

**HAWASSA UNIVERSITY**



**PRACTICE, OPPORTUNITIES, AND CHALLENGES OF E-TAX SYSTEM  
IN MINISTRY OF REVENUE: THE CASE STUDY OF HAWASSA  
BRANCH OFFICE**

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Practice, Challenges and Opportunities of E-Tax System in Ministry Of Revenue:  
The Case study of Hawassa Branch Office

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**SCHOOL OF GRADUATE STUDIES**  
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**ADVISORS' APPROVAL SHEET**

This is to certify that the thesis “**Practice, opportunities and challenges of electronic tax system in Ministry of Revenue in the case of Hawassa branch office**” submitted in partial fulfillment of the requirements for the degree of Masters of Msc in Accounting and Finance, the graduate program of the department of Accounting and Finance have been carried out \ **by Dereje Daniel** Id NO GPACFnw/012/14 under our supervision. Therefore, we recommend that the student has fulfilled the requirements and hence hereby can submit the final thesis to the department of Accounting and Finance.

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## **LIST OF ACRONYMS**

AICPA	American Institute of Certified Public Accountants
EFPS	Electronic Filing and Payment System
ERCA	Ethiopian Revenues and Customs Authority
E-TAX	Electronic Tax
ICT	Information and Communications Technology
GDP	Gross Domestic Product
ICF	Investment Climate Facilitation for Africa
IRS	Internal Revenue Service
LTO	Large Taxpayers' Branch Office
MOR	Ministry of Revenues
KRA	Kenya Revenue Authority
SIGTAS	Standard Integrated Government Tax Administration System
SPSS	Statistical Package for Social Science
TIN	Tax Payer Identification Number
URA	Uganda Revenue Authority
VAT	Value Added Tax

## ABSTRACT

*The study focused on the assessing practice, opportunities and challenges of e-tax system in Ethiopia's Ministry of Revenues Hawassa branch office. The study adopted descriptive research design and data was collected through the use of questionnaires and structured interview. A sample of 269 tax payers and 143 employees of the branch were included in the study. The study used SPSS Version 27 to analyze the feedback and generate descriptive statistics. The result of the study shows that the branch office has started applying the system since 2021 and most of the tax payers are using the new system. But still there are some tax payers who do not started using the system. Benefits of e-tax adoption and development as perceived by the Ministry of Revenue and tax payers are: reduces paper work, reduce transportation cost, reducing errors of calculating due tax, and decrease the queue of the tax office. The focus of government on digitalization and encouragement of cashless transaction, and increasing digital payment system in the country are some of the opportunities for the implementation of electronic tax system. The lack of adequate coordination between banks and tax office, weak internet services, frequent power disruption, overcrowding of the server at the end of the month, and lack of local language are considered the basic challenges facing the implementation of e-tax system. The study advised tax office to work with stake holders and to improve the system to offer full package of an electronic tax system.*

**Key Words: E-tax, Practice, Opportunities, Challenge**

# CHAPTER ONE

## 1. INTRODUCTION

### 1.1. Background of the study

Taxation is essential aspect of modern economies, and it serves various purposes beyond raising revenue for government expenditures. A government's ability to collect revenue can shape a country's development trajectory. Government makes tax authority to improve tax collection service and make tax administration more effective. Effective tax returns can help to raise the resources needed to deliver vital services and it will also contribute a lot to good governance in many aspects. It helps in making government accountable to its citizens and when governments apply taxpayers' money, they are more accountable to make budget decisions transparent and accessible (Joanna, 2014).

Now days, the use of Information and Communications Technology (ICT) is noticeable in business and tax settings. Particularly, tax authorities around the world are using electronic tax administration systems to interact with tax paying public in tax collection, administration and compliance settings. Technology has influenced the method we work, play, and interact with the others. The use of technology to improve the effectiveness of tax administration, expands taxpayer services, and helps to attract the attention of Governments in both developed and developing countries (Dowe, 2008).

Electronic tax system is an online platform that allows the taxpayer access tax services through the internet. Such services contain registration for a tax identification number, filing of returns and registration of payment and compliance certificate application. The online tax services are often internet base platforms and basic knowledge of the usage of the internet is essential (Azmi & Bee, 2010).

Ministry of Revenue has brought significant benefits to the business community and Ethiopia's winder economy by emerging electronic tax filing system. Currently, taxpayers can file their tax returns online, within one day and with just little procedures Fortune (News Paper, 2013).

According to (Bird & Zolt, 2008) tax systems in developing economies face both new challenges and opportunities as a result technological changes. Ethiopian MoR introduces of electronic tax

system is no exception. In the previous few years, the tax authority has also been implementing electronic tax reporting and filing of documents among some selected branch offices. i.e. large and medium tax payers. The electronic tax system is relatively new system, there are few studies focusing on the challenges, benefit and effects of electronic tax filing.

David (2014) on his thesis study titled “The Effect of Online Tax System On Tax Compliance Among Small Taxpayers In East Of Nairobi Tax District” stated that more benefit of both tax payers and revenue can be mainly achieved when majority of taxpayers voluntarily file their tax returns and pay resultant tax liabilities as stipulated in the tax laws, without the intervention of the tax authorities through enforcement. Muita (2011) in her MBA thesis has done a related study on the factors that influence adoption and use of e-tax filing system among Large Taxpayers in Kenya Revenue Authority and found out that paper returns are tedious to file on the part of the taxpayer and in the same magnitude to reconcile on the part of tax authority offices, hence the use of electronic filing, which is aimed at ensuring accuracy and timely reconciliation of the data contained, since Tax systems does automatic reconciliation and validation of the returns.

As per knowledge of the researcher, In Ethiopia’s context, only a few studies were addressed and it focused on the Assessment of Electronic Tax Filing System in Medium and Large Tax payers’ branch offices of Ethiopian Revenues and Customs Authority.

Ruta, (2017) in her study; assessment of electronic tax filing system in selected branch offices of Ethiopian revenues and customs authority (ERCA) stated that, challenges like taxpayer’s attitude, taxpayers fault and governmental problems are most factors affecting electronic filing system.

The other studies made by Abera tatek (2019) in his study the influence of electronic tax filing system on tax compliance: the case of large taxpayers’ branch office (LTO) reveals that e- tax filing system and technical skill of filing had a statistical significant effect on taxpayer compliance. But the network connectivity had not able to statistically significant influence on taxpayer compliance.

Therefore, this study is needed because, there is no prior study conducted in the case of Practice, Challenges and opportunities of adopting electronic tax system. Not only that but also, despite of the wide concept of the electronic taxation system, the above studies focused only in the

electronic filing system, and both of the above mentioned studies focused only employees of the ministry of revenue to collect data. Finally, unlike other branches of Ministry of Revenue that found in Addis Ababa, Electronic taxation system in Ministry of Revenues Hawassa branch office has only two years history. So, there is no study conducted in this area and this study is expected to dig out Practice, challenge and opportunity of e-tax filing system in Ethiopian Ministry of Revenue (MOR) Hawassa Branch Office. So, this research is expected to fill this gap.

## **1.2. Statement of the problem**

Ministry of Revenues is involved in many activities, such as processing returns and related information from taxpayers, entering tax returns data into a database, matching returns against tax filing requirements, processing tax payments and matching them against refunds. The technique to improvement a tax office's efficiency is by increasing its use of Information and Communication Technology (ICT). However, the implementation of structure and utilizing resource is not by itself a solution for effectiveness and efficiency of tax administration.

The government of Ethiopia has determined to improve its domestic resource mobilization capacity by strengthening and fully implementing the tax administration information systems and improving the institutional capacity of Ethiopian Ministry of Revenues by equipping it with modern technologies (NPC, 2016).

By modernizing and increasing the capacity of the authority, the Ethiopian government targets to increase its domestic tax revenue to finance its mega project and other development priority sectors. In the objective of this to be realized, the government needs to hold different tax administration reforms that enhance the efficiency and effectiveness of the tax authority and benefit the taxpayers by overcoming some of the challenges they face in the manual systems to tax filing and cash payments. Further to the challenges faced by the taxpayers, the manual filing also increase the cost of tax administration for the government, creates incompetence and other abuses undertaken by the tax officer. The (World Bank Group 2015), in its survey of Ethiopian business tax compliance burden, indicated that in-house tax compliance costs 11 person-days on filing activities during the end of the fiscal year and tax declaration. However, this compared to other Sub-Saharan countries, is the highest tax activity spend by business on tax filing. Hence, to overcome some of the above challenges and modernize the tax filing system, the Ethiopian

government has piloted the electronic tax filing system in 2013 for both large and medium taxpayers through support obtained from the Investment Climate Facilitation for Africa (ICF) (Dawit 2015). However, the uptake of the new system of filing tax online seemed not as expected by both tax office and tax payers of the Ministry of Revenues. Ministry of Revenues in its report of 2021/2022 indicated that out of the total taxpayers, all categories included, only 62% filed and payed their tax obligation using electronic tax system. Hence, it is necessary to look into this issue in a scientific method using research that addresses the practice, opportunities and challenges of the e-tax systems in the Hawassa branch office.

As per knowledge of the researcher, In Ethiopia's context, only a few studies were conducted and those studies mainly focused on the Assessment of Electronic Tax Filing System in Medium and Large Tax payers' branch offices of Ethiopian Revenues and Customs Authority.

Ruta, (2017) in her study; assessment of electronic tax filing system in selected branch offices of Ethiopian revenues and customs authority (ERCA) stated that, problems like taxpayer's attitude in towards the new system, taxpayers incorrect data encoding while filing their tax and governments inability to fulfill the infrastructures are most factors affecting electronic filing system.

The other study made by Abera tatek (2019) ' the influence of electronic tax filing system on tax compliance: the case of large taxpayers' branch office (LTO)' states that e- tax filing system had a statistical significant effect on taxpayer compliance. But the network connectivity had not able to statistically significant influence on taxpayer compliance.

Therefore, this study is needed because, there is no prior study conducted in the case of Practice, Challenges and opportunities of adopting electronic tax system. Not only that but also, despite of the wide concept of the electronic taxation system, the above studies focused only in the electronic filing system. In addition to that, unlike other branches of Ministry of Revenue that found in Addis Ababa, Electronic taxation system in Hawassa branch office has only two years history. So, there is no study conducted in this area and this study is expected to dig out Practice, challenge and opportunity of e-tax filing system in Ethiopian Ministry of Revenue (MoR) Hawassa Branch Office. Finally, the above mentioned studies focused to collect the data from either only from employees of the revenue office or from the tax payers of the branch offices. So, this research is aimed to fill those gaps.

### **1.3. Research Questions**

Based on the above highlighted problem, the researcher designed the following research questions.

1. What is the current practice of e-tax system in Ministry of Revenue Hawassa Branch office?
2. What are the benefits of adopting e-tax system for the tax payers and Ministry of revenue?
3. What are the opportunities to implement electronic tax system?
4. What are the challenges for the effective utilization of the e-tax system in the branch office?

### **1.4. Objective of the study**

#### **1.4.1. General Objectives**

The main objective of the study is to assess the practice, challenges and opportunities of electronic tax system in Ministry of Revenue Hawassa Branch Office.

#### **1.4.2. Specific Objectives**

The specific objectives of the study:

- ✚ To assess the current e-tax practice of Ministry of Revenue Hawassa Branch Office.
- ✚ To examine the benefits of adopting e-tax system for the tax payers and Ministry of Revenue.
- ✚ To assess the opportunities to implement electronic tax system.
- ✚ To assess the challenges for the effective utilization of electronic tax system in Hawassa branch office.

### **1.5. Significance of the Study**

The finding of this study expects to have paramount importance to different stake holders. The major benefits of this study are the following: This study is expected to show the challenges of e-tax system for the branch & ministry of revenue and how to alleviate those challenges. In addition to this, it plays a role in addressing the real importance of using e-tax system in the organization. Hence, the electronic tax users will be increased and this in turn promotes the electronics taxation system in the Country. It will be valuable for other researcher who is interested in the similar area to use it as a source of reference for comprehensive and thorough

study on the practice, opportunities and challenges of e-tax system. In addition to this, as the study is expected to find out the problems as well as solutions to the identified problems associated with the electronics taxation, the policy makers will use the study to develop different regulations regarding to the specified issue.

### **1.6. Scope of the Study**

This research is delimited only to the study of the practice, challenge and opportunity of e-tax system in the ministry of revenue particularly in the case of Hawassa Branch office. Therefore, geographically, it is delimited to Sidama Region, former South Region and some parts of Oromia Region. The study was conducted on sampled tax payers of the Hawassa branch office and employees of ministry of revenues Hawassa branch office. The study does not address all the employees and tax payers of ministry of revenues in Ethiopia. Hence, the study is delimited to Hawassa branch Office of Ministry of Revenues. Conceptually, even if the concept of electronic taxation systems is very broad, this study focused on only practice, challenges and opportunity of electronic taxation.

### **1.7 Organization of Study**

The research report is organized into five chapters: Chapter one focuses on the background of the study, statement of the problem, objectives and significant of the study, scope of the study and organization of the paper. In chapter two, literatures review is captured there to gather relevant information concerning electronic tax system. Chapter three consists of a detail of methodology followed to achieve results is outlined. It includes the study design, sampling, sampling technique and data analysis. Chapter four contains data analysis and presentation. The last chapter contains summary, conclusion and future recommendations about the results of the study.

## CHAPTER TWO

### 2. REVIEW OF RELATED LITRATURE

#### 2.1. Tax Overview

Tax is simply defined as a sum of money that is required from individuals and business organizations to achieve economic, political, social and financial goals (Al Baajetal., 2018). Tax revenue is currently the only reliable and justifiable source of government income not like other sources which include debt, aid and fees that are not reliable as they are unpredictable and unsustainable sources of revenue (Akalu, 2016).

Adimassu & Jerene, (2016) noted that in previous years taxes purpose is only as a source of government income, but nowadays taxes have other benefits like taxes help in reducing the inequalities between the rich and the poor, taxes help to discourage usage of harmful and luxury products. Tax also plays a major role in encouraging economic growth and reducing poverty. And also taxation is the important element in managing national income. Furthermore, tax is defined as a monetary deduction imposed by the Authority on individuals in a final way without charge in order to cover the public burdens. The tax is different from the fine in a way that the tax is not imposed for the purpose of deterrence or punishment, but an improvement to cover the state (Al Karaawy & Al Baaj 2018).

The procedure of taxation is generally known as the technical regulation of the tax on how to measure the taxable material, linking and collecting the tax on the result of this measurement. Taxation system is defined as a tax system component which is concerned with implementing the provisions of the tax legislation. It is the one which implements the requirements of the tax legislation that incorporates the tax policy and seeks to reflect it on the reality of social and economic life in society (Crandall, 2010). Hence, the level of performance of this system is the controlling factor in the level of the embodiment of the goals of tax policy on the ground because the objectives of the tax system on matter how ambitious and whatever their technical tools are well prepared and organized and designed to meet the needs of the higher interest of the people of society in light of the political, social, economic and financial conditions of the state and society (Palan et al., 2013).

## **2.2 Purpose of Taxation**

During the nineteenth century (C 19th), the popular belief was that taxes should be used primarily to fund government spending. Governments have used taxation for more than just budgetary goals since the beginning of time. Looking at taxation from the perspective of American Economic Stability is one good method to look at its goal. The maintenance of high employment and price stability are the stabilization aims that tax policy shares with government expenditure policy (under the banner of fiscal policy) and monetary policy.

The major rationales for imposing taxes in a market economy such as the stems for the government responsibilities are listed below;

### **2.2.1 Redistribution of income and wealth**

Taxation can have a redistributive function aimed at reducing the unequal distribution of income and wealth those results from the normal operation of a market economy. The rich are forced to contribute more to the "taxation" fund than the poor as a result of the establishment of a progressive system. The system for distributing wealth through the use of transfer payments and perks is beneficial to people who are employed in society.

### **2.2.2 Promotion of social and economic welfare**

The government frequently adopts a paternalistic role by providing 'MERIT' goods, such as health care, education, infrastructure and social services. Unlike public products, merit goods and services can be provided privately; yet, if left entirely to market pressures, merit goods and services would be underutilized. Some merit products and services, likewise, should be given only by the government to promote support. These valuable items include health equipment, school supplies, roads, and markets, all of which benefit people and help to create a healthy and educated community. All development projects in a country are funded by taxes.

### **2.2.3 Economic stability**

Taxation is a weapon that can be used to regulate inflation or deflation. A spiral inflationary condition can be stifled by increasing taxes rates and reducing the amount of money in circulation. To prevent inflation and maintain economic stability, the government employs taxation as a monetary weapon. When inflation is high, the government raises taxation, and when inflation is low, the government lowers taxation. These steps are being taken as a result of

taxation in order to avoid severe inflation and unemployment while maintaining economic stability and growth.

### **2.3. Essential Characteristics of Taxation**

1. It is an enforced contribution
2. It is generally payable in money
3. It is proportionate in character, usually based on the ability to pay
4. It is levied on persons and property within the jurisdiction of the state
5. It is levied pursuant to legislative authority; the power to tax can only be exercised by the law making body
6. It is levied for public purpose
7. It is commonly required to be paid a regular

### **2.4 Principles of taxation**

The American Institute of Certified Public Accountants (AICPA) publication in 2001 about guiding principles of good taxation notified that the taxation system is to be judged by the standards of equity, efficiency and administrative convenience. Tax system means the set of taxes that are used by a government therefore tax policy is a government program for setting taxes that means tax is the way a Country chooses to allocate tax burdens among its citizens (AICPA, 2001).

Adam Smith, (1776) the father of modern political economy has articulated four principles or canons of taxation in his famous book "Wealth of Nations". These principles are still considered to be the starting point of public finance. Adam Smith's famous canons of taxation are: Canon of equality, Canon of certainty, Canon of economy and Canon of convenience that the tax should be included at the manner which is most appropriate for the taxpayer. The most famous four canons of taxation are:-

**Canon of Equity:** people should pay taxes in proportion to their incomes, the burden of taxation to be distributed according to the taxpayer's ability to pay as measured by the income earned and also this canon determines that tax that should be fair. This principle points to progressive

taxation. A Progressive taxation states that the tax rate or percentage of taxation should increase with higher income and decrease with the lesser income it depends on the ability of each taxpayer. This canon tries to insure the objective of economic justice. It orders that the richer should pay more (Adimassu & Jerene, 2016).

The ability-to-pay principle is according to what they earn and taxpayers who have equal taxable capacity allow the same tax burden but on the other hand benefits principle is applied citizens pay taxes according to identifiable benefits each individual receives from government services. The benefit principle states that taxes should be paid according to the benefits received, that means the one who receive the greatest benefits should pay the most taxes but it is difficult to achieve in practice (Essays, 2018)

**Canon of certainty:** The Canon of certainty implies that taxpayers should have knowledge regarding the amount which taxpayer is to pay, where to pay and when to pay. Also taxpayers are clearly informed about why and how taxes are levied. If the taxpayer is certain about the amount of the tax and its time of payment taxpayers can adjust their income to expenditure. Certainty principle also helps to reduce misuse of power and corruption on tax authority and increase taxpayer's willingness of tax payment (Soyode and Kajola, 2016)

Certainty canon is that the taxpayer has to know how much tax he or she should pay, the time by when tax payable must be paid and the manner in which the tax must be paid. Therefore, the amount of tax to be paid should not be arbitrary or should be based on the rules and regulations of the tax authority. This canon is very relevant till now for the protection of taxpayers from unnecessary harassment, for tax authority to regulate good standard tax systems, and also reduce corruption in the tax administration and encourage good governance (Ermias, 2016).

**Canon of convenience:** According to this canon, taxes should be levied and collected in a manner that it provides the greatest convenience not only to the tax payer but also to the government. Canon of convenience takes into consideration the interest of taxpayers from the view of payment of tax that the method and timing of the tax should suit the taxpayer. Overall this canon illustrates how simple is the tax payment and collection process (Furnham, 2005).

**Canon of Economy:** The canon of economy implies that the expenses of collection of taxes should not be unreasonable or expensive. Considering that every tax has a cost of collection, this

canon requires the revenue collected should exceed the costs of collection. Administration costs are kept as low as possible. Increase in administrative costs is a reason to decrease in revenue. It also guides that taxes which are too widespread and difficult to administer should not be imposed (Tentim, 2014).

Good tax revenue authorities develop their administration services by adopting appropriate principles that allow revenue authorities to ensure taxpayer compliance with tax laws and increase tax return (Ermias, 2016)

## **2.5 Tax administration**

The identification of tax liability based on current tax law, the assessment of that liability, and the collection, prosecution, and penalties imposed on recalcitrant taxpayers are all part of tax administration. As a result, tax administration encompasses a broad range of topics, including taxpayer registration, assessments, returns processing, collection, and audits (2019, chaka). The low tax revenue return can only be attributable to the fact that tax provisions are not adequately enforced, either due to administration's incompetence to deal with them or due to outright collusion between the tax administration and taxpayers (chaka, 2019). Tax administration, therefore, has to secure compliance with the laws by applying an array of registration, assessment and collection procedures.

## **2.6 Efficiency of Tax Administration**

Tax structure with minimal distortions, rigorous tax exemptions, and elimination of variations in tax treatment of different segments of the economy are essential preconditions for efficient tax administration. A poorly designed or unduly intricate tax structure considerably complicates the tax administration's working function, whereas a clear and transparent tax system may have the opposite effect. Tax administration should develop around activities (such as recording or auditing) rather than according to the type of tax and taxpayers. More generally, tax payment needs to be assessed, collected and recorded more efficiently.

(Chaka, 2019) The efficiency of a tax system is defined not only by suitable legal control, but also by the tax administration's efficiency and integrity. Small quantities of collected public money can be explained in many countries, particularly in poor countries, by either the tax administration's inability to carry out its duties or some degree of corruption. Tax laws, no matter how properly crafted, will not be able to eradicate friction between tax administration and

taxpayers. The presence of a knowledgeable and accountable tax administration is almost the most crucial requirement for the state's "tax potential" to be realized. It is common knowledge that tax rules and policies are only as good as the tax administration (Kaldor, 1980). Every country's tax administration faces a daunting set of challenges.

Tax administration improvements are required in many developing nations just to ensure macroeconomic stability. There is a need to build a tax administration in nations in transition that can adapt to the needs of a growing market economy and the resultant growth in the number of taxpayers.

In the field of tax administration, human resources are crucial. Trained personnel are what actually most developing countries lack and this forced them, for instance, to organize their activities under the existing tax administration structure. During the past decade, diverse developing countries have introduced radical reforms in their collection of taxes. In more than 15 countries, traditional tax departments have been granted the status of semiautonomous revenue authorities, which are designed with a number of autonomy-enhancing features, including self-financing mechanisms, boards of directors with high-ranking public and private sector representatives, and generic personnel systems (Robert, 2003). All transition countries had a significant drop in GDP, resulting in an alarming revenue shortfall due to substantial limitations in tax administration. Furthermore, revenues from 20 taxes collected from large, largely state-owned businesses fell in all nations, and were not compensated by increasing taxes collected from private, mostly small-scale businesses. As a result, there has been pressure to raise tax rates and implement new, frequently ad hoc taxes. These differences, referred to as "patches" in the tax system, are mostly the result of the tax administration's inefficiency in collecting current taxes (Kornai, 1990). This condition would necessitate the constant imposition of new taxes, modifications to the tax structure, and seemingly endless tax reforms.

The tax administration and authorities that make political decisions must anticipate tax evasion attempts and establish a tax system that does not call into doubt the allegiance of its residents. The majority of developing countries continue to struggle to build adequate and responsive tax systems (Richard, 2008). What a country can do is always bound by what it can accomplish, regardless of what it wants to do with its tax system or what anyone thinks it should do from one standpoint or another (ethical, political, or developmental). The range of tax policy options is

limited by the economy's structure, administrative capability, and political institutions (IMF, 2006). The sources of severe tax distortions in transition economies are numerous. First, base rates are often high. In transition economies with many fledgling small enterprises and weak tax administration, high tax rates are likely to encourage already widespread tax evasion and participation in informal economy (Chaka, 2019).

## **2.7 History of taxation in Ethiopia**

Taxation has a long history in Ethiopia, but the modern system of taxation began in full earnest after the departure of the Italians 1941. The original concept of a tax was that it was a voluntary gift to government expenses, as evidenced by the Medieval Latin term *donum* and the English word *benevolence*. This view of the subject-government relationship evolved over time, with payment becoming more and more required until coercive taxation became the norm.

During the imperial and revolutionary periods, resources were distributed differently across the various sectors of the economy. The government spent around 36% of the annual budget on national defence and maintaining domestic order during the emperor's reign. The budgets of the several ministries steadily expanded toward the end of the imperial period, while tax yields remained stable. With the majority of the people living on a subsistence level, raising taxes on personal or agricultural income was difficult. As a result, indirect taxes (customs, excise, and sales) were used to fund the imperial government. Taxes on international commerce, for example, amounted for over two-fifths of all tax collections and about one-third of all government revenues in the early 1970s, excluding foreign grant. Direct taxes, on the other hand, amounted for less than a third of total tax income.

In 1976, the revolutionary government restructured the tax system, replacing agricultural income and rural land taxes with a rural land-use fee and a new tax on agricultural revenue. The government partially solved the tax collection problem that occurred during the imperial period by transferring the collection of agricultural fees and taxes to peasant associations, which were paid a tiny proportion of revenue. Tax collections remained stable at around 15% of GDP in 1988/89, despite total revenue increasing significantly to almost 24% of GDP. In 1974/75, total revenue and tax revenues had been 13 and 11 per cent of GDP respectively. Despite the 1976 changes in the tax structure, the government believed that the agricultural income tax was being underpaid, largely because of under assessments by peasant associations. Export and import

levies were imposed by the government. Addis Ababa imposed a 2% tax on all exports in 1987, as well as an additional export duty and a sur-tax on coffee. Customs tariffs and a 19 per cent general import transaction tax were among the import taxes. The government freed capital products from all import tariffs as part of a policy to encourage new capital investment. Intermediate commodities were taxed at a rate ranging from 0% to 35%, consumer goods at a rate ranging from 0% to 100%, and luxuries at a fixed rate of 200 per cent. High taxation on certain consumer goods and luxury items fuelled a thriving underground economy, with smuggling of certain imports, particularly booze and electronics, playing a key role. Despite the fact that revenue collecting systems were inadequate, the government kept tight control over current and capital spending. Procurement was overseen by the ministry of finance, which also reviewed ministries to ensure that expenditures were in line with budget authorizations.

The surge in defence and general service spending following the 1974 revolution was largely responsible for this expansion. Defence used about 60% of the budget during the 1977-78 Ogaden war, when the Somali counteroffensive was in full swing. After 1979, the percentage dropped slightly, although it remained greater than it had been prior to the revolution. Between 1974 and 1988, defence and government services accounted for roughly 40-50 per cent of the budget.

Until 1972/73, economic and social services received less than 30% of government funding, when an increase in educational spending boosted them to over 40%. Economic and social service spending remained at pre-revolutionary levels under the Dergue government; agriculture received 2% of total expenditures, while education and health received 14 and 4 per cent, respectively.

## **2.8 The Ethiopian tax reform of 2002**

Ethiopia's government has undergone a substantial economic policy move from central planning to a market-oriented economic structure since 1992/93. Successions of tariff and tax reform initiatives have been implemented in response to this trend. The reasons for this were outdated tariff and tax laws; a lack of customs and tax administration; and the tariff and tax regime's failure to attract investment, facilitate trade, and generate sufficient revenue to cover current and capital expenditures, and thus finance development and poverty-reduction projects.

The federal government and national revenue have benefited from a number of tariff and tax reform schemes. According to Ministry of Revenue data, Federal Revenue climbed to Birr 6.7 billion in 2002/03 from Birr 2.54 billion in 1993/94, resulting in an increase in federal revenue as a proportion of GDP from 8.97 per cent to 11.87 per cent in 2002/03. The slight increase in both direct and indirect taxes, particularly foreign trade taxes, is mostly responsible for the gain in revenue. In addition, from 10.9 per cent in 1993/94 to 15.1 per cent in 2002/03, national tax income as a percentage of GDP has increased. For example, the overall budget deficit without grants as per cent of GDP has increased from -5.2% in 1996/97 to -14.5% in 2002/03. This shows that performance of revenue collection in Ethiopia has been low compared to the rest of Sub-Saharan African countries which is over 23% of the GDP.

As a result of a succession of reductions in import tariffs, excise taxes, and income taxes, as well as a widening of the budgetary deficit, the introduction of a neutral and efficient tax, such as a VAT with a large tax base, was proposed. VAT (Value Added Tax) has become a key tax mechanism around the world. The global trend of more countries implementing VAT is on-going. In poorer nations, VAT has also become a necessary component of tax reform. Since January 2003, Ethiopia's tax reform scheme has included VAT.

The superiority of the VAT over other common tax instruments such as the turnover tax is also due to its revenue performance, neutrality, and efficiency. The emerging conventional wisdom, which is based largely on practices and numerous country case studies, suggests that a single rate VAT (between 10% and 20%) with few exemptions and thus a broad base is preferable to a VAT with multiple rates and many exemptions, which reduces the base and complicates administration. Ethiopia's standard VAT rate of 15% and 10% equalization for services and 2% for goods have to be studied in the medium term whether or not they could broaden the tax base and register high revenue performance. The three major taxes and their respective Tax Reforms are explained below:

## **2.9. Concepts of E-tax System**

Now a days, most businesses, private or public, profit or not-for profit, are increasingly dependent on IT and it has also wedged the business environment in three significant ways: IT has increased the ability to store, capture, analyse, and process great amounts of information, IT

has significantly impacted the control process and IT has also impacted the auditing profession in terms of the skills necessary to perform an audit and the knowledge required drawing conclusion.

Electronic tax system is a system that has been developed to replace manual system. It is a web enabled and secures application system that provides a fully-integrated and automated solution for administration of domestic taxes. It enables taxpayers to register tax, returns filing, payment registration to allow for tax payments and status inquiries with real-time monitoring of accounts (Waweru 2013).

An electronic tax system is an online platform that enables tax payers to access tax services through the internet. Electronic tax filing or e-filing is a method where tax documents or tax returns are submitted through the internet, usually without the need to submit any paper return. The e-filing system involves the use of internet technology, the worldwide web and software for a wide range of tax administration and compliance purposes. Electronic taxation differs among countries hence the name of the system differs from country to country.

Electronic tax system was first coined in United States, where the Internal Revenue Service (IRS) began offering tax return e-filing for tax refunds only (Muita, 2011). This has now grown to the level that currently approximately one out of every five individual taxpayers is now filing electronically. This however, has been as a result of numerous enhancements and features being added to the program over the years. Today, electronic filing has been extended to other developed countries. Equally developing countries has also been embracing electronic filing of tax returns. Some of the countries which are embracing the electronic filing include Uganda, Nigeria, Rwanda and Kenya (Muita, 2011). The electronic tax system is one of the mechanism tax authorities can be proud of since it allows taxpayers to file returns and pay on time (Nkundabanyangaet, 2017). (Chanchal, et, al., 2013) on their study about the satisfaction level and awareness of taxpayers towards e-filing of income tax return in Moradabad city defined e-tax filing as the process of filing tax electronically. Customized forms have been devised by the Tax Authority which is available on the site. These forms have been devised with such entail that tax payers need not file any supporting document along with.



Source: MOR Hawassa branch office electronic tax system training material (2022)

## 2.10 E-Filing Experience of Some East African Countries

### 2.10.1. I Tax in Kenya

According to I Tax case study (2012) Kenya Revenue Authority has introduced an e-filing system known as I Tax. I Tax system is a computing and accounting system for state revenues (levies, taxes) which stores all relevant (credit and debit) data in individual accounts in a database, and thus helps monitor and control all tax transactions. Technically, I Tax is a completely integrated modular system for taxation with an open-source database, which can handle all types of taxes. I Tax support the Kenya Revenue Authority in registration, assessment, collection, accounting, debt management, auditing, and tax monitoring, and reporting. The Kenya Revenue Authority's I Tax system has provided effective service to its clients. The system provides an integrated view of a taxpayer, making it easier for taxpayers to access various tax administration services from anywhere, update their registration details, file 24 returns, pay their taxes through mobile payment services (such as M-Pesa, Airtel Money and others), enquire about tax status, apply for a Tax Compliance Certificates and lodge refund claims online in real-time, just to name a few (Daily Nation, 2015).

KRA (2012) Cited in Cheruiyot, 2015 Kenya Revenue Authority has been offering efficient services since the introduction of I Tax system. Given these sorts of considerations, revenue bodies ideally require a systematic approach or strategy for arriving at an optimal mix of channels for service delivery, one that achieves high standards of effectiveness while at the same time also meets efficiency objectives, both from the viewpoint of the revenue body and taxpayers at large. The I Tax online system is used to facilitate payment of all income taxes, VAT and

excise duty. The I Tax online system also allows for online Personal Identification Number (PIN) registration, amendment of PIN details, applications for waiver of penalties and interest, assessment dispute resolution, application for tax compliance certificates and applications for tax refunds. The system also facilitates e-communication with the KRA. Service delivery has been facilitated through providing taxpayers and their authorized agents with clear precise and timely information, ensuring the courtesy and considerate treatment are extended unconditionally to all taxpayers, responding expeditiously to every taxpayer's inquiry, complaint or request, explaining the grounds for and derivation of every tax assessment, providing proper technical advice to the taxpayer on requests about tax implications, assisting new taxpayers to register, educating the taxpayers and the general community about tax obligations and rights (Naomi & Joel, 2011).

### **2.10.2. E- Tax in Uganda**

In Uganda, the Revenue Authority (URA) has boosted its tax collections by running an integrated tax administration system called e-Tax. The system, called e-Tax allows for electronic mode of registrations, filings, and payments related to tax delivery and collections. The online option was started to shorten the process of tax payment by avoiding queuing up of taxpayers, and to reduce costs such as travel while filing tax returns. Presently, about 80 percent of Uganda's domestic tax collections are made electronically (Johanna, 2003).

According to Johanna (2003), the e-tax system offers benefits both to the service provider (URA) and the consumers like the filing of tax returns in minutes compared to the old manual one that took up to two days, Much as many users appreciate the electronic systems of Uganda Revenue Authority (URA), the e-tax system remains faced with problems of the online returns filing system e-tax system is prone to system failure and has little backup support for customers, Low Information Technology Penetration in Uganda, Insufficient taxpayer sensitization for the online taxation system, the system is in some cases too slow and time-wasting when faced with many transactions Little user support especially during the busy dates of return filing, Lack of user training on its use and Negative attitude towards the e-tax system especially by the small business operators that think it is meant for big companies.

These factors have contributed to the slow use of e-tax systems leaving taxpayers stuck to submitting tax details manually. Taxpayers also cite issues of the system is complicated, difficult to use, lack of feedback, high Internet costs coupled with an Internet dial-up system that slows

communication with URA. Taxpayers also cite the insistence by URA for customers to provide manually printed back up returns as a disincentive for the usage of the online e-tax system (Elizabit & Gilbert, 2012).

In Uganda, Akello (2014) reported that there are challenges such as intermittent power supply and Internet outages but says the tax body has made contingency plans to ensure that the system is operational 24/7. First, the e-Tax is hosted on a central server at their Kampala headquarters, which means that it's not affected by power or network outages even when power or the Internet is off in some parts of the country. Until the gap between what is offered and what is used is bridged, the maximum potential of the services offered cannot be realized.

#### **2.10.4. I- Tax in Tanzania**

In 2012, the Tanzania Revenue Authority introduced the electronic filing of VAT for large businesses reducing the administrative burden and cost to the business of filing VAT returns. According to a detailed user guide published by the TRA, traders with a Tax Identification Number (TIN) could register for e-filing of taxes, submit their returns online, and receive an acknowledgment of tax submission. This process was a major improvement on earlier VAT filing processes. For the government, it reduced the long queues, filing, and reconciliation challenges, increasing customer convenience and hence compliance. For the users – who would typically spend at least one to two days waiting in line to file tax returns, the opportunity to electronically file taxes has helped them save time and costs, and prevent loss of business (Pillai, 2016).

According to Pillai (2016), I Tax stands for the integrated tax administration system in general, whereas I Tax refers to I Tax used for national tax authorities (i.e. in Tanzania). Using I Tax results in reduced bureaucracy and accounting efforts. It greatly simplifies and facilitates data processing. Data security is much higher and tax data is more reliable. This, in turn, helps to improve acceptance by taxpayers.

The establishment of a —one-stop-shop—(all 28 tax affairs under one roof) for taxpayers will again greatly enhance these benefits. The population's regard for and trust in involved tax institutions will improve.

I Tax contribute to improved taxation by speeding up administrative processes, timely monitoring of taxpayers and their penalties and its interests, and increase of revenue and income. Through I Tax, there's a promotion of equity, communication with taxpayers, preventive impact

on corruption and bribery, and impediment on tax avoidance and tax evasion. So, I Tax contributes to fair, effective and efficient taxation and an increase in revenue, basically the TRA mission statement. Ms. Christine Shekidele, on behalf of the Commissioner-General, TRA Dar es Salaam, Tanzania (First international conference on Local Tax Administration, October 2007).

### **2.11 History of E-tax system in Ethiopia**

Electronic taxation in Ethiopia has been part of the experimental deployment of electronic tax systems in Africa to provide international funders and regional tax cooperation organizations with proof of reduction of tax evasion and increase in tax payments (Anthony Assassa and Elie Sawaya 2022). The Ethiopian Revenue and Customs Authority (ERCA) have been in a dynamic of rapid modernization and extensive use of ICT since the end of the civil war in 1991. The introduction of electronic sales registry in 2008 was the second significant use of IT in Ethiopia's tax system.

Ethiopian Revenue and Customs Authority (ERCA) adopted the Electronic Tax System automatic system for customers' data management. In Ethiopia, Electronics filing System has been begun in Addis Ababa, in February, 2013 with selected tax payers and its use has expanded significantly during the past 5 years.

As a part of modernizing its service, the Ministry of Revenue of Ethiopia is set to fully collect tax from large and middle tax payers using electronic payment system. The e-tax filing system has been tested for about as pilot by 11 companies, is expected to go fully operational soon.

As Ethiopian Ministry of Revenue (MoR) is committed to provide the best services to taxpayers by making tax compliance easy and convenient it, has started e-tax payment system in 2018 as pilot is tested on the selected governmental institutions tax payers who have the bank account in Commercial bank of Ethiopia. Also in 2019 the Ministry of Revenue launched an e-tax payment service to additional tax payers to help taxpayers use the internet for tax payment and access to clearing services.

Currently, all of the ministry of revenue offices (head office and branches found in Addis Ababa and outside of the Addis Ababa) are providing e-tax services for its tax payers.

Through the implementation of this new electronic system, Ethiopia faced many challenges. For example, many taxpayers were unwilling to abandon the traditional paper-based process due to

uncertainty about the security and privacy of information. The server was slow and frequently failed so taxpayers willing to try the new technology were discouraged. In order to address these problems, Ministry of Revenue applied several upgrades to the system and spent significant efforts advertising and promoting the safety and ease of its usage.

Hira (2016) notes that the most positive aspect was the introduction of the I Tax online system the I Tax system has been experiencing Teething problems, he believes it was a good move as it would revolutionize how tax affairs would be conducted. The I Tax online system was initially introduced in phases. After successful piloting, it was made a mandatory requirement for the filing of tax returns online from 1 August 2015. In essence, this meant that all taxpayers including SMEs were required to use I Tax only and abandon the manual process

## **2.12 Empirical Evidence**

### **2.12.1 Evidence from other Countries**

The issue of electronic tax filing system has attracted a number of researchers' largely internationally. Therefore, most of the studies about electronic taxation system are conducted outside the Ethiopia.

David (2014) on his thesis study titled "The Effect of Online Tax System On Tax Compliance Among Small Taxpayers In East Of Nairobi Tax District" stated that more benefit of both tax payers and revenue can be mainly mainly achieved when majority of taxpayers voluntarily file their tax returns and pay resultant tax liabilities as stipulated in the tax laws, without the intervention of the tax authorities through enforcement.

One study study in Kenya based on Large Taxpayers coming under LTO and undertaken by Makanga (2010) to establish the impact of technology as a strategic tool for enhancing tax compliance in Kenya concluded that technology is vital for enhancing the efficiency of revenue collection and tax compliance.

The study was also corroborated by a similar study by Muita (2011) on the underlying factors responsible for the choice of implementing online tax filing system among the large taxpayers in Kenya. In the study, the authority's preparedness was reviewed against the technical skills necessary for the success of the system both on the part of the taxpayer and the government. Conclusion of the study revealed the need for adequate skill and infrastructure development. She further looked at the challenges Government institutions face on public service delivery in

Kenya. Her study detected an inherent problem in terms of service delivery coordination between the local authorities and central government workers at the field level.

Muita (2011) in her MBA thesis has done a related study on the factors that influence adoption and use of e-tax filing system among Large Taxpayers in Kenya Revenue Authority and found out that paper returns are tedious to file on the part of the taxpayer and in the same magnitude to reconcile on the part of tax authority offices, hence the use of electronic filing, which is aimed at ensuring accuracy and timely reconciliation of the data contained, since Tax systems does automatic reconciliation and validation of the returns.

According to Lubua (2014), in the Tanzanian revenue authority, employees have come up with workshops designed to enlighten the public on the benefits associated with steps taken to comply voluntarily. Unfortunately, many respondents confirmed that they never received the trainings by the revenue officers. The setback was attributed to the limited number of staff deployed to carry out this exercise. The mobile technologies can be useful in providing trainings.

Electronic system for tax filing returns and paying the due taxes, if accepted and implemented by most businesses and individual taxpayers, result in tangible advantages to both the taxpayers' and the government. The government achieve in the form of reduced operation costs such as costs associated with submission, storage and handling of returns in addition to saving time which in turn boosts compliance. The taxpayer benefit from the system in the form of reduced calculation error a preparation and filing time (Odongo, 2016).

As stated by (Mongwaketsa 2015) on his MBA paper entitled "Perceived effects of an electronic filing system on tax compliance in an area municipality, South Africa's", e-tax filing system is not completely independent of human involvement and taxpayers cannot perform certain functions online, and as a result they still need to visit tax offices and queue for assistance. One such example is tax registration. The taxpayer can achieve tax registration online, but afterwards is required to visit the office in order to show supporting documents or for payment.

Dowe (2008), states that in order to implement a successful electronic tax filing and payment systems a reliable and easily accessible internet platform providers backed by a financial sector ready to provide needed funds is critical. The success is also significantly contributed to by a

public that is IT oriented on one hand and on the other hand adequate financing to set up the appropriate infrastructure in government tax offices.

Another opportunity of E-tax system is better access to information, employee productivity and improved service delivery. Strategic benefits are generally impossible to quantify in monetary terms, but their value is not doubtable. According to (Peterson, 2014) perceives e-tax as one of the best paperless systems that enhances the company account balance. Due to it being paperless, he finds it a more safe system that helps protect clients and firms' and their bottom line.

(De Castro, et al., 2015) Investigated Perceived benefits on using the Electronic Filing and Payment System (EFPS) and the respondent's intention to use the system are usually affected by their perceived risks and problems.

Empirical evidence shows that there is resistance to the use of e-filing and e-payment. (Ling, 2018) maintains that many studies around the world have shown taxpayer's resistance to use of e-filing system; hence it is a big challenge to the authorities. According to (Sheikh, 2015), any new system, there have been numerous teething problems with the electronic system.

As (Joanna 2014) said unwillingness of taxpayers to abandon paper-based processes because of their perception and shift to electronic system is one of the reasons which make the number of taxpayers using the e-tax filing system remained far below expectations.

Coolidge & Yilmaz (2013) on their study, does e-tax filing reduce Tax Compliance Costs, agree that in countries where e-tax filing replaces paper-based filing with no additional work required from firms, e-tax filing is associated with some savings in tax compliance costs. On average 22.4% reduction in overall tax compliance costs and 21.8% reduction in hours spent for complying with VAT are associated with e-tax filing usage in South Africa.

According to (Tan & Foo 2015), one of the first challenges of e-tax is security of personal data and tax data. Many other taxpayers still reject the idea of using e-filing due to the risk perception associated with it. (Tan & Foo 2015), investigated this risk perception could significantly influence the taxpayer's or users' intention to use it. The most widely known risk that everyone refers to is lack of internet security. Another risk which (Tan & Foo 2015), take about is the

possibility that confidential personal information could be intercepted and stolen by fraudster during transmission

Findings by (Barati et al. 2014) suggest that convenience in terms of time and place and limited movements to the tax authority premises lead to the implementation of the e-tax system which improves tax compliance among taxpayers.

(Mohammad & Mukeesha 2017) on their study reveals that some users are less satisfied with the e-taxing facilities but most of the individual taxpayers are not aware of the e-filing and e-payment procedures so sufficient steps are required to create more awareness in the minds of taxpayers regarding e-filing of income tax.

### **2.12.2 Evidence from Ethiopia**

As the e-tax system is new phenomenon in the Ethiopian context, there are some studies that have addressed the concept of e-tax filing system.

Ruta, (2017) has assessed electronic tax filing system in selected branch offices of Ethiopian Revenues and Customs Authority (ERCA) and she discovered challenges like taxpayer's attitude, taxpayers fault and governmental problems. And benefits like data handling, accuracy, job performance and tax compliance. And her study found that the E-tax filing system and tax compliance has a positive relationship.

Another research by Abera (2018) conducted a study on factors affecting the adoption of electronic tax filing in Ethiopia: Perception of taxpayers. The aim of the study was to identify factors that affect electronic tax filing adoption in Ethiopia. The researcher concludes that Ethiopian electronic tax filing system was useful with many relative advantages. An e-tax filing system is operationally easy and not complex to be adopted. The study also identified that the majority of the taxpayers' found the electronic tax filing system compatible and affordable with existing and past trends. Although the researcher found a challenge for the adoption of electronic tax filing, taxpayers think the usage of the online tax filing system would have privacy problems and lack of confidence with the security issue. The researcher also recommended that ERCA should conduct continuous training about online system. Additionally, he recommended that ERCA should reassure taxpayers' of the reliability of the system by including easily visible

privacy statements on their sites to decrease perception and fear of risk of electronic filing system.

Tadele (2020) in his study “The effects of electronic filing system on tax payers’ compliance” also focused only on tax filing.

Abera, (2019) has also conducted research on the influence of electronic tax filing system on tax compliance in the case of large taxpayers’ branch office (LTO). This study examined the influence of the electronic tax filing system on tax compliance of large taxpayers’ branch offices. The research finds taxpayers had limited internet access to connect to ERCA E-tax servers. ERCA’s technology system could not handle the huge overcrowding of tax returns, especially in the few days just before the deadline. The research recommends that ERCA should continuously upgrade its electronic system and the electronic tax filing process should be simplified with clear instructions and guidelines. Also tax consultation centers should be increased in the country where taxpayers can acquire knowledge and filing skills. Accordingly the researcher concluded that adopting the system ERCA realized benefits like, facilitate development of new system, improve customer service, increase accessibility of taxpayer services, improving transaction speed and create good relations among taxpayers and perceiving both operations. Then his study shows that limitations in network infrastructure and internet related support services, low levels of computer literacy, frequent power disruption are considered as basic external challenges facing the implementation of E-tax system.

According to the (ERCA, 2016) e-tax filing experience presentation, the benefits of using e-filing for taxpayers Check his account balance online, the taxpayer's information is secured and confidential (unique username and password) save cost and time build trust ship between Ministry of Revenues and taxpayers declaration confirmation is immediate. Benefits of e-tax filing for Ministry of Revenues increase efficiency and effectiveness, increase transparency and accountability, increase tax compliance and revenue collection, enhance data quality/Avoid errors/ minimize tax administration cost.

### **2.13. Research Gap**

Most of the above studies on the electronic taxation system were conducted outside of Ethiopia. As per knowledge of the researcher, In Ethiopia’s context, electronic tax system has been addressed by only few studies.

Ruta, (2017) in her study “Assessment of Electronic tax filing system in selected branch offices of ERCA” focused on the Assessment of Electronic Tax Filing System in Selected Branch Offices of Ethiopian Revenues and Customs Authority. In her study she focused only on the opportunities and challenges of electronic tax filing for the tax office, and do not tried to assess the opportunities and challenges of electronic taxation in the side of tax payers. In addition to this, even if e-tax has wide a concept; that includes electronic filing, electronic payment, and requesting refund, requesting tax clearance and objection, her study focused only in the e-filing system.

The other studies made by Abera Tatek, (2019) in his study “The influence of electronic tax filing system on tax compliance in the case of large taxpayers’ branch office (LTO) reveals that e- tax filing system and technical skill of filing had a statistical significant effect on taxpayer compliance. But the network connectivity had not able to statistically significant influence on taxpayer compliance.

Tadele (2020) in his study “The effects of electronic filing system on tax payers’ compliance” also focused only on tax filing. Therefore; this study is needed because, there is no prior study conducted in the case of Practice, Challenges and opportunities of Electronics tax system. In addition to that, Electronics tax system started in Hawassa branch office before two years (in 2021) after the adaptation of different branch offices of Ministry of Revenues found in Addis Ababa. In addition to that, even if some studies tried to assess the effects of the electronic tax system in Addis Ababa, due to differences in the level of infrastructure access and way of life, of the tax payers of Addis Ababa and Hawassa, the researcher believes that there would be variation in practice, opportunities and challenges between tax payers of two regions. For example, the infrastructure such as electricity and telecom service is different from Addis Ababa tax payers compared with those tax payers of Hawassa branch office, whose address is in country side. So, this study is expected to dig out practice, opportunities and challenges of e-tax system in Ethiopian Ministry of Revenue (MoR) Hawassa Branch Office and the research seeks to fill this gap.

## CHAPTER THREE

### 3. RESEARCH METHODOLOGY

#### 3.1 Introduction

This chapter discusses about the research methodology that is used in the study. It has the following sections: the research design, research approach, population and sampling techniques, sample size, method of data collection, method of data analysis, measurement of reliability and validity, ethical consideration and data quality assurance.

#### 3.2 Research Design

A research design is procedure or a process that guides the researcher in providing answers to research questions and desired objective of the study. It is a document that outlines the approach to a research project, from the research question to the expected results.

The focus of this study is on assessing the practice, opportunities and challenges of e-tax system in Ministry of revenue in Hawassa branch office. “When you want to learn something in detail, you do descriptive research” (Pooja Agnihotri). Therefore, the research adopted descriptive survey method with the assumption that it help to describe the current practices, challenges and opportunity of e-tax system in ministry of revenue.

#### 3.3 Research Approach

Mixed research methods offer flexibility in designing a research, allowing combining aspects of different types of studies to distil the most informative results. In addition to that, (Kerchar 2010), suggests that “each strategy has its strength and weakness and the drive for mixed method research is to use one strategy to inform, validate, or compensate for the weaknesses of another.” In other words, the combination of both quantitative and qualitative methods is a more pragmatic approach to gain a better understanding of the phenomenon under study. There are many justifications for combining quantitative and qualitative data in a research study. The first rationale of employing mixed approach is the expansion of study. This means a mixed approach allows researchers widen their inquiry with sufficient depth and breadth. For instance, when a researcher wants to generalize the findings to a population and develop a detailed view of the meaning of a phenomenon or concept for individuals, the advantages of collecting both closed-ended quantitative data and open-ended qualitative data support understanding a research

problem (Creswell, 2003). Furthermore, qualitative data (such as interviews and focus groups) can provide depth in the research inquiry as the researcher can gain a deeper insight into the phenomenon from narratives. Then, a quantitative approach of data collection can bring breadth to the study by supporting the researcher with accumulating data about on different aspects of a phenomenon from different participants. Another driving motive for combining the two methods is the belief that both kinds of research have values and that in some respects they are complementary, and therefore, there will be an added value in combining them. The researcher used both research sets to answer the same research question which can produce greater certainty and wider implication in the conclusion (Maxwell, 2016; Morgan, 2014)

In addition to that, mixed approach helps to obtain more rigorous conclusions by employing two methods in such a way that the strengths of the qualitative methods offset the weaknesses of the quantitative methods and vice versa (Plano Clark & Ivankova, 2016). This implies that a quantitative method can be strong in those areas where a qualitative method is weak and vice versa. Putting it in another way, one method is more suitable to answer one type of question and another method is more suitable for another type of question. Mixing the two methods, therefore, offers the possibility of combining two sets of strengths while compensating at the same time for the weaknesses of each method.

Another value of Mixed Research approach is its triangulation component. Data triangulation in a mixed-methods study is generally accepted as a strategy for validating results obtained with the individual method (Bergman, 2008). A researcher, for instance, aims to obtain a more valid picture about a research issue by directly comparing the findings drawn from one method (qualitative or quantitative) to those obtained from another (quantitative or qualitative) for convergence and/or divergence (Plano Clark & Ivankova, 2016). In other words, collecting diverse types of data offers greater insights on a phenomenon that the methods individually cannot offer, and therefore, provides more valid and stronger inferences than a single method does (Teddle & Tashakori, 2009). Thus, data triangulation leads to a well-validated conclusion and also promotes the credibility of inferences obtained from one approach (Ventakesh et al., 2013). In order to gain the above benefits, in this study, the researcher followed mixed research method.

### **3.4 Population and Sampling**

#### **3.4.1 Target Population**

According to (Zikmund 2003), the definition of population is an identifiable total set of elements of interest being investigated by a researcher. Accordingly, in this study, the target population were 1,067 taxpayers of Hawassa branch Office; (electronic tax users of the tax payers of the branch office as study population), and 205 employees of the branch office.

#### **3.4.2 Sampling Method**

According to Douglas et al (2006), a sample is a tool to infer something about a population or sample is a portion or part of the population of interest. The reasons to sample when studying characteristics of a population, there are many practical reasons why researchers prefer to select portions or samples of a population to observe and measure. Some of the reasons for sampling are: the cost of studying all the items in a population may be prohibitive, and the physical impossibility of checking all items in the population, the destructive nature of some tests and the sample results are adequate.

When selecting a sample, researchers must be very careful that the sample is a fair representation of the population.

This study was conducted by using non-probability sampling methods. The researcher applied Convenience/accidental sampling technique to collect data from the tax payers visiting the branch office to different services. Because the tax payers of ministry of revenue Hawassa branch are distributed in large geographic area, it is difficult to address every member of the population and each member of the population has an equal chance of being selected as subject. So, questionnaires were distributed to users of e-taxpayers who come to branch office of ministry of revenue for different services. To collect data from employees of ministry of revenue, employees were first selected purposively and census was applied on selected employees. Hence, employees of the branch office who do not have direct involvement with tax related activities such as; human resource management department, finance department, record department, security staff, cleaning staff, internal audit department, e.t.c were excluded and remaining departments were included in the study. Hence, Purposive or judgmental sampling technique was applied to collect the data from employees of Ministry of Revenue. In addition to this, team co-ordinator of the electronics tax department was selected for interview judgmentally.

### 3.5 Sample size Determination

The researcher used Yemane's formula to determine the sample size of the study. According to annual report of 2022 (2014 E.C) of the branch office, total number of the active taxpayers is 1,067 and from those 901 are e-tax system users. Therefore, total study population of this study was 901 tax payers.

Hence, from the total electronic tax user tax payers of the branch office, sample was drawn by using the following formula.

$$n = \frac{N}{1 + N * (e)^2}$$

$$n = 1,067 / (1 + 901 * (5\%)^2)$$

$$= 1,067 / (1 + 901 * 0.0025) = \underline{277}$$

Where,

n=sample size

N=Population Size

e =margin of error

Taking 5% as the margin of error, the sample size for the study is 277 tax payers were included in the study.

On the other hand, the sample for the employees of the branch office was drawn by judgmental method. From the total of 205 employees of the branch office, questionnaires were distributed for 143 employees who have direct involvement with tax related activities.

### 3.6 Method of Data Collection

The study was conducted using a structured questionnaire for the tax payers of the branch office as a means of data collection.

The primary data was used in the study consists of primary data collection methods. Questionnaire which contains closed ended questions were distributed to the taxpayers and employees of the branch office. Those questions designed in a manner that an ordinal level of measurement basis and others multiple choice, some of the closed ended questions were a five

scored Likert scales (Kothari, 2004) to provide respondents a wider range of alternatives with end point where '5' with the statement strongly agree, and '1' indicates with the statement refer to strongly disagree. Additionally, the researcher used structured interview with e-tax team coordinator in the office to get more explanation for the questions in the closed ended questions and also to make more discussion with some of the directly related to the e-tax tax system.

### **3.7 Method of Data Analysis**

The data collected via questionnaires was analysed with quantitative techniques by using different descriptive statistics methods particularly by measure of mean, frequency, and percentages as well as techniques such as charts, and graphs. Whereas, data collected through interview was analysed with qualitative techniques. As it allows researchers to measure attitudes, opinions, behaviours, and preferences quantitatively, to gather information through questionnaires, the researcher used Likert scales model (5-rating scale). The data which was collected by structured questionnaire were coded and analysed using Statistical Package for Social Sciences (SPSS) 27th version software.

### **3.8 Validity and Reliability of Instruments**

Validity is defined as the degree to which an instrument accurately measures what is supposed to measure. It is concerned with how well the concepts are defined by the measures (Hair et al., 2007). To achieve this, the researcher tried to define research questions clearly and logically, choose data collection method and instrument carefully, collect data from a representative and adequate sample size and analysed the collected data carefully. In this study, structured questionnaire was developed based on the conceptual framework of the study designed to address the intended assessment questions and objectives. To establish the validity of the data collection instrument, the researcher developed the questionnaires based on the reviewed literatures.

Regarding Reliability, Cronbach's alpha measured how well the set of statements measured the constructs. Cronbach's alpha determines reliability. Reliability comes to the forefront when variables developed from summated scales are used as predictor components in objective models

**Reliability Statistics**

Cronbach's Alpha	N of Items
.811	14

Practice as of tax payers

**Reliability Statistics**

Cronbach's Alpha	N of Items
.741	18

Benefits as of tax payers

**Reliability Statistics**

Cronbach's Alpha	N of Items
.930	10

Opportunities as of tax payers

Challenges as of tax payers

Practice as of employees

**Reliability Statistics**

Cronbach's Alpha	N of Items
.701	15

**Reliability Statistics**

Cronbach's Alpha	N of Items
.820	15

**Reliability Statistics**

Cronbach's Alpha <sup>a</sup>	N of Items
.731	17

Benefits as of tax payers

**Reliability Statistics**

Cronbach's Alpha	N of Items
.922	10

Opportunities as of employees    Challenges as of employees

**Reliability Statistics**

Cronbach's Alpha	N of Items
.948	16

**3.9 Ethical Consideration**

According to Collin F, 2007, when conducting research, treating people unfairly and using or encouraging others to use the knowledge gathered during the research work to hurt people is unethical. Reasonable research ethics was taken into account in this study. The researcher told respondents that they are required to provide accurate information and that they have the right to privacy, not to be misled, and to be informed about all aspects of the study. According to Creswell (2003) a researcher has a duty to respect the informants' privileges, needs, values, and wishes, so the rights, needs, values, and interests of respondents are respected. Throughout the study method, the researcher followed legal and morally correct procedures. At the beginning, the researcher has obtained the supporting letter from department to the Ministry of Revenue office. During the distribution of the questionnaire, the data was obtained with the participants' full consent, and the researcher explicitly explained the intent of the study, maintained objectivity, and protected the subject's rights and confidentiality. Information obtained from respondents was handled confidentially. Respondents were informed not to mention their name in the questionnaire.

## CHAPTER FOUR

### DATA PRESENTATION, ANALYSIS AND INTERPRETATION

#### 4.1 Introduction

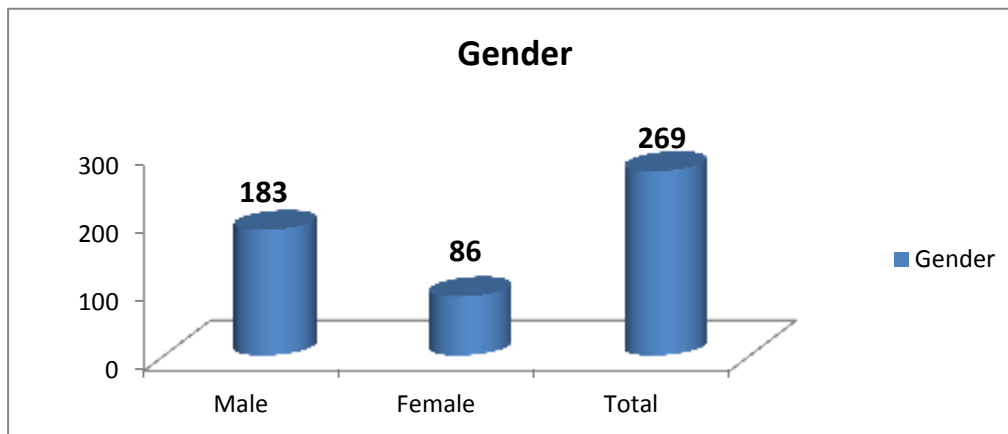
In this chapter, data collected from taxpayers and employees of the ministry of revenue Hawassa branch office presented, analysed, and discussed. The research was based on primary data. In this section information of demography of respondents, descriptive statistics, and data tests were conducted.

#### 4.2 Response Rate

277 questionnaires were distributed to the taxpayers of the branch office and 143 questionnaires were distributed to the employees of the branch office. From those questionnaires, 269 from tax payers as well as 143 from employees of the branch office were returned back. That indicates the response rate was 97.1% for the tax payers and 100% for employees of the branch office and which is considered as acceptable for future investigation or analysis. This is supported by the literature of Babbie (2010) which is stated that a response rate of 50% is adequate for analysis and reporting, a rate of 60% is generally good while a response rate of above 70% is excellent.

#### 4.3. General Information of the Respondents (Tax payers of MoR Hawassa branch office)

Figure 4. 1 : Gender of Respondents

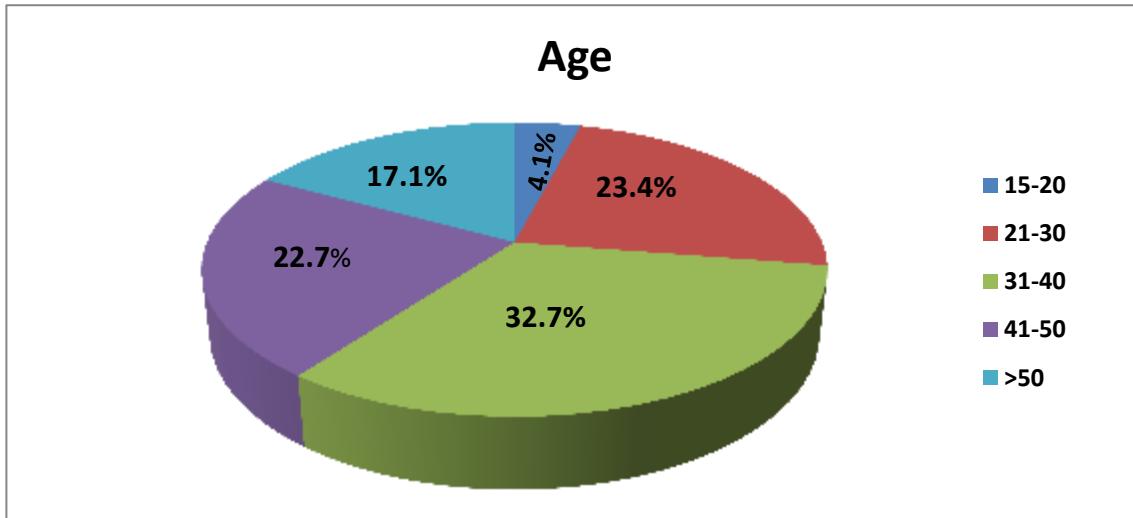


Source: Own survey (2023)

As shown on the above chart, 183 (68%.03) of the respondents were male while 86 (31.97%) of the respondents are female. Thus, a large number of men were involved in filling the

questionnaires as compared to women. Therefore, male tax payers were dominant in ministry of revenue Hawassa branch office, compared with females of the total respondents.

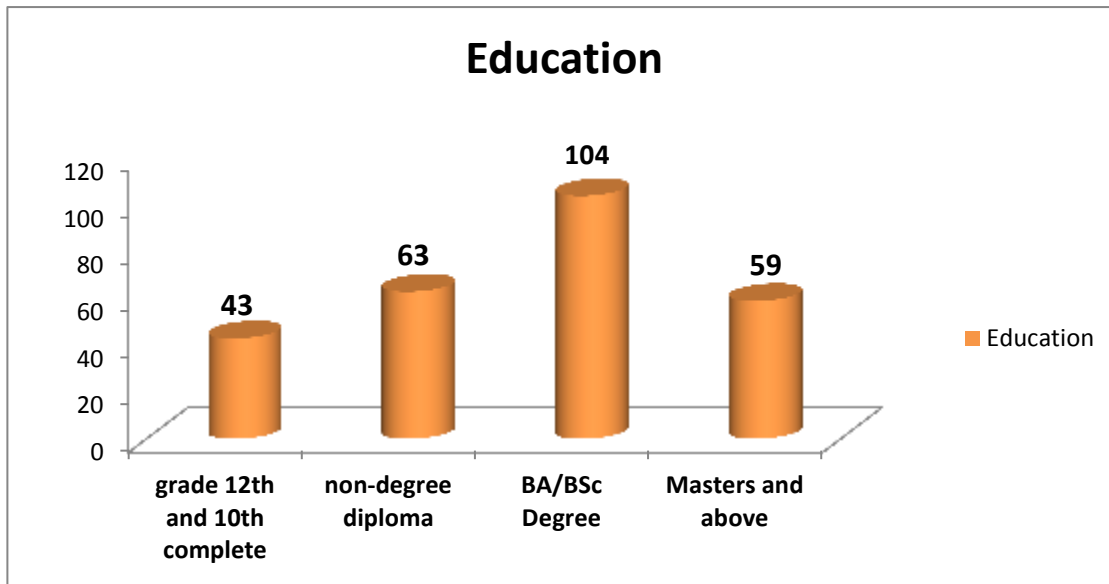
**Figure 4. 2: Age of respondents**



Source: Own survey (2023)

Regarding the age of the respondents, the majority of the respondents' 32.7% were fallen between the ranges of 31-40 years. This is followed by 23.4 % of the respondents whose ages is categorized between 21-30. The next age group constituting 22.7% respondents was 41-50. The respondents whose age is between 15-20 constitutes only 4.1% and the age group greater than 50 years, and years between 41-50 were 17.1% of the respondents and 22.7% respectively. This implies that there was fair representation of the population as almost all classes were represented and the data provided reflected the views of the entire population and the majority of the respondents are matured which means they gave a matured view on the practice, opportunities and challenges of electronic taxation system.

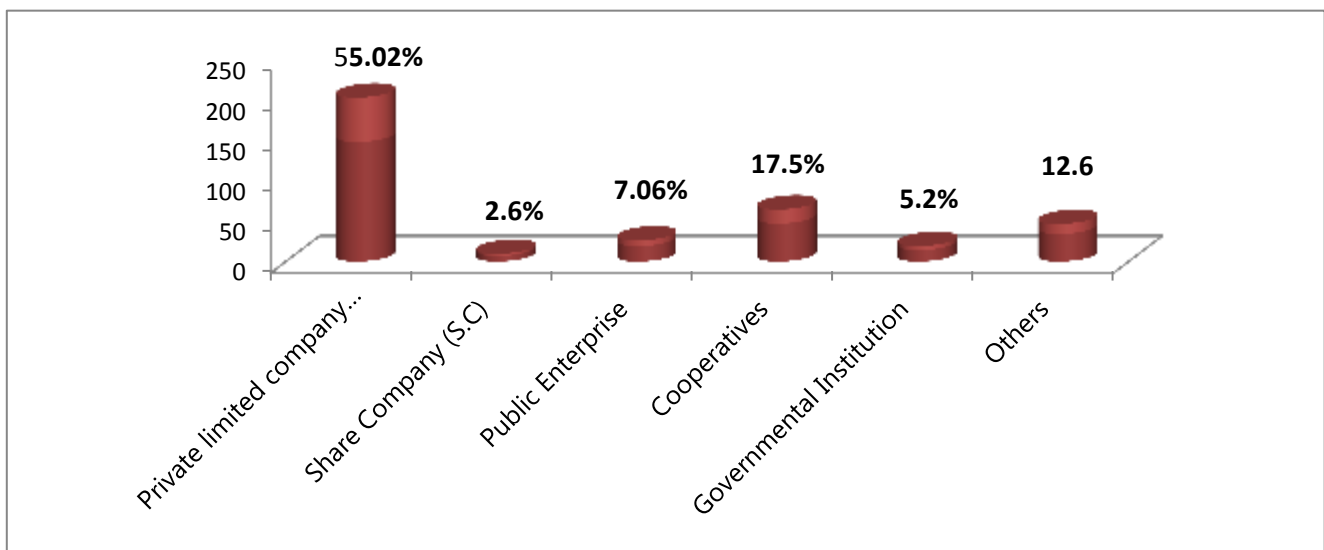
**Figure 4. 3: Level of education**



Source: Own survey (2023)

As shown above, the largest education level category BA/BS Degree holders followed by non-degree diploma holders. Grade 12<sup>th</sup>/10<sup>th</sup> certificate holders constitutes 43 respondents whereas, respondents whose educational background is master's degree and above is 59. The result indicates that the majority of the respondent is graduate degree holders and this implies that the respondents are enough educated; meaning they could read, understand and interpret questionnaires reliably. Additionally, it can be said that respondents are enough to use electronic tax system.

**Figure 4. 4: Types of business ownership**



As it is shown in above chart, the most respondents owns the business which is private limited company (PLC) which is 55.2% from the total respondents followed by Cooperatives which constitutes 17.5% of the total respondents. Others, Public enterprises, governmental institutions, and share companies constitutes 12.64%, 7.06%, 5.2% and 2.6% of the total respondents respectively.

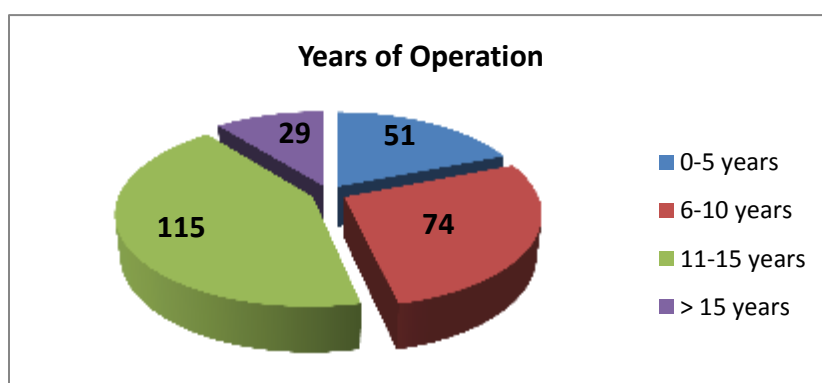
**Table 4. 1: Sectors of business**

No.	Sector	Frequency	%
1	Agriculture	78	29
2	Construction	41	15.24
3	Manufacturing	34	12.64
4	Hotel	19	7.06
5	Education	27	10.04
6	Mining	16	5.95
7	Whole sale	12	4.46
8	Others	42	15.61
	<b>Total</b>	<b>269</b>	<b>100.00</b>

Source: Own survey (2023)

From these sectors of the business, Out of the total respondents participated on study 78 (29%) are agriculture, 41 (15.24%) Construction, 34 (12.64) manufacturing, 19 (70.6%) Hotel, 27 (10.04%) education, 16 (5.95%) mining, 12 (4.46%) wholesaler, and 42 (15.61%) of the respondents were involved in others business sector. From these it can be concluded that there are respondents from different sectors and it is good chance to get representative responses to find challenges and opportunities that the tax payers from different point of view.

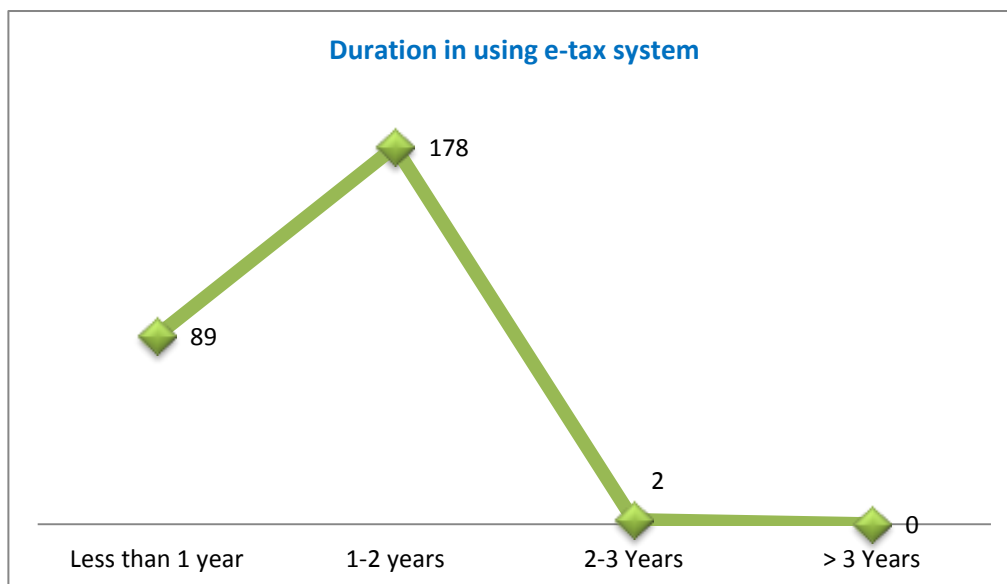
**Figure 4. 5: Years of operation**



Source: own survey 2023

In the above chart, the most respondents (115) said that they have been operating their business between 11-15 years. Other respondents who are counted as 74 said that they have been working for years between 6-10 years. 29 tax payers said that they have been operating their business for more than 15 years. 51 respondents said that they have been operating their business years between 0-5 years. As respondents result above indicates, most of the tax payers are engaged in business for long years and implies that they are aware of both systems i.e. the manual taxation system and electronic taxation system and can compare both systems in regarding with practice, benefits, opportunities and challenges.

**Figure 4. 6: History of Hawassa branch tax payers in using electronic tax system**

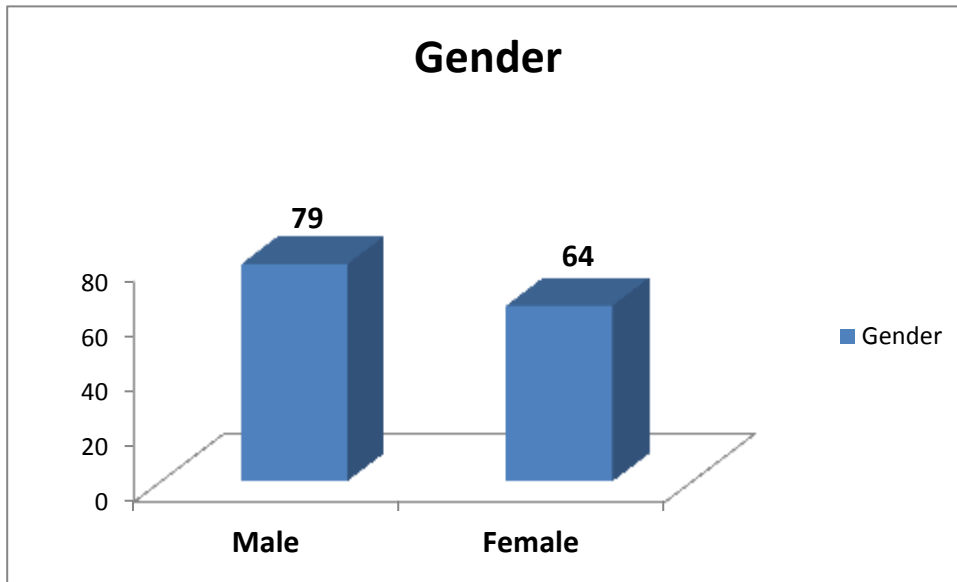


Source: Own survey (2023)

Regarding to the duration of tax payers in using e-tax system, Out of the total respondents participated on study majority of the respondents 178 (66.17%) have been using 1-2 years, 89 (33.9%) have been using for less than 1 year and there is no tax payer using e-tax system using more than three years. This shows that e-tax system is new for the tax payers of Hawassa branch office.

#### 4.4 General Information of the Respondents (Employees of MoR Hawassa branch office)

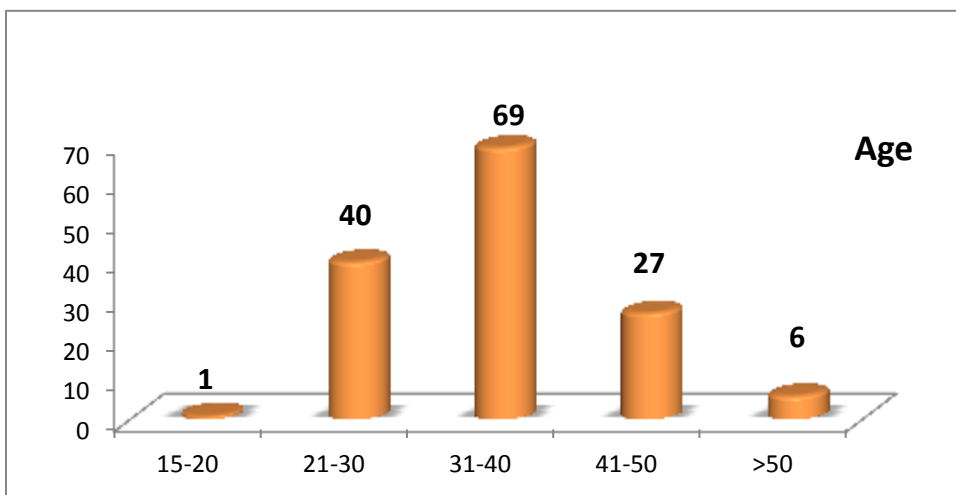
**Figure 4. 7: Gender of Respondents**



Source: Own survey (2023)

Above chart shows that from the total number of respondents who completed and returned questionnaires, 79 were Male and the rest 64 were Female. Therefore, it can be concluded that the ratio of males and female employees in Ministry of Revenue Hawassa branch is almost balanced showing male participants were a little bit higher than females.

**Figure 4. 8: Age of Respondents**

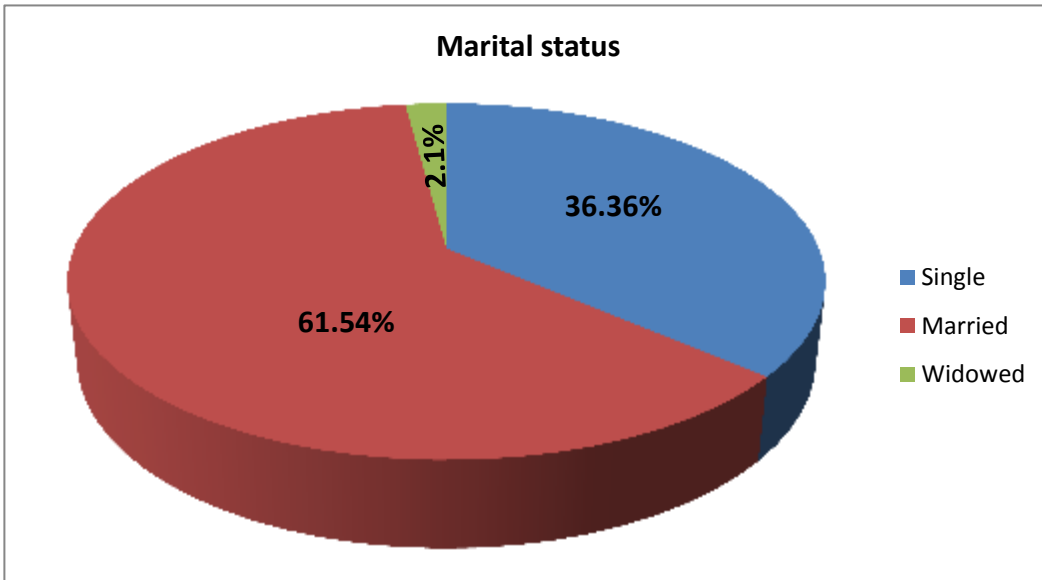


Source: Own survey (2023)

Regarding the age of the respondents, the majority of the respondents' 69 were fallen between the ranges of 31-40 years. This is followed by 27 of the respondents whose ages is categorized

between 41-50. The next age group constituting 4 respondents was 21-30. The respondents whose ages are between 15-20 constitute only 1 and the age group greater than 50 years were 6. This implies that there was fair representation of the population as almost all classes were represented and the data provided reflected the views of the entire population and the majority of the respondents are matured which means they gave a matured view.

**Figure 4. 9:** Marital status



Source: Own survey (2023)

Regarding the marital status of the respondents, most of them married (61.54%) are followed by single (36.36%). Widowed constitutes 2.1% of the total respondents.

**Table 4. 2: Level of Education**

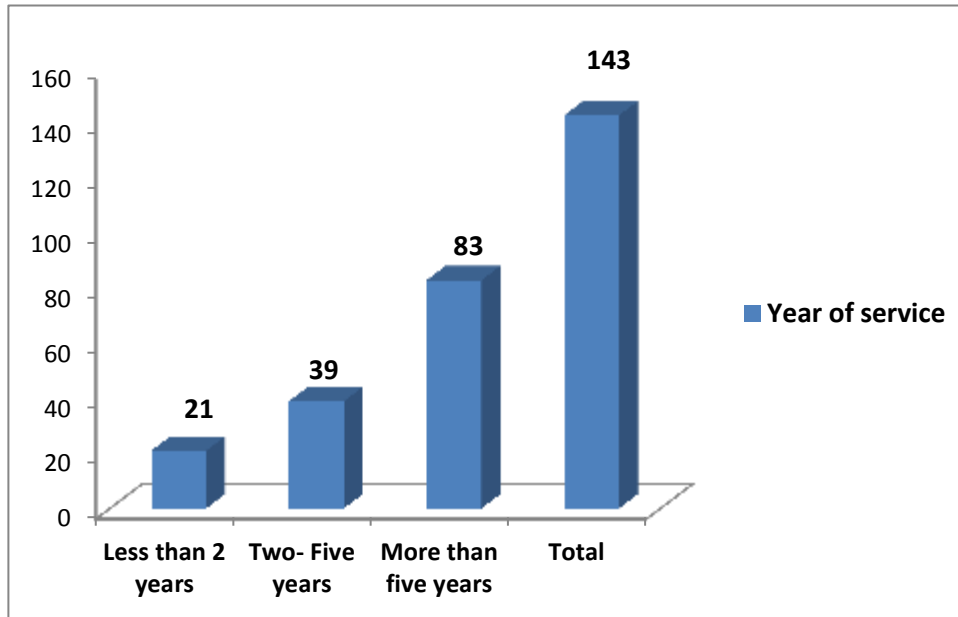
No	Level of education	Frequency	Percent
1	Non-degree Diploma	8	5.88%
2	BA/BSc Degree	96	67.65%
3	Master's degree and above	39	26.47%
Total		143	100%

Source: Own survey (2023)

The above table depicts regarding the educational background of respondents. From the table one can learned that most of the employees of the branch office are BA/BSC degree holders

constituting 67.65% from the total respondents. Master's degree and above holders and non-degree diploma holders constitutes 26.47% and 5.88% respectively.

**Figure 4. 10: Year of Service**



Source: Own survey (2023)

Regarding to the year of service of the employees, most of them (83) have been working in ministry of revenue for more than 5 years, 39 of the respondents are working 2-5 years and 21 employees have the experience less than 2 years. From this we can understand that most of the employees have knowhow about both manual and electronic tax system and can give better idea to the questionnaires distributed.

## 4.5 Practice of Electronic Taxation system

### 4.5.1 Practice of electronic taxation system as perceived by tax payers

**Table 4. 3: E-tax system is simple system to use**

	Frequency	Percent	Mean
Strongly dis agree	8	3.0	3.95
Dis agree	27	10.0	
Neutral	14	5.2	
Agree	142	52.8	
Strongly agree	78	29.0	
Total	269	100.0	

Source: Own survey (2023)

Respondents were asked in the Likert scale question for e-tax system variable to state if they found e-filing system easy to use or not. In the above table 4.3, it is shown that 142 respondents or 52.8% agree, 78 respondents or 29% strongly agree, 27 respondents or 10% disagree, 8 respondents or 3% are strongly dis agreed, and 14 respondents undecided were found in the question of e-tax easy to use. The number of respondents who agreed and strongly agreed together constitutes 81.9% of the total respondents. In addition to that, the average mean of the response is 3.95. Therefore, it can be said that electronic tax system is easy for use for the tax payers of Hawassa branch office. Similarly the study of Rutha, (2017) in her study ‘assessment of electronic tax filing system in selected branch offices of Ethiopian revenues and customs authority’ shows that the electronic tax system is simple to use.

**Table 4. 4: E-tax training given by the tax office to you is enough and clear.**

	Frequency	Percent	Mean
Valid Strongly dis agree	19	7.1	3.71
Dis agree	37	13.8	
Neutral	39	14.5	
Agree	81	30.1	
Strongly agree	93	34.6	
Total	269	100.0	

Source: Own survey (2023)

In the table above table 4.4, it is shown that 93 respondents or 34.6% strongly agree, 81 respondents or 30.% agree, 37 respondents or 13.8% disagree, around 19 respondents or 7.1% are strongly dis agreed, and 39 respondents undecided were found in the question of training given by the office. The number of respondents who agreed and strongly agreed together constitutes 64.7% of the total respondents. Therefore, it can be said that Hawassa branch has given adequate training to tax payers regarding to electronic tax system.

**Table 4. 5: E-tax system has clear guidelines to use.**

		Frequency	Percent	Mean
Valid	Strongly dis agree	5	1.9	3.88
	Dis agree	34	12.6	
	Neutral	9	3.3	
	Agree	160	59.5	
	Strongly agree	61	22.7	
	Total	269	100.0	

Source: Own survey (2023)

The clarity of guidelines of e-tax system as perceived by the tax payers of Hawassa branch office were identified in this study as captured in the above table 4.5. The respondents agreed that clarity of guidelines of e-tax system. This is evidenced by the data collected from the respondents with 3.88 mean score. Additionally, it is evidenced by 59.5% and strongly agreement of 22.7% of respondents. The result indicates that the e-tax system has a clear guide lines so that tax payers can complete their tax and tax report simple and reduces the work paper by online filling and registering the data.

**Table 4. 6: You are registered for e-tax system voluntarily.**

		Frequency	Percent	Mean
Valid	Strongly dis agree	52	19.3	2.98
	Dis agree	88	32.7	
	Neutral	6	2.2	
	Agree	60	22.3	
	Strongly agree	63	23.4	
	Total	269	100.0	

Source: Own survey (2023)

In the table 4.6 above, it is shown that 88 respondents or 32.7% dis agree, 52 respondents dis agree, 63 strongly agree, 60 respondents or 22.3% agree, and 6 respondents undecided how they

are registered to the electronic tax system. The result indicates that most of the tax payers are registered for the electronic taxation system without their consent. It implies that at the beginning most of the tax payers of the branch office have no good image on the e-tax system in one hand and ministry of revenue registered tax payers whether the tax payers agreed to be registered for electronic tax or not as there is obligatory proclamation of the tax administration.

**Table 4. 7: Tax office gives technical support to you to file your tax online**

		Frequency	Percent	Mean
Valid	Strongly dis agree	3	1.1	4.35
	Dis agree	5	1.9	
	Neutral	17	6.3	
	Agree	115	42.8	
	Strongly agree	129	48.0	
	Total	269	100.0	

Source: Own survey (2023)

In the above table 4.7, respondents were asked about the fast technical support of MoR to tax payers for effective functioning of the system, and 129 (48%) strongly agree, 115 (42.8) agree, 17 (6.3%) were undecided, 5 (1.9%) dis agree and 3 (1.1%) were strongly dis agree. So that the respondents result indicates that the revenues office provide technical support for the e-tax system. The research further revealed that the respondents were agreed by the e-tax system to the technical support of the office had 4.35 scored mean indicating that the revenue office gives enough technical support. So, this can be said that ministry of revenues technical support to the tax payers can be taken as the promoting factor of the electronic tax system and helps to achieve the vision of the office to see the digital Ethiopia in the near future.

**Table 4. 8: E-tax system has avoided manual tax system totally.**

		Frequency	Percent	Mean
Valid	Strongly dis agree	86	32.0	2.25
	Dis agree	121	45.0	
	Neutral	10	3.7	
	Agree	14	5.2	
	Strongly agree	38	14.1	

Source: Own survey (2023)

Tax payers' response to whether the new system avoided manual system totally or not, majority of the respondents 32.0% showed that they strongly dis agree, and 45% dis agree. So that it indicates that electronic taxation system does not avoided manual system totally. Additionally,

the average mean score for the question 2.25 indicates a large number of respondents were either dis agreed or strongly dis agreed that current practice of electronic system avoided manual tax system totally. So, it can be said that despite the introduction of the electronic tax system, still tax payers are using manual system to report and pay their tax obligation.

**Table 4. 9: Banks have enough knowledge about e-payment of the tax.**

		Frequency	Percent	Mean
Valid	Strongly dis agree	72	26.8	2.83
	Dis agree	64	23.8	
	Neutral	30	11.2	
	Agree	44	16.4	
	Strongly agree	59	21.9	
	Total	269	100.0	

Source: Own survey (2023)

In the above table 4.9, 26.8% strongly dis agrees, 23.8% dis agrees, 11.2% neutral, 16.4% agree and 21.9% strongly agree that banks have enough knowledge about the electronic payment system. In addition to that the average mean score of the respondents is 2.83. This implies bank has no enough know how about the electronic tax payment system. So, tax payers get challenged at the bank during the payment of their tax liability and the ministry office should work in collaboration with the bank to create awareness of electronic tax system to the employees of the bank.

**Table 4. 10: It is possible to correct mistake after submitting the tax report online.**

		Frequency	Percent	Mean
Valid	Strongly dis agree	30	11.2	2.41
	Dis agree	180	66.9	
	Neutral	5	1.9	
	Agree	26	9.7	
	Strongly agree	28	10.4	
	Total	269	100.0	

Source: Own survey (2023)

Tax payers' response to the question whether they can correct mistake after they have reported their tax online or not is responded with, majority dis agreement with 180 (66.9%) dis agree, and 30(11.2%) strongly dis agree. So that it indicates that electronic taxation system does not allow correcting the mistake after the report has submitted online.

**Table 4. 11: You can encode daily transaction by using e-tax before the tax report date.**

		Frequency	Percent	Mean
Valid	Strongly dis agree	18	6.7	3.36
	Dis agree	69	25.7	
	Neutral	29	10.8	
	Agree	104	38.7	
	Strongly agree	49	18.2	
	Total	269	100.0	

Source: Own survey (2023)

Respondents answer for the question if they can encode daily transaction in the system by using e-tax, most of them (38.7%) agreed and 18.2 % are strongly agreed. The remaining 25.7%, 10.8%, 6.7% said disagree, neutral and strongly dis agree respectively. It is also evidenced by the data collected from the respondents with 3.36. The result indicates that tax payers can encode their daily transaction in the website before the report date. This activity is very important for the tax payers because it allows the tax payers to huge transaction at the end of the month or at the reporting period.

**Table 4. 12: after you file your tax online, you can make tax payment without visiting bank.**

		Frequency	Percent	Mean
Valid	Strongly dis agree	9	3.3	3.25
	Dis agree	111	41.3	
	Neutral	4	1.5	
	Agree	95	35.3	
	Strongly agree	50	18.6	
	Total	269	100.0	

Source Own survey (2023)

As it is shown table 4.12 above, 41.3% of the tax payers dis agreed that they could pay their tax liability without visiting the Bank. At the same time, 35.3% and 18.6% agreed and strongly agreed that they can pay their tax without visiting the bank respectively. On the other hand 3.3% strongly dis agrees whereas, 1.5% of the respondents are indifferent whether they can pay their tax without visiting Bank or not. The result shows that there are tax payers who can pay their tax without visiting bank as well as there are tax payers who still visit the bank to pay their tax.

**Table 4. 13: since e-tax was introduced Ministry of revenues pays out refunds quicker than before**

		Frequency	Percent	Mean
Valid	Strongly dis agree	42	15.6	2.43
	Dis agree	134	49.8	
	Neutral	24	8.9	
	Agree	57	21.2	
	Strongly agree	12	4.5	
	Total	269	100.0	

Source: Own survey (2023)

In the above table 4.13 tax payers' response to the question ministry of revenue pays the refund request quicker than before, majority 134 (49.8%) dis agreed, 42 (15.6%) strongly dis agreed, 57 (21.2%) agreed, 24 (8.9%) neutral and 12 (4.5%) strongly agree. So that it indicates that electronic taxation is not allowing tax payers of the branch office to request their refund online, and they are not being able to get their refund money quicker than before.

**Table 4. 14: MOR is providing public awareness through Television, social media, brochures, , and newspapers.**

		Frequency	Percent	Mean
Valid	Dis agree	16	5.9	4.06
	Neutral	14	5.2	
	Agree	176	65.4	
	Strongly agree	63	23.4	
	Total	269	100.0	

Source: Own survey (2023)

As the table 4.14: indicates, the average mean score for awareness creation about e-tax system has highest mean of 4.06 indicating that most of the tax payers agreed about the awareness creation of the revenue office. This implies that, the tax office is creating awareness to the public by using different Medias.

**Table 4. 15 : E-tax system helped you to request and get tax clearance online.**

		Frequency	Percent	Mean
Valid	Strongly dis agree	93	34.6	1.71
	Dis agree	166	61.7	
	Neutral	6	2.2	
	Agree	4	1.5	
	Total	269	100.0	

Source: Own survey (2023)

Tax payers' response to the question they can request and get tax clearance online, majority 166 (61.7%) dis agreed, 93 (34.6%) strongly dis agreed, 4 (1.5%) agreed, 6 (2.2%) neutral, and there is no tax payers who strongly agree for the raised question. So that it indicates that even if electronic taxation system is started in the branch office, the system is not allowing tax payers of the branch office to request their tax clearance online, and they are not being able to get their clearance online. This implies that the ministry of revenue Hawassa branch office is not implementing electronic tax system in full package.

**Table 4. 16: after trainings, the e-tax system is being clear and simple to use from time to time.**

		Frequency	Percent	Mean
Valid	Strongly dis agree	12	4.5	4.06
	Dis agree	9	3.3	
	Neutral	7	2.6	
	Agree	165	61.3	
	Strongly agree	76	28.3	
	Total	269	100.0	

Source: own survey (2023)

As revealed in table 4.16, respondents reply to the question 'after trainings, the e-tax system is being clear and simple to use from time to time', 61.3% agreed and 28.3% of the respondents strongly agreed. 4.5%, 3.3%, and 2.6% %of the respondents on the other hand agree dis agree, strongly dis agree, and remain undecided respectively for the raised question. This implies that the e-tax training given to the tax payers is helping tax payers to file and pay their tax obligation online.

#### **4.5.2 Practice of electronic taxation system as perceived by employees of MOR**

The second section of the research is also consisted questions which investigate the practice of e-tax system in Ministry of Revenue (MOR). The following table demonstrates employees' perception towards the practice of e-tax system in the branch office. Here under is the respondents answer on the issues of practice of electronic tax system. The table consists of 15 questions and each question was rated on a five-point Likert scale.

**Table 4. 17: Practice of electronic taxation system as perceived by employees of MoR**

No.	Description	Strongly dis agree		Dis agree		Neutral		Agree		Strongly agree		Total	Mean
		Fre	%	Fre	%	Fre	%	Fre	%	Fre	%		
1	Tax payers file their tax liability by using e-tax system	2	1.40	14	9.79	9	6.29	84	58.74	34	23.78	143	3.94
2	Tax payers pay the due amount immediately after e-filing	24	16.78	57	39.86	11	7.69	39	27.27	12	8.39	143	2.71
3	E-tax payers are using tax filing system voluntarily	17	13.60	50	40.00	9	7.20	39	31.20	10	6.99	125	2.55
4	The e-tax training given to the tax payers is enough and clear	13	9.09	18	12.59	22	15.38	64	44.76	26	18.18	143	3.50
5	E-tax system avoided manual tax system totally	40	27.97	85	59.44	6	4.20	8	5.59	4	2.80	143	1.96
6	E-tax is working according to tax proclamation and regulations	3	2.10	18	12.59	15	10.49	74	51.75	33	23.08	143	3.81
7	Tax payers attitude in e-tax is showing progress from time to time positively.	0	0.00	27	18.88	17	11.89	81	56.64	18	12.59	143	3.63
8	Tax payers of the branch office had positive attitude for e-tax system when it was started	15	10.49	74	51.75	19	13.29	24	16.78	11	7.69	143	2.59
9	E-tax system is more efficient than the manual system	3	2.10	9	6.29	14	9.79	94	65.73	23	16.08	143	3.87
10	E-tax system is more effective than the manual system	7	4.90	19	13.29	8	5.59	81	56.64	28	19.58	143	3.73
11	Tax payers prefer e-tax payment system than the manual system	23	16.08	22	15.38	30	20.98	37	25.87	31	21.68	143	3.22
12	E-tax system is with better security for revenue office than the manual system	5	3.50	21	14.69	25	17.48	70	48.95	22	15.38	143	3.58
13	E-tax system is supposed to reduce the occurrence of wrong doings in the tax system	1	0.70	9	6.29	18	12.59	75	52.45	40	27.97	143	4.01
14	MoR is providing public awareness through television, social media, brochures, magazines, and newspapers	8	5.59	17	11.89	6	4.20	64	44.76	48	33.57	143	3.89
15	E-tax filing has a strong security system to protect taxpayer's information	7	4.90	14	9.79	34	23.78	40	27.97	48	33.57	143	3.76

Source: Own survey (2023)

In the above table 4.17, results of the responses are presented in frequency, percentages, mean, and standard deviation. Based on the table on the 1st question, respondents were asked whether the tax payers are reporting their tax liability by using the electronic system. Response shows average mean score of 3.94 indicating most of the taxpayers are paying tax online using the e-tax system. This is also the majority (58.74%) of respondents agreed that the tax payers of branch office are filing their tax by using e-tax system. 23.8%, also strongly agree, whereas, 1.4%, 9.79%, and 6.29% of the total respondents said that strongly dis agree, dis agree and neutral respectively. This implies that most of the tax payers office of the ministry of revenue Hawassa branch office are using electronic tax system to file and pay their tax liability.

Regarding the issue that tax payers pay their tax immediately after reporting online, most of the respondents (39.86%) dis agree, 16.78% strongly dis agree, 7.69% neutral, 27.27% agree, 8.39% strongly agree. So it can said that even if there is tax payers who pays their due amount immediately after reporting online, there are still many tax payers who do not pay their tax immediately after reporting online.

The mean of 2.55 for the question that tax payers are registered for e-tax voluntarily indicates that most of the tax payers are registered not voluntarily. Additionally, this is evidenced by 13.6% and 40% of the respondents strongly dis agrees and dis agrees respectively. This shows that the revenue office registered tax payers foe electronic tax system whether the tax payers are voluntary or not.

Most of the respondents agreed that the training given to tax payers is clear and enough. This is indicated by 3.5 average mean score and count of 64 agreement and 26 strongly agreement of the respondents. This shows the Ministry of Revenue is training its tax payers about the electronic tax system in order to achieve its goal of digitalization.

Employees' response to whether the new system avoided manual system totally or not, majority of the respondents 59.44% showed that they dis agreed, 27.97% strongly dis agreed and 5.59 neutral, 2.8%.agreed, 1.96% strongly agrees. So that it indicates that electronic taxation system does not avoided manual system totally. Additionally, the mean and standard deviation for the question are 1.96 and 0.895 respectively indicating that tax payers are still using papers and other manual instruments to declare their tax obligation. This implies that the evolution of electronic

tax system in the revenue office is at its infant level and there is need of advancement to implement in full package.

Employees' response to the question 'electronic taxation is working as per rule and regulations of tax administration', majority (51.75%) agreed, 23.08% strongly agree, 10.49% neutral, 12.59% dis agree and 2.1% strongly dis agree. So that it indicates that electronic taxation is applying as per rule and regulations of tax administration of ministry of revenue.

For the question tax payers are showing positive progress about the attitude about electronic taxation system, most of the respondents agreed. This is evidenced by the mean and standard deviation of 3.63 and 0.932 respectively. According to the responses, attitude of tax payers is showing progress towards electronic tax system so that it can be said that the tax payers has started considering the benefits of the electronic tax system and this in turn helps revenue office to achieve digital system.

Majority of the respondent 51.75% dis agreed and 10.49% strongly dis agreed of that tax payers have trust on the outcome of tax submission from e-tax at the beginning, it is also evidenced by 2.59, and 1.121 mean and standard deviation respectively. This indicates the taxpayers were late to know the advantages of e-tax system and they have started trusting it after noticing the advantages of the system.

Respondents were asked in the Likert scale question to state whether using e-filing system would enhance their effectiveness on the job or not. The table 4.17 show results of 94 respondents or 65.73% agree, again 23 respondents or 16.08% Strongly Agree, in addition to that, 3.87 mean and .830 standard deviation represents that electronic taxation enhance their effectiveness on job.

As the security of information is the important issue for both tax payers and ministry of revenue, respondents were asked about online tax filing is secure to use. The table 4.17 above shows that, 71.2% of the respondents agreed that online tax filing is secure system to keep the data of the tax payers. The 3.58 and 1.031 mean and standard deviation respectively shows that the electronic taxation system is more secure than the manual system.

The 3.22 and 1.375 mean and standard deviation respectively shows that the tax payers prefer electronic payment system than the manual system. According to the result of respondents,

25.87% agree, 21.68% strongly agree that tax payers prefer e-tax payment than the manual payment system.

A significant number (48.95%) and (15.38%) of respondents agree and strongly agree respectively for the question electronic taxation is with better security for revenue office than the manual system. This is beneficiary for both tax authority and tax payers because the result shows that data loss is low in the electronic tax system.

The research further revealed that the respondents were agreed by the E-tax system's benefit on the reduction of wrong doings (corruption), the responses of employee's shows that it is important to decrease the occurrence of corruption. This is evidenced by agreement of 75 (52.45%) and strongly agreement of 40(27.97%) respondents for the question. This is due to the fact that the electronic tax system decreases the physical contact of tax payers and employees of the office. As the physical contact of tax payers and employees decrease, the occurrence of other manual transactions decrease and these helps to decrease the occurrence of the corruption.

Respondents say that the awareness creation program about electronic tax system in MoR is sufficient to improve compliance. This is evidenced by 44.78% agreement and 33.57% strongly agreement for the question raised above. So that one can say that MoR is creating awareness to its tax payers about the electronic tax system in a good manner.

As the security of information is the main issue for all tax payers, employees were asked about E-tax filing's security system. The above table 4.17 shows, 48(33.57%) strongly agreed and 40(27.97%) of the respondents were agreed that the electronic taxation system is more secured than the manual system. This indicates that the respondents significantly believe that taxpayer's information is secured and protected which implies that with such believe employees can change the negative opinions of taxpayers about the system.

## 4.6 Benefits of e-tax system

### 4.6.1 Benefits of electronic taxation system as responses of tax payers

Perceived benefits are the gains or improvements derived from existing traditional ways of administrating tax to the using of e-tax system. The following section summarizes respondents' views of expectations and perceived benefits for e-tax system.

A total of 18 questions on “Benefits of adopting e-tax system” were asked to indicate the extent to which each respondent agrees to corresponding closed ended statements rated on a five point Likert type scales ranging from ‘1’ “Strongly Disagree” to ‘5’ “Strongly Agree”. Statistical results on the variables under the benefits of e-tax including the Frequency, Percentage, and Mean of the data points. The mean tried to tell the averages where the data points fall for each specific variable; while the frequency column showed the number of respondents for each variable under consideration.

The following section summarizes respondents' views of expectations and perceived benefits for e-tax adoption.

**Table 4. 18: Electronics taxation helps you to save your time.**

		Frequency	Percent	Mean
Valid	Dis agree	8	3.0	4.07
	Neutral	13	4.8	
	Agree	201	74.7	
	Strongly agree	47	17.5	
	Total	269	100.0	

Source: own survey (2023)

The respondents were asked whether the electronic tax system helps to save their time in the above table 4.18 .The respondents strongly agreed that Electronics taxation helps them to save their time. This is evidenced by 74.7 % agree, and 17.5% strongly agree. On the other hand, only 3% dis agrees and 4.8% of the respondents were not decided whether the electronic tax system saves their time or not. In addition to this, there is no respondent who strongly dis agrees that electronic tax system helps to save time. This shows electronic tax is saving the time for tax payers than the oldest manual system.

**Table 4. 19: Electronic taxation reduced work load**

		Frequency	Percent	Mean
Valid	Strongly dis agree	14	5.2	3.88
	Dis agree	23	8.6	
	Neutral	9	3.3	
	Agree	159	59.1	
	Strongly agree	64	23.8	
	Total		269	

Source: own survey (2023)

In the above table 4.16 regarding the reduction of work load, the participants categorized as strongly disagree become 5.2 percent, disagree becomes 8.6 percent, modest becomes 3.3 percent agree becomes 59.1 percent and strongly agree becomes 23.8 percent. In this case most respondents or 84.9 percent of a total were perceived that as e-tax system reduced the work load. In addition to this, 3.88 averages mean shows that the respondents agreed that the electronic tax system reduced work load.

**Table 4. 20: E-tax has less error/mistakes to calculate due tax than the manual system**

		Frequency	Percent	Mean
Valid	Strongly dis agree	5	1.9	3.98
	Dis agree	30	11.2	
	Neutral	18	6.7	
	Agree	129	48.0	
	Strongly agree	87	32.3	
	Total		269	

Source: own survey (2023)

Respondents were also asked whether E-tax system has less error/mistakes to calculate due tax than the manual system or not. The result shows a mean of 3.98 indicating that the system has less error in calculating the due tax than manual system. It is also evidenced by 48% agree, 32.3% strongly agree, 6.7% neutral, 11.2% dis agree, and 1.9% strongly dis agree indicating agreement with the statement has less error/mistakes to calculate due tax than the manual system. So that, electronic tax system can be said that it is less vulnerable to error than manual system.

**Table 4. 21: Helps to avoid unnecessary queue of manual system**

		Frequency	Percent	Mean
Valid	Strongly dis agree	12	4.5	4.3
	Dis agree	7	2.6	
	Neutral	11	4.1	
	Agree	96	35.7	
	Strongly agree	143	53.2	
	Total		269	

Source: own survey (2023)

Respondents were also asked about whether the electronic tax system helps to avoid unnecessary queue of manual system, most of them showed their agreement. Hence, 53.2% strongly agree, 35.7% agree, 4.1% neutral, 2.6% dis agree, 4.5% strongly dis agree. In addition to the frequency, the mean score of the respondents for the raised question was 4.3 showing that most of the respondents agreed for the above question.

**Table 4. 22: E-tax system is simpler than manual system**

		Frequency	Percent	Mean
Valid	Strongly dis agree	30	11.2	3.82
	Dis agree	24	8.9	
	Neutral	8	3.0	
	Agree	109	40.5	
	Strongly agree	98	36.4	
	Total		269	

Source: own survey (2023)

The research further revealed that the respondents were agreed by the E- Tax System E-tax system is simpler than manual system had mean score of 3.82. In addition to this, 109 respondents agree, 98 respondents strongly agree, 8 remain undecided, 24 dis agree, and 30 strongly dis agree.

**Table 4. 23: Electronic taxation saves transportation and other costs**

		Frequency	Percent	Mean
Valid	Strongly dis agree	7	2.6	4.07
	Dis agree	33	12.3	
	Neutral	2	.7	
	Agree	144	53.5	
	Strongly agree	83	30.9	
	Total	269	100.0	

Source: own survey (2023)

Respondents also asked about Electronic taxation saves transportation and other costs and 53.5% of respondents agreed and 30.9% respondents strongly agreed only 2.6% of respondents strongly disagreed with the statement. In addition to this ,The average mean of 4.07 shows that most of the respondents' said that taxpayers using the electronic tax payment system helps to save the time than manual system.

**Table 4. 24: E-taxation helps to correctly calculate the due tax to pay**

		Frequency	Percent	Mean
Valid	Strongly dis agree	9	3.3	4.11
	Dis agree	6	2.2	
	Neutral	11	4.1	
	Agree	164	61.0	
	Strongly agree	79	29.4	
	Total	269	100.0	

Source: own survey (2023)

According to the responses of participants for the question e-tax helps to calculate the due tax correctly, most of the respondents showed their agreement. This is evidenced by score mean of 4.11. In addition to this, 61% of the respondents agree, 29.4% strongly agree, 4.1% neutral, 2.2% dis agrees, and 3.3% strongly dis agrees. This shows the new system avoided the mistake while calculating due amount of the tax manually.

**Table 4. 25: Helps to avoid the administrative penalties of late filing and late**

		Frequency	Percent	Mean
Valid	Dis agree	16	5.9	4.38
	Neutral	2	.7	
	Agree	115	42.8	
	Strongly agree	136	50.6	
	Total	269	100.0	

Source: own survey (2023)

The next question raised is whether the electronic tax system helped them to avoid the administrative penalties of late filing and late payment. The response in the above table 4.22 shows 4.38 high mean and this implies respondent's agreement for the statement that e-tax helps them in avoiding the administrative penalties of late filing and late payment. In addition to mean, 42.8% respondents agree, 50.6% strongly agree that the introduction of new system helps them to not be penalized for late filing and late payment of the tax. This is due to the fact that tax payers can file and pay the due tax where ever they are, without visiting the ministry of revenue.

**Table 4. 26: Helps to avoid expenses of purchasing manual papers and storage costs of those papers**

		Frequency	Percent	Mean
Valid	Strongly dis agree	30	11.2	3.28
	Dis agree	51	19.0	
	Neutral	19	7.1	
	Agree	153	56.9	
	Strongly agree	16	5.9	
	Total	269	100.0	

Source: own survey (2023)

Tax payers' response to the question e-tax helps to avoid expenses of purchasing manual papers and storage costs of those papers, majority 153 (56.9%) agreed, 16 (5.9%) strongly agreed, 51 (19%) dis agreed, 19 (7.1%) neutral, and 30 (11.2%) strongly dis agree for the raised question. So that it indicates that electronic tax system helps the tax payers in reducing the expense of purchasing papers and storing those papers.

**Table 4. 27: Helps to exercise the right of self-declaration/self-assessment**

		Frequency	Percent	Cumulative Percent	Mean
Valid	Strongly dis agree	13	4.8	4.8	3.94
	Dis agree	18	6.7	6.7	
	Neutral	4	1.5	1.5	
	Agree	171	63.6	63.6	
	Strongly agree	63	23.4	23.4	
	Total	269	100.0	100.0	

Source: own survey (2023)

The next question raised is electronic tax helps to exercise the right of self-declaration/self-assessment. For this question, respondents showed agreement by 3.94 mean score. 171 (63.6%) agreed, 63 (23.4%) strongly agreed, 18 (6.7%) dis agreed, 4 (1.5%) neutral, and 13 (4.8%) strongly dis agree for the raised question. So that it indicates that electronic tax system helps the tax payers to exercise the right of self-declaration/self-assessment given for the tax payers by the tax proclamation.

**Table 4. 28: Helps to minimize the bureaucracy of the tax office**

		Frequency	Percent	Mean
Valid	Strongly dis agree	2	.7	4.31
	Dis agree	26	9.7	
	Neutral	1	.4	
	Agree	98	36.4	
	Strongly agree	142	52.8	
	Total	269	100.0	

Source: own survey (2023)

The research further revealed that the respondents were agreed by the E- Tax System E-tax system Helps to minimize the bureaucracy of the tax office had mean score of 4.31. In addition to this, 142 respondents strongly agree, 98 respondents agree, 1 remain undecided, 26 dis agree, and 2 strongly dis agree. As there is less physical contact with the employees of the tax office in the process of file or pay tax liability through e-tax, it is better to decrease the bureaucracy of the tax office.

**Table 4. 29: E-tax system enabled you to request a refund tax online**

		Frequency	Percent	Mean
Valid	Strongly dis agree	82	30.5	1.8
	Dis agree	172	63.9	
	Neutral	5	1.9	
	Agree	7	2.6	
	Strongly agree	3	1.1	
	Total	269	100.0	

Source: own survey (2023)

In addition to that, tax payers were asked that ‘by using e-tax system, they can request a refund tax’ For this question tax payers showed their dis agreement by mean score of 1.8 indicating that , even if the e-tax system has started in the branch office, they cannot request the refund electronically. This indicates ministry of Revenues Hawassa Branch office has not started the service of online refund and can be said that the e-tax system in the branch office is in its infant stage.

**Table 4. 30: E-tax system allows you to request clearance online**

		Frequency	Percent	
Valid	Strongly dis agree	71	26.4	2.37
	Dis agree	116	43.1	
	Neutral	13	4.8	
	Agree	49	18.2	
	Strongly agree	20	7.4	
	Total	269	100.0	

Source: own survey (2023)

In addition to that, tax payers were asked that ‘by using e-tax system, they can request clearance’ For this question tax payers showed their dis agreement by mean score of 2.37 indicating that , even if the e-tax system has started in the branch office, they cannot request the clearance electronically.

**Table 4. 31: E-tax system is secure system than manual system**

		Frequency	Percent	Mean
Valid	Strongly dis agree	16	5.9	3.8
	Dis agree	26	9.7	
	Neutral	37	13.8	
	Agree	108	40.1	
	Strongly agree	82	30.5	
	Total	269	100.0	

Source: own survey (2023)

The next question raised is whether the e-tax system is secure system than manual system or not. The response in the above table 4.26 shows 3.8 high mean score which implies respondent's agreement for the statement.. In percentile, 40.1% respondents agree, 30.5% strongly agree that the introduction of new system is secure system than manual system.

**Table 4. 32: E-tax system helps to detect fake receipt/ transaction**

		Frequency	Percent	Mean
Valid	Strongly dis agree	15	5.6	3.56
	Dis agree	34	12.6	
	Neutral	61	22.7	
	Agree	104	38.7	
	Strongly agree	55	20.4	
	Total	269	100.0	

Source: own survey (2023)

The research further revealed that the respondents were agreed by the E-tax system helps to detect fake receipt/ transaction had mean score of 3.56. In addition to this, 55 respondents strongly agree, 104 respondents agree, 61 remain undecided, 34 dis agree, and 15 strongly dis agree. This is due to the fact the system can detect those receipts who do not have correct Tax payer Identification Number (TIN) and those who do not have renewed business license.

**Table 4. 33: E-filing helps to manage returns by providing access to previous returns**

		Frequency	Percent	Mean
Valid	Strongly dis agree	6	2.2	4.12
	Dis agree	19	7.1	
	Neutral	31	11.5	
	Agree	94	34.9	
	Strongly agree	119	44.2	
	Total	269	100.0	

Source: own survey (2023)

Respondents were also asked about whether the E-filing helps to manage returns by providing access to previous returns, most of them showed their agreement. Hence, 44.2% strongly agree, 34.9% agree, 11.5% neutral, 7.1% dis agree, 2.2% strongly dis agree. In addition to the frequency, the mean score of the respondents for the raised question was 4.12 showing that most of the respondents agreed for the above question expressed on table 4.28.

**Table 4. 34: E-tax system make less error in using than manual system**

		Frequency	Percent	Mean
Valid	Strongly dis agree	14	5.2	3.87
	Dis agree	24	8.9	
	Neutral	11	4.1	
	Agree	155	57.6	
	Strongly agree	65	24.2	
	Total	269	100.0	

Source: own survey (2023)

Tax payers' response to the question E-tax system make less error in using than manual system, majority 155 (57.6%) agreed, 65 (24.2%) strongly agreed, 24 (8.9%) dis agreed, 14 (5.2%) strongly dis agreed, and 11 (4.1%) of the respondents were neutral for the raised question. So that it indicates that E-tax system avoids mistakes that can be occurred during calculating the tax payable manually.

**Table 4. 35: E-tax system helps to minimize the administrative expenses**

		Frequency	Percent	Mean
Valid	Strongly dis agree	46	17.1	3.55
	Dis agree	31	11.5	
	Neutral	7	2.6	
	Agree	100	37.2	
	Strongly agree	85	31.6	
	Total		269	

Source: own survey (2023)

Respondents were also asked about whether the E-tax system helps to minimize the administrative expenses, most of them showed their agreement. Hence, 31.6% strongly agree, 37.2% agree, 2.6% neutral, 11.5% dis agree, 17.1% strongly dis agree. In addition to the frequency, the mean score of the respondents for the raised question was 4.3 showing that most of the respondents agreed for the above question. As the plat form allows the tax payers to file and pay their tax online, it minimizes expenses such as transportation expenses, office supplies expenses, loading documents from the office to tax centre at the end of months and other related expenses.

#### **4.6.2 Benefits of electronic taxation system as responses of employees of the branch office**

In addition to the responses of tax payers, employees of the branch office were also asked about the benefits of electronic taxation system. A total of 17 questions on “Benefits of adopting e-tax system” were asked to indicate the extent to which each respondent agrees to corresponding closed ended statements rated on a five point Likert type scales ranging from ‘1’ “Strongly Disagree” to ‘5’ “Strongly Agree”.

**Table 4. 36: Benefits of electronic taxation system as responses of employees of the branch office**

No.	Description	Strongly dis agree		Dis agree		Neutral		Agree		Strongly agree		Total	Mean
		Fre	%	Fre	%	Fre	%	Fre	%	Fre	%		
1	Helps to avoid unnecessary queue of manual system	3	2.10	9	6.29	14	9.79	80	55.94	37	25.87	143	3.97
2	Important to manage the different data of taxpayers	13	9.09	8	5.59	21	14.69	61	42.66	40	27.97	143	3.75
3	Electronic payment helps to collect revenue on time	24	16.78	39	27.27	33	23.08	32	22.38	15	10.49	143	2.83
4	E-tax helps to reduce error of the manual system	3	2.10	8	5.59	4	2.80	90	62.94	38	26.57	143	4.06
5	Helps for having neat data base of the taxpayers	4	2.80	5	3.50	4	2.80	85	59.44	45	31.47	143	4.13
6	Helps to get more time to audit work to confirm taxpayers' self-assessment report	6	4.20	11	7.69	14	9.79	40	27.97	72	50.35	143	4.13
7	Helps to minimize the cost of managing taxpayers	4	2.80	21	14.69	9	6.29	77	53.85	32	22.38	143	3.78
8	E-tax system helps to minimize the corruption	2	1.40	7	4.90	11	7.69	89	62.24	34	23.78	143	4.02
9	E-tax system helps to calculate tax more accurately than manual system	6	4.20	8	5.59	12	8.39	69	48.25	48	33.57	143	4.01
10	Helps to decrease work load of the officers of the branch office	2	1.40	13	9.09	2	1.40	80	55.94	46	32.17	143	4.08
11	E-tax system helps to control tax evasion	4	2.80	12	8.39	6	4.20	48	33.57	73	51.05	143	4.22
12	Data loss is less risky in e-tax system than manual	6	4.20	31	21.68	10	6.99	30	20.98	66	46.15	143	3.83
13	E-tax system improved productivity of employees of ministry	5	3.50	27	18.88	34	23.78	72	50.35	5	3.50	143	3.31
14	E- tax system helps to enhance the service provided to taxpayers	24	16.78	11	7.69	18	12.59	30	20.98	60	41.96	143	3.64
15	Helps to avoid manual papers and additional place to store those papers	17	11.89	21	14.69	1	0.70	55	38.46	49	34.27	143	3.69
16	E-tax system creates positive relationship between revenue office and tax payers and hence increases tax compliance of the tax payers	26	18.18	30	20.98	7	4.90	30	20.98	50	34.97	143	3.34
17	E-tax increased efficiency and effectiveness of the tax office	5	3.50	16	11.19	9	6.29	67	46.85	46	32.17	143	3.93

Source: own survey (2023)

As it can be seen from above table 4.30 benefits of e-tax system as perceived by the MoR Hawassa branch employees is captured in the above table. According to the result, most of the respondents agreed that adoption of e-tax system helps to avoid unnecessary queue of manual system. This is evidenced by 25.87% strongly agree, 55.94% agree, 9.79% undecided, 6.29% dis agree, 2.1% strongly dis agree. In addition to this, the average mean score is 3.97 which show that a greatest number of respondents agreed that the system helped to avoid unnecessary queue of tax payers.

Concerning the management of the different data of taxpayers, respondents were agreed that e-tax system helps to manage the data of tax payers with the mean score of 3.97. Not only that but also 27.97% of respondents strongly agree, 42.66% agree, 14.69% neutral, 5.59% dis agree, and 9.09% strongly dis agree. Before the implementation of the e-tax system in the branch tax payers bring a number of the documents to the branch office and managing those documents or files is time consuming and costly. But after the evolution of electronic tax system helped the branch office to manage the files and documents of the tax payers in a simple way.

Furthermore the respondents were asked whether the electronic tax helps to reduce error of the manual system or not. Majority 90 (62.94%) agreed, 38 (26.57%) strongly agreed, 8 (5.59%) dis agreed, 4 (2.8%) neutral, and 3 (2.1%) strongly dis agree for the raised question.

For the statement “e-tax system helps for having neat data base of the taxpayers” respondents' response shows an agreement with average mean score of 4.13. Additionally, it can be evidenced by 4 (2.80%) strongly dis agree, 5 (3.50%) dis agree, 4(2.80%) neutral, 85 (59.44%) agree, and 45 (31.47%) strongly agree that the system helps to have a neat data base of the tax payers.

Other points that the respondents strongly agreed are helps to get more time to audit work to confirm taxpayers' self-assessment report. This is evidenced by the mean score of 4.13. Regarding the frequency of respondents 72, 40, 14, 11, and 6 respondents strongly agree, agree, neutral dis agree, and strongly dis agree respectively.

Again, respondents were asked whether the e-tax system helps to minimize the cost of managing taxpayers or not, and the result shows that e-tax helps to minimize the cost of managing tax payers. This is evidenced by 32 strongly agree, 77 agree, 9 neutral, 21 dis agree, and 4 strongly

dis agree. Additionally, the average mean score for the question was 3.78 showing most of the respondents either agree or strongly agree for the question.

Concerning the minimizing the level of corruption, respondents were agreed that e-tax system helps to manage the occurrence of corruption with the mean score of 4.02. Not only that but also 23.78% of respondents strongly agree, 62.24% agree, 7.69% neutral. Whereas, only 4.9% , and 1.4% of the respondents respectively dis agree and strongly dis agree respectively that the adoption of electronic tax system helps to minimize the occurrence of corruption.

Employees' response to the question e-tax system helps to calculate tax more accurately than manual system, majority 69 (48.25%) agreed, 48 (33.57%) strongly agreed, 8 (5.59%) dis agreed, 6 (4.2%) strongly dis agreed, and 12 (8.39%) of the respondents were neutral for the raised question. So that it indicates that e-tax system helps to calculate the tax more accurately than the manual system.

Regarding the system helps to decrease of work load of the officers of the branch office, majority of the respondents agreed and strongly agreed with the 55.94% and 32.17% respectively. It implies that the system preferable because it avoid emotional stress helps to decrease work load of the officers of the branch office.

Table 4.30 also mentions e-tax system helps to control tax evasion and data loss is less risky in e-tax system than manual. For those questions employees of MoR agree to this fact. This is evidenced by the data collected from the respondents with high mean of 4.22 and 3.83 respectively. In addition to this, 51.05% strongly agree, 33.57% agree for the question e-tax system helps to control tax evasion and, 46.15% strongly agree, 20.96% agree for the question data loss is less risky in e-tax system than manual.

For questions e- tax system helps to enhance the service provided to taxpayers, and improved the productivity of the employees of MoR, most of the respondents showed their agreement. This is evidenced by the average mean score of 3.64 and 3.31 respectively.

In addition to that, tax payers were asked that 'e-tax system helps to avoid manual papers and additional place to store those papers, most of employees showed their agreement. This is evidenced by 3.69 mean score.

Finally, Respondents were asked whether ‘e-tax system has increased efficiency and effectiveness of the tax office’ most of them showed their agreement. This is evidenced by the mean score of 3.93. Additionally, it is evidenced by 32.17% strongly agree, and 32.17% agree.

The research further revealed that the respondents were agreed by the e-tax system creates positive relationship between revenue office and tax payers so that increase tax compliance of tax payers. This is evidenced by mean score of 3.34.

#### 4.7 Opportunities of Electronic tax system

##### 4.7.1 Opportunities of Electronic tax system as responses of tax payers of the branch office

The study asked the respondents to state the extent to which they agreed with the following statements regarding opportunities to adopt e-tax system. The responses were rated on a five-point Likert scale and results are analysed by Statistical results on the variables under the benefits of e-tax including the Frequency, percentage and Mean of the data points.

**Table 4. 37: as Ethiopian government planned to achieve digital Ethiopia by 2025, Ministry of Revenues facilitates for taxpayers to report & pay tax online.**

		Frequency	Percent	Mean
Valid	Strongly dis agree	9	3.3	4.13
	Dis agree	11	4.1	
	Neutral	9	3.3	
	Agree	146	54.3	
	Strongly agree	94	34.9	
	Total	269	100.0	

Source: own survey (2023)

Above table (Table 4.31) is about Ethiopian government planned to achieve digital Ethiopia by 2025, Ministry of Revenues facilitates for taxpayers to report & pay tax online is considered as opportunity for electronic taxation system or not,, to this question 54.3% and 34.9% of respondents are agreed and strongly agreed respectively. In addition to that 4.13 average mean score reflects that respondent agrees that governments plan of digital Ethiopia is opportunity for e-tax system.

**Table 4. 38: Liberalization of telecommunication sector to ensure its service is encouraging electronic tax system by improving the existing infrastructure.**

		Frequency	Percent	Mean
Valid	Strongly dis agree	22	8.2	3.32
	Dis agree	82	30.5	
	Neutral	6	2.2	
	Agree	106	39.4	
	Strongly agree	53	19.7	
	Total	269	100.0	

Source: own survey (2023)

For Liberalization of telecommunication sector to ensure its service is encouraging electronic tax system by improving the existing infrastructure Respondents agreed (39.4%) agree, 19.7% strongly agree. But still there are significant numbers who do not agree with the idea. 30.5% dis agree, 8.2% strongly dis agree. But since the greater portion of the respondents agreed that the privatization of telecom sector is encouraging the electronic tax system in that creating the different alternatives to the tax payers in order to file and pay their tax obligation. In addition to the above listed percentiles, 3.32 of average mean reflects that respondent agrees that Liberalization of telecommunication sector to ensure its service is encouraging electronic tax system.

**Table 4. 39: Increasing in digital payment system in financial institutions is encouraging electronic taxation**

		Frequency	Percent	Mean
Valid	Strongly dis agree	8	3.0	4.21
	Dis agree	2	.7	
	Neutral	6	2.2	
	Agree	163	60.6	
	Strongly agree	90	33.5	
	Total	269	100.0	

Source: own survey (2023)

In response to the item increasing in digital payment system in financial institutions is encouraging electronic taxation, the 60.6% agreed and 33.5% strongly agreed on the matter,

which makes the average mean, 4.21. This implies that Increasing in digital payment system in financial institutions is encouraging electronic taxation. Now a days there are many money transferring alternative and this is helping to motivate the system of electronic taxation by allowing different payment alternatives to the tax payers.

**Table 4. 40: Increased electricity access is helping electronic taxation**

		Frequency	Percent	Mean
Valid	Strongly dis agree	69	25.7	2.48
	Dis agree	97	36.1	
	Neutral	16	5.9	
	Agree	79	29.4	
	Strongly agree	8	3.0	
	Total	269	100.0	

Source: own survey (2023)

Respondents disagreed on the question, ‘increased electricity access is helping electronic taxation’ 36.1% of the respondents agreed and 25.7% strongly agreed that increased electricity access is helping electronic taxation. An average mean 2.48, shows that respondents were disapproving that increased electricity access is helping electronic taxation. The result of response shows that the absence of electricity is challenging the tax payers to file and pay their tax liability.

**Table 4. 41: Government’s action of encouraging cashless transaction is advantageous for electronic taxation**

		Frequency	Percent	Mean
Valid	Strongly dis agree	6	2.2	4.03
	Dis agree	16	5.9	
	Neutral	3	1.1	
	Agree	182	67.7	
	Strongly agree	62	23.0	
	Total	269	100.0	

Source: own survey (2023)

In response to the item, government’s action of encouraging cashless transaction is advantageous for electronic taxation, the majority of respondents (67.7% ) agreed and 23% of the total respondents were strongly agreed on the matter. Average mean of 4.03 and higher indicates that the government’s action of encouraging cashless transaction is advantageous for electronic taxation.

**Table 4. 42: your attitude fore-tax system is increasing positively**

		Frequency	Percent	Mean
Valid	Strongly dis agree	18	6.7	3.75
	Dis agree	30	11.2	
	Neutral	8	3.0	
	Agree	159	59.1	
	Strongly agree	54	20.1	
	Total		269	

Source: own survey (2023)

The respondents were questioned about their attitude fore-tax system is increasing positively. 59.1% agree, 20.1% strongly agree, 3.0% Neutral, 11.2% dis agree and 6.7% strongly dis agree .indicated by mean scores of 3.75. This shows that increased positive attitude of tax payers fore-tax system is considered as the opportunity for electronic tax system.

**Table 4. 43: Ministry of Revenue is expanding its accessibility to create awareness of the e-tax to tax payers**

		Frequency	Percent	Mean
Valid	Strongly dis agree	8	3.0	3.75
	Dis agree	37	13.8	
	Neutral	45	16.7	
	Agree	102	37.9	
	Strongly agree	77	28.6	
	Total		269	

Source: own survey (2023)

On the above table 4.37, 37.9% of the respondents agreed and 28.6% strongly agreed and 22.1% disagree for the question that Ministry of Revenue is expanding its accessibility to create awareness of the e-tax to tax payers. Average mean of 3.75 also indicates that Ministry of Revenue is expanding its accessibility to create awareness of the e-tax to tax payers and this in turn is helping electronic taxation system.

**Table 4. 44: The website of ministry of revenue offers guidelines of e-tax which help tax payers and employees of ministry of revenue.**

		Frequency	Percent	Mean
Valid	Strongly dis agree	16	5.9	3.73
	Dis agree	21	7.8	
	Neutral	54	20.1	
	Agree	106	39.4	
	Strongly agree	72	26.8	
	Total	269	100.0	

Source: own survey (2023)

The average mean for the question ‘the website of ministry of revenue offers guidelines of e-tax which help tax payers and employees of ministry of revenue’ is 3.73. This implies that the website of ministry of revenue offers guidelines of e-tax which help tax payers and employees of ministry of revenue. So that it can be said that web site of the Ministry of revenue is contributing for the electronic taxation system positively.

**Table 4. 45: Increased advancement of technology is contributing to e-tax system**

		Frequency	Percent	Mean
Valid	Strongly dis agree	9	3.3	4.26
	Dis agree	13	4.8	
	Neutral	18	6.7	
	Agree	87	32.3	
	Strongly agree	142	52.8	
	Total	269	100.0	

Source: own survey (2023)

In response to the item, increased advancement of technology is contributing to e-tax system, the majority of respondents (52.8% ) agreed and 32.3% of the total respondents were strongly agreed on the question. Average mean of 4.26 also indicates that increased advancement of technology is contributing to e-tax system.

**Table 4. 46: Governments focus on e-government is creating expedience for e-tax**

		Frequency	Percent	Mean
Valid	Strongly dis agree	15	5.6	3.75
	Dis agree	25	9.3	
	Neutral	17	6.3	
	Agree	168	62.5	
	Strongly agree	44	16.4	
	Total	269	100.0	

Source: own survey (2023)

The last question raised to tax payers regarding to opportunities of electronic tax system was Governments focus on e-government is creating expedience for e-tax. For this question 62.5% agree, 16.4% strongly agree, 6.3% undecided, 9.3% disses agree, and 5.6% strongly dis agrees. Additionally the average mean score of the respondents is 3.75 indicating that Governments focus on e-government is creating opportunity to the strength of the electronic tax system in the Ministry of Revenue.

#### **4.7.2 Opportunities of Electronic tax system as responses of employees of the branch office.**

**Table 4. 47: as Ethiopian government planned to achieve digital Ethiopia by 2025, Ministry of Revenues facilitates for taxpayers to report & pay tax online.**

		Frequency	Percent	Mean
Valid	Strongly dis agree	1	.7	4.24
	Dis agree	8	5.6	
	Neutral	5	3.5	
	Agree	71	49.7	
	Strongly agree	58	40.6	
	Total	143	100.0	

Source: own survey (2023)

The above table 4.47 is about Ethiopian government planned to achieve digital Ethiopia by 2025, Ministry of Revenues facilitates for taxpayers to report & pay tax online is considered as opportunity for electronic taxation system or not. To this question 49.7% and 40.6% of respondents are agreed and strongly agreed respectively. In addition to that 4.24 average mean

reflects that respondent agrees that governments plan of digital Ethiopia is opportunity for e-tax system.

**Table 4. 48: Liberalization of telecommunication sector to ensure its service is encouraging electronic tax system by improving the existing infrastructure.**

		Frequency	Percent	Mean
Valid	Strongly dis agree	6	4.2	3.85
	Dis agree	11	7.7	
	Neutral	9	6.3	
	Agree	90	62.9	
	Strongly agree	27	18.9	
	Total	143	100.0	

Source: own survey (2023)

For Liberalization of telecommunication sector to ensure its service is encouraging electronic tax system by improving the existing infrastructure Respondents agreed i.e. 62.9% agree, 18.9% strongly agree. In addition to that 3.85 average mean reflects that respondent agrees that liberalization of telecommunication sector to ensure its service is encouraging electronic tax system

**Table 4. 49: Increasing in digital payment system in financial institutions is encouraging electronic taxation**

		Frequency	Percent	Mean
Valid	Strongly dis agree	6	4.2	4.32
	Dis agree	2	1.4	
	Neutral	6	4.2	
	Agree	55	38.5	
	Strongly agree	74	51.7	
	Total	143	100.0	

Source: own survey (2023)

In response to the item increasing in digital payment system in financial institutions is encouraging electronic taxation, the 38.5% agreed and 51.7% strongly agreed on the matter, which makes the average mean of 4.32. This implies that Increasing in digital payment system in financial institutions is encouraging electronic taxation

**Table 4. 50: Increased electricity access is helping electronic taxation**

		Frequency	Percent	Mean
Valid	Strongly dis agree	49	34.3	2.18
	Dis agree	56	39.2	
	Neutral	8	5.6	
	Agree	23	16.1	
	Strongly agree	7	4.9	
	Total	143	100.0	

Source: own survey (2023)

Respondents disagreed on the question, ‘increased electricity access is helping electronic taxation’ 36.1% of the respondents dis agreed. This is shown by the about 34.3% strongly dis agreed and 39.2 % agreed that increased electricity access is helping electronic taxation. An average mean of 2.18, shows that respondents were disapproving that increased electricity access is helping electronic taxation. This shows electricity access is challenging the tax payers and the employees to apply electric taxation system.

**Table 4. 51: Governments action of encouraging cashless transaction in the economy is advantageous for e-tax**

		Frequency	Percent	Mean
Valid	Dis agree	7	4.9	4.45
	Neutral	4	2.8	
	Agree	50	35.0	
	Strongly agree	82	57.3	
	Total	143	100.0	

Source: own survey (2023)

In response to the item, government’s action of encouraging cashless transaction is advantageous for electronic taxation, the majority of respondents (57.3%) strongly agreed and 35% of the total respondents were agreed on the matter. Average mean of 4.45 also indicates that the government’s action of encouraging cashless transaction is advantageous for electronic taxation.

**Table 4. 52: Taxpayer’s attitude is increasing positively towards e-tax system**

		Frequency	Percent	Mean
Valid	Strongly dis agree	3	2.1	4.01
	Dis agree	7	4.9	
	Neutral	2	1.4	
	Agree	105	73.4	
	Strongly agree	26	18.2	
	Total	143	100.0	

Source: own survey (2023)

The respondents were questioned about the attitude of tax payers for e-tax system is increasing positively. 73.4% agree, 18.2% strongly agree, 1.4% Neutral, 4.9% dis agree and % strongly dis agree .indicated by mean scores of 4.01. This shows that increased positive attitude of tax payers fore-tax system is considered as the opportunity for electronic tax system

**Table 4. 53: Ministry of Revenue is expanding its accessibility to create awareness of the e-tax to tax payers**

		Frequency	Percent	Mean
Valid	Strongly dis agree	1	.7	4.13
	Dis agree	3	2.1	
	Neutral	2	1.4	
	Agree	107	74.8	
	Strongly agree	30	21.0	
	Total	143	100.0	

Source: own survey (2023)

On the next item, 74.8% of the respondents agreed and 21% strongly agreed and 2.1% disagree on the fact that Ministry of Revenue is expanding its accessibility to create awareness of the e-tax to tax payers. Average mean of also indicates that Ministry of Revenue is expanding its accessibility to create awareness of the e-tax to tax payers and this in turn is helping electronic taxation system.

**Table 4. 54: The website offers guidelines which help tax payers and employees of ministry of revenue.**

		Frequency	Percent	Mean
Valid	Strongly dis agree	22	15.4	3.25
	Dis agree	40	28.0	
	Neutral	12	8.4	
	Agree	18	12.6	
	Strongly agree	51	35.7	
	Total	143	100.0	

Source: own survey (2023)

The average mean for the item is 3.25. This implies that the website of ministry of revenue offers guidelines of e-tax which help tax payers and employees of ministry of revenue. So that it can be said that web site of the Ministry of revenue is contributing for the electronic taxation system positively. It is also indicated by 35.7% strongly agreed, and 12.6% agreed respondents.

**Table 4. 55: Increased advancement of technology is contributing to e-tax system**

		Frequency	Percent	Mean
Valid	Strongly dis agree	6	4.2	4.03
	Dis agree	12	8.4	
	Neutral	4	2.8	
	Agree	70	49.0	
	Strongly agree	51	35.7	
	Total	143	100.0	

Source: own survey (2023)

In response to the question ‘increased advancement of technology is contributing to e-tax system,’ the majority of respondents (49%) agreed and 35.7% of the total respondents were strongly agreed on the raised question. Average mean of 4.03 also indicates that increased advancement of technology is contributing to e-tax system.

**Table 4. 56: Governments focus on e-government is creating expedience for e-tax.**

		Frequency	Percent	Mean
Valid	Strongly dis agree	11	7.7	3.74
	Dis agree	27	18.9	
	Neutral	10	7.0	
	Agree	35	24.5	
	Strongly agree	60	42.0	
	Total	143	100.0	

Source: own survey (2023)

On the last question, average mean of 3.74 indicates that Governments focus on e-government is creating expedience for e-tax. In addition to that, 42% and 24.5% of the respondents strongly agree and agree respectively that the governments focus on e-government is creating expedience for e-tax system.

#### **4.8 Challenges of implementing Electronic tax system**

As cited in chapter two, there are so many challenges that negatively affect adoption and growth of the e-tax system. The factors affecting the successful adoption and growth of new technologies, such as e-tax are common in nature. Such as cost factors, security and trust factors and lack of adequate ICT infrastructure (particularly in developing countries like Ethiopia). However, reasons vary widely among countries and also important to note that challenges to e-tax technology adoption and development work differently according to organizational culture.

A total of 32 questions ( 16 questions for tax payers of the branch office and 16 for the employees of the branch office) on challenges of adopting and extending of e-tax obtained were distributed to indicate the extent to which each respondent agrees to corresponding closed ended statements rated on a five-point Likert type scales ranging from ‘1’ “Strongly Disagree” to ‘5’ “Strongly Agree”. Statistical results are presented under each section of the factors considered using the table including the number of Frequencies, Percentage, and the Mean. The mean tried to tell the average where the data points fall for each specific variable. Accordingly, the researcher tried to interpret the Frequencies, Percentage, and Mean of the data points.

#### 4.8.1 Challenges of Electronic tax system as perceived by tax payers of the branch office

**Table 4. 57: E-tax is complex system to process**

		Frequency	Percent
Valid	Strongly dis agree	64	23.8
	Dis agree	105	39.0
	Neutral	16	5.9
	Agree	61	22.7
	Strongly agree	23	8.6
	Total	269	100.0

Source: own survey (2023)

The respondents were questioned that e-tax system is complex to process. Here 39% dis agree and 23.8% strongly dis agree. The remaining 22.7%, 8.6% and 5.9% respondents agree, strongly agree and neutral respectively. This shows that electronic tax system is not complex system to use.

**Table 4. 58: Power interruption makes e-filing system difficult to use**

		Frequency	Percent
Valid	Strongly dis agree	9	3.3
	Dis agree	16	5.9
	Neutral	4	1.5
	Agree	167	62.1
	Strongly agree	73	27.1
	Total	269	100.0

Source: own survey (2023)

In addition, the next item factor by asking if e-taxing is less effective because of power interruption. As the table shows, 62.1% agreed and 27.1% strongly agreed regarding the issue. Only 5.9%, 3.3% and 1.5% dis agree, strongly dis agree and neutral respectively. This implies power supply interruption is another major challenge that affects the effective use of e-tax system.

**Table 4. 59: Weak internet connection makes e-tax difficult to use**

		Frequency	Percent
Valid	Strongly dis agree	1	.4
	Dis agree	8	3.0
	Neutral	10	3.7
	Agree	186	69.1
	Strongly agree	64	23.8
	Total		269

Source: own survey (2023)

Regarding weak internet connection, majority of the respondents 69.1% showed their agreement and 23.8% strongly agreed. It indicates that internet connection is one of the most factor challenging the use of the electronic tax system.

**Table 4. 60: Banks have less knowledge about e-payment while paying tax**

		Frequency	Percent
Valid	Strongly dis agree	8	3.0
	Dis agree	13	4.8
	Neutral	8	3.0
	Agree	130	48.3
	Strongly agree	110	40.9
	Total		269

Source: own survey (2023)

The research further revealed that the respondents were agreed by the Banks have less knowledge about e-payment while paying tax. In the above table 4.54, 48.3% agreed and 40.9% of the respondents strongly agreed that banks have less knowledge of electronic payment system. This shows that there is knowledge gap for employees of bank about e-payment system challenging the taxpayers to pay their tax liability.

**Table 4. 61: E-tax needs more expensive materials than manual system**

		Frequency	Percent
Valid	Strongly dis agree	6	2.2
	Dis agree	29	10.8
	Neutral	3	1.1
	Agree	179	66.5
	Strongly agree	52	19.3
	Total	269	100.0

Source: own survey (2023)

Respondents were asked if e-tax needs more expensive materials than manual system and they agree. This is evidenced by the data collected from the respondents 66.5% agree, 19.3% strongly agree, 10.8% dis agree, 2.2% strongly dis agree and 1.1% were neutral. The results imply that the materials needed to electronic tax system is more expensive than materials needed to report tax manually.

**Table 4. 62: E-tax discourages tax payers from being tax compliant because it is complex to use**

		Frequency	Percent
Valid	Strongly dis agree	98	36.4
	Dis agree	106	39.4
	Neutral	16	5.9
	Agree	41	15.2
	Strongly agree	8	3.0
	Total	269	100.0

Source: own survey (2023)

The respondent also asked their agreement level if e-tax discourages tax payers from being tax compliant because it is complex to use. The result shows 39.4% dis agrees and 36.4% of respondents strongly dis agrees. It implies that e-tax do not discourage the tax payers from being tax compliant.

**Table 4. 63: E-tax systems is not as fast as expected**

		Frequency	Percent
Valid	Strongly dis agree	35	13.0
	Dis agree	46	17.1
	Neutral	7	2.6
	Agree	164	61.0
	Strongly agree	17	6.3
	Total	269	100.0

Source: own survey (2023)

For the question Using e-filing e-tax system is not as fast as expected, respondents were required to answer either strongly disagree, disagree, undecided, agree or strongly agree as to whether they e-filing e-tax system is not as fast as expected or not. As results shown on the table above 4.57, 61% agree, 6.3% strongly agree, 2.6% Undecided, on the other hand and only 46 and 35 respondents or 17.1% and 13% are disagree and strongly dis agree that the system is not as fast as expected. So, it can be said that e-tax system is fast system than manual system.

**Table 4. 64: E-tax process is time consuming**

		Frequency	Percent
Valid	Strongly dis agree	35	13.0
	Dis agree	119	44.2
	Neutral	14	5.2
	Agree	60	22.3
	Strongly agree	41	15.2
	Total	269	100.0

Source: own survey (2023)

For the question e-tax process is time consuming, respondents were required to answer either strongly disagree, disagree, undecided, agree or strongly agree as to whether e-tax process is time consuming or not. As results shown on the table above (4.58) 119 respondents or 44.2% dis agree, 35 respondents or 13% strongly agree, 14 respondents or 5.2% Undecided, on the other hand and only 60 and 41 respondents or 22.3% and 15.2% are agree and strongly agree that e-tax process is time consuming. So, the e-tax process is not time consuming.

**Table 4. 65: Tax office does not give enough training about e-tax to the tax payers**

		Frequency	Percent
Valid	Strongly dis agree	81	30.1
	Dis agree	96	35.7
	Neutral	16	5.9
	Agree	56	20.8
	Strongly agree	20	7.4
	Total	269	100.0

Source: own survey (2023)

Respondents dis agree with the question tax office do not give enough training about e-tax to the tax payers .This is evidenced by the data collected from the respondents 30.1% strongly dis agree and 35.7% dis agree. It implies that the revenue office is giving enough training about e-tax to the tax payers.

**Table 4. 66: Banks and ministry of revenue do not create co-ordination about e-tax system**

		Frequency	Percent
Valid	Strongly dis agree	15	5.6
	Dis agree	19	7.1
	Neutral	34	12.6
	Agree	150	55.8
	Strongly agree	51	19.0
	Total	269	100.0

Source: own survey (2023)

Table 4.60 above shows that most respondents are agreed for the question “Banks and ministry of revenue do not create co-ordination about e-tax system”. This is evidenced by the data collected from the respondents 150 or 55.8% agree, 51 or 19% strongly agree. It implies that the Banks and ministry of revenue do not create co-ordination about e-tax system and this is challenging tax payers to pay their tax.

**Table 4. 67: The Employees of Ministry of Revenue have less knowledge about E-tax**

		Frequency	Percent
Valid	Strongly dis agree	91	33.8
	Dis agree	109	40.5
	Neutral	14	5.2
	Agree	42	15.6
	Strongly agree	13	4.8
	Total	269	100.0

Source: own survey (2023)

In relation with the above for the survey “the employees of Ministry of Revenue have less knowledge about e-tax” their response shows that the most tax payers of the branch office dis agreed. This is evidenced by the data collected from the respondents 109 or 40.5% dis agree, 91 or 33.8% strongly dis agree. This implies the employees of the ministry of revenue are well skilled on the electronic taxation system.

**Table 4. 68: Absence of local language makes e-tax system difficult to use**

		Frequency	Percent
Valid	Strongly dis agree	4	1.5
	Dis agree	21	7.8
	Neutral	17	6.3
	Agree	107	39.8
	Strongly agree	120	44.6
	Total	269	100.0

Source: own survey (2023)

Table above 4.63 shows that most respondents are agree about the statement “Absence of local language makes e-tax system difficult to use”. This is evidenced by the data collected from the respondents 107 or 39.8% agree, 120 or 44.6% strongly agree. It implies that the Absence of local language makes e-tax system difficult to use. As the system is developed by only English language, it is somehow difficult to understand and use by people who do not have English language skill.

**Table 4. 69: Tax office do not provide close and fast technical support while I seek help for unclear function of the system**

		Frequency	Percent
Valid	Strongly dis agree	58	21.6
	Dis agree	146	54.3
	Neutral	8	3.0
	Agree	35	13.0
	Strongly agree	22	8.2
	Total	269	100.0

Source: own survey (2023)

For the question tax office do not provide close and fast technical support while I seek help for unclear function of the system, respondents were required to answer either strongly disagree, disagree, undecided, agree or strongly agree as to whether e-tax process is time consuming or not. As results shown on the table above table 4.64, respondents 146 or 54.3% disagree, 58 respondents or 21.6% strongly disagree, 8 respondents or 3% Undecided, on the other hand and only 35 and 22 respondents or 13% and 8.3% are agree and strongly agree that tax office do not provide close and fast technical support while I seek help for unclear function of the system. So that the results show that the revenue office provides the close support regarding the electronic tax system to its tax payers.

**Table 4. 70: As e-tax system asks computer skill so that it is difficult to use it**

		Frequency	Percent
Valid	Strongly dis agree	67	24.9
	Dis agree	150	55.8
	Neutral	16	5.9
	Agree	21	7.8
	Strongly agree	15	5.6
	Total	269	100.0

Source: own survey (2023)

Regarding the issues of computer skill, most of participants or 55.8% were disagreed, 24.9% strongly disagreed. This shows that even if e-tax system asks computer skill so that it is not difficult to use it. As the program of electronic tax system is programmed in a way that is understandable simply, it is not difficult to use.

**Table 4. 71: Username and password expires frequently discourages using e-tax system**

		Frequency	Percent
Valid	Strongly dis agree	28	10.4
	Dis agree	67	24.9
	Neutral	8	3.0
	Agree	141	52.4
	Strongly agree	25	9.3
	Total		269

Source: own survey (2023)

Regarding the issues of password, most of participants or 52.4% were agreed, 9.3% strongly agreed. This shows that the frequent password and username expiration discourages the electronic tax system.

#### **4.8.2 Challenges of adopting Electronic tax system as perceived by employees of the branch office**

A total of 16 questions for the employees of the branch office on challenges of adopting and extending of e-tax obtained were distributed to indicate the extent to which each respondent agrees to corresponding closed ended statements rated on a five-point likert type scales ranging from '1' "Strongly Disagree" to '5' "Strongly Agree". Statistical results are presented under each section of the factors considered using the table including the number of the Mean and SD of the data points. The mean tried to tell the average where the data points fall for each specific variable. Accordingly, the researcher tried to interpret the Mean, and the SD of the data points.

**Table 4. 72: Challenges of electronic taxation system as perceived by the employees of branch office**

No.	Description	Strongly dis agree		Dis agree		Neutral		Agree		Strongly agree		Total	Mean
		Fre	%	Fre	%	Fre	%	Fre	%	Fre	%		
1	E-tax is complex system to process	46	32.17	72	50.35	2	1.40	9	6.29	14	9.79	143	2.11
2	Power interruption makes e-tax system difficult to use	2	1.40	4	2.80	9	6.29	89	62.24	39	27.27	143	4.11
3	Weak internet connection makes e-tax difficult to use	0	0.00	6	4.20	17	11.89	105	73.43	15	10.49	143	3.90
4	Employee of banks have less knowledge about e-tax payment system	2	1.40	10	6.99	15	10.49	81	56.64	35	24.48	143	3.96
5	E-tax needs more expensive materials than manual system	11	7.69	18	12.59	2	1.40	86	60.14	26	18.18	143	3.69
6	Taxpayers of the branch office have not positive attitude towards using the e-tax system	40	27.97	61	42.66	3	2.10	14	9.79	25	17.48	143	2.46
7	Taxpayers of the branch office have less basic computer skill	16	11.19	3	2.10	22	15.38	61	42.66	41	28.67	143	3.76
8	Taxpayers do not want to shift from manual system to e-tax system	35	24.48	56	39.16	19	13.29	26	18.18	7	4.90	143	2.40
9	Taxpayer's incorrect data encoding makes e-tax filing less effective	7	4.90	19	13.29	4	2.80	97	67.83	16	11.19	143	3.67
10	The work load is the same after e-tax system is introduced	36	25.17	49	34.27	2	1.40	38	26.57	18	12.59	143	2.67
11	Limitation in network infrastructure makes e-tax boring	4	2.80	2	1.40	10	6.99	98	68.53	29	20.28	143	4.02
12	E-tax payment system requires additional effort to enter the data than manual system	24	16.78	16	11.19	3	2.10	44	30.77	56	39.16	143	3.64
13	Absence of local language makes e-tax system difficult to use	6	4.20	16	11.19	5	3.50	69	48.25	47	32.87	143	3.94
14	Shortage of IT lab in the branch office challenges bureau to give-tax training to staffs and tax payers	11	7.69	7	4.90	0	0.00	58	40.56	67	46.85	143	4.14
15	Many tax payers usage of e-tax website at the end of the month makes the server crowded	2	1.40	9	6.29	11	7.69	81	56.64	40	27.97	143	4.03
16	E-tax system is less effective because taxpayers forget their user name and password	6	4.20	34	23.78	17	11.89	30	20.98	56	39.16	143	3.67

Source: Own survey (2023)

Table above 4.66 shows that respondents were asked e-taxing is difficult to use, the majority of the respondents disagree. This is indicated by with the 46 employees (32.17%) strongly disagree, 72 (50.35%) disagree, 2 (1.4%) neutral, 9 (6.29%) agree, and 14 (9.79%) strongly agree for the question. In addition to this mean score of 2.11 implies that the system is technically not difficult to work.

The next question that respondents asked was power interruption makes e-tax system difficult to use. For this question most of the respondents agreed that power interruption challenges the e-tax system to use. This is indicated by with the 2 employees (1.4%) strongly disagree, 4 (2.8%) disagree, 2 (1.4%) neutral, 89 (62.24%) agree, and 39 (27.27%) strongly agree for the question. In addition to this mean score of 4.11 implies that power interruption makes e-tax system difficult to use.

The respondent also strongly agreed that weak internet connection considered as a factor that negatively affecting the successful adoption and growth of e-tax System. It is indicated by with the mean score of 3.9. Not only that but also 105 (73.43%) agreed and 15 (10.45%) of the respondents strongly agreed that the weak internet connection is challenging to adopt electronic tax system.

Another variable raised to the respondents was employees of banks have less knowledge about e-tax payment system. Here 3.96 score mean explains that employees of banks have less knowledge about e-tax payment system. In addition to that 2 (1.40%) strongly disagree, 10 (6.99%) disagree, 15 (10.49%) undecided, 81 (56.64%) agreed, and 35 (24.48%) were strongly agreed.

Regarding to E-tax needs more expensive materials than manual system, 3.69 of mean score indicates that electronic taxation needs more expensive materials than manual system. Additionally, it is evidenced by 7.69% strongly disagree, 12.59% disagreed, 1.40% neutral, 60.14% agreed and 18.18% strongly agreed that e-tax system uses more expensive materials than manual system. This is because to use the electronic tax system, tax payers have to buy at least smart phones. This may be difficult to especially for small tax payers who report their tax in null value may be obliged to purchase computer or smart phones to report their tax.

Furthermore the respondent are asked about taxpayers of the branch office have not positive attitude towards using the e-tax system, the majority of the respondents disagree. This is

indicated by with the mean score of 2.46. It implies that the tax payers of the branch office prefer to file and pay their tax online. It can also be evidenced by 27.97% and 42.66% of respondents strongly dis agrees and dis agrees respectively.

In addition to this, respondents dis agreed for the questions ‘taxpayers do not want to shift from manual system to e-tax system and the work load is the same after e-tax system is introduced’. This is indicated by the average mean scores of 2.4. Not only that but also it is evidenced by 35 (24.48%) strongly dis agreement, 56 (39.16%) dis agree, 19 (13.29%) remain constant, 26 (18.18%) agree and 7 (4.90%) strongly agree. So, it can be taken as tax payers of the branch office prefer to file and pay their tax by using electronic tax system than the manual taxation system.

On the other hand, respondents agreed for the question ‘taxpayers of the branch office have less basic computer skill’ by the mean score of 3.76. Again, the frequencies and percentage of the responses for this question is 16 (11.19%) strongly dis agree, 3 (2.10 %) dis agree, 22 (15.38%) neutral, 61 (42.66%) agree and 41 (28.67%) strongly agree.

The next question raised to the respondents is about the “Taxpayer’s incorrect data encoding makes e-tax filing less effective” is also got agreement and supported by the mean score of 3.67. Also 97 (67.83%) and 16 (11.19%) of the respondents agree and strongly agree respectively for the raised question.

Respondents agreed that the limitation in network infrastructure makes e-tax boring. It is supported by 4.02 mean score. Additionally, 98 (68.53%) and 29 (20.28%) of respondents agree and strongly agree respectively. This shows that to use electronic tax system,

Regarding absence of local language, shortage of IT lab in the branch office challenges bureau to give-tax training to staffs and tax payers, many tax payers usage of e-tax website at the end of the month makes the server crowded makes e-tax system difficult to use, E-tax system is less effective because taxpayers forget their user name and password, majority of the respondents showed their agreement. This is supported by 3.94, 4.14, 4.03, 3.67 mean score respectively.

## 4.9. INTERVIEW RESULTS

In addition to the above discussions in which the researcher tried to address the basic research objectives using a questionnaire, for supporting the questionnaire results and to find out more and detailed information the researcher conducted semi-structured interview with 1 (one ) electronic tax system team coordinator. Interview questions were divided into four parts: practice, benefits, opportunities and challenges of electronic tax system adoption. Here below the researcher tries to summarize the questions raised and responses of team coordinator in 4 categories.

### 1. What is the practice of electronic taxation system in the branch office?

The first question raised to respondent was concerning the practice of the electronic taxation system in the branch office. For this question, the respondent stated that electronic tax system specially, electronic filing system introduced to the ministry of revenue Hawassa branch office in 4th quarter of 2021. Since then different activities have been taken place and now a days many tax payers are using electronic filing and electronic payment system. To support tax payer's tax office is taking many measurements including giving different trainings and giving technical support whenever the tax payers seek any support. At the beginning it was difficult specially to convince the tax payers to use electronic tax system said the respondent. But this situation is solved gradually when the tax payers start to know more about the importance of the electronic tax system. Tax payers started electronic payment system since April 2022 after one year of introduction of the e-filing in the branch office. Tax payers who have received the training of electronic tax system do not come to file and pay other types of tax liability except for the profit tax there is some need of adjustment that receives balance sheet part of the financial statement said the respondent. To solve this problem, the ICT directorate of the Ministry of Revenue is working its best to adjust the problem and to deliver full service of the electronic tax system. When e-payment was introduced the link was only with Commercial Bank of Ethiopia (CBE). But today the bureau created the link with almost all private banks that are operating in Ethiopia. Not only that, but also, in this year (2023) the revenue office started link with tele birr. Regardless of this listed activities in the country, the electronic tax system is at its infant level compared to what its packages are supposed to work. Regarding the process of electronic tax

system, tax payers first file their tax online, after that the system creates document number for the tax period which is used as reference for the payment of tax if any. After that tax payers take that document to the nearby bank branch and settle their payment. After that the payment is adjusted in the ministry of revenue data base and the data base issues the invoice and sends the receipt to the tax payers email address.

2. What are the benefits of the electronic tax system for the branch office and tax payers of the branch?

As per the response of the interviewee, there are a number of advantages that has gotten since the introduction of the system as well as the future expected to be gained from the adoption of electronic tax system. Some of the benefits raised by the team coordinator are: savings on operational cost, helps to reduce error of the manual system improved organizational functionality, productivity of employees in the branch, enhancing the service delivered to tax payers creating positive relationship between tax office and tax payers, saving of time, helps to minimize the cost of managing taxpayers, reduces the level of corruption by minimizing the physical connection of tax payers and employees of the office. Another benefits raised by the interviewee in this interview were electronic tax filing adoption are indicated, these are ease of use and system usefulness. In addition to this, electronic tax system enables tax payers to file their tax in a more convenient way, ease of use as a benefit of implementing electronic tax filing system, simplified tax filing tasks of the tax payers ,considered the system as an option less tool that directly improve customer satisfaction. Moreover, the respondent view that through electronic tax filing system tax payers can simply file their tax online with just a click of mouse and a touch of button. In this interview, the respondent also confirmed that, electronic tax filing system provides all the users with freedom of location. Additional benefits of electronic tax filing service reduce the workload over the tax office staffs compared with the traditional manual filing hence, increasing the efficiency and effectiveness of the employees of the branch office. Decrease loss of the manual document, decrease the time needed to search and place needed to store hard copy documents in the tax office and manpower resource required specially manpower required as data encoder. As for electronic tax payment they stated taxpayers can pay their tax without the need to go to the bank, it evades the physical presence of taxpayers for submission of

bank transfers and collection of invoices since if they pay online and also taxpayers can get their invoice via email are additional benefits of the electronic tax system.

### 3. What are the opportunities to adopt electronic taxation system?

Regarding the favorable conditions to implement the electronic taxation system, the interviewee stated that the government's plan to achieve digital Ethiopia can be considered as the opportunity for the electronic tax system. In addition to that, globalization and increased technology increased the ICT infrastructure in the country, decreased cashless transaction can also be taken as the opportunities to the adaptation of the electronic taxation system. Ethiopia by 2025, Ministry of Revenues facilitates for taxpayers to report & pay tax online Ethiopian government planned to achieve digital Ethiopia by 2025, Ministry of Revenues facilitates for taxpayers to report & pay tax online, Increasing in digital payment system in financial institutions is encouraging electronic taxation. Not only that but also the tax payers motivation for the system itself can be seen as the opportunity to the adaptation of the system in the country.

### 4. What are the basic challenges of electronic tax system adoption?

According to the statement of team coordinator of electronic tax system basic challenges of the system are: poor network connection that delays the tax payers to report and pay their tax liability, despite the recent improvements made by Ethiopian government on the national infrastructure, the overall ICT infrastructure in Ethiopia remains inadequate. Significant challenges to these plans include, lack of adequate financial and telecommunication infrastructure for the adoption of new technologies. The poor quality of telecommunication network service was a major obstacle to effectively deliver electronic tax services. The current ICT infrastructure and internet access in Ethiopia is not sufficient to use electronic tax filing system frequent power interruption, the month end reporting norms of tax payers their selves making the system busy and not allowing to file their tax, delaying in the issuing and sending of receipt on the email address of the tax payers due to the availability of many process until issuing the receipt in the system, unavailability of program to file annual report or profit tax specially the balance sheet annex.

In addition to that as a new system is connected with the former database of the so called Standardized Integrated Government Tax Administration System ( SIGTAS) by itself has a problem of backwardness and these problems affect e tax system since it's linked to E-tax system

in relation to this the system is not well developed which leads to continuous updates and taxpayers lack trust and confidence in using it when they see a new feature every time and since the system is developed by outsiders when there is a need for improvements they are needed and to get them this takes time on the process of acquiring government and the ministry office approval and requires additional costs.

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

The major objective of this paper was to assess the practice, opportunities and challenges of the electronic tax system. This chapter presents a summary of the survey findings, conclusion, and finally recommendations.

#### 5.1. Summary of Findings

The study focused on the assessing practice, opportunities and challenges of e-tax system in Ethiopia's Ministry of Revenues' Hawassa branch office. In doing so, previous studies on adoption electronic tax filing system have been reviewed. In Ethiopia, there were only some studies which focuses only on electronic filing system are available. Therefore, the researcher has a research gap that needs to be investigated on the perception of taxpayers and employees of the branch office on the practice, opportunities and challenges of adopting of electronic tax system in Ministry of Revenues. The specific objectives were as follows: To assess the current e-tax practice of Ministry of Revenue Hawassa branch office, to examine the benefits of adopting e-tax system for the tax payers and Ministry of Revenue, to assess the opportunities to implement electronic tax system, to assess the challenges for the effective utilization of electronic tax system in Hawassa branch office.

The study adopted the descriptive research design. In order to achieve the research objectives, collection of primary data was important to as to get the original and accurate perceptions from the targeted respondents'. Primary data was collected through the use of questionnaires and unstructured interview. A sample of 269 and 143 employees of the branch was included in the study and the data was summarized in Microsoft Excel and coded so as to run descriptive statistics. The study used SPSS Version 27 to analyse the feedback and generate descriptive statistics. Descriptive statistics obtained included mean, standard deviation, frequencies and percentages. These were presented in tables. On the other hand, the qualitative data were collected through unstructured interview conducted with team Coordinator of the e-tax department was analysed in qualitative way.

Finally, the study findings can be summarized as follows:

The first specific objective in the study was an assessment of practice of electronic tax system adoption. In this concern, the research finding presents that most of the tax payers of the branch office has started filing and paying their tax liability electronically. To do this, the tax office (MOR) Hawassa branch has been giving continuous training and gives technical support to the tax payers. In addition to that, the branch office is creating public awareness through mass media, social media, newspaper, brochures and magazine. Despite of this activity and availability of the electronic tax system, tax payers still visit the tax office for different services. The branch office has started applying the system in the 4<sup>th</sup> quarter of 2021 and most of the tax payers are using it. But still there are some tax payers who do not started using the new system. In addition to that, the system do not started in a full package. Even the tax payers who have started using the e-tax system are visiting the revenue office physically for different services: such as, to apply for clearance, to get tax refund, and to report annual financial statement.

In terms of benefits of the electronic tax system, the survey result shows the system is easy to use, reduce errors of calculating due tax, decrease the queue of the tax office, decrease bureaucracy of the tax office, decrease administrative penalties such as late filing and late payment, less time consuming, decrease transportation cost and other costs, allow taxpayers to pay their tax from where ever they are, some of the benefits. In addition to this, from the Ministry of Revenues side, it helped to manage the data of the tax payers, to get more time to audit work in order to confirm tax payers self-assessment report, makes work simple, convenient for tax officers, improves tax officer's productivity and enhances service provided for the taxpayers indicating their positive perception towards the system, to have the neat data base of the tax payers are the some benefits of the electronic taxation system to the ministry of revenue.

Another issue is opportunities to adopt electronic taxation. Ethiopian governments plan to achieve digital Ethiopia by 2025, and as a government Ministry of Revenues action to facilitates for taxpayers to report & pay tax online, increasing in digital payment system in financial institutions, government's action of encouraging cashless transaction, and increased advancement of technology, are some of the favourable conditions for the adaptation of electronic system.

As found from the study the challenges of e-tax systems are; weak internet connection, the month end reporting norms of tax payers their selves making the system busy and not allowing to file their tax, delaying in the issuing and sending of receipt on the email address of the tax payers due to the availability of many process until issuing the receipt in the system, unavailability of program to file annual report or profit tax specially the balance sheet annex, frequent interruption of power, absence of local language in the system, less knowledge of bank staffs about the electronic tax system, systems inflexibility that doesn't allow make corrections of mistakes after submit the report, and still going to office while they use e- tax filing system. Not only that tax payers are still visiting tax office specially when requesting tax clearance, requesting refund tax, to get different tax information, to selling fixed asset, while selling shares and bonds, taxpayer's incorrect data encoding making e-tax filing less effective, and shortage of IT lab in the branch office challenges bureau to give-tax training to staffs and tax payers .

## **5.2 CONCLUSION**

The findings of the study shows that adoption and development of e-tax technology in Ministry of Revenues stretches wide across the benefit, opportunity and challenges where the concerted effort by stakeholders to overcome the challenges will bring about immense opportunities to the dominant players in the field with the ultimate goal of transforming the country towards digitalization.

Accordingly, a number of conclusions can be drawn from these results. Potential operational efficiency benefits of e-tax adoption and development as perceived by the Ministry of Revenue are: increase productivity, reduces paper work, reduce transaction cost, and increase reliability and reducing errors, easy to use, reduce errors of calculating due tax, decrease the queue of the tax office, decrease bureaucracy of the tax office, decrease administrative penalties of the branch office, less time consuming, decrease transportation cost and other costs, allow taxpayers to pay their tax from where ever they are, some of the benefits.

Regarding the opportunities for adopting electronic tax system, some of them are: the focus of government on digitalization and encouragement of cashless transaction, the increasing positive attitudes of tax payers towards electronic tax system, increasing technology advancement,

Increasing digital payment system in the country, and governments focus on e-government are some of the opportunities for adopting and implementing electronic tax system.

Despite the above benefits and opportunities of adopting and developing e-tax technology in Ethiopia, it is associated with some challenges. The study shows that lack of adequate coordination between banks, limitation in network infrastructure and weak internet related support services, the month end reporting norms of tax payers, frequent power disruption, and lack of local language are considered the basic external challenges facing the implementation of e-tax system. Taxpayers had limited internet access and the revenue service's information technology system could not handle the huge overcrowding of tax returns, especially in the few days just before the deadline.

Therefore, from the above discussion it is possible to conclude that e-tax technology is adopted and being developed in Ethiopian Ministry of Revenue which has brought different benefits for both tax payers and revenue office is still in its infancy stage.

### **5.3 RECOMMENDATIONS**

Based on the findings the researcher came up with the following possible Recommendations to the Ministry of Revenue, the Hawassa branch office, and the government of the country general in order to overcome the challenges, exploit the untapped opportunities in adoption of e- tax system and to ensure a successful practice of e-tax System in Hawassa branch office.

- ✚ The Hawassa branch office should keep creating deep awareness to tax payers concerning the e-tax system and the benefits associated with using e-tax System through website, social media, brochures etc.
- ✚ Ethiopian Ministry of Revenue has to add additional local languages in e-tax system in order to make the system more user-friendly to use.
- ✚ Apart from the low internet infrastructure and functional limitation, the government needs more investment in the electronic tax structure in the country to accommodate all taxpayers'. This can be done by investing on capable IT infrastructures like; data server and high precision computers.

- ✚ The Ministry of Revenue should modify the system in the way that the taxpayers can correct if the mistakes happened after submit the report. This helps to avoid tax payers visiting office to correct the mistake.
- ✚ The tax office should improve the system in the way that it can work until it avoids manual activities fully implement electronically registration and clearance service and also reduce e-tax users forced still come to tax office.
- ✚ The ministry of Revenue has to solve limitation in network infrastructure to makes e-tax system more attractive.
- ✚ The tax office should solve the shortage of IT lab in the branch office challenges bureau to give-tax training to staffs and tax payers and so on.
- ✚ Office have to create the awareness of electronic tax system to bank staffs in order to make the system simple and clear for every stakeholders.
- ✚ The ministry of revenue should work in a way that all tax payers can pay their tax liability without visiting bank.

#### **5.4 Direction for further studies**

There are a number of limitations of this studies which might be the way of future research constructed approach to understand e-tax system continued usage. Specially, since there are many branches of Ministry of Revenue, the practice, opportunities and challenges of electronic taxation experienced by tax payers and employees of other branches of Ministry of Revenue is not identified by this study. Further Similar studies can be done in other branches of the Ministry of Revenue and the results of the findings be compared for more accurate generalization.

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## **APPENDIX**

### **Appendix I (Questionnaire for Tax payers)**

#### **HAWASSA UNIVERSITY**

#### **COLLEGE OF BUSINESS AND ECONOMICS**

#### **DEPARTMENT OF ACCOUNTING AND FINANCE**

#### **QUESTIONNAIRE TO BE FILLED BY TAX PAYERS OF MINISTRY OF REVENUE**

#### **HAWASSA BRANCH OFFICE**

Dear respondent;

I am post graduate student from Hawassa University in department of accounting and Finance. This questionnaire is aimed to gather data for research to be conducted on the title “practice, opportunities and challenges of electronic taxation system: the case of Ethiopian ministry of Revenue Hawassa branch office.” This research is purely used only for academic purpose and responses are published in statistical data. Therefore, I would kindly request your cooperation in filling out the questionnaire. I confirm you that all the data gathered will be kept confidential and anonymity is intact.

Thank you very much, in advance, for your sincere cooperation.

If you have any comment, suggestions, or question, please do not hesitate to contact me.

Tel-(+251)-916-81-53-12 /(+251)-712-17-18-37

Email –Juderejedaniel@gmail.com

Dereje Daniel Tona

## **General Instructions**

**Dear respondent, please note that;**

1. You do not need to write your name on the questionnaire.
2. Circle one from the choices provided in the Questions.
3. Fill your comment or suggestions on blank space

### **SECTION A: Personal information**

1. Gender

- A) Male    B) Female

2. Age

- A) 15-20                      C) 31-40                      E) >50  
B) 21-30                      D) 41-50

3. Level of education

- A) 12<sup>th</sup> grade complete & below                      B) Non-degree Diploma  
C) BA/BSc Degree                      D) Master's Degree and above

4. Type of business ownership

- A) Private Limited Company (PLC)                      E) Governmental institutions  
B) Share Company (SC)                      F) Others  
C) Public Enterprises  
D) Cooperatives

5. Sector of your business

- |                  |              |               |
|------------------|--------------|---------------|
| A) Agriculture   | D) Hotel     | G) Whole sale |
| B) Construction  | E) Education | H) Others     |
| C) Manufacturing | F) Mining    |               |

6. How long have you been operating your business?

- |                |                |
|----------------|----------------|
| A). 0- 5 years | C. 11-15 Years |
| B). 6-10 years | D. > 15 years  |

7. How long have you been using e-tax?

- |                        |                           |
|------------------------|---------------------------|
| A. Less than one year  | C. Two years- Three Years |
| B. One year – 2. Years | D. More Than Three Years  |

**SECTION B: PRACTICES, OPPORTUNITIES AND CHALLENGES OF ELECTRONIC TAXATION IN THE BRANCH OFFICE**

The following questions are presented on a five point Liker scale.

1. Strongly disagree 2. Disagree 3. Neutral 4. Agree 5. Strongly agree

Please put “√” mark in the box to the point which highly reflects your idea?

**Practices of electronic taxation in the Ministry of Revenue Hawassa Branch Office**

No.	Description	5	4	3	2	1
1	E-tax system is simple system to use.					
2.	The E-tax training given by the tax office to the tax payers is enough and clear.					
3.	E-tax system has clear guidelines to use.					
4	You are registered for e-tax system voluntarily.					
5.	Tax Authority gives technical support to the tax payers					
6.	E-tax system avoids manual tax system totally					
7.	Banks have enough knowledge about e-payment of the tax					
8.	It is possible to correct mistake after submitting the report online.					
9	You can encode daily transaction by using E-tax before the tax report date					
10	After you file your tax online, you can make tax payment without visiting bank.					
11	Since e-tax was introduced Ministry of revenues pays out refunds quicker than before					
12	MoR is providing public awareness through Television, social media, brochures, magazines, and newspapers					
13	E-tax system helps you to request and get tax clearance online					
14	E-tax system is being more clear and simple to use from time to time					

### Benefits of electronic taxation

No.	Description	5	4	3	2	1
1	Electronics taxation helps to save time					
2.	Electronic taxation is reducing work load					
3.	E-tax has less error than the manual system					
4.	Helps to avoid unnecessary queue of manual system					
5.	E-tax is simpler than manual system					
6.	Electronic taxation saves transportation and other costs					
7.	E-taxation helps to correctly calculate the due tax to pay					
8.	Helps to avoid the administrative penalties of late filing and late payment					
9	Helps to avoid manual papers and additional place to store those papers					
10	Helps to exercise the right of self-declaration/self-assessment					
11	Helps to minimize the bureaucracy of the tax office					
12	By using e-tax system, you can request a refund tax					
13	E-tax system allows you to request clearance online					
14	E-tax system is secure system					
15	E-tax system helps to detect fake receipt/ transaction					
16	E-filing helps to manage returns by providing access to previous returns					
17	E-tax system make less error in using than manual system					
18	E-tax system helps to minimize the administrative expenses					

## Opportunities of electronic taxation

No.	Description	5	4	3	2	1
1	As Ethiopian government planned to achieve digital Ethiopia by 2025, Ministry of Revenues facilitates for taxpayers to report & pay tax online.					
2.	Liberalization of telecommunication sector to ensure its service is encouraging electronic tax system by strengthening the existing infrastructure					
3.	Increasing in digital payment system in financial institutions is encouraging electronic taxation					
4.	Increased electricity access is helping electronic taxation					
5.	Government's action of encouraging cashless transaction is advantageous for electronic taxation					
6.	Taxpayers attitude is increasing positively towards e-tax system					
7	Ministry of Revenue is expanding its accessibility to create awareness of the e-tax to tax payers					
8	The website of ministry of revenue offers guidelines of e-tax which help tax payers and employees of ministry of revenue.					
9	Increasing Technology is contributing to e-tax system					
10	Governments focus on e-government is creating expedience for e-tax					

### Challenges of e-taxation in the branch office

No.	Description	5	4	3	2	1
1	E-tax is complex system to process					
2.	Power interruption makes e-filing system difficult to use					
3.	Weak Internet Connection makes e-tax difficult to use					
4.	Banks have less knowledge about e-payment while paying tax					
5.	E-tax needs more expensive materials than manual system					
6.	E-tax discourages tax payers from being tax compliant because it is complex to use					
7.	E-tax system is not as fast as expected					
8.	E-tax process is time consuming					
9.	Tax office do not give enough training about e-tax to the tax payers					
10	Banks and ministry of revenue do not create co-ordination about e-tax system					
11	The Employees of Ministry of Revenue have less knowledge about E-tax					
12	Absence of local language makes e-tax system difficult to use					
13	Tax office do not provide close and fast technical support while I seek help for unclear function of the system					
14	As e-tax system asks computer skill so that it is difficult to use it					
15	Username and password expires frequently discourages using e-tax system					

**Appendix II (Questionnaire for Employees)**

**HAWASSA UNIVERSITY**

**COLLEGE OF BUSINESS AND ECONOMICS**

**DEPARTMENT OF ACCOUNTING AND FINANCE**

**QUESTIONNAIRE TO BE FILLED BY TAX OFFICERS OF MINISTRY OF REVENUE**

**HAWASSA BRANCH OFFICE**

Dear respondent;

I am post graduate student from Hawassa University in department of accounting and Finance. This questionnaire is aimed to gather data for research to be conducted on the title “practice, opportunities and challenges of electronic taxation system: the case of Ethiopian ministry of Revenue Hawassa branch office.” This research is purely used only for academic purpose and responses are published in statistical data. Therefore, I would kindly request your cooperation in filling out the questionnaire. I confirm you that all the data gathered will be kept confidential and anonymity is intact.

Thank you very much, in advance, for your sincere cooperation!!

If you have any comment, suggestions, or question, please do not hesitate to contact me.

Tel-(+251)-916-81-53-12 /(+251)-712-17-18-37

Email –Juderejedaniel@gmail.com

Dereje Daniel Tona

**Dear respondent, please note that;**

1. You do not need to write your name on the questionnaire.
2. Circle one from the choices provided in the Questions.
- 3 .Fill your comment or suggestions on blank space

**SECTION A: Demographic Data of the Respondents**

1. Gender

A). Male

B). Female

2. Age

A) 15-20

C) 31-40

E) >50

B) 21-30

D) 41-50

3. Marital status

A) Single B) Married C) Widowed D) Divorced

4. Level of education

A). Non-degree diploma

B). BA/BSc degree

C). Master's degree and above

4. How long have you been working in ministry of Revenue?

A). Less than two years

B). Two years – five years

C). More than five years

The following questions are presented on a five point Liker scale.

1. Strongly disagree 2. Disagree 3. Neutral 4. Agree 5. Strongly agree

Please put “√” mark in the box to the point which highly reflects your idea

**Practices of electronic taxation in the branch office**

No.	Description	5	4	3	2	1
1	Tax payers file their tax liability by using e-tax system					
2.	Tax payers pay the due amount immediately after e-filing					
3.	E-Tax payers are using tax filing system voluntarily					
4.	The e-tax training given to the tax payers is enough and clear					
5.	E-Tax system avoids manual tax system totally					
6.	E-Tax is working according to tax proclamation and regulations					
7.	E-tax is showing progress from time to time in tax payers.					
8.	Tax payers of the branch office have positive attitude for e-tax					
9	E-tax system is more efficient than the manual system					
10	E-tax system is more effective than the manual system					
11	Tax payers prefer e-tax payment system than the manual system					
12	E-tax system is with better security than the manual system					
13	E-tax system is supposed to reduce the occurrence of wrong doings in the tax system					
14	MOR is providing public awareness through Television, social media, brochures, magazines, and newspapers					
15	E-tax filing has a strong security system to protect taxpayer's Information					

### Benefits of e-tax system in the branch office

No.	Description	5	4	3	2	1
1	Helps to avoid unnecessary queue of manual system					
2.	Important to manage the data of taxpayers					
3.	Electronic payment helps to collect revenue on time					
4.	E-tax helps to reduce error of manual system					
5.	Helps for having neat data base of the taxpayers					
6.	Helps to get more time to audit work to confirm taxpayers' self-assessment report					
7.	Helps to minimize the cost of managing taxpayers					
8	E-tax system helps to minimize the corruption					
9	E-tax system helps to calculate tax more accurately than manual system					
10	Helps to decrease work load of the officers of the branch office					
11	E-tax payment system has a positive effect on controlling tax evasion					
12	Data loss is less risky in E-tax system than manual					
13	E-tax system improved productivity of employees of ministry					
14	E- tax system helps to enhance the service provided to taxpayers					
15	Helps to avoid manual papers and additional place to store those papers					
16	E-tax system creates positive relationship between revenue office and tax payers and hence increases tax compliance of the tax payers					
17	E-tax increased efficiency and effectiveness of the tax office					

### Opportunities of e-tax system in the branch office

No.	Description	5	4	3	2	1
1	As Ethiopian government planned to achieve digital Ethiopia by 2025, Ministry of Revenues facilitates for taxpayers to report & pay tax online.					
2.	Liberalization of telecommunication sector to ensure its service is encouraging electronic tax system by strengthening the existing infrastructure					
3.	Increasing in digital payment system in financial institutions is encouraging electronic taxation					
4.	Increased electricity access is helping electronic taxation					
5.	Governments action of encouraging cashless transaction in the economy is advantageous for e-tax					
6.	Taxpayers attitude is increasing positively towards e-tax system					
7	Ministry of Revenue is expanding its accessibility to create awareness of the e-tax to tax payers					
8	The website offers guidelines which help tax payers and employees of ministry of revenue.					
9	Increasing Technology is contributing to e-tax system					
10	Governments focus on e-government is creating expedience for e-tax					

### Challenges of electronic tax system

No.	Description	5	4	3	2	1
1	E-tax is complex system to process					
2.	Power interruption makes e-tax system difficult to use					
3.	Weak Internet Connection makes e-tax difficult to use					
4.	Employee of banks have less knowledge about e-tax payment system					
5.	E-tax needs more expensive materials than manual system					
6.	Taxpayers of the branch office have not positive attitude towards using the e-tax system					
7.	Taxpayers of the Branch office have less basic computer skill					
8	Taxpayers do not want to shift from manual system to e-tax system					
9	Taxpayer's incorrect data encoding makes e-tax filing less effective					
10	The work load is the same after e-tax system is introduced					
11	Limitation in network infrastructure makes e-tax boring					
12	E-tax payment system requires additional effort to enter the data than manual system					
13	Absence of local language makes e-tax system difficult to use					
14	Shortage of IT lab in the branch office challenges bureau to give-tax training to staffs and tax payers					
15	Many tax payers usage of e-tax website at the end of the month makes the server crowded					
16	E-tax system is less effective because taxpayers forget their user name and password.					

### **APPENDIX III: Interview Questions for E-Tax department team coordinator.**

1. What activities have been taking place regarding to electronic tax system with in the branch office?
2. What are the benefits of the electronic tax system for the branch office and tax payers of the branch?
3. What are the favourable conditions to implement the electronic taxation system?
4. What are challenges of implementing electronic taxation?