

Assessment of Value-Add Tax Collection Problems: The Case of Addis Ketema Sub-city, Addis Ababa

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Abbreviations and Acronyms

VAT	-----	Value Added Tax
EEC	-----	European Economy Community
FIRA	-----	Federal Inland Revenue Authority
TIN	-----	Tax Identification Number
ETV	-----	Ethiopian Television
SIGTAS	-----	Standard Integrated Government Tax Administration System
EMR	-----	Ethiopian Ministry of Revenue
MR	-----	Ministry of Revenue

Abstract

Value-added tax is a tax levied on community consumption goods. The study was conducted to answer the research questions about what procedures used by the branch for that amount of collection, that amount of collection, what is the level of awareness of taxpayers and the way the branch administrative VAT. The primary data were collected through a structured questionnaire on the knowledgeable sample of employees, senior taxpayers were selected to identify the main problems of VAT payers. The analysis was carried out using Microsoft excel and average, percentage. This implies that one of the basic reasons was lack of awareness about VAT among the taxpayers and consistent sources of evidence about VAT implementation. According to an employee's response was unable to attend a serious awareness creation consultative meeting organized by the Ethiopia ministry of revenue (EMR), knowledge and skill gap about VAT Administration, being careless and lack of attention are some of the causes which result in less awareness. The results showed that the majority of the EMR as employees VAT and Taxpayers well-understand the importance of VAT towards the development of the country. Therefore, there is a better level of awareness on the way VAT collection is implemented among employees.

Keywords: VAT, Collection, and Problem

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1. Introduction

1.1 Background of the Study

The value-added tax (VAT) system of the government is important to achieve the development of the country because it is the source of revenue for the government. According to Njogu (2015) reported that the administration of VAT is relatively easy, unselective and difficult to evade and it is a good way proper utilization of the taxation system in Ethiopia as it is a recent issue in our country. All Countries in the world, look for ways to increase their revenue, this facilitated many states to familiarize value-added tax (VAT) on goods and services. According to Anyanwu (1997) tax is a compulsory levy by the government on individuals, companies, goods, and services to raise revenue for its operations and to promote social equity through the redistribution of income effect of taxation (Njogu, 2015). Value-added (VAT) tax is started in our country in by proclamation No 285/2002 VAT (Gemechis, 2012). Tax is a compulsory payment imposed by various tiers of government on individuals and corporate organizations (Njogu, 2015).

Taxation can be redistributing society use wealth by imposing heavies' tax burden on one group in order to found service for another (Gemechis, 2012). It can also stabilize countries' economies unpopular tax returns have caused public accure uprising and even at revolution starting in the countryside. The overall government requires payment at money taxes from people. The government uses the tax revenue to build dams, to operative schools and hospitals to provide food, medical care, and infrastructure for the shortage and hundreds of other purposes (Gemechis, 2012). Value-added tax is a tax levied on community consumption goods. It is a modified sale tax based on the net value added at each stage rather than gross receipts it is principle means of indirect taxation items (Gemechis, 2012). According to Umeora (2013), VAT is a tax on estimated market value added to a product or service at each stage of its manufacture or distribution and the additions are ultimately added to the final consumer. Net output tax minus input tax output tax is a tax collected when one firm sells its products whereas the input tax is tax paid when a firm buys good from registered one can collect VAT lacking recording

for VAT. Overall together value-added (VAT) administration practice in Addis Ketema sub-city is one of the activities from tax administration (Ramaswami, 2005).

Addis Ketema sub-city was established in 1994 E.C out of the united way of at 10 sub-city one of them Addis Ketema sub-city. They are major members of the business community. Custom revenue collect was incorporate with the business objective of serving offices, homes, hotels and private educational institutions. The acronym custom revenue collect represents this major filled with revenue minister office is found in the Federal Government Ethiopia main city of Addis Ababa and it has an African union settled the main office and with an elevation of a round of the mountain. The organization has started for the objective of performing activities of VAT collection of revenue from various sources such as tax from merchants, from salary staffs currently tax association has numerous departments such as auditing. Moreover, accounting and financing information department, planning, and budgeting, etc. Therefore, the main purpose of conducting this research is to assess the VAT collection problem in the case of Addis Ketema sub-city administration, MR to branch.

1.2 Statement of Problem

Value-added tax (VAT) system plays a great role in many countries, especially in developing countries, it has become a source of revenue. Now, the federal governments of Ethiopia adopted the value-added tax (VAT) system at a national level. Currently, evidence proposes that in our country VAT has become a significant contributor to overall administration tax revenues (Ajakaiye, 2000). However, the VAT system of our country has faced various challenges. One of them is all VAT eligible was not registered due to different reasons, failure to main records file timely, and failure to notify the change in business address and business lives (Yohanis and Sisay, 2009). Moreover, the problem at implementation arise from a tax payer's and tax administration, and lack of awareness of business enterprise to know about VAT advantages and application of it due to these not ready our self of to register this is the major problem in the country not only in the (Yohanes and Sisay, 2009). Therefore, the main objective of this study was to assess the main problems related to the value-added tax collection in the case of Addis Ketema sub-city administration VAT administrators and VAT payers' side.

1.3 Specific Objectives

In line with the main objectives, the specific objectives were seated.

- [1]. To determine the value-added tax /VAT/ collection practices of Addis Ketema sub-city.
- [2]. To assess value-added tax implementation problems in Addis Ketema sub-city.
- [3]. To assess the awareness of value-added taxpayers on value-added tax in Addis Ketema sub-city.
- [4]. To assess the problem occurred in collecting value-added tax in Addis Ketema sub-city.
- [5]. To identify the benefit of the value-added tax system in Addis Ketema sub-city.

1.4 Research Questions

Therefore, in order to assess the VAT collection problems encountered in case of Addis Ketema sub-city, researchers were developed the following main research questions: -

- [1]. What is the value-added tax collection practice of Addis Ketema sub-city?
- [2]. What is the value-added tax implementation problems in Addis Ketema sub-city?
- [3]. What is the awareness of taxpayers about value-added tax in Addis Ketema sub-city?
- [4]. What problem is occurred in collecting value-added tax in Addis Ketema sub-city?
- [5]. What is the benefit of the value-added tax system in Addis Ketema sub-city?

1.5 Significance of the study

To run successful governmental revenue in Addis Ketema sub-city to alleviate fraud of value adds the tax collection procedure in this city. It paves way for researchers, non-researchers, customers and the entire public to contributes some to those tax want to make further research and necessary for the identification of the obstacle at the collection of value-added tax. The benefits of tax administrator towards Addis Ketema sub-city to create awareness timely value-added tax payment on the side of the taxpayer. Moreover, the study will also serve as a source of reference for the researchers and students of the management sciences on the concepts, meaning, and effects of VAT.

1.6 Scope of the study

This research paper was conducted on value-add tax collecting procedure in Addis Ketema sub-city administration and due to the shortage of time and resources, the research paper focused on value-added tax administration. This study was restricted to Addis Ketema sub-city VAT registered business those who have annual sales turnover of birr 1,000,000 and above. This research attentions on the senior staff, personnel of

accounting and finance, employees and for the federal governmental organization.

2. Research Design and Methodology

2.1 Site of the Study

The study was focused on the assessment of value-add tax collection problems at Merkato in Addis Ababa town which located in the capital city of Ethiopia.

2.2 Research Design

Chandran (2004) and Njogu (2015) defines research design as an arrangement of conditions for collection and analysis of data in a way that combines their relationship with the purpose of the research to the economy of procedures. It concerns the numerous reflections a researcher should think about and follow when carrying out research work. The selection of a research design is determined by its purpose, classes of data desired, sources of data and price issues among others. Therefore, the study adopted a descriptive research design in order to achieve the stated research objective and to answer research questions.

2.3 Target Population

Mugenda & Mugenda (2003) and Njogu (2015) define a population as an entire group of individuals, events or objects having a common observable characteristic. The target population was 392 employees, managers and 7324 VAT registers of higher scale tax payer's branch offices are the target population of the study. As it is impossible to collect from the whole population cause the numbers are not manageable so, the required data was collected from the sample respondent of employees and VAT registers.

2.4 Sampling Techniques and Sample Size

From the total population of 7,716 VAT registered and officers (7324 VAT registered and 392 officers) was selected through a simple random sampling procedure. Based on this the researcher adopts a mathematical formula for the purpose of determining the sample size. (Taro, 1967, cited in Meron, 2007) has suggested the following mathematical formula for determining sample size. $n = \frac{N}{1 + N(e)^2}$ Where N= is the total population, n= sample size e= is the error or confidence level. The conventional confidence level of 90% was used to ensure a more accurate result from the sample. Based on this, the error tMR would equal to 0.1. Using the total population of 7,716 and an error margin of 0.1, the sample size is calculated as follows, $n = \frac{7,716}{1 + 7,716(0.1)^2}$ $n = \frac{7,716}{1 + 7,716 * 0.01} = 98$ individuals' participants. A random sampling technique was also adopted to select the 98 participants. From the total population of the VAT-registered taxpayers (higher tax VAT payers, Addis Ketema sub-city branch VAT registered) and employees of Addis Ketema sub-city branch office, the researcher selected about 98 (75 and 23) from both VAT-registered taxpayers and employees of Addis Ketema MR branch, respectively.

Samples that the researchers used was stratified random sampling techniques (SRST). The researcher uses this sampling method because it is more dependable, Sound able, as well as each respondent has an equivalent chance of being selected and the sample can generalize to the higher people and they have known the dominant phenomenon. In this study, the researchers have applied a questionnaire as the best data collection tool. This is so because the questionnaire is more dependable and coherent for the research as well as it is cheap, time-saving and inspires the respondents to dot down their sensation.

2.5 Source of Data and Method of Data Collection

The study was conducted on a quantitative and qualitative survey through interviews and documentary analysis. The survey was conducted with employees of the branch office and VAT payers while the in-depth interviews were conducted with the branch office staff. Moreover, the documentary analysis was made referring to annual reports of the branch office which appropriate for the conduct of the study. In order to answer the research questions, we prepared and organized a questionnaire. In addition, we conducted an interview that enables the researchers to get available information about VAT collection practice and its efficiency. The primary data was gained from the questionnaire and the unstructured interview and the Secondary data were collected from the Internet, department documents, etc. and then analyzed and discussed according to the collected data. Finally, the study has concluded the results of the study and forwarded the conceivable solution.

2.6 Method of Data Analysis and Interpretation

According to the researchers' data collected procedure through interview questionnaire and observation, the following analysis finds. Collected data were tabulated to summarize the respond of employees and VAT payers and analyzed using word statements, descriptive statistics and tables. Descriptive statistics was used because it is appropriate to analyze quantitative data, frequency count and percentage.

3. Data Analysis and Interpretation

This chapter deals with the analysis and presentation of data collected through questionnaires, interview, and secondary data. Ninety-eight questionnaires are distributed for both taxpayers and officers and all of them were collected from the respondents.

Table 3.1. Sex of respondents.

No	Item	Sex of Respondents		
		Male	Female	Total
1	Frequency	76	22	98
	Percentage	78	22	100

Table 3.1, showed that the majority (78%) of respondents in this study were males. The remaining (22%) of respondents were females. Therefore, from the data, the researchers can conclude that the gender proportion of respondents were males.

Table 3.2. Educational background.

No	Item	Respondent frequency		
		Senior Staff	Tax Payers	Percentage
1	Educational status			
	Below 12 grades	0	30	30.6
	Diploma	13	33	42.8
	Degree	10	12	26.53
	Above Degree	0	0	0
	Total	23	75	

The above table 3.2 showed that 26.53% of the taxpayers were senior staff degrees in educational status, 30.6% of them were below 12 grades, and 42.8% of them are the diploma. In order to administer those tasks, the department in charge has to be well organized and conduct publicist and taxpayers' education and information are necessary to merit careful preparation of regulation, and processing of VAT returns and payments. The Ethiopian revenue minister is evaluated in connection to those dimensions as flow:

Table 3.3. Responses for a clear understanding of VAT concepts.

No	Item	Respondent frequency			
		Senior Staff	Percentage	Tax Payers	Percentage
1	Are you familiar with the Ethiopian VAT laws and proclamations?				
	Yes	51	68	18	80
	No	24	32	5	20
	Total	75	100	23	100

According to the VAT proclamation of Ethiopia, introduced in January 1st, 2003 E.C, VAT is payable and would be levied at the rate of 15% if the supplies are made in Ethiopia, made by a taxable person, made in the course or furtherance of a business and are not specifically exempted from tax or zero charged.

With this point of view, the survey was carried by asking both the VAT registered taxpayers and employees of the minister on whether they are familiar with the VAT rules and regulations. Based on the above data, out of 75 taxpayer respondents, 51 (68%) respondents have clear knowledge about the rules and regulations of VAT. However, 24 (32%) respondents were said that they have no concepts about the rules and regulations of VAT. But, from 23 senior staff, 18 (80%) of the respondents from the minister were more familiar with the rules and regulations of VAT, whereas 5 (20%) of the respondent were not familiar with the rule and regulations of VAT. Therefore, due to the presence of the respondent's answer, the doubt of the researchers is about VAT laws, the collection of VAT in the country becomes more difficult. So, the employees of MR who are very familiar with the VAT laws should work more on the areas of awareness creation about the concept, advantages, and roles of VAT rules and regulations to the society's welfare and entire economic growth and development of the country.

Table 3.4: Responses on clarifications about the VAT concept to the public.

N	Item	Respondent frequency			
		Senior Staff	Percentage	Tax Payers	Percentage
2	Do you think that the minister had made sufficient clarifications to the concept of VAT				
	Yes	45	60	18	80
	No	30	40	5	20
	Total	75	100	23	100

Both respondents were also asked whether the minister had made sufficient clarifications to the public about

the implications of the VAT concepts. Among the 75 taxpayer respondents, 45 (60%) of them replied that as they believe the explanations conducted by the minister about VAT were sufficient, 30 (40%) replied that even though the minister had made clarifications to the business community it cannot be considered as it is enough and sufficient. From this, we can understand that the minister is highly expected to conduct sufficient awareness creation programs so as to create taxpayers feeling happy because of the tax payments they made.

On the other hand, the employees were also asked to reflect their views on whether they believe that the minister had made sufficient clarifications to the public about the VAT concepts or not. From the above table, 23 respondent employees, 18 (80%) replied that the minister had made sufficient clarification to society. There are also about 5 (20%) respondents that have said No or nothing about the activities conducted by the minister to inform the public about the merits of VAT. Both respondents agree that the explanations carried out by the minister to the public about VAT are not considered as that much of note. This shows that the minister is highly expected to conduct additional programs to update the society about the concepts, laws, advantages, and uses of the Value Added Tax.

Table 3.5. Responses on the government's current VAT contribution.

No	Item	Respondent frequency			
		Senior Staff	Percentage	Tax Payers	Percentage
3	Do you believe that the current contribution to governments' revenue is sufficient?				
	Yes	39	52	5	20
	No	36	48	18	80
	Total	75	100	23	100

As it can be observed from table 3.5, out of the 75 respondents, 39 (52%) replied as they believe that the VAT contribution to the government revenue is sufficient. However, 36 (48%) replied as they were don't believe that the revenue collected through VAT to the government is sufficient. The respondents who said the contribution of VAT to the government revenue were not sufficient to list down their reasons as follows:

- Lower alertness of the society about the benefits of VAT to the government's revenue and the country's economy.
- Weak tax administration and follow-up systems by the minister against both compliance and disobedience taxpayers.
- The higher level of the threshold that doesn't govern all business entities.
- Lack of skilled manpower and equipment.
- Less effort to identifying and rewarding genuine enterprises by the minister.
- Existence of unethical employees and taxpayers refrain some interested business entities from their intention of registration for VAT.

Therefore, the minister has to solve all of these problems so as to attract the taxpayers and achieve the desired objectives of collecting huge amounts of money from the increasing number of registrants and business enterprises entering the market.

Since the government's main source of revenue is money collected from taxpayers, the system used to collect this money needs to be effective and efficient in assessing and collecting mechanisms. Voluntary compliance needs timely filing and reporting of the required tax information, the current self-assessment of taxes owed, and the timely payment of those taxes without any reminder, notice, or enforcement actions. Having this in mind the minister's employee respondents were asked whether the VAT assessment and collection mechanism followed by the minister is effective and efficient or not. Out of the 5 respondents, 5 (20%) replied that the VAT assessment and collection mechanism currently followed by the minister were effective, 18 (80%) replied that the assessment and collection mechanisms were not effective and efficient.

Therefore, the assessment had required additional efforts to be effective although it shows a little progress. The main reasons that the respondents put were associated with the inconveniency of the system (SIGTAS) that the minister was used to decide and collect the tax, the presence of corrupted auditors in the minister, weak performance and inefficiency of the employees, and lack of consciousness of the taxpayers about the responsibilities that they do have in relation to taxpaying. Therefore, the minister has to pay considerable attention to improve its tax administration, auditing, follow-up, and enforcement systems.

Table 3.6: Responses on implementation of VAT and replaced tax sales.

No	Item	Respondent frequency		
		Senior Staff	Percentage	Tax Payers Percentage
4	Do you believe that VAT implementation is more advantageous than the replaced tax sales?			
	Yes	6	8	18
	No	69	92	5
	Total	75	100	23

The above table 3.6 showed that 23 respondents (68.97%) were replied that VAT is more advantageous than the sales tax. They started to say so by putting as it (VAT) is a refundable tax when input tax exceeds output tax and it doesn't affect the business community since it is collected from the consumer as a reason. But, the rest of the respondents including those who know nothing was puzzled with the difference between and has got a difficulty of comparisons. So, the minister should give the respective taxpayers intensive awareness creating training so as to make them clear more about the merits of VAT.

Further, the survey was also conducted by asking the employees of the MR Addis-Ketema branch office whether VAT is more important than the sales tax on their point of view. From 23 employee 18 (80%) respondents were from the minister; the rest 5 (20%) of the respondents from the minister know nothing about the sales tax so that they were said nothing about the difference between VAT and the sales tax (Table 3.6). As mentioned by the majority of the respondents, VAT and the sales tax are equaled advantageous. But some said VAT is more advantageous because VAT avoids double taxations, it is easy to control tax frauds and reduces the possibility of tax evasions, generates more revenue to the government (since it is collected from all sectors), and avoids cascading effect of tax (tax on tax).

From the points mentioned by both respondents (taxpayers and employees of MR branch) above, we can say that VAT is more advantageous than the sales tax. This is so because VAT reduces the cascading effects of tax, it is collected from all sectors so that it is a major source of revenue to the government, it improves productivity, it promotes capital investment and saving, it enhances exports at zero-rate, it is not paid by the taxpayers rather it is collected from consumers, and it makes the net of the system to easily expand to control tax fraudulent activities and helps to avoid the possibilities of tax evasions.

Table 3.7. Responses on the successful and achieve the objective of VAT.

No	Item	Respondent frequency	
		Senior Staff	Percentage
5	Do you believe that the implementation of VAT is successful achieving its objective?		
	Yes	10	40
	No	13	60
	Total	23	100

As it can be observed from the Table 3.7, out of 23 employee respondents, 10 (40%) replied that the implementation of VAT for the last consecutive years was successful but the rest 13 (60%) replied that it is difficult to say the implementation of VAT in this country was successful and achieve the desired objectives. As per the findings, the majority of the respondents agreed that the implementation of VAT requires more effort to achieve the desired objectives effectively. This is so because society is less conscious about VAT rules and contribution of VAT to the country's growth and development, these were due to weak tax administration system of the minister, the way and methods of fraudulent activities and tax evasions on VAT by taxpayers are increasing from time to time and, the attitude of the business community towards VAT is still negative.

Therefore the minister has to work more on the areas of awareness creations, strengthening enforcements, upraising the capacities of the employees, updating the system underuse, educating the public using different media to make them develop taxpaying as their culture and strengthen the activities of identifying illegal business enterprises from the legal ones and taking corrective legal actions over the illegal traders.

Table 3.8. Responses on the minister's skilled manpower.

No	Item	Respondent frequency	
		Senior Staff	Percentage
6	Do you believe that the minister has an adequate number of skilled manpower?		
	Yes	10	40
	No	13	60
	Total	23	100

The survey was also conducted by asking the taxpayer respondents whether they believe that the minister

has an adequate number of and skilled manpower or not on their views. Out of the 23 respondents, 10 (40%) respondents were agreed that the existing number and skills of employees of the minister are excellent. Whereas, 13 (60%) were not believed that the number and quality of the employees of the minister are sufficient (Table 3.8). Based on the responses of the majority of the taxpayer respondents, the minister is expected to increase its manpower by recruiting literate and qualified manpower as well as appraise the performance and skills of the existing employees through trainings and preparing awareness creation programs as well as workshops so as to match its performing capacity with the increasing number and consciousness of the society.

Table 3.9. Responses on the declaration of VAT.

No	Item	Respondent frequency	
		Taxpayer	Percentage
7	Do you believe that the declaration process is easy and effective?		
	Yes	42	56
	No	33	44
	Total	75	100

In modern tax administration, computerizing the tax collection procedure satisfies both the taxpayers and the minister's requirements in the best possible manner. Changing the administration in a computerized way satisfies two possible requirements. On one hand, it makes the work effective and efficient while on the other hand, it rehabilitates the management of the minister to the taxpayer requirements for fairness and justice. Concerning the declaration process, a question was raised to the taxpayer respondents whether they believe that the declaration process for VAT is easy and effective or not. Out of the total respondents, 42 (56%) effective, and 33 (44%) replied that the VAT declaration process is not easy and effective (Table 3.9).

As it can be observed from these responses the declaration process was not as easy as possible. The respondents who said so put the interruption of light, absence of skilled manpower in relation to the cash registry machines, the incompatibility created between the minister auditor's report and report produced by the system and absence of consistent follow-up as the main reasons. Thus, the minister has to think the ways to solve problems raised around these areas by giving continuous training to the employees and the business community and improving its controlling and administration systems as well as strengthening its follow-ups.

Table 3.10. Responses on obligatorily VAT registered.

No	Item	Respondent frequency	
		Taxpayer	Percentage
8	Do you agree with the idea that most of the VAT payers registered obligatorily?		
	Yes	45	60
	No	30	40
	Total	75	100

As can be depicted from table 3.10, majorities of the taxpayers, 45 (60%), were registered for VAT obligatory. In order to know the reasons why the taxpayers did not register keenly, the researcher asked them to explain their reasons. Accordingly, their reasons why they registered reluctantly are lack of knowledge (awareness) of the business community about the time, ways and reasons of registering for VAT, the exaggerated VAT rules imposed on the taxpayers, the inconsistent VAT registration system followed by the minister, the need of the society to buy goods and services without VAT because of their limited purchasing power as well as the offers made by the business enterprises to pay with or without VAT for their purchases.

Table 3.11. Responses on VAT Implementation of our country.

No	Item	Respondent frequency	
		Senior Staff	Percentage
9	Do you believe that VAT implementation is smooth in our country?		
	Yes	10	40
	No	13	60
	Total	23	100

As can be seen from the above table 3.11, out of the 23 employee respondents of the minister, 10 (40%) said yes there was no problem that the minister faces during the implementation of VAT in Ethiopia. However, 13 (60%) of the respondents said the implementation of VAT in this country was not easy or smooth. From the responses given by the majority respondents, 13 (60%) the implementation of VAT in Ethiopia is not an easy task. Taking these responses into account, the respondents were asked to provide what they think are the problems that hinder the smooth implementations of the VAT system.

The respondents replied that the major problems that hinder the smooth implementation of VAT were

mentioned as follows: the absence of efficient VAT administration system, existence of eligible business entities that have not yet registered for VAT, existence of some VAT registered business enterprises that have collected the tax with illegal invoice and retain the tax for themselves, the presence of taxpayers that did not declare the tax they collected as per the law, low level of tax awareness of the community, existence of VAT registered business enterprises that offers customers an opinion to pay or not to pay VAT for the purchases they made in the market and provisions of forgery VAT invoices as well as the lower level of the purchasing power of the community which increases the needs of searching goods and services that excludes VAT value from its prices. Hence, in order to alleviate these challenges, the minister has to recruit sufficient and capable employees, devote time on consistently educating the taxpayers through different medias, improve the collection network and strengthen in the areas of auditing, follow-up, and enforcement as well as consistently follow the implementation procedures and taking serious actions over those who provide understated financial statements and forgery VAT invoices. In order to gather more detailed information's in addition to the problems identified and stated in the above paragraphs, some interviews have been conducted by the researcher with come selected higher officials of the minister. This was maintained by asking them what are the root causes that hinder the proper implementations of the VAT rules and regulations. Accordingly, the respected higher officials of the minister put the following factors as the major problems of VAT implementations in the country:

- Shortages of skilled manpower and materials that are needed for the facilitation of.
- VAT administration Weaknesses rise from the minister to enforce those noncompliance business enterprises.
- The insignificant recognition given to the benefits, rules, and regulations of VAT by the taxpayers since some of them is illiterate.
- The ascendancy of nonregistered business entities existing in the market.
- Voluntary compliance of the taxpayers registered for VAT is very low.
- Weakness rise from the minister in identifying and recognizing those genuine taxpayers.
- Misunderstanding of the society as a whole to pay tax and the reasons for paying taxes.

Table 3.12. Responses on the process of VAT registration.

No	Item	Respondent frequency			
		Senior Staff	Percentage	Tax Payers	Percentage
10	Do you believe that VAT implementation is smooth our country?				
	Yes	13	56.5	38	50.6
	No	12	52	37	49.3
	Total	23	100	75	100

The survey further was conducted by asking both respondents about whether the process of VAT registration is smooth and easy for taxpayers or not. Out of the 75 taxpayer respondents, 38 (50.6%) replied that the registration process is easy and smooth, but 37 (49.3%) replied that the registration process is complicated or not easily accompanied (Table 3.12). On the other hand, out of 23 employee respondents of the minister, 13 (56.5%) respondents replied that the registration process is very easy for taxpayers and the rest 12 (52%) replied that the registration process is not that much clear and trouble-free.

As can be seen from the responses replied by the majority of both respondents, the registration process is smooth and easy for taxpayers. But it further needs some modifications in order to make it very undemanding and soft to attract the business community to be registered and accomplish their businesses in a more formal and legal way. The 13 (56.5%) and 12 (52%) taxpayer and employee respondents who said the registration process is complicated respectively were asked to put their reasons why they have said so (Table 3.12). They put their reasons as the registration process demands additional and cumbersome accounting procedures, the registration process is time taking, and there are employees in the minister with the absence of good personality (existence of corrupted employees).

Therefore, to coil these problems the minister should improve the quality of services provided to the business communities and promote and reward those senior honest and compliance of voluntary registrants so as to attract new registrants. Besides this, the minister should take prompt action of those entities operating their businesses without obeying the rules and regulations of VAT.

Table 3.13. Responses on the administration of tax.

No	Item	Respondent frequency	
		Senior Staff	Percentage
11	Do you think that tax administrations are strong enough to control non-registered and illegal activities of VAT payers?		
	Yes	6	26.08
	No	17	73.9
	Total	23	100

The survey was conducted by asking the officials of the minister whether the tax administration is strong enough to control non-registered and illegal activities of VAT payers. Among the 23 respondents from the minister, 6 (26.08%) replied as yes that the VAT administration capacity is strong to control illegal activities, 17 (73.9%) replied that it is not strong, and 6 (26.08%) kept themselves from giving their ideas (Table 3.13). For those majority, 17 (73.9%) respondents who said the minister's VAT administration capacity was weak, the researcher asked why they have said the administration was weak and what the minister has to do to strengthen its administrative capacity. The reasons that they put for are listed below:

- Less motivation observed on some employees of the minister due to less remuneration.
- Lack of a sufficient number of ethical, trained and skilled employees.
- Accelerations of rotating the employees within the minister and firing of senior officials Absence of strong enforcement activities.
- The difficulties that the minister has faced to distinguish between honest and disobedient traders.
- Provisions of weak service qualities by the minister.
- The absence of a strong controlling system against the frauds and evasions performed by some noncompliance enterprises.

From the results of the study, the VAT administration of the minister is not strong enough to bring those nonregistered enterprises to be registered and to the control of illegal activities of VAT payers. Therefore the minister should work strongly to alleviate the existing bottlenecks and achieve the desired objectives by improving the service qualities it is rendering, solving the problems raised in association to frauds, auditing activities and tax evasions promptly, recognizing the activities of genuine traders, hiring qualified manpower and improving the collection system and strengthen its follow-ups.

Table 3.14: Responses on customers willing.

No	Item	Respondent frequency	
		Taxpayer	Percentage
12	Do you think that tax administrations are strong enough to control non-registered and illegal activities of VAT payers?		
	Yes	51	68
	No	24	32
	Total	75	100

In addition, the taxpayer respondents were asked whether there are customers in the market who are not willing to purchase goods and services with VAT. Out of the 75 respondents, 51 (68%) replied that yes there are customers who are not willing to purchase VAT inclusive goods and services. Whereas, 24 (32%) replied that there were no customers that are not willing to purchase goods and services with VAT (Table 3.14). The majority of the respondents, 51 (68%) agree with the idea that there are customers in the market that are not willing to pay for the goods and services they have purchased with VAT (Table 3.14). And the respondents put the reasons why these customers are not willing to purchase goods and services that include the VAT rate into its prices. The main reasons are related to the purchasing powers and awareness of the society regarding VAT. The currently increasing level of inflation affects the purchasing power of the society and manifests the customer's need of searching goods that don't incorporate VAT value in its prices. On the other hand, there are also customers that purchase goods and services that exclude the VAT value in its prices intentionally made by the sellers providing falsified invoices.

Table 3.15. Responses on the VAT refunding process.

No	Item	Respondent frequency	
		Taxpayer	Percentage
13	Do you think that the VAT refunding processes being made time effectively?		
	Yes	33	44
	No	42	56
	Total	75	100

For any VAT refund process, if the allowable input tax is greater than the output tax, the amount of the

excess is normally repayable to the taxable person by the minister as a tax refund. In relation to this issue, a question was raised to the taxpayer respondents about whether the VAT refunding process being made by MR is maintained on time effectively. Out of 75 taxpayer respondents, 33 (44%) replied that the VAT refunding process are being made on time and effectively (Table 3.15). On the other hand, 42 (56%) respondents replied that the VAT refunding process is not being made on time and effectively (Table 3.15). The respondents who do say the refunding process is not being made on time and effective put their reasons as even if VAT refund time table is clearly stipulated in the VAT proclamation, the tax minister is not being met the time table stated at the proclamation because of: the weak VAT administration system of the minister, the complexity of the assignment to decide for the refund, refund requires mandatory waiting periods of 5 months, and the refunding period needs an assessment maintained by the minister auditors. In general, the refunding process being made by the minister is not as easy and effective. It demands time and effort from the respective minister and honest business enterprises.

4. Conclusion and Recommendations

4.1 Conclusion

Analysis of the data obtained from respondents through the questionnaire survey and interview, researchers concluded that the majority of the MR employees and VAT taxpayers well understand the importance of VAT towards the development of the country. Moreover, there was a better level of awareness on the way of VAT collection is implemented among employees; however, the level of awareness by the VAT payers is less as compared to employees.

One of the main reasons for this less awareness is that taxpayers don't have a consistent level of awareness and inconsistent sources of information about VAT collection and implementation. Because of this and other reasons, the VAT collection practice has become inefficient and faces a lot of problems, the major problem in VAT collection is weak collection system and controlling mechanism of the center and lack of awareness among taxpayers, improper way of disclosing their income and lack of manpower & experienced staffs are some of the main challenges in VAT collection.

According to employees' responses unable to attend a serious of awareness creation consultative meeting organized by the Ministry of Revenue (MR), knowledge and skill gap about VAT administration, being careless and lack of attention are some of the root causes which results in less awareness. The above problems, in turn, bring a lot of impacts on VAT payers; some of these are lack of confident in implementing their business as a result of the unclear and inconsistent system among taxpayers which open a chance for the subjective way of treating taxpayers and affects the competition in the market.

4.2 Recommendations

In line with the findings and conclusions made the researchers give the possible recommendation as being important to the taxpayer's as follow: -

- MR has to device a means that improve the level of awareness of taxpayers about the collection of VAT, apply a consistent procedure among all taxpayers and ensure proper collection mechanism.
- MR shall also consider the option of hiring more experienced staff to narrow the knowledge and skill gap of employees who are responsible for VAT assessment and collection processes.
- To identify the root causes of the main problems in VAT collection processes, MR has to conduct research provide an appropriate solution in accordance with the finding of the research.

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