















adequate manpower. Whereas, most of the respondents 96(64%), feel that authority in their area does not maintain adequate man power. The remaining 20(13%) could not comment on the issue.

### 3.7. Analysis on the perception of consumers/ community regarding VAT

As part of the survey, assessing the perception of the community is one pillar objective of this paper. This sub section, therefore, gives a highlight on the awareness the community regarding the VAT imposed finally on them, on the basis of the response obtained from the sample respondents. The Data collection was carried out by distributing 50 questionnaires selected simple random sampling.

**Table 9:** Age and Gender of respondents

Age	Sex		Percentage (%)		Total	
	Number of Male	Number of Female	Male	Female	Number	Percentage (%)
18-34	4	4	8%	8%	8	16%
25-35	20	6	40%	12%	26	52%
36-50	10	6	20%	12%	16	32%
Above 50	-	-	-	-	-	-
<b>Total</b>	<b>34</b>	<b>16</b>	<b>68%</b>	<b>32%</b>	<b>50</b>	<b>100%</b>

Source: Own survey, 2012

The above table shows that out of the total respondents, 8% of the male and female respondents are categorized under the age category of 18-24, whereas 40% of the male respondents and 12% of the female respondents are under the age category of 25-35, while 20% the male respondents and 12% of the female respondents are in between 36-50 years of age and neither of the male respondents nor of the female respondents are categorized above 50 years of age. This indicates that most of the respondents are around the young age category, which means in the more productive age.

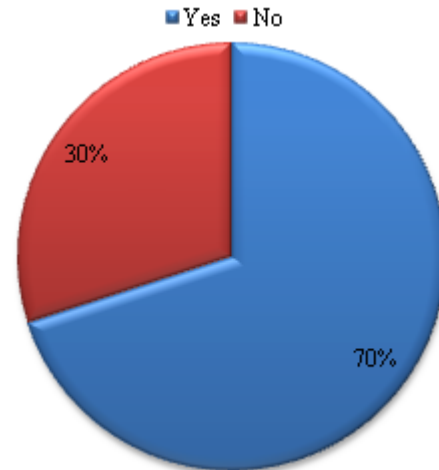
**Table 10:** VAT Rationale

Do you know why you pay VAT	Sex		Percentage		Total	
	Male	Female	Male	Female	Number	(%)
As a national responsibility	14	4	28%	8%	18	44%
Because the government forced me to pay	4	4	8%	8%	8	14%
For national merit	16	8	32%	16%	24	62%
<b>Total</b>	<b>34</b>	<b>16</b>	<b>68%</b>	<b>32%</b>	<b>50</b>	<b>100%</b>

Source – Own Survey, 2012

In line with this, as indicated in the above table, 44% of the respondents believed that they pay VAT as it is their national responsibility followed by some 62% of the respondents who perceive that VAT should be paid because it has a national merit which could ultimately benefit the society, although few of them complaint that they are paying tax because they are forced by the government. By and large, the above statistical data shows that majority of the respondents have relatively good perception towards VAT.

Moreover, one can see from the same table that the level of perception among male and female respondents is different.



**Figure 4:** Payments in the absence of receipts

Source – Own Survey, 2012

One of the national duties VAT customers should contribute to the proper implementation of VAT is that they should ask for VAT cash receipt voucher immediately after they are served so that they will tear it down and prevent using it by irresponsible VAT tax payers for VAT evasion purposes. The results of the responses from the customers showed that some 70 percent of the consumers pay the bill even without receiving VAT voucher while the rest 30 percent of them refuse to pay the price.

Likewise, it is reported that most respondents never tear the VAT voucher they received. This clearly indicates that a lot has to be done in improving the awareness of the final VAT payer consumers since an income from VAT is the basis for the economic growth of the nation without which the country will always be dependent of foreign aid.

**Table 11:** Consumers preference on business firms

Do you prefer VAT Registered or non registered businesses?				Frequency	Percent
VAT registered b/c no difference in price				12	24
NON registered b/c of lower price				21	42
In different so long as no difference in quality				17	34
<b>Total</b>				<b>50</b>	<b>100</b>

Source – Own Survey, 2012

One of the ways that can influence the attitude of the VAT service customers is their attitude to the choice of VAT business services and non VAT registered services of the same service. 12(24%) of the respondents reported they prefer VAT registered because there is no significant price difference between VAT and non VAT services. 21(42%) of the respondents answered they prefer non VAT services citing lower price advantages over the same VAT charged services. But most of the respondents which constituted 17(34%) of them reported their difference for VAT and non VAT related similar services depends on the extent of the quality of those services. This would mean they don't mind charged on VAT basis so long as they enjoy higher quality products and services.



## 4. Conclusions & Recommendations

### Conclusions

VAT is one of the sources of government revenue. Nowadays, many countries in the world have made VAT part of their tax system, where Ethiopia's standard VAT rate is 15%, Nigeria and Algeria have the minimum and maximum standard VAT rate in Africa with 5% and 21% respectively. However, its implementation is faced different challenges. The major ones are all business firms those with legible registration threshold are not registered assuming that they would lose their customers.

It was found that while the intent that the benefit of the system goes to the society, most of the respondents felt that the government is the sole beneficiary of the system. The data for the request on the approval of businesses on their registration of VAT payment system is very suggestive on the fact that although the government authorities have disseminated information on the importance of VAT to VAT Paying businesses, the required correct perception on the system and the willful registration of the businesses has not yet come to the desired level.

The study revealed that there has been a major decline in the number of their customers following the implementation of VAT system. Majority of the consumers get to know about VAT from government media, thus it can be concluded that the government media has played an important role in awareness creation of the system, nevertheless, considerable number of the consumers have never heard of the system prior its implementation. Many consumers believe that VAT has been the very reason for business firms to impose higher price on products or services delivered and in some cases, they believe that the rate of the VAT charged is more than double since it is imposed on the total price of the product.

The level of enforcing business firms to provide bill during payments is low as majority of the consumers fail to ask for receipt during payments, similarly many consumers fail to tear down the receipt as it give the chance to use illegal businesses for tax evasion.

### Recommendations

Based on the summarized finding, the following suggestions are forwarded for improving the awareness of the business community and tax payers to enhance the effectiveness of the implementation of VAT. There is a need for more creation of awareness on VAT payers as to the fact that VAT is important source of revenue of the government and yet the ultimate beneficiary is the society. Thus, it is evident from this responses that there is a need for campaigns by government authorities in reshaping this perception of few VAT payer sections of the businesses that believe that government is the only beneficiary of the VAT revenue. This is also an indication that there is a need to exert more effort into increasing the willingness of VAT payers to get registered based on their goodwill and positive motivation.

Besides, concerned authorities need to facilitate the ownership of the VAT registration machine either by providing loan or facilitating the availability of those

machines to the VAT payers and increase the supply of the machine as well. Moreover, there may be a need for clear standards as to which VAT payer businesses should be already able to possess the machine and start their payment in modern system based on their VAT income level. There is a need to exert more efforts unto creating awareness that the existing VAT system is fairness in terms of collecting income across all VAT payers and it has tried to include all potential VAT payers in to the actual VAT system. And any inefficiencies, corruptive procedures and discriminatory approaches to VAT payers differentially shall be identified and exhaustively combated by the implementing agencies. Even though, there is a good motivation and knowledge of the concept by the authority employees, there is a need of additional manpower to provide timely operation.

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