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TAX PAYERS' PERCEPTION TOWARDS TAX ADMINISTRATION IN BENADIR REGION

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ABSTRACT

This study examining taxpayers' perception towards tax administration in Benadir Region, Mogadishu – Somalia, yet a little know misunderstanding citizens perception towards tax administration performance and lack of clear perception about the concept of tax administration and type of Agencies in Somalia. The purpose of this study was examining taxpayers' perception towards tax administration in Benadir Region, Mogadishu – Somalia. we also examine factors that influencing perceptions about general tax-related issues amongst Mogadishu region's taxpayers, to determine challenges in tax collection towards tax administration, to analyze improvement in tax collection towards tax administration in Bendir Region, to investigate the relationship between budgeting versus actual collections reports and records in tax administration Bendir Region. This study used cross-sectional design the target population of this study was 100 respondent while sample size was 80 questionnaire administered and conducted in Benadir Region, The results show that Challenges In Tax Collection, Improvement In Tax Collection, Budgeted Versus Actual Collections, Reports And Records. Tax Administration culture have significant and positive influence towards tax administration in Benadir Region, Mogadishu – Somalia. An implication for Tax administration in Somalia was Lack of library and little previous literature about tax administration in Somalia.

KEYWORDS: *Challenges in tax collection, improvement in tax collection, budgeted versus actual collections reports and records. Tax administration.*

1.0 INTRODUCTION

A tax expert once said that the hardest thing in the world to understand is income tax. Nevertheless, it is very important that income tax is unspoken as it forms a serious component of how a government affects the lives of its citizens. Lamont (1992:83) states that of all the powers of government, other than its influence to announce war, none bears so intelligently upon the wellbeing of citizens, both secretly and in their financial venture, as does its authority to tax. The result of taxation is that subjects are forced to give up firm earned earnings or possessions, or, in the early days, also expenditures in kind, without receiving observable benefits in return (Coetzee, 1993:5; Theron, 1994:16).

In addition to that, taxes have been levied in Somalia since 1980s. Every year the Minister of Finance presents the yearly budget, in which the entire planned government expense for the following year is detailed. During this procedure, the method of funding the expenditure is also indicated. Government expenditure in Somalia is mainly funded by means of income generated from tax levies (Abdi Abokar, 1988)

There are many factors that can be considered as the main misconception from taxpayers, these include: taxpayers believe that the government does not or never support their services, thus they start to evade paying or they believe that illegal reduction in the tax liabilities, thereby paying less than the appropriate amount and not paying at all, For instance, resentment over what is regarded as unfair, burdensome or excessive taxation, deficiencies in administration, including poor collection, problems connecting to appreciation of income and expenditure, unsuccessful countering of escaping; and a high level of evasion, taxpayers also think that this is a kind of tyranny which some individual plan to collect what is called tax, but as they believe those people want taxes to build large houses. (Himilo Radio 2017)

After the military regime, tax administration in Somalia is still unable to solve all these factors that come from these interior sources. It is on this background that this study tends to observe factors that constitute taxpayers perception on tax administration Benadir Region.

Since the establishment of federal Tax administration in Somalia to collect revenue and ensure compliance with tax law, its vision has been, and still is, to become an innovative revenue and customs agency that enhances economic growth and social expansion and supports its Somali citizens, however this could not be positive as taxpayers still unable to trust its tax collectors at large having a bad perception on their business. Lewis (1982) supports this statement. He mentions that if you go into almost any English country pub, order some drinks, settle by the bar and work the subject of taxation into the conversation by asking the locals what their opinion of income tax is the tax morale in Mogadishu is, at this time, at its lowest level ever. Because Somali tax payers have lost respect for the law to such an extent that are big time criminals. They don't pay taxes and happily buy stolen goods or non-censured goods. This is to blame the lawlessness of Mogadishu region on the fact that the majority of tax payers are annoyed because those who had wealth think the concept of losing it and those who never had wealth still do not have it.

Tax conflict takes two major forms, namely, tax avoidance and tax evasion, both of which diminish the government's tax receipts. Smith and Kinsey (1987) stated that taxpayers' opportunities for both compliance and non-compliance vary substantially and opportunity factors must, therefore, be included in any analysis of tax behavior.

This study, therefore, attempts to assess the perceptions of taxpayers about taxation in tax administration from the different population groups in Mogadishu Region. Taking the above into consideration, the problem statement and research objectives formulated for this study are presented below.

OBJECTIVES OF THE STUDY

The primary objective for this study was to determine the perceptions of Mogadishu region's taxpayers about various aspects with regard to taxation. The following main objective was set for this study to assist in achieving the primary objective:

1. To determine challenges in tax collection towards tax administration.
2. To analyze improvement in tax collection towards tax administration in Bendir Region.
3. To investigate the relationship between budgeting versus actual collections reports and records in tax administration in Benadir Region.

2.0 LITERATURE REVIEW

The importance of perceptive and influencing taxpayers' acceptance of business tax administration structure is serious, given the investment in business and the possible for expenditure saving. Using the tax administration of personal tax as an example, this study explores and understands Somali taxpayers' perceptions towards tax administration system and the impact on their behavioral intention to adopt. An extended research of the taxpayers' perception is used to examine the above perception and the tax evasion behavior of business sectors.

The reasons for evading taxes have been explored by both economists and psychologists. In order to establish the theoretical basis, an extensive literature review was conducted and prior research on various aspects relating to tax evasion was analyzed.

The literature review in this chapter highlights the important findings from the literature review. This discussion primarily revolves around why people tax payers evade taxes from both an economist's and a social psychological viewpoint. Previous empirical research performed relating to tax evasion and previous research performed relating to taxpayers in Somalia, and in particular Benadir region is explored. A brief discussion is provided concerning tax ethics and the history of taxes. The manner, in which the term perception is applied, for the purpose of this study, is also considered.

2.1 The Tax Payer Perception

Fiscal Psychology Theory explains that the taxpayer's perception of the government is an important factor. Fiscal Psychology Theory emphasizes the loss of motivation of the taxpayer to pay taxes because there is no real advantage of the benefits of tax payments (Hasseldine dan Bebbington,

1991) Kogler et al., (2013) Dan Turner (2005) A indicates that the level of voluntary compliance is more influenced by the taxpayer to the government's trust, especially against the tax system. Fiscal Psychology Theory was firstly introduced by Schmölders (1959), which emphasizes the lack of motivation for the taxpayer to pay taxes because there is no real advantage of the benefits of tax payments. A describes the relationship between taxpayers and tax authorities as an implicit contract or relational. Thereby the relationship between the taxpayer and the tax authority involves a strong emotional bond and loyalty beyond transactional exchanges. Rousseau Dan Taman (1993) A has used this concept for a long time, call the psychological contract. Many conditions determine the extent of the psychological contract between the taxpayer and the tax authorities there, one of which is the perception of the taxpayer Fiscal Psychology Theory provide better insight into how people behave in the economic situation, to explore the effects of economic issues and government action against the attitude of the community in an effort to encourage positive behavior to comply with tax rules. Fiscal Psychology Theory is a mixture of economic and psychological approach, which is another option that is better in explaining the tax compliance (Hasseldine Dan Bebbington, 1991). This approach emphasizes the importance of positive policies that was developed by government to improve the collaboration between taxpayers and the government. In other words, in the Fiscal Psychology Theory, tax enforcement is seen as a crisis of behavior, which can be fixed with the cooperation of the taxpayers with the government. Taxpayer's perception of government is important because the relationship between the taxpayer and the tax authority is a contract that involves a complex interaction between the taxpayer and the government in establishing a fair reciprocal relationship (Feld Dan Frey, 2002). The interaction between taxpayers and the government influence on the spirit of the tax (Hart and Frey, 1994). Perception of the taxpayer on the government for taxes refers to how social groups provide an appreciation or even into opposition over the existing tax system (Edlund, 1999). Taxpayers tend to avoid paying taxes if they assume that the tax system is unfair (Richardson, 2007). Saad (2009) proved that compared to the tax rate, the perception of the tax will be affect tax compliance. Kogler et al., (2013) and Turner (2005) showed that the level of voluntary compliance is more influenced by the taxpayer trust in the government, especially of the tax system.

Two kinds of theories exist to explain why people evade paying tax. The first of the two groups are integrative models of the taxpaying process, based on a wide knowledge of the literature and designed to introduce some new ideas. These are sometimes referred to as theories but are rather regarded as frameworks (and are sometimes so named by their authors) within which data about taxpaying and evasion can be organized. Some of the best examples would include the models of Lewis (1982:160,226), Groenland and Van Veldhoven(1983, in Webley et al., 1991:13) and Smith and Kinsey (1987:651-657).At best these models give one a feel for the crucial variables involved in evasion and how they might be interrelated. At the very least, these models are reminiscent of the information processing models of consumer behavior found in marketing texts, with a multitude of little boxes connected by arrows that are solid and dotted. The second kind is a rather straightforward application of a social psychological theory to tax evasion (Kaplan, Reckers&Reynolds, 1986:461-467).

2.2 Factors influencing tax payers perception towards tax administration in banadir region

2.2.1 Challenges in tax collection

According to the tax legislation, a tax non-compliance is defined as "the failure either intentionally or non-intentionally of the tax payer to meet their tax obligations" (Kinsey, 1985). Non-compliance happens because of taxpayers 'carelessness, such as forgetting to pay their tax, human error in calculating their taxes and even more critical is the lack of knowledge and information about taxes. On the other hand, tax fraud or tax avoidance is a type of non-compliance done intentionally by the taxpayers (Kasipillai and Shamugam, 1997).

Myth or reality, encouraging voluntary tax compliance among taxpayers is a challenging task, but it is certainly the main agenda for many tax administrators throughout the world. Acknowledging this fact, numerous studies had been done to study the factors that could lead to non-compliance and avoidance of tax.

Past studies have identified a few factors leading to this issue (McKerchar, 1995; Kamaruzzaman, 1995; Alm et al., 1992; Klepper and Nagin, 1989; Smith and Kinsey, 1987; White and Woodbury, 1985; Vogel, 1974; Allingham and Sandmo, 1972). One of the factors identified by these studies is perception.

Spice and Becker (1980) in their study discovered the relationship between tax avoidance and the perception of taxpayers towards the tax system. The result indicated that both perception and taxpayers attitude as having a significant relationship with the decision to avoid tax. The same result was also derived by Steven (1989). According to him, taxpayers' confidence on the practiced taxation system depended very much on their perception. Negative practiced system on perception cause taxpayers to lose confidence. This eventually leads to non-compliance and avoidance of tax obligations.

The self-assessment system is dependent on taxpayers voluntarily meeting their tax obligations. In this case, a positive perception is essential. When developing strategies and tax planning, tax administrators cannot neglect the perceptions and reactions of the taxpayers. This is because their perceptions of a particular taxation strategy will affect their tax behavior to meet the designed strategy. The same statement was also outlined by Mustafa (1999). According to him, taxpayers' perceptions towards the existing assessment system (formal assessment system) and self-assessment system are important elements for policy makers. A newly introduced system can only work smoothly when the taxpayers have a positive perception towards the system.

2.2.1.1 Perceptions to Evade Tax

According to Webley et al. (1991:8), if one was to stop a person in the street and ask him or her why people evade tax, the answer would almost certainly be "greed". The assumption is that people will commit an offence, any offence, if by doing so they maximize their utility. Becker (1968:207) argues that people become criminals not because their motivations are different from others, but rather because their evaluations of cost and benefits differ. Applied to the tax situation, people are treated as rational, amoral decision makers whose aim, in this as in all other areas, is simply to maximize utility (Becker, 1968:207).

Allingham and Sandmo's (1972:338) classical model of tax evasion assumes that behavior is influenced by factors such as the tax rate (which determines the benefits of evasion), the penalties for fraud, as well as the probability of detection (which determine the cost). For example, in Great Britain only 400 serious tax fraud investigations take place a year compared with almost 30 million taxpayers, resulting in only 60 successful prosecutions a year(Accountancy, 2004:103).Taxpayers contemplating tax fraud may well calculate that the chance of being caught is very remote. Allingham and Sandmo (1972:324) mention that given the low probability of being audited in many countries and the comparatively low penalties for those being caught evading, rational and selfish taxpayers would decide to evade or underreport taxable income.

The classical model, therefore, predicts that both the probability of detection as well as the severity of penalties will affect evasion. It would be logical to infer that if detection is likely and penalties severe, then people will be more compliant. Over the years a number of extensions have been made to the classical model. One of these extensions defined the interactive (game-playing) models (Benjamini&Maital, 1985:245-264; Corchon (1984, in Webley et al. 1991:10)). Further models incorporate the idea of limited rationality (Jackson &Milliron, 1986:125-165; Kahneman&Tversky, 1979:263-291; Kahneman &Tversky, 1984:341-350; Schadewald, 1989:68-84).

The interactive models stem from the recognition that a taxpayer is not taking decisions in isolation and that there are other "players" in the "game". The revenue authorities can clearly alter the probability of detection and the penalty rate. The behavior of other taxpayers may also be relevant.

A taxpayer's reputation may suffer if he is caught evading in a population largely comprised of non-evaders. On the other hand, a taxpayers' reputation may be unaffected or even rise if the majority of people evade taxes (Webley et al., 1991:10).

2.2.2 Improving tax collection

In most developing countries, tax collection capacity remains inadequately low. Nowhere is the lack of tax collection capacity more apparent than in local governments, which collect a negligible fraction of local income in taxes (Gordon, 2010). As a result, local governments provide inadequately low levels of public goods – such as roads, schools and electricity – which are crucial inputs in order for developing countries to achieve structural change and economic growth.

The goal of this project is to identify the key constraints on local government tax collection capacity. We focus on the case of Ghana, which is one of the most developed countries in Sub-Saharan Africa, and a stable democracy, and yet which collects less than two percent of GDP in local tax revenues (Government of Ghana, District Assemblies Common Fund, 2014). Moreover, the low levels of local taxation are widely acknowledged to be a constraint on growth and development by the Ghanian government, and policymakers do not agree on how best to promote greater revenue collections (Government of Ghana, Ministry of Finance and Ministry of Local Government and Rural Development, 2015).

This project consists of two basic stages. In Stage I, we will build the most comprehensive database in existence of local taxation capacity in Ghana. To do so, we will begin by digitising complete records of revenues by source, such as property taxes and business licenses, as well as collection costs and administrative costs of revenue collection. We will then design a new survey instrument about tax collection practices and technologies used for identifying revenue sources, valuation of properties, enforcement of payments and tax collection strategies more broadly. We will use this survey to interview the main government officials in each of Ghana's 216 district governments, and quantify their capacity on each of the key metrics. Our surveys will build on the firm surveys of Bloom and Van Reenen (2007), and the surveys of central government civil servants in Ghana of Rasul, Rogger and Williams (2016), which have led to a great interest among both academics and policymakers.

We will use our database to characterize "best practice" among local governments on several main dimensions: identification of revenue sources, tax collection technology usage, tax enforcement strategies, property valuation techniques, and openness to improvements in tax collection capacity and new technologies. The surveys will help inform which constraints most binding for local governments in terms of revenue collections, and which interventions will be most effective in raising local tax collections.

In Stage II of the project, we will use our findings from Stage I to conduct a randomised controlled trial on local governments, introducing a combination of new technologies and new tax collection methods, and assessing the impact on district revenue collections. The current proposal covers Stage I; we describe Stage I and II in more detail below.

Jenkins (1991) emphasizes that the tax system can never work better than its tax administration, but even the best tax administration would certainly fail to turn a bad tax system into a well-operating one. He also warns that many ambitious tax reforms failed because of the inefficient tax administration. Without the permanent reorganization of the tax administration and almost daily improvements in methods of its management, it is impossible to expect that tax reforms could be realized successfully (Quintana, 1986). In tax reforms there is a close correlation between successful tax policy and efficient tax administration. In other words, there is no good tax policy without efficient tax administration (Jenkins, 1994).

In newly established conditions, the tax administration has to significantly change the way of Collecting the revenues. The shift from a relatively simple system of redistribution of money from State firms to state budget to much more complex and challenging activities of compliance and Enforcement, requests from the staff of tax administration completely new knowledge and skills, and tax administration acceptance of completely different operative strategy (Casanegra de Jantscher; Silvani and Vehorn, 1992). These changes are further complicated, because tax administration and its staff still have everyday duties in determining and collecting public revenues according to the existing rules and tax system (Mansfield, 1990).

The size of the shadow economy gives an initial idea of the extent of tax evasion. In addition to the shadow economy, which is not necessarily driven only by tax reasons but has a large impact on tax revenues, a sizeable part of tax evasion consists of underreporting in the formal sector. The ability to misreport and the will to exploit opportunities to do so – tax morale – seem to be decisive explanatory variables for the size of the shadow economy and the total amount of tax evasion (see Robinson &Slemrod, 2012; Kleven et al., 2011). A compliance gap, i.e. a gap between the taxes collected and the theoretical tax due, can result from unwillingness to declare income, unwillingness to pay taxes or pay taxes on time, the ability to cheat/underreport, the lack of knowledge of tax obligations, difficulty to understand the tax code and high costs of declaring income (Jensen &Wöhlbier, 2012: 7-8).

2.2.3 Budget vs actual report and records

Budget theory is the academic study of political and social motivations behind government and civil society budgeting. Classic theorists in Public Budgeting include Henry Adams, and William Willoughby while Notable recent theorists include Baumgartner and Jones. Budget theory was a central topic during the Progressive Era and was much discussed in municipal bureaus and other academic and quasi-academic facilities of that time such as the nascent Brookings Institution.

Without losing its control and accountability mechanisms, modern budgeting can better support performance management by integrating known financial outcomes with frequent re-forecasting of the budget and linked to analysis of performance trends. A manufacturing firm"s financial performance management reporting systems will draw on a number of information sources and reflect the range of stakeholder and departmental perspectives (MelekEker, 2007). There are a variety of approaches to developing the performance metrics and the reporting of performance. But without integration of the financial resources consumed, the firm cannot measure value for money or make informed choices about future resourcing and service priorities. One way in which the in-year operational performance and financial information can be integrated more closely is to develop a system which encourages the issues to be considered together and to develop management reports that provide a rounded picture (Hansen and Mowen, 2005). Manufacturing firms should develop an approach that consciously attempts to consider the financial and non-financial processes together. A key feature is that before any review of the financial variances takes place, the firm asks questions about the expected position, based on the understanding of what has happened, what happened that was unexpected and what planned events did not take place. It needs to structure its responses and planned management actions into 7 those that can be taken in-year and those that require a longer timeframe, with consideration of what specific financial actions may be required as well as substantive operational actions (Drury, 2004). The best management reports detail what has happened and what is expected to happen in the future. The accounts and report provide the information needed to take any corrective action required. Such action needs to take place for the firm as a whole, so it is important that all areas are covered. This implies that the operational data and financial data are presented together in a comparable and consistent form (Kariuki, 2010). It also implies that risk and other aspects of performance are reported along with the financial headlines. The risks are thus quantified financially and uncertainty in the financial forecasts is made explicit. Some firm have found it helpful to present a regularly updated board-level report of risks and opportunities, in which the main possible financial up- and downsides are shown alongside each period‟s forecasts. This permits focus on a range rather than a spot forecast (Horngren, 2000)

Where big deviations from budget have occurred, it may be necessary to formulate and report on a recovery plan alongside the routine budget profile. Getting the reporting framework right is critically important so that the Board has the full picture on which to base its decisions. It ensures that everyone is considering issues within the context of a consistent reporting template and using a consistent language. For management it brings the benefit that a common framework for reporting can enhance co-operation between the operational managers and the finance function (Engler, 1995).

Budgets are financial blue print that qualifies a firms plan for the future. It‟s a detailed plan that outlines the acquisition and use of financial and other resources over a given period of time. According to Flamholtz (1983) a budget in an organization acts as a mechanism for effective planning and controlling. Schick (1999) concurs by stating that the main purpose of a budget in any organization is for planning and controlling in order to achieve organizational goals and objectives. A budget is a standard against which the actual performance of an organization can be compared and measured. A budget stipulates which programmes and activities should be pursued. Lucey, (2002) defines a budget as a quantitative statement, for a period of time which may include planned revenues, assets, liabilities and cash flows. Budgeting in non-governmental organizations is used as a planning tool. Organizations use a budget as a guiding tool of its activities. According to Goldstein (2005), a budget is used by institutions in setting priorities by allocating scarce resources to those activities that are most important to the organization. The annual budget is commonly referred to as the master budget and has three principle parts namely the operating budget, cash budget and the capital budget. Premchand (2000), states that a budget is a company policy and determine the manner in which resources are managed.

3.0 METHODOLOGY

This study outlines how the research was conducted. It contains the research design, target population, sampling technique- illustrate understanding of the technique, Data collection procedure and data analysis. The investigation approach will be adopted for this research. Selection of measures, sampling designs, data collection procedure and data analysis technique are presented below. When answering questions about taxation, respondents might be suspicious and secretive and may be unwilling to respond fully and honestly.

In order to create a more trusting relationship, this research, therefore, conducted personal face-to-face interviews in the respondent's choice of communication. This methodology appeared to be more appropriate than a mailed questionnaire or a telephone interview. The questionnaire that contained five parts for the research was developed taking cognizance of research that had been conducted earlier. The interviews sometimes took place at the respondents' homes. Interviews were often conducted after hours to ensure that the selected respondents were available. Two revisits were made before a household was substituted.

The instrument of this study followed two phases with regard to pilot testing. First, the questionnaire was pre-tested by seven academic colleagues. No major problems were detected and only minor comments in relation to the style and language barrier of the questionnaire were received. These comments were taken into account and the questionnaire was amended accordingly.

The data collection method employed in this research was by distributing questionnaires through email and handouts. Every effort was made to ensure to meet effective response rate of 100 respondents; with the use of personal interview visits, phone calls, emails, covering letters and reminders were made. Respondents were willing to participate and all questionnaires were answered anonymously. No specific locations were targeted in the Hamar-weyne district in Benadir region for the sampling.

Instrument of this study, the researchers used questionnaires developed by the researchers as the instrument to collect data from the respondents, according to Oso and Onen (2008p.85) questionnaire is a collection of items to which a respondent is expected to react in writing. And its purpose is to collect a lot of information over a short period of time. And it is suitable if: the population is literate and business oriented, the population is large and the time is limited, so that information needed can be easily described in writing.

4.0 SUMMARY FINDINGS

The research wanted to examine Tax Payers' Perception towards Tax Administration in Benadir Region. Table 4.8 summarizes respondents' level of agreement on challenges in tax collection.The respondents agreed that does the District Local Government face any challenges in tax collection. As shown by mean of 2.31. The respondents also agreed that Tax avoidance, tax evasion, and political interference are the main challenges in tax collection. As reported by a mean of 2.85. The respondents also agreed that the challenges in tax collection are recurrent /frequent. As shown by mean 3.0125. The respondents also agreed The Local Government is partly responsible for poor tax collection. As shown by mean 2.78. The respondents also agreed the complicated Local Government rules and regulations are partly a challenge as far as tax collection is concerned. As shown by mean 2.91. And the respondents also agreed the challenges encountered in tax collection are inherent in the whole tax system. As shown by mean 3.15.

The study is to examine Tax Payers' Perception towards Tax Administration in Benadir Region, table 4.9 summarizes respondents' level of agreement on Improvement in tax collection. The respondents agreed that Tax collection in Benadir District Local Government needs to be improved. As reported by a mean of 3.17. The respondents also agreed that the central Government should help Local Governments to improve on their tax collections. As shown by mean of 3.55. The respondents also agreed that the central Government should increase on its grants to the District Local Governments to improve on tax collection. As reported by a mean of 3.16. The respondents also agreed that There is need to improve the existing rules and regulations that guide Local Governments in the collection of tax, as shown mean of 3.07.and The respondents also agreed that Local Governments should endorse strong laws that deal with tax evasion and tax avoidance in the collection of tax, as shown mean of 2.97.

This study examines Tax Payers' Perception towards Tax Administration In Banadir Region, table 4.10 summarizes respondents' level of agreement on budgeting versus actual collection reports and records a towards tax administration. The respondents agreed that The Local Government use the budgeting process to ensure tax collection and service delivery, obtaining a mean of 2.71. The respondents also agreed The District Local Government formulates deficit budgets to enhance tax collection and service delivery, obtaining a mean of 3.00. The respondents also agreed that The District Local Government greatly includes donor funds in their estimated incomes and expenditures (budgets), obtaining a mean of 2.90. The respondents also agreed that Does the Local Government keep records?, obtaining a mean of 3.15.and The respondents also agreed that Records greatly assist as far as tax collection and service delivery are concerned, obtaining a mean of 3.26.

5.0 CONCLUSIONS

Based on the findings of this study, the following conclusions were drawn. Results reveal that challenges in tax administration, improved tax collection, and budgeted versus actual collection reports and records have significant and positive influence towards tax administration in Benadir Region. Standard multiple regression analysis was conducted for hypotheses testing (Cooper, 2013) in order to establish the best combination of independent (predictor) variables would be to predict the dependent (predicted) variable and to establish the best model of the study (Schindler, 2013).

6.0 RECOMMENDATIONS

Based on the findings of this study and the conclusions drawn, the following recommendations were made:
This study forwarded the following recommendations;

- ✓ The role of tax awareness and perception of tax payers towards the tax system is essential for voluntary tax compliance decision.
- ✓ The need to have created a mutual course just to create tax awareness to citizens sustainably.
- ✓ In addition, it's important to generate awareness about taxation, how the government spends tax revenue by revealing the government budget and expenditure and the total amount collected from the tax to citizens clearly.
- ✓ Voluntary taxpayers may be discouraged if they believed that the current tax system is unfair and unbalanced or if they observe others escaping tax burden. This can be done by encouraging and caring truthful and loyal taxpayers by adopting fair competition and fair treatment.
- ✓ All tax payers fairly at the time of levying tax, registration, collection and so on.
- ✓ In general, the tax authority should try to ensure tax fairness and equity so as to inspire voluntary compliance behavior.
- ✓ The central government should also encourage loyal tax payers through diverse

mechanisms such as by giving recognition for them; this will eventually encourage voluntary tax compliance.

7.0 AREAS FOR FURTHER RESEARCH

The general objective of this study was to determine the perceptions of Benadir Region's taxpayers about various aspects with regard to taxation. Specifically this study investigated to determine challenges in tax collection towards tax administration, to analyze improvement in tax collection towards tax administration in Benadir Region, to investigate the relationship between budgeting versus actual collections reports and records in tax administration in Benadir Region. Secondly, this study was conducted by examining Tax Payers' Perception towards Tax Administration in Benadir Region, therefore further research can be carried out in other areas in Somalia,

Based on the results of the analysis and findings of this study concluded the followings. According to tax payer's response, the major reason of tax noncompliance is lack of awareness by tax payers followed by lack of capacity to pay, local non-compliant tax payers, negligence, existence of poor and tiresome collection system, and expectation of tax penalty respectively. Most of tax payers were said that the current tax penalty is high and this also discourages them to voluntarily comply with the tax system though it may force them to comply just because of fear of the penalty. Hence, according to their response the local government's inability to give them substitution to service and delivery discourages voluntary compliance. In addition to that, the local government does not give basic services such as infrastructure improvements, free services such as health, education, electricity, water supply, transportations, free trade and all public services.

Tax payers also said the current tax rate is extraordinary and beyond their capacity. However, according to majorities' response, even if the current tax rate should change, the rate did not influence on their tax compliance attitude. Regarding to the probability of auditing, tax payers were responded that probability system improvements can enhance tax compliance but it's because of fear of detection and penalty. Hence it may discourage voluntary compliance and it may create distrust between tax payers and tax authority. Tax payers were also asked about the easiness of tax provision and administration and most of the tax payers replied that, the existing tax system is complex and if the tax system becomes easy it encourages them to voluntary comply with tax laws.

Tax payers were also asked about their perception on tax for getting basic services. Most of tax payers believed that the current Somali tax system is not fair. Therefore, fair and equitable tax system can encourage them to voluntarily comply with the tax system. They were also asked about their awareness about their perception on central government spending and significant number of tax payers believed.

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