



African Tax Administration Paper 7

Turnover-Based Presumptive Taxation and Taxpayers' Perceptions in Ethiopia

Abis Getachew

May 2019

ICTD African Tax Administration Paper 7

Turnover-Based Presumptive Taxation and Taxpayers' Perceptions in Ethiopia

Abis Getachew

May 2019

The ICTD's African Tax Administration Papers (ATAPs) are research papers that will be of specific interest to people working in tax administration in Africa. The purpose is to encourage and support useful, policy-oriented research by African professionals directly involved in tax administration.

Turnover-Based Presumptive Taxation and Taxpayers' Perceptions in Ethiopia

Abis Getachew

ICTD African Tax Administration Paper 7

First published by the Institute of Development Studies in May 2019

© Institute of Development Studies 2019

ISBN: 978-1-78118-556-8



This is an Open Access paper distributed under the terms of the Creative Commons Attribution Non Commercial 4.0 International license, which permits downloading and sharing provided the original authors and source are credited – but the work is not used for commercial purposes. <http://creativecommons.org/licenses/by-nc/4.0/legalcode>

Available from:

The International Centre for Tax and Development at the Institute of Development Studies, Brighton BN1 9RE, UK

Tel: +44 (0) 1273 606261

Email: info@ictd.ac

Web: www.ictd.ac/publication

IDS is a charitable company limited by guarantee and registered in England

Charity Registration Number 306371

Charitable Company Number 877338

Turnover-Based Presumptive Taxation and Taxpayers Perceptions' in Ethiopia

Abis Getachew

Summary

This paper focuses on the perceptions of a turnover-based presumptive tax system in Ethiopia. It mainly focuses on taxpayers' perceptions of fairness, simplicity and administrative capacity. In this study, fairness has been assessed based on seven dimensions, namely exchange fairness, procedural fairness, horizontal fairness, vertical fairness, inter-group fairness, time-related fairness and compliance fairness. Exchange fairness refers to the adequacy of the provision of public goods and services to citizens in the long run. Procedural fairness is a measure to assess the representation of taxpayers in the estimation process. Horizontal fairness is a form of fairness that deals with the treatment of taxpayers in similar situations paying similar taxes. Vertical fairness refers to sharing the overall tax burden based on taxpayers' ability to pay. Time-related fairness means that the total tax liable is suitable over the long term and not overly distorted by fluctuations in income and wealth. Inter-group fairness is the form of fairness that means that no individual group within the system has special treatment. Compliance fairness is a fairness dimension which measures whether all taxpayers in the system pay their tax dues on time. In addition, the study also focuses on design features and challenges encountered in applying the scheme. The paper uses survey data coupled with results of in-depth interviews conducted with selected taxpayers and officials in Addis Ababa. It also highlights the international experiences of presumptive tax designs that Ethiopia can draw lessons from. The findings of the study show that there is a negative perception among taxpayers of five of the seven dimensions of fairness: exchange fairness, procedural fairness, horizontal fairness, time-related fairness and compliance fairness. On the other hand, the findings show that there is a positive perception of two dimensions of fairness: vertical fairness and inter-group fairness. Taxpayers' perceptions of simplicity and administrative capacity are found to be negative.

Keywords: presumptive taxation, tax fairness, tax equity, Ethiopia.

Abis Getachew is a Research Assistant at the Policy Study Institute, the former Ethiopian Development Research Institute. He is a BA graduate in Economics from Addis Ababa University and holds his BA Honours and MCOM from the University of South Africa. Abis has been involved in different macroeconomic policy-related researches in Ethiopia, with a particular focus on taxation, monetary policy, labour market and economic growth.

Contents

Summary	3	
Acknowledgements	6	
Acronyms	6	
Introduction	7	
1 Presumptive taxation: theory and empirical studies	7	
1.1 Theoretical framework of presumptive taxation	8	
1.2 Empirical studies	12	
1.3 Design of the presumptive taxation system in Ethiopia and selected African nations	13	
1.4 Experience from selected African countries	15	
2 Research questions and methods	17	
3 Results and discussion	17	
3.1 Perceptions of taxpayers of aspects of the presumptive regime	18	
3.1.1 Perceptions of exchange fairness	20	
3.1.2 Perceptions of procedural fairness	21	
3.1.3 Perceptions of horizontal fairness	22	
3.1.4 Perceptions of vertical fairness	23	
3.1.5 Perceptions of time-related fairness	24	
3.1.6 Perceptions of inter-group fairness	25	
3.1.7 Perceptions of compliance fairness	25	
3.1.8 Perceptions of administrative simplicity	26	
3.1.9 Perceptions of administrative capacity	27	
4 Conclusion	29	
References	30	
Tables		
Table 1	Structure of presumptive taxation in eastern African countries	16
Table 2	Gender and business age cross tabulation	18
Table 3	Education vs. business activity cross tabulation	18
Table 4	The annual income of the respondents	19
Table 5	Descriptive summaries for statements under the theme of exchange fairness	20
Table 6	Descriptive summaries for statements under the theme of procedural fairness	21
Table 7	Descriptive summaries for statements under the theme of horizontal fairness	22
Table 8	Descriptive summaries for statements under the theme of vertical fairness	23
Table 9	Descriptive summaries for statements under the theme of time-related fairness	24
Table 10	Descriptive summaries for statement under the theme of inter-group fairness	25
Table 11	Descriptive summaries for statements under the theme of compliance fairness	25

Table 12	Descriptive summaries for statements under the theme of administrative simplicity	26
Table 13	Descriptive summaries for statements under the theme of administrative capacity	28
Figure		
Figure 1	Position of the respondents in the business	19

Acknowledgements

I am thankful to Dr Wollela Yesegat for her constructive support from the initial level of this study. Useful comments on the preliminary draft were received from participants at the International Centre for Tax and Development (ICTD)'s Research Methods Workshop held in Addis Ababa in July 2018. Informal and formal discussions with Dr Andualem Telaye Mengistu (Ethiopian Development Research Institute – EDRI) and Dr Tewodros Makonnen Gebrewolde (International Growth Centre – IGC) were also helpful for this study. Points of view and errors rest entirely with the author. Financial support from the International Centre for Tax and Development is highly appreciated.

Acronyms

ETB	Ethiopian Birr
GTP	Growth and Transformation Plan
KES	Kenyan Shilling
MGR	Modified gross receipt
TSHS	Tanzanian Shilling
US\$	US Dollar

Introduction

The Ethiopian economy is cash based and is dominated by a significantly large number of micro and small businesses. Hence, taxing this sector assists the growth of the economy by raising government revenue and increasing the number of taxpaying firms. The simplified tax system of presumptive taxation is a regime that is designed as a transition for micro businesses to introduce them to the standard tax regime (Benjamin and Mbaye 2012).

Ethiopia uses a presumptive tax system for individual (non-incorporated) businesses with an annual gross income of less than ETB (Ethiopian Birr) 500,000 – nearly US\$ 18,083.¹ The country employs two types of presumptive tax regime. The first is a turnover-based presumptive system while the second is an objective indicator-based scheme. This study focuses on the turnover-based presumptive system. Even though Ethiopia had experienced this form of taxation before, the 2017 estimation of daily sales to calculate annual turnover has led to taxpayers' discontent.

The study has three main objectives. The first is to assess the tax design of the presumptive tax regime in Ethiopia. Secondly, to explore taxpayers' perceptions of the turnover-based presumptive regime in respect of the fairness, administrative simplicity and administrative capacity of the authority. Thirdly, the study will focus on comparing the presumptive system to that of the systems that are implemented in countries at similar economic stages to that of Ethiopia. For the second objective, due to the difficulty of defining fairness through the literature, the study uses the seven dimensions of fairness. Taxpayers' perceptions of the Ethiopian tax regime's fairness, simplicity and administrative capacity are assessed based on statements provided and the level of agreement of the respondents. Taxpayers' perceptions are subjective and are prone to biases, and the author assumes that these perceptions accurately reflect the situation business people face (Can 2008: 3). In order to avoid bias from the responses the survey questionnaire implements cross-check questions.

The study is organised as follows. Section 1 presents a review of theoretical and empirical studies on presumptive taxation. It also discusses the design of presumptive taxation and its practice in selected developing countries in order to make a comparison. Section 2 focuses on the methods used to address the research objectives. Section 3 presents results and discussions. Finally, concluding remarks are shown in Section 4.

1 Presumptive taxation, theory and empirical studies

Presumptive taxation involves the use of indirect means to determine tax liability, which is different from the standard books and records-based regime. The term 'presumptive' is used to indicate that there is a legal assumption that the taxpayer's income is no less than the amount resulting from application of the indirect method (Ahmad and Stern 1991: 276). Presumptive techniques are often used for a variety of reasons. The first reason is simplification in terms of the taxpayers' compliance burden and the tax collectors' administrative burden. Simplification particularly is referring to the taxpayers' compliance burden and the tax collectors' administrative burden. The second rationale for a presumptive tax system is to combat tax evasion. This requires good indicators to be able to accurately presume the actual income of the taxpayer. Third, rebuttable presumptive assessments can

¹ An exchange rate of 27.65 Ethiopian Birr to 1 US Dollar (July 2018) has been used for this and all other currency conversions in this paper unless otherwise specified.

encourage taxpayers to keep proper records and accounts, since taxpayers will be subjected to a possibly higher tax burden in the absence of such accounts. Hence, the transition from the presumptive regime to the standard regime will be facilitated. The fourth rationale for presumptive taxation is its incentive effects as the taxpayer earning more income will not have to pay more tax. This form of presumptive system is known as the exclusive system and it encourages taxpayers to earn more tax-free income. Finally, the rationale for a presumptive system can be justified by a combination of reasons including the need to raise government revenue, to create fairness among the business community, and to address the political or technical difficulties arising within tax administration (Lapidoth 1977: 25).

1.1 Theoretical framework of presumptive taxation

An application of the standard tax regime requires the keeping of appropriate books and records. This, however, creates a high compliance burden not only in terms of cost but also in terms of the skill and capacity required, which micro businesses often lack. The presumptive approach is popular in this regard. Since there are no standard and uniform principles, the regime differs significantly in its scope of application and in the criteria used to determine tax liability. Presumptive tax systems generally can be categorised into four groups, namely: system based on turnover or gross income, system based on indicators, simple lump sum patents, and system based on agreement between the taxpayer and the tax administration (Engelschalk 2007: 59).

System based on turnover or gross income

Turnover or gross income-based schemes are the most popular kind of presumptive taxes (Mutsotso 2010: 29). This system can be implemented in different ways, namely: *uniform turnover-based presumptive taxation*, *progressive turnover-based presumptive taxation*, or *application of different tax rates on a standardised tax base*.

- a. In *uniform turnover-based presumptive taxation*, businesses are charged a similar tax rate regardless of their income, their profit margins or the business activities they are engaged in. Under this system, all micro businesses under the presumptive system are taxed uniformly. Such a system may under-tax those businesses that have higher annual income under the system and over-tax those that earn less. This form of taxation has a disincentive for micro businesses at the upper band to graduate to the standard regime. Though the uniform turnover-based system is the simplified system of taxing micro businesses, its disincentive regarding transition to the standard regime has made it less preferable and therefore less widely used (Engelschalk 2007: 60-1).
- b. *Progressive turnover-based presumptive taxation* taxes micro businesses with different rates based on their income. However, different business activities are treated uniformly as long as they are in the same band of turnover. This form of taxation reduces the tax burden between the upper band of the presumptive system and the lower band of the standard system, smoothing the transition to the standard regime. Though there is a compliance cost in joining the standard regime, unlike the presumptive regime, the standard regime offers incentives for businesses to grow (Engelschalk 2007: 60-2).
- c. *Application of different tax rates on a standardised tax base* is a system that treats micro businesses in a non-uniform way regardless of either their business activity or their profit margin. The tax liability of micro businesses differs not only depending on their income difference but also on the business activity they are engaged in. The different tax rates, however, should be kept at a minimum for simplicity and to avoid dispute between taxpayers and the tax administration. Unlike the uniform and progressive turnover-based systems, this system is difficult to administer. However, it has a tendency of increasing fairness among micro businesses. As there are two

forms of presumptive tax in Ethiopia, namely indicator-based and turnover-based, the system of presumptive taxation is employed for taxpayers who have an annual turnover of less than ETB 100,000 (US\$ 3,616) : they are defined as category 'C' taxpayers (Engelschalk 2007: 61-3).

Though it is popular, the turnover-based scheme is an inefficient form of presumptive regime. It discourages businesses that are efficient by causing them to incur more costs. For example, if business A has annual gross receipts of ETB 200,000 with a cost of ETB 100,000 and business B has gross receipts of ETB 100,000 with zero cost, then under a turnover-based regime a rational business will have an incentive to join business B, which is an inefficient one (Logue and Vettorri 2010: 37-8).

To reduce these inefficiencies there is a system of modified gross receipt (MGR). This system compromises the inefficiencies of the pure turnover-based system. The MGR uses the historical line of profit of the businesses with industry-specific presumed profit ratios. These could be made fixed or variable and if they were fixed, they would presumably be based on the best available evidence of actual industry profit margins at the time the regime was adopted. If they were variable, although they would start off based on the industry profit margins at the time of adoption, they would periodically be updated to reflect more current data, either through the regulatory process or through direct negotiations with representatives of the various industry groups. The advantage of using the fixed profit ratios is that the available evidence on actual profit margins is likely to be most accurate at the time of the creation of the programme (Logue and Vettorri 2010: 43-4).

Presumptive system based on indicators

This system is based on certain indicators that can be used as a proxy of the income of the taxpayer. Good indicators have to be easy to verify and record, have low risk of falsification, and must have a sufficient correlation with the income of the taxpayer. Some of the indicators used are the number of employees the business has, machine capacity, floor space, value of inventory and years of business operation. In some cases, third party information, such as electricity and water bills, is used as a good indicator. In cases where the risk that micro businesses can get their supplies from unrecorded sources is low, few countries collect data from wholesale suppliers. Though this approach is the main alternative to the turnover-based presumptive system, it can have an adverse effect on employment generation and efficient use of capital usage as firms limit their use to reduce their tax liabilities (Engelschalk 2007: 68).

There are cases where both the turnover-based system and the indicator-based approaches are used in combination to tax micro businesses. In cases where there is understatement of gross income, indicator elements are used in the turnover-based system as the indicators provide clear counter evasion elements from the tax collectors' point of view. This is what is known as the combination of the turnover-based approach and the indicator-based system (Mutsotso 2010: 30-1).

Simple lump sum patents

Patent systems are often implemented to tax the 'hard-to-tax' groups of micro businesses. The main objective of this system is to familiarise small businesses to encourage them to join the tax net instead of generating tax revenue. This system has a long-term objective of improving the tax culture instead of the short-term objective of generating revenue. This is justified because in many cases the number of patents collected hardly surpasses the cost of collection (Mutsotso 2010: 31).

This is a system that applies a uniform tax rate to a given business division irrespective of the size or turnover of a business in the division. This is the least sophisticated form of presumptive tax system. Patent systems can be designed to capture the actual profit potential of a certain profession, like in the case of Bulgaria. In Bulgaria, this system divides small businesses into 43 sectors and each sector is divided into different sub-sectors. In addition, the system takes business locations into consideration leading to an estimation of more than 52 tax rates, making it an unpopular and unaccepted system in the country (Pashev 2005: 14-16).

System based on agreement between the taxpayer and the administration

The prominent form of this system is the 'forfeit' system of France which has now been repealed and replaced by the turnover-based system. In this form of taxation, the tax administration conducts broad-based research on businesses and determines the profit above which tax has to be paid. Agreement will then be reached on the amount of profit on which the taxpayer pays taxes. In most cases the profit initially estimated by the tax administration is higher than the agreed system. This system is what is known as the rebuttable form of presumptive regime. This practice, however, is not often used in many countries (Thuronyi 1996: 4).

These different forms of taxing micro businesses have to be based on the basic tax principles such as fairness, efficiency, administrative capacity and so on. Some discussions on fairness, simplicity and administrative capacity are presented in the subsequent paragraphs.

Simplicity refers to the simplification of the tax structure with regards to administrative and compliance costs. Tax simplification is achieved through the simplification of (a) the tax system, (b) the tax legislation, and (c) the application of the tax rules (Glenn and Edwin 1993: 3-5).

Administrative capacity on the other hand refers to various issues that can be divided along the lines of a functional classification – registration, payment, information access, assessment, audit, litigation and the appeal system, sanctions and penalties. In this study perceptions of administrative capacity are focused on these areas.

Fairness should be viewed in the general tax system and not just from the presumptive tax point of view as it can be offset by social security and other form of taxes. As one of the major objectives of this study is to assess the perception of fairness, it is worth discussing the different dimensions of fairness in this section. According to the American Institute of Certified Public Accountants, there are seven dimensions of tax fairness (AICPA 2007: 3-7).

Exchange fairness

Taxes are prices paid for the crucial goods and services provided by governments. Exchange fairness means that, over the long run, governmental organisations provide adequate public goods and services to meet the needs of taxpayers. Exchange equity does *not* mean that, during a specific period, the amount of taxes paid by an individual taxpayer will precisely match with the value of the tax benefits directly or indirectly received. In order to avoid evasion and improve compliance, taxpayers must have a positive *perception* of exchange fairness. Taxpayers must feel that, in the long run, they are getting public services worth the tax they pay. Taxpayers' insufficient perceptions of exchange fairness and a lack of representation in tax decisions discourage voluntary compliance and, in most cases, lead to revolutions (Moser, Evans and Kim 1995: 622-3).

Procedural fairness

There are three key aspects to procedural fairness. First, political processes give taxpayers an opportunity to influence how and to what extent they are taxed. Second, tax systems include safeguards that permit taxpayers to challenge the taxes assessed. Third, tax administrators are expected to treat taxpayers with respect. In the interest of both exchange and process equity, taxpayers should have a direct or indirect voice in how tax revenues are spent. If taxpayers have perceptions that they are not well represented, they are likely to be involved in protests against the tax laws and legislation.

Horizontal fairness

Horizontal fairness is the most often cited aspect of tax equity. Horizontal fairness means that taxpayers with equal amounts of income should pay the same amount of tax. Horizontal fairness also suggests that similarly situated taxpayers (e.g. those with a similar family size, or business location, access to markets, expenses etc.) should be taxed similarly. Two households may earn exactly the same income, but may not be 'similarly situated', and may therefore have differing abilities to pay taxes. A certain amount of each family's income is needed to provide for basic human needs. This amount should not be subject to tax. The amount of income that should not be taxed depends on several factors, including the cost of living, the size and structure of the family, the age of family members, and extenuating circumstances such as disabilities or illness.

Vertical fairness

Vertical fairness means that the tax burden should be based on the taxpayer's ability to pay. Clearly individuals with subsistence levels of income should not be subject to all types of taxes because they need all their resources to provide for themselves and their families. Beyond this subsistence or poverty level of income, however, exchange equity suggests that all citizens should pay some taxes, even a relatively small amount. In general, vertical fairness is the justification for progressive tax.

Time-related fairness

Time-related fairness means that the total tax liable is suitable over the long term and not overly distorted by fluctuations in income or wealth. Two factors contribute to potential time-related inequities. First, tax liabilities are based on short-term or single point-in-time measures. Second, changes in the general price level affect the value of the monetary unit, as well as the relative value of various tax provisions.

Inter-group fairness

Inter-group fairness implies that no group is favoured at the cost of another without good cause. While some shifting of tax burdens based on the ability to pay may be appropriate, tax burden and benefit inequities should be minimised.

Compliance fairness

Compliance equity and fairness means that all taxpayers pay what they owe on a timely basis. Significant non-compliance depresses perceptions of equity, increases tax administration costs, shifts tax burdens and expands the tax gap. A large current tax gap makes it necessary for legislative bodies to raise future tax rates, borrow additional funds or reduce costs or benefits. Changes in tax law or tax administration that make it easier for taxpayers to comply (or more difficult to not comply) result in fairer tax systems.

1.2 Empirical studies

Empirical studies such as Utaumire, Mashiri and Mazhindu (2013) evaluate the effectiveness of the presumptive tax system. Utaumire *et al.* present a case study of Zimbabwean Revenue Authority (ZIMRA) Region One, in Zimbabwe. Based on a survey of 100 ZIMRA staff members, 180 informal traders and 20 local authority staff members, the main findings of the study were that many players in the informal sector are unaware of the existence and objective of the presumptive tax head (a tax that is the same for everyone and is not based on income). On the other hand, the absence of involvement of stakeholders concerned in determining tax rates has resulted in forceful resistance. ZIMRA has its own shortcomings, which include lack of follow ups and inadequate awareness campaigns. The study revealed that effective implementation and administration of the tax head has the potential to increase the revenue base. This means there is room for improvement on the implementation and administering of the presumptive tax.

On the other hand, Eissa, Murray and Zeitlin (2017) examined the impact of the 2012 reform of micro and small enterprise tax law in Rwanda, which created a presumptive 'flat fee' regime in both personal and corporate income tax. In this regime, taxpayers whose turnover falls within a given band pay a fixed liability, with a zero marginal tax rate. In the years following, the number of registered taxpayers and the total taxes collected under corporate and personal income tax have increased, but these increases are not necessarily attributable to the 2012 reform. The findings also identified four channels which may have affected tax revenues, two intensive and two extensive. Intensive ones affect the revenues derived from existing taxpayers while extensive ones operate through the entry and exit of firms to and from the tax net. Impacts on intensive margins are negative, and can be estimated directly from taxpayer behaviour. Impacts on extensive margins are positive, but cannot be point identified without strong assumptions. Taking these findings together, there is a reasonable policy case to reform rather than repeal the flat fee regime.

Meshesha (2015) evaluates the application and efficiency of Ethiopian tax assessment against the tax liability of category 'C' taxpayers, referring to the practice in the Eastern Zone Administration of Tigray National Regional State. In the country's context, category 'C' taxpayers were also known as micro taxpayers with annual turnover of less than ETB 100,000.² It is found that there is a contradiction between the rules of standard tax assessment and their practical application, since the actual tax liability of the large section of the category 'C' taxpayers is being assessed according to estimated taxation and this practice is incurring higher administration costs. The study argues that the practical assessment of tax liability of category 'C' taxpayers is not ensuring efficiency and the practice has to conform to the rules of standard tax assessment to ensure efficiency; yet the criteria for categorisation of taxpayers as category 'C' taxpayers must be revised to fit the actual incomes of taxpayers to ensure equity and equality. However, in 2016 the new income tax regulation revised the categorisation of taxpayers, and category 'C' taxpayers were re-categorised as those whose annual turnover is less than ETB 500,000.

On the issue of perceptions, Yesegat and Fjeldstad (2016) studied the causes affecting the attitudes of the business community towards paying taxes in Ethiopia. Using an ordered probit model to examine the association between tax compliance attitude and perceptions, the study finds a statistically significant relation between tax compliance attitudes and factors such as the perception of probability of audit, corruption, satisfaction with the tax administration, peer influence, gender and education. The study recommends the need for better understanding of why taxpayers are dissatisfied with the tax administration, including perceptions of corrupt practices.

² During the period of Meshesha's study, category 'C' taxpayers were taxpayers earning annual turnover of less than ETB 100,000 (US\$ 3,616). After the revision of the income tax proclamation in 2016, category 'C' taxpayers are those that have annual income of less than ETB 500,000 (US\$ 18,080).

Though there are other studies that have focused on taxpayers' perceptions, to the knowledge of the author there has not been a study conducted which looks at the design of and taxpayers' perceptions of the presumptive tax system in Ethiopia. Hence, this study primarily focuses on perceptions of presumptive taxation in Ethiopia. The coming subsections deal with the practices of presumptive taxation in selected East African countries and in Ethiopia.

1.3 Design of the presumptive taxation system in Ethiopia and selected African nations

In order to evaluate a given tax design it is important to understand the objective of the system itself. The fact that there is no one single document summarising tax policy in Ethiopia has made it difficult to generally speak about the country's tax objectives. Different documents, however, lead to a conclusion that the main objectives of Ethiopian tax policy are raising revenue, stimulating economic growth, equity, and modernising the country's tax system.

The objective of raising revenue is the most important goal of Ethiopian tax policy as stated in the country's most authoritative economic document, the Growth and Transformation Plan (GTP). According to the GTP, 70 per cent of the country's expenses should be covered from internal sources of customs and revenue. Even though the government has such an ambitious plan, it has focused only on the improvement of the collection of existing tax systems instead of introducing new tax bases and rates.

Economic development, on the other hand, has been focusing on the tax holidays (which were not effective for several reasons) that were provided to new investments and have not focused on small businesses. The equity objective of the Ethiopian tax policy rather has more to do with the taxation of small businesses, which yields little revenue to the government. In 2002, the introduction of the presumptive assessment on small businesses is one of the measures that signals the equity perspective of the tax policy. The introduction of this form of tax in a new form had two goals. First, to raise revenue and second, to raise the tax base of the country's tax system (Income Tax No. 286/2002, Article 68 – FDRE 2002). The GTP has focused on modernising the presumptive form of taxation. Though, in principle, there is less revenue benefit from small businesses, in developing countries, such as Ethiopia, the tax contribution of small and micro businesses has a significant impact.

In Ethiopia, in addition to the country's development status, the implementation of presumptive tax has a goal of maximising revenue that conflicts with the equity maximising objective. In discussions with Addis Ababa Revenue bureau officials and micro taxpayers in Addis Ababa, the author found that the top revenue authority expects a prior determined amount of revenue from the sub-city, and on the other hand the sub-city divides the expected revenue amount among the *woredas*³ that are responsible for collecting the presumptive tax.

From a legal point of view, according to the directive 123/2009 (AACAA 2017), though there was supposed to be a committee to assess presumptive taxation in action, there is a group of revenue authority employees visiting businesses but only one individual assessing the tax for a given business premises. This creates a lack of credibility among taxpayers which leads to chaos: for example, in the past this has led to protests, and to businesses temporarily closing as a form of boycott.

³ The city administration of Addis Ababa has 10 sub-cities. These are the city's next highest administration levels. Below this there are *woreda* administrations that vary from 10 to 25 from one sub-city to another. In addition to these tax-administering sub-cities, there are two tax centres as well.

Presumptive tax is employed in two ways according to the proclamation 979/2016 (House of Peoples Representatives 2016) and regulation 410/2017, Article 60 (FDRE 2017). These are the turnover-based presumptive system and a system based on indicators. As mentioned above, the scope of this paper is limited to the implementation of turnover-based presumptive taxation.

The presumptive tax in Ethiopia categorises diverse business activities with different average annual gross income rates. In order to avoid major differences in the tax burden, the system applies different tax rates on turnover according to a business's annual sales. Instead of uniformly taxing all micro businesses under the presumptive regime with a single rate, this system seems to consider fairness among micro taxpayers. However, based on the 2016 revised proclamation, the Ethiopian Income Tax Regulation 410/2017 (FDRE 2017) lists 99 business activities with 19 turnover bands. This leads to settling and adjusting 1,881 different tax percentages, which is complicated given the tax administration capacity at the lower levels of the tax administrations that are responsible for the implementation of presumptive taxes, the *woredas*. For example, if there are 1,881 businesses with different turnover bands adjusted and different business activities, each business is expected to have a unique tax due to pay. Such an approach is complicated and difficult to understand not only for taxpayers but also for tax collectors. Since different reports including Engelschalk (2007) have been criticising this complicated system, it was expected that it would be reformed. However, the revised proclamation made it more complicated by increasing segmentation of the businesses from 69 to 99, leading to an increase of the adjustment of tax calculations from 1,311 to 1,881. Therefore, designing the presumptive tax should consider the tax administration capacity of the lower levels of the tax authority and the understanding level of category 'C' taxpayers.

The other main problem that led to the recent chaos, especially during the 2017 revised daily sales estimation, is the sudden sharp change in daily sales estimation. Though regulation 78/2002 (Council of Ministers 2002) (repealed) states that the income tax payable assessment should be conducted at least every three years, the 2017 revised assessment was conducted after six years with a sharp increase in daily sales estimation. Within the six years, the assessment at least could have been revised once and the estimated daily sales increased gradually. Since the estimated income was suddenly and sharply increased (in some cases by more than 100 per cent of what was estimated six years before) it has contributed to the confusion.

According to Addis Ababa City Administration Directive 123/2009 (AACAA 2017), the daily sales estimation committee at the sub-city and *woreda* level has similar setups. The setup at the *woreda* level is composed of 12 individuals representing different institutions, who are believed to have a good knowledge about tax assessment. Some of these are the head of *woreda* administration, head of *woreda* micro tax office, head of *woreda* finance bureau, head of trade and industry bureau, and the chairperson of the business community forum. Though the business community is represented on paper, according to the author's discussions with the tax officials at *woreda* and sub-city level, the involvement of the business community chairperson was in practice non-existent. Thus, the business community was not represented at the *woreda* level during the gathering of information, or in controlling the estimation committee's education campaign, or during taxpayers' appeals and complaints. Such lack of representation in practice is likely to have contributed to or caused the low perception of procedural fairness (discussed in the next section) among the micro taxpayers in the sample of this study.

The issue that needs attention is the scope of implementation of the presumptive tax system. According to regulation 410/2017: '... category 'C' taxpayers shall pay tax in accordance with turnover based standard presumptive tax or the indicator-based presumptive tax methods'. In addition, Addis Ababa City Administration Directive 123/2009 Part 1, No. 3 (AACAA 2017)

states that only businesses under ETB 500,000 are included in the turnover-based presumptive taxation. Though the proclamation and the regulation underline that only category 'C' businesses should be under presumptive tax, in practice category 'B' and in some cases category 'A' businesses are also under presumptive tax.⁴ Most of these businesses use cash register machines and are VAT-registered businesses. Therefore, the practice should also be supported by the law to avoid confusion among the business community. In comparison, in Kenya, presumptive taxation applies for businesses below the VAT threshold and the regime applies for category 'C' businesses.

The Ethiopian tax authority believes that small and medium taxpayers understate their income though their use of sales register machines. This is the reason that led the authority to use the estimation of daily sales presumption system for businesses that have annual income of more than ETB 500,000 (US\$ 18,080). Though the sales register machine was initially introduced to curb underreporting of income, it has been observed that it has not met its objective. Therefore, the authority should start using other means of encouraging record keeping. The first system is to raise the interest paid by consumers on invoices for the items they purchase. For example, it can be raised using an invoice lottery system. This system allows consumers to win a prize for the invoices they receive. Such a system has been employed in Taiwan, managed by the Ministry of Finance of China. It was first introduced in 1951 to encourage consumers to obtain receipts for their purchases. The lottery draw takes place every two months and is televised live. In 1951, the same year that this invoice lottery was implemented, the tax authority managed to collect a revenue which was 75 per cent more than what it collected the preceding year. This system not only helps to raise revenue, but also motivates businesses to keep books and records. Other countries that have implemented such a system were able to encourage book keeping by businesses and avoid these businesses understating their income. Such a system could be implemented in partnership with the National Lottery Administration of Ethiopia.

1.4 Experience from selected African countries

In Tanzania, for example, the threshold of presumptive tax is 20 million Tanzanian Shillings (TZS – US\$ 8,740) and annual turnover below 4 million TZS (US\$ 1,748) is tax free. If a taxpayer's income lies between TZS 4 million and 7.5 million, the taxpayer is expected to pay TZS 150,000 (US\$ 66). However, if the taxpayer has fully completed records, then the taxpayer will pay only 3 per cent of the additional income that exceeds TZS 4 million. For example, a taxpayer earning TZS 7.5 million (US\$ 3,277) per annum will pay a tax of TZS 150,000 if her/his books are incomplete and if the taxpayer has fully completed records s/he will pay TZS 105,000 (US\$ 46). Though such a system provides a good incentive, still it has to be noted that if the taxpayer perceives that understating of records keeps her/him better off, there might still be the possibility of understating books. Therefore, both the system of an invoice lottery and exempting a certain percentage of tax liabilities for complete records could be applied here as well.

In general, underreporting of income is often observed in small businesses that mainly use cash to make payments. Hence, good tax design and tax policies alone will not provide a sustained solution to the problem. The payment systems should also be modernised and linked to the bank payment modes using either debit or credit cards. In such cases, payments made to the businesses can clearly be visible through their bank statements. These measures, however, require the engagement of other parties in addition to tax and banking authorities, especially in developing countries like Ethiopia. Robust telecom systems, a constant electricity supply and other infrastructure that assists the modernisation of the payment system should be in place.

⁴ Category 'C' taxpayers are taxpayers with annual turnover of less than ETB 500,000 (approximately US\$ 18,080), Category 'B' taxpayers are taxpayers with an annual income of less than ETB 1,000,000 (approximately US\$ 36,166) and category 'A' taxpayers are those with annual turnover of more than ETB 1,000,000.

The following discussion will focus on the experiences of African countries that have similarity to Ethiopia. Kenya, Tanzania and Rwanda are selected for this case. Micro businesses, especially in such developing countries, often use cash to make payments (James 2008: 3). The experiences of these countries can enable them to learn from one another. The table below summarises the structure of presumptive taxation.

Table 1 Structure of presumptive taxation in Eastern African countries

Country	Local currency	Presumptive tax threshold	Equivalence in US\$	Structure of the presumptive tax	Current exchange rate for US\$ 1 (October 2018)
Ethiopia	Ethiopian Birr (ETB)	500,000	US\$ 18,063.60	Indicator-based and turnover-based	27.68 ETB
Kenya	Kenyan Shilling (KES)	500,000	US\$ 5,000 (approximately)	Flat rate of 3% 2% for agricultural sector	100.75 KES
Rwanda	Rwandan Franc (RWF)	12,000,000	US\$ 13,615.16	3% of the minimum income in the bracket	881.37 RWF
Tanzania	Tanzanian Shilling (TZS)	20,000,000	US\$ 8,739	Mixture of progressive rate and fixed rate presumptive systems	2,288.6 TZS

Source: Kenyan Finance Act 2007, Tanzanian Income Tax Act 2008, Rwandan Direct Income Tax 2012, Ethiopian Income Tax Regulation 2017.

Presumptive tax was introduced in Kenya in the form of withholding tax for farming activities. Due to small holding farmers often lacking proper records, the government levied 2 per cent of their total output. The Finance Act of 2001 (Kenya Revenue Authority 2001) repealed this presumptive system, embracing the self-assessment method. However, the self-assessment method was not successful, and that led to the Finance Act of 2006, that introduced a turnover tax (TOT) on micro and small businesses earning less than US\$ 50,000. Under this system 3 per cent of the total turnover is taxed every three months. For rental activities, however, the Finance Act of 2015 presumes 40 per cent of the gross income as expenditure, to match revenue from the sector and growing construction. The Ethiopian tax system exempts 50 per cent of the rental income from taxation and taxes the remaining half of the rental income. The flat rate system, however, is simple for taxpayers and creates less administrative burden. During the national budget speech in June 2018, the Cabinet Secretary to the National Treasury proposed bringing back the presumptive tax system, replacing the TOT system. The Kenyan system of a flat rate of taxing small and medium enterprises (SMEs) could also be an option of simplicity for the Ethiopian system regarding taxing micro businesses.

Like Kenya, the Rwandan presumptive system adopts a flat fee system for micro enterprises and lump sum tax for businesses with annual income between Rwandan Francs (RWF) 12m-50m. On the other hand, micro taxpayers (those with an income of under RWF 12m) are taxed based on five bands of annual turnover, which is equivalent to 3 per cent of the minimum income of each income band. This form of presumptive taxation resembles a progressive turnover-based presumptive regime. The advantage of the Rwandan presumptive tax structure is the facilitation of the smooth transition from micro taxpayers to small taxpayers. As the study of Eissa *et al.* (2017) indicates, after the introduction of the flat fee presumptive system, the number of businesses joining the tax net has increased though this can not only be attributed to the 2012 tax reform. Hence, the Ethiopian system could also consider this form of simplified taxation as an option of a simplified tax system to facilitate graduation from category 'C' to category 'B'.

In Tanzania, different business segments are treated uniformly based on the annual income they earn. The system resembles a progressive turnover-based presumptive system. The Tanzanian system of taxing micro businesses has a quality of encouraging businesses to keep books and records. According to the 11/2004 income tax regulation (Tanzanian Revenue Authority 2004), businesses that keep complete books and records have an incentive to pay less tax compared to those that do not have complete records. Although there are still loopholes of understating income, the structure of the Tanzanian presumptive system could still be a model for Ethiopia as it is simple to understand and creates relatively easy administration for the tax officials.

2 Research questions and methods

As indicated earlier, the broad objective of this research was to assess the perception of category 'C' taxpayers on the turnover-based presumptive system. Based on this objective the following specific research questions (RQs) were developed.

RQ 1: How do category 'C' taxpayers perceive the presumptive tax regime with respect to its fairness, administrative simplicity and administration capacity?

RQ 2: How is the design of the presumptive tax regime in Ethiopia, with respect to its existing design and the international experiences?

RQ 3: What are the main challenges in implementing presumptive taxes in Ethiopia?

The study employed a survey of taxpayers together with in-depth interviews and documentary analysis. The survey was conducted with randomly selected turnover-based category 'C' taxpayers in Addis Ababa. The achieved sample size was 912 taxpayers.⁵ The survey involved one-to-one interviews at the business sites of the respondents, conducted by a team of ten trained and experienced interviewers. The key respondents (category 'C' taxpayers) were identified prior to the survey, based on information obtained from the ten sub-city branches of the Addis Ababa City Administration and *woreda*-level branch offices at the ten sub-cities and two tax centres. The survey was conducted from 16 May to 1 July 2018. The study used a Likert scale (from 1 to 5, where 1 is 'strongly disagree' and 5 'strongly agree') and descriptive statistics to analyse the collected data with the aid of Statistical Package for Social Scientists (SPSS) version 24.0. Accordingly, frequencies, percentages, mean and standard deviation were used to analyse the quantitative data. In-depth interviews were also conducted with selected officials from the tax authority, traders' forum, finance and economy bureau, office of justice, and other representatives of the institutions that are included as leaders of the daily sales estimation committee.

3 Results and discussion

In this section, survey results are discussed and documentary analysis is conducted. In order for the reader to have good background information about presumptive taxes in the regional context and Ethiopia, the documentary analysis is discussed prior to the survey results.

⁵ There are 236,473 category 'C' taxpayers in the city, and 142,514 of them are paying their taxes on the estimation of the daily sales (*Gebi Lelimat* 2017: 6).

3.1 Perceptions of taxpayers on aspects of the presumptive regime

Before presenting results with respect to taxpayers' perceptions of aspects of the presumptive regime, the following paragraphs briefly present survey respondents' profile. Out of the total 912 respondents, 46.2 per cent are female while the remaining 53.8 per cent are male; women therefore make up the majority of the survey respondents. Cross tabulating gender with business age enables us to observe the age of the businesses vs. individual micro businesses managed/owned by women. Table 2 below shows the gender-business age cross tabulation.

Table 2 Gender and business age cross tabulation

		Age of the business				Total
		Less than 2 years	2-5 years	5-10 years	More than 10 years	
Gender	Male	14.1%	12.5%	9.3%	10.1%	46.2%
	Female	20.2%	16.6%	8.7%	8.4%	53.8%
Total		34.3%	29.1%	18.0%	18.5%	100.0% ⁶

Almost one-third (34.3 per cent) of all respondents have a business that has operated for less than two years. Respondents with businesses that have an operating life of between two and five years compose 29.1 per cent of all respondents. Around one-fifth of the respondents have a business with an operating life of between five and ten years (18 per cent) and a similar number have a business with an operating life of more than 10 years (18.5%).

Table 2 shows that the percentages of women operating a business are more for businesses which are less than five years old. On the contrary, as the business age increases beyond the age of five, the number of businesses owned by men outweighs the number owned by women.

Table 3 below gives details of the level of education of the respondents and the business activity in which they are engaged.

Table 3 Education vs. business activity cross tabulation

Education of the respondent	Business activity							Total
	Retail shop	Café and restaurant	Electronic and computer	Beauty salon	Clothing and footwear	Jewellery	Others ⁷	
Below Grade 12	34.7%	33.1%	8.1%	15.0%	22.4%	22.2%	41.2%	28.8%
High school completed	53.4%	50.4%	35.5%	52.3%	56.1%	38.9%	44.1%	51.2%
Diploma completed	9.3%	11.5%	45.2%	29.0%	17.8%	33.3%	11.8%	16.1%
First degree completed	2.6%	5.0%	11.3%	3.7%	2.8%	5.6%	2.9%	3.8%
Masters and above					0.9%			0.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

On the basis of education, 28.8 per cent of the total respondents are below grade 12 and more than half of the respondents have completed high school. Sixteen per cent of the respondents have a college diploma and only 3.8 per cent have a first degree. Only one respondent out of 912 has a master's degree: 0.1 per cent of the total. Out of the total respondents that are engaged in retail trade, 34.7 per cent have not completed grade 12, but more than half of them (53.4 per cent) have completed high school. Nearly 10 per cent of

⁶ Due to rounding, totals in some tables may not correspond precisely with the sum of the separate figures.

⁷ This includes largely businesses such as *qhat* (local stimulant leaf) and millers.

them have completed their diploma, but only 2.6 per cent have their first degree. This result shows that the number of respondents engaged in retail trade declines as the level of qualification rises. The same holds for other business activities too. However, unlike other business activities, more than half of the respondents (56.5 per cent) engaged in computer and electronics services have a college diploma and/or first degree. This is expected because computer and electronic services are expected to have more training than other business activities.

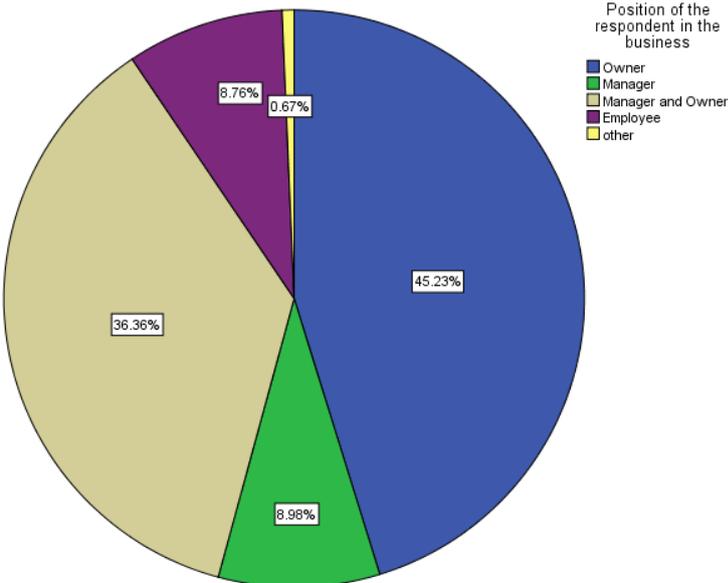
Regarding the businesses' annual income, out of 912 respondents 311 (34 per cent) were not willing to respond. Out of those who did respond, 501 (54.9 per cent) of the total sample responded that their annual income is between ETB 0-100,000 (US\$ 0-3,616). Around 10 per cent responded that their annual income is between ETB 100,000 (US\$ 3,616) and ETB 500,000 (US\$ 18,080). Table 4 summarises the respondents' annual income.

Table 4 The annual income of the respondents

	Frequency	Per cent
0-100,000	501	54.9
100,001-200,000	60	6.6
200,001-300,000	24	2.6
300,001-400,000	10	1.1
400,001-500,000	6	0.7
Total	601	65.9
Missing values	311	34.1
Total	912	100.0

The graph below shows the position of the respondents in the businesses. The graph shows that more than 80 per cent of the respondents are either owners, or managers and owners. Nearly one-tenth (8.98 per cent) of the respondents are managers only and 8.76 per cent are employees. Only 0.67 per cent of them have identified themselves as other. Among the total respondents, there are ten missing values, making 1.1 per cent of the total respondents.

Figure 1 Position of the respondents in the business



With the above background, the following sections present perceptions of respondents on different aspects of the presumptive tax regime. In each of the tables in the following sub-sections, the upper values are the frequencies and the lower the percentages.

3.1.1 Perceptions of exchange fairness

There are four statements identified to show the taxpayers' perceptions on exchange fairness, under this sub-section. The respondents have five options in responding: 'strongly disagree', 'disagree', 'neutral', 'agree' and 'strongly agree' for the statements that they are provided with. Table 5 below summarises the responses to the statements representing exchange fairness. The upper value of the last column explains the mean and the lower value of the last column explains the standard deviation.

Table 5 Descriptive summaries for statements under the theme of exchange fairness

<i>N = 912, Min = 1, Max = 5, Missing value = 0</i>	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean & std.
Taxes paid to the government in the form of presumptive tax are used for the benefit of the general public	48 (5.3%)	144 (15.8%)	90 (9.9%)	475 (52%)	155 (17.1%)	3.59 (1.1)
Services provided by the government to the business community are worth the amount of tax they pay	229 (25.1%)	479 (52.5%)	95 (10.4%)	99 (10.9%)	10 (1.1%)	2.1 (0.93)
Property rights and patent rights of taxpayers are protected	201 (22%)	387 (42.4%)	109 (12%)	170 (18.6%)	45 (4.9%)	2.42 (1.16)
If taxpayers' compliance improves, government provision of public services will also increase	60 (6.6%)	145 (15.9%)	96 (10.5%)	460 (50.4%)	151 (16.6%)	3.54 (1.13)

Notes: Percentages and standard deviations are in parentheses.

Source: Survey of category 'C' taxpayers in Addis Ababa.

For the above four statements, the number of respondents is 912 for each statement and there are no missing values. For the first statement, 'Taxes paid to the government in the form of presumptive tax are used for the benefit of the general public', more than half of the respondents agreed with the statement. Out of the total respondents from the businesses engaged in retail activities, 53 per cent responded that they agree to the statement given. However, 22 per cent of the respondents that are engaged in the jewellery business disagreed with this statement, making the largest response for disagreement with the statement. On the other hand, having a standard deviation of 1.1 shows that the individual responses deviate a little over 1 point away from the mean.

However, for the second statement that, 'Services provided by the government to the business community are worth the amount of tax they pay', again, more than half of the respondents said that they disagreed with the statement. The second highest response for this statement is 'strongly disagree', composed of more than quarter of the respondents. Therefore, more than 77 per cent of the respondents are not content with the statement, showing that the perception of exchange fairness among category 'C' taxpayers is very low. Among the total respondents to this statement that are engaged in electronic and computer business activity, nearly 70 per cent of them disagreed with this statement. On the other side, the highest response that agreed with this statement came from the retail business activity – 13 per cent. Having a mean of 2.1, it is clear that the average responses are to the disagree side of the statement. The standard deviation value of 0.93 explains that responses are dispersed around the mean compared to the first statement.

For the third statement, 'Property rights and patent rights of taxpayers are protected', the highest number of responses (42.4 per cent) disagreed with the statement. The second highest, which is 'strongly disagree', composed 22 per cent of the total responses. This shows that around 64 per cent of the respondents do not believe that they are getting the service of protection of property from the government. It has to be noted that around 23 per cent of the respondents perceive that the government is providing property and patent rights to taxpayers. The highest frequency of disagreement with this statement comes from the businesses engaged in electronics and the computer sector. A mean value of 2.42 explains that the mean is less than the median where the large number of the respondents are

concentrated disagreeing with the statement. The measure of dispersion of the respondents show that responses are dispersed a little more than 1.

The last statement, used to address exchange fairness, is a leading statement that, ‘if taxpayers’ compliance improves, government provision of public services will also increase’. Slightly more than half of the respondents agreed with this statement. This shows that there is a consensus that there is lack of compliance among taxpayers themselves and that if this improves, the government’s provision of goods and services will improve. The second largest response is ‘strongly agree’, strengthening the perception of the lack of compliance among taxpayers. Businesses engaged in retail activities seem to agree more highly than businesses involved in other sectors, making 52.1 per cent of the total businesses engaged in the sector. With a mean value of 3.54, most of the responses align to the right, showing that majority of the respondents agree with the statement with a 1.13 value of dispersion from the average.

In general, it can be concluded that there is a low perception of exchange fairness among category ‘C’ taxpayers. As mentioned in the literature review section, taxpayers who have a negative perception of exchange fairness have a tendency to evade taxes and under-report income. As the survey result shows, there is lack of voluntary compliance among taxpayers. This can be attributed to the negative perception of exchange fairness among the taxpayers in the sample. Therefore, the finding of this study aligns with the theory that negative perceptions of exchange fairness lead to non-compliance among taxpayers.

3.1.2 Perceptions of procedural fairness

As noted above, procedural fairness mainly focuses on how taxpayers are involved in and represented in the process of their tax assessment. Accordingly, the statements below reflect the procedural fairness of the turnover-based presumptive regime.

Table 6 Descriptive summaries for statements under the theme of procedural fairness

<i>N = 912, Min = 1, Max = 5, Missing value = 0</i>	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean & std.
Category ‘C’ taxpayers were represented during the estimation of daily sales	245 (26.9%)	445 (48.8%)	104 (11.4%)	107 (11.7%)	11 (1.2%)	2.11 (0.97)
When tax laws are developed, the business community is well consulted to represent the interests of the business community	260 (28.5%)	374 (41%)	114 (12.5%)	139 (15.2%)	25 (2.7%)	2.22 (1.1)

Notes*: Percentages and standard deviations are in parentheses.

Source: Survey of category ‘C’ taxpayers in Addis Ababa.

One expression that can be used to assess the perception of procedural fairness is not included in the table above but can be discussed as it is already included in the tax administration capacity. The statement: ‘The estimation committee members that visit your working premises are polite in making conversation’ can also be used under this sub-section. The responses for this statement have a mean value of 3.37 showing that the average responses tend to agree with this statement.

For the above two statements there are no missing values and the frequencies and percentages show the responses of all 912 taxpayers in the sample. For the first statement ‘Category ‘C’ taxpayers were represented during the estimation of daily sales’, 445 (48.8 per cent) of the respondents disagreed with the statement. This is the highest response, comprising nearly half of the total respondents. The second most frequently responded label is ‘strongly disagree’, comprising 245 of the respondents (26.9 per cent), which is more than a quarter of respondents. The mean of the responses for this statement is 2.11, siding to the disagree part of the scale. The standard deviation has a value of 0.97 showing that responses have dispersed nearly 1 point away from the mean value.

For the second statement that 'When tax laws are developed, the business community is well consulted to represent the interests of the business community', a large number of the respondents disagreed with the statement. These respondents constitute 41 per cent of the total respondents who disagreed and 28.5 per cent of the total respondents who strongly disagreed. Only 15.2 per cent of the respondents agreed with the statement. The mean value of 2.22 shows that responses are skewed to the disagree side of the measure. On the other hand, the value of the standard deviation shows that individual responses are 1 point away from the mean value.

Responses from the two statements show that category 'C' taxpayers have a perception that they are neither involved in the process of the development of tax laws nor well represented during the estimation of the daily sales. The electronic and café business activities have larger frequencies in their responses of disagreement to the statements that reflect procedural fairness. Based on the combined values of the mean for these two statements, it is possible to conclude that there is low perception of procedural fairness among the category 'C' taxpayers.

3.1.3 Perceptions of horizontal fairness

Two statements are picked to measure the perception of horizontal fairness among category 'C' taxpayers. Again, for these two statements all the respondents in the sample responded to these questions leaving 0 missing values.

Table 7 Descriptive summaries for statements under the theme of horizontal fairness

<i>N = 912, Min = 1, Max = 5, Missing value = 0</i>	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean & std.
Micro businesses who earn the same level of income pay a more or less similar amount of tax	195 (21.4%)	471 (51.6%)	102 (11.2%)	115 (12.6%)	29 (3.2%)	2.24 (1.02)
Taxpayers in a similar situation (business location, living standards, personal expenses, property they acquire, family size ... etc.) pay similar amounts of tax	158 (17.3%)	446 (48.9%)	191 (20.9%)	81 (8.9%)	36 (3.9%)	2.33 (0.99)

Notes*: Percentages and standard deviations are in parentheses.
Source: Survey of category 'C' taxpayers in Addis Ababa.

More than half of the respondents disagreed with the first statement that 'Micro businesses who earn the same level of income pay a more or less similar amount of tax'. 'Strongly disagree' is the second most frequently responded option for the statement. Having the maximum value of 5 and minimum value of 1, the mean value is 2.24 siding to the disagree side of the gauge. On the other hand, the measure of the dispersion shows that individual responses are dispersed 1.02 points away from the mean value. Responses from all the different kinds of business activities engaged in show that there is high level of disagreement. However, the responses from the electronic and computer sector show that nearly 70 per cent of the respondents disagreed with this statement.

Nearly half (48.9 per cent) of the respondents disagreed with the second statement 'Taxpayers in a similar situation (business location, living standards, personal expenses, property they acquire, family size ... etc.) pay similar amounts of tax'. More than 20 per cent of the respondents preferred to be neutral. However, 17.3 per cent of the respondents strongly disagreed, leading to a mean value of 2.33 that is sided to the disagree side of the measure. The standard deviation value of 0.99 shows that the values of individual responses have deviated 1 point away from the average values.

From the two statements given above, it is shown that there is low perception of horizontal fairness among category 'C' taxpayers'. As a majority of the taxpayers have a perception that category 'C' businesses earning the same do not pay a similar amount of tax, then this is one of the indicators that the perception of horizontal fairness is low. In addition, taxpayers in

similar situations are perceived to not be paying similar taxes: this is the other indicator for the low perception of horizontal equity.

As presumptive tax deals with micro individual businesses, most businesses provide for basic needs with the income they earn. Horizontal fairness argues that such taxpayers should be taxed less as others with a better position should be taxed higher. However, the finding above shows that there is a negative perception of horizontal fairness among the sample respondents. Especially, perceptions from the electronic and computer sector are very low on horizontal fairness.

3.1.4 Perceptions of vertical fairness

In this section, two statements are identified to show the taxpayers' perceptions of vertical fairness. Table 8 below summarises the responses to these statements representing vertical fairness.

Table 8 Descriptive summaries for statements under the theme of vertical fairness

<i>N = 912, Min = 1, Max = 5, Missing value = 0</i>	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean & std.
There is no significant difference in the amount of tax that is paid by small businesses and big ones	116 (12.7%)	398 (43.6%)	241 (26.4%)	127 (13.9%)	30 (3.3%)	2.5 (0.99)
Micro businesses are paying identical amounts of tax irrespective of their income level	139 (15.2%)	461 (50.5%)	209 (22.9%)	94 (10.3%)	9 (1%)	2.31 (0.88)

Notes*: Percentages and standard deviations are in parentheses.
Source: Survey of category 'C' taxpayers in Addis Ababa.

The above table shows that 43.6 per cent of respondents disagreed with the first statement. The majority of the respondents recognised that big businesses pay more taxes than small businesses. For this statement, 12.7 per cent of respondents strongly disagreed while more than a quarter remained neutral. The mean value for this statement is 2.5 which is less than the median value showing that responses are skewed to the disagree side. The positive perception from businesses paying micro taxes largely came from the clothing and footwear sector. Since the question itself assesses the perception of vertical fairness not only among category 'C' taxpayers but in the overall system, the responses show that there exists a positive perception of category 'C' taxpayers in the sample in this study on the vertical fairness of the overall tax system. Individual responses are dispersed slightly less than 1 point away from the mean value.

The second statement on the other hand tries to capture vertical fairness within the group of category 'C' taxpayers. The responses for the statement, 'Micro businesses are paying an identical amount of tax irrespective of their income level', show that more than half of the respondents disagreed. The second largest percentage of frequency (22.9 per cent) for this statement is neutral, in that respondents preferred to have no opinion. With a mean value of 2.31 which is less than the median value, this clearly shows that respondents disagreed with this statement. Individual responses seem to be dispersed not far from the mean value with the value of the standard deviation 0.88.

In general, this shows that category 'C' taxpayers have a positive perception about the vertical fairness within the presumptive tax regime. In addition, category 'C' taxpayers have a positive perception of vertical fairness in the overall tax system as well as the presumptive tax regime. This result confirms that taxpayers have a perception that a turnover-based system treats businesses differently based on their incomes.

3.1.5 Perception of time-related fairness

Three statements are identified to assess the perception of time-related fairness among category 'C' taxpayers. Like the previous statements used to assess other forms of fairness, these three statements also have no missing values and the total number of responses for each statement is 912. Table 9 below summarises the frequencies, percentages, mean and standard deviation for each statement.

Table 9 Descriptive summary for statements under the theme of time-related fairness

<i>N = 912, Min = 1, Max = 5, Missing value = 0</i>	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean & std.
The income estimated for micro businesses considers the amount of income they earn/lose across time	333 (36.5%)	436 (47.8%)	81 (8.9%)	59 (6.5%)	3 (0.3%)	1.86 (0.85)
The daily sales estimation only considers the good seasons of business activities and ignores seasons with low business activities	101 (11.1%)	92 (10.1%)	65 (7.1%)	381 (41.8%)	273 (29.9%)	3.69 (1.29)
The daily sales estimation considers the average income of my business across time	461 (50.5%)	351 (38.5%)	42 (4.7%)	53 (5.7%)	5 (0.5%)	1.67 (0.85)

Notes*: Percentages and standard deviations are in parentheses.

Source: Survey of category 'C' taxpayers in Addis Ababa.

The first statement that is used to capture time-related fairness shows that nearly half of the respondents (47.8 per cent) disagreed that the estimated income considers the income they earn across time. The second most frequently responded option is 'strongly disagree' with 333 frequency counts, which comprises 36.5 per cent of the total responses. The largest percentage of disagreement with the statement comes from the café and restaurant sector, which calls for closer attention to developing a positive perception. The mean value for this statement is 1.86 which is far to the left of the median value.

For the following statement that, 'The daily sales estimation only considers the good seasons of business activities and ignores seasons with low business activities', 41.8 per cent of the respondents agreed with this statement, whereas almost 30 per cent strongly agreed. This alone comprises 70 per cent of the overall responses. The mean value for this statement is to the far right of the median value which is 3.69 with a standard deviation of 1.29. From the reactions of the respondents it is demonstrated that there is a high perception that the daily sales estimations do not consider businesses' bad seasons.

Regarding the last statement, 'The daily sales estimated considers the average income of my business across time', more than 50 per cent alone strongly disagreed and 38 per cent of the respondents disagreed. Again, it is in the café and the restaurant sector that there exists a high level of disagreement with this statement. Only around 10 per cent replied otherwise, leaving the mean value of the statement to be far to the left to the median value, 1.67. The individual responses are 0.8 points away from the median value. Generally, category 'C' taxpayers in the sample of this study seem to have negative perceptions of time-related fairness, as is observed from all the three statements.

On time-related fairness, changes in the general prices and relative prices are the factors that lead to time-related inequity. The rising inflation that Ethiopia has been witnessing for the last 15 years can be considered as one of the contributing factors for time-related inequity. In addition, the negative perception of time-related equity from the survey response strengthens the argument that in a very dynamic economic environment, the long-run expectations of economic agents vary leading to time-related inequity.

3.1.6 Perceptions of inter-group fairness

Inter-group equity and fairness implies that no group is favoured to the disadvantage of another without good cause. To assess the perception of inter-group fairness among taxpayers under a turnover-based presumptive regime, the statement, 'Certain groups of micro business were more favoured than others in the implementation of presumptive taxes' was given. The responses to this question are summarised in Table 10 below.

Table 10 Descriptive summary for the statement under the theme of inter-group fairness

<i>N</i> = 912, <i>Min</i> = 1, <i>Max</i> = 5, <i>Missing value</i> = 0	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean & std.
Certain groups of micro business were more favoured than others in the implementation of presumptive taxes	97 (10.6%)	350 (38.4%)	234 (25.7%)	206 (22.6%)	25 (2.7%)	2.68 (1.02)

Notes*: Percentages and standard deviations are in parentheses.

Source: Survey of category 'C' taxpayers in Addis Ababa.

The above table contains a single statement used to measure the perception of inter-group fairness within the presumptive tax system, and the responses show that 38.4 per cent of respondents disagree with the statement. Out of the total respondents who disagreed with this statement, half of them are from the retail business sector. This could be due to the large sample size from the businesses in this sector. On the other hand, 22.6 per cent of the respondents agreed with the statement, while more than a quarter preferred to be neutral. The mean value of the statement is to the left of the median, not far from the median. Hence, more respondents tended to disagree with the statement. Individual reactions to the statement are dispersed around 1 point away from the average value. In general, from this it can be seen that there is a perception that there is no separate group that is favoured under the presumptive tax system. This shows that there is indeed a positive perception among category 'C' taxpayers in the sample regarding inter-group fairness.

The positive perception of the respondents on inter-group fairness explains that no segment under the presumptive system is treated differently. Such perceptions contribute to the improvement of compliance and trust in authorities. However, inter-group fairness alone may not lead to this level of trust unless accompanied by other dimensions of fairness.

3.1.7 Perceptions of compliance fairness

As mentioned in the literature review, compliance fairness refers to taxpayers paying what they should pay on a timely basis. Though compliance is not an issue in the case of presumptive taxes, the two statements identified are designed to adjust for turnover-based presumptive taxation. The summary statistics are provided under Table 11.

Table 11 Descriptive summary for statements under the theme of compliance fairness

<i>N</i> = 912, <i>Min</i> = 1, <i>Max</i> = 5, <i>Missing value</i> = 0	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean & std.
Category 'C' taxpayers pay all their tax due on time	23 (2.5%)	136 (14.9%)	177 (19.4%)	408 (44.7%)	168 (18.4%)	3.6 (1.02)
Some taxpayers pay less taxes by hiding stocks during the estimation of daily sales	72 (7.9%)	123 (13.5%)	319 (35%)	261 (28.6%)	137 (15%)	3.29 (1.11)

Notes*: Percentages and standard deviations are in parentheses.

Source: Survey of Category 'C' Taxpayers in Addis Ababa.

For the first statement in Table 11, 'Category 'C' taxpayers pay all their tax due on time', 44.7 per cent of the respondents agreed. Almost 20 per cent of the respondents preferred to stay neutral. The mean value of the statement is 3.6, which is higher than the median. Hence, overall the respondents seem to agree with the statement. The standard deviation has a value of 1.02, meaning that individual reactions are away from the mean value by 1 point.

The revenue authority claims that there is a problem among taxpayers in that they are hiding stocks during the estimation. Due to this reason, the second statement was modelled as, 'Some taxpayers pay less taxes by hiding stocks during the estimation of daily sales'. The largest number of the respondents in each business activity remained neutral to this question. However, the second largest response to this statement is 'agree', leading to the mean value of 3.29 which is slightly higher than the median value. This shows that, on average, responses tend to agree with the statement. In addition, it is observed that business activities that are related to selling goods have fewer counts of agreeing to this statement, though it is the second highest response. For example, retail shops, jewellery shops, and clothing and footwear shops have less frequencies of agreeing with this statement. However, business activities that engage in the provision of services, such as cafés and restaurants, electronic and computer services, and beauty salons have higher positive responses for this statement. The possibility is that businesses that are in the service sector feel comfortable about answering this question.

In general, regarding the first statement, there is a positive perception among category 'C' taxpayers in the sample on compliance fairness with a mean and a standard deviation of 3.6 and 1.02, respectively. On the other hand, regarding the second statement, there is a negative perception among category 'C' taxpayers in the sample on compliance fairness, with a mean value of 3.29. As negative perceptions on compliance fairness depress the overall fairness, it is important to build positive perceptions of compliance fairness.

3.1.8 Perceptions of administrative simplicity

In this section, five statements are identified to show the taxpayers' perceptions of administrative simplicity. Table 12 below summarises the responses to these statements.

Table 12 Descriptive summary for statements under the theme of administrative simplicity

<i>N = 912, Min = 1, Max = 5, Missing value = 0</i>	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean & std.
The presumptive tax regime is a simplified tax system compared to other regimes	144 (15.8%)	422 (46.3%)	192 (21.1%)	141 (15.5%)	13 (1.4%)	2.4 (0.97)
It is better for high-earning micro businesses to graduate to the standard tax regime than to be under the presumptive tax regime	55 (6%)	122 (13.4%)	254 (27.9%)	391 (42.9%)	90 (9.9%)	3.37 (1.03)
After the daily sales are estimated, the way the tax is calculated is complicated	69 (7.6%)	95 (10.4%)	76 (8.3%)	469 (51.4%)	203 (22.3%)	3.7 (1.14)
There is an adequate education campaign on tax issues	154 (16.9%)	369 (40.5%)	171 (18.8%)	184 (20.2%)	34 (3.7%)	2.53 (1.1)
Micro taxpayers can get any information through a free phone service (8199) or website without going to the office of the authority	187 (20.5%)	357 (39.1%)	264 (28.9%)	85 (9.3%)	19 (2.1%)	2.33 (0.97)

Notes*: Percentages and standard deviations are in parentheses.
Source: Survey of category 'C' taxpayers in Addis Ababa.

Regarding the first statement, 'The presumptive tax regime is a simplified tax system compared to other regimes', 46.3 per cent of the respondents disagreed. On the other hand, 15.5 per cent of the respondents strongly disagreed with the statement, though 21 per cent of the responses are neutral. The mean value for the statement is below the median value showing that the overall responses tend to disagree that the presumptive tax is a simple system.

For the second statement, 'It is better for high-earning micro businesses to graduate to the standard tax regime than to be under the presumptive tax regime', 43 per cent (the highest response) agreed. Like the previous statement, quite a large number (28 per cent) of respondents preferred to be neutral in their responses. The mean value for this statement is 3.37 which is higher than the median, showing that the average responses tend to agree with

the statement. This result proves that the category 'C' taxpayers in the sample are not happy with the presumptive system.

The third statement is: 'After the daily sales are estimated, the way the tax is calculated is complicated'. More than half of the respondents agreed with this statement and 22.3 per cent strongly agreed. Business activities such as cafés and electronic services had a higher count of responses agreeing to the statement. The mean value of the statement is 3.7 which is higher than the median. The individual responses deviate 1.1 points away from the mean. The average responses, in general, have a tendency to agree with the statement. Based on this statement, category 'C' taxpayers in the sample of this study have a low perception of the easiness of the presumptive system.

Since a proper and adequate education campaign on tax issues is one of the elements of tax simplicity, the next statement is modelled to capture the perceptions of taxpayers on this area. For the statement, 'There is an adequate education campaign on tax issues', more than 40 per cent of the respondents disagreed. The mean value of this statement is 2.53, below the median. Hence, overall average responses show that category 'C' taxpayers disagreed with the statement.

The final statement under the theme of administrative simplicity is 'Micro taxpayers can get any information through a free phone service (8199) or website without going to the office of the authority'. Around 40 per cent of the respondents disagreed with this statement and 20 per cent strongly disagreed. Beauty salons and cafés have higher frequencies of disagreement with this statement compared to other business activities. The mean value of the statement is 2.33 and standard deviation is 0.97. Since the mean value is below the median, the average responses to this statement tend to disagree.

From all the five statements given above, the responses show that there is a negative perception regarding the simplicity of the regime. There might be several reasons why there is negative perception regarding simplicity. The main one can be attributed to the excess number of business activities and the turnover bands that require the setting and adjusting of 1,881 different rates. Another is the poor information channel between the tax authority and taxpayers.

3.1.9 Perceptions of administrative capacity

This section evaluates the perceptions of the sample respondents of administrative capacity in implementing presumptive taxes. Though tax administration has different dimensions, in this section only five statements are used. These statements are summarised in Table 13 below.

Table 13 Descriptive summary for statements under the theme of administrative capacity

<i>N = 912, Min = 1, Max = 5, Missing value = 0</i>	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean & std.
The appeal process is fair and just	270 (29.6%)	367 (40.2%)	96 (10.5%)	139 (15.2%)	40 (4.4%)	2.4 (0.97)
The daily sales estimating team members that visit your working premises are polite in making conversation	80 (8.8%)	158 (17.3%)	101 (11.1%)	383 (42.0%)	190 (20.8%)	3.37 (1.03)
The tax authority has an organisational structure that can address tax issues arising from micro business taxpayers	196 (21.5%)	398 (43.6%)	150 (16.4%)	132 (14.5%)	36 (3.9%)	3.7 (1.14)
The presumptive tax regime motivates and encourages taxpayers to keep books and records	195 (21.38%)	390 (42.8%)	118 (12.9%)	169 (18.5%)	40 (4.4%)	2.53 (1.1)
The presumptive tax regime motivates and encourages category 'C' taxpayers to graduate to the standard tax regime	269 (29.5%)	350 (38.4%)	154 (16.9%)	118 (12.9%)	21 (2.3%)	2.33 (0.97)

Notes*: Percentages and standard deviations are in parentheses.

Source: Survey of category 'C' taxpayers in Addis Ababa.

The perception of administrative capacity by the sample respondents is not only assessed using the statements in Table 13 but also uses some statements from the previous table as well. Technology-based taxpayers' access to information is one aspect of administrative capacity and the perception of that by category 'C' taxpayers is found to be low, as seen in the discussion of the last statement in Section 3.1.8.

Regarding the first statement of Table 13, 'The appeal process is fair and just', most of the respondents (40 per cent) in the sample disagreed. Nearly 30 per cent of the respondents strongly disagreed. The mean value of the expression is 2.4 with standard deviation of 0.97. The mean value is below the median value meaning that the average response for the statement inclines to disagree. The variations of specific responses are 1.1 away from the mean.

In the second statement, 'The daily sales estimating team members that visit your working premises are polite in making conversation', 42 per cent of the respondents agreed. In addition, more than 20 per cent of the respondents strongly agreed. The mean value of the statement is 3.37 placed above the median. This shows that there is a positive perception among the sample taxpayers on this statement.

The third statement, 'The tax authority has an organisational structure that can address tax issues arising from micro business taxpayers', has a mean value of 3.7 and standard deviation of 1.14. Among the total samples of category 'C' taxpayers, 43.6 per cent responded that they disagree with the expression and 21.5 per cent strongly disagree. From the mean value of the expression, it can be concluded that there is a low perception of taxpayers in the sample on the organisational structure of the authority to tackle issues experienced by micro taxpayers.

'The presumptive tax regime motivates and encourages taxpayers to keep books and records' is the fourth statement under the theme of administrative capacity. Out of the total respondents, 42.8 per cent disagree and 21.4 per cent strongly disagree with the statement. Having a mean value of 2.53 and standard deviation of 1.1, the average response inclines to disagree with the statement. This leads to the negative perception of the respondents on how the system motivates the taxpayers to keep books.

The last statement of Table 13 is, 'The presumptive tax regime motivates and encourages category 'C' taxpayers to graduate to the standard tax regime'. Based on the responses of sample turnover-based presumptive taxpayers, 38.4 per cent of the respondents disagreed

with the statement and nearly 30 per cent strongly disagreed. The mean value of the expression is 2.33 which is below the median. From these responses it can be concluded that there is a negative perception among the sample taxpayers of the statement above.

In general, out of the five statements assessing perceptions of tax administration, five of the statements reflect negative perception of the administrative capacity of the tax authority. However, responses to one of the six statements show that there is a positive perception of tax administration capacity. This is the statement that the tax team members of the daily sales estimation make conversation in a polite way. The average responses incline to the positive perception that the estimating team had polite conversations with the sample taxpayers. How the administrative capacity is perceived among taxpayers plays a crucial role to smoothen the tax regime. Hence tax authorities and legislators should build a positive perception among taxpayers.

4 Conclusion

The sample respondents of category 'C' taxpayers have negative perceptions of exchange fairness, procedural fairness, horizontal fairness, time-related fairness, compliance fairness, simplicity and the administrative capacity of the tax authority. On the other hand, the respondents in the sample have positive perceptions of vertical fairness and inter-group fairness. Tax authorities and other stakeholders should work together to improve the perception of fairness among taxpayers. In addition, legislators and tax authorities should work to build positive perceptions of simplicity and administrative capacity.

Some of the factors that led to low perceptions are the late reassessment of the daily sales in 2017. Though the daily income was supposed to be assessed every three years, the 2017 assessment was conducted after six years, leading to an unanticipated and sharp increase in the estimation. Hence, there should be a continuous assessment at least every three years according to the law, so that the estimated income will not have an unexpected increase.

The number of business activities and the number of turnover bands are too large, leading to a complicated tax rating and adjusting system. Such a system is not only too hard for the taxpayers to understand, but also creates a high administrative burden for taxpayers. Thus, the turnover-based presumptive tax design should avoid such complication and build on the simplicity of the system.

In addition to this, the law itself should not just give category 'C' taxpayers the option of keeping records, but it should also provide an incentive for businesses to fully keep records. It is only in such a case that a turnover-based presumptive system can smooth the transition to the standard system. Like in the case of Tanzania, the system should reduce the tax dues for those businesses that keep full records of their sales and expenses. The incentives should also have to consider businesses underreporting their income. An invoice lottery system like China's could be applied in this case to raise the interest of consumers in getting proof of their purchases. In such a system it is difficult to under-report sales.

References

- AACA (2017) *Addis Ababa City Administration Turnover-Based Presumptive Taxpayers Execution Directive*, Directive No. 2017, ERCA No. 123/2009, AACA
- Ahmad, E. and Stern, N. (1991) *The Theory and Practice of Tax Reform in Developing Countries*, Cambridge, UK: Cambridge University Press
- AICPA (2005) *Guiding Principles of Tax Equity and Fairness*, New York: NY 10036- 8775: American Institute of Certified Public Accountants
- Benjamin, N. and Mbaye, A. (2012) *The Informal Sector in Francophone Africa: Firm Size, Productivity and Institutions*, Washington DC: World Bank
- Can, A. (2008) 'The Perception of Reality and its Effects on the Behavioral Change in the Context of Public Relations', *KMU IIBF Journal* 14, June
- Council of Ministers (2002) Income Tax Regulations 78/2002, *Federal Negarit Gazeta*, 8th Year, No. 37
- Dawit A. (2017) 'Average Daily Sales Estimation for a Fair Tax Collection System' (Amharic), *Gebi Lelimat*, Vol. 2, No. 104, April
- Eissa N., Murray S. and Zietlin A. (2017) *Fiscal Impacts of a Presumptive Tax for Microenterprises in Rwanda*, Ref no. I-38113-RWA-1, IGC and Georgetown University. Submitted to the Rwandan Revenue Authority
- Engelschalk, M. (2007) *Designing a Tax System for Micro and Small Businesses: Guide for Practitioners (English)*, Washington DC: World Bank/IFC
- FDRE (2017), Council of Ministers Tax Regulations 410/2017, *Federal Negarit Gazeta*. 22nd Year, No. 82
- FDRE (2016) Income Tax Proclamation 979/2016, *Federal Negarit Gazeta*, 22nd Year, No. 104
- FDRE (2002), Council of Ministers Income Tax Regulations 286/2002, *Federal Negarit Gazeta*. 8th year. No. 34
- Glenn, J. and Edwin, F.: "Enhancing Voluntary Compliance by Reducing Compliance Costs" in *Revista de Administracion Tributaria*, No. 12, March 1993
- James, S. (2008) 'SME Taxation: Good Practice and Guideline for Design', presentation for OECD Conference on Investment, Paris, April 2008
- Kenya Revenue Authority (2001) *Kenya Finance Act FY: 2001*, Nairobi, Kenya: KRA
- Lapidoth, A. (1977) 'The Israeli Experience of Using the Tachsiv for Estimating the Taxable Income', *Bulletin for International Fiscal Documentation* 31: 99-106
- Logue, D. and Vettori, G. (2010) Narrowing the Tax Gap Through Presumptive Taxation, Paper 8, *Law & Economics Working Papers*, University of Michigan Law School

- Meshesha, M.A. (2015) 'Efficiency of Standard Assessment for Category C Taxpayers', *Haromaya Tax Review*, 4.1: 107-127
- Moser, D.V., Evans, J.H., and Kim, C. K. (1995) 'The Effects of Horizontal and Exchange Inequity on Tax Reporting Decisions', *Accounting Review* 70.4: 619-634
- Mutsotso, C. (2010) *Harmonisation of EAC Tax Policies and Laws*, Geneva: CUTS Geneva Resource Centre
- Pashev, K. (2005) *Tax Compliance of Small Businesses in Transition Economies: Lessons from Bulgaria*, Georgia State University Working Paper 05-10, Atlanta, GA: Georgia State University
- Tanzania Revenue Authority (2004) *Tanzania Income Tax Regulation 2004*, Dar es Salaam, Tanzania: TRA
- Thuronyi, V. (1996) 'Presumptive Taxation', in V. Thuronyi (ed) *Tax Law Design and Drafting*, Vol. 1, Washington DC: International Monetary Fund
- Utaumire, B., Mashiri, E. and Mazhindu, K. (2013) 'Effectiveness of Presumptive Tax System in Zimbabwe: Case of ZIMRA Region One', *Research Journal of Finance and Accounting*, 4.7: 114–121
- Yesegat, W. and Fjelstad, O. (2016) *Business People's Views of Paying Taxes in Ethiopia*, ICTD Working Paper 43, Brighton: Institute of Development Studies