

Challenges of VAT Administration in Benishangul Gumuz Regional State: A Case Study of Asossa City

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Abstract:

The objective of this study was to assess challenges of VAT administration in Benishangul Gumuz regional state. The researchers employed descriptive method and mixed research approach. In addition, the sample sizes of the population is 108 VAT registered taxpayer and six tax officials. Among them only 100 were willing to accept questionnaires dispatched to them using simple random system. Then researchers were used Tables, charts, and bar graphs to analysis. The data gathered shows that, there are low levels of awareness in public in general and in registered taxpayers even within tax officers; service delivery of officers also low; rent seeking attitudes also another problem in office; until this research document is delivered the region couldn't install cash register machine for taxpayers, and SIGTAS also uses only for taxpayer enrollment. Based on the finding, the researcher recommends creating awareness, taking appropriate legal measure, upgrading levels of officers through short term and long term training, taking administrative actions on the officers to build up confidences of taxpayers on the authority and to increase levels of compliance is necessary.

Key words: VAT, challenge, administration.

1. INTRODUCTION

1.1. Statements of the Problem

VAT is an important source of public revenue and is being widely applied by more than 160 countries (Komal, 2013) and

areas, with coverage from the under-development area in Africa and Asia to the well developed Western Europe and North America. It is declaimed as the most important of the latter twentieth century and certainly the most breaking and with its significant influence on the domestic economy and the government policies as cited by (Tareke et al, 2013).

In Ethiopia VAT was introduced in 2003 to replace sales tax with the objectives to minimize tax evasion and avoidance, enhance investment and saving since it does not tax capital, and generally to foster growth and development. Different authors describe introduction of VAT as the valuable reform undertaken by Ethiopian Government. Yesegat, (2008) confirms that, VAT has a significant role in the revenue system of the Ethiopian government. Abdella and Clifford (2010) also uncover that VAT contributes more than 40% to revenue generated in 2008 and 2009G.C. Despite its contribution, there are many challenges that encounter tax authority in the country to raise adequate revenue from VAT.

The main areas where there are gaps and problems include taxpayers identification and registration, VAT filing and payment, VAT refunds, VAT audits, penalties and VAT invoicing. In addition to this, a paucity of tax awareness among the society and strong education programs as well as lack of trust between taxpayers and administrators as major challenges to the VAT system in the country Yesegat, (2008). Mamo (2011) identifies that, the implementation of VAT in Ethiopia is difficult due to, low level of taxpayer awareness regarding concept, advantage roles of VAT rules and regulation; ineffective collection and assessments of VAT because of presence of corrupted auditors, weak performance and lack of awareness regarding taxpayer.

VAT is a recent phenomenon to Benishangul Gumuz regional state(here after BGRS). It was adopted in 2011 G.C after eight year implementation in the country. Following its introduction, the region tries to collect additional revenue from

individual VAT registrant. However, BGRS encountered various challenges in administering this consumption tax. In my experience as parts of Benishangul Gumuz regional state revenue authority(here after BGRSRA) executive body, the region encountered various problems to raise VAT revenue. Even though, there are various research conducted on problems of VAT in Ethiopia, as far as my knowledge is concerned there is no study conducted on this area in BGRS to the researchers' knowledge prior to this work.

Therefore, the aim of this thesis is to assess the challenges of VAT administration in BGRS particularly, problems in VAT registration and collection, tax payer's attitude toward value added tax, public reaction toward value added tax and to recommend solution for identified problems. Thus, the researcher identified the following research questions.

1. What are the statuses of VAT collection in BGRS?
2. To what extent does information technology involve in VAT administration in BGRS?
3. How VAT taxpayer's compliance to tax law and regulations?
4. What are VAT registration process in the study area?
5. What are the challenges in VAT refund administration in the study area?

1.2. Objectives of Study

1.2.1. General Objective

This study has over all objectives of assessing the challenges of Value Added Tax administration in BGRS particularly in the case of BGRSRA head quarter. In addition to this, the study identified the prospect and problems related to VAT and points out solution.

1.3.2. Specific Objectives

Specifically this study tried to address the following issues:

- To assess status of VAT collection in BGRS
- To assess the extent of information technology involve in VAT administration in the study area.
- To investigate whether taxpayers comply with VAT law and regulations in the region.
- To assess VAT registration in BGRS
- To assess VAT refunds administration in the study area.

2. LITERATURE REVIEW

2.1. Historical backgrounds of VAT

The idea of (VAT) traces back to the writing by von Siemens, a German businessman, in the 1920s (Lee, 2003). It is to be noted that France was the first country to adopt VAT in 1954. However, its original coverage was limited, and France did not move to a full VAT that reached the broader retail sector until 1968. The first full VAT in Europe was enacted in Denmark in 1967, although the country did not join the European Economic Community until 1973(ibid). Subsequently, about 160 countries adopted VAT as sources of revenue (Komal, 2013). Currently All members of the OECD and all leading economies in the world have a VAT (or very broadly comparable tax), apart from the US. Then, the tax spread through Europe, South America and parts of Africa in the 1960s and 1970s before taking a hold in other regions (Haruye, 2004).

VAT adoptions progressed in two major phases. The first occurred mostly in Western Europe and Latin America during the 1960s and 1970s. The rise of the VAT in Western Europe was accelerated by a series of EEC directives requiring member states to adopt a harmonized VAT upon entry to the European Union. The second phase of VAT adoption occurred from the late 1980s with the introduction of VAT in some high-profile industrialized countries outside the EU, such as Australia, Canada, Japan, and Switzerland. This phase also witnessed the

massive expansion of VAT in transitional and developing economies, most notably in Africa and Asia.

Cote d'Ivoire is the first country in Africa to introduce VAT. As of 2003 from the 53 member countries of the African Union about 31 of them introduced VAT. Following this, the government of Ethiopia introduced VAT with different objectives on January 1, 2003 by replacing sales tax (Hailmariam, 2011).

2.2. Value Added Tax Administration in Ethiopia

In the last two decades, revenue administrations have undergone several institutional reforms, driven by the need to improve operational efficiency and effectiveness in a bid to increase revenue collection. Policy debate in most SSA countries in the 1990s revolved around the need to improve revenue administration organizational arrangements, including the merits and demerits of setting up semi-autonomous revenue bodies (www.itdweb.org, 2010)

The best tax policy in the world is worth little if it cannot be implemented effectively. Tax policy design must take into account the administrative dimension of taxation. What can be done may to a considerable extent determine what is done in any country.

According to Bird and Zolt (2003) improving tax administration is central to the choice of tax structures and to improving taxation in developing and transitional countries. The political will to administer the tax system effectively, a clear strategy for achieving this goal and adequate resources for the task are the ingredients seem essential to effective tax administration even if most attention is often paid to the resource problem. In addition, the need to have sufficient trained officials, adequate information technology and so on is also have its own contribution in curving effective tax administration. However, without a sound implementation strategy, even adequate resources will not ensure success. And

without sufficient political support, even the best strategy cannot be effectively implemented.

One of the central elements of the tax reform undertaken by the Government of Ethiopia was the introduction of Value-Added Tax, or VAT (Abdella and Clifford, 2010). According to Ethiopian FDRE (2002), it is levied on locally produced goods at the manufacturing level or on imported goods at the import gate. The bases for taxation are the producer's wholesale price plus excise tax for local goods or the CIF value plus customs duty and excise tax for imports. There is a refund for input taxes paid on raw materials used in the production of local goods, except for pure alcohol used as raw material. The tax is payable monthly and is due no later than the end of the following month. For imported goods, the tax is collected at the same time as the customs duty.

Some taxable supplies of goods or rendering of services are exempted (these are detailed in the proclamation). A few transactions are zero rated but these are very limited: exports; international transport; supply of gold to the National Bank; or sale of a business as a going concern. All other goods and services are liable to VAT at a rate of 15 percent.

2.3. Recent Studies on Challenges of VAT administration

VAT is the recent phenomena to Ethiopia. As mentioned earlier it is adopted in 2003 with the objectives of raising revenue, encouraging investment and saving. In addition to this, it is also paving way to trade liberalization which needs to decrease rely on revenue collected from customs duty instead raising internal revenue such as VAT. However, there are various problems identified by different literature regarding implementations of Value added tax.

According to study conducted by Tareke .etal ,(2013) about challenges and prospects of VAT in Tigray regional state Significant portion of the VAT payers have negative perception

about the fairness of the payment across the businesses; Many businesses have confirmed that there has been a significant turn down in the number of their customers following the implementation of VAT system; considerable numbers of VAT registered businesses fail to offer VAT receipts up on payment, providing used VAT receipts as a means evade from the system and The level of enforcing business firms to provide bill during payments is low as majority of the consumers fail to ask for receipt during payments, similarly many consumers fail to tear down the receipt as it give the chance to use illegal businesses for tax evasion. Yesigat (2008) also identifies major bottlenecks in administration of VAT such as problems in taxpayer's identification and registration, VAT filing and payment, VAT refunds, VAT audits, penalties and VAT invoicing. In addition, the outcomes of the surveys showed a paucity of tax awareness among the society and strong education programs as well as lack of trust between taxpayers and administrators as major challenges to the VAT system in the country. The gaps and problems identified in the study were partly because of under staffing of the tax authority. And in adequate resources is also critical in challenging VAT administration. In addition to the above she pointed out weak administrative capacity at regional government following the decentralizations of VAT to them contributes a lot for low performance of VAT Administration.

According (Asemenew, unknown) challenges of value added tax explained as follow:-Inefficiency and ineffective organized computerized system in tax administration; Lack of adequate skills and absence of willingness and poor understanding about the concept of tax by tax payers; Frequent change of taxpayers address without acknowledgement of the office; Lack of willingness to provide information by third party; Lack of sufficient, competent and motivated tax officers; Inflexibility of the software in us; Absence of frequent discussion concerning various problems encountered in the tax

office; Electric power failure; Complexity of the tax laws and proclamation.

The challenges of VAT implementation in Ethiopia are: administration inefficiency to control noncompliance taxpayers, lack of cognizant taxpayers, existence of reluctant enterprises to register for VAT, existence of registered enterprises issuing illegal VAT invoices, existence of unwilling customers to buy goods and services priced with VAT, the authority's weak follow-ups and controlling mechanisms against those taxpayers registered but doesn't use proper VAT invoices and those nonregistered enterprises but have a transaction of more than or equal to the threshold level, inability of the authority to render quality services and weak audit technique, failing of some taxpayers to notify the collection of VAT to the tax offices, and existence of many important sectors, most notably services and the wholesale and retail sectors, that have left out of the VAT net, the existence of taxpayers that refuse to honor their debt obligations to the VAT service while others submit their VAT returns without payments, the deliberate submission of nil returns and non-issuance of VAT invoices by the business enterprises.

Generally, this studies shows that there are lack awareness, unskilled man power and inefficient technology throughout the country that hindered the implementation VAT. Especially in developing region such as Benishangul Gumuz regional state the problems are tripled when compared to other parts of the country.

3. RESEARCH METHODOLOGY AND DESIGN

3.1. Research design

For this study, the researcher employed descriptive and inferential data analysis. In addition to the above, the researcher employed mixed research approach which includes quantitative and qualitative approaches in order to generate

the advantage of both approaches like; to address different objectives of the study, which cannot be achieved by a single method and to enable one approach to inform another approach, either in design or in interpretation.

3.1.1 Sources of Data

Primary data collected from responses to the questionnaires administered to VAT payers and to tax officials to get the required information. And secondary data collected from BGRSRA. Since the study uses both quantitative and qualitative approach, data gathering tools employed both Questionnaires and Interviews. The questionnaire comprised of both closed and open-ended questions. In this Study, VAT registered taxpayers and tax official of BGRSRA were the target populations of the study.

3.2.2 Sampling Technique and sample size determination.

Both probability and non-probability sampling techniques employed to select respondents from the population.

The base for drawing the sample size is the total number of 150 VAT registered taxpayers in BGRSRA those are functioning in Asossa City. According to (Kothari, 2004) Because of their homogeneity the sample size was determined by statistical formula as follow;-

- 1 If $N \geq 10000$, then sample size= $n = z^2 * pq / d^2$
- 2 If $N \leq 10000$, then sample size = $n = n / 1 + n / N$

Based on this formula the researcher selected 108 VAT registered taxpayers those are residing in Asossa city randomly. Beside this, responsible tax officials also were selected using purposive non-probability sampling techniques.

3.3 Data Analysis

Data collected from the primary survey was complied sorted, edited, classified, coded into a coding sheet and analyzed using computerized data analysis package known as SPSS ii. Tables, charts, bar graphs were used to analysis the attitudes and understanding of tax payer’s toward value added tax administration problems that was collected through questionnaire and interview. Lastly data presentation was demonstrated by diagram and in the form of idea construction.

4. DATA PRESENTATION AND INTERPRETATION

4.1. Problems Related To VAT Collections

4.1.1. VAT Declaration

The study was conducted by distributing questionnaire to VAT registered individuals, in order to analyze challenges of VAT in the region. To understand when every taxpayer declared his or her tax obligation; the following data was analyzed as follow

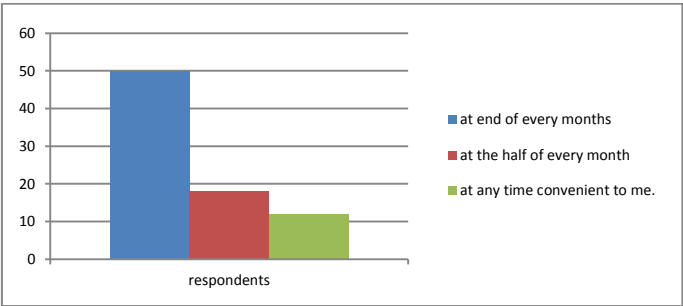


Figure 1 VAT declaration

The above graph shows that majority of the vat payers are declaring their VAT obligation on time. This means, 50 taxpayers responded that they should to pay at the end of every month. However, 30 of the tax payers are knows nothing weather to declare at the end of every months. 18 of the respondent said that they have to declare at half of every month, while 12 of the same taxpayers said that they are

paying at any time convenient to them. This shows that, the taxpayer may not have enough knowledge about declaring the obligation or such like taxpayer may not always issue receipt for his customers. Because of this, the organization may evade much tax that makes them not to fear penalty imposed on them while declaring late.

To sum up, fluctuations in declaration time implies that taxpayer's did not know time of declaring vat correctly or they might evade much tax because of that they don't care penalties imposed on them. In addition to this, the authority also didn't educated and follow up with taking convincing majors on those filing late not only for late filing but also identifying weather they evade other provisions of VAT or not. Thus, it is advisable to follow up, educate, and taking convincing majors using risk management on VAT payers those fluctuate declaration.

4.2.2. Tax Payer Service Delivery

Evaluations of taxpayer's service delivery is conducted through distributing question which said that, how do you evaluate tax officer's service delivery?

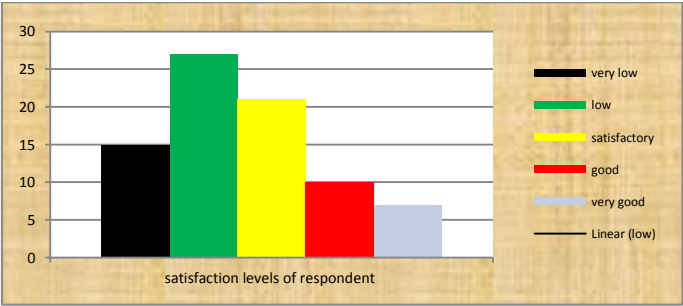


Figure 2 Taxpayers Service Delivery Chart

Source: Researchers Survey

The graph shows that among 80 respondents, 15 say that service delivery is very low, 27 of them believe that it is low, 21 responds satisfactory, 10 responds good and 7 says it is very good. The result depicted that, Majority of vat payers are not satisfied with the service delivered to them by tax authority.

This includes 19 % of very low and 34% of them are low satisfaction. This can be concluded that, 53% of the respondents are not satisfied with service delivered to them. In other direction 26% respondents believe that, the service delivery is satisfactory which means it is not good or bad but they are satisfied a little bit.

However, those who replied, good very good are not that much significant in number compared with the opposite one. Because, only 12% of respondent replied the service delivery were good and 9% very good. This confirms that, majorities of the respondent answers that, they were not satisfied with service delivery provided by the authority. The reason is that others responded as they are not impartial, the rest exposes officer’s incapability and lack of modern technology believes as the challenges.

4.2.3. VAT Invoice Administration

According to VAT proclamation 285/2002 article 22 a person registered for VAT that carries out a taxable transaction is required to issue a VAT invoice to the person who receives the goods or services. A person who is not registered for VAT does not have the right to issue a tax invoice.

Table: 1 levels of VAT invoice use.

Q1.How often does consumer asks for receipt				Q2.Does City resident and ask for VAT receipt than rural one		
No	Expected response	No of respondent	% of respondents	Expected response	No of respondents	% of respondents
1	Always	20	25%	Definitely true	43	54%
2	Sometimes	28	35%	No	16	20%
3	They don't bother	32	40%	cannot be generalized	21	26%
	Total respondent	80/80	100%		80/80	100%

Source: survey results 2007E.C

The above table describes how often does the consumer asks for receipt in every transactions. 25% of them replied that they

awere asked always, 35% sometimes, and 40% witness that they don't bother about the invoice. Invoice is not their business such types of customers always give high attention to their jobs not invoice. However, VAT law says that, a person registered for VAT that carries out a taxable transaction is required to issue a VAT invoice to the person who receives the goods or services. So the table describes that, still the awareness of customers and VAT payers toward invoice is not adequate. Majority of the customer does not give attention for their invoice. In another hand, tax officer didn't provide adequate education for customers about the advantages of tax and receiving invoice while conducting transaction. Thus, the researcher suggests that awareness should be given for people and VAT registered person.

Regarding the comparisons of rural customers and city customers the respondent reacts that, 54% of them believes that city dwellers are more conscious than rural residents in BGRS for asking VAT invoices. And 20% believe that this is not true. Lastly 26% of respondent react that it cannot be generalized weather all rural residents are less alert than city residents are. This implies, there were aplenty jobs left out to be done by BGRSRA and its partners regarding teaching rural residents to know that receiving VAT invoice are not only their right but also their contribution to countries development in general.

4.3. Use of technology in BGRSRA

Technology is very necessary in day to day activities. Information technology (IT) is the application of computers and telecommunications equipment to store, retrieve, transmit and manipulate data, often in the context of a business or other enterprise (www.wekpediya). Thus, the BGRSRA employed some technology in their tax administration. In this area researcher presents cash register machine and SIGTAS.

4.3.1. Cash Register Machine

The researcher dispatched a questionnaire; whether introducing Cash register machine is necessary for BGRS VAT registered taxpayers. Definitely, majority of them accept the idea of installing cash register machine in the city. However, there authority couldn't afford it to them. The reason replied by officials for not installing the machine were, first there were no adequate numbers of registered VAT taxpayer to attract the investors with license of installing cash register machine. Second, we do have to create awareness for taxpayers how to use the machine before introduction.

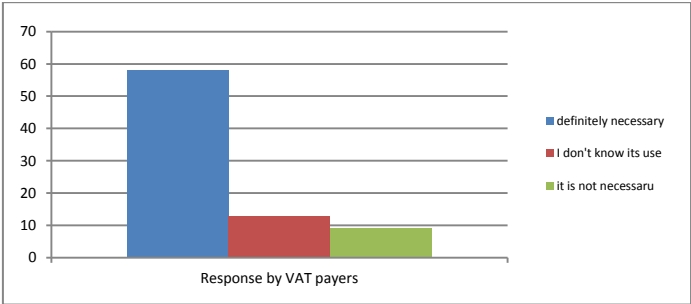


Figure 3 levels of cash register machine

Source: 2007E.C survey.

Based on the data collected from VAT taxpayers, 58 of them respond that, introductions of cash register machine is definitely necessary, this belongs to 72% of total sample size in the study area. This shows that, majority of the population study, believe that introduction of cash register machine is very necessary to BGRS. 16% of respondent said they don't know benefits of cash register machine. This also implies much jobs left behind in educating taxpayers to understand the uses of cash register machine. In addition, 9% of the studied populations respond that cash register machine is not necessary.

To summarize, the study exposes that while majority of the taxpayer believe that cash register machine is necessary, around 25% of the taxpayer have negative attitude toward the

machine. So, the authority has to upgrade the awareness of its customers not only to increase tax collection but also to upgrade levels of compliance in study population.

4.3.2. Use of SIGTAS in BGRSRA

SIGTAS is standard integrated government tax administration system used mainly by developing nations. In Ethiopian SIGTAS, is used for different tax administration. According to BGRSRA (2007E.C) GTP report; SIGTAS gives service only for TIN & VAT registration. However, identifying types of tax, VAT declaration, payments, arrears, refund administration, risk management, bank account transfer, tax clearance, and audit plans are not conducted through this technology. This implies that, the region still is not using the technology properly.

4.4. Compliance of VAT Payer

4.4.1 Penalty on VAT Law Violation

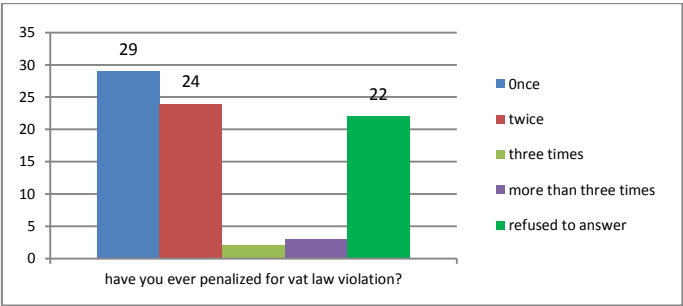


Figure 4 penalties for VAT low violation

Source: 2007E.C Survey

For the question distribute for 100 VAT payers and responded by 80 of them; only 58 respondents gave response for the question raised that, have your organization ever penalized? And 22 of the respondent refused to give opinion on the issue. Here, all taxpayer responded that; they penalized once or twice a year except five of them. This show, in one hand taxpayers is not transparent to tell their fault. In another hand, the

authority is not tough to tackle those violating tax laws. The ability of officials to take corrective action in order to bring taxpayers to obey tax laws and regulation is low.

4.4.2. VAT Declaration Process

Every registered person is obligatory to file a VAT return with the Authority for each accounting period, whether or not tax is payable in respect of that period to pay the tax for every accounting period by the deadline for filing the VAT return. The VAT return for every accounting period shall be filed no later than the last day of the calendar month following the accounting period. Then, the researcher tried to analysis collected data in the following manner:-

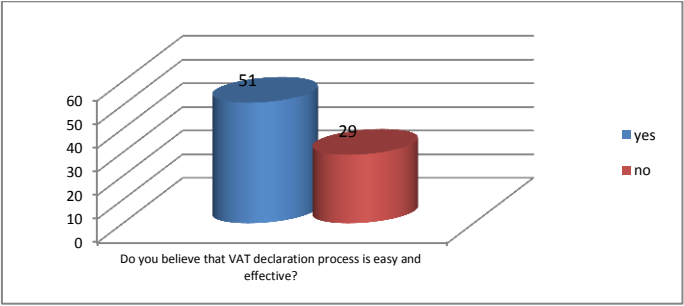


Figure 5 VAT declaration process

Source: survey 2007E.C

The above chart describes the process of VAT declaration. Among the respondents, 64% answers that the VAT declaration process is easy and effective. In another hand 64% of them replays as they don't believe that VAT declaration process is easy and effective. This shows that, declaration process is easy and effective because the majority of respondent believe in the statement.

Here, more than one third of studied population thought as declaration process is not easy and effective. When the researcher tries to ask deeply the reason behind this response, mainly the process is not effective because officials are not ready to serve us, experts are not impartial in giving service to

all taxpayers and the process is not modernized. Because of this, it is difficult to conclude the system is effective and conducive for taxpayers.

4.4.3. Human Resource Management

Table 2. Numbers of employs in BGRSRA

Allowed posts	Regional head office		Wereda's office		Total employs of BGRSRA	
	Allowed	%	Allowed	%	Allowed	%
Occupied	76	78%	260	64%	336	67%
Free	23	22%	145	36%	168	33%

Source: BGRSRA five GTP reports 2007E.C

BGRSRA human resource management is different from general civil servant according regulation 58/2004EC. Not only with general civil servant but also with ERCA little bit. For example while ERCA defines its employers as all employers in the organization except General Director, deputy director and prosecutors reg.155/2000. However, according to BGRSRA employers are all workers except general director, deputy director, zonal and wereda office managers are employers of the organization.

Thus, for the question dispatched as do you believe does BGRSRA has adequate skilled man power? Majorities of sample population which accounted for 62% said that, they don't think that there is adequate skilled man power. While 38% of the respondents react as they accept that there is adequate skilled man power in the organization. This shows that, there is skill gap in administering revenue authority in general and VAT in particular. Not only this but also according the data described on table 2 above only 78% of the structure is occupied at head office. This also gives a vacant position that must be filled in order to serve taxpayers accordingly. In other hand, 38% of the respondent clearly stated that there is no skill gap. This shows that, problems of poor administration in VAT

is not only skill gap but also behavioral and attitude problems. In area where rent seeking attitude is prevailed, tax administration in general and VAT administration in particular will be poor.

4.5.2. VAT payer’s education

Among the objectives of BGRSRA are ensuring the Tax laws are well known and respected by taxpayer community and enhancing the willingness and motivation of taxpayers by conducting a continuous education and initiation undertakings are provided in re-establishment proclamation 102/2004.

Table 3. Levels of VAT payer’s education

	Q1.As a taxpayer, do you think that your organization is familiar with VAT proclamations and regulations?			Q2.Is tax authority is providing enough education regarding VAT?		
Sl. No.	Expected response	No of respondents	% of respondents	Expected response	No of respondents	% of respondent
1	Strongly agree	15	19%	8	10%	Strongly agree
2	agree	18	23%	9	11%	agree
3	Disagree	25	31%	17	21%	Disagree
4	Strongly disagree	22	28%	46	58%	Strongly disagree

Source: survey 2007E.C

Table 3 shows that 28% of strongly disagree with the statement said that, as a taxpayer, do you think that your organization is familiar with VAT proclamations and regulations? And 31% disagree, 23% agree and lastly 19% strong agree with the statement. This confirms, majority of the populations of the study area are not much educated from tax officials using different mechanisms.

In the case weather Tax authority is providing enough education regarding VAT, respondent reacts in the same status like above question. This also, provides answer for question which stated Tax authority is providing enough education regarding VAT. Here also 10% strongly agree, 11% agree, 21% disagree and 58% strongly disagree with the statement. The

study verifies that majority of tax payers believed that tax authority is not providing enough education for them. However, this figure does not show that, the officials are doing nothing but not enough. Because, not less than 20% of the respondent agree and strongly agree with statement confidently for authority as they are providing enough education.

To sum up majority of the taxpayer claims that, they couldn't get enough education not only about tax law and regulations but also about the benefits of Vat for person registered in particular and as country in general.

4.5.3. VAT registration

A person who carries on taxable activity and is not registered is required to file an application for VAT registration with the Authority if - at the end of any period of 12 calendar months the person made, during that period, taxable transactions the total value of which exceeded 500,000 Birr; or at the beginning of any period of 12 calendar months there are reasonable grounds to expect that the total value of taxable transactions to be made by the person during that period will exceed 500,000 Birr(proc. 285,20020).

This registration is conducted both voluntarily and obligatory. Voluntary registration done when taxpayers are knows his annual turnover is more than five hundred thousand then file for registration. Second when his transaction is conducted more than 75% with VAT registrant, the organization can apply for voluntary registration. In other hand compulsory registration is divided in to two. One identified business sectors according directive (VAT registration directive 25, 2001EC) obligated for compulsory registration. Second business those have more than five thousand annual turnover and expected to have 500 thousand turnovers are studied and identified by authority, then the authority issues VAT certificate to them.

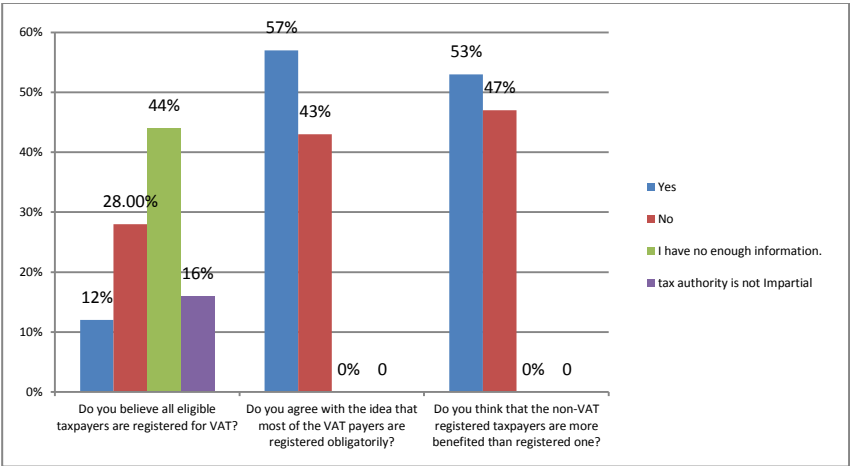


Figure 6 VAT registration

Source: survey 2007E.C

The results of the survey conducted to identify weather most registration is made voluntarily or compulsory confirms that, 54% of studied population back up most of the registration carried out is compulsory. However, 47% of respondent believes that registration is not compulsory. This implies that, awareness of taxpayer in the study area to register voluntarily is low when compared to voluntary registration. According to the deep interview conducted with taxpayer, the main reason for compulsory registrations is lack of awareness, Rigidness to accept change especially transparency among taxpayers, and Low levels of knowledge about advantages of tax to country development in general. Thus, the researcher suggests that, creating awareness for voluntary registration is vital to increase voluntary compliance in the region.

Another data is collected weather all eligible taxpayer is registered for VAT in BGRS, 12% of respondent reacted yes, 28% replays no, 44% said I have no enough information weather there are eligible taxpayers unregistered and 16% are said tax authority are not impartial while conducting VAT registration.

Generally, majority of VAT registration is not only obligatory in many cases but also eligible taxpayers were not registered fully. Thus, I suggest that, detailed study have to be conducted on the turnovers of taxpayer and inviting them to register voluntarily. If they failed to do so, authority will conduct registration compulsory according rules and regulation.

4.6. VAT refund Administration

The question dispatched weather the taxpayer file null; and how often does the organization file VAT refund in every year?

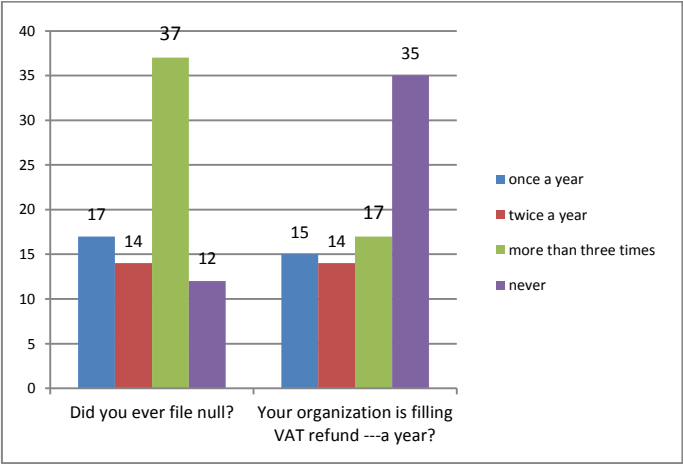


Figure 7 null filing and VAT refund

Figure 9 describes the result for question dispatched as did you ever file null? Only 12% of the respondents reacts that, they never file null. However, the rest 88% of them answered as they fill null at different times a year. For example 21% replied that they file once a year, 18% of them replays twice a year, while majority of the respondents which is 46% replays that they fill more than twice a year. This shows that, in BGRSRA there is no close follow up of value added taxpayer in order to reduce null filing.

According to Ethiopian VAT law 285/2002 article 27 the Authority shall refund the amount of VAT applied as a credit in excess of the amount of VAT charged for the accounting period

within a period of two months after the registered person files an application for refund, accompanied by documentary proof of payment of the excess amounts.

The survey illustrates that while only 12% replied they never file null; 88% of the respondent answers as they file null starting from filling once a year to more than three times a year. This explains that, majority of taxpayer files null at different times in every year which creates suspension whether VAT payers are issuing receipts regularly or not. In study area, buyer's awareness about asking for receipt while concluded transaction is very low. This is another reason to suggest that all null declaration is not because of lack of transaction but because of refraining from issuing receipt.

5. RECOMMENDATION

5.3. Recommendations

Based on the data analysis the following recommendations are forwarded by the researcher;

The study depicted that, majorities of VAT payers were dissatisfied; by the service delivered to them. Thus, the researcher suggests to the authority to upgrade the capacity of officers through short term and long term training in order to increase their technical capacity, shape attitudes of officer in the organization to act ethically, and taking appropriate majors on officers, those are unethical, misbehaved and violating law.

Teaching VAT laws using different mechanism not only for urban dweller but also for rural residents is necessary. Among the mechanism suggested by the researchers are:-In rural area teaching farmers where they are working co-operative farm which said Dabo is very useful. In addition to this, persuading clan and religious leaders to convince their followers to tell the advantages of tax for their development can bring a great implication. In indigenous population clan and religious leaders have more acceptance than political leaders. If

they believe in asking for receipt in every transaction; all clan members will implement such jobs. Moreover, tax authority has to give Continuous education for public and slow in taking harsh legal action until they understand it; especially for rural population. Regarding urban resident Continuous educations using different media are vital. However, convincing action should be taken using risk analysis on both taxpayers and tax officials. In other hand introducing cash register machine, implementing SIGTAS for VAT assessment and collection, risk analysis, audit and fulfilling adequate infrastructures in head office also another jobs to be undertaken.

Another data showed us that, majority of illegible taxpayers is not registered for VAT. In order to alleviate this problem, tax officers should be impartial not only while conducting registration but also at the times of giving service for its customers. Second authority should take appropriate action on its officers while violating law in order to build confidences of taxpayers on the organization. And organizing data's of taxpayers early to identify illegible one is vital.

Following up taxpayers, those always file null and ask for refunds. Because in reality it is not believable for service giving organizations to say that they couldn't conduct transaction in one month. So, intelligence services are should be active in cases of identifying tax evader's and real taxpayers in the region.

The Authority should introduce Cash register machine in at least at Asossa city. These can be done first encouraging eligible taxpayers to be registered, second creating conducive environments for licensed cash register supplier to invest in the region. Secondly installing SIGTAS to operate fully at head quarter in order to create facilitate service and more data based decision.

BGRSRA must create mutual co-operation between taxpayers especially VAT registrant and the authority in order to increase VAT payers compliance. Lastly not list the

researcher suggests that more study have to be conducted regarding challenges of Value added tax in Benishangul Gumuz regional state.

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