

Assessment of Tax Payers attitude

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A study in Ethiopia, SNNPR, Gedio Zone, Ethiopia

Abstract

The study is conducted in Gedio Zone of SNNPR Ethiopia, with the Primary Objective assessing business income taxpayers' attitude and perceptions concerning various tax related issues such as tax compliance, reason for paying taxes, tax audit, efficiency and imposition of tax authority they are register in. convenient sampling method has been used to select respondents with the intention of curtailing nonresponse rate. Descriptive statistics has been used to analyze and interpret the data collected. Based on the findings the researcher has concluded that: taxpayers perceive that they are paying taxes just because their citizenship responsibility, majority of them feels that they are paying fair taxes, they also believe that there is no significant magnitude of treatment variation among tax payers done by tax officials. However, majority of them state that there is ethical problems and professional incompetence with the tax officers. Researcher has recommended Revenue Authority higher officers at Regional and Zonal level to strive to enhance taxpayers' awareness and actively work on their Human resource development so as to improve the professional competence and ethical standards of their officers.

Keywords: Taxpayers, Attitude, Gedio Zone, Ethiopia

1. Introduction

1.1 Background of the Study

Taxes are important sources of public revenue. The existence of collective consumption of goods and services necessitates putting some of our income into government hands. Such public goods like roads, power, municipal services, and other public infrastructures have favorable results on many families, business enterprises, industries and the general public. Public goods are normally supplied by public agencies due to their natures of non-rivalry and non-excludability. The nature of consumption of public goods is such that consumption by one does not reduce consumption for others. Besides, consumption of public goods by an agent does not exclude others from doing same. Such nature of public goods therefore makes them impossible for private suppliers to avail them at market prices like other commodities. Government intervention in the supply of public goods is therefore inevitable and can only be done if the public pays taxes for the production and supply of such goods. Despite the fact that people need to pay taxes based on rationales of vertical and horizontal equities, it is not always the case that tax systems are comprehensible and transparent for tax payers especially for less literate business operators. Tax systems are usually not elaborated after proper consultation with the business community. The business owners complain that the tax assessment method is based on subjective estimation as a result of which they are frequently subjected to over-taxation. Since the business owners do not have simplified access to and clarification on information of the tax laws, they lack awareness on tax rules and regulations and this has an impact on the practicability of the regulations. (ECC, 2005) [7]

Capacity to raise taxes is one of the core foundations of both economic and political development. The tax regime is critical for investment, private sector development and growth. The main role of revenue authorities is to ensure compliance with

the tax laws. Their effectiveness is dependent on variety of factors such as the state of the economy, public support priority of the government, and willingness of tax payers to comply with tax rules and overall perceptions and attitude of taxpayers. Internal factors such as the skill and experiences of employees, infrastructure facilities including computerization of the revenue authority also highly impact the effectiveness and efficiency of the tax administration. In an ever changing environment, revenue authorities must have a clear focus on what their goals are and continually over viewing their operating approaches and procedures to ensure that they are making the most effective and efficient use of the resources available to them. (Baysa, 2005 pp 18) [5]

Fiscal decentralization is one component of decentralization that gives authority to local governments to collect revenue through taxes and responsibility over spending decisions. Even though fiscal decentralization has given revenue raising and spending decision powers to lower levels of government, the implementation process has often been a daunting task for many local authorities in the developing world. If local governments are to carry out decentralized functions effectively, they must have passable level of revenue either raised locally or transferred from the central government as well as the authority to make decisions about expenditures. Given its attractiveness, it is not by coincidence that a myriad of fiscal reforms have been adopted by many governments across the developing nations. In many cases however, the results have been appalling owing to a multitude of challenges especially at the lower tiers of government. In Ethiopia, such fiscal reforms were instigated in 1991 and almost all local authorities have since then been given the responsibility of financial management. Because of the semi-autonomous nature of the various local authorities, the implementation level and structures of financial responsibilities has tended to vary from place to place.

1.2 Brief description of study area

Currently, Ethiopia has 9 regional states and 2 city administration states. Southern Nations' Nationalities People Region (here after called SNNPR) is one of the regional states, which has 13 zones. Gedeo' Zone is the zone which is located between 5° 84' -6° 43' north latitude and 38° 08' -38° 44' east longitude by comprising 6 woredas and 2 reform cities from 13 SNNPR. Its astronomical location is from 1350-3000 meter above sea level and found in the rift valley region. Its annual temperature and rainfall is 18°C and 1333.1 mm respectively. The zone is bounded by 1 zone i.e. sidama zone to the north and 1 region i.e. Oromia region to the east, to the west and to the south.

1.3 Problem statement

Ethiopian tax policy geared towards promoting investment, supporting industrial development; and broadening the tax base and decreasing the tax rate, at least maintaining the current reduced tax rates compared to most other countries, in view of financing the ever-growing needs of the government expenditure. On the other hand the policy is designed towards discouraging certain production and consumption activities, which had /and will have bad effects on health, moral, economic and social settings of the community. (ERCA 2010)^[8]

With the intention of maintaining and effectively implementing this objective of tax system the responsible organs of the government perform varieties of activities. Tax offices as revenue collecting organs do assume the responsibilities of collecting the higher amount of tax revenue for the government. To do so there are so many legislative powers assigned for them and the mechanisms of doing it.

Ethiopia's revenue administration system relies on taxpayers assessing their tax liability under the law and paying the correct amount of tax. However, unless it is systematically administered such system of self-assessment has inherent risks. (ERCA, 2010)^[8]

Attitude and perception of taxpayers play a vital role on the proper implementation of tax laws and will increase the amount of revenues to be collected from tax. If taxpayers do have positive attitude towards tax paying and tax authority officials they will be willing to comply tax laws. Tax compliance is one explanatory factor for the level of satisfaction of tax payers.

1.4 Objectives of the Study

The major objective of this research is to examine the taxpayers' attitude and perception towards tax related issues. The issues include attitude towards: paying taxes, tax Officers ethics and professional competence, fairness of tax assessment, and tax compliance

1.5 Significance of the study

This research will have the following significances after its successful completion:

- It will enable concerned bodies at various government level (Regional and Local) to know the attitude of tax payers and act accordingly to enhance knowledge of tax payers so that they could have a more positive and knowledge driven attitude

- Concerned revenue offices will device a mechanism to improve competency and Ethical standards of tax officers so that they will serve taxpayers with appropriate ethics and professional capacity.
- Depending on the finding of the research different trainings and seminars may be held to increase the awareness of major stock holders concerning the matter

1.6 Scope of the study

This research is to be conducted in Gedio' zone SNNPR Ethiopia; giving a special emphasis to business income tax declaration and all related activities of the zonal tax office. It only tries to examine the attitude of taxpayers with tax related issues.

1.7 Limitations of the study

This research has the following limitations:

- Since the researcher is not capable of developing and using econometric models, findings are not tested by using models.
- The respondents are selected using one of nonprobability sampling methods which is convenient sampling. Since it's not random sampling it may lack representativeness.

2. Literature Review

2.1 Meaning of Tax

A tax is "a compulsory charge imposed by the Government without any expectation of direct return in benefit ". In other words, a tax is a compulsory payment or contribution by the people to the Government for which there is no direct return to the taxpayers. Tax imposes a personal obligation on the people to pay if they are liable to pay it. The general public should be taxed according to their ability to pay, i.e., the people in the same financial position should be taxed in the same way without any discrimination. Thus, tax can be defined as, "an involuntary fee or more precisely, "unrequited payment", paid by individuals or businesses to a government (central or local)". Taxes may be paid in cash or kind (although payments in kind may not always be allowed or classified as taxes in all systems). The means of taxation, and the uses to which the funds raised through taxation should be put, are a matter of hot dispute in politics and economics, so discussions of taxation are frequently tendentious.

Taxation is fundamental to sustainable development, as it supports the basic functions of an effective state and sets the context for economic growth. More often overlooked is the role of taxation as a catalyst for the development of responsive and accountable government, and for the expansion of state capacity. (Prichard, 2010)

Revenue generation at optimum level is always desired and various measures have been taken to encourage taxpayers for voluntary compliance. It is expected that the tax compliance rate increases based on various factors including the satisfaction which mainly reflected by the positive attitude of tax payers about tax authorities the tax policies, their implementation, fairness of tax assessment and the like.

The primary objectives of tax administrations are to ensure compliance with tax laws and improve customer service satisfaction for taxpayers and an improved understanding of taxpayer behavior (and attitudes to taxation) can help tax

administrations to develop stronger and more effective compliance risk treatments (Walsh, 2012) ^[12].

2.1.1 Factors affecting attitudes of service users

Some factors specially up on filling tax returns and payment of taxes:

- Convenience
- Certainty
- Fast refund
- Notice from tax administration, and
- Accessibility

The need for tax revenue is increasing day after day; state needs to raise its service quality in order not to lose the tax payers, but to gain them. Especially the tax officers and their chiefs who are in direct relationship with the tax payer should have good relations with all taxpayers, empathize with the taxpayer, treat equally to each taxpayer and motivate the taxpayers regarding conformity with the taxes. In this study, a survey was conducted among the tax officers employed in the Revenue (Nilgun *et al.* 2014).

The need to strengthen the delivery of public goods and services for citizens has, in recent decades, assumed significance both in developed and developing countries (Karim, 2003 in ADB, 2010).

This development has been linked with the shift in public administration whereby the emphasis has now moved beyond the pure New Public Management (NPM) criteria of efficiency, value for money, managing for results, procedural to the 'public value model' which elevates the NPM notion of citizens as consumers to citizens with broad social concerns (Njunwa, 2007 in ADB, 2010).

The need for faster development and growth necessitated higher public expenditure for the state. The importance of increasing the tax revenue that constitutes the resource of public expenditure is clearly visible. For increasing the share of tax revenue within the public revenue it is very important to increase the compliance of the taxpayers for paying taxes. With the impact of globalization, the importance of the satisfaction of subjects of service has increased in the management approach to tax systems and today, the service perception of the state, which is anticipated to generate faster, more effective and more transparent services, has been subject to transformation. "Max Weber, one of the influential founders of classical administrative thought, who believed that an administration's duties need specific definitions, and that such policies are vital in the construction of an advanced market economy" (Žarkovic-Rakic, 2007; 37) cited in (Nilgun *et al.*, 2014).

A better reputation of the public administration is critical in order to encourage more taxpayers to comply with tax laws. This would lead to more tax generated income for the public sector and it would provide additional budgetary room in the long run. However, better reputation can only be achieved if citizens feel significant improvements in the service delivery. Apart from that, the tax administration needs to establish an effective system of penalization for citizens who fail to fulfill their tax duty (RAS, 2010) ^[14].

2.2 Tax Compliance

Many of the functions of tax administration depend to at least some degree on the voluntary compliance of taxpayers. In

addition, large elements of the tax system in Ireland are based on self-assessment. In this context, there is clearly potential to influence behavior to improve compliance (Walsh, 2012) ^[12].

Tax compliance means obeying tax laws. Andreoni *et al.* (1998) stated that compliance with reporting requirements means the taxpayer files all required tax returns at the proper time and that the returns accurately report tax liability in accordance with the Internal Revenue Code, regulations, and court decisions applicable at the time the return filed. According to James S. *et al.*, (2003), tax compliance expressed in terms of the degree that taxpayers "comply with tax law and the degree of non-compliance measured in terms of the tax gap. Tax compliance is a behavior of tax function as constellation of cognitive, effective and co-native component interacting in understanding, feeling and behaves towards the meaning and the function of tax (Hidiyat *et al.* 2014) ^[10].

2.2.1 Tax compliance theories

There are many predictors for tax compliance from the economic to the non-economic factors. The economic factors are detection and punishment, harsh enforcement, burden of taxation whereas the non-economic factors as mentioned by (Alm, Sanchez, and Ana, 2003) ^[2] are behavioral in nature. Fiscal psychological factor is an important element in tax compliance research and numerous tax compliance researches on tax fairness showed significant results. Generally the decision to comply or not is an individual's rational profit seeking attitude (Allingham and Sandmo, 2007) ^[1]. A major difficulty in analyzing noncompliance is in its methods of measurement. Naturally, individuals have incentives to conceal their cheating. Based on the above expressions the definition of tax compliance can be shortly refined as the desire or willingness of the taxpayers to act in accordance with the tax law and the voluntary effort they exercise to pay their tax liability on timely basis.

2.2.1.1 Deterrence theory

The taxonomy of tax compliance studied under theoretical perspectives of deterrence theory and fiscal psychology. Deterrence theory relates to sanctions, threats (fines and penalty structure). It has association with criminal justice. Tax noncompliance is a soft type of "illegal" act of not complying with the tax laws. In fact, evasion of tax which illegal act of evading tax and avoidance of tax refers to a legal concept of tax evasion and activities related to avoidance are tax planning and tax investment. What made the deterrence theory that crucial? They needed to deter the noncompliance activities of taxpayer who default to pay the government its rightful source of revenue. However, many tax researchers have questioned the appropriateness of the deterrence theory framework (model) that used to explain compliance behavior because deterrence can also be counterproductive and found a negative correlation using sanctions. Despite this relationship between fear of sanction and crime rate it can lead to a passive behavior by individual as reported by Jackson B. and Milliron V. (1986), and Cuccia A. (1994) ^[4], studied on the detection probability and the intentions to evade taxes and his findings were consistent with the deterrence theory.

2.2.1.2 Fiscal psychology

Since long time attitude become a prevalent concept with the numerous studies that covers the field of economics,

accounting, criminal justice (decision sciences), law, psychology, sociology, ethics and taxation. This has provided plenty of issues and questions to understand attitude of taxpayers. Models using the attitudes tradition are more complex than deterrence theory models besides being unique because it looks at compliance intentions of the taxpayer. However, according to Cuccia (1994) [4], fiscal psychology suffers from a methodological shortcoming because it failed to identify the mechanisms through which the link exists and that economic based compliance research will be better at understanding taxpayer reporting. Factors under fiscal psychology which are behavioral in nature are demographic, (e.g. age, gender), perceptions of the moral of evasion, perceptions of peer compliance and fairness of the laws. The taxpayer may not reveal the truth in the survey due to bias because one person may perceive that underreporting is not wrong as compared to another Alm and Ana (2003) [2] stated that equity models in understanding perceived fairness. The most common point of difference in different theories on tax compliance studies used the concept of exchange equity, vertical equity, and horizontal equity (Ana and Schisler, 2003) [2]. When public goods and services increase at a certain level of tax payment it boasts the taxpayer's perception of exchange equity and therefore the chances of tax evasion would be less. However, as more theories stated that when public goods increase, tax evasion reduces leading to better compliance, there was still doubt whether the interdependence of taxpayer and government in providing public goods is due to the equity effect or economic effect or both are responsible. They point out a significant support for the relations between perceptions of fairness and compliance, exchange equity and compliance, and compliance and commitment when tested for tax noncompliance using concepts such as tax underreporting and dishonesty.

2.2.2 Factors determining tax compliance behavior

Fischer *et al.* (1992) stated there are four basic factors that determine tax compliance behavior in his expanded model (Fischer Model):

1. demographic (e.g. - age, gender and education)
2. noncompliance opportunity (e.g. income level, income source and occupation),
3. attitudes and perceptions (e.g. fairness of the tax system and peer influence) and
4. Tax System/structure (e.g. complexity of the tax system, probability of detection and penalties and tax rates).

Thus, from the Factors, that affecting compliance behavior the specific factors that is fairness issue and the fairness affecting factors of the Ethiopian income tax system remain as questions to be addressed.

Tax Compliance Costs

Tax compliance costs were defined as all those costs incurred in the course of ensuring proper compliance with relevant tax regulations. These costs include the following:

- The costs incurred in the course of record-keeping – this included all the costs associated with the compiling and organization of receipts and records.
- The costs incurred in the preparation and submission of all relevant tax returns.

- The value of the time utilized by the small business staff in ensuring proper compliance, including visits to tax offices.
- The costs incurred for the services of tax practitioners, accountants, and other consultants that may have been required to either ensure compliance and/or address disputes with SARS.
- All other costs incurred in the course of ensuring compliance, including incidental and travel costs. (Citiz, 2008)

3 Research Design and Methodology

3.1 Source Data

3.1.1 Source of Primary data

The primary data had been gathered using:

- Interview with the tax office workers, and
- Observation has also been used to obtain information that is important,

In all of the interviews the researcher has used both structured and unstructured questions.

3.1.2 Secondary Data

The secondary data will be collected from:

- Manuals, guidelines and regulations issued by the Federal and Regional tax offices,
- Reports issued by the office to the regional tax authority, and
- Open-ended and closed ended Questionnaires distributed to tax payers

3.2 Methods and Tools of Data collection

3.2.1 Data Collection tools

The data used in this study consists of both primary and secondary data. The primary data were collected through standard questionnaire. The questionnaire comprised of both closed and open ended questions. Closed ended questions are quicker and easier both for respondents and researcher. Almost all of the closed ended questions are designed as 'yes' or 'no' questions, Adding open ended questions could enable respondents to offer additional comments of their own to the questions. The replies of open-ended questions were analyzed as supportive information. The questionnaire had been translated into Amharic by taking into consideration the fact that majority of the respondents do not understand English language; due care is given to avoid any negative connotation and minimize the confusion tendency of the respondents.

Secondary data were also collected from the zonal tax authority data base and unpublished sources. This data includes number of category 'A' and 'B' taxpayers. While collecting and using these data for the study, more considerations were given to their time period, reliability, and relevance to the purpose of the study.

3.1.1 Sampling methods

In this research the researcher has used non-probabilistic sampling technique- *convenience sampling*. The researcher had selected the sample respondents depending on: their years of doing business in the city, their business capacity, personal interaction with the researcher, and their willingness give responses. This is intentionally done in order to reduce the failure rate and to enhance the confidence of respondents which improve the chances of obtaining genuine response.

Population of the study

The population of the study is category 'A' and 'B' tax payers of the zone due to the fact that these tax payers are required by law to declare their income and to keep books of account.

According to the income tax regulation No.78/2002, Article 18

- Category "A" which shall include the following persons and bodies:
 - Any company incorporated under the laws of Ethiopia or in a foreign country;
 - Any other business having an annual turnover of Birr 500,000 (five hundred thousand Birr) or more; and
- Category "B" classified as follows:
 - Unless already classified in category "A", any business having an annual turnover of over birr 100,000 (one hundred thousand Birr);

The total number of category 'A' & 'B' tax payers (total population size) in the zone is about 203.

Sample Size

The total of 40 respondents from the target population had selected and given the questioner; 25 of which was distributed in Dilla town, 8 of them in Yirgacheffe werda Administration tax payers, and the remaining 7 are distributed in Yirgacheffe city Administration tax payers. This lets the sample size to be 20%. Out of the 40 questionnaires distributed only 36 of them are returned back but 14 of them are not. This means that the response rate for the research is about 90%.

3.2 Methods of Data Analysis

Descriptive statistics have such as percentages and ratios, been used. No Graphs and tables were used to present the data but the narratives has been made in-depth as much as possible to put the matter so clear for readers. Some of the responses given to the issues raised in the questioner are analyzed by merging them with the analysis of data obtained from the documents and some of them are analyzed independently.

4. Data Presentation, Discussion and Analysis

In this part of the paper the researcher will present the data obtained from the documents of the office, gathered through personal interviews conducted with the concerned officers and by the means of questionnaires distributed to the tax payers, analyze them and discuss the findings.

General Background of Respondents:

- Majority of them are males i.e., 92.3%
- Regarding to level of education: 15% of them have attended primary level education, 81% of them have attended secondary level education and only 4% of the respondents have attended college level education.
- In relation to the number of years they have been in the business: about only 4% of the respondents is below 3 years of operation, 31% have from 3 up to 5 years of operation, 62% of them have 5 to 10 years of operation and 42% of them do have more than 10 years of operation.
- According to the type of business they are engaged in: 23% of them are service giving, 8% of them are manufacturing firms 12% of them are whole sellers and the remaining 57% of them are providing services and operating as whole sellers.

- All business in the zone are sole proprietors so that the tax liability is calculated using schedule C

Analysis of Tax Payers' Attitude towards Tax Paying, Tax Authority, Tax Audit and Tax Compliance

The mind-set of tax payers has a significant level influence towards tax compliance in addition to the deterring mechanisms implemented by the tax authorities. Tax system that depends on ad hoc administrative procedures rapidly become discredited and endangers compliance. To encourage compliance it is equally important that tax authorities administer the tax laws fairly. This implies both an absence of arbitrary or corrupt behavior on the part of officials, and "normative standards" to ensure that the same laws are applied and administrative in a standard fashion across the board.

Tax compliance theories assume that psychological factors including moral and ethical concerns are important to taxpayers and so taxpayers may comply even where the risk of audit is low. But suspecting being audited, the attitude they have developed about the general tax situation and the manner of dealings of issues with the officials of the authority determine the compliance tendency and interest.

Analysis of Tax payers' Attitude towards Tax Authority

In the following part the researcher will present the questions that are forwarded to the respondents for the purpose of assessing the attitude of tax payers to the factors that will contribute to the increased degree of tax compliance and they can be resulted in creating positive stance and analyze the responses given. Five questions have been asked to examine the feelings of the tax payers have developed about the authority and the general tax circumstances. The analysis goes question by question:

Tax payers were asked the basic what do they think what is the basic rationale for paying taxes. And they were given alternative options such as whether it is because of *their legal liability, citizenship responsibility, enforcement by the tax authority or any other reason to be specified* Almost all of the respondents replied that the basic reason for why they are paying tax is because it is their citizenship responsibility; even some of them added a comment that the tax they are paying will assists the development of the country. From this the researcher concluded that the tax education program prepared and disseminated by federal and regional revenue authorities through different Media have created a positive attitude in the mind of the tax payers.

They have also rated the ethical attribute and professional competency of tax authority officials with the value ranging from very good to extremely poor. The analysis indicate that 39% of the respondents have rated the ethics and professional skill of officers as average, only 12% rate them as very good; but others were not willing to rate them. One of the respondents gives his/her free comment saying that "they undermine us as they consider themselves very educated" however the researcher has had various informal discussion on the issue with different tax payers at different time in the study period and has identified that since tax officers are usually loaded specially in four months of annual business income tax declaration period (June7- October 10 every year). They usually misbehave on these days and most tax payers specially business owners visit revenue offices in those times only that is may encounter with a bad conduct of those officers.

Concerning fairness of the amount of tax they have paid they have reacted as follows: Greater part of the respondents 62% replied that they are paying taxes fairly. But there were also respondents that state even if they are providing legally acceptable documents for expenses incurred; they were rejected by the officers so that they are not entitled for deductible expenses as per the tax laws they are claiming.

Regarding the rejection of expense documents the researcher has conducted an interview with three officers in the revenue office the response given has been almost the same. That is due to their overstatement and inappropriateness that these vouchers had been rejected and they are intentionally prepared for the mere purpose of getting deduction these most of the time were not actual expenses incurred with the normal operation of the business the replied so.

Concerning the prevalence of unfair treatments for some tax payers by the officers of the tax authority you have encountered taxpayers gave their response as follows: 73% of the respondents forwarded their answer for the question by expressing that there is no such treatment. However, 5% of the respondents said "yes there are unfair treatments" for some tax payers than others. The remaining respondents replied as if they do not realize it.

On the issue of the tendency of aggressive enforcement imposed by the tax authority Majority of the respondents have agreed that the tax authority do not have a tendency of aggressive enforcement. Most of them answered "No" for the above question. Even if 3 (12%) of them say yes there is aggressive enforcement by the tax authority, they said nothing about the reason they are suspecting. This kind of fear about the administrative style of the tax authority from taxpayers' side may obstruct smooth operation; especially if it is followed with the non-frequent detection of tax frauds. "Roaring only could not give the desired grace for the lion."

Analysis of Tax payers' Attitude towards Tax Audit and Tax Compliance

Respondents were asked whether they expect that their company will be audited by the revenue authority or not and whether they will have any additional preparation if they expect the audit or not. More than half of them 18 (69%) are expecting that their company could be audited. Concerning to the preparation about 7 (39%) of them said that they will have additional preparation but the remaining replied that there will not be any additional preparation and things will go on as usual. Creating Audit presence, or the extent to which taxpayers believe that they might be audited, is an important factor in improving voluntary compliance, especially in areas with high noncompliance. The purpose of establishing audit presence is not just to make short-term revenue gains, but also to create a credible threat of audit that encourages taxpayers to voluntarily comply.

Analysis of Tax Payers' Attitude towards Tax Laws

In essence, when tax payers are confronting with complex tax situation, such as, when a tax law is ambiguous, more taxpayers, who are in fear of penalties, are turning to tax practitioners for help. That is why majority of businesses owners prefer professionals to prepare their tax returns.

In this research, respondents were asked whether tax laws are easy and understandable to them; only 5 of the say yes they are, but the remaining replied as if the laws are not easy and

understandable. The level of education of most respondents may contribute for this circumstance. For those who said "No" They were also asked whether they have asked for any sort of clarification for the officers of the tax authority; 12 (46%) said they have done so and get the clarification but some of them added that the explanation given for the same matter is deferent from person to person.

The other question forwarded for the respondents with the objective of evaluating the awareness they do have about tax laws was "the minimum legal penalty if they do not comply with the tax laws" it is answered by immense fragment of the respondents as "it is the monetary penalty in the form of interest." But this is the familiarity accrued from experience so that it cannot have as such significant implication towards the understanding they do possess about tax laws.

Analysis of Tax Compliance Cost

Tax compliance cost is the expenses incurred by the tax payers in relation to filling the returns for tax purpose. This includes the amount of money that is paid to professionals or accounting firms and the monetary equivalence of the time consumed to file tax returns. With this respect the researcher has got the difficulty of converting the time that the time that tax payers consume to comply with tax laws. It was only tried to evaluate the compliance cost in terms of monetary values i.e., the amount of money tax payers paying in order to get their financial statements are prepared. For this question 8 respondents gave the response. The lump sum amount of the expenses incurred by these tax payers in the year 2002, for example, is about 54,700 birr. This means the average expense incurred to prepare the tax files is about 6837.5 birr; with the margin of birr 10,700 the maximum is about 15,000 and the minimum is 4,300. Since respondents were asked to list the recent three years expenses, it enabled the researcher to observe that there has not been considerable rise from year to year.

5. Conclusion

The tax payers' attitude which is evaluate by letting tax payers to answer different attitude measuring questions results is a relatively positive attitude to the tax authority and the general tax administration trend. Such positive attitude is very important as it help the authority transfer messages to tax payers and get accepted.

Based on the findings the researcher has concluded that: taxpayers perceive that they are paying taxes just because their citizenship responsibility, majority of them feels that they are paying fair taxes, they also believe that there is no significant magnitude of treatment variation among tax payers done by tax officials. However, majority of them state that there is ethical problems and professional incompetence with the tax officers. The cost that is incurred by business owners for the preparation of tax returns is not as such huge. This is caused by unorganized and irresponsible nature of the activity.

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