Determinants of Voluntary Tax Compliance Behavior in Self Assessment System: Evidence from SNNPRS, Ethiopia

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Abstract: *Tax payer's voluntary compliance with the tax system influenced by economical, institutional, social, individual and demographic variables. Hence, the objective of this study is to examine factors that influence tax payer's voluntary compliance behavior in Self Assessment System (SAS). Authors used a cross-sectional survey method of research design. The target population of the study was category "A" tax payers in purposefully selected five cities of Southern Nation Nationalities and Peoples` Regional State (SNNPRS), Ethiopia. A sample of 377 Category "A" tax payers were randomly taken from the selected cities. Both primary and secondary data were collected. In order to analyze and present the results of this study, Pearson correlation matrix and logistic regression model were employed. The result of this study revealed that tax knowledge, simplicity of tax returns and administration, perception on fairness and equity, perception on government spending, probability of auditing, and the influence of referral group were determinant factors that influence voluntary compliance behavior of tax payers in SAS. Finally, the outcomes of the study may inform policymakers about the determinants of voluntary compliance behavior of tax payers in the region and helps to formulate better policy decisions related to voluntary tax compliance.*

Keywords: Ethiopia, Evasion, Determinant, Self Assessment System, Voluntary Tax compliance

1. Introduction

Many countries have adopted the self-assessment system (SAS) in order to simplify the tax assessment system and encourage voluntary compliance. For example, United States (1913), Japan (1947), New Zealand (1988), Pakistan (1979) and Sri Lanka (1972). Thus, the recent trend in developing countries shows a shift from the official (Direct) assessment system to a SAS. In Ethiopia, SAS was recently introduced in 2005. Self assessment was adopted to address the low level of tax compliance under official (Direct) assessment system (Kasipillai & Jabbar, 2003). It was also expected to speed up assessment processing, reduce compliance costs and facilitate revenue collections. Under SAS, the responsibility for assessing tax liability has shifted to tax payers. Besides, the change to SAS has raised issues related to the know-how, honesty, capability and readiness of taxpayers to receive the burden of calculating and assuring the accuracy of the tax returns. For example, under the direct assessment, it is assumed that individual taxpayers might not possess the sufficient knowledge to compute their tax payable but in SAS, tax knowledge is vital as an insufficient level of tax knowledge may result in inaccurate tax returns and therefore computation of tax liability (Eriksen & Fallan, 1996). Loo and McKerchar (2010) argue that lack of appropriate tax knowledge may lead to unintentional noncompliance behavior. In Ethiopia, determinants of voluntary tax compliance behavior in self assessment system are not well understood. Therefore, this study tries to investigate the determinants of tax compliance in SAS in Ethiopia particularly by taking evidence from SNNPRS, Ethiopia. The output of this study may help to understand taxpayers' behavior and take corrective measures in order to enhance domestic revenue mobilization through tax payer's voluntary compliance and sustain Ethiopia's recent growth.

2. Review of Related Literature

According to different literatures such as Kirchler (2007) , Loo (2006) , Palil (2010) factors that affect tax payers compliance were divided into five main categories, they are 1) economic factors (tax rates, tax audits and perceptions of government spending); 2) institutional factors (the role of the tax authority, simplicity of the tax returns and administration and probability of detection); 3) social factors (ethics and attitude, perceptions of equity and fairness, political affiliation and changes on current government policy, referent groups); 4) individual factors (personal financial constraints, awareness of offences and penalties) and 5) and other factors (age, income, level, culture, education, gender). These factors are discussed in detail as follows;

2.1. Economic factors

Economic factors in relation to tax compliance refer to actions which are associated with the costs and benefits of performing the actions (Loo, 2006). Song and Yarbrough (1978) assumed that taxpayers are rational economic evaders who likely would assess the costs and/or benefits of evasion. The tax compliance determinants associated with economic factors such as tax rates, tax audits and perceptions of government spending (Palil, 2010). The tax compliance determinants associated with economic factors such as tax rates, tax audits and perceptions of government spending are discussed as follows; previous studies examined the relationship of tax rate and tax compliance. Such as, Hai and See (2011) found that the high tax rate causes high tax noncompliance. Spicer & Becker (1980) argue that those taxpayers who are aware that their tax rate is higher than average tax rate paid by other have higher records of tax evasion. Evidence suggests tax rates have mixed impact on tax compliance i.e decreasing tax rates does not necessarily always increase compliance (Kirchler,Hoelzl & Wahl,

2008). Increase in tax rates might have positive or negative impact on evasion and increasing tax rates will not necessarily always decrease compliance behavior (Allingham & Sandmo, 1972). A recent study by (Modugu, Eragbhe, & Izedonmi, 2012) tax rate do not have any positive or negative effect on tax compliance.

2.2. Institutional Factors

With regard to simplicity of tax system, previous studies argue that simplest tax system encourage tax payers to voluntarily comply with tax system such as (Palil, 2010; Richardson; 2008 & Stephen, 2011). Slemrod (1989) also conclude that a simple tax return and simpler tax regulations will increase tax compliance especially in a self assessment system because taxpayers do not have to spend much time in ascertaining the accuracy of the returns and calculating their tax liabilities. Another study by Samuel and Viswanadham (2016) assessed business income taxpayers' tax knowledge, tax complexity, and tax compliance in Amhara Regional State of Ethiopia using a cross-sectional survey research design and a qualitative research approach.

2.3. Social Factors

Tax compliance determinants from a social perspective relates to taxpayers' willingness to comply with tax laws in response to other people's behavior and their social environment (Torgler, 2007& Kirchler (2007). The factors discussed in this section include perceptions of equity and fairness and referent groups. With respect to tax fairness and equity, a good tax system is the one which is designed on the basis of an appropriate set of principles, such as equality or fairness and certainty (Bhatia, 1976). The perceived fairness of the tax system also has an influence on the inclination towards tax evasion (Jackson and Milliron, 1986; Richardson, 2008). When taxpayers perceive unfairness they will react by trying not to pay taxes. Etzioni (1986) argues that if a public feels increasingly over time that taxes are unfairly imposed, it will be increasingly likely to evade paying taxes.

2.4. Individual Factors

Decisions either to evade or not to evade taxes are heavily reliant on taxpayers' personal judgment (Mohani, 2001). Personal circumstantial factors like personal financial constraints, tax payers tax knowledge and awareness of penalties and offences are therefore likely to have a significant impact on taxpayer compliance behavior as discussed as follows; People who face personal financial problems are likely to be more prone to evade tax when compared to people in less financial distress (Mohani, 2001). (Fjeldstad and Ranker, 2003) argue that in African countries like Namibia and South Africa, the non payment is due to poverty or inability to pay. Generally when taxpayers have no enough disposable income and they used to consume the return from sales, it is clear that tax evasion is inevitable and leads to tax arrears. Conversely, studies by Vogel (1974) and Warneryd and Walerud (1982) as cited in Palil (2010) demonstrate that people with no financial distress also exercise tax evasion and surprisingly, the level of evasion

they exhibit can be more serious than people in financial distress.

2.5. Demographic Factors

Demographic factors such as gender and have long been studied by researchers; though the findings of previous studies remains inconclusive. Some studies found that males are more compliant though other studies revealed contradictory results or no significant difference at all. As agreements on the findings still maintain, the need to explore current results is relevant. Hasseldine and Hite (2003), Mohamad,Mustafa and Asri, (2007) have found that female taxpayers were more compliant than males. In contrast, Richardson (2006) suggested that gender has no significant impact on compliance.

3. Statement of the Problem

Tax non compliance is a growing international concern for tax authorities and public policy makers since it seriously threatens the capacity of governments to raise required public revenue. The problem is more serious in developing countries particularly in Sub-Saharan African countries (Cobham, 2005). Likewise, in Ethiopia it is evidenced by the current low tax-to-GDP ratio of 11% which is far lower than the average for developed tax systems (25-35%), developing countries (18-25%) and even of the Sub-Saharan average (16%). The main reason of this low revenue collection performance is due to tax non compliance and due to poor tax administration (IMF, 2015). Besides, one of the main problems in implementing self assessment system (SAS) is achieving acceptable levels of voluntary compliance (Palil , 2010). Findings of some prior studies have indicated that in SAS, taxpayers tend to comply less as compared with direct assessment (Andreoni & et al, 1998). This may happen due to factors such as lack of familiarity with the new system, or general limited knowledge of tax issues. Hence, dealing with the problem of tax non compliance requires at least some understanding of the factors underlying the individual taxpayer's decision whether to comply or not to comply with tax laws. However, those factors which influence tax compliance and/or non-compliance behavior are differing from one country to another and also from one individual to another (Kirchler, 2007).

Due to these reasons, tax compliance has been given a big emphasis by researchers because of increasing non compliance especially tax evasion and its consequences on the capacity of government in raising public revenue. But most of these researches have been done on developed countries such as (Allingham & Sandmo, 1972; Torgler, 2007; Werner & Hannelore, 1996; Kirchler, Hoelzl & Wahl, 2008; Loo, 2010; Palil, 2010). There are few researches done on tax compliance in Ethiopia. For example, Lemesa (2007) tried to investigate determinants of taxpayers' voluntary compliance with taxation: The case study of Dire Dawa City using descriptive method of research. Amina and Saniya (2015) conducted a study on tax compliance and its determinant the case of Jimma zone, Ethiopia, Suresh (2014) investigated the compliance and non compliance behavior of business profit taxpayers' towards the tax system in Mekelle City, Ethiopia. Another study by Yidersal & Tilahun (2014)

also examined the determinants of tax compliance behavior in Bahir Dar city.

As to the researchers' knowledge, factors that determine tax compliance behavior in Self Assessment System is not well understood and studies have not been carried out in SNNPRS, Ethiopia and some of related studies also did not incorporate different determinants of tax compliance. In addition, while reviewing the above related literatures, they found inconclusive results on tax compliance determinants. Hence, the above research gap motivated researchers to examine the factors that influence voluntary compliance behavior of tax payers in SAS by taking evidence from SNNPRS, Ethiopia.

4. Objectives of the Study

The overall objective of this study was to examine the determinants of voluntary tax compliance behavior in SAS in SNNPRS, Ethiopia.

Specifically, this study has the following specific objectives;
1) To study the relationship between economical factors and tax compliance.
2) To examine the association between institutional factors and tax compliance.
3) To find out the association between social factors and tax compliance.
4) To examine the influence of individual factors on tax compliance.
5) To see the relationship between demographic factors and tax compliance.

5. Hypotheses

In order to achieve the objectives of the study; the determinants of tax compliance and how these determinants relate with tax compliance, the following literature driven hypotheses have been tasted:
H1_Tax knowledge is positively correlated with tax compliance
H2_Simplicity of tax system is positive correlated with tax compliance
H3_ Probability of being audited is positively correlated with tax compliance
H4_ Perception of government spending is positively correlated with tax compliance.
H5_ Perception of equity in the tax system is positively correlated with tax compliance
H6_Tax rates are negatively correlated with tax compliance
H7_The role of the tax authority is positively correlated with tax compliance
H8_High penalty is positively correlated with tax compliance
H9_The influence of referent group is negatively correlated with tax compliance
H10_Personal financial constraint is negatively correlated with tax compliance
H11_ Males tax payers are more tax compliant
H12_Older tax payers are more tax compliant
H13_ Educational level of tax payers positively correlated with tax compliance

6. Research Methodology

6.1. Data type and Method of Collection

To attain the stated research objectives, the researchers used both primary and secondary sources of data. To gather relevant primary data a survey method with self structured questionnaire was used. The questionnaires were adopted and developed with some modification from previous similar studies such as (Pali (2010); Sapiei, Kasipillai & Eze (2014). Close ended questionnaires were prepared in the form of five Likeret-Scale, Where; Strongly Agree (SA) = 5; Agree (A) = 4; Neutral (N) =3, Disagree (D) = 2; and Strongly Disagree (SD) = 1; the use of Likert scale is to make it easier for respondents to answer question in a simple way. The questionnaire was also prepared in both English language and Amharic language.

6.2. Target Population

The total population of this research is Category A tax payers in selected cities in SNNPRS, Ethiopia. According to Income tax proclamation number 282/2006 Category A tax payer is a business having an annual turnover of Birr 500,000 (Five hundred thousand Birr) or more. The motivation of considering Category A tax payers is that taxpayers in this group are considered as they are fully engaged in self assessment system because the law d require them to declare their income or keep books of account.

6.3. Sampling Techniques and Sample Size

Both Purposive and random sampling techniques were employed for collecting data from tax payers. The researchers purposively selected five cities in SNNPRS namely Hawassa, Wolita Sodo, Dilla, Arba Minch, and Hosahina by taking in to account the number of total Category A tax payers they have. Random sampling technique was employed in order to randomly select tax payers in each city. The lists of taxpayer's data were obtained from tax authority offices in each city. According to SNNPRS tax authority data (2015) there were about 6,530 Category A tax payers in the above five selected cities. Accordingly, the sample size was determined from the total population according to the following formula (Yamane, 1967). The ordered logistic Regression has the following form:

Tax Compliance $_i* = \beta_o + x_{1i}\beta_l + x_{2i}\beta_2 \ldots x_{ki}\beta_k + \varepsilon_I$ **(1)**

Where; Tax compliance $_i*$ is the dependant variable (levels of tax compliance); y_i take the value of 1 if tax payers is more compliant, 2 if the tax payer is moderately compliant, and 3 if the tax payer is low compliant. β is the vector of estimated parameters and x_i is the vector of explanatory variables; ε_i is the error term. Accordingly, the probability of each tax compliance level (low Compliant-y1, medium Compliant-y2, and high compliant-y3) was computed.

7. Results and Discussion

A total number of 377 questionnaires were administered and distributed to Category "A" taxpayers, of which 310 filled

completely and returned. This made the return rate around 80.2%, indicates good response rate. After the data were collected, checked for errors and completeness. This study employed correlation matrix and ordered logistic regression for data analysis.

Table 1: Pearson correlation matrix for dependent and independent variables

	1	2	3	4	5	6	7	8	9	10	11	12	12	13
TCOMP	1													
TAXK	.31**	1												
SIMPL	.09	-.05	1											
PROBAU	-.03	.13*	-.12*	1										
GOVSPE	.35**	.15**	-.22**	.09	1									
EQUITY	.27**	.17**	-.15**	.09	.34**	1								
RATES	.11 *	.14**	.01	.13 *	.06	.21 **	1							
ROLE	.14*	.08	-.10	.15**	.20**	.21**	.06	1						
PEN	-.12*	.07	.06	.09	.07	.09	.10	.18**	1					
FINCON	.04	.00	.04	.05	.02	-.03	.02	.06	.21**	1				
REFGP	.06	.00	.25**	.03	-.20**	-.12*	-.05	.00	.11	.08	1			
SEX	.02	.04	-.09	-.00	.04	.02	.03	.05	.01	-.06	-.03	1		
AGE	.01	-.03	.01	-.01	-.14	-.16 **	-.07	-.16	-.08	.06	.01	.05	1	
EDU	.11*	.04	.00	.06	.02	.12*	.02	-.00	-.00	-.11*	.09	-.02	-.22**	1

**Correlation is significant at 1 % significance level, * Correlation is significant at 5 % significance level (two tailed)

Table 1: presents the Pearson correlation matrix for dependent and independent variables. Results shows that tax knowledge (TAXK), perception of tax payers towards government spending (GOVSPEN) and perception of tax payers about tax fairness and equity (EQUITY) were found to be significantly correlated with tax compliance (TCOMP) at 1% significance level.(as $P<0.01$), while perception of tax rates(RATES), role of tax authority (ROLE), penalty (PEN) and educational level of tax payers (EDU) were found to be significantly correlated with tax compliance at 5 % significance level ($P<0.05$). Therefore, this result suggests that tax knowledge, perception of tax payers towards government spending, tax rates, tax payer's perception towards equity and fairness, educational level of tax payers, tax penalty and the role of tax authority were significantly correlated with tax compliance. Whereas the other variables (simplicity of the tax system (SIMPL), personal financial constraint (FINCON), probability of auditing (PROBAU), referral group (REFGP), sex of tax payers (SEX), and age of tax payers (AGE) have no significant correlation with tax compliance.

The result on Table 2 shows that the Pseudo R-square with a value of 0.3682 implies that about 36.82 percent of the changes in tax compliance (TCOMP) could only be explained by explanatory variables namely; Tax knowledge (TAXK), Simplicity of tax returns and administration (SIMPL), Probability of being audited (PROBAU), Perception of government spending(GOVSPE), Perception of tax equity and fairness(EQUITY), Tax rates (RATE), Role (Efficiency) of tax authority (ROLE), Penalty rate (PEN),Personal financial constraint (FINCON), The influence of referral group (REFGP), Gender (GEN), Age (AGE), and Educational level (EDU). While 63.18 percent of the changes in tax compliance (TCOMP) could be explained by other exogenous factors. All the variables in the regression model are relevant to the study since the VIF factors are all below the benchmark of 10. This indicates the absence of multicollinarity in the model. The likelihood ratio chi-square of 106.36 with a p-value of 0.0000 tells us that the model as a whole is statistically significant.

Table 2: Ordered Logistic Regression Results

Ordered logistic regression			Number of Obs = 310		
			Chi2(13) = 106.36		
			Prob > chi2 = 0.0000		
Log likelihood = -91.2532			Pseudo R2 = 0.3682		
Variables	Coefficient	Standard Error	Marginal Effect	P-Value	VIF
TAXK	.9295575	.2129038	.0155881	0.000***	1.07
SIMPL	.5791546	.1989774	.0097121	0.004***	1.15
PROBAU	-.6777631	.2676342	-.0113657	0.011**	1.08
GOVSPE	1.2021	.2441181	.0201585	0.000***	1.24
EQUITY	.5511429	.195866	.0092423	0.005***	1.27
RATES	.1482674	.1648048	.0024864	0.368	1.09
ROLE	.1869798	.154861	.0031355	0.227	1.15
PEN.	-.0398107	.1623186	-.0006676	0.806	1.12
FINCON	.0698311	.1653886	.001171	0.673	1.09
REFGP	.2876355	.1677764	.0048235	0.086*	1.15
GEN	.0712903	.4487948	.0011741	0.874	1.12
AGE	.0369714	.0236164	.00062	0.117	1.03
EDU.	.5040351	.2404077	.0084524	0.036**	1.10

*** Significant at 1%, **Significant at 5%, * significant at 10%

Accordingly, the result of this study, tax knowledge (β =.929) has positive and significant relationship with tax compliance. Hence, hypothesis H1 is accepted. This result provides evidence that high tax knowledge would increase voluntary tax compliance. This result is also consistent with studies by (Palil, 2010; Kirchler, Hoelzl,& Wahl,2008; Samuel & Viswanadham,2015; Marziana, Ahmad, Sakarnor,2010). This result also suggests that, in (SAS), tax knowledge and awareness among taxpayers plays an important role on tax compliance. Park & Hyun (2003) also added that tax knowledge is one of the effective tools to induce taxpayers to comply more. On the other hand, if the taxpayers well understand basic concept of taxation, they are willing to comply (Marziana et. al., 2010). Similarly, (Eriksen& Fallan 1986) concluded that tax attitudes can be improved through better tax knowledge' and thus this will in turn increase compliance and reduce the inclination to evade taxes. Palil (2010) also found out that tax knowledge has a significant impact on tax compliance even though the level of tax knowledge varies significantly among respondents. Thus, providing more tax knowledge to a larger number of tax payers helps to prevent tax evasion and enhance voluntary tax compliance in SAS. Conversely, poorer tax knowledge associated with negative attitudes toward taxation and increases the tendency to evading tax.

The finding of this study with regard to probability of auditing (β =-.677) has negative and significant relationship with tax compliance. Thus, hypothesis H3 is rejected. The result is consistent with Young (1994) a high probability of being audited would potentially decrease compliance creating a negative association. Young (1994) also argue that audits were found to be more effective in inducing taxpayers to over claim deductions rather than encouraging them to correctly report actual income. Upon this, this research shows that to be audit by the tax authority has a negative relationship with tax compliance. Further, previous studies also found mixed results about the relationship between probability of being audited and tax compliance. Some studies claimed that audits have a positive impact on tax evasion (Jackson and Jaouen, 1989; Shanmugam, 2003; Dubin, 2004); and Eisenhauer (2008). Conversely, Beron et al (1988) found a contradictory result. They reported that audits did not significantly correlate with evasion for all groups they studied.

With regard to simplicity of the tax system, the relationship between simplicity of tax system (β=.579) and tax compliance found to be positively and significantly associated with tax compliance. and thus, hypothesis H2 is accepted. When the tax systems have become increasingly complex through time in many developed countries, tax complexity has become an important determinant of tax compliance behavior. Particularly, in (SAS), tax payers themselves required to fill tax returns and their tax liability to the tax authority. Hence, in SAS it require at least a reasonable level of simplicity because taxpayers come from various backgrounds, with differing levels of education, income and most importantly levels of tax knowledge. This is further supported by Stephen (2011) and Silvani and Baer (1997) that suggested that simplifying the tax return will encourage taxpayers to complete the tax return on their own

rather than employing a tax agent and thus reducing compliance costs.

With regard to perception of tax payers towards government spending and tax compliance this study was found positive (β = 1.20) and significant relationship. Thus, hypothesis H4 is accepted. This result is also consistent with the findings of (Palil, 2010; Modugu and Anyaduba, 2014; Tilahun and Yidersal, 2014; Amina and Saniya, 2015; Ali, Fjeldstad and Sjursen, 2014 and Fjeldstad& Ranker, 2003). This result suggested that, if the government is spending the national revenue wisely for basic facilities, such as education, health, safety and public transportation, it is assumed that voluntary compliance will increase. In contrast, if taxpayers perceive that the government is spending too much on unnecessary things; taxpayers may feel betrayed and attempt to evade.

Regarding to tax fairness and equity, the result of this study shows positive and significant relationship between perception on tax fairness and equity (β=.551) and tax compliance. Thus, hypothesis H5 is accepted. This result is consistent with Lemessa, 2007; Tilahun and Yidersal, 2014; Amina and Saniya, 2015. The result also suggests that, if the tax payers feel that their tax burden is higher than other people within the same income group, their tax compliance probably decreases. This is also support by the study by Due and Friedlaender (1981). They argue that tax payers will oppose taxes that if they feel a tax system are unfair and allow others to escape a burden.

With regard to the influence of the referent group (Relatives, family etc), this study found positive and significant relationship between referral group (β=.287) and tax compliance. Thus, hypothesis H7 is rejected. This finding is similar with the following studies Clotfelter (1983); and Hasseldine et. al., (1994). Accordingly, the study by Allingham and Sandmo (1972) found that influence from family and friends significantly affect tax compliance. Clotfelter (1983) also claimed that referent groups play a significant role in evasion. In line with Hasseldine et. al.,(1994 and Clotfelter (1983), this study also suggests that friends and family members are of significant influence to taxpayers' behavior. The influence of referent groups tends to be important in SAS, as taxpayers are keen to refer their tax matters to their immediate family members or friends rather than tax experts, in order to minimize their compliance costs. If a taxpayer refers to a compliant taxpayer, then the tendency to commit tax evasion is lower, but if a taxpayer refers to a noncompliant taxpayer, they might become a non-compliant taxpayer as well.

Educational level of tax payers (β=.504) and tax compliance were positively related with tax compliance. This finding suggests that educated tax payers are tend to comply with tax laws compared with non educated tax payers. Chan, Troutman, and O'Bryan (2000) as cited in Stephen (2011) also suggest that greater education is directly related to a possibility of compliance. They argue that educated taxpayers may be aware of non compliance opportunities, but their potentially better understanding of the tax system and their higher level of moral development promotes a more favorable taxpayer attitude and therefore greater compliance. Chan et. al. also revealed that those with a

higher education level are more likely to have a higher level of moral development and higher level attitudes toward compliance and thus will tend to comply more. Therefore, the education levels become more important in increasing tax compliance across countries. Mohani (2001) also recommended that one of the measures to increase voluntary compliance is by assuring that taxpayers have a certain level of qualifications, ability and confidence to exercise their tax responsibility. Conversely, the most recent study, by Richardson (2008) also discovered that there is a negative relationship between education and compliance.

8. Conclusion

According to Pearson correlation Matrix result (see Table 1) tax knowledge, perception of tax payers towards government spending, tax rates, tax payer's perception towards equity and fairness, educational level of tax payers, tax penalty and the role of tax authority were significantly correlated with tax compliance. Results of the Ordered logistic regression analysis (see Table 2) suggested that compliance is significantly influenced by tax knowledge, simplicity of tax returns and administration, probability of auditing, perception on government spending, perception on tax fairness and equity, the influence of referral groups, and educational level of tax payers. This study also evidenced that, other variables such as penalty, role and efficiency of tax authority, tax rates, personal financial constraint of respondents, age and gender of respondents were not significant determinants of tax compliance behavior in SAS.

9. Direction for Further Research

There are some limitations of this study. Firstly, it considers only Category "A" tax payers in selected cities in South Ethiopia. Therefore, the findings of this study may be difficult to generalize about all tax payers in Ethiopia. Hence, this study can be improved if it is done at national level or by comparing tax compliance behavior in different business sectors by considering other tax categories. Further researchers can include other tax compliance determinant variables that were not included in this study.

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