EFFECT OF TAX SIMPLICITY ON THE COMPLIANCE BEHAVIOR OF TAXPAYERS IN ETHIOPIA:
A STUDY WITH REFERENCE TO SOUTHERN NATIONS, NATIONALITIES, AND PEOPLES' REGIONAL STATE (SNNPRS)

[1]Prof. K. Sambasiva Rao, D.Litt., [2]Chernet Bereda Biraro

[1]Professor, Department of Commerce and Management Studies, Andhra University, Vishakhapatnam, Andhra Pradesh, India

[2]Research Scholar, Department of Commerce and Management Studies, Andhra University, Vishakhapatnam, Andhrapradesh, India and lecturer, in Accounting and Finance, Wolkite University, Ethiopia

Abstract

Today's world changes faster than most legislatures can update their tax proclamations and regulations of various income base and administration laws. Therefore, policymakers and administrators may need to accept short-term imperfections, while taking a measured approach to implementing genuine structural improvements which meet the principles of simplicity and certainty in a transparent and accountable way of tax administration. The objective of this study was to obtain a comprehensive overview of ax administration practice and simplicity of tax laws and their effects on tax compliance behavior of taxpayers in Ethiopia in the case of Southern State. To achieve the research objective, the researcher used the mean score, person correlation, and logistics regression model. A total number of 395 sample size was determined and 480 questionnaires were distributed to the respondents to minimize the number of a non-returnable questionnaire. Out of the 480 copies of structured questionnaires distributed to respondents, only 402 were completed and returned as well as all were used in the analysis. The statistical package for social sciences (SPSS) version 20.1 was employed in the different analyses to run the results. The Pearson correlation matrix and logistics regression model revealed that both tax administration practice and simplicity of tax laws have a positive significant effect on tax compliance behavior of taxpayers at 1 percent significant level. Moreover, the mean score result indicated that maintenance of confidentiality about taxpayers information is observed as a strength. While complaint handling and responsiveness, and quality of taxpayers service responsibilities need special attention to improve.

Keywords: Tax simplicity, Tax administration practice, and Tax compliance behavior.

1.1. Background of the study

All revenue bodies share a common mandate. This mandate is to ensure effective tax administration practice and implementation of various tax laws and regulations in place within their jurisdiction. In order to ensure tax revenue, it is incumbent upon a revenue body to influence the compliance behavior of its taxpayer population through a means of strong tax administration practice (Babayo, 2018). Taxation is government revenue to fulfill public requirements. That is for the social, economic and political aspect of the society. Generally, tax revenue is important for the provision of public services like health center, education, and

infrastructures. the improvement of the living standard of the general public for country growth and implementing policies and strategies. Taxation is one of the best instruments to boost the potential for public sector performance, to finance the social insurance program and for the repayment of public debt (Reimer, Schmid, & Orell, 2018).

Revenue generated from the tax can be used to provide commonly consumed goods and services for which an individual cannot be levied the cost of the goods or a service consumed is one of the functions of government. Examples of public goods include; internal security through maintenance of law and order by police and other security agencies, external security through defense against external aggression by Army, Navy and Air Forces, and provision of street lights and roads. But the scope of tax should also be clear. It should be certain that the tax can and will be enforced, for a tax that is easily evaded causes resentment among honest taxpayers and often decline in taxpayers' morality. Secondly, the taxes should be fair, that is the burden should be spread as far as possible, with regard to the tax payer's ability to pay and in light of his family circumstances, obligations and wealth (Amoh & Adom, 2017).

A good tax system with efficient administration and high taxpayers compliance behaviors are required for state capacity building for meaningful economic development. The major function of any tax administration is to collect taxes and duties payable as per to the laws of the country in a transparent and honest way. A good tax administration practice is premised upon a well-designed tax system, which able to maintain the confidentiality of taxpayers information, accountability, efficient in enforcing the laws (Afuberoh, 2014).

1.2. Literature Review

Tax administration is to collect all tax revenues outstanding in a fair and efficient way with limited costs for taxpayers and the tax authority. The administrators implement and enforce tax laws and receive their mandates by law. Similar to private companies and other organizations, tax administrations, have a core business. Levying as well as collection of taxes imposed by law is the core business of tax administrations. It is significant that tax administrations establish a clear definition of their core business from the outset and make it known to their taxpayers . The major functions of a tax administration include; detection of non-registration, registration of taxpayers and detecting false registration handling of tax returns, withholdings, and third-party information, verification or examination of the correctness and completeness of received information (including audit activities), assessment of taxes due, maintaining the confidentiality of taxpayers information, the process of enforced debt collection, handling of administrative appeals and complaints, provision of service and assistance to taxpayers, detection and prosecution of tax fraud, and imposing penalties and interest payments(Albi & Martinez-Vazquez, 2015)

According to Ethiopian Income tax administration proclamation number 983/2016 the tax authority has various duties and responsibilities while implementing the tax laws; perform any duty or function, assigned to the officer for the purposes of the tax laws in accordance with the appointment of the officer under the Ethiopian Revenues and Customs Authority Establishment Proclamation and any delegation of powers or duties to the officer, a tax officer shall be honest and fair in the exercise of any power, or performance of any duty or function, under a tax law, and shall treat each taxpayer with courtesy and respect. A tax officer

shall not exercise a power, or perform a duty or function, under tax law that: a) relates to a person in respect of which the tax officer has or had a personal, family, business, professional, employment, or financial relationship; otherwise involves a conflict of interest. A tax officer or any officer of the ministry who is directly involved in tax matters shall not act as a tax accountant or consultant, or accept employment from any person preparing tax declarations or giving tax advice. A tax administration to be good, it should fulfill the character of simplicity and transparency, administrative efficiency, neutral, fairness, adequacy and convenient(Slemrod, 2013).

According to Akeju (2018), tax administration practice is "the process of assessing and collecting taxes from individuals and companies by the relevant tax authorities, in such a way that correct amount determined is collected efficiently and effectively with minimum tax avoidance or tax evasion. According to Pantammee & Mansor, (2018) tax administration includes all the application of principles and strategies adopted by the country government in order to plan, implore, collect, account and coordinate personnel charged with the responsibility of taxation. It also includes the effective use of tax revenue for the efficient stipulation of necessary social services like health center, use of the road and other facilities for the taxpayers. As stated by Ibadin & Oladipupo, (2015) tax administration and collection is a major problem facing taxation in the world According to them, bad administration and collection of tax have led to tax evasion, therefore, the problem of collection and administration are the major issues facing taxation (Hilling et al., 2015). Moreover, tax administration practice is perceived to be poor because of inefficiency in enforcing tax laws, nontransparent and limitations to complaint handling and responsiveness (Pantammee & Mansor, 2018).

Determinant factors of tax compliance

Tax Compliance : As stated by Rini Hastuti, (2014); tax compliance is taxpayer filling all the necessary income tax returns precisely and at the prescribed time, pays every outstanding taxes as they fallowing and uphold all required records of the event. Similarly, Nelson Maseko, (2014) defined tax compliance as reporting necessities means that the taxpayer files all required tax returns at the appropriate time and that the returns correctly report tax liability in accordance with the country tax laws, rules and regulations.

The simplicity of tax laws: A good tax system of tax administration has to be simple so that the government would easily implement the tax laws and easily enforced, this intern less costly from the government side and the taxpayers also. The easier the tax structure is to understand, the higher voluntary compliance and lower enforcement costs, and vice versa. The more the complexity of the tax administration practice, tax laws, rules, and regulations leads to an increase in unintentional non-compliance behavior of taxpayers(Hilling et al ., 2015). On the other hand, the more the vagueness of tax laws and regulations increases the probability of a deliberate misinterpretation (Johnson, 2013). The establishment of several layers of tax also needs a simpler tax system that should be sufficient and relaxed to enforce, comply to and administer safely. Hence, the more simple to understand the tax laws increase the probability of being compliant.

Tax administration: The tax administrations are the activities in the procedures of levying and collection of taxes required by the laws of the country. The main role of a tax administration practice is the registration of taxpayers, including detection of non-registration and false registration, processing of tax returns,

withholdings, and third-party information, verification or examination of the correctness and completeness of received information.

Proper handling of taxpayers compliant and fast responses, effective and efficient procedures, higher personal standards, better management, enhancement in the relation among the taxpayers and the authority officials leads to enhance the community trust in support of the tax authority. besides, if the authority assures about its relation with taxpayers by improving the quality of service delivery, the processing of tax returns, and encouraging good taxpayers, it is very easy to build a sound image in the mind of the community. Which intern leads to assert that compliance ought to be approaching (World bank, 2018). Hence, the increase in strength of the tax authority administrative practice leads to an increase in tax compliance behavior of taxpayers.

1.3. Statement of the problem

Today's world changes faster than most legislatures can update their tax proclamations and regulations of various income base and administration laws. As stated by Rini Hastuti, (2014) policymakers may need to accept short-term imperfections while taking a measured approach to implementing genuine structural improvements which meet the principles of simplicity and certainty in a transparent and accountable way of tax administration.

The importance of tax system and good tax administration to individuals and society is so great that it should not be treated as a short-term political drive, but seen instead as the foundation of constitutional funding, and recognized as an integral and pervasive element of every business and individual's environment (Nelson Maseko, 2014).

Effective tax administration practice, as well as simplicity of tax laws, are growing as international concerns for tax authorities and public policy makers as taxpayers noncompliance seriously threatens the capacity of the government to raise public revenue. Taxpayers will readily accept any new system introduced if it is simple, fair, maintains the confidentiality of taxpayers information and transparent as well (World bank, 2018). As per the best of the researcher knowledge not even a handful of researchers have studied on evaluation of tax administration practice as well as simplicity of tax laws and their effect on compliance behavior of taxpayers in Ethiopia. Therefore, the issue of tax administration practice by tax authority is a major problem and it should be studied in depth. At present, the government of Ethiopia in general, and Southern Nations Nationalities and Peoples Regional State, in particular, was not collecting enough taxes, the concern is to discover the basic problem associated with tax administration practice. This association was not implicitly known due to lack of research in the study area, cognizant of this fact, therefore, this study provides the key stepping stone to deal with the tax administration practice and simplicity of tax laws and their effects on tax compliance behavior in Ethiopia.

1.4. Objectives of the Study:

The general objective of this study is to obtain a comprehensive overview of tax administration practice and simplicity of tax laws and their effect on tax compliance behavior of taxpayers in Ethiopia.

By doing so, it seeks;

➢ To evaluate the tax administration practice and its effect on tax compliance behavior of taxpayers in Ethiopia

➢ To investigate and analyze the simplicity of tax laws and its relationship with tax compliance behavior of taxpayers in Ethiopia.

1.5. Methodology and Hypotheses

Population

Population refers to all the members of a real or hypothetical set of people. Events or objects to which the researcher wish to generalize the result of the research. The target population of this study comprises the business income taxpayer who is legally registered and obliged to maintain book of records and operating in SNNPRS, Ethiopia. According to income tax proclamation number 979/2016 businesses having an annual turnover of Birr greater or equal 1,000,000, from 500,000 to 1,000,000, and Bellow 500,000 are Categorized as A, B, and C taxpayers respectively. The total population under this study was 29,124 taxpayers. Since it is difficult to make senses survey, therefore the study was conducted based on sampling.

Sample Size and Sampling Techniques

The sample size was determined based on Yemane's (1967) formula as follows:

$$n = N/1+N (e)^2$$

n = Sample size

N = Population size

e = Allowable error at 5%

Therefore, $n = 29,124 / 1+ 29,124 (0.05)^2 = 395$

By considering the possibility of the non-returned questionnaire, 480 questionnaires were distributed and 402 were returned and used for data analysis.

Multi-stage sampling technique was used to select the sample population. In the first stage, the researcher purposively chooses Five Zones (Guraghe, Hadiya, Welayita, Gamo Gofa, and Sidama) and one state administration city (Hawassa) out of 14 Zones and eight special Woredas in SNNPRS, Ethiopia. These Zones were selected based on their relative business operation and the number of total business income taxpayers. In the second stage, by using the stratified sampling technique, the population were divided into two strata as category A and B taxpayers. In the last stage, by using proportional stratified random sampling, the researcher has selected the samples from the population.

Data Source and Collection Method

The study used both primary and secondary data. Primary data was used to study the whole situation of tax administration practice as well as tax laws simplicity in the Southern Nations Nationalities People Regional State. The primary data was collected from taxpayers directly through a questionnaire. Secondary data was collected from the National Bank of Ethiopia, The SNNPRS Revenue Authority, MOFEC and from Sampled zones revenue office.

Method of Data Analysis

Mean score was used to summarize information (data) collected from a sample. To test the formulated hypotheses the researcher used both Pearson correlations and Logistics Regression Model. Logistic regression is used to investigate the relationship between one dependent binary variable and one or more nominal, ordinal, interval or ratio-level independent variable (Paul, Pennel, & Lemeshow, 2013). In this study, the dependent variable is tax compliance behavior of taxpayers(TC) and the independent variables are; tax administration practice(TADP), and simplicity of tax laws(SIMP).

The equation for this study is given as follows;

$$(Y) = \log(pi/1\text{-}pi) = In(odds) = \alpha + \beta i X i + U i \dots \dots \dots (1)$$

The corresponding model for the odds is:-

$$Pi/(1\text{-}pi) = e^{(\alpha + \sum_{i=1}^{n} \beta i X i)} + U i \dots \dots \dots (2)$$

Where,

Y- whether the taxpayer is being compliant or not i.e., 1= the taxpayer is being compliant with tax laws and regulations, and 0= Otherwise

Pi = the probability that the taxpayer is being compliant

(1-Pi) = the probability that the taxpayer would be otherwise

e = the base of the natural logarithm

X_i = stands for the ith explanatory variable

β_i = parameters to be estimated

α =constant term of the logistic regression function

U i- Error term

Hypotheses of the Study

In order to achieve the objective of the study, hypotheses were tested regarding the tax administration practice and tax simplicity effect on tax compliance behavior of taxpayers in Ethiopia based on different empirical research and theoretical review.

Hyphothesis1: Tax administration practice has a positive significant effect on tax compliance behavior of taxpayers.

Hyphothesis2: There is a positive significant relationship between the simplicity of tax laws and tax compliance behavior of taxpayers.

1.6. Data presentation and interpretation
Gender:

From the total 402 sample size of the respondents, 61.2 percents were male while the remaining 38.8 percents were female. The respondent's gender characteristics were not equal. Hence, we can conclude that there are observable differences among genders participate in business in the Southern Nation Nationalities Peoples Regional State, Ethiopia. This can be a sign of, the perception of most people, the major responsibility of female gender was to keep the home front and females engagement in business was not equal as compared to their counterparts in the Southern state Ethiopia.

Table 1. Frequency distribution of taxpayers by gender characteristics

	Frequency	Percent	Valid Percent	Cumulative Percent
Female	156	38.8	38.8	38.8
Male	246	61.2	61.2	100.0
Total	402	100.0	100.0	

Source: Taxpayers survey outcomes and own computation, 2018

 Age:

 The majority of sampled taxpayers were under the category of below 30 years and between 30 to 45 years old, which accounts for 47.8 percent and 44.8 percent respectively. The rest of the respondents were found under the age category of 46 to 60 and above 60 years old with a percentage of 4.5 and 3 respectively. Therefore, one can notice from the result, the greater part of the sampled respondents was in the age category of below 30 years and 30-45 years that was the cumulative percent of 92.5 percent of the taxpayers in the Southern Nations Nationalities and Peoples Regional State, Ethiopia. This result indicated that those who were found at a productive age or those who were younger people their physical paramount would be found engaged in self-employed and business activities in the study area.

Table 2. Frequency distribution of taxpayers by age characteristics

	Frequency	Percent	Valid Percent	Cumulative Percent
Below 30 years	192	47.8	47.8	47.8
Between 30 to 45 years	180	44.8	44.8	92.5
Between 46 to 60 years	18	4.5	4.5	97.0
Above 60 years	12	3.0	3.0	100.0
Total	402	100.0	100.0	

Source: Taxpayers survey outcomes and own computation, 2018

Level of Education:

Another important factor in the demographic characteristics of the taxpayers was their level of education. Out of the total sample, 68.2 percent of the respondents were diploma holders and University-level with a degree and above, in which University-level with a degree were 58 percent of it. With reference to the rest, 12.2 percent of the respondents had completed primary school, while respondents who have secondary school completed represented by 19.7 percent. This result indicates, more than 87.9 percent of the respondents were completed secondary school and above. Hence, we can conclude that taxpayers in Southern Nation Nationalities Regional State of Ethiopia have the skill to operate their business activities with less confront and the tax authority can easily communicate and transmit its message and aware and educate the taxpayers about tax laws.

Table 3. Frequency distribution of taxpayers by the level of education characteristics

	Frequency	Percent	Valid Percent	Cumulative Percent
Primary school	49	12.2	12.2	12.2
Secondary School	79	19.7	19.7	31.8
Certificate or Diploma	115	28.6	28.6	60.4
University level with degree and above	159	39.6	39.6	100.0
Total	402	100.0	100.0	

Source: Taxpayers survey outcomes and own computation, 2018

Marital Status:

The proportionate of the respondents with regard to marital status shows that 50.7 percent were married while 45.8 percent were single. The rest of the sample 2.7 percent and 0.7 percent of the taxpayers were divorced and windowed respectively. Therefore, the greater part of the respondents was married. This may be due to the fact that 44.8 percent of the respondent are above 30 years old and those near to 30 years are already engaged at an early age.

Table 4. Frequency distribution of taxpayers by the marital status characteristics

	Frequency	Percent	Valid Percent	Cumulative Percent
Single	184	45.8	45.8	45.8
Married	204	50.7	50.7	96.5
Divorced	11	2.7	2.7	99.3
Widowed	3	.7	.7	100.0
Total	402	100.0	100.0	

Source: Taxpayers survey outcomes and own computation, 2018

Tax administration Practices

The core tasks of a Tax Administration are centered around the implementation and enforcement of tax legislation and regulations. These activities include identification and registration of taxpayers, processing of tax returns and third-party information, examination of the completeness and correctness of tax returns, assessment of tax obligations, detection and prosecution of tax fraud, collection of taxes, provision of services to taxpayers, complaint handling and responsiveness, encouraging taxpayers, maintaining confidentiality of taxpayers information.

Business income taxpayers attitudes towards the tax administration practices, the way the administration practice treat the taxpayers might positively or negatively affect the attitude of the taxpayers towards the tax administration practices which might result in poor or good co-operation with the tax authority, which intern affects their compliance decision. The study realizes different indicators that help to evaluate tax administration practice of the authority were computed in the following table as follows.

Table 5. Mean Score by the factors of tax administration practice

	N	Mean	Std. Deviation
Complaint handling and responsiveness	402	1.83	.812
Processing of taxpayers' returns	402	2.20	.855
Efficiency in implementing tax laws	402	2.31	.750
Transparency of the tax administration	402	2.38	.717
Giving equal considerations to all taxpayers	402	2.84	.914
Confidentiality of taxpayers' information	402	4.00	.863
Honesty and integrity	402	2.66	.916
The capacity for implementing tax laws	402	2.48	.971
Quality of taxpayers service	402	2.19	.974
Valid N (listwise)	402		

Source: Taxpayers survey outcomes and own computation, 2018

The Study mean score of those that standing of the factor, complaint handling and responsiveness of the authority was 1.82 on five-point scale test items was applied in evaluating the tax administration practice whereas Standard deviation was 0.812.

This point out that, on the average, majority of the respondents were not happy in complaint handling and responsiveness administrative practice or the tax authority was not in a position of good to handle complaints raised by taxpayers and has limitation to respond on time, this intern leads to time wastage and moral discouragement which ultimately affects their business too.

The mean score requested to respondents to state processing of taxpayers' returns was 2.20 whereas standard deviation was 0.855. This showed that on the average the respondents were not satisfied by the authority with regard to the tax return process factor of tax administration practice because the authority consumes much time to facilitate the tax return process.

But the expected outcome would 5 in the condition that the authority was good in the processing of taxpayers return. Thus, Taxpayers of Southern nations nationalities and peoples regional states were demanding an improvement of the processing of taxpayers return administrative practice.

The means score and standard deviation of sampled taxpayers state efficiency in implementing tax laws was 2.31 and 0.855 respectively. This result indicated that majority of the respondents evaluated the authority was not in a good position in case of efficiency in implementing business tax laws tax administrative practice factor.

Respondents were asked to give their decision on; transparency of the tax administration. Based on that, the result of the mean score was 2.38 and the standard deviation was 0.717. This entails that, above the average of the respondents evaluated that southern nations nationalities and peoples regional state tax authority has limitations of being transparent in tax administration activities and not communicating about the business income tax matters in a good manner for making understanding about business income tax.

Respondents were asked to state, giving equal considerations to all taxpayers. The computations mean score value of 2.84 however standard deviations was 0.914. This output indicated that most of the taxpayers in southern nations, nationalities peoples regional state were decided to be indifferent between good and poor tax administrative practice but yet a large number of taxpayers have stated the authority is not in a good position in respect to giving equal consideration to all taxpayers.

Respondents were asked to give their decision on; confidentiality of taxpayers' information. Based on that, the result of the mean score was 4.00 and the standard deviation was 0.863. This entails that, above the average of the respondents judged the authority was good in maintaining the confidentiality of taxpayers' information. Therefore, we can conclude that the majority of the taxpayers were confident that their business information was maintained confidentially and not disclosed to their counterparties.

Respondents were asked to state, honesty and integrity. The computations mean score value of 2.66 however standard deviations was 0.916. This output indicated that the majority of the taxpayers' decision was inclined to indifferent between good and poor score. However yet a large number of the respondents were not satisfied by its honesties behavior of the tax office when dealing with different matters with taxpayers.

The means score and standard deviation of southern nations, nationalities, peoples regional state taxpayers state, the capacity of implementing tax laws was 2.48 and 0.971 respectively. This indicates that most of the business income taxpayers' in southern nations nationalities, and peoples regional state were not confident on the authority's capacity of implementing tax laws.

Respondents were asked to state, quality of taxpayers service. The computations mean score result showed that 2.19 however standard deviation was 0.974. Therefore, this result points out that, the majority of the taxpayers in southern nations nationalities and peoples regional state decided that the authority was not in a good position in the provision of taxpayers service.

The simplicity of Tax Laws

The simplicity of tax law is the easiness as a result of which an organ of tax law can be read and correctly understood and applied to practical situations. Tax laws and regulations should be stated in simple language and formulated in a logical way. In addition to this, tax laws and regulations are supposed to be reliable internally and externally as well as sound harmonized. Moreover, some particular tax condition covered by the tax laws and regulations should give rise to distinctive tax liability.

The simplicity of tax laws and regulations is the capability of the taxpayers to know. The simplicity of tax laws is one of the principles of taxation as well as it promotes that the tax system should be simple, easy to understand by the general taxpayers. It should not be problematical to understand how to compute and in the

end determine how much to be paid. Furthermore, a good tax system of tax administration have to be simple so that the government would easily implement the tax laws and easily enforced, this intern less costly from the government side and the taxpayers also. If tax laws are simple to understand, the higher will be the tax compliance behavior of taxpayers as well as lower enforcement costs. The establishment of several layers of tax also needs a simpler tax system that should be sufficient and relaxed to enforce, comply to and administer safely.

While bearing in mind the fundamental legislation, simplicity comes in many ways, moreover could not always mean brevity alone it must also concentrate on the factors of usability and comprehensibility. Those drafting the legislation require to reflect on its context as well as the audience who will be using it. In some countries, taxpayers have to self-assess their liability from the beginning, furthermore will themselves be the primary users of tax legislation.

Known this, the language used ought to be clear as well as unambiguous, in addition, it should not oblige detailed background understanding to other provisions of the tax laws and regulations. Designed for such taxpayers, the direction can as well be a key characteristic of the system, however, where this is so the authorities have to be very comprehensible about the restrictions of such regulations, in addition, to ensure its accessibility to taxpayers who will require it.

The designed tax system as simple or complex treats the taxpayers might positively or negatively affect the attitude of the taxpayers towards the tax administration, which intern affects their compliance decision. The study realizes different indicators that help to achieve the above-mentioned points were computed in the following table as follows.

Table 6. Mean score by the simplicity of tax laws factors

	N	Mean	Std. Deviation
The tax system of the country is easy to understand	402	3.52	1.033
Business income tax preparation regulations are simple to apply	402	3.16	1.140
You are satisfied in the number of hours you spend to process and file your tax return	402	3.62	.883
The tax laws are easy to understand that is the calculation of filing tax returns and paying dates leads to tax compliance	402	3.66	1.263
The tax laws require you to maintain documents after submission of the tax return encourages you to comply	402	2.57	1.324
The Country has a good and functional tax law or system of processing, filing and paying tax obligations	402	3.66	1.036

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The Country has a good and functional tax law or system of processing, filing and paying tax obligations	402	3.66	1.036
Valid N (listwise)	402		

Source: Taxpayers survey outcomes and own computation, 2018

The study mean score of those that state of the statement, the tax system of the country is easy to understand was 3.52 on five-point Likert scale test items was applied in beseeching the attitudes toward tax system while Standard deviation was 1.033 This point out that, on the average, business income taxpayers believe that tax system of the country is easy to understand but still they have some difficulties to understand the tax system of the country.

The mean score requested to respondents to state business income tax preparation regulations are simple to apply was 3.16 whereas standard deviation was 1.140. This showed that on the average majority of taxpayers were satisfied that business income tax preparation regulations are simple to apply, of course, the expected outcome would 5 in the condition they all taxpayers were satisfied. Thus, Taxpayers of Southern nations nationalities and peoples regional states believed that business income tax preparation regulations are easy to apply.

The means score and standard deviation of sampled taxpayers state you are satisfied in the number of hours you spend to process and file your tax return was 3.62 and 0.883 respectively. This indicated that most of the business income taxpayers' were satisfied in the number of hours they spend to process and file their tax return. On the other hand, still, some taxpayers did not agree on this issue.

Respondents were asked to give their decision on; the tax laws are easy to understand that is the calculation of filing tax returns and paying dates leads to tax compliance. Based on that, the result of the mean score was 3.66 and the standard deviation was 1.263. This entails that, above the average of the respondents were responded the tax laws are easy to understand that is the calculation of filing tax returns and paying dates

leads to tax compliance. Therefore the response indicated that even if business income tax laws of the country are not that much satisfactory to be simple for business income taxpayers in the southern nations nationalities and peoples regional state but their attitude towards payment date was by far better.

The means score and standard deviation of southern nations, nationalities, peoples regional state taxpayers state, the tax laws require you to maintain documents after submission of the tax return encourages you to comply was 2.57 and 1.324 respectively. Therefore, the majority of taxpayers decided that the tax laws require them to maintain documents after submission of the tax return was considered as tedious work and which intern discourages them to comply with tax laws.

The mean score of those taxpayers attitude towards that the country has a good and functional tax law or system of processing, filing and paying tax obligations was 3.66 and the Standard deviation was 1.036. This showed that more than the average of the respondents were believe that the country has a good and functional tax law or system of processing, filing and paying tax obligations.

Table 7. Correlation Matrix

		TC	TADP	SIMP
TC	Pearson Correlation	1	.431**	.474**
	Sig. (2-tailed)		.000	.000
	N	402	402	402
TADP	Pearson Correlation	.431**	1	.484**
	Sig. (2-tailed)	.000		.000
	N	402	402	402
SIMP	Pearson Correlation	.474**	.484**	1
	Sig. (2-tailed)	.000	.000	
	N	402	402	402

**. Correlation is significant at the 0.01 level (2-tailed).

Where; TC = Tax compliance behavior of taxpayers, TADP = Tax administration practice, SIMP =Simplicity of tax laws.

The above table explains the Pearson correlation results of dependent and independent variables. The correlation analysis result indicated that both tax administration practice and simplicity of tax laws variables have a positive and significant association with tax compliance behavior of taxpayers in southern Ethiopia.

Table 8. Regression Results

Variables	B	S.E.	Wald	df	Sig.	Exp(B)
TADP	.277	.053	27.795	1	.000	1.320
SIMP	.422	.069	37.748	1	.000	1.525
(Constant)	-12.975	1.724	56.672	1	.000	.000

a. Dependent Variable: TC

Where; TC = tax compliance behavior of taxpayers, TADP = tax administration practice, SIMP = simplicity of tax laws.

Table 9. Model Summary

Model	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	292.068[a]	.277	.426

a. Predictors: (Constant), SIMP, TADP.

b. Dependent Variable: TC

The model summary table revealed that between 27.7 percent and 42.6 percent of the variability in tax compliance behavior was explained by in this model i.e., the tax administration practice and simplicity of tax laws.

In order to achieve the objective of the study, hypotheses were tested regarding the tax administration practice and tax simplicity effect on tax compliance behavior of taxpayers in Ethiopia based on different empirical research and theoretical reviews. There were two testable hypotheses. The first one (hypothesis1) was supposed that tax administration practice has a positive significant effect on tax compliance behavior of taxpayers in Ethiopia and it is failed to reject by this study because it was positive and significant at 1 percent significant level. The second hypothesis (hypothesis2) stated that there is a positive significant relationship between the simplicity of tax laws and tax compliance behavior of taxpayers in Ethiopia and this study failed to reject this hypothesis because it has a positive as well as significant effect on tax compliance behavior of taxpayers at 1 percent significant level.

Conclusion:

Despite the fact that both tax administration practice, as well as simplicity of tax laws, have been an academic research issue in several developed countries in the world, tax administration practice and simplicity of tax laws as well as their effect on tax compliance behavior of taxpayers was not yet get inclusive attention in developing and sub-Saharan countries especially in Ethiopia. This study was intended to have a comprehensive impression of business income taxpayers' evaluation of tax administration practice and simplicity of tax laws as well as their effect on tax compliance decision in Ethiopia evidence taken from southern nations nationalities, and peoples regional state. Based on tax administration mean score factors, the mean value of each response was calculated and compared with the average value and indicated that the

majority of respondents were in favor of poor and very poor, that is the tax administration practices of the tax authority is not in a good position and need improvement. On the other hand, the majority of the respondent responded in favor of good and very good for the confidentiality of taxpayers information maintained by the tax authority. Hence, this result points out that the tax administration practice was good in this area of responsibility as a result taxpayers were confident that their business information was not disclosed to their counterparties. Regard to the simplicity of tax laws, it is a good indication for the authority that possible taxpayers, on average, believe that the country has a good and functional tax law or system of processing, filing and paying tax obligations. Moreover, as we have seen from the Pearson correlation matrix and Logistics regression model result both tax administration practice and simplicity of tax laws varies directly with tax compliance behavior of taxpayers in Ethiopia.

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