Assessment of Value Added Tax Administration (The case of Bule Hora Town)

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Abstract

This study was assessed the Value Added Tax Administration in Bule Hora Town. The main objective of the research was to assess and identify the problems related to Value Added Tax Administration in Bule Hora Town Revenue Office. To achieve the objective both primary and secondary data were collected. Primary data was collected through questionnaires and unstructured interview, and Secondary data was extracted from different books, relevant documents, journals and articles, organizational manuals, different websites and analyzed by using inferential analysis. Value Added Tax implementation in Bule Hora Town Office is promising but not perfect. The major problems related to Value Added Tax administration are to found the implementation of Value Added Tax, awareness of tax payers to Value Added Tax is low, lot of Value Added Tax registrants in Bule Hora Town have no understanding about the advantage of Value Added Tax for them. Another problem is the staffs have no experience on rules and regulations, and amending new proclamations and others exist challenges at the time of Value Added Tax collection. To overcome the problems identified, the researcher recommends the revenues authority to take corrective measurement to improve Value Added Taxation, and the awareness of both employees of the authority and registered tax payer of Bule Hora Town by giving regular training.

Key words: *Bule Hora, Revenue Authority, Tax, VAT.*

1. Introduction

The Concept of VAT was propounded first by American experts in the 1920s'. But at the time Americans failed to implement it, the modern concept of VAT was truly it in France 1954. It is from France that other countries took lessons about VAT and introduced in their legal system. In France it was introduced to satisfy high demand of revenue on the point of the government in order to rebuild France from the civil of Second World War (Yohannes and Sisay, 2001).

Ethiopia's tax reform program has introduced VAT at the rate of 15% (fifteen percent) on January 1, 2003, to replace the sales tax proclamation that provides an exemption for basic necessities and

domestic transportation and zero-rating to encourage exports and capital investments (Bizualem. B, 2015). Value-Added Tax falls under the general category of a consumption tax, meaning taxes are paid on what people buy rather than on their earnings, savings, or investments. VAT has also been referred to as a sort of national sales tax, its functions are very different. Sales tax is imposed on the total of their capitals. (Encyclopedia of Management, 2009) The Ethiopian Government has replaced the former sales tax so as to broaden the tax base and make the tax administration more efficient. VAT administration is expected to be efficient and effective so that taxpayers' awareness can be enhanced, investment can be encouraged, and revenue generation can be increased. The power of collection of tax as the constitution provided in article 99 is given to both federal and regional governments. However, the VAT collection is absolutely reserved for the federal governments (proclamation no 286/2002). The government aim of introducing VAT is to minimize tax avoidance and evasion to fasten economic growth and improve the ratio between gross domestic product and government revenue. This study may help policy makers in providing insight regarding different problems in VAT administration. This study was trying to assess of VAT administration in Bule Hora town

1.1 Statement of the Problem

Value added tax is levied by the government on the commodities sold at a specified percentage on the value of sales, and it is a source of revenue for government of Ethiopia both at Federal and Regional level. Recently, the federal government of Ethiopia adapted VAT system at national level. All VAT eligible was not registered due to different reasons, failure to main records file timely, and failure to notify change in business address and business live (Yohanis and Sisay, 2014). The regional authority and Bule Hora revenues office is responsible to collect and assess joint revenue. Because the VAT system is not easy and simple to adopt specifically in developed countries where the tax administration set up is in efficient and experienced to understand any complicated tax structure. There are different problems in VAT Administration in Ethiopia and as Bule Hora Town. Those are first VAT may be imposed on some person, second it may be transferred by him to another person i.e second person. Third, it may be ultimately borne by the second person (Abdulhamit, 2002). However, Bule Hora Town Revenue Administration activities aimed at creating desirable outcomes to the problem, challenges or difficulties that provide solution. (Misrak, 2011) Study tried to address the root cause of weak VAT administration, poor awareness by VAT payers, and identification of opportunities for successful VAT administration. This researcher was assessing the VAT administration in the case of Bule Hora Town. The main researcher found the following gaps between the previous study with time

and location area limitations. The range of time, the previous researcher depends on complex figure in order to represent and analysis the data and the respondents use only the employees of revenue authority in this case the researcher used both the employees and VAT register of Bule Hora Town. Due to this, nowadays there are many changes in administrative of revenues. The place where the formers researcher was conducted their research and the awareness of taxpayers, the culture of paying taxes in which the research was conducted was limited at different. Generally, the researcher believes that the research was conducted to fulfill the identified gap by modifying the sought one in order to provide a better understanding of the VAT administration.

1.2 Basic Questions of the Study

Based on identified the gap, this study was used to answer the following questions.

- ✓ What is the level of awareness of the tax payers?
- ✓ What is the draw-back in the implementation of VAT in Bule Hora Town?
- ✓ Does the VAT system apply in compliance with proclamation and regulation?
- ✓ How we can form comfortable for taxpayers to pay VAT?

Therefore, this study tries to fill the above gap by assessing the Value Added Tax administration on revenue office in Bule Hora Town.

1.3 Objectives of the Study

1.3.1 General Objective

The general objective of the study was to assess Value Added Tax administration problem and Value Added Tax payers in case of Bule Hora Town Revenue Office.

1.3.2 Specific Objectives

- ✓ To assess the people's altitude and awareness toward tax policy.
- ✓ To assess VAT implementation problems in Bule Hora Town
- ✓ To identify whether the value added tax system applied in complied with value added tax proclamation and regulation.
- ✓ To evaluate convenience of value added tax to taxpayers.

1.4 Significance of the Study

- ✓ The need to conduct this study was to explore the problem of VAT administration that was known and individual living condition in the Bule Hora Town.
- ✓ The study was expected to have importance for the revenues authority to improve its tax administration by overcoming its challenges and detecting its opportunities for improvements based on the recommendation.
- ✓ It is also used as a basis for further studies in the same area or other related fields of study.

2. Methodology

2.1. Description of Study Area

From the data taken from Ethiopian Geographer Associations (2016), Bule Hora Town is found in Western Guji Zone, and is bordered in north by the Gedeb Woreda of Gedeo zone, in south by the Duda Dawa, in East by Melka Soda Woreda and in West by Amaro Woreda and Burji people of Southern Nations. The woreda has a distance of 467 Km from the capital city of the country. The woreda has 45 rural kebeles and 3 town kebele (Woreda administration).

Bule Hora Town is located at 5°35' N Latitude and 38°15'E Longitude. It is located at the West direction of East Guji Zone. The capital center of the woreda is found at 467 Km from Addis Ababa to the south direction being crossed by Addis Ababa Moyale international road. Area of the Town is 132,703.19 hectares. The Population of Bule Hora Woreda belongs a different nations, nationalities and ethnic groups; namely Guji oromo, Gedeo, Burji, Amara, Gurage and Koyira. According to 2007 population survey, the total population of Bule Hora Town is 266,150 of which 134,603 and 131,547 is male and female respectively.

2.2 Research Design

This study used descriptive research design and inferential statistics because it pictures' out the current situation or it describes briefly the existing event in the VAT administration. And also describes the data which is the basic element in the research studies the more value and actual data was in particular study. There are more reliable and dependable information in the development and result of the study (Creswell, 2009).

2.3 Source of Data

The data was collected by using both primary and secondary data sources. The primary data was collected from employees of revenue authority office and VAT registrants and the secondary data was

written documents and reports that exist in revenue authority office, relevant documents, journals, articles, organizational manuals and different websites.

2.4 Method of Data Collection

For collecting the data suitable techniques were used depending up on the nature of data. The primary data was collected by using closed and open-ended questioner; to dispatch the questionnaire ten employees were taken from a total of 23 employees target population and also 77 VAT registrants were taken from a total of 95 VAT payer target population. Unstructured interview for a tax administers of top-level manager of revenue office. Secondary data was extracted from different books, relevant documents, journals, articles, organizational manuals and different websites.

2.5 Target Population

The Researcher has two target groups, the first group is employees of the revue authority office that are 23 in number of including the office head, and the second groups is 95 of registered VAT payers in Bule Hora Town customers (BHRA 2020).

2.6 Methods of Sampling and Sample size

This study was conducted using both non-probability sampling which is judgmental sampling method and probability which is systematic sample selection method. Non probability sampling for employees because the researchers use this method to get respondents who have direct relationship with required data. Systematic sample selection method is used for VAT payers, because the populations have similar characteristics and follow the same rule and regulations. There are several methods for determining the sample size, but in this research the, researchers has taken a formula developed by Yamane (1967:886) to determine the sample size. Yamane. (1967:886) use the following formula to determine the minimal sample size of a given population size n=N/1+N (e) 2.

Where: n= is number of sample size

    N= Total number of populations
    e= margin of error

Therefore, the sample size determined, by using the above formula taking the (P) proportion in the population at 95%, confidence level 95%, desired level of precision was:

n=N/1+N(e)2= 95/1+95(0.05)2=76.76 ≈ 77

Totally 87 samples of respondents were taken from the total population size of 118 employees of revenue office and value added tax payers.

2.7. Method of Data Analysis

Data analysis is the process of evaluating data using analytical and logical reasoning to examine each component of data provided. Data from various sources are gathered, reviewed, and then analyzed using SPSS version 20 to form some sort of finding or conclusion. For analyzing data, both descriptive and inferential statistics were used.

3. Results and Discussion

3.1 Descriptive Analysis

A type of statistically recommended data analysis that contains descriptive analysis is percentages and tables.

General Information of Employees of Revenue Authority Office

This section presents and analysis the profile of respondents on their sex, age, education level, marital status, and year of service for each individual respondent.

Table 3.1 Gender profile of respondents

Gender	Number of respondents	Percentage (%)
Male	8	80%
Female	2	20%
Total	10	100%

Source: Survey result 2020

As indicate in the above table 4.1, 8(80%) of the respondents are males and the remaining 2(20%) are females.(i.e. respondents from BHTRA) This implies that, majority of respondents are male.

Table 3.2 Age distribution of respondents

Age	Number of respondents	Percentage (%)
18-30	7	70%
30-48	3	20%
48-58	-	-
Above 58	-	-
Total	10	100%

Source: Survey result 2020

According to table 3.2, out of all participants of employees and VAT payers 7 (70%) are between 18-30 years of age, and the remaining 3 (30%) are between 30-48 years of age .This reveals that majority of the authorities' employees are young who are not experienced with the rules regulations and newly amended proclamations experienced.

Table 3.3 Educational level distribution of the respondents

Educational level	Number of respondents	Percentage (%)
Above Masters	-	-
Masters	1	10%
Degree	6	60%
Diploma	3	30%
Total	10	100%

Source: Survey result 2020

As stated in the above table 3.3, 1 (10%) of respondents are master holder, 6(60%) has first degree, and while the remaining 3 (30%) diploma holder, The researcher can conclude that most of the respondents have educational level have degree holder Which have positive impact on tax VAT administration.

Table 3.4 marital status distribution of respondents

Marital status	Number of respondents	Percentage (%)
Single	2	20%
Married	8	80%
Divorced	-	-
Total	10	100%

Source: Survey result 2020

As pointed out in table 3.4, 8(80%) of respondents are married, 2(20%) are single, and their no rest divorced respondent. This shows that majority of the respondents are married.

Table 3.5 Year of service distribution of the respondents

Years of service	Number of respondents	Percentage (%)
0-5	6	60%
6-10	3	30%
11-15	1	10%
Above 15	-	-
Total	10	100%

Source: Survey result 2020

Table 3.5 illustrate that 6 (60%) of respondents have 0-5 years of service, 3 (30%) have 6-10 years of service, and the remaining 1(10%) of respondents have 11-15 years of service This implies that most of respondents of the organization have 0-5 years of service and information obtained by them is likely being reliable. As their experience increases, their performance to give services also increases.

3.1.2 Questionnaire Result for Employees

The questionnaires were distributed to respondents of West Guji Zone, Blue Hora Town Revenue Authority for employee's results, and analysis is discussed as follows.
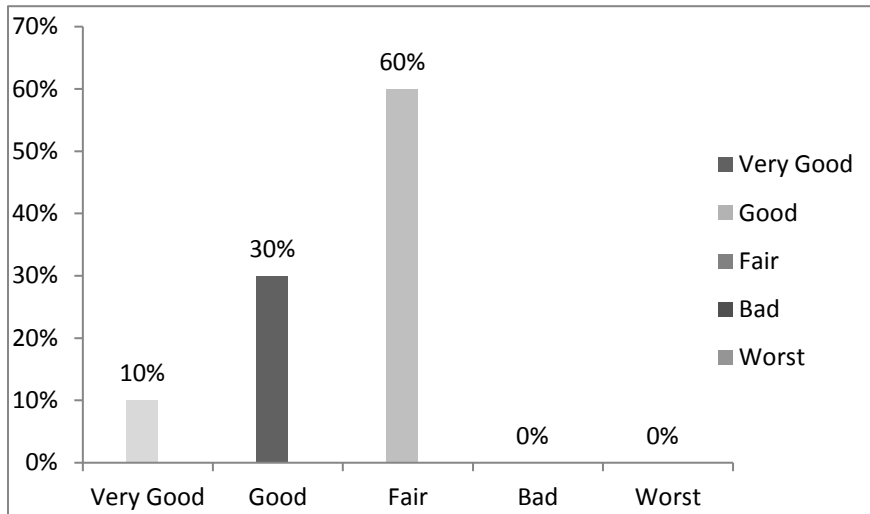
Figure 3. 1. Shows a response of how do you evaluate implementation of VAT in Administration

Source: Survey result 2020

From the above Figure 3.1, 1(10%) of the respondents are said the implementation of VAT in their administration is very good, 3(30%) of them say good, and the remaining 6(60%) of them are said fair. Most of the respondents' responses the implementation of VAT practice in their administration are fair. This implies that the service given by the authority office need some modification in order to serve the VAT payer in good manner.

Table 3.6 a problem related to VAT Compliances

No	Description	No of respondents	Percentage (%)
2.	What are the major problems you have experienced to VAT application?		
	A. unwillingness of tax payers	1	10%
	B. Fraud of tax collectors	7	70%
	C. lack of awareness about VAT	2	20%
	D. others	-	-
Total		10	100%

Source: Survey result 2020

The above table 4.6, indicated that 1(10%) of the respondents response the major problem related to VAT application-is unwillingness of tax payers, 7(70%) are fraud of tax collectors, and the remaining 2(20%) of them are said lack of awareness about VAT, are all of the above advised for these question. These show that the major problem of VAT application practice is the fraud of tax collectors of VAT.
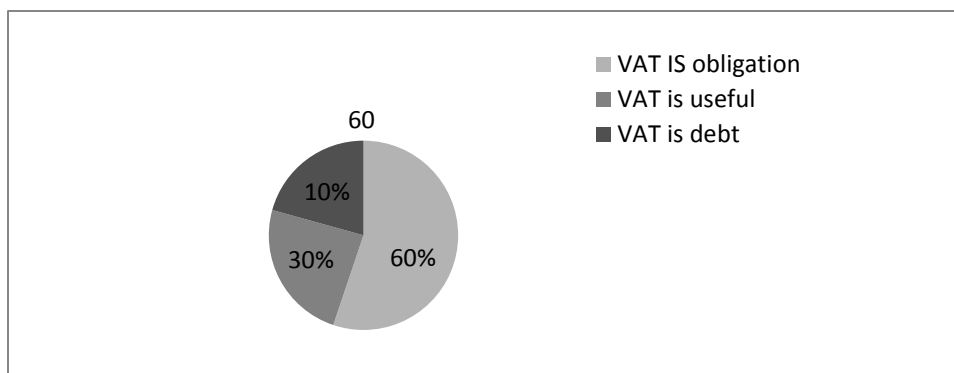
Figure   3.2

Feeling of VAT registered evaluated by employer

Source: Survey result 2020

As shown above 6 (60%) of the employer response for the question raised VAT is an obligation, 1(10%) of them are VAT is debt, and the remaining 3(30%) of them said VAT is useful. Therefore, most of the felling of VAT registered towards VAT is an obligation and useful respectively.

Table 3.7 a response towards collection and assessment of VAT

No	Description	No of respondents	Percentage (%)
4	Who is more responsible for VAT collection and assessment?		
	A. Tax payers	4	40%
	B. customers	1	10%
	C. any government body	1	10%
	D. tax office	4	40%
Total		10	100%

Source: Survey result 2020

As shown table 3.7 above shows the respondents of question raised on question number 4, to indicate a more responsible for VAT collection and assessment as follows. 4(40%) are tax payers, 1(10%) are customers, 1(10%) are any government body, the remaining 4(40%) are tax office. As it summarized, most of a responsible for collection and assessment of VAT are tax office and tax payer respectively.
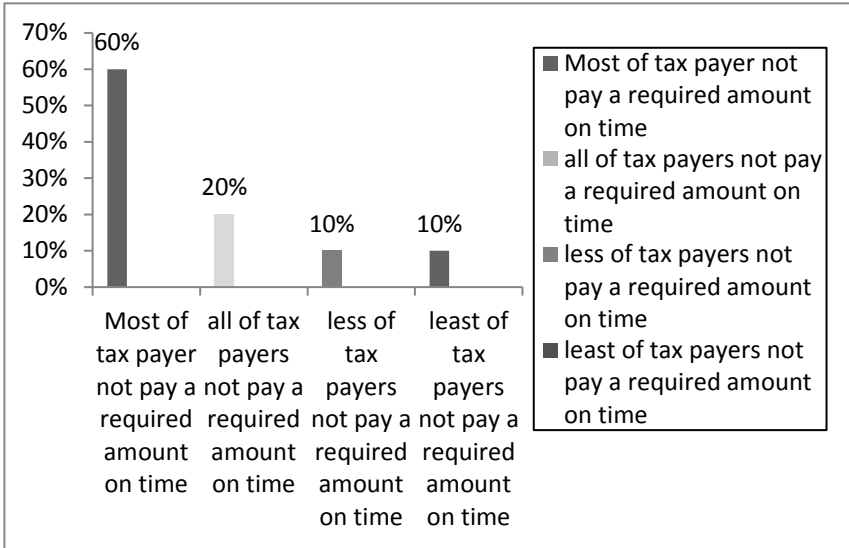
Figure 3.3 what problem you have faced while collecting VAT

As shown above figure 3.3, indicate that the employee response for a problem that they have faced while collecting VAT are as follows ,6(60%) are most of tax payers not pay a required amount on time, 2(20%) are all of tax payers not pay a required amount on time, 1(10%) are response less of tax payers not pay a required amount on time, and the remaining 1(10%) are said least of tax payers not pay a required amount on time, so the results are a highest problem faced while collecting VAT is most of tax payers not paying a required amount on time.

Table 3.8 shows the awareness of tax payers about VAT

No	Description	No of respondents	Percentage (%)
6	How do you evaluate the awareness of tax payers about VAT?		
	A. very high	-	-
	B. high	3	30%
	C. low	6	60%
	D. very low	1	10%
Total		10	100%

Source: Survey result 2020

As refer from the above table 4.8, the awareness of tax payers about VAT answered as follows by respondents, 3(30%) said high, 6 (60%)) said low, and the remaining 1(10%) said very low. The results show that the awareness of tax payers about VAT is low because there are no more aware people about tax due to the greatest number of tax payers are unskilled persons and a VAT registered paying is not a more than percent in our country even paying VAT is not recent phenomenon in our country. The result shows that the awareness of the tax payers of VAT in Bule Hora Town is low.

Table 3.9 factors which may affect VAT collection

No	Description	No of respondents	Percentage (%)
7	How do you see the present VAT collection system?		
	A. Good	8	80%
	B. Bad	2	20%
Total		10	100%

Source: Survey result 2020

Considering the above table 4.9 described situation of the VAT collection system in present time as to the respondent 8(80%) or the respondent is good and the remaining 2(20%) of the respondent said bad.

Some of the VAT payers are mentioned task for improper VAT refund while the other uses the money for private purposes.

Table 3.10 staffing requirement of the organization

No	Description	No of respondents	Percentage (%)
8	Do you think that there is enough human resource to serve the VAT registered?		
	A. Yes	4	40%
	B. No	6	60%
Total		10	100%

Source: Survey result 2020

As the investigation of questionnaires on the employees of the authority shows that, 4(40%) respondents responded "yes". This shows that there is some human resource available for treating the VAT payers. On the other hand, 6(60%) responded "no" there is not enough human resource to serve the VAT registrants. However, presence of this problem has remarkable result regarding the VAT collection, awareness creation in the society and in turn increasing the amount of revenue that could be collected in the period. This indicates that there is no sufficient human resource in the authority.
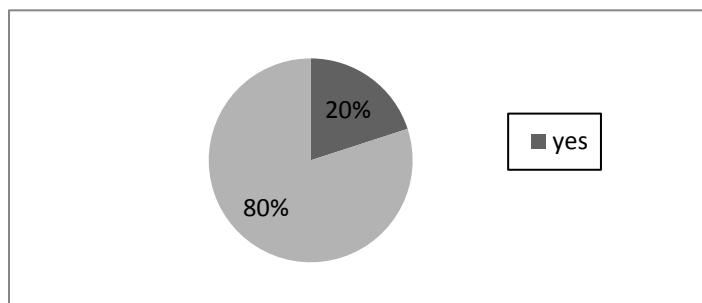
Figure 3.4 Consumers' Willingness and Determination to Transact with a Proper VAT Receipt

Source: Survey result 2020

The willingness and determination of the consumers to transact with a proper VAT receipt is the key and decisive factor for successful administration of VAT. The purpose of awareness creation to the general public is to have such consumers who play an important role in the administration of the VAT proclamation. 2(20%) of the respondents said "Yes" confirmed that consumers are willing and determined to transact with a proper VAT receipt, while 8(80%) of the respondents said "No", which implies that the consumers prefer to transact without proper VAT receipts. Not all consumers, but most of the consumers are not willing to transact with a proper VAT receipt because they need to conceal the VAT.

Table 3.11 Non-VAT Payers, who are challenging the VAT Payers' Performance?

No	Description	No of respondents	Percentage (%)
10.	Do you think that there are many non-VAT payers challenging the payer's		
	A. Yes	8	80%
	B. No	2	20%
Total		10	100%

Source: Survey result 2020

The VAT payers stated on the open-ended questionnaire that the VAT system should be comprehensive enough to maintain fairness and equity among traders. The authority should improve its capacity that in turn helps them to strengthen the enforcement system equally to all. In summary, 8(80%) of the respondents of VAT registered traders replied that their performance is challenged by many non-VAT payers, but the remaining 2(20%) of the respondents declared that no impact on the performance of VAT registered tax payers by non-registered traders. The result presented in this case implied that how the non-VAT registered traders are influencing the performance of VAT registered

taxpayers. In other words, this might create unfair competition between VAT registered and non-registered traders for the same type of goods and services.

Table 3.12 Businesses Collecting VAT with Illegal Invoice

No	Description	No of respondents	Percentage (%)
11	Do you know that VAT registered business people collecting the tax with illegal invoice?		
	A. Yes	3	30%
	B. No	7	70%
Total		10	100%

Source: Survey result 2020

The 3(30%) of the Revenue Authority Employees respondents confessed that they know some VAT registered business people collecting the tax with illegal invoice. The remaining 7(70%) of the respondents responded no. The collecting of VAT with illegal invoice by a business organization is the practice made to evade government income. This result shows that there are still some VAT payers using an illegal invoice. So, the organization must give awareness about VAT to the customers and use different administrative mechanisms.
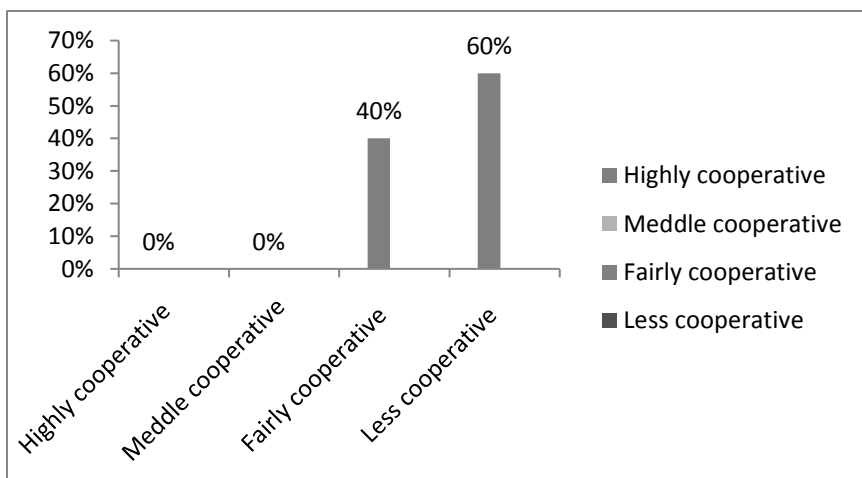

Figure 3.5 Involvement of executive bodies in prevention of VAT evasion /avoidance
Source: Survey result 2020

The employees of the VAT department at RA are asked whether or not the executive bodies are cooperating in preventing VAT evasion and VAT avoidance among the tax payers. Therefore, the analysis shows that 4(40%) of the respondents think that the executive bodies are fairly involved in cooperating prevention of VAT evasion and avoidance, while 6(60%) mentioned that are less cooperative.so this implies that in order to avoid tax evasion and avoidance the cooperation of executive body is required.

Table 3.13 Business Communities Practice of VAT Reporting

No	Description	No of respondents	Percentage (%)
13	Are the business community paying VAT regularly and declare their income timely?		
	A. Yes	4	40%
	B. No	6	60%
Total		10	100%

Source: Survey result 2020

This is actually to see whether the business communities are practicing VAT reporting as stated in VAT proclamation or not. Based on this, the majorities of the respondents from West Guji Zone BHTRA replied that on average most of the business communities are not paying VAT regularly and declared their income timely to the authority. As per the summarized data of respondents, 6(60% of the respondents replied "no". In contrast, 4(40%) of the respondents said "yes". There is some part of business communities who pay and report VAT timely and regularly. This result shows that here is still high level of gap to fully comply on the basis of the current VAT laws.

3.2 Questionnaire result for VAT payers

3.3.1 General information of respondents

This section presents and analysis the profile of respondents on their sex, age, education level, marital status and year of service for each individual respondent.

Table 3.14 Gender profile of respondents of VAT payers

Gender	Number of respondents	Percentage (%)
Male	56	72.7%
Female	21	27.3%
Total	77	100%

Source: Survey result 2020

As indicate in the above table 4.1, 56(72.7%) of the respondents are males and the remaining 21(27.3%) are females. (i.e., VAT registered traders) This implies that majority of respondents are male that means females participation is lower.

Table 3.15 Age distribution of respondents

Age	Number of respondents	Percentage (%)
18-30	23	29.9%
30-48	45	58.4%
48-58	9	11.7%
Above 58	-	-
Total	77	100%

Source: Survey result 2020

According to table 3.15, out of all participants of employees and VAT payers 23 (29.9%) are between 18-30 years of age, followed by 45 (58.4%) are between 30-48 years of age and remaining 9 (11.7%) are between 48-58 years of age. This reveals that the majority of participants VAT payers are adults, which in turn enhance the productivity.

Table 4.16 Educational level distribution of the respondents

Educational level	Number of respondents	Percentage (%)
Above Masters	-	-
Masters	-	-
Degree	2	2.6%
Diploma	14	18.1%
Certificate	23	29.9%
Elementary and juniors complete	38	49.4%
Total	77	100%

Source: Survey result 2020

As stated in the above table 3.16, 2(2.6%) has first degree, 14(18.1%) diploma holder, 23(29.9%) of respondents are certificate holders and while the remaining 38(49.4%) of respondents are elementary and juniors complete.

The researcher can conclude that most of the respondents are elementary and juniors completes, which can cause some problem in tax payment and assessment system (that means they may not have the knowledge of maintaining a book of account in their business).

Table 3.17 marital status distribution of respondents

Marital status	Number of respondents	Percentage (%)
Single	2	2.6
Married	75	97.4
Divorced	-	-
Total	77	100%

Source: Survey result 2020

As pointed out in the table 3.17, 75(97.4%) of respondents are married, 2(2.6%) are single, and there no divorced respondents. This shows that majority of the respondents are married that use their time effectively for work rather than others.

Table 3.18 Year of service distribution of the respondents

Years of service	Number of respondents	Percentage (%)
0-5	10	12.9%
6-10	36	46.8%
11-15	24	31.2%
Above 15	7	9.1%
Total	77	100%

Source: Survey result 2020

Table 3.18 illustrate that, 10 (12.9%) of respondents have 0-5 years of service, 36 (46.8%) have 6-10 years of service, 24(31.2%) of respondents have 11-15 years of service and the remaining 7(9.1%) of respondents have above 15 years of services. This implies that most of respondents of the VAT payers have 6-10 years of service and information obtained by them is likely to be reliable. As their experience increases, their business potential and awareness towards VAT also increase.

Table 3.19 Favorability of business process in the authority for VAT payer

Description		No of respondents	Percentage (%)
14	Do you think that the business process in the authority is favorable for VAT payers?		
	A. Yes	31	40.3%
	B. No	46	59.7%
Total		77	100%

Source: Survey result 2020

The VAT payers of West Guji Zone Bule Hora Town were asked whether the business process in the authority is favorable for VAT payers or not. Most of respondents 46 (59.7%) replied "no". This shows that West Guji Zone Bule Hora Town revenue authority is not much favorable for VAT payers. On other hand 31 (40.3%) replied "Yes". This implies that there is some favorable condition for VAT payers. So, to change this situation, the authority must take corrective action.

Table 3.20 Societies awareness about VAT

No	Description	No of respondents	Percentage (%)
15	Is your perception about VAT good enough?		
	A. Yes	29	37.67%
	B. No	48	62.33%
Total		77	100%

Source: Survey result 2020

 One of the challenges of VAT implementation is that poor awareness of society. Accordingly, the survey also shows that 48(62.33%) of the respondents responded that "No" there is not enough perception in the society regarding the VAT payment. On the other hand, 29(37.67%) of the respondents responded "Yes". This shows that there is some level of awareness in society regarding the payment of VAT. Due to this, the presence of this will affect the authority by decreasing the amount of revenue that could be generating from the available business.

Table 3.21 Business Traders' Source of VAT Related Information

No	Description	No of respondents	Percentage (%)
16	How do you know the concept of VAT?		
	A. Radio		
	B. Television	11	14.3%
	C. Reading brochure	5	6.5%
	D. From other VAT payers	-	-
	E. From all	61	79.2%
Total		77	100%

Source: Survey result 2020

The majority of the respondents clearly stated that they have developed the idea of VAT through different means, such as by radio, TV, reading brochure and from other VAT payers, which accounts 61(79.2%). The others 11(14.3%) of the respondents update themselves about VAT from watching television and the remaining 5(6.5) % of the respondents from reading brochure. This indicates that the business traders have enough source of information to understand the VAT rules and regulations. The important requirement of the successful introduction of VAT is an adequate publicity campaign aimed at both tax collectors and consumers.
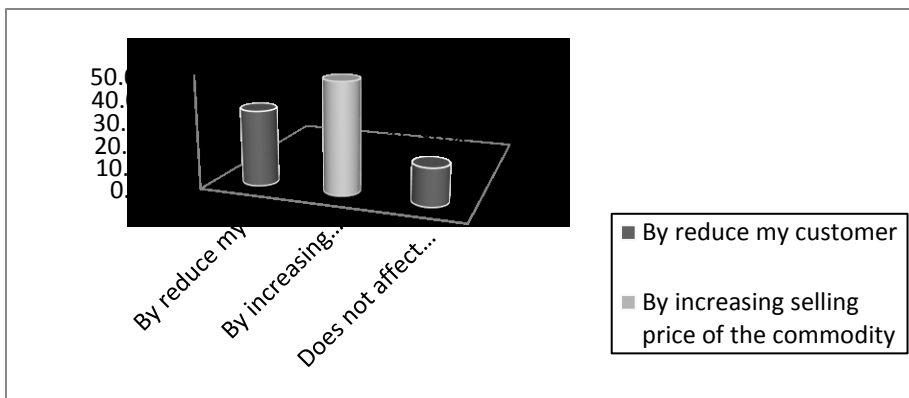

Figure 3.6 shows a response of how VAT affects your business

Source: Survey result 2020

As showed in the above table, 26(33.8%) of the respondent responded as VAT affects by reducing their customer,38(49.4%) of the respondent said that VAT affects by increasing selling price of the commodity they own and the remained 13(16.8)% responded as VAT does not affect their business. Most of the respondents reflects that VAT affects their business by increasing the selling price of the commodity following by reducing their customer.

Table 3.22 Shows responses on clear understanding about VAT concepts

No	Description	No of respondents	Percentage (%)
18.	Do you have clear understanding about		
	A. Yes	41	53.2%
	B. No	7	9.1%
	C. Partial	29	37.7%
Total		77	100%

Source: Survey result 2020

As shown in table 3.22, above 41(53.2%) of the respondents have knowledge related to the VAT concepts, rules, and regulations. And the left 7(9.1%) have no understanding about how VAT the implemented is carried out in action and 29(37.7%) have partial understanding regarding how VAT should be followed. Generally, most of the taxpayers have the concepts as well as the rules and regulations of when and where the VAT is applied. But in order to fill the gap the authority should give seminars, trainings for the VAT payer in order to aware them.

3.2 Inferential Analysis

Inferential statistics deals with making inference or conclusion about population-based data obtained from a limited number of observations from population. Inferential statistics consists of performing estimation by using Binary Logistics for only see the association between variables and hypothesis testing.

Table 3.23: Tests of association between Assessments of values added tax problem and Amount of tax paid

	Test statistic Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	114.710	10	.000
Likelihood Ratio	66.834	10	.000
Linear-by-Linear Association	1.037	1	.308

Source: - Primary data 2020

Table 3.23 shows that, since p-value for Pearson Chi-Square is equals to 0.00 was less than 0.05, there is no association between operator business type and amount of tax paid by small business operators. Therefore, researcher concluded that there was an association between operator business type and amount of tax paid at 5% level of significance.

Table 3.24: Tests of association versus business type and kind of assistance given by tax authority

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	22.945	15	.085
Likelihood Ratio	21.141	15	.132
Linear-by-Linear Association	.346	1	.557

Source: - Primary data 2020

One can reveal from the above table that p-value for Pearson Chi-Square is equaled to 0.085 is greater than 0.05 which indicated there was no association between operator business type and kind of assistance given by tax authority to small business operator at 5% level of significance.

4. Conclusion

This paper empirically explores the influence of business income tax on the performance of small business enterprise in Bule Hora Town. As far as government has existed and performed various activities it should come up with means of financing its activities. There are different methods of financing sale of goods or services, borrowing, printing paper money, and taxation. From these sources, taxation is the main source to rise necessary fund for payment of expenditures which incurred by the government. VAT is the most common way of financing government activities. Those activities are provided to the community without charge and necessary funds are collected by requiring person

to make payment to the government in accordance with some established criterion. As the tax payers under the study, majority of them feel taxation as useful. This indicates that they have constructive understand about the concept of VAT. Even though, VAT imposes a personal obligation on the tax payer, the amount of VAT received from the people is issued for the general and common benefit of the people as a whole. Even if, present taxation system is not fully good, majority of tax payer's accept taxation as useful.

Therefore, majority of tax payers can finish payment of the tax liability within given time frame. VAT objectives are ultimately connected with overall economic and non-economic policies of the government. As a result, the objectives of a VAT system in developed country is significantly differs from those in developing country. VAT has multiple objectives to raise sufficient resource of revenue since the government use varies types of taxes and range of tax rates. The Ethiopian tax structure is composed of two types of taxes that are direct tax and indirect tax. Most of the VAT payers in Bule Hora Town have low educational level which can cause some problem in tax payment and assessment system has no enough human resource to serve the VAT registrants. The major problems encountered by VAT administration in Bule Hora Town revenue office are lack of awareness of tax payers and employees, VAT registered businesses in the town haven't collected and remitted to the tax authority on time with proper figure. The most of a VAT registered business in Bule Hora Town have a feeling towards VAT as an obligation and is not enough perception in the society regarding the VAT payment. There was an association between assessment of Value Added Tax problem and amount of tax that they paid, and there was no association between VAT administration problem and kind of assistance given by tax authority to small business operator at 5% level of significance.

5. Recommendations

From the empirical finding of the study, the following recommendations were drawn.

In the data presentation data analysis few weakness and problem in VAT assessment and collection office and tax payers were observed. The problem in both office and tax payers, are mentioned as conclusion that indicated above. Here attempt is made to give recommendations that help to have an efficient and proper of clear and transporting rule and regulation.

Based on the research finding and conclusion drawn, the following recommendations and forwarded to the Bule Hora Revenue Office Authority.

- VAT administration should take major activity to improve the effectiveness of VAT through training, publication of magazine and newspaper to improve the collection procedure.
- The revenue office has to motivate the tax payers that have no willingness to pay VAT on time by giving rewards and supporting activities.
- The revenue office should have also created awareness to the tax payer about rules and regulation when they pay, for whom to pay and benefit they get from paying VAT.
- The concerned body should control and monitor the registered person and potential VAT payers to achieve its organizational goals.
- Tax payers in order to develop their knowledge or in order to create awareness about VAT, they should follow printing media, radio and TV program.
- As final solution, the authority has to take measures on those tax payers who are constantly failing to comply with the rule and regulation.
- In general, in order to overcome the problem of VAT implementation, the public, tax payer and administration office would have to work in collaboration.

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