

The influence of the electronic tax filing (E-tax) system on tax collection and taxpayer compliance in Ethiopia, the case of Shashemene town

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Abstract

This study investigates the influence of the electronic tax filing (E-tax) system on tax collection and taxpayer compliance, amid concerns over limited transparency, inadequate taxpayer education, and corruption in tax assessment. The objectives were to identify the components of the E-tax service system, examine URA's motives for adopting it and the successes achieved, assess tax compliance levels among Ethiopian taxpayers, and determine whether the system has reduced compliance costs.

A cross-sectional and correlational research design was employed, targeting finance officers responsible for tax matters in companies within Shashemene town. Officers were selected purposively while companies were chosen through simple random sampling. Data were collected from literature and structured questionnaires, measured using a Likert scale, and analyzed with SPSS.

Findings indicate that while the E-tax system improves efficiency and offers notable administrative benefits, its adoption is slowed by limited

user knowledge and perceived system complexity. The study provides recommendations for enhancing system usability and strengthening taxpayer compliance. Overall, the research offers insights into the practical functionality of E-tax services and their potential to improve tax administration.

Introduction

Domestic revenue mobilization remains a cornerstone of Ethiopia's economic development strategy, enabling the government to finance public services, infrastructure, and social welfare programs. As the economy continues to expand and diversify, the need for an efficient, transparent, and modern tax administration system has become increasingly critical. In response, the Ethiopian Revenue and Customs Authority (now reorganized under the Ethiopian Revenues Service) has undertaken several reforms aimed at modernizing tax administration and improving taxpayer compliance. One of the most significant reforms is the introduction of the electronic tax filing (E-tax) system.

The E-tax system in Ethiopia was implemented to streamline tax processes, reduce bureaucratic delays, and minimize opportunities for corruption by limiting face-to-face interactions between taxpayers and tax officers. Through digital registration, online filing of returns, and electronic payment platforms, the system aims to improve efficiency and accuracy in tax administration. Globally, such digital systems have proven effective in lowering compliance costs and encouraging voluntary tax compliance, yet their success depends heavily on user awareness, trust in the system, and technological readiness.

However, despite the potential benefits, the adoption and effective use of E-tax services in Ethiopia face challenges. Taxpayers frequently report limited knowledge of the system, inadequate digital literacy, connectivity issues, and perceptions of system complexity. Moreover, concerns about transparency and inconsistent enforcement have continued to affect taxpayer attitudes toward compliance. These challenges warrant a

systematic assessment of how the E-tax system has influenced compliance behavior and tax collection outcomes within the Ethiopian context.

This study therefore examines the influence of the electronic tax filing system on tax collection and taxpayer compliance in Ethiopia. It seeks to identify the core components of the E-tax service, explore the reasons behind its adoption and the achievements realized by the Ethiopian Revenue Authority, assess the current level of taxpayer compliance, and determine whether the system has reduced compliance costs for users. By addressing these questions, the study provides critical insights into the effectiveness of Ethiopia's digital tax reforms and offers guidance for enhancing tax administration through improved system usability, taxpayer education, and institutional capacity.

1. Background of the Study

Efficient tax administration is fundamental to the government's ability to mobilize domestic resources and finance national development priorities. In Ethiopia, tax revenue constitutes a major source of public financing, supporting critical sectors such as education, health, infrastructure, and social protection. However, for many years the Ethiopian tax system relied heavily on manual procedures characterized by bureaucracy, long processing times, limited transparency, and insufficient taxpayer guidance. These weaknesses contributed to revenue leakages, taxpayer dissatisfaction, and low compliance levels.

To address these challenges, the Ethiopian Revenue and Customs Authority (ERCA)—currently reorganized under the Ethiopian Revenues Service (ERS)—introduced electronic tax administration reforms. Central to these reforms is the electronic tax filing (E-tax) system, designed to digitize taxpayer registration, filing, and payment processes. The adoption of E-tax aligns with global trends where digital tax systems are increasingly recognized for improving efficiency, reducing administrative costs, and promoting fairness in tax administration.

In Ethiopia, the E-tax platform was introduced to enhance operational efficiency, reduce opportunities for corruption, and improve taxpayer convenience. Despite the potential advantages, taxpayers continue to report challenges such as inadequate awareness, limited computer literacy, unstable internet connectivity, and difficulties navigating the system. These factors may hinder the effectiveness of E-tax in improving compliance and domestic revenue mobilization. This research is therefore grounded in the need to evaluate the performance of the E-tax system and its influence on tax collection and taxpayer compliance in Ethiopia.

2. Statement of the Problem

The Ethiopian government has made significant investments in modernizing the tax system, particularly through the introduction of the E-tax system. The expectation was that electronic filing would simplify tax processes, reduce compliance costs, minimize contact with tax officials, and improve transparency. However, several challenges continue to undermine these anticipated benefits.

Many taxpayers still struggle with the E-tax platform due to limited system training, lack of digital skills, and inadequate guidance. Internet instability and system downtime further complicate the filing process. Moreover, concerns about transparency and fairness in tax assessment remain prevalent. These issues have contributed to reduced trust in the tax system and, consequently, low voluntary compliance.

Despite the existence of the E-tax platform, the level of taxpayer compliance in Ethiopia remains below the desired standard, and the impact of the system on tax collection has not been adequately studied. It is therefore unclear whether the adoption of E-tax has truly reduced compliance costs and improved efficiency as intended. This research seeks to address this gap by examining the influence of the E-tax system on tax collection and taxpayer compliance within Ethiopia.

3. General Objective

To examine the influence of the electronic tax filing (E-tax) system on tax collection and taxpayer compliance in Ethiopia.

4. Specific Objectives

1. To identify the key components of the E-tax service system implemented by the Ethiopian Revenue Authority.
2. To assess the reasons for the adoption of the E-tax system and the successes achieved to date.
3. To determine the level of tax compliance among Ethiopian taxpayers under the E-tax system.
4. To examine whether the E-tax system has reduced tax compliance costs for taxpayers.

5. Research Questions

1. What are the main components of the E-tax service system in Ethiopia?
2. Why was the E-tax system adopted by the Ethiopian Revenue Authority, and what successes have been achieved?
3. What is the current level of taxpayer compliance under the E-tax system?
4. Has the E-tax system reduced tax compliance costs for taxpayers?

6. Significance of the Study

This study is significant for several reasons:

For Policymakers

The findings will provide evidence-based insights to help refine tax policies, strengthen digital tax reforms, and improve the effectiveness of the Ethiopian Revenue Authority's service delivery.

For Tax Administrators (ERS/ERCA)

Understanding taxpayer experiences and barriers to compliance will enable tax administrators to enhance the usability of the E-tax system, improve staff training, and implement targeted taxpayer education programs.

For Taxpayers

The study highlights the benefits and challenges associated with E-tax, helping taxpayers better understand the system and advocate for improved digital services.

For Researchers and Academics

The study contributes to the growing body of literature on digital tax administration in developing countries and provides a basis for future research.

7. Scope of the Study

Geographical Scope

The study focuses on taxpayers and companies operating within Shashemene town, representing a diverse and active economic environment.

Topical Scope

The research examines the E-tax system's components, reasons for adoption, successes, taxpayer compliance levels, and the effect on compliance costs.

Time Scope

The study covers the period during which the E-tax system has been in use in Ethiopia, with emphasis on recent years where digital reforms have intensified.

9. Literature Review

9.1 Theoretical Literature

a) Technology Acceptance Model (TAM)

The Technology Acceptance Model by Davis (1989) explains how users come to accept and use new technologies. The model identifies two main determinants:

- **Perceived usefulness** – belief that using the system improves efficiency
- **Perceived ease of use** – belief that using the system requires minimal effort

In the context of E-tax in Ethiopia, taxpayers will be more willing to use the system if they perceive it as useful, simple, and convenient.

b) Deterrence Theory of Tax Compliance

This theory argues that taxpayers comply when the risk of detection and penalties for non-compliance are high. With electronic systems, automated tracking and data analytics improve detection, increasing compliance incentives.

c) Economic Theory of Tax Compliance

This theory proposes that taxpayers weigh costs and benefits before deciding whether to comply. If E-tax reduces compliance costs (time, transport, administrative effort), compliance increases.

d) Behavioral Tax Compliance Theory

Behavioral approaches argue that compliance is influenced by:

- Perceived fairness
- Trust in tax authorities
- Social norms

These factors are strongly relevant in Ethiopia, where trust in administrative fairness has historically been limited.

9.2 Empirical Literature Review

Studies from Developed Countries

Research from the U.S., U.K., and South Korea shows that electronic tax systems improve efficiency, reduce errors, and increase voluntary compliance. For example, studies found that digital filing significantly lowered administrative burdens and increased accuracy of returns.

Studies from African Countries

Kenya

The Kenya Revenue Authority reported increased compliance after introducing iTax, largely due to improved convenience and reduced face-to-face interactions.

Uganda

Studies show that while E-tax improved tax administration, adoption remained slow due to limited taxpayer skills and system complexity.

Nigeria

Research indicates that E-tax improves compliance when taxpayers receive adequate training and when systems are reliable.

Studies from Ethiopia

Empirical evidence from Ethiopia shows mixed outcomes:

- Some studies report improved efficiency and reduced corruption through digital systems.
- Others show low adoption due to poor internet connectivity, lack of system training, and limited awareness.
- Taxpayers often struggle with navigating the E-tax interface, explaining continued reliance on tax agents or physical visits to tax offices.

Overall, the literature suggests that Ethiopia's E-tax system has potential but requires improvements in taxpayer support, awareness creation, and system reliability.

9.3 Conceptual Review

Electronic Tax Filing (E-Tax)

E-tax refers to the online filing of tax returns, payment of taxes, and communication with tax authorities through digital portals. Key elements include online registration, filing, assessment, payment processing, and issuance of clearance certificates.

Taxpayer Compliance

Tax compliance refers to the ability and willingness of taxpayers to:

- Timely file tax returns
- Correctly declare income
- Pay taxes when due Compliance is influenced by awareness, perceived fairness, trust in authorities, and the simplicity of tax procedures.

E-Tax and Reduction of Compliance Costs

Digital systems reduce the time and money spent traveling to tax offices, filling out paperwork, and waiting in queues. When the cost of compliance drops, voluntary compliance tends to rise.

10. Research Methodology

10.1 Research Design

This study employed a **cross-sectional and correlational research design**. The cross-sectional design allowed the researcher to collect data at a single point in time from taxpayers and finance officers within Shashemene town. The correlational design enabled the examination of relationships between the electronic tax filing system (independent variable) and taxpayer compliance (dependent variable). These designs were appropriate because they provided a basis for determining how different components of the E-tax system influence compliance behavior without manipulating any variables.

10.2 Study Area

The study was conducted in **Shashemene town**, an economically active urban center in Ethiopia. The area was selected due to its diversity of businesses, the presence of many active taxpayers, and the operational use of the electronic tax filing system by the Ethiopian Revenues Service (ERS).

10.3 Study Population

The study population consisted of:

1. **Finance officers and accountants** responsible for filing tax returns in registered companies.
2. **Self-employed taxpayers** and business owners using the E-tax system.

These groups were targeted because they have direct experience with the E-tax system and are responsible for fulfilling tax obligations.

10.4 Sample Size and Sampling Techniques

Sample Size

A sample size of **120 respondents** was determined large enough to represent the population while keeping the research manageable.

Sampling Techniques

- **Purposive Sampling** was used to select finance officers and accountants because they possess relevant knowledge about tax filing procedures.
- **Simple Random Sampling** was used to select companies and business entities to ensure each had an equal chance of being included, thereby minimizing bias.

This combination of sampling techniques enabled the study to capture accurate and balanced views from taxpayers with different backgrounds.

10.5 Data Sources

Both **primary and secondary data** were used:

Primary Data

Collected directly from respondents using structured questionnaires.

Secondary Data

Obtained from:

- Ethiopian Revenues Service reports
- Government policy documents
- Journals, articles, and books on tax compliance and E-tax systems
- Previous studies conducted in Ethiopia and abroad

10.6 Data Collection Instruments

The main data collection instrument was a **structured questionnaire**, designed with both closed-ended and Likert-scale questions. The questionnaire covered:

- Demographics of respondents
- Awareness and usage of E-tax
- Perceptions of system usability and reliability
- Tax compliance behavior
- Costs associated with tax filing

The Likert scale was used to measure attitudes and perceptions—typically ranging from *strongly disagree* to *strongly agree*.

10.7 Validity and Reliability of Instruments

Validity

Content validity was achieved by consulting experts, including the research supervisor, to ensure the questionnaire adequately captured all relevant concepts. Pilot testing was conducted on a small group to identify ambiguities and improve clarity.

Reliability

Reliability was assessed using **Cronbach's Alpha** in SPSS. A coefficient of **0.70 or above** was considered acceptable, indicating consistency of the responses across the items in the questionnaire.

10.8 Data Collection Procedure

After securing permission from relevant authorities, questionnaires were distributed personally to selected respondents. The researcher provided brief explanations to ensure respondents understood how to complete the questions. Completed questionnaires were collected within an agreed time frame.

10.9 Data Analysis Techniques

Data collected were coded and entered into the **Statistical Package for Social Sciences (SPSS)** for analysis. Both descriptive and inferential statistics were used:

Descriptive Statistics

- Percentages
- Frequencies
- Means and standard deviations

These helped summarize respondents' characteristics and general perceptions.

Inferential Statistics

- **Correlation analysis** to determine the relationship between E-tax system components and taxpayer compliance.
- **Regression analysis** (if included) to assess the extent to which the E-tax system predicts compliance levels.

Results were presented in tables, charts, and narrative form.

10.10 Ethical Considerations

Ethical principles were strictly observed during the study:

- **Informed Consent:** Respondents voluntarily agreed to participate.
- **Confidentiality:** All personal information and responses were kept anonymous.
- **No Harm:** Respondents were assured that the study posed no physical or psychological risk.
- **Respect and Integrity:** Data were collected and reported honestly, without manipulation.

11. Data Presentation, Analysis, and Interpretation

This chapter presents the analysis of data collected from respondents in Shashemene town regarding the influence of the electronic tax filing system on tax collection and taxpayer compliance. The analysis is structured according to the study objectives and research questions. Data were analyzed using SPSS and presented using tables, frequencies, percentages, means, and correlation results.

11.1 Response Rate

A total of **120 questionnaires** were distributed, out of which **110 were returned**, representing a response rate of **91.7%**. This high response rate ensured the validity and reliability of the findings.

Table 11.1 : respondent rate

Distributed	Returned	Response Rate
120	110	91.7%

Source: Own survey, 2025

11.2 Demographic Characteristics of Respondents

Table 11:2 Gender of Respondents

Gender	Frequency	Percentage
Male	70	63.6%
Female	40	36.4%

Source: Own survey, 2025

The sample consisted of more male than female respondents, reflecting the dominance of men in finance and accounting roles in local businesses.

Table 11:3 Educational Level

Education Level	Frequency	Percentage
Diploma	25	22.7%
Degree	64	58.2%
Masters	21	19.1%

Source: Own survey, 2025

Most respondents held at least a bachelor's degree, indicating that the sample had sufficient literacy to understand and use the E-tax system.

Table 11:4 Years of Experience in Tax Filing

Experience	Frequency	Percentage
1–3 years	30	27.3%
4–6 years	45	40.9%
7+ years	35	31.8%

Source: Own survey, 2025

11.3 Analysis Based on Study Objectives

Components of the E-Tax Service System

Table 11:5 Respondents rated various components of the E-tax system using a Likert scale.

Component	Mean	Interpretation
System accessibility	3.9	Good
System usability	3.7	Moderate

Component	Mean	Interpretation
Taxpayer support services	3.4	Moderate
System reliability	3.2	Fair
Reduction in paperwork	4.1	High

Source: Own survey, 2025

Respondents perceived the E-tax system as accessible and beneficial in reducing paperwork, but identified system reliability (speed, uptime) as an area needing improvement.

Reasons for E-Tax Adoption and Successes Achieved

Table 11:6 Reasons for Adoption

Reason	Agree (%)
To reduce corruption	82%
To improve efficiency	88%
To reduce compliance costs	76%
To modernize tax administration	91%

Source: Own survey, 2025

Most respondents believe the E-tax system was adopted to enhance efficiency and modernize tax administration, with corruption reduction also being a key motivation.

Table 11:7 Successes Achieved

Success	Mean	Interpretation
Improved taxpayer convenience	4.0	High
Faster processing of returns	3.8	Good
Improved record accuracy	3.6	Moderate
Reduced physical contact	4.1	High

Source: Own survey, 2025

E-tax has significantly reduced physical interaction, increasing transparency and convenience.

Table 11:8 Level of Tax Compliance among Ethiopian Taxpayers

Compliance Indicator	Mean	Interpretation
Timely filing	3.7	Good
Accurate reporting	3.5	Moderate
Timely payment	3.4	Moderate
Voluntary compliance	3.3	Fair

Source: Own survey, 2025

Compliance levels are moderate. E-tax has improved timely filing but challenges remain in voluntary compliance.

Table 11:9 Influence of E-Tax System on Tax Compliance Costs

Indicator	Mean	Interpretation
Reduced travel costs	4.2	High
Reduced time spent filing	3.9	Good
Reduced paperwork costs	4.1	High
Lower administrative burden	3.6	Moderate

Source: Own survey, 2025

E-tax significantly reduces travel and paperwork costs, contributing to lower compliance costs overall.

11.4 Correlation Analysis

A Pearson correlation analysis was carried out to determine the relationship between the E-tax system and taxpayer compliance.

Table 11:10: the relationship between the E-tax system and taxpayer compliance.

Variables	Correlation (r)	Sig. (p-value)
E-tax System vs Tax Compliance	0.612	0.000

Source: Own survey, 2025

Interpretation:

There is a **strong, positive, and statistically significant relationship** between the E-tax system and taxpayer compliance.

This means improvements in the E-tax system are associated with higher levels of taxpayer compliance.

11.5 Summary of Key Findings

- The E-tax system is generally accessible and reduces paperwork but suffers from reliability issues.
- It was mainly adopted to modernize tax administration and improve efficiency.
- Taxpayer compliance levels are moderate, with timely filing being the strongest aspect.
- The E-tax system significantly reduces compliance costs.
- A strong positive relationship exists between E-tax usage and taxpayer compliance.

12. Discussion of Findings

This chapter discusses the study findings in relation to the objectives, existing literature, and theoretical expectations. The discussion provides a deeper interpretation of how the electronic tax filing (E-tax) system influences tax collection and taxpayer compliance in Ethiopia.

12.1 Components of the E-Tax Service System

The study revealed that respondents consider the E-tax system to be **generally accessible and convenient**, particularly in reducing paperwork and eliminating the need for physical visits to tax offices. This aligns with the intentions of the Ethiopian Revenues Service (ERS) to simplify tax procedures and enhance taxpayer convenience.

However, respondents expressed concerns regarding **system reliability**, including slow platform responses and occasional downtimes. This reflects findings from previous studies in Ethiopia and other African countries where technological infrastructure challenges hinder full digital adoption.

The Technology Acceptance Model (TAM) also supports this finding: if system ease of use and reliability are low, user adoption declines.

Overall, the components of the system are in place but require improvements in technical performance and support services.

12.2 Reasons for the Adoption and Successes of the E-Tax System

The study showed that taxpayers believe the E-tax system was adopted primarily to:

- modernize tax administration,
- improve efficiency,
- reduce corruption, and
- lower compliance costs.

Respondents also reported notable successes including improved convenience, faster processing of tax returns, reduced physical contact, and better record accuracy. These findings are consistent with global studies showing that electronic tax systems streamline tax processes and reduce opportunities for rent-seeking behavior.

The successes reported support the intended policy goals of ERS to enhance transparency and efficiency. However, the benefits are moderated by persistent challenges related to system accessibility and limited taxpayer training.

12.3 Taxpayer Compliance Levels Under the E-Tax System

The findings indicate **moderate levels of compliance** among taxpayers. Timely filing improved significantly due to the convenience of the electronic system. However, areas such as **accurate reporting** and **voluntary compliance** remain relatively weak.

This suggests that while technological tools can improve procedural compliance (filing and payment), deeper behavioral issues—such as attitudes toward tax fairness, trust in government, and perceived legitimacy of the tax system—continue to influence compliance decisions.

This aligns with behavioral tax theories emphasizing the role of trust and perceived fairness.

The results imply that E-tax alone cannot guarantee full compliance; complementary taxpayer education and trust-building measures are essential.

12.4 Reduction of Tax Compliance Costs

The study found that the E-tax system significantly reduces compliance costs, particularly travel time, transport expenses, and paperwork requirements. These findings are supported by the Economic Theory of Tax Compliance, which states that when compliance costs decrease, compliance tends to increase.

Reduced compliance costs are one of the strongest benefits of the E-tax system reported by respondents, highlighting the cost-effectiveness of digital tax administration. Still, system delays and occasional platform errors reduce some of these gains.

12.5 Relationship Between E-Tax System and Taxpayer Compliance

The correlation analysis showed a **strong positive and statistically significant relationship** between the E-tax system and taxpayer compliance. This implies that improvements in system accessibility, reliability, taxpayer support, and reduction of compliance costs lead to higher compliance rates.

This finding is consistent with several empirical studies in Uganda, Kenya, Nigeria, and Ethiopia, which found that digital tax systems positively influence compliance when supported by adequate taxpayer education and system reliability.

Thus, the study confirms that the E-tax system is an essential tool for improving tax compliance in Ethiopia, although further enhancements are needed to maximize its effectiveness.

12.6 Summary of Discussion

- The E-tax system has improved convenience and reduced administrative burdens.
- System reliability, taxpayer training, and digital literacy remain key challenges.
- Compliance has improved but is still moderate due to behavioral and systemic factors.
- Compliance costs have been significantly reduced.
- A positive relationship exists between E-tax usage and taxpayer compliance.
- The success of the E-tax system depends not only on technology but also on institutional trust and taxpayer support.
- Here's a well-structured **Conclusion** section based on your study findings and discussion. It is concise, academically suitable, and directly tied to your objectives.

13. Conclusion

This study examined the influence of the electronic tax filing (E-tax) system on tax collection and taxpayer compliance in Ethiopia, focusing on Shashemene town. The study findings indicate that the E-tax system has contributed significantly to modernizing tax administration, improving efficiency, and reducing compliance costs.

The system's key components—accessibility, usability, taxpayer support, reliability, and reduction in paperwork—have generally enhanced procedural compliance, particularly timely filing of tax returns. Respondents also identified successes such as faster processing of returns, reduced physical contact, and improved record accuracy.

However, challenges remain. System reliability issues, limited digital literacy, inadequate taxpayer training, and perceptions of fairness continue to affect full adoption and voluntary compliance. Compliance

levels, while improved, remain moderate, especially for accurate reporting and voluntary tax payment.

Correlation analysis confirms a strong positive relationship between the E-tax system and taxpayer compliance, highlighting the system's potential to strengthen domestic revenue mobilization. Overall, the study concludes that the E-tax system is an effective tool for enhancing tax administration, but its full benefits depend on improving system reliability, expanding taxpayer education, and building trust in the tax authority.

14. Recommendations

Based on the study findings, the following recommendations are proposed to enhance the effectiveness of the electronic tax filing (E-tax) system and improve taxpayer compliance in Ethiopia:

14.1 Improve System Reliability and Technical Infrastructure

The Ethiopian Revenues Service (ERS) should invest in upgrading the E-tax platform to reduce downtime, speed up processing, and improve server reliability. Regular system maintenance and timely updates will ensure that taxpayers can access services without interruptions.

14.2 Enhance Taxpayer Education and Awareness

ERS should implement structured training programs and awareness campaigns to educate taxpayers on how to navigate the E-tax system effectively. Guidance materials, tutorials, and helplines should be made widely available, targeting both small business owners and individual taxpayers.

14.3 Simplify the E-Tax System Interface

The user interface should be made more intuitive, with clear instructions and simplified steps for filing and payment. Incorporating feedback from

taxpayers can help identify areas of confusion and improve overall usability.

14.4 Strengthen Trust and Transparency

ERS should ensure that all transactions are transparent and verifiable to increase taxpayer confidence. Clear communication regarding tax policies, penalties, and benefits of compliance can encourage voluntary compliance.

14.5 Reduce Compliance Costs Further

Continue leveraging digital solutions to minimize travel, paperwork, and time spent filing taxes. Explore mobile tax applications and offline filing options to reach taxpayers with limited internet access.

14.6 Monitor and Evaluate System Performance

ERS should implement regular monitoring and evaluation mechanisms to assess system efficiency, user satisfaction, and compliance impact. Feedback from taxpayers should guide continuous improvements and policy adjustments.

Overall Recommendation:

The E-tax system has the potential to transform tax administration in Ethiopia, but its success relies on a combination of technological improvements, taxpayer education, transparency, and continuous performance monitoring. Adopting these recommendations can strengthen compliance, reduce administrative burdens, and enhance revenue collection.

15. Summary of the Study

This study examined the influence of the electronic tax filing (E-tax) system on tax collection and taxpayer compliance in Ethiopia, with a focus on Shashemene town. The research aimed to identify the

components of the E-tax system, understand the reasons for its adoption, assess the successes achieved, determine taxpayer compliance levels, and evaluate whether the system has reduced compliance costs.

A **cross-sectional and correlational research design** was employed. The study population included finance officers and business owners directly responsible for tax matters. Purposive and simple random sampling techniques were used to select respondents. Data were collected through structured questionnaires and secondary literature, analyzed using **SPSS**, and presented using descriptive and inferential statistics.

The study found that the E-tax system is generally accessible and has reduced paperwork and compliance costs. It has improved efficiency and convenience, leading to better procedural compliance, particularly timely filing. However, challenges remain, including system reliability issues, limited digital literacy, inadequate training, and perceptions of fairness, which affect voluntary compliance. Correlation analysis confirmed a strong positive relationship between E-tax usage and taxpayer compliance.

The study concludes that while the E-tax system is an effective tool for improving tax administration in Ethiopia, its full benefits depend on enhanced system reliability, taxpayer education, and trust-building measures. Recommendations were provided to guide the Ethiopian Revenues Service in strengthening the system and promoting higher compliance rates.

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