Analysis of Tax Compliance and Its Determinants: Evidence from Kaffa, Bench Maji and Sheka Zones Category B Tax Payers, SNNPR, Ethiopia

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Abstract
Despite the fact that tax is an important stream of revenue for government of any country, there is tax avoidance and tax evasion which are constraints serving as a bottlenecks for efficient tax collection performance. Therefore, this study examines tax compliance and its determinants in Kaffa, Bench Maji and Sheka Zones category 'B' business income tax payers, Ethiopia. To do this, data was collected with the aid of structured questionnaires, administered to 311 respondents using proportionate simple random sampling procedure. The data was examined with the use of descriptive statistics and econometric model particularly ordered logit model. The result of ordered logistic regression showed that, among different variables tested, tax compliance was positively affected by education level of tax payers, tax knowledge and awareness of tax payers, simplicity of the tax system, attitude of tax payers towards tax, perceived role of government expenditure, and rewarding scheme for loyal tax payers. It is therefore recommended that the tax authority ought to conduct effective and sustainable awareness creation programmes and tax education to the general public in general and to tax payers in particular through printed and electronic medias and face-to-face cessions. The tax authority should also simplify the tax system particularly the tax return, tax forms and tax laws so that they become easily and clearly understandable to tax payers. Moreover, the government should consider provisions of trophy in terms of tax rewards and inducements to honest and dedicated tax payers. Lastly, the government shall maintain accountability and transparency on how the revenue collected from taxation was being disbursed and provide social services efficiently and effectively to the society so that tax payers will have trust and positive attitude towards the tax that they pay and become loyal to the tax system.