Does The Presumptive Taxation System Fulfill The Principles of Good Taxation?
The Standard Assessments of Taxation in Ethiopia

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Abstract
Does the presumptive taxation system fulfill the principles of good taxation?
The study was conducted to assess whether the presumptive taxation system fulfils the principles of good taxation or not. In addition it studies the effects of following good taxation principles on the government revenue especially on tax revenue and on small and medium size taxpayers` activities. If presumptive taxation fulfils the principles of good taxation, adapted by Adam Smith or others, it is never harming taxpayers business and the government revenue which collected from small and medium size taxpayers. These principles include Smith’s four principles as well as others principles adopted in democratic century, those are simplicity, neutrality, economic growth and efficiency, transparency and visibility, minimum tax gap and appropriate Government revenues. In the study the primary data were collect by means of questionnaires which were distributed to 4 randomly selected cities’ taxpayers in Ethiopia. Accordingly analysis was made based on the ideas of small and medium size taxpayers. The presumption based taxation on the standard assessment method treats equally all individual business within a given category, regardless of their actual income or revenue. As a result, it can be regressive by imposing equal tax on individual business in the same category with different income or revenue. This leads to violation of the principle of good taxation.

Introduction
It is obvious that taxations are the principal sources of government revenues. The government also have obligation to set up sound taxation policies in order to collect fair taxation from the business according to their ability to pay. Taxation is a payment levied by government for which no good or service is received directly in return - that is, the amount of tax people pay is not related directly to the benefit people obtain from the provision of a particular good or service.

According to the data gathered from taxpayers, in Ethiopia very high numbers of taxpayers population are included in category “C” (small and medium size taxpayers) taxpayers. Compared to the rest category of taxpayers and the revenues collected from these sectors are covers very important parts to the governments. In addition to this small and medium size business are very high in number in developing counties like Ethiopia, so the government should be take care when collecting taxes from these sectors; by keeping the balances of their growth and as much as possible reducing the subjectivities of (presumptive) standard assessments of taxation.

Objective of the study
➢ To assess whether the presumptive taxation system recently applied in Ethiopia on small and medium size taxpayers fulfils the principles of good taxation or not.

Statements of the problem

1 According to proclamation No. 286/2002 ,Category “C” taxpayers are the taxpayers whose annual revenue is less than ETB 100,000 (less than 5000 USD , exchange rate during this period 1USD= 20 ETB)
The primary goal of most governments that introduce presumptive taxation schemes is to broaden the country's tax base by preparing citizens and businesses in the informal sector to enter the formal tax net. However, presumptive taxation has proven to undermine this goal as taxpayers remain in presumptive taxation regimes indefinitely or regress from formal taxation programs to presumptive taxation schemes.

In Ethiopia Revenue office imposes tax on small and medium size taxpayers (category “C” taxpayers) based on standard assessments and/or by estimating the taxpayers’ revenue and income which is declared by the tax assessment committee. The tax imposed by estimation methods may have a negative effect on the business’s income and growth. In addition the presumption based taxation on the standard assessment method treats equally all individual business within a given category, regardless of their actual income and activities. As a result, it can be regressive by imposing equal tax on individual business in the same category with different income. This leads to violation of the principle of tax equity.

Different tax practitioners, economists and legal bodies agree as a good tax system should not affect the ability and willingness of the people to work, save and invest. If not, it will affect the development of trade and industry and the economy as a whole. Thus, a sound tax system should contribute in the economic development of a country. Yitzhaki 2007 also portrays any tax authority that respects basic human rights has to impose taxes according to a definite base in order to avoid random and arbitrary taxation. Therefore this study relies on the following hypothesis to be tested.

**Hypothesis**

Ho: presumptive Taxation system in Ethiopia Fulfils the Principles of Good Taxation. (Presumptive taxation system presently on action in Ethiopia is not conflicting from the principles of good taxation)

**Methodology**

This study reflects several important features of quantitative and qualitative research, including a focus on discovering and understanding the experiences, perspectives, and thoughts of participants (category “C” taxpayers and employees of revenue offices) through various strategies of inquiry described in scheduled questionnaires. The study was also conducted in naturalistic settings in which inquiry was flexible and guided by participants’ comments, which in some instances were used to construct explanations of their views and perspectives. An important feature of several of these studies is their use of elements of different strategies of questions constricted to get the views of respondents.

The study has been conducted at four randomly selected cities in Ethiopia, viz. Adama town, around 100 km away from (capital city) Addis Ababa to Eastern region of Oromia, Bedele town around 550 km away from Addis Ababa in the south western region, Bahir Dar town around 570 km away from Addis Ababa to the north, it is the parts of Amhara region and the fourth city included in the study is Addis Ababa city. In these towns there are many business sectors that are categorized under category “C” taxpayers, however the researcher, was going to focus only on the target population unincorporated Hotel, Retail shops, Beauty salons, and Furniture shops that are categorized under category “C” taxpayers mostly affected by the problems with the aim of the researcher wants to observe. Therefore 300 taxpayers were selected on the basis of simple random sampling. Since the population included in the study was large in number and significantly vary in their activities, it was not practical to study all the members of the population. So using the effective sampling technique was the best way to succeed the objective of this study within the appropriate cost budget and time frame.

The types of business included in the study has been selected based on the number of business in category and taken the first four ranked business, then a simple random sample is selected from each selected categories. i.e. retail shops, hotels, beauty salon and furniture shops. The total sample sizes of the population were 300 respondents. This has equally selected from four cities regardless of the size of the cities. In the sample size around 66.6% of them have been selected from shops, 20% from hotels, 6.6% from beauty salon and 6.6% of them from furniture shops. Choice discover
In order to measure the association between variables cross tabulation has been used in this study. Regression models for testing the correlativity and coefficients of the variables are calculated with first before specifying each details of the principle of taxation the respondents request for their response independently to the general “presumptive taxation fulfils the principles of good taxation” regardless of the sub variables. And then the respondents suggested filling their perception in each sub variables included in principles of good taxation. Mathematically the model has been specified as:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \ldots + \beta_n X_n + U$$

For the Y independent variable displayed the respondents’ perception about the general principles of taxation in presumptive taxation system presently in action in Ethiopia, $X_1, X_2, \ldots, X_n$, perception of taxpayers’ on each variables of the principles of good taxation. $\alpha$ constant at all variables are equals to zero and $\beta_1, \beta_2, \ldots, \beta_n$, coefficients to be estimated associated with the independent variables. With the above multivariate regression equation, the impact of each of the explanatory variables on the magnitude of the principle of good taxation was assessed in terms of the statistical significance of the coefficients ‘$\beta_i$’ Using a 5 per cent level of significance, an estimated coefficient was considered to be statistically significant if $p$-value $0.05$ (one-tailed test) or $p$-value $0.025$ (two-tailed test). The natural logarithm of all continuous variables used in the regression model was taken (including good taxation principles estimates) to reduce any heteroscedasticity that might exist. In this regard, Gujarati (2003, p. 421) stated that log transformation very often reduces heteroscedasticity compared with the use of OLS without transformation.

**Theoretical and empirical Reviews of related literature**

Any tax system there is the equivalent of a vision, mission and values. The vision constitutes the purpose of taxation. The mission identifies the forms of taxation and the methods of administration, collection and enforcement. The principles equate to the values that underlie the tax system. The analysis and content of the principles underlying the system are surrounded within the perceived purpose of taxation. When examining tax principles, it is worth starting with a review of the famous four canons of taxation put down by Adam Smith, who is generally considered (certainly in the English-speaking world) to be the father of modern political economy. In The book of the Wealth of Nations (1776) he argued that, ‘the evident justice and utility of these maxims have recommended them more or less to the attention of all nations’.

**Equity and Fairness**

The subjects of every state ought to contribute towards the support of the government, as nearly as possible, in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state.

According to AICPA\(^3\), 2001, PICPA\(^4\), 2002, equity and fairness is described as similarly situated taxpayers should be taxed similarly. The principle of taxing similar taxpayers similarly is typically described in terms of equity. The concept of horizontal equity provides that two taxpayers with equal abilities to pay should pay the same amount of tax. If a taxpayer has a greater ability to pay than another taxpayer, the concept of vertical equity comes into play, which means that the person with the greater ability to pay should pay more tax. Of course, how much more tax should be paid has been a topic of debate under our current income tax system and, over the decades, has resulted in a variety of ranges of graduated tax rates and exemption amounts leading to varying levels of progressivity of the system. The principle of equity is often viewed as a fairness principle. That is, many people view a tax as fair if taxpayers with the greatest ability to pay have the highest tax burdens.

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\(^2\) ACCA is the global body for professional accountants. They support their members and students throughout their careers, providing services through a network. ACCA’S focus is on professional values, ethics, and governance, and they deliver value-added services through 50 global accountancy partnerships, working closely with multinational and small entities to promote global standards and support.

\(^3\) AICPA: American independent certified public accountants

\(^4\) PICPA: Pennsylvania Institute of Certified Public Accountants
The burden of taxation should be shared in accordance with taxpayers’ respective ability to pay, sometimes referred to as ‘the ability to pay’ principle. It is difficult to see how this principle (normally applied to personal taxation) could or should be applied to company taxation. However, the ‘ability to pay’ could be relevant when considering whether or not unrealised profits should be taxable. The concept that higher profits should be taxed at higher rates is not often applied to companies other than certain reliefs for small companies in some countries. (EUROPEAN COMMISSION, 2004)

According to the literature stated above about equity and fairness of taxation principle, the Ethiopian presumptive taxation system using indirect indicators to assess taxation on small and medium size taxpayers with subjective criteria. The committee in charge to assessing taxation on small and medium size taxpayers have no any reference about the activities of the taxpayers but seeing only the size, place, number of seat, item sold in business, etc and estimate the daily sales of the taxpayers multiplying to 300 days in the year and then transfer the amount to tax office as the base to assess taxation. Therefore during the occasion different types of taxpayers considered as the same ability to pay tax with different real amounts of revenue, so the one which have higher amounts of profit pay less taxation and in the same group the one which incur loss also pay the same amount with the one which generate profit in the group. These types of taxation not fulfil the principles of good taxation.

Certainty and Simplicity
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 the contributor, and to every other person. The tax rules should be clear and simple to understand so that taxpayers can anticipate the tax consequences in advance of a transaction, including knowing when, where and how the tax is to be accounted.

Convenience and Efficiency
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. A tax should be due at a time or in a manner that is most likely to be convenient for the taxpayer. For example, a tax up on the purchase of goods should be assessed at the time of purchase when the person still has the choice as to whether or not to buy the goods and pay the tax. Convenience of payment is important in helping to ensure compliance with the tax system. The more difficult a tax is to pay the more likely that it will not be paid. Typical payment mechanisms include withholding and periodic payments of estimated tax liability (Alley Bentley, 2005). In case of presumptive taxation in Ethiopia the payments of turn over tax is made at the ends of the year with income tax. It is not convenient, two types of taxes paid at one time is difficult to taxpayers and the time when tax payment made is not the time when the taxpayers incur more revenue, it is not convenient time to pay tax in the month of July-August in Ethiopia because of the time is the time of heavy rain in almost over all the country.

Every tax ought to be contrived as both to take out and to keep out of the pockets of the people as little as possible over and above what it brings into the public treasury of the state. Generally taxes should be neutral to ensure that investment decisions take into account the 'best' location from an economic perspective. This avoids 'locational inefficiency' whereby investments are not placed where the productivity of capital is highest. However, taxation policy may be used to correct 'market failures' whereby distortions or inefficiencies in a particular market economy can be 'corrected' by the use of specific tax incentives. Determining whether a tax policy is correcting a market failure, or is inefficient can be difficult (ibid). Compliance costs for taxpayers and administrative costs for the tax authorities should be minimised as far as possible. (Alley and Bentley, 2005)

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Elasticity

Elasticity is a measure of whether the growth in tax revenues keeps up with the economy an important consideration because the cost of providing public services usually grows at least as fast as the economy. An elastic tax system is one that grows faster than the economy during good times, and falls faster than the economy during bad times. Over the course of the business cycle, elastic taxes like the personal income tax help to ensure adequate revenue streams (ITEP, 2011).


Anyone may arrange his affairs so that his taxes shall be as low as possible; he is not bound to choose that pattern which best pays the treasury. There is not even a patriotic duty to increase one’s taxes. Over and over again the Courts have said that there is nothing sinister in so arranging affairs as to keep taxes as low as possible. Everyone does it, rich and poor alike and all do right, for nobody owes any public duty to pay more than the law demands: Taxes are enforced exactions, not voluntary contributions. To demand more in the name of morals is mere cant. Honourable Learned Hand, US Appeals Court Judge, Helvering v. Gregory, 69 F.2d 809 (1934).

Generally the tax rules should be clear and simple to understand so that taxpayers can anticipate the tax consequences in advance of a transaction, including knowing when, where and how the tax is to be accounted. Tax principles adopted by others after Adam Smith are more or less overlapped, most of them are more expanded the principles, has been making revision with their period political and justice situation, such as taxation in the democratic period holds more extended principles than the previous taxation principles.

Results analysis and discussions

Ho: presumptive Taxation system in Ethiopia Fulfils the Principles of Good Taxation. (Presumptive taxation system presently on action in Ethiopia is not conflicting from the principles of good taxation)

Results analysis and discussions

TRV=q1+q2+…..+q12=7264
ARV= 7340/300= 24.21
AWV= (24.21X5)/60= 2.017

Where

TVR= total response value
AVR= Average response value
AWV= Average weighted value

According to the data displayed in table one below, the calculated average value of respondents’ response is 24.5 and the average weight is 2.02. Therefore, the null hypothesis is rejected and as expected average response (30 or 3) is greater than computed survey value (24.2 or 2.02) it is strong evidence to accept the alternate hypothesis. This reflects that the standard assessments of taxation in Ethiopia is not satisfied the principles of good taxation, considering the taxation principles adopted by deferent economist and tax Practitioners.

Descriptive Statistics

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Sum</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fairness of taxation</td>
<td>300</td>
<td>659</td>
<td>2.20</td>
<td>.884</td>
<td>.781</td>
</tr>
<tr>
<td>Conveniences</td>
<td>300</td>
<td>610</td>
<td>2.03</td>
<td>.833</td>
<td>.695</td>
</tr>
<tr>
<td>Certainty</td>
<td>300</td>
<td>612</td>
<td>2.04</td>
<td>.809</td>
<td>.654</td>
</tr>
<tr>
<td>Fulfills ability of payments</td>
<td>300</td>
<td>584</td>
<td>1.95</td>
<td>.716</td>
<td>.512</td>
</tr>
</tbody>
</table>

ITEP: Institute of Taxation and Economic Policies, 1616 P Street, NW Suite 200 Washington, DC 20036
Equity (vertical and horizontal) 300 596 1.99 .722 .522
Transparency 300 587 1.96 .839 .704
Simplicity 300 575 1.92 .765 .585
Economy 300 513 1.71 .698 .488
Productivity 300 662 2.21 .963 .927
Efficiency 300 650 2.17 1.072 1.149
Elasticity 300 596 1.99 .862 .742
Expediency 300 620 2.07 .986 .972
RTOTAL 300 7264 2.017 .40860 .167
Valid N (list wise) 300 24.21

Source: primary data

ANOVA tables 2

<table>
<thead>
<tr>
<th>Source of Variation</th>
<th>SS</th>
<th>Df</th>
<th>MS</th>
<th>F</th>
<th>P-value</th>
<th>F crit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>62.6</td>
<td>11</td>
<td>5.7</td>
<td>7.822</td>
<td>1.49E-13</td>
<td>1.79131087</td>
</tr>
<tr>
<td>Within Groups</td>
<td>2610.267</td>
<td>3588</td>
<td>0.727</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2672.86</td>
<td>3599</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: primary data and own computation

The data displayed in ANOVA table above, the calculated F value, within 0.05 level of confidence, is 7.14 and the standard table value in the degree of freedom (11,3588) is 1.79, so considering this test value the calculated F value (7.822) is greater than the standard table value (1.79) and the P value is almost near to zero and less than 0.05. therefore there is strong evidence to reject the null hypothesis, and accept alternate hypothesis, that the standard assessments of taxation in Ethiopia is not satisfied the principles of good taxation, (the average respondents response value for raised questions on principles of taxation is less than 30 or less than 3 average weights) considering the taxation principles adopted by deferent economist and tax Practitioners. The ANOVA test value supports the results displayed in descriptive table above.

Regression analysis for using “RTOTAL”, total summation in the individual variables in principles of good taxation, fairness, conveniences, certainty, ability to pay, equity, transparency, simplicity, economy, productivity, efficiency, elasticity, and expediency with “PPT” general respondents perception about principles of good taxation in presumptive taxation recently acted in Ethiopia.

Table 3 Descriptive Statistics

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Sum</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>RTOTAL</td>
<td>300</td>
<td>7264</td>
<td>24.21</td>
<td>4.903</td>
<td>.167</td>
</tr>
<tr>
<td>principles of good taxation in presumptive taxation</td>
<td>300</td>
<td>595.</td>
<td>1.9833</td>
<td>.55142</td>
<td>.304</td>
</tr>
<tr>
<td>Valid N (list wise)</td>
<td>300</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: primary data and own computation

The mean for summation of individual indicators in principle of presumptive taxation is 2.02 and the general observation of taxpayers’ response about presumptive taxation principle 1.98 and there is positive correlation between RTOTAL and PPT, which means the taxpayers were really observes whether presumptive taxation fulfils the principles of good taxation or not. Using Pearson correlation

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7 **RTOTAL**: total summation of individual variables in principle of good taxation, fairness, conveniences, certainty, ability to pay, equity, transparency, simplicity, economy, productivity, efficiency, elasticity, and expediency.

8 **PPT**: the independent variable because it is under the researcher’s control and the researcher is interested in measuring its effect. The general respondents’ perception about the principles of good taxation before each determinant variable exposed to them.
general principles of taxation and observed principles of taxation have positive correlated with value of 0.715 with significant (1-taile) 0.008 much lower than 0.005 significant levels.

**Table 4 Model summary**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.846a</td>
<td>.716</td>
<td>.715</td>
<td>2.617</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), principle of good taxation in presumptive taxation

**Table 5 Coefficients**

<table>
<thead>
<tr>
<th>Model</th>
<th>Standardized Coefficients</th>
<th>Beta</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td></td>
<td>16.444</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>Principles of good taxation in presumptive taxation</td>
<td>.846</td>
<td>27.411</td>
<td>.000</td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent: Variable RTOTAL

From the table 5 we conclude that it is significant that the data collected by questioners to generalize and to support us in rejecting the null hypothesis.

**Interviews analysis from revenue office employees**

In the study structured interviews have been conducted with revenue office employees in order to check any contradicting idea has been happened between taxpayers respondents and the survey results obtained in questioner from small and medium size taxpayers. Accordingly 20 tax office workers were purposely selected by researchers and requested to answer about the presumptive taxation and the principles of good taxation. The question has offered as “do you believe that presumptive taxation system recently applied in your office fulfills the principles of good taxation?” Around 18 respondents representing 90% has given response as “no” because it is assessed on indirect assessment mechanisms and contain subjective criteria which never keeps the equality and ability of taxpayers. In addition the respondents reminded the reasons of imposing unfairness of taxation on small and medium size taxpayers is one the tax assessment system is complex to understand, second no willingness from tax assessors to disclose information to taxpayers about the tax assessment methods, third low level of understanding of taxpayers, forth subjective criteria of tax assessments, forth less developments of tax controlling structure, fifth corruption, nepotisms and illegal activates from tax revenue office workers and tax assessment committee.

Generally when the researchers concluded from the interviews, the Ethiopian presumptive taxation system has troubles in fulfilling the good taxation principle which recently adopted in democratic countries. Therefore this idea also supports the analysis of quantitative data which has been collected from the taxpayers and hypothesis tested above, has been accepted the alternate hypothesis; “presumptive Taxation system in Ethiopia not Fulfils the Principles of Good Taxation.”

**Conclusion and recommendation**

In developing countries, Small and medium size business serve as a useful bridge between the informal economy of family enterprises and the formalized, corporate sector. As such, most policymakers consider the health of the small and medium size sector to be highly important to an economy. Ethiopia is not an exception to this concern. In Ethiopia, it is the small and medium firms that constitute the majority of firms, and they account for around half of the workforce. Taxes should have broad bases and low rates to minimize negative economic effects on prices and to reduce the potential for administrative corruption and tax evasion.

Minimize tax concessions To discourage corruption and evasion is for fewer rates of tax to reduce the problems arising with differentiated tax rates.

To improve the convenience and simplicity of the taxes facing unsophisticated or poorly educated taxpayers is the use of simple and often “presumptive” (estimated) taxes although this approach needs to be handled with great care to avoid doing harm.
Revenues from income taxes are buoyant indeed two reasons that countries traditionally were advised to rely more on income tax with economic development were that taxes would more closely reflect citizens’ ability to pay and that revenue would be more income elastic. Even those people who think that distribution is primarily the task of the expenditure rather than the revenue side of the budget would do well to keep in mind the elastic nature of the income tax. Indeed, governments presumably should be interested in both the elastic and the progressive characteristics of the income tax the first to finance expanding expenditures and the second to increase the degree of perceived fairness and trust in government. Tax policy balances potentially conflicting objectives including revenue collection, economic efficiency, equity and other social goals, while attempting to minimise administration and compliance costs ‘before focusing on an analysis of the meaning of certainty.

Contributions by taxpayers should be in proportion to their ability to pay according to income and similarly situated taxpayers should be taxed similarly’. ‘The subjects of every State ought to contribute towards the support of the Government, as nearly as possible in proportion to their respective abilities; that is in proportion to the revenue which they respectively enjoy under the protection of the State.’ The equity principle is often perceived to be the fairness principle, i.e., what people view as fair they will view as equitable. ‘Many people view a tax as fair if taxpayers with the greatest ability to pay have the highest tax burdens. The fairness of taxation tied with the transparency of tax assessors, as indicated in data, maximum numbers of taxpayers do not know how the tax officer imposes tax on their business, some of the reasons are as follows:

- The tax assessment system is complex to understand.
- Tax assessors are not willing to disclose the ways of tax assessments made.
- Tax assessors keeps as a secret for taxpayers the rules and regulation of tax assessments.
- Taxpayers are not willing to request revenue office to show the ways of tax assessments.
- Low level of understandings of employees of revenue office
- Less awareness of tax assessment committee about the situation of business
- Bases for tax payments are assessed with indirect indicators once per two years, and
- Other reasons.

All the above listed problems have one things in common; they reduces and hamper the principles of good taxation, if the tax system loses the principles of good taxation, such taxation is negatively affects the taxpayers business activities, and the system is easily exposed to corruption and nepotisms.

The study also investigated the problems of unfair taxation, on the activities of small and medium size business sectors. From the study unfair taxation causes the business to be imposed over payments of tax without real consideration of their income. Unfair taxation forced taxpayers to close down their businesses, shifts their business to other sectors, and changes their address frequently to regrets from tax assessment committee because the tax is assessed once per two years. And also the business supposed to hide their business and sales illegal business together with the legal business.

References


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Wojciech Kopczuk, (2004), Tax Bases, Tax Rates and the Elasticity of Reported Income, Department of Economics and SIPA, Columbia University, 420 West 118th Street,Rm. 1022 IAB, MC 3308, New York NY 10027 and NBER.

“The wisdom of man never yet contrived a system of taxation that would operate with perfect equality.” Andrew Jackson