

## Tax Administration Constraints: The Case of Small and Medium Size Enterprises in Addis Ababa, Ethiopia

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**Abstract :** This study aims to investigate tax administration constraints in Addis Ababa with a focus on small and medium-sized enterprises by identifying issues and constraints in tax administration and assessment. The study identifies problems associated with taxpayers and tax-collecting authorities in the city. The research used qualitative and quantitative research designs and employed questionnaires, focus group discussion and key informant interviews for primary data collection and also used secondary data from different sources. The study identified many constraints that taxpayers are facing. Among others, tax administration offices' inefficiency, reluctance to respond to taxpayers' questions, limited tax assessment and administration knowledge and skills, and corruption and unethical practices are the major ones. Besides, the tax laws and regulations are complex and not enforced equally and fully on all taxpayers, causing a prevalence of business entities not paying taxes. This apparently results in an uneven playing field. Consequently, the tax system at present is neither fair nor transparent and increases compliance costs. In case of dispute, the appeal process is excessively long and the tax authority's decision is irreversible. The Value Added Tax (VAT) administration and compliance system is not well designed, and VAT has created economic distortion among VAT-registered and non-registered taxpayers. Cash registration machine administration and the reporting system are big headaches for taxpayers. With regard to taxpayers, there is a lack of awareness of tax laws and documentation. Based on the above and other findings, the study forwarded recommendations, such as, ensuring fairness and transparency in tax collection and administration, enhancing the efficiency of tax authorities by use of modern technologies and upgrading human resources, conducting extensive awareness creation programs, and enforcing tax laws in a fair and equitable manner. The objective of this study is to assess problems, weaknesses and limitations of small and medium-sized enterprise taxpayers, tax authority administrations, and laws as sources of inefficiency and dissatisfaction to forward recommendations that bring about efficient, fair and transparent tax administration. The entire study has been conducted in a participatory and process-oriented manner by involving all partners and stakeholders at all levels. Accordingly, the researcher used participatory assessment methods in generating both secondary and primary data as well as both qualitative and quantitative data on the field. The research team held FGDs with 21 people from Addis Ababa City Administration tax offices and selected medium and small taxpayers. The study team also interviewed 10 KIIs selected from the various segments of stakeholders. The lead, along with research assistants, handled the KIIs using a predesigned semi-structured questionnaire.

**Keywords :** taxation, tax system, tax administration, small and medium enterprises

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