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ASSESSMENT ON PROBLEMS OF VAT ADMINISTRATION IN THE CASE OF GAMBELLA REGIONAL STATE (GAMBELLA, ETHIOPIA)

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ABSTRACT: VAT administration process is an interrelated, operation covers a wide area of study, encompassing aspects such as registration of taxpayers, taxpayers' service, assessments, returns processing, collection, audits and appeal. VAT administration functions are essential administrative activities of a tax administration organization in order to collect taxes and enforce compliance. To achieve the objective of VAT administration function it requires application of information technology and qualified tax officials with requisite skills to maintain these systems and operate them to their fullest potential. The general objective of the study is assessment on problems of VAT administration in the case of Gambella regional state (Gambella, Ethiopia). The study addresses the following specific objectives: To investigate VAT administration problems pertaining to VAT registered tax payers as a result of VAT law enforcement by the tax authority (Particularly VAT registration, invoice, file, payment, audit and penalty) in Gambell, To evaluate the perception of taxpayers towards VAT and how strong enough the tax office is to control noncompliance and delinquent taxpayers. The study was employed descriptive survey method and both qualitative and quantitative approaches were used. Both primary and secondary data was used using by using questionnaires and interview data collection tools and Stratified Probability sampling technique was used for VAT registered taxpayers and purposive non probability sampling technique was use for employees' The problems identified were; taxpayers unable to register for VAT voluntary, lack of proper recording system, using illegal invoice weakness on audit investigation and inspection, lack of resources and infrastructure development and lack of incentives for employee. Based on the findings the possible recommendations were awareness creations to improve voluntary registration, providing training how to keep proper record, taking measures on taxpayers who used illegal invoice, increase the number of auditors and tax intelligence, established infrastructure, giving incentives and training to motivate employees of the revenue office.

Keywords: Voluntary registration, obligatory registration

INTRODUCTION

1.1 Back ground of the study

Value Added Tax (VAT) is one of those indirect taxes. The value added at each stage of production is the difference between the seller's material costs and the selling price. In essence, VAT is just a general sales tax that is collected at multiple stages. VAT is a key source of government revenue in most of the nations. It was introduced in more developed countries of Europe and Latin America. The first proposal emerged in France in the 1920 and was recognized in 1948. The developing and transitional economies adopted the tax in the 1980s and 1990s. Côte d'Ivoire was the first African country to introduce VAT in 1960 (Simon, 2013).

Ethiopia introduced value added tax (VAT) in the year 2003 as a replacement to sales tax. VAT is the principal source of revenue for the Ethiopian government. For instance, in the 2006–07 fiscal years, federal VAT revenue (on domestic transactions) accounted for about 41 per cent of total federal revenues from domestic sources (EFIRA 2007).

administration process is an interrelated, operation covers a wide area of study, encompassing aspects such as registration of taxpayers, taxpayers' service, assessments, returns processing, collection, audits and appeal (Kangave, 2005). As stated by Misrak (2011) VAT administration functions are essential administrative activities of a tax administration organization in order to collect taxes and enforce compliance. To achieve the objective of VAT administration function it requires application of information technology and qualified tax officials with requisite skills to maintain these systems and operate them to their fullest potential (Bird, 2003).

1.2 Statement of the problems

VAT is one of the most important sources of revenue and its implementation in Gambella regional state is young, research studies related to VAT Administration and its implementation in Gambella in general & Gambella town in particular are small in number. This study has been conducted to identify the major problems such as taxpayer's unable to registered for VAT, unable to keep records, used illegal invoices for daily transaction, the revenue office VAT enforcement, auditing and inspections are slightly weak and there is high probability of being undetected of business in engaged in act of evasion. The revenue office has shortage of resources and infrastructural facilities to enhance tax law enforcements, lack of incentives and awards to the best performing tax officials. In addition to these the training and career development

is not sufficient in promoting the capacity of the employees.

1.3 Objectives of the study

1.3.1 General objective of the study

This study was to assess the problems in VAT administration in Ethiopia, specifically in Gambella Regional state. This may give some possible insights to the higher officials of the Gambella Regional state revenue office and policy makers to give closer attention towards tackling the problems raised with the statement of the problem part above by providing appropriate suggestions.

1.3.2 Specific objectives of the study

Specifically this study tries to address the following issues:

- ✓ To investigate VAT administration problems pertaining to VAT registered tax payers as a result of VAT law enforcement by the tax authority (Particularly VAT registration, invoice, file, payment, audit and penalty) in Gambell.
- ✓ To evaluate the perception of payers towards VAT
- ✓ How strong enough the tax office is to control noncompliance and delinquent taxpayers?

REVIEW OF RELATED LITERATURE

2.1 Definition of VAT

VAT is an indirect tax levied on domestic consumption of goods and services imported. It is designed to be paid on the value added which is the difference between the value of sales and value of purchase at the point of transaction throughout the production and distribution chain. Any producer owes tax only in the value added; in practice this means that the producer will have refund for VAT paid on all the purchases or inputs.

2.2 VAT Terminologies

According to Misrak (2008), some of the terms in the VAT literature are:

Output tax:- is the VAT that a business pays over taxable supplies made and can be recovered only on so far as your business in VAT registered and make taxable output.

Input tax: - the VAT that a business collects over on taxable supplies (VAT paid on sales).

VAT payable: - this is the VAT to be paid to the authority /ERCA/ by the taxable person. It is computed as:

VAT payable = Output tax – input tax

Zero rating: - the supply is charged with VAT at 0% but credit can be taken for VAT paid on purchase used

to make supplies.

Positive rate: - the supply is charged with a rate of 15%.

Exemption: - the supply is exempted from VAT. No VAT is charged on the supply and no credit can be taken on the purchase used to make supply.

2.3 VAT Rate

According to International Monetary fund (IMF) report (2004), more than 4billion, 70%, of the world's population now live in countries with VAT and VAT raises about $18 trillion in tax revenue, roughly one-quarter of all government revenue. Nowadays, among 190 countries of the world, over 136 (72%) of them have made VAT part of their tax system; and from 53 members of countries of Africa Union, 33 (60%) of them have introduced VAT.

2.4 VAT Administration

Experience around the world demonstrates that the single most important ingredient required for effective tax administration is clear recognition at high political levels for task importance and willingness to support good administrative practices. Few developing countries have been able to leap this initial hurdle frequently, urged by international agencies or simply desperate to get more revenues. Moreover, countries have from time to time launched frantic efforts to corral defaulters or to rope in new victims without hurting politically powerful interests and without providing the time, resources and consistent long-term political support needed to do the job. Such efforts are doomed to failure. And hence, collecting taxes efficiently and effectively without fear or favor is especially difficult in countries that are politically fragile (Bird and Zolt 2007 cited in Bird 2008).

3. RESEARCH DESIGN AND METHODOLOGY

3.1. Location and Description of the study area

The study area is in Gambella National Regional State. Gambella National Regional State is one of the 12 administrative regions. It is located in the south-western part of Ethiopia and borders two other regions - Oromiya to the North and east and the Southern Nations, Nationalities and Peoples' Regional State (SNNPRS) to the south - and the country of Sudan to the west. Most of Gambella is flat and its climate is hot and humid. Annual rainfall averages about 600 mm while the minimum/ maximum temperatures are approximately 21.10C and 35.90C respectively.

3.2 Research Type

The type of research employed for the purpose of this study was descriptive survey type of research was used, where data obtained from the respondents are recorded, descended, analyzed, and interpreted by conducting field survey.

3.3 Research Design

In order to address the research objectives and hence question the appropriate research design was adopted. For this research Mixed research design was used.

3.4 Population and Sampling Design

3.4.1. Target Population

According to Diamantopoulos (2004), a population is a group of items that a sample was drawn. The target population for this study was 60 employees of Gambella Regional state Revenue office and 250 VAT register taxpayers, whose annual turnover greater than one million Birr.

3.4.2 Sampling Method

A sample refers to a set of individuals/companies/ selected from an identified population with the intent of generalizing the findings to the entire population. A sample is drawn as a result of constraints that make it difficult to cover the entire research population (Leedy and Ormord, 2005). Sample design deals with the sample frame/population, sample size, sampling techniques. Paragraphs that follow discuss issues pertaining to sample frame, sample size and sampling techniques respectively. The type of sample used for this research both probability and non probability sampling technique. Stratified Probability sampling technique was used for VAT registered taxpayers and purposive non probability sampling technique was use for employees of Gambella Regional state Inland Revenue Bureau. According to Battaglia (2008), purposive sampling is also referred to as judgmental sampling or expert sampling.

3.4.3 Sample Size Determination

Sampling refers to the statistical process of selecting and studying the characteristics of a relatively small number of items from a relatively large population of such items, to draw statistically valid inferences about the characteristics of the entire population Prior to the actual data collection, emphasis was made on the determination of sample size that was mainly dependent on the purpose of the study, available resource and precision (variance) required. According to Bartlett (2001) to determine, the sample size used the following formula when the population is greater than 10,000.

$$n = \frac{Z^2 p q}{d^2}$$

n = the desired sample size when the population more than 10,000

Z^2= standard normal variable at required level of confidence of (92% and its Z Value =1.75)

P= the proportion in the target population (given as in social sciences 0.5)

q = 1- P

d^2= the level of standard devotion (0.08)

Based on the above formula the researcher calculates the sample size of the VAT registered was.

$$n = \frac{Z^2 p q}{d^2}$$

$$n = \frac{(1.75)^2(0.5)(0.5)}{(0.08)^2}$$

$$n = \frac{(3.0625)(0.25)}{(0.0064)}$$

$$n = \frac{(0.765625}{(0.0064)}$$

n= **120**

When the population is less than 10,000

N= Estimated population size

FN= the desired sample size, when population is less than 10,000

$$FN = \frac{n}{1 + \frac{n-1}{N}}$$

$$FN = \frac{120}{1 + \frac{120-1}{250}} = \frac{120}{1.476}$$

FN =**81**

From the total 60 employees of the Gambella Regional state revenue office 28 will be selected

purposively.

3.5 Data type, source and method of collection

Data, which is raw information, is the essential and core element of any type of studies. So that the more valuable and actual data was used to produce more reliable and dependable information for this particular study. In order to achieve the objective of the study basically both primary and secondary data was used. The primary data was obtain using survey of Self administered semi-structured questionnaires with selected samples of 81 VAT registered taxpayers and semi-structured questionnaires for 28 employees of revenue office and interview were distributed to four tax experts. For the purpose of data gathering, both open ended and close ended questions are included in the questionnaires Open ended survey was adopted in this study since it captures holistic components of the image constructs and it is inclined that free structure of the questionnaire encourages respondents to unleash opinions freely (Girma, 2010). Moreover, close ended questionnaires were used to gather information from respondents. Questionnaires were design and prepare to get information about the study. More over documentary evidence was used from data held by the revenue office.

3.6 Methods of Data Analysis

In the qualitative part of the study, after the data has been collected and processed manually, descriptive technique was adopted for analysis of the data. Besides, the qualitative part used percentages, mean and standard deviation statistical tools to strengthen and to make the study more systematic. In general, to analyze the data, statistical package for social science (SPSS) soft ware was used.

4. DATA ANALYSIS AND INTERPRETATION

The results obtained based on the survey of taxpayers, tax officers' response was coded in numeric form, and secondary data were organized in wise way to disclose the output of the study. Interpretations were clearly set by using percentages, figures and ratio and presented with research tools such as tables, charts, and graphs with detailed clarifications including the researcher observation and respondents expression.

RESPONDENT BACKGROUND INFORMATION

In the survey the back ground information of both of tax taxpayers and officials were examined. The survey results of taxpayers and tax officials' are shown in tables 4.1 and 4.2 respectively.

Table 4.1 VAT Registered Taxpayers background information

Subject	Frequency	Percentage	Subject	Frequency	Percentage
When did you start business?			**Your business is?**		
Before 2014	58	76	A sole proprietorship (individual ownership)	76	100
2014/2015	18	24	A cooperative	0	0
2015/2016	0	0	A partnership	0	0
2016/2017	0	0	A private limited company	0	0
Total	76	100%	A share company	0	0
When your business was first registered for VAT?			Other, please specify	0	0
Before 2014	6	8	Total	28	100%
2014/2015	15	19	**Please indicate roughly the average annual turnover of your business?**		
2015/2016	25	33			
2016/2017	30	40	Birr. 100,000 or less	0	0
What is your main business activity?			Birr. 100,001 - Birr. 500,000	0	0
Manufacturing	0	0	Birr. 500,001 - Birr. 1,000,000	12	16
Agriculture, hunting and forestry	0	0	Birr.1000,001Birr10,000,000	59	77
Trade	65	86	Birr. 10,000,001 or more	5	7
Construction, real estate and mining and quarrying	11	14			
Professional service	0	0			
Other, please specify	0	0			
Total	76	100%	Total	76	100%

Source: - Field Survey Result 2018.

Table 4.2 Tax officials background information

Subject	Frequency	Percentage	Subject	Frequency	Percentage
Gender			**Education**		
Male	19	68	Below 12 grade	0	0
Female	9	32	Certificate	0	0
Total	28	100%	Diploma	9	30
Age			Bachelor	16	58
18-25	8	28	Master and Above	3	12
26-35	14	52		-	-
36-45	6	20		-	-
Greater than 46	0	0		-	-
Total	28	100%	**Total**	28	100%

Source: - Field Survey Result 2018.

The summary results of gender patterns of the tax officials and business enterprise registered for VAT were shown in table 4.2 above and most of the respondents were male 68%, but only 32% of the respondents were female. The survey results of tax officials' age category as indicated in the table 4.2 most tax officials were in age category of 26-35 52% about 28% of respondents were in the age category of 18-25 and about 20% of respondents were in the age category of 36-45 years.

the survey outcome indicated that most of the respondents were young and productive age category. In the survey tax officials were also asked about the level of education indicated in table 4.2 the level of education of most tax officials belong to Bachelor Degree 58% and 30% of them were diploma holder and a few of them belong to masters or above 12%. Therefore, the authority should encourage those tax officials who want to pursue for masters or above in order to increase the number of tax officials having qualifications of masters or above.

Table 4.3 Reasons for non-registration for VAT in view of taxpayers

Subject	Frequency	Percentage
Weak administration of the authority to force them for registration.	11	15%
Lack of formation for the authority about unregistered tax payers.	26	34%
Business enterprises want to monopolize the market with least price	7	9%
Some traders fear VAT registration for not losing their customers.	32	42%
Other, please specify	-	-
Total	76	100%

Source: - Field Survey taxpayers 2018.

VAT registration and the outcome of the survey reveals in table 4.3. 15% of the respondents respond that due to weak administration of the authority to force them not registered for VAT, 34% of them Lack of formation for the authority about unregistered tax payers, 9% of them responds that monopolize the market with least price and 42% of them fear VAT registration for not losing their customers.

Table 4.4 Solutions to reduce involuntary VAT Registration in view of taxpayers

Item	Frequency	Percentage
The tax authority should create awareness to tax payers	46	61
The tax authority should improves quality of service providing for tax payers	19	25
Makes tax laws understandable, and communicate changes very well	8	10
Business enterprises who are eligible but not registered for VAT should obey for VAT rules and regulations	3	4
Others, please specify	-	-
Total	76	100

Source: - Field Survey taxpayers 2018.

to reduce involuntary VAT registration 61% of the respondents were creating taxpayers' awareness by the authority and 25% of them stated that improving quality of service as a major solution for the problem. Further, 10% of respondents make the tax laws understandable, communicating changes very well as a solution to reduce involuntary VAT registration. Lastly, 4% of the taxpayers indicated that business enterprises should obey VAT rules and regulations as a solution for the problems identified.

Table 4.5Eligible business traders get registered as VAT payer in view of tax official

Item	Possible answer	Frequency	Percentage
Do you believe that all eligible business traders get registered as VAT payer?	Yes	12	41%
	No	16	59%
	Total	28	100%
Do you think that a Birr 1,000,000 annual turnover as a minimum threshold is reasonable for VAT registration?	Too Much	11	14%
	Little	22	29%
	Reasonable	43	57%
	No option	-	-
	Total	76	100%

Source: Field Survey of Revenue office employees 2018.

survey data indicated that 41% of the respondents replied that all eligible business traders get registered as VAT payers, whereas, 59% of the respondents said not all eligible business traders get registered (see table 4.5 for details). This showed that the administration capacity of revenue office is not strong enough to control those noncompliance and delinquent taxpayers fully into the system. However, the authority has showed some progress so as to control con-compliance and delinquent taxpayers.

The threshold level of Birr 1,000,000 annual turnover was set for VAT registration in the Proclamation. 57% of the respondents replied “yes or reasonable” but 29% of the respondents said “no or little”. The remaining 14% of the respondents stated that the threshold amount of 1,000,000 Birr is “too much” for VAT registration.

Table 4.6 Reasons for Traders not to maintain Records of their Business Operation in view of taxpayers

Item	Frequency	Percentage
Absence of professional and qualified employees for business enterprises	34	45
Tax payers lack knowledge about books and records maintained for VAT purpose	27	35
The authority doesn't create awareness about books and records maintained for VAT purpose for tax payers	15	20
Total	76	100

Source: - Field Survey taxpayers 2018.

As table 4.6 indicated, 45% of taxpayers stated absence of professional and qualified employees for business enterprises as reasons for traders not to maintain records of their business operation and 35% of the taxpayers lack knowledge about books and records maintained for VAT purpose as reasons for traders not to maintain records of their business operation and finally 20% the revenue office doesn't create awareness about books and records maintained for VAT purpose for tax payers as reasons for traders not to maintain records of their business operation.

68% of the respondents from revenue office revealed that some traders do not maintain proper record keeping of their business operations due to many reasons. The remaining 32% of the respondents declared that they don't know business traders, who don't maintain the records of their business operation.

Table 4.7 Business Traders' who do not maintain Proper Record Keeping of Operations in view of employees

Item	Possible answer	Frequency	Percentage
Do you know that some traders do not maintain the proper recording of their business operations in accordance with business practices and reputation?	Yes	19	68%
	No	9	32%
	Total	28	100%

As table 4.8 showed, 33% of taxpayers stated customers are interested to buy goods or services from non registered enterprise to get lower price as reasons for illegal invoices practices by VAT registrants. But, 25% of taxpayers they unable to compete with unregistered tax payers and 22% noted insufficient human power of the authority to control activities as reasons for illegal invoices practices by VAT registrants. Finally, 8%, 7% and 5% of the taxpayers the competition problem with other organizations, to retain government tax for them illegally and lack of knowledge are responded respectively.

Table 4.8 Reasons for Illegal Invoices Practices by VAT Registrants

Item	Frequency	Percentage
They unable to complete with unregistered tax payers	19	25%
Customers are interested to buy goods or services from non registered enterprise to get lower Price	25	33%
Insufficient manpower of the authority to control such activities.	17	22%
The Competition problem with other organizations	6	8%
To retain government tax for themselves illegally	5	7%
Lack of knowledge	4	5%
Others, please specify	-	-
Total	76	100%

Source: - Field Survey taxpayers 2018.

Item	Response	Strongly Disagree (1)	Disagree (2)	Do not know (3)	Agree (4)	Strongly Agree (5)	Total
The reporting period for VAT filling and payment is short.	Frequency	21	32	9	14	-	76
	Percentage	28	42	12	18		100
The existing auditors, inspectors and prosecutors lack necessary skill and experience to detect and handle tax offenses by tax payers	Frequency	-	-	8	45	23	76
	Percentage	-	-	11	59	30	100
The criteria for selection of tax payers for audit and auditing procedure lack clarify.	Frequency			14	33	29	76
	Percentage			19	43	38	100
The existing audit criteria are not sound enough to identify tax payers that are engaged illegal activity.	Frequency	-	-	13	26	37	76
	Percentage	-	-	17	34	49	100
There is lack of clarity and transparency in imposing the penalty on tax payers	Frequency			13	42	21	76
	Percentage			17	55	28	100

Source: - Field Survey taxpayers 2018.

As table 4.9 indicated that 28% , 42%, 12% and 18% of taxpayers respectively strongly disagreed , disagreed do not know and agreed that the reporting period for VAT filling and payment is short. Based

On the other hand, 59% and 30% of the taxpayers agreed and strongly agreed the existing auditors, inspectors and prosecutors lack necessary skill and experience to detect and handle tax offenses by tax payers.

In addition 43% and 38% of the respondents agreed and strongly agreed regarding the criteria for selection of tax payers for audit and auditing procedure lack clarify. Besides, 34% and 49% of the taxpayers responded that agreed and strongly agreed respectively by supporting that the existing audit criteria are not sound enough to identify tax payers that are engaged illegal activity. The last 55% and 28% of the taxpayers agreed and strongly agreed that lack of clarity and transparency in imposing the penalty on tax payers.

Table 4.10 VAT invoice, file, audit and penalty on taxpayers in view of employees

Source: - Field Survey officials 2018.

Item	Response	Strongly Disagree (1)	Disagree (2)	Do not know (3)	Agree (4)	Strongly Agree (5)	Total
The existing auditors, inspectors and prosecutors have lack of necessary skill and experience to detect and handle tax offences by taxpayers.	Frequency	9	16	3	-	-	28
	Percentage	33%	56%	11%	-	-	100%
The existing audit rate and number of audit staff are sufficient for detecting VAT avoided taxpayers.	Frequency	5	12	-	11	-	28
	Percentage	18%	44%	-	38 %	-	100%
The existing extent of penalties on taxpayers are low	Frequency	6	14	-	7	1	28
	Percentage	21%	49%	-	26 %	4%	100%
There is lack clarity and transparency in imposing the penalty on tax payers by the authority.	Frequency	8	10	4	6		28
	Percentage	28%	34%	17%	21 %	-	100%

Based on the table 4.10 above 18%, 12%, 42%, and 28% of the respondents disagree, do not know, agreed and disagreed regarding the VAT registered business enterprise collect tax with illegal invoice. Based on this most of the taxpayers collect VAT from the consumers with illegal invoices this results government loss the revenue. Besides, in the survey responses of taxpayers33% do not know 53% agreed and 11% strongly disagreed that the existing auditors, inspectors, prosecutors and other staff members lack the necessary skill and experience to detect and handle tax offences by taxpayers.

For the survey response of the existing audit rate and number of audit staff are sufficient for detecting VAT avoided taxpayers 18%, of the response strongly disagreed, 45% disagreed and 28% of them agreed. For the survey questions existing penalties on taxpayers are low response 21% of the respondents, strongly agreed, 49% of them disagreed, 24% of them agreed and finally 4% of them strongly agreed. However, 28% and 34% of tax officials strongly disagreed and disagreed respectively for the statement there is lack of clarity and transparency in imposing the penalty on tax payers.

Table 4.11 Tax payer's attitude towards VAT rate and market competition in view of taxpayers

Item	Response	Strongly Disagree (1)	Disagree (2)	Do not know (3)	Agree (4)	Strongly Agree (5)	Total
The level of the VAT rate is high and has made goods and services expensive and results in non compliance of tax payers	Frequency	-	9	-	46	21	76
	Percentage	-	12%	-	61%	27%	100%
The existence of unregistered tax payers is creating unfair competition and making registered tax payers loss their market share and profitability	Frequency	-	8	-	25	43	76
	Percentage	-	11%	-	33%	56%	100%
It should be worthwhile to consider the possibility of reducing the thresh hold	Frequency		2	9	36	29	76
	Percentage		3%	12%	47%	38%	100%

Source: - Field Survey taxpayers 2018.

As table 4.11 indicated that 61% and 27% of the respondents agreed and strongly agreed respectively about the rate of VAT is high and results the price of goods and services high and results in non compliance

of tax payers. Beside 33% and 56% of the taxpayers respond agreed and strongly agreed that the existence of unregistered tax payers is creating unfair competition and making registered tax payers' loss their market share and profitability respectively. Lastly, 47% and 38% of the taxpayers agreed and strongly agreed respectively that it should be worthwhile to consider the possibility of reducing the threshold.

Table 4.12 Tax officers' attitude towards VAT rate and market competition in view of employees

Item	Response	Strongly Disagree (1)	Disagree (2)	Do not know (3)	Agree (4)	Strongly Agree (5)	Total
The level of VAT rate is high and has made goods and services expensive and results in non compliance of taxpayers.	Frequency	7	17	-	4	-	28
	Percentage	25%	61%	-	14%		100%
The existence of un registered tax payers is creating unfair competition and making registered taxpayers' loss their market share and profitability.	Frequency	-	-	-	28	-	28
	Percentage	-			100%		100%

Source: - Field Survey officials 2018.

Based on the above table 4.12 the respondents replied that 61% of them agreed that the VAT rate current used by Ethiopia or collected by taxpayers. While 100% of the respondents' response the existence of un registered tax payers is creating unfair competition and making registered taxpayers' loss their market share and profitability.

Table 4.13 Strength of tax authority to control noncompliant tax payers in view of taxpayers

Item	Response	Strongly Disagree (1)	Disagree (2)	Do not know (3)	Agree (4)	Strongly Agree (5)	Total
Tax officials (administrators) are not qualified enough, lack necessary skills and are not in a position to provide adequate information up on tax payers request	Frequency	**4**	16		34	22	76
	Percentage	**5%**	21%	-	45 %	29%	100 %
Tax administration tend to take very long time in handling tax audit and inspection	Frequency	6	17	-	28	25	76
	Percentage	8%	22%	-	37 %	33%	100 %
Tax officials lack politeness and confidence in decisions	Frequency	12	7		33	24	76
	Percentage	16%	9%	-	43 %	32%	100 %
VAT tax enforcement, tax auditing and inspections are slightly weak and there is high probability of being undetected of a business in engaged in an act of evasion	Frequency		14	_	29	33	76
	Percentage	-	18%	-	38 %	44%	100 %

Source: Field Survey of taxpayers 2018**.**

In table 4.13, 45% and 29% of taxpayers agreed and strongly agreed respectively for the statement tax officials are not qualified enough, lack necessary skills and are not in a position to provide adequate information up on taxpayers' request. But, 21% and 5% of them disagreed and strongly disagreed respectively for same statement. In addition, 37% and 33% of the taxpayers' agreed and strongly agreed for the statement tax administration tends to take very long time in handling tax audit and inspection. However, 22% and 8% of them disagreed and strongly disagreed for the statement tax administration tends to take very long time in handling tax audit and inspection. Table 4.13 also indicated that 43% and 32% of taxpayers agreed and strongly agreed respectively the tax officials lack politeness and confidence in decisions.

Table 4.14 Strength of tax authority to control noncompliant taxpayers in view of tax officials

Item	Response	Strongly Disagree (1)	Disagree (2)	Do not know (3)	Agree (4)	Strongly Agree (5)	Total
All tax officials and other staff members are competent enough to handle the duties assigned them	Frequency		4		14	10	28
	Percentage	-	14%		50%	36%	100%
There is in general shortage of resources and infrastructural facilities to enhance tax law enforcement	Frequency	-	-	-	21	7	
	Percentage	-	-	-	75%	25%	100%
The organization provides appropriate incentives and awards to the best performing tax officials specially those who have done the best in deterring non compliance.	Frequency	9	16		3	-	28
	Percentage	32%	57%	-	11%	-	100%
Training provided to employees and career development plan at different levels and in different departments is sufficient in promoting the capacity of tax officials.	Frequency	_	13	_	9	6	28
	Percentage	-	46%	-	32%	22%	100%

Source: - Field Survey officials 2018.

As table 4.14 showed 50% and 36% of tax officials agreed and strongly agreed respectively that tax officials and other staff members are competent enough to handle the duties assigned them. But, 14% of tax officials disagreed for the statement tax officials and other staff members are competent enough to handle the duties assigned them. Further, 75% and 25% of tax officials' agreed and strongly agreed respectively that there is in general shortage of resources and infrastructural facilities to enhance tax law enforcements. Moreover, about 32% and 57% of tax officials strongly disagreed and disagreed respectively that the authority does not provides appropriate incentives and awards to the best performing tax officials especially those who have done the best in deterring non compliance. However,

11% of tax officials agreed that the authority provides appropriate incentives and awards to the best performing tax officials especially those who have done the best in deterring non compliance. Finally, table 4.12 indicated that 32% and 22% of tax officials agreed and strongly agreed respectively that the trainings provided to employees and career development at different levels and in different departments are sufficient in promoting the capacity of tax officials. However, about 46% of tax officials' disagreed that the training provided to employees and career development at different levels and in different departments are not sufficient in promoting the capacity of tax officials.

5. CONCLUSION AND RECOMMENDATION

According to the analyses and findings obtained from the study most of the VAT registered taxpayers they operated in the business for a long period of time and the numbers of VAT registered taxpayers were increases. In addition to this majority of the VAT registered taxpayers were under trading sectors and the type of business ownership that VAT registered taxpayers were 100% of them a sole proprietorship (individual ownership) and most of the VAT registered taxpayers were the average annual turnover more than one million birr and they are obligatory VAT registered while the number of voluntary VAT registered taxpayers were small and their average annual turnover less than one million birr per year.

The survey result indicates that most of the taxpayers not registered for VAT because they fill if they registered for VAT the selling price of the goods and services increased and unable to compete in the market with those not registered for VAT.

In addition some traders do not maintain proper record keeping of their business because of lack of trained (culture) that they have in financial record keeping, they fear to pay high tax if they keep proper recording of government and lack of confidence, cheating of the tax authority, lack of awareness and trained professionals to maintain their financial operations.

Furthermore, the survey of analysis stated that the major of the taxpayers' uses illegal invoices practices due to the customers are interested to buy goods or services from non registered enterprise to get lower price.

Moreover; it could be conclude that the revenue office VAT enforcement, auditing and inspections are slightly weak and there is high probability of being undetected of business in engaged in act of evasion.

Based on the survey it can be remarked that majority of the respondents claim that the existence of un registered tax payers is creating unfair competition and making registered taxpayers' loss their market

share and profitability.

The revenue office has shortage of resources and infrastructural facilities to enhance tax revenue. In addition the authority does not provides appropriate incentives and awards to the best performing tax officials especially those who have done the best in deterring non compliance and the training provided to employees and career development at different levels and in different departments is not sufficient in promoting the capacity of tax officials.

RECOMMENDATION

The following recommendations are made based on the conclusion and findings of the study:

The regional government revenue office should work on creation of awareness on VAT payers as to the fact that VAT is important source of revenue of the government and yet the ultimate beneficiary is the society.

Creation of awareness for the taxpayers if they registered for VAT have an opportunity to know the profitability, the performance of their operation and the only suppliers and participate on government bids than

None registered for VAT.

In addition to this the revenue office should made assessment by tax intelligence about the annual turnover of the taxpayers at list once in a year and identify potential taxpayers to register for VAT. For those who non obligation to VAT registration should be registered for turn over tax in order to avoid unfair computation in market.

The revenue office should aware the taxpayers to have complete and proper books of accounts, records and other documents that support the determination of income tax for the period of ten (10) years after the end of the tax period, un lease otherwise revenue office decided an income tax by estimation and this may be results over payment than actual tax.

For taxpayers who use illegal invoice the revenue office should gives awareness for community to ask bill or invoice for goods or service purchased and to check the accuracy of such receipts apart from this the office should made continues follow on taxpayers that suspected to use illegal invoice and takes action.

For Audit and inspection the revenue office should increase the number of audit and inspection staff and conduct appropriate investigation special for taxpayers that suspected to use illegal invoice, under declaration of revenue and over declaration of expenses.

Regarding for enforcement action the revenue office should take fine, imprisonment and up to cancellation of licenses on taxpayers who use illegal invoice, not give receipt when customers asked and under declaration of revenue and over declaration of expenses.

The revenue office should fulfill resources that used to enhance revenue and minimizing expenses like cash registered machine, receipts and other resources needed for the operation and development of infrastructure.

For the service to meet its target there is the need for it to motivate staff in terms of salary, career development, benefits and other conditions of service. Well motivated staff will call for an efficient way of generating revenue for the state.

Staff may be qualified for the job alright; further training should be given them so that in pursuance of their duties, only relevant and adequate information would be sort for. Where there is human resource deficiencies, measures should be taken to acquire adequate staffs. The research and monitoring department must also ensure that officers are updatedon new ways of verifying accounts and coming out with the total VAT due. Regular training and retraining of VAT officers would ensure that agents that are conducting their operations in unacceptable ways are corrected. This would also reduce the risk of losing revenue.

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