



THE INFLUENCE OF TAX EDUCATION ON TAX COMPLIANCE OF A B C CATEGORY TAX PAYER'S

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ABSTRACT

Tax non-compliance is at this time an area of concern for all government and tax authorities, and still continue to be an important issue that must be addressed. Regardless of time and place, the main issues that faced by all tax authority are non-compliance in case of lack of awareness, lack of self-consciousness, lack of tax education and it is not easy task because of these reasons to persuade all taxpayers to comply with the regulations of a tax system. The objective of this study is to examine the influence of tax education on tax compliance at Amhara National Regional state, south wollo zone, kombolcha city administration revenue branch office tax payers. To achieve this objective, exploratory research design approach and both descriptive statistics and inferential statistical data analysis method is applied on this study. To examine the influence of tax education on tax compliance primary data was collected through questioner from external tax payer and employee of kombolcha revenue branch office based on the collected data analysis result it indicate that tax compliance is highly influenced by tax education, so the organization should continuously and meaningfully by using his effort in challenging the tax payer's (non-compliance) by creating simple and accessible system. The results of this study can inform policymakers to inform tax education are an important to create voluntary tax compliance and can be taken as strategic model for the future.

Key words: Tax Compliance, tax education, Self-consciousness, non-compliance, awareness

1. Introduction

Tax is a compulsory levy which is a government imposes on its citizens to enable it to obtain the required revenue to finance its activities (Adesola, 2013). It is generally considered as a civic duty, On the other hand, taxation is the process of imposing, assessing, collecting and accounting for taxes (Agbetunde, 2015). However, Tax is much more than collecting revenue, it is about building accountable relations between government and citizens. Tax is a cost to the tax payer, the desire of the tax payer is to minimize the cost and thus maximize his income and profit naturally exists. While the government's desire is to maximize revenue through tax education enhancing tax payer (Lymer and Oats, 2012). To strike a balance between the taxpayer and the tax collector, then latter need to come up with strategies and methods of simplifying tax procedures and system, one of strategy is the use of enhancing tax payer through tax education to increase the level of tax compliance (Lymer & Oats, 2012). Tax compliance can be described as the process of fulfilling the tax payer's civil obligation for tax payment and filing of tax returns including the provision of necessary documents and explanations required by the tax authority in a timely manner also tax compliance is taxpayers willingness to pay their taxes willingly and honestly (Oyedele, 2012).

Currently one of the greatest problems facing Ethiopian taxation is the problem of non-compliance according to (ERCA customer charter, 2018). Non-compliance is a major problem for much tax authority and it is not an easy task to persuade taxpayers to comply with tax requirement even though „tax laws are not always precise“ (James and Alley, 2014).

Tax education is a way of reducing non-compliance and a method of educating people about the whole process and implication of taxation and why the tax should be paid (Aksnes, 2017). It assists taxpayers in meeting their tax obligations to the government this means that the primary existence of tax education is to encourage voluntary compliance amongst taxpayers According to (Misra, 2016).

The main objective of this research is to examine the influence of tax education on tax compliance of tax payer at Amhara National Region state, south wollo zone, kombolcha city administration revenue branch office. Whereas the sharing of revenue between the federal and regional government has been made in with the prevailing federal structure based on this Amhara National Region state established under the proclamation no 49/2002E but now governed under the re-establishments of proclamation no (240) and (241) in 2008 E.C. were the head office of the Authority is located in Bahir dar city and kombolcha city administration revenue branch office is one of branch office which is accountable for zone. There for the influence of tax education on tax compliance of tax payer has been assessed by various researchers.

2. Research Problem

Low tax compliance is a major concern for the policy makers in many developing countries. This is because it limits the capacity of governments to raise revenue for developmental and recurrent expenditure purposes (Togler, 2003). This means that the higher revenue to the government, more likely the government will provide more services to enhance the standard of living of the people. Unlikely Most developing countries are dependent on external resources specially loan to maintain their own expenditure or governmental budget (Shina, June, 2014). Ethiopia, like any other developing countries is dependent on external resources because of governmental budget where fails to finance its activity in case of many reasons one of the reason is fail to collect the expected tax by tax authority from tax payer and the country experienced a consistent surplus of expenditure over revenue for sufficiently long period of time. To address this problem, the government introduced a number of rules, systems and methods aiming tax collection as a major source of public revenue. However, this all efforts couldn't still bring the required result due to a number of reasons (ANRSB, Customer Charter, 2016).

Tax evasion and avoidance is growing in Ethiopia government tax revenue collection, thus, inefficiency in government spending because it reduce the capacity of the state to mobilize domestic revenues, resources that are needed for investments, Tax evasion and avoidance also damages the country's growth capacity by discouraging both local and foreign investors, The high tax rate and burden in Ethiopia, which is related to the high levels of tax evasion and avoidance is the leading disincentive to business activity and thus create non-compliance (Ahababu, 2010).

Thus to realize the objectives of voluntary tax compliance, taxpayers need to be informed, well awarded and well educated through any media, person or by any concerned part about tax. However, week attention and low implementation has been directed toward tax education influence on tax compliance in Kombolcha area. That make it fail to enhance tax payer through tax education properly Hence, the influence of tax education on tax compliance of tax payer at Amhara national Region state, south Wollo zone, kombolcha city administration revenue branch office tax payer's investigated for the first time and the findings of this study can be used to inform sound public policy making and can be taken as strategic plan model.

3. Literature Review

One of the greatest problems facing the world tax Authority is the problem of non-compliance. Non-compliance is a major problem for much tax authority and it is not an easy task to persuade taxpayers to comply with tax requirement even though „tax laws are not always precise“ (James and Alley, 2016).

There are different factors that affect tax compliance if taxpayer has been educated and aware there self-conciseness and attitudes towards tax would be positive and this will in turn increase tax compliance and reduce the propensity to evade and avoid taxes (Ahmad Fariq Mustapha, 2011).

On the other hand, Social services positively influence tax compliance of taxpayers, absence of tax education for tax payer make unable them to know why they are paying, to know their right and duty of tax plus to calculate their taxable income and tax liability, to know the low of tax voluntarily this is a result of un awarded and un educated taxpayer by itself it create low self-conciseness of the society drive the tax payer unable to know about tax and its benefits and is another form of non-compliance Ketema Derar, (2016).

The results of various studies indicate that tax education appears to be an important element for building tax compliance reveals that educating taxpayers and keeping them well inform with the sentences of being tax evader and avoider may be important, as a prevention measure is better than treatment. Jackson and Millerton, (2016) states that tax education towards tax compliance have an influence on the inclination towards tax evasion and avoidance. It is also suggested by Erikson and Fallen, (2011) that, successful means of preventing tax evasion and avoidance is to provide more tax education to larger segment of society in order to improve tax compliance among people's conception of the fairness of the tax system. There for the influence of tax education on tax compliance of tax payer has been assessed by various researchers.

The overall focus area of the study in which there are independent and dependent variables the researcher assumes that Tax education is not be standalone or can't create in the effort of one entity by itself but, tax education is the result of active participation of each entity with effective system working in a socially acceptable way According to Harris (1989) as cited by (Mohd Rizal Palil and Ahmad Fariq Mustapha, 2011). Based on this assumption as frame work describe the researcher identifies independent variable called tax education, tax Awareness, non-compliance and self-consciousness influence on dependent variable called tax compliance. Ones the responsible body act in this way the activity of creating tax education became smoothly can create tax compliance.

4. Research Methodology

This research applies explanatory research design method and the quantitative data is utilized In order to present the collected data the researcher apply descriptive statistics and inferential statistical data analysis technique. In order to determine the population of the study the researcher use sequential take sample from kombolcha city administration revenue branch office there are from category "A" tax payer is 99, from category "B" tax payer is 360, from category "C" tax payer is 4198. Total is 4,657 legally registered tax payers in the branch. To the purpose of this study the researcher take a sample by using stratified sampling method from a total population of the study. The sample size was determined using Slovene's formula (muliari, 2011) as follows.

$$n = \frac{N}{1 + Ne^2}$$

Where

n = sample size

N = population size

e = percentage of loose in accuracy in this study due to sampling error that can be tolerated (disable) amounted 10% where confidence interval is 90%. Hence the total sample size as per the formulae is 98.

The samples in this study were conducted by using stratified sampling technique method based on this method the researcher took the samples from different strata. The sample size of each category of tax payers Category A is 3, Category B is 8 and Category C is 87.

The study targeted at Amhara national region state, south Wollo zone, Kombolcha city administration revenue branch office. The study focused on 98 under branch registered taxpayers. Only Primary data sources are applied for this study. From kombolcha city administration revenue branch office tax payers the primary data sources are collected through questionnaire and the branch office review when it is necessary. In order to collect the necessary information from respondents the researcher use structured type of questionnaire design and distribute to the respondent. However, the researcher use Likert scale questionnaire design of using with all points label verbally for dependent and independent variable questions (strongly agree 5, agree 4, neutral 3, disagree 2, strongly disagree 1) forms. The questioner also prepare for customers and employee to collect quantitative data. The researcher use easy question in order to get meaningful insight. The researcher tested the Reliability of the criteria used in the study by using Alpha coefficient and the coefficient of reliability According to (Sekaran, 1992). as cited in (Suleiman, 2011) the stability coefficient 'CronBach's Alpha', (which measures the consistency and internal stability of elements which measure the independent and dependent variables of the study).

The researcher applied multiple regressive model because these model effectively enable to assess the relationship between dependent and independent variables by using this model the researcher can examine the relationship between tax compliance (dependent variable) is affected by tax education, non-compliance, tax Awareness, and self-consciousness (independent variable) precisely.

Mathematical representation of multiple linear regressions model is

$$Y = a + bX_1 + cX_2 + dX_3 + e$$

Where: - Y = dependent variable, a = intercept, X = independent variable, a, b, c, d = slope
 e = residual or error the same like this

$$TC = f(Te + Ta + Nc + Sc) + e$$

Where: - Tc = Tax Compliance, Te = Tax Education, Ta = Tax Awareness, Nc = Non-compliance, Sc = Self-consciousness, f = the rate of influence (intercept), e = error

5. Results and Discussion

The researchers distributed 98 questionnaire to different category of tax payers but received 94 questionnaire.

5.1 Demographic profile of the tax payers

Table :1 Gender of the Tax payers

	Gender	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	53	54.1	56.4	56.4
	Female	41	41.8	43.6	100.0
	Total	94	95.9	100.0	
Missing	.00	4	4.1		
Total		98	100.0		

Source : Primary data 2022

As indicated above table the proportion of gender is approximated and enough to represent any gender perception and their behavior towards tax compliance.

Table :2 Age Group of the Tax payers

	Age (yrs)	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-28	19	19.4	20.2	20.2
	29-38	38	38.8	40.4	60.6
	39-48	22	22.4	23.4	84.0
	49-58	11	11.2	11.7	95.7
	59+	4	4.1	4.3	100.0
	Total	94	95.9	100.0	
Missing	.00	4	4.1		
Total		98	100.0		

Source : Primary data 2022

As shown in the table the majority of the respondent (63.8%) of the respondents comprise (40.4% & 23.4%) the age between of 29-48 years respectively which implies these age groups are active participant in the business also the rest on fall between 49-58 years are the lowest participants and age between (18-28) are medium participants.

Table :3 Educational level of the Tax payers

	Education level	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0	5	5.1	5.3	5.3
	1-8	6	6.1	6.4	11.7
	9-12	22	22.4	23.4	35.1
	10+3	40	40.8	42.6	77.7
	Degree	18	18.4	19.1	96.8
	MSc and above	3	3.1	3.2	100.0
	Total	94	95.9	100.0	
Missing	.00	4	4.1		
Total		98	100.0		

Source : Primary data 2022

This data indicates that most of the respondents are well educated to understand the Questions of the study. On the other hand, the data collected from uneducated tax payer specially 5.3% respondents is by making oral conversation by converting the questionnaire in to words this add value for reliability of the research.

Table :4 Experience in Business

Business Experience	Frequency	Percent	Valid Percent	Cumulative Percent
Valid ≥ 1	19	19.4	20.2	20.2
1-10	51	52.0	54.3	74.5
11-20	16	16.3	17.0	91.5
21-40	6	6.1	6.4	97.9
41+	2	2.0	2.1	100.0
Total	94	95.9	100.0	
Missing .00	4	4.1		
Total	98	100.0		

Source : Primary data 2022

The result of this study indicates that the Kombolcha city administration revenue branch office has greater chance to increase tax payer awareness by giving tax education to make them have awareness and self- conciseness about tax to fight against non-compliance in presence of high experience of tax payers.

Table :5 Category of Tax payers

	Tax payers Category	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Category "A" tax payer	3	3.1	3.2	3.2
	Category "B" tax payer	8	8.2	8.5	11.7
	Category "C" tax payer	83	84.7	88.3	100.0
	Total	94	95.9	100.0	
Missing	.00	4	4.1		
Total		98	100.0		

Source : Primary data 2022

It indicate that Category "A" Taxpayers the researcher take (3.2%) respondents means from the tax payer have annual turnover is Birr 1,000,000 or more, also (8.5%) is Category "B" Taxpayers when the annual turnover is Birr 1, 000, 000 to 500,000 and (88.3%) is category "C" taxpayer which have annual turnover is lower than Birr 500,000 based on the result it indicate that category "C" tax payer is the highest percentage of tax payer in this case the branch office get the great opportunity to educate the tax payers before they became to highest tax payer.

Table :6 Regression – Model Summary

Mo del	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df 1	df 2	Sig. F Change
1	.677 ^a	.458	.434	.50132	.458	18.792	4	89	.000

a. Predictors: (Constant), Noncompliance, Tax Education, Awareness, Self conciseness

b. Dependent Variable: Tax compliance

Source: SPSS Output, 2022.

The model summary result for tax education influence on tax compliant of tax payers. To calculate coefficient of determination or to determine the influence of tax education contribution on tax compliance as the data indicates the r value is (r =0.677) it shows the availability of strong relationship between tax education influencing factors and improved tax compliant. The total contribution of r value to the performance can be calculated as $r^2 = 0.677 * 0.677$ is equals to 0.4583. To convert this to percentage of variance multiplying the result by 100 it gives 45.83 % shared variance. We can say that tax education influencing factors helps to increase tax compliance by 45.83%.

As clearly indicated by model summary table R Square result is 0.458 it shows how much of the variance in tax compliance is explained by the independent variables. The value can be expressed as a percentage 45.8% of the variance in tax compliance explained by the model or predictor. Adjusted R square column used to eliminate over estimation that cause do to small sample size. The result of adjusted R square result for this study shows 0.434 The Adjusted R square statistic corrects „this value to provide a better estimate of the true population value. For the purpose of this study using adjusted R square value enables to generalize the value of the sample to the population. So that, the predictors has the ability to predict tax compliance by 43.4%.

The relationship between the influence of tax education measured as (self-consciousness of the tax payer for tax, tax awareness and non-compliance) measurement and tax compliant indicates there is strong relationship between the models constructed. Indicators were investigated using Pearson product-moment correlation coefficient analyses were performed to ensure no violation of the assumptions of normality and linearity. There was a strong Correlation between the two variables (r= .677, N= 94 and p<0.01) with high effort in tax education dimension provide better tax compliance.

6. Conclusions and implications

The tax education has no statistically significant impact on tax compliance based on the result of SPSS output, tax education has not statistically significant impact on tax compliance SPSS outputs represent there is no statistically significant relationship between tax education and tax compliance. The influence of tax education is one factor that helps to increase tax compliance 45.83 % by this percentage the influence of tax education with help of self-consciousness, noncompliance and awareness determine the predictor.

The result of this research showing the influence of tax education on tax compliance and at the same time statistically tested their potential for bringing tax compliance. As indicated in the model tax awareness, self- consciousness of the tax payer, noncompliance, tax education have (45.83%) ability to bring tax compliance. however, the authority doesn't pay much attention for tax education and poor implementation of precondition for tax education specially creating self consciousness, bringing non-compliance tax payer for tax education and awareness for all tax payer. The researcher recommends filling this gap all category of tax payers should be actively participate in tax education for purpose of tax compliance To bring change in this dimension the branch office should change their method of tax education mechanism specially by cooperating with city trade and industry office before the tax payer reached the license better be Educated and aware about tax and before they access tax education the tax payers need to have self consciousness and awareness about tax, to get fruit full results and to bring tax compliance. Education levels become more important in increasing tax compliance across countries. One of the measures to increase voluntary compliance is by assuring that taxpayers have a certain level of qualifications, ability and confidence to exercise their tax responsibility (Mohan, 2012).

Also the researcher recommends the following policies to avoid noncompliance through Positive rewards; - Material rewards usually come in the guise of lotteries. This recommendation should not be applied only under the regional levels but also better to be applied at a country level because foreign countries are by Applying this they are beneficiaries in both to bring the tax compliance at the same time satisfying expected revenue know For instance, Taiwan operates a Receipt-based tax lottery to increase sales tax (VAT) compliance since the 1950s. China introduced a VAT-lottery in the 1990s (Wan 2010). More recently, some European countries followed suit including Malta, Slovakia, Portugal, and Romaniaii (Fookan et al. 2014). Local authorities in Peru and Indonesia raffle off bicycles, cars, and TV- sets to incentivize payments of property taxes and motor vehicle taxes. Martin and Dolan, (2010) recently suggested a lottery scheme to increase timely submissions of income tax declarations in the US. I believe using this approach will make the taxpayers to be tax compliant in Kombolcha, Ethiopia.

The branch office curriculum should be change, the curriculum is only about responsibility and duty of the tax low or proclamation only so to motivate and rise self-conciseness and awareness of tax payer the tax curriculum need to include the benefit of tax, the role of tax related with society i.e. which can motivate to take the education and it have an impact for better achievement of tax education and to increase voluntary compliance. The kombolcha city revenue branch office does not have its own social media to address any information to customers this make it unable for supply of tax education any time, because the branch office tax information is always depend on at the head office level of social media this media usually address the cumulative performance of all branch this make it complicated and limited to address the current performance of the branch and tax education for that matter the researcher recommend kombolcha branch office better have its own FM program, TV program, FB address etc. to address any information and education to its customer for the sake of increasing level of tax compliance.

The survey result of Demise, (2008) reveals that the poor knowledge of taxpayer"s on tax rules and regulations is the most deterring factor of voluntary compliance. In addition, to this according to Jotopurnomo, Cindy and Yenni (2013) states that self-

consciousness, noncompliance tax payer and tax awareness have an impact on tax compliance. The statistical findings confirm the prevalence of a relationship between this above factors and tax compliance, suggesting all variables have positively contributes towards tax noncompliance through tax education.

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