



Implementation of Value Added Tax and It's Challenges: Evidence from Bench Sheko Zone, SNNPR, Ethiopia

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Abstract

Purpose: The study was conducted to assess the implementation of value added tax and related challenges the case of Bench Sheko Zone, SNNPR, Ethiopia.

Methodology: The study is based on descriptive data analysis method and the collected primary data has been carefully coded, checked for consistency and entered into the Statistical Package for Social Scientists (SPSS) and the secondary data related to VAT collection performance of the revenue bureau from 2010/11 to 2017/18 analysis also done.

Finding: The result of the study shows that there are less awareness creation and educational programs, inadequate competence, inadequate enforcement of tax laws, absence of consistent follow-up to assess and register unregistered traders, inadequate infrastructure, weak monitoring, tax evasion, inefficient tax intelligence work and tax auditing.

Practical implication: This article offers insights to regional revenue bureau and ministry of revenue to give unreserved attention on it and improve the implementation gaps of VAT through fulfilling the necessary tax administration logistics, enhancing tax education, reducing organizational bureaucracy and improving tax payers' trust. Lastly, the revenue bureau shall make continuous monitoring and evaluation, maintain accountability and transparency, conduct adequate intelligence and tax auditing to achieve the desired objectives.

Significance of the study: The study would notably reveal the way of intervention to revenue minister and policy makers to fill on the gaps found and improve its performance related to VAT administration and collection practice in future.

1. Introduction

1.1 Background of the Study

Africa is often called the most promising continent of the 21st century. Living standards are expected to rise considerably in tandem with sustained economic growth. But this is unlikely to come without additional publicly financed investment (Sijbren, 2015). Most countries in the world generate their revenues from taxes to fund different infrastructure, to pay soldiers and police, to build dams and roads, to operate schools and medical care to the society, and for other purposes and to promote economic development. Tax is classified as direct and indirect tax. Direct taxes are taxes that are directly related to the taxpayers, whereas indirect taxes are taxes paid by an individual through the purchase of goods and services (Misrak, 2008).

Value Added Tax (VAT) is one of the modern indirect taxes levied on consumption where the value of goods and services increases as they change hands in the course of purchase, production, distribution, and final sales to the consumer. The concept of VAT was introduced in 1954 by a French economist Maurice Laurie who was the joint director of the French tax authority. The emergence and rapid spread of VAT are among the most important tax development of the late 20th century. Some countries refer to the tax as General Sales Tax (GST) or Goods and Services Tax (GST). More than 160 countries worldwide, including European countries, practices VAT with a proclamation that provides an exemption for basic necessities and domestic transportation to encourage investment and trades (Roel & Mark, 2018). Ethiopia is one of the least developing countries, is depending on external financial resource to run its main governmental activities. On the other hand, the Ethiopian government has a strong belief and commitment to eradicate poverty and build a democratic lower-middle-income country with good governance.

African governments are increasingly seeking to improve tax compliance in the pursuit of domestic revenue sources. Many of these low income African countries challenges are related to tax administration like poor mobilization of domestic resources, tax compliance, struggle with wide spread of evasion ,corruption and limited administrative capacity. The number of expected revenue from tax might not be collected due to tax evasion and tax avoidance which are existing behaviors in all economies in all century (Zandi & Rabbi, 2015).

VAT proclamation No.285/2002 was issued on 4th July 2002 by the Council of People's Representatives to be enforced as of January 2003 and amended with a new 979/2016 income tax proclamation. In Ethiopia, increased VAT compliance is essential for the government to meet its

ambitious domestic revenue goals. The government has tried to improve the effectiveness of VAT regime by reducing tax evasion and corruption related to tax since its introduction.

In 2010, the governments introduced an electronic device issuing receipt which automatically registers, transmit business information to the tax authority, process tax return, improve the efficiency of the tax collection, simplifying administration of tax law and providing better control over compliance through Standard Integrated Government Tax Administration System (SIGTAS), Automated System for Customs Data Management (ASYCUDA) technology tool.

However, it is impossible to achieve such a goal without generating sufficient revenue that can cover at least the budget of the government. Nowadays, encouraging results are observed in tax collection practices. Among the primary source of income, VAT played a predominant role from other tax revenues, which were introduced 16 years back and is showing remarkable changes in generating government revenue.

1.2 Research problem

Achieving the Sustainable Development Goals by 2030 requires a big increase in investment. This poses a challenge for many countries in Sub-Saharan Africa, where most economies collect taxes that amount to less than 15% of GDP—barely enough to carry out the most basic state functions. The World Bank Group is helping these countries mobilize domestic resources fairly and efficiently with a focus on administering VAT, removing cost-ineffective tax expenditures, increasing excise taxation, improving property taxation, and closing international tax loopholes for multinationals and wealthy individuals (World Bank, 2017).

Considering the significance of tax administration, many studies have been conducted in some developing and transitional countries with respect to the main VAT administration tasks. VAT administration pertains to how the tax regulatory bodies discharge the duties and responsibilities entrusted to them. According to Jantscher (1990), these responsibilities include a range of related activities such as tax payers' identification, registration, invoicing filing and payment requirements, control of filing, payments, refunds, audits and penalties.

Weakness in VAT administration may adversely affect the salient feature of the government's tax policy objectives as a whole. In this regard (Pellechio & Tanzi, 1995) noted that weak tax administration affects government's policy objectives, namely economic stabilization, resource allocation and redistribution of income. In addition (Bird & 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 administration and taxpayers.

In Ethiopia, VAT has levied a uniform rate of 15% on all goods and services. It is one of the most dependable revenue sources and has the potential to become the primary source of income for the government of Ethiopia today if it is appropriately administered and controlled.

The revenue ministry of Ethiopia is facing a substantial problem of tax collections and implementations of tax rules. The minister couldn't collect sufficient revenue from the application of VAT though revenue office has an attempt of improving the awareness and educational programs to the taxpayers and the general public.

With this regard, the opportunities and challenges of VAT administration of the branch office should be well-studied, and some of the important recommendations have to be forwarded by the different research works. Deceptive actions deny countries revenue entitlements, create competitive inequalities in the business environment and affect honest business taxpayers. The weakness of tax administration highly attributed to different illegal practices. Some of them eligible business entities are not registered for VAT, and some VAT registered business enterprises offer customers an opinion to pay or not to pay VAT. Even, some did not declare the tax they collected as per the law, etc (Arega, 2004). The tax administration is weak in the area of auditing, follow-up, and enforcement though the VAT department has computerized its tax system (Demirew, 2004).

As a significant component of the country's tax system, VAT can be taken as a main tool for securing macroeconomic stability and growth by placing domestic revenue mobilization on a sound basis. Therefore, the rationale of this research is to describe the implementation and challenges of VAT in the Bench Sheko zone, South West Ethiopia, and pinpoint the weak links from both revenue authorities' side and voluntary compliance of VAT payer's perspective.

1.3 Research objectives

1.3.1 General objective

This study was conducted to assess the implementation of VAT and its related challenges in the Bench Sheko Zone, SNNPR, Ethiopia.

1.3.2 Specific objective

Specifically, this study addressed the following objectives:

1. To assess whether the taxpayers do their business in compliance with the VAT rules and regulations,
2. To evaluate the implementation of VAT and its collection performance, and
3. To identify the challenges of VAT implementation in Bench Sheko zone.

2. Materials and methods

To reach a reasonable conclusion, the study used qualitative and quantitative research approaches.

2.1 Research design

The study is based on a descriptive research design, and the study area is Bench Sheko Zone, SNNPR, Ethiopia.

2.2 Methods of data collection

The data was collected from both primary and secondary sources. Primary information is collected using questionnaires and interviews. Open and closed structured survey questionnaire consisting of close-ended questions with five Likert-scale (1- strongly disagree to 5- strongly agree) was used for taxpayers and tax collectors in the study area. In-depth face to face interview was conducted with selected taxpayers and tax collector from purposely selected Zone, Town administration and Woreda's in the study area. In addition to primary sources, secondary data was collected from different documents like tax collection performance from 2010/11 to 2017/18 yearly reports, tax reference materials, reports, bulletins, government tax regulatory proclamations and Negaret Gazette.

2.3 Sampling method and sample size

The target population for this study was both a sample of taxpayers and employees of the revenue office (including tax auditors/intelligence) by using a stratified random sampling method.

Hence, the zone and town revenue administration and sample woredas were selected purposively based on the number of taxpayers and its business nature. Yamane (1967) provide the following simplified formula to calculate sample sizes from stratified strata's;

$$n = \frac{N}{1+NE^2}$$

Where n is the sample size, N is the population size, and e is the level of precision, sample size for \pm 5% precision levels where confidence level is 95% and e=0.05

Table 1: Population and Sample

Respondents	Target population	Sample
VAT Payers	667	250
Tax officers(VAT related employees, Tax Auditors, and Intelligence)	173	121
Total	N= 840	n=371

2.4 Method of data analysis

The study is based on descriptive data analysis and the collected data has been carefully coded, checked for consistency and entered into the Statistical Package for Social Scientists (SPSS). Chi-square test also used at a 95% level of significance to check the level of independence among Likert Scale measurements. The secondary data, which covers a tax period of 2010/11 to 2017/18, are presented using percentages, tabulation, and charts. Moreover, the primary information that was obtained from the interview and review of documents were interpreted accordingly.

3. Result and discussion

3.1 Demographic characteristics of respondents

The study was conducted based on a total of 352 respondents in the study area. From 371 distributed questionnaires (250 VAT payers and 121 Employees), 236 (94.25%) of VAT payers, and 116 (95.86%) of employees were returned for analysis.

Table 2: Basic characteristics of respondents

Respondents	Sex		Age				Education Background					
	M	F	20-30	31-40	41-50	>50	Not Educ	<10 Grade	12 Grade Complete	Diploma/ Certificate	Degree	Masers & above
VAT Payers	202	34	50	78	66	13	5	18	70	103	38	7
Employees	88	28	48	56	26	5	5	0	0	30	74	12
Total	290	62	98	134	92	18	10	18	70	133	112	19

Source: Own survey, 2019

The sex distribution of respondents shows that 82% are males and the remaining 18% are females. Regarding to years of education, 2.8% of the respondents are without formal education, 5.1% are less than grade ten, 19.8% are 12 completed, 37.78% are diploma holders, 31.8 are first degree holders, and the remaining 5.4% of the respondents are master and above level of education. Regarding the age distribution of the respondents, 27.84% are in the age between 20 and 30 years, 38.06% are between 31 and 40, 26.13% are in the age group of 41-50, and the remaining 5.1% were found above 50 years old. Therefore, the implication to these findings indicates that the majorities of the respondents were educated and can understand the need for taxation, understand and interpret the tax law and regulations as well.

3.2 VAT implementation performance and challenges

3.2.1 VAT payers' perspective result

I) Importance of VAT registration, awareness, and adequacy of staff for VAT implementation

Proper awareness creation and media dissemination for VAT payers are playing an imperative role for successful implementing of the VAT rules and regulations.

As it is clearly indicated in Table 3, 97.1% of respondents reveal that awareness creation about VAT is must and they believed that VAT registration is important for many reasons like participating in different government procurement bidding. Here, the mean and chi-square values of 4.466 and 98.09 respectively showed that they have a clear understanding of VAT and its benefits. The remaining 2.9% of the respondents replied that being VAT registered were not beneficiary.

Concerning awareness creation and continuous educational programs about the rules and regulations, 41.5% of the respondents have developed the attitude of VAT through different means, such as from radio, TV, reading brochures, and other VAT payers. While 53% of the respondent replied that the awareness creation and educational development program are not sound enough. This implies that the tax office has to maintain or plan further additional educational programs and prepare explanatory materials for business entities to develop the awareness and to work with existing VAT rules and regulations properly.

Tax administration highly demands to have adequate number of workforce, competence, infrastructure and necessary logistics with the required capacities and skills. According to Table 3, about 36% of the respondents replied that there are enough staff and infrastructure for VAT implementation. While 53% of the respondent replied that there are inadequate logistics and skillful taskforce for VAT implementation. Hence, according to open ended questions, respondents

replied the claims for that like late responses for tax refund or rebate, late service delivery, incompetent and incapable staffs, and the SIGTAS is not working properly.

Thus, as per the researchers' observation and interview result, we can conclude that there is a limitation of qualified manpower, inadequate infrastructure and related logistics to achieve the desired objective.

II) Impact of VAT, degree of compliance and commitment of staffs against noncompliant taxpayers

Tax administrative capacity both within the tax bureau and on the part of the private sector through accounting and reporting, the willingness and determination of the consumers to transact with a proper VAT receipt is the main and decisive factor for successful implementation of VAT.

As per the VAT proclamation, business traders are expected to issue VAT receipts to all buyers without any precondition. With this regard, almost 89.8% of the respondent with its mean value (4.216) and chi-square (250.42) replied that VAT payers are issuing regular payment receipt. But, they also elaborate as most of the time consumers prefer to transact without receipt so as to get cheaper price at least reduced by VAT amount. While, as per the researchers' observation and interview result, majority of the taxpayers didn't issue cash payment receipt on regular basis.

As a result, business traders are losing their customers, earning fewer profit margins than expected and facing tough competition with unregistered traders. According to interview response, the tax regulatory body is not committed enough to follow up and take remedial action for VAT payers submitted false expenditure voucher or receipt and those request refund continuously even though there is an attempt on it. But, few eligible traders could be registered under VAT even though it is invisible for the tax bureau, but they opened the doors to customers who want to acquire goods or services at a lesser price. Hence, this affected the competition and unfairness in the market at large.

Nowadays, positive incentives are extensively used to build a better relationship between taxpayers and tax collectors with "flat" organizational structure that better serves their customer base. About 33.4% of the taxpayers believed that there are adequate tax exemption items on a tax return. However, 56% of the respondents claimed that there is still a limitation of deductible items from the tax return and believed that the government should reconsider the items for further exemption. Items related to the operational activities and other undisclosed miscellaneous expenditures should be directly deducted and incorporated in the proclamation.

According to Federal tax administration proclamation 983/2016, sub article 50, when a taxpayer has overpaid tax under a tax law (other than as specified in Article 49 of this Proclamation) the

taxpayer may apply to the Authority, in the approved form, for a refund of the overpaid tax within three years after the date on which the tax was paid.

Concerning to refundable from the tax return, almost 74% of the taxpayers replied that the office is taking huge time to refund the difference of input and output VAT.

Tax audit is an exercise undertaken by tax authorities to determine if a taxpayer paid the correct amount of tax (Nzuoki & Peter, 2014). Tax audit towards achieving target revenue that tax audit reduces the problems of tax evasion (Badra, 2012).

When it is seen about the adequacy of tax audit and intelligence work, 57% of the tax payers believed that there are inconsistent tax audit work, lack of experience, incompetent employee, inefficient office intelligence work and weak performance to assess eligible traders for VAT registration. This low audit rate will adversely affects the revenue potential of VAT and level of compliance.

As clearly articulated under income tax proclamation number 979/2016, VAT payers has been given four months (July 7 to 7 Nov) from the end of the tax period to declare the tax return and liability via proper financial statement reporting requirements.

With this regard, the adequacy of tax declaration and payment period, about 74.9% of category A taxpayers replied that the time given for this purpose is adequate and enough. However, as per interview result, traders also indicate that they need some additional days for monthly tax bureau reporting requirements and the way the tax bureau treated taxpayers are different.

3.2.2 Employees response analysis

Concerning the perspective of employees, 64% of the respondents assured that the office is fostering awareness of the taxpayers' attitude towards rules and regulations through different means, such as disseminating messages by radio, TV, brochures, and using youth and female association. 23% of the respondents disagree on the office attempt to fill the existing knowledge gap on rules and regulations. It implies that the office has an attempt to enable the tax payers understand the working rules and to work with current VAT rules and regulations.

Perceptions of fairness and trust are argued by many researchers to be very important drivers of compliance. About 54% of employees argued that VAT payers are not declaring their tax returns and liabilities to tax office honestly. This highly affects the revenue potential and collection performance of the office and the national target at large.

To ameliorate the potential impact of non filers on revenue performance of tax, strengthening the administration capacity of the office and effectively using computer application programs with adequate follow ups are worthwhile to consider.

SIGTAS is developed and installed in revenue bureau for the purpose of simplifying the tax administration system and perform activities like file management, tax collection and refund, tax clearance, selection of risk based audit, etc.

About the implementation of this automated tax administration system, 69.8% of the respondent replied that the system is not user friendly and most of the officers are not well equipped on its application how to handle its operation and is not functioning properly. As a result, it is not providing its expected objective due to infrastructure and network connection problems. Moreover, as per the interview result, this system is on the verge of changing with a new and modified tax administration system.

VAT filing and payment and its control, VAT invoicing, VAT auditing, penalties and VAT refund practices are different among countries. As Jantscher (1990) noted, in some developing countries taxpayers effect provisional payments monthly and file returns annually; while most developing countries require monthly filing and payment of VAT and do not require taxpayers to furnish a yearly return. In the case of Ethiopia and as per the income tax proclamation 979/2016, taxpayers are required to file VAT returns accompanied by the appropriate payments on monthly basis and there is no year-end reconciliation requirement.

As per the employee’s overall VAT implementation interview response, almost 59% of respondents with mean value 2.90 and chi-square value (79.79) argued that staffs were characterized by weak commitment towards controlling fraud and evasion, improper and inconsistent enforcement of tax law, weak VAT administration and collection, weak monitoring, evaluation and employees performance appraisal. As a result, VAT filing and its collection performance of VAT is affected, not weighty and needs critical intervention for the next tax period yet to come.

3.2.3 VAT collection performance and challenges (document and interview analysis)

Table 5. Bench Sheko VAT collection performance (2011/12 to 2017/18)

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	Av.
Planned	4,000,000	21,665,551	29,678,794	50,335,181	53,315,801	53,891,177	64,565,884	39,636,055
Achieved	7,673,172	25,561,095	26,425,610	35,901,583	43,975,508	41,769,072	48,065,151	32,767,313
Per.(%)	192%	118%	89%	71%	82%	78%	74%	83%

Source: Bench Sheko Zone Annual plan and performance report (2011/12 to 2017/18)

As indicated in Table 5, except for the first two years (2011/12 and 2012/13, VAT implementation starting periods), there has been an enormous VAT collection inefficiency gap throughout the years.

Notably, the VAT collection inefficiency is increasing in recent years. The difference between the planned target and the actual performance is significant, especially in the last five years.

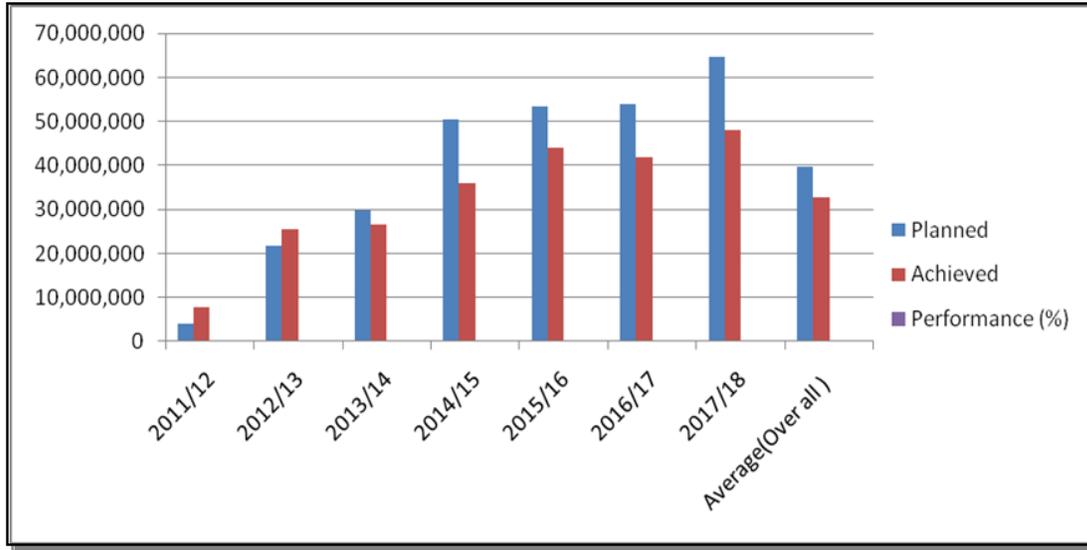


Figure 1- Bench Sheko Zone annual plan and VAT collection performance (2011/12 to 2017/18), researchers' own computed figure.

As noted in the Figure 1, for the sake of simplified presentation, the minimum Birr 10,000,000 and Birr 70,000,000 used to show the collection performance of VAT throughout the sampled tax period.

Hence, as per the interview result, this VAT collection gap arises due to many working experience inefficiencies. One thing that should be considered is that the revenue office forecasting experience and the targets may not be comprehensive.

Reports of the revenue office reveal that even though the collection performance of the Zone from year to year is different, it covers about 12% to 15% of the total revenue annually. It was possible to collect even more VAT revenue in the study area. These imply that different problems in VAT collection practices are experienced like; less awareness creation and educational programs were made to the taxpayer, no serious follow-up to register eligible business enterprises that can be registered for VAT. As a result, these created unfairness and injustice among the VAT payers competition in the study area.

There is less commitment of tax regulatory body and reluctant to follow up VAT payers request for a tax refund with inappropriate evidence. Besides, there are unauthorized works, working without issuing sales receipts, and the office also has not taken a serious measures and correction on such taxpayers to reduce noncompliant taxpayers and correct for the future tax periods.

In addition, there are also weak customers' cultures of buying goods or using service with receipt, serious tax evasion on building and related suppliers and electronics business traders though hotel business has shown promising progress on tax returns.

Apart from this, less door to door monitoring and assistance service, weak office collection and working experience, inadequate standard planning procedures, and inefficient staff's commitment towards non compliant tax payers might be taken as a reason for inefficiency on VAT collection.

Moreover, there are also weak monitoring, evaluation, control of non complaints, inefficient employee's performance appraisal and incompetent intelligence and tax auditing experience.

4. Conclusion and recommendation

4.1 Conclusion

The main findings of the study are as follows;

The finding of the study showed that the revenue office had offered limited awareness creation and educational programs about the role of VAT, unwillingness of the taxpayers for discussion, workshops, unwillingness of the taxpayer for category transformation though their annual turnover has shown progress (could be transformed from turnover to VAT), refusal of the eligible taxpayer to use cash registered machine properly and the tax office is inadequately assisting and following the application of this machine. Poor culture of customer's towards taking sales voucher and receipt for the goods or service acquired.

From the total registered VAT payers, on average, 35% of them are submitting their tax returns on a monthly basis and requesting a refund, 38% of taxpayers have submitted reports with zero tax liability. It implies that the tax bureau office and its assigned staffs have a commitment problem towards fighting against such low performance and bringing noncompliant tax payers for penalty and corrective measures.

Inefficient to door-to-door assistance and follow-up, the tax bureau officials and traders relation were declined, and such official aids are recognized negatively as an enemy by the taxpayer.

Though the government has changed the VAT registration annual threshold from 1 million and above, few business traders who were registered under VAT via old proclamations have been canceled and registered under category B (turnover), but still, there are also more VAT payers applied for cancellation from Category A and registered in TOT. There are business entities that are working on understating sales and overstating expenditures while submitting tax returns, is a serious tax evasion on building and related suppliers and electronics business traders though hotel business (except renting their bed rooms) has shown promising progress on tax returns.

There has been an enormous VAT collection inefficiency gap throughout the years. Notably, the VAT collection inefficiency is increasing in recent years. The difference between the planned target and the actual performance is noteworthy, especially in the last five years. Finally, there is weak monitoring, evaluation, employee's performance appraisal and poor intelligence, and audit work performance.

4.2 Recommendation

VAT had been seen as a decisive tool for securing macro-economic stability, promoting and encouraging investment and growth by placing domestic revenue mobilization very sound. The implementation is expected to be efficient and effective so that taxpayers' compliance can be enhanced, and revenue generation performance hiked. The tax regulatory bureau has to plan to create continuous awareness, discussion, and workshop, preparing some explanatory brochures or materials and arranging taxpaying campaigns. Hence, the rules and regulation, the tax directives and proclamation should be readily available and accessible to taxpayers.

The government and revenue minister has to give serious attention to the proper implementation of VAT, which has a significant ratio from the total GDP of the country. Thus, the concerned body should modernize and simplify tax administration system, hired qualified and sufficient employee, install quick grievance redressed and enhance law enforcement efforts, deploying electronic payment mechanism (e-Payment System) for target companies, continuous and timely follow-up, appraisal and controlling of unethical administrator in the zone.

Also, to improve the implementation efficiency of VAT in the zone, the office has to look the history of business entities and identify that failed to issue a sales receipt and have declared bankruptcy with falsely documents and has to take serious remedial measures. As many respondents argued, VAT levy on food has to be seen again by the tax regulatory body even though progressive changes made in the newly introduced 979/2016 income tax and 983/2016 tax administration proclamations. However, the proclamations have to be seen yet, especially on modernizing and developing a simplified tax administration system. In addition, to collect adequate VAT revenue, the government should devote an unreserved effort to improve the tax administration process, monitoring, and collection practices. Moreover, serious tax audit and intelligence works have to be strengthening for companies violating tax laws, found in fraud and evasion, and related cases. Finally, the tax bureau shall strengthen the rewarding system so as to recognize loyal and patriotic tax payers publicly, offer tax incentives (tax exemptions and tax holidays) that can encourage voluntary tax compliance behavior of tax payers, maintain administrative reform, accountability

and transparency on its administration process, and provide feedbacks to the concerned parties promptly.

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Appendix A) 3.2.1 VAT payers' perspective analysis
 Table 3: VAT payers' survey analysis

S.No	Items of Analysis	Measurement Level										Mean	Std. Dev.	Chi-Square Test		
		Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree				X ²	Df	L.sig
		Fr.	%	Fr.	%	Fr.	%	Fr.	%	Fr.	%					
I. Importance of VAT registration, awareness, and adequacy of staff for VAT implementation																
1.	Importance of VAT registration and payment	117	0.49	112	0.47	7	0.03	0	0	0	0	4.46	0.55	98.09	2	0
2.	Enough awareness creation and educational program	17	0.07	81	0.34	9	0.04	89	0.38	40	0.17	2.77	1.3	112.5	4	0.0
3.	Sufficient, qualified staffs and adequate infrastructure for VAT implementation	43	0.18	42	0.17	126	0.53	98	0.42	27	0.11	2.89	1.33	73.8	4	0
II. Impact of VAT, degree of compliance, service provision, and commitment of staffs against noncompliant																
4.	VAT payer's tax declaration	22	0.09	60	0.25	12	0.05	117	0.49	25	0.10	2.73	1.15	156.8	4	0
5.	The enforcement of law against noncompliant	15	0.06	59	0.25	14	0.06	123	0.52	25	0.11	2.64	1.15	180.4	4	0
6.	Adequacy of tax exemption items	10	0.04	69	0.29	24	0.1	92	0.4	41	0.17	2.64	1.19	94.13	4	0
7.	Adequate tax audit, intelligence work and over all office performance	6	0.02	80	0.33	17	0.1	91	0.4	42	0.18	2.64	1.2	119	4	0

Source: Own survey, 2019

² It was based on Likert scale values which state; strongly Agree=5, Agree=4, Neutral=3, Disagree=2 and Strongly Disagree=1

Appendix B) 3.2.2. Employee’s perspective analysis

Table 3: Employee’s response survey analysis

S.no	Item of Analysis	Measurement level										Mean	Std. Dev.	Chi-Square Test		
		Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree				X ²	Df	L. Sig
		Fr.	%	Fr.	%	Fr.	%	Fr.	%	Fr.	%					
Capacity building program, implementation of VAT and performance appraisal																
1	Availability of training , capacity building programs and adequate infrastructure	8	0.07	30	0.26	2	0.02	76	0.66	0	0	2.74	1.06	116.5	3	0
2	Declaration of tax returns or liabilities honestly and timely	0	0	33	0.3	1	0.01	62	0.53	20	0.17	2.4	1.1	67.9	3	0
3	Enforcement of law against noncompliant traders	0	0	29	0.25	0	0.00	64	0.55	23	0.20	2.3	1.05	25.36	2	0
4	Proper utilization of SIGTAS	12	0.1	19	0.16	4	0.03	81	0.7	0	0	2.67	1.08	128.2	3	0
5.	Timely response for VAT related claims or tax refundable	11	0.1	21	0.2	14	0.12	61	0.53	9	0.1	2.69	1.14	80.5	4	0
6.	Continuous follow-up, staff appraisal and providing feedback on gap(s) identified	16	0.14	25	0.22	6	0.05	69	0.6	0	0	2.9	1.16	79.79	3	0

Source: Own survey, 2019

³ It was based on Likert scale values which state; strongly Agree=5, Agree=4, Neutral=3, Disagree=2 and Strongly Disagree=1