Assessment of the Challenges and Opportunities of Business House Rental Income Taxation in Regional State of Tigray

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Abstract: *The prevalence of poverty in developing countries like Ethiopia demands improvising internal revenue generating projects particularly the tax administration to reduce dependence on foreign aid and borrowing. The main objective of the study was to assess the challenges and opportunities of Business House Rental income taxation in Regional state of Tigray. To achieve this objective, the researchers used both primary and secondary data. Primary data was collected through a survey questionnaire which was developed formerly for the sampled responders, focus group discussion, and oral interview conducted with the concerned officials, as well as personal observation by the investigators. In addition to this, secondary data was obtained from different sources such as documents, reports, and related research findings. The data gathered witnessed that there exist inefficiency and insufficient number of business house rent tax assessment and collection officers in the regional state of Tigray Finance and Economic Development Bureau. Moreover, most taxpayers lack sufficient knowledge of tax assessment and collection procedures. Thus, most of business house rent tax payers do not know the existing applicable rules and regulations. Due to this and other factors mentioned in the analysis of this study, negligence, delay in tax payment and evasion are taken by taxpayers as solution to escape from payment of proper business house rental income taxes. Despite the challenges/problems of business house rent income taxation discussed, there are clear policies and strategies, strong stand of the government over development, peace, and democracy, Economic growth of the country, good fighting spirit by the society against the tax evaders are some opportunities which ultimately results to the high amount of tax collection, if exploited properly.*

Keywords: Business House Rental Income Taxation

1. Introduction

1.1 Background of the Study

Tax is one of the most important sources of government revenues. The combined consumption of public goods and services like roads, electric power, internet and communication services, water supply, and other infrastructures require putting some of the income of the society into government hands. This will have constructive results on each family, business enterprises, industries and the whole society. Government intervention in the provision of such goods and services is therefore, very important and this can be facilitated if the community pays taxes.

Tax is the main source of revenue for the government of Federal Democratic Republic of Ethiopian. The two major taxes existing in Ethiopia are direct taxes and indirect taxes. House rent income tax is grouped under the direct taxes and it is a type of tax which is imposed on the income from rental houses. It is charged annually through determining the value by a given rates. Normally, the cash or fair market value of property received for the use of one's house is taxable rental income.

The rental income tax is the tax imposed on the income from rent of buildings. Since any income that has received from renting out a property is legally responsible for income tax, the owners of the property have to include it in their tax return. This income could be from renting out land or buildings. The business house rental income tax is one of

rental income taxes, which is imposed on the house owners who rent out all or part of their house.

Business house rental income tax is being currently enforced in Ethiopia. Even though it has been a long time since it was included in the income tax proclamation, it was started to be strictly enforced especially on individual house owners who rent out their property recently.

Understanding the functioning of business house rental income taxation is highly important for the government and for the reason that taxation of rental income influences the relationship between house owners and house rentees. This means house owners have the tendency of increasing the amount of monthly rent payment by the renters because they feel that the rental income tax rate is high. This has an effect on the income of renters because housing is the most important component of households' consumption expenditure and their financial portfolios. Thus, assessing the challenges and opportunities of business house rent income taxation is significant and requires an intensive study. The study focus is to assess challenges and opportunities of business house rental income taxation in Tigrai National Regional State and thereby suggest some ways of improving the process by forwarding some best experiences in the international arena regarding the issue.

1.2 Statement of the Problem

Government finances its expenditures through the fund acquired from the service given by the government, tax, loan and donation. From all sources of finance, tax is the major source; however, in most developing countries, it is a

common phenomenon to notice serious problems in developing adequate tax systems that permits a government to sufficiently finance its expenditures. Along with the growth in the overall Ethiopian economy, it has been observed that there has been an increased government spending and deficit financing. In principle, government could use both domestic and external sources of finance that a country can tap to finance the deficit. The government collected significant amount of revenue including grants, which could not fully finance the total expenditure. Without grants, the deficit could have been also about significant. This makes the borrowing and grant element of government's total expenditure counts too much. Of the external grant that constitute part of government revenue, almost half comes in the form of grants in kind (or earmarked) and the remaining comes in the form of untied cash (IMF, 2006).

According to the Ethiopian income Tax Proclamation No. 286/2002, rental incomes of lower than Birr 1,800 is exempted thresh hold. The income tax payable for the rental income beyond this is 10% for the income between Birr 1,801 and Birr 7,800 with a deduction of Birr 180; 15% for the income between Birr 7,801 and Birr 16,800 with a deduction of Birr 570; 20% for the income between Birr 16,801and Birr 28,200 with a deduction of Birr 1410; 25% for the income between Birr 28,201 and Birr 42,600 with a deduction of Birr 2820; 30% for the income between 42, 601 and Birr 60,000 with a deduction of Birr 4950; and 35% for the income above Birr 60,000 with a deduction of Birr 7950 annually (EBDSN and ECC, 2005). The average income tax payable rate is therefore, 19.3%. The average rates of the same African countries like Tanzania, Kenya and Cape Verde are 31%, 30% and 20% respectively (Retrieved on 16/12/2012 from http://www.irs.gov/taxtopics/tc415.html).

Although the average rates of house rental income tax and other similar taxes are smaller than or equal to many less developed countries, we can't say that the implementation of the tax collection process is out of problem in our country. There are many problems on the different tax payment processes because the tax system is not understandable and transparent for all tax payers especially for those who are less literate. The tax system is not often detailed after proper consultation with the community. Some parts of the community complain that the tax implementation is subjective and, as a result, they are frequently subjected to over-taxation (EBDSN and ECC, 2005). It is therefore very important to clarify the Ethiopian tax system and its rationales for the different tax payers.

Like the other tax systems, the system of house rental taxation has confronted with many challenges both on the side of the tax payers and the officials (Annual report of Adigrat City Revenue Development Office 2011/12). On top of this data, the personal experiences of the investigators also support the above idea. To the best of the researchers' knowledge no empirical study has been done yet to assess the challenges and opportunities of business house rental income taxation system in the regional state of Tigray. Hence, this study has attempted to investigate the challenges and opportunities in order to suggest for the improvement on implementation of the system in the study area.

1.3 Objectives of the Study

1.31 General Objective
The General Objective of the study was to assess the challenges and opportunities of Business House Rental income taxation in Regional state of Tigray.

1.32 Specific Objectives
The specific objectives of the study were:

1. To explore the current condition of business house rental income taxation
2. To investigate the challenges occurred in the implementation of business house rental income taxation
3. To assess special opportunities of business house rental income taxation

2. Research Methodology

This chapter presents the research design, data sources and collection methods, sampling design and data analysis.

2.1 Research Design

The descriptive type of study with a quantitative and qualitative approach was employed to analyze the data.

2.2 Data Sources and Collection Methods

The sources of the data were entirely from both primary and secondary sources. The primary data was collected by a survey questionnaire which was developed formerly for the sampled responders, focus group discussion, and oral interview conducted with the concerned officials, as well as personal observation by the investigators. In addition to this, secondary data was obtained from different sources such as documents, reports, related research findings, and the internet in order to support the primary data by some allied theoretical concepts.

2.3 Sampling Design

In selecting Towns to be included in this study, purposive sampling design was used. The capital of Tigray Region, Mekelle city and the zonal towns (Adigrat, Maichew, Axum, Shire, Humera), and the special wereda Adwa, Alamata and wukro kilte Awla'elo was selected.

According to the Bureau of Revenue of the National Regional State of Tigrai, there are 37,049 registered business house rent income tax payers in the region.

Thus, the sample size was determined according to the formula given by Cochran (1992: 53-57) and Israel (1992: 39) as follows:

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

Where, N indicates the population size, and e indicates the margin of error. For this research, we have used a 5% margin of error. As a result, the sample size was determined to be approximately 400.

Moreover, in selecting the number of respondents from sampled towns, the researchers employed a probability proportional to sample size method. In addition to the tax payers, 80 respondents from tax Authority officers were included in the study.

2.4 Method of Data Analysis and Presentation

The data collected for this study was analyzed based on descriptive analysis to address the objectives of the study in the most excellent way. Moreover, the analyzed and presented by using analytical tools like; tabulations and descriptions that make it graspable.

3. Data Analysis and Presentation

3.1 Introduction

As it was already mentioned in the research methodology part, questionnaire was used as primary data collection method. Questionnaires were distributed to the respondents by categorizing them in to two. The *first* type of the questionnaire was distributed to the tax payers (house owners) *and the second* type of questionnaire was distributed to the revenue bureau officials. Out of the 400 questionnaires distributed to the house owners (renters), 380 of them were filled and returned back and out of 80 questionnaires distributed to revenues bureau officials, only 72 of them were filled and retuned back. In this chapter, table and charts has been used for the presentation with a short description and explanation provided for those tables and figures. Analysis carried on these data has also been presented.

3.2 Analysis and presentation of data gathered from House owners (Renters)

3.2.1 Personal data of the Respondents
The first part of the questionnaire solicited the respondents about their general bio data. Accordingly the response of the respondents is depicted on the table 1, 2, 3 & 4 below.

Table 4.01: Gender distribution

	Frequency	Percentage
Male	312	82%
Female	68	18%
Total	380	100%

 Source: (Questionnaire, 2014)

According to the table 4.1 above 312 (82%) of the respondents were males and 68 (18%) of the respondents were females. From this data, we can easily observe the most of the business house owners (renters) in the Tigray region are males.

Table 4.02: Age distribution

	Frequency	**Percentage**
20 – 30 years	8	2%
31 – 40 years	88	23%
41 – 50 years	228	60%
Above 50 years	56	15%
Total	**380**	**100%**

 Source: (Questionnaire, 2014)

In table 4.2, four age brackets were represented; those aged between 20 – 30 years were 8 accounting to 2%, from 31 – 40 years 88 (23%), from 41 – 50 years 228 (60%) and the rest 56 (15%) were aged above 50 years. As it can be easily understood, most of the business house owners (renters) in Tigray region are between the ages of 41 – 50 years.

Table 4.03: Educational level distribution

	Frequency	**Percentage**
Illiterate	23	6%
$1^{st} – 8^{th}$ Grade	157	41%
$9^{th} – 10^{th}$ Grade	48	12.5%
$11^{th} – 12^{th}$	48	12.5%
TVET (Diploma)	71	19%
First Degree	29	8%
Second Degree and above	4	1%
Total	**380**	**100%**

 Source: (Questionnaire, 2014)

 According to the table 4.3 above 23 (6%) of the respondents were illiterate, 157 (41%) were between $1^{st} – 8^{th}$ grade, 48 (12.5%) were between $9^{th} – 10^{th}$ grade, 48 (12.5%) were between $11^{th} – 12^{th}$ grade, 71 (19%) were graduated from TVET, 29 (8%) were 1st degree holders, and the rest 4 (1%) were 2nd degree and above.

Therefore, this indicates that the majority of the rental tax payers were not well educated. Consequently, they may lack knowledge about how their taxable income is computed.

In addition to the above analysis, when the educational qualification of the respondents were observed in each of the sampled towns separately, then it was observed that in each of the towns the majority of the respondents were elementary school complete and minority were diploma/degree holders. Therefore, this poor educational qualification of the respondents necessitates the government to provide tax training on a regular basis in order to develop their awareness.

Table 4.04: Marital status distribution

	Frequency	**Percentage**
Single	57	15%
Married	264	70%
Widowed	21	5%
Divorced	38	10%
Total	**380**	**100%**

 Source: (Questionnaire, 2014)

As we can observe from the above table 4.4, 57 (15%) of the sampled respondents were single, 264 (70%) were married, 21 (5%) were widowed, the rest 38 (10%) were divorced.

Table 4.05: Family size distribution

	Frequency	*Percentage*
From 1 to 2 years	98	26%
From 3 to 5	106	28%
Above 5 years	176	46%
Total	380	100%

Source: (Questionnaire, 2014)

As it is shown in the above table 4.4, majority of the sampled respondents i.e. 176 (46%) were having above 5 family size, 106 (28%) were having a family size of 3 – 5,

while the rest 98 (26%) of the sampled respondents were having a family size of 1 – 2.

Table 4.06: Occupation

	Frequency	Percentage
Government organization	38	10%
Non-government organization	19	5%
Private business	323	85%
Total	**380**	**100%**

Source: (Questionnaire, 2014)

Table 4.5 shows that most of the sampled house owners (renters) i.e. 323 (85%) are running their own private business, 38 (10%) are working in a Governmental organizations, while the rest 19 (5%) are working in NGOs.

Table 4.07: Renting Experience

	Frequency	Percentage
Below 5 years	122	32%
From 5 to 10 years	114	30%
From 10 to 15 years	76	20%
Above 15 years	68	18%
Total	**380**	**100%**

Source: (Questionnaire, 2014)

With respect to the renting experience of the respondents, the above table shows that 122 respondents had the experience of below 5 years which account 32% of the total respondents and 114 respondents had the experience of 5 to 10 years which represent 30% of the total respondents. Moreover, there were 76 respondents whose renting experience was between 10 to 15 years and 68 respondents were above 15 years; each of which constitutes 20% and 18% of the total respondents respectively.

Table 4.08: Annual rent revenue of the respondents (in Birr)

	Frequency	Percentage
Below 50,000	30	8%
From 50,000 to 100,000	95	25%
From 100,000 to 200,000	156	41%
From 200,000 to 300,000	72	19%
Above 300,000	27	7%
Total	**380**	**100%**

Source: (Questionnaire, 2014)

As it can be observed from table 4.7, 30 (8%) of the respondents generate annual rent revenue below Birr 50,000; 95 (25%) of the respondents generate from Birr 50,000 to Birr 100,000; 156 (41%) generate from Birr 100,000 to Birr 200,000; 72 (19%) of the respondents generate from Birr 200,000 to Birr 300,000; and the remaining 27 (7%) of the generate above Birr 300,000.

3.2.2 Business house owners (Renters) knowledge & perception towards the existing business house rent income taxation system

As it is already said in the introductory part and literature review part of this paper, now a day understanding the rental income taxpayers' knowledge and attitude and their compliance with tax system is becoming one of the most important factors for increasing the revenue of a government. With this regard, the respondents were asked as to whether they have the knowledge as to why they are paying tax.

Accordingly, 304 (80%) of them were responded that they are aware of why they are paying taxes; while the remaining 76 (20%) of the respondents are not aware of the reason why they are paying. The above figure shows that majority of the business house tax owners (renters) knows the reason why they are paying taxes to the government.

The next question solicited was the house rental income taxation training in which they get from the revenue offices of respective towns; accordingly, 125 (33%) of the respondents were responded as if they had got a training from the revenue officials of the respective towns; whereas, the majority of the respondents 255 (67%) claimed as they haven't had any trainings from the revenue officials.

The third question forwarded was as to the knowledge of the respondents about the current house rental income tax rate.

Surprisingly, most of the respondents, 334 (88%) were claimed that they have no knowledge about the house rental income tax rate; while the remaining 46 (12%) of the respondents said that they know the house rental income tax rate, and are capable of calculating the amount of rental income tax they pay. The tax authority is not doing to the maximum of their capacity in order to create awareness to the rental tax payers about the tax payment. What is the purpose of paying tax and where it is spent; still the rental tax payers were not well aware of that. Consequently, they are resulting in less compliance with the tax laws.

In order to comply with taxation it is important that one has the basic understanding on the rules, regulations and policies government taxation. However, most of the business house renters don't have the knowledge about the existing house rent income tax rate.

The other question solicited was regarding the fairness of the amount of rental income tax that they are paying. Accordingly, out of the total respondents 266 (70%) of them do not think the amount of rental income tax that they are used to pay was fair; whereas the remaining 114 (30%) of the respondents were claimed as if it was fair. Although the principle of tax stated that tax payment should be based on the ability of the rental tax payer, respondents said that it is beyond what they can pay. Similarly, they also stated that individuals who rent similar buildings are exposed to different tax rates. The tax assessors/revenue bureau officials do not trust the renters that they submit the memorandum of agreement which specify the monthly house rent payment agreed between the house renter and the rentees. Consequently, most of the time the business house rent income tax is levied based on the notional assessment of the revenue office employees/assessors. Moreover, they also commented that even there were persons who don't pay tax properly to the government.

Table 4.09: knowledge and perception towards existing house rent income taxation system

No	Questions	YES	NO
1	Do you know why you are paying tax?	80%	20%
2	Did you get any business house rental income taxation related trainings?	33%	67%
3	Do you know the existing house rental income tax rate?	12%	88%
4	Do you think the amount of rental income tax that you are paying is fair?	70%	30%

Source: (Questionnaire, 2014)

3.3 Analysis and presentation of data gathered from Revenue Bureau Employees/Officials

3.3.1 Personal data of the Respondents

Table 4.10: Gender distribution

	Frequency	Percentage
Male	52	72%
Female	20	28%
Total	72	100%

Source: (Questionnaire, 2014)

According to the table 4.1 above 52 (72%) of the respondents were men and 20 (18%) of the respondents were women. From this data, we can easily observe most of the revenue officials/employees in the Tigray region are men.

Table 4.11: Age distribution

	Frequency	*Percentage*
21 – 30 years	33	46%
31 – 40 years	16	22%
41 – 50 years	17	24%
Above 50 years	6	8%
Total	**72**	**100%**

Source: (Questionnaire, 2014)

In table 4.2, four age brackets were represented; those aged between 21 – 30 years were 33 accounting to 46%, from 31 – 40 years 16 (22%), from 41 – 50 years 17 (24%) and the rest 6 (8%) were aged above 50 years. As it can be easily understood, majority of the revenue bureau officials in Tigray region are between the ages of 21 – 30 years.

Table 4.12: Educational level distribution

	Frequency	**Percentage**
College Diploma	7	10%
First Degree	61	85%
Second Degree and above	4	5%
Total	**72**	**100%**

Source: (Questionnaire, 2014)

Table 4.12 depicts that the 7 (10%) of the respondents were college diploma holders; 61 (85%) are first degree holders; while the remaining 4 (5%) are second degree and above. From this figure, we can understand that most of the revenue bureau employees/officials in Tigray region are first degree holders.

It is definite that the educational status of the given individual has a great thing to do with the efficiency and effectiveness of what he/she performs. So the fact that Most of the administrative staff of the organization holds good academic status can contribute a lot towards the effectiveness of the tax collection system.

Table 4.13: Work Experience Distribution

	Frequency	**Percentage**
From 1 to 5 years	35	49%
From 6 to 10 years	26	36%
Above 10 years	11	15%
Total	**72**	**100%**

Source: (Questionnaire, 2014)

The number of years of experience of an individual can contribute a lot towards the way he/she thinks, the method he/she performs his/her duty and the like. To this end, it is believed that the more an individual stays on administrative portion, the more he/she can acquire an experience of how to deal with several problems in an organization which intern leads to minimization tax assessment and administration problems. With this regard the data collected from the respondents resembles that 35 (49%) of them have an experience of 1 - 5 years, 26 (36%) of them have an experience of 6 - 10 years, while the remaining 11 (15%) of the respondents accumulated an experience of above 10 years.

3.3.2 Business house rental tax administration

Tax on income from rental of buildings is the tax imposed on the income from rental of buildings. If the taxpayer leased furnished quarters, the amounts received attributable to the lease of furniture and equipment would be included in the income and taxed.

The owner of a building who allows a lessee to sub-lease is liable for the payment of the tax for which the sub-lessor is liable, in the event the sub-lessor fails to pay; When the construction of a rental building is completed or when the building is rented, the owner and the builder are required to notify the administration of the Kebele in which the building is situated about such completion and the name, address, and tax identification number of the person or persons subject to tax on income from rental of building; the Kebele administration has the obligation to communicate the information obtained to the appropriate tax authority.

With this regard, the respondents were asked a couple of questions which are intended to know their perceptions and the existing assessment and administration system.

Table 4.14: Current condition of business house rental income taxation

No	Question	Poor	Moderate	Good	V. Good
1	How do you describe the current condition of business house rental income taxation in your town?	-	44%	50%	6%

Source: (Questionnaire, 2014)

The above table 4.13 shows out of the total 72 respondents, 32 (44%) of them were rated the current condition of business house rental income taxation as **Moderate**; 36 (50%) claimed as if it is **Good**; while the remaining 4 (6%)

rated as if it is a **Very Good**. Respondents, who rated **Good** & **Moderate**, expressed their reason that the existing business house rental income taxation lags behind as compared with that of employment income tax.

Table 4.15: Respondents perception on the amount of house rent income tax and tax fraud

No	Questions	YES	NO
1	Do you think your town/bureau is collecting the desired amount of tax from business houses rent?	30%	70%
2	Do you that think there is a business house rental income tax fraud in your town?	100%	-

Source: (Questionnaire, 2014)

As to the desired amount of tax collection from business houses rent is concerned, the majority of the respondents, 50 (70%) claimed the respective towns/bureaus are not collecting the amount of tax that it should have been collected; whereas, the remaining 22 (30%) of the respondents reflected as if the their respective towns are collective the desired amount of house rental tax.

Regarding the business house rental income tax fraud, all of the respondents, 72 (100%) responded that there are tax frauds made by the tax payers.

3.3.3 Challenges of Business House Rental Income Taxation

One major problem observed from the tax office was lack of stiff search and control of registered and unregistered rental income tax payers to perform this duty. In addition, the tax payers submit unreliable signed documents to the tax authority. They produce two documents signed by both the lessor and lessee and submit the one with the reduced amount of agreement. An open ended question was forwarded to the respondents list out the major challenges of business house rental income taxation. The major causes for the rental income tax assessment and collection problems are as follows:

- Poor tax attitude by tax payers
- Tax payers produce two documents signed by both the lessor and lessee and submit the one with the reduced amount of agreement
- Poor tax attitude by house rentees
- Poor house rental taxation related trainings and awareness creation by the tax authorities
- Insufficient number of tax officers
- Lack of commitment by tax officers to exercise duty adequately
- Lack of effective implementation of rules and regulations by tax officers

3.3.4 Opportunities of Business House Rental Income Taxation

Despite the challenges/problems of business house rent income taxation discussed above, there are some opportunities which ultimately results to the high amount of tax collection, if used properly.
- Clear policies and strategies
- Strong stand of the government over development, peace, and democracy

- Economic growth of the country
- Good fighting spirit by the society in fighting the tax evaders

4. Conclusions and Recommendations

The main objective of the study was to assess the challenges and opportunities of business house rental income taxation system of the regional state of Tigray. Both open and close ended questionnaire and unstructured interview were employed to assess the existing business house rental income taxation system along side its major challenges and possible opportunities. Based on the presentation and analysis of the data obtained, the main conclusions and recommendations are summarized in this chapter.

4.1 Conclusions

The study had three objectives which guided the data collections and analysis. The results and analysis were organized based on the four objectives. The following is a summary of the findings:

The study revealed that with the exception of minority of the rental tax payers who hold diploma and degree, most of them were with an educational background of elementary and high school completed. Hence, it can be concluded that rental tax payers lack knowledge of easily understanding the laws and regulations of the tax system and how their taxable income is computed. With respect to providing tax awareness training, it is the duty and responsibility of the tax authority to conduct a series of trainings to the rental tax payers, especially for these whose educational background was elementary school and secondary school completed.

However, the research indicated that majority of the respondents didn't attain the tax training sessions. This may be either as a result of poor control and follow up mechanism of the tax authority or due to lack of awareness of the rental tax payers. Therefore, it can be concluded that still many respondents are not attending or participating in the tax training session.

The tax authority must maintain adequate management information system. So that, taxpayers must receive clear, concise and up-to-date information on describing what amount is taxable, how to calculate their tax liabilities and procedures for calculating paying taxes, where and when they pay taxes. The tax office should offer sustainable training and prepare discussion or forum for collaborators such as legal bodies, city administrators, and security bodies as they have direct or indirect contributions for the implementation of the tax.

Moreover, the study disclosed that the respective towns/bureaus are not collecting the amount of tax that it should have been collected. The study indicated that there were some dishonest rental tax payers. According to the information obtained from the respondents, it can be observed that some rental tax payers were intentionally understating their taxable income by substantial amounts. Even there are some individually who entirely don't report their taxable income to the concerned body. Consequently,

this result is affecting the attitudes and compliance behavior of genuine rental tax payers towards the tax system.

With regard to the house rental taxation challenges, the tax payers submit unreliable signed documents to the tax authority. They produce two documents signed by both the lessor and lessee and submit the one with the reduced amount of agreement. The major causes for the rental income tax assessment and collection problems are:

- Poor tax attitude by tax payers
- Poor tax attitude by house rentees
- Poor house rental taxation related trainings and awareness creation by the tax authorities
- Insufficient number of tax officers
- Lack of commitment by tax officers to exercise duty adequately

4.2 Recommendations

Based on the information concluded above, the following recommendations are forwarded:

1) An efficient and proper tax administration is required by setting clear and transparent rule and regulation. Beside all these, tax offices should be equipped with new technology and adequate and skilled human resources.
2) The tax authority must maintain adequate management information system. So that, taxpayers must receive clear, concise and up-to-date information on describing what amount is taxable, how to calculate their tax liabilities and procedures for calculating paying taxes, where and when they pay taxes.
3) The core process should establish appropriate procedure and system of tax collection and assessment procedure and assigning relatively honest, experienced and capable professionals.
4) The tax office should build a favorable alliance with third party (house rentees) to get relevant information about the taxpayer under audit.
5) Moreover, the tax office should increase taxpayer educational programs to increase tax awareness by tax payers. Taxpayers should understand and accept that their hard-earned birr is spent wisely and effectively to fund a range of government programs and priority services including education, health care, environmental protection and community services.

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