Determinants of Turnover Tax Collection Effectivenes: The Case of West Gojiam

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Abstract

The most common method of financing government expenditure is by taking resort to taxation. In order to generate appropriate revenue from TOT, the administration should be effective. The researcher set the general and specific objectives of the study and the major research questions related to turnover tax collection. From the related literature the researcher considers independent variables which explain the dependent variable of TOT effectiveness. Having those variables the research hypothesis formulated based on the given number of independent variables that were tested after the required data were gathered. In order to address the research questions and achieve the objectives, explanatory research method and census sampling method were employed to gather data. Respondents who participated in the study were tax administrators from all woredas found in west Gojjam. Quantitative research approach was used. The Primary data which were collected through questioner were analyzed by using structural equation model and most secondary data used to develop related literature and used to establish the hypothesis. The dependent variable is measured by the effectiveness of TOT collection on average result of two years period. The independent variables are measure based on the five scale Likert type question. After collecting data from tax officials the researcher reaches a conclusion by analyzing data in Amos soft ware. Tax payers' ignorance of their obligation, corruption and collusion, tax audit and verification and convenience of payment were the major determinants of effectiveness in turnover tax collection. The researcher recommend to tax office after drawing conclusion.

Keywords: Turnover tax, structural equation model, value added tax, Amos

1. Background of the Study

The government collects revenue from tax to ensure its funding and to finance basic infrastructures in the nation, however; for the taxpayers also important to be treated in a way which is procedurally fair (Richard, 1999). Tax administration, therefore, covers a wide area of study, encompassing aspects such as registration of taxpayers, assessments, returns processing, collection, and audits (Kangave, 2005)

Ethiopia introduced turnover tax in the year 2002 as a replacement of sales tax like that of VAT. Turnover tax is also a principal source of revenue for Ethiopian government specifically for Amhara region administration (Proclamation No. 308/2002). A large number of informal sectors, low tax moral, rampant evasion and total distrust mostly exist in developing countries (Bird, 2003). It has been determined that there shall be enacted a turnover tax to enhance saving and investment, minimize the damage that may be caused by attempts to avoid or evade taxes, stimulate economic growth, and improve the relationship between Gross Domestic Product and Government Revenue; Whereas, administrative feasibility considerations limit the registration of persons under the value-added tax to those with annual taxable transactions the total value of which exceeds 500,000 Birr (Proclamation No. 308/2002).

2. Statement of the problem

According to annual report of 2016, tax authority of the ANRS the annual planned revenue assume to collect from Indirect tax around Br 1,288,000,000 but the actual amount which collected is around Br 766,000,000. It has significant difference of Br 522,000,000. It is very surprise issue which requires deep research to determine and measure the responsible factors for the existence of this deviation. This indicates that even if the tax authority strives to collect high amount of revenue it collect only 41% of total budgeted. Turnover tax collection procedures had its own contribution for the existence of this disparity between the amount of tax revenue planned to collect and actually collected by tax offices. West Gojiam was one of zonal areas in Amhara region that experience ineffectiveness in tax collection revenue (ARCA, 2016). The numbers of empirical evidence which focus on this area were limited. Research which conducted in Kenya in 2013 indicates that the challenge which affects collection of turnover tax is the mode of payment is time consuming and tedious (Siyimu, 2013).

3. Research hypotheses

In line with the broad purpose statement, the following hypotheses were formulated for investigation. Hypotheses of the study stands on the theories related to factors for collection of turn over tax. The results from the literature review which are used to establish expectations for the relationship of various variables which are affecting turnover tax revenue collection effectiveness. Hence, based on the objective of the study, seven hypotheses were hypothesized as follows.

H1. There is a significant negative relationship between Taxpayers' ignorance of their obligations and effectiveness of collection of turn over tax revenue.
Tax education and knowledge about tax laws plays a major role in determining taxpayer's compliance behavior and to ensure tax collection effectiveness (Eriksen & Fallan, 1996).

H2.There is a significant negative relationship between Corruption & Collusion and effectiveness of collection of turn over tax revenue.
The greater the discretion, the greater the opportunity tax officials have to provide favorable interpretations of government rules and regulations to businesses in exchange for illegal payments and leads to ineffectiveness in tax collection (Pashev, 2005)

H3. There is significant positive relationship between tax payer audit and verification with effectiveness of collection of turn over tax revenue.
Most taxpayer's report their tax liabilities more accurately if they believe that the tax administration has the capacity to detect any unreported liabilities and that heavy penalty may be applied when they are detected. (Barreca &Ramachandran, 2004)

H4. There is significant positive relationship between tax payer participation in Government policy formulation and the effectiveness of collection of turn over tax revenue.

H5. There is a significant positive relationship between Convenience of payment and effectiveness of collection of turn over tax revenue.
SME returns represent the bulk of forms received and processed. These returns, unlike large taxpayers' returns, have a disproportionate number of inconsistencies, missing information, and unintentional errors. High benefits can be realized where there is return simplification, plain language instructions, bank payment processing, reductions in filing and payment frequency, and e-filing and e-payment acceptance (International Tax Dialogue, 2007)

H6. There is a significant positive relationship between penalties and fines impose on tax payers and effectiveness of turnover tax collection.
Tax collection effectiveness was significantly increased with higher penalties but not with audit probability in the study by (Friedland, Maital, & Rutenberg, 1978). In contrast, other studies have shown that fines and penalties are not related at all to effectiveness; even though they were able to confirm that the probability of being audited is related to compliance (Webley, Robben, Elffers, & Hessing, 1991)

H7. There is a significant negative relationship between tax evasion and effectiveness of turnover tax collection.
Research conducted a study that sought to find out the challenges facing tax revenue collection in Uganda and came up with tax evasion and avoidance were found to have serious impact on tax revenues (Seatini, 2010)

4. RESEARCH METHODOLGY
4.1. Research approaches: Quantitative approach
The inquiry paradigm used in research is generally influenced by researcher ontological and epistemological beliefs. These beliefs represent how the researcher views and seeks to understand the world. The two extremely contradicting paradigms are positivism and constructivism. Thus, positivist researchers normally adopt quantitative methods and constructivist researchers adopt qualitative methods. The other paradigm is combination of positivism and constructivism (that is mixed method).

Quantitative research is the systematic and scientific investigation of quantitative properties and phenomena and their relationship. Creswell (2003) noted that quantitative research is one in which the investigator primarily uses positivist claims for developing knowledge. The positivism approach explains that the world as objective realism and therefore suggested that knowledge created by deductive reasoning where by a precise and systematic process is adopted (McKerchar, 2010). Besides quantitative research is to develop and employ mathematical models, theories, and hypotheses pertaining to natural phenomena. The process of measurement is central to quantitative research because it provides the fundamental connection between empirical observation and mathematical expression of an attribute. i.e., in this approach, the research problem translated to specific variables and hypotheses. As the literature on research methodology indicates, quantitative research approach it usually starts with a theory or a general statement proposing a general relationship between variables. With this approach, it is likely that the researchers will take an objective position, and their approach will be to treat phenomena as hard and real. As a result proposing of such studies claim that quantitative research would undertaken in a value free framework. In line with this, quantitative research tests the theoretically established relationship between variables using sample data with the intention of statistically generalizing for the population under investigation.

Quantitative research favor methods such as experiments and surveys, and will attempt to test hypotheses or statements with a view to infer from the particular to the general. This approach typically concentrates on measuring or counting and involves collecting and analyzing numerical data and applying statistical tests. Well-formulated quantitative research has a significant contribution of generalizing of the broader population. This leads

to consistent procedures in sample selection, instrument design, implementation, and analysis. This consistency in turn increases the reliability of procedures, and the reliability of findings helpful to mitigate interviewee biases. Apart the above significant contribution, quantitative research design has its own insignificancy. Like quantitative research based on the assumption that research procedures (instrument design, Sample selection, measurement decision, and implementation) can standardized, and would lead to reliable outcomes.

Based on the above explanation about quantitative research approach this research employed this research approach. The research considers dependent variables which were explain by the independent variables by using the model that measure TOT collection effectiveness.

4.2. Variables of the Study

The dependent variable is TOT effectiveness and it will be measured using revenue from Turnover tax. Every tax administration strives to achieve collection target and closely monitor outcomes. In less developed environments revenue was the only formalized performance measure (Kloeden, 2010). In the context of this research TOT collection effectiveness is measured by comparing planned tax revenue and the actual tax revenue from the tax office. Whereas the explanatory variables were measured using five point Likert scale.

The Likert scale is commonly used in survey research especially from social science, management, marketing, education, tourism, healthcare and other disciplines to measure the respondents attitude by asking insofar to which they agree or disagree with a particular question or statement presented. A typical scale that frequently apply by majority of researchers might be "strongly agree, somewhat agree, not sure/undecided, somewhat disagree, and strongly disagree. At the outset, survey data using Likert scale may seem easy to analyze or to identify the factors involve in the study, but there are other important issues that should be addressed for a data analyst to consider it. This is because the implementation of the Likert scale in analysis has become one of the main interested techniques for each researchers and scholars lately. The five point Likert scale is employed in this study. We can look the following table which shows the relation between research hypotheses and the source of data by questionnaires.

4.3. Measurement of Reliability

Measurement is an essential concept in science (Kimmo & Vehkalahti, 2008). It is therefore crucial to assess the quality of the measurements. The measurements should also be reliable, in the sense that the researcher can rely on the accuracy of the measuring instrument. The kind of test used to measure the reliability is **Cronbach alpha.** Coefficient alpha is one name for the Cronbach alpha reliability estimate. Cronbach alpha is one of the most commonly reported reliability estimates in the language testing literature (Brown, 2002).

A Cronbach alpha estimate (often symbolized by the lower case Greek letter α) should be interpreted just like other internal consistency estimates, that is, it estimates the proportion of variance in the test scores that can be attributed to true score variance. Put more simply, Cronbach alpha is used to estimate the proportion of variance that is systematic or consistent in a set of test scores. It can range from 00.0 (if no variance is consistent) to 1.00 (if all variance is consistent) with all values between 00.0 and 1.00 also being possible. For example, if the Cronbach alpha for a set of scores turns out to be .90, we can interpret that as meaning that the test is 90% reliable, and by extension that it is 10% unreliable (100% -90% = 10%).

Variables	No. of Items	Value of Alpha	Interpretation
Taxpayers' ignorance of their obligations	7	0.71	Good
Corruption and collusion	7	0.74	Good
Tax payer audit and verification	9	0.89	Great
Participation on Government policy formulation	5	0.73	Good
Convenience of payment	5	0.78	Good
Penalties and fines on tax payers	6	0.7	Good
Tax evasion	5	0.77	Good
Overall alpha		0.72	Good

Source: Researcher's Own Computation

4.4. Target Population

The target population of this study was composed of tax officials from each Woreda of tax authority office specifically for TOT administrators located in west Gojjam from regional administration and tax officials. The number of tax officials was identifiable and including those officials from Woreda tax administration office in Zone. More than 120 tax officials were present in west Gojjam zone administration.

4.5. Sampling and Sampling Techniques

The sampling frame consists of a list of items from which the sample is to be drawn (Kothari, 2004). For the purpose of this research the population from which samples were drawn all tax officials. To get a representative

usable response, the researcher had taken population as sample size and a census sampling used as sampling techniques.

4.6. Method of Data Collection

According to Kothari, 2004 depending on the sources and techniques ones uses for gathering data it can be divided into primary and secondary data. The primary data was collected by using techniques like interviews, questionnaires and others. On the other hand secondary data refers to documents that have been organized before. But in this study the researcher collect data by designing questionnaires on major variables which measured by five point scale Likert type data. The data which measure dependent variables collected from the document, that maintained by West Gojjam tax administration office.

4.7. Questionnaire Design

The layout of the questionnaire was kept very simple to encourage meaningful participation by the respondents. The questions kept as concise as possible with care taken to the actual wording and phrasing of the questions. The reason for the appearance and layout of the questionnaire are of great importance in any survey where the questionnaire was completed by the respondent (John et al., 2007). The literature in the study used as a guideline for the development of the questions in the questionnaire. Besides, some questions in the questionnaire adopted from other sources (Habtamu, n.d.; Mulugeta, 2010; Abera, 2012). The questions that used in the questionnaire were multiple-choice questions and five-point Likert scale type questions. The type of scales used to measure the items on the instrument is ordinal scales (strongly agree to strongly disagree).

4.8. Method of Data Analysis

In order to analyze the collected data, structural equation model was employed. Lately, Structural Equation Modeling (SEM) has become one of the prominent statistical methods as it is taking into account of the multiple variables simultaneously and being free from the measurement error that associated with every variable. Structural Equation Modeling is defined as a statistical approach to testing hypotheses about the relationships among observed and latent variables (Hoyle, 1995). Observed variables also called indicator variables or manifest variables. Latent variables also denoted unobserved variables or factors. The latent variables cannot be measured directly. The latent variable must be defined in terms of observed variables to represent it. In the context of this study the latent variables which defined by other observed variables was TOT collection effectiveness and the observed variables which was used to defined latent variables was the seven predictors in hypothesis. SEM is also a methodology that takes a confirmatory (i.e. hypothesis-testing) approach to the analysis of a theory relating to some phenomenon. In SEM, the achievement of fitness of measurement model must be ensured during the Confirmatory Factor Analysis (CFA; Zainudin, 2015). Confirmatory factor analysis (CFA) models are commonly used to examine patterns of interrelationships among various constructs. Each construct in a model is measured by a set of observed variables .The fitness of measurement model was very sensitive to the characteristics or pattern of the data sets. Therefore, the good fitness of measurement model was actually represents the data obtained was compatible with the theories conveyed (Henseler, Hubona, & Ray, 2016). In order to obtain the good fitness of measurement model, the researcher must concern with their data sets that is the data was collected based on respondents perception. In the questionnaire, the Likert scale was considered as the measurement scale to assess the degree of the respondents' opinion. If the measurement scale presented more choices, then, it will accelerate the researcher to decide their choice. The instrument which is used by researcher to analyze the data was Amos graphics 18.

4.9. Testing of data validity

Discriminate validity assesses the extent to which a concept and its indicators differ from another concept and its indicator (Bagozzi et al., 1991). Byren (2010) also stated that, the correlations between items in any two constructs should be lower than 0.9. Correlations between the constructs and any other construct in the proposed model were lower than 0.9, satisfying Byren (2010) criteria for discriminate validity. Thus construct validity was met.

Discriminant validity refers to the degree in which a construct being measured in the study is not similarly measured under a different construct and is therefore unique from other constructs. To provide evidence of this type of validity, researcher typically conduct a comparison of squared values of the estimated correlations between the constructs and the average variance extracted (AVE) from each construct. If the variable's AVE value is higher than the square of the estimated correlation between it and another variable, then there is evidence to support an acceptable degree of Discriminant validity between these variables.

Table shows that the square root of the average variance extracted (AVE) of each construct, is greater than its correlations with other constructs, thus supporting the discriminant validity of the construct (Pavlou, 2003). In conclusion, the results indicated that the measurement model achieved the adequate validity, convergent validity and discriminant validity. The cutoff point to satisfy the concept of validity both indicator loading and AVE exceed

0.5

Testing validity

Convergent validity	obligation	CC	Adv	GPF	CP	PF	TE
AVE=∑(Xi²/N)	0.63	0.65	0.69	0.60	0.62	0.67	0.56
Validity	Established	Established	Established	Established	Established	Established	Established

Xi→The value of regression weight under each construct. N→Number of observed variables.

Discriminant validity	Factor correlation(r)	Correlation Squared(r^2)	AVE>r^2	Discriminant validity
Obligation↔CC	-0.020	0.0004	0.63	Established
Obligation↔AdV	-0.053	0.003	0.63	Established
Obligation↔GPF	-0.085	0.007	0.63	Established
Obligation↔CP	0.056	0.003	0.63	Established
Obligation↔PF	0.011	0.0001	0.63	Established
Obligation↔TE	-0.319	0.102	0.63	Established
CC↔AdV	0.130	0.017	0.65	Established
CC↔GPF	0.149	0.022	0.65	Established
CC↔CP	-0.282	0.08	0.65	Established
CC↔PF	0.163	0.023	0.65	Established
CC↔TE	0.178	0.032	0.65	Established
AdV↔GPF	0.296	0.0877	0.69	Established
AdV↔CP	0.070	0.005	0.69	Established
AdV↔PF	0.199	0.04	0.69	Established
AdV↔TE	0.013	0.0002	0.69	Established
GPF↔CP	-0.045	0.009	0.60	Established
GPF↔PF	-0.042	0.002	0.60	Established
GPF↔TE	0.259	0.067	0.60	Established
CP↔PF	-0.308	0.095	0.62	Established
CP↔TE	0.00	0.00	0.62	Established
TE↔PF	-0.191	0.036	0.56	Established

5. Hypothesized Model Analysis
Here are the maximum likelihood estimates:
Regression Weights: (Group number 1 - Default model)

			Estimate	S.E.	C.R.	P
Teff	<---	Obligation	-.360	.160	- 2.25	.018
Teff	<---	AuditV	.040	.014	2.857	.020
Teff	<---	GPF	.039	.029	1.344	.139
Teff	<---	CP	.027	.013	2.077	.010
Teff	<---	PF	.020	.015	1.354	.176
Teff	<---	TE	-.001	.014	-.071	.968
Teff	<---	CC	-.051	.014	-3.64	***

Dividing the regression weight estimate by the estimate of its standard error gives z = -.36/.16 = -2.250. In other words, the regression weight estimate is 2.250 .The probability of getting a critical ratio as large as 2.250 in absolute value is .018. In other words, the regression weight for **Obligation** in the prediction of **Teff** is significantly different from zero at the 0.05 level (two-tailed).The probability of getting a critical ratio as large as 2.857 in absolute value is .020. In other words, the regression weight for **AuditV** in the prediction of **Teff** is significantly different from zero at the 0.05 level (two-tailed).The probability of getting a critical ratio as large as 1.060 in absolute value is .139. In other words, the regression weight for **GPF** in the prediction of **Teff** is not significantly different from zero at the 0.05 level (two-tailed).The probability of getting a critical ratio as large as 2.077 in absolute value is .010. In other words, the regression weight for **CP** in the prediction of **Teff** is significantly different from zero at the 0.05 level (two-tailed).The probability of getting a critical ratio as large as 1.354 in absolute value is .176. In other words, the regression weight for **PF** in the prediction of **Teff** is not significantly different from zero at the 0.05 level (two-tailed). The probability of getting a critical ratio as large as .040 in absolute value is .968. In other words, the regression weight for **TE** in the prediction of **Teff** is not significantly different from zero at the 0.05 level (two-tailed). The probability of getting a critical ratio as large as 3.642 in absolute value is less than 0.001. In other words, the regression weight for **CC** in the prediction of **Teff** is

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significantly different from zero at the 0.001 level (two-tailed)

Squared Multiple Correlations: (Group number 1 - Default model)

	Estimate
Teff	.658

The squared multiple correlation of a variable is the proportion of its variance that is accounted for by its predictors.Taxpayers' ignorance of their obligations, Corruption and collusion, Tax payer audit and verification, Participation on Government policy formulation, Convenience of payment, Penalties and fines on tax payers and Tax evasion account for 65.8% of the variance of effectiveness for Turn over tax collection.

Path Analysis of Major predictors by Structural Equation Modeling

Hypothesis	β	CR	P value	Supported
Taxpayers' ignorance of their obligations→ TOT collection effectiveness	-.360	-2.250	.018	YES
Corruption and collusion→ TOT collection effectiveness	-.051	3.642	***	YES
Tax payer audit and verification→ TOT collection effectiveness	.040	2.857	0.020	YES
Participation of taxpayers on Government policy formulation→ TOT collection effectiveness	.039	1.344	0.139	NO
Convenience of payment→ TOT collection effectiveness	.027	2.077	.010	YES
Penalties and fines on tax payers→ TOT collection effectiveness	.020	1.354	.176	NO
Tax evasion→ TOT collection effectiveness	-.001	-.071	.968	NO

The Summary of expected and actual signs of explanatory variables.

Explanatory Variables	Expected relationship	Actual relationship
Taxpayers' ignorance of their obligations	Negative and Significant	Negative and significant
Corruption and collusion	Negative and Significant	Negative and significant
Tax payer audit and verification	Positive and Significant	Positive and significant
Participation of taxpayers on Government policy formulation	Positive and Significant	Positive and insignificant
Convenience of payment	Positive and Significant	Positive and significant
Penalties and fines on tax payers	Positive and Significant	Positive and Insignificant
Tax evasion	Negative and Significant	Negative and Insignificant

6. Research Finding and Discussion

The results of this study were providing evidence that various determinants found by previous researchers. Tax payer's ignorance of their obligation can be taken as the main factor affecting effectiveness followed by probability of being audited and verified, corruption and collusion and Convenience of payment. Participation of taxpayers on Government policy formulation, Penalties and fines on tax payers and Tax evasion may affect effectiveness but to a lower extent.

Tax payer's ignorance of obligation

The major finding of this study was ignorant of obligation by tax payers due to lack of Tax education and tax knowledge. As explain by Eriksen and Fallan (1996). Tax education can constitute any informal or formal programme organized by the tax authority or independent agencies by which to facilitate taxpayers in completing tax returns correctly and also to cultivate awareness of their responsibilities in respect of the tax system. The finding from this study also support this argument since tax payers ignorance of their obligation comes from less understanding of tax regulation. Providing tax knowledge and informing tax regulation may enhancing the effectiveness of turnover tax collection because as we understand from the regression analysis ignorance of obligation by tax payers result negative impact to collect turnover tax revenue as planned by tax officials in tax administration structure.

Corruption and collusion

The research was conducted in 2005 by Pashev reaches for the conclusion of turnover tax collection was riddled with Corruption and Collusion among the Tax Administrators. In the absence of well defined duties and responsibilities of public officials who are engage in tax collection procedure and related function creates favorable environment or creates opportunities for tax officials to make a corruption by making collusion tax payers. A high degree of discretionary power and inadequate monitoring and reporting procedures are vital in providing

opportunities for corruption. The greater the discretion, the greater the opportunity tax officials have to provide favorable interpretations of government rules and regulations to businesses in exchange for illegal payments. This study also evidenced this by providing brief explanation the environment encourage tax administrators to make this unethical action in the expense of government. Tax officials were not refusing to receive undue benefit from tax payers and in return those personnel's are kept silent when the tax payers understate reported income to the revenue authority.

Tax payer audit and verification

The survey result on 2004 by Barreca and Ramachandran disclose that if the tax administration had ability and had a capacity for coverage of audit document and heavy penalty may be applied when they are detected, taxpayer's report their tax liabilities more accurately. It means tax audit helps to whether tax payers report their tax liability based on regulation. According to Ebrill and others (2010). If the tax audit and verification procedure is very weak, the tax payers encourage reporting their tax liability by understating less than which was expected from them. This and others survey result also supported by this research finding, the outcome of the survey show tax audit and verification had significant impact on effectiveness turnover tax collection. If the audit program by tax officials is strong and effective the tax administrators can collect turnover tax revenue as planned before. But it is impossible to say tax collection is effective when the audit program is poor and ineffective. Tax audit strength can be measured by various variables like number of audit staff, well defined auditing manual and document, enhancing auditor's competence, including all tax payers in audit sample without ignoring previously audited tax payers. All this and other related variables make the tax audit and verification is effective and strong and it helps to ensure tax collection effectiveness.

Convenience of payment

Other prominent factors which had positive and significant impact on tax collection effectiveness were Convenience of payment. This relationship was supported by many researchers like: Silvani and Baer (1997). In order to make tax administration was more effective a tax authority should focus on convenience of payments such as making tax system simple and more attractive for tax payers. Tax system simplicity includes mode of registration, ways filling of tax return, frequency of filling tax returns and time spent for payment and reporting tax liability. According to McKerchar (2007) tax system complexity and tax compliance had positive association which leads to ineffective in tax administration. If the tax system is complex and less understandable the tax payers were not complied and report tax liability on time because tax system make tax payers insane and boring, all of this lead to ineffectiveness in turnover tax collection. All of the above survey result insured by this research finding. The result proof that tax system or convenience of payment had positive and significant impact on tax collection effectiveness.

Penalties and fines on tax payers

The research studies by fisher in 1992 showed that penalties have a larger impact on compliance than the probability of being audited and larger compliance mean the tax payers report full tax liability and pay on time by fearing penalties and fines this leads to effectiveness in tax collection. In contrast, other studies have shown that fines and penalties are not related at all to compliance; even though they were able to confirm that the probability of being audited is related to compliance (Webley, Robben, Elffers, & Hessing, 1991). It showed tax penalties and fines had not impact on tax collection effectiveness. This study supports the second argument. As it indicates in the above table even if the relation is positive it had insignificant impact on collection effectiveness.

Tax evasion

Tax evasion occurs in various forms of action such as when the amount and/or the source of income are misrepresented, or tax reducing factors such as deductions, exemptions or credits are deliberately overstated. This is taken as unethical action which was taken by tax payers for the expense of government. Informal sector is one of major economy tax evasion is deliberately takes place. This action negatively affects effectiveness of collection which means it hamper the government to collect tax revenue as it planned. Tax evasion occurs in the informal economy where the whole activity takes place in an informal manner. This means the business is not only evading tax payments but is also not registered as formal enterprise at all (Chiumya, 2006). According to this tax evasions had not significant impact on turnover tax collection effectiveness.

7. Implications of the study for further researchers

The findings of this study expected to provide updated information and advanced practices factors which determine effectiveness of tax collection. The results of this study have contributed other further researchers on the area of tax administration as literature as well as to the tax authorities Zone Administrations can take measurement as recommended by researcher. This study used as source of additional information in the form of literature. Most of the prior studies undertaken on such area conducted in Kenya, Nigeria, Uganda and other non African countries. No research conducted about turnover tax collection effectiveness in the context of our countries. In particular, the findings of this study which suggest that ignorance of tax payer's obligation, corruption and collusion, tax payers audit and verification and convenience of payment had higher contribution to the increase and decrease of

effectiveness of tax collection. Findings can be used as starting point to more studies in the future. The researchers can fill the gap missed by these studies like ways of measurement of dependent variable as much as possible. The researchers also made solid conclusion by collecting data both from tax payers and tax officials and analyzing by using more advanced model and software application.

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