

## Behaviour of business class tax payers on tax compliance in Ethiopian revenue administration

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**Abstract:** Tax compliance issue is a major problem in revenue generation by the federal government in African countries. In Ethiopia, tax mobilization was also the lowest among sub-Saharan African countries and main purpose of the research is to identify the factors influencing the behavior of tax payer's on tax compliance in Dessie town revenue authority. The target population of the study was Business Class people which denotes as category "A" tax payers of Dessie town and a Sample of 330 business was taken using stratified sampling followed by random sampling from each stratum from the total population of 1898. The taxpayers were stratified into trade (retailer and wholesaler), service sector and manufacturing (process) according to their field of work or business. The primary source of data was used to collect five point Likert scale data through questionnaire and partake 92.12% (304) as response rate from the sample size. The results exhibited that factors like tax knowledge, perception of tax payer's fairness in tax system and equity, the influence of referral groups (friends, relatives) and probability of revenue authority audit and government spending on tax collection were influenced the tax payer's behavior on voluntarily tax compliance. Finally, the revenue office has to ensure understanding of tax knowledge by the tax payer, maintain the transparency of the tax system and equity, collected tax has to be spend wisely by the Ministry of Finance and Economic Development for the welfare of the society and infrastructural development of the country.

**Keywords:** Behavior, Tax payers, Revenue Administration, Tax Compliance, Transparency in Tax system and Distribution Pattern.

JEL : C83, G40,H26.

### Introduction

Tax is a compulsory contribution (levy) payable by an economic unit to a government without any expectation of direct and equivalent return from the government for the contribution made (Bhatia, HL, 1976). Taxes and tax system are essential in Nation Building and also the most

important source of government income, where country's governments collect a large amount of income through taxation (Alemayehu, 2018). The Government has to make huge investment to offer different public services and this expenditure expected to be financed by tax revenue (Amina, 2013). However, taxpayers are always unwilling and not ready to comply when it comes with the obligations imposed on them by law (Yoseph, 2018).

Today the role of the government is significant and has to collect more tax than ever to finance its operation. Similarly, the government are facing difficulty in collecting tax due to Tax noncompliance. It is socially destructive, as it can reduce revenue, distort labor market and weaken state stability by feeding perception of cheating and fraud. Further, the tax noncompliance will be reduced when the reason for noncompliance is known by tax payers. Understanding the motivations underlying taxpayers' attitudes and behaviors toward voluntary compliance is constructive to tax authority by providing them information that can help them to formulate appropriate strategy and make it effective to increase compliance.

Andreoni, Erard and Feins (1998) (cited in Manchilote, 2018) define tax compliance as the willingness of taxpayers to act in accordance with the tax laws of the country. Meaning that disclose all taxable income truly and disbursing all tax payable within the given period, without the close monitoring of the tax authority. Compliance with the tax law typically means true reporting of tax bases, correct computation of the tax liability, timely filing of returns and timely payment of the amount due. In the contrary, tax noncompliance is individual failure to comply with their tax obligation. It can be not reporting the tax bases, not timely filing and payment, and incorrect calculation of liability (Amina, 2015). Hence, relevance of tax compliance is the focus of global issue for their substantial developments. It is important to find out the causes of non-comply with tax law by the taxpayers and also it helps to know the intention of the taxpayers and to work against it and at the same time to improve the level of tax compliance of the taxpayers. Thus, tax compliance is a growing international concern for tax authorities and public policy makers as tax evasion seriously threatens the capacity of governments to raise public revenue.

According to Samuel, Viswanadham and Ketema, (2013) cited in Manchilote, (2018) Ethiopia, one of the fastest growing economies in the Africa Continent and it faces difficulties in raising revenue to the required level for the promotion of economic growth. Moreover, tax authority

has failed to finance its activities by its own means due to noncompliance even after a series of tax system reforms. Millions of Ethiopian Birr (ETB) currency are lost in expected tax revenue every year leading to a short fall in expected revenue collections due to tax noncompliance which leads to excess of public expenditure over public revenues resulting as deficit.

Furthermore, the tax-to-GDP ratio (11%) is lower than the average for developed countries tax systems (25-35%), developing countries (18-25%) and even of the Sub-Saharan average tax system (16%) (Abay, 2010 cited in Tigist, 2017). This implies the slow growth in the tax to GDP ratio suggests that growth in tax collection is not commensurate with the economic growth perhaps indicating a huge untaxed potential, therefore tax compliance attitude topic is an important agenda in Ethiopia and needs an examination.

In developing countries, low tax compliance is a serious challenge facing income tax administration and hindering tax revenue performance (Das Gupta A., 2004; Alabede, Ariffin and Idris, 2011). This is true in the case of Dessie town. As per the Source of annual report of Dessie revenue office that the office planned to be collect from the tax payers a total of ETB 436,630,618.00 but at the end of the budget year 2016 ETB 367,351,997.00 was collected (79%). Out of the expected ETB 509,681,723.00 in 2018, ETB 410,176,239.00 was collected (80%). Similarly, the Revenue office estimated during the year 2019 to collect ETB 588,301,767.00 out of which ETB 482,389,911.00 was collected (82%). The statistics reveal the cases of low tax collection in Dessie town and the main reason of this low revenue collection performance is due to tax non-compliance and due to poor tax administration (IMF, 2015, UNDP, 2016) cited in Yoseph, (2018). Tax non-compliance is a dishonest practice which leads to decrease the government revenue needed for the provision of public goods Amina, (2013).

Tax compliance has been given a big emphasis by researchers because of increasing noncompliance especially tax evasion and its consequences on the capacity of government in raising public revenue. But most of these researches are done on developed countries particularly on USA (Torgler, 2003), Australia (Erich, et.al2006), Switzerland (Werner & Hannelore, 1996), Europe (Torgler, 2011), Korea (Chang and Jin, 2003), Bulgaria (Georgi, 2008), Iran (Reza, et.al2011), Malaysia (Mohd, 2010) and Germany (Torgler, 2007). There is a little works done in Africa like Kenya (Lumumba, et.al2010), Nigeria (James, et.al2011) and Ghana (Stephen, 2011).

There are few researches done on tax compliance in Ethiopia like Tilahun and Yidersal (2014) found that perception on government spending, fairness of the tax system, penalties, personal financial constraint, changes on current government policies and referral group (friends, relatives etc.) are factors that significantly affect tax compliance behavior of taxpayers in Bahir Dar city. Amina and Saniya (2015) concluded that probability of detection, age, gender, fairness and complexity of the tax system and perceptions of government spending are important factors of compliance in Jimma zone, Ethiopia. Niway and Wondwossen (2015) suggested that compliance is significantly influenced by tax knowledge, simplicity of tax returns and administration, probability of being audited, perception of government spending, perception on tax fairness and equity, the influence of referral groups and educational level of tax payers in Southern Nations, Nationalities and People's Regional State, Ethiopia.

While reviewing the related literatures, Tax compliance has been an important subject of research in many developed and developing countries. Since each country has, its own approach to managing tax compliance levels and each has different tax laws and regulations. The factors influencing tax compliance behavior appear to vary among countries (Palil, 2010). Other researcher Kirchler, (2007) revealed that factors which influence tax compliance and /or non-compliance behavior are differing from one country to another and from one individual to another. Therefore, there are no universal findings are highlighted by researchers pertaining to genuine tax compliance. Hence, the main objective of the research is to identify the factors which influence the tax payers on tax compliance behavior in Dessie town.

## **Material and Methods**

The researcher used descriptive research design to describe the characteristics and attitude of a group of people. The target population of this study constitutes were category "A" taxpayers of the Dessie town administration which are 1898 in number (source: Dessie town revenue office as of March 2019 assessment). According to "Federal Income Tax Proclamation 979/2016" category "A" taxpayers were business entities that have an annual gross income of Birr 1,000,000 (one million Birr) and more. The inspiration of considering Category "A" tax payers was that taxpayers in this group were required by the law to declare their income or keep books of account.

To determine the require sample size at 95% confidence with the level of precision 5% provided by Yamane, (1967) this sample size determination method was more applicable when the sampling population were known and finite and to determine the require sample size the following Yamane formula were applying for this study below: -

$$n = \frac{N}{1+N(e)^2} \dots\dots\dots (1)$$

Where N= Study population, n = sample size and e = error margin.

Accordingly, sample size was determined by the above formula to selected sample from total 1,898 taxpayers in the town as per (1)  $n = 1,898 / 1 + 1,898 (0.05)^2 = 330$ .

Stratified random sampling technique used to select representative samples from each stratum followed by random sampling from each stratum and Weight has been done to distribute the sample size determined to the three sectors based on the population of each activity. Accordingly, through a proportionate sampling technique, sample respondents were selected from each business category. The detail sampling procedure is depicted in the table below.

**Table 2.1. Category Wise - Sample Size Determination**

S.No	Category	Population Size (Ps)	Weighted score (%) $w$ $= (Ps \div N)$ $\times 100$	Proportionate Sample Size from each stratum $Sn = w \times n$
1	Trader ( Retailers and Wholesalers)	1082	57	188
2	Services Providers	391	20.60	68
3	Manufacturing and Processors	425	22.40	74
	Total (N)	1898	100	330

Source: Dessie town revenue office data base as on March 2019

Based on the above weight the questionnaires were distributed to the respondents to each business category but the questionnaires are returned by 181 traders, 65 Service and 58 Manufacturing Process due to lack of time in business schedule, reluctant to respond, unfaith on data sharing, expects future problems with tax authority and at the same time the response rate shows as 92.12%.

Two source of data was used to execute this research specifically primary data collected from category 'A' tax payers using five-point Likert rating scale method of questionnaire employed in this study ranging from 1 (strongly disagree) point to 5 (strongly agree) point. The Likert-style rating method of questionnaire design enables numerical value to be assigned to cases for easy quantitative analysis and Secondary data were also collected from the town's tax authority data base and annual reports. The researcher employed descriptive method of data analysis using Statistical Package for Social Scientists (SPSS) version 23.0 software to tabulate the data and Percentage analysis.

## Results and Discussion

To achieve the objectives of the study, the category A taxpayers are surveyed to collect the data through the questionnaires with the sample size of 304. The data collected were presented into Demographic profile of the tax payers, Frequency of Tax education and Audit by the Revenue Authority and the Likert scale data about the attitude or behavior of the taxpayers on Tax Compliance.

### 1. Demographic profile of the Taxpayers

A total of 330 questionnaires were distributed to these taxpayers as per sample size but 304 questionnaires are received from the respondents and more than 90% of sample population are represented the population as well as to generalize the findings to the entire population (category A taxpayers).

**Table 3.1 Demographic characteristics of Tax payers**

S.No	Tax payers Characteristics	Category	Frequency	Relative Frequency (%)
1	Age Group (years)	15- 30	121	39.8

		31-45	85	28.0
		46-55	88	28.9
		Above 56	10	3.3
Total			304	100.0
2	Gender	Male	215	70.7
		Female	89	29.3
Total			304	100.0
3	Education Level	Illiterate	6	2.0
		Read and Write	15	4.9
		Primary School	33	10.9
		Diploma/Certificate	158	52.0
		Under Graduate	73	24.0
		Post Graduate	19	6.3
Total			304	100.0
4	Marital status	Single	83	27.3
		Married	211	69.4
		Divorced	10	3.3
Total			304	100.0

Source: Survey Results 2019

The age composition, as per table 3.1, shows that majority (39.8%) of the respondents were under the age group between 15 and 30 years and 70.7% of them are male. With respect to the education level of respondents, great majority (52%) of the respondents were certificate and/or diploma holders and it also found that the married taxpayers are 69.4% and 27.3% were single and rest of them were divorced only 3.3%.

Thus it can be concluded that the most of the taxpayers are generally below 30 years of age, category 'A' taxpayers are dominated by the number of males and more than 52% of the sample population are highly well educated in the study area.

## 2. Tax Purpose and Frequency of Tax Education Participation and Audit

As per the Dessie Revenue Authority office, the tax education session will be conducted frequently to impart knowledge about the necessity of tax payment and how it could be support to the government and also share the information about any recent amendments made in tax collection.

**Table 3.2 Tax Purpose and Frequency of tax education and Revenue Department Audit**

S.No	Description	Category	Frequency	Relative Frequency (%)
1	Purpose of Paying Tax	To avoid disturbance (Penalties/sanction	22	7.2
		Anticipating of public service	73	24.0
		obligation towards the government	197	64.8
		Do not know	7	2.3
		No opportunity to evade	5	1.6
Total			304	100.0
2	Participation of Tax Education Session	Once a year	49	16.1
		Twice a year	72	23.7
		Three times a Year	60	19.7
		More than Three times per year	91	29.9
		Not at all	32	10.5
Total			304	100.0
3	Audit Conduct by Revenue Office per Year	One Time	121	39.8
		Two Times	112	36.8
		Three Times	39	12.8
		More than three times	10	3.3
		Still did not Conducted	22	7.2
Total			304	100.0

Source: Survey Results 2019

Most of the respondents which were believed that tax was the obligation of the government, next to this anticipating the public service was 24% and 1.6% believed that there was no opportunity to evade the tax. Further, 29.9% of the tax payers were attend the tax education session for more than three times per years and 10% of them did not attend the session at all. Nearly 39.8% of the taxpayers responded that the audit conduct by the revenue office will be one time in a year and 7.2% of business were not audited by the office during the financial year. Thus it can be concluded that 35% of them feels that nonpayment of tax will give more trouble in penalties and distribution in



public service and 90% of them attend the tax education session at least one time in year but 22 tax payers reply that the revenue office did not conduct audit at least one time in a year.

### **3. Factors influencing the attitude of the tax payers on tax compliance**

The payment of Tax either to be tax compliance or noncompliance will be influenced by the factors like Tax Knowledge, fairness in tax system and equity, influence of reference/peer Groups, feeling of probability of being audited and perception of Government spending as per the discussion with revenue authority officials and past literature reviews. These factors are assessed through Likert scale measurements such as Strongly agree to Strongly Disagree consisting of 23 statements to know the attitude or behavior of the tax payers on Tax Compliance in the Dessie Town and it is presented the responses in the frequency and percentage.

#### **3.1 Tax Knowledge**

As per the study, taxpayers' tax compliance behavior has been affected by one's own knowledge about tax policies, procedures, rules and regulations. Tax knowledge does have both positive and negative impact on the tax morale or taxpaying attitude of tax payers. This tax knowledge's shall be obtained through continuous training, opportunities, expertise, and nearness to tax related information's. Sometimes many tax payers utilize the acquired tax knowledge to evade or avoid taxes. And doing so does have a devastating impact in reducing the income earning capability of the government.

From the table 3.3, nearly 78.3 % of the sample population agreed that the firm requires expertise to share knowledge with the revenue office and 16.1% of firms did not require expertise. The (82.6%) respondents having good knowledge about tax laws and 13.5 % of them did not know that Knowledge of tax law will influence the tax compliance.

The majority (80.3%) of the taxpayers have fair knowledge about the cause of penalty and fines, and that helps them to comply with the tax rules and regulations and 82.6% of them agreed that they have good channel of communication and it shows there is an impact to increase the level of compliance. 81.6% of the taxpayers agreed that the sharing knowledge with the revenue office increases the chance to determine the correct amount of tax liability results in high compliance.

Thus it can be concluded that more than 75% of the sample population have sufficient tax knowledge, aware about the tax laws, penalty and fines and also have good communication by sharing knowledge with the revenue office which will increase the chance of the tax compliance.

**Table 3.3. Tax payer's responses on Tax Knowledge**

S.No	Statements	N	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
			Frequency (%)				
1	My firm has the require expertise to share tax knowledge with Revenue office that is why I comply	304	86 (28.3)	152 (50)	17 (5.6)	27 (8.9)	22 (7.2)
2	I have good knowledge about tax law this helps me to comply	304	93 (30.6)	158 (52)	6 (2)	33 (8.9)	14 (4.6)
3	I have fairly a good knowledge of what cause a penalty and fines this helps me to comply.	304	68 (22.4)	176 (57.9)	12 (3.9)	27 (8.9)	21 (6.9)
4	My firm has good channel of communication with the Revenue office this helps me to comply	304	92 (30.3)	159 (52.3)	18 (5.9)	24 (7.9)	11 (3.6)
5	Sharing knowledge with Revenue office increases the chance to determine the correct amount of tax liability this encourage me to comply	304	64 (21.1)	184 (60.5)	19 (6.3)	23 (7.6)	14 (4.6)

**N and F denotes as Sample Population and Frequency**

*Source: Survey Results 2019*

### 3.2 Taxpayer's belief and fairness in tax system and equity

This study incorporates various statements explaining the feeling of fairness perceptions on tax compliance behavior of businesses. According to table 3.4, majority of the respondents (68.4%) were disagreed with tax obligation is fair relative to others of the fairness, 75% of respondents believed that taxpayers did not comply because they believe that the overall tax system is not equitable and fair and also 78% of the tax payers are disagreed with the tax authorities about sufficient and equitable information.

Concerning the reasonableness and fairness of the tax assessors 89.1% of the respondents were feeling that unfair penalties and unreasonableness audit of the tax evaluator's leads them dissatisfaction and not voluntarily comply their tax obligation. Most of the respondents (83.1%) agreed that the existing tax system benefits the rich and is unfair to the ordinary working man or woman and this will discourage tax compliance.

**Table 3.4 Tax payer's responses on belief and fairness in tax system and equity**

S.No	Statements	N	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
			Frequency (%)				
1	My tax obligation is fair relative to others that is why I comply	304	16 (5.3)	43 (14.1)	37 (12.2)	118 (38.8)	90 (29.6)
2	Believe that the overall tax system is not equitable because of that didn't comply	304	131 (43.1)	97 (31.9)	26 (8.6)	25 (8.2)	25 (8.2)
3	The tax authorities provide sufficient and equitable information to all tax payers	304	24 (7.9)	34 (11.2)	9 (3.0)	124 (40.8)	113 (37.2)

4	Unreasonable audit and unfair penalties of tax assessors will lead towards stress and dissatisfaction and not comply well	304	119 (39.1)	152 (50.0)	6 (2.0)	8 (2.6)	19 (6.3)
5	The present tax system benefits the rich is unfair to the ordinary working man or women this discourage voluntary tax compliance	304	132 (43.4)	113 (37.2)	16 (5.3)	22 (7.2)	21 (6.9)

Source: Survey Results 2019

Thus it can be concluded that majority (more than 75%) of the tax payer feels that insufficient information are provided by the tax authorities, unfair penalties and unreasonable audit of tax assessors and the existing tax system is not fair for the ordinary working man or woman which will leads to Tax noncompliance.

### 3.3 The Influence of reference/peer Groups

This variable assesses whether the influence of peer groups influence the tax compliance behavior of tax payers in Dessie town administration. As per the indication of the table 3.5, nearly 53.3% of respondents agreed that tax evasion is not immoral even if everyone is doing it, most (71.1%) of tax payers evade the tax because other tax payers do the same but contrarily the tax payers believe that neighbors are reporting and paying tax honestly and Friends and family will affect tax payer's decision to comply.

**Table 3.5 Influence of peer groups on effect of tax compliance behavior**

S.No	Statements	N	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
			Frequency (%)				
1	Tax evasion is not immoral if everyone is doing it	304	44 (14.5)	118 (38.8)	9 (3)	81 (26.6)	52 (17.1)

2	I believe that my neighbors are reporting and paying tax honestly so that I comply	304	95 (31.3)	124 (40.8)	24 (7.9)	44 (14.5)	17 (5.6)
3	Most tax payers evade the tax because other tax payers do the same that is why not to comply	304	89 (29.3)	127 (41.8)	23 (7.6)	46 (15.1)	19 (6.3)
4	Friends and family will affect tax payer's decision to comply or not	304	68 (22.4)	153 (50.3)	9 (3)	46 (15.1)	28 (9.2)
5	Rewarding tax payers for being best tax payers does have its own impact in affecting the tax compliance behavior	304	160 (52.6)	118 (38.8)	7 (2.3)	10 (3.3)	9 (3)

Source: Survey Results 2019

Thus it can be concluded that the majority (more than 50%) of the taxpayers agreed that tax evasion is not immoral and also evade tax because of the other tax payers do the same but the tax compliance comply due to behavior of friends, family and neighbor reporting and paying honestly and it will be continued to the tax compliance if the revenue authority are rewarded for best tax payers.

### 3.4 Feeling of Audit probability by Revenue Authority

This variable will support the revenue Authority about monitoring level on tax payment to assess the impact of tax compliance or Noncompliance. This implies that tax authority and other responsible bodies should work to enhance voluntary compliance by strengthen the tax audit capacity.

Regarding continuous audit of the tax assessor's will be increase the voluntarily compliance of the tax payers and also indicated that due to high probability being detection for nonpayment of tax, they did comply with the tax rules and regulation in fear of detection.

**Table 3.6 Probability of Audit by Revenue Authority**

S.No	Statements	N	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
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			Frequency (%)				
1	If the probability of detection is high, compliance will be increase	304	72 (23.7)	156 (51.3)	16 (5.26)	43 (14.1)	17 (5.6)
2	Tax assessors make continuous audits as a result I will pay may tax properly	304	130 (42.8)	98 (32.2)	14 (4.61)	51 (16.8)	11 (3.6)
3	There is high degree of being detected for nonpayment of tax that is why I pay my tax obligation	304	91 (29.9)	122 (40.1)	8 (2.63)	49 (16.1)	34 (11.2)

Source: Survey Results 2019

Thus, it can be concluded that Majority (Greater than 70%) of the tax payers agreed that frequency of audit by the tax assessors will upsurge the detection of non-payment of tax and reduce the probability of tax noncompliance.

### 3.5 Tax payer's perception of Government spending

The major point discussed under this topic is that, if the government is wisely spending the national revenue, for example for basic facilities like education, health and safety and public transportation, it is likely that voluntary compliance will increase. In contrast, if taxpayers perceive that the government is spending too much on something considered unnecessary or unbeneficial to them then taxpayers will feel attempt to evade.

**Table 3.7 Tax Payers responses on Spending of Tax by the Government**

S.No	Statements	N	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
			Frequency (%)				

1	Government spends the collected tax wisely	304	10 (3.3)	25 (8.2)	21 (6.9)	98 (32.2)	150 (49.3)
2	Believed that my firm has benefiting from basic government spending like education, health, safety	304	34 (11.2)	86 (28.3)	19 (6.3)	131 (43.1)	34 (11.2)
3	I believe that government spending on basic infrastructure encourages voluntary tax compliance	304	82 (27)	120 (39.5)	14 (4.6)	61 (20.1)	27 (8.9)
4	I believe negative acts like corruption and fraud of tax assessors encourage noncompliance behavior	304	87 (28.6)	174 (57.2)	10 (3.3)	22 (7.2)	11 (3.6)
5	I believe that paying taxes are my obligation whether the government spends wisely or not	304	86 (28.3)	129 (42.4)	6 (2)	48 (15.8)	35 (11.5)

Source: Survey Results 2019

The majority 81.5% of the respondents were didn't believed and accepted government spends the collected tax properly for public service, 54.3% of them were disagreed that the firm get benefited basic amenities from government spending and this will discourage to comply, 66.5% of the respondents agreed on spending on basic infrastructure like road, water, electricity and others encourage to comply voluntarily and the survey result depicts that, non-compliance behavior has been perpetrated by negative acts of tax assessors and or immoral behavior of the tax authority that is 85.7% of the respondents are agreed with the proposed statements.

Thus, it can be concluded that 70.7% of the tax payers are agreed that comply with the tax legislations without expectations of any financial as well as non-financial benefit from the government but the government has to spend the tax collection for the benefit of the firm's and society infrastructure facilities, education, health and safety will encourage the taxpayers to comply tax compliance voluntarily.

## Conclusions and Recommendations

As per the results of the research that the compliance rate rises if the tendency of tax knowledge is increases and also the taxpayers well understand the basic concept of taxation, they are willing to comply. Furthermore, taxpayer's behavior can be improved through better tax knowledge' and it will turn to increase compliance and reduce the inclination to evade taxes. Taxpayers' perception on compliance improves when taxpayers believe the tax system is fair and equity, they believe that they receive something valuable for their payments and when society shows no tolerance for tax evasion. Similarly, if the taxpayer's friends and relatives are not paying their tax liability and are not detected or penalized even after detection, other taxpayers will follow their system of not complying and leads to tax non-compliance. Tax payers feel a high probability of being audited or detected would encourage taxpayers to be more compliant and there is a high possibility of being audited could encourage taxpayers to be voluntarily compliance. The more the government spends the tax money on public goods the more people will be willing to pay tax voluntarily and regularly. Finally, it shows very clearly that all the factors influence the behavior of tax payers on tax compliance to comply in the study area.

Hence, government should respond positively by wisely spending taxpayers' money and fulfilling the nations' taxpayer's basic needs, including infrastructure, medical allocation, and education, to increase taxpayers' confidence in the government. Unnecessary expenditures by the government will cultivate tax non-complaint behavior according to the results of the present study. It is advocated Dessie town Revenue office should be maintaining fairness and equity among taxpayers to treat all the taxpayers based on his/her ability to pay and fair way with the aim of increasing tax compliance. Thus, Compliance behavior towards the tax system will be affected by the conduct of an individual's and the Dessie Revenue Authorities and Ministry of Finance and



Economic Development should adhere the suggestions made by the researcher to improve the voluntary tax compliance and also to uplift the revenue generation of the government to have stable economy.

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