisdictions. Oromia regional state is structured from the regional state downward to zonal administrations, and this zonal administration in turn is sub divided in to woredas, the level of organization whereby main activities of the regional state such as collection and administration of tax are implemented, then the woredas in to sub-provinces. Taking this in to account, there are twenty administrations Zonal and five hundred sixty woredas, whereby the woredas are the final organs of the regional government to collect and administer taxes of taxpayers in their territory. Amina (2013).

Under the FDRE constitution powers of the Federal and Regional governments are separately provided. In the cases of division of revenue among the two levels of governments, the regional states have power to levy and collect taxes and duties on revenue sources reserved to the States and to draw up and administer the State budget .With respect to effective administration of the revenue sector, the regional state of Oromia has carried out many remarkable activities. To this effect, before March 2008 the office was set up as a single

department within the Bureau of Planning for Finance and Economic Development of the region. After two years, 2010, the establishment of the sector is revised and made to be an agency called regional state of oromia revenue agency through proc. no.180/2002.further modification was made on the agency and it is now formulated as oromia revenue authority with the coming in to force of proclamation no. 210/2003 of the oromia regional state (yoseph, 2018).

Not only structure of the revenue sector, but the size of the businesses to be treated as small taxpayers (category C taxpayers in this case) was similarly fluctuating. Before the restructuring of the sector in July 2010, income tax assessment of category C taxpayers was made by an estimated assessment .The estimated assessment during this time involves representatives of the taxpayers, chambers office, trade bureau, revenue agency, and bureau of finance to make the estimating committee. Estimations made by this committee had been used as a standard for the assessment of income of taxpayers for the next five consecutive years. It is probably a simple mathematics to measure and find inefficiency and in equitability of such income tax assessment that was carried out without considering the economic factors affecting incomes of the small businesses. Therefore, we can say that until the dissolution of this committee, the approach of the revenue office was not appropriate due to inefficiency, probable tax base constriction, fairness, and system of the income tax assessment. In 2010, the existing approach that has been done through such committees dissolved and replaced by another committee wholly made up of the then revenue agency, when the sector was established in an agency form.However, there was no improvement in the approach of income tax assessment of small businesses except to the withdrawal of the estimation committee members who represented other four offices and wholly replaced by the revenue office. Therefore, during this time estimated assessment has been used. This indicates the insistence of the tax system to continue with daily estimation of income collected once, and applying it for years, as many as four or five, without revision when the sector was structured in the form of an agency. the Constitution of Federal Democratic Republic of Ethiopia,(2002).

Despite of the power given to the Bureau of Finance and Economic Development on the

revision of the standard assessment matrices given annexed with the 'Oromia Income Tax Regulation No. 31/1995 it has been revised only two times, in the whole past ten years. The revision for the elevation of the minimum profitability rate from 7% to 10% and extension of the number of sectors, at the same time increasing the number of sectors within the tax net, to be entertained under category   C   has been made on 2005 and 2008 E.C. respectively (Ethiopian income tax proclamation No. 286/2002)

According to proclamation No 203/17 revisited where as it has become necessary to introduce modern and efficient tax system that supports the economic development and which is in accord with the level of economic development achieved so far as Category 'C' taxpayer shall pay business income tax for each tax year based on a standard assessment as determined under Regulations made by the Council of Ministers (2002). For the purposes of this Proclamation there shall be the following categories of business tax payers revised after 8 years in Magalata Oromia 26[th year] 312/17 proclamation No. 203/17 .The proclamation to decide Oromia regional state tax administration repealed Category "A" taxpayer being a company ,any other person having an annual gross income of Birr 1,000,000 or more; and Category "B" taxpayer being a person, other than a Company, having an annual gross income of Birr 500,000 or more but less than 1,000,000 and Category "C" taxpayer being a person other than a Company, having an annual gross income of less than Birr 500,000   yoseph (2018).

The Authority may, on the basis of tax declarations filed by a taxpayer or any other information available to the Authority, determine whether the taxpayer's category has changed for a tax year. The Minister may, after ascertaining by economic analysis, change the annual gross income thresholds in sub-Article 1 of this Article for the classification of a taxpayer as a category "A" taxpayer category "B" taxpayer or category "C" taxpayer. in accordance with Article 55(1) and (11) of the re Constitution, it is hereby proclaimed ECC(2003).

2.2.16. Strategies for improving enhancement of revenue collections and broadening the tax base

A classical economist Smith (1776) putforward the canons or general principles of taxation which he said should be observed when imposing a tax, and these are; equity, certainty, convenience, productivity, buoyancy and economy. These canons if followed in tax assessment, collection and administration, improve on the Local revenue collection and administration.

According to Prisely, (2013) on his title assessment of the challenges facing revenue collection in tanzania: evidence from Tanzania revenue authority (TRA); morogorostudy was to determine the strategies for the enhancement of revenue collection atTanzania revenue authority(TRA) morogoro. The strategies included; establishing more accessible and transparent payment facilities; improving fiscal policy, legal and regulatory framework; broadening the tax base; enhancing taxpayers' education and sensitization; improving the citizens' access to and right to information on taxes collected and how revenues are spent; application of block management system; use of presumptive approach of taxation; implementation of weekly/monthly individual action plan and evaluation of results and implementation of quality audit procedures for high revenue yield.

In addition Marcellina ,(2012) dean, university of dar es salaam business school new areas for enhancement of revenue collection and broadening tax base of the country presented stated that enhancement of revenue collection and broadening tax base of the country in tanzaniamorogororevenue authority has been classified the strategies for improving enhancement of revenue collections and broadening the tax base discussed in five class are Improvement on the fiscal policy, legal and regulatory framework including Improvement on the tax exemptions policies and regulations. and Equal treatment of all investors - inclusive taxation local and foreign investorsand the Second strategies are broadening the tax base- What it means , expanding the total value of all incomes and/or property and Increase the number of tax payers or type of taxes , Informal sector – increase number of tax payers through registration or regularization and Improvement of the business environment

and improvement in the economic growth – more taxable business (corporate tax), more employment (paye), more consumption (VAT) , Broadening the Tax Base – Strategies including Formalization of the informal sector – National identification cards, simplification of business registration procedures, enhance compliance , controlling fraud ad minimizing tax avoidance, enhancing Block management system (BMS), application of ICT based systems fro mapping the blocks. , Improve the formalization of properties and business formalization (registration and licensing) and Improved business climate cost of doing business. Improving investment climate and Improvement of tax collection in other sectors in the – natural resource Fishing , forestry, mining, energy etc. and finallyMarcellina mvula chijoriga 2012 during his presentation Improved fiscal prudence and Financial Discipline and Economic Management Cost Cutting and Resource Rationalization Measures and Improvement in the Tax Administration and Enhances tax payers education are the Strategies for improving Enhancement of Revenue Collections and Broadening the Tax Base

2.2.17. Challenges in Revenue Collection

 According to Chijoriga (2010) the challenges include; Broadening the Tax base, informal sector included in the tax net, Ensure that all due Government revenue is collected and tax evasion and avoidance are controlled. Raising the level of revenue yield to be commensurate with the average yielded in other local governments. addressing stakeholders' (community's) expectations by exercising various statutory powers fairly in accordance with the law without political influence. Expediting tax decision making and rulings by putting in place well established procedures and criteria improving staff integrity.

2.3 Empirical study

Prisely, (2013) pointed out that assessment of the challenges facing revenue collection in tanzania, reported out that the availability of weak administrative capacity to assess taxes and levies, then to enforce revenue laws and by-laws something that necessitates competent human resources who could be enriched through tax management training and expediting tax decision making and rulings to enhance tax collection among taxpayers in order to eradicate

low tax compliance and achieve higher revenue targets in comparison with the tax base. However, argued for the availability of political pressure on the revenue collectors to relax in revenue collection which result into tax evasion among tax payers .and the availability of taxpayer resistance and low tax morale on part of the citizenry which may result into the reduction of revenue collection, availability of corruption including embezzlement of revenue that is associated with low level of tax knowledge by tax paying community and raising the level of revenue yield to be commensurate with the average yield achieved in sub-Saharan Africa as among the challenges.

Likewise, reported the challenge of availability of low level of literacy rates to taxpayers regarding the utilization of technology in paying taxes and sometimes encountering unreliable network infrastructure to support the use of authorized TRA tax machines. Furthermore ,pointed out the challenge of broadening the tax base in order to include informal sector in the tax net which has not yet been fully researched and decided on its inclusion and addressing stakeholders' expectations by exercising various statutory powers fairly in accordance with the law without political interference while delivering prompt and quality service to the public. Moreover, the availability of tax exemptions which do not benefit the country rather than those who authorize them resulting into tax evasion among taxpayers. Yet, the challenge of improving staff integrity while increasing taxpayers versus.

Yohannes (2013) The study was conducted to assess the challenges faced by the business community of Dire Dawa City, in relation to taxation. Unlike the case for category "A" and "B" tax payers, the income tax liability of Category 'C' taxpayers is determined using standard assessment. This type of assessment is a fixed amount of tax determined in accordance with the Council of Ministers Regulation established Schedules. In this regard, this category of taxpayers is the most problematic category of taxpayers and it is considered as hard to tax group. This is due to the fact that these taxpayers pay taxes at fixed rate on the income estimated by the income tax authority rather than declaring their income by themselves. Their daily income is estimated by assessment committee and the taxpayers have little room to address their view so that frequent friction is observed in this area (Lemessa, 2007).

According to the World Bank report of 2016 tax revenue (% of GDP) in Ethiopia was last measured as less than 23% which is even less than the average value of sub Saharan country that has 26% of GDP. As a result, Ethiopia has faced budget deficit every year since government expenditure exceed government revenue. To tackle this problem, the government impose tax (direct and indirect), among others; as major and important sources of public revenue.

However, Tadele, (2015)forwarded that this imposition of tax couldn't still brought the required result due to a number of reasons such as lack of clear understanding about the tax system by the tax payers, tax payers inability to comply with tax obligation, hostility between tax payers and tax officials, negative attitude of tax payer towards the tax system. For these reasons, the actual amount of tax couldn't be collected properly.

According to World Bank (2015)report 24% of GDP to finance investment requirement is being solicited from loans and grants. Furthermore, Tadele (2015) indicated that although the overall economic performance of Ethiopia, measured by growth in real GDP, between 2003/04- 2010/11, registered an average annual growth rate of 11.4%, and the contribution of tax revenue to GDP in 2010/11 is about 11.5% the ratio was proved to be low compared to other developing countries such as Botswana (35.2%), Djibouti (20%) Kenya (18.4%).

Selamawit(2012) pointed out the Category "C" Tax Assessment and CollectionProblems; The case of Keble 01/18 of LidetaSub-city were effective implementation of the tax system, the government has established different bureaus at different levels extending from federal to kebele level. Lideta sub city finance and economic development office is one of such government organs which has been given power to asses and collect government revenue from taxpayers under its jurisdiction. The sub city administers different kebeles that are directly responsible for assessing and collecting tax. One of these kebeles is kebele 01/18. Taxpayers and other stakeholders in the kebele have been reporting a number of problems finding in relation to tax assessment and collection such as on the fairness and equitability, appropriateness the policy etc....

Meshesha (2015) evaluates the application and efficiency of Ethiopian tax assessment against the tax liability of category 'C' taxpayers, referring to the practice in the Eastern Zone Administration of Tigray National Regional State. In the country's context, category 'C' taxpayers were also known as micro taxpayers with annual turnover of less than ETB 100,000. It is found that there is a contradiction between the rules of standard tax assessment and their practical application, since the actual tax liability of the large section of the category 'C' taxpayers is being assessed according to estimated taxation and this practice is incurring higher administration costs. The study argues that the practical assessment of tax liability of category 'C' taxpayers is not ensuring efficiency and the practice has to conform to the rules of standard tax assessment to ensure efficiency; yet the criteria for categorisation of taxpayers as category 'C' taxpayers must be revised to fit the actual incomes of taxpayers to ensure equity and equality. However, in 2016 the new income tax regulation revised the categorisation of taxpayers, and category 'C' taxpayers were re-categorised as those whose annual turnover is less than ETB 500,000. During the period of Meshesha's study, category 'C' taxpayers were taxpayers earning annual turnover of less than ETB 100,000. After the revision of the income tax proclamation in 2016, category 'C' taxpayers are those that have annual income of less than ETB 500,000.

Abis (2018) studies focuses on the challenges on taxpayer perceptions of a turnover-based presumptive tax system in Ethiopia. It mainly focuses on taxpayers' perceptions of fairness, simplicity and administrative capacity. In this study, fairness has been assessed based on seven dimensions, namely exchange fairness, procedural fairness, horizontal fairness, vertical fairness, inter -group fairness, time-related fairness and compliance fairness. Exchange fairness refers to the adequacy of the provision of public goods and services to citizens in the long run. Procedural fairness is a measure to assess the representation of taxpayers in the estimation process. Horizontal fairness is a form of fairness that deals with the treatment of taxpayers in similar situations paying similar taxes. Vertical fairness refers to sharing the overall tax burden based on taxpayers' ability to pay. Time-related fairness means that the total tax liable is suitable over the long term and not overly distorted by fluctuations in income and wealth. Inter-group fairness is the form of fairness that means that no individual

group within the system has special treatment. Compliance fairness is a fairness dimension which measures whether all taxpayers in the system pay their tax dues on time. In addition, the study also focuses on design features and challenges encountered in applying the scheme. The paper uses survey data coupled with results of in-depth interviews conducted with selected taxpayers and officials in Addis Ababa. It also highlights the international experiences of presumptive tax designs that Ethiopia can draw lessons from. The findings of the study show that there is a negative perception among taxpayers of five of the seven dimensions of fairness: exchange fairness, procedural fairness, horizontal fairness, time-related fairness and compliance fairness. On the other hand, the findings show that there is a positive perception of two dimensions of fairness: vertical fairness and inter-group fairness. Taxpayers' perceptions of simplicity and administrative capacity are found to be negative.

Frederick (2013) study on assessment of challenges faced by tax collectors and tax payers in rural areas: a case study of nyaruguru districtRwanda. This study aimed at assessing the problems facing tax collectors and tax payers in Nyaruguru District. The research used descriptive and comparative research design. The target population included taxpayers and tax collectors of Nyaruguru District among whom questionnaires were administered to a selected sample. The statistical treatment of data was done using the frequencies and percentages through SPSS software. The research found rental tax, property tax, and trading license tax being the types of tax collected in Nyaruguru District. The identified challenges facing tax collectors of Nyaruguru District included mainly poor tax payers' perception on the relevance of tax payment, taxpayers' delay in tax declaration, starting business activity without trading license and traditional mode of tax collection. The major causes of tax collection problems included lack of tax taxpayers' education about tax relevance, and insufficient District means to equip tax collectors with means of transport. As for strategies to overcome these challenges, it was highlighted the necessity to develop tax education policy, and to increase the number of banks to facilitate tax payers' easy access. It was also discussed the challenges facing tax payers which included lack of taxpayers' education on tax payment and procedures, failure to understand the relevance of paying taxes and higher tax rate imposed compared with taxpayer's business capacity. The identified causes of these challenges included the lack of tax morality and low tax payment capacity. As for the

strategies, it was mainly noted the necessity to develop reach out programs and reduction of rates imposed on tax payers businesses. The research concluded that lack of tax education constitutes the nucleus of the key challenges faced both tax collectors and tax payers.

Yohannes (2013) studies on assessing the gaps and problems that exist between the business community and tax authorities of dire dawa administration. The major concern of this study in identifying the gaps and problems that exist between the Dire Dawa business community and the tax authority, is believed to provide important information as to how to narrow the gaps and work for the better of the business community and the government in the study area. Although the majority of tax payers interviewed and reached through a focus group discussions, did not feel it is unfair to pay tax; almost all of the study sample representatives have elicited certain problems and suggested potential measures to be undertaken by the tax authority to curb off the gaps and ensure fairness and equity. Generally, results show that most of the taxpayers, especially those in the category 'C', do not exactly know ho the tax assessment and computations are not objectively understood by most of the taxpayers. In light of this fact, it can be concluded that the tax authority of the city administration is not being effective in designing and implementing sustainable system to make this procedures objective, transparent, and understandable to taxpayers. To summarize, most of the problems identified by the study, rest on the c also free of complaints. All in all, the following six issues are pointed out as major problems creating the existing gap between the private and public sector in Dire Dawa Administration and those are Over taxation as result of over estimation of daily/annual income, Nontransparent, non-participatory standard assessment by the author ,Lack of fairness or equity of taxation among similar businesses of category"C", Poor tax laws enforcement especially for VAT and large number of tax defaulters, Poor communication and understanding between the tax authority and taxpayers and Weakness in tax collection and unsatisfactory service delivery of tax authority

Muhammed (2015) studies on challenges of revenue collection/generation in case of debremarkos town There are many problems faced by the revenue administration of Debre Markos town such as tax evasion, bureaucratic corruption committed by tax collectors, budget constraint, low skilled man power, most tax payers did not use modern technologies

like cash register machine that can improve the tax system and delinquency of taxes. Most of the time, these problems are related to taxes and tax related revenue sources. Among these problems tax evasion is the most severe of all problems followed by bureaucratic corruption. These problems occur most of the time in indirect taxes and business profit tax. This is because there is greater opportunity to understate tax liability in this tax types. In the case of business profit tax category 'A' tax payers are more evaders than other tax categories. This is because the tax liability of this tax category is determined by the income reports of the tax payers, which is more favorable to understate the actual income earned by the tax payer.

The revenue administration take many actions to overcome these problems and minimize their adverse impacts such as increasing the level of budget, training tax collectors and other employees to improve their skills, creating awareness about tax and new technologies, tightening of tax enforcement and penalizing those who did not pay taxes and corrupt tax collectors by money fines and imprisonment. But the problems are still facing the revenue administration even though their impacts are going in a decreasing trend.

Fjeldstad (2009) pointed out that the degree of openness exerts the largest impact on the tax ratio followed by the income variable, existence of agriculture share, manufacturing sector and service sector as the coefficient is positively related and statistically significant which could contribute positively to revenue collection. Moreover, the study by Bahiigwa*et al* (2004) suggested that certain features of international trade make it more amenable to taxation than domestic activities and also in many developing countries, the international trade sector is typically the most monetized sector of economy because the entrance and exit to the country takes place in specified locations. But, Katz (1989) noted that trade taxes have historically been the major source of government revenue during the early stages of economic development because they are easier to collect while Gupta (2007) also found the positive effect. With all these results, their studies could not identify the strategies for the enhancement of revenue collection in various authorities.

2.4 SUMMARY OF THE LITERATURE REVIEW AND RESEARCH GAP

The above studies showed that comparisons of the studies conducted with various researchers on similar area of studies presented are that the justification part of those studies address that findings are still debatable among different researchers. Hence, we looking at the challenges of tax revenue collection there seem to be a disagreement in the findings. In some variables are Significant in one study also insignificant in another study.And also from the previous empirical research found that the challenges of tax revenue collection have been found to differ between countries. This means there is no universal findings are highlighted by researchers pertaining to genuine challenges of tax revenue collection among countries sharing similar tax systems, and cultures. The case of Ethiopia is a good example for this situation.

From the literature review it is evident that the standard tax which is a tax on Small and micro enterprise (category "C" tax payers) is an unsettled matter. The manner to achieve success in the collection of tax from this sector is a challenge to both the developed and the developing countries. In addition, while some studies by. Mahdavi (2008) , Selamawit(2012) Frederick (2013) Amina (2013)Yohannes (2013) Prisely, (2013) Muhammed (2015) Tadele (2015), Amina and Saniya (2015),Tesfaye (2015), Workineh, (2016) Ayale (2017). Abis (2018) see this tax as necessary, others view it as an obstacle that hampers the growth of category "C" tax payers into the formal tax bracket.

In Ethiopia, in general, there are scare literature on the challenges of category "C" tax payers, and there is no study on the challenges of this category of tax payers in the study area. Therefore, this research is aimed at filling this knowledge gap, by identifying the challenges of tax revenue collection associated with category "C" tax payers under the supervision of the revenue authority of Jimma Town and contribute to the body of knowledge in this regard.

2.5. Conceptual Framework

The conceptual framework used in Figure 1 is modified from Rwegasira (2011) is the challenges of revenue collection will be identified and examined for the purpose of making JTRA stay and produce effective services for the betterment of all stakeholders.
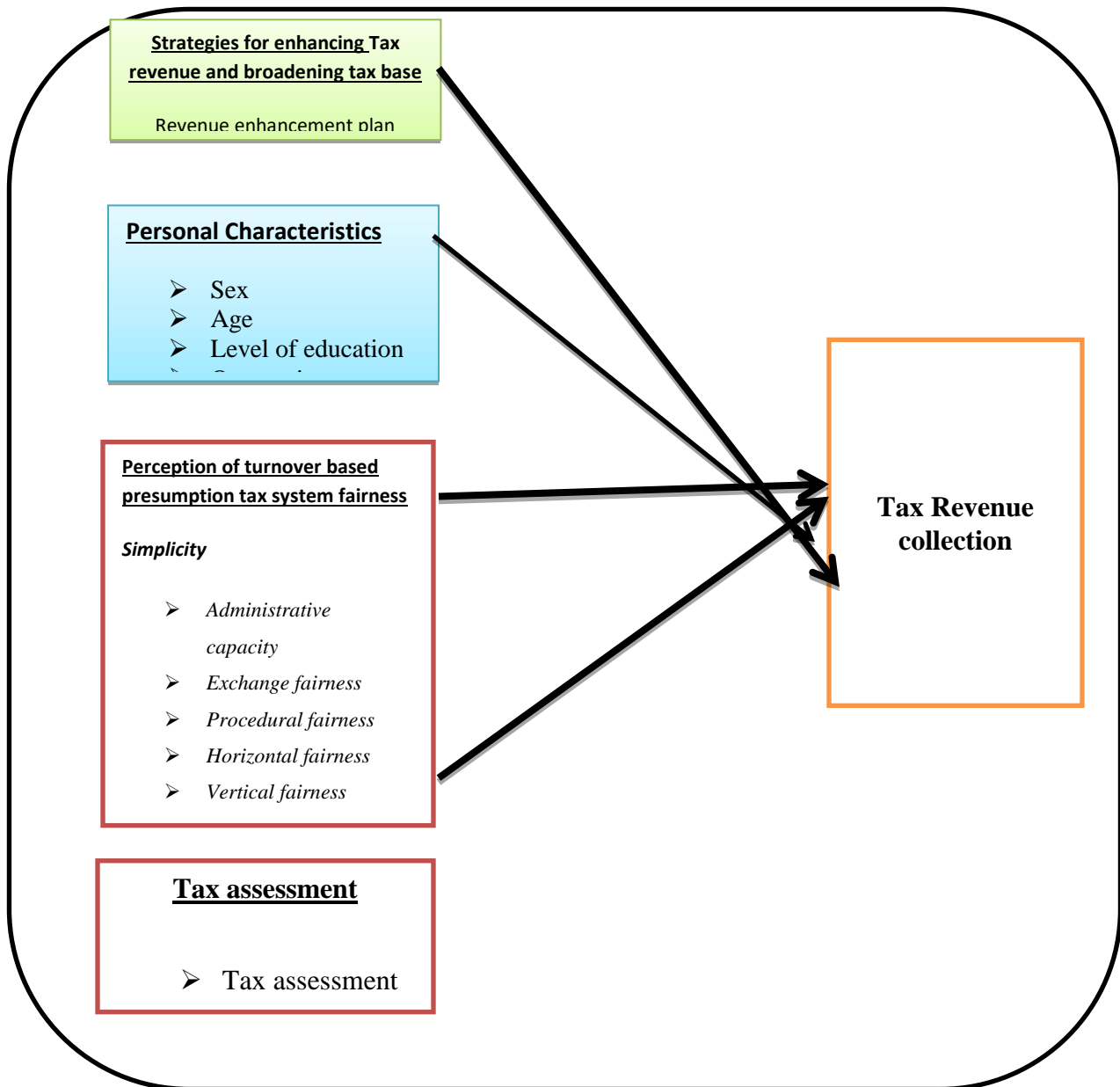
Source: Modified and adopted by the researcher from Review of Literature

CHAPTER 3: RESEARCH METHODOLOGY

3.0. Introduction

This chapter presents the methods and procedures that were used to carry out this study. Specifically, the chapter spells out the research design, the population studied, the sampling strategy, the data collection process and how data will be analyzed and findings presented.

3.1. Research Design

This study uses a descriptiveresearch design. A descriptive research design enables current description of the phenomena being studied. According to Mugenda (2004)a descriptive research involves collection of data in order to investigate the current status of the subjects with respect to the reason for the study. This study required the careful Analysis of the challenges of tax revenue collection Jimma Town Revenue category "C" tax payers sub city 1 .

To obtain the advantages of both the qualitative and quantitative research approaches and at the same time to overcome their limitations, the mixed approach has been applied. As cited by Wollela, 2009, noted that through a mixed methods approach, biases and weaknesses inherent in any single method could neutralize or cancel those of other methods.

As cited by Wollela 2009, mixed methods approach is one in which a researcher tends to base knowledge claims on pragmatic grounds employing strategies of inquiry that involve collecting both quantitative and qualitative data either concurrently or sequentially to best understand research problems.

3.2 Study Area

Jimma was founded by Aba Jifar, who was the descendant of one of the five kings in the former Gibe Kingdom. It is believed that Aba Megal, the ancestor of Aba Jifar, was elected by the other four Gibe kings to be their spokesman when dealing with the central government. No one really knows how the Aba Megal family became the 'representative' of

the Gibe kings rather than only their spokesman. This gradually diminished the importance of the other four kings. (www.dinkneshethiopiatour.com, 2908) Jimma is the largest town in southwestern Ethiopia. Located in the Jimma Zone of the Oromia Region, this town has a latitude and longitude of 7°40'N 36°50'E / 7.667°N 36.833°E / 7.667; 36.833. It was the capital of Kaffa Province until the province was dissolved.

Based on figures from the Central Statistical Agency in 2005, this town has an estimated total population of 159,009 of whom 80,897 were males and 78,112 were females. According to the 1994 national census, it had a population of 88,867 people. The 1994 census reported this town had a total population of 88,867 of whom 43,874 were males and 44,993 were females. Herbert S. Lewis states that in the early 1960s it was "the greatest market in all of southwestern Ethiopia. On a good day in the dry season it attracts up to thirty thousand people." Its northern suburb of Jiren was the capital of a large Oromo kingdom until the late nineteenth century. Originally named Hirmata, the city owed its importance in the 19th century to being located on the caravan route between Shewa and the Kingdom of Kaffa, as well as being only six miles from the palace of the king of Jimma. According to Donald Levine, in the early 1800s the market attracted thousands of people from neighboring regions. The present town was developed on the Awetu River by Italian colonialists in the 1930s (www.skyscrapercity.com, 2009).

3.3 Data Type and Source

The target population was category 'C' tax payers(are those tax payers whose annual turnover is up to or less than 500,000 ETB & estimated assessment method shall be used to determine their income tax liability) according to income tax regulation number 78/2002. According to the Jimma City Tax revenue office report during the last June 2012 E.C the total number of category 'C' tax payers in sub cities 1 were amounting a total population of 1,498.Hence the total population of the study will be 1,498.

In this study both primary and secondary data have been used. Primary data were the major source of data for the research as there are no research works done on challenges of tax revenue collection in Jimma town both empirically and theoretically. Secondary data also

have their own contribution as they are helpful to define the research problem, methods that were used in data collection and analyses. Secondary data were collected from the town's tax authority data base and from other unpublished sources. These data include number of category 'C' taxpayers in each three Kebele and their respective activities engaged in.

3.4 Sample, Sample Size and Sampling Techniques

Sampling of Tax official included in the sample the researcher used purposive sampling method to generate the required primary and secondary data. Purposive sampling method were be used to select the targeted respondents as indicated because it is a non-random sampling procedure in which personal experience of the respondent was considered to be key derived from the position one held or the roles s/he played in relation to a particular business/activity. The respondents selected purposively included from operation department revenue collectors and tax revenue estimators/tax assessors .The sample selection method was made by considering the nature and scope of the subject matter under study. Hence the researcher is used purposive sampling to select 20 samples out of 21 tax officers from the Jimma sub-city 1 and the respondents selected purposively included; sub city manager, as interview.

In addition the target population of the study is the category C taxpayers of Jimma town which are 1498 in number (source: Jimma town revenue bureau as to sene 2012 E.C assessment). With alpha level of .07 which indicates the level of risk the researcher is willing to take that the true margin of error may exceed the acceptable margin of error, the following formula was used to determine the sample size.

The sampling method that has been used by the researcher is proportional stratified sampling which helps the sample size determination more representative, followed by random sampling from each strata. The category "C" taxpayers are stratified into trade (retailer and service render)service sector and manufacturing (process) according to their field of work. Accordingly there are 1,498 who are engaged in different trade. Weight has been done to distribute the sample size determined to the three kebele traders/taxpayers based on the population of each activity. Finally, a probability proportional to sample size sampling procedure was employed to select 180 sample tax payers from each kebeles Traders

(Table 3.1). The maximum numbers of respondents for this research was determined by using a formula developed by Yamane (1967), with 7 % level of precision. The calculation presented in the following table:

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

(1)

Where;

n = is the sample size of tax payer households;

N= is the total tax payer in the Jimma revenue and custom authority sub-city 1 (N = 1498)

e = maximum variability or margin of error 7%,

Therefore,

$$n = \frac{1,498}{1 + 1,498(0.07)^2} = 180$$

Probability proportional to size was used to determine sample sizes from each kebele with the following formula;

$$n_i = \frac{nNi}{N}$$

(2)

Where

ni = sample of ithkebele,

n = total sample size,

Ni = ithkebele population

N = Total population of sampled kebeles.

Table 1 Sample size distribution table

S/N	Category	Population	proportion	Sample size	Method employed
1	Hermata/tax payer	135	0.09	16	Simple random sampling
2	Hermatamarkato/tax payer	1,125	0.75	135	Simple random sampling
3	Hermatamantina/tax payer	238	0.16	29	Simple random sampling
		1498		**180**	

Source Jimma town revenue bureau and researcher's computation (2020)

After the sample size is stratified in the activities of taxpayers engaged in, respondents were selected randomly from each strata as the strata consists of homogeneous respondents this technique is appropriate and representative to conclude the findings to the population.

Based on the above weight the questionnaires were distributed to the respondents: returned and not returned have been presented in the following table:

Table 2 Sample size, returned Questionnaires and non-returned Questionnaires

Activity	Sample	Returned	Non returned
Hermata/tax payer	135	13	**3**
Hermatamarkato/tax payer	1,125	122	**13**
Hermatamantina/tax payer	238	25	**4**
Total	**1,498**	**160**	**20**

Source Jimma town revenue bureau and researcher's computation (2020)

3.5. Method of Data Collection

In this research self-administered questionnaires were used to collect primary data. The self-administered questionnaires were used to get detail information from sample taxpayers of Jimma town. The questionnaire has two parts. In the first section regarding the general characteristics of taxpayers were asked. In the next section questions which can help to measure the challenge level of taxpayers and which can help to identify and analyze the main challenge of tax revenue collection were included. The questionnaire was translated into Amharic by taking into consideration the fact that English is not the language of the respondents. Secondary data were collected from the city's tax authority database or unpublished sources. This data includes number of category 'C' taxpayers in three Kebele and their respective activities engaged which helps for stratification of taxpayers with respect to their activities.

3.6. Method of Analysis and Presentation

To analyze the challenges of tax revenue collection of taxpayers' with taxation in Jimma town, specifically category C taxpayers', descriptive statistics and Frequency and percentage analysis were used. Four questions were asked in the questionnaire to measure the challenge level of the respondents which have a five likert scale starting from one (strongly gree) up to five (strongly disagree).

Inorder to implement the answers given by the respondents, from one up to three were regardedchallenges (coded as 0), respondents who respond from four up to five otherwise (coded as 1).

After having collected the relevant data from primary sources, the data were edited, coded and finally entered into a computer and were processed using Statistical Package for Social Scientists (SPSS) version 24 software for windows. Finally, descriptive statistical tools like tables, figures, charts and graphs were used to classify and present the major findings of the study.

3.7. The Reliability of the questionnaire items

In this research, Cronbach's alpha has been used to test the reliability of the items included in the questionnaire. Hair et al. (2010) suggested that coefficients of Cronbach's alpha greater than 0.70 are considered to be reliable indicators of the constructs under study. Therefore, using SPSS Version 20, the reliability test of all items used to measure the independent variables in this study were above the minimum threshold of 0.70.

CHAPTER 4: RESULTS AND DISCUSSION

4.0. Introduction

This chapter presented and discussed research findings on challenges of tax revenue collection in Jimma town revenue authority (JTRA). It presents the demographic characteristics of the respondents; identifies the challenge facing of tax revenue collection and determines the strategies for the enhancement of revenue collection at JTRA, tax assessment based on estimation and assess challenges on category 'C' taxpayers perceive the presumptive tax regime with respect to its fairness, simplicity and administration capacitytaxpayers affects collection of tax revenues in Jimma town. However, an analysis of the demographic characteristics of the respondent is done first. The following definitions of codes were used in this section; a dummy independent variable, indicating headed by agree coded 0 or 1 for disagree.

4.1. Descriptive Statistics Results for taxpayers respondents

4.1.1. Response Rate

The research had targeted 21 tax officers including tax collectors and tax assessors, auditor and compliance department completed the questionnaires with head manager interview successfully leading to a response rate of 21(100 %). and 180 respondent the information gathered from tax payer were not fully completed and 160 (88%) were collected. The Cronbach alpha was 0.819 indicating an acceptable level of reliability in the responses.

Table 3: Cronbach's alpha coefficient of the research items

Reliability Statistics	
Cronbach's Alpha	N of Items
819	**30**

Source: Survey questionnaire (2020)

4.1.2. Demographic characteristics of the respondents

The demographic characteristics of the respondents category "C" taxpayers by gender, these were presented in the following table blew..

Table 4: Distribution of respondents by gender of category c tax payer

Category	Description	No. of respondents	% of respondents
	Male	85	53.1%
	Female	75	46.9%
	Total	**160**	**100%**

Source: (Owen survey 2020)

According to the table 2 above 85(53.1%) of the respondents were males and 75 (46.9%) of the respondents were females. From this data, we can easily observe the most of the business owners (tax payers) of category "C" tax payer's in the sub city one are dominated by the number of males. This shows that there are more male in the informal sector than females.

4.1.3. **Distribution of respondents by age of category c tax payer at Jimma town revenue authority**

Table 5: Age of the respondents

Age level	Frequency	Percentage
18-28	7	4.4%
29-39	46	28.8%
40-50	84	52.5%
>51	23	14.4%
Total	160	100%

Source: (Questionnaire, 2020)

In table 3 four age brackets were represented; those aged between 18 –28 years were 7 accounting to 4.4%, from 29 – 39 years 46(28.8%), from 40 –50 years 84(52.5%) and the rest

23 (14.4%) were aged above 50 years. As it can be easily understood, most of the business traders category "C" tax payers respondents are generally ages in between 29-50 years age and young people konw the extent to which taxpayers understand and apply tax rules and proclamations in presumptive taxation.

4.1.4. Distribution of respondents by educational status of category c tax payer

Table 6: Educational level distribution

Education status	Frequency	Percentage
1-8 primary education	24	15.80%
9-10 Secondary school	47	29.4%
11-12(TEVET)	63	39.4%
diploma	21	13.1%
Degree and above	5	3.1%
Total	160	100%

Source: (Questionnaire, 2020)

According to the table 4 above 24 (15.8%) of the respondents were learning primary (1-8), 47 (29.4%) were between 9th –10th grade and,63 (39.4%) were graduated from TVET and completed grade 11th-12th ,21 (13.1%) were diploma holders, and the rest 5 (3.1%) were degree graduated and above. Therefore, this indicates that the majority of the tax payers were not well educated and, they may lack knowledge about how their taxable income is computed. More over in addition to the above analysis, when the educational qualification of the respondents were observed in each of the sampled educational status separately, then it was observed that in each of the taxpayer the majority of the respondents were completed grade 11th-12th and minority were secondary school followed by elementary school completed and diploma/degree holders. Therefore, this poor educational qualification of the respondents necessitates the government to provide tax training on a regular basis in order to develop their awareness

4.1.5. Distribution of respondents by occupational status of category 'c 'tax payers'

Table 7:Occupational status

Occupation status	Frequency	Percentage
Business owner	60	**37.5**
manager	21	**13.1**
Manager and owner	60	**37.5**
employee	16	**10**
others	3	**1.9**
Total	**160**	**100%**

Source: (Own survey, 2020)

The table 5 above shows the position of the respondents in the businesses. The table shows that more than 37 per cent of the respondents are either owners, or managers and owners. Nearly 21 (13.1%) of the respondents are managers only and 16(10%) are employees. and 3(1.9 per cent of them have identified themselves as other.

4.1.6. Types of Business (business category)

Presumptive taxation is a tool to combat limited record keeping by the business community, tax evasion, tax compliance and weak tax administration capacity. Implementation of the standard assessment method applying to small (Category C) taxpayers in regions and city administrations with annual turnover of less than Birr 500,000 was introduced in Feb of 2016. According to Income Tax Regulation No. 203/2009 magaletaoromia year 26th feb.3/2009, Schedule 1 category "c" presumptive tax payer which included in the samples are 17 out of 99 categories of business sectors.

Table 8: Distribution of business sectors included in the sample

		Frequency	Percent
Valid	Barber& beauty salon	6	**3.8**
	Cereal & Pulses Trade	3	**1.9**
	Shoe and Shoe imputes sales, Shoe Making and Repair	8	**5.0**
	Cosmetics shop	2	**1.3**
	Electrical and Electronic Goods Supply And Repair	5	**3.1**
	Metal and Building Materials Trade	1	**.6**
	Coffee Pot Coffee (Jebena Buna) Trade only	13	**8.1**
	Coffee and Tea cafeteria	1	**.6**
	Grocery	2	**1.3**
	Pool house and caranbula	13	**8.1**
	Music& video shop	12	**7.5**
	Retail shops	76	**47.5**
	Computer Typing, Printing, Photocopy	1	**.6**
	Hotels, Bars and Snacks	2	**1.3**
	Stationary	3	**1.9**
	Tailoring	1	**.6**
	Wood and Timber Trade	11	**6.9**
	Total	**160**	**100.**

Source: (Questionnaire, 2020)

However, the categories surveyed in this study and their distribution is presented in the table above is 76(47.5%) of tax payers are retail shopping 6(3.8%) wereBarber& beauty salon , 13(8.1%) were response by Coffee Pot Coffee (Jebena Buna) Trade only category tax payers ,13(8.1%) Pool house and caranbula, traders in the sub city and 11(6.9%) were responded by Wood and Timber Trade 6(3.8%) beauty salon and barbers and 12(7.5%) Music& video shop traders and 5(3.1%) are responded by electrical and electronic goods supply and repair were are responded including in the sampling. This results shows most of the taxpayers in category "C" sub city one were participated on retail trading.

4.1.7. The average annual income distribution of sampled respondents

In the table 7 below regarding the businesses' annual income, out of 180 respondents 20 (11.1 per cent) were not willing to respond. Out of those who did respond, 112 (70per cent) of the total sample responded that their annual income is between ETB 0-100,000. Around 38(23.8%) per cent responded that their annual income is between ETB 100,001-200,000 and their annual income in between 200,001 -300,000 were 6(3.8% ETB and in between 300,001-400,000 were 3(1.9%) and the remaining 1(,6) percent earn between their annual income in the range of 400,001 to 500,000. Category „C" tax payers earn this income from informal employments were the main sources for income generating ways of respondents Coffee and Tea cafeteria, Retail shops, barbers and beauty salon, grocery, music and video shops etc are also an important source of income for employed in the study area.

Table 9:The average annual income distribution of sampled respondents

Annual income	Frequency	Per cent
0-100,000	112	70%
100,001-200,000	38	23.8%
200,001-300,000	6	3.75%
300,001-400,000	3	1.875%
400,001-500,000	1	.625%
Total	160	100%

Source: (annual revenue report from revenue office, 2020)

With the above background, the following sections present perceptions of respondents on different aspects of the presumptive tax regime, challenges of tax revenue collection, challenges in revenue enhancement and method of tax assessment based on estimation were Discussed in each of the tables in the following sub-sections,

4.2. Tax assessment Based on estimation

Tax assessment Based on estimation category 'c' tax payers, the main targets of this study, are by estimation. To this effect, they were asked whether they have faced any problems when their tax is assessed using standard tax assessment scheme as can be seen in the below table 8. All of the respondents 160(100 %) have agreed that the tax authority has no trust on the statement tax of daily' sales volume and all most, all of them 155(96.9%) believed that there is no fair taxation among similar businesses in the same area and 5(.3.1%) were disagree and 145(90.6%) that their daily/annual income are inflated in the process of estimation were agree. Similarly, 133(83.1%) of the respondents believe that the method of assessment is based on a simple guess and that it is subjective. Results from the taxpayers they suggests that the procedures of the standard assessment and computations are not objectively understood by most of the category "C" taxpayers and that the tax authority is and understandable to taxpayers .moreover the assessments are made based on subjective estimation they lack reliability, entails under- or over- statement, deplete trust, and nurture corruption deficiency of the system to ensure vertical and horizontal equity among taxpayers
 To put it differently, the majority of taxpayers do not exactly know how to determine or calculate their tax obligation by themselves. Furthermore, some of the participants expressed their fear and concern about the effects of the prevailing inflation, which is making their daily nominal sales inflated and eventually overstate the tax without them, gaining real profit from executed sales.
Assessment is the determination of the amount to be paid in respect of a particular revenue item and raising a formal notification of the amount to be the basis for its determination, the due date and mode of payment among other to the tax payer. An assessment must be based on a clearly defined tax base and must reflect the rates applicable a tax base. The assessment exercise helps Governments to keep a record of the amount and due date for payment of the respective revenue items assessed, the name, location and other details of the taxpayer

Fjeldstad, O &Rakner L, (2003),The assessment exercise requires first the identification of suitable assessors and then training them before embarking on the assessment exercise. A good revenue system must have a team of well-trained assessors whose main responsibility is to prepare, raise, and distribute assessments in line with the regulatory and policy framework for Local and central Government.

Table 10: Problems of tax assessment based on estimation responded by tax payers

Challenges	Response	
	Agree	Disagree
Method of assessment is a simple guess or subjective	133(83.1%)	27(16.9%)
Inflated daily/annual income in tax estimation	145(90.6%)	15(9.4%)
No fair tax among similar businesses in same proximity	155(96.9%)	5(3.1%)
No trust of tax payer's statement	160(100)	-

Source: (own survey 2020)

4.3. Taxpayer and the Administration on Category 'C' Taxpayers Perceive the Presumptive Tax Regime With Respect to Its Fairness

4.3.1. Perceptions of Exchange Fairness

Perceptions of exchange fairness this is an independent variable, indicating that identified to show the taxpayers' perceptions on exchange fairness of the tax payer. There are four statements identified to show the taxpayers' perceptions on exchange fairness, under this sub-section.

Table 11: Descriptive summaries for statements under the theme of exchange fairness

Challenges	Response	
	Agree	Disagree
Taxes paid to the government in the form ofpresumptive tax are used for the benefit of thegeneral public	126(78.8%)	34(21.3%)
Services provided by the government to thebusiness community are worth the amount oftax they pay	15(9.4%)	145(90.6%)
Property rights and patent rights of taxpayersare protected	33(20.6%)	127(79.4%)
If taxpayers' compliance improves,government provision of public services willalso increase	117(73.1%)	43(26.9%)

Source: (Survey of category 'C' taxpayers in Jimma town 2020).

For the above four statements, the number of respondents is 160 for each statement and there are no missing values. For the first statement, 'Taxes paid to the government in the form of presumptive tax are used for the benefit of the general public 126(78.8%) of the respondents agreed with the statement and 34(21.25%) were not agree. Out of the total respondents from the businesses engaged in retail activities, Music and video, pool house and cerenbula , wood and Tember trade more than half per cent responded that they agree to the statement given. However, the respondents that are engaged in the electrical and electronic goods and supply and repair ,coffee pot (jebena buna) trade business disagreed with this statement, making the less response for disagreement with the statement

However, for the second statement that, 'Services provided by the government to the business community are worth the amount of tax they pay again, 145(90.6) of the respondents said that they disagreed with the statement followed by 15(9.4%) per cent of the respondents are not content with the statement, showing that the perception of exchange fairness among category 'C' taxpayers is disagreed. Among the total respondents to this statement that are engaged in pool house and cerenbula, retail shop, shoe and shoe inputs sales , and shoe making and repairs and timber trade business activity, nearly 90 per cent of them disagreed with this statement. On the other side, the least response that agreed with this statement came from the retail business activity , coffee pot(jebena buna), some retail shop,

music and video shops 9.4 per cent.

For the third statement, 'Property rights and patent rights of taxpayers are protected', the highest number of responses 127(79.4 per cent) disagreed with the statement. This shows that the respondents do not believe that they are getting the service of protection of property from the government. It has to be noted that around 33(20.6%) per cent of the respondents perceive that the government is providing property and patent rights to taxpayers. The highest frequency of disagreement with this statement comes from the businesses engaged in barbers and beauty salon, music and video shop and retail shops.

The last statement, used to address exchange fairness, is a leading statement that, 'If taxpayers' compliance improves, government provision of public services will also increase'. Slightly more than half of the respondents 117(73.1%) agreed with this statement and 43(26.9%) response were disagree with this statement .This shows that there is a consensus that there is lack of compliance among taxpayers themselves and that if this improves, the government's provision of goods and services will improve and strengthening the perception of the lack of compliance among taxpayers. Businesses engaged in retail activities seem to agree more highly than businesses involved in retail shop, wood and timber trade ,pool house and carenbula and coffee pot(jebena buna) and barber and beauty salon making 73.1 per cent of the total businesses engaged in the sector.

In general, it can be concluded that there is a low perception of exchange fairness among category 'C' taxpayers. As mentioned in the literature review section, taxpayers who have a negative perception of exchange fairness have a tendency to evade taxes and under-report income. As the survey result shows, there is lack of voluntary compliance among taxpayers. This can be attributed to the negative perception of exchange fairness among the taxpayers in the sample. Therefore, the finding of this study aligns with the theory that negative perceptions of exchange fairness lead to non-compliance among taxpayers.

4.3.2 Perceptions of procedural fairness

Perceptions of procedural fairnessThis is an independent variable, indicating that identified to show the taxpayers' perceptions on procedural fairness of the tax payer headed by Agree or Disagree

As noted above, procedural fairness mainly focuses on how taxpayers are involved in and represented in the process of their tax assessment. Accordingly, the statements below reflect the procedural fairness of the turnover-based presumptive regime in the table below 10

Table 12: . Descriptive summaries for statements under the theme of procedural fairness

Challenges	Response	
	Agree	Disagree
Category 'C' taxpayers will be representedduring the estimation of daily sales	6(3.8%)	154(96.3%)
When tax laws are developed, the businesscommunity is wellconsulted to represent theinterests of the business community	8(5%)	152(95%)

Source: (Survey of category 'C' taxpayers in Jimma town 2020).

For the above two statements there are no missing values and the frequencies and percentages show the responses of all 160 taxpayers in the sample. For the first statement 'Category 'C' taxpayers were represented during the estimation of daily sales', 154(96.3%) per cent of the respondents disagreed with the statement and 6(3.8%) of the respondents were agree with the statement. Businesses engaged in retail activities seem to disagree more highly businesses involved in coffee pot (Jabana buna), barbers and beauty salon, music and video shops and pool house were disagree with the statement.

For the second statement that 'When tax laws are developed, the business community is well consulted to represent the interests of the business community a large number of the respondents disagreed with the statement. These respondents constitute 152(95%) per cent of

the total respondents who disagreed and 8(5%) per cent of the total respondents who agreedwith the statement.

Responses from the two statements show that category 'C' taxpayers have a perception that they are neither involved in the process of the development of tax laws nor well represented during the estimation of the daily sales. The retail shops, wood and timber trade and pool house business activities have larger frequencies in their responses of disagreement to the statements that reflect procedural fairness. Based on the combined values of the statement for these two statements, it is possible to conclude that there is low perception of procedural fairness among the category 'C' taxpayers.

4.3.3. Perceptions of horizontal fairness

Perceptions of horizontal fairnessThis is an independent variable, indicating that identified to show the taxpayers' perceptions on horizontal fairness of the tax payer headed by Agree or Disagree.

Two statements are picked to measure the perception of horizontal fairness among category 'C' taxpayers. Again, for these two statements all the respondents in the sample responded to these questions leaving 0 missing values.

Table 13: Descriptive summaries for statements under the theme of horizontal fairness

Challenges	Response	
	Agree	Disagree
Micro businesses who earn the same level ofincome pay a more or less similar amount of tax	41(25.6)	119(74.4%)
Taxpayers in a similar situation (businesslocation, living standards, personal expenses,property they acquire, family size … etc.) paysimilar amounts of tax	67(41.9%)	93(58.10)

Source: (Survey of category 'C' taxpayers in Jimma town 2020).

In the table 11 results shows more than half of the respondents 119(74.4%) disagreed with the first statement that 'Micro businesses who earn the same level of income pay a more or less similar amount of tax and 41(25.6%) were agree with the statement. Responses from all

the different kinds of business activities engaged in retail shops, pool house show that there is high level of disagreement.

Nearly half 93 (58.1%) of the respondents disagreed with the second statement 'Taxpayers in a similar situation (business location, living standards, personal expenses, property they acquire, family size etc.) pay similar amounts of tax and 67(41.9%) of the respondents preferred to be agree on the statement.

From the two statements given above, it is shown that there is low perception of horizontal fairness among category 'C' taxpayers. As a majority of the taxpayers have a perception that category 'C' businesses earning the same do not pay a similar amount of tax, then this is one of the indicators that the perception of horizontal fairness is low. In addition, taxpayers in similar situations are perceived to not be paying similar taxes: this is the other indicator for the low perception of horizontal equity.

As presumptive tax deals with micro individual businesses, most businesses provide for basic needs with the income they earn. Horizontal fairness argues that such taxpayers should be taxed less as others with a better position should be taxed higher. However, the finding above shows that there is a negative perception of horizontal fairness among the sample respondents. Especially, perceptions from the Shoe and Shoe imputes sales, Shoe Making and Repair, coffee pot (jabana buna) pool house , music and video shops and wood and timber traders sector are very low on horizontal fairness.

4.3.4. Perceptions of vertical fairness

Perceptions of vertical fairness is an independent variable, indicating that identified to show the taxpayers' perceptions on vertical fairness of the tax payer In this section, two statements are identified to show the taxpayers' perceptions of vertical fairness.

Table 14: Descriptive summaries for statements under the theme of vertical fairness

Challenges	Response	
	Agree	Disagree
There is no significant difference in the amount of tax that is paid by small businesses and big ones	4(2.5%)	156(97.5%)
Micro businesses are paying identical amounts of tax irrespective of their income level	55(34.4%)	105(65.6%)

Source: (Survey of category 'C' taxpayers in Jimma town 2020).

The above table 12 shows that 156(97.5%) per cent of respondents disagreed with the first statement. The majority of the respondents recognised that big businesses pay more taxes than small businesses and 4(2.5%) of taxpayer agree in their difference the amount of tax that is paid by small business and big ones. The negative perception from businesses paying micro taxes largely came from the Shoe and Shoe imputes sales, Shoe Making and Repair, retail shops and music and video shop sector. Since the question itself assesses the perception of vertical fairness not only among category 'C' taxpayers but in the overall system, the responses show that there no exists a positive perception of category 'C' taxpayers in the sample in this study on the vertical fairness of the overall tax system.

The second statement on the other hand tries to capture vertical fairness within the group of category 'C' taxpayers. The responses for the statement, Micro businesses are paying an identical amount of tax irrespective of their income level show that more than half of the respondents 105(65.6%) were disagreed and followed by 55(34.4%) were agree on paying identical amount of tax irrespective of their income level.

In general, this shows that category 'C' taxpayers have a positive perception about the vertical fairness within the presumptive tax regime. In addition, category 'C' taxpayers have a positive perception of vertical fairness in the overall tax system as well as the presumptive tax regime. This result confirms that taxpayers have a perception that a turnover-based system treats businesses differently based on their incomes.

4.3.5 Perception of time-related fairness

Perception of time-related fairness an independent variable, indicating that identified to show the taxpayers' perceptions on time-related fairness of the tax payer headed by Agree or Disagree

Three statements are identified to assess the perception of time-related fairness among category 'C' taxpayers which includes, the income estimated for micro and small businesses owner considers the amount of income they earn/loseacross time, the daily sales estimation only considers the good seasons of business activities and ignoresseasons with low business activities andthe daily sales estimation considers the average income of my business across time. Like the previous statements used to assess other forms of fairness, these three statements also have no missing values and the total number of responses for each statement is 160

Table 15:Descriptive summary for statements under the theme of time-related fairness

Challenges	Response	
	Agree	Disagree
The income estimated for micro and small businesses owner considers the amount of income they earn/loseacross time	31(19.4%)	129(80.6%)
The daily sales estimation only considers the good seasons of business activities and ignoresseasons with low business activities	133(83.1%)	27(16.9%)
The daily sales estimation considers the average income of my business across time	13(8.1%)	147(91.9%)

Source: (Survey of category 'C' taxpayers in Jimma town 2020)

The first statement that is used to capture time-related fairness shows that nearly 129(80.6%) of the respondents disagreed that the estimated income considers the income they earn across time and 31(19.4%) were agree on the statement. The largest percentage of disagreement with the statement comes from the Shoe and Shoe imputes sales, Shoe Making and Repair,

barber and beauty salon , retail shops and music and video shops sector, which calls for closer attention to developing a positive perception.

For the following statement that, 'The daily sales estimation only considers the good seasons of business activities and ignores seasons with low business activities 133(83.1 per cent) of the respondents agreed with this statement, whereas almost 27(16.9 per cent) dis agreed. From the reactions of the respondents it is demonstrated that there is a high perception that the daily sales estimations do not consider businesses' bad seasons.

Regarding the last statement, the daily sales estimated considers the average income of my business across time were 147(91.9%) disagreed and 13(8.1%) of the respondents agreed. Again, it is in the retail shop sector that there exists a high level of disagreement with this statement. Generally, category 'C' taxpayers in the sample of this study seem to have negative perceptions of time-related fairness, as is observed from all the three statements.

On time- related fairness, changes in the general prices and relative prices are the factors that lead to time-related inequity. The rising inflation that Ethiopia has been witnessing for the last 15 years can be considered as one of the contributing factors for time-related inequity. In addition, the negative perception of time-related equity from the survey response strengthens the argument that in a very dynamic economic environment, the long-run expectations of economic agents vary leading to time-related inequity.

4.3.6. Perceptions of inter-group fairness

Perceptions of inter-group fairness an independent variable, indicating that identified to show the taxpayers' perceptions on inter-group fairness of the tax payer responses headed by Agree or Disagree
Inter-group equity and fairness implies that no group is favored to the disadvantage of another without good cause. To assess the perception of inter-group fairness among taxpayers under a turnover -based presumptive regime, the statement, 'Certain groups of

micro business were more favored than others in the implementation of presumptive taxes' was given. The responses to this question are summarized in Table 14 below.

Table 16: Descriptive summary for the statement under the theme of inter-group fairness

Challenges	Response	
	Agree	Disagree
Certain groups of micro business were more favoured than others in the implementation of presumptive taxes	133(83.1%)	27(16.9%)

Source: (Survey of category 'C' taxpayers in Jimma town2020)

The above table 14 contains a single statement used to measure the perception of inter-group fairness within the presumptive tax system, and the responses show that 133(83.1%) of respondents agreed with the statement. Out of the total respondents who disagreed with this statement, was 27(16.9%) from the businesses in this sector half of them are from the retail business sector and this could be due to the large sample size from the businesses in this sector. In general, from this it can be seen that there is a perception that there is no separate group that is favored under the presumptive tax system. This shows that there is indeed a positive perception among category 'C' taxpayers in the sample regarding inter-group fairness.

The positive perception of the respondents on inter-group fairness explains that no segment under the presumptive system is treated differently. Such perceptions contribute to the improvement of compliance and trust in authorities. However, inter-group fairness alone may not lead to this level of trust unless accompanied by other dimensions of fairness.

4.3.7. Perceptions of compliance fairness

Perceptions of compliance fairness an independent variable, indicating that identified to show the taxpayers' perceptions on time-related fairness of the tax payer responses headed by Agree or Disagree. As mentioned in the literature review, compliance fairness refers to taxpayers paying what they should pay on a timely basis. Though compliance is not an issue in the case of presumptive taxes, the two statements identified are designed to adjust for turnover-based presumptive taxation. The summary statistics are provided under Table 15.

Table 17: . Descriptive summary for statements under the theme of compliance fairness

Challenges	Response	
	Agree	Disagree
Category 'C' taxpayers pay all their tax due on time	136(85%)	24(15%)
Some taxpayers pay less taxes by hiding stocks during the estimation of daily sales	147(91.9%)	13(8.10%)

Source: (Survey of Category 'C' Taxpayers in Jimma town 2020)

For the first statement in Table 15 'Category 'C' taxpayers pay all their tax due on time', 136(85 per cent) of the respondents agreed and followed by 24(15%) were be disagreed to the statementon Category 'C' taxpayers pay all their tax due on time.

The revenue authority claims that there is a problem among taxpayers in that they are hiding stocks during the estimation. Due to this reason, the second statement was modelled as, 'Some taxpayers pay less taxes by hiding stocks during the estimation of daily sales .The largest number of the respondents in each business activity remained 147(91.9%) agree to this question and 13(8.1%) responses to disagree . This shows that, on average, responses tend to agree with the statement. In addition, it is observed that business activities that are related to selling goods have fewer counts of agreeing to this statement, though it is the frist highest response. For example, cereal & pulses trade, grocery hotel, have less frequencies of agreeing with this statement. However, business activities that engage in the provision of

services, such as, retail shop electronic and computer services, and beauty salons have higher positive responses for this statement. The possibility is that businesses that are in the service sector feel comfortable about answering this question.

In general, regarding the first statement, there is a positive perception among category 'C' taxpayers in the sample on compliance fairness with a Category 'C' taxpayers pay all their tax due on time. On the other hand, regarding the second statement, there is a negative perception among category 'C' taxpayers in the sample on compliance fairness, with asome taxpayers pay less taxes by hiding stocks during the estimation of daily sales. As negative perceptions on compliance fairness depress the overall fairness, it is important to build positive perceptions of compliance fairness. Various opinions exist about the best ways to improve tax compliance. Given the chance, a lot of businesses will not pay taxes unless there is a motivation to do so. Some believe that the best way is to increase incentives (Feld and Frey, 2007) others believe the best way is to increase penalties.

4.3.8 Perceptions of administrative simplicity

Perceptions of administrative simplicity is an independent variable, indicating that identified to show the taxpayers' perceptions on administrative simplicity fairness of the tax payer and the responses headed by Agree or Disagree. In this section, five statements are identified to show the taxpayers' perceptions of administrative simplicity.Table16 below summaries the responses to these statements.

Table 18 . Descriptive summary for statements under the theme of administrative simplicity

Challenges	Response	
	Agree	Disagree
The presumptive tax regime is a simplified tax system compared to other regimes	26(16.2%)	134(83.8%)
It is better for high-earning micro businesses to graduate to the standard tax regime than to be under the presumptive tax regime	126(78.8%)	34(21.2%)
After the daily sales areestimated, the way the tax is calculated is complicated	158(98.8%)	2(1.2%)
There is an adequate education campaign on taxissues	32(20%)	128(80%)
Micro taxpayers can get any information through afree phone service (8199) or website withoutgoing to the office of the authority	49(30.6%)	111(69.4%)

Source: (Survey of category 'C' taxpayers in Jimma town 2020)

Regarding the result in table 16 above the presumptive tax regime is a simplified tax system compared to other regimes 134(83.8%) per cent of the respondents disagreed and 26(16.2%) per cent of the respondents agreed. The result for the statement is showing that the overall responses tend to disagree that the presumptive tax is a simple system. For the second statement, 'It is better for high-earning micro businesses to graduate to the standard tax regime than to be under the presumptive tax regime 126(78.8%) per cent the highest response agreed and 34(21.3%) were the respondents disagreed to the statement and showing that the average responses tend to agree withthe statement. This result proves that the category 'C' taxpayers in the sample are not happy with the presumptive system.

The third statement is: after the daily sales are estimated, the way the tax is calculated is complicated were 158(98.8%) of the respondents agreed with this statement and 2(1.2%) per cent s were dis agreed. Business activities such as retail shops, barbers and beauty salon and music and video shops and electronic services had a higher count of responses agreeing to the statement. The average responses, in general, have a tendency to agree with the

statement. Based on this statement, category 'C' taxpayers in the sample of this study have a low perception of the easiness of the presumptive system.

More over the statement on a proper and adequate education campaign on tax issues is one of the elements of tax simplicity. The next statement is modeled to capture the perceptions of taxpayers on this area. For the statement, there is an adequate education campaign on tax issues 128(80%) per cent of the respondents disagreed and 32(20%) of the respondents were agree. Hence, overall the responses show that category 'C' taxpayers disagreed with the statement.

The final statement under the theme of administrative simplicity is 'Micro taxpayers can get any information through a free phone service (8199) or website without going to the office of the authority Around 111(69.4)   per cent of the respondents disagreed with this statement and 49(30.6%) were agreed with the taxpayers can get any information through a free phone service (8199) or website without going to the office of the authority. Beauty salons and Shoe and Shoe imputes sales, Shoe Making and Repair, retail shops, have higher frequencies of disagreement with this statement compared to other business activities

From all the five statements given above, the responses show that there is a negative perception regarding the simplicity of the regime. There might be several reasons why there is negative perception regarding simplicity. The main one can be attributed to the excess number of business activities and the turnover bands that require the setting and adjusting of 1,881 different rates. Another is the poor information channel between the tax authority and taxpayers.

4.3.9. Perceptions of administrative capacity

Perceptions of administrative capacity is an independent variable, indicating that identified to show the taxpayers' perceptions on administrative capacity fairness of the tax payer and the responses headed by Agree or disagree..

This section evaluates the perceptions of the sample respondents of administrative capacity in implementing presumptive taxes. Though tax administration has different dimensions, in this section only five statements are used. These statements are summarized in Table 17 below.

Table 19. Descriptive summary for statements under the theme of administrative capacity

category	Response	
	Agree	Dis Agree
The appeal process is fair and just	2(1.2%)	158(98.8%)
The daily sales estimating team members that visit your working premises are polite in making conversation	132(82.5%)	28(17.5%)
The tax authority has an organisationalstructure that can address tax issues arising from micro business taxpayers	37(23.1%)	123(76.9%)
The presumptive tax regime motivates andencourages taxpayers to keep books andrecords	40(25%)	120(75%)
The presumptive tax regime motivates andencourages category 'C' taxpayers to graduateto the standard tax regime	36(22.5%)	124(77.5%)

Source: (Survey of category 'C' taxpayers in Jimma town 2020)

Regarding the first statement of Table 17 the appeal process is fair and just', almost all of the respondents 158(98.8 %) in the sample disagreed and Nearly 2(1.2 %) of the respondents agreed with the statement and in the second statement the daily sales estimating team members that visit your working premises are polite in making conversation 132(82.5 per cent) of the respondents agreed and 28(17.5%) of the respondents were disagreed with the statement the result shows that there is a positive perception among the sample taxpayers on this statement.

The third statement the tax authority has an organisational structure that can address tax issues arising from micro business taxpayers were among the total samples of category 'C' taxpayers, 123(76.9 per cent) of responded that they disagree with the expression and 37(23.per cent) were agree with the statement and from this it can be concluded that there is

a low perception of taxpayers in the sample on the organisational structure of the authority to tackle issues experienced by micro taxpayers.

More over the presumptive tax regime motivates and encourages taxpayers to keep books and records' is the fourth statement under the theme of administrative capacity were out of the total respondents, 120(75 per cent disagree and 40(25 per cent) were agree with the statement and result shows having the average response inclines to disagree with the statement and this leads to the negative perception of the respondents on how the system motivates the taxpayers to keep books.

The last statement of Table 17 stated that the presumptive tax regime motivates and encourages category 'C' taxpayers to graduate to the standard tax regime Based on the responses of sample turnover-based presumptive taxpayers, 124(77.5 per cent of the respondents disagreed with the statement and nearly 36 (22.5 per cent) were responded agreed and from these responses it can be concluded that there is a negative perception among the sample taxpayers of the statement above.

In general, out of the five statements assessing perceptions of tax administration, five of the statements reflect negative perception of the administrative capacity of the tax authority. However, responses to one of the this statements show that there is a positive perception of tax administration capacity. This is the statement that the tax team members of the daily sales estimation make conversation in a polite way. The average responses incline to the positive perception that the estimating team had polite conversations with the sample taxpayers. How the administrative capacity is perceived among taxpayers plays a crucial role to smoothen the tax regime. Hence tax authorities and legislators should build a positive perception among taxpayers.

4.4. Descriptive Statistics Results for tax officer's respondents

Demographic characteristics of the respondents' analysis and presentation of data gathered from sub city one revenue authority employees/officials.

4.4.1. Gender

Sex of the respondents, indicating that identified to show the sex of the respondents in the tax officer' headed by Male coded 0 or 1 for Female. were presented in the following table blew..

Table 20: gender distribution

Sex category	Frequency	Percentage
Male	13	65%
Female	7	35%
Total	20	100%

Source: (Questionnaire, 2020)

According to the table 18 above 13 (65%) of the respondents were male and 7 (35%) of the respondents were women. From this data, we can easily observe most of the revenue officials/employees in the sub city one are male. Both male and female participation on the assessment of the challenges facing revenue collection was important as men pointed out challenges such as taxpayer resistance and low tax morale on the part of the citizenry which result into low tax compliance; women provided challenges such as ensuring that all due government revenue is collected and tax evasion and avoidance are controlled in order to improve the services to the citizens as most of taxpayers have been complaining on the inequity between what is paid and what is reciprocated in terms of services by the government to the citizens.

4.4.2. The demographic characteristics of the respondents by age group, these were presented in the following table blew..

Table 21. Age distribution for tax officers employee.

Age category	Frequency	Percentage
18 -28 years	3	15%
29 -39 years	12	60%
40 -50 years	4	20%
Above 51 years	1	5%
Total	20	100%

Source: (Questionnaire, 2020)

In table 19 above four age brackets were represented; those aged between 18 –28 years were accounting to 3(15%), and age in between 29-39 years were 12 (60%), from 40 –50 years 4 (20%) and the rest 1 (5%) were aged above 51 years. As it can be easily understood, majority of the revenue bureau officials in sub city one are between the ages of 29 –39 years. However, those who were between 29 to 39 years gave challenges such as the need to improve staff integrity and tax evasion for the enhancement of government services to the public; while those who were between 40 and 50 years and above of age gave challenges facing revenue collection such as the availability of low level of literacy rates on tax laws which necessitates tax evasion while rendering corruption practices among staff.

4.4.3 Educational level distribution.

The demographic characteristics of the respondents by Educational level, these were presented in the following table blew.

Table 22: Educational level distribution of tax officer /employees

Educational status	Frequency	Percentage
1-8 (elementary school)	0	0
9-10 (secondary school)	0	0
11-12 preparatory (TEVET)	0	0
College Diploma	4	40%
First Degree and above	16	60%
Total	20	100%

Source: (Questionnaire, 2020)

Table 20 above table were represented; those educational status between 1-8 grade and 9-10 and 11-12 preparatory (TEVET) grade were 0 accounting to 0%, depicts that the 4(20%) of the respondents were college diploma holders; 16 (80%) are first degree holders. From this figure, we can understand that most of the revenue bureau employees/officials in sub- city one are first degree holders. It is definite that the educational status of the given individual has a great thing to do with the efficiency and effectiveness of what he/she performs. So the fact that Most of the administrative staff of the organization holds good academic status can contribute a lot towards the effectiveness of the tax collection system andwhat is more, they can better address the customers' needs.

4.4.4. Distribution of respondents by occupational status of Jimma town revenue authority Tax official/Employee

The results in Table 21 below showed that; 7(35 %) were tax auditor and 4(20%) were tax collector and 7(35%) were tax estimator /tax assessor and the remaining 2(10%) employees from revenue official compliance section However, the occupation of respondents was vital for the study as while JTRA employees could point out challenges of tax revenue collection such as shortage of staff, technology changes incorporated by JTRA for the enhancement of revenue collection but which do not favor the level of technical knowhow of taxpayers, delivery of prompt and quality service needed by the public and high revenue targets in

comparison with the tax base present. The taxpayers pointed out challenges such as technological problems such as unreliable network infrastructure to support the use ERA machines as required and frequent changes of tax laws unknown to taxpayers which retard the pace of tax payment and compliance

Table 23: Occupational status

Occupation status	Frequency	Percentage
Tax compliance dep't	2	10%
Tax collector	4	20%
Tax assessor/estimator	7	35%
Tax auditor	7	35%
Total	**20**	**100%**

Source , (survey from Jimma town revenue authority 2020)

4.5 The extent to which the challenges affect tax assessment & Collection process

The following data was extracted from Jimma City revenue authority (JCARA) showing the revenue Performance and Trends from 2012/2013 to 2018/2019.Under this sub section, the degree to which the challenges discussed above affected tax revenue collection at Jimma town is presented.

However most respondents having agreed that revenue collection have always fallen short of targeted, was in similar way mentioned by Musgrove (1993) who said that inefficiencies in the tax collection system may undertake actual revenue from the budgeted level. The reasons given for this include: high rates of tax evasion and avoidance and corrupt tendencies in the revenue collection system. They also mentioned that the cost of revenue collection is higher than expected and thus actual collection cannot equal to set targets.

4.5.1.Jimma city administration Revenue Collection Performance From 2012/13-2018/19 In (Millions ETB)

Table 24:Status of Revenue Collection in Jimma City Administration

Year	Amount planned (Target)	Amount collected (Actual)	Variance	Performance%
2012/13	58,911,986	45,575,000	13,336,986	77.36%
2013/14	104,599,788	74,553,228.12	30,046,559.9	71.3%
2014/15	209,001,957	127,896,540.73	81,105,416.3	61.19%
2015/16	175,055,293.55	131,639,849.62	43,415,443.9	75.19%
2016/17	174,159,626.00	119,405,885.16	54,753,740.84).	68.56%
2017/2018	200,688,856.00	173,496,740.00	-27,192,116.00	86.45%
2018/2019	234,109,434.00	239,781,814.00	5,672,380.00	102.42%

Source from secondry data from Jimma town Revenue Authority(2012/13to 2018/19 G.C)

According to the above table 22 Revenue performances against set targets for the past six years were 77.36% in 2012/13, 71.3% in 2013/14, 61.19% in 2014/15 and 75.19% in 2015/16, but at decreasing of target in 2016/17 (68.56%) and increasing of target in 2017/18 (86.45%) and (102.42%) respectively. The result it shows in above table no-achievement of the targets for last 2012/2013 to 2017/2018 years is attributed to lack the authority expanding the total value of all incomes and/or Property, increase the number of tax payers or type of taxes and informal sector, increase number of tax payers through registration or regularization Improvement of the business sectors and improvement on the tax exemptions policies and regulations and equal treatment of all investors inclusive taxation local and foreign investors and un properly revenue enhancement plan. While revenue performance against targets has been declining, overall actual revenue collection has been increasing year after year. Highest revenue collection was birr. 239,781,814 million in (June 2019) E.C. Furthermore the poor tax collection in the city were less in establishment of public awareness campaign, establishment training on taxation, and strategies implementation by city administration to enhance revenue collection.

4.6. Major Challenges Facing of tax revenue collection from Tax officials point of view atJimma Town Revenue Authority.

Challenges of tax revenue collection independent variable, indicating that identified to challenges of tax revenue collection on tax officials point of view on the tax payer. Under this sub section the challenges of tax revenue collection from the point of view of tax official are discussed on taxpayer resistance and low tax morale on part of citizen, availability of corruption including embezzlement of revenue, broadening the tax base in order to include informal sector in the tax net and Ensuring that all due government revenue is collected and tax evasion and avoidance are controlled and Expediting tax decision making and rulings by putting in place well established procedures and criteria ,Improving staff integrity and Avoidance of tax evasion, tax exemptions and Low level of literacy of taxpayers to use technology(machine). To obtain information on these challenges, the researcherasked the respondents to indicate the extent to which they would agreement the tax authority's decision on challenge facing tax revenue collection a 5-Likert scale from 1 (Strongly agree) to 5 (Strongly disagree). In statistical analyses these data were recoded.

Table 25. Challenges facing revenue collection responded by tax officials

Challenges	Response %	
	Ag	DA
Taxpayer resistance and low tax morale on part of citizen, availability of corruption including embezzlement of revenue	19(95%)	1(5%)
Broadening the tax base in order to include informal sector in the tax net	16(80%)	4(20%)
Ensuring that all due government revenue is collected and tax evasion and avoidance are controlled	16(80%)	4(20%)
Expediting tax decision making and rulings by putting in place well established procedures and criteria	17(85%)	3(15%)
Improving staff integrity	18(90%)	2(10%)
Avoidance of tax evasion	19(95%)	1(5%)
Tax exemptions	16(80%)	4(20%)
Low level of literacy of taxpayers to use technology(machine)	19(95%)	1(5%)

Source (own survey 2020)

Specifically, the results in Table 23 showed that,19(95%) of the respondents argued reported the availability of taxpayer resistance and low tax morale on part of the citizenry which may result into the reduction of revenue collection, availability of corruption including embezzlement of revenue that is associated with low level of tax knowledge by tax paying community. Likewise, 19(95%) reported the challenge of availability of low level of literacy rates to taxpayers regarding the utilization of technology in paying taxes and sometimes encountering unreliable network infrastructure to support the use of authorized Ethiopia tax authority (ERA tax) machines.

In addition 17(85%) of the respondents argued that expediting tax decision making and rulings by putting in place well established procedures and criteria to enhance tax collection among taxpayers in order to eradicate low tax compliance and achieve higher revenue targets

in comparison with the tax base. Further more, the results in Table 23. showed that 16(80%) of the respondents reported the challenge of broadening the tax base in order to include informal sector in the tax net which has not yet been fully researched . Moreover, 19(95%) of the respondent argued in avoidance of tax evasion while 16(80%) of the respondents responses tax exemption reported the availability of tax exemptions which do not benefit the country rather than those who authorize them resulting into tax evasion among taxpayers resulted in causes of tax evasion among potential tax payers high tax rates and ignorance among tax payers about usefulness of revenue from taxes and old legislation and policy in revenue generation.

Yet, 18(90%) of the respondents argued for reported the challenge of improving staff integrity while increasing taxpayers versus TRA administrative capacity in terms of IT requirements and human capital enhancement in order to ensure that all due government revenue is collected and tax evasion and avoidance are controlled.

4.7. .Strategies for improving enhancement of revenue collections and broadening the tax base

Challenges inenhancement of tax revenue collection independent variable, indicating that identified to challenges in enhancement tax revenue collection on tax officials point of view on the tax payer The fourth and last objective of this study was to determine the strategies for the enhancement of revenue collection at JTRA. The strategies included; Broadening the tax base (e.g. expanding the total value of all incomes and property, increase the number of tax payers or type of taxes and formalization of the informal sector, Enhancement of taxpayers' education and sensitization (e.g. understand the need to pay taxes-the principle of large numbers), Use of presumptive approach of taxation (i.e. use of indirect means to ascertain tax liability based on turnover), Improvement in tax administration (e.g. building sector specific administration capacity) and improving fiscal policy, legal and regulatory framework.

To obtain information on these strategies, the researcher asked the respondents to tick and provide many other strategies which were analyzed in terms of recode agree and disagree.

Table 26:The Strategy for enhancement of revenue collection

Strategy	Response %	
	Agree	Disagree
Broadening the tax base (e.g. expanding the total value of all incomes and property, increase the number of tax payers or type of taxes and formalization of the informal sector	17(85%)	3(15%)
Enhancement of taxpayers' education and sensitization (e.g. understand the need to pay taxes-the principle of large numbers)	20(100%)	
Use of presumptive approach of taxation (i.e. use of indirect means to ascertain tax liability based on turnover)	15(75%)	5(25%)
Improvement in tax administration (e.g. building sector specific administration capacity)	19(95%)	1(5%)
improving fiscal policy, legal and regulatory framework	16(80%)	4(20%)

Source (questioners 2020)

Specifically the results in Table 24 showed that 17(85%) of the respondents argued for broadening the tax base in order to expand the total value of all income and property, increase the number of taxpayers or types of taxes and formalization of the informal sector as advocated by Lamb *et al* (2005). On the other hand 20(100%) of the respondents argued with enhancing taxpayers' education and sensitization to enable them understand the need to pay taxes (i.e. voluntary compliance) by applying the principle of large numbers and understand what tax can do to improve oureconomy and participate in formalized economic activities and the results supported by Chijoriga 2012 revenue enhancement plan strategies broadening the tax base formalization of the informal sector, National identification cards, simplification of business registration procedures, enhance compliance , controlling fraud

and minimizing tax avoidance, enhancing Block management system (BMS), application of ICT based systems from mapping the blocks .and improve the formalization of properties and business formalization (registration and licensing) improved business climate cost of doing business and improving investment climate improvement of tax collection in other sectors in the natural resource like fishing , forestry and mining energy etc.

On the other hand, the results in Table 24 showed that 15(75%) of the respondents argued for the use of presumptive approach of taxation through the use of indirect means to ascertain tax liability based on turnover of the taxpayers while improving staff tax awareness and 16(80%) of the results shows fiscal policy, legal and regulatory framework in order to enhance equal treatment to all investors , inclusive taxation local and foreign investors and in improvement on the tax exemptions policies andregulations about taxpayers complaintand ensuring if they face problems during tax collectionon pitfalls in the assessment of category "C" tax and tax payers the availability of book of records, the procedures for the computation of category "C" tax the fairness of the tax assessment and appropriateness of the tax assessment policy rateandthe time given to pay their tax liabilitya fine due to their failure to meet deadlinesas supported by Baurer (2005).

Finally the result on the above table 24 showed that 19(95%) of the respondents agree with the statements of Improvement in the Tax Administration. This statement shows Improvement and modernization of the customssystems and tax controls vs trade facilitation, one stop system, control and monitoring of the transit goods. and implementation of the performance based and responsive leadership and management improved governance-responsibility accountable leadership and supervision, change management and staff integrity and building sector specific administration capacity.

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

The purpose of this study was to identify the challenges of tax revenue collection category "C" taxpayer in Jimma town revenue authority. The summary of findings, conclusion and recommendations, Policy implications and the need for further research which are the outcome of the study findings are also presented in the subsequent subsections

5.1 Summary of Findings

In general the findings of this study have been summarized based on the research objectives which included: To analyze challenge on the standards used in tax assessment based on estimation of category "C" taxpayers, to assess challenges facing the taxpayers and the revenue authority, to determine strategies for the enhancement of revenue collection at JTRA and A trend of tax revenue collection in Jimma town .and to assess challenges on category 'C' taxpayers perceive the presumptive tax regime with respect to its fairness, simplicity and administration capacity,

5.2 Challenge on the standards used in tax assessment based on estimation of category "C" taxpayers:-

Challenges of tax revenue collection Category 'C' tax payers, the main targets of this study was tax assessment based on estimation. To this effect finding whether they have faced any problems when their tax is assessed using standard tax assessment scheme summarisied below.

I) On the other hand, 90.6% of the respondents reported the inflated daily/annual income in tax estimation were over taxation as result of over estimation

II) Moreover 96% the respondents shows no fair tax among similar businesses in same proximity tax assessment by the authority and lack of fairness or equity of taxation among similar businesses of category "C" taxpayers

III)   Additionally 100% of the respondents replies no trust of tax payer's   statement caused by poor communication and understanding between the tax authority and taxpayers and weakness in tax collection and unsatisfactory service delivery of tax authority.

5.3 The administration on category 'c' taxpayers perceive the presumptive tax regime with respect to its fairness.

The findings from the study indicated that, the sample respondents of category 'C' taxpayers have negative perceptions of exchange fairness, procedural fairness, horizontal fairness, compliance fairness, simplicity and the administrative capacity of the tax authority were discussed below.

IV)   Beside on the finding of perceptions of exchange fairness that identified to show the taxpayers' perceptions (90.6%) of the respondents results shows services provided by the government to the business community are worth the amount of tax they pay negatively perceived.

V)   On the other hand beside on Perceptions of procedural fairness among tax payers finding that the negative perception of procedural fairness among the taxpayers in the sample includes 96.3% of the respondent's disagreed with the statements of Category 'C' taxpayers will be represented during the estimation of daily sales

VI)   It is identifies in the study that, to measure the low perception of horizontal fairness among category 'C' taxpayers (91%) of the respondents disagreed with the statements of taxpayers in a similar situation (business location, living standards, personal expenses, property they acquire, family size … etc.) pay similar amounts of tax.

VII)   (91.9%) agree to revenue authority claims that there is a problem among taxpayers in that they are hiding stocks during the estimation

VIII)   More over the finding on the perceptions of administrative simplicity based on this statement, category 'C' taxpayers (98.8%) of the respondent's responses agreed after the daily sales are estimated; the way the tax is calculated is complicated.

XV. Finally (98.8%) of the finding on the perceptions of administrative capacity disagreed among tax payer regarding the statement of the appeal process is fair and just

5.4. Challenge facing tax revenue collection by the revenue authority.

IX) On the other hand, 95% of the respondents reported the availability of taxpayer resistance and low tax morale on part of the citizenry which may result into the reduction of revenue collection, availability of corruption including embezzlement of revenue that is associated with low level of tax knowledge by tax paying community

X) Yet, 90% of the respondents reported the challenge of improving staff integrity while increasing taxpayers versus TRA administrative capacity in terms of IT requirements in order to ensure that all due government revenue is collected and tax evasion and avoidance are controlled.

XI) Moreover, (95%) of the respondent argued in avoidance of tax evasion which the use of legal means to reduce one's tax liabilities while tax evasion is the use of illegal means to reduce the tax liabilities.

XII) Likewise, 95% reported the challenge of availability of low level of literacy rates to taxpayers regarding the utilization of technology in paying taxes and sometimes encountering unreliable network infrastructure to support the use of authorized TRA tax machines.

5.5. To determine strategies for the enhancement of revenue collection at JTRA

XIII) 100% of the respondents argued with enhancing taxpayers' education and sensitization to enable them understand the need to pay taxes (i.e. voluntary compliance)

XIV) Finally 95% of the respondents agree with the statements of improvement in the tax administration (e.g. building sector specific administration capacity).

5.6. Conclusion

The findings from the study indicated that, the sample respondents of category 'C' taxpayers have negative perceptions of exchange fairness, procedural fairness, horizontal fairness, of, compliance fairness, simplicity and the administrative capacity of the tax authority. On the other hand, the respondents in the sample most of the taxpayers, especially those in the category 'C', over taxation as result of over estimation of daily/annual income and no fair tax among similar businesses in same proximity tax assessment by the authority which rise from lack of fairness or equity of taxation among similar businesses and no trust of tax payer's statement caused by poor communication and understanding between the tax authority and taxpayers and weakness in tax collection and unsatisfactory service delivery of tax authority.

On the other hand of the respondents reported the availability of taxpayer resistance and low tax morale on part of the citizenry which may result into the reduction of revenue collection, availability of corruption including embezzlement of revenue Likewise, reported the challenge of availability of low level of literacy rates to taxpayers regarding the utilization of technology in paying taxes and sometimes encountering unreliable network infrastructure to support the use of authorized TRA tax machines and yet, of the respondents reported the challenge of improving staff integrity while increasing taxpayers versus TRA administrative capacity in terms of IT requirements in order to ensure that all due government revenue is collected and tax evasion and avoidance are controlled. Specifically the results of the respondents argued with enhancing taxpayers' education and sensitization to enable them understand the need to pay taxes (i.e. voluntary compliance) by applying the principle of large numbers and understand what tax can do to improve oureconomy and participate in formalized economic activities and finally improvement in the tax administration shows improvement and modernization of the tax systems and tax controls vs trade facilitation, and implementation of the performance based and responsive leadership and management, and staff integrity and building sector specific administration capacity through training. .

5.7. Recommendations and policy implication

5.7.1. Recommendations

From the above findings, the researcher proposes the following recommendations and policy implication. Based on the findings of the study, the following recommendations can be drawn:. The study revealed that Tax assessment Based on estimationis significantly affect tax revenue collection negatively and recommended that

1) Government to ensure that equal taxes are levied on individuals who have equal income and governments by applying a higher tax rate to people with a higher ability to pay than others, and to spend public funds in a way that addresses the needs of people with low income or wealth.

2) The authority treats taxpayers perception of equity and fairness in the tax system and the tax authorities should revise their system not only to ensure that equal taxes are levied on individuals who have equal income but also to make sure that each taxpayer is paying according to his/her ability to pay;

3) The authority must also actively involve taxpayers or their representatives while estimating the daily sales or revenue of taxpayers so that trust of tax payers on the tax system will develop gradually.

4) Exchange Equity and Fairness-over the long run taxpayers receive appropriate value for the taxes they pay.

5) Perceptions of procedural fairness-taxpayers have a voice in the tax system, are given due process and are treated with respect by tax administrators.

6) Perception of horizontal fairness-among category 'C' taxpayers– Similarly situated taxpayers are taxed similarly.

7) Perceptions of compliance fairness among category "C" tax payers- all taxpayers pay what they owe on a timely basis.

8) We recommends a facility provided by the tax authority to ease the method of tax simplification, tax structure with regards to perception of administrative simplification by achieving through of (a) the tax system, (b) the tax legislation, and

(c) the application of the tax rules and taxpayers education through as a taxpayer knowing his or her tax liability and when and where to pay the tax.

9) Finally we recommend the administrative tax authority ensure regular update to the tax payer registry and perception based approaches measure capacity by assessing how capable individuals think a tax administration is.

 ❖ Increase the transparency of tax policy making and modernize tax administration procedures: these measures would reduce opportunities for corruption and improve the "taxpayer experience".

 ❖ Governments build citizens' perceptions of public officials, especially tax officials, can influence attitudes towards taxation (e.g. being asked or expected to pay bribes).

 ❖ Government by simplifying tax regimes and greater use of information technology are ways to improve tax morale and compliance

10) It is recommended to establish avenues to discuss and put forward what is done by the government out of citizens' taxes in order to avoid unnecessary complaints. and they should be enlightened that their contribution in form of taxes leads to effective service delivery.

11) We recommends that while increasing TRA administrative capacity in terms of IT requirements in order to ensure that all due government revenue is collected and tax evasion and avoidance are controlled and Education is essential variable for the tax revenue performance, so the policy maker should give further consideration to enhance the knowledge of RA staffs and taxpayers

12) Governments strengthening legal enforcement and penalties, where necessary, their legal, regulatory or administrative provisions and their powers of investigation for the detection and prevention of tax avoidance and evasion, with regard to small business taxpayers , and exchange experiences on a continuing basis on tax avoidance and evasion practices, on techniques for detecting and preventing them and on ways and means of improving tax compliance in general

13) The authority build, the enhancement of taxpayer education on tax laws and procedures, building public support and effective publicity through various ways such as media is important for the facilitation of voluntary tax compliance.

14) The authority informing and educating potential taxpayers on the purpose and benefits of the revenue they contribute. Governments normally undertake massive sensitization through workshops, newspapers, and radio stations among others.

15) It recommended that, the office of Revenueauthoritybuild it's capacity in technology and networking infrastructure that is reliable in supporting effective tax collection and building sector specific administration capacity, and arrange for the training and manpower development for employees of the revenue

Finally we concluded the above recommendation that tax assessment based on estimationis firstly, the tax administration must have the technical resources to make detailed studies of profitability by type of activity, and secondly, an adequate number of tax officials must be available to verify information provided by taxpayers about the characteristics of their business. Tax authorities and other stakeholders should work together to improve the perception of fairness among taxpayers and legislators and tax authorities should work to build positive perceptions of simplicity and administrative capacity. Focus discussion with head manager of the authority some of the factors that led to low perceptions are the late reassessment of the daily sales in 2017. Though the daily income was supposed to be assessed every three years, the 2017, assessment was conducted after six years, leading to an unanticipated and sharp increase in the estimation. Hence, there should be a continuous assessment at least every three years according to the law, so that the estimated income will not have an unexpected increase.

5.8. Policy Implication

The researcher argues for revenue collection capacity enhancement through improving staff enhancement and enrichment while facilitating taxpayers with education and establishing more accessible and transparent payment facilities in order to minimize revenue leakages.

5.9. Need for Further Research

The study assessed the challenges of tax revenue collection in Jimma town withevidence from JTRA Jimma.

Further studies need to be done on the followingissues;

i) What is the perception of taxpayers regarding the misuse of revenue collected by the authority in relation to revenue evasion?

ii) To what extent has JCARA been able to address revenue evasion?

REFERENCES

Abis. ((2018)). Determinants of the tax assessment and tax collection problems in ethiopia.

AICPA. (2007). According to the American Institute of Certified Public Accountants, there are seven dimensions of tax fairness .

Alm. (1993,1999). Institutional Uncertainty and Taxpayer Compliance.American Economic Review, 82, 18-26.

Amina. (2013). Determinants of Tax compliance: the case of Jimma town , Master thesis, Business and Economics college, Department of Accounting and Finance, Jimma University.

Amina, A. a. (, (2015).). Tax compliance and its determinant the case of Jimma Zone,Vol. 6,No.2 ISSN 2307-227X, International Journal of Research In Social Sciences.

Araya. (2011). Assessing the integration and contribution of governmental organizations on tax collection. Master Thesis, Mekelle University, Ethiopia.

Ayale. (2017). The study was conducted to assess effectiveness of tax assessment and collection practice of category "C" tax payers at Alaba City .

Ayale. (2017). The study was conducted to assess effectiveness of tax assessment and collection practice of category "C" tax payers at Alaba City .

Bahiigwa, e. a. (2004). Rural Taxation in Uganda: Implications for Growth, Income Distribution, Local Government Revenue and Poverty Reduction." EPRC Research Series No. 35 (January), Kampala: Economic Policy Research Centre.

Bank, W. (2015). The world bank annual report 2015, washngton, DC.

Bauer, L. I. ((2005).). Tax Administrations and Small and Medium Enterprises in Developing Countries. Small and medium Enterprise Department, World Bank.

Bekalu, B. a. (2016). Assessing the Gaps and Problems that Exist between the Business Community and Tax Authorities of Dire Dawa Administration. Developing Country Studies, 3(9), 167-173.

Belay. ((2015).). Determinants of Tax Revenue Performance: Ethiopian Federal Government, Addis Ababa.

Bird. (2006.). Is It Really so Hard to Tax the Hard-to-Tax? The Context and Role of Presumptive. Taxes. Elsevier.

Bogale, (2017), Design of the presumptive taxation system in Ethiopia

Bofah K. ((2003).). The Impact of Tax on Investment and Business Decisions.
    htttp://www.ehow.com/facts_5910416_impact-tax-investment-businessdecisions.
    html.

Britannica. ((1997)). The New Encyclopedia, Volume28).

Chaudhry. (2010). Determinants of Low Tax Revenue in Pakistan. Pakistan Journal of Social
    Sciences. Vol 30. No 2, December, 2010 pp 439-452.

Chijoriga. (2010). Central Bank of Kenya, (2010). Risk Management Survey for the Banking
    Sector. CBK, .

Chijoriga. (2012). New Areas for Enhancement of Revenue collection and Broadening Tax
    Base of the Country. Unpublished Report.

Engelschalk. (2007). Designing a Tax System for Micro and Small Businesses: Guide for
    Practitioners (English), Washington DC: World Bank/IFC.

Fantahun. (2002). Policy Reform, Implementation and Outcome in Ethiopia. Addis Ababa
    University and Ethiopia Economic Association, Addis Ababa.

FDRE. (2002). Council of Ministers Income Tax Regulations 286/2002, Federal Negarit
    Gazeta. 8th year. No. 34 .

FDRE. (2002 a). Turnover Tax Proclamation No. 308/2002‟, Federal Negarit Gazeta, Addis
    Ababa, Ethiopia. .

FDRE. ((1995)). The new constitution of Federal Democratic Republic of Ethiopia, (1995),
    Art. 51(10) and Art. 52(2 (e).

FDRE. (2002 c). Income Tax Regulation No.78/2002‟, Federal Negarit Gazeta, Addis
    Ababa, Ethiopia.

FDRE. (2016). Income Tax Proclamation 979/2016, Federal Negarit Gazeta, 22nd Year, No.
    104 .

FDRE. (2017). Council of Ministers Tax Regulations 410/2017, Federal Negarit Gazeta.
    22nd Year, No. 82 .

Fjeldstad. (2006,). To pay or not to pay? Citizens views on Taxation in Local Authorities in
    Tanzania.REPOA, Special Paper No. 06.18. Chr. Michelsen.

Fjeldstad. (2009). 'What's trust got to do with it? Non-payment of service charges in local
        authorities in South Africa.' The Journal of Modern African Studies, Vol. 42 (4),
        (forthcoming).

Fjeldstad, O & Rakner L, (2003), Taxation and Tax Reforms in Developing Countries.
Michelsen Institute.

Frederick. (2013). study on assessment of challenges faced by tax collectors and tax payers in
        rural areas: a case study of nyaruguru district Rwanda.

Garde. (2004). A model of Tax Administration Reform", Manila bulletin. Available
        from:http://www.dlsu.edu.ph/research/centers/cberd/pdf/bus_focus/model_for_tax_a
        dmin_reform.P F. Accessed 28/07/2010.

Getnet. (2010). Attitudes of business income tax payers towards taxation. Master Thesis,
        Mekelle University, Ethiopia.

Gupta. (2007). Determinants of tax revenue efforts in developing countries. international
        monetary fund, washington dc, july, imf working paper no. 184.

Hagos. (2010). Assessment on the challenges of business income collection process: A case
        study in Aksum town, Tigray, Ethiopia. Mekelle University.

James, S. a. ((2000).). The Economics of Taxation: Principles, Policy and Practice 7th
        edition. Prentice-Hall.

James, S. S. (1998). The complexities of tax simplification:progress in Australia, New
        Zealand and the United Kingdom. Australian tax forum Vol. 14(1).

Lemessa. (2007). Federal Income Tax Administration in Ethiopia: The Case of Employment
        and Business Income Taxes, Unpublished Msc. Thesis, AAU.

Logue, D. a. (2010). Narrowing the Tax Gap Through Presumptive Taxation, Paper 8, Law
        & Economics Working Papers, University of Michigan Law School.

Logue, D. a. ((2010)). Narrowing the Tax Gap Through Presumptive Taxation, Paper 8, Law
        & Economics Working Papers, University of Michigan Law School.

M., J. S. (2004). Principles of taxation for business and investment planning (7th ed.)
        McGraw-Hill Comp. New York.

Magalata Oromia. (2017). 26th year 312/17 proclamation No. 203/17.

Mahdavi, S. (. (2008).). The Level and Composition of Tax Revenue in Developing Countries: Evidence from unbalanced panel data. International review of Economics and Finance, 17,607-617.

Makedonsikiy. (,(2005).). Taxation mechanisms based on simplified and indirect evaluation of tax liabilities. Russian-European centre for Economic policy, Moscow.

Marcellina. (2012). dean, university of dar es salaam business school new areas for enhancement of revenue collection and broadening tax base.

Maroney, J. J. (1998). Taxpayer reaction to perceived inequity: An investigation of indirect effects and the equity-control model. The Journal of American Taxation Association, 20, 60–77.

Meshesha. (2015). Evaluates the application and efficiency of Ethiopian tax assessment against the tax liability of category 'C' taxpayers, referring to the practice in the Eastern Zone Administration of Tigray.

Meshesha. (2015). Evaluates the application and efficiency of Ethiopian tax assessment against the tax liability of category 'C' taxpayers, referring to the practice in the Eastern Zone Administration of Tigray.

Misrak. (,(2014)). Ethiopian Tax Accounting: Theory and Practice, 1st ed. Addis Ababa: 2008.

Mogos. (2018). Determinants and Challenges of Tax Revenue Performance in Ethiopia.

Moser, D. V. (1995). The effects of horizontal and exchange inequity on tax reporting decisions. The Accounting Review, 70(4), 619–634.

Moser, E. a. ((1995)). The Effects of Horizontal and Exchange Inequity on Tax Reporting Decisions', Accounting Review 70.4: 619-634.

Mugenda. (2003). Research Methods; Quantitative and Qualitative Approaches. Nairobi; Acts Press.

Muhammed. (2015). Studies on challenges of revenue collection/generation in case of debre markos town.

Mutsotso, C. (2010). Harmonisation of EAC Tax Policies and Laws, Geneva: CUTS Geneva Resource Centre.

Nightingale. (2002). No one really likes paying taxes yet they are inevitable for the provision of social welfare".

Pashev. (2005). Tax Compliance of Small Businesses in Transition Economies: Lessons from Bulgaria, Georgia State University Working Paper 05-10, Atlanta, GA: Georgia State University.

Prisely. (2013). Assessment of the challenges facing revenue collection in Tanzania : evidence from Tanzania revenue authority (TRA); morogor.

Sabina, M. &. (2017). The fair process effect in taxation: the roles of procedural fairness, outcome favorability and outcome fairness in the acceptance of tax authority decisions.

Sarzin. ((2007),). The health of the tax/revenue system and the consequent quality of service delivery is constrained by a number of challenges.

Selamawit, S. (2012). pointed out the Category "C" Tax Assessment and CollectionProblems; The case of Keble 01/18 of LidetaSub-city.

Smith, K. a. (1976). Understanding taxpaying behavior: a conceptual frame work with implications for research. Law and Society Review, Vol.21 (4).

Tadele. (2015). The overall economic performance of Ethiopia, measured by growth in real GDP,.

Thuronyi, V. (1996). Tax Law Design and Drafting (Volume 1;International Monetary Fund).Chapter 12.

Torgier, A. a. (2006). Institutional Uncertainty and Taxpayer Compliance. American Economic Review, 82, 18-26.

Vanden Bos, K. B. (1999). Sometimes unfair procedures have nice aspects: On the psychology of the fair process. Journal of Personality and Social Psychology, 7(2), 324–336.

Verboon, P. &. (2011). When do severe sanctions enhance compliance: The role of procedural fairness. Journal of Economic Psychology, 32(1), 120–130.

Wenzel, M. (2003). Tax compliance and the psychology of justice: Mapping the field. In V. Braithwaite (Ed.), Taxing democracy: Understanding tax avoidance and evasion. Aldershot: .

Wollela. (2009). Value added tax in Ethiopia: A study of operating costs and compliance. Doctoral Dissertation, University of New South Wales.

Workineh. (2015). Determinants of Tax Revenue in Ethiopia, international journal business, economics, and management. Mugume (2006) taxation and business performancecase study: braliga and sons enterprise,adjumani town.

Yamane. (1967). Statistics: An Introductory Analysis (2nd edition). New York, USA: Harper & Row.

Yohannes. (2013). Studies on assessing the gaps and problems that exist between the business community and tax authorities of dire dawa administration.

Yoseph. (2018). determinants of tax compliance behavior in ethiopia: a case study of west showa zone, oromia region.

Appendix 1

JIMMA UNIVERSITY COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF ACCOUNTING AND FINANCE
MASTERS PROGRAM IN ACCOUNTING AND FINANCE

Questionnairefortax payers inJimma Townsub city 1 on the challenges of category 'C' tax assessment and collection.

Dearrespondents

ThisstudyisconductedinpartialfulfillmentoftherequirementsfortheMSCDegree.I amcarryingoutastudyon the challenges of category 'C' tax assessment and collection in Jimma Town Revenue Authority.The purposeofthisquestionnaireistoobtainyourperceptionsandviewsregardingthe existingchallenges of category 'C' tax assessment and collection in Jimma Town Revenue Authority.ThisstudywillhelpJimma Town Revenue Authority to identifyitsproblemsandimproveits methods of category 'C' tax assessment.Theinformationyouwillgivewillenablemetocriticallyanalyzethesubjectmatter. Therefore,pleaseanswerallquestions**confidentiality.** Iherebyassureyouthatallinformationobtainedthroughthisquestionnaireshallbe usedforacademicpurposesonlyandwillbehandledandstoredwiththehighestorder ofconfidentiality. Pleasedonotwriteyournameanywhereonthequestionnaire. Ithankyouverymuchinadvanceforyourcooperation.

BirhanuHatew
Tel. 0911737494
Email: hataubirhanu@gmail.com

Appendix 1: Questionnaires

QUESTIONNAIRES FOR DEBT MANAGEMENT & COMPLIANCE

DEPARTMENT EMPLOYEES AND TAXPAYERS

Topic: Assessment of the challenges facing revenue collection in Jimma Evidence from JTRACAJIMMA

Part 1 Background information

1.   Gender of the Respondent.

a) Male (   )   b) Female (   )

2.   In which Age category do you belong?

a) 18-28 (   ) b) 29-39 ( ) c) 40-50 ( ) d) 51 and above ( )

3.   What is your highest level of education?

1) Primary education (1-8) 2) Secondary and tertiary education (9-10)

3(11-12) preparatory 4) Diploma 5) degree and above

4. What is your occupation? A) JCRACA employee ( )   B) Business person/taxpayer (   )

5.Types of Business 1) retail shop 2) café and restorant 3) Electronic and coputer 4) beauty salon 5) clothing and foot wear 6) other trade

6 .Average Annual income of tax payers

1) Below 100,000.00 2) between 100,000.00 to 200,000.00 3) between 200,001 to 300,000.00 4) 300,001 to 400,000.00 5) in between 400,001 to 500,000.00

Appendix 2

PART 2: **System based on agreement between the taxpayer and the administration regarding to Perceptions of fairness**

 B) below summarises the responses to the statements representing fairness *(to filled by both Tax payers and RACA tax office)Please indicate your agreement or disagreement regarding the challenges of tax revenue collection in case of fairness by JTRACA Sub City 1 branch as follows;*

1) SA=Strongly agree 2) D=agree 3) U=Uncertain 4) A=DisAgree 5) SD=Strongly disAgree

CHALLENGES	CHOICE				
	Strongly agree	**agree**	**Uncertain**	**DisAgree**	**Strongly DisAgree**
7*Perceptions of exchange fairness*					
Taxes paid to the government in the form ofpresumptive tax are used for the benefit of thegeneral public					
Services provided by the government to thebusiness community are worth the amount oftax they pay					
Property rights and patent rights of taxpayersare protected					
If taxpayers' compliance improves,government provision of public services will					

also increase					
8 Perceptions of procedural fairness					
Category 'C' taxpayers will be representedduring the estimation of daily sales					
When tax laws are developed, the businesscommunity is wellconsulted to represent theinterests of the business community					
9 Perceptions of horizontal fairness					
Micro businesses who earn the same level ofincome pay a more or less similar amount of tax					
Taxpayers in a similar situation (businesslocation, living standards, personal expenses,property they acquire, family size … etc.) pay similar amounts of tax					
10 Perceptions of vertical fairness					
There is no significant difference in					

the amount of tax that is paid by small businesses and big ones					
Micro businesses are paying identical amounts of tax irrespective of their income level					
11Perception of time-related fairness					
The income estimated for micro and small businesses owner considers the amount of income they earn/loseacross time					
The daily sales estimation only considers the good seasons of business activities and ignores seasons with low business activities					
The daily sales estimation considers the average income of my business across time					
12 Perceptions of inter-group fairness					
Certain groups of micro business will be more favoured than others in the					

implementation of presumptive taxes				
13 Perceptions of compliance fairness				
Category 'C' taxpayers pay all their tax due ontime				
Some taxpayers pay less taxes by hidingstocks during the estimation of daily sales				
14 Perceptions of administrative simplicity				
The presumptive tax regime is a simplified taxsystem compared to other regimes				
It is better for high-earning micro businesses tograduate to thestandard tax regime than to be under the presumptive tax regime				
After the daily sales are estimated, the way the tax is calculated iscomplicated				

There is an adequate education campaign on tax issues					
Micro taxpayers can get any information through free phone service (8199) or website without going to the office of the authority					
15. Perceptions of administrative capacity					
The appeal process is fair and just					
The daily sales estimating team members that visit your working premises are polite in making conversation					
The tax authority has an organisational structure that can address tax issues arising from micro business taxpayers					
The presumptive tax regime motivates and encourages taxpayers to keep books and					

records					
The presumptive tax regime motivates and encourages category 'C' taxpayers to graduate to the standard tax regime					

PART 3..TAX ASSESSMENT

14. To this effect, they will be asked whether they have faced any problems when their tax is assessed using standard tax assessment scheme Please indicate your agreement or disagreement regarding the Tax assessment   by JTRACA Sub City 1 branch as follows; 1) SA=Strongly Agree 2) A=Agree 3) U=Uncertain 4) D=Disagree 5)   SD=Strongly Disagree.

CHALLENGES	CHOICE				
	SA	A	U	DA	SD
Would you agree Method of assessment is a simple guess or subjective ?					
Would Inflated daily/annual income in tax estimation ?					
In general would No fair tax among similar businesses in same proximity ?					
No trust of tax payer's statementof volume of daily sales ?					

Thankyouverymuch!!

JIMMA UNIVERSITY COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE Masters program in

ACCOUNTING AND FINANCE

Questionnaire for tax officials in Jimma Town sub city 1 on the challenges of category 'C' tax assessment and collection.

Dear respondents

This study is conducted in partial fulfillment of the requirements for the MSC Degree. I am carrying out a study on the challenges of category 'C' tax assessment and collection in JimmaTown Revenue Authority. The purpose of this questionnaire is to obtain your perceptions and views regarding the existing challenges of category 'C' tax assessment and collection in JimmaTown Revenue Authority. This study will help JimmaTown Revenue Authority to identify its problems and improve its methods of category 'C' tax assessment.

The information you will give will enable me to critically analyze the subject matter. Therefore, please answer all questions confidentiality. I hereby assure you that all information obtained through this questionnaire shall be used for academic purposes only and will be handled and stored with the highest order of confidentiality. Please do not write your name anywhere on the questionnaire. I thank you very much in advance for your cooperation.

BirhanuHatew

Tel. 0911737494

Email: hataubirhanu@gmail.com

1.   Gender of the Respondent.

a) Male (   )   b) Female (   )

2.   In which Age category do you belong?

a) 18-28 (   ) b) 29-39 ( ) c) 40-50 ( ) d) 51 and above ( )

3.   What is your highest level of education?

1) Primary education (1-8) 2) Secondary and tertiary education (9-10)

3(11-12) preparatory 4) Diploma 5) degree and above

4. What is your occupation? 1) Tax compliance dep't ( )   2) Tax collector (   ) 3) tax assessor ( ) 4) Tax auditor

PART 4: Strategies for the enhancement of revenue collection by JTRACA Sub city 1 branch

15.. *Please indicate your agreement or disagreement regarding the strategies for theenhancement of revenue collection by* **by JTRACA Sub city 1 branch**

as follows; 1) SA=Strongly Agree 2) A=Agree 3) U=Uncertain 4) D=Disagree 5) SD=Strongly Disagree.

Strategy	CHOICE				
Broadening the tax base (e.g. expanding the total value of all incomes and property, increase the number of tax payers or type of taxes and formalization of the informal sector	SA	A	U	DA	SD
Enhancement of taxpayers' education and sensitization (e.g. understand the need to pay taxes-the principle of large numbers category "C" taxpayers)					
Use of presumptive approach of taxation (i.e. use of indirect means to ascertain tax liability based on turnover)					
Improvement in tax administration (e.g. building sector specific administration capacity)					
improving fiscal policy, legal and regulatory framework					

Part 5 challenges facing of tax revenue collection

CHALLENGES	CHOICE				
	sa	a	u	d a	sd
Taxpayer resistance and low tax morale on the part of the citizenry availability of corruption including embezzlement of revenue					
Broadening the tax base, informal sector included in the tax net					
Ensuring that all due government revenue is collected and tax evasion and avoidance are controlled					
Expediting tax decision making and rulings by putting in place well established procedures and criteria					
Improving staff integrity					
Avoidance of Tax evasion					
Tax exemptions	`				
Low level of literacy rates (awareness of the public)					

Appendix 3:e questions for the manger and head of debt management & compliance department

    i.   What are the types of revenue collected by JTRACA branch?

    ii.   ---
----

    iii.   What are the challenges facing revenue collection at JTRACA branch?

    iv.   ---
----

    v.   What are the strategies for the enhancement of revenue collection at JTRACA branch--
----

Thankyouverymuch!!