Abstract: The paper was to investigate the tax assessment system and tax collection of small taxpayers in the case of Gambella Regional state. To achieve the objectives of this research, both a quantitative and qualitative research approach was adopted and a descriptive & explanatory research type was employed. Probability and non-probability technique were used to select samples. Primary and secondary data source were collected with questionnaires, interview, and review documents. The identified key problems were; taxpayers are not registered voluntary, complexity of the tax laws and regulation, inexperienced daily income estimating committees, unable to make regular assessment on daily income, unfair estimation of daily income estimating committee, inappropriate enforcement action and audit. Finally, based on the findings possible recommendations were given. These include, develop awareness’ creation, improving service delivery, simplifying the tax rules and regulation, frequently building the capacity of the estimating committee, regular assessment of income, ensuring fairness and equity, improving the performance of collection, strengthen the audit, established independent appeal committee and commission.

Keywords: Estimating committee, daily estimated income, assessment methods.

I. Introduction

Back Ground of the study

Tax is involuntary fees paid by individuals and businesses to the government. Tax is compulsory charge or other levy imposed on the individuals or legal entity by a state or a functional equivalent of a state. Taxes can also be imposed by the sub-national entity (province, municipality). Taxes are unrequited payments in the sense that benefits provided by the government to tax payers are not normally the proportion to their payments. Taxes are lived under the law of the state. In modern democratic societies taxes requires a legal basis (Matthias, A. Kommer, 2011). In order to improving the tax revenue many developing countries have implemented major reforms to their tax systems, including an increased emphasis on indirect taxes, a rationalization of tax types and review of tax rates, a revision of tax laws to standardize and strengthen punitive measures, and a revamping of the administrative procedures and processes in the tax system (Tanzi& Zee, 2001). In the case of Ethiopia, a number of recent studies have pointed to such factors as unfair competition from the informal sector, poor access to land and infrastructure, lack of access to finance and requirements for collateral, low productivity of human resources, inequality in tax administration, and corruption, as constraints on small business, and hence, inhibitors to the economic development of the country (Hansson, 2004).

Statement of the problem

According to (Teepee, 2003) the revenue collected from small business groups of the tax payers are very low because of Small tax payers fail to comply due to tax agencies often do not have effective mechanisms for controlling them, poor infrastructure and large informal sector in developing countries (i.e. about 50 and 65 percent) result in informal approaches to setting up, changing and winding up Small businesses. The sector is characterized by inadequate record-keeping and weak financial or internal controls by a network of close family members, business associates, employees or friends. Often business and private transactions are not separated and there may be no oversight boards or committees. This study has been conducted to identify the major problems such as taxpayers is not registered voluntary, complexity of the tax laws and regulation, inexperienced daily income estimating
committees, unable to make regular assessment on daily income, unfair estimation of daily income estimating committee, inappropriate enforcement action and audit.

Objective of the Study
The objective of this study was to assess the tax assessment and collection on small taxpayers in the case of Gambella Regional state.

Specific objectives of the Study:
The specific objectives of this research will include the following:
- To assess whether the tax officers and the daily income estimating committee have enough knowledge about the rules and regulations of tax?
- To assess the fairness of the daily income estimation of small taxpayers of the regional revenue offices?
- To assess the tax collection systems of small taxpayer’s revenue office of the region?

Research Questions
The specific objectives stated above guided the following key study questions:
- To what extent do the tax officers and the daily income estimating committee have enough knowledge about the rules and regulations of tax?
- How is the fairness of the daily income estimation of small taxpayers of the regional revenue offices?
- What are the tax collection systems of small taxpayers’ revenue offices of the region?

II. Literature Review
Definition of Taxation
Taxation is referring to assessment, collection, administration and management of taxes. It deals with raising public revenue, managing public expenditure and public debt. The general idea behind taxation is the provision of public goods and services. However, the benefits received by taxpayers from the government are not related to or proportionate to the tax paid (Odongo, 2011). According to (Kangave, 2005) Tax administration encompassing, registration of taxpayers, assessments, returns processing, collection, and audits. Standard assessments assign the fixed amount of taxes to taxpayers on the basis of occupation or business activity. The payments are established by determining the average taxable income of a few taxpayers selected at random. Average income is income that could be earned by taxpayers who worked an average number of hours, put forth an average level of effort, took average risk, and used an average technology of the time period. A slightly more refined alternative is to use a more complex approach that is based on a number of factors. As a rule, standard assessments are irrebuttable, exclusive, and formal. According to the French forfait (Thuronyi, 2004) assessment method, each taxpayer’s income is individually estimated based on the indicators specific to a given occupation or business activity. This method employs a variety of techniques to derive taxpayer’s income, both simple and complex.

III. Research Methodology
Research Type
The type of research employed for the purpose of this study was descriptive survey type of research was used, where data obtained from the respondents are recorded, descended, analyzed, and interpreted by conducting field survey.

Research Design
In order to address the research objectives and hence question the appropriate research design was adopted. For this research Mixed research design was used.

Target Population
According to Diamantopoulos (2004), a population is a group of items that a sample was drawn. The total estimated target population for this study were 64 tax officers, 37 representatives of
tax payers and kebele officials (daily income estimating committee) from each woreda and 3,780 taxpayers whose annual turnover less than five hundred birr (500,000) that engaged on hotels, Grocery, retail shops, boutique, tea and coffee houses and cooperatives from twelve (12) woredas and one town administration and one special woreda of the region such as, Abole, Abobo,Gog.dima, Lare, Makuy, Wantuwar Akobo, Jikawo, Itang(special woreda) Goder and Mengeshi and Gambella town administration.

**Sample size and Sampling techniques**

The sampling method used for this research both probability and non-probability sampling methods. Stratified simple random Probability sampling technique was used for tax payers found in each woreda by dividing taxpayers based on the sector (the type of business activity) whereas Judgmental non probability sampling technique used for selecting tax officers and censes for taxpayer’s representative from each woreda.

According to Bartlett (2001) to determine, the sample size used the following formula when the population is greater than 10,000.

\[
n = \frac{Z^2 \cdot p \cdot q}{d^2}
\]

\(n = \) the desired sample size when the population more than 10,000

\(Z^2\) = standard normal variable at required level of confidence of (92% and its Z Value = 1.75)

\(P = \) the proportion in the target population (given as in social sciences 0.5)

\(q = 1 - P\)

\(d^2 = \) the level of standard devotion (0.08)

Based on the above formula the researcher calculates the sample size of the Taxpayers is.

\[
n = \frac{(1.75)^2 \cdot (0.5) \cdot (0.5)}{(0.08)^2}
\]

\(n = (3.0625) \cdot (0.25)\)

\(n = (0.765625)\)

\(n = 120\)

When the population is less than 10,000

\(N = \) Estimated population size

\(N = \) the desired sample size, when population is less than 10,000

\[
FN = \frac{n}{1 + \frac{n - 1}{N}}
\]

\(FN = \frac{120}{1 + \frac{120 - 1}{4,780}}\)

\(FN = 117\)

Based on the above formula from the total taxpayers 117 samples were selected while from the total population 64 tax officers 50 samples will be selected and the whole taxpayer’s representatives (those who participated in estimating daily income) were taken.

**Data type, source and method of collection**

In order to achieve the objective of the study basically both primary and secondary data were used. The methods of data collection or techniques are primary and secondary sources. Primary data was gathered using survey of Self-administered both open ended and close ended questionnaires from taxpayers and semi-structured interview questionnaires from tax officers and focus group discussion.
with taxpayer’s representative and kebele officials. In addition to primary sources, secondary sources like booklet, office document, journals and internet are used from data held by the revenue office.

**Methods of Data Analysis**

In the qualitative part of the study, after the data had been collected and processed, descriptive technique was adopted for analysis of the data. Besides, the qualitative part used percentages, mean and standard deviation statistical tools to strengthen and to make the study more systematic. In general, to analyze the data, statistical package for social science (SPSS) software was used.

**IV. Findings and Discussion**

**Introduction**

This chapter presents data analysis and discusses key findings. The main objective of this chapter is the presentation and analysis of the findings on the tax assessment and collection on small taxpayers in the case of Gambella regional state (Gambella, Ethiopia). Tables have been used to present the findings. The chapter also aims to investigate the sample characteristics of the 109 Small taxpayers and 50 tax official who were acted on questionnaires in this survey. This chapter investigated sample characteristics, provide descriptive statistics on the responses for each questionnaires.

**Identification of new taxpayers and upgrade the existing taxpayers’ data**

The responses of tax officers on taxpayers’ on identification and registration of new taxpayers 19% the revenue office identify and register new taxpayers and upgrade the existing taxpayer’s data regularly whereas the rest 81% of the respondents were respond that not identify and registered and 33% the revenue office co-operate with kebele administration and other government organization to register and compliance while the remaining 67% were respond no.

Taxpayers’ Registration in views of taxpayers, the survey result 43% of tax payers registered as per own interest or voluntarily by the potential taxpayers, 55% of the respondents’ were responding through identification and enforcement by the tax administration office and 2% were in other ways. For eligible business under the tax net; 72 % yes and 28% were no.

**Tax assessment in views of Tax officials**

Estimation criteria 100% of the respondents replied the revenue office have standard estimation criteria which is using estimation based on sales information whereas regarding to the clarity of tax proclamation, regulation and directives 33% response were clear, while 57% were said not clear and the remaining 10% were not known. Regular tax assessment of taxpayers before estimation made 33% were made regular tax assessment 43% were not made and Regarding specialized training programmed for the tax estimation committee; the response, 57% were respond that they get specialized training programmed for the tax estimation committees whereas 43% were respond that special training program was not given. Regular assessment while 24% were respond don’t know. For the survey estimating committees have experience to estimate the daily sales of the taxpayers; 38% of the respondent were respond they have experience to estimate the daily sales while the remaining 48% of the respondent were respond they didn’t have experiences to estimate the daily sales and 14% were they respond don’t know.

**Tax assessment in views of Taxpayers**

The survey regarding to the record keeping for daily sales; the result, 11% of the respondent said keep a record for the daily sales and 89% of them did not keep a record and 34% of the respondent replied they know the assessment method whereas, 66% of them answered they did not know. For the clarity and simplicity of the assessment method 23% the assessment method simple and clear while 32% and 45% respond no and I don’t know respectively. Regarding to regular assessment of income estimation by the tax office; the result of this survey, 42% of respondents replied the revenue office made an assessment and 58% of them were replied no.
For appointing representatives 37% of them nominate their appropriate representative whereas 53% were not nominating their appropriate representative and 10% of them were not responding. Estimation of income 43% their income is estimated appropriately while; the rest 56% of them were replied not estimated appropriately. The fairness of tax liability and estimating committee, the survey result indicates that, 34% of the respondents were answered the tax liability and 42% of the estimating committee work were fair whereas the remaining 66% and 58% answered not fair.

**Tax Collection and enforcement procedures**

The goal of collection and general enforcement is to control tax arrears and offences. When the taxpayer has not made payment on the due date, and does not object to the tax assessed, tax authority can enforce payment in a number of ways. Priority must be given to debt management procedures because many conventional debt recovery procedures tend to be costly and may involve lengthy procedures and litigation of small taxpayers that contribute insignificant amounts of revenue. Nonetheless, even small taxpayers must bear the consequences of persistent non-compliance through stringent measures (Terkper, 2003).

<table>
<thead>
<tr>
<th>Year</th>
<th>Budget</th>
<th>Actual collection</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007 E.C</td>
<td>7,054,099</td>
<td>8,989,628</td>
</tr>
<tr>
<td>2008 E.C</td>
<td>14,002,745</td>
<td>14,523,109.00</td>
</tr>
<tr>
<td>2009 E.C</td>
<td>16,212,937</td>
<td>15,740,230.60</td>
</tr>
<tr>
<td>2010 E.C</td>
<td>26,659,357</td>
<td>25,495,011.32</td>
</tr>
</tbody>
</table>

**Table 2 Tax Collection Performance**

<table>
<thead>
<tr>
<th>Year</th>
<th>Tax Collection Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007 E.C</td>
<td>127%</td>
</tr>
<tr>
<td>2008 E.C</td>
<td>103%</td>
</tr>
<tr>
<td>2009 E.C</td>
<td>97%</td>
</tr>
<tr>
<td>2010 E.C</td>
<td>95%</td>
</tr>
</tbody>
</table>

Based on the above data it concluded that the revenue collected from the sector is increasing each year but the increasing due to additional new business joining to the sector

**V. Conclusion And Recommendations**

**Introduction**

This chapter presents the conclusions and recommendations based on the results of the findings whether there was proper assessment methods and tax collection in Gambella regional state.

**Conclusion**

Based on results obtained through data analysis, the following conclusions are made: - Problems of identifying and register new taxpayers and follow up for the existing taxpayer’s weather sustained or terminate from the market, lack of co-operation b/n the revenue office, trade and industry bureau and kebeles. The revenue office has a standard estimation criterion, which is using estimation based on sales information.

The tax proclamation, regulation, directives and procedures were not clear both to the taxpayers and even to the daily income estimating committees. The revenue office failed to make regular assessment on the taxpayers’ income. The daily income estimating committees were not experienced in the estimation of daily sales income of the taxpayers. The daily income estimating committee they did not get training before estimation was made. The estimation committees were not fair at the time of estimating daily sales income because of unethical committees gives information to friends and
relatives to hide the sales item, they absent in the estimation of the standard assessment, lack of accountability and fairness. Taxpayers were not nominating their representative included in committee instead the tax office select based on its own interest this affect the fairness. The daily sales income estimation was not appropriate and the tax liability is not fair. The tax revenue collection increased in each but the performance was decreased when compared to the budget because of the revenue office was not collected according to the plan.

**Recommendations**

Improve voluntarily registration of taxpayers; by create awareness to the taxpayers and the public by professional and religious leaders. In addition to this established strong coordination b/n the revenue office, trade and industry bureau and kebele. Accessing and verifying the tax directives and procedures to the taxpayers and daily income estimating committees.

The revenue office should make regular assessment at list once per year on the taxpayers’ income and increasing the number of estimating committee to address all the taxpayers and to gather accurate information form taxpayers and third party. To build the capacity of the tax officials and for daily sales income estimating committee before implementation. To develops code of conduct for the daily sales income estimating committees, taxpayers freely and clearly appointing their representative organized independent appeal committee within the office and takes measures against the committee who worked unethical at the time of assessment. To enhance revenue collection, the revenue office of each woreda and zone should be plan their budget accurately based on factual data.

**Reference**