

Factors Affecting the Performance of Value Added Tax Collection in Ethiopia: Evidence from Amhara Region, Woldia Town Administration

Gashaw Awoke Tikuye

Email: awoke.gashaw@yahoo.com

Department of Management, College of Business and Economics, Bahir Dar University

Abstract: Tax revenue is one of the fastest growing sectors of the economy in Ethiopia. Yet VAT revenue collection performance from this sector has continually been up and down for the last two years. This study was carried out to determine factors affecting VAT revenue collection performance of Woldia Revenue Office. Quantitative research approach was applied to conduct this research. The target population for this study consisted of 81 employees of Woldia Revenue Office in Woldia Town Administration. Following the small size of the population of the study, all members were included in the study. The study aimed at collecting both primary and secondary data; primary data were collected using a structured questionnaire while secondary data were obtained from annual reports. Descriptive statistics such as mean, frequency and percentages were used to analyze the collected data of the survey. Correlation analysis was run to determine the relationship between the dependent and independent variables. The results showed that all the variables had positive and statistically significant correlation with VAT collection performance. Regression analysis was used to measure and predict the effects of those predictor variables, namely, fraud, gross domestic product, change of consumer behavior and enforcement on the criterion variable, namely, VAT revenue collection performance of Woldia Revenue Office. The results of regression analysis portrayed that all predictor variables except VAT policy had no significant effects on VAT collection performance. During the analysis, gross domestic product and enforcement were removed from the model due to multicollinearity problem in predicting the VAT collection performance. This has implication how an organization should properly and consistently implement VAT administration policies to develop its consumer relationship strategy for the future, and to improve client loyalty as well as to positively impact the processes.

Keywords: VAT revenue performance, revenue office, Tax



Factors Affecting the Performance of Value Added Tax Collection in Ethiopia: Evidence from Amhara Region, Woldia Town Administration

Gashaw Awoke Tikuye

Email: awoke.gashaw@yahoo.com

**Department of Management,
College of Business and Economics,
Bahir Dar University**

August 2011

Factors Affecting the Performance of Value Added Tax Collection in Ethiopia: Evidence from Amhara Region, Woldia Town Administration

A RESEARCH PROJECT PROPOSAL SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF EXECUTIVE MASTER OF BUSINESS ADMINISTRATION

By

Gashaw Awoke Tikuye

Email: awoke.gashaw@yahoo.com

ADVISOR: SEWALE ABATE (PhD)

**Department of Management,
College of Business and Economics,
Bahir Dar University**

August 2011

Project approval

The project entitled “factors affecting the performance of value added tax collection in Ethiopia”, evidence from Woldia City Administration by Mr. Gashaw Awoke Tikuye approved for the degree of “Executive Master of Business Administration”.

Signature _____ Date _____

Board of Examiners

	Name	Signature
Advisor	_____	_____
External Examiner	_____	_____
Internal Examiner	_____	_____
Date: -	_____	

Chair of Department or Graduate Program Coordinator

Acknowledgements

I would like to express my heartfelt gratitude to my advisor Sewale Abate (PhD) for his valuable comments and unreserved encouragements throughout the study.

I also thank my friend Mr. Teferi Tadese for his substantial support, guidance and above all for his cordially support in each steps of this research work.

I would like to extend my appreciation to Anduwalem Eshetu (PhD) for his deep follow-up, comments, direction and above all for his warmly support in this research work

Table of Contents

Acronyms.....	V
ABSTRACT.....	VI
CHAPTER ONE.....	1
INTRODUCTION	1
1.1. Background of the study	1
1.2. Statement of the problem	1
1.2.1. Conceptual Framework.....	1
1.3. Objectives of the Study.....	2
1.3.1. Main Objective	2
1.3.2. Specific Objectives.....	2
1.4. Significance of the study.....	3
1.5. Scope of the study.....	3
1.6. Limitation of the study	3
1.7. Organization of the Study	3
CHAPTER TWO.....	4
REVIEW OF RELATED LITERATURE.....	4
2.1. Theoretical foundation of the Value Added Tax (VAT) collection System	4
2.2. Gross Domestic Product	4
2.3. Fraud.....	5
2.4. VAT administrative policy.....	6
2.5. Changes in Consumer Behavior	7
2.6. Tax Administration Enforcement Operations	7
CHAPTER THREE.....	9
METHODS OF STUDY.....	9
3.1. Introduction	9

3.2. Research Design	9
3.3. Target Population.....	9
Table 3.1: Classification of Target Population	9
3.4. Data Collection Instrument	9
3.5. Reliability and Validity Testing	9
3.6. Variables Included in the Study	10
3.7. Data Analysis Techniques	10
3.8. Ethical Considerations.....	10
CHAPTER FOUR.....	12
RESULTS AND DISCUSSION.....	12
4.1 Introduction.....	12
4.2, Descriptive statistics	12
Table 4.1 Actual VAT collected compared to target VAT collected during last two years in Woldia Town	12
Table 4.2 Opinions of the employees regarding VAT collection Performance.....	12
Table 4.3 Perceived activities related to VAT fraud	13
Table 4.4. Perception of the Employees about Gross Domestic Product in relation to VAT Collection	13
Table 4.6 the perception participants about VAT policy administration on VAT collection.....	15
Table 4.7 Effect of Change in consumer Behavior on VAT collection	15
4.3 Correlation Statistics	16
Table 4.8 the relationships among VAT collection performance, GDP, enforcement, VAT policy, change in behavior of customers, and fraud (n = 81)	16
4.5 Regression Analysis.....	16
Table 4.9 Multiple Regression Analysis of Fraud, Enforcement, VAT policy, and Change in Behavior on VAT Collection Performance	17
Unadjusted multiple regression coefficient table	17
Table 4.10 Multiple Regression Analysis of Fraud, VAT policy, and Change in Behavior on VAT Collection Performance of adjusted coefficient table	17
CHAPTER FIVE.....	19
SUMMARY, CONCLUSION AND RECOMMENDATIONS.....	19
5.1 Introduction.....	19
5.2 Summary.....	19
5.3 Conclusion	19
5.4 Recommendations for policy and practice.....	19

5.5 Future Directions for Further Studies.....	19
References.....	20
Appendix-1.....	23
APPENDICES-2	24
QUESTIONNAIRES.....	24

List of Tables

Table 3.1: Classification of Target Population	29
Table 4.2 Opinions of the employees regarding VAT collection Performance	12
Table 4.3 Perceived activities related to VAT fraud	13
Table 4.4.Perception of the Employees about Gross Domestic Product in relation to VAT Collection	13
Table 4.5 Perceptions of the Participants about enforcement on VAT collection	23
Table 4.6 the perception participants about VAT policy administration on VAT collection.....	15
Table 4.7 Effect of Change in consumer Behavior on VAT collection	15
Table 4.8 the relationships among VAT collection performance, GDP, enforcement, VAT policy, change in behavior of customers, and fraud (n = 81).....	16
Table 4.9 Multiple Regression Analysis of Fraud, Enforcement, VAT policy, and Change in Behavior on VAT Collection Performance.....	26
Table 4.10 Multiple Regression Analysis of Fraud, VAT policy, and Change in Behavior on VAT Collection Performance of adjusted coefficient table.....	26

LIST OF FIGURES

Figure -1 proposed model	11
--------------------------------	----

Acronyms

VAT- value added tax

DTD-domestic taxes department

LTO- large taxpayer office

MTO-medium taxpayers' office

VOIP-Voice over Internet Protocol

EU- European union

EFIRA- Ethiopian Federal Institution Revenue Authority

GDP- Gross Domestic Product

MTIC- Missing Trader Intra-Community

ABSTRACT

Tax revenue is one of the fastest growing sectors of the economy in Ethiopia. Yet VAT revenue collection performance from this sector has continually been up and down for the last two years. This study was carried out to determine factors affecting VAT revenue collection performance of Woldia Revenue Office. Quantitative research approach was applied to conduct this research. The target population for this study consisted of 81 employees of Woldia Revenue Office in Woldia Town Administration. Following the small size of the population of the study, all members were included in the study. The study aimed at collecting both primary and secondary data; primary data were collected using a structured questionnaire while secondary data were obtained from annual reports. Descriptive statistics such as mean, frequency and percentages were used to analyze the collected data of the survey. Correlation analysis was run to determine the relationship between the dependent and independent variables. The results showed that all the variables had positive and statistically significant correlation with VAT collection performance. Regression analysis was used to measure and predict the effects of those predictor variables, namely, fraud, gross domestic product, change of consumer behavior and enforcement on the criterion variable, namely, VAT revenue collection performance of Woldia Revenue Office.

The results of regression analysis portrayed that all predictor variables except VAT policy had no significant effects on VAT collection performance. During the analysis, gross domestic product and enforcement were removed from the model due to multi co linearity problem in predicting the VAT collection performance.

This has implication how an organization should properly and consistently implement VAT administration policies to develop its consumer relationship strategy for the future, and to improve client loyalty as well as to positively impact the processes.

Key Words: VAT revenue performance, revenue office, Tax

CHAPTER ONE INTRODUCTION

1.1. Background of the study

The foundation of Value Added Tax (VAT) can be traced as far back as the writings of Dr. Wilhelm Von Siemens (1918), who considered it as an alternative for newly established German turnover tax. Although Value Added Tax (VAT) is an indirect tax collected from another person who does not in reality bear the cost of tax, it is imposed on sale of goods and services and has progressively been accepted by many governments in many countries (Keen and Lockwood, 2009).

Ethiopia introduced value added tax (VAT) in 2003 as a replacement to sales tax. VAT is the principal source of revenue for the Ethiopian government (Yohannes & Sisay, 2013). For instance, in the 2006–07 fiscal year, Federal VAT revenue (on domestic transactions) accounted for about 41 per cent of its total revenues from domestic sources (EFIRA, 2007). Further, since its introduction, VAT has been more revenue productive than sales tax. To sustain VAT's revenue role in the government's finance, it is important to ensure that the revenue generated by this tax is raised as efficiently as possible. However, in Ethiopia revenues raised by VAT are usually garnered at the expense of erosion in its salient features (Wollela, 2008). Wolela described that in Ethiopia revenues raised by VAT are usually garnered at the expense of erosion in its salient features. This may be caused by factors including poor VAT administration, i.e., the incapacity of tax authorities to implement the attributes of the tax in practice. A good tax administration is essential in fully implementing the design features of VAT and achieving government's policy objectives at large (Teferra, 2004).

Imam and Jacobs (2007) explained that real per capita income, share of agriculture in GDP, trade openness, inflation and corruption are the most important determinants of a Value Added Tax (VAT) collection. Gupta (2007) also found that several structural factors like per capita GDP, share of agriculture in GDP, trade openness, foreign aid, foreign debt and some new institutional variables like corruption and political stability are statistically significant and strong determinants of revenue performance. From this viewpoint, in the last few decades, African nations have been seriously looking at ways to get better on their internally generated funds to carry out public sector expenditure of which Ethiopia is no exception (Belay Zewde, 2015).

The performance of VAT collection is no exception in Woldia Town. There are problems that impinge on effective collection of the tax. The question here is why the Town Administration does not succeed in collecting the expected amount of VAT? What factors account for such failure in the collection of the tax? The researcher has assured that there is no previous study conducted on VAT collection performance of the town. Hence the focus of this study is on investigating those factors that affect VAT collection performance in the Woldia town administration.

1.2. Statement of the problem

In Woldia town, VAT collection faces diverse tax administration challenges and issues. Woldia revenue office has recorded significant gaps between VAT revenue targets and the actual amount collected. This means that Woldia revenue office has not been achieving an acceptable degree of VAT tax collection based on its plan from a fast growing taxpayer population (North Wollo Revenue Collection Department, 2014). It has reported that tax evasion remains particularly high creating a need to improve the situation (Revenue Collection Department of Woldia Town Administration, 2015).

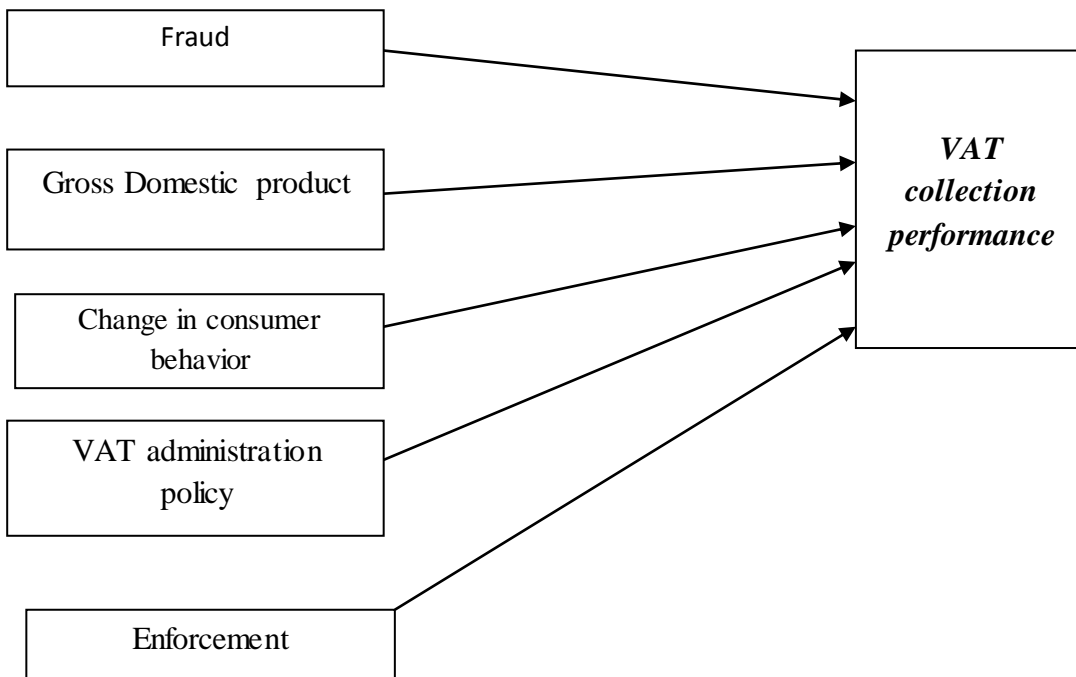
VAT collection performances considerably reached 12,078,905.00 in 2007 E.C. from 81,341.00 in 1998 E.C (Revenue Collection Department of Woldia Town Administration Annual Report, 2015). Although the amount of VAT revenue has improved over the years the fact that the VAT registered tax payers' population has grown substantially in the last ten years. The result is far below what is expected and compared to its potential (Woldia Town Administration Annual Financial Report, 2007 E.C).

Furthermore, a recent report made by Woldia Revenue Office Manager (2015) on VAT collection activities and practices showed that the Town Administration Revenue Office gave little or no attention to evaluation of fraud, gross domestic product, change in customer behavior, VAT policy design, and enforcement. To assess which are fundamental and widely used to promote or increase VAT collection performances. Hence, this study aims to assess factors that could affect VAT collection performance of Woldia Town Administration Revenue Office and determine which factors significantly influence collection performances.

1.2.1. Conceptual Framework

The economic reforms in the sphere of taxation, of which the most significant is the introduction of VAT, that are highlighted as the most important factors that have contributed to improving the situation (Lisa Kayaga, 2007). Kayaga further suggested that tax compliance may be affected by changes in consumer behavior (for example changes in the amount of consumption or changes in the structure of consumption), as forms of legal tax avoidance, induced by poor tax policy design, the collection of revenues from

VAT also influenced by regional and global integration processes(Reckon, 2006). Reckon (2006) investigated whether the performance of domestic VAT revenue collection could explained by internal factors. He also proposed that performance of domestic VAT revenue collection is determined by fraud, VAT administrative Policies, Enforcement and change in consumer behavior. The above theoretical justification leads the researcher to propose and construct the following conceptual framework. In this case, VAT collection performance can be explained as an outcome variable which is affected by the predictor variables as presented in Figure 1.



Source: The Researcher Proposed Model, 2014)

Figure 1. The proposed model showing VAT collection performance as predicted by fraud, GDP, change in consumer behavior, VAT administration policy, and enforcement

Depending on the above framework, the researcher formulated the following research hypotheses to be tested.

1. Fraud has negative and significant effect on collection performance of local VAT revenue in Woldia Town Administration
2. Change in consumer behavior has negative and significant effect on collection performance of VAT revenue in Woldia Town Administration.
3. VAT administrative policy has positive and significant effect on collection performance of local VAT revenue in Woldia Town Administration.
4. Enforcement has positive and significant effect on collection performance of local VAT revenue in Woldia Town Administration.
5. Gross domestic product has positive and significant effect on collection performance of local VAT revenue in Woldia Town Administration.

1.3. Objectives of the Study

1.3.1. Main Objective

The main objective of the study was to investigate factors affecting the performance of Value added Tax revenue collection of in Woldia Town Administration in order to increase amount of tax revenue.

1.3.2. Specific Objectives

The specific objectives of this study were to

- Determine the effects of VAT administrative policies on the performance of local VAT revenue collection.
- Examine the effects of fraud evasion on the local VAT revenue collection.

- Identify the impacts of gross domestic product on performance of local VAT revenue collection.
- Analyze the effect of change in consumer behavior on performance of local VAT revenue collection.
- Investigate the influence of enforcement on performance of local VAT collection.

1.4. Significance of the study

This study can be used to initiate ways of improving the performance of VAT collection in the town. It may also strengthen policy considerations in the administration of VAT in the town. Such policy improvements could be useful in enhancing the guidelines on how to improve the efficiency and effectiveness of local VAT collection. Subsequently, VAT collection performance could be enhanced to a great extent. In addition, it is expected to help policymakers whose concern is tax policy enactment to provide solutions for the problems identified, to give feedback to the Ethiopian Revenue and Custom's Authority about the possible intervention areas that would enhance the performance of VAT collectors in the country in general and Woldia Town Administration. More specifically, this study is expected to single out the most significant independent variable(s) that contributed to the variance of the criterion variable, which is the performance of VAT collectors, which would help to consider it when planning future activities that increase the collection of VAT. Furthermore, it can be used as a reference for those who are interested to conduct further study on factors affecting the performance of VAT collection or similar studies.

1.5. Scope of the study

The study focused on those determinants that affect VAT revenue collection performance in Woldia Town Administration located at North Wollo Zone in Amhara regional state and time series data were collected based on the registry of 1998-2007 E.C, which is a 10 years range. In tax mix there are many environmental factors affecting performance of VAT revenue collection in Woldia Town Administration, but the researcher believed that fraud, gross domestic product, VAT administration policies, change in consumer behavior and enforcement on performance of VAT revenue collection would be most relevant factors that would affect the performance of VAT collection in Woldia Town Administration.

The researcher used census method in the selection of research sample where all 81 employees working in Woldia Town Administration Revenue Office were included. In analyzing the data, descriptive and inferential statistics were employed. The data were collected using questionnaires and documents taken from the office.

1.6. Limitation of the study

The researcher had difficulties in carrying out the project related to time. The time available to do the research was very short, which coupled with administrative burdens, made it difficult to collect the necessary data using different instruments. This could affect the results in the sense that they may not be deep and rich to the extent expected. This warrants careful interpretations of the results for decision-making and action taking. Another possible limitation of the study is related to the empirical part of this study which focuses only on five factors of performance of local VAT revenue collection. There would be other significant factors that should have been included in the study but due to time limitation the researcher failed to consider the other factors. As this study is quantitative, it may not provide a range of situations which could detail the problem of VAT collection performances in the study area. Qualitative study should be carried out to confirm assumptions behind the prevailing facts of this study.

1.7. Organization of the Study

The research project was organized into five chapters. Chapter one contains the introduction part dealing with background of the study, statement of the problems, research objectives, significance of the study, and scope and limitation of the study. The second chapter discussed the review of literature about the subject matter. The third chapter dealt with methods description. The fourth chapter focused on the results and discussion, while the final chapter covered the summary and conclusions of the study and followed by recommendations.

CHAPTER TWO REVIEW OF RELATED LITERATURE

2.1. Theoretical foundation of the Value Added Tax (VAT) collection System

A good VAT administration is critical in fully implementing the design attributes of the tax and reducing gaps between the VAT collection and targets. More broadly, a good tax administration is necessary for achievement of the policy objectives (Richard M and Eric M., 2003). They suggested that core operating processes of the tax administration and more specifically the VAT collection involves administration policies, organizational structure, enforcement, technical staff competence, and information technology and support services. The specific tasks in administrative policies involve; developing and maintaining policies, operating procedures, and techniques (Forum on Tax Administration, 2009)

VAT introduction was the final phase of a comprehensive reform of the indirect taxation system (Dinka Antic, 2014). In addition to the transfer of constitutional authority and centralization of legislation and administration of indirect taxes, the reform included the redefinition of the funding system of all levels of government in the complex and decentralized fiscal structure of B&H and incorporation of elements of cooperative and executive federalism in the indirect tax policy sphere in B&H (Antić, 2009).

VAT operates on the principle that when raw material go through various manufacturing phases and manufactured product go through various distribution phases, tax must be levied on Value Added' at each level and not on gross sales price (Anum Saceed, et al,2012). More specifically, a value added tax can be termed as a broad-based tax levied on sales up to and including, at least, the manufacturing stage, with systematic offsetting of tax charged on inputs except perhaps on capital goods-against that due on outputs (Ebrill et al, 2002).

As its name indicates, the Value Added Tax is paid on the value added at each production stage: firms pay VAT on the difference between total sales and total input costs (Dina Pomeranz, 2010). The tax base is thus equivalent to that of a retail sales tax, which is paid only at retail stage, covering total value produced by the whole production chain (Pomeranz, 2010).

The VAT is a type of consumption tax with full tax credit. "Effectively, VAT is, thus, a tax on total consumption expenditures, the burden of which is eventually borne by consumers not by entrepreneurs". The tax will be charged at each level of production and distribution chain (Sujjapongse, 2005). An essential point here is that VAT is not, in practice, plainly a tax on final consumption, or flatly on formal sector sales. The real meaning of a VAT is that it is levied on all domestic sales by registered firms and on all imports, with complete credit or refund to registered taxpayers of VAT which has been charged on their own purchases. Only if this sequence of crediting and refunding is unbroken then VAT is equivalent to a tax on final consumption (Keen, 2008). The Value Added Tax (VAT) is a stern example of tax believed to aid enforcement through a built-in incentive structure that creates a paper trail on transactions between firms. VAT is ultimately a tax levied on goods and services purchased by end users (Taxud, 2007).

2.2. Gross Domestic Product

Most of the studies on the determinants of tax revenue used Gross Domestic Product as the barometer in estimating tax revenue for this, when we see the work of Ole (1975). Simulating VAT distinguishes two main factors' groups, influencing VAT accumulation: VAT rules (rates, basis, etc.) and other variables of economic activities, conditioning tax basis and compliance of tax regulations. Others state that influence for level of VAT income and coefficient effectiveness has standard rate, honesty (characterized as average level of import and export in gross domestic product), period from VAT institution, accumulation of knowledge, related to tax administration, and margin between the highest and the lowest, except zero, rates (Legeidair Sologoub,2003).

Nelson H.(2011) suggested that VAT income is determined by a number of factors, including economic situation of the country, which is best characterized by gross domestic product. In addition, Nelson described the higher the standard of life in the country, considered as GDP per capita, the higher the consumption, the better awareness of tax payments and lower tax fraud, consequently the relationship with GDP per capita is extra revised. Due to the fact, that VAT is consumption tax, primarily VAT income depends on the consumption level in the country. Nelson's study identify what influences more VAT income governments or households' consumption, the relationship not only with the general consumption, but also with both variables, is examined. On the one part, he suggested VAT income, in addition to the mentioned above factors, is determined by the level of export and import. Export rate is zero, so the grow of expert could have a negative impact on VAT On the other part export growth mostly follows domestic production, which could be pronominal as a result of households' disposable income or demand increase. Variation in import VAT has an opposite influence for income. The higher the import the lower is demand of domestic goods. As import is the target of VAT in the consuming country, the import increase results higher VAT income (Hybka, 2009).

Bikas and Rashkauskas (2011) sized up households as the main VAT payers, and, as their core income is wage, authors subsume unemployment as a factor influencing increase of VAT income. It is total market value, measured in current prices, of all goods and services produced within the political boundaries of an economy during a given period of time, usually one year. This is also indicated by Gupta (2007), regression analysis that GDP growth has a positive impact on tax revenues performance. It shows that these variables have a positive relationship and consistent with the economic theory.

This is indicated by Kimerly Clausing (2007), the reason is that as gross domestic product increase in the country, employment rate also increase and all people those have not paid before will pay currently tax for government. In addition, higher level of development, which is usually associated with a higher ability for tax payers to pay taxes as well as a greater capacity of the government to collect taxes. If the gross domestic product value decreases, the tax payers ability to pay decrease that is why they have direct relationship. Also tax base will increase as GDP value increase which leads to increase tax revenue performance in country. If economies country increases, different Business Company emerged and creates opportunity to make revenue for government (Belay Z.A, 2014).

2.3. Fraud

Richard T. Airworth (2011) suggested that, third attack is the most factual, by criminals rather than theorists: sophisticated VAT fraud, aiming its refund provisions, has become a serious concern in European Union and elsewhere. Keen (2009) concluded that VAT is in fact simply a uniform tax on final consumption, toward which all our simple textbook models in principle are valid. But a less than absolutely functioning VAT is a logical mess, with particularities of compliance behavior and production relationships. And it is imperfectly functioning VATs that we view in practice and have to understand better. Compared value added tax and retail sales tax by taking case of Georgia and found that VAT is an interesting choice for taxation and it can be a less disruptive tax mechanism than a retail sales tax. The managerial challenge of imposing a new tax like a VAT cannot be undervalued. While impacts of national VATs are well known, there are only a few examples of a VAT that is implemented at sub national level for instance a state or province. By comparison, since all sales are taxable under VAT, vendor does not need to make differences between taxable and exempt sales, but must report for tax paid on purchases in order to maintain input credits (Martinez et al. 2007).

Every VAT regime is susceptible to missing trader fraud. The fraud is simple and can be easily prevented with the right technology. It arises when a business makes a purchase without paying VAT, collects VAT on an onward sale, and then disappears without remitting the tax collected

Missing trader fraud is common with high-value/low-volume goods sold across borders; computer chips and cell phones are classic examples. But the fraud easily migrates when pursued. It operates well with goods as varied as xenon light bulbs, automobiles and earth-moving equipment (COM(2008)109, Carswell Ont ; 2005).

MTIC and Carousel Fraud

In the European Union, this form of VAT fraud is commonly known as missing trader intra-community (MTIC) fraud. An intra-community goods transaction (that is, a business-to-business sale between EU member states) is the initial sale in the fraud. The initial sale is zero rated so that no VAT is charged on the purchase. Often the same goods participate in the same fraud multiple times, making multiple trips across community borders. In those cases, the goods appear to be on a rotating carousel, hence the less formal name of carousel fraud (Memo/09/423 (Sept. 29, 2009).

In one widely reported MTIC fraud case, a 21-year-old fraudster appeared to be selling 10 percent of the world supply of a kind of computer chip, when in fact he had only a single box of chips going round and round in U.K.-Irish cross-border trade (Crackdown" (Sept. 25, 2003).

Fraud in Services

VAT fraud has recently moved into services. The fraudsters exploit an oversimplification in the definition of taxable supply found in all VAT regimes. It's common to define goods as tangible property and then to define services as everything else. However, not all services are the same. Some are readily resold like goods, rather than immediately consumed like services. This variant of fraud can occur between Norway and Denmark, or Nigeria and Switzerland, or Austria and France. Each of these countries have EU-style place of supply rules for tradable services. The six countries following New Zealand place of supply rules for services are not as vulnerable to this fraud (Sydney, 2008).

Because missing trader fraud relies on the resale of a supply purchased without VAT, and because most of the early fraud was detected in goods, it's common to assume that VAT fraud is confined to goods. In fact, missing trader fraud is flourishing among services that are bought and sold like goods (tradable services). It has remained undetected for years. Services-based missing trader fraud is common for carbon permits, VOIP, and cell phone minutes, and in cloud computing and other areas. The difficulty in fighting services-based missing trader fraud is that the commodity

Evaporates on use. It is one thing for an auditor to find a box of computer chips riding a carousel, and quite another for an auditor to find VOIP termination minutes that have been repeatedly sold and resold before being fully used. While it appears there are two classes of taxable supplies (goods and services), in fact there are three: goods, tradable services, and consumed services. The first two are susceptible to missing trader fraud (Council Directive 2006/112/EC).

Size of the Fraud

Missing trader fraud is so widespread in the EU that it has distorted national trade statistics in the U.K (David Ruffles, 2004). It has been the largest single kind of fraud uncovered in Canada, Italy, and Poland. The Russian mob has long been suspected of involvement in missing trader fraud. The Ndrangheta mafia, a crime syndicate from southern Italy, uses missing trader fraud to launder money at a profit through the Italian telecommunications system. Although it is possible to trace missing trader funds and fraudsters from Berlin to Dubai and on to Lahore, Pakistan, there is no direct proof that missing trader fraud is a terrorist funding source. Some authorities are suspicious about the ultimate destination of the funds (Regina v. Prokofiew, 2004).

Accurate estimates of the extent of missing trader fraud are unavailable not for single member states or the EU as a whole. There are no reliable estimates of global losses or country losses in non-EU jurisdictions. In 2006 the U.K. government estimated it had experienced MTIC fraud losses of between £2.98 billion and £4.47 billion. The German government had similar estimates. During the same 2006 period, Europol's best estimate for MTIC fraud across the EU as a whole was €23 billion. If we assume that baseline estimate was accurate in 2006, then it is still accurate in 2010. The reason is simple. House of Lords, one of the most popular solutions to missing trader fraud is a product specific reverse charge. However, the reverse charge has been adopted by few VAT jurisdictions and is transformative, not curative. The country adopting the standard reverse charge becomes a base camp for VAT-free supplies that can be sent into the other jurisdictions. Overall the fraud is not reduced, but maintains the same volume or probably increases in scope (Michael Cheetham, 2006).

The only reliable conclusion that can be drawn about the size of the MTIC fraud problem in the EU is that current estimates are highly speculative and miss entire classes of fraudulent transactions. EU losses are enormous. Because VOIP and other tradable services types of missing trader fraud are not confined to the EU, there is much more to measure. It will take considerable international cooperation to combat the problem (Richard T. Ainsworth, 2009).

2.4. VAT administrative policy

The tax administration policies should be set to ensure that all taxpayers meet their VAT tax returns requirements as well as increase the tax base which would avoid an erosion of the tax base. Secondly, the available administrative policies should play an unbiased enforcement role in VAT tax collection with an ultimate goal of fostering voluntary compliance with the tax laws. (Baurer, 2005).

There is need for transparency of tax administration policies and procedures. The revenue authority should maintain written tax administration policies and procedures which should be made available to taxpayers. This can serve as a guide in explaining taxpayer rights and responsibilities as well as the consequences of non-compliance with the tax laws. The administration policies must ensure uniform application of laws, regulations, policies and procedures. Careful consideration must be taken in staff recruitment and selection policies to ensure recruitment of highly skilled, helpful, and ethical staff who can resolve tax issues professionally. Other considerations in tax administration policies would be adding more emphasis on risk management, taxpayer assistance, Return management and Recordkeeping (Tait, 1991; Baurer, 2005).

Risk management in Value added Tax collection is properly used in the audit case selection process to minimize the number of audits on compliant taxpayers. This scenario would limit the number of audits which might result in no change to the amount of tax due. Additionally, the tax administration must set policies that would increase tax payer assistance and educational programs. The taxpayers must be well informed of the tax services and how they would make their returns. It is important to train the taxpayers on the available technology used in tax services such as internet services, electronic filing of tax returns, and banking system (Baurer, 2005).

As regards returns management, the administration policies should ensure simplification of tax Returns where such returns are done in the most convenient means and are as simple as possible. Both tax returns and accompanying instructions should be provided free of charge. Whenever possible, monthly tax returns should be discouraged especially for small business taxpayers. The administrative policies should encourage simplified Recordkeeping. (Baurer, 2005). Further, an audit policy that provides for review of a taxpayer's tax records in respect of all taxes for multiple tax periods enhances tax compliance. The tax administrations could adopt procedures to expedite VAT refunds, particularly for taxpayers who have a good compliance history. There must also be effective policies on penalty Waivers, payment plans and administrative settlements and tax Amnesties (Baurer, 2005).

2.5. Changes in Consumer Behavior

Tax compliance may be affected by changes in consumer behavior (for example changes in the amount of consumption or changes in the structure of consumption), as forms of legal tax avoidance, induced by poor tax policy design. An important factor is also the behavior of taxpayers in terms of compliance with tax regulations and timely payments of VAT obligations (Dinka A., 2014). Another study Mangion, Durbarry and Sinclair (2004) which examines UK tourism expenditure at the level of budgeting wherein consumers allocate their expenditure between the three Mediterranean destinations, Malta, Spain and Cyprus through the AIDS model, indicates that Malta appears to be the most price sensitive destination for the UK outbound market, with an own-price elasticity of -2.54 per cent. This is followed by Cyprus whose price elasticity is -2.27 per cent; while at -1.54 per cent Spain is less price sensitive than the two islands. UK tourism demand for Malta is strongly influenced by prices in Spain, the resulting cross-price elasticity being 4.12 percent.

The main impact of a reduced VAT rate will primarily depend on the extent to which the tax reduction is passed through to the final goods price, the impact on consumer demand and the effect of higher demand on employment. Ultimately it is thus a question of elasticity's and market structures (the economic policy, 2009).

Domestic consumers are able to adjust consumption patterns faster than tourists who are unlikely to change their plans for vacation immediately as a result of a change in restaurant prices. Also, one may contemplate that domestic demand is price elastic simply because domestic consumers are likely to be aware of the measure. This is very important due to product substitutability. Since the market definition is partly conditioned by non-static consumer perceptions, identify and measure the impact of the main determinants of the inbound international tourism flows in the Balearic Islands. Taking into account the changing structure of consumer preferences, a dynamic model is estimated. The results suggest that the demand is heavily dependent on the evolution of economic activity in each of the origin countries and on the relative cost of living of tourists in the destination (Munoz and Martin 2006),

2.6. Tax Administration Enforcement Operations

The main tax administration operations in Revenue authority revolve around; development of strategic goals and objectives, setting priorities and allocating resources, developing performance measures, and developing and implementing plans for major operational changes. Other considerations include; analyzing and reporting operational results against planned objectives, improvement of risk management programs, development of legislative implementation plans, and obtaining feedback from internal and external stakeholders. The list also includes conducting environmental scans to determine how technological, demographic, economic, sociological, political and other trends will impact tax administration operations, and integration of annual business plans for each operating and other support functions. Finally, the operations must involve conducting studies and tests to improve tax administration procedures. The operations also include; Return Processing, Audit Control and Enforced Collections (Keen & Smith, 2007).

The enforcement activities focus on taxpayers who are delinquent in meeting their tax obligations. The returns processing and revenue accounting department systemically generates notices to the taxpayer when a balance due condition exists. This occurs when the taxpayer has paid less than the tax due (including any penalties or interest). Similarly, the returns processing and revenue accounting department systemically generates notices to the taxpayer when a required tax return is not timely filed. This occurs as a result of the computer system matching filed tax returns with each taxpayers filing requirements, established when the taxpayer registers with the tax administration (Keen & Smith, 2007).

For simple tax returns, the Enforced Collection function may also be given responsibility to prepare the taxpayer's delinquent return, when the taxpayer does not do so, and sufficient data is available. Where insufficient data is available or an income tax or other complex tax return is involved, the case will be transferred to the audit department. Enforced collection staff must be knowledgeable in tax laws, collection techniques and internal operating procedures. As a cost saving measure, collection staff should employable office collection methods possible before making field contact with taxpayers. The substructure of the

department may contain both office and field collection units. Large and/or complex cases should be assigned to the most experienced staff. Because of the nature of their duties, enforcement collection staff, more than any other employees of the tax administration, will often encounter distraught taxpayers. For this reason, they must possess excellent interpersonal skills (Keen & Smith, 2007).

CHAPTER THREE METHODS OF STUDY

3.1. Introduction

This chapter presents the research design, target population, research data collection instruments and procedures, reliability and validity tests and data analysis methods, and ethical considerations.

3.2. Research Design

This study was used a descriptive survey method in soliciting information on the factors affecting VAT revenue collection performance of Woldia Revenue Administration Office. Valmi and Martha (2007) suggested that quantitative approach is used since it provides insights into the research problem by describing the relationships of variables. It is used for defining, estimating, predicting and examining relationships. So the use of this design would enable the researcher to determine the relationships of the independent variables with the dependent variable. The data were collected through survey method which employed questionnaire.

3.3. Target Population

The target population of the study comprised all Woldia Revenue Administration Office employees. Their total number was 81. The staff was classified into top management, middle management and operational staff. The classification of target population is presented in Table 3.1

Table 3.1: Classification of Target Population

Classification	Number	Percent
Top management	2	2.5
Middle management	7	8.6
Operative staff	72	88.9
Total	81	100

Source: Woldia Town Administration Revenue Office, 2008

As shown in the above table, the study covers 2.5% top management, 8.6% represent middle management, and the larger proportion of the population (72 or 88.9%) was the operative staff. The success of the day today activities of office depends on the operative staff. Thus it is expected that the whole activity related to the performance of the VAT collection is affected negatively and positively by the collaborative efforts of the top and middle management as well as operational staff.

3.4. Data Collection Instrument

Data were collected from primary and secondary sources. Primary data collection involved a self-administered questionnaire. A structured questionnaire with 5- point Likert scale items was constructed by the researcher based on literature, and was translated to Amharic.

The questionnaire contains three Sections: section one presented questions about background information of the respondents, the second section examined factors on fraud, gross domestic product, VAT administrative policy, change in consumer behavior and enforcement factors using rating scale. Section three dealt with questions on performance of VAT revenue collection of each business unit using secondary data.

3.5. Reliability and Validity Testing

A pilot study was conducted on ten (10) Gubalافت Woreda Revenue Office employees who are in the similar operation activities with Woldia City Administration Office. Pilot testing was conducted in an attempt to test the reliability and practicability of the research tool. The research tool was administered to the respondents who were allowed three days to respond. The data were tested for reliability to establish issues such as data sources, methods of data collection, time needed to collect, and presence of any biases and the level of accuracy. The researcher improved the instrument by reviewing or deleting inconsistent items from the instrument. To test for reliability, the study employed Cronbach Alpha internal consistency estimate. The correlation coefficient of 0.75 and above can be used to indicate acceptable levels of instrument's reliability (Yalew, 2001). Thus data consistency and completeness was checked throughout the data collection, data entry and analysis.

Validity of instrument is the accuracy and meaningfulness of inferences was measured using content validity test. Content validity measures the degree to which data collected using a particular instrument represents a specific domain of indicators or content of particular concept (Yalew, 2011). The assessment of content validity of the measures was carried by two professional experts, (revenue office workers). The study was assessed by using content validity by using experts from technical staff and strategic management Consultant (Zikmund, 2009).

3.6. Variables Included in the Study

The variables included in the study are described hereunder.

Fraud refers to any act of deception carried out for the purpose of unfair, undeserved and/or against the law gain. It was measured in this study using a scale developed by the researcher on a 5-point scale.

Gross Domestic product is a total market value, measured in current prices, of all goods and services produced within the political boundaries of an economy during a given period of time, usually one year. The key is that nominal gross domestic product is measured in current, or actual prices, the prices that buyers actually pay for goods and services purchased.

Change in consumer behavior is defined as fluctuation of consumer consumption into different items.

VAT administration policy refers to the strategic business plans, procedures of modern tax administrations contain goals against which their achievements can be measured. It is the settled method by which the Revenue Authority and affairs of taxation are administered; a system of public or official administration. It is the method by which VAT is administered (system of management).

Enforcement is the application of a law or regulation, or carrying out of an exercise to ensure that delinquent tax payers honor their tax dues and the subsequent penalties charged as a result of default.

Value Added Tax collection Performance refers to an achievement of revenue collection on the tax which is payable only on value-added items. Value Added Tax is tax on the supply of goods and services which is eventually borne by the final consumer but collected at each stage of production and distribution chain.

3.7. Data Analysis Techniques

The collected data were checked for errors of omission and commission. Then they were classified, analyzed and interpreted to establish to determine the extent to which VAT collection performance was affected by those variables. The data were analyzed using both quantitative and qualitative analyses techniques. Quantitative analysis was carried out first for each variable to describe it. It is the first step of data analysis and it provides a description of the variables producing useful profiles. This analysis was achieved using descriptive statistics, which employed central tendency, and dispersion. The data were presented in the form of tables and graphs.

Moreover, multiple linear regression analysis was used to determine the effects of independent variables (fraud, gross domestic product, and change in consumer behavior, VAT administration policy and enforcement) on the dependent variable, which VAT collection performance. The regression model of the study is defined below.

$$Y = A + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e$$

Where: X_1 =fraud, X_2 = gross domestic product, X_3 = change in consumer behavior X_4 =VAT administration policy, X_5 = enforcement β = Beta Coefficients. A = Constant, e=other factors not included in this research and Y= VAT collection Performance.

Statistical Package for Social Sciences (SPSS) version 20 was used to analyze the data.

3.8. Ethical Considerations

Before data collection commenced, the researcher obtained permission from the relevant authority to collect the data from the office. First, he obtained a letter from College of Business and Economics, Bahir Dar University, which requests the office to allow the researcher to collect the data from office and to cooperate him during data collection. The officials were cooperative to the researcher in providing data and the researcher described his research objectives to the participants of the research. The researcher assured to the participants that confidentiality and security of data gathered from the respondents would be strictly kept.

In this regard, all the data collected was kept in safe custody. The respondents were not required writing their names on the questionnaire to avoid exposing who gave what information. A letter of request to participate in the study was addressed to the respondents. This was done to show courtesy to the respondents as well as a mechanism of ensuring informed consent to participate in the study (Yalew, 2011).

CHAPTER FOUR RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents a detailed analysis of the field data collected such frequency tables and contingency tables. Regression analysis results has also presented. The results were discussed in line with the literature. Background data of the research participants were also presented.

4.2, Descriptive statistics

Table 4.1 Actual VAT collected compared to target VAT collected during last two years in Woldia Town

VAT collection performance	2014		2015	
	frequency	percent	Frequency	percent
Less than 10%	11	13.58	12	14.8
10% to 20%	12	14.1	16	19.75
21% to 30%	16	19.75	11	13.58
31% to 40%	21	25.9	13	16.04
41% to 50%	13	16.04	16	19.75
Above 50%	8	9.8	13	16.04
Total	81	100	81	100

Source: survey data (2016)

The findings in the Table 4.1 indicate that in 2014, 13.58 percent of employees performed less than 10% of targeted VAT collection. While, 14.1 percent of employees performed in the range of 10% to 20% of targeted VAT collection, 19.75 percent of employees performed between 21% to 30% of target VAT collection, 25.9 percent of employees achieved 31% to 40% of target VAT collection, 16.4 percent of employees managed to collect 41% to 50% of VAT collection, and 9.8 percent of employees performed above 50% of the target VAT to be collected.

In the same table it was also evident that in 2015, 37.97 percent of employees performed less than 10% of the targeted VAT to be collected. While, 19.75 percent of employees performed 10% to 20% of target VAT collection; 13.8 percent of employees did collect 21% to 30% of targeted VAT collection; 16.04 percent of employees performed a 31% to 40% of the targeted VAT revenue to be collected. In addition, 19.75 percent of employees indicated that they collected 41% to 50% of VAT collection, and only 16.04 percent of employees performed above 50% target VAT collection.

From the above tables one can see that although there were still limitations in the performance of VAT collection it looks promising compared to some years back. In other words, there is a good achievement of the VAT collection of the Revenue Office. This was possible through training, workers commitment, strategy, policies, and awareness development of the VAT payers. This finding is consistent with Richard M and Eric M (2003) who claimed that a good VAT administration is critical in fully implementing the design attributes of the tax and reducing gaps between the VAT collection and targets. More broadly, a good tax administration is necessary for the achievement of the policy objectives of VAT collection.

Table 4.2 Opinions of the employees regarding VAT collection Performance

	Items	N	Mean	Standard deviation
1	The revenue office makes VAT collection with the highest mark up margin	81	2.9506	1.08283
2	The revenue office generates a high level of VAT collection	81	2.9506	1.08283

3	The revenue office maintains a high level of current VAT payers; customer retention.	81	3.9136	0.67449
4	The revenue office finds and develops new customer relationships	81	2.9012	1.15764
	VAT revenue collection performance	81	3.179	0.9994

Source: survey data, 2016

The results in Table 4.2 revealed that, the respondents had the perception that the Town revenue office makes VAT collection with the highest mark up margin (mean=2.95), they also felt that the town revenue office generates a high level of VAT collection (mean=2.95). Moreover, they perceived their office maintains a high level of current VAT payer customer retention (mean=3.91) and finds and develops new customer relationships (mean=2.90). In general, it was indicated that most of the employees' perceived level (mean = 3.20) of VAT revenue collection Performance was more than the expected mean (which is 3). These results showed higher level of perceived VAT revenue collection Performance in the revenue office. This suggests that the performance of revenue office's VAT generation, customer retention and customer relationship were moderate, which may lead the operative staff to more work and increase their motivation and work commitment. These findings are consistent with Tait (1991) Baurer (2005) who reported that careful considerations must be given to staff to ensure that they are highly skillful, helpful, and ethical who can resolve tax issue problems professionally. Other considerations in tax administration policies would be adding more emphasis on risk management, taxpayer assistance, return management and recordkeeping.

Table 4.3 Perceived activities related to VAT fraud

No.	Statements	N	Mean	Standard deviation
1	In woldia town every VAT regime is susceptible to missing trader fraud	81	3.91	0.674
2	Missing trader fraud is common in Woldia town	81	3.91	0.674
3	The Revenue Office is technology intensive to detect fraud in tradable transactions.	81	4.05	0.865
4	The seller is notified that a VAT payment has been made on his or her behalf	81	3.91	0.674
5	The Town Revenue Office determines the correct tax for each transaction	81	3.91	0.674
6	The Town Revenue Office completes the VAT return accurately.	81	3.91	0.674
	Average Fraud Level	81	3.94	0.71

Source: survey data, 2016

The results in Table 4.3 indicated that respondents perceived that there exist a VAT regime which is susceptible to missing trader fraud (mean=3.91), that a missing trader fraud is common the town (mean=3.91), and that the revenue office is technology intensive to detect fraud in tradable transactions (mean=4.05). They also have a higher level of perception related to fraud where the seller is notified that a VAT payment has been made on his or her behalf (mean=3.91) to minimize fraudulent and that they claimed the office determines the correct tax for each transaction (mean=3.91) and completes the VAT return accurately (mean=3.91). The overall average indicated that most fraud looks a problem in the Town to properly collect VAT (mean = 3.94). This is consistent with the study of COM (2008), Carswell (2005). These researchers unveiled that missing trader fraud is common with high-value/low-volume goods sold across borders; computer chips and cell phones are classic examples. But the fraud easily migrates when pursued. It operates well with goods as varied as xenon light bulbs, automobiles and earth-moving equipment. This result suggests the dire need of strict control system and further training of the staff to develop their ethical and professional competence.

Table 4.4. Perception of the Employees about Gross Domestic Product in relation to VAT Collection

No.	GDP Description	N	Mean	Standard deviation

1	Total GDP elasticity of VAT revenues is less than the elasticity with respect to monetary GDP	81	2.9012	1.15764
2	Woldia town tax revenue as percentage of GDP has increased	81	3.0123	0.99365
3	Per capita GDP and degree of openness is positively related to revenue performance	81	3.0741	1.21221
4	Higher per capita income indicate a higher capacity to pay taxes	81	2.9506	1.08283
	Average GDP Level	81	2.9846	1.1116

Source: survey data, 2016

The results in Table 4.4 showed that respondents perceived the total GDP elasticity of VAT revenues is less than the elasticity with respect to monetary GDP (mean=2.90). Moreover, they agreed that the Town's tax revenue as a percentage of GDP showed an increase in its amount (mean=3.01). The employees perceived that per capita GDP and degree of openness were positively related to revenue performance (mean=3.07), and that higher per capita income indicate a higher capacity to pay taxes (mean=2.95). In general, the findings revealed that the average level of gross domestic product was perceived to be somehow near the center of the measurement (mean = 2.98). These results imply a low extent of VAT revenue from gross domestic product. That means in Woldia town, the gross domestic product is less than the available products that are distributed from distant, and suppliers afford in cost of overhead so there is double taxation on the commodities. This means customers' cost increases and then the affordability for consumption was cost. This is consistent with the study of Nelson H. (2011) who claimed that VAT income is determined by a number of factors, including economic situation of the country, which is best characterized by gross domestic product. In addition, Nelson described the higher the standard of life in the country, considered as GDP per capita, the higher the consumption, the better awareness of tax payments and lower tax fraud, consequently the relationship with GDP per capita is extra revised.

Table 4.5 Perceptions of the Participants about enforcement on VAT collection

	Items	N	Mean	Standard deviation
1	VAT defaulter identification	81	3.0741	1.21221
2	Timely provision of VAT defaulter information	81	2.9506	1.08283
3	Follow up of VAT defaulters	81	2.9012	1.15764
4	Recovery of unpaid VAT	81	3.0123	0.99365
	Average Enforcement level	81	2.9846	1.1116

Source: survey data, 2016

The results in Table 4.5 presented that respondents reported that VAT Defaulter identification was done mostly (mean=3.07), and that VAT defaulter information is provided timely (mean=2.95), where follow up of VAT defaulters was carried out nearly at an average rate (mean=2.90). They agreed that recovery of unpaid VAT was made somehow on average (mean=3.01). From these results it was indicated that the tax administration enforcement level was near to the middle of the scale (mean = 2.98). These results indicate an average extent of tax administration enforcement level in the Town. This could imply that lack of strong tax administration enforcement would decrease the motivation of the payers and lead them to fraud, because they need recognition of their tax for investment activities in the country and their involvement in the transformation of economy. This is consistent with the finding of Keen & Smith (2007) that the enforcement activities focus on taxpayers who are delinquent in meeting their tax obligations.

The returns processing and revenue accounting department systemically generates notice to the taxpayer when a balance due condition exists. This occurs when the taxpayer has paid less than the tax due (including any penalties or interest). Similarly, the returns processing and revenue accounting department systemically generates notices to the taxpayer when a required tax return is not timely filed. This occurs as a result of the computer system matching filed tax returns with each taxpayers filing requirements, established when the taxpayer registers with the tax administration.

Table 4.6 the perception participants about VAT policy administration on VAT collection

	Items	N	Mean	Standard deviation
1	VAT taxpayer registration and recruitment policies	81	3.0741	1.21221
2	VAT return management policies	81	3.0741	1.21221
3	VAT remittance/payment policies	81	2.9506	1.08283
4	VAT collection enforcement policies	81	2.9012	1.15764
5	Audit policies	81	3.0123	0.99365
	Average VAT policy administration level	81	3.0025	1.13170

Source: - survey data, 2016

As can be seen from the above Table, the results portrayed that the perceptions of the respondents about VAT Taxpayer registration and recruitment policies and VAT returns management policies practicality was average (mean=3.07). They also perceived that VAT remittance/payment policies' practicality (mean=2.9), VAT collection enforcement policies (mean=3.01) and Audit policies (mean=3.01) was within the bound of the average.

In general, the perceptions of the participants about VAT policy administration were moderate, which suggests that in Woldia town there is moderate practicing of VAT tax payer registration, VAT return, VAT remittance/payment and audit policy, which could lead to less collection of VAT and a decrease in the member of VAT payer sellers such as fraud expansion. This finding is consistent with Baurer (2005), who argued that the tax administration policies should be set to ensure that all taxpayers meet their VAT tax returns requirements as well as increase the tax base which would avoid an erosion of the tax base. Secondly, the available administrative policies should play an unbiased enforcement role in VAT tax collection with an ultimate goal of fostering voluntary compliance with the tax laws.

Table 4.7 Effect of Change in consumer Behavior on VAT collection

	Item	N	Mean	Standard deviation
1	Tax compliance changes in the amount of consumption	81	3.0741	1.21221
2	Tax compliance changes in the structure of consumption	81	2.9506	1.08283
3	VAT taxation reduce deviations in the functioning of the internal market and enhance consumers' welfare	81	2.9012	1.15764
4	The rich in an absolute amounts spend more on items taxed at lower rates than the poor	81	3.0123	0.99365
5	Value added tax burden triggered by the pricing system is transferred to all consumers regardless of their affordability	81	3.0123	0.99365
	Average change in consumer behavior level	81	2.9901	1.088

Source: - survey data, 2016

It was found that the participants perceived that, tax compliance changes in the amount of consumption (mean=2.95), changes in the structure of consumption (mean=3.07), VAT taxation reduce deviations in the functioning of the internal market and enhance consumers' welfare (mean=2.9), the rich in an absolute amounts spend more on items taxed at lower rates than the poor (mean=3.01) VAT burden triggered by the pricing system is transferred to all consumers regardless of their affordability (mean=3.01), which all represented an average level. These results indicated a moderate extent of change of consumer behavior in terms of various activities.

4.3 Correlation Statistics

The study also examined the relationships of the independent and dependent variables. The results were summarized and presented in table 4.8.

Table 4.8 the relationships among VAT collection performance, GDP, enforcement, VAT policy, change in behavior of customers, and fraud (n = 81)

Variables	Performance	Fraud	GDP	Enforcement	Policy
Performance	1.000				
Fraud	0.266*	1.000			
GDP	0.758**	0.148	1.000		
Enforcement	0.758**	0.148	1.000**	1.000	
Policy	0.686**	0.165	.981**	.981**	1.000
Change in behavior	0.620**	0.142	.955**	.955**	.918**

* $p < 0.05$, ** $p < 0.01$, Source: - survey data, 2016

The correlations results in Table 4.7 showed that fraud was positively and weakly correlated to VAT collection performance ($r = 0.266$, $\rho < 0.01$). Gross domestic product and enforcement positively related with VAT revenue collection performance ($r = 0.758$, $\rho < 0.01$), which suggests each variable shares 57.46% of its variance with VAT revenue collection performance. Moreover VAT policy was significantly associated with VAT revenue collection performance ($r = 0.686$, $\rho < 0.01$) where a common variance of 47.06% shared between the variables. Finally, change in behavior was significantly and positively correlated to VAT collection performance ($r = 0.620$, $\rho < 0.01$). Therefore, change in behavior had 38.44% a common variance with VAT revenue performance. This indicates that, all independent variables positively correlated with the dependent variable. That means all individual variables directly correlated with VAT revenue collection ranging from weak to strong correlation. The findings were consistent with some research reports. For instance, Lisa Kayaga, (2007) argued that the economic reforms in the sphere of taxation, of which the most significant is the introduction of VAT, are highlighted as the most important factors that have contributed to improving the situation. Kayaga further suggested that tax compliance may be affected by changes in consumer behavior (for example changes in the amount of consumption or changes in the structure of consumption), as forms of legal tax avoidance, induced by poor tax policy design, the collection of revenues from VAT also influenced by regional and global integration processes. It should be emphasized that available statistics of consumption in B&H do not allow precise quantification of the VAT gap in line with the EU methodology (Reckon, 2006). Reckon (2006) investigated whether the performance of domestic VAT revenue collection could be explained by internal factors.

Though zero order correlation coefficients indicate the direction and magnitude of each independent variable's relationship with the criterion variable, the combined and individual contributions of the variables cannot be determined. To do this, multiple regression analysis is appropriate. Accordingly in the following section multiple regression results are presented.

4.5 Regression Analysis

Multiple linear regression models was used to predict VAT revenue collection performance in the study on the basis of the five independent factors, namely, fraud, gross domestic product, enforcement, VAT policy and change in behavior. The β coefficients for each independent variable were generated from the model in order to test each of the hypotheses under study. Regression analysis was used to test the individual variables driving VAT revenue collection performance in combination, as is defined in the ultimate model presented in chapter 3. The study thus came up with a model summary after examining multi co linearity, the ANOVA for the effect sizes and the regression model as presented in table 4.9. Due to the high correlation between Enforcement and GDP, it was necessary to exclude GDP from the model. The other variables entered the model were indicated in the following Table.

Table 4.9 Multiple Regression Analysis of Fraud, Enforcement, VAT policy, and Change in Behavior on VAT Collection Performance**Unadjusted multiple regression coefficient table**

Model		Un standardized Coefficients		Standardized Coefficients	t	Sig.	Co linearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-0.048	0.194		-0.250	0.803		
	Fraud	0.274	0.043	0.210	6.353	0.000	0.966	1.036
	Enforcement	4.770	0.238	4.700	20.085	0.000	0.019	51.975
	VAT policy	-2.223	0.162	-2.424	-13.760	0.000	0.034	29.474
	Change in behavior	-1.813	0.125	-1.670	-14.534	0.000	0.080	12.536

Source: survey data (2016)

A rule of thumb was applied in the interpretation of the variance inflation factor (VIF). From the above Table 4.9, the VIF for all variables except fraud were found to be greater than 10. Moreover, their Tolerance values are less than the standard error (Gujarati, 1998). It has an implication on the variable's independency and redundancy in the information contained in predictor variables. The researcher took measure to minimize the problem of multi co linearity effect among the independent factors by removing enforcement, which has the highest VIF value (which is 51.975). Then the following regression model output was found. This output implies that the variation contributed by each of the independent factors was significantly independent and only three factors (fraud, VAT policy and change in consumer behavior) should be included in the prediction model.

Table 4.10 Multiple Regression Analysis of Fraud, VAT policy, and Change in Behavior on VAT Collection Performance of adjusted coefficient table

Model		Un standardized Coefficients		Standardized Coefficients	t	Sig.	Co linearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	0.588	.477		1.233	.222		
	Fraud	0.204	0.107	0.156	1.901	0.061	0.972	1.029
	VAT policy	0.648	0.188	0.706	3.445	0.001	0.156	6.407
	Change in consumer behavior	0.054	0.222	-0.050	0.245-	0.807	0.157	6.359

Source: survey data (2016)

The regression results in Table 4.10 showed that each predictor parameter's effect on performance of VAT collection. Accordingly fraud had a positive but insignificant effect on performance ($\beta = 0.156$, $\alpha = 0.061$) that implies the acceptance of the null hypothesis that states that fraud has no significance effect on sales performance. A study by Martinez et al. (2007) indicated that since all sales are taxable under VAT, vendor does not need to make differences between taxable and exempt sales, but must report for tax paid on purchases in order to maintain input credits. In this situation the effect of fraud on tax collection performance of Woldia Town's Revenue Office does not seem to be that much significant. Similarly, the effect of consumer's change of behavior effect on performance did not reach the level of significance ($\beta = -0.05$, $p > 0.05$), which was consistent with the description in the Economic Policy (2009). Whereas the main impacts of a reduced VAT rate will primarily depend on the extent to which the tax reduction is

passed through to the final goods price. The impact on consumer demand and the effect of higher demand on employment. Ultimately, it is thus a question of elasticity has and market structures rather than consumers' behavior changes.

However, the effect of VAT policy was found a significant predictor variable to performance. Its effect was found to be strong compared to fraud ($\beta = 0.706$, $\alpha = 0.01$) where the hypothesis which stated the effect of VAT policy is positive and significance effect on VAT revenue collection performance. In relation this, Baurer (2005) claimed that the available administrative policies should play an unbiased enforcement role in VAT tax collection with an ultimate goal of fostering voluntary compliance with the tax laws.

The overall or the composite effect of these three variables was found to be 49.5% ($R = 0.704$, $R^2 = 0.495$, and $R^2 = 0.475$) which was significant at $p = 0.000$ ($F = 25.161$, $df_1 = 3$, $df_2 = 77$). The composite effect suggests that nearly 50% percent of the performance of the Office is determined by fraud, VAT policy and customer's change in behavior. However, the largest and significant contribution in the variance of VAT collection performance was accounted for by VAT policy. The other two variables failed to significantly predicate the performance level of VAT collection.

According to the equation, taking all factors (fraud, VAT policy, and change in behavior) constant at zero, VAT collection performance will be 0.588. But the positive value of fraud, though not significant, is somehow puzzling. Basically the expectation is that when fraud increases there should be a decrease in the amount of performance and vice versa. It is subject to future research.

In a similar study in the EU, fraud failed to significantly predict such performance of tax collection. It was indicated in the study that the only reliable conclusion that can be drawn about the size of fraud problem in the EU is that current estimates are highly speculative and miss entire classes of fraudulent transactions. EU losses are enormous. Because VOIP and other tradable services types of missing trader fraud are not confined to the EU, there is much more to measure. It will take considerable international cooperation to combat the problem (Richard T. Ainsworth.2009).

Although it was hypothesized that a change in behavior has positive and significant effect on VAT revenue collection performance the regression analysis revealed that its effect was not significant and positive. From the zero-order correlation analysis, it was found that a change in consumer behavior was correlated to VAT revenue collection performance positively and significantly ($r = 0.620$, $p < 0.001$) that may suggest tax compliance that could be affected by changes in consumer behavior (for example changes in the amount of consumption or changes in the structure of consumption) as forms of legal tax avoidance, and induced by poor tax policy design. An important factor is also the behavior of taxpayers in terms of compliance with tax regulations and timely payments of VAT obligations (Dinka A., 2014).

But, VAT policy has positive and significant effect on VAT collection performance. This suggests that when the VAT policy is implemented regularly and consistently there is a possibility of performance increase. That is, tax administrations could adopt procedures to expedite VAT refunds, particularly for taxpayers who have a good compliance history. There must also be effective policies on penalty waivers, payment plans and administrative settlements and tax Amnesties (Baurer, 2005).

Though tax administration enforcement and gross domestic product had positive and significant relationships with VAT collection performance they failed to predict performance as they were removed from the regression equation due to their multicollinearity problems. Research shows that enforcement activities focus on taxpayers who are delinquent in meeting their tax obligations. The returns processing and revenue accounting department systemically generates notices to the taxpayer when a balance due condition exists. This occurs when the taxpayer has paid less than the tax due (including any penalties or interest). Similarly, the returns processing and revenue accounting department systemically generates notices to the taxpayer when a required tax return is not timely filed. This occurs as a result of the computer system matching filed tax returns with each taxpayers filing requirements, established when the taxpayer registers with the tax administration (Keen & Smith, 2007). Bikas and Rashkauskas (2011) also posited that households are the main VAT payers, and, as their core income is wage, and unemployment serves as a factor in influencing increase of VAT income. It is total market value, measured in current prices, of all goods and services produced within the political boundaries of an economy during a given period of time, usually one year. Gupta (2007), who conducted a regression analysis, reported that GDP growth has a positive impact on tax revenues performance. It shows that these variables have a positive relationship and consistent with the economic theory. However this research failed to replicate his results.

CHAPTER FIVE SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of findings, conclusions and recommendations. The chapter also gives suggestions for further study.

5.2 Summary

The purpose of the study was to examine the extent to which fraud, VAT policy, change in consumer behavior, GDP, and enforcement predict VAT revenue collection performance. To answer the questions, correlation and multiple regression analyses were employed. Moreover, the perceptions of the respondents were assessed to see the extent to which these factors influence the performance of the Office in tax collection. In this case descriptive analysis was used. The participants were all employees of Woldia Town Administration Revenue Office. Questionnaire was used to gather the required data from the participants.

The results from the descriptive analysis showed that the five variables examined to have any presumed effects as perceived by the participants on VAT collection performance had moderate or average effects.

That the correlation analysis revealed that all the five variables had positive and significant correlation with VAT revenue collection performance. However, the results of multiple regression model indicated that the only significant predictor of VAT revenue collection performance was VAT policy.

5.3 Conclusion

The study concludes that fraud, gross domestic product, tax administration enforcement and VAT policy administration related with VAT revenue collection performance by the Woldia town Administration revenue office.

It is clear that before organizations choose the VAT revenue collection performance strategies to adopt; they should consider a number of environmental factors, which influence those choices. For instance, gross domestic product and tax administration enforcement are the most influential factors followed by ownership expectations and organizational culture. Moreover, fraud, VAT policy, and change in consumer behavior are important factors to be considered in the decision making process when choosing VAT revenue collection performance strategies. In this study it is concluded that the implementation of VAT revenue administration policies are considered to be vital to effectively enhance the collection of VAT by the office. The other factors, though positively related, had no significant effects on the performance of the Office in tax collection.

5.4 Recommendations for policy and practice

Based on the research findings and conclusions, the researcher made some recommendations that are aimed at strengthening VAT revenue collection performance within the Woldia revenue office employees.

The impact of fraud factor must be carefully considered when deploying VAT collection performance practices to ensure that bonds will enable both the firms and the customers to commit resources to build on high levels of trust and commitment with the business orientation and tax administration. The study found that gross domestic product, VAT administration policy and tax administration enforcement, had a positive correlation to the VAT revenue collection performance. Doing so these firms will increase gross domestic product, VAT administration policy and tax administration enforcement, increase their VAT revenue collection performance.

Change in consumer behavior was shown to have negative effect on VAT revenue collection performance, though not significant. This has some implication how an organization will develop its strategy in handling the change in consumer behavior for the future. However, further study needs to be considered in the investigation of change in consumer behavior.

The most important result in this was the strong effect of VAT administration policies. This suggests that when the policies are properly implemented there is an increase in the performance of VAT collection. So it is recommended that the Office needs to raise the awareness of tax payers and put efforts to implement the policies.

5.5 Future Directions for Further Studies

Given the limitations and scope of this study, the researcher suggests the following areas for further studies:

The findings revealed that other factors not studied in this research contributed a significant percentage of variations in the VAT revenue collection performance. Therefore, further research should be conducted to assess other factors impacting on VAT revenue collection performance in Woldia town administration revenue office employees.

Factor analysis should be used in methodology to test the predictors and allocate factor loadings for comparison with the findings of this research.

A similar study should be replicated in the enterprises to investigate the factors that influence the VAT revenue collection performance.

A final suggestion for future research is to take a qualitative approach using in-depth interviews to probe more deeply into specific characteristics of a successful business owner and business, and what drives VAT revenue collection performance. Common themes or factors among business owners could be identified and best practices or benchmarks should be formulated.

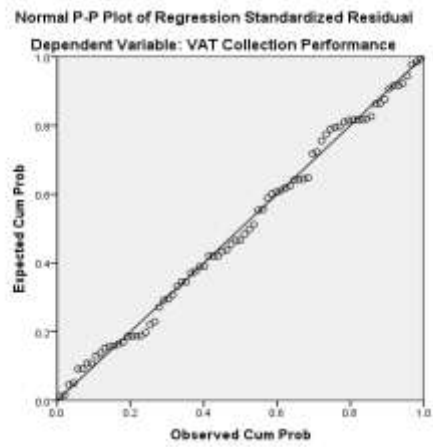
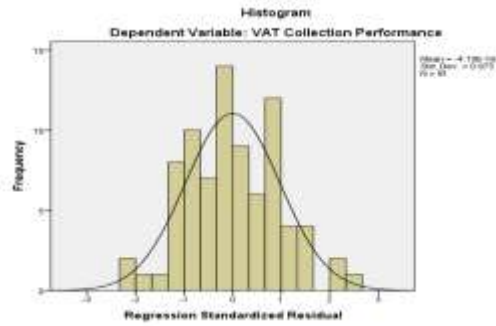
References

- Angus Deaton, *Understanding Consumption* (Oxford, England: Clarendon Press, 1992). *Developing Countries: An Overview* THE WORLD BANK ECONOMIC REVIEW, VOL. 14, NO. 3 University Press.
- Ayalew, H. A. (2013). Determinants of domestic saving in Ethiopia: An autoregressive distributed lag (ARDL) bounds testing approach. *Journal of Economics and International Finance*.
- Bell, & Lamkin, (2007) *An Active Approach to Statistical Inference using Randomization Methods ... use of descriptive statistical methods through hands-on real data analysis experiences*.
- Bemheim, B. D., Garrett, D. M., & Maki, D. M. (2001). Education and saving: the long-term effects of high school financial curriculum mandates. *Journal of Public Economics*, 80.
- Bisat A., Mohammad A., EL-Erain, (1997). *Growth, Saving and Investment in Arab Economies*. IMF Working Papers. Washington, D.C. Board, March 1993.
- Bland J M, Altman D G 'Multiple significance tests: the Bonferroni method' *BMJ* ... Altman D G 'Cronbach's alpha' *BMJ* 1997.
- Bosworth, B., G. Burtless, and J. Sabelhaus. 1991. "The Decline in Saving: Evidence from Household Survey." *Brookings Papers on Economic Activity* 1.
- Brian F. Patterson. (2008). *Differential validity and prediction of SAT*.
- Browning, M. and A. Lusardi, (1996). *A Household Savings: Micro Theories and Micro Facts*, *Journal of Economic Literature* 34(4).
- Bucks, B. K., Kennickell, A. B., Mach, T. L., & Moore, K. B. (2009, February). *Changes in U.S. family* *Bulletin*, A1–A56.
- Campbell, J. Y. and N. G. Mankiw. (1989). "Consumption, Income and Interest Rates: Reinterpreting the Time Series Evidence." NBER Working Paper No. 2924.
- Campbell, J. Y. and N. G. Mankiw. 1991. "The Response of Consumption to Income, A Cross - Section Investigation." *European Economic Review* 35.
- Carroll and Summers, "Consumption Growth Parallels Income Growth: Some New Evidence," in B. Douglas Bemheim and John B. Shoven, eds.
- Chandran E (2004). *Research methods a quantitative approach*, Daystar University. Nairobi: Kenya.
- Collis and Roger Hussey (2003) validated by a quantitative research study, ideally one with a broad sample of successful ... Thus, the dimension of time entered the success formula. *Quarterly*, 35(1)
- David W. Wilcox, "Interest Rates and Consumption: A Classical Analysis" (Federal Reserve.
- Deaton, A., (1997). *The Analysis of Household Surveys*, Baltimore, MD: Johns Hopkins.
- Deaton, A., (1997). *The Analysis of Household Surveys*, Baltimore, MD: Johns Hopkins University Press.
- DeVaney, S. A., Anong, S. T., & Whirl, S. E. (2007). Household savings motives. *The Journal of Duke University Press*, eds., NBER Macroeconomics Annual: 1989 (Cambridge, Mass.: MIT Press, 1989), pp. Financial Advice." *Journal of Family and Economic Issues* 32 (4).
- GillesBerube and Denise Cote (2000) "Long-term determinants of the personal savings.

- Giovanni, A. (1985), Savings and the Real Interest Rate in LDCs.", *Journal of Economic Development*, 18: 197-217. Household Surveys," *Brookings Papers on Economic Activity* (1:1991).
- Goldstein, D. G., Johnson, E. J., & Sharpe, W. F. (2008). Choosing outcomes versus choosing products: Consumer-focused retirement investment advice. *Journal of Consumer Research*,
- Goldstein, Johnson, and Sharpe (2008). Retirement saving, temporal discounting, future self-continuity, immersive ... of their investment decisions Influences on individuals' retirement.
- Karlan, Dean, and Jonathan Morduch. 2010. "Access to Finance." In *Handbook of Development Economics*, ed. Dani Rodrik and Mark Rosenzweig, Volume 5, Chapter 2, Amsterdam: North-Holland, Elsevier.
- Kothari, C. R.(2006).*Research Methodology*New Age International Publishers, New Delhi.
- L. Mandell. LS. Klein /*Financial Services Review* 16 (2007) 1 Hilgert, M, A., Hogarth, J, M., & Beverly, S, G, (2003), Household financial management: the connection between knowledge and behavior.
- Laurence J. Kotlikoff ... Published: *Journal of Economic Perspectives*, Vol. 2, No. ... Brown and Weisbenner, *Intergenerational Transfers and Savings Behavior*.
- Lewin, K, (1938).*The Conceptual Representation and the Measurement of Psychological Forces*. Durham, NG.
- Mandell, L, (2006a). *The Impact of Financial Literacy Education on Subsequent Financial Behavior*, Working paper, January.
- Marsden, Mitchell, Cathleen D. Zick, and Robert N. Mayer. "The Value of Seeking Financial Advice." *Journal of Family and Economic Issues*.
- Martin, Terrance K., Jr., and Michael Finke.(2014). "A Comparison of Retirement Strategies and Financial Planner Value." *Journal of Financial Planning* 27 (11).
- Masson, Bayoumi, and Samiei (1995). identifying the key policy and nonpolicy determinants of private saving rates. *Industrial and developing countries*.
- Masson, Bayoumi, and Samiei.(1995).*saving in developing countries*.
- Masson, P., T. Bayoumi, and H. Samiei. 1995. "Saving Behavior in Industrial and Developing Countries." *World Economic and Financial Surveys*, IMF Staff Studies for the World Economic Outlook (September)
- Mbuthia, A. N. (2011). *Households' saving decisions in Kenya*.Kenyatta University Press.
- Mbuthia, A. N. (2011). *Households' saving decisions in Kenya*. Kenyatta University Press, 1-173.*National Saving and Economic Performance* (Chicago: The University of Chicago Press,
- Meredith, G.(1995). "Demographic Change and Household Saving in Japan." In *Saving Behavior and the Asset Price "Bubble" in Japan*, edited by U. Baumgartner and G. Meredith. Occasional Paper No. 124.
- Meredith 1995; Bosworth, Burtless, and Sabelhaus. (1991).*Long-term determinant of the personal saving*...bank of kanada.
- Norman Loayza, Klaus Schmidt-Hebbel, and Luis Servén (2000). *Saving in of Economics and International Finance*, 248 -257. Paper n° 8, *Estonian National Bank.Perspectives*, vol. 2, no. 2 (Spring 1988).
- Orodho (2004).*The study used content validity and reliability of the instruments attained was 0.76*. Of the study and their application to other situations.
- Oso WY, Onen D (2005). *A General Guide to Writing Research Proposal and Report: A Handbook for Beginning Researchers*. Kisumu, Kenya: Option Press and Publishers.
- Patti J. (2012).*Relationship of Saving Motives to Saving Habits*.
- Pinder, C. C. (1998).*Work Motivation in Organizational Behavior*. Englewood Cliffs, NJ: Prentis-Hall. Reinterpreting the Time Series Evidence," in Olivier Jean Blanchard and Stanley Fischer.
- Rha, J.Y., Montalto, C. P., & Hanna, S. D. (2006). The effect of self-control mechanisms on household saving behavior, *Journal*.
- Samuelson, P. (1967). *Economics*. New York: McGraw-Hill Book Co. *Saving Determinants in Morocco*.*African Review of Money Finance and Banking* 2010. Some thoughts on the idea of sustainable development.*Ecological Economics* 48. Sub-Saharan Africa: Evidence FromEthopia. *Ethopian the Indonesian Case*, *Economic Development and Cultural Change*.
-

- Samuelson and Zeckhauser (1988) Influences on individuals' retirement savings investment decisions.
- Saunders, Philip Lewis and Adrian Thornhill (2009). The rights of Mark ...Ethical issues at specific stages of the research process.
- Schmidt and others (1996), Bisat and others (1997), and Sinha (1999) The positive relationship between saving/investment and economic growth.
- Sinha, D., (1998) Saving-Investment Relationship in Japan and Other Asian Countries, CJES Researcher Papers No. 98 – 5.
- Sturm, P. H. (1983).“Determinants of Saving: Theory and Evidence.”OECD Economic Studies 1.
- Tolman, E. C. (1932).Purposive Behavior in Animals and Men. New York: The Century Company.
- Touhami, A. Florence, A. Najat, E. and Sabine, M. (2009). A Micro-econometric Analysis of Households.
- Touhami, A. Florence, A. Najat, E. and Sabine, M. (2009).A Micro-econometric Analysis of Households Saving Determinants in Morocco. African Review of Money Finance and Banking. U.S. Federal reserve Board's Finance.
- Umar (1999) The minimum sample size was determined using the formula for estimating required... 1999; Umar I,Oche MO, Umar AS. Pa.
- Voss et al (2002). Sampling... effectiveness of the data collection instrument for the main investigation.
- Weil, D. N. (1994). “The Saving of the Elderly in Micro and Macro Data.” Quarterly Journal of Economics 109.
- Wirjanto, T. S. (1995).“Aggregate Consumption Behavior and Liquidity Constraints: the Canadian Evidence.” Canadian Journal of Economics 28.
- Xiao, J. J., & Fan, J. X. (2002). A comparison of saving motives of urban Chinese and American.
- Xiao, J. J., & Noring, F. (1994). Perceived saving motives and hierarchical financial needs.
- Yalew Endawoke. (2009). Basic research principles and applications. 2nd ed. Addis Ababa: Alpha publishers. (In Amharic).

Appendix-1 Normality and fitness Test



APPENDICES-2

QUESTIONNAIRES
 BAHIR DAR UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF MANAGEMENT

FACTORS AFFECTING THE PERFORMANCE OF VALUE ADDED TAX REVENUE COLLECTION IN WOLDIA TOWN ADMINISTRATION

Dear Respondents,

The questionnaire is designed to collect data on influence factors the collection of value added tax revenue performance (the case of Woldia Town Administration) at North Wollo. The data will be used for academic purposes only and will be treated with strict confidence. Please take a moment to respond to the questions / statements presented in the questionnaire N.B:

- Writing your name is not necessary
- Put “√” for your choice in the box provided

Thank you in advance!

Section 1: Background Information of your Organization

age-----sex-----

Q1 a. your business activities _____

b. The source of your initial capital _____

c. Annual income _____

d. Educational level:

Illiterate adult education elementary high school 12 graduate diploma degree

master
 e. the number of years as you are VAT paid entrepreneur _____

Section 2: Factors influencing the collection tax revenue performance

Please indicate with a tick (√) the extent to which the following environmental factors have impacted the collection tax revenue performance using a rating scale where: **Not at All=1: Low=2: Moderate =3: High =4; Very High = 5.**

Fraud		5	4	3	2	1
1	At woldia town every VAT regime is susceptible to missing trader fraud					
2	Missing trader fraud is common with high-value in the woldia town					
3	Woldia town revenue office is technology intensive to detect fraud in tradable transactions					
4	The seller is notified that a VAT payment has been made on his or her behalf					
5	Woldia town revenue office determine the correct tax for each transaction					
6	Woldia town revenue office complete the VAT return accurately.					

Gross Domestic product		5	4	3	2	1
7	total GDP elasticity of VAT revenues is less than the elasticity's with respect to monetary GDP					
8	Woldia town tax revenue as percentage of GDP has increased					
9	per capita GDP and degree of openness is positively related to revenue performance					
10	higher per capita income indicate a higher capacity to pay taxes					

Enforcement	5	4	3	2	1

11	VAT Defaulter identification					
12	Timely provision of VAT defaulter information					
13	Follow up of VAT defaulters					
14	Recovery of unpaid VAT					
VAT administration policy		5	4	3	2	1
15	VAT Taxpayer registration and recruitment policies					
16	VAT returns management policies					
17	VAT remittance/payment policies					
18	VAT collection enforcement policies					
19	Audit policies					

Change in consumer behavior		5	4	3	2	1
20	Tax compliance changes in the amount of consumption					
21	Tax compliance changes in the structure of consumption					
22	VAT taxation reduce deviations in the functioning of the internal market and enhance consumers' welfare					
23	The rich in an absolute amounts spend more on items taxed at lower rates than the poor					
24	Value added tax burden triggered by the pricing system is transferred to all consumers regardless of their affordability					

Questions Related Value Added Tax collection Performance

Please put tick mark “√” the response that best suits your answer

5=strongly agree, 4=Agree, 3=Neutral, 2=Disagree, 1=strongly disagree

	Value Added Tax collection Performance	5	4	3	2	1
25	Woldia town revenue office make VAT collection with the highest mark up margin					
26	Woldia town revenue office generates a high level of VAT collection					
27	Woldia town revenue office maintains a high level of current VAT payer customer retention.					
28	Woldia town revenue office find and develop new customer relationships					

29. What was **Value Added Tax collection Performance** actual VAT collecting compared to annual target s **Value Added Tax collection Performance** during each of the last two years expressed as a percentage?, indicate with a tick (√).

Year 2014	Year 2015
Less than 10% <input type="checkbox"/>	Less than 10% <input type="checkbox"/>
10 to 20% <input type="checkbox"/>	10 to 20% <input type="checkbox"/>
21 to 30% <input type="checkbox"/>	21 to 30% <input type="checkbox"/>
31 to 40% <input type="checkbox"/>	31 to 40% <input type="checkbox"/>
41 to 50% <input type="checkbox"/>	41 to 50% <input type="checkbox"/>