

Factors Influencing Tax Administration Efficiency in Ethiopia: Taxpayers Perspective

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Abstract

Efficient tax administration plays a crucial role in Ethiopia's economic growth, the delivery of public services, and the sustainable mobilization of revenue. This study explores the factors that influence the efficiency of tax administration, focusing on taxpayers under the Ministry of Revenue and selected regional authorities. A quantitative method approach was employed, gathering data from 386 respondents through structured questionnaires of selected taxpayers. The results indicate that taxpayers generally view the system as efficient, particularly in areas such as service quality, fairness, staff expertise, and responsiveness. Nevertheless, challenges remain, especially in regard to the usability of digital services, clarity of tax laws, and trust in revenue transparency. Key factors that enhance efficiency include professional staff conduct, regular training, service quality, clear communication, and fair procedures. The study highlights the importance of adopting technology, developing human capital, promoting transparency, and building taxpayer trust to improve compliance and overall performance. These findings offer practical recommendations for policymakers and tax authorities seeking to strengthen revenue collection, boost public confidence, and support sustainable development in Ethiopia.

Keywords: Tax administration, Efficiency, Taxpayer compliance, Human capital, Transparency

1. Introduction

Taxes have played a central role in state formation and governance throughout history, serving as a crucial foundation for the survival and functioning of states. Historical studies indicate that taxation, in its various forms, consistently emerges as a core theme in scholarly research. Authors such as Besley and Persson (2014) and Bräutigam et al. (2008) emphasize that taxes lie at the heart of governmental power. In today's complex economies, where specialized knowledge and financial systems are required, taxation is generally defined as a compulsory levy on individuals' or corporations' income or property, imposed without providing a direct benefit to the taxpayer (Amaechina, 2018, as cited in Okoro & Achionu, 2022).

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ISSN 2519-5255(print) ISSN 2957-9104(online)



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Taxes are commonly classified into two main categories. Direct taxes are applied to the income of individuals or corporations, while indirect taxes, such as value-added tax, are collected during transactions for goods and services (Abera, 2014, as cited in Degu, 2021). Beyond generating revenue, taxes enable the state to deliver essential public services, maintain governance structures, and support development initiatives including infrastructure, security, environmental protection, and good governance (Heng, 2019; Giriuniene, 2017, cited in Mansor & Tayib, 2012; Pfister, 2009, cited in Metiku & Woldu, 2016; Okoro & Achionu, 2020). The OECD (2009, cited in Carnahan, 2015) highlights that taxation shapes national sovereignty, while Muley (2016, as cited in Worku, 2017) points to its role in job creation, economic stabilization, balance-of-payments control, and reduction of inequality. Achieving these objectives requires a structured tax system supported by effective administrative capacity (IMF, 2014; D'Ascenzo, 2015, cited in Lipniewicz, 2017).

Tax administration, alongside policy and legislation, is a key pillar of the tax system. It ensures that laws are implemented, compliance is monitored, and public trust is maintained (Efremova, 2020; IMF, 2014). In Ethiopia, formal tax collection began in 1841 under Emperor Tewodros, initially through labor services or in-kind contributions. Over time, the system evolved under Emperor Menelik II with fixed levies on agricultural output, and under Haile Selassie with multiple revenue sources (Bekana et al., 2017). Today, tax authority is shared between federal and regional governments under the FDRE Constitution and Proclamation No. 1/1995 (Harris, 2021). Despite this legal framework, administrative challenges continue to limit efficiency.

Efficient tax administration is vital for generating sufficient revenue and sustaining public services (Umar & Tusubira, 2017). Improving efficiency can increase revenue while reducing administrative costs without affecting output (Abdu & Wondimu, 2018). However, Ethiopia, like many developing countries, faces persistent challenges. Its tax-to-GDP ratio has historically been low, declining from 9.4% in 2012 to 6.2% in 2020, far below the IMF-recommended minimum of 15% (IMF, 2011; OECD, 2023). Factors contributing to low performance include a large informal economy, low taxpayer compliance, limited per capita revenue, corruption, weak organizational capacity, and poorly enforced regulations (Tutor2u.net; Desta, 2022; Degu, 2021; Chanke, 2019; UNDP, 2016; Söderström & Pellerin, 2023).

Specific elements of tax administration—such as taxpayer registration, assessment, enforcement, audits, appeals, and fraud detection—play a direct role in determining efficiency (TADAT, 2019; Alink & Kommer, 2016; Kangave, 2005, as cited in Chanke, 2019). This study aims to explore the factors that influence tax administration efficiency in Ethiopia, focusing on taxpayers under the Ministry of Revenue and selected regional authorities. It examines service Quality, Timeliness and Responsiveness, Fairness and Compliance, Technology and Digital Efficiency, Legal and Institutional Framework and Human Capital.

The study hypothesizes that service Quality, Timeliness and Responsiveness, Fairness and Compliance, Technology and Digital Efficiency, Legal and Institutional Framework and Human Capital positively influence tax administration efficiency.

Understanding these factors is critical for strengthening Ethiopia's tax system, improving domestic revenue mobilization, fostering voluntary compliance, and reducing reliance on external aid, ultimately supporting sustainable development. The research provides practical insights for the Ministry of Revenue and regional authorities and contributes to the literature by integrating multiple determinants of tax administration efficiency into a comprehensive framework for both federal and regional levels.

2. Literature Review

Efficient tax administration is vital for economic growth, enabling governments to collect sufficient revenue to fund public goods, services, and infrastructure. In Ethiopia, tax administration effectiveness hinges on factors such as service quality, timeliness, responsiveness, fairness, transparency, digitalization, human capital, auditing practices, taxpayer awareness, corruption, and institutional frameworks. Understanding these elements is crucial for crafting policies that enhance compliance and ensure sustainable public finances. Efficiency extends beyond revenue collection, encompassing the ability to minimize administrative costs, promote voluntary compliance, and build public trust (OECD, 2011; Rahman, 2009). It involves both technical processes and social dynamics, shaped by taxpayers' perceptions, organizational capacity, and system integrity.

Service quality, timely processes, and responsiveness are essential for efficient tax administration. The SERVQUAL model (Parasuraman, Zeithaml, & Berry, 1988) suggests that taxpayer' perceptions of reliability, responsiveness, assurance, and empathy influence compliance. In Ethiopia, issues like long waiting times, unclear procedures, and limited taxpayer support reduce satisfaction and compliance (Menderin Amanuel, 2021). Improving staff training, simplifying processes, and adopting customer-focused services can address these challenges. Hypothesis H1: Service quality, timeliness, and responsiveness positively impact tax administration efficiency.

Fairness and transparency are key to encouraging voluntary compliance. Equity Theory (Adams, 1965) posits that perceived fairness motivates individuals to meet obligations. In Ethiopia, inconsistent enforcement and lack of transparency hinder compliance (Menderin Amanuel, 2021). Clear, consistent procedures can boost taxpayer morale and system efficiency. Hypothesis H2: Perceived fairness, compliance, and transparency positively affect tax administration efficiency.

Information and Communication Technology (ICT) adoption is critical for enhancing efficiency. Digital tools streamline tax collection, reduce errors, and improve record-keeping. The Technology Acceptance Model (Davis, 1989) indicates that perceived usefulness and ease of use drive technology adoption. In Ethiopia, electronic filing and e-payment systems have improved processing and record management (Menderin Amanuel, 2021). ICT also enhances transparency and accountability through accessible digital records. Hypothesis H3: Technology and digital efficiency significantly improve tax administration efficiency.

The competence, training, and motivation of tax staff are crucial for effective administration. Herzberg's Motivation-Hygiene Theory (1968) and Public Service Motivation Theory (Perry & Wise, 1990) highlight the role of motivators in performance. In Ethiopia, limited training, low pay, and few professional development opportunities reduce staff capacity (Menderin Amanuel, 2021). Ongoing training, incentives, and recognition programs can enhance productivity and service quality. Hypothesis H4: Human capital positively influences tax administration efficiency.

Studies highlight the importance of these factors. Bekana et al. (2017) note that Ethiopia's low tax-to-GDP ratio stems from overreliance on enforcement, weak taxpayer services, and low tax law awareness. UNDP Ethiopia (2016) points to structural and governance issues, while Worku (2017) and Anteneh (2019) identify operational inefficiencies, inadequate staff capacity, and poor service delivery. These findings underscore the need for a multi-faceted approach to improve service quality, ICT adoption, human capital, auditing, transparency, and institutional capacity.

3. Research Methods

This study employed a combination of descriptive and explanatory research designs to examine the factors affecting tax administration efficiency in Ethiopia. The descriptive component provided a detailed picture of the current challenges within the country's tax administration system, while the explanatory component analyzed the relationships between multiple variables to identify potential causal effects. This approach allowed for both a thorough description of the situation and a rigorous analysis of the determinants influencing efficiency.

A primarily quantitative approach was used, supplemented by qualitative methods. Quantitative data were collected through structured questionnaires, which enabled statistical analysis of the relationships between independent and dependent variables. Qualitative data were obtained through face-to-face interviews with staff from the Ministry of Revenue (MoR) and selected regional tax offices, offering deeper insights that complemented and validated the quantitative findings (Kothari, 2004; Sekaran & Bougie, 2010). Combining these methods strengthened the study by integrating numerical data with practical experiences from tax officials.

Both primary and secondary data were utilized. Primary data were collected from taxpayers using questionnaires. Secondary data were drawn from published and unpublished studies, reports, and official records from the Ministry of Revenue and regional tax offices.

The study population included staff of the MoR and selected regional tax authorities, as well as taxpayers within the study area. Branch offices in Addis Ababa, Dire Dawa, Adama, Jijiga, and Hawassa were selected for the study. Convenience sampling was used to select taxpayers, resulting in 397 respondents from a population of 54,890, based on Slovin's formula with a 5% margin of error.

Data collection relied on a structured questionnaire designed in English and translated into Amharic to minimize language barriers. The questionnaire included both open-ended and closed-

ended items. Closed-ended items were measured using a five-point Likert Scale (1 = strongly disagree to 5 = strongly agree). The questionnaire collected information on respondents' demographic characteristics, knowledge of taxation, experiences with tax administration, and perceptions of factors influencing efficiency.

For data analysis, descriptive statistics were performed using the Statistical Package for Social Sciences (SPSS).

4. Results and Discussion

Tax administration efficiency is a key aspect of effective public financial management, as it affects taxpayer compliance, trust, and the overall functioning of revenue systems. In balancing fiscal demands with public expectations, the performance of tax administration—covering service quality, timeliness, fairness, transparency, digital systems, human capital, and legal frameworks—plays a crucial role in encouraging voluntary compliance and ensuring resources are allocated fairly. Understanding the perspectives of stakeholders on these aspects is essential for identifying strengths, addressing weaknesses, and implementing improvements that build confidence and enhance operational effectiveness.

This section presents an analysis of survey data collected from 386 respondents, including taxpayers and other stakeholders interacting with tax authorities. The study assessed tax administration efficiency across several dimensions: overall efficiency, service quality, timeliness and responsiveness, fairness and compliance, transparency and communication, technology and digital efficiency, overall satisfaction, legal and institutional framework, and human capital. Responses were measured on a five-point Likert Scale (1 = strongly disagree to 5 = strongly agree), with mean scores ranging from 2.84 to 4.46, indicating moderate to high variation in perceptions. Interpreting these results alongside theoretical frameworks, including the SERVQUAL model, tax compliance theories, procedural justice theory, and public administration efficiency models, provides a comprehensive understanding of tax administration performance.

The findings show notable strengths, including high levels of compliance motivation among taxpayers and generally efficient staff performance. At the same time, weaknesses were identified, such as the complexity of tax laws and low engagement in advocacy or feedback mechanisms. These results highlight areas that require attention, such as simplifying procedures, improving communication, and strengthening taxpayer education.

4.1 Tax Administration Efficiency

Table 1: Tax Administration Efficiency

Tax Administration Efficiency		Frequency	Percent	Valid Percent	Cumulative Percent
In my view our tax system has an efficient collection process	Disagree	71	18.4	18.4	18.4
	Neutral	78	20.2	20.2	38.6
	Agree	166	43.0	43.0	81.6
	Strongly Agree	71	18.4	18.4	100.0
	Total	386	100.0	100.0	
Mean		4		S.D	0.988
Income generated from tax revenue has been impressive due to efficient tax administration	Disagree	43	11.1	11.1	11.1
	Neutral	136	35.2	35.2	46.4
	Agree	108	28.0	28.0	74.4
	Strongly Agree	99	25.6	25.6	100.0
	Total	386	100.0	100.0	
Mean		3.68		S.D	0.977
My organization has adequate infrastructures for efficient tax Administration	Strongly Disagree	6	1.6	1.6	1.6
	Disagree	56	14.5	14.5	16.1
	Neutral	160	41.5	41.5	57.5
	Agree	132	34.2	34.2	91.7
	Strongly Agree	32	8.3	8.3	100.0
Mean		3.33		S.D	0.879
In my View revenue organization has well-trained staff for efficient tax Administration	Disagree	29	7.5	7.5	7.5
	Neutral	129	33.4	33.4	40.9
	Agree	208	53.9	53.9	94.8
	Strongly Agree	20	5.2	5.2	100.0
	Total	386	100.0	100.0	
Mean		3.57		S.D	0.708

Source: Survey, 2025

The analysis of Tax Administration Efficiency (TAE) reveals a generally positive perception, with mean scores between 3.33 and 4.00, though some areas need improvement.

- **TAE1:** “The tax authority operates efficiently” (Mean = 4.00, SD = 0.988). Most respondents (61.4%) agreed or strongly agreed, indicating confidence in administrative capacity and service delivery. This aligns with Alabede, Ariffin, and Idris (2011), who link perceived competence to enhanced compliance and trust.
- **TAE2:** (Mean = 3.68, SD = 0.977). Moderate agreement suggests recognition of efficiency but concerns about consistency and transparency, consistent with Fjeldstad and Heggstad (2012), who emphasize predictable processes for efficiency perceptions.
- **TAE3:** (Mean = 3.33, SD = 0.879). Mixed responses, with 41.5% neutral, point to bureaucratic bottlenecks or limited engagement, as noted by Bird and Zolt (2014), who highlight procedural rigidity and slow digital adoption as efficiency barriers.

- **TAE4:** “Administrative delivery has improved” (Mean = 3.57, SD = 0.708). Over half (53.9%) acknowledged improvements, likely due to digitization and training, supporting OECD (2019) findings on modernization’s role in compliance.

Generally, as per Taxpayers view Ethiopia’s tax administration as efficient, but transparency, consistency, and modernization require further attention to strengthen trust and compliance.

4.2. Service Quality

Table 2: Service Quality in Tax Administration Efficiency

Service Quality	Frequency	Percent	Valid Percent	Cumulative Percent	Tax Admin. Efficiency
Tax office staffs are professional and well-mannered when addressing taxpayer concerns	Disagree	18	4.7	4.7	4.7
	Neutral	153	39.6	39.6	44.3
	Agree	133	34.5	34.5	78.8
	Strongly Agree	82	21.2	21.2	100.0
	Total	386	100.0	100.0	
Mean		3.72		S.D	0.849
The tax administration provides clear and accurate information about tax processes and requirements	Disagree	5	1.3	1.3	1.3
	Neutral	77	19.9	19.9	21.2
	Agree	123	31.9	31.9	53.1
	Strongly Agree	181	46.9	46.9	100.0
	Total	386	100.0	100.0	
Mean		4.24		S.D	0.814
Tax office services are easily accessible to taxpayers	Strongly Disagree	3	0.8	0.8	0.8
	Disagree	16	4.1	4.1	4.9
	Neutral	126	32.6	32.6	37.6
	Agree	171	44.3	44.3	81.9
	Strongly Agree	70	18.1	18.1	100.0
	Total	386	100.0	100.0	
Mean		3.75		S.D	0.826

Source: Survey, 2025

Service quality is critical for taxpayer satisfaction, with mean scores from 3.72 to 4.24 indicating positive perceptions of professionalism and communication.

- **SQ1:** “Tax office staff are professional and well-mannered” (Mean = 3.72, SD = 0.849). Over half (55.7%) agreed, reflecting staff professionalism, consistent with the SERVQUAL model (Parasuraman, Zeithaml, & Berry, 1988), which emphasizes empathy and responsiveness.
- **SQ2:** “The tax administration provides clear and accurate information” (Mean = 4.24, SD = 0.814). Strong agreement (78.8%) highlights effective communication, supporting Alabede et al. (2011) and OECD (2019) on transparency’s role in compliance.

- **SQ3:** “Tax office services are easily accessible” (Mean = 3.75, SD = 0.826). Agreement (62.4%) with 32.6% neutral responses suggests accessibility improvements are needed, aligning with Bird and Zolt (2014) on technology-driven access.

As a conclusion, Ethiopia’s tax administration excels in professionalism and communication, but accessibility, particularly digital, needs enhancement to improve satisfaction.

4.3 Timeliness and Responsiveness

Table 3: Timeliness and Responsiveness in Tax Administration Efficiency

Timeliness and Responsiveness		Frequency	Percent	Valid Percent	Cumulative Percent
The tax office processes tax returns and other documents in a timely manner	Disagree	10	2.6	2.6	2.6
	Neutral	102	26.4	26.4	29.0
	Agree	154	39.9	39.9	68.9
	Strongly Agree	120	31.1	31.1	100.0
	Total	386	100.0	100.0	
Mean		3.99		S.D	0.825
Taxpayer queries and complaints are resolved efficiently and without unnecessary delays	Strongly Disagree	23	6.0	6.0	6.0
	Disagree	46	11.9	11.9	17.9
	Neutral	54	14.0	14.0	31.9
	Agree	116	30.1	30.1	61.9
	Strongly Agree	147	38.1	38.1	100.0
Total		386	100.0	100.0	
Mean		3.82		S.D	1.227
The tax administration is active in addressing taxpayer needs and concerns.	Disagree	29	7.5	7.5	7.5
	Neutral	136	35.2	35.2	42.7
	Agree	152	39.4	39.4	82.1
	Strongly Agree	69	17.9	17.9	100.0
	Total	386	100.0	100.0	
Mean		3.68		S.D	0.854

Source: Survey, 2025

Timeliness and responsiveness are vital for trust and compliance, with mean scores from 3.68 to 3.99 indicating general satisfaction.

- **TR1:** “The tax office processes documents in a timely manner” (Mean = 3.99, SD = 0.825). Strong agreement (71%) reflects efficient processing, supporting OECD (2019) on timely services reducing compliance costs.
- **TR2:** “Taxpayer queries and complaints are resolved efficiently” (Mean = 3.82, SD = 1.227). Agreement (68.2%) with a higher SD suggests uneven responsiveness, consistent with Fjeldstad and Heggstad (2012) on resource constraints.
- **TR3:** “The tax administration addresses taxpayer needs” (Mean = 3.68, SD = 0.854). Moderate agreement (57.3%) and 35.2% neutral responses indicate gaps in engagement, aligning with the SERVQUAL model’s emphasis on responsiveness.

Overall, the tax administration performs well in timeliness, but consistent complaint resolution and proactive engagement need improvement to bolster trust.

4.4 Fairness and Compliance

Table 4: Fairness and Compliance in Tax Administration Efficiency

Fairness and Compliance		Frequency	Percent	Valid Percent	Cumulative Percent
The tax administration enforces tax laws consistently and fairly across all taxpayers	Disagree	17	4.4	4.4	4.4
	Agree	252	65.3	65.3	69.7
	Strongly Agree	117	30.3	30.3	100.0
	Total	386	100.0	100.0	
Mean		4.22		S.D	0.659
The procedures for resolving disputes and appeals are transparent and impartial	Disagree	11	2.8	2.8	2.8
	Neutral	83	21.5	21.5	24.4
	Agree	186	48.2	48.2	72.5
	Strongly Agree	106	27.5	27.5	100.0
Total		386	100.0	100.0	
Mean		4		S.D	0.778
I am more motivated to be fully compliant with my tax obligations	Disagree	3	0.8	0.8	0.8
	Neutral	20	5.2	5.2	6.0
	Agree	252	65.3	65.3	71.2
	Strongly Agree	111	28.8	28.8	100.0
Total		386	100.0	100.0	
Mean		4.22		S.D	0.568
I believe that the fairness and simplicity of tax procedures, from filing to payment, directly affect my willingness to comply with tax regulations	Neutral	94	24.4	24.4	24.4
	Agree	155	40.2	40.2	64.5
	Strongly Agree	112	29.0	29.0	93.5
	Total	25	6.5	6.5	100.0
Total		386	100.0	100.0	
Mean		4.18		S.D	0.874

Source: Survey, 2025

Fairness drives compliance, with mean scores from 4.00 to 4.22 showing strong perceptions of equity and transparency.

- **FC1:** “Tax laws are enforced consistently and fairly” (Mean = 4.22, SD = 0.659). High agreement (95.6%) reflects trust in impartial enforcement, supporting Kirchler (2007) and Murphy (2004) on fairness reducing coercive measures.
- **FC2:** “Dispute and appeal procedures are transparent” (Mean = 4.00, SD = 0.778). Agreement indicates fair processes, aligning with Tyler (2006) on procedural justice enhancing legitimacy.
- **FC3:** “I am motivated to comply” (Mean = 4.22, SD = 0.568). Strong agreement shows fairness boosts tax morale, as per Alm and Torgler (2011).

- **FC4:** “Fairness and simplicity affect compliance” (Mean = 4.18, SD = 0.874). Nearly 70% agreed, echoing OECD (2019) on clarity reducing errors.

Finally, fairness and transparent procedures strongly encourage compliance, reinforcing trust in Ethiopia’s tax system.

4.5 Communication and Transparency

Table 5: **Communication and Transparency (CT) in Tax Administration Efficiency**

				Frequency	Percent	Valid Percent	Cumulative Percent
Tax policies and updates are communicated clearly and promptly to taxpayers.	Disagree			24	6.2	6.2	6.2
	Neutral			142	36.8	36.8	43.0
	Agree			194	50.3	50.3	93.3
	Strongly Agree			26	6.7	6.7	100.0
	Total			386	100.0	100.0	
Mean				3.58		S.D	0.71
The tax administration provides regular updates on the status of tax filings or refunds.	Disagree			11	2.8	2.8	2.8
	Neutral			107	27.7	27.7	30.6
	Agree			240	62.2	62.2	92.7
	Strongly Agree			28	7.3	7.3	100.0
	Total			386	100.0	100.0	
Mean				3.74		S.D	0.63
The timely and effective communication from the tax administration builds my trust and facilitates efficient	Strongly Disagree			13	3.4	3.4	3.4
	Disagree			35	9.1	9.1	12.4
	Neutral			57	14.8	14.8	27.2
	Agree			156	40.4	40.4	67.6
	Strongly Agree			125	32.4	32.4	100.0
	Total			386	100.0	100.0	
Mean				3.89		S.D	1.063
I believe the tax authority's transparent use of collected tax revenue for public services encourages me to be compliant .	Strongly Disagree			26	6.7	6.7	6.7
	Disagree			30	7.8	7.8	14.5
	Neutral			84	21.8	21.8	36.3
	Agree			221	57.3	57.3	93.5
	Strongly Agree			25	6.5	6.5	100.0
	Total			386	100.0	100.0	
Mean				3.49		S.D	0.97

Source: Survey, 2025

Effective communication fosters trust, with mean scores from 3.49 to 3.89 indicating moderate to strong satisfaction.

- **CT1:** “Tax policies are communicated clearly” (Mean = 3.58, SD = 0.71). Moderate agreement (57%) suggests improved dissemination is needed, per Fjeldstad and Moore (2008).
- **CT2:** “Regular updates on filings or refunds” (Mean = 3.74, SD = 0.63). Nearly 70% agreed, supporting OECD (2019) on information flow enhancing engagement.
- **CT3:** “Effective communication builds trust” (Mean = 3.89, SD = 1.063). High agreement aligns with Kirchler, Hoelzl, and Wahl (2008) on trust-based compliance.
- **CT4:** “Transparent revenue use encourages compliance” (Mean = 3.49, SD = 0.97). Lower agreement (63.8%) reflects concerns about revenue visibility, per Torgler (2007).

In general, communication is effective but requires better policy dissemination and transparency in revenue use to enhance trust.

4.6 Technology and Digital Efficiency

Table 6: Technology and Digital Efficiency in Tax Administration

Technology and Digital Efficiency		Frequency	Percent	Valid Percent	Cumulative Percent
Online tax filing systems are easy to use and reduce the need for in-person visits.	Strongly Disagree	32	8.3	8.3	8.3
	Disagree	79	20.5	20.5	28.8
	Neutral	111	28.8	28.8	57.5
	Agree	125	32.4	32.4	89.9
	Strongly Agree	39	10.1	10.1	100.0
	Total	386	100.0	100.0	
Mean		3.16		S.D	1.115
The digital services provided by the tax administration improve the overall efficiency of the tax process.	Strongly Disagree	64	16.6	16.6	16.6
	Disagree	43	11.1	11.1	27.7
	Neutral	112	29.0	29.0	56.7
	Agree	131	33.9	33.9	90.7
	Strongly Agree	36	9.3	9.3	100.0
	Total	386	100.0	100.0	
Mean		3.08		S.D	1.218
I can efficiently resolve tax-related issues digital services without the need for manual paperwork or in-person visits	Strongly Disagree	32	8.3	8.3	8.3
	Neutral	85	22.0	22.0	30.3
	Agree	158	40.9	40.9	71.2
	Strongly Agree	111	28.8	28.8	100.0
	Total	386	100.0	100.0	
S.D		3.82		S.D	1.106
The tax administration's online platform is user-friendly and efficient , which makes it easier to meet my obligations.	Disagree	32	8.3	8.3	8.3
	Neutral	60	15.5	15.5	23.8
	Agree	162	42.0	42.0	65.8
	Strongly Agree	132	34.2	34.2	100.0
	Total	386	100.0	100.0	
Mean		4.02		S.D	0.911

Source: Survey, 2025

Digital tools show promise, with mean scores from 3.08 to 4.02 indicating moderate to positive perceptions.

- **TDE1:** “Online filing systems are easy to use” (Mean = 3.16, SD = 1.115). Moderate agreement (42.5%) suggests usability challenges, per OECD (2019) on user-friendly systems.
- **TDE2:** “Digital services improve efficiency” (Mean = 3.08, SD = 1.218). Neutrality (29%) and disagreement (27.7%) highlight infrastructure issues, as per Baurer (2005).
- **TDE3:** “Digital services resolve issues efficiently” (Mean = 3.82, SD = 1.106). Nearly 70% agreed, supporting Bird and Zolt (2014) on digital accessibility.
- **TDE4:** “Online platforms are user-friendly” (Mean = 4.02, SD = 0.911). High agreement reflects confidence, per OECD (2020).

In summary, the findings suggest that digitalization has begun to enhance efficiency and accessibility in tax administration, but further improvements are needed in system usability, inclusivity, and stability. Continued investment in technology, taxpayer training, and support mechanisms will be crucial to bridging the gap between policy goals and practical user experience.

4.7 Overall Satisfaction

Table 7: Overall Satisfaction in Tax Administration **Efficiency**

Overall Satisfaction		Frequency	Percent	Valid Percent	Cumulative Percent
I am satisfied with the efficiency of services provided by the tax administration.	Strongly Disagree	25	6.5	6.5	6.5
	Disagree	32	8.3	8.3	14.8
	Neutral	14	3.6	3.6	18.4
	Agree	246	63.7	63.7	82.1
	Strongly Agree	69	17.9	17.9	100.0
	Total	386	100.0	100.0	
Mean		3.78		S.D	1.042
The tax administration has improved in efficiency over the past few years.	Strongly Disagree	25	6.5	6.5	6.5
	Disagree	57	14.8	14.8	21.2
	Neutral	33	8.5	8.5	29.8
	Agree	235	60.9	60.9	90.7
	Strongly Agree	36	9.3	9.3	100.0
	Total	386	100.0	100.0	
Mean		3.52		S.D	1.06
The tax administration operates in a manner that instills trust and confidence among taxpayers.	Strongly Disagree	32	8.3	8.3	8.3
	Disagree	114	29.5	29.5	37.8
	Neutral	38	9.8	9.8	47.7
	Agree	96	24.9	24.9	72.5
	Strongly Agree	106	27.5	27.5	100.0
	Total	386	100.0	100.0	

Mean		3.34	S.D	1.366
Given my experience, I would speak positively about the tax administration's services to others.	Strongly Disagree	51	13.2	13.2
	Disagree	133	34.5	34.5
	Neutral	38	9.8	9.8
	Agree	153	39.6	39.6
	Strongly Agree	11	2.8	2.8
	Total	386	100.0	100.0
Mean		2.84	S.D	1.167

Source: Survey, 2025

Overall satisfaction shows moderate approval, with mean scores from 2.84 to 3.78.

- **OS1:** “Satisfied with service efficiency” (Mean = 3.78, SD = 1.042). High agreement (81.6%) reflects effective delivery, per OECD (2019).
- **OS2:** “Efficiency has improved” (Mean = 3.52, SD = 1.06). Progress is noted, supporting Alabede et al. (2011).
- **OS3:** “Tax administration instills trust” (Mean = 3.34, SD = 1.366). Mixed responses (37.8% disagreed) highlight trust issues, per Murphy (2004).
- **OS4:** “Would speak positively about services” (Mean = 2.84, SD = 1.167). Low agreement (42.4%) suggests weak advocacy, per Fjeldstad and Heggstad (2012).

In summary, taxpayers recognize notable gains in service efficiency and performance, but overall satisfaction is tempered by concerns about trust, fairness, and engagement. Strengthening transparency, promoting equitable treatment, and improving citizen interaction—alongside digital enhancements—remain essential for building public confidence and fostering a cooperative tax culture.

4.8 Legal and Institutional Framework

Table 8: Legal and Institutional Framework in Tax Administration Efficiency

Legal and Institutional Framework		Frequency	Percent	Valid Percent	Cumulative Percent
The tax laws and regulations are clear, stable, and easy for me to understand and follow.	Strongly Disagree	27	7.0	7.0	7.0
	Disagree	131	33.9	33.9	40.9
	Neutral	108	28.0	28.0	68.9
	Agree	83	21.5	21.5	90.4
	Strongly Agree	37	9.6	9.6	100.0
	Total	386	100.0	100.0	
Mean		2.93		S.D	1.102
The institutional process for resolving tax disputes and appeals is fair, transparent, and timely .	Strongly Disagree	25	6.5	6.5	6.5
	Disagree	57	14.8	14.8	21.2
	Neutral	90	23.3	23.3	44.6
	Agree	142	36.8	36.8	81.3
	Strongly Agree	72	18.7	18.7	100.0
	Total	386	100.0	100.0	

Mean		3.46	S.D	1.144
I believe the tax administration operates with a high degree of independence from political influence, which improves its effectiveness.	Strongly Disagree	25	6.5	6.5
	Disagree	74	19.2	19.2
	Neutral	32	8.3	8.3
	Agree	182	47.2	47.2
	Strongly Agree	73	18.9	18.9
	Total	386	100.0	100.0
Mean		3.53	S.D	1.185
The overall legal structure of the tax system is well-designed, which helps to minimize ambiguity and improve tax administration efficiency .	Strongly Disagree	25	6.5	6.5
	Disagree	84	21.8	21.8
	Neutral	83	21.5	21.5
	Agree	140	36.3	36.3
	Strongly Agree	54	14.0	14.0
	Total	386	100.0	100.0
Mean		3.3	S.D	1.147

Source: Survey, 2025

The legal framework shows moderate perceptions, with mean scores from 2.93 to 3.53.

- **LIF1:** “Tax laws are clear and stable” (Mean = 2.93, SD = 1.102). Low agreement (31.1%) highlights complexity, per Bird and Zolt (2014).
- **LIF2:** “Dispute processes are fair” (Mean = 3.46, SD = 1.144). Agreement (55.5%) supports Tyler (2006) on procedural fairness.
- **LIF3:** “Tax authority is independent” (Mean = 3.53, SD = 1.185). High agreement (66%) reflects autonomy, per Fjeldstad and Moore (2008).
- **LIF4:** “Legal structure minimizes ambiguity” (Mean = 3.30, SD = 1.147). Moderate agreement suggests clarity issues, per Torgler (2007).

In summary, respondents recognize the tax authority’s independence and the fairness of dispute processes, but legislative complexity and ambiguities continue to challenge compliance. Strengthening the legal framework through clear, consistent, and transparent laws, alongside mechanisms that reinforce autonomy and accountability, would improve both administrative efficiency and taxpayer confidence.

4.9 Human Capital

Table 9: Human Capital in Tax Administration Efficiency

Human Capital		Freq.	Percent	Valid Percent	Cumulative Percent
The tax administration's staff possesses the necessary knowledge and expertise to provide accurate and professional assistance	Disagree	85	22.0	22.0	22.0
	Neutral	183	47.4	47.4	69.4
	Agree	104	26.9	26.9	96.4
	Strongly Agree	14	3.6	3.6	100.0
	Total	386	100.0	100.0	

Mean		3.12		S.D	0.788
I perceive the employees of the tax administration as professional, ethical, and fair in their dealings with taxpayers.	Disagree	32	8.3	8.3	8.3
	Neutral	3	0.8	0.8	9.1
	Agree	119	30.8	30.8	39.9
	Strongly Agree	232	60.1	60.1	100.0
	Total	386	100.0	100.0	
Mean		4.42		S.D	0.872
Tax administration employees are efficient in processing my requests and providing timely solutions to my tax-related issues.	Neutral	3	0.8	0.8	0.8
	Agree	202	52.3	52.3	53.1
	Strongly Agree	181	46.9	46.9	100.0
	Total	386	100.0	100.0	
I believe that adequate training and continuous development of the tax administration's staff contribute to the overall efficiency of its services.	Disagree	32	8.3	8.3	8.3
	Neutral	17	4.4	4.4	12.7
	Agree	182	47.2	47.2	59.8
	Strongly Agree	155	40.2	40.2	100.0
	Total	386	100.0	100.0	
Mean		4.19		S.D	0.862

Source: Survey, 2025

Human capital is viewed positively, with mean scores from 3.12 to 4.42.

- **HC1:** “Staff possess necessary knowledge” (Mean = 3.12, SD = 0.788). Moderate agreement (69.4%) suggests training needs, per Becker (1964).
- **HC2:** “Staff are professional and ethical” (Mean = 4.42, SD = 0.872). High agreement (90%) supports Murphy (2004) on fairness.
- **HC3:** “Staff are efficient” (Mean = high agreement). Positive responses align with Feld and Frey (2007) on responsiveness.
- **HC4:** “Training contributes to efficiency” (Mean = 4.19, SD = 0.862). Strong agreement (90%) supports Bahl and Bird (2008).

Overall, human capital is viewed positively, with employees considered professional, ethical, and efficient. However, the moderate score on technical knowledge indicates the need for targeted training in complex tax matters, dispute resolution, and digital system use. Continuous learning, performance incentives, and ethical reinforcement can further improve taxpayer satisfaction and compliance.

5. Conclusion

The study explored taxpayers’ views on the efficiency of tax administration across several dimensions, including service quality, timeliness and responsiveness, fairness and compliance, communication practices, technology and digital tools, the legal and institutional framework, and human capital. Overall, respondents evaluated the tax administration positively, although there

were noticeable differences across the various dimensions, highlighting both strengths and areas in need of improvement.

Taxpayers generally perceive the tax administration as fair, professional, and transparent. High scores were recorded for fairness ($M = 4.22$) and the professionalism and ethical conduct of staff ($M = 4.42$), indicating strong approval of administrative integrity. These findings align with studies by Murphy (2004) and Tyler (2006), which suggest that fairness and ethical behavior by officials foster voluntary compliance and strengthen public trust in institutions. Similarly, timeliness and responsiveness received favorable ratings ($M \approx 3.8\text{--}3.9$), reflecting efficient service delivery and timely attention to taxpayer needs, consistent with Feld and Frey (2007), who argue that prompt and reliable administrative processes enhance trust and compliance.

However, some areas received moderate ratings. Technology and digital efficiency ($M = 3.08\text{--}3.82$) and clarity of the legal framework ($M = 2.93$) scored lower, indicating gaps in the modernization of services and the simplification of tax regulations. While digital systems are in place, users may still face challenges with accessibility or ease of use, reflecting common issues identified by OECD (2019) in developing countries' digital tax reforms. Additionally, the complexity of tax laws continues to limit taxpayers' understanding, which can reduce transparency and hinder compliance.

Respondents expressed mixed opinions regarding overall satisfaction ($M = 3.37$). While many agreed that efficiency had improved, fewer felt confident enough to recommend the tax administration to others. This suggests that building greater trust, ensuring consistent service delivery, and effectively communicating improvements remain important for strengthening public confidence.

Finally, the study highlights that human capital and fairness are central to a well-functioning tax system. Skilled, motivated, and ethical staff are essential for efficient operations, trust-building, and encouraging compliance, supporting Becker's (1964) human capital theory and OECD (2019) findings.

In conclusion, the tax administration shows strong performance in ethics, fairness, and responsiveness, but further improvements are needed in digital services, taxpayer education, and legal clarity to achieve comprehensive efficiency and reinforce voluntary compliance.

6. Recommendations

Based on the study's findings, the following recommendations aim to enhance the effectiveness of Ethiopia's tax administration, improve taxpayer experience, and foster voluntary compliance:

Enhance Digital Infrastructure and Accessibility

- Upgrade online tax filing platforms to ensure they are user-friendly, mobile-compatible, and reliable, reducing barriers to access.
- Introduce interactive self-service tools, such as online tutorials and chat support, to minimize in-person visits and improve convenience.

- Adopt best practices from digitally advanced tax systems, such as those in Estonia and Singapore, to streamline processes and enhance user experience (OECD, 2019).

Simplify and Clarify Tax Laws and Procedures

- Streamline legal and procedural frameworks to make tax regulations clear and easy to understand for all taxpayers.
- Provide simplified guides, FAQs, and visual aids in local languages to boost tax literacy and compliance.
- Regularly review and update tax laws to eliminate ambiguities and outdated provisions, ensuring clarity and consistency.

Strengthen Communication and Transparency

- Proactively share tax policy updates, filing deadlines, and refund statuses through diverse channels, including SMS, email, and media campaigns.
- Publish transparent performance reports to demonstrate how tax revenues are used, building public trust.
- Enhance feedback mechanisms, such as surveys and complaint portals, to ensure taxpayers' concerns are heard and addressed promptly.

Improve Responsiveness and Service Quality

- Adopt a taxpayer-centered approach, emphasizing empathy, timely responses, and efficient problem resolution.
- Set clear service-level standards for processing returns, handling complaints, and resolving disputes to ensure consistency.
- Utilize data analytics to identify recurring taxpayer issues and implement proactive solutions to improve service delivery.

Promote Fairness and Voluntary Compliance

- Ensure consistent and impartial enforcement of tax laws to maintain equity across all taxpayers.
- Combine enforcement with educational campaigns that emphasize civic responsibility and ethical compliance, reducing reliance on coercive measures.
- Introduce voluntary disclosure programs and incentives for consistent compliance to encourage a trust-based tax culture.

Acknowledgements

The author would like to thank the Ethiopian Civil Service University for providing the Grant.

Declaration of interest statement

The author declares that there is no conflict of interest to

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