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CONTENTS

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iv

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     NEED/IMPORTANCE OF THE STUDY

     STATEMENT OF THE PROBLEM

     OBJECTIVES

     HYPOTHESES

     RESEARCH METHODOLOGY

     RESULTS & DISCUSSION

     FINDINGS

     RECOMMENDATIONS/SUGGESTIONS

     CONCLUSIONS

     SCOPE FOR FURTHER RESEARCH

     ACKNOWLEDGMENTS

     REFERENCES

     APPENDIX/ANNEXURE

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CONTRIBUTIONS TO BOOKS
- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

JOURNAL AND OTHER ARTICLES
- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

CONFERENCE PAPERS
- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

UNPUBLISHED DISSERTATIONS AND THESES
- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

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WEBSITES
- Garg, Bhavet (2011): Towards a New Natural Gas Policy, Political Weekly, Viewed on January 01, 2012 http://epw.in/user/viewabstract.jsp

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THE CONSEQUENCES OF TAX ASSESSMENT ON TAX COLLECTION OF CATEGORY 'C' TAXPAYERS IN ETHIOPIA: A CASE STUDY IN MEKELLE CITY, TIGRAY

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ABSTRACT

The objective of this study was to evaluate the consequences of tax assessment on tax collection of category "C" tax payers in Mekelle city, Tigray. Data were collected from primary sources. A Logit regression model was applied to determine the relationship between the tax assessment and tax collection of category "C" tax payers in Mekelle city, Tigray. The hypotheses test revealed that service delivery, awareness creation, tax assessment fairness and law enforcement were significant; whereas gender, trust on tax collectors, trust on tax assessment and collection and convenience (season) were not found to be significant. Service delivered by the tax authority for tax payers was not found to be efficient; majority of the law enforcement by tax authority was not properly applied; most of the time, the awareness creation sessions were not effective and negatively affected the tax collection efficiency; and majority of the tax assessment was unfair. Furthermore, the study has analyzed the consequences of the tax assessment on tax collection and found that the tax assessment directly affected the tax collection efficiency of category "C" taxpayers in Mekelle city, Tigray. On the other hand, the awareness creation programs by the tax authority negatively affected the tax collection efficiency. Therefore, the tax authority should improve the service delivery, the application of the law enforcement, fairness of the tax assessment and the awareness creation on the category "C" tax payers. This research focused on category "C" tax payers in Mekelle city, Tigray; the study has excluded category "A" and "B" tax payers. Therefore, future researchers may conduct further on the category "A" and "B" tax payers in Mekelle city as well as at regional level.

KEYWORDS

Awareness, Category "C", Convenience, Enforcement, Fairness.

1. INTRODUCTION

Many scholars have explained taxation in different ways. Accordingly, Cobham (2005) explained that tax is a fundamental issue, but neglected element of the development policy. The structure and administration of taxation are frequently omitted from discussion and research agenda. Questions of a primarily redistributive nature may be believed political, and so unsuitable for neutral economic analysis, and moreover as questions to be resolved by the democratic process in individual countries. On the other hand, many questions are posed in terms of system reform and these may instead be considered as purely 'technical' matters of economic and bureaucratic efficiency to be settled by experts.

Taha and Roshaiza (2007) explained that taxation is becoming a critical economic apparatus to govern the economy of any country. The globalization and internalization trend is going on through to warding and this prototype indicates prototype that the time that economists should concern to the tax revenues and economic growths significantly across countries. Lately, Malaysia has been also performing brightly and shows alike the pattern of growth economy. That is, the government is facilitating the development of the nation through the collected money from the taxation. Other than that income tax is one of the surest way to make sure the Government fund is available for spending. The importance and role of taxation is also explained by Pfister (2009) that taxation plays a key role in helping African countries to reach their Millennium Development Goals (MDGs). African governments aim to use taxation to:

1. Finance their social and physical infrastructure needs;
2. Provide a stable and predictable fiscal environment to promote economic growth and investment;
3. Promote good governance and accountability by strengthening the relationship between government and citizens; and
4. Ensure that the costs and benefits of development are fairly shared.

When taxes are levied on, citizens are liable for their payment at the time and in the manner required and provided by the law authorizing their assessment and collection. Every country aspires to have a good taxation policy. Kayaga (2007) explained that tax policy is concerned with the reasoning behind how much revenue is the government collecting, how much revenue is being used for and whether or not the government collects the revenue in the most appropriate manner. The tax policy analysis follows a two-step process that the first step identifies the purposes of specific tax instruments, and the second step evaluates how much those instruments achieve their purposes. The tax policy analysis is necessarily examines the nature and role of the state and most of the purposes of tax instruments are identical to the function of government itself. But, the implementation of the tax policy is not a simple thing rather it is challenging. Accordingly, CTPA (2004) discussed that implementing tax policy in an increasingly globalized world is becoming more challenging for tax administrators. Recognizing this, the administrators should exploit the potential values and working together to look for this approach is key deliberate issue.

Adams (2006) said that taxation has been a best measurement of the social need and orders. There is nothing that can reflect the nation other than the tax system and society is being evaluating accordingly who pays taxes and why for pays taxes, how tax is assessed, collected and consumed. Generally, the human being history is very related and linked with the history of taxation. The Ancient tax collector's recording system cannot compare with the latest tax collection system. Romans paid property taxes on the value of land, buildings, livestock, trees, vines and other personal property. In some other countries also taxation started late hundreds of years. In Kenya, the first recorded treaty that involved a form of taxation was in 1502 (Waris, 2007).

The taxation history of Ethiopia also tells us that started before many decades. As cited by Lemessa (2007), the history of taxation in Ethiopia has a relationship or linkage with the government structures and policies of the country; in this case there is existence of hardly and consistent documentary indications that can justify the relation of the appearance of government and taxation, when and how exactly taxation was introduced. Different stories and suggestions point out

that Emperor Zeria-Yakob has started taxation in Ethiopia during the 15th century. When Governments which came to power in Ethiopia at different eras; then also comes many revisions and changes, such as tax rate, the time and mode of payments, exemptions and offences. But, even though there were many changes, there has been no document or materials formed which compiles tax proclamations issued at different periods.

The initial constitutional bases for all the tax proclamations were the 1931 Constitution of Ethiopia which was later revised and become revised Constitution of Ethiopia. Because of the most Ethiopian products was agricultural, then most of the taxation is lived on was in kind, very traditional and unstructured. Taxation in that period was varying highly from area to area, from the chief tax collector to chief tax collector and the availability and kind of resources in that area.

According to ERCA (2011), the country total recurrent expenditure (regional government + federal government) and capital expenditure (regional government +federal government) grows from 24,571 million to 57,775 million in 2009 and the tax revenue (regional government +federal government + non tax revenue) grows from 15,582 million to 40,174 million in 2009. Specifically, in 2005 from the total Capital Expenditure (Regional Government +Federal Government) of 11,343 million the only 2,354 million were covered from tax and non-tax revenue, Regional and Federal Tax Revenue and in 2009 also from Capital Expenditure (Regional Government + Federal Government) of 30,599 million the only 12,998 million were covered from tax and non-tax revenue of the country.

Therefore, this research was designed to study the consequences of tax assessment on tax collection of category "C" taxpayers in Mekelle city.

2. RELATED LITERATURE REVIEW

According to the Ethiopian Council of Ministers (2002) Regulations No. 78/2002, Taxpayers are classified into the following three major categories:
1) Category "A" Taxpayers,
2) Category "B" Taxpayers, and
3) Category "C" Taxpayers.

CATEGORY 'A' TAXPAYERS

This category of taxpayers includes:

a) Any company incorporated under the Ethiopian country laws;

b) Any business activity having an annual turnover of Birr 500,000 or more. The Category "A" taxpayers are required to submit to the Tax Authority at the end of the year; a balance sheet and a profit and loss statement which is having the following details:

a)   Gross profit and its computation;

b)   General and administrative expense;

c)   Depreciation expense; and

d)   Provisions and reserves.

In addition to this, taxpayers should register with the Tax Authority the type and quantity of vouchers they use. Before having such documents and any printing vouchers of taxpayers shall ensure that the type and quantity of tax such vouchers is registered with the Tax Authority.

CATEGORY 'B' TAXPAYERS

Unless already classified in category "A", any business having an annual turnover of over Birr 100, 000 and under Birr 500000 is classified under the Category of "B" taxpayers. This category should submit profit and loss statement to the Tax Authority at the end of the year**.**

CATEGORY 'C' TAXPAYERS

Unless classified in Categories "A" and "B", those businesses whose annual turnover is estimated below Birr 100, 000 are classified under this category. This research, however, focused only on the Mekelle city tax assessment and tax collection of the category "C" taxpayers.

The following part of the literature review focused on the review of the previous research findings that are related to the research being conducted. It presents the empirical evidences researched on the global level, African level and Ethiopian cases to date.

2.1. GLOBAL STUDIES

According to Kumar (2004), the Indian tax collection challenges were low gross national product and low rate of capital formation, poverty and inequality, occupational pattern unsuitable for taxation, large population with unemployment and underemployment, abundance of exemptions for political reasons (exemption on agricultural income and ambiguous exemptions on commodities under VAT System), predominance of cash transactions with no trails, huge black economy (Such as under reporting of income to avoid taxes, under invoicing of goods and services to avoid commodity taxes, real estate transfer at lower value to avoid taxes and to use black money earned elsewhere etc.), extremely narrow tax base and heavy burden on the corporate sector, predominance of regressive indirect taxes, rampant tax evasion (very low percentage of GDP is collected in taxes).

Rizal (2010) with regards to the perceptions and trust on government spending; those who engage in tax evasion often justifying and suggesting that the government wastes tax revenue unwisely. Thus, the tax collection will also decrease.

On the other hand, the study also revealed and verified that people in financial distress (the lower tax payer's category) would tend to priorities their financial needs and obligations first rather than paying taxes. This propensity of taxpayers to pay their personal obligations first rather than tax liabilities is considered a 'normal' situation in Malaysia, as the penalties and fines imposed by the tax authority are not serious and the action of not paying is not considered to be an offence this may be due to low level understanding about importance of tax. Regarding to the official assessment system the results of the study and previous researches, it can be showed that female taxpayers are more compliant or more open in comparison with males (Rizal, 2010).

The tax assessment sometimes can be unclear to the tax payers. Regarding to Dekan (2003), the complexity of tax assessment system (not simple and clear) may result in unintentional non-compliance if taxpayers have problems with filling the tax form. Furthermore, such noncompliance differs from other crimes. Because, it can be conclude that the errors occurred unintentionally due to the misinterpretation of the rules. Results from a survey shown that only 55% of the taxpayers were certain, that they had neither overstated a deduction nor understated taxable income on their return. Thus, by enhancing complexity, it is difficult to distinguish honest from dishonest taxpayers. By this virtue, tax examiners in the tax administration will have greater problems to identify a case of noncompliance and comparing whether the violation was deliberate or unintentional. And this can be increased tax collection costs.

In USA, Dekan (2003) found the results that regardless of the category of tax payers, there is a significantly positive correlation between trust in officials and taxpayers confidence. An increase in the trust scale by one unit increases the share of subjects indicating the highest tax self-esteem by 3.5 percentage points.

On the other hand, taxpayers are sensitive regarding the way the government uses (utilizes) the tax revenue. There is an input-output relation between what an individual pays with his/her taxes and what comes back from the government. Thus, individuals' tax agreement might be influenced by the benefits received from the government in the form of public goods compared to the price that they paid for. Individuals might feel cheated if taxes are not spent adequately. Moral costs of evading taxes decrease and tax morale is crowded out. The reason "because taxes are ill spent" catches such a fiscal connection between revenues and expenditures. On average, 32.4%was mentioned this point. The highest value was measured in Mexico (50.3 percent) followed by El Salvador (46.4) and Ecuador (45.8). On the other hand, the lowest values are observed in Guatemala (20.1), Chile (22.6) and Peru (23.2) (Dekan, 2003).

Tax assessment is an effective tool for tax collection. Lopez and Packman (2012) found that most economies have adopted the principle of self-assessment and then taxpayers determine their own liability under the law and pay the correct amount. Based on this, government officials also using the computer system and software for tax assessment and they determine the tax liability if this function well ensure and effective quality control is implemented. Self-assessment systems generally make it possible to collect taxes earlier and reduce the likelihood of disputes over tax assessments.

This also lessen the discretionary powers of tax officials and reduce opportunities for corruption for instance, to be effective, however, self-assessment needs to be properly introduced and implemented, with transparent rules, an automated reporting process, and penalties for noncompliance and risk assessment procedures for audit processes this was observed in East Asia, the Pacific, the Middle East, North Africa, and South Asia (Lopez & Packman, 2012).

According to the gender regarding to tax knowledge, Rizal (2010) finding shows that there is a significant difference between males' and females' tax knowledge. This indicates that males' tax knowledge was significantly better than females'. The reason why is moreover males were also found to be more significantly knowledgeable in terms of familiarity with employment income.

In summary, regardless of the tax payer's category, the global issues related to the tax assessment and collection problems steamed from poverty, large population with unemployment and underemployment, inequality, corruption, tax evasion, huge black etc. The government utilization of the tax revenue is also the factor of the tax collection and finally, researchers found that the tax assessment as a significant tool for tax collection.

2.2. AFRICAN STUDIES

Researches were also conducted in different African countries that are related to the tax assessment and collection problems. Kasimbazi (2004) found that every year the Assessment Committee sits to assess the potential taxpayers for the coming year. This regular assessment of taxpayers' ability to pay the assessed tax enhances their rights in that no one is presumed to pay a tax, which he or she cannot afford to pay. At the same time, it reminds the taxpayer of his or her obligation to be assessed and pay tax annually. The problem, however, is that this is not usually done, which affects the rights of tax payers.

In addition to this, there are several problems associated with administration, assessment and collection that affect the rights and obligations of tax payers. Kasimbazi (2004) found the following problems:

- Assessment Methods: assessment of tax is difficult because tax payers do not keep accounts. That is to means that there are no guidelines to determine one's income. This leads to under or over assessment of taxpayers. In addition, the assessment rules are not observed by the Tax Assessment Committee (TACs). Their assessment depends upon the accurate reading of the taxpayer's sources of livelihood and Sometimes assessment committees do not complete assessment forms and there is no record of the method of liability, which was adopted to compute the tax. This also leads to strong suspicion that assessments have been based upon arbitrary judgment of the individual circumstances rather than an arithmetical connection between the sources of income and the tax grade.
- Gross Ignorance: there is no adequate tax collection staff and those that are employed lack training and experience or may be biased or succumb to political pressure. The high percentage of illiteracy in Uganda for both tax collectors and payers make them fill the assessment forms improperly or not fill them at all. Moreover those who fill them do not follow computation rules.
- Corruption: another problem is corruption and fraud by the tax collectors. The most commonly used method of perpetuating these frauds includes: double numbering of tax tickets and actual embezzlement of the money collected.
- Poverty: Poverty is another obstacle for graduated tax. In the north, eastern and parts of western Uganda, there has been insecurity and poverty is rampant. People do not have money to pay tax but even in other regions most people rely on subsistence economy therefore their income is meager; and
- Tax evasion: there is a widespread evasion of tax. The recent Local Government study has revealed that the problems of tax evasion are more complex.

On the other hand, a study was investigating the revenue generation of Lagos state to analyze the tax administration system in the state. Based on the analysis it carried out in the course of the study, the following findings were reported (Olabsisi, 2012):

- Tax assessment, collection and remittance have a significant relationship with the revenue generated by local government in the state. The implication of the fact that when the system of tax administration is not efficient, then, the revenue generated in the state is also affected;
- Most tax payers avoid or evade tax as a result of the corrupt practices of tax officials, which in turn affect the revenue generated by the state; and
- The study showed that the Lagos State government tax system is not efficient in its totality but during recent years the Lagos state government has put in place better means of achieving the best tax administration through rigorous campaign on the need for better tax system and curbing the activities of corrupt tax officials by putting in place various devices to curb the excesses of these tax officials.

In addition, according to Nghaamwa (2011), facts shown that the majority of the respondents felt that collected taxes were not spent on public services and as a result they were of the view that they would refuse to pay their taxes unless public services improve. However, they also felt that if public services improve they would be more willing to pay their taxes. For instance, in Tanzania, taxpayers were of the view that taxes that are collected were not spent on public services and this was seen as a major problem that hampered tax collection. The same sentiments were shared by the South African taxpayers who felt that waste and corruption in government was high and that a large proportion of taxes were used by the government for meaningless purposes.

The small economic agents are a major problem facing tax authorities in low-income countries. According to Fambon (2006), many factors can be explained in this situation, the first factor is the complexity and the costs involved in the registration procedures, which deter small enterprises from taking the registration steps. Despite of the single identification of tax systems in Cameroon, the procedures for obtaining a business license; for instance, requires complying with many obligations at specific tax administrative or official agencies.

The research conducted in Uganda supported about the above findings. Kayaga (2007) examined that Uganda has definitely made improvements in tax policy over the years. But, it still lacks sufficient administrative capacity and lack of modern technology especially computers to facilitate the taxation process is another impediment to effective tax administration. Until recently, Uganda, like most developing countries, had to rely on manually entering taxpayer data into record books, and keeping a voluminous amount of tax information in print. Even with the advent of modern technology, the lack of resources to purchase equipment means that a number of tax offices still use highly ineffective manual systems of recording tax information. This has been attributed to numerous barriers to efficient tax administration.

Besides, the Kwabena (2011) findings on the knowledge of tax systems revealed that most self-employed are not knowledgeable of the tax system in Ghana. To affirm this internal revenue service organizes educational programmers, for the self-employed category of the taxpayers and find out the possible impact on revenue mobilization from the informal sector. The analyses on education the research shown that, only 27 out of 189 respondents representing 14.3% have received some tax education while the remaining 85.7% have never received any form of income tax education.

Regarding to the tax assessment and collection problems and the relationship between them, African and Global findings showed similarity in the tax revenue utilization of the government,   poverty of the country as well as the taxpayers, inefficiency of the tax authority regarding to modern technology and tax collectors, inefficient tax system and inefficient data system, corruption, tax evasion, lack of tax education and awareness and complexity of the tax assessment methods. In addition, the importance of efficient tax assessment to strengthen the efficient tax collection was the finding of both the Global and African researches. The difference among those findings is intensity and depth of the findings.

2.3. ETHIOPIAN CASES

The tax authority has a decisive role in the tax administration and what has been implemented, in the Ethiopian context also shown like the other countries. Lemessa (2007) conducted a research on 'determinants of Taxpayers' voluntary compliance with taxation on category "C" tax payers: in Dire Dawa City. He concluded that the tax authority was the responsible body for assessing and collecting the city's tax revenue. The amount of revenue collected is directly depending on the efficiency and effectiveness of the authority. Similarly, Araya (2011) found that majority of the respondents have low understanding about their responsibility and accountability in relation to tax collection. As a result, they did not perform their obligations related to tax collection activities, and the required tax has not been collected even from governmental bodies.

According to Araya (2011), the survey result showed the tax authority of the city administration is not efficient and effective in various aspects such as improving the tax assessment and collection system, creating awareness, enforcing the tax law, providing services, and information regarding tax. Furthermore, Wbshet (2011) concluded that there is no administrative consistency in respect of the provisions of business profit tax system and this contradicts the principles of administrative fairness across business profit taxpayers. Therefore, it is not easy to bring about voluntary compliance and narrow the tax gap; hence, the problems in this regard were visible and needs improvement.

On the other hand, Suresh and Wendyefraw (2012) with respect to tax law enforcement, more than 60% tax payers replied as poor respectively. According to them, this showed that majority of the respondents replied the tax law enforcement capacity of the tax authority was good. However, still there were respondents who replied that is inefficient. According to Suresh (2012), the respondents were also asked concerning the tax collection efficiency of the tax authority and replied that 13.5% excellent, 31.25% very good, 34.5% good and 20.75% poor. This demonstrates that the tax collection efficiency of the tax authority is relatively better and more efficient than its tax law enforcement.

In terms of tax assessment and collection problems, Asamenew (2012), Hailemariam and Wbshet (2011) found that the major causes for the aforementioned assessment and collection problems are summarized as: Inefficiency and ineffective organization of computerized system in tax administration and inflexibility of

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the software in use, absence of frequent discussion concerning various problems encountered in the tax office, lack of sufficient, competent and motivated tax officers, lack of adequate skills and absence of willingness and poor understanding about the concept of tax by tax payers, frequent change of taxpayers address without acknowledgement of the office, lack of willingness to provide information by third party, electric power failure, and complexity of the tax laws and proclamation.

In addition to this, a detailed research was conducted on the case of assessment on challenges of business income tax collection process in Aksum. Accordingly, Hagos (2011) shown that the respondents of the category "C" tax payers were more associated with challenges than of the other categories. This was answered by the open ended questions and interviews. The respondents answered that lack of experience of paying tax, problems related tax collectors, a lack of awareness of tax payers were associated problems of category "C" tax payers during the tax collection.

Regarding to the simplicity or complexity of the tax laws, Amin (2010) found that Over 80 percent of the sample considers the laws to be either complex or very complex, with only a very small or minority believed as it is simple. It is interesting to note that even though the tax official's interview did not consider the tax laws as simple as for effectiveness of tax law, transparency was a critical issue. Taxpayers should know that a tax exists and how and when it is imposed upon them and others. However, the majority of respondents (70 percent) considered the tax system was lacking to some extent in transparency.

The manipulation of the tax system is not as simple as the tax payers expected. World Bank Group (WBG) (2007) argued that the challenge of designing a simplified (presumptive) tax system for (micro &small enterprise) MSEs often is underestimated. Good presumptive systems need to be: well-coordinated with the standard tax administration to avoid a conflict of rules, as well as obstacles for the move from one system to the other, in particular for the presumptive to the standard regime; based on thorough data analysis to avoid both over as well as under-taxation of small businesses; transparent and fair to be accepted by the small business community and to avoid disputes between tax administration and small businesses over the amount of tax due.

According to IMF (2010), the findings that the tax reform measures comprehensively cover key tax assessment (TA) and envisage swift implementation. Specifically, the efficiency of tax collection is expected to be significantly improved by (i) transferring the collection of direct (business and personal income taxes) and indirect taxes (VAT and excise duty) from Addis Ababa City to the Ethiopian Revenues and Customs Authority (ERCA), (ii) reviewing current exemptions and exemption approval procedures, and (iii) increasing the large tax payers office (LTPO) audit and enforcement and capacity

Concerning to the business income tax collection procedures, Hagos (2011) analyzed about identifying how the business income tax procedure was operated and implemented. In this case, the tax assessment provision was not good, on the other hand the procedures of applying and selection of review committee make dissatisfied by the respondents. Generally, Hagos (2011) concluded that the higher proportions around 65.1% of the total respondents were replied disagreed on the procedure of appeal and selection of review committee. This shows that unbalanced decisions come from the review committee.

Hagos (2011) and Lemessa (2007) found that the service delivery by the authority was below enough and poor when evaluated by the category "C" tax payers. In the case of tax collection efficiency, the findings shown that those were poor and below enough which was found and rated 74% and 64% and concluded that the higher proportion of the category "C" taxpayers in Aksum and DreDawa were dissatisfied. As cited by Araya (2011), Getnet (2010) also added majority of the tax payers have good understanding and recognition in the existing tax regulation. But they have a negative attitude on the tax offices regarding their service delivery. He stated that the tax authority officers have less performance in creation of awareness and their understanding on the taxation is not much.

However, Suresh (2012) found that the service delivery to the public as 10% of the respondents replied that it is excellent, 27.5% replied very good, 30% replied good and 32.5% replied poor. This showed that majority of the respondents were said that service provision is good. But, still there were respondents who replied that it was poor. Hence, the tax authority's capacity of delivering service to the public is not yet sufficient enough.

A research was conducted regarding to the service delivery in Arada Sub-City of Addis Abeba, Teklu (2011) found that the service delivery practice of the office was rated that the tax officials, 5.55%, 61.11%,22.22% and 9.53% of the respondents revealed it is excellent, good, faire and poor respectively. They were also asked whether there is simple filing and payment procedures according to this, 22.22%, 50.01% and 27.77% of the respondents said it is good, faire and poor respectively. Even though most of the respondent tax officials rated good, according to the 60.3% of VAT registered taxpayer respondents were replied the office facility is poor. In addition, the summary response of open-ended questions given to VAT registrant taxpayers showed that the computer system which repeatedly cut-off and delay is one of the problem in the office.

According to Hagos (2011) and lemessa (2007), awareness creation by the authority on category "C" taxpayers were rated about 87.8% and 74% of the respondents responded that below enough and poor and this shows that the awareness creation activities of the tax authority were ineffective and inefficient in according to awareness creation. Therefore, they established that the awareness creation problem was a series and the root cause of all problems relating to the tax collection and assessment.

Due to this, ERCA may not achieve the expected future voluntary compliance in the absence of services along with the taxpayer's lack of tax awareness. Without educating taxpayers and creating tax awareness, making power visible to the community might detect the deliberate evasions and frauds but not be a solution to create a compliant taxpayer those does not comply unknowingly (Getaneh, 2011).

Regarding to Hagos (2011) and lemessa (2007) the reason why the absence of adequate training, follow up, education and limited knowledge on the respective business profit tax systems resulted difference in the perception of taxpayers towards income tax system. But, the government ought to obtain the intended revenue from the taxpayers. Furthermore awareness is a corner stone as far as voluntary compliance is concerned. As the finding shows, lack of awareness was cited as the major and leading reason for tax related problems.

Concerning to the creation of awareness of the tax payers, Suresh (2012) found that even a single respondent didn't reply that it is excellent (0%). However, 17.5% replied very good, 32% good and remaining 50.5% poor. Therefore, this shows that half of the respondents agreed that the tax authority is not doing to the maximum of their capacity in order to create awareness to the rental tax payers about the purpose of tax payments and where the payment is made; still the rental tax payers were not well aware of that.

Hagos (2011) also analyzed honesty of the tax collectors. His finding indicated that 57% of the tax payers of category "C" responded negatively as below enough and poor, also 77% of the respondents believe that there was high corruption at the time of the registering, assessments and payments of taxes. On the other hand, Lemessa (2007) and Asamenew (2012) found that the majority of the respondents trust on the employees but don't have trust in tax estimation, assessment and collection procedures. Even though, the loyalty of the taxpayers in assessment procedures is still under question mark and the ratio does not take the major share. Hence, it calls for further action from tax authorities.

On the other hand, Ministry of Economic Development and Cooperation (MEDC) (1999) found that the sales tax is too much for the tax payers and as much as possible they try to evade by trying to hide from the tax collectors. The traders (tax payers) also openly admit the fact that they bribe the tax collectors and assessors to partially evade sales tax. Thus, the traders get receipts for the lower amount of the actual tax payment made to the tax collectors and the tax collectors apparently retain the differences. It is also possible that for the tax collectors pocket that the whole amount of tax collected from traders..

In another case, tax should encourage investment. (EBDSN)(2005) proved that the organized business community is unanimous about some basic principles:

- Tax policy should promote investment and production so as to broaden the economic tax base of the country and not only aims at over imposing taxes on existing incomes
- Taxes must be fair, i.e., citizens should be taxed in proportion to their abilities to pay "in proportion to the benefit they derive from the government "(principle of equity)" ;
- The possibilities and mechanisms to appeal should be improved and entrepreneurs be regarded as partners who contribute their share to the national revenue (and not as objects that need to be controlled first with a general suspicion that they are evading their civic duty);
- Tax penalties should be aimed at correcting and guiding the business community and not be regarded as a source of additional revenue for the government. The prevailing tax penalties are considered to be beyond the common businesses ability to pay, which makes it very hard for government as well to enforce payment and leads to the closure of enterprises, which otherwise could have continued to provide income and jobs to the national economy.

Regarding to the fairness of the income tax and ability to pay principle, Wbshet (2011) found that the low income earners receive more benefit from the government but a significant ratio (30%) opposed this and this needs more work to be fair and equitable for the citizens.

On the other hand, Lemissa (2007) found that most of the respondents sense that people should pay taxes according to their ability; but actually they feel that they do not pay about the same amount of tax as others in similar situations. However, according to World Bank Group (WBG) (2007), the Small/micro firms comprise 80–90% of taxpayers, but pay only 5–10% of revenues. In addition, many constituents in poor countries are of course not taxpayers; and these non-tax-paying voters are most likely to be politically concerned about the interests of the 80–90% of the taxpaying business population in the informal, micro, and small sectors. They are also least politically connected to the interests of the 1% of taxpayers in the largest business section.

Wollela (2009) also indicated that it was shown that in Ethiopian provisions pertaining to penalties are being implemented to some extent. However, as survey respondents emphasized, it is unfair to impose the same amount of penalty regardless of the ability to pay tax. Generally as long as the tax being levied is not fair and equitable, it may nearly negate the principles of fairness and ability to pay.

According to Lemessa (2007) and Desta (2010), the reasons why people pay taxes were because of the obligation of the citizens to the government or state and in the anticipation of public services from the government. This majority response indicated that there is a positive understanding as to why people pay taxes and if successive works done probably better results can be registered. On the other hand, some of the respondents said that because they have no opportunity to evade, and to avoid disturbances and penalties.

Regarding to producing annual reports and proper plans, Asamenew (2012) indicated that the tax office does not produce report and separate annual plan for collection in each category of taxpayers and also found that most of the tax payers do not know the rules and regulations of different types of taxes they pay. Due to this, negligence, delay in tax payment and evasion are taken by taxpayers as solution to escape from payment of taxes.

According to the participation of the tax payers, Emerta (2010) analyzed that the collecting small taxes must also be examined that participatory and encouraging tax rate could be an incentive to achieve the target. On the other hand, one possible explanation for the individual tax payers had a commitment of large amount of time itself contributed to a low value for taxable income, since they were a low income group relative to the other class, so they devote more time to save the income tax liability (Addisu, 2011).

In 2008, Mesfin found that there were two types of tax assessment in the Ethiopian context. These are administrative assessment and self-assessment. It is clear that administrative assessment is basically based on estimation which may either complain on behalf of the tax payer or a revenue decline on behalf of the government. It is unquestionable that tax assessment based on estimation without evidences creates inconvenience on either the tax payer or the government. Accordingly, he found that the Ethiopian tax authority faces many challenges in the massive task of tax collection. Such as, lack of a taxpaying culture, weak accountability, lack of transparency, weak audit performance, and unstable tax amendments.

To date, regarding to the Ethiopian tax legislation concerning to the tax laws, Taddese (2012) analyzed that the Ethiopian tax legislation field is chaotic, disorganized, uncoordinated and worse, making it difficult for an average taxpayer to make sense of their obligations under the various tax laws in force. As he said this was because tax laws are uncoordinated, most tax legislations repeat certain provisions as if they were not already provided for in other tax legislations. He mentioned that one area where so many links could surely have been saved is in the definition sections, where certain terms appear repetitively as if they were not already defined in another tax law. One can, for example, take the definition of "body" for tax purposes which is found in many tax proclamations of Ethiopia.

There is reason to believe that the definition of "body" should be uniform for all tax laws, but because of the absence of a tradition of having certain general tax laws, we find ourselves reading the same definition repeated in so many tax laws of Ethiopia. The same can be said for the definition of terms like "person," "related person," and "authority" in different tax laws of Ethiopia.

To summarize, the empirical findings found that the determinants of the tax assessment and tax collection problems were lack of equity and fairness of the tax system, low level of awareness of taxpayers, ineffectiveness and inefficiency of tax the authority, poor service delivery, lack of trust of the tax payers on tax collectors and tax assessment system procedures. Other factors such as taxpayers' attitude and honesty/loyalty were found to be the result of lack of awareness. While political factor found to have little impact on taxpayers' attitude towards taxation. Even though there is similarity on the global, African and Ethiopian findings, the problem is worse in Africa including Ethiopia than other parts of the global.

3. STATEMENT OF THE PROBLEM

Governments are responsible to finance the countries' expenditure to provide the social services and economic benefits to citizens of the countries. The finance can be mobilized through different funds, such as loans, grants and taxes. Among the alternatives, tax revenue is the principal source of the revenue. But the developing countries like Ethiopia, however; face difficulty of covering their expenditure using tax revenue. The consequence is insufficient service and budget deficiency.

The report of Ethiopian Revenue and Customs Authority (ERCA) (2012) revenue to Gross Domestic Product (GDP) ratio of different countries showed that the developed countries average ratio is 34.8%, the developing countries ratio is 18-25%, and the sub Saharan ratio is 15.4%. According to the report, the Ethiopian revenue GDP ratio is 13.7% which is very low when it is compared with the least ratio of the sub-Saharan countries.

In Ethiopia, we can also see another comparison from the ERCA (2012) report which indicated the revenue generation cannot cover the expenditure of the country. For instance in 2005 the revenue was 7931 million and grows to 23583 million in 2009. Also, in 2005 the government expenditure (regional & federal) was 11343 million and grows to 30,599 million in 2009. Hence, the capacity of revenue expenditure coverage is low and because of this low coverage, the capital expenditure depends on the external funds such as loans and grants.

TABLE 1: TIGRAY REGION 4 YEARS REVENUE GDP RATIO (in birr)

Year	Regional GDP	Regional Revenue	Revenue GDP Ratio (%)
2007	9,660,553,270.00	252,206,663.95	2.61
2008	13,907,727,030.00	349,068,164.71	2.51
2009	20,458,773,760.00	486,812,731.65	2.38
2010	23,366,684,060.00	633,317,368.75	2.71
Average	16,848,434,530.00	430,351,232.00	2.55

Source: TRSDRA (2013) and BoFED (2011) Report

According to the Table 1.1 above, the Tigray Regional State Developmental Revenue Authority (TRSDRA) (2013) and Bureau of Finance and Economic Development (BoFED) (2011) estimation of the Tigray region revenue GDP ratio is less than that of the country level 13.7%. Based on the data (Table 1), the Tigray regional state revenue GDP ratio in average in 4 years (2007-2010) is 2.55 %. This shows that there is a serious problem of revenue generation and accordingly the government suffers to finance the social and economic agendas of the region. Moreover, the tax assessment and collection was not planned and controlled category basis that is category A, B and C tax payer's basis. Secondary data was not available on what has been assessed on and collected from category C taxpayers. In order to generate sufficient tax revenue, increasing parallel to the government expenditure as well as to have sustainable economic development and to reduce the dependency of the region, there should be corrective actions on the gap of tax administration systems. Specifically, the tax assessment and tax collection on the category 'C' taxpayers needs a special attention. To improve the tax revenue, the government should work with category 'C' taxpayers. Therefore, examining the tax assessment and collection problems at tax offices and taxpayers helps to take corrective actions so as to improving the tax revenue. Thus, this study intended to examine the consequences of tax assessment on tax collection of category "C" taxpayers in Mekelle city.

4. OBJECTIVES

The overall objective of this study was to examine the consequences of tax assessment on tax collection of the category 'C' tax payers in Mekelle city. Its specific objectives were:

- To assess the tax collection problems.
- To examine the consequences of tax assessment on tax collection.

5. RESEARCH METHODOLOGY

5.1. RESEARCH DESIGN

The research design used in this research was both the qualitative and quantitative method of survey research to analyze the consequence of the tax assessment on the tax collection on category 'C' taxpayers in Mekelle city. For the quantitative approach, sample survey was used and for the qualitative approach an in-depth interview was used. This study applied a sample survey study. This was because the total population of Mekelle city category "C" tax payers was 16,447 a complete survey cannot be used for this large number.

5.2. SAMPLING TECHNIQUE

This research sampling design included a detailed plan of the sample size, sample area and sampling techniques. Depending on the nature of the respondents, the study used two sampling design methods: the cluster random sampling and the purposive method. The cluster sampling technique used homogeneous tax payers and the purposive sampling method used to select proper officials from whom relevant information was gathered. From the total population of the category "C" tax payers of Mekelle city, the sample size was determined and then the sample population was also divided proportionally to sub cities and within sub-cities. The selection of individual tax payers was done by systematic random sampling. On the other hand, the tax collectors were selected to gather proper and relevant information. For this case, purposive (nonrandom) sampling technique was used on their responsibility; one respondent from expert and one from the heads from each Woreda.

The total population of this study was the whole category "C" taxpayers in Mekelle city and the employees of Mekelle Zone Developmental Revenue Authority. The number of respondents were determined wisely and properly, and considered the affordable cost and the manageable number of respondents. Thus, this study has applied Yemane (1976) sample size determination formula in order to determine the sample size. Based on this formula,

a. The sampled size of the tax payers was 390 where N=16,447 and the e=5%
b. From the total employees of the sub cities (170), 2 employees were selected from each sub city and 2 officials were selected from the zonal level, through purposive sampling. Therefore, 2*7 sub-cities + 2 zone level = 16.

Moreover, sample respondents were selected proportionately from each sub-city as follows:

$S_n = 390*(P_s /P)$

Where, S_n= sample size of sub-city; P_s = the sub city population; P = the city population, and 390 the sample size of the study.

TABLE 2: POPULATION AND SAMPLE SIZE OF SUB-CITIES

S/No	Sub-city name	Sub-city population	Number of sample size		
			Tax payers	Employees	Total
1	Kedamayweyane	5893	139	2	141
2	Ayder	882	21	2	23
3	Semien	1622	39	2	41
4	Hadnet	2250	54	2	56
5	Hawelti	4111	97	2	99
6	Quiha	894	21	2	23
7	Adi-Haki	795	19	2	21
8	Mekelle	16447	-	2	2
Total			390	16	406

Source: FRDPMC (2011)

According to the above Table 2, questionnaires were distributed to the respondents of the 7 sub-cities. The ratio of the distributed and collected questionnaire shows that from a total of 406 questionnaires distributed 373 from the taxpayers and 14 from employees (i.e., a total of 387) filled and returned the questionnaire, this shown 95.3%, only 4.7% of the questionnaire was not returned.

5.3. TYPES AND SOURCES OF DATA

The types of data that were used in this research were primary data. It was collected from two sources; from the taxpayers and from tax authority officials. The data collected from the tax payers was through questionnaire and the data collected from the tax collectors was through questionnaire and interview.

5.4. DATA COLLECTION METHOD

Primary data was collected through questionnaire which includes closed and open ended questions for the tax payers as well as officials. The questions prepared for the tax payers included close ended; that have four alternatives, three alternatives and with two alternatives. On the other hand, some questions designed open and this type of question was prepared to gather information freely which is not covered by the close ended questions. The interview questions were designed only for the tax collection officials and this was designed to gather information from the respective bodies and to strengthen the data collected from tax collectors.

The interview was prepared to collect the data from the government employees of 7 sub-cities and Mekelle Zone Development Revenue Agency. An in-depth interview was conducted on face-to-face basis by using structured and unstructured questions.

5.5. DATA ANALYSIS

Even though, there is no compelling reason to choose logit over the probit, in practice many researchers choose the logit model because of its comparative mathematical simplicity. Accordingly, this research has applied the logit model; then the dependent and independent variables are presented as follows:

- Dependent variable (binomial) = the tax collection (the tax collection efficiency)
- The independent variable = the tax assessment variables affecting the tax collection

The logit model was specified as follows:

$$Y_i = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \beta_8 X_8 + e \qquad \qquad \ldots \qquad (1)$$

Where,

Y_i = Tax collection efficiency; α = Constant; β_i = Vector of unknown parameters; X_1= Service delivery by the DRO; X_2= the law enforcement; X_3= trust on assessment procedures; X_4= Tax assessment awareness creation; X_5= convenience; X_6= trust on tax collectors; X_7= fairness of the tax assessment and collection; X_8= gender; and e = error term.

The logit model was tested for the existence of multicollinearity and heteroskedasticty. As a rule of thumb, if the VIF of an explanatory variable is greater than 10, there is a multicollinearity problem (Dereny & Rashwan, 2011). Accordingly, the model test of the study shown that the VIF result was 1.12, which is very low compared to the acceptable measurement that is less than 10. Therefore, the multicollinearity problem of this study is within the considerable range and then the model has not multicollinearity problem. Besides, the logit regression model was tested for heteroskedasticty through Breucsh-Pagan heteroskedasticty test and the result showed that Prob> chi2 was 0.4504 (45.04%), which is greater than that of the significance level of 1%, 5% as well as 10%. This result indicated that there is no heteroskedasticty problem and there is equal variance among the error terms and the model properly specified and well fitted.

The dependent variable of the logit model was the tax collection efficiency which represents the efficiency of the tax collection by the tax collectors (authority) and is binomial logit model for which good represents 1 and poor represents 0. This was hypothesized to be influenced by many factors of the tax assessment such as, service delivery, the tax assessment awareness creation, the trust of tax collectors, the trust of taxpayers on tax assessment procedures, tax assessment convenience (season), the tax assessment fairness, and law enforcement of tax assessment.

RESEARCH HYPOTHESES

Hypothesis 1:   Good service delivery of the tax authority affects positively the tax collection efficiency.

Hypothesis2:   The law enforcement of the tax authority in Mekelle city is not applied and then negatively affects the tax collection efficiency.

Hypothesis 3:   The taxpayers have trust on the tax assessment and tax collection procedures of the tax authority, and affect positively the tax collection efficiency.

Hypothesis 4:   Effective awareness creation on tax payers by the tax authority positively affects the tax collection efficiency.

Hypothesis 5:   The convenience of tax assessment season negatively affects the tax collection efficiency.

Hypothesis 6:   Because of trust of tax payers on tax collectors is low, the tax collection efficiency is affected negatively.

Hypothesis 7:   Tax collection efficiency positively affected by the fair tax assessment.

Hypothesis 8:   Tax awareness creation on females' positively affects the tax collection efficiency than of males'.

Finally, all the data that was collected from different sources was edited, coded, entered in to the SPSS and then analyzed by using the binomial logit regression model in order to identify the tax assessment and tax collection problems, and to analyze the consequences of tax assessment on tax collection of category 'C' taxpayers in Mekelle city.

6. RESULTS AND DISCUSSIONS

This section presents result of the model through regression analysis including *p-value* computed BY using SPSS.

TABLE 3: VARIABLES IN THE EQUATION OF LOGIT REGRESSION MODEL

Variable	R^2	Adj R^2	Prob> F	B	Std. Err.	Df	Sig Z- value	Exp(B)	Significance Level
TAXEFFIC	0.2920	0.2764	0.000						
GENDER (8)				-.0710569	.0451127	1	0.116*	-1.58	
SERVDELIV (1)				.2671034	.0493073	1	0.000***	5.42	0.01
LAWENFOR (2)				.3595897	.0492149	1	0.000***	7.31	0.01
AWERTAXASS (4)				-.1190955	.0501636	1	0.018**	-2.37	0.05
CONVINIENCE (5)				-.0330801	.0208212	1	0.113*	-1.59	
TRUSTAXCOLL (6)				-.0638352	.0485584	1	0.189*	-1.31	
TRUSTAXASS (3)				-.0612496	.0462492	1	0.186*	-1.32	
TAXASSFAIR(7)				.0926562	.0327947	1	0.005***	2.83	0.01
_cons				.4342672	.0861549	1	0.000***	5.04	0.01

Source: Own computation, 2013

(***=at 1%, **= at 5%& *= at 10% and above)

$Logit(Y_i) = .4342672 + .2671034X_1 + .3595897X_2 - .0612496X_3 - .1190955X_4 - .0330801X_5 - .0638352X_6 + .0926562X_7 + .0926562X_8 + \varepsilon_i$

Table 3 above portrayed the effect of tax assessment on tax collection of the category "C" taxpayers in Mekelle City with corresponding *sig*-values to determine whether or not the tax assessment affects the tax collection. Regarding to the result of the model, of the eight variables included in the model service delivery, law enforcement, awareness creation on tax assessment and tax collection fairness found to be significant at 5% level.

According to the binomial logit regression output, the estimate of $B_{(1)}$ is 26.7%with standard error of 4.9%. The estimated odds ratio of efficient tax collection of good service delivery from the tax collector as compared to bad service delivery is Exp (B_1) equals 5.42.In other words the odds of tax collection are about 5.42 times higher for good service delivery holding other variables constant. This can be due to the fact that good service delivery by the tax authority satisfies tax payers there by encourage them to pay the levied tax on time.

In addition, the law enforcement result of the logit model estimate B_2 is 36% with standard error of 4.9% and the estimated odds ratio of tax collection of strong law enforcement from the tax authority as compared to weak law enforcement is Exp(B_2) 7.31. This means, the odds of tax collection are about 7 times higher for strong law enforcement holding other variables constant. This implies that strong law enforcement by tax authority can shape tax payers behavior in a good way.

The estimate of $B_{(4)}$ is -11.9% with standard error of 50.2%. The estimated odds ratio of efficient tax collection of awareness creation by the tax collector as compared to poor awareness creation is Exp(B_4) -2.37. In other words, the odds of tax collection are about 2.37 times below for a good awareness creation holding other variables constant. The negative coefficient shows that the awareness creation activities done by tax authority did not bring positive effect on tax collection efficiency.

Regarding to the tax assessment fairness, the estimate of B_7 is 9.3% with standard error of 3.3%. The estimated odds ratio of efficient tax collection of equally treated tax payers by tax collectors as compared to unequally treatment is Exp(B_7) 2.85. In other words, the odds of tax collection are about 2.85 times higher for equal treatment on tax assessment holding other variables constant. This implies if there is nepotism in tax assessment the tax collection will be negatively affected.

The other four variables included in the model gender, convenience (season), trust on tax collectors and trust on tax assessment and tax collection procedures found to be insignificant at 5% level. This implies that those variables have no significant effect on efficiency of tax collection from category "C" tax payers.

The above results and discussions indicated that service delivery, tax laws enforcements, awareness creation on tax assessment and fairness on tax assessment have statistically significant effect on efficiency of tax collection. This implies that the tax collection efficiency is influenced by those variables consequently, if tax authority try to work on these variables, it can improve tax collection efficiency.

As stated in Section 5.5 above there were eight hypotheses concerning to the broad and specific objectives of the research. Those hypotheses were mainly related to tax assessment and tax collection specifically to analyze the consequence of tax assessment on tax collection on category 'C' taxpayers. From the hypothesized variables gender (**Hypothesis 8**), convenience (season) (**Hypothesis 5**), trust of tax payers on tax collectors (**Hypothesis 6**), and trust on tax assessments and collection procedures (**Hypothesis 3**) found statistically insignificant at 5%. Therefore, those four variables are rejected. Thus, the next discussion focuses on the hypotheses testing of the remaining four variables found significant at 5%.

Hypothesis 1: Good service delivery of the tax authority affects positively the tax collection efficiency.

The variable good service delivery by tax authority is significant with P-value of 0.000 at 1% and the coefficient is positive (0.267) then the hypothesis is accepted. This supports the hypotheses that states good service delivery influences tax collection efficiency positively. In other words, the result implies that good service delivery by the tax authority on category 'C' taxpayers positively affects tax collection efficiency. Moreover, the descriptive analysis shows that 42% of the surveyed tax payers were not happy with the service delivered by the authority. This indicated that there is a big room for the tax authority to improve its service delivery system.

Hypothesis 2: The law enforcement of the tax authority in Mekelle city is not applied and then negatively affects the tax collection efficiency.

The result of logit regression shows that strong law enforcement by the tax authority found significant with p-value 0.000 at 1% and the coefficient is positive (0.359), therefore the hypothesis accepted. This result supports the hypothesis which states strong law enforcement can maximize the likelihood of efficient tax collection. As can be seen in the descriptive analysis, a very great number of respondents believed that law enforcement is weak and the authority is demanded improvement.

INTERNATIONAL JOURNAL OF RESEARCH IN COMPUTER APPLICATION & MANAGEMENT   10

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Hypothesis 4: Effective awareness creation on tax payers by the tax authority is positively affects the tax collection efficiency.

The significant value of the variable awareness creation by tax authority is accepted at 0.018 at 5%. This implies that the awareness creation on tax payers by the tax authority significantly affects tax collection efficiency. However, the coefficient is negative (-0.119) which is the awareness creation affects negatively to the tax collection efficiency. The negative sign indicates that the awareness creation has been done but the tax collection affected negatively. This may be due to poor (boring) awareness creation session (which in turn may be caused by problems of agenda setting, gap identification, time selection, quality of the facilitators etc). This implies that even though the tax authority budgets money, man power and time, still the awareness creation impact is negative.

Hypothesis 7: Tax collection efficiency is positively affected by the faired tax assessment.

The sig-value column shows that 0.005 is accepted at 1% in the dimension of tax assessment fairness to category 'C' tax payers and the coefficient of the logit regression is positive 0.093; thus, the hypothesis is accepted. This result supports the hypothesis that states 'tax collection efficiency is positively affected by the faired tax assessment.' This implies that if tax assessment is perceived to be fair by tax payers, it would have a positive impact on tax collection efficiency, otherwise negative.

7. CONCLUSIONS AND RECOMMENDATIONS

The focus of this research was on the problems of tax assessment and collection on category 'C" tax payers, then thoroughly identifying the consequence of the tax assessment on tax collection. This helps to deal how assessment factor affects efficient tax collection. Though, many problems can affect the tax collection, identifying the more critical ones was the focus of this study. Accordingly, the binomial logistic regression revealed that tax assessment affects the tax collection efficiency. The most significant variables affecting tax collection were awareness creation, law enforcement, tax assessment and collection fairness, and service delivery. Therefore, the study concluded that unless good service delivery is provided, tax related laws are enforced and implemented, effective awareness creation is done and fair tax assessment is conducted, there may not be efficient and effective tax collection.

Even though efficient tax assessment and collection cannot be made over night, it is up to tax administrators to ensure sufficient tax revenue. Multiple approaches are needed to enhance tax collection efficiency. No single approach is likely to fully and effectively address the tax collection efficiency of category 'C'. Since it has multiple causes of tax related problems, the category "C" tax payers needs more attention.

Based on the conducted survey, factors that determine the relationship between tax assessment and tax collection were identified and the following possible recommendations are forwarded so that it may help the tax authority, policy makers and other stakeholders to deal with the issue.

- One of the most important points is mobilizing tax payers towards government agendas. This is because tax payers are the foundation for the government existence and should have a strong bondage between the government and the tax payers. Therefore, to strengthen the relationship between the government and the tax payers through persuasion and continuous communication is a matter of awareness creation.
- Awareness creation in general is making tax payers positive thinkers towards the taxation and equipped them through knowledge of the reason why paying tax, the benefits of the tax payers from paying the tax, how the assessment and collection made, the role of the government and tax payers during the tax assessment and tax collection. Thus, Mekelle tax authority should give more emphasis on awareness creation of tax payers. To do so, the Authority has to use own tools such as regular educational sessions through politicians, professionals, role models of the tax payers, through visiting and experience sharing on the results of paid tax and using electronic and printing medias. On the other hand, knowledge gaps should be identified, agendas should be set accordingly and well prepared catering to the seasonal issues, considering demographic characteristics and specific business areas are the important techniques. Another way of awareness creation is also challenging and fighting to those who try to escape from tax payments.
- The furthermost requirement for efficient tax collection is treating equal tax payers in equal situations and an equal manner. Maintaining tax equity and tax assessment fairness is not achieved only through levying equal taxes on individual who have equal income, but also each taxpayer should pay according to his/her ability to pay. In addition, bringing non taxpayers to tax system has to be considered as a measure of ensuring tax equity. In other words, it is unfair to say that the tax assessment is equitable as long as several capable traders are not paying tax. In this case, taxpayers will be discouraged to the extent that the tax assessment is believed to be unfair and inequitable. Hence, the question of fairness or equity is not only dealing with existing taxpayers but also concerned with people outside the tax system. Ensuring equity means encouraging and protecting honest and loyal taxpayers by adopting fair competition. This can be achieved by incorporating in to the tax system all those who are eligible. The authority must also involve the taxpayers or their representatives while estimating the daily sales or revenue of taxpayers to address the question of fairness and equity. Generally, the authority has to try its level best in ensuring tax fairness and equity so that voluntary compliance behavior can be developed.
- The regulations of tax assessment are the duty and power of the tax authority. But, actually there are problems related to the tax assessment. Due to this, tax assessment is done with no enough data of transaction of the tax payers and this is not convenient for both the government as well as the tax payers. Therefore, participation of the tax payers at the tax assessment is essential. This could be through the legal representative associations or representatives can be directly elected from the tax payers in the sub city. This also helps to create cooperation between government and taxpayers towards the development agendas as well as fostering the clarity of government regulations. Then this helps to make tax collection efficient.
- Even though many factors affect efficient tax collection, one of the essential factors is service delivery. Therefore, the tax authority needs to consider corrective actions; such as, providing fast service delivery. Hence, tax authority should employee enough man power considering the number of tax payers in the sub-cities. In addition to this, the educational back ground of tax collectors should be upgraded. Most of the activities of the sub-cities are operated manually and this makes the service delivery unsatisfactory. So, to make the service delivery effective, efficient and economic; the authority is demanded to support the tax assessment and collection by computerized system; Such as, all departments in each office, Wereda to Wereda, and Wereda to region should be connected by network system. Moreover, all records that are related to tax assessment and tax collection should be kept in a computerized system and be secured and available to users.
- Implementing tax related laws affects tax collection efficiency. The tax authority should give emphasis applying to the law enforcement in important aspects; such as controlling to those who are active in business but not paying tax. In addition to this, those who repeatedly by pass the tax laws should be subjected to penalty. Or else, a tax payer who pays tax on time will be backfired and forced to escape from tax. Finally, the tax collection efficiency will be affected negatively.

LIMITATIONS AND SUGGESTIONS FOR FURTHER RESEARCH

There were limitations on the study such as insufficiency of updated secondary data and the respondents' openness. Besides, this study focused only on the Mekelle city tax assessment and tax collection of the category "C" taxpayers. It is difficult to generalize about the overall tax assessment and tax collection. Therefore, other researchers can make further research on the category "A" and "B" tax payers as well as category "C" taxpayers at regional level by considering more representative samples.

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