Factors Affecting Value Added Tax Collection Performance in West Shewa Zone, Oromia Regional State, Ethiopia

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ABSTRACT: *The aim of this study was to identify factors affecting the Value added tax collection performance in West Shewa Zone. The specific objective the study was to identify Tax payer's related factors affecting VAT collection Performance, to identify Tax administration related factors affecting VAT collection performance and to evaluate Consumers related factors affecting VAT collection Performance and in selected areas. The study used mixed approach qualitative and quantitative research methods to collect and analyze both primary and secondary data. Secondary data were collected from reports and published articles. Regarding to primary data, it obtained from structured questionnaire that were collected from 166 VAT registrants samples and 124 were collected from revenues authority employees generated by using Yemane formula. These samples were selected by using stratified sampling techniques and 105 were collected questionnaires from consumers and 8 head department for interview was conducted. Descriptive statistics and econometric models through multiple linear regression models were used with the help of SPSS version 20 and STATAs version 14 statistical software. This study found Tax payers; Revenues Authority employees and consumers related factors affect the performance of value added tax collections in study areas. The Results of the study showed that Tax knowledge, Tax registrants and introduction to technology were positively influenced Value added Tax collection performance whereas Tax Evasion and Tax non-compliance variables were negatively affected Value added Tax collection performance for tax payer and statistically significant. Whereas Technical staff competence, VAT audit, VAT assessment and VAT rate variables were positively influenced Value added Tax collection performance and political pressure variable negatively affected Value added Tax collection performance for Revenues Authority employees variables and statistically significant. This study recommends that the government and Revenues Authority should take corrective action on Tax payers who perform Tax noncompliance. Revenues Authority should fulfill adequate man power and registered VAT Tax payers who fulfill the criteria but not registered to increase VAT Collection performance. Also Revenues Authority must assess VAT and audit VAT on time to increase VAT collection and eliminate tax noncompliance.*

KEYWORDS*: value added tax, revenue authority, tax payers, employees, performance*

INTRODUCTION

Governments, all of the world have their mission focus on revenue collection tax from the direct tax, indirect taxes and for social contributions. VAT is indirect consumption tax which is imposed on the value added to a product at each point in the cycle of production and distribution which pays a fixed percentage of the final the sale price of a product and VAT is levied on the difference

between the purchase the cost of an asset and the price at which it can be sold (Zone & Asmare, 2020).

According to (Albishi & Alshabanah, (2020) VAT is imposed at every stage of production and the movement of goods through the product, the wholesaler, the retailer, and the consumer who ultimately bears the burden.

According to Abay (2013) France country is implementing the VAT by the modernization in 1954 when Ivory' cost colony and in 1958 French introducing knowing the experiment as a successful out , of this Cote-Devoir was the first country in Africa to introduce VAT in 1960. The reason of VAT collection is to increase the revenue and to increase in fiscal imbalance in the rapid expansions in expenditure and low revenue collection. Now days the VAT is implemented major part of the tax system in over 160 countries sourcing rising about the revenue (Zone & Asmare, 2020).

In Ukraine 2014 VAT was performs primarily the main sources budget revenue obtained 51% of total tax revenues and economic particularly in form of corruption and tax evasion that exists in these countries leads to a considerable tax gap in which reduces VAT efficiency (Personal & Archive, 2015). VAT as measured by the standard rate can have significantly different revenue performance as measured by the ratio of VAT revenue to GDP.

The collection performance of VAT in terms of it's the budget to collect shows good performances. Low annual VAT collection performance is a common experience in every corner of the country (Zone & Asmare, 2020). According to As Jerene (2017) the under developed countries are highly dependent on tax revenue but it is not easy to collect as planned.

VAT is a source of government revenue in most developing countries. Thus VAT has significant role in the revenue system of government of Ethiopia to sustain its role for the generation of revenue, it's important to ensure that the revenue generated by VAT system should be efficient as possible Mesfin (2014). VAT collection is the highest of budget revenue from the type of indirect tax and largest part of tax collection budget.

The Ethiopian government has replaced the former sales tax to make the tax administration more efficient in line with this the Federal Democratic Republic of Ethiopia (FDRE) has adopted VAT into its tax system on January 1, 2003 by replacing the former sales tax system and the VAT is charged on taxpayers that meet the threshold of Ethiopian Birr (ETB) 1 million and above in annual turnover and the tax is charged at 15% rates on transactions subject to VAT (Leta, 2019).

According to Adane (2016) VAT performance in Ethiopia is low as compared to the other African countries. According to Alemu & Assistant (2018) awareness of the society, tax technology, VAT evasion, tax audit and enforcement, VAT administration and politico- legal are the factors of VAT collection performance. And also According to Leta (2019) tax payers awareness on VAT, tax payers' maintenance of account and VAT rate are influenced VAT collection performance. But

tax knowledge, introduction technology and tax registrants are not assessing in factors affecting VAT collection performance.

To fulfill the public needs, government in any country plan to collect tax revenues from the tax paying community. In West Shewa Zone Revenue Authority from 2016 to 2020 the targeted revenue was 164,493,147.00 with the actual revenue being 158,182,774.70. The report showed that the gap is very significant (Annual Report of West Shewa Zone Revenue Authority, 2020).
Based on these facts governments have used VAT is a main source of increasing revenues. But the VAT collection was not succeeded according to the plan in the West Shewa Zone Revenue Authority. VAT Gap as the difference between the plan, and the amount that was actually collected. The researcher is to study that identify factors affecting VAT collection performance from those; this study focus on tax payers attitude, VAT administration practices and consumer's participation in West Shewa Zone Revenue Authority.

Statement of the Problem
VAT is a major source of the government revenue to finance public expenditure and imposed on consumption of goods and services as well as it is collected at all stages in the production and distribution process. In developing countries collection of VAT has its own challenges. Among them ineffective tax administration, low level voluntary compliance, lack of modern information technology, tax evasion and corruption by tax administers and ineffective audit programmed to combat VAT evasion (Zone & Asmare, 2020).

In Kenya between 2000 and 2003, 30% of the total tax revenue came from VAT, but this percentage had declined to 23% by 2013, with one of these reasons for the decline VAT collection performance is being a high rate of VAT noncompliance (Eilu, 2018). As the study Karanja (2012) internal factors affecting performance of the collection of local Value added Tax has mainly remained below 100% it's currently the worst performing tax head with a revenue performance short fall all of about 5 billion in the first quarter of the financial year 2011/2012.

In Ethiopia the tax revenue to GDP ratio is less than 10% which is less than the average value of sub Saharan country that has 16% of GDP as the result their budgetary problems become more serious. To fight against budgetary problems the governments is generating tax revenue mainly imposing indirect taxes, such as VAT and excise tax (Zone & Asmare, 2020).

Ethiopia Revenue Custom Authority (ERCA) have recorded significant gaps between VAT revenues targets and the actual amount collected (Alemu & Assistant, 2018).The government has planned to collect VAT from tax paying community, But which may not be easy to collect as budgeted (Jerene, 2017).

According to Gebre (2018) Ethiopian government has been activity reforming and modernizing the revenue administration, procedure with the aim of simplifying the tax system, focusing on increasing revenue, avoid poor tax collection, tax compliance and poor handling tax.

Some studies are done on many aspects of the operations of value added tax in Ethiopia, as an example, VAT collection challenges and Challenges of value added tax administration studied by Alemu & Assistant (2018), Leta (2019), Ababa (2020) and Jerene(2017) identified that awareness of the society, tax technology, VAT evasion, tax audit and enforcement, VAT administration, politico legal, tax payers awareness on VAT, tax payers' maintenance of account, VAT rate, weak collection system and controlling mechanism of the center, lack of man power and experienced staffs and customer misunderstanding VAT in combination with administrative incapability influenced VAT collection performance.

According to annual report of West Shewa Zone Revenue Authority in 2016, 2017, 2018, 2019 and 2020, West Shewa Zone revenue authority had plan to VAT collection of a birr 37,670,019.00, 32,623,128.00, 32,700,000.00, 25,200,000.00 and 36,300,000.00. However, the collection of VAT performance was 27,417,387.45, 29,212,623.92, 28,899,053.41, 41,328,269.73, and 31,325,440.19 by percentage 72.78%, 89.55%, 88.38%, 164% and 86.30% respectively. The report showed that the gap is very significant compared the plan and West Shewa Zone Revenue Authority is cannot succeeded it's directed to attain at most 100% the planned VAT collection through the years except 2019 year because of various reasons (Annual Report of West Shewa Zone Revenue Authority,2020). However, the study will be to express the point to which factors affecting of VAT collection performance.

Therefore based on the gaps identified from the literature reviews and report results from the West Shewa Zone Revenues Authority of the study area, the research is proposed to be conducted identify the factors affecting VAT collection performance on tax payer's attitude, VAT administration practices and consumer's participation the case of west Shewa Zone and also undertake this research is to fill the research gap that were not addressed and needed to contribute the body of knowledge and helps the government to take corrective action those have adverse effects on the overall VAT collection.

Research Questions
1.   What are the factors of the Tax payers affect VAT collection performance?
2.   What are the factors of the Tax administration affect VAT collection performance
3.   What are the factors of the Consumers that affect VAT collection performance?

Research Objectives

General objectives
The general objective of this study is to identify the factors affecting VAT collection performance in West Shewa Zone.

Specific objectives
1.   To identify Tax payers related factors affecting VAT collection Performance.
2.   To identify Tax administration related factors affecting VAT collection performance in selected Woredas'.

3.   To evaluate Consumers related factors affecting VAT collection Performance.

Motivation of the Study
This study will help the Revenue Authority to take corrective actions on the area of weakness of VAT collection and try to minimize the identified problems in their tasks to increase VAT collection by performed VAT rule and regulation as well. Also, the findings may help the Policy makers to know and to give attention the factors affecting VAT collection, can use the findings to come up with the policies that will be helpful in revenue mobilization and to expand the knowledge of the predictive results of the country policy formulation. As well as the study stands will benefit and will serve for further future researchers to study in factors affecting VAT collection related issue and reference for other researchers on this area.

MATERIALS AND METHODS

This study was conducted in West Shewa Zone. West Shewa is in the western part of Ethiopia, Oromia Regional State. The West Shewa Zone town is Ambo which is located in West Shewa Zone in Oromia regional state. This town has latitude and longitude of 8^0 59'N$37^0$51'E and an elevation of 2,101 meters and it is located 122 kms West of Finfine on the main road of across to the Nekamte town. This town was boarded on the East Wallaga Zone, on the South by the South West Shewa Zone and on the north by the Jimma Zone (Fanos Mekonnen, 2012). Out of 22 woredas of Revenue Authority in West Shewa Zone the study was conducted in selecting areas namely Adaberga, Bako, Chaliya, Dandi, Ejere, Ejersa Lafo and Toke Kutaye. Among the very reason why those areas selected for this study was firstly the majority of VAT registered tax payers living in those areas from west Shewa Zone. Second in those areas there was major source of government revenue due to large number of population. Due to this reason those are better representative of other woredas' to assess the factors of affecting VAT collection performance.

Research Design
A research design is a plan, structure and strategy of investigation, so considered as to obtain answers to research questions or problems. Cross-sectional research design was used in this research.because the study identifies factors affecting VAT collection performance.The study used both descriptive and inferential statistics.

Research Approach
The researcher to accomplish the research used qualitative and quantitative approach. The qualitative approach was used to in depth interview to gather detailed information. And Quantitative approach was an approach that used for questionnaires. Because to gather detailed information and to more understanding. These variables, in turn, can be measured, typically on instruments, so that numbered data can be analyzed using statistical procedures. Therefore the researcher was used both approach.

Target Population
The target population of the study was Value Added Tax registered Tax payers, Revenues Authority employees and Consumers in West Shoa Zone.

Sampling population
The population for this study was from twenty two woredas' selected seven woredas' (Adaberga, Bako, Chalia, Dandi, Ejere, Ejersa Lafo and Toke Kutaye). The Selected woredas' were particularly focused for this study due to number of high tax payers registered from business entity when compare to other woredas' as well as there is no scientific study has been conducted regarding tax payers performance in this study area and range which make it easier for the researcher to get a representatives sample from other woredas'. As Rashid Wani, (2017) define a population any collection of specified group of human beings, or of nonhuman entities such as objects, educational institutions, time unit, geographical area.

The population of response comprise (293) VAT registered tax payers, (184) Revenue Authority employees of selected areas, 105 of consumers selected based on convenience in the study areas, West Shewa Zone Revenue Authority head(1) and department head of selected woreadas' of Revenue Authority(7).

Table Tax payers' of VAT registered and Employee profile in West Shewa Zone.

S/N	Name of Woredas	Number of tax payers	Number of employees	S/N	Name of Woredas	Number of tax payers	Number of employees
1	Abuna Gindabirat	11	22	12	Elu Gelan	11	22
2	Ada Berga	37 ***	29 ***	13	Gindabrat	13	19
3	Ambo	21	19	14	Ilfata	20	21
4	Bako	60***	30***	15	Jeldu	15	21
5	Chaliya	26 ***	28 ***	16	Jibat	10	18
6	Chobi	13	11	17	Liban Jawi	3	11
7	Dandi	63***	28***	18	Meta Robi	25	30
8	Dano	12	22	19	Meta Walkite	25	10
9	Dire Inchini	19	19	20	Midakegn	10	20
10	Ejere	35 ***	28 ***	21	Nono	7	19
11	Ejersa Lafo	32 ***	19 ***	22	Toke kutaye	40 ***	22 ***
	Total Tax Payers Selected = 293/508				Total Employees Selected = 184/468		

Source: - West Shewa Zone Revenue Authority, 2021

Sampling Techniques
A sample is small group of respondents drawn from the population in which the researcher is interested in gaining information and drawing conclusions. Therefore sampling is a process of selecting a given number of representatives of all the targets population or universe in such a way that they represent all major attributes of the population (Rashid Wani, 2017).

Stratified sampling technique was used to select the respondents of VAT registered tax payers and revenue authority employees. This sampling method it was each respondent has equivalent chance of being.

In addition, the researcher was used purposive sampling technique on the West Shewa Zone Revenue Authority head and Woredas Revenue Authority heads, because they were relation to particular activates and used convenience sampling method in selects final consumers due to the customers of tax payers were infinite.

Sample Size

The sample size was determined by using simplified and easy obtained from (Polonia, 2013) on this population sample size required for the study was based on the formula described below as stated and used by (Taro Yamane, 1967)formula to determine the sample size using it is assumed that the sample should have 95% reliability and a sampling error of 5% or 0.05.

$$n = \frac{N}{1+Ne2}$$ Where n= Sample size

N= Total population

e = Error tolerance

The sample size of registered tax payers of selected areas were 293 = $293/1+293(0.05)^2$ = $293/1+293(0.0025) = 293/1+0.7325 = 293/1.7325 = 169$

The sample size of Employee selected areas were 184 = $184/1+184(0.05)^2$ = $184/1+184(0.0025) = 184/1+0.46 = 184/1.46 = 126$

Table Proportionate distribution of the sample VAT registered tax payers and Employees

S/R	Name of Woreda	Proportionate distribution of the VAT registered tax payers sample size	Proportionate distribution of the employees sample size
1	Ada Berga	37/293*169 = 21	29/184*126 = 20
2	Bako	60/293*169 = 35	30/184*126= 21
3	Chalia	26/293*169 = 15	28/184*126 = 19
4	Dandi	63/293*169 = 36	28/184*126 = 19
5	Ejere	35/293*169 = 20	28/184*126 = 19
6	Ejersa lafo	32/293*169 = 19	19/184*126 = 13
7	Toke kutaye	40/293*169 = 23	22/184*126 = 15

Source: developed by Researcher, 2021

Table 3.3 Respondents File

S/R	Type	Populations								Method of sampling
		Ada berga	Bako	Chalia	Dandi	Ejere	Ejersa lafo	Toke kutaye	Zone Revenue Authority	
1	Tax payers	21	35	15	36	20	19	23		Stratified Sampling
2	Tax administrators or Employee	20	21	19	19	19	13	15		Stratified Sampling
3	Head of West Shewa revenue Authority	-	-			-		-	1	Purposive Sampling
4	Head of selected Woreadas' Revenue Authority	1	1	1	1	1	1	1	-	Purposive Sampling
5	Consumers	15	15	15	15	15	15	15	-	Convenience sample
	Total	57	72	50	71	55	48	54	1	
Total sample size = 57+ 72 + 50 + 71 + 55 + 48 + 54 + 1+ = 408										

Source: Developed by the researcher, 2021

Source of Data

The researcher was used both primary and secondary sources of data. The primary data was collected from VAT registered tax payers, employees of Revenue authority, and consumers. Secondary data was collected from annual reports and documents records about current Value Added Tax collection of West Shewa Zone Revenue Authority, from internet, thesis papers and journals.

Method of Data Collection
Regarding the primary data the researcher was used structured questionnaire as an instrument to collect data from tax payers, tax administrators and from the consumers. The questionnaire was prepared in English and translated in to Afan Oromo to non-English speakers of respondents to make it simple for the respondents and to gather the information needed for the research. The questionnaires were in form of five (5) - point likert response scale. The questionnaires have two parts first part focuses mainly about the personal profiles of sample respondents such as gender; age, education and experience etc. Whereas part two of the questionnaire deals with state of agreement by respondents on factors affecting VAT collection performance. As well as the researcher used depth interview to get available information about VAT collection performance

and problems from West Shewa Zone Revenue authority head and selected woredas' Revenue authority heads.

Method of Data Analysis

To analyze, interpret and summarize the data the researcher used descriptive statics in the form of tables, Pie chart, column chart and Percentage .Also inferential statics were used to analytical test. To see the relationship between dependent and independent variables multiple regression were used. To quantitative analysis the researcher used software package for social science (SPSS) version20. It minimizes errors that can occur during data processing and Classical linear Regression Model diagnostic Test was used Stata version 14.

Description of Variables and Measurement

Dependent Variable: If one variable depends upon or is a consequences of the other variables, it is termed as a dependent variable(Pérez et al., 2017). For this study VAT collection performance is a dependent Variable and it is measured by Tax Ratio that means VAT income to Total Tax Revenues x 100

Independent Variables: Independents Variables is variable that successor to the dependent variable is termed as an independent variables (Pérez et al., 2017) Each independents variable has several questions which in turn using for the measure of factors affecting VAT collection performance and it is measured by likert scale.

Table Description and Measurement of Variable

S/N	Variable	Description	Unit of Measurement
	Dependent Variables		Measurement
	VAT collection performance	VAT income to Total Tax Revenues x 100	Tax Ratio
	Independent Variables		
	Tax payers independent variables		
1	Tax non compliance	A set of question	1-5 likert scales) Ordinal
2	Tax knowledge	A set of question	1-5 likert scales) Ordinal
3	Tax evasion	A set of question	1-5 likert scales) Ordinal
4	VAT Rate	A set of question	1-5 likert scales) Ordinal
5	Introduction of technology	A set of question	1-5 likert scales) Ordinal
	Tax administration independent variable		
1	Technical staff competence	A set of question	1-5 likert scales) Ordinal
2	VAT Auditing	A set of question	1-5 likert scales) Ordinal
3	Tax registrants	A set of question	1-5 likert scales) Ordinal
4	Political pressure	A set of question	1-5 likert scales) Ordinal
5	VAT Assessment	A set of question	1-5 likert scales) Ordinal
	Consumer independent variable		
1	Consumer awareness of VAT	A set of question	1-5 likert scales) Ordinal
2	Consumer's Perception of VAT	A set of question	1-5 likert scales) Ordinal

Source: Developed by the researcher, 2021

Model Specification

Different scholars adopted and used some models to analyze on the factors of affecting VAT collection performance of in different countries used ordinary least square (OLS) model identifies the factors of affect VAT collection performance. According to Moutinho et al., (2014) ordinary least square models the relationship between dependent variables and independents variables and also categorized explanatory variables that have been coded.

$Y_i = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \text{-----------} \beta_K X_{ki} + \varepsilon_i$ (1, 2, 3, --------n)

Where Y_i = is the observation dependent variable

  β_0 ----- β_K = are the regression coefficients

  X_{1i} ---- X_{Ki} = are the ith observation of the independent variable

  ε_i = is the observation of the error term.

  n= the number of observation

By using Ordinary Least Square (OLS) model it was constructed as follows:

Model 1:- About VAT Tax Payers

$VCP_i = \beta_0 + \beta_1 TNCOM_i + \beta_2 TK_i + \beta_3 TE_i + \beta_4 VR_i + \beta_5 ITECH_i + \varepsilon_i$………………1

Model 2:- About Tax Administrators

$VCP_i = \beta_0 + \beta_1 TSC_i + \beta_2 VAUD_i + \beta_3 TR_i + \beta_4 POP_i + \beta_5 VA_i + \varepsilon_i$…………………..2

Where VCP i = Value added tax Collection performance

β_0 = Constant Term

β_1 = Beta Coefficients

ε_i = Error Variable

TNCOM = Tax Non Compliance   TSC = Technical Staff Competence

TK = Tax Knowledge   VAUD = VAT Auditing

TE = Tax Evasion   TR = Tax Registration

VR = VAT Rate   POP = Political pressure

ITECH = Introduction of Technology   VA = VAT Assessment

Ethical consideration

Reflexivity in literal way was taken as understanding self and other parties from social, political, cultural, ethical and power perspectives. It is a process by which researchers reflect themselves starting from data collection to the time when they provide the research report (Babchuk & Badiee, 2010). When come to this research, the researcher's reflexive, ethical and personality aspects generally look like the points going to be discussed below.

The ethical approval and clearance for the study before data collection is obtain from the college of Business and Economics Ambo University permission is get from West Shewa Zone Revenue Authority select Woredas. Before the actual outset of data collection via interviews and questionnaires, an attempt was made to meet with Revenues Authority officers to get their recognition for conducting data collection in the West Shoa Zone Tax Payers.

RESULT AND DISCUSSION

Response Rate

The number of questionnaires that was administered to all respondents was 169 of Tax payers, 126 of Revenues Authority employees and 105 of consumers. A total of 166, 124 and 105 questionnaires were properly filled and returned from Tax payers, employees and consumers respectively. This represented an overall successful response rate of 98.8%.

Table 4.1. The questionnaire response rate

Particulars	Administrative		Tax payers		Employees		Consumers		Total	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
Respondents	8	100	166	98.2	124	98.4	105	100	403	98.8
Non-respondents	-	-	3	1.8	2	1.6	-	-	5	1.2
Total	8	100	169	100	126	100	105	100	408	100

Source: field survey, 2021
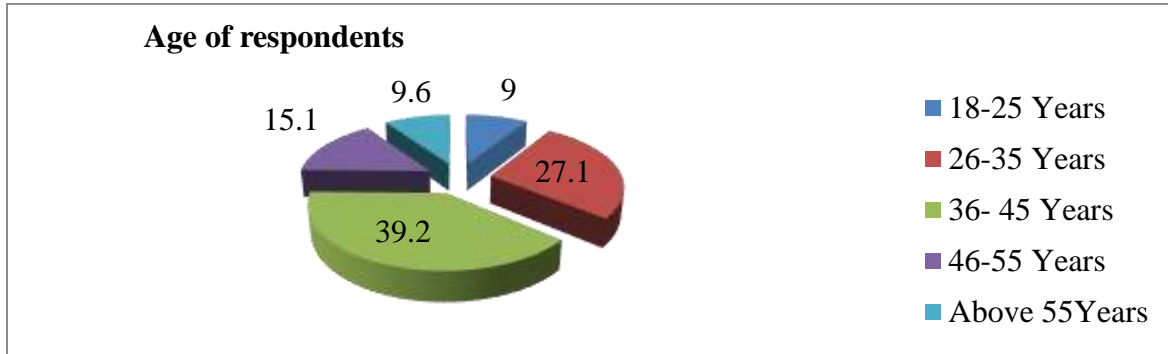
4.3. Background of Tax payers respondents
Figure 4.1 Gender of tax payer respondents
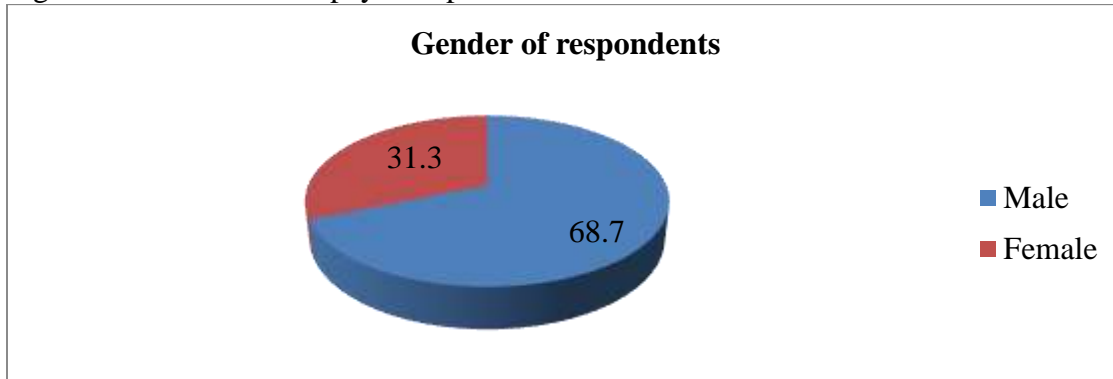
Source: primary data, 2021

As indicated in the figure 4.1of the sample of respondents 68.7 %(114) are male and 31.3 % (52) are female. This indicate that the participants of the respondents were included both genders.
Figure 4.2 Age of Tax payer's respondents

Age of respondents
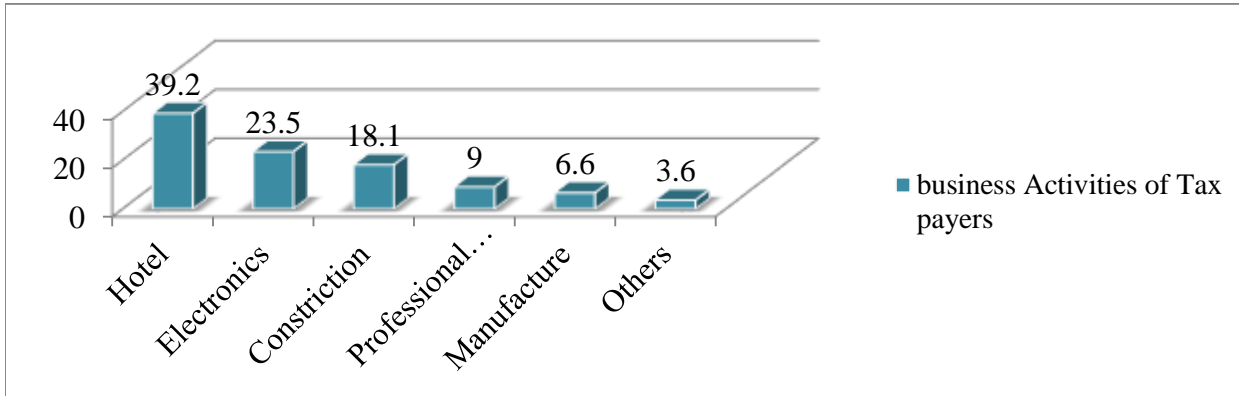

Source: primary data, 2021

The age of the respondents were found in the age group which accounts for 18-25 years 9% (15), 26-35 years 27.1%(45) , 36-45 years 39.2%(65), 46-55 years 15.1%(25), and above 55 years 9.6%(16), of the sample respondents. As the data shown in the   figure large portion of the respondents were found between the years of 26 and 55 ages which indicate that those who are in productive age group of the tax payers.

Figure 4.3 Education of Tax payers respondents.
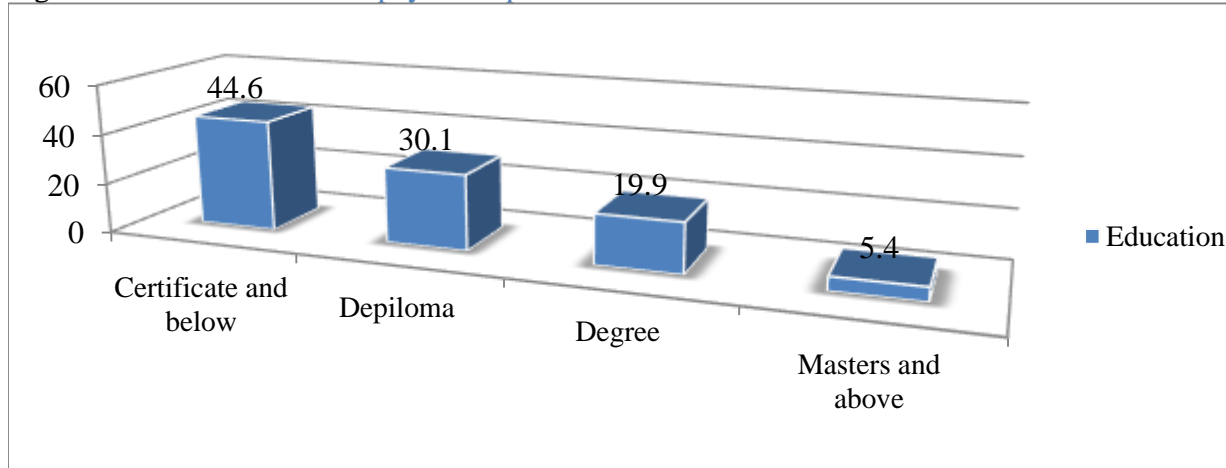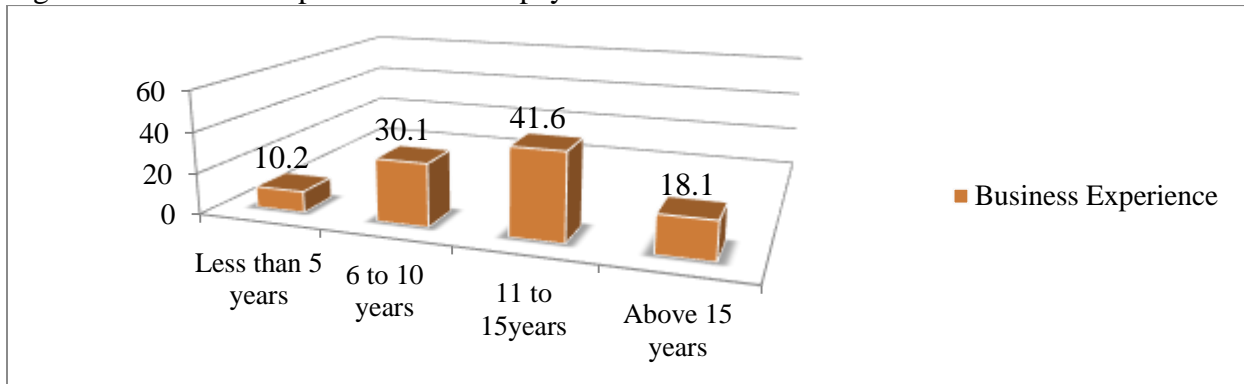

Source: primary data, 2021

As it indicated in the above figure 4.2 the educational status of the sample respondents of field survey result shows that, 44.6 %(74) Certificate and below, 30.1 %(50) diploma, 19.9 %(33 degree and 5.4 %(9) were Masters or above holders. From this the tax payer's education were certificate and below.

9%(15) were Professional service, 6.6%(11) were Manufacture and 3.6%(6) were

Figure 4.4 Business Activities of Tax payers respondents

Figure 4.5 Business experiences of Tax payers

Source: primary data, 2021

As indicated in the figure 4.4 among the respondents of the study area 10.2%(17) of tax payers respondents have Less than 5 years, 30.1%(50) were 6 to10 years , 41.6%(69) were 11 to 15years and 18.1%(30) were Above 15 years . From this data it's possible to conclude that most of the sample respondents have11 to 15 years in business activities.

Figure 4.6 Annual Income of Tax payers
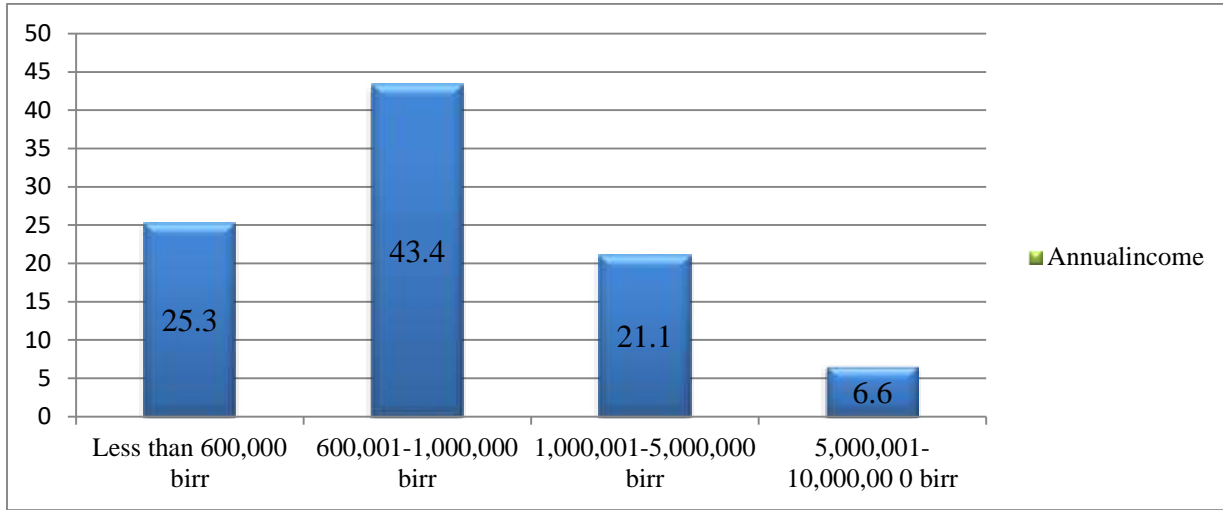
Source: primary data, 2021

As indicated in the figure 4.5 On the average annual income of tax 25.3%(42) Less than 600,000 birr, 43.4%(72) 600,001-1,000,000 birr, 21.1%(35) of respondents 1, 000,001-5,000,000 birr, 6.6%(11) of respondents 5, 000,001- 10, 000, 00 0 birr and 3.6%(6) of respondents have Above 10,000,000 birr.

Descriptive statistics of VAT registered Tax Payers Variables

Table Tax Noncompliance variables

Descriptive statistics							
Statement		Disagree %	Neutral %	Agree %	Strongly agree %	Mean	Std. Deviation
The existing VAT collection process is sound enough to control non- compliant VAT payers.	45 (27.1%	66 (39.8%	7 (4.2%	33 (19.9 %)	15 (9%)	2.4398	1.3186
Tax payers including you may commit tax noncompliance is impact on the VAT collection performance.	10 (6%)	18 (10.8%	7 (4.2%	81 (48.8 %)	50 (30.1%)	3.8614	1.1436
Some of other tax payers are tax non-compliant in the business activities.	14 (8.4%)	28 (16.9%	8 (4.8%	67 (40.4 %)	49 (29.5%)	3.6566	1.2920
The noncompliance of other tax payers has impact on compliance tax payers.	12 (7.2%)	16 (9.6%)	4 (2.4%)	74 (44.6 %)	60 (36.1%)	3.9277	1.1937

Source: SPSS output, 2021

Out of respondents 45(27.1%) strongly disagree, 66(39.8%)disagree,7(4.2%)neutral, 33(19.9%) agree and 15(9%) strongly agree on the existing VAT collection process sound enough to control non- compliant VAT payers.10(6%)strongly agree, 18(10.8%) disagree,7(4.2%) neutral, 81(48.8%) agree and50(30.1%)strongly agree to Tax payers noncompliance is impact on the VAT collection performance. On other tax payers are tax non-compliant in the business activities, 14(8.4%) strongly disagree.28 (16.9%) disagree, 8(4.8%) neutral, 67(40.4%) agree and 49(29.5%) strongly agree.

On the other hand 12(7.2%) strongly disagree, 16(9.6%) disagree, 4(2.4%) neutral 74(44.6%) agree and 60(36.1%) strongly agree on noncompliance of other tax payers has impact on compliance tax payers. This indicate that according to the majority of respondents VAT collection process is not enough to control non- compliant VAT payers and noncompliant tax payers impact on compliance tax payers.

Table 4.3 Tax knowledge

Descriptive statistics							
Statement		Disagree %	Neutral %	Agree Agree %e	Strongly agree %	Mean	Std. Deviation
Taxpayers are well knowledge of the VAT proclamation and regulations.	62 (37.3%	79 (47.6 %	8 (4.8 %	11 (6.6%	6 (3.6%)	1.9157	1.0057
A tax payer has knowledge about books and records maintained for VAT purpose.	55 (33.1%	73 (44%)	11 (6.6 %	17 (10.2	10 (6%)	2.1205	1.1588
Tax payers are do not have any problem with completing and filing the VAT payment and VAT return (refund) when report period.	72 (43.4%	65 (39.2 %	8 (4.8 %	14 (8.4%	7 (4.2%)	1.9096	1.0944
Revenue authorities gives sufficient awareness creation training (tax education) to tax payers.	58 (34.9%	86 (51.8 %	4 (2.4 %	10 (6%)	8 (4.8%)	1.9398	1.0251

Source: SPSS output, 2021

From the above table 62(37.3%) of respondents strongly disagree, 79(47.6%) of respondents disagree, 8(4.8%) of respondents neutral, 11(6.6%) of respondents agree and 6(3.6%) of respondents strongly agree on taxpayers knowledge of the VAT proclamation and regulations.

53

55(33.1%) strongly disagree,73(44%) disagree,11(6.6%) neutral, 17(10.2%) agree and 10(6%) strongly agree tax payers knowledge of books and records of documents. 72(43.4%)strongly disagree, 65(39.2%)disagree,8(4.8%)neutral,14(8.4%) agree and7(4.2%) strongly agree on Tax payers are do not have any problem with completing and filing the VAT payment. 58(34.9%) of respondents strongly disagree, 86(51.8%) of respondents disagree, 4(2.4%)of respondents neutral,10(6% respondents agree and 8(4.8%) of respondents agree on the Revenue authorities gives sufficient awareness creation to tax payers.

The above table shows that a tax payers has low knowledge of the VAT proclamation and regulation, low knowledge books and records maintained for VAT purpose, they has problem of completing and filling the VAT payment and VAT return when report period and the Revenue Authority gives insufficient awareness about tax to the tax payers.

Table 4.4 Tax evasion

Descriptive statistics							
Statement		Disagree %	Neutral %	Agree %	Strongly agree %	Mean	Std. Deviation
Tax evasion should not be considered as a crime to some Tax payer's point of view.	14 (8.4%)	16 (9.6%	8 (4.8%	101 (60.8%	27 (16.3%	3.6687	1.1194
In societies with a tradition of high compliance with tax law, few tax payers would attempt tax evasion Strategies.	20 (12%)	24 (14.5	5 (3%	70 (42.2%	47 (28.3%	3.6024	1.3523
The training provided to VAT registered tax payers by Revenue Authority on tax laws, tax benefits and tax return filings is not sufficient to minimize tax evasion.	23 (13.9%	22 (13.3	7 (4.2%	69 (41.6%	45 (27%)	3.5482	1.3775
Some traders evade the tax because other traders do the same.	21 (12.7%	22 (13.3	16 (9.6	64 (38.6%	43 (25.8%	3.5181	1.3426

Source: SPSS output, 2021

From 166 of respondents14 (8.4%) strongly disagree, 16(9.6%) disagree, 8(4.8%) neutral, 101(60.8%) agree and 27(16.3%) strongly agree on Tax evasion should not be considered as a crime to tax payers point of view. 20(12%) strongly disagree, 24(14.5%) disagree 5 (3%) neutral,70(42.2%) agree and 47(28.3%) strongly agree from in society high compliance with tax law, few tax payers would attempt tax evasion.23(13.9%) of respondents strongly disagree, 22(13.3%) of respondents disagree,7(4.2%)of respondents neutral, 69(41.6%) of respondents

agree and 45(27%)of respondents strongly agree on the training provided by Revenues Authority to VAT register tax payers not sufficient to minimize tax evasion.

21(12.7%) strongly disagree, 22(13.3%) disagree 16(9.6%) neutral, 64(38.6%) agree and 43(25.8%) strongly agree on the most traders evade the tax because other traders do the same.
This indicate that most of respondents agree on the few tax payers would attempt tax evasion Strategies, Tax payers not considered tax evasion as crime and training given by Revenues Authority to tax payers were not sufficient that influence VAT collection performance.

Table 4.5. VAT Rate

Descriptive statistics		Disagree %	Neutral %	Agree %	Strongly agree %	Mean	Std. Deviation
Statement							
The VAT rate imposed upon VAT tax payer is important.	18 (10.8%)	24 (14.5%	5 (3%)	66 (39.8%	53 (31.9%)	3.6747	1.3448
The VAT rate of 15% on all goods and service is not fair	16 (9.6%)	21 (12.7%	-	69 (41.6%	60 (36.1%)	3.8193	1.3086
If the level of VAT rate is high, the income of VAT will be high.	12 (7.2%)	18 (10.8%	-	73 (44%)	63 (38%)	3.9458	1.2123
VAT rate have no affect on VAT collection.	57 (34.3%)	72 (43.4%	10 (6%)	12 (7.2%)	15 (9%)	2.1325	1.2237

Source: SPSS output, 2021

The above table shows that 18 (10.8%) of respondents strongly disagree,24(14.5%) of respondents disagree,5(3%) of respondents neutral, 66(39.8%) of respondents agree and 53(31.9%) of respondents strongly agree to the VAT rate imposed upon VAT tax payer is important.16(9.6%) strongly disagree, 21(12.7%) disagree, 69(41.6%)of respondents agree and 60(36.1%)strongly agree in respective of 15% on all goods and service is not fair.12(7.2%)of respondents strongly disagree,18(10.8%)of respondents disagree 73(44%)of respondents agree and 63(38%) of respondents strongly agree if the level of VAT rate is high, the income of VAT will be high.57(34.3%)strongly disagree,72 (43.4%)disagree,10(6%) neutral, 12(7.2%) agree and15(9%) strongly agree on VAT rate have no affect on VAT collection performance.

The above table concludes that most of respondents agree the important of VAT rate imposed based upon the tax payer's business sectors and the only single VAT rate was not fair to collect Value added Tax. On the other hand the most of respondents agree on, as level of VAT rate increase VAT collection increase and in generally VAT rate have impact on VAT collection performance.

55

Table 4.6 Introduction of Technology

| Descriptive statistics							
Statement	Strongly	Disagree %	Neutral %	Agree %	Strongly agree %	Mean	Std. Deviation
The use of cash register machine has crucial importance for VAT collection performance.	15 (9%)	21 (12.7%	4 (2.4%	68 (41%	58 (34.9%)	3.8012	1.2896
Using cash register machine facilitate the VAT collection process and saving your time on your work.	17 (10.2%)	25 (15.1%	7 (4.2%	64 (38.6 %)	53 (31.9%)	3.6687	1.3366
Tax payers has effective manipulated cash register when daily sales transactions and timely reports.	58 (34.9%)	72 (43.4%	5 (3%)	18 (10.8 %)	13 (7.8%)	2.1325	1.2286
VAT payment increases after your business using cash register machine.	11 (6.6%)	26 (15.7%	6 (3.6%	67 (40.4 %)	56 (33.7%)	3.7889	1.2495

Source: SPSS output, 2021

15(9%) of respondents strongly disagree, 21(12.7%) of respondents disagree4 (2.4%) of respondents neutral, 68(41%) of respondents agree and58 (34.9%) of respondents strongly agree to the use of cash register machine has importance for VAT collection performance.

17(10.2%) strongly disagree,25(15.1%) disagree,7(4.2%)neutral, 64(38.6%) agree and 53(31.9%)strongly agree on using cash register machine facilitate the VAT collection process.58(34.9%)of respondents strongly disagree,72(43.4%) of respondents disagree, 5(3%)of respondents neutral, 18(10.8%) of respondents agree and 13(7.8%) of respondents strongly agree on the effective manipulated cash register when daily sales transactions and timely reports. 11(6.6%) of respondents strongly disagree, 26(15.7%) of respondents disagree, 6(3.6%) of respondents neutral, 67(40.4%) of respondents agree and 56(33.7%) of respondents strongly agree on the VAT payment increases after your business using cash register machine. It shows that cash register machine important to collect VAT because it saving time and it increase Value added Tax collection.

Background of Revenues Authority Employees
Figure 4.7. Gender of Revenue Authority Employees

Gender

- Male
- Female

25
75
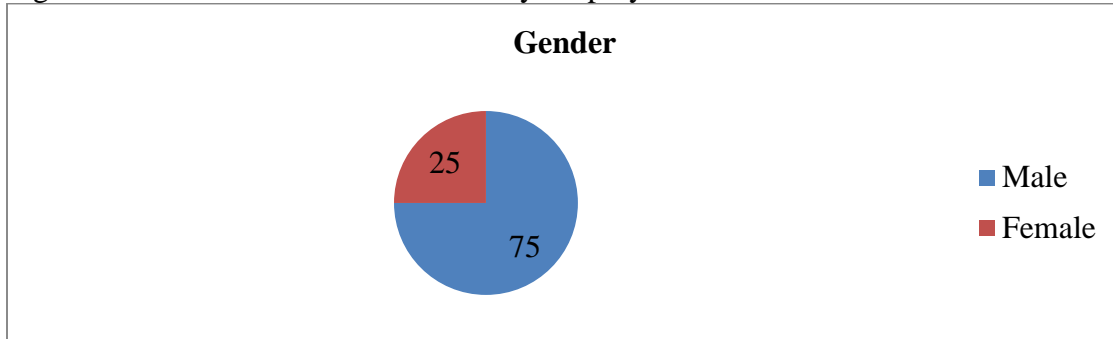
Source: primary data, 2021

Gender of the Revenues Authority respondents different from Male to Female among Respondents, were 75 %(93) males and the remained 25 %(31) female from the total respondents. This implied that, it was evident that out of the number of employees respondents there were more males than females as shown by the percentages.

Figure 4.8 Ages of Revenues Authority Employees

Age

- 18-25 years
- 26- 35 years
- 35-45 years
- 46-55 years
- Above 55 years

7.3 3.2 4
38.7
46.8
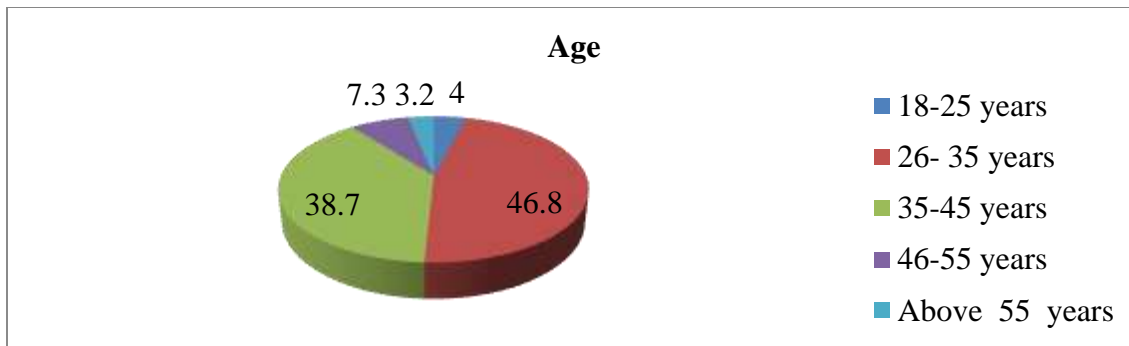
Source: primary data, 2021

The age distribution of the respondents indicated that, 4%(5) had 18-25 age of the respondents, 46.8%(58) had 26-35 age of the respondents, 38.7%(48) had 36-45 age of the respondents, 7.3%(9) had 46-55 age of the respondents and the remained respondents 3.2%(4) had above 55 age of the respondents. This shows that the majority of the respondents had 26 - 35 age.

Figure 4.9. Education of Revenue Authority employees

Source: primary data, 2021

The Education status of respondents were various from diploma to Masters and above. From those
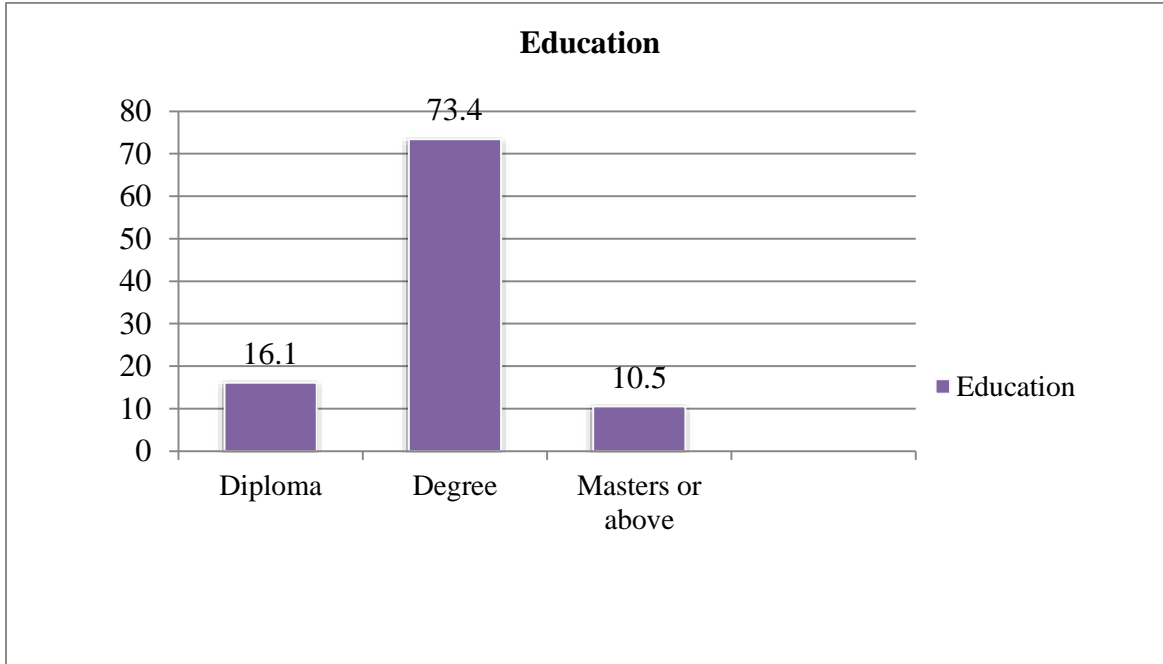
respondents, 16.1 %(20) had diploma, degree 73.4 %(91) and Masters and above 10.5 %(13) from respondents. This shows that most respondents had degree educational level.

Figure 4.10 Experiences of Revenues Authority Employees
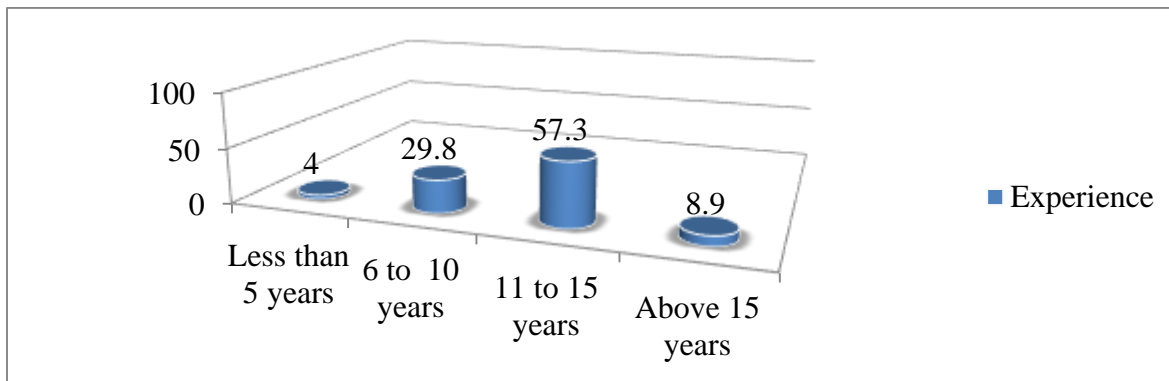
Source: primary data, 2021

As indicated in the figure 4.9 on the experience of revenue authority employees 4%(5), had Less than 5 years, 29.8%(37) had 6 to 10 years, 57.3%(71) had 11 to 15 years and 8.9 %(11) had above 15 years' experience

Descriptive statistics of VAT Revenues Authority employees Variables
Table Technical staff competence

Descriptive statistics		Disagree %	Neutral %	Agree %	Strongly agree %	Mean	Std. Deviation
Statement							
Revenue authority staffs sufficient in executing their duties and responsibilities.	30 (24.2 %)	62 (50%)	9 (7.3	15 (12%	8 (6.5%0	2.2661	1.1484
The existing staff's employees are not equip up with necessary skill and experience to perceive and handle VAT collection performance.	4 (3.2%	9 (7.3%)	3 (2.4	67 (54%	41 (33.1%)	4.0645	1.0989
All tax authority employees are courteous and respectful to tax payers.	43 (34.7 %)	49 (39.5 %)	9 (7.2 %)	12 (9.7%	11 (8.9%)	2.1855	1.2582
Revenue Authority has adequate man power who can participate in Value Added Tax Collection.	33 (26.6 %)	49 (39.5 %	8 (6.5 %)	20 (16.1 %	14 (11.3%)	2.4597	1.3398

Source: SPSS output, 2021

To the staffs sufficient in executing their duties and responsibilities, 30(24.2%) of respondents strongly disagree, 62(50%) of respondents disagree,9(7.3%)of respondents neutral, 15(12%) of respondents agree and 8(6.5% of respondents strongly agree.4(3.2%) strongly disagree, 9(7.3%) disagree,3(2.4%) neutral and67 (54%) agree and41 (33.1%) strongly agree on the existing staff's employees are not equip up with necessary skill and experience to perceive and handle VAT collection performance. 43(34.7%) strongly disagree,49(39.5%) disagree, 9(7.2%) .

neutral,12(9.7%) agree and 11(8.9%) strongly agree on all employees are courteous and respectful to tax payers and 33(26.6%) of respondents strongly disagree, 49(39.5%)of respondents disagree8(6.5%) of respondents neutral ,20(16.1%) of respondents agree and 14(11.3%)of respondents strongly agree to Revenue Authority has adequate man power who can participate in Value Added Tax Collection. This indicates that the Revenue authority staffs are not sufficient in executing their duties and the Authority not has adequate man power to collect Value Added Tax Collection as needed.
Table 4.8.VAT Auditing

Descriptive statistics						
Statement	Disagree %	Neutral %	Agree %	Strongly agree %	Mean	Std. Deviation
Tax audits can play an important role to increase VAT collection performance.	11 (8.9%)	13 (10.5%)	12 (9.7%)	55 (44.3%)	33 (26.6%)	3.6935	1.2242
Effective tax audit system improves VAT collection performance.	6 (4.8%)	21 (16.9%)	13 (10.5%)	54 (43.5%)	30 (24.2%)	3.6532	1.1620
The Revenue Authority has sufficient auditors' to control VAT evasion, by auditing tax payer's financial statements.	35 (28.2%)	52 (41.9%)	5 (4%)	22 (17.7%)	10 (8.1%)	2.3548	1.2827
Revenue authority has the capacity to identify tax evaders through audits and all financial statements tax payers report are audited on time.	16 (12.9%)	76 (61.3%)	6 (4.8%)	21 (16.9%)	5 (4%)	2.3790	1.0405

Source: SPSS output, 2021

From the total of respondents 11(8.9%) strongly disagree,13(10.5%)disagree,12(9.7%) neutral,55(44.3%)agree and33(26.6%)strongly agree on the Tax audits can play an important role.6(4.8%)strongly disagree,21(16.9%)disagree,13(10.5%) neutral,54(43.5%) agree and 30(24.2%)strongly agree to Effective tax audit system improves VAT collection performance. 35(28.2%)of respondents strongly disagree, 52(41.9%)of respondents disagree,5(4%) of respondents neutral,22(17.7%)of respondents agree and 10(8.1%) of respondents strongly agree on the Revenue Authority has sufficient auditors' to control VAT evasion, by auditing tax payer's financial statements and16(12.9%) strongly disagree,76(61.3%) disagree,6(4.8%) neutral,21(16.9%)agree and5(4%) strongly agree to Revenue authority has the capacity to identify tax evaders through audits and all financial statements tax payers report are audited on time. This shows that Tax Audit and effectiveness increase tax collection performance but not sufficient auditors are there to control tax evasion, due to this reason tax payer report not audit on time.
Table 4.9 VAT Registrants

Descriptive statistics							
Statement		Disagree %	Neutral %	Agree %	Strongly agree %	Mean	Std. Deviation
The revenue authority is effective registering all potential tax payers who should get registered for VAT is registered.	54 (43.5 %	50 (40.3 %	4 (3.2 %	9 (7.3 %	7 (5.6%)	1.9113	1.1262
The process of VAT registration is smooth and easy for taxpayers.	43 (34.7 %	56 (45.2 %	7 (5.6 %	11 (8.9 %	7 (5.6%)	2.0565	1.1283
The existing VAT collection process is sound enough to control nonregistered tax payers.	38 (30.6 %	42 (33.9 %	8 (6.5 %	23 (18.5	13 (10.5%)	2.4435	1.3692
The Tax payers are able to register VAT without enforcement the Revenue authority.	39 (31.5 %	50 (40.3 %	3 (2.4	18 (14.5	14 (11.3%)	2.3387	1.3548

Source: SPSS output, 2021

From the total respondents 54(43.5%) strongly disagree, 50(40.3%) disagree, 4(3.2%) neutral, 9(7.3%) agree and 7(5.6%) strongly agree on the effective registering all potential tax payers. 43(34.7%) of respondent strongly disagree,56(45.2%)of respondents disagree,7(5.6%) of respondents neutral, 11(8.9%)of respondents agree and 7(5.6%) of respondents strongly agree for the process of VAT registration is smooth and easy for taxpayers. 38(30.6%) of respondents strongly disagree, 42(33.9%) disagree,8(6.5%) neutral, 23(18.5%) agree and13(10.5%)

strongly agree existing VAT collection process is sound enough to control nonregistered tax payers. 39(31.5%) of respondents strongly disagree,50(40.3%) disagree, 3(2.4%) neutral, 18(14.5%) agree and14(11.3%) strongly agree for Tax payers are able to register VAT without enforcement the Revenue authority. This shows that Revenues Authority not register all potential tax payers because the process of VAT registration was not smooth and easy and number of VAT registered tax payers without enforcement the Revenue authority was few in numbers which influence VAT Collection performance.
Table 4.10 VAT Assessment

Descriptive statistics							
Statement		Disagree %	Neutral %	Agree %	Strongly agree %	Mean	Std. Deviation
Revenues Authority has sufficient employees to assess VAT	32 25.8 %	52 (41.9	4 (3.2	22 (17.7	14 (11.3%)	2.2677	1.3460
The existing Revenues Authority employees have enough skill to assess VAT report	26 (21%	67 (54 %)	6 (4.8 %	21 (16.9	4 (3.2%)	2.2742	1.0770
There is lack of employee commitment to assess VAT as rule and regulation	6 (4.8%	21 (16.9 %)	13 (10.5%)	54 (43.5 %)	30 (24.2%)	3.6532	1.1620
VAT Assessment performed on time to increase VAT collection performance	36 (29%	50 (40.3	4 (3.2 %	18 (14.5	16 (12.9%)	2.4194	1.3798

From the total respondents 32(25.8%) strongly disagree, 52(41.9%) disagree, 4(3.2%) neutral, 22(17.7%) agree and 14(11.3%) of respondents strongly agree on Revenues Authority has sufficient employees to assess VAT. 26(21%) strongly disagree, 67(54%) disagree,6(4.8%) neutral, 21(16.9%) agree and 4(3.2%) strongly agree to the existing Revenues Authority employees have enough skill to assess VAT report. 6(4.8%) of respondents strongly disagree, 21(16.9%)of respondents disagree,13(10.5%) of respondents neutral,54(43.5%) of respondents agree and 30(24.2%) of respondents strongly agree on lack of employee commitment to assess VAT as rule and regulation. 36(29%) of respondents strongly disagree 50(40.3%) of respondents disagree, 4(3.2%) of respondents neutral, 18(14.5%) of respondents agree and, 16(12.9%) of respondents strongly agree on VAT Assessment performed on time to increase VAT collection performance. This indicates that there were insufficient employees in Revenues Authority and lack of commitment to assess VAT as rule and regulation.

Table 4.11 Political Pressure

Descriptive statistics							
Statement		Disagree %	Neutral %	Agree %	Strongly agree %	Mean	Std. Deviation
There is political pressure in Value added Tax collection	10 (8.1%)	19 (15.3%	6 (4.8%	52 (41.9	37 (29.8%)	3.7016	1.2686
Political interference influences Value Added Tax Collection	13 (10.5 %	20 (16.1%	5 (4%)	53 (42.7	33 (26.6%)	3.5887	1.3191
Politically there is lack of knowledge of VAT proclamation and regulations.	16 (12.9	8 (6.5%)	7 (5.6%	57 (46%	36 (29 %)	3.7177	1.3039
Politically there is low perception toward VAT collection performance	13 (10.5 %	14 (11.3%	8 (6.5%	54 (43.5	35 (28.2%)	3.6774	1.2849

Source: SPSS output, 2021

10(8.1%) of respondents strongly agree, 19(15.3%) disagree, 6(4.8%) neutral, 52(41.9%) agree and 37(29.8%) strongly agree on the political pressure in Value added Tax collection. Also on the Political interference 13(10.5%) strongly disagree, 20(16.1%) disagree, 5(4%) neutral, 53(42.7%) agree and 33(26.6%) strongly agree. On the other hand 16(12.9%) strongly disagree, 8(6.5%) disagree, 7(5.6%) neutral, 57(46%) agree and 36(29%) strongly agree on the politically there is lack of knowledge of VAT proclamation and regulations. 13(10.5%) strongly disagree, 14(11.3%) disagree, 8(6.5%) neutral, 54(43.5%) agree and 35(28.2%) strongly agree on the low perception political toward VAT collection performance. It shows that there was political pressure, lack of knowledge, low perception politically which influence VAT collection performance.

Table 4.12.Value Added Tax performance

Descriptive statistics							
Statement		Disagree %	Neutral %	Agree %	Strongly agree %	Mean	Std. Deviation
The tax authority not collects the required amount of VAT as planned and expected	17 (10.2 %	21 (12.7 %)	13 (7.8%	69 (41.6 %	46 (27.7%)	3.6386	1.2893
The tax payers lack of knowledge on the VAT	-	-	-	108 (65.1 %	58 (34.9%)	4.3494	1.4782

|							
towards affects the VAT collection performance.							
Lack of Technical staff Competence affects the VAT collection performance	-	-	14 (8.4%	99 (59.6 %	53 (31.9%)	4.2349	0.5920
Lack of consumer's awareness and perception towards affect the VAT collection performance.	6 (3.6%)	15 (9%)	6 (3.6%	87 (52.4 %	52 (31.4%)	3.9880	1.0209
From Revenues Authority Employee's							
The tax authority not collects the required amount of VAT as planned and expected	6 (4.8%)	14 (11.3 %)	13 (10.5 %	64 (51.6 %	27 (21.8%)	3.7419	1.0734
The tax payers lack of knowledge on the VAT towards affects the VAT collection performance.	9 (7.3%)	11 (8.9 %)	-	64 (51.6 %	40 (32.2%)	3.9274	1.1559
Lack of Technical staff Competence affects the VAT collection performance	9 (7.3%)	10 (8.1 %)	-	66 (53.2 %	39 (31.5%)	3.9355	1.1386
Lack of consumer's awareness and perception towards affect the VAT collection performance.	10 (8.1%)	14 (11.3 %)	7 (5.6%	57 (46%)	36 (29%)	3.7661	1.2171

Source: SPSS output, 2021

From the above table on Tax payer's respondents the tax authority not collects the required amount of VAT as planned and expected, 17(10.2%) of Tax payers respondents strongly disagree, 21(12.7%) of Tax payers respondents disagree,13(7.8%) of Tax payers respondents neutral,

69(41.6%) of Tax payers respondents agree and 46(27.7%) of Tax payers respondents strongly agree. 108(65.1%) of Tax payers respondents agree and 58(34.9%) of Tax payers respondents strongly agree on tax payers lack of knowledge on the VAT. 14(8.4%) of Tax payers respondents neutral 99(59.6%) of Tax payers respondents agree 53(31.9%)%) of Tax payers respondents strongly agree on the lack of Technical staff Competence affects the VAT collection performance. 6(3.6%) of Tax payers respondents strongly disagree, 15(9%)of Tax payers respondents disagree, 6(3.6%) of Tax payers respondents neutral, 87(52.4%) of Tax payers respondents agree, 52(31.4%% of Tax payers respondents strongly agree on Lack of consumer's awareness affect Value Added Tax collection performance. This shows that Revenues Authority not collects the required amount of VAT as planned and expected in the study areas.

In the respective of Revenues Authority employees respondents 6(4.8%) of respondent strongly disagree, 14(11.3%) of respondents disagree, 13(10.5%) of respondent neutral 64(51.6%) of respondent agree and 27(21.8%) of respondents strongly agree on authority not collects the required amount of VAT as planned and expected. 9(7.3%) of Revenues Authority employees strongly disagree, 11(8.9%) Revenues Authority employees disagree, 64(51.6%) Revenues Authority employees agree and40 (32.2%) Revenues Authority employees strongly agree to lack of knowledge affect VAT collection performance. 9(7.3%) of Revenues Authority employees strongly disagree, 10(8.1%) of Revenues Authority employees disagree, 66(53.2%) of Revenues Authority employees agree and 39(31.5%) of Revenues Authority employees strongly agree on lack of Technical staff Competence affect VAT Collection. 10(8.1%) of Revenues Authority employees strongly disagree,14(11.3%) of Revenues Authority employees disagree ,7(5.6%)of Revenues Authority employees neutral 57(46%) of Revenues Authority employees agree, 36(29%) of Revenues Authority employees strongly agree on lack of consumer's awareness affect Value Added Tax collection. This indicates that there is lack of knowledge and technical staff competence towards VAT collection performance and revenues Authority not collects the required amount of VAT as planned and expected.

Background of consumers
Figure 4.11. Gender of consumers

Gender

- Male
- Female

30.5
69.5
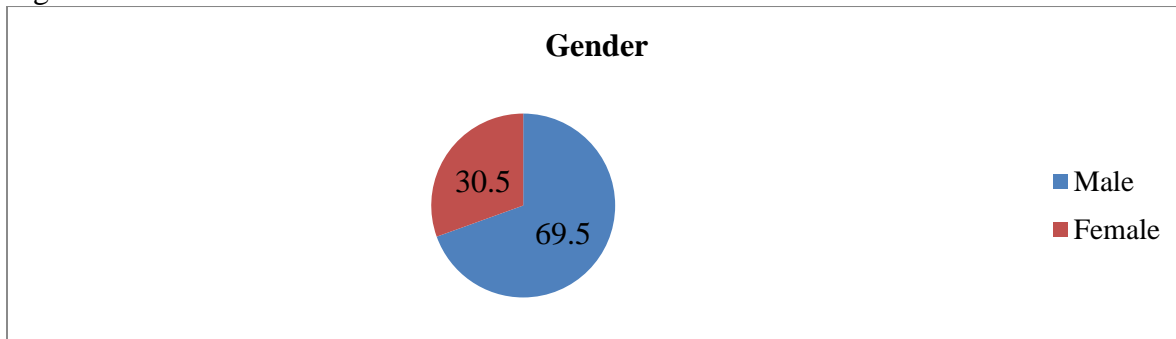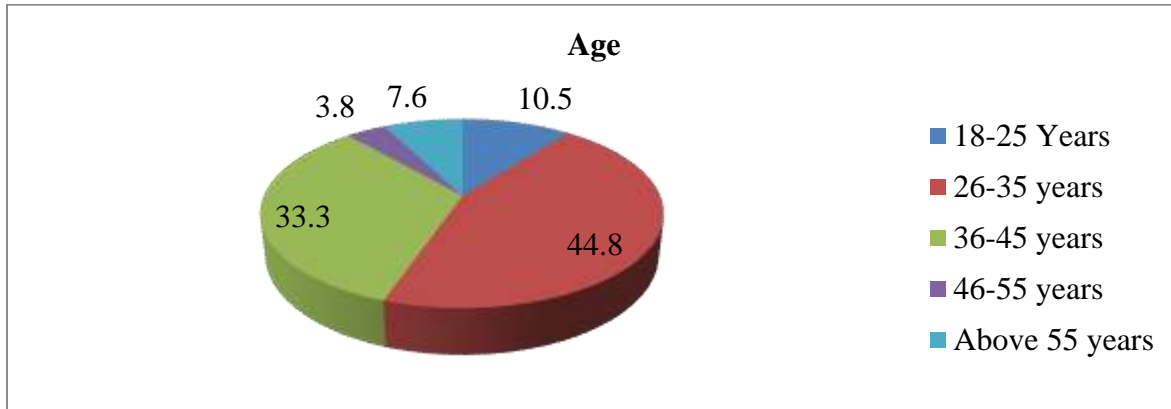
Source: primary data, 2021
As indicate in the above figure, 69.5 %(73) of consumers are male and30.5 %(32) of consumers respondents are female. This shows that the majority of the consumer of the study was male
Figure 4.12 Age of consumer

Source: primary data, 2021
On the age of consumers, 10.5%(11) had age18-25 Years, 44.8%(47) had age26-35 years, 33.3%(35) had age 36-45 years, 3.8%(4) had age 46-55 years and 7.6%(8) had age above 55 years. It shows that the majority of age of consumer's respondents had 26-45 years.
Figure 4.13. Education of consumers
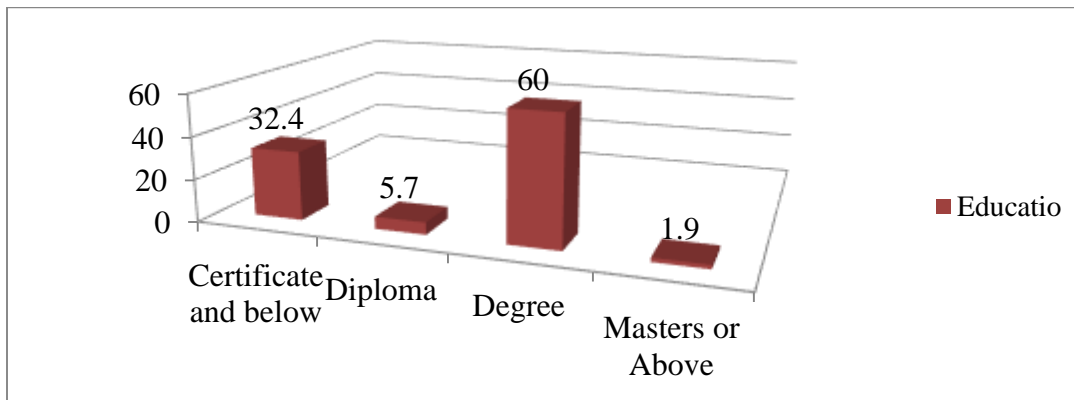
Source: primary data, 2021
As indicated in figure 4.10 32.4 %(34) hold Certificate and below, 5.7 %(6) hold Diploma, 60 %(63) hold degree and 1.9 %(2) hold Masters or Above. This shows that the majority of consumers respondents degree holders.
Table 4.13 Consumers awareness of VAT

Descriptive statistics		Disagree %	Neutral %	Agree %	Strongly agree %	Mean	Std. Deviation
Statement							
Consumers are unaware of the value-added tax.	9 (8.6%)	15 (14.3%	6 (5.7%)	54 (51.4)	21 (20%)	3.6000	1.2057
Consumers were known why paying a VAT to all the purchases goods and services to the tax payers.	31 (29.5%)	44 (41.9%	15 (14.3	8 (7.6%	7 (6.7%)	2.2000	1.1469
I am aware of the fact that I will pay VAT whenever I purchase goods or receive any service.	28 (26.7%)	46 (43.8%	9 (8.6%)	10 (9.5%	12 (11.4 %)	2.3524	1.2858
Consumers have developed good culture in their environment for payment of VAT	29 (27.6%)	43 (41%)	8 (7.6%)	11 (10.5	14 (13.3%)	2.4095	1.3494

Source: SPSS output, 2021

9(8.6%) of respondents strongly disagree, 15(14.3%) of respondents disagree 6(5.7%) of respondents neutral,54(51.4%) of respondents agree and 21(20%) of respondents strongly agree on some Consumers are unaware of the value-added tax. 31(29.5%) strongly disagree, 44(41.9%)disagree15(14.3%) neutral,8(7.6%) agree, and 7(6.7%) strongly agree on Consumers were known why paying a VAT to all the purchases goods and services to the tax payers.

28(26.7%) of respondents strongly disagree, 46(43.8%) of respondents disagree, 9(8.6%) of respondents neutral, 10(9.5%) of respondents agree and 12(11.4) of respondents strongly agree on the aware of the fact of VAT. 29(27.6%) strongly disagree, 43(41%) disagree, 8(7.6%) neutral, 11(10.5%) agree and 14(13.3%) strongly agree on Consumers have developed good culture in their environment for payment of VAT. This shows that Consumers are low aware of the value-added tax and why paying a VAT to all the purchases goods and services to the tax payers which leads Consumers have not developed good culture in their environment for payment of VAT.
Table Consumers Perception of VAT

Descriptive statistics							
Statement		Disagree %	Neutral %	Agree %	Strongly agree %	Mean	Std. Deviation
Most consumers are when purchased goods and services not voluntary to pay a VAT because lack of perceptions.	10 (9.5%)	12 (11.4%	4 (3.8%	52 (49.5%	27 (25.7%)	3.7048	1.2397
I am proud to pay the VAT when I purchased goods and services.	7 (6.7%)	6 (5.7%)	7 (6.7%	47 (44.8%	38 (36.1%)	3.9810	1.1264
I think that the earnings from VAT are a major source of revenue for any government.	20 (19%)	59 (56.2%	5 (4.8%	16 (15.2%	5 (4.8%)	2.3048	1.0930
I accept the implementation of VAT on goods and services.	23 (21.9%	54 (51.4%	-	17 (16.2%	11 (10.5%)	2.4190	1.2843

Source: SPSS outpu,2021

From the total consumers respondents 10(9.5%) strongly disagree, 12(11.4%) disagree, 4(3.8%) neutral, 52(49.5%) agree and 27(25.7%) strongly agree on most consumers not voluntary to pay a VAT because lack of perceptions. 7(6.7%) of respondents strongly disagree, 6(5.7%) of respondents disagree,7(6.7%)of respondents neutral 47(44.8%)of respondents agree and 38(36.1%) of respondents strongly agree to proud when I purchased goods and services. 20(19%) strongly disagree, 59(56.2%)disagree ,5(4.8%) neutral,16(15.2%)agree and5(4.8%)strongly agree on VAT earning major source of revenue for any government. 23(21.9%)strongly disagree, 54(51.4%)disagree,17(16.2%) agree and11(10.5%) strongly agree to accept the implementation of VAT on goods and services. This indicates that consumer proud and not voluntary to pay a VAT, because of there is lack of perception of value added tax.

Classical linear Regression Model Diagnostic Test.
These tests were undertaken to ensure that the assumptions of classical linear regression model are concerned, the coefficient estimators of both α (constant term) and β (independent variables) that are determined by ordinary least square (OLS) will have a number of desirable properties, and usually known as Best Linear Unbiased Estimators (BLUE). So this section provide test for the classical linear regression model (CLRM) assumptions such as normality, heteroscedasticity, Model specification and multicolinearity tests. The linearity of the parameter is assumed since the model applies linear ordinary least square (OLS). The objective of the model is to predict the strength and direction of association among the dependent and independent variables. Thus, in

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order to maintain the validity and the regression result of the research in CLRM, it is better to satisfy basic assumption CLRM. As noted by (Gilman et al., 2008)when these assumptions are satisfied, it is considered as all available information is used in the model. However, if these assumptions are violated, there will be data that left out of the model.

Heteroscedasticity Test
In the classical linear regression model, one of the basic assumptions is Homoscedasticity assumption states that as the probability distribution of the disturbance term remains same for all observations.

That is the variance of each ui is the same for all values of the explanatory variable. However, if the disturbance terms do not have the same variance, this condition of non-constant variance or non-homogeneity of variance is known as heteroscedasticity (Babulo & Hassen, 2005).

Accordingly, in order to detect the heteroscedasticity problems, Breusch-Pagan or Cook-Weisberg test was utilized in this study. This test states that if the p-value is significant at 95 confidence interval, the data has heteroscedasticity problem, whereas if the value is insignificant (greater than 0.05), the data has no heteroscedasticity problem. Thus, as shown there is no heteroscedasticity problem for this studies hence the p value of both Tax payers and employees variables are 0.6831 and 0.0857 respectively insignificant value.

Table Tax payers and Revenues Authority employees Heteroscedasticity Test results

Variables: fitted values of VCP		
chi2(1)	=	0.17
Prob > chi2	=	0.6831
Variables: fitted values of VCP		
chi2(1)	=	2.95
Prob > chi2	= 0.0857	

Source: primary data, STATA output, 2021

Normality Test
One assumption of classical linear regression model (CLRM) is the normal distribution of the residual part of the model. As noted by Gujarati et al., (2004)OLS estimators are BLUE regardless of whether the ui are normally distributed or not. If the disturbances (ui) are independently and identically distributed with zero mean and constant variance and if the explanatory variables are constant in repeated samples, the OLS coefficient estimators are asymptotically normally distributed with means equal to the corresponding β's.Thus, Shapiro-Swilk W for Normality test depicted that a probability of 0.0919 and 0.0798 for tax payers and employee variables respectively. A non –significant result (P-value of more than 0.05) indicates that the distribution is normal.

Table Tax payers and Revenues Authority employees Normality Test results

Variable	Obs	W	V	z	Prob>z
res	166	0.98589	1.792	1.329	0.0919

Variable	Obs	W	V	z	Prob>z
res	124	0.98109	1.871	1.406	0.0798

Source: primary data, STATA output, 2021

Multicollinearity test

There were different arguments towards the multicollinearity problem. Gujarati et al., (2004)Stated that multicollinearity problems exist when the correlation coefficient among variables greater than 0.75. Zikmund et al.,(2003) were suggested that a correlation above 0.8 between explanatory variables should be corrected for. Lastly, Hair et al.,(2012) argued that also correlation coefficient below 0.9 may not cause serious multicollinearity problem. In contrary to this, Kennedy,(2008)argued that as any correlation coefficient above 0.7 could cause a serious multicollinearity problem leading to inefficient estimation and less reliable results. A correlation matrix used to ensure the correlation. This study adopts the most conservative view of (Kennedy, 2008) among the other and accepts the problem of multicollinearity if the value is exceeds than 0.7.

In this case, Pearson correlation matrix was used for testing multicolinearity in this study. Pearson correlation matrix is a technique used for testing multicolinearity of explanatory variables by investigating their relationship and also useful to measure the propensity of how much the independent variables influence the dependent variable. As indicated in the the correlation coefficient between explanatory variable was less than 0.70 for both Tax payers and Revenues Authority employee's variables.

Table 4.17 Tax payers Multicollinearity test

	VCP	TNC	TK	TE	VR	IOP
VCP	1					
TNC	-0.4142	1				
TK	0.4142	-0.2349	1			
TE	-0.6126	0.1810	-0.2843	1		
VR	0.2042	-0.0900	0.2854	0.0121	1	
IOP	0.6103	-0.1364	0.2406	-0.3178	0.1023	1

Table Revenues Authority employees Multicollinearity test

	VCP	TSC	VAUD	TR	POP	VA
VCP	1					
TSC	0.4644	1				
VAUD	0.3988	0.1254	1			
TR	0.6860	0.4754	0.1334	1		
POP	-0.1005	0.1831	-0.0608	0.0244	1	
VA	0.2797	0.1069	0.1819	0.1517	-0.0096	1

Source: primary data, STATA output, 2021
Variance Inflation Factor (VIF)

The other test of multicolinearity was Variance inflation factor (VIF). That means, the larger the value of VIF indicates the more collinearity of the variables with each other. According to the rule of thumb, if VIF of a variable exceeds 10, the variable is said to be highly collinear (Babulo & Hassen, 2005).Accordingly, the variance inflation factor test as indicated in that, there is no multicolinearity problem in this study.

This is due to the fact that the mean of VIF of variables were 1.16 and 1.17 of Tax payers and Revenues Authority employee's variables respectively, which is much lower than the threshold of 10.The VIF for each variable also very low. This indicates that the explanatory variables included in the model were not correlated with each other.

Table Tax payers and Revenues Authority employees of VIF results

Variable	VIF	1/VIF	Variable	VIF	1/VIF
TK	1.26	0.7968	TSC	1.35	0.73851
TE	1.20	0.83213	TR	1.32	0.75723
IOP	1.15	0.8683	VAUD	1.06	0.94562
VR	1.11	0.90407	VA	1.05	0.94952
TNC	1.08	0.92681	POP	1.05	0.95516
Mean VIF	1.16		Mean VIF	1.17	

Source: primary data, STATA output, 2021

Model specification

Thus, as shown the Ramsey regression specification test for this study has a p-value of 0 .4416 and 0.0644 of tax payers and employees variables respectively for the regression models. It indicated that the model has no omitted variables in both models.

Table Tax payers and Revenues Authority employees of Model specification

model	has no	Nno omitted variables	
		F(3, 157) =	0.90
		Prob > F =	0.4416
model	has no	omitted variables	
		F(3, 115) =	2.48
		Prob > F =	0.0644

Source: primary data, STATA output, 2021

Result of Regression Analysis

This section presents the regression result of CLRM model that made to examine the factors affecting VAT collection performance in West Shewa Zone. Accordingly, the regression result was made and coefficients of the variables were estimated via STATA version 13 software.

As stated earlier in model selection part, multiple regression models are an appropriate model used in this study. Thus, the model used to identify factors affecting VAT collection performance in West Shewa Zone in this study.

Table.Regression Analysis Result of Tax Payers' related variables

Source	SS	df MS	Number of obs =	166
			F(5, 160)	65.23
Model	161.31827	5 32.263654	Prob > F	0.0000
Residual	79.136549	160 .494603433	R-squared	0.6709
			Adj R-squared	0.6606
Total	240.45482	165 1.45730194	Root MSE	0.70328
VCP	Coef.	Std. Err. T	P>t [95% Conf.	Interval]
TNCOM	-0.1989066	.0376715 -5.28	0.000 .2733041	-0.1245091
TK	0.1358759	.0634238 2.14	0.034 .0106202	0.2611316
TE	-0.3932275	.0479002 8.21	0.000 -.4878258	-0.2986292
VR	0.1372044	.0574787 2.39	0.018 .0236896	0.2507191
ITECH	0.675999	.0804835 8.40	0.000 .517052	0.8349461
_cons	2.841833	.4174863 6.81	0.000 2.017339	3.666327

Source: own computations Via Stata 13, 2021

The regression results reported in Table 4.16 depicted that, the R-squared and adjusted R-squared values were 67 percent and 66 percent respectively. An R squared of 0.67 indicates that 67% of the VAT collection performance explained by the identified Tax payers related variables. The rest 33% is explained by other factors in the VAT collection performance not studied in this research. Further, the adjusted R-square=0.66 shows that, the factors accounted for 66% of the variance in Value Added Tax collection performance. Moreover, the model summery also shows the significance of the model by the P value statistics (P=0.000) and F=65.23 makes known the sound explanatory power of the model. This statistics indicates that the overall model is significant in explaining the dependent variable since the associated probability is lower than 0.05.It also suggests that the relationship between the dependent variable and independent variables is linear. The beta (β) sign also shows the positive or negative effect of the independent variables coefficient over the dependent variable.

The regression equation for Tax payer's variables was:
VCP i = β0 + β1TNCOM i + β2TK i + β3TE i + β4VR i + β5ITECH i + εi………………1
VCP i=2.8418 - 0.1989TNCOM + 0.1358TK - 0.3932TE+ 0.1372VR+ 0.6759ITECH + εi
The Tax payer's variables result of regression shows that as Tax Non-compliance increase, VAT collection performance decrease by 19.89% by controlling other factors constant. As Tax

knowledge increase, VAT collection performance increase by 13.58% by controlling other factors constant. On the tax evasion as tax evasion increase, VAT collection performance decrease by 39.32% by controlling other factors constant. When come to VAT rate as VAT rate increase, VAT collection performance increase by13.72% controlling other factors constant. At the last when the usage of technology increase, VAT collection performance increase by 67.59% controlling other factors constant.

On the other hand, Tax Noncompliance and Tax evasion have negative relationship with VAT collection performance but, Tax Knowledge, VAT rate and introduction to technology have positive relationship with VAT collection performance and all tax payers' related variables were statistically significant.

Regression Analysis Result of Revenues Authority variables

Source	SS df	MS	Number of obs =	124
	F(5, 118)		F(5, 118)	37.95
Model	113.6072	5 22.7214401	Prob > F	0.000
Residual	70.6564084	118 .598783122	R-squared	0.6165
			Adj R-squared	0.6003
Total	184.263609	123 1.49807812	Root MSE	0.77381
VCP	Coef.	Std. Err. t	P>t [95%Conf.	Interval]
TSC	0.1793082	.0661741 2.71	0.008 .0482656	0.3103509
VAUD	0.200706	.0432028 4.65	0.000 .1151527	0.2862593
TR	0.5053541	.0603881 8.37	0.000 .3857693	0.6249389
POP	-0.1352967	.0611908 -2.21	0.029 -.2564712	-0.014122
VA	0.1159065	.053573 2.16	0.033 .0098174	0.2219956
_cons	0.9051404	.3377813 2.68	0.008 .2362414	1.574039

 Source: primary data, STATA output 2021

The Revenue Authority employee variable regression results indicated the goodness of fit for the regression between independent variables and dependent variables was acceptable in the multiple regressions. An R squared of 0.61 indicates that 61% of the VAT collection performance is explained by Revenues Authority employee's variables. The rest 39% is explained by other factors in the VAT collection performance not studied in this research. Further, the adjusted R-

square=0.60 shows that, the factors accounted for 60% of the variance in VAT collection performance.

The regression equation for Revenues Authority employee's variables was:
VCP i = β0 + β1TSC i + β2VAUD i + β3TR i + β4POP i + β5VA i + εi…………………….2
VCP i=0.9051+0.1793TSC +0.2007VAUD +0.5053TR -0.1352POP+0.1159VA+ εi

Furthermore, the model summery also shows the significance of the model by the P value statistics (P=0.000) and F=37.95 makes known the sound explanatory power of the model. This statistics indicates that the total model is significant in explaining the dependent variable since the associated probability is lower than 0.05. The results show that as Technical staff competency increase, VAT collection performance increase by 17.93% by controlling other factors constant. As occurrence of VAT audit increase, VAT collection performance increase by 20.07% by controlling other factors constant. As number of Value Added Tax registrants tax payer's increases, VAT collection performance increase by 50.53% by controlling other factors constant. When political pressure increase in value Added Tax collection, VAT collection performance decrease by 13.52% by controlling other factors constant. Finally as frequency of Value Added Tax Assessment increase, VAT collection performance increase by 11.59% by controlling other factors constant. This indicates that all Revenues Authority employees' variables have a positive relationship with VAT collection performance except political pressure variables and all are statistically significant in explaining VAT collection performance.

Interview Results
The interviews carried out with Heads of revenues Authority of identified study areas by asking what are the major problems of VAT Collection performance and procedures of un-registered tax payer's identification's. There are many problems of VAT collection performance; some of them are lack of adequate manpower to identify un-registered tax payers and lack of intensive follow up. Also VAT registered tax payer's non-issuance of receipt on goods and service were major problems. On VAT registration there is two options, which are mandatory, those annual incomes more than one million and voluntarily. There is not full number of employees and Revenues authority provided on job and off job training to tax payers and employees even if it is not enough to perform very well. The Revenues Authority collet VAT as Value added Tax proclamation no.285/2002 and regulation but, there is weakness like, registration of un- registered VAT Tax payers, lack of follow up existing tax payers, lack of VAT audit and assessment on time. Even if there are challenges, Revenues Authority collects VAT quarterly.

Summary
The main objective of this study was determining factors affecting VAT collection performance. Based on the results of the findings, the main factors affecting VAT collection performance in West Shewa Zone are: tax noncompliance, tax knowledge, tax evasion, VAT rate ,introduction of technology, technical staff competence, VAT auditing, tax registrants, VAT assessment, political pressure, consumer of awareness of VAT and consumers perceptions of VAT. According to the responses of the respondents depend up on from the questionnaire distributed to all respondents

98.8% of respondent's return the questionnaire's successfully. The study included both genders in Tax payers, Revenues Authority employees and consumers respondents. on the tax knowledge, the majority of respondents 84.9% disagree on Tax payers knowledge of VAT proclamation and regulation.

Noncompliant Tax payers impact on compliant Tax payers which accounts 82.7% of respondents agree and 62% of respondents agree on Taxpayers evade tax due to others tax payers do it. In Revenues Authority sufficient manpower was important to collect Value Added Tax as proclamation but, as result indicated that there is lack sufficient man power which account 66.1% of Revenues Authority employee's respondents on adequate manpower. Due to this reason VAT audit and VAT assessment not performed very well on time. Most of consumer's respondents71% were agree on unaware of VAT and 69.5% of respondents were agree on lack of perception voluntarily to pay VAT where purchased goods and services.

All classical linear regression model tests were performed and their result shows no report of problem on model specification error, multicollinearity, and normality and hetroscedacity test.
This study result shows that Tax Noncompliance and Tax evasion have negative relationship with VAT collection performance but, Tax Knowledge, VAT rate and introduction to technology have positive relationship with VAT collection performance and all tax payers' related variables were statistically significant. Whereas all Revenues Authority employees' variables have a positive relationship with VAT collection performance except political pressure variables and all are statistically significant in explaining VAT collection performance.

CONCLUSION

Value added tax is a tax on consumption levied whenever the value of goods and services increases as they change in the course of production, distribution, and final sales to the consumer. This study analyzes factors affecting value added tax collection performance in West Shewa Zone. The specific objective of the study was to identify Tax payers related factors affecting VAT collection Performance, to identify Tax administration related factors affecting VAT collection performance and to evaluate Consumers related factors affecting VAT collection Performance in selected Woredas'.

To achieve the objectives of this study was used, both primary data and secondary data. Secondary data about the study area was collected from Revenues Authority reports and documents, journals and articles. But the primary major sources of data, on which the study mainly depend were on data collected from a sample of 166 sample as value added tax payers using Yemane sample size formula and 124 respondents from Revenue Authority employees of the study areas . On the other hand 105 of consumers and 8 Revenues Authority heads selected purposively. In selecting sample respondents' stratified and purposive sampling technique was employed. According to the majority of Tax payer's respondents, VAT collection process not enough control non-compliant Tax payers

and disagree on tax payers have well knowledge about books and records maintained for VAT purpose.

On the Tax Payers point of view traders evade the tax because others traders do it and the majority of tax payers respondents agree on15%   VAT rate on all goods and services are not fair. The Revenues Authority employees respondents were disagree on Revenues Authority staff sufficient in exacting their duties responsibility. Also disagree on VAT audit and assessment performed on time.

The most of revenues Authority employee's respondents disagree on revenues authority effective registering all potential tax payers who not registered and agree on political interference influence VAT collection. Consumers respondents were agree on consumers unaware of VAT and lack of perception of Value Added Tax. Descriptive analysis and multiple linear regressions model were used to analyze factor affecting value added tax collection performance, then all Tax payers and Revenues Authority variables were statistically significant at 5% or 0.05.

Recommendations

The Analyze of factors affecting VAT collection performance and the main finding and conclusion has been completed and the following points should be recommended on the bases of the analysis. The major recommendations that come out from the study goes towards both West Shewa Zone Revenue Authority and the VAT registered tax payers. The following Recommendations were forwarded:

☞   The Revenues Authority could upgrade the skill and competency of employees by giving training in order to handle tax related Revenues Authority in a better way.

☞   It should be better if Government and Revenue Authority give training to Tax payers and society about Value Added Tax and also for Revenues Authority employees VAT proclamation and regulation, train its employees by including the information technology (IT) and standard integrated Government Tax administration system (SIGTAS) this is used to help to solve the ever growing complexity of tax collection and tax evasion.as well as any political interference not required in Value Added Tax collection.

☞   It should suggest that few VAT registered taxpayers are not give receipt, when they sell goods and service in their business activities but, selling without receipt that leads tax noncompliance, so it need continuous follow up and make attitudinal changes first and then strengthen the enforcement level of the Revenues Authority.

☞   Un-registered taxpayers who are transact higher volume can affect the VAT registered Tax payer's transaction and profitability due to none issuance of receipt. Therefore, It suggested that actions should be taken to narrow the gap and conducting intensified awareness creations to register those tax payers.

☞   Strong audit, assessment and enforcement are very important element to enhance VAT revenue collection performance and to reduce tax evasions and Tax noncompliance. So, the authority has fulfill manpower to audit, assess and enforce VAT registered organizations and individual Tax payers.

☞ The authority should have audit and assessment plan based on risk criteria. This enables the authority to focus on targeted areas in order to detect noncompliance. So the authority has to establish effective audit, assessment and enforcement mechanisms.

Finally, it is recommended that the West Shewa Zone needs to improve the mechanism of spreading awareness. This can be achieved by using social media through posting some advertisements on Facebook, Instagram, Twitter, by visiting schools, universities, and workplaces to conduct public lectures and workshops to students, and employees. This is because social media and visiting is the most preferred way to make people more aware of VAT.

Direction for Further Research
This study investigates factors affecting of Value Added Tax collection performance in West Shoa Zone. There is need studies in this area to establish other factors, other than the ones covered in this study because the studied results was 66% and 60% explained by the Tax payers and Revenues Authority employees variable variation in the VAT collection performance respectively. Therefore factors that explains for the remaining 34% of Tax payers and 40% of employees which might have a significant effect on VAT collection performance. Thus, future researchers may be interested in validating the consistency of the result and provide supplementary results for this study by including other dimension of VAT collection performance.

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