



**ST.MARY`S UNIVERSITY**

**SCHOOL OF GRADUATE STUDIES**

**ASSESSMENT OF VALUE ADDED TAX AND REVENUE  
PERFORMANCE –THE CASE OF ETHIOPIAN REVENUE AND  
CUSTOM AUTHORITY**

**ADDIS KETEMA SUBCITY BRANCH OFFICE**

**BY**

**TADESE MENGISTU GEBRE**

**JUNE, 2018**

**ADDIS ABABA, ETHIOPIA**

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AUTHORITY ADDIS KETEMA SUB CITY BRANCH OFFICE***

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Tadesse Mengistu

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Addis Ababa, Ethiopia

## **List of Acronyms**

**AACA** - Addis Ababa City Administration

**AACRA** - Addis Ababa City Revenue Authority

**ASICUDA**- Automated System for Customs Data Administration

**BOFED** – Bureau of Finance and Economic development

**CSA** - Central Statistical Authority

**ERCA** - Ethiopian Revenue and Customs Authority

**FIRA** - Federal Inland Revenue Authority

**IMF** - International Monetary Fund

**ITD** – International Tax Dialogue

**MOFED** – Ministry of Finance and Economic development

**SIGTAS**- Standard Integrated Government Tax Administration System

**VAT**-ValueAddedTax

## **Abstract**

*The major objective of the study is to assess VAT administration and revenue performance of Addis Ketema tax administrative center. To achieve, the overall objective, the study specifically focused to address basic research questions area such as, assessing challenges of the office in administrating tax, assessing VAT compliance on the administration system, the office monitoring and evaluation system of VAT registrants and indicate revenue performance of the sub city. To address the area relevant data were collected both from tax officials and VAT registrants and the major findings implied that VAT administration and revenue performance of the studied tax center affected by illegal activity of tax officials and VAT payers, inadequate work forces, poor filling practices, poor compliance and administrating practice. All the constraints sum up results the branch to have poor VAT administration practice and revenue performance. Based on the finding the study recommend some of the corrective measures like for those VAT registrants who engaged in illegal act due to lack of awareness the study suggests that, tax office need to increase qualified man power and strengthen awareness and inspection service of VAT registrants. The other major challenges were VAT filling, VAT claim , invoice overstatement, and accomplishment of task in a long period, to minimize those problems the study suggests that the tax office should improve its execution through digital (automation) tax system.*

**Key Words:** *VAT Administration, Revenue Performance, VAT Registrants, Digital tax system,*

# CHAPTER ONE

## INTRODUCTION

### **1.1. Back ground of the Study**

According to the description of Bhatia (2008), the term value added tax refers to comprehensive ideas that include producers, middle person and finally included consumer. That means VAT is a tax on the total value of the goods sold, meaning that, the value input deducted from the gross value for the payment of VAT liability. In Ethiopia at the introduction stage of VAT the people accepted value added tax since it is based on paying ability of the tax payer who register for VAT at the rate of 15% and other basic necessities are exempted from payment of this tax.

VAT is a tax on the value added to goods and services by enterprises at each stage of the production and distribution processes. It arises whenever a “taxable person” makes a “supply of goods or services” in the course of furtherance of the business. Thus in some countries it is called “goods and services tax” or GST. VAT was invented in 1954 by French economist Maurice Laurie director of the French tax authority. VAT was invented because very high sales taxes and tariffs encourage cheating and smuggling (Gebrie, 2006)..

Regarding Ethiopia despite its name, VAT is not generally intended to be a tax on the value added; rather it is usually intended as a tax on consumption. The tax is charged at all stages of production and distribution chain, beginning with importers and producers and ending with retailers, with the provision of some mechanism enabling firms to offset the tax they have paid on their own purchases against the tax they charge on their sales (Misrak, 2008).

Being major component of country’s tax system VAT has been seen as a key instrument for securing Macro-economic stability and growth by placing domestic revenue mobilization on a sounder basis, so that countries have attached considerable importance to its proper design and implementation (Gebrie, 2006). Considering these merits the tax system deserves, Ethiopia has adopted as a major component of the ongoing Tax System Reform Program (TSRP) since January 1, 2003.

In Ethiopia, according to IMF (2003), one of the focuses of the tax policy reforms is reforming indirect taxation. The main reform to indirect taxation was the introduction of VAT in January

2003. However, weak tax administration, particularly in developing and transitional economies was the principal impediment to the successful implementation of VAT. The same is true in Ethiopia as well in Addis Ababa (Yesigat, 2008). In Addis Ababa, according to BoFED (2009), lack of capital expenditure for public investment has hindered sustained economic development. Therefore improving tax administration, particularly VAT administration helps the country to improve its revenue through voluntary compliance.

Ethiopia introduced VAT on January 01, 2003 replacing the sales tax. So, it is only before fifteen years that VAT is introduced in our country. VAT is a broad based tax on the consumption of goods and services. It is collected at all stages in the production and distribution process beginning with the importers and producers of raw materials and ending with the retailers (Asaminew, 2008).

Value added tax raises about 20% of the world's tax revenue and affects about 4 billion people (Keen and Lockwood, 2007). Over the last few decades VAT has swept the world. The principal reasons for the rapid of this form of taxation were first, the early adoption of this form of taxation by International Monetary fund in general and International agencies and advisors in particular (Richard, 2006).

Currently, there is an apparent problem and dispute in the process administrating tax and identifying taxable persons. Some voices are heard complaining about the system of registration for VAT as not being neutral because of the irregular manner of determination of taxable persons and activities. One of these is the issue raised regarding the estimation of the annual turnover of their businesses in relation to the threshold for VAT registration. There are also many other issues after registration such as cancellation and grievance handling related to both registration and cancellation (ERCA, 2011). Even though government introduced modern VAT registrant machine, amend tax registration system and other relevant improvements. However, still complaint implied that, VAT administration system in the country is not effective. Thus this study will assess Value added tax (VAT) administration and revenue performance of ERCA in Addis Ababa the case of Addis Ketema Sub City. For this reason, there is a need to examine how the tax office administers VAT registrants, and indicate its revenue performance.

## **1.2. Back ground of the study area**

Ethiopian Revenue and Customs Authority (ERCA) is the body responsible for collecting revenue from customs duties and domestic taxes. It is also responsible to protect the society from adverse effects of smuggling. It seizes and takes legal action on the people and vehicles involved in the act of smuggling while it facilitates the legitimate movement of goods and people across the border. The ERCA traces its origin to July 7, 2008 as a result of the merge of the Ministry of Revenues, the Ethiopian Customs Authority and the Federal Inland Revenues in to one giant organization. Reasons for the merge of the foregoing administrations into a single autonomous authority are varied and complex. Some of those reasons include: to provide the basis for modern tax and customs administrations, cut through the red tape or avoid unnecessary and redundant procedures that results delay and cost-inefficient, to be much more effective and efficient in keeping and utilizing information, promoting law and order, resource utilization and service delivery, and transform the efficiency of the revenue sector to a high level.

ERCA is setting its sight on the biggest open air market in Addis Ketema Sub –city one of the biggest tax black holes in the country including the biggest market in the country Merkato also located there.

Until December 2010, Addis Ketema sub city revenue office was one of the offices in the Addis ketema sub city administration. According to ERCA (2011), due to the agreement concluded between the Addis Ababa city Administration and ERCA after December 2010 the Addis Ababa Revenue Authority and ERCA Have merged and four tax payer’s branch office emerged. Micro tax payers’ Branch include those taxpayers whose annual turnover is not greater than Br 100,000and administer in Woreda level, small tax payer’s branch include those tax payers whose annual turnover is greater than Br 100,000 and not more than Br 1,000,000 and administer at sub city level; medium tax payers Branch include tax payers whose annual turnover is greater than Br 1,000,000 but not more than Br 15,000,000 and administer at city level ;and large tax payers branch include tax payer whose annual turnover is greater than 15,000,000 and administer at Federal level. Therefore, Addis Ketema Sub City revenue called Addis Ketema Sub City small scale tax payers’ branch under ERCA only in terms of administration and transfer the tax collected to the Addis Ababa city treasury including VAT.

### **1.3. Statement of the problem**

Taxation in developing countries is a challenging topic and has attracted increasing attention in recent year. During the last decades, many problems observed like poor administration, failing to collect sufficient tax revenues, lack of government and economic stability (Ebrill, et al, 2001). As stated by Gebrie, (2006), Ethiopia, like any other developing countries, has faced difficulty in raising revenue to the level required for the promotion of economic growth. Hence, the country has been experienced a consistent surplus of expenditure over revenue for sufficiently long period of time.

To address this problem, in recent years the Ethiopian government has been undertaking substantial efforts in reforming and modernizing the revenue administration with the aim of simplifying the tax system and increasing government revenue. Despite the efforts taken by government, there has been poor tax revenue collection, tax compliance has still remained a problem and the taxpayers continued to complain about the behavior of the ERCA staff, poor handling taxpayer queries and complaints on tax matters, lengthy bureaucratic tax administrative procedures coupled with the nature of physical facilities in keeping and processing taxpayer information. In the other dimensions, the tax revenue performance of Ethiopia as a percentage of GDP remains low. Ministry of Finance and Economic Development reported that the tax revenue as a percentage of the GDP was achieved 11.6 % in 2016/2017 which was less than the tax to GDP ratio in 2014/15 which is 12.6% (MoFED, 2009).

As described in Yesegat (2011) that a low percentage of tax revenue to GDP ratio will lead to pressurize the tax administration to increase revenue collection considerably. As a result of this, unfair practices will be taking place which will violet the rule of law that may automatically increase the burden of taxes on honest taxpayers. Such pressure on honest taxpayers would lead to the prevalence of taxpayers' resentment. This could be a source of dissatisfaction in the service given by ERCA. Borehole (2007) indicated that one of the main reasons for the tax gap is noncompliance by taxpayers and potential taxpayers with tax legislation and the perception of taxpayers on tax system. Both gaps of poor perception and taxpayers' resentment towards tax system will lead to inefficient and ineffective collection of taxes.

when the study back to particularly the proposed study area of Addis Ketema VAT administration and revenue performance of the sub – city, the report ERCA (2016) implied that



relatively the sub – city have large number of VAT registrant and taxpayer including the big market area tax payers of Merkato, the report further implied that the sub – city scored lower performance of revenue when it is compared with the other sub –cities and an investigation on the area of VAT administration were suggested to be accomplished. As implied by the report, the sub city office administrative challenges and revenue performance were not studied in detailed and therefore there is a need of further studies on the area. In addition the study were assessed similar area studies such as a study by Teklu (2011), tried to assess challenges of VAT implementation in Addis Ketema Sub city VAT registrant and the study were only consider office employee with small proportion of sample (only 15) which is difficult to conclude assessing small representative without considering tax payer view. There were also a study conducted by yemisrach (2014) on challenges of VAT Administration regarding number one tax payers in ERCA, in this study attempts were tried to indicate challenges of tax administration at City level and the study were again consider employee of the Head Office. Therefore, one of the major gaps observed on previous studies will be addressed in this proposed study, such as, considering small tax payers view, which is not addressed by previous studies including employee of the sub – city.

#### **1.4. Basic Research Question**

Accordingly, to achieve the stated problems the following research questions formulated and posed as a base of the study.

1. What are the major challenges the office encountered in administrating the VAT?
2. How Tax payers and Tax Authorities implemented VAT in compliance with rule and regulation issued by the government
3. How Sub – City Revenue Office Monitor and evaluate VAT registrants?
4. How the administration systems affect VAT Revenue performance of the office?

#### **1.5. Objectives of the Study**

##### **1.5.1. General Objective**

Primarily this study intended with assessment of value added tax administration practice and revenue performance of Addis ketema Sub city revenue office.

### **1.5.2. Specific Objectives of the Study**

Based on the above general objective the following specific objectives are addressed throughout the paper:-

1. To investigate the major challenges the office encountered in administering VAT.
2. To assess whether the tax payer and tax authority implemented value added tax in compliance with rule and regulation issued by the government.
3. To analyze how the office monitor and evaluate VAT registrants
4. To indicate how VAT administration system affects the VAT revenue performance of the office

### **1.6. Significance of the Study**

Therefore, the result of this study would assist policy makers, tax officials and tax payers in understanding the need of value added tax, the nature and the mechanism to determine Value added tax, understanding value added tax administration problem to Decision makers, Tax officials and Tax payers to contribute their own share for the development of the country. In addition, the study helps in identifying tax compliance problems of tax payers and improve the tax laws and procedures accordingly.

### **1.7. Scope of the study**

Assessing administration of VAT practice is a vast topic in content so it can't be exhaustively discussed in this research paper. Therefore the study is delimited to assess the VAT administration practice and revenue performance of Addis Ketema Sub City Revenue Office; considering employee of the office as well as small scale VAT registrant, of the sub – city. The justification that the study focused on the small scale tax registrants is that a large segment of the informal sector especially the small and medium businesses in Addis Ababa exhibit low tax compliance levels (ERCA report No. 74, 2015).

### **1.8 Limitation of the study**

The respondents required much explanations to fill survey questionnaires and that took much time, money and energy of the researcher. Most of the VAT registrants respondents are service providers and retail traders and do not have enough time to respond to the questionnaires. These all required additional time to encourage and frequently visit most of the businesses even during weekends and out of the normal working hours. In addition the study only include small tax

payers, this is because lack of time and resources. However, it was better to study all sectors of VAT registrants and come up with comprehensive results. Beside, out of 97 tax registrants selected samples to fill the questioner 25 of them did not respond and analysis performed on 72 tax registrants and out of 65 tax officials 8 of them did not respond their questioner and analysis performed on 57 tax officials.

## **1.9. Organization of the study**

This research is organized in to five chapters. The first chapter deals with introduction of the study, background of the study area, statement of the problem, research question, objective of the study, significance of the study and delimitation of the study. The second chapter introduces review of related literature in the area. The third chapter deals with the research design and methodology. The fourth chapter presents the analysis and the fifth chapter will contain summary of the major findings, conclusion and recommendation of the study. Finally list of references and appendix will be annexed at the end of the page.

## **1.9. Definition of Key Terms**

### **1.9.1. Value added tax (VAT) definition**

- VAT is defined as broad-based tax levied on commodity sales up to and including, at least, the manufacturing stage, with systematic offsetting of tax charged on commodities purchased as inputs-except perhaps on capital goods-against that due on outputs (Ebrill, et al, 2001 ).
- VAT is an Indirect tax on the domestic consumption of goods and service except those that are zero – rated (such as food and essential drugs) or otherwise exempt (such as exports). In other word the term ‘ value added’ is the sale price a business charges the consumer for a product, minus the cost of materials and other taxable inputs (Riga, 2004).

### **1.9.2. Value Added Tax Terminology**

Some of the terms that are in VAT literate are:-

**A) Input VAT:** - the VAT that your business pays over on taxable supplies made (VAT paid on purchase) and can be recovered only on so far as your business is VAT registered and make taxable output.

**B) Output VAT:** - the VAT that your business collects over on taxable supplies (VAT paid on sales)

**C) VAT payable:** - this is the net VAT to be paid to the ERCA by taxable person .It is arrived at by the formula  $\text{VAT payable} = \text{output VAT} - \text{input VAT}$ .

**D) VAT refundable:** - The net VAT that taxable person expected from ERCA when input VAT exceed output VAT.

**E) Zero rate VAT:** - the supply is charged with VAT at 0% but credit can be taken for VAT paid on purchase used to make supplies.

**F) Positive rate (standard rate):-** the supply is charged with rate of 15%.

**G) Exemption:** - the supply is exempted from VAT if no VAT is charged on the supply and no credit can be taken for VAT paid on purchase used to make supply (Girma, 2005).

## **CHAPTER TWO**

### **Review Literature**

This section presents a brief review of existing theoretical and empirical literature of Value Added Tax (VAT) administration and revenue performance. At the end of the review, an attempt is made to summarize the major drawbacks of the existing empirical studies and to identify the knowledge gap to be filled in by further investigation.

#### **2.1 Theoretical Literatures**

In the theoretical part of the study literatures were reviewed such as, concept of Value added tax, contribution of Value added tax, Countries experience and other theoretical concepts.

##### **2.1.1 An Overview of Value Added Tax**

VAT is defined as broad-based tax levied on commodity sales up to and including, at least, the manufacturing stage, with systematic offsetting of tax charged on commodities purchased as inputs-except perhaps on capital goods-against that due on outputs (Ebrill, et al, 2001 ). It is a tax levied and collected on sales of goods and services, with systematic offsetting of tax charged on goods and services purchased as inputs against that due on outputs. VAT is a compulsory levy and those who are taxed have to pay the sums irrespective of any corresponding return of services or goods by the government. In other words, a taxpayer does not receive a definite and direct quid pro quo from the government (Richard, 2006).

Emergence and rapid spread of Value Added Tax is one among the most important tax developments of the later twentieth century. VAT was first introduced as a comprehensive national tax in France in the 1950s (Cobham, 2005). Since then it has been adopted as the main form of an indirect taxation by many countries in different parts of the world and at different stages of economic development. These days it is a key source of government revenue in over 130 countries. According to IMF more than 4 billion, 70 percent of the world's population now lives in countries with VAT, and it raises about \$ 18 trillion in tax revenue, roughly one quarter of all government revenue (Vincent, 2001). Much of its spread has taken place over the last fifteen years from having been the preserve of more developed economies in Europe and Latin America; it has become a pivotal component of the tax systems of both developing and transition economies.

Being major component of country's tax system the VAT has been seen as a key instrument for securing Macro-economic stability and growth by placing domestic revenue mobilization on a sounder basis, so that countries have attached considerable importance to its proper design and implementation (Ebrill, et al, 2001). Considering these merits the tax system deserves, Ethiopia has adopted as a major component of the ongoing Tax System Reform Program (TSRP) since January 1, 2003. In order to realize the above objectives the Ethiopian Government acknowledged that successful implementation of the overall Tax reform program including the VAT was vital to attaining the economic and social objectives, through the mobilization of its own domestic resources. The introduction of the VAT on January 1, 2003 to replace the sales tax is one of the components of the tax reform program.

The adoption of the VAT is also consistent with the direction that many countries have been taking in shifting away from the reliance on direct taxes towards a VAT. The successful implementation of the VAT was dependent upon the effective management of the process, the conveyances of a comprehensive understanding of the scope and benefits of the VAT to the business community, other stakeholders and the consumers; and the establishment of an effective tax administration.

According to the VAT proclamation cited, supply of goods and rendition of services are subject to standard 15% tax rate except those exempted and zero – rated by the tax law (Ebrill, et al, 2001). The standard rate is the same as the repealed sales tax, which applied only to imports and domestically manufactured goods. Unlike the sales tax, the VAT provides for the relief of tax on all business inputs including capital goods, operating and administrative expenditures, and will further encourage investment by the zero rating of exports and the international transport of goods and passengers. VAT exemption has been extended to the basic necessities such as Education, Medical services, Electricity and Water, Kerosene, Basic foods, Transportation Services, the sales of a used dwelling or the lease of dwelling, the supply of goods and rendering services in the form of humanitarian aid, etc.

Ethiopia introduced VAT on January 01, 2003 replacing the sales tax. So, it is only about fifteen years back that VAT is introduced in our country. VAT is a broad based tax on the consumption of goods and services. It is collected at all stages in the production and distribution process beginning with the importers and producers of raw materials and ending with the retailers. The

Ethiopian Government has replaced the former sales tax so as to broaden the tax base and make the tax administration more efficient (Riga, 2004).

### **2.1.2. Contribution of Value added Tax**

Government revenues are sourced from various tax and non-tax receipts. The oldest – and ultimately the only sustainable source of development finance is taxation. As such, the longer term goal must be to put government revenues on a sustainable footing, consistent with the levels of expenditure demand. Domestic revenue mobilization is key to sustainable development finance, only self-sufficiency will allow the development of fully functioning states with flourishing systems of political representation and economies representing societies' expressed preferences in regard to, for example, inequality (Cobham, 2005).

The contribution of tax to development has been a major theme in the research programs and activities of different institutions, universities and colleges. This interest was originally stimulated by a range of literature indicating the important historical role of taxation in building stable governments. In order to put governments on a sustainable footing, a broad based taxation system called Value Added Tax was introduced by many countries including Ethiopia.

For centuries past (and indeed, today) in many developing countries, taxation had a simple and narrow base. Governments taxed imports and commodities, especially luxuries, with excise duties, property offered on occasional but difficult source of revenue (Vincent, 2001).

To solve the aforementioned problem, different countries introduced different taxation systems. Value Added Tax was first introduced before 50 years ago, remained confined to a handful of countries until the late 1960s; however, most countries have a VAT, which raises, on average, about 25 percent of their tax revenue VAT is still a relatively new tax. It was first introduced as a comprehensive national tax 50 years ago in France. Since then it has been adopted as the main form of indirect taxation by many countries in different parts of the world and at different stages of economic development (Ebrill, et al, 2001).

Value Added Tax has been introduced effectively in Ethiopia on January 1, 2003 replacing sales tax. The design of the VAT legislation is intended to achieve the expected revenue projections, support capital investment and development, simplify its administration for the tax authority and the business community, combined with the recent reductions in the income tax rates, and

minimize the tax burden for the lower income population. Economists generally favor designing the VAT so that it is a tax on consumption, in the sense that its key effect is to drive a wedge between the price that consumers pay for their purchase and the price that suppliers receive from the corresponding sales (Ebrill, et al, 2001).

Value Added Tax is increasingly being used throughout the world, including many African countries to raise government revenue with less administrative costs than other broadly based taxes. It is believed to be a good means to raise government revenue even when relatively poorly administered.

A central claim made by advocates of the VAT is that it is a particularly efficient form of taxation - has that actually proved to be the case? One way of testing for this is to ask whether, all else equal, countries with a VAT raise more revenue, overall, than do those without (Richard, 2005).

The key features of the VAT are that it is a broad based tax levied at multiple stages of production, with-crucially-taxes on inputs credited against taxes on output. That is, while sellers are required to charge the tax on all their sales, they can also claim a credit for taxes that they have been charged on their inputs. The advantages of this is that revenue is secured by being collected throughout the process of production (unlike a retail sales tax) but without distorting production decisions (as a turnover tax does) (Richard, 2005).

The key claim made by advocates of the VAT is that it is particularly effective way of raising tax revenue. Cnossen (1990), for example, argues that “purely from a revenue point of view, VAT is probably the best tax ever invented. Advocates have also long recognized, of course, that the VAT, like any other tax, is vulnerable to evasion and fraud, but stress distinctive features of the VAT that may make it less vulnerable than other forms of taxation (Michael K and Stephen S., 2007)

### **2.1.3. Tax Administration Trend in developed and developing countries**

The issue of self-assessment reemerged in the early 1990s, as transition economies moved toward VAT implementation with little experience of tax administration and little appreciation of what would be required to administer an accounts-based tax (Ebrill, et al, 2001).



Modern tax systems and their administration are built on the principle of “voluntary compliance,” meaning that taxpayers are expected to comply with their basic tax obligations with only limited intervention by revenue officials. In practice, voluntary compliance is achieved through a system of “self-assessment,” under which taxpayers, with reasonable access to advice from the tax administration, calculate their own tax liabilities; complete their tax returns; submit returns and payment to the tax administration; and are then subject to audit. In most countries, the development of self – assessment is closely linked to the rise of the VAT. Indeed, the real question is not how to administer a VAT in a country without the capacity to administer self-assessment, but how to implement the basic principles of self–assessment in a country willing to introduce a VAT (Richard, 2005).

A review of experience in 31 developing countries found that VAT administration is based on the concept of self-assessment in 26 of them. But further analysis of the data indicated that there has been less progress than would appear (ITD, 2005).

Under a system of voluntary compliance (meaning that taxpayers comply with their basic tax obligations without the intervention of a tax official) taxpayers self-assess. That is, they calculate and pay their own tax liabilities and must complete their returns and submit them with their payments to the tax administration. One way to appreciate why self-assessment is important to an effective VAT administration is to consider the impact of not having self-assessment (Ebrill, et al, 2001).

In many countries, especially developing and in transition, audit performance is reported to be a particularly poor aspect of VAT administration. The evidence is that several of the developing countries which adopted the VAT in the last 15 – 20 years do not yet have effective audit programs. And, for those that do have some elements of such a program, it is often dominated by a pre-refund verification. There is also a tendency for these countries to try to offset weak audit by adopting complex procedures, such as increased filing requirements and massive cross checking of audit. These compound administrative difficulties add to compliance costs. Without effective audits, VAT compliance deteriorates and the credibility of tax administration suffers. Strengthening audit is thus a key challenge, particularly in developing countries (MOR, 2004).

The most common types of VAT evasion parallel to those associated with traditional sales taxes are non registration of businesses, underreporting of gross receipts, abuse of multiple rates, and

non – remittance of tax collected to the tax authorities – but there are additional types of evasions arising from the nature of the VAT. These include the use of fake invoices and the claiming of VAT credits for non creditable purchases (MOR, 2004).

Advanced administrations have found that a well-designed audit program is critical to reducing the extent of VAT fraud and evasion, simply because potential fraudsters are deterred by the belief that they stand a reasonable chance of detection and punishment (MOR, 2004).

According to Michael K. and Ben L. (2007), a key claim made by proponents of the VAT, especially for developing countries, has been that it would enhance efforts to mobilize much needed tax revenue, not only directly but through wider improvements in tax administration and compliance. Legislative approaches to dealing with administrative and procedural provisions of tax laws vary markedly from state to state. It is therefore difficult to provide any general form of provision for the procedure that must be associated with the collection of VAT by the tax authorities. In general, there are distinct advantages to combining, as far as possible, the procedure and administration of VAT with that of other taxes. If this is done, then the matter can be dealt with in common laws dealing with taxes generally and with compatible procedures. This is more efficient for the administration and easier for taxpayers to understand (IMF, 1996).

VAT administration pertains to how tax authorities discharge the responsibilities entrusted to them. According to Jantscher (1990) these responsibilities include a range of related activities such as taxpayer identification and registration, invoicing, filing and payment requirements, control of filing and payments, refunds, audits and penalties. Perhaps peripherally, VAT administration is also concerned with issues of who should administer the tax, what organizational setup to use and what resources are available (Riga, 2004).

#### **2.1.4 Factor Affecting VAT Administration**

Most developing countries are dependent on external resources to finance their development endeavors. As a result, the budget problem becomes more aggravated from time to time. To change this situation, they should exploit and strengthen their domestic resource base to bring about sustainable development. Otherwise, it is difficult to achieve profound growth depending on external sources. External sources, with their uncertainty, instability and unsuitability, couldn't be taken as the major sources of development. There may be weaknesses in how VAT

administrators perform their duties. Weaknesses in VAT administration, in turn, may adversely impact on the salient features of the tax and government's policy objectives as a whole (Ebrill, et al, 2001).

Mike sell, (2007) noted that poor tax administration would change the manner in which taxation affects government's policy objectives, namely economic stabilization, resource allocation and redistribution of income. In many countries, the introduction of VAT has been seen to afford an opportunity to improve substantially the general tax administration through the introduction of more effective procedures, which can be extended to the entire tax system. On occasion, however, the introduction of the VAT has actually disrupted the existing administration because of inadequate preparations, including in establishing a proper VAT organization

The above ideas clear decisions regarding the organization of the tax administration are central to the effective operation of the VAT and the modernization of the entire tax system. In developing countries the poor performance of taxes is likely to be due to weak tax administration (that is, the incapacity of the administration to implement the tax in practice). This is perhaps caused by such factors as resource constraint and designing the tax separately from the administration (Bird, 2005).

Concerning the latter, Bird and Gendron (2005) noted that developing and transitional countries, unlike developed countries, appear to have fragmented economies, large informal sectors, low tax morale, rampant evasion, and total distrust between tax administrators and taxpayers. In these countries, thus simply adopting a successful VAT's design attributes of developed countries would not make the tax successful.

They ought to consider the tax administration dimension discussing the importance of the tax administration ingeneral, Bird (1989 and 2004) noted that the tax administration dimension ought to be placed at the center, not periphery, of tax reform. Jantscher (1990) also stated that "...in developing countries tax administration is tax policy." Considering the significance of the tax administration, many studies have been conducted in some developing and transitional countries with respect to the main VAT administration tasks. These studies include Jantscher (1990), Edmiston and Bird (2004), Bird and Gendron (2005), Grandcolas (2005) and Bird (2005).

These papers assessed how VAT administrators in developing and transitional countries perform their duties and how the effective taxpayer requirements differ from the legislation. More specifically, the analyses focused on practices of different developing countries with respect to taxpayer identification, invoicing, filing and payment process, control of filing and payments, refunds, audits and penalties(Jantscher's, 1990).

The main conclusion of the studies is that VATs prevailing in developing countries were quite different from the broad based tax discussed in public finance literature and that administrative problems have a major contribution to this divergence. Administrative problems, in turn, may be partly caused by administrative resources constraint. The VAT is administered by the domestic tax administration in the majority of the surveyed countries (29 out of 36).

Reflecting the uncontroversial decision of the authorities to administer the VAT is the same as the previous sales or turn over taxes. In these cases, discussions focused on the respective merits of establishing separate VAT offices or administering the VAT, with the income tax, in function based offices (Ebrill, 2001). In the Ethiopian case, based on the Business Process Re-engineering (BPR), offices and tasks are rearranged so that they can be process based instead of function based (Girma, 2005).

### **2.1.5 Balanced Tax System for Development**

It is well known that the Ethiopian government is working hard in recent years to increase its tax revenue (Cobham, 2005). Its labour has paid off- the government's income is increasing year after year. Yet, the government still believes that the economy could generate more and it is crafting new plans to gain more from the ever increasing tax revenue. The new tax reform plan of Merkato can be one such initiative in this trend (Desai, 2002).

As the biggest open air market in Africa, Merkato handles more than 50% of the cash exchange in the country; however, according to the Ethiopian Revenue and Customs Authority, only 25% of the businesses in Merkato are fulfilling their tax duties. To tackle this problem, the authority has drafted a reform plan to increase the tax payers' percentage to 75% registering an increment of 50%, by enhancing the Authority's collection capacity. It has planned to open two big branch offices, ten tax collection centers and deploy more than 1,000 newly recruited staff members of the Authority (Alemayehu, 2010).

The burning question is when the plan is implemented, what will its effect be on the market? The attempt made by ERCA to include all businesses in the tax bracket is encouraging. For the ultimate aim is fair competition (Girma, 2005). However, the Authority has to take precautionary measures not to scare off the business community and create resistance. Misguided implementation could affect business transaction and the overall community negatively (Wellela, 2008).

As the government works diligently to collect duties, it has to make itself ready to serve the tax payers as well. Mistreating tax payers, mistrust, can have bad psychological effects on the business community. It will also create a bad image for the tax system that the government is trying to build. Of course, the tax payer has to fulfill its legal duties as well. Yet, the tax collector too has to remember that every obligation comes with its attendant rights and privileges (Riga, 2004).

The tax collection Authority has to serve tax Payers professionally understanding that its existence is entirely dependent on the taxpaying community. On the other hand, the tax payer has to fulfill its duty willingly knowing that without its contribution the government and even the country could not stand still. Balanced approach is the name of the game (Michael and Stephen, 2007).

### **2.1.6 Registration for VAT**

Registration for VAT is categorized in to three. These are obligatory, voluntary and special business categories. The first category obligatory registration is made for any person conducting a commercial enterprise or intending to conduct a commercial enterprise may apply to be registered for VAT. However if the taxable turnover of the enterprise, that is gross income for 12 calendar months exceeds or is likely to exceed birr 500,000 in Ethiopia, the person conducting the enterprise must register for VAT, (Alemayehu , 2010).

A person refers for VAT registrant are sole proprietor, company, partnership, trust, incorporate persons, unincorporated body, club or association. Authority determines whether a person is obligatory registrant if it makes (Ethiopia VAT proclamationNo.285/2005 Art. 16) birr 500,000 taxable turn over within 12 months of a year. If one reasonably expects that during 12 months the

total value of taxable supplies excluding taxes likely to exceed birr 500,000, in Ethiopia, then the person needs to be registered for VAT.

A registrant, the turnover on an ongoing basis, makes calculation of VAT. Two periods need to be considered the past 12 calendar months and the next 12 calendar months on a month-by-month basis. At the end of any 12 calendar months if a taxable person's annual sales revenue exceeds Br. 500,000 or at the beginning of any calendar months if there is a reasonable ground to expect that the total value of the person's taxable activity will exceed Br.500, 000 in Ethiopia, then there is the requirement to register for VAT.

The second category of registration is voluntary registration the total of twelve months business transaction turnover may not necessarily be birr 500,000. In Ethiopia case, however, if customers of a registrant are provide at least 75 % of supplies to a VAT registered person, then that customer is allowed to be registered for VAT voluntarily. Things to be recognized in voluntary registration are those who are involved in export advised to be registered voluntarily in order to get refund. This is practical through zero rated purchases that enable the person to ask credit on input tax. Otherwise, in voluntary registration, there may be the loss of customers who are VAT registrants that need invoice from their provider in order to claim input tax credit. Therefore, voluntary registration here is compulsorily required. Beside this the Revenue Authority needs prerequisites like: Permanent residential; proper accounting records; Bank account and; the one who obeys tax law and that must have capacity to do what the Authority requires.

The third category of registration, special business categories that also have the following features: Those who are involved in export are advised to be registered voluntarily in order to get refund. This is practical through zero rate purchases that enable the person to ask credit on input tax. These categories are defined as forced registrants regardless of the threshold. This is done in order to get fair market competition between the special business categories. If registration by special business categories not implemented, market competition difference would be seen among registrants and non-registrants within them. Such forced special business category registrants are: Gold, Electronics, Importers, Shoe factories, Level ten and above constructors, Computers and their accessories, Leather and leather products, Plastic and plastic products. (Proclamation No. 285/2002).

### **2.1.7. Importance of VAT Administration**

VAT is important tax imposed on all transactions that show additional value on each stage of either production or distribution of goods or services. The tax is collected on the value, which is added during each stage of transaction. Thus it has broad revenue bases as the result of this its revenue generating capacity is high. Administration of value added tax does not require firm to calculate value added. The most common means of administering the tax is the invoice method developed in France and used in European Union nation to collect the tax. Under the invoice method, all transaction are taxed at fixed proportion rate regardless of whether they are final or intermediate transaction tax payer then are allowed to deduct their tax liability. This is called the invoice method because payment of the merely required firm to maintain invoice on sales and purchased for each tax payment period (usually monthly or quarterly). Tax liability is simply by applying the fixed rate of taxation to total sales invoice and then deducting the amount of VAT paid previously on intermediate purchased invoice (Misrak Tesfaye, 2008).

This tax system encourages self-assessment that helps taxpayers to assess VAT themselves. It promotes the trend of using accounting records principle. Because of this, it reduces administrative cost of tax collection as well as evasion. Since the tax bases the records and collected on transaction, it gets the administration is achieving the main objective that is voluntary compliance. VAT refunds for taxes paid on charges of production, distribution and administrative activities, (Ebrill,et,al, 2001)

### **2.1.8. Value Added Tax in the Context of Ethiopian Proclamation**

As the student researcher tried to mention earlier that VAT replaces the sales tax on manufactured and imported goods and services in Ethiopia January 2003 (FDRE VAT Proclamation No. 285/2002).

According to this proclamation, VAT in Ethiopia is payable if they are: supplies made in Ethiopia, made by a taxable person, made in the course of furtherance of a business, are not specifically exempted or zero rated. Supplies, which are made in Ethiopian, not exempt known as taxable supplies. As it was also tried to mention earlier, VAT is an indirect tax type, which is imposed on consumption or spending. VAT is collected from sales of the value added of goods and services, starting from importers and producers ending with consumers through the conditions of whole selling and retailing. VAT applied on the value added meaning a producer

for example provides final product to sell, performs different activities like spending direct and indirect costs and administrative cost except VAT and prepaid income tax. Doing that, value is created. This value is liable to tax, (FDRE VAT Proclamation No. 285/2002). VAT is imposed only on the value created up on production and distribution but not on the cumulative return. Therefore, it avoids tax cascading burden using this method. This tax follows the procedures of refunding or credit input tax that is paid on purchasing inputs for production of goods or provision of services. Again, it is paid for the sales of output. It is based on invoice in order that it reconciles the input tax against output tax. Thus, record processing is mandatory to balance them. Therefore, modern accounting method of business system is being practical as the result of VAT introduction, (Misrak, 2008).

## **2.2. Empirical Literatures**

This part of the study summarizes various empirical studies conducted whether within a country as well as outside of a country on similar area. Based on these relevant empirical studies revealed as follow:

A study made by Wollela (2008) examines VAT administration in Ethiopia and identifies key problems including lack of sufficient number of skilled personnel and gaps in the administration in such areas as refunding, invoicing and filing requirements. The study suggests that in Ethiopia attempting to implement what is legislated in the main areas (such as refunds) deserves the government's due attention. The study also emphasizes the need to strengthen the administration capacity in general and the tax audit program in particular. Furthermore, the study assesses the assignment of VAT revenue to regional governments and the decentralization of its administration. This paper examined how VAT administrators' in Ethiopia perform their duties and how the effective taxation requirements differ from the legislation (focusing on the key administration tasks). The research gap in the study was that, the researcher was not account specific area of the tax administration and specific area of tax payers so that it was difficult to conclude specifically, by identifying the specific problem of the payers and administrative office. There were a study Conducted by Teklu, (2011) the study has focused on addressing issues relating VAT administration factors affecting VAT revenue performance. The study has been conducted on analysis of VAT administration effectiveness in Arada sub city of Addis Ababa city administration. The study raised major research questions related to VAT registration,



assessment, collection, investigation, refund and Tax payers Service Delivery. However, one of the major gaps argued in this research were the sample respondents considered on the study were only employee of the office and they were very few (only 15 employee participant of the study). Therefore, it is difficult only considering those representative and reach at some conclusion. Thus to fill the gap observed in this study attempts will be tried to include respondents both from office employee as well as tax payers considering their proportion.

There were also a study conducted by, yemisrach (2014), on challenges of VAT Administration Regarding number one tax payers in ERCA, in this study attempts were tried to indicate challenges of tax administration at City level and the study were again consider employee of the Head Office. Therefore, one of the major gaps observed on previous studies will be addressed in this proposed study, such as, considering small tax payers view, which is not addressed by previous studies including employee of the sub – city.

There were a study conducted by Derese (2012) a study focused on “Assessment of Income tax administration” The research tried to see the problems of taxpayers and found out that viewing tax as an obligation and tax payer’ slack of understanding and awareness are the major threats for successful tax administration. The study fails to address the very causes of these identified problems. Besides, the researchers did not include the empirical literature so that one can easily see something what they want to contribute new to the topic. Moreover, the major sources the researchers relied on is on the taxpayers giving less emphasis to the tax official for that the tax payers’ responses may not be 100% free from bias.

A study conducted by Amsale Ayalew (2010) on Assessment of VAT Implementation in the case of bole sub city found out different challenges towards the tax administration practice. In her study she criticizes problem of registration for VAT, failure of issuing invoices and keeping book of accounts, fraudulent filling of credits, and weak auditing and enforcements are the major challenges that hinders the growth of the implementation of tax. Despite of all these problems which we also consider them as main challenges, her study is only limited in recommending to get registered all businesses with threshold of over Br. 500,000 however. Moreover, her findings are basically described using statistical measures like skew of the data. Such description needs a thorough statistical knowhow for that it leaves a wonder that how many tax payers of our country especially on sub city levels are aware of statistical measures. One of the significance of any

research must create awareness to the stake holders that this research paper neglect the taxpayer's capacity to understand skewness and measure of dispersion.

Gemechis Kebede on his Assessment of VAT administration, (A case study on Bishoftu town), 2012, from Jimma University single out the very problems in the administration of VAT and he tried to come up with these problems as the general tax administration problems that can be forwarded to our country. However, as being a small and yet not grown as Addis Ababa City, the case of Bishoftu Town cannot be taken as a standard for evaluating the overall situation. Because, in dealing with Tax study the trends and the business areas with regard to number of taxpayers and official, type and nature of businesses, trade competitions and size of business are the things to be considered as these can influence the paying trend of taxes. Again, the author also failed to discuss empirical literatures where he can see his research status.

Different studies have been done during the past years with regard to the topic of VAT administration in general were focused on indicating the problems or identifying the determinant factors, however, in this study, attempts will be tried to indicate not only singles out problems but tries to address all the aforementioned fact so that are not physically addressed by different researchers by giving relevant and valuable recommendations concerning the reasons why all these problems exist and how they can at least be minimized.

### **2.3. Research Gap**

The study in the empirical literature part tried to indicate several studied that have been made within the country and outside of the country. As one of the focused area to imply research gap is assessing the study conducted on similar area within a country, the study briefly assess published and unpublished studies related to VAT administration practice in Ethiopia. In these regards some of the similar studies and their gaps indicated as follow: even though, numerous studies had been conducted related to VAT, however, there were few studies similar with our study such as, a study by Teklu (2011), tried to assess challenges of VAT implementation in Addis Ketema Sub city VAT registrants , and the study were only consider office employee with small proportion of sample (only 15 employee) which is difficult to conclude assessing small representative without considering tax payer view. In addition the study were not include recent performance of the sub – city. Therefore, based on the research gap observed on Teklu study, in our study attempt had been tried to considers both officials of the sub city as well as VAT

registrants View in collaboration with annual report document of the sub – city (2012 - 2016). There were also a study conducted by, Yemisrach (2014), on challenges of VAT Administration Regarding number one tax payers in ERCA, in this study attempts were tried to indicate challenges of tax administration at City level and the study were again consider employee of the Head Office. Similarly, the research gap observed in the study of Teklu (2011), also observed in Yemisrach Study, Therefore, one of the major gaps observed on previous studies tried to address in this study by sum up relevant data and collect from Vat registrants, Vat officials as well as performance report of the office.

## 2.4. Conceptual frame work

This part demonstrates the conceptual framework of the study on assessment of VAT administration and revenue performance. VAT administration process can be affected by several factors, such as, illegal practice both side of tax officials and vat registrants, lack of well qualified tax offices, low level of VAT awareness of registrants, lack of well-established rule and regulation, lack of facilities and tools. Therefore, the revenue performance can determine by the VAT administration effectiveness, i.e., effective VAT administration practice resulted in increased revenue of VAT, while, ineffective administration of VAT resulted in decrease in VAT revenue. To summarize the frame work of the study, in to dependent and independent variables; the study illustrate by figure as below:

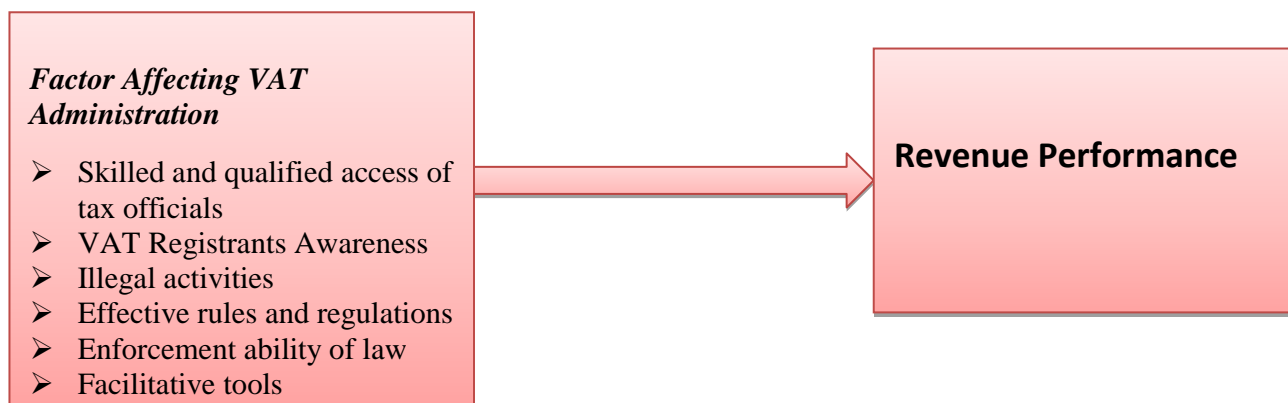


Figure 2.1 Conceptual Frame Work

## CHAPTER THREE

### Methodology of the study

#### **3.1. Research Design**

Descriptive research method employs as it is efficient to evaluate and determine the adequacy of a program under existing condition against the established standards. The descriptive method is special importance for this particular study to portray and assess challenges of VAT administration and indicated revenue performance of the sub city. In general the method is believed to generate adequate and relevant data breadth pertaining to the issue under investigation (Chon, 2006).

#### **3.2. Data sources and types of data**

In order to carry out any research activity information should be gathered from proper sources. Therefore, to the achievement of the objective this study uses both primary and secondary sources of data. Primary data collects from the respondents based on a structurally designed questionnaire using closed-end questions. In addition, unstructured interview had conducted from selected respondents that help for the development of structurally designed questionnaire using five scales Likert technique. The primary sources of the data serves as a main sources of the study; this is because the study depend mainly on the opinion of individuals. The secondary sources of the data depend mainly on the annual report of the ERCA information and technology directorate because it provides an objective evidence for the study.

#### **3.3. Population of the Study**

The Ethiopian Revenues and custom Authority (ERCA) is the body responsible to collecting revenue from custom duties and domestic taxes. In addition to raise revenue the ERCA is responsible to protect the society from adverse effects of smuggling. ERCA is setting its sight on the biggest open air market in Addis Ketema Sub –city one of the biggest tax black holes in the country including the biggest market in the country Merkato also located there (ERCA, 2011). In Addis Ababa Alone there are 38,982 small scale VAT registrant payers as of 31 December, 2017. while (3008) engaged in Addis Ketema Sub – City and the sub city office has 136 employee in different departments, and provide the following services for tax payers such as facilitate tax advisory service, organize awareness creation programme, giving business related

training and internet service. The study also considers five year annual report of the tax center to analyze the recent trend of VAT administration and revenue performance of the sub city.

### 3.4. Sampling and sample design of the study

The types of sampling for this researcher are both convenience and purposive sampling technique. Regarding the sample size of the employee the study uses purposive sampling technique this is because, to include employee work at different types of position such as tax assessors, collectors, audit and inspections work units. In addition the study uses convenience sampling techniques for traders of VAT registrant since information is obtained from the tax registrants by waiting and finding them in the tax official's office and creating for them awareness.

Based on these the study determine the sample size of VAT registrant from the sub city 3008 VAT registrants and the sample size determined out of the given total population based on sampling formula of Chon (2006). It is calculated as follows:

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

Where **n** is the sample size,

**N** is the population size, and

**e** is the level of precision or sampling error = ( 0.01)

$$n = \frac{3008}{1+3008 (0.01)^2} = 97$$

The 2<sup>nd</sup> type of sample determination is for employees of the sub city. Accordingly, there are 65 tax officials whose activity are directly related to Value Added Tax assessment, auditing, collection and supervision; so that, the study considers the entire official on the study.

### 3.5. Method of Data Analysis

After collecting the distributed data of questioner both from tax officials and VAT registrants, they were edited and coded for completion of analysis. Then after the study were analyzed in to two parts that is in the first part for tax officials response of questioner and in the second part for VAT registrants' response questioner mixing with annual report of the tax office. Accordingly, in both parts of the analysis the study used tables, graphs, frequency as well as percentage and the whole process of the analysis had done using SPSS.

### 3.6 Reliability Test

Reliability refers to the degree to which the data collection tools or analysis procedures were yield consistent findings. (Saunders,Lewis&Thorn hill, 2009) Reliability analysis measures the internal consistency of a group of items which is used in questioner construction. Reliability analysis examines the homogeneity or cohesion of the items that comprise each scale. Cronbach's alpha coefficient is the most frequently used index of reliability. Accordingly, in this study both VAT registrants and tax officials'questionnaire were tested before the distribution of the entire questioner. Accordingly the reliability of the Cronbach's alpha result indicates that;

**Table 3.1 Reliability Statistics**

<b>Questionnaire Scale</b>	<b>Cronbach's Alpha</b>	<b>No. of Items tested</b>	<b>No. of respondents samples</b>
VAT Registrants	0.872	26	97
Tax officials	0.929	11	65

As indicated from the reliability scale measurement of the above table the scale of reliability test is acceptable and show good internal consistency.

## **CHAPTER FOUR**

### **Data Analysis and Interpretation**

#### **4.1. Introduction**

This study assessed value added tax (VAT) administration and revenue performance the case of ERCA (Addis Ketema Sub - City). To achieve the overall objective of the study data were collected from employee of the office, VAT registrant as well as relevant document such as, annual report /2012-2016/ on the performance of VAT collection. Based on this the study were analyzed in to two parts, in the first part the data collected from employee were analyzed while in the second the analysis were done based on VAT registrants.

#### **4.2. Background of Employee Respondents**

Regarding tax official of the sub – city, the study totally distributed 65 questionnaires, however analysis of the study were done based on 57 questioners, and this is because 8 questioners were not returned back. Understanding background of tax officials associating with their work experience, educational status and other related basic factors are necessary to analyze VAT administration of the sub city.

**Table 4.1 Characteristic of Employee Respondents**

Character	Category	Frequency	Percentage (%)
Sex	Male	36	63
	Female	21	37
	Total	57	100
Age	From 20- 30	24	42
	From 31 – 40	16	28
	From 41 - 45	10	18
	Above 46	7	12
	Total	57	100
Position	Assessor	16	28
	Collector	29	51
	Auditing and inspection	12	21
	Total	57	100
Academic qualification	Diploma	10	18
	Degree	41	72
	Master	6	10
	Ph.D.	-	-
	Total	57	100
Year of service	1-5	32	56
	5- 10	20	35
	Above 10	5	9
	Total	57	100

As implied from the demographic data, 37% employee worked as a position of Assessor, Collector, and Auditing and inspection are female while the rest 63% are males, this implies the studied office still dominated by male employee. Regarding age condition employee were mostly found at young age groups, such as, 42% of them belongs 20 – 30 years age groups, while, 28% of them adult age groups and the rest 18% and 12% respectively belongs 41 – 45 and above 46 years of age groups. The study also implied responses positions accordingly, respondents accounted for, 28%, 51% and 21% respectively engaged in a position of Assessor, Collector, Auditing and inspection. With related to educational status, respondents accounted for 72% have their first degree while the rest, 18% and 10% respectively have diploma and second degree, however, there were no PhD degree on the studied offices. In terms of education, the study deduced that, even though the positions need advanced educational status, there are few employees qualified with Master degree level. In addition there are also employee engaged in high position with diploma level, this can affect VAT administration system of the office. Similarly the study were assessed employee service experience, accordingly 56% of them have



less experience which belongs 1 – 5 years, while the rest 35% and 9% respectively serve between the year, 5 - 10 and above 10.

### **4.3. Analysis of Response from Branch Staff**

In this part the study tried to describe respondents view challenges of VAT administration through providing a five scale Likert types of questions, that represented strongly disagree, disagree, neutral, agree and strongly agree and very poor, poor, neutral, good and very good. Accordingly, respondent's responses on the provided questions were analyzed as follow:

#### **4.3.1. Illegality character of VAT Registrants**

The study were assessed the sub city VAT registrant character regarding whether registrants committed illegal acts regarding VAT payment such as selling goods or services without invoices, manipulation of registered machines and other related illegal activities or not. Accordingly, respondents below in table 4.2 implied their level of agreement and disagreement on the illegal activities of VAT registrants. Accordingly, 44% and 14% in their agreement level implied that, there are VAT registrants that sell goods and services without VAT invoice in the sub city. These problems include the difficulty of getting invoices on purchases and difficulty of customers for the preparation of sales invoices, the problem of supplying without invoices (by giving the option of buying with or without invoices to customers) and using duplicated invoices. The optional issuance of VAT invoices in some sectors reveals that invoices are being used as a negotiation tool between customers and VAT registered businesses. Similarly respondents accounted 39% agreement indicators of parameters also implied that, there are also VAT registrants committed illegal activities by manipulating the VAT registered machines. In addition VAT registrants are required by law to keep proper records and file correct returns, but according to the outcome of the survey result this is another problem as implied by 53% and 14% response of the tax officials shows that there are taxpayers who do not comply law. The other fraudulent activity is related to cash register machine usage in a wrong way deliberately, as per the survey result, 35% and 16% agreement level of official VAT registrants give their consent about the reality of this tendency. Furthermore, tax officials proved about the existence of traders who manipulate the cash register machine such as, understatement of the amount of sales, which decreases the amount of tax (VAT revenue). Finally, tax official accounted for 53% and 17%

who said agree and strongly agree also implied still in the sub city tax office there are businesses traders without registering their business transact.

**Table 4.2. Tax officials view regarding VAT registrants illegal activities**

S.No	Questions	SD	D	NW	A	SA
1	VAT registrants sell goods and services without VAT invoice	9 (16%)	13 (23%)	2(3%)	25 (44%)	8 (14%)
2	VAT registrants manipulate Cash Register Machine.	7 (12%)	11 (19%)	4 (7%)	22 (39%)	13 (23%)
3	Not Complying the law to keep proper records and file correct returns,	4(7%)	12(21%)	3(5%)	30(53%)	8(14%)
4	VAT registrants provide forged invoices to secure more input tax	9 (16%)	16 (28%)	3 (5%)	20 (35%)	9 (16%)
5	Trading without VAT registration	5(9%)	7(12%)	5(9%)	30(53%)	10 (17%)
	Mean	12%	21%	6%	45%	17%

#### **4.3.2. VAT filling and payment Challenges**

There is a lot of VAT administrative challenges occurred regarding VAT filling and payment process such as late VAT declaration, late submission of the VAT return, late payment of VAT, challenges of registrants filling, etc. Taxpayers are required to file VAT returns accompanied by the appropriate payments on monthly basis. Further, the VAT legislation allows taxpayers a 30-day period within which to file returns and make payments. In this regards the study were provided several related questions that challenged VAT administration practice of the office regarding VAT filling and payments of VAT and below the table implied employee response as well as annual report on some of the performance indicators.

**Table 4.3. Tax official view regarding challenges of VAT filling and payment**

S.No	Questions	SD	D	NW	A	SA
1	late submission of the VAT return	6(11%)	12(21%)	4(7%)	20(35%)	15(26%)
2	late payment of VAT	4(7%)	12(21%)	3(5%)	30(53%)	8(14%)
3	Non – Filing of VAT registrants	5(9%)	7(12%)	5(9%)	30(53%)	10 (17%)
4	Overstated claims of repayment	11 (20%)	18 (30%)	2 (4%)	20 (35%)	6 (11%)
	Mean	12%	21%	6%	44%	17%

As implied from the respondents, Even though their occurrence differs, late submission of the VAT return, late payment of VAT, non-filing, and Overstated claims of repayment are among the types of hindrance of tax administrators of the branch office faced during their activity that hinders the Value Added Tax collection. As per the responses of tax officials accounted for 35% and 26% in their agreement level implied there is occurrence of the late submission of the VAT return that hindered VAT administration system of the branch office, on contrary respondents accounted for 11% and 21% implied in their disagreement level that, late submission of the VAT return were not affect VAT administration practice of the office. Regarding VAT registrants late payment practice 53% and 14% respondents implied there were late payment of VAT. Similarly respondents accounted for 53% and 17% assured there were non – filing challenges. Finally, respondents accounted for 35% and 11% in their agreement level indicated there were occurrence of the overstated claims of repayment however, 20% and 30% of the respondents argued on their disagreement.

#### **4.3.3. Major challenges faced by officials to administer VAT filling and payment system**

Regarding challenges that encountered the tax officials in administrating the VAT, the study were assessed several factors that affect their effectiveness. Accordingly, below in the table respondents implied their respective view.

**Table 4.4. Employee view regarding Constraints of VAT filling and payment**

S.No	Questions	SD	D	NW	A	SA
1	Lack of equipment facilities	4(7%)	8 (14%)	2(3%)	30(53%)	13(23%)
2	Lack of administrative Budget	6(11%)	11(19%)	6(11%)	23(40%)	11(19%)
3	Efficient and large number of employee	7 (12%)	11 (19%)	4 (7%)	22 (39%)	13 (23%)
4	Lack of ethical behavior of VAT payers	9 (16%)	16 (28%)	3 (5%)	20 (35%)	9 (16%)
5	Lack of Automated System Exists for managing tax payers	11 (20%)	6 (11%)	2 (4%)	20 (35%)	18 (30%)
	Mean	13%	18%	6%	40%	22%

As implied from the above respondents' view the major challenges that faced administrators are lack of equipment's facilities accounted for 53% and 23% in their agreement level implied, there were lack of equipment's facilities that affect VAT administrative practice of the office. Of course, increasing the resources by itself would not create effective VAT administration overnight. In addition 40% and 19% respondents in their agreement also implied their office also affected by lack of administrative Budget, In this respect, ERCA (2008) estimated VAT administrative Budget in Ethiopia in the 2015–2016 fiscal year to be in the range of 0.66 to 0.80 per cent of VAT revenue. Further, Yesegat (2008) through comparative analysis with similar estimates in other countries suggested that in Ethiopia VAT administrative Budget are at a low level. These low VAT administrative Budget, as Jantscher (1990) contended, may not imply simplicity, but may show rather that important functions are being neglected and also may mean that the administration is concentrating exclusively on the largest taxpayers and ignoring the others. In this context the low level of VAT administrative Budget in Ethiopia together with the administrative problems presented previously suggests that the tax authorities are not equipped with the necessary facilities such as lack of efficient and large number of employee as implied by 39% and 23% of respondents in their agreement level. In addition to these challenges respondents accounted for 35% and 16% also confirmed VAT payers unethical behavior also one of the challenges that hinders VAT administrative process of the office. Finally respondents accounted for 35% and 30% assured there were also a challenge such as lack of existence of automated System for managing tax payers. Accordingly, there is only two types of software used by ERCA to facilitate the VAT administration process the branch uses Standard Integrated

Government Tax Administration System (SIGTAS) to perform every activity related to tax (from registration up to cancellation) and Automated System for Customs Data Administration (ASICUDA) to get customs related information. However, in the Branch Office it is difficult to find the updated status of VAT registrants, especially when the registrants cancelled their registration license. So, it is not easy to get the actual number of lists of active VAT registrants and also to differentiate the number of non-filers from stop-filers by using the computer system which makes the follow-up and control of filing and payment activity of the branch office more complicated.

#### 4.3.4. Activities to enhance capacity of tax officers

There are several activities that can be done to enhance capacity of tax officers that can be facilitated at a federal as well as at the sub – city branch office levels. In this regard the study were assessed the studied branch office employees whether attempts are tried to enhance employee capacity or not. Accordingly the study was assessed some of the related activities that can enhance capability of officials, and respondents view were provided below in the table as follow:

**Table4.5. Tax officials View on the activities done to Enhance Employee Capacity**

S.No	Questions	SD	D	NW	A	SA
1	Activities to enhance the capacity of the tax officers	9(16%)	37(65%)	2(3%)	5 (9%)	4 (7%)
2	Updating timely VAT related information	12(21%)	21(37%)	4(7%)	8(14%)	12(21%)
3	Forwarding timely those up-to-date information about VAT for the tax officers	10(18%)	20(35%)	4(7%)	17(30%)	6(10%)
	Mean	18%	46%	6%	18%	13%

As implied by 65% and 16% respondents disagreement level there were no that much activities done to enhance capacity of employee whether at federal or branches office level, however respondents accounted for 9% and 7% that implied their respective response by their agreement level received capacity building activities. Therefore, even though some of the employee receives capacity building facilities, such as training and educational opportunities, the majority of the respondents still not included in the capacity program of the sub city. Respondents

accounted for, (21% and 37%) and (18% and 35%) respectively in their disagreement level implied updating VAT related information were not done at the right time and there were lack of on time forwarding of those up to date information for tax officers. As a result tax officials work based on the previous proclamation and regulation that resulted in additional work of the office such as rework.

#### 4.3.5. Controlling and monitoring system of VAT Registrants

Monitoring and evaluation are integral parts of management and provide a link between planning and implementation. While monitoring focuses on the activities and outputs, evaluation focuses on the outcome and goal. Well organized monitoring and evaluation system of VAT registrants make beneficiary of both VAT registrant and the tax office. In this regard the study were assessed some related questions with related to controlling and monitoring system. Below the table implied response of tax officers:

**Table 4.6. Tax officials view regarding controlling and monitoring of VAT**

S.No	Questions	SD	D	NW	A	SA
1	Assessing all tax payers who should get registered for VAT are registered	14(25%)	30(53%)	3 (5%)	6(11%)	4(7%)
2	Computerized controlling system of filing and payment	19 (33%)	32(56%)	1(2%)	3(5%)	2(4%)
3	Regular evaluating of annual plan performance of the office based on auditing	14(25%)	20(35%)	4(7%)	11(19%)	8(14%)
4	Strict penalties for late VAT payers	10 (18%)	17(30%)	4(7%)	20(35%)	6(10%)
	Mean	25%	44%	5 %	18%	8%

As implied from the tax officials response majority of the respondents regarding the assessment whether all tax payers who should registered for VAT are registered or not, 25% and 53% in their disagreement level implied that, still there are traders that are not registered their selling goods or service for VAT.. Respondents accounted for 56% and 33% respectively in their disagreement level also implied that, there were lack of computerized controlling system of filing and payment. Regarding detection of non-filers seems to be carried out mainly manually. The tax authority tries to identify non-filers in collaboration with the Ministry of Trade and Industry. In

Addis Ababa include Addis Ketama Tax office every trader is required to renew business license annually with the pertinent offices under the Ministry of Trade and Industry. To renew business licenses, traders are required to produce evidence from tax authorities that all taxes have been paid. The tax authorities on their part, before providing the evidence to taxpayers, check if there are delinquent taxes (including VAT). Therefore, these all activities are done manually. In addition, tax authorities endeavor to follow-up non-filers identified by the computer programs. However, because of shortage of manpower, such follow-ups are usually carried out once in a 3 to 6 month period. In respect of VAT audit, tax officials accounted for 25% and 35% in their disagreement level showed there was no regular and effective mechanism of VAT performance auditing. According to the External auditor comment, the tax administration performance of the sub city (2012-2016) was not good. Below the table implied auditing performance of the office

**Table4.7. Auditing Performance of Addis ketema Sub – City**

<b>Addis Ketema</b>	<b>Total VAT Registrant</b>	<b>Audited</b>	<b>Percentage</b>
2013 – 2014	669	69	10%
2015 – 2016	647	58	9%

From the above data one can understand that, the sub city has low audit coverage which may have negative impact on the revenue potential of VAT and the level of compliance. This low audit coverage is may be due to resource constraint. The resource constraint can be assessed in terms of the number of VAT administrative personnel, auditors in particular, in relation to the number of VAT registrants and also total number of employees in the tax authorities.

Finally the study was assessed penalty for VAT registrants of the sub city. Accordingly respondents accounted for (30% and 18%) in their disagreement level implied the tax offices have tame a measure of strict mechanisms for VAT registrants who commit fraudulent. On contrary respondents accounted for (35% and 10%) in their agreement level implied the office not strictly applies the penalties. From examination of the practices pertaining to VAT penalties, Jantscher (1990) noted that in most developing countries the stricter penalties in VAT laws are usually not applied, thus penalties have little deterrent effects. In Ethiopia, the VAT legislation proclaims that taxpayers that fail to fulfill the requirements of VAT are chargeable with penalties ranging from financial Penalties to imprisonment. The tax authority started enforcing the penalty provisions (including the stricter ones) of the VAT legislation to some extent. For instance,

although the legislation in general stipulates a penalty of 5% of the amount of VAT unreported/underpaid, in practice (according to the outcomes of the interviews with tax officials) a late filing penalty of ETB1,000 for each accounting period the tax remained un-reported is imposed.

#### 4.3.6. Value Added Tax Performance of the Sub – City

Based on tax officials view indicated discussed above the study also assessed the annual report of the tax offices that implied the revenue performance of the sub – city. Below the table implied, the sub city performance regarding registering filers, amount of non-fillers, VAT registrants Revenue of VAT as well as amount of VAT refund, in the sub city,

**Table 4.8. VAT performance of the sub city**

<b>Addis Ketema</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>Mean</b>
No. of Vat Filers (in thousands)	11	13	16	18	20	16
Non VAT filers (in thousands)	13	16	22	24	28	23
VAT registered (in thousands)	181	313	356	339	308	299
VAT revenue (in millions of Br)	241	121	64	80	99	121
Refund of VAT (in Millions of Birr)			3	1	2	1.2

As implied from the report obtained in ERCA, because of several challenges encountered in the office the office perform less in some of the performance indicators such as even though number of VAT filers and number of VAT registrants improved through the years, the trend still need improvement throughout the years . On the other hand the annual report trend of the sub city VAT revenue decline starting 2012 to 2014, however, slight improvement were seen in 2015; this implies that the sub city revenue of the VAT collection is in challenges. Finally the report also implied that, the sub city office refund large amount of money which implies that the VAT revenue performance of the sub city has not efficient

#### 4.4. VAT Registrant View of the Sub – City VAT Administration

In this part the study assessed registrants view regarding VAT administration challenges encountered to them.



#### 4.4.1 Background of the Registrants

Understanding respondents demographic characteristics is one of the necessary prerequisite to reach on comprehensive conclusion of administrative challenges of the sub – city. It is obvious administration challenges of VAT can arise from both side of the sub city and VAT registrants. Therefore, analyzing registrant’s educational background, experience, and their level of awareness is one of the necessary prerequisite. In this regards the study were distributed 97 questionnaire for VAT registrants, however 25 questioner were not returned back and some of it dropped due to its error; so that, the analysis were done based on 72 questioner.

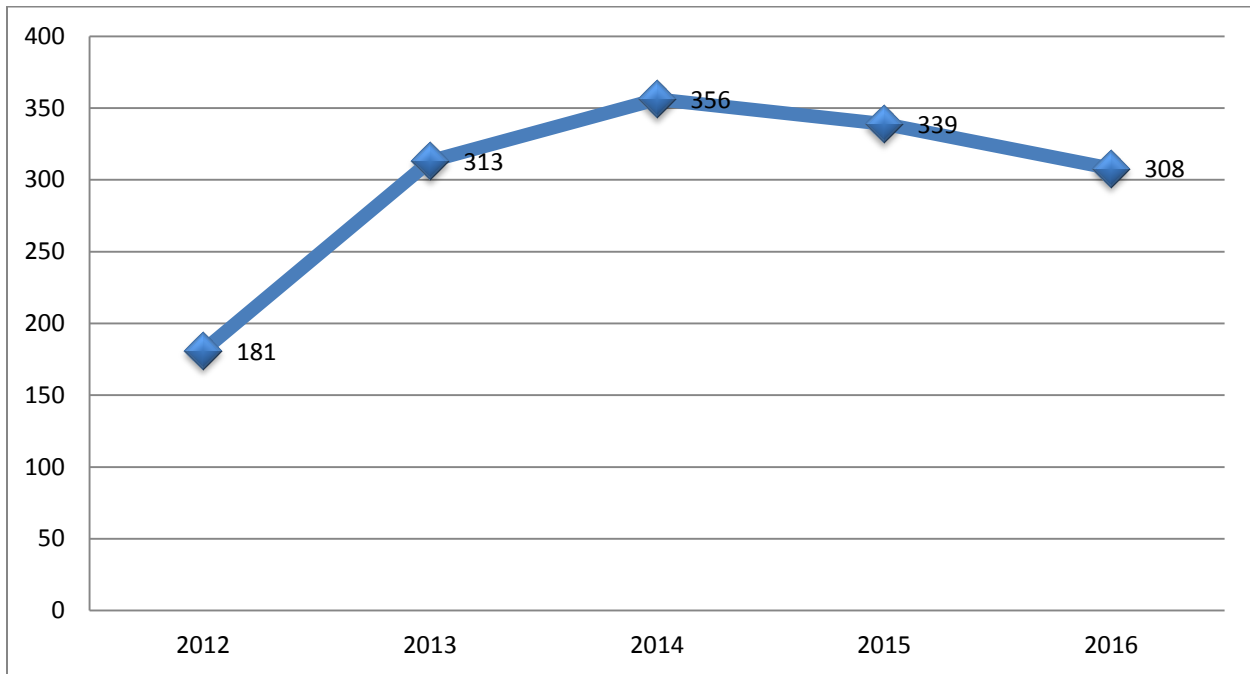
**Table 4.9 Characteristics of Registrant**

Character	Category	Frequency	Percentage (%)
Sex	Male	51	71
	Female	21	29
	Total	72	100
Age	From 20- 30	14	19
	From 31 – 40	25	35
	From 41 - 45	12	17
	Above 46	21	29
	Total	72	100
Academic qualification	Diploma	31	43
	Degree	22	31
	Master	-	-
	Ph.D.	-	-
	others	19	26
Total	72	100	
Year of stayed in Paying VAT in the office	1 – 3	51	71
	3 – 5	16	22
	Above 5	5	7
	Total	72	100

As implied from the above table 71% of the VAT registrant were male while the rest 29% are female registrant, regarding age groups of the VAT registrant, 19% belongs from 20 to 30 age groups, while 35% of them were between the age groups of 31 – 41 years, the rest 17% and 29% belongs between the age groups of 41 – 45 years and above 46years respectively. Regarding educational level 43% and 31% respondents respectively have diploma and first degree while, 26% of the respondents belong others which represent VAT registrants that are not certified from higher education, such as, elementary level, high Scholl completed. Finally the study were

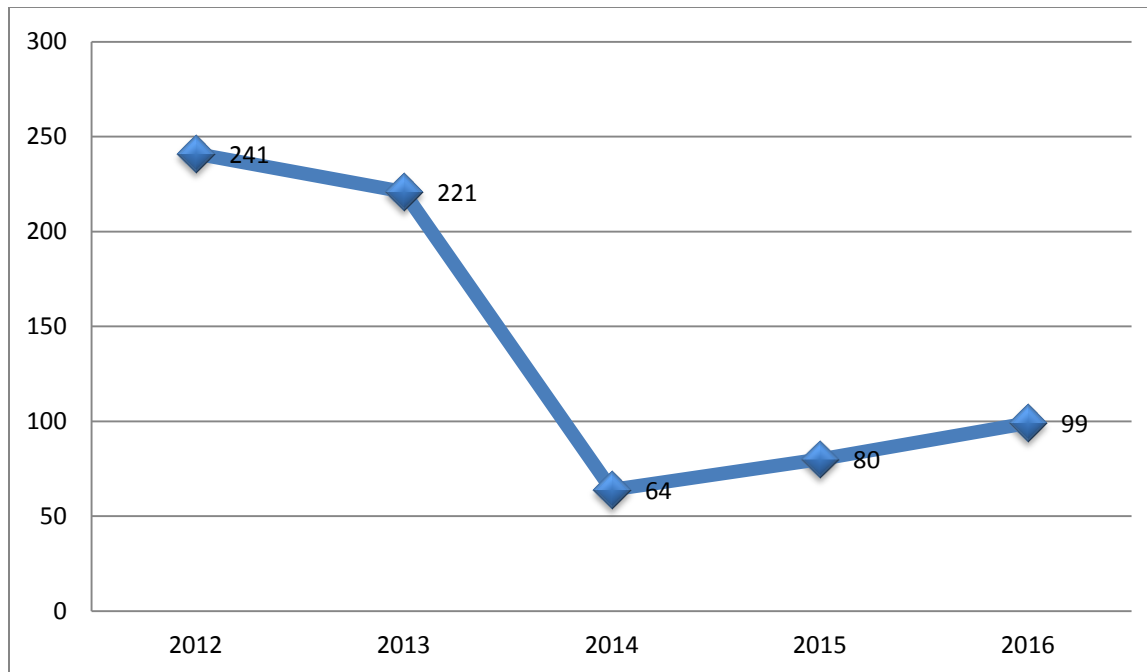
assessed registrants staying period, accordingly majority of the respondents accounted for 71% staying periods belongs 1 – 3 years while 22% of the respondents staying periods belongs 3 – 5 years and the rest 7% respondents staying periods belongs above 5 years.

With regards to VAT registrant growth rate of Addis Ketema Sub city the study were assessed five years growth rate document of the sub city. Accordingly, there were no constant increments of VAT registrants in the sub city. Below the figure implied its trend



**Figure 4.1. Trend of VAT registrants' growth rate by the Tax Center of the sub-city.**

As implied from the trend chart above, registrants of VAT were increased from 2012 – 2014, however, starting 2015 – 2016 registrants number become declining. this is because some of the traders were charged unfair VAT. Compared to VAT registrant growth rate the study were also assessed amount of VAT revenue collected by the office from 2012- 2016. Below the figure indicated performance of the office in collecting VAT revenue.



**Figure 4.2 Collection of Yearly VAT Revenue From 2012-2016 /in millions of Birr**

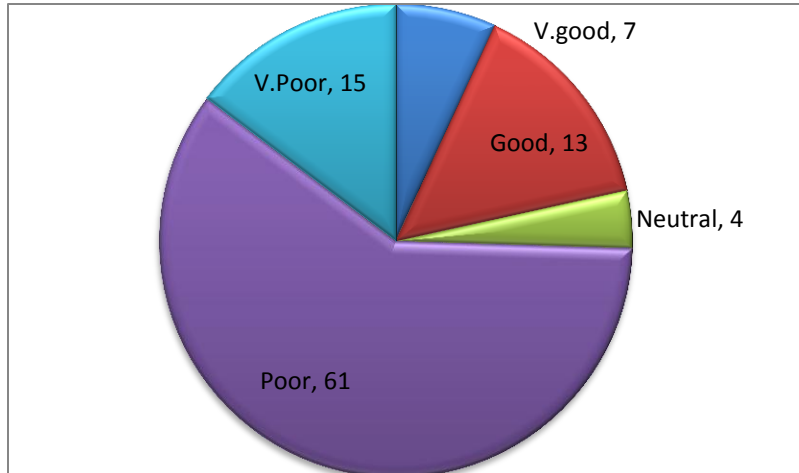
As indicated from the above figure when VAT registrants rate of growth increase revenue performance of the office decrease, and when the rate decrease, the revenue performance increase. This also shows that there is unfair VAT administration in the sub city. Accordingly the office were performed better in the years, 2014 - 2016, however, from 2012-2014 VAT collection performance were highly decline .

#### **4.4.2 VAT Registrants View on the Performance of Addis Ketema Tax office**

In this part the study were tried to assess VAT registrant view regarding Sub City Revenue Office performance using several types' questions.

##### **4.4.2.1 Registrant view regarding man power effectiveness in registering the registrants**

The study were assessed registrants view of the office man power effectiveness and their honesty in registering door to door those traders that transact their trade without VAT. Accordingly, respondents were rating their view as follow:

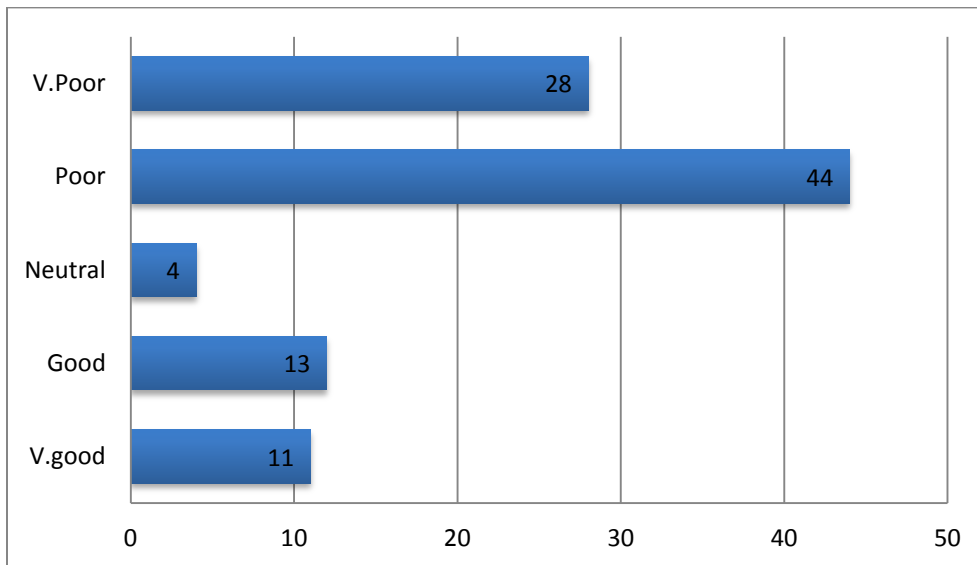


**Figure 4.3 registrants view on man power skill to register non registrants**

In terms of taxpayer identification and registration for VAT, the field survey result indicates that majority of the respondents accounted for 61% implied poor, while 15% implied very poor. This implies that, tax officials are not skilled enough to identify and register taxpayers for VAT particularly in compulsory registration for assessing the daily revenue of taxpayers. The survey result also showed there is problem of corruption by some tax officials so that they intentionally leave to register for VAT some potential in door to door inspection. According to Tompson and Green (1988), one of the shortfalls in VAT administration is lack of registering those that should be registered. This is true in Addis Ketema Sub - City where the survey result indicated there is lack of registering those that should be registered. Therefore, this is one of the shortfalls in VAT administration of the sub city. Generally, the study deduced that, lack of skilled and honest man power in taxpayer identification and registration for VAT is one of the reasons for problem of uniformity so that many potential tax payers that is required to be registered for VAT not did so. In addition, due to fear of competition from those unregistered businesses and lack of confidence on the Sub City, others tried as much as possible to escape from the VAT Registration.

#### 4.4.2.2 Registrants View Regarding VAT Refund practice of the Sub – City.

As of the official proclamation, VAT refund is practical if at least 25 percent of the value of a registered person's taxable transactions for the accounting period is taxed at a zero rate. The Authority refunds the amount of VAT applied as a credit in excess of the amount of VAT charged for the accounting period within a period of two months after the registered person files an application for refund, accompanied by documentary proof of payment of the excess amounts. Regarding VAT refunding treatment practice the study were assessed registrants view and their view indicated below in the figure.



**Figure 4.4 Registrants view regarding the office Refunding practice**

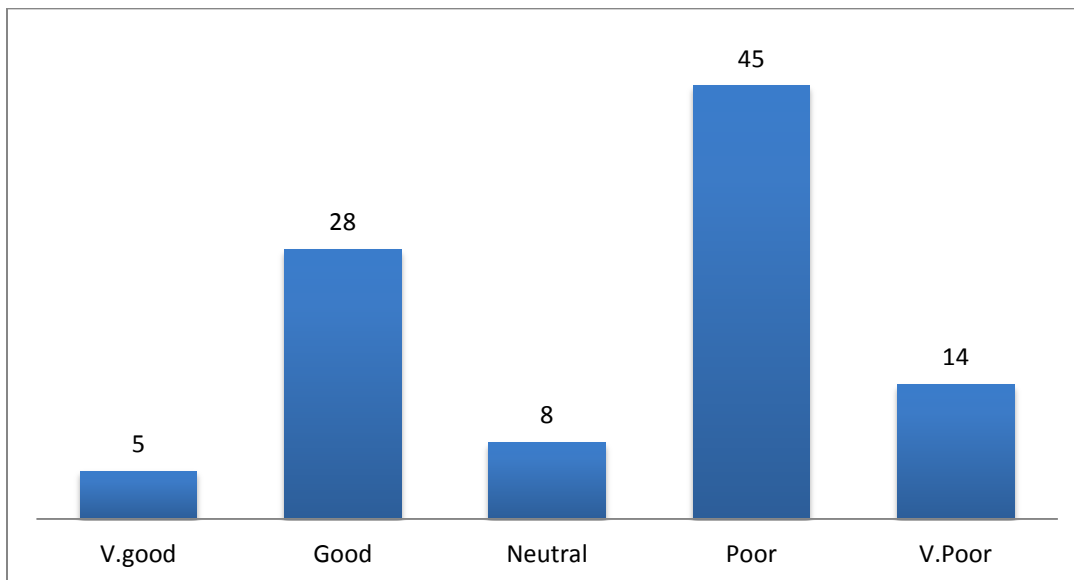
Sources questioner, 2018

In order to prove whether the refunding procedure is being implemented in line with the system set or not, the study has designed the requirement as stated. Thus, the majority of the respondents, 44%, and 28% respectively rated poor and very poor with office's practice of refund treatment to customers as per the set standard. Therefore, refund treatment practice was found below the average of the set standard of 25% as compared to the existing law. With regard to VAT Refund, the established statement states that the Zero rated supplies to exports are refunded to the beneficiaries, and supportive documentary proofs accepted by office are efficiently practiced as per the law. Accordingly, the majority of respondents confirmed that the office acted or practiced differently to the requirement or below the average as compared to the

set standard. The payment of refund in Ethiopian VAT proclamation stated that if the refund demand is from the zero rated taxable transaction and total there of exceeds 25%, it is given within two months period. Otherwise, if the credit transaction is other than zero-rate or export, it is forwarded for five VAT accounting period by crediting the payment. Nevertheless, it does not go further the five VAT accounting period. Therefore, the experience of the office as implied by 72% complaints that the office refund carried forward to the next five year accounting periods to the customer as compared to the requirement are. The result therefore is interpreted as below average.

#### 4.4.2.3 VAT Administrative Penalties

A person who should be involved in Value added Tax has to respect the law otherwise, the person is penalized with such illegal acts of registration, invoice receiving or issuing, using accounting records, and filing the period turnover. Regarding penalties, VAT registrants were asked whether the penalties are appropriate or not, and registrants rate their view as follow



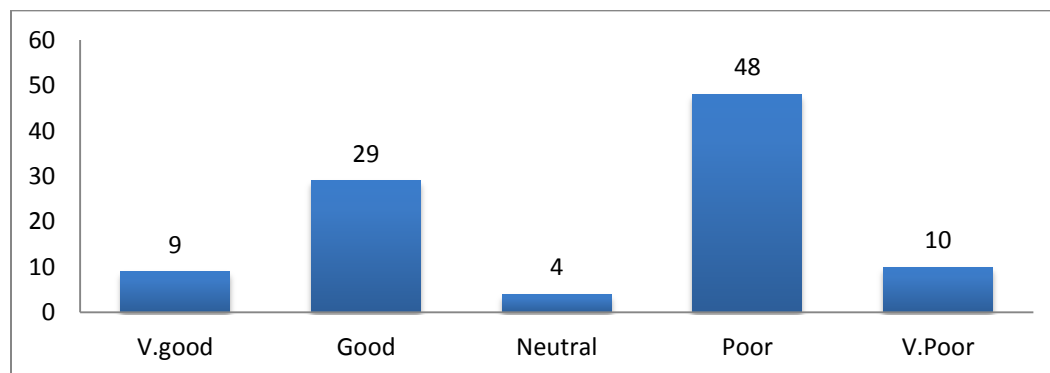
**Fig 4.5 Registrants view regarding penalties appropriateness of the studied office in percentage**

As implied from the above figure, penalties appropriateness of the office, the survey results indicated that, 45% and 14% of VAT registrant rated poor and very poor respectively. According to the VAT Proclamation No 285/2002 administrative penalties sometimes more than 100% of

the amount of tax payable and criminal penalties extends to 15 years imprisonment with 200,000 birr fines. These show penalties are stiff which is in line with the Country's economic development even though taxpayers think that it is irritating because, according to Hillman (2003) increasing penalty is less costly than increasing the probability of detection. Therefore, for country like Ethiopia stiff penalties are advisable.

#### 4.4.2.4. Fair and efficient appeals system Administration

This procedure enables taxpayers to reveal their grievances. They are allowing providing what they are not satisfied in receiving VAT administration service. Here, the power and Duties of the Authority stated explicitly. On the other side, customers have right to forward their complaints in order to get satisfaction. In relation to appeal procedure activities like reviewing, waiving, appealing and burden of proof are being practiced. Regarding, fairness of the appeal VAT registrants were assessed to forward their experience whether the tax office fair and efficient appeals system were good or not. Accordingly below the figure implied registrants view.



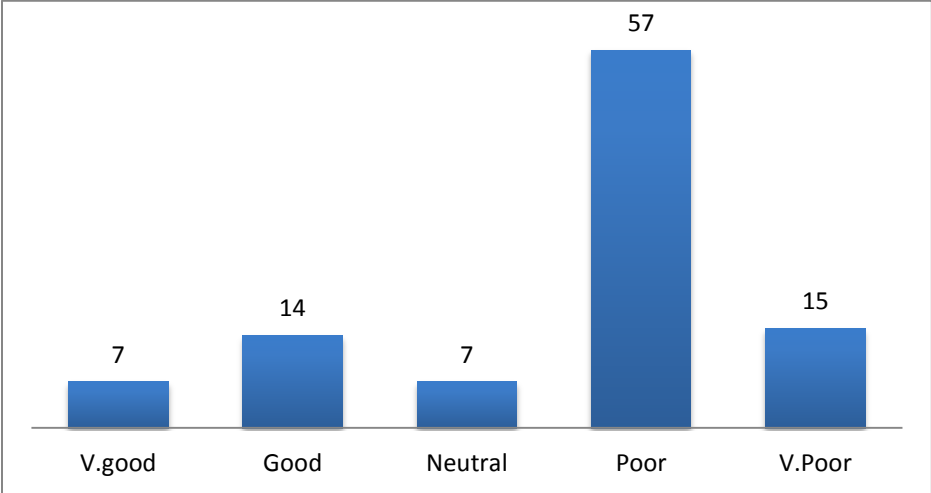
**Fig 4.6 Registrants view regarding fairness of the tax office appeals system in Percentage**

As implied from registrants view 48% and 10% of them respectively implied poor and very poor which means fairness of tax officers' appeals system were not practiced in a good manner. In this regard the study tried to compare what the proclamation stated with argument of VAT registrants, the appealing systems stated that, member of the review committee are appointed by Authority at each level of administration up on the recommendation of the head of the authority. The Review Committee waives administrative penalties as per the law. Any person who objects to an additional assessment made by the Authority has the right to appeal within 30 days from the receipt of that assessment notification or from the date of decisions of the Review Committee

to the Tax Appeal commission by depositing in cash with the Authority an Amount equal to 50% of the additional tax assessed. If a person appeals in accordance With mentioned above and the Tax Appeal Commission determines that the person is Liable for the additional assessment, the person be in default unless he pays within 30 /thirty/ days of the decision of the Commission. Otherwise, if no appeal is made within the Period prescribed, the Additional assessment of the tax made by the Authority is deemed correct, final, and immediately payable. The burden of proving that an assessment is Excessive or that the decision of the Authority is wrong is on the person objecting to the Assessment or decision, (Proclamation No.285/2002, Art. 42- 44). As implied both from the article and respondents view it can be said that, the appealing time was very short, registrants may have adequate time to be assessed what they appealing.

**4.4.2.5 Awareness Creation Program of the office**

Awareness creation program can enhance voluntary VAT registrants, and clear some vague understanding of registrant to be clear based on this the study were assessed VAT registrants view regarding the tax office awareness raising program and registrants were indicated their view as indicated below in the figure



**Figure 4.7 Registrants view Awareness raising program of the office**

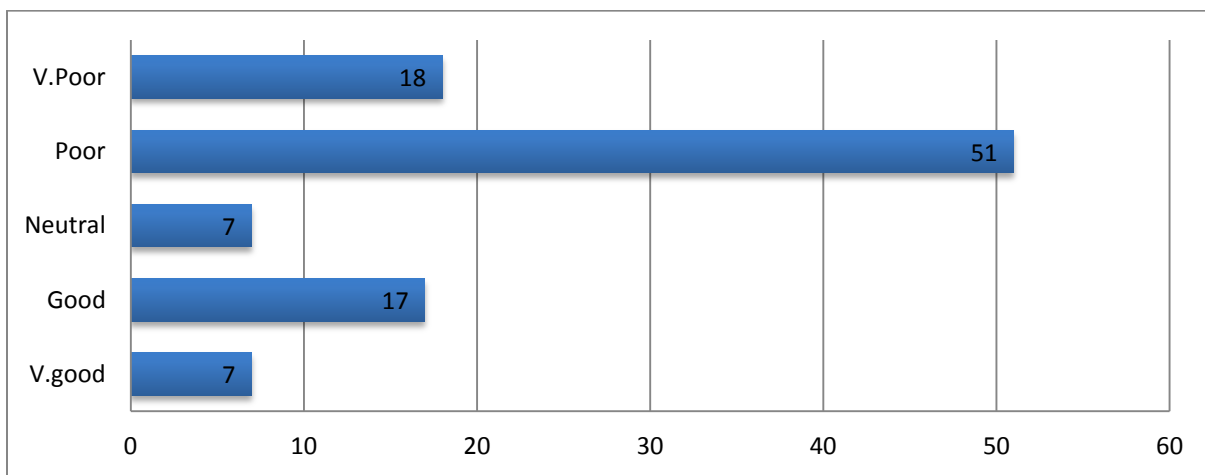
As implied above in the figure the office activity of awareness raising program respondents accounted for 57% and 15% respectively implied poor and very poor, which means awareness raising activities of the office were not satisfactory. In these regard VAT registrants further explained that, unless VAT registrants asked information for any details, the offices didn't provide awareness raising programs on VAT issues based on their schedules, as a results VAT



registrants are affected through lack of information on issues of VAT details. According to Richard (2015), one of the major tasks of tax offices are raising awareness for VAT registrant. The activity can be done through several awareness raising mechanism such as through radio, television, door to door, contacting through telephone and so forth, otherwise VAT registrant become reluctant as a results of lack of awareness or carelessness and the return will affect both government and VAT registrant side.

#### 4.2.2.6. Registrants view on the Offices facilities of the Sub – City.

The study was also assessed VAT registrant view regarding the tax offices facilities. Accordingly, respondents accounted for 7% and 17% respectively rated very good and good while 7% of respondents rated neutrals, in contrary respondents accounted for 51% and 18% respectively rated poor and very poor. Regarding to service facilities respondents implied that, one of the components of good facilities of offices is presence of adequate equipment’s such as, effective computer system, sufficient man power, and others facilities that easily solve problems of the registrants. Therefore, the complexity and difficulty of tax administration causes taxpayers to incur costs that lead them to tax evasion and avoidance. Therefore, striving for improving the service delivery including office facilities enable to decrease tax evasion and avoidance



**Fig 4.8 Registrants view on Office facilities of the Study Tax center**

#### 4.4.2.7 VAT Registrants View on the tax office effectiveness of Service Delivery.

It is obvious that, service delivery effectiveness of any organization is affected by several factors, including, lack of skilled man power accessibility, lack of effective rule and regulation, lack of

information exchanging mechanism, lack of auditing and lack of customers follow up and monitoring. In this regard the study were assessed VAT registrants view on some of major determinates of service delivery and their respective view were presented below in the table.

**Table 4.10 VAT Registrants view on factors affecting service delivery of the branch office**

S.No	Questions	SD	D	NW	A	SA
1	The Branch Office updates any changes of VAT to its customer	15(21%)	30(42%)	2(3%)	20(28%)	5(7%)
2	Tax officials give sufficient information when ever required	10(14%)	29(40%)	3(4%)	25(35%)	5(7%)
3	Fast customer service Delivery	17(24%)	33(46%)	4(5%)	12(17%)	6(8%)
4	There is effective VAT collection system	11(15%)	29(40%)	7(11%)	19(26%)	6 (8%)
5	Effective Auditing procedure	9(13%)	34(47%)	4(6%)	16(22%)	9(12%)
6	Effective Monitoring and evaluation procedures	11(15%)	34(47%)	7(10%)	16(22%)	4(6%)
	Mean	17%	44%	6%	25%	8%

As shown in table above 21% and 42% VAT registrants respectively rated strongly disagree and disagree on the effectiveness of VAT officials in updating information if anything is changed or renewed information related to VAT . Similarly, VAT registrants accounted for 14% and 40% respectively in their disagreement level confirmed that, tax official didn't provide sufficient information when customers asked them to claim and other necessary information. Accordingly, respondents assured the tax office didn't have centralized information desk, as a result, registrants are killing time to obtain the needed information on particular area.

Regarding service delivery effectiveness 24% and 46% respondents in their disagreement level implied that, service delivery practice of the organization as a whole were not effective and they were implied, that, there is no fast service delivery practice in the tax center.

In relation to VAT collection effectiveness respondents accounted for 15% and 40% in their disagreement level implied it was not effective, Of the raised different problems in VAT collection of the Sub-City, monthly cross checking takes long time, collectors are not skilled enough, laws and procedures are not clear and simple, and repeatedly cut-off the computer system is one of the major constraints.

The study results` regarding VAT auditing effectiveness also implied that, VAT registrants accounted for 13% and 47% in their respective disagreement level implied that VAT auditing of the tax center was not effective. Accordingly, some of the constraints raised by registrants were, no appropriate audit program based on risk assessment. The audit task was only desk auditing. There is no door to door inspection to check inventories and refund auditing take long time. Finally the study were assessed the tax officials monitoring and evaluation system of VAT registrants, accordingly, respondents accounted for 15% and 47% implied in their respective disagreement that, the officials didn't continuously monitor and evaluate VAT registrants.

#### 4.4.2.8. VAT Registrants Major challenge's that affect VAT administration of the office (Rank Order)

The table below shows the registrants overall rank based on the challenges of VAT administration discussed above the majority of respondents gave the first priority to the office Lack of skilled officials and employee, followed by Insufficient and poor rules and Regulation of the sub-city, Tax payer's lack of awareness, tax officials intentional miss to register VAT for some potential tax payers and lack of materials facilities.

**Table 4.11 Major challenges of VAT administration**

<b>S.No</b>	<b>Lists of parameter</b>	<b>Frequency</b>	<b>%</b>	<b>Rank</b>
1	Lack of skilled officials and employee	25	35	1
2	Some tax officials intentionally miss to register for VAT some potential taxpayers	6	8	5
3	Insufficient and poor rules and Regulation of the sub city	19	26	2
4	Tax payers lack of awareness	14	19	3
5	Lack of materials facilities	8	11	4

Table 4.11 shows the rank of different challenges of VAT administration of the sub –city based on the rank made by VAT registrants view. According to the VAT registrants view one of the major challenges of VAT administration as implied by 35% of the respondents was lack of efficient and skilled man power. In additions implied by 26% of respondents, Insufficient and poor rules and Regulation of the sub city also among the major challenges that weekend the sub

city VAT administration. 19% respondents also implied that, lack of VAT registrant's awareness also contributed a big for less effectiveness of VAT administration of the sub city. The rest 11% and 8% respondents also implied tax official's corrupt behavior and lack of materials facility also affected the sub – city VAT administration process.

The results implied that, in the Addis Ketema tax office, lack of skilled and honest man power in taxpayer identification and registration for VAT is one of the reasons for problem of uniformity so that many potential that required being register for VAT not did so and due to fear of Computation from those unregistered businesses and lack of confidence on the Sub City, others tried as much as possible to escape from the VAT net. The other challenges of the sub City for poor VAT administration and revenue performance were insufficient and poor rules and Regulation of the sub city VAT administration procedures. The other reason for non- registration of many potential taxpayers for VAT is unwillingness and lack of awareness of taxpayers to be register for VAT due to many reasons. In addition, even after registration, it is not possible to identify and control non filers or stop filers using the computer system called SIGTAS due to absence of well trained man power in the Sub City. In VAT collection, the office facilities and procedures are not simple, so that taxpayers choose to escape from the VAT rather. In terms of audit, there is no audit program based on risk assessment. The sum of all these challenges results in inefficient VAT administration and Revenue performance of the sub city.

## CHAPTER FIVE

### 5. SUMMARY, CONCLUSION AND RECOMMENDATION

#### 5.1. Summary of the Study

The major objective of the study was to assess value added tax (VAT) administration and revenue performance of Addis Ketema Sub – City tax center. The study was analyzed based on the data collected from employee and VAT registrants using questioner. In addition the study also considers annual report of VAT revenue performance for the last five years. Based on this the main findings of the study are summarized as follow.

Regarding illegal activities respondents accounted for 62% in their agreement implied there were challenges both from VAT registrants and some Tax officials. Those challenges were sell goods and services without VAT invoice in the sub city, manipulating the VAT registered machines, non compliance of law to keep proper records, providing forged invoice and engaging on business without VAT. In Relation to VAT filling and payment activities, 61% of the respondents implied managing the major challenges of VAT filling administration are affected by late submission of the VAT reports, late payment practice , overstated claims of repayment and non – filling challenges. With respect to challenges faced by officials to administer VAT 62% of the respondents implied that there is lack of equipment facilities, inadequate human resources and lack of automated system. As a results the office challenged in taxpayer identification and registration for VAT. The study also implied capacity building program as implied by 64% of the respondents, even though some of the employee receives capacity building facilities such as training and educational opportunities, the majority of the respondents still not include in the capacity program of the sub city. Considering controlling and monitoring system of VAT registrants 69% of the respondents in their disagreement level implied that the tax office faced challenges for controlling and monitoring system for VAT registrants. The major challenges were lack of awareness raising program and lack of automation. Generally, the above findings implied that VAT administration and revenue performance of the sub-city tax center is in challenge.

## 5.2. Conclusion of the study

VAT administration and revenue performance of the office affected by tangible and intangible factors in general, such as, lack of material facilities, inadequacy of man power, challenges to implement of vat regulatory, and lack of awareness among vat registrants, are some of the factors that affect the studied tax office vat administration and revenue performance. However, the study more emphasizes on specific factors and concludes as follow:

Regarding illegal practice of the sub city administration the finding implied that, illegal act on VAT administration has been committed both by tax officials and VAT registrants. Accordingly, some of VAT registrants sell goods and services without tax invoices and few registrants manipulate cash register machines. The finding also implied that employee also participated on illegal activities such as leaving potential traders unregistered, cooperate with VAT registrants default making and other unexpected mechanism. These create loopholes for large number of unregistered traders in the sub city, also for VAT registrants behind their unwillingness to be registered for VAT they have poor and irritating VAT administrative procedures, fear of competition from VAT unregistered similar businesses.

There are major challenges that affect VAT filling and payment administration of the sub – city such as, late payment of VAT, non-filing, and Overstated claims of repayment. The problem related with shortage of sufficient number of cashiers, auditors, lack of well trained and qualified employees, frequent power interruption and system breakdown forced VAT registrants to wait long hours and even more than a day to declare the monthly VAT return and leads VAT registrants not to fulfill their obligation on time which shows the branch's service delivery capacity is poor.

Taxpayer identification and registration for VAT particularly, the compulsory registration by assessment of the daily income of taxpayers not processed by well trained and credible tax officials. This is one of the reasons for non-registration of many potential taxpayers for VAT in the Sub City. The other reason for non-registration of many potential taxpayers for VAT is unwillingness and lack of awareness of taxpayers to be registered for VAT due to many reasons. In addition, even after registration, it is not possible to identify and control non-filers or stop filers using the computer system called SIGTAS due to absence of well-trained man power in the

Sub City. In VAT collection, the office facilities and procedures are not simple, so that taxpayers choose to escape from the VAT rather.

In order to prove whether the refunding procedure is being implemented in line with the system set or not, the finding implied that there were poor treatment as per the set standard. Therefore, refund treatment practice was found below the average as compared to the existing law.

One of the components of good service delivery is the presence of good office facilities (including effective computer system), however, the study has seen office facilities of equipment's were poor. As a result the office and registrant's encountered complexity and difficulty of tax administration system and these leads to tax evasion and avoidance.

Some of the reason for poor VAT administration and revenue performance of the studied office is due to lack of knowledge, poor tax administration and fear of unnecessary competition from similar unregistered business voluntary compliance in the branch office.

Generally, VAT administration and revenue performance of the studied tax center affected by several factors. Accordingly, one of the major challenges of VAT administration of the studied sub city was lack of efficient and skilled man power, in sufficient and poor rules and Regulation of the sub city, lack of VAT registrant's awareness, unethical behavior of some officials and lack of materials facility.

### 5.3. Recommendation

Based on the findings given above, the following recommendations are made.

- In Ethiopia, VAT is a recently introduced system in the history of taxation. Within this short period of time, the experience gained and the revenue generated is very encouraging. This is a big achievement that has to be recognized. At this point in time, it is necessary to document and share the best practices that the country gained within the last few years so that we can capitalize our strong points and then correct the weaknesses that we may have. Hence, it is important to organize experience sharing sessions for such purpose.
- The study shows that not all companies and business people who should get registered for VAT are registered. This is a very serious problem. Therefore, urgent action has to be taken in letting those who should get VAT registered to get registered on time. This also demands a coordinated effort of all the concerned government bodies.
- There are also business bodies that are registered for VAT but with late payment declaration. This needs continuous follow up and action to those tax payers. However, efforts have to be taken continuously in creating awareness.
- There is a need to enhance the capacity of the employees of the branch office; there is a need for changing the attitude towards customer handling and other service giving methodologies. Each employee has to be convinced that developing his/her own capacity is a continuous process and each of them has to take responsibility of doing so using different mechanisms such as, training, and provide educational opportunities.
- The government at large also needs to be sensitive in addressing where and how the collected taxes are spent using various means. After having built infrastructures, dams, bridges, and other projects, it would be very essential to the government to give credit to the taxpayers for the contribution they made and that makes them feel a sense of belongingness on the country's growth. This could help the taxpayers to act ethically.
- In terms of penalty, first is better to work in improving social norms through various awareness creation program and then, applying the law correctly is important for evasion and fraud.



- The branch office has to make collaborations with the nearby government and private institutions to conduct joint capacity building and research program in identifying those problems in the administration of VAT and it is the belief of the researcher for allocating a certain amount of budget for undertaking the research to have big return in the nation. So, it is better for the government to introduce such budget at the national level, so that problems can be identified soon.

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# ANNEX

**St. MARRY UNIVERSTY  
SCHOOL OF GRADUATE STUDIES  
DEPARTMENT OF ACCOUNTING AND FINANCE  
QUESTIONER FOR EMPLOYEES**

*Dear respondents,*

This study is conducted for the partial fulfillment of the requirements for the Masters of Business Administration in Accounting and Finance. It is intended to assess the practice of Value Added Tax Administration in Addis Ketema Small taxpayers Branch Office. The purpose of this questionnaire is to get your opinion based on your observation concerning the Value Added Tax administration practices of the Branch Office and the major limitations you think that hinders its effectiveness at present. As a result the study will be used as an input for the Branch Office to identify its problems, upgrade its service and create conducive environment both for the employees as well as for the taxpayers. I would like to remind you that your response will only be used for the study and be highly confidential. Therefore, please do not hesitate to answer all questions.

I would like to thank you in advance for sharing your precious time and kind cooperation.

*TadesseMengistu*

**Part one**

*Please give the requesting information by putting (x) marks on the appropriate spaces.*

1. Sex            Male    [   ]                    Female [   ]
2. Age        20 – 30 [   ] 31 - 40[   ] 41 - 45[   ] above 46 [   ]
3. Academic qualification: Diploma [   ] Degree [   ] Master Degree [   ] PhD [   ]  
If other \_\_\_\_\_
4. Year of service (Work experience on the area) \_\_\_\_\_
5. Your status or position in the organization? Assessor [   ] Collector [   ] Auditing and  
Inspection [   ]



## Part Two

*From question number 1-22 please indicate your choice by putting the tick mark (√) on the appropriate cell. Where, 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree.*

List of parameters		Score				
		1	2	3	4	5
<b>Illegality character of VAT Registrants</b>						
1.	VAT registrants sell goods and services without VAT invoice					
2.	VAT registrants manipulate Cash Register Machine					
3.	required by law to keep proper records and file correct returns,					
4.	VAT registrants provide fake or forged invoices to secure more input tax					
5.	Trading without vat registration					
<b>VAT filling and payment Challenges</b>						
6	late submission of the VAT return					
7	late payment of VAT					
8	Non – Filing of vat registrants					
9	Overstated claims of repayment					
<b>Challenges faced by officials to administer VAT</b>						
10	Lack of equipment facilities					
11	Lack of administrative cost					
12	Efficient and large number of employee					
13	Lack of good behavior of VAT payers concerning tax ethics					
14	Lack of Automated System Exists for managing tax payers					
<b>Activities to enhance capacity of tax officers</b>						
15	Activities to enhance the capacity of the tax officers					
16	Enactment of VAT proclamation was made at the right time					
17	Forwarding timely those up-to-date information about VAT for the tax					

List of parameters		Score				
		1	2	3	4	5
	officers					
	<b>Controlling and monitoring system VAT Registrants</b>					
18	Assessing all tax payers who should get registered for VAT are registered					
19	Awareness rising program of Vat registrant					
20	Computerized controlling system of filing and payment					
21	Regular evaluating of annual plan performance of the office based on auditing					
22	Strict penalties for late VAT payers					

ቅድስትማርያምዩንቨርሲቲ  
አካውንቲንግእናፋይናንስዲፓርትመንት  
የድህረምረቃትምህርትክፍል  
ለታክስሰባለስልጣንቅርንጫፍጽ/ቤትሰራተኞችየቀረበቃለመጠይቅ

የተከበራችሁ የመጠይቁ ተሳታፊዎች፡-

ይህ ጥናት የሚከናወነው በአካውንቲንግ እና ፋይናንስ በቢዝነስ አድሚንስትሬሽን ትምህርት የማስተርስ ድግሪ ከፊል ማሟያነት ታስቦ ነው። የጥናቱ ሀሳብም በአዲስ ከተማ አነስተኛ ግብር ከፋዮች ቅርንጫፍ ጽ/ቤት ያለውን የተጨማሪ እሴት ታክስ አስተዳደር ትግበራ ለመዳሰስ ነው። የመጠይቁ አላማ በአሁኑ ጊዜ በቅርንጫፍ ጽ/ቤቱ ያለውን የተጨማሪ እሴት ታክስ አስተዳደር ትግበራ እንዲሁም ለአስደተዳደሩ ግብ መሳካት እንቅፋት የሆኑ ውስንነቶች ካሉ የእናንተን ምልክታ አስተያየት ለማግኘት ነው። ከዚህ ጥናት የሚገኘው ውጤትም የቅርንጫፍ ጽ/ቤቱን ችግሮች ለመለየት፣ የአገልግሎት አሰጣጡን ለማሳደግ፣ ለጽ/ቤቱ ሰራተኞች እና ለግብር ከፋዩ ህብረተሰብ ተስማሚ የሆነ የስራ አካባቢን ለመፍጠር በግብዓትነት የመያገልግል ይሆናል። ለመጠይቁ የሚሰጠው መልስ ለጥናቱ መርሀ ግብር የሚውል ሲሆን በከፍተኛ ደረጃ በሚስጥር የሚጠበቅ መሆኑን ለማማሳሰብ እወዳለሁ። ስለሆነም ያለምንም ጥርጥር የቀረበውን መጠይቅ በመሙላት አስፈላጊውን ትብብር እንድታደርጉ በትህትና እጠይቃለሁ።

የቀረበውን መጠይቅ ለመሙላት ውድ ግዜያችሁን ላካፈላችሁኝ በሙሉ ከወዲሁ ምስጋናዬን አቀርባለሁ።

### ክፍልአንድ

የተጠየቀውን መረጃ በተገቢው ቦታ የ/ጾ/ ምልክት በማስቀመጥ እንዲሞላ በአክብሮት እጠይቃለሁ።

1. ጾታ \_\_\_\_\_ ወንድ [ ] \_\_\_\_\_ ሴት [ ]
2. እድሜ 20-30 [ ] 31-40 [ ] 41-45 [ ] ከ46 በላይ [ ]
3. የትምህርት ደረጃ ዲፕሎማ [ ] ድግሪ [ ] ማስተርስ ድግሪ [ ] ዶክትሬት ድግሪ [ ]  
ሌላ ካለ \_\_\_\_\_
4. በድርጅቱ ውስጥ ያልዎት የሥራ ኃላፊነት ግብር ወሳኝ [ ] ግብር ሰብሳቢ [ ] የግብር ኦዲት እና ኢንሰፔክሽን ሰራተኛ
5. ያልዎት የሥራ ልምድ ምን ያህል አመት ነው \_\_\_\_\_

### ክፍልሁለት

ቀጥለው ለተመለከቱት መጠይቆች መልሳችሁን በተገቢው ቦታ የ /N/ ምልክት በማስቀመጥ እንድትሞሉ በአክብሮት እጠይቃለሁ።

1. በጣም አልስማማም 2. አልስማማም 3. ገለልተኛ ነኝ 4. እስማማለሁ 5. በጣም እስማማለሁ

ተራ ቁ.	የመስፈርት ዝርዝሮች	ደረጃዎች				
		1	2	3	4	5
	<b>የተጨማሪ እሴት ታክስ ተመዝጋቢዎች ህጋዊ የስራ አካሄድ</b>					
1.	የተጨማሪ እሴት ታክስ ተመዝጋቢዎች የዕ ቃዎች እና የአገልግሎቶች ሽያጭ ያለ ተ.እ.ታ ኢንቮይስ የሚያከናውኑ መሆናቸው፤					
2.	የተ.እ.ታ ተመዝጋቢዎች የተ.እ.ታ መመዝገቢያ ማሸን የመጠቀም ዝንባሌ፤					
3.	ህጉ በሚጠይቀው ሁኔታ ተገቢውን መዝገብ የመያዝ እና ትክክለኛ የተ.እ.ታ ፋይል የመያዝ ሁኔታ፤					
4.	የተ.እ.ታ ተመዝጋቢዎች የበለጠ በግዥ ወቅት የከፈሉትን ተ.እ.ታ ለማግኘት ሲሉ የተጭበረበረ ኢንቮይስ የሚያቀርቡበት ሁኔታ ስለመኖሩ የተ.እ.ታ፤					
5.	የተ.እ.ታ መመዝገብ ሲገባቸው ሳይመዘገቡ የቀሩ ነጋዴዎች መኖር፤ <b>የተ.እ.ታ ፋይል የማድረግ እና የመክፈል ፈተናዎች</b>					
6.	የተ.እ.ታ ፋይልን ዘግይቶ ለቅርንጫፍ ጽ/ቤቱ የማደሳወቅ ሁኔታ መኖር፤					
7.	የተ.እ.ታ ዘግይቶ የመክፈል ሁኔታ፤					
8.	የተ.እ.ታ ተመዝግቦው በፋይል ያለመያዝ ሁኔታ፤					
9.	ከሚገባው በላይ የተ.እ.ታ ክፍያ የመጠየቅ ሁኔታ፤ <b>የተ.እ.ታ ለማስተዳደር የገጠሙ ፈተናዎች</b>					
10.	የስራ መሳሪያዎች መሟላት እጥረት፤					
11.	የአስተዳደራዊ በጀት እትረት፤					

13.	ወጤታማ የሆነ በቂ የሰው ኃይል መኖር፤						
14.	የተ.እ.ታ ከፋዮች የስነምግባር እጥረት መኖር፤						
15.	የተ.እ.ታ ከፋዮችን ለማስተዳደር የሚያስችል የአውቶሜሽን እጥረት መኖር፤ የአቅም ግንባታ ስራዎችን በተመለከተ						
16.	የታክስ ባለሙያዎችን ለማጎልበት የተሰሩ ስራዎች መኖራቸው፤						
17.	የተ.እ.ታ አዋጅ በተገቢው ጊዜ ስለመውጣቱ						
18.	ስለ ተ.እ.ታ ወቅታዊ መረጃዎችን ለታክስ ባለሙያው በጊዜው የማድረስ ሁኔታ፤ የተ.እ.ታ ተመዝጋቢዎችን የመቆጣጠሪያ እና የመከታተያ ዘዴዎችን በተመለከተ						
19.	ለተጨማሪ እሴት ታክስ መመዝገብ የሚገባቸው ግብር ከፋዮች ተሟልተው ስለመመዝገባቸው ዳሰሳ የሚደረግ ስለመሆኑ፤						
20.	ለተ.እ.ታ ተመዝጋቢዎች የግንዛቤ መጨመሪያ ፕሮግራም ስለመዘጋጀቱ						

**QUESTIONNAIRE**  
**St. MARRY UNIVERSTY**  
**SCHOOL OF GRADUATE STUDIES**  
**DEPARTMENT OF ACCOUNTING AND FINANCE**  
**QUESTIONNAIRE FOR VAT REGISTRANTS**

*Dear respondents,*

This study is conducted for the partial fulfillment of the requirements for the Masters of Accounting and Finance. It is intended to assess the practice of Value Added Tax Administration in Addis Ketema Small taxpayers Branch Office. The purpose of this questionnaire is to get your opinion based on your observation concerning the Value Added Tax administration practices of the Branch Office and the major limitations you think that hinders its effectiveness. As a result the study will be used as an input for the Branch Office to identify its problems, upgrade its service and create conducive environment both for the employees as well as for the taxpayers. I would like to remind you that your response will only be used for the study and be highly confidential. Therefore, please do not hesitate to answer all questions.

I thank you in advance for sharing your precious time and kind cooperation.

*TadesseMengistu*

**Part one**

*Please give the requesting information by putting (x) marks on the appropriate spaces.*

1. Sex            Male    [   ]                    Female [   ]
2. Age        20 – 30 [   ] 31 – 40 [   ] 41 - 45[   ] above 46 [   ]
3. Academic qualification 10 or 12 completed [   ] certificate [   ]  
     Diploma [   ] Degree [   ]                    Master Degree [   ] PhD [   ]  
     If other \_\_\_\_\_
4. Types of business you belong \_\_\_\_\_
5. For how many years you are known as VAT registrant? \_\_\_\_\_

## Part Two

How do you evaluate the strength of Addis Ketema Sub City Revenue Office with respect to the following parameters?

No	Lists of parameters	Very good	Good	Neutral	poor	Very poor
1	Tax officials skills and activities to register traders that should register					
2	Refunding procedure implemented in line with system					
3	appropriate penalties					
4	faire and efficient appeals system					
5	Awareness raising program of the office					
6	Office facilities					

*Please indicate your choice by putting the tick mark (√) on the appropriate cell. Where, 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree.*

<i>How do you evaluate the services delivery effectiveness the Branch Office regarding the following parameters matters?</i>		Score				
		1	2	3	4	5
1	The Branch Office updates any changes of vat its customer					
2	Tax officials give you sufficient information when ever asked					
3	The Branch Office often tries to make traders to comply with the law					
4	Fast and excellent customer service					
5	There is effective Tax assessment					
6	There is effective VAT collection system					
7	Effective Auditing procedure					
8	Effective Monitoring and evaluation procedures					

**How do you rank about the factor affecting tax payer's identification rank from 1 – 5<sup>th</sup>?**

No	Lists of parameter	Quantity	%age	Rank
1	Lack of skilled officials and employee			
2	Some tax officials intentionally miss to register for VAT some potential taxpayers			
3	Insufficient and poor rules and Regulation			
4	Tax payers lack of awareness			
5	Lack of materials facilities			

ቅድስተማርያምዩኒቨርሲቲ  
የድህረምረቃጥናቶችት/ቤት  
አካውንቲንግእናፋይናንስትምህርትክፍል  
ለተጨማሪእሴትታክስተመዘጋቢዎች  
የተዘጋጀ መጠይቅ

የተከበራችሁ የመጠይቁ ተሳታፊዎች፡-

ጥናቱ የሚከናወነው በአካውንቲንግ እና ፋይናንስ የትምህርት ክፍል ማስተርስ ዲግሪ ማሟያነት ታስቦ ሲሆን አላማውም በአዲስ ከተማ ክፍለ ከተማ የአነስተኛ ግብር ከፋዮች ቅርንጫፍ ጽ/ቤት ያለውን የተጨማሪ እሴት ታክስ አስተዳደር ለመገምገም ነው። የዚህ መጠይቅ አላማ በተጨማሪ እሴት ታክስ ተመዘጋቢዎች እይታ በአሁኑ ወቅት በክፍለ ከተማው የሚስተዋለውን የተጨማሪ እሴት ታክስ አስተዳደር አፈፃፀም እንዲሁም አላማውን ከግብ ለማድረስ እንቅፋት የሆኑ ውሳኔዎች ካሉ የተጨማሪ እሴት ታክስ ተመዘጋቢዎችን አስተያየት ለማግኘት ነው። የጥናቱ ውጤት የክፍለ ከተማው ጽ/ቤት ችግሮችን ለመለየት ፤ የአገልግሎት አሰጣጥ ደረጃውን ከፍ ለማድረግ፤ እና ለጽ/ቤቱ ሰራተኞች እንዲሁም ለግብር ከፋዮቹ ምቹ የሥራ አካባቢ ሁኔታዎችን ለመፍጠር በግብአትነት የሚያገለግል ነው። በድጋሚ ለማስታወስ ከመጠይቁ የሚገኘው ምላሽ ለጥናቱ አላማ ብቻ የሚውል እና በከፍተኛ ደረጃ በሚስጥር የሚጠበቅ ይሆናል። በመሆኑም መጠይቁ ነፃ በመሆን እንዲሞላ እያስገነዘብን ውድ ጊዜዎችን በማካፈል ላደረጉልኝ መልካም ትብብር ከወዲሁ የላቀ ምስጋናዬን አቀርባለሁ።

ታደሰ መንግስቱ



**ክፍልአንድ**

በቀረበው የ [ ] ምልክት ውስጥ የ (x) ምልክት በማስቀመጥ ተገቢውን ተገቢውን መረጃ እንዲሰጡ በአክብሮት ተጠይቀዋል።

1. ጾታ ወንድ [ ] ሴት [ ]
2. እድሜ 20-30 [ ] 31-40 [ ] 41-45 [ ] ከ46 በላይ [ ]
3. የትምህርት ደረጃ
  - 10ኛ ወይም 12ኛ ክፍል ያጠናቀቁ [ ]
  - ሰርተፊኬት [ ]
  - ዲፕሎማ [ ]
  - የመጀመሪያ ድግሪ [ ]
  - ሁለተኛ ድግሪ (ማስተርስ) [ ]
  - ሦስተኛ ድግሪ (ዶክትሬት) [ ]
  - ሌላ ካለ \_\_\_\_\_
4. የተሰማሩበት የንግድ ሥራ ዓይነት \_\_\_\_\_
5. የተጨማሪ እሴት ታክስ ተመዝጋቢ ከሆኑ ምን ያህል ጊዜ ሆንዎት ? \_\_\_\_\_

**ክፍልሁለት**

የክፍለ ከተማውን የግብር ባለስልጣን ቅርንጫፍ ጽ/ቤት በሚከተሉት መስፈርቶች እንዴት ይገመግሙታል ?

ተራ ቁ	የመስፈርቶች ዝርዝር	በጣም ጥሩ	ጥሩ	ገለልተኛ	ደካማ	በጣም ደካማ
1.	የግብር ባለስልጣን ቅርንጫፍ ጽ/ቤቱ የተጨማሪ እሴት ታክስ ለመዘገብ የሚገባቸውን ግብር ከፋዮች ለመመዘገብ ያላቸው ክህሎት እና ተነሳሽነት					
2.	በህጉ መሰረት ተመላሽ መደረግ የሚገባውን ግብር ተመላሽ የማድረግ አፈፃፀም					
3.	የቅጣት አፈፃፀም ፍትሀዊነት					
4.	የይግባኝ ስርዓት አፈፃፀም ፍትሀዊነት					
5.	በጽ/ቤቱ ግንዛቤን የማሳደግ ፕሮግራም መኖር					
6.	የጽ/ቤቱ ለስራ ምቹነት					

ቀጥለው ለተመለከቱት የ (x) ምልክት በማስቀመጥ ተገቢውን መልስ ቢሰጡ

1. በጣም አልስማማም
2. አልስማማም
3. ገለልተኛ ነኝ
4. እስማማለሁ
5. በጣም እስማማለሁ

ተራ ቁ	በሚከተሉት መስፈርቶች የቅርንጫፍ ጽ/ቤቱን የአገልግሎት አሰጣጥ ብቃት እንዴት ይገመገሙታል	ደረጃ				
		1	2	3	4	5
1.	በቅርንጫፍ ጽ/ቤቱ ማንኛውም ከተጨማሪ እሴት ታክስ ጋር የሚገናኙ መረጃዎችን ወቅታዊ የማድረግ እና ለግብር ከፋዩ የማሳወቅ ሁኔታ፤					
2.	የግብር ባለስልጣኑ ኃላፊዎች የሚጠየቁትን መረጃዎች በቂ መልስ የሚሰጡ ስለመሆናቸው፤					
3.	የቅርንጫፍ ጽ/ቤቱ ለነጋዴዎች የግብር ህጉን እንዲተገብሩ ጥረት የሚያደርጉ ስለመሆናቸው					
4.	ፈጣን እና እጅግ በጣም ጥሩ የደንበኞች አገልግሎት መሰጠቱን በተመለከተ፤					
5.	አላማን ከግብ የሚያደርስ የግብር ግመታ አፈፃፀም ስለመኖሩ፤					
6.	አላማን ከግብ የሚያደርስ የግብር አሰባሰብ አፈፃፀም ስለመኖሩ፤					
7.	አላማን ከግብ የሚያደርስ የታክስ ኦዲት አፈፃፀም ስለመኖሩ					
8.	አላማን ከግብ የሚያደርስ የክትትል እና ግምገማ ስርዓት አፈፃፀም ስለመኖሩ					

የተጨማሪ እሴት ታክስ ከፋዮችን የመለየት ስራን ከመስራት አኳያ ለቀረቡ የአስተያየት ነጥቦች ደረጃ ስለመስጠት

ተራ ቁ.	የመስፈርት ዝርዝር	ብዛት	መቶኛ	ደረጃ
1.	የግብር ባለስልጣን ቅርንጫፍ ጽ/ቤት ኃላፊዎች እና ሰራተኞች ክህሎት ማነስ			
2.	በባለስልጣኑ ኃላፊዎች የተጨማሪ እሴት ታክስ መመዘገብ የሚገባቸውን ግብር ከፋዮች ሆነ ተብሎ ያለመመዘገብ ሁኔታ መኖር፤			
3.	የክፍለ ከተማው ግብር ሰብሳቢ ጽ/ቤት የአፈፃፀም ደንብ እና መመሪያ መኖር፤			
4.	የስራ መሳሪያዎች መሟላትን በተመለከተ			

## Declaration

I hereby declare that the project work entitled “Assessment of Value Added Tax Administration and Revenue Performance: the case of Ethiopian Revenue and Custom Authority (ERCA) Addis Ketema Sub-city” submitted by me for the award of Master of Business Administration in Accounting and Finance in St. marry university at Addis Ababa.

Place: St.Marry University

Addis Ababa

Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

## Certification

This is to certify that Ato Tadesse Mengistu has carried out this research work on the topic entitled “Assessment of Value Added Tax (VAT) Administration and Revenue performance in the Addis Ketema Sub-city Branch of the Ethiopian Revenue and Custom Authority (ERCA)” under my supervision. This work is sufficient for the submission of the partial fulfillment for the award of MBA in Accounting and Finance.

Dejene Mamo (Ass. Professor)

Signature:

Date: