INNOVATIONS

Factors affecting Tax Collection of Category "C" Business Profit Tax payers of selected Oromia Regional State cities, Ethiopia

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Abstract
The objective of this study was to find out what factors affect tax collection among category "C" business profit taxpayers in Ethiopia's Oromia regional state cities. The data was collected using a questionnaire. The study's entire target population was comprised of 88,203 zonal level city Category "C" taxpayers and revenue authority personnel. For taxpayers, random sampling was used, while for workers, selective sampling was used. The sample size was 276 respondents. The information gathered was analysed using descriptive and inferential statistics. The study's findings demonstrate that the three factors of equity/fairness, convenience/certainty, and simplicity principles have a significant impact on the tax collection of Oromia regional state zonal level city category 'C' business profit taxpayers.The revenue authority advised including taxpayers in calculating daily sales or revenue in order to address the issue of fairness and equity and promote voluntary compliance behaviours. The study also advises revenue authorities to use a variety of cash collection methods, such as mobile banking, to promote technologies that make payment and collection easier and to make the tax system for category 'C' taxpayers understandable, simple, and plain in order to increase taxpayer willingness to pay tax and reduce tax avoidance.

Key words: 1. Category 'C' taxpayers 2.standard assessment 3. Tax collection

1. Introduction

1.1. Background of the study

The primary source of money for governments is taxation. Governments would be unable to finance their operations or offer the various public goods and services they give to the public if they did not levy taxes. A tax is a mandatory payment or contribution made by citizens to the government for which they get no immediate benefit. If you are obligated to pay a tax, you have a personal obligation to pay it. The practice of collecting tax income from various taxpayers is

known as tax collection. According to Jane (2016), this was necessary because effective tax collection was considered a way to reduce government borrowing, act as an enabler on inflation and interest rates, and increase government revenues to fulfil both recurrent and capital spending.

The current Ethiopia federal income tax proclamation No 979 /2016, the income tax legislation classifies businesses into three categories as A, B, and C based on their level of annual gross income. Category "A taxpayer being a body; or any other person having an annual gross income of Birr 1,000,000 or more; Category 'B' taxpayer being a person, other than a body, having an annual gross income of Birr 500,000 or more but less than 1,000,000; and Category 'C' taxpayer being a person other than a body, having an annual gross income of less than Birr 500,000(Abebaw, 2020, Abater, 2019, A. Haile et.al 2018). The tax assessment for those, who are required to maintain financial records, is done based on the records that taxpayers maintain; however, if they fail to maintain financial records, estimated assessment will be done. Category "A" and "B" taxpayers must submit profit and loss statements to the revenue authority at the end of each year. For the rest of taxpayers, who are not required to maintain financial records, it is based on the standard assessment method (council of Ministers, 2002).Category "C" is the third and last category of business income tax payers. This category is not required to maintain proper books of account and other necessary documents for tax purpose (council of Ministers, 2002). Presumptive taxation is a particular technique that determines their income tax liability (standard assessment). Taxpayers' taxable income will be evaluated using their daily sales (where assessment by estimation is used or using standard assessment). Because category "C" taxpayers are not required to keep a book of records, tax assessment and collection might be difficult. As a result, the objective of this paper was to determine the factors that influence the tax collection of category "C" business income taxpayers in Oromia regional state's selected cities.

1.2. Statement of the Problem

Like most developing countries, Ethiopia has a very large number of taxpayers in category "C" taxpayers(Abater, 2019). The income tax liability of Category 'C' taxpayers is determined using standard assessment. These taxpayers pay taxes at fixed rate on the income estimated by the income tax authority rather than declaring their income by themselves (DADI et al., 2020). Research conducted by Gezahegn, Desta and Adane (2014), and Mengesha and Ashebir (2013) indicated that frequent frictions and controversies are observed between taxpayers and tax administrators, which causes widespread complaints about unfairness and overstated tax by the majority of category "C" taxpayers. As cited by (Abater, 2019), some of the factors associated with tax assessment and collection are: the perception of equity and fairness of taxation; taxpayers' perceptions of tax evasion; the corrupt behavior of tax officials; taxpayers' attitudes toward the government; taxpayers' knowledge of tax rules and proclamations; the organizational strength of the tax authority; participatory tax systems; the mode of tax collection; and social norms etc. (Megnaka& Devi, 2014; Fjeldstad, 2003; Kebede & Tegegn, 2016; Simiyu, 2010; Umar &Tusubira, 2017; Oladipupo&Obazee, 2016; Ohaka&Zukbee, 2015; Fjeldstad, Chambas&Brun, 2014; Engida&Baisa, 2014).

However, empirical research studies on factors that influence presumptive (standard assessment) income tax collection in terms of good taxation principles are regionally limited, and to the best of the researcher's knowledge, there has been no empirical evidence on the issue in Oromia

Regional State cities, Ethiopia. As a result, researching variables affecting category "C" taxpayers' income tax collection is important in order to fill the gap in the state's revenue.

1.3. Objective of the study

The general objective of this study was to identify factors affecting tax collection of category 'C' business profit taxpayers of the cities under study.

Specific Objectives

The specific objectives of this study were to:

1. To identify the effect of equity/fairness on tax collection of category 'C' taxpayers
2. To assess the effect of convenience/certaintyon tax collection of category 'C' taxpayers.
3. To examine the effect of simplicity on tax collection of category 'C' taxpayers.

1.4. Research Hypothesis

The following research hypothesis formulated:

1. Equity/Fairness in tax assessment & collection has no significant effect on tax collection category 'C' taxpayers
2. Convenience/certainty in tax assessment & collection has no significant effect on tax collection category 'C' taxpayers
3. Simplicity in tax assessment & collection has no significant effect on tax collection category 'C' taxpayers

1.5. Theoretical review of taxation

A presumptive taxation currently applied in Ethiopia is the standard assessment method. Thuronyi (2003) and Pashev (2015) elaborated that the standard assessment method applies and assigns a fixed amount of tax liability on presumptive taxpayers on the basis of business activity or occupation. According to this method, tax liability is determined by calculating the average yearly sales coupled with consideration of business type, location, number of employees, total assets, and so on(Abater, 2019). As cited by (Kumuri, 2021), presumptive taxation involves the use of indirect means to ascertain tax liability, which differ from the usual rules based on the taxpayer's accounts (Gordon 1996; Taube & Tadesse 1996; Tanzi et al 1987; Thuronyi 2004; Wube et al. 2012; Kassim et al. 2014; Tilahun&Yidersal, 2014).Principles of taxation are those formal guidelines which are widely accepted and/or discussed and should be considered whenever specific laws are proposed, discussed and implemented. An early categorization of taxation principles, which is still influential up to the present day, stems from Adam Smith's book of 1776 about the ''Wealth of nations'' (Saad & Zainal Affrin, 2019). Smith develops four principles of fair taxation, namely- Equity/Fairness, Certainty, Convenience and Simplicity

1.5.1. Principle of Equity/Fairness

According to Kayaga, (2010), there are two types of fairness's, namely: horizontal, vertical. Horizontal equity expresses the principle that similarly situated taxpayers should pay the same amounts of taxes because they have the same ability to pay. Vertical equity is principles that are ''better off'' bear a larger proportion of the tax burden while those who are ''worse off'' should bear less(Kibret, 2021).Vertical equity is based on ability to pay. A person with higher income

levels pays more than persons with lower income levels. It is also concerned with a fair tax rate structure by which to calculate the tax on different amounts of income. Horizontal equity refers to a tax system where persons with approximately the same income levels pay the same amount of tax. According to (Saad & Zainal Affrin, 2019), equity in taxation expresses the idea that taxes should be fair as one of the principles that guide tax policy.Vertical Equity addresses questions of how people at different income levels should be taxed, taking into account their relative abilities to pay. With vertical equity it is expected that high income earners pay a larger percentage of their income in taxes than lower income earners."

1.5.2. Certainty/Convenience Principle

Every tax ought to be levied at the time, or in the manner, in which it is most likely to be convenient for the contributor to pay it.The tax which each individual is bound to pay ought to be certain, and not arbitrary. The time of payment, the manner of payment, the quantity to be paid, ought all to be clear and plain to thecontributor, and to every other person. Where it is otherwise, every person subject to the tax is put more or less in the power of the tax- gatherer, who can either aggravate the tax upon any obnoxious contributor, or extort, by the terror of such aggravation, some present or perquisite to himself(Saad & Zainal Affrin, 2019). (Only, 1925), most people would agree that simplicity and certainty are desirable features of a good tax system. If these criteria are not met, taxpayers will find it difficult to comply with the tax laws and apply them to their specific circumstances. Ideally, tax laws should be clear, unambiguous and uncomplicated.

1.5.3. Simplicity Principle

A tax assessment and determination should be easy to understand by an average taxpayer. A tax system should be easy for tax payers to comply. This among other reasons includes the design of a tax system. Normally taxpayers find it easy to comply when a tax system is easy to deal with. When taxpayer's for instance find it easy and convenient to make a tax payment, the likelihood to comply is high. The opposite is also true(Saad & Zainal Affrin, 2019). The principle of simplicity is one of principles of taxation and it advocates that tax system should be plain, simple to understand by the common taxpayers. It should not be complicated to understand how to calculate and ultimately ascertain.According to (Abater, 2019), the mode of tax payment in many developing countries is time-consuming and tedious, since both tax assessment and tax payment depend on face-to-face interaction and automated means.

1.6. Empirical Review

(Abater, 2019) conducted a study on factors affecting presumptive tax collection in Ethiopia with the aim to determine the major factors affecting the presumptive income tax collection system in Bahir Dar city, Ethiopia. The target population of the study was all category 'C' taxpayers and 391 taxpayers used as a respondents selected using a simple random sampling technique. A self-administered structured questionnaire was used as primary data collection tool and both descriptive and econometric analyses were used to analyze the survey data. The study found that lack of equity and fairness in presumptive tax assessment was the major challenges for presumptive tax collection in the city. The study recommended that the application of a fair and transparent presumptive tax system. When taxpayers believe that the tax system is fair, they will comply and meet their tax obligations. In contrast, if they believe it is unfair, it is difficult to make

them pay their taxes. To this end, (Abebaw, 2020), Adimasu and Daare (2017) and Kebede and Tegegn (2016) revealed that there is a relationship between taxpayers' attitudes toward the fairness and equity of the tax system and tax compliance in Ethiopia.

(Ullah & Bagh, 2019) did a study on assessment of tax collection system and its challengeson category 'C' taxpayers in the case of Nekemtecity. The study used quantitative research approach and cross-sectional descriptive type of research design. The populations for the study were all Category "C" Service giving tax payers in Nekemte city. The study found thatlack of awareness creation programs for taxpayers, failure of most of the taxpayers to maintain books of account to control their operations, lack of adequately qualified personnel, lack of objective tax estimation procedures and the resultant tax under- and over-statement, lack of taxpayer's awareness about tax procedures and calculations are some of the major problems on category "C" tax assessment and collection.

1.7. Conceptual Framework

In this study, the variable elements that influence the objectives are explained in a conceptual framework. The principles of equity/fairness, convenience/certainty, and simplicity have an effect on the dependent variable variables. A dependent variable is the revenue collection of category "C" taxpayers.

1.8. Research Gap

Previous research on tax collection of category 'C' taxpayers in Ethiopia and Oromia Regional State was not thorough; the studies were case studies, and experts did not precisely focus on the factors as spelled forth in this study. To the best of the researcher's knowledge, no study has been undertaken that considers sound taxation principles.

2. Research methodology

2.1. Research Design

Research design is referred to as a blue print for the collection, measurement and analysis of data (Kothari, 2004). The research design used in this study was descriptive. The rational for selecting this type of research is that the study has no control on the variables; rather it describes the Oromia regional statezone level cities tax collection of category 'C' taxpayers in terms of principles of taxation.The study used quantitative approach where by all data were measured in a way that gives meaningful numerical results.

2.2. Population and Sampling Technique

2.2.1. Population

Population is the entire aggregation of items from which samples can be drawn for a study. The population of this study wascategory 'C' business profit taxpayers of the Oromia regional state zonelevel cities (cities directly accountable to the president office of the region)and revenue bureau employees of the cities.

2.2.2. Sampling Technique and Sample size

Because it is hard to contact everyone to request their opinions for the study, the sample represents a decent representative of the population. Cluster sampling was utilized to calculate the sample size of the cities. Based on the overall number of taxpayers, the region's 18 zone level cities were divided into three (3) groups (PSHRD). The number of sample cities was then proportionally chosen from the three clusters, and respondents were chosen using a basic random sampling procedure within each cluster. The researchers used a survey research design in which 276 taxpayers were randomly selected from a target population of 88,203 to fill out questionnaires, and eighty (80) revenue office employees directly involved in tax assessment and collection were purposefully selected to fill out questionnaires from the selected cities because it is believed that they have adequate knowledge.

Table 3.1. Sampling procedures

Cluster of Zone level Cities				**Total**
1st level cities		**2nd level cities**	**3rd level cities**	
1.	Adama	Shashamane	Dukem	
2.	Sebeta	Assela	Holota	
3.	Burayu	Nekemete	Sululta	
4.	Jimma	Bishoftu	Waliso	
5.		Robe	Batu	
6.		Mojo	Tafo	
7.		Ambo	Gelan	
Population	41817	16557	29829	88,203
Sample cities	Adama&Jimma	Shashamane, Bishoftu&Ambo	Sululta, Waliso&Batu	8 cities
Sample size of respondents	131	93	52	276

Source: (Revenue Authority and PSHRD, 2020)

The total sample size for the population was 356 (276 taxpayers plus 80 revenue authority employees).

The following YaroYemani (1967) formula is used:

$$n = \frac{N}{1+N(e^2)} = n = \frac{88{,}203}{1+88{,}203(0.06^2)} = 276$$

Where;

n= is sample size required,

N= is the size of the target population,

e= is the margin error.

2.2.3. Sources of Data

The primary data collection tool was a self-administered structured questionnaire. The researchers gathered secondary data from magazines and other sources such as reports and quotes from researchers.

2.3. Data Collection Tools

The argument for providing clear instructions and ensuring information secrecy is that it considerably minimizes the possibility of receiving biased replies (Sekaran, 2003). The data for

this study was gathered via a questionnaire. Closed-ended questions were included in the surveys to make them easier for responders and for easy analysis. Respondents were given explicit instructions on how to fill out and return the surveys.

2.4. Data Analysis Methods

To make the data easier to grasp, tables, frequency distributions, charts, and graphs were used. The researchers used both descriptive and inferential statistics (mean and standard deviation) and (multiple regression). This was done with the Statistical Package for Social Sciences (SPSS) (SPSS 25 version). Finally, the data was examined for consistency with the study's objectives and questions, and inferences were drawn from them, yielding a variety of decision-making recommendations.

3. Findings

3.1. Response Rate

During the study period, the researcher distributed 356 questionnaires, of which 264 were returned (74.2%) and twenty-four were discarded due to missing data. As a result, 264 questionnaires were considered as respondents working in selected zonal level cities for the study.

3.2. Reliability Test

According to (Fitriany, 2015), a reliability test is used to determine the items' reliability or consistency as a research instrument. The validity test has a reliability test for the question items that are said to be valid. When the Cronbach Alpha coefficient is greater than 0.7, an instrument is considered reliable.

	Table 4.1. Reliability Test Results			
No	Study Variables	Cronbach's Alpha	N of Items	Decision
	Overall	0.874	18	Reliable

Source: (Researcher, 2021)

The questionnaires were found to be reliable since the Cronbach's alpha based on standardized items was more than 0.7, which is acceptable for producing a valid study result.

3.3. Data Analysis

3.3.1. Demographic Background of Respondents

The characteristics of the respondents were briefly described in this section of the analysis. For this purpose, various indications of the respondent's characteristics have been presented, such as respondent category, type of tax payer business, respondents' city, educational level, experience, and gender.

Table 4.2.Category, Gender and Experience of Respondents					
		Frequency	Percent	Valid Percent	Cumulative Percent
Category of respondents	Taxpayer	187	70.8	70.8	70.8
	Tax assessor/collector	77	29.2	29.2	100.0
	Total	264	100.0	100.0	
Gender of respondents	Male	184	69.7	69.7	69.7
	Female	80	30.3	30.3	100.0
	Total	264	100.0	100.0	
Experience of the respondents	1-5 year	160	60.6	60.6	60.6
	6-10 year	67	25.4	25.4	86.0
	Greater than 10 years	37	14.0	14.0	100.0
	Total	264	100.0	100.0	

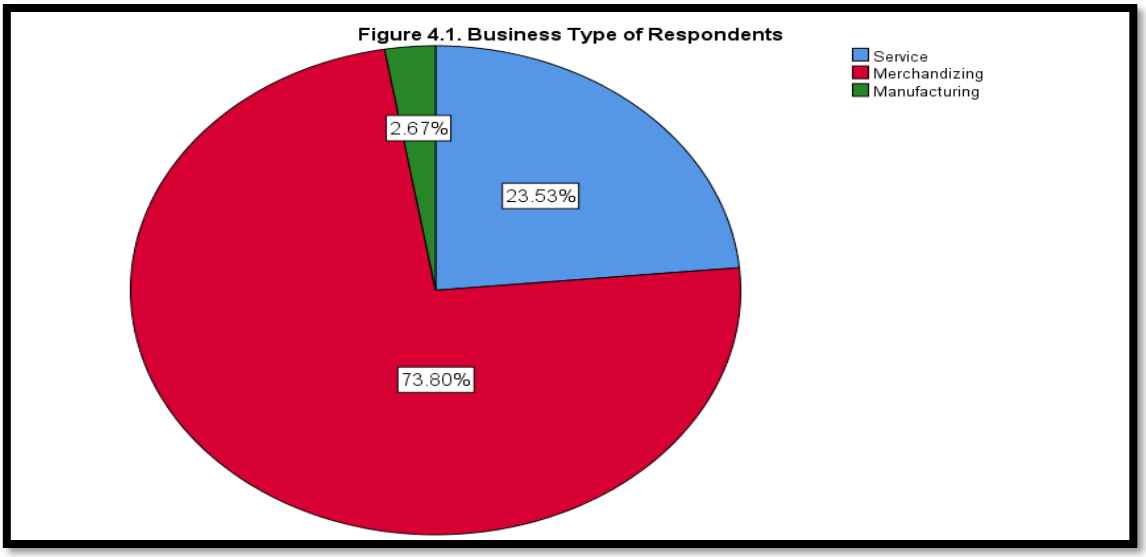
Source: (Researcher, 2021)

Table 4.2 shows that 29.2 percent of the respondents worked in a tax office (category C tax assessors and tax collectors) and 70.8 percent of the respondents were tax payers from the cities. The respondents were split into two gender groups, with 69.7% of males and 30.3 percent of females. In general, 184 men and 80 women were among the 264 respondents who were contacted. This means that, as compared to their male counterparts, female engagement in business operations (category C taxpayers) is low. Table 4.2 further shows that 14 percent of respondents had more than ten years of work experience in the field under investigation, 25.4 percent had six to ten years of experience, and the remaining 60.6 percent had one to five years of work experience.

Table 4.3. Educational level of the respondents * Respondent type Crosstabulation					
			Respondent type		
			Taxpayer	Employees	Total
Educational level of the respondents	0-8 grade	Count	35	0	35
		% of Total	13.3%	0.0%	13.3%
	Grade 9-12	Count	69	0	69
		% of Total	26.1%	0.0%	26.1%
	Diploma/TVET/Level	Count	48	10	58
		% of Total	18.2%	3.8%	22.0%
	first degree and above	Count	35	67	102
		% of Total	13.3%	25.4%	38.6%
Total		Count	187	77	264
		% of Total	70.8%	29.2%	100.0%

Source: (Researcher, 2021)

In terms of educational level, as shown in table 4.3, 25.4 percent of revenue authority employees have a bachelor's degree or higher, 3.8 percent have a diploma/TVET/level, and 13.3 percent of taxpayers have a first degree or higher. The remaining taxpayers have a level of education that is less than a diploma, TVET, or level. This shows that the tax offices in the region's cities are staffed by qualified individuals. It may also be deduced that taxpayers have a poor educational level, which could indicate that category 'C' taxpayers lack an appropriate understanding of tax assessment, tax responsibility, tax law compliance, and how their taxable income is calculated.



Source: (Researcher, 2021)

According to Figure 4.1, 44 respondents (23.5%), 138 respondents (73.8%), and 5 respondents (2.7%) are service providers, merchandizers, and manufacturers, respectively, out of a total of 187 respondents (tax payers). This demonstrates that the majority of tax payers in category 'C' are in the merchandising business (buying and reselling of goods).

Table 4.4. Respondent's City

		Frequency	Percent
Valid	Adama	92	34.8
	Shashamane	32	12.1
	Bishoftu	35	13.3
	Batu	24	9.1
	Ambo	30	11.4
	Jimma	10	3.8
	Sululta	25	9.5
	Woliso	16	6.1
	Total	264	100.0

Source: (Researcher, 2021)

Table 4.4 above, shows that the cities from data of the study collected. From the total (18) zone level 8(44%) cities participated in the study.

3.3.2. Descriptive Data Analysis based on Respondents Opinion

The method of transformation of data from its original form to a format that is more suited for doing data analysis that will fulfil the research objectives was employed in this study by William G. Zikmund (1997: p 440–451). According to William G. Zikmund, the "strongly agree" and "agree" answer categories must be combined to produce a new single category. The response categories "strongly disagree" and "disagree" must also be merged into a single category. Five-point scales were used in this study, with the following anchoring: 5 = strongly agree, 4 = agree, 3 = neutral, 2 = disagree, 1 = strongly disagree. As a result, the five-category scale was reduced to

three. The summative score for an opinion scale with three statements is determined using this modified data and the formula below.

Grand mean ofthe response is calculated as: $\mu = \frac{5*(f5)+4*(f4)+3*(f3)+2*(f2)+1*(f1)}{\text{Total number of respondents}}$

Where: μ = Grandmean

f = frequency of the values

If the grand mean (μ) is greater than three (> 3), it is assumed that the respondents are agreed and if it is less than three (<3), it is assumed that the respondents are disagreed. Finally, if the grand mean is exactly three (= 3), it is assumed that the respondent's opinion is average.

On a five-point Likert scale, 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, and 5 = strongly agree, respondents were asked to identify their degree of agreement with statements pertaining to equity/fairness, convenience/certainty, and simplicity principles of taxes.

Table 4.5. Descriptive Statistics for Principle of Fairness

	N	Mean	Std. Deviation
The tax office treats taxpayers equally and reasonably in assessing and collecting tax.	264	2.84	1.140
Revenue Authority is generally honest in tax assessment and collection.	264	2.97	1.158
The problems and appeals on tax assessment and collection by taxpayers are treated equally.	264	2.98	1.230
Category "C" tax payers with higher income levels pays more than persons with lower income levels (Vertical equity)	264	3.16	1.255
Category "C" taxpayers approximately the same income levels pay the same amount of tax (Horizontal equity)	264	3.04	1.226
Grand Mean		**2.99**	**1.20**

Source: (Researcher, 2021)

With a grand mean and standard deviation of 2.99 and 1.20, the data in Table 4.5 reveals that the majority of respondents disagree that equity and fairness were present in either the assessment or collection of category 'C' taxpayers. This indicates that when applied to category "C" taxpayers, the tax system (assessment and collection) lacks equity and fairness, which has a negative effect on tax collection. The mean for the tax office treating taxpayers equally and reasonably in assessing and collecting tax was 2.84, the revenue authority's is generally honest in tax assessment and collection was 2.97, and taxpayers' problems and appeals on tax assessment and collection were treated equally at 2.98. This finding indicates that the respondents consider the following statements to be unfair: treating taxpayers fairly and equally, honesty in tax assessment and collection, and hearing tax assessment and collection appeals equally. However, the mean for category "C" taxpayers with similar income levels paying the same amount of tax (horizontal equity) was 3.04, which is average, and the mean for category "C" taxpayers with higher income levels paying more than people with lower income levels (vertical equity) was 3.16, which is slightly higher than average.As a result, it may be argued that the tax assessment and collection of category 'C' taxpayers in the cities under investigation is inconsistent with Adam Smith's ideal of fairness/equality, which has an effect on revenue collection.

Table 4.6. Descriptive Statistics for Principle of Convenience/Certainty			
	N	Mean	Std. Deviation
Mode of category "C" tax assessment is convenient to the tax payers.	264	2.80	1.127
Time of category "C" tax payment is convenient to the tax payers.	264	3.15	1.192
Place of category "C" tax payment is convenient to the tax payers.	264	3.07	.994
Taxpayers clearly know when they have to pay their liability.	264	2.81	1.050
Taxpayers clearly know how they have to pay their taxes	264	3.08	1.177
Tax assessment and collection of category 'C' taxpayers is transparent.	264	2.81	1.114
Grand Mean		**2.95**	**1.109**

Source: (Researcher, 2021)

Respondents disagreed (mean = 2.80; std dev = 1.127) that the mode of category "C" tax assessment (estimation) is convenient for taxpayers, (mean = 2.81; std dev = 1.050) that taxpayers clearly know when they should pay their liability, and (mean = 2.81; std dev = 1.114) that tax assessment and collection of category "C" taxpayers is transparent. The respondents agreed that the timing of category "C" tax payment is convenient for the taxpayers (mean = 3.15, standard deviation = 1.192). Respondents, on the other hand, were divided on whether taxpayers clearly understand how they should pay their taxes (mean = 3.08 std dev =1.117) and if the location of category "C" tax payment is convenient for them (mean = 3.07 std dev =0.994).The grand mean of 2.95, which is less than 3, shows that the cities under study's category 'C' tax assessment and collection is inconvenient and unpredictable. The comparatively low standard deviation figure of 1.109 confirms this. According to this study, the inconvenient and unpredictable nature of tax assessment and collection has an effect on tax revenue collection.

Table 4.7. Descriptive Statistics for Principle of Simplicity			
	N	Mean	Std. Deviation
Tax system is simple for tax payers to comply with.	264	3.05	1.201
A tax assessment system is easy to understand to the taxpayers.	264	3.01	.998
Tax determination is easy to understand to the taxpayers.	264	2.79	1.093
Revenue authority uses modern technology to administer tax easily.	264	2.69	1.164
Grand Mean		**2.885**	**1.114**

Source: (Researcher, 2021)

Respondents disagreed (mean = 2.69: std dev = 1.164) that the revenue authority employs current technology to handle taxes efficiently and (mean = 2.79: std dev = 1.093) that the tax decision is straightforward to grasp by taxpayers (see Table 4.7). Respondents were divided on whether a tax assessment system is simple for taxpayers to understand (mean = 3.01; standard deviation =0.093) and whether a tax assessment system is simple for taxpayers to follow (mean = 3.01; standard deviation =0.093). The grand mean of 2.885 in table 4.7 suggests that the tax assessment and collection of category 'C' taxpayers in the study cities did not follow the concept of simplicity. The standard deviation of 1.114 also suggests that responses from one respondent to the next

were quite similar.This indicates that the region's tax system is difficult to comply with, manage, and understand, leading category 'C' taxpayers to reduce their tax due.

1.8. **Descriptive Statistics for Tax Collection**			
	N	Mean	Std. Deviation
Fairness affects category C taxpayer collection	264	3.23	.908
Continence affects category C taxpayer collection	264	3.17	.873
Simplicity affects category C taxpayer collection	264	3.54	.942
Grand Mean	**264**	**3.31**	**0.907**

Source: (Researcher, 2021)

The findings showed that fairness of tax assessment and collection, convenience/certainty of tax assessment and collection, and simplicity of tax assessment and collection (grand mean = 3.31, standard dev. = 0.907) all had an effect on tax collection for category 'C' taxpayers. As a result, it may be concluded that the cities' tax systems lack fairness, convenience/certainty, and simplicity in tax assessment and collection of category 'C' taxpayers, which has a negative effect on tax revenue collection.

3.3.3. Diagnostic tests

Multicoloniarity Test

The objective of the multicollinearity test is to see if the regression model has a correlation between the independent variables or not. The correlation between the independent variables should not be present in a suitable regression model. The Variance Inflation Factor (VIF) test was used in this study.

Table 4.9. Collinearity Statistics		
	Collinearity Statistics	
Model	Tolerance	VIF
Principle of Equity/Fairness	0.675	1.481
Principle of Convenience/Certainty	0.730	1.369
Principle of Simplicity	0.649	1.541

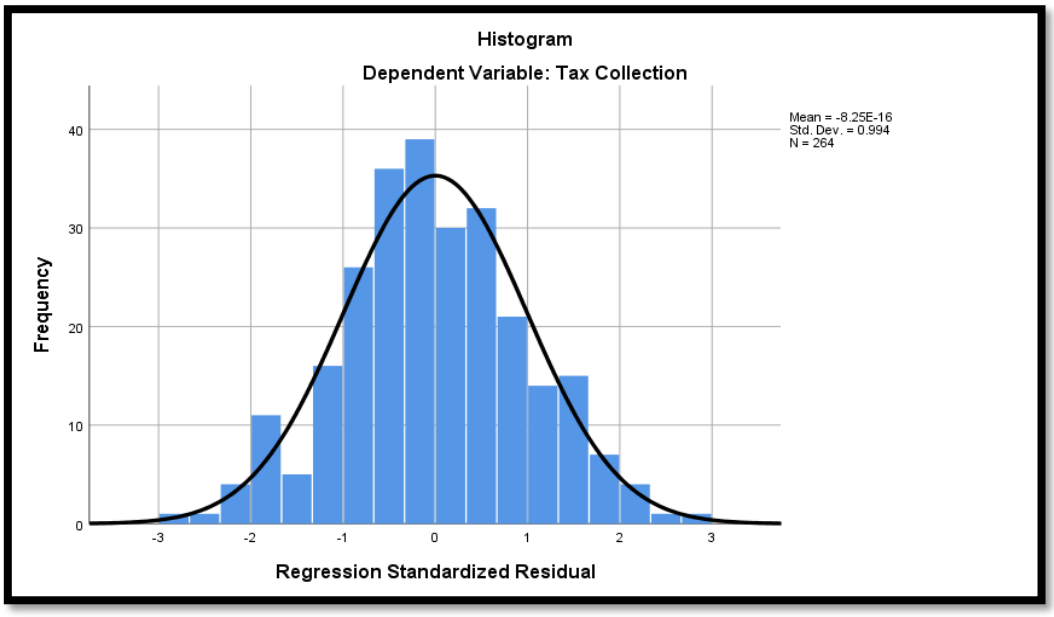
Source: (Researcher, 2021)

As shown in Table 4.9, all of the variables (fairness, convenience, and simplicity principles) have VIF values of less than 10 and tolerance values greater than 0.2, as shown in Table 4.9. As a result, there is no multicollinearity in the regression model's independent variables.

Test of Normality assumption

Prior to further interpretation of the regression analysis, graphical approaches such as histograms and normality plots may be used to give a visual evaluation of the normal distribution of a data set (Tabachnick&Fidell, 2006). Histograms may provide essential details about the shape of a distribution. A normal distribution arises when the majority of the scores cluster around the centre of the continuum and there is a progressive, symmetric decline in frequency on each side of the centre score. The histogram was used to test the normalcy assumption in this study.

Figure 4.2. Normality Test



Source: (Researcher, 2021)

The residuals are essentially normally distributed, according to the histogram in Figure 4.2 for the model.

3.3.4. Regression Analysis

Via regression analysis, the influence of independent factors on the dependent variable is shown. The objective of this study was to see how tax principles affected tax collection among category 'C' taxpayers in Ethiopia's Oromia regional state cities.

3.3.4.1. Coefficient of Determination

The coefficient of determination describes how much variation in the dependent variable (Category "C" tax collection) can be explained by changes in the independent variables, or the percentage of variation in the dependent variable (Category "C" tax collection) that can be explained by all three independent variables (fairness, convenience/certainty, and simplicity principles).

Table 4.10. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.649[a]	.421	.414	2.10326
a. Predictors: (Constant), Simplicity, Convenience/certainty, Equity/Fairness				
b. Dependent Variable: Collection				

Source: (Researcher, 2021)

The value of R square was (0.421) of variances in tax collection of category 'C' taxpayers are driven by changes in explanatory factors, as shown in Table 4.10. According to the R2, the three independent variables investigated account for 42.1 percent of the variance in tax collection for

category 'C' taxpayers. As a result, additional factors not investigated in this study account for 57.9% of the variation in the dependent variable.

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3.3.4.2. Analysis of Variance

In order to establish the relationship between Fairness, convenience, and certainty principles with category 'C' taxpayer tax collection in cities, four hypotheses were tested using ANOVA.

Table 4.11.ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	834.833	3	278.278	62.906	.000[b]
	Residual	1150.163	260	4.424		
	Total	1984.996	263			
a. Dependent Variable: Collection						
b. Predictors: (Constant), Simplicity, Convenience/certainty, Equity/Fairness						

Source: (Researcher, 2021)

The regression association was very significant in predicting how fairness, convenience/certainty, and simplicity affect tax collection of category "C" taxpayers in the Oromia regional state cities under investigation, with a probability value of 0.0001. Hypotheses were assessed using the usual method at a significance level of 0.05. (Ogula, 2014) quoted probability estimates of the threshold between rejecting and not rejecting the null hypothesis (Kibret, 2021). The F critical at the 5% level of significance was 0.000, and the F computed (value = 62.906) was more than the F critical, indicating that the entire model was significant. The significance is less than 0.05, implying that the predictor factors account for variance in the dependent variable, which is tax collection by category 'C' taxpayers.

3.3.4.3. Regression Coefficients

The regression coefficients associated with the determinants of category 'C' taxpayers tax collection are presented in Table 4.13.

Table 4.12. Regression coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.134	.605		1.872	.062
	Equity/Fairness	.106	.031	.195	3.399	.001
	Convenience/Certainty	.193	.036	.299	5.413	.000
	Simplicity	.256	.049	.305	5.207	.000

Source: (Researcher, 2021)

The established model for the study was:

$Y = 1.134 + 0.106X_1 + 0.193X_2 + 0.256X_3 + \varepsilon$

The greatest predictors of tax collection for category "C" taxpayers were investigated using multiple regression. The combination of factors used to predict tax collection of category 'C' taxpayers from equity, convenience, and simplicity was statistically significant, with F (3, 260)

=62.9, p.001. Table 4.12 summarizes the beta coefficients. 0.412 was the modified R2 value. This means that the model explains 41.2 percent of the variation in tax collection among category 'C' taxpayers. This is a significant effect, according to Cohen (1988), as quoted by Morgan et al. (2019). According to the findings, a 1% rise in the fairness variable leads to a 10.6% increase in tax collection, a 1% increase in convenience leads to a 19.3% increase in tax collection, and a 1% increase in certainty leads to a 25.6 percent increase in tax collection for category "C" taxpayers.

3. Conclusions

The following findings are drawn from this study's analysis:

i. The study's findings demonstrated that fairness, convenience, and simple principles had a positive and significant impact on tax collection for category "C" taxpayers. The R2 score of the multiple leaner regression model of tax collection for category "C" taxpayers was 40.3 percent. Cohen (1988) considers R2 levels in the behavioural sciences to be good (i.e., more than 0.26) cited in (Abebaw, 2020). The three factors in the model were shown to be good predictors of tax collection for category 'C' taxpayers when taken together.
ii. The findings revealed that the tax collection of category "C" taxpayers in Oromia regional state cities lacked equity and fairness in tax assessment and collection, affecting collection. This discovery is consistent with that of (Kumuri, 2021), who found comparable outcomes in his research. The descriptive statistics also demonstrated that the tax authority's income projection did not consider the taxpayer's real income or daily turnover.
iii. Based on the findings, the researcher concluded that the convenience/certainty principle was another significant variable that affected presumptive (standard estimation) tax collection in Oromia regional state cities, namely, the mode, place, time, and amount of tax collection have all influenced tax collection of category "C" taxpayers positively and significantly. The findings are consistent with those of (DADI et al., 2020), who discovered that forms of tax collection had a significant effect on presumptive tax collection.
iv. The study also found that the concept of simplicity has a favourable and substantial effect on tax collection among Oromia regional state cities' category 'C' taxpayers. Tax determinations that are simple to comprehend, the tax system that is simple to comply with, tax assessments that are simple to understand, and the use of contemporary technology in tax collection have all had a significant and significant effect on tax collection for category "C" taxpayers. If these conditions are not satisfied, taxpayers will have a difficult time complying with tax regulations and applying them to their unique circumstances.

4. Recommendations

The study recommends the following to the government:

i. According to the study, equality (horizontal and vertical) should be enhanced. To do this, category "C" tax assessment and collection officers should be taught to get the necessary expertise to properly assess and collect from taxpayers. The authority recommended that taxpayers be included in estimating daily sales or revenue to address the issues of fairness and equity, and that the authorities do all possible to ensure tax fairness and equality so that voluntary compliance behaviour can occur.
ii. The tax authorities should concentrate on tax collection methods by creating various payment options or systems. The majority of transactions are still conducted in cash or by hand-to-hand collection. As a result, it is recommended that the revenue authority use a

variety of cash collection methods, such as mobile banking, and promote technology that makes payment and collection easier and more straightforward. Through conversation agendas with taxpayers, the revenue authority further clarifies the method of tax estimation, as well as what and how presumptive taxation (standard assessment) applies to taxpayers.

iii. To improve their attitudes toward taxes, the revenue authorities recommended that taxpayers get regular training to improve their awareness of their tax obligations, the reasons for collecting tax from them, and the tax rules and regulations. The revenue authorities also try to make tax assessment, the tax system, and tax determination for category "C" taxpayers as easy and straightforward as possible. A greater knowledge of taxation can help both people's motivation to pay taxes and prevent tax evasion.

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