TAX SYSTEM AND STRUCTURE IN ETHIOPIA:

ORIGIN AND CURRENT PERFORMANCE

By

BAHARU SISAY NEGATU,

Ph.D. Scholar,

Department of Applied Management,

Punjabi University, Patiala, Punjab, India.

(baharusisay@gmail.com)

and

Dr. NIDHI WALIA,

Assistant Professor,

University School of Applied Management,

Punjabi University, Patiala, Punjab, India.

(nidhiwalia79@gmail.com)

Abstract

The financing of government is a matter of universal concern, for practically everyone enjoys some advantages from the service of government and also contributes to their support. tax is not the only means for raising government revenue, for macro economy stability and a tool for the government's fiscal policy (contractionary and expansionary) rather it is also a means of reducing income inequality. The aim of this research paper is aims to give insight the origin and development of the Ethiopian tax system, to give insight for the current tax system for the concerned body, and to examine the countries tax system to that of selected East Africa countries. To achieve the objective of the study review of literature-based approach was employed. The paper concludes that even if the countries tax system and the structure show outstanding changes from different ruling parties, but still the overall performance of the tax system is very poor compare to the sub-Sahara African countries and did not fit the needs of the government. How ever this paper indicates that there is a very fertile ground and huge potential for the collection and the administration of tax in the country.

Key words:

Ethiopia revenue custom authority, Ethiopian tax system, history of Ethiopian tax, sub-Sahara tax system, tax structure

1. Introduction:

The financing of government is a matter of universal concern, for practically everyone enjoys some advantages from the service of government and also contributes to their support. Ethiopia government and countries all over the world have entered and are entering in to a great number of public projects, such as social security, protection and other services of public utilities like railway, heavy-electrical, atomic energy etc. government business is the largest single business in any advanced modern state. The total expenditure and revenues of a government are much larger than, the revenues and expenditure of a single man with in the country. Again, not only the total public expenditure is very large, but it is increasing at a very rapid rate. And this gradual expansion of public expenditure is largely due to expansion in the function of modern governments. The methods of public finance have certain effects on economic life and are used as instruments or means of bringing about desired social and economic changes.

Taxes are as old as civilization. Allusions to taxes are available in the book, Arthashatra", the great book that assimilates various rules, norms, economics, the importance of public administration, and ways to collect revenue for the welfare of society. In ancient times, taxes were imposed in the form of both cash and kind. In Arthashatra, Kautilya emphasized the method of tax collection. He stated that "taxes should be levied very cautiously and not impose a heavy burden on tax payers." The king should act like a honey bee that collects money without harming the plants. These directives still have importance and should be kept in mind when formulating the tax policy. In addition, the greatest Sanskrit scholar, Kalidas, also mentioned the purpose of tax revenue and the method of tax collection in his book Raghuvansam. He stated that "tax should be collected just the sum that extracts water from the reservoirs and gives it back in the form of showers." So, the ruler extracts tax from the public and gives it back to them in the form of services required for their prosperity. These two legends from Indian culture suggest basic rules for taxation. The first one emphasized the method of collection and the second focused on the use of the fund collected from the public. The role of government in society has been and will always be controversial. Some believe the government does too much, while others believe it needs to do more. Many look to the government to solve problems they believe to be important to them, but would rather not have it engage in activities that benefit others. No matter what your view of government is, it is clear that its program and scope have grown significantly from a small share of the economy in the early 1900's to between 30 and 50% of the economy in modern industrial nations today (Sharma, 2000).

Citizens give up a substantial amount of their income each year to pay the tax necessary to finance government expenditure. Either tax rates will increase in the future to finance growth in government spending or an increased federal budget deficit could impact the economy in ways that either slow economic growth or cause inflation. Of course, another alternative would be to attempt to reduce the rate of growth of federal government spending. Government expenditures are financed mainly by taxes. Taxes have indirect costs because they distort choices. Taxes affect the price of goods and services and the incentive to work, save, and allocate expenditures among goods and services. Taxes impede economic activity by inducing individuals to make decisions based not only on the benefit and cost of their actions, but also on the tax advantage or disadvantage of their decision. The distortion in resource use and the loss in output that result from the effect of taxes on incentives are also part of the cost of government activity. (David N. Hyman, 10the.d).

2. Specific objective

The study aims to assess the following specific objectives:

- To understand the origin and development of the Ethiopian tax system
- To give insight for the current tax system for the concerned body
- To examine the countries tax system to that of selected East Africa countries.

3. Methodology

To achieve the above stated objectives the study employed a review-based approach. As a result, the study is mainly based on secondary data (which is collected from different books, websites, journals, articles, reports from Ethiopian custom and revenue minister, circulars, proclamations of VAT, TOT, and excise tax, tax rules and regulations) are used for means of data.

4. Origin and development of taxation Ethiopia:

Taxation policies depend on the socio- economic and political structure of a country. Earlier days Ethiopian rulers established fiscal measures by force because there was no legal or institutional mechanism to control and administer the fiscal policy. There were no territorial assemblies and no representative bodies at the central level to introduce taxes. The very mechanism of revenue collection and distribution among the ruling classes thus became the absolute power of king. Majority of the state revenue was spent for military purposes.

In Ethiopia, though taxation came in to being with the emergence of state and government, there exists hardly and reliable documentary evidences as to when exactly taxation was introduced. During the period of ZeraYacob (1434-1468) people used to contribute from their cattle and agricultural products to the governors of the state. The kind of traditional tax system that was introduced during this period did worth for several centuries smoothly until it was replaced by the modern tax system in the mid-20th century. Historical evidence shows a picture of giving a fixed amount of tax in the form of mules, horse or cloth. Evidences indicate that in the third quarter of 19th century also taxes were paid in kind and in money. Payment in kind included various forms such as salt, honey, butter, grain, livestock (cows, oxen etc.), horse and mules, and cloth. The amount and form of tax were based on the need of rulers. Until the second half of the 19th century different territorial and geographical administrators of the kingdom was paying tax in gold.

Taxes during the period 1855-1868 consisted of direct and indirect taxes. Direct taxes include land tax (Giber), Tithe (Asrat), provincial administrative taxes (Ya Negarit), tax for appointees and appointment, tax on livestock, tax for maintenance (Bal), tax on honey, production tax from certain economic activities, and irregular and ad hoc taxes. Land tax was levied for the use of and tithe (means a tenth part) was levied on the annual product of land. Bal (a subsistence in lieu of salary) took various forms of tax including agricultural surplus. Taxes on livestock and honey were also collected in this period. Artisans and salt producers were also taxed. During periods of war peasants were asked to pay even more than two times a year. Indirect taxes during this period included toll taxes, caravan taxes and Ferida (tax on slaughter cattle).

During the region of Menelik, taxes of various forms, as mentioned earlier, were collected. The traditional system of taxation put a heavy burden on tax payers mainly peasants because the contribution expected from them, in kind and in labor, was more than what they could afford. This forced the peasants to leave their landholdings. The effect of such taxes resulted in social disturbances and political instability. These problems necessitated Emperor Menelik to put an end to the payment of tax in form of labor.

5. The evolution of modern tax system:

Taxes are traditionally being paid in kind but monetary payment steadily increased in 19^{th} and 20^{th} century because of the circulation of money and the changing government policy. As the size of government and its commitment to economic growth increased gradually every citizen above 18 years, was asked to contribute one birr a year to total governors, landlords, or any other local chief. Moreover, salary and wage earners were obliged to pay a part of their annual income.

Historical evidences revel that there was no proper assessment of tax during those days. In certain days. In certain period, a traditional unit was assigned to collect a fixed amount of tax from various source regardless of the quantity of taxable product or the area of land. In certain other period, tax was collected based on the measurement of land, on the quantity of grain produced or on the number of cattle possessed.

i. Taxes from 1942 to 1974:

During this period (the Regime of Emperor Haile Selassie) taxes were imposed on income from employment; from rent of land and building (used for purposes other than agriculture); from business, vocational occupation, and interest and from exploitation of wood and forest used for lumbering purposes. Though at the beginning agricultural income was exempted from payment of tax, latter it was also subject to tax. Tax rates for various heads of income varied according to the changes in government policies.

Tax rates from employment income ranged from 1.8% to 25% under different proclamation and tax brackets from birr 30 to birr 5,000. In almost all proclamations, the tax-free income was birr 30. The number of tax brackets was also many in most proclamations. Business profit tax was lived according to different category (Like traders, retailers, etc.) or different grades (e.g., Grade I, II, and III etc.). Specific tax-free brackets were also included in all proclamations and incorporated bodies are taxed at 15% to 16%. Rental income tax rate ranged from 2% to 16% and tax brackets were ranged from birr 360 to birr 15,000. Taxes on agriculture income, though not imposed at the beginning of the regime, were levied at rates ranging from 1.5% to 20%. Incorporated agricultural bodies were taxed at 20%. Other taxes collected during this period include land tax (levied on each Gasha or gabber of land), education tax (levied on land used for promotion of education), health tax (levied on land used for health activities), and road tax (collected on the nature and land capacity of vehicles) cattle tax, tobacco tax excise tax on alcoholic, transaction tax (on import and export and on goods manufacturing locally), stamp duty, custom duty and export duty.

ii. Taxes from 1975-1991:

Taxes imposed during this period (under military rule) were similar to those of Haile Selassie regime except that wider tax bases and increased tax rates. The changes were made for the purpose of meeting situations of war and to provide for public goods and services.

Employment income tax rates, during this period, ranged from 10% to 85% of employment income. Tax brackets were reduced and tax-exempt income raised to birr 50. For business income tax, together with the reduction in the number of tax brackets, the rate for incorporated bodies to 50% and that of unincorporated business to 89% (but latter on reduced to 59%). Rental income tax rate was also gone up to 89%. Rural land use fee was first introduced during this regime. Agricultural income was also taxed at varying rates (with the highest rate 89%). It was during this period; urban land rent and urban house tax were first come in to being. Rental tax varied from 1% to 4.5% public roads, places of worship, and dwelling houses whose annual rate was less than birr 300 were exempted from tax. Excise tax on tobacco leaf and wooden matchbox were introduced and a very high rate for sugar and soft drinks was imposed during this period.

iii. Tax from 1991to 1995:

The reorganization of Ethiopia in to federal and regional self-government, based on democratic principle, and the emergence of market-oriented economy are imperatives for making structural changes in tax policy during the traditional period. With establishment of regional government (pursuant to proclamation No 7/1992), major changes took place in tax policy of the country. Tax brackets and tax rates were modified and new tax base such as tax on mining activities and on capital gain were introduced in this period. The major modification and introductions are given below:

Employment income tax

- Tax rate decreased to 10%-40% range (from 10%-89% range)
- Tax brackets reduced to 5

Business income tax

- Tax rate lowered to 10%-40%
- Tax rate of incorporated bodies reduced to 45%

Mining income tax (newly introduced)

- Rates for larger scale mining fixed at 45% and small-scale operation at 35%

Capital gain tax (newly introduced)

- Gains on sale of shares, bonds, and urban houses taxed at 30%

- Gain of less than birr 10,000 was exempted from tax

Rental income tax

- Tax brackets and rates lowered
- Income up to birr 1,200 was made tax free

Other income

- Food item such as injera and bread; and fertilizers were exempted
- Most of the duties were made ad valorem
- Duty range reduced to 5%-80%
- Duty on export (except coffee) cancelled

iv. Tax from 1995 onwards:

The constitution of Ethiopia approved in 1995 gave powers to federal and regional government to levy and collect taxes from the source assigned to them to meet their expenditure needs. Accordingly, both levels of government collect direct and indirect taxes from the respective sources. A number of changes have been made in the tax policy of the country pursuant to the structural changes. Most of them are in the area of income tax and custom duties. The following are the most relevant changes that are incorporated in tax laws.

- ✓ Reduction in the tax rate of business income tax from 40%-30%
- ✓ Equalization of tax rate at 35% for both small scale and large-scale mining activities
- ✓ Assignment of collection of revenue from agricultural income tax to regional government
- ✓ Exemption of capital gains from house used for residential purpose
- ✓ Introduction to Tax Payer Identification Number (TIN)
- ✓ Introduction of tax withholding system (at 3% and 2% respectively for import and certain types of payments, and on interest, dividend, etc.)
- ✓ Replacement of sales tax by VAT and turnover tax

6. Tax assignment:

The burden of federal and regional government in providing public good and service is cumbersome. To meet these requirements government units, need financial resources that could be gathered from different revenue sources. Government of Ethiopia mobilize the required revenue from sources such as direct tax, indirect tax, foreign trade tax, charges and fees, sale of goods and services, revenue from government properties and investment, government employees, contribution to pension, foreign technical aid, capital receipts and other miscellaneous revenues.

In assigning the mobilization of taxes to different levels of government, issues such as the type of taxes to be levied, the principles on which taxes are to be collected, and the criteria of tax assignment etc. should be given serious consideration. Generally, the following formula (accepted by economist) is used for assignment of revenue collection.

- **i.** Taxes suitable for economic stabilization, progressive and redistributive taxes, and taxes on mobile factors could be assigned to central government.
- **ii.** Tax on consumption goods, residence-based taxes and taxes on immovable factors could be assigned to regions.
- **iii.** Benefit tax and user charges could be given to all levels of government.

Application of various principle of taxes such as fairness, certainty, predictability, and adequacy etc. is utmost importance in designing a tax system in all level of government. Uniformity in tax rate and tax base is another important factor in the tax policy of regional government for instance, if the tax rate in one region is different from that people shift the taxed activity to the region from where they could benefit most.

In essence, uniformity avoids tax competition; flow of capital, and cross border shopping. Non-uniformity can be applied if it does not affect the benefit of uniformity. It can be restored to foster revenue mobilization and regional development due to the fact that regions differ significantly in their development and resource availability. For example, in most developing countries there exist industrially developed regions and backward (predominantly rural areas) regions. In the former case, more and more money should be spent towards infrastructure facilities resulting in failure to meet a majority of public needs. The case is true for Ethiopia also.

In view of the assignment of expenditure, the government of Ethiopia issued a proclamation (No 33/1992) that shows the allocation of revenues between federal and regional government. This allocation is based on the following objectives.

- **i.** To carry out the duties and responsibilities effectively and efficiency by both levels of government.
- **ii.** To develop their own region by taking initiatives by themselves.
- **iii.** To eliminate the gap between regions in various development activities.
- **iv.** To encourage those activities for which regions have common interest.

Fulfilment of the above-mentioned objectives should be the prime responsibilities of each regional state while collecting revenue from the sources. The allocation has taken various factors in to consideration such as ownership and the character of the source; convenience of levying and collecting tax, population, distribution of wealth, and the standard of development of the region. **Base d on the above factors revenue of the country is collected by federal and regional government as given below**;

A. Revenue collected by federal government

This category includes foreign trade tax, tax from employees of central government and international organizations; personal income tax and sales tax from the enterprise owned by federal government; tax on lottery and other chance winning; tax from air, rail and marine transportation; tax on rent of houses and properties owned by central government; and fee for services rendered and license issued by federal government.

B. Revenue collected by regional governments

Employment tax from employees of region and from private employees; personal income tax and sales tax of enterprise owned by regional government, agricultural income tax from farmers and rural land use fee; profit and sales tax of traders; tax on income from inland water transport; rent of land, royalty, and income tax from small scale mining operations; fee for services rendered and for license issued by regional government.

C. Revenue collected jointly

Personal income tax and sales tax of enterprise owned jointly; profit, sales tax and dividend of organizations; rent of land, royalty and profit tax of large-scale mining operations, petroleum and gas operations; and forest royalty are shared by federal and regional government on an appropriate ratio. A committee appointed by the prime minster decides the ratio in which the revenue should be allocated. This committee consists of representatives of both the government and is responsible to the council of ministers. The committee is responsible for giving solution to any problem arising there from.

Regions are entitled to receive subsidy from central government for the fulfillment of certain objectives. If approved, regions get subsidy for promotion of social service and economic development of neglected areas, reduction of gap in per capita income between regions, encouragement of foreign currency projects, and projects of national interest. It should be noted that while making reforms in regional tax policy, regions have to abide by the rules and regulations of central government, exemption privileges granted to tax payers should adhere to such privileges given by central government.

7. Classification of tax:

Tax structure of Ethiopia divides tax in the country as direct and indirect. This classification is purely based on the incidence (tax shifting) of tax. Direct taxes are those obligations of payment that cannot be shifted to a third party. On the other hand, the burden of payment is shifted to third parties, in all indirect taxes, by tax payers. Direct taxes in Ethiopia, including employment income tax, business income tax, agricultural income tax, and rural land use fee, mining income tax, taxes on lottery and other chance winning, tax on royalty, interest, dividend, and casual rental of property.

The principles up on which the Ethiopian tax law is based are the following: lawfulness

The society which is covered by the tax law is obliged to respect all tax laws, regardless of the name and kind of the instrument.

- **The application of tax provision:** In the tax assessment procedure, the tax rules, which were in force at the time of occurrence of the fact, will be applied.
- **Objectivity:** During assessment, the tax authority establishes the facts such as objectivity and conscious.
- **Right to appeal:** This principle enables the tax payers to file complaints against the assessment procedure.
- **Keeping the books and records:** This binds the tax payers (except those who are not required per proclamation) to keep books and evidences; both the tax payer and tax authority have to prove the fact on declaration and assessment.
- **Good faith and behavior;** All the parties concerned are obliged to behave properly with good intention, cooperatively, and consciously.
- **Protection of confidentiality:** The duty of the tax payer is to give records and submit it to the tax authority, truthful data that is essential for the assessment of tax. At the same time, the tax authority preserves the confidential data in this manner the privacy of the data is protected.
- **Protection of human dignity:** The tax procedure protects the reputation, dignity, and honor of the tax payer.
- **Right to respond:** Tax payers have the right to speak about all the facts related to their taxable income.

8. Present Scenario

Ethiopia has a federal tax system, which have 11 regional states and two city administration (Addis Ababa and Dire Dewa) with tax powers and revenue divided between the federal government and regional states. (FDRE constitution, 1995-proclamation number 1/1995, articles 95, 96, 97, 98, 99, and 100) The power to levy and collect different taxes is allocated either exclusively to the federal government, exclusively to the regional states, concurrent to both the federal government and regional states, or is undesignated (FDRE constitution, 1995-proclamation number 1/1995). Concurrent powers are assigned to the federal administration, but the resulting revenue is subject to revenue sharing according to the rules shared by the house of federation (the higher chamber of parliament). On the other hand, revenue assigned to only one level of government can be fully used at that level without needing to be shared. For taxes not captured in the FDRE constitution referenced above, flexible provisions are made. Specifically, the constitution states that when a tax is not covered in the constitution, the two houses (the house of people's representatives and the house of federation) shall, in a joint session, determine how taxation power will be assigned and exercised by a two-thirds majority vote.

The 2018/19 tax year totaled ETB 268.5 billion, of which ETB 74.2 billion was collected by the regional states and the remaining ETB 194.3 billion was collected by the federal government. This equated the tax to GDP ratio to approximately 10%, which is lower than 10 years prior and it is also significantly below the 2019/20 target of 17.2 % that was outlined in the government's growth and transformation plan (GTP II) in 2015 (ETHIOPIA’S, H. O., & SECTOR, U. (2005). Ethiopia.). There is thus a strategic and renewed focus on improving domestic revenue mobilization under Ethiopia’s new 10-year economic reform agenda, with a revised target of achieving a tax to GDP ratio of 18.2% by the end of the perspective plan in 2019/30 (FDRE planning and Development commission, 2020). The government of Ethiopia introduced VAT to Ethiopia's tax system in 2003, following the ratification of the value-added tax proclamation No. 285/2002. At the same time, proclamation No. 308/2002 introduced TOT. VAT registration is compulsory for individuals or businesses with an annual turnover of more than ETB 1 million. Businesses with a turnover lower than this can voluntarily register for VAT if at least 75% of their sales are regularly made to VAT registered businesses and they can demonstrate that they have the capacity to comply with the bookkeeping requirements of the VAT system.

Comparisons of tax revenue to GDP

Government revenue %	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**

of GDP						
Ethiopia	15.61251	14.74335	13.07029	12.81936	11.70495	11.03076
Djibouti	24.35903	23.65495	23.65495	23.48666	23.45117	20.08212
Kenya	17.89141	17.80246	17.80246	17.00019	16.66606	16.8199
Uganda	12.41107	12.73184	12.73184	13.46948	13.91614	14.06511
Tanzania	14.82742	15.141455	15.41455	14.64257	14.56928	14.41505
Rwanda	22.87578	22.57529	22.57529	23.10821	23.89222	24.56106

***Source*: IMF report:**

From the above tableit is evident that out of the six listed countries in East Africa, Ethiopia ranks last the countries tax revenue to that of GDP shows a decreasing effect from the year 2016 to 2021, and due to this the countries share of tax to GDP is very low and depend on other countries aid, donation, and loan also always happen budget shortage due to poor collection.

9. Concluding remarks

This paper tries to address and covers the origin and development of the Ethiopian tax system, the current tax system and examine the countries tax system to that of selected East Africa countries. As we know the country have a long history in many of things including the tax system. The tax structure and system has passed a very surprising growth from one to the other. The traditional system of the country's tax collection system is clearly showing the civilization during that time and the tax is collected in mode of kind. During the period of ZeraYacob (1434-1468) people used to contribute from their cattle and agricultural products to the governors of the state. The kind of traditional tax system that was introduced during this period did worth for several centuries smoothly until it was replaced by the modern tax system in the mid-20th century. Historical evidence shows a picture of giving a fixed amount of tax in the form of mules, horse or cloth. Evidences indicate that in the third quarter of 19th century also taxes were paid in kind and in money. And the evolution of the modern tax system and structures started in Taxes from 1942 to 1974 Business profit tax was lived according to different category (Like traders, retailers, etc.) or different grades (e.g., Grade I, II, and III etc.). Taxes from 1975-1991:

Taxes imposed during this period (under military rule) were similar to those of Haile Selassie regime except that wider tax bases and increased tax rates. The changes were made for the purpose of meeting situations of war and to provide for public goods and services. Tax from 1991to 1995: The reorganization of Ethiopia in to federal and regional self-government, based on democratic principle, and the emergence of market-oriented economy are imperatives for making structural changes in tax policy during the traditional period. With establishment of regional government (pursuant to proclamation No 7/1992), major changes took place in tax policy of the country and lastly Tax from 1995 onwards: the constitution of Ethiopia approved in 1995 gave powers to federal and regional government to levy and collect taxes from the source assigned to them to meet their expenditure needs. Accordingly, both levels of government collect direct and indirect taxes from the respective sources. A number of changes have been made in the tax policy of the country pursuant to the structural changes.

Overall, the tax system in different regime has one basic objective; to finance the government expenditure for the development of country economy, and the expansion of different social goods. But still now the country is not free from the foreign aid, donation, and loan this is because of the tax system is characterized by frequent change of tax laws, Inefficiency and ineffective system in tax administration, lack of adequate skills and absence of willingness and poor understanding about the concept of tax by tax payers, frequent change of taxpayers address without acknowledgement of the office, lack of willingness to provide information by third party, lack of sufficient, competent and motivated tax officers, are some of them. Even though the above-mentioned problems but still there is fertile ground for tax system to collect more and more revenue for the government and to withdraw the country itself from foreign aid, loan, and donation.

Reference and Bibliography

1. Amina, A., & Saniya, K. (2015). Tax compliance and its determinants: the case of Jimma zone, Ethiopia. *International journal of research in social sciences*, *62*, 1-15.
2. Amina, A., & Saniya, K. (2015). Tax compliance and its determinant the case of Jimma Zone, Ethiopia. *International Journal of Research in Social Sciences*, *6*(2), 7-21.
3. Asrinanda, Y. D. (2018). The effect of tax knowledge, self-assessment system, and tax awareness on taxpayer compliance. *International Journal of Academic Research in Business and Social Sciences*, *8*(10), 539-550.
4. Ayenew, W. (2016). Determinants of tax revenue in Ethiopia (Johansen co-integration approach). *International Journal of Business, Economics and Management*, *3*(6), 69-84.
5. Birhan, T. A. Determinants of Turnover Tax Collection Effectiveness: The Case of West Gojiam.
6. Borden, B. T. (2008). Aggregate-plus theory of partnership taxation. *Ga. L. Rev.*, *43*, 717.
7. Buehler, A. G. (1936). The Principles of Expediency and Justice in Taxation. *The Bulletin of the National Tax Association*, *21*(5), 130-137.
8. Cooper, G. S. (1994). The benefit theory of taxation. *Austl. Tax F.*, *11*, 397.
9. Cohen, J. M. (1995). "Ethnic Federalism" in Ethiopia. *Northeast African Studies*, *2*(2), 157-188.
10. Shoup, C. S. (1960). *Ricardo on taxation*. Columbia University Press.
11. DebebeKibret, D. (2021). Factors Affecting Turnover Tax Collection Performance: A Case of West Shoa Zone Selected Districts. *Accounting and Finance Research*, *10*(1).

12. Elly, T. (2017). Attitude towards tax compliance among SMEs in Tanzania. *ORSEA JOURNAL*, *5*(1).

13. Goldman, N. C., & Lewellen, C. M. (2020). Ethical considerations of corporate tax avoidance: Diverging perspectives from different stakeholders. In *The Routledge Handbook of Accounting Ethics* (pp. 258-269). Routledge.

14. Hyman, D. N. (2014). *Public finance: A contemporary application of theory to policy*. Cengage Learning.

15. *International Tax and Public Finance*, *14*(4), 383-406.

16. *IMF report on tax to Gdp 2023.*

17. Islahi, A. A. (2006, November). Ibn Khaldun's theory of taxation and its relevance today. In *Conference on Ibn Khaldun, Madrid, during* (pp. 1-19).

18. *International Tax and Public Finance*, *14*(4), 383-406.

19. Islahi, A. A. (2006, November). Ibn Khaldun's theory of taxation and its relevance today. In *Conference on Ibn Khaldun, Madrid, during* (pp. 1-19).

20. Kendrick, M. S. (1939). The ability-to-pay theory of taxation. *The American Economic Review*, 92-101.

21. Krauss, D. T. (1932). The Benefit Theory of Taxation. *Tenn. L. Rev.*, *11*, 226.

22. Lalisho, D. L., &Abuye, M. (2020). Determinants of Turnover Tax (ToT) Tax Collection Effectives in Ethiopia: The Case Hosanna Town. *American Journal of Theoretical and Applied Business*, *6*(3), 28-36.

23. Mankiw, N. G., Weinzierl, M., &Yagan, D. (2009). Optimal taxation in theory and practice. *Journal of Economic Perspectives, 23*(4), 147-74.

24. Oladipupo, A.O. and Obazee, U. (2016) Tax Knowledge, Penalties and Tax Compliance in Small and
Medium Scale Enterprises in Nigeria. *iBusiness*, **8**, 1-9.

25. Pashev, K. (2005). Corruption and Tax Compliance: *Center for the Study of Democracy*.\

26. Palil, M. R., & Mustapha, A. F. (2011). Factors affecting tax compliance behaviour in self-assessment system. *African journal of business management*, *5*(33), 12864-12872.

27. Rego SO. Tax avoidance activities of US multinational corporations. Cotemporary Accounting Research 2003; 20:805-833.

28. Shalizi, Z., & Squire, L. (1988). *Tax policy in sub-Saharan Africa* (Vol. 2). World Bank Publications.

29. Simiyu, D. (2013). Challenges affecting collection of turnover tax in Nairobi County–Kenya. *MBA thesis. Kenyatta University, Kenya*.

30. Sørensen, P. B. (2007). The theory of optimal taxation: what is the policy relevance?

31. Slemrod, J. (1990). Optimal taxation and optimal tax systems. *Journal of economic Perspectives*, *4*(1), 157-178.

32. Sharma, S. K. (2008). Spheres of Public Governance in Ancient India: Reflections on Abhignanshakuntalam of Kalidasa. *Journal of political studies*, *2*(1), 6-16.

33. Zachary, J. M. N., Kariuki, S., & Mwangi, S. (2017). Tax compliance cost and tax payment by small and medium enterprises in Embu County, Kenya. *International Academic Journal of Economics and Finance*, *2*(3), 206-219.

34. Gordon, J. (1990) Evading Taxes by Selling for Cash. *Oxford Economic Papers*, **42**, 244-255.

35. Alm, J., Jackson, B. and McKee, M. (1992) Institutional Uncertainty and Taxpayer Compliance. *American Economic Review*, **82**, 18-26.

36. Namusonge, G.S., Biraori, O.E. and Kipicoech, E.C. (2014) Factors Affecting Tax Compliance among Small and Medium Enterprises in Kitale, Kenyan. *International Journal of Recent Research in Commerce Economics & Management*, **1**, 60-75.

37. Bautigam, D., Fjeldstad, O.H. and Moore, M. (2005) Taxation and State-Building in Developing Countries: Capacity and Consent. Cambridge University Press, Cambridge, 1-33.

38. www.mor.gov.et