# LOCAL SERVICE TAX ADMINISTRATION AND ITS REVENUE YIELD IN YUMBE TOWN COUNCIL- YUMBE DISTRICT NORTHERN UGANDA

**ANIKU AHMED MOHAMMED MOYINI**

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## DECLARATION

I, ANIKU AHMED MOHAMMED MOYINI, hereby declare that the Dissertation entitled "Local Service Tax Administration and its revenue yield in Yumbe Town Council" submitted to Graduate School, is a record of an original work done by me under the supervision of DR. MARY MAURICE NALWOGA MUKOKOMA and DR. OYUGI .L. JACOB, all of Kyambogo University, is submitted in the partial fulfillment of the requirements for the award of the degree of Master of Business Administration of Kyambogo University.

SIGNATURE.....  Date.....

ANIKU AHMED MOHAMMED MOYINI

REG. NO. 13/U/2018/GMBA/PE.

## APPROVAL

This dissertation entitled "Local Service Tax Administration and Its Revenue Yield in Yumbe Town Council" was conducted and forwarded for examination under the supervision of:

Signature: _____ Date: 22/1/2016

DR. MARY MAURICE NALWOGA MUKOKOMA

Signature: _____ Date: 1/2/2016

DR. JACOB L. OYUGI.

## DEDICATION

I, Aniku Ahmed Mohammed Moyini, dedicate my dissertation work to my family and many friends. A special feeling of gratitude to my loving parents, Fatina and Muzamil, My Wife, Hamida Mohammed and Children: Shamim Masiku Ahmed, Hussein Rubbe Ahmed and Ryhern Ahmed.

## ACKNOWLEDGEMENT

In the name of Allah the most gracious and most merciful.

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| | |
|---|---|
| DV | Dependent Variable. |
| LHT | Local hotel tax |
| FY | Fiscal Year. |
| GDP | Gross Domestic Product. |
| IV | Independent Variable. |
| LR | Local Revenue. |
| LST | Local Service Tax. |
| NSSF | National Social security Fund |
| OAG | Office of the Auditor General. |
| PAYE | Pay as you earn. |
| PDU | Procurement and Disposal Unit. |
| SDS | Strengthening Decentralization for Sustainability program. |
| SMEs | Small and medium enterprises |
| SPSS: | Statistical Package for Social Scientists. |
| TC | Town Council. |
| TIN | Tax identification number |
| TPC | Technical Planning Committee. |
| URA | Uganda Revenue Authority. |
| USAID | United States Agency for International Development. |
| Ugx | Uganda Shillings. |
| YTC | Yumbe Town Council. |

## ABSTRACT

This study was carried out to examine the effects of Local Service Tax Administration and its Revenue yield in Yumbe Town Council. The specific objectives of the study were: 1- To analyze the effect of Taxpayer education on LST Revenue yield in Yumbe Town Council, 2- To examine the effect of Taxpayer Identification on LST revenue yield in Yumbe Town Council, and 3- To assess the effect of LST payer assessment on LST revenue yield in Yumbe Town Council.

A Case Study research design was used in the study. The researcher employed case study design because the phenomenon under investigation is still a contemporary one and the study is based on real life situation.

A sample of 31 respondents was approached to fill the questionnaires, (politicians and technical staff of the Town Council). The findings revealed the followings: LST payer education does not have a statistically significant effect on LST revenue yield, with 15.7% variability explained, LST payer identification does not have a statistically significant effect on LST revenue yield, with 11% variability explained, and LST payer assessment does not have a significant effect on LST revenue yield.

Conclusion: LST is one of the sources of LR facing a number of challenges which have kept its growth below expectations in YTC. Although the setbacks originate mainly from insufficient data on taxpayers, inadequate records to guide assessment, collection, and enforcement, it is that YTC comes up with actions to enhance locally raised revenues as a strategic way of bridging the service delivery gap with a full political will. The threshold is still high, resulting in exemptions for a large number of persons, Assessment guidelines for commercial farmers not yet available, and concealment of information by potential tax payers.

# CHAPTER ONE

# INTRODUCTION

This chapter was about the background to the study, statement of the problem, the general objective of the study, specific objectives of the study, the research questions, scope of the study, significance of the study and definition of terms.

## 1.1. **Background to the study**

1.1.1 Historical perspective: A classical economist, Adam Smith ,(1776) put forward the canons or general principles of taxation which he said should be observed when imposing a tax, and these are; equity, certainty, convenience, productivity, buoyancy and economy. These canons if followed in tax assessment, collection and administration, improve revenue collection and administration.

Taxes are the enforced proportional contributions from persons and property levied by the State by virtue of its sovereignty for the support of government and for all public needs, Cooley, (1881). There is lack of credibility with tax systems when taxpayers do not know why they are being taxed and where the revenue is being spent. (ACCA, 2009).

Over the years, decreasing local revenue (LR) in absolute terms relative to service delivery needs and the evolution of local costs,has become a key challenge to local government (LG) entities in Uganda. The weakening LR situation was compounded by the abolition of graduated tax in 2004/2005 which used to contribute significantly to locally raised revenue, USAID/SDS, (2013).

1.1.2. Theoretical perspective: This study was grounded on Theory of Optimal Taxation by Ramsey (1927), and later improved by Mirrlees (1971). This theory posits that a tax system is chosen to maximize a social welfare function subject to a set of constraints. This theory was also used by Tuomala, (1990), Salanie, (2003), and Kaplow (2008a).The literature on optimal

taxation typically treats the social planner as a utilitarian: that is, the social welfare function is based on the utilities of individuals in the society.

1.1.3. Conceptual perspective: The two concepts in this study are, LST Administration as the independent variable (IV) and Revenu yield as the dependent (DV). LST administration refers to; identification, enumeration, assessment, collection procedures and enforcement of tax management activities. But for resolve of this study, the moditfied the concept to mean: tax education, identification and assessment. Supplementary analysis of this concept into dimensions was meant to show aspects of enforcement and enumeration. Revenue yield in the context of the study meant proportion of actual LST revenue to budgeted revenue.

1.1.4. Contextual perspective

Overall, there is not enough funding to ensure that all the services and functions for which district and urban governments are responsible. Any additional increase in revenue availability provides an opportunity to improve existing service and expand the scope of service provision to wider areas of the LG. (USAID/SDS 2013). The trend in social service delivery indicators in health, education, water and sanitation, and roads is on the decline as demand for better services continues to rise rapidly, (USAID/SDS, 2013). According to Yumbe District, 2010-2014 performance review, the infant mortality rate is 107/1000 live births, which is higher than the national which stands at 84/1000 LB while child mortality rate is 157/1000 LB compared to the national 84/1000 LB and the maternal mortality rate is very high at 506/100,000 births. Basic school facilities such as classrooms, latrines, and furniture are inadequate. Pupil-classroom ratio (PCR) of 101 is still high and pupil-latrine ratio (PLR) of 69 together with Pupil-Desk ratio (PDR) of 6 are too high. The ideal PLR is 40, PCR is 53 and PDR is 3. Only 660 usabale teachers' houses exist within school premises. Most of the available houses are tinny, single or

double-roomed grass-thatched houses of poor quality without proper sanitation and kitchen facilities.

Despite several interventions to increase LR in Uganda, LGs have not registered significant improvement thus negatively affecting their ability to fund certain expenditure functions as required by law, (USAID/SDS, 2013). In the aftermath of the abolition of graduated tax, LR were more limited. There has been a slow growth from new sources of revenue, (USAID/SDS, 2013).

In an attempt to relieve LGs of the dilemma of low LR collections, and reverse the tendency of failure to finance their mandated functions, the Parliament of Uganda passed the LGs' Amendment Act No.2 of 2008, introducing new taxes for LGs: LST and Local hotel tax (LHT). The Act came into force on 1st July 2008.

According to the LG Finance Commission report February, 2012, LST was expected to produce between Ugx 67bn and Ugx 80bn yearly, from all the LGs. However, the report also noted that in FY 2008/9, only 3.8bn out of the projected 80bn was collected, while Ugx 9bn was raised in FY 2009/10.

As observed by Bailey (1999), and Musgrave (1989), methods of tax administration are critical in realizing better collections. Surrey, (1974), Bird, (1992), Henrik, (1996) have all agreed that tax administration involves the following elements: Taxpayer identification, assessment, collection and taxpayer services. And that these elements determine revenue yield of an entity.

Right from the introduction, the yield of LST has been below expected levels in YTC, (Treasury YTC, 2014). In Yumbe Town Coucil, the LR team maps the institutions especially schools and health centres for the purpose of obtaining employees and later demanding remittance of withheld funds by the institutions.

## 1.2. **Statement of the problem**

According to USAID/SDS 2013, LGs in Ug have not registered significant increase in LR despite several interventions in the aftermath of G tax abolition, thus affecting their ability to fund certain expenditure functions as required by law.

In a report by LG Finance Commission in February, 2012, LST was expected to produce between Ugx 67bn and Ugx 80bn annually. In contrast, only 3.8bn and 9bn were realized from the projections in FY 2009/10 and 2009/10 respectively.

According to YLG performance report 2013/2014, LST revenue yield is below average. Its realization for five consecutive fiscal years up to 2013/14) stands below 50%. For example, out of the projected Ugx 5,591,831 only 2,500,000 was realized representing 44% in the first year and out of the projected 5,605,000, the realization was Ugx 1,315,000, representing 23.5%.

If this situation is not addressed, access to public goods, key to high quality of life and a productive economic environment will continue to deteriorate. This to the researcher suggests a major problem, and it was the motivation of this study.

## 1.3. **Purpose of the study**

The purpose of the study was to examine the effect of LST administration on its revenue yield in Yumbe Town Council.

## 1.4. **Specific objectives**

i- To analyze the effect of taxpayer education on LST revenue yield in YTC.

ii - To examine the effect of taxpayer identification on LST revenue yield in YTC

iii - To assess the effect of taxpayer assessment on LST revenue yield in YTC.

## 1.5. **Research hypothesis**

i-Ho: A significant relationship exists between LST payer education and LST revenue yield in YTC.

H1: No signficanat relationship exists between LST payer education and LST revenue yield in YTC.

ii- Ho: A significant relationship exists between LST payer identification and LST revenue yield in YTC.

H1: No significant relationship exists between LST payer identification and LST revenue yield in YTC.

iii- Ho: A significant relationship exists between LST payer assessment and LST revenue yield in YTC

HI: No significant relationship exists between LST payer assessment and LST revenue yield in YTC

## 1.6. **Scope of the study**

1.6.1. Content scope. This study focused on LST administration as independent variable and revenue yield as dependent variable. Administrative weaknesses have an impact on effectiveness of the tax system especially in developing Countries, (Shalinzi & Squire, 1989). The indictors of tax administration are limited to taxpayer identification, assessment, education, collection procedures, and monitoring system as pointed out by Surrey, (1974), Bird, (1992), Chen & Reinikka, (1999).These elements of administration have been used in Uganda by Abigaba (1998) pointed out by Iga, (1999). For this study, the would like to only address taxpayer education, identification and assessment as the constructs of LST administration.

1.6.2. Time scope. The study considered a period of five fiscal years within which the yield of local service tax was measured against set targets. This period was FY2009/2010 to 2013/2014, because in all these years the average collections did not reach 50% of the projected collections.

1.6.3. Geographical scope. The study was conducted in YTC in Yumbe District. Yumbe LG was created in November 2000 from Arua District. Located in north western Uganda, boarded by the Republic of Sudan in the north, east by Moyo District, Koboko (new District) boarders her in the north west and south by Arua District

## 1.7. **Significance of the study**

i- To help Yumbe Town Council (YTC) and similar Town Councils in Uganda augment their local revenues and thereby reduce their dependence on Central Government (CG) grants and increase their discretionary resources for improving local service delivery.

ii- May provide information to policy makers especially in the Ministry of LG and donors to find lasting solutions persistent financial problems of the LGs in Uganda. Its true by law, Ugandan LGs prepare and update Revenue Enhancement Plans in conjunction with the adoption of their annual Budget Framework Papers, and its also true that these plans often contain a wellconceived set of measures. However, they are typically too comprehensive and all-inclusive to serve as practical guides for prioritizing and acting on a discrete set of revenue enhancement measures in a disciplined and effective manner.

## 1.8. **Definition of terms used (operational definitions)**

Tax administration, for this study was defined as the implementation of tax structure and enforcement of collection of taxes (Iga, 1999). It is expounded by components integrating: identification of tax liabilities based on existing tax legislation; assessment of taxes and

collection, prosecution and penalty activities that impose sanctions on tax evaders and ensure that taxes and penalties due from tax payers are actually collected, Bird (1992) and surrey (1974).

Revenue yield, here was used mean the actual LST collection by tax body as proportion of the budgeted amount. According to World Bank study (1999), increased revenue yield is an important indicator of good tax administration explaining that tax revenue as a percentage of GDP gives a general indication of success of tax administration in mobilizing resources.

Tax education, the tax education unit, Public and Corporation affairs division of URA, defined tax education as; the way by which taxpayers and general public is enlightened about tax related matters. This is intended to assure taxpayer that taxes are statutory requirements for any person who is above the age of eighteen years and is in good capacity.

Taxpayers' identification is the course of registering the potential taxpayers to certify that they are on the tax database or the process of registering tax payers for purposes of identification. This generally moderates taxpayers who would otherwise evade taxes. It also guards against any delays registration of the taxpayers which has a potential to lower revenue performance.

Tax evasion: Kay (1980), "Evasion is concerned with concealing or misrepresenting the nature of a transaction; when avoidance takes place the facts of the transaction are admitted but they have been arranged in such a way that the resulting tax treatment differs from that intended by the relevant legislation". Evasion is the act of intentionally refusing and or defaulting to pay the taxes payable by the tax payers. Tax evasion is illegal and attracts punitive measures as per the Governing tax laws and regulations when found guilty for the act. Schmolders, (1959)

Actual LST collected, this is the amount of Local service tax realized in a particular tax period that the tax relates to. For example LST realized FY 2013/2014 stood at Ugx 11,000,000, out of the budgeted Ugx. 26,000,000, then actual LST collected is the Ugx 11,000,000 (YTC treasury).

# CHAPTER TWO

# LITERATURE REVIEW

## 2.1. **Introduction**

LST applies to people in gainful employment, self-employed practicing professionals, self-employed artisans and, businessmen and businesswomen. All employees on government payroll, on non-government payrolls like the private sector and NGOs, commercial farmers, although the guidelines on assessement and collection are not available. Exemption: UPDF, police, prisonemployes, local defense Forces, bodaboda drivers, and membersof diplomatic missions to Uganda, (USAID/SDS, 2013).

## 2.2. **Meaning of LST administration**

Researchers like Surrey, (1974), Bird, (1992), Silvani & Alberto, (1992), Gupta (1997) and Vehorn & Ahmad, (1997) have tried to point out the components of tax administration internationally. While in Uganda, Oriaro, (1997), Abigaba (1998), Iga, (1998), Chen and Reinikka, (1999) and Mulindwa, (2000) have pointed out the aspects they consider relevant in Uganda, and these included locating of the taxpayer, checking on taxpayer compliance and collection of taxes. Although several writers have tried to explain the meaning of tax administration, Mulindwa (2000) cautions readers not to confuse tax policy, tax management and tax administration. Tax policy is like a law and its tax administration that brings tax policy into reality (Naimeede; 1998 and Mulindwa; 2000).

Surrey (1974), contends that the basic administrative procedures include locating the taxpayer, checking on taxpayer compliance and collection of taxes. This view is shared by Vehorn and

Ahmad, (1997) while commenting on sub national tax administration generally, McLure and Zodrow (1991) about the same in Columbia, and Silvani and Alberto, (1992) who posits specifically taxpayer registration, training, data processing, taxpayer relations and simplification of forms. (Bird 1992) in summary, suggests three basic tasks of tax administration which are to identify potential taxpayers, assess tax on them appropriately, and collect the tax. That is, enumerate, estimate, and enforce.

Iga (1999) expanded on the components and suggested that tax administration comprises codification and drafting the law, administrative procedures, capable officials and overall management. In contrast to this view, Mulindwa (2000) cautions readers not to confuse tax policy, tax management and tax administration. He specifically looks at tax administration as that component of the tax system that ensures that tax laws are effectively enforced.

Abigaba (1998) and Chen & Reinikka (1999) point out the prominent features of tax administration in Uganda including arbitrary assessments, lengthy delays in clearance of documents, frequent audits which are either desk or field operations or both. These views tend to exhibit a problem in tax administration moreover in many countries, the successful administration of existing taxes like income tax provides a considerable part of the needed revenue (survey, 1974, Casanegra & Bird, 1992, and Henik, 1996). Since LST is a local income tax, Hegedus and Peteri (1996), after a survey in Hungary, concluded that locally decided personal income tax is possible from a tax administration stand point.

Effective administration is essential for mobilizing LG revenues, Fjeldstad O., Chambas .G. Brun .J. (March 2014). During the last two decades most English-speaking, Kloeden 2011 and French-speaking countries, Fossat & Bua 2013, in Africa have taken decisive steps to modernize the national tax administration. This modernization largely consists of the implementation of

international good practices that are now widely recognized and generally accessible. CG revenue administrations in many countries have thus been able to move from administration by tax category to management centered on the main taxpayer categories (implementation of units for large businesses and in some countries for medium-sized businesses).

In many Anglophone African countries, advances in administrative effectiveness are reflected in the establishment of semi-autonomous revenue authorities (Fjeldstad and Heggstad 2011; Fjeldstad and Moore 2009).

Edwards M., (2006) also noted that a revenue system should not be burdensome to administer and should be simple for the average taxpayer to understand. Complex tax rules make revenue systems difficult to understand and challenging to monitor and to enforce for state and local officials. Revenue should also be visible to the average taxpayer. Taxpayers should know what they are paying for and how much they are paying. LST seem not be understood by many taxpayers.

A study by Wadhawan & Gray, (2001) discloses that irregular tax administration in Africa is a main cause of revenue shortfalls that enhance inflationary pressure while depriving Governments' of resources to provide public goods. Irregular tax administration also inspires recourse to more straightforwardly collected taxes on foreign trade with associated efficiency. Wadhawan & Gray, (2001) noted that theoretical and empirical research on why persons subject to tax comply or fail to comply with their legal liabilities has been pursued by social scientists from various disciplines. The direct benefit of successful tax evasion is obvious, it is the value of the payments evaded, comprising their resources thereby saved.

## 2.3. **Theoretical review**

The Theory of Optimal Taxation, Ramsey (1927) and Mirrlees (1971).This theory posits that a tax system is chosen to maximize a social welfare function subject to a set of constraints. The literature on optimal taxation typically treats the social planner as a utilitarian: that is, the social welfare function is based on the utilities of individuals in the society. General treatments of the Mirrlees approach are found in Tuomala (1990), Salanie (2003), and Kaplow (2008). According to Mirrlees the optimal tax problem develops into a game of inadequate information between taxpayers and the social planner. The planner would like to tax people of high ability and give concessions to those of low ability, but the social planner needs to be certain that the tax system does not tempt those of high ability to pretend being of low ability.

Indeed, modern Mirrleesian analysis often relies on the "revelation principle." According to this classic game theoretic result, any optimal allocation of resources can be achieved through a policy under which individuals voluntarily reveal their types in response to the incentives provided. However the culture of voluntary payment of taxes is not yet rooted in developing countries in general and Uganda in particular. In other words, the social planner has to make sure the tax system provides sufficient incentive for high ability taxpayers to keep producing at the high levels that correspond to their ability, even though the social planner would like to target this group with higher taxes. The strength of the Mirrlees framework is that it allows the social planner to consider all feasible tax systems. The weakness of the Mirrlees approach is its high level of complexity to the social planner.

Keeping track of the incentive-compatibility constraints required so that individuals do not produce as if they had lower levels of ability makes the optimal tax problem much harder. Since the initial Mirrlees contribution, however, much progress has been made using this approach.

Other scholars however seem to think otherwise. For example Mcpherson (2004), proclaims that efficiency and effectiveness ought to be key words as you design a tax structure that will give the preferred outcome. Therefore, tax structure should target measuring the efficiency and effectiveness in the central subjects in tax administration, (assessment, collection and remittance procedures), but not concentrating on high ability of a specific taxpayer alone. Fundamentally, LST has been advanced on the premise of high ability of the taxpayer and not testing the efficiency and effectiveness of tax administration structures that was going to operationalize it. The agrees to this view because LST only applies to people in gainful employment, self-employed practicing professionals, self-employed artisans and, businessmen and businesswomen. The following class of people are exempted from LST: Members of the Uganda Police Force, Members of the Uganda Prisons Service, Members of the Uganda People's Defense Forces, unemployed persons, peasants (people living in poverty and unable to earn a minimum income to access basic necessities of life), and Members of the Diplomatic Missions Accredited to Uganda. USAID/SDS, (2013). Much as headway has been made by other scholars using this approach.

## 2.4. **Local Service Tax tax administration and its revenue yield**

### 2.4.1. Taxpayer Education and LST Revenue yield

Tax education, as noted by Bird (1998), is necessary to convince taxpayers that taxes are the price paid for a civilized society and that they live in such a society and the tax system is equitable. However, in Uganda, this has not been effective Muhumuza (2000). Moreover it greatly affects revenue collection and compliance (Abigaba, 1998, Lubega 2000). Snavely (1988) asserts that states strive to reinforce tax compliance behavior by sending messages in media, leaf-lets, visual and audio media and bill boards stressing the benefits of compliance and

the consequences of non-compliance. However, tax education may have little impact on revenue since even the informed taxpayers may evade for reasons ranging from ineffectiveness of monitoring structures (Chen & Reinikka, 1999) to absence of benefits realized from taxes paid, (Wentworth 1985).

As Mitchel (1996) pointed out, under a LST system with liability that may change from year to year, there is need for constant sensitization if revenue is to be met. Surrey (1974) and Thirsk (1991) also point out that tax administration is dealing with a public that is unfamiliar with tax knowledge hence a need to sensitize them.

Silvani & Bear, 1997) note that taxpayers' voluntary compliance is a guiding principle that has provided the basis for successful reforms in tax administration and sensitization can go a long way to achieve compliance and improve revenue collection (Mitchel, 1996, Abigaba, 1998).

Followngn the tax canon of certainty, the researche sought to find out whether the taxpayer is certain about the tax, how and where to pay.

2.4.2. Taxpayer identification and LST revenue yield.

Taxpayer identification is one of the most important aspects of tax administration and Surrey (1974) noted, the beginnings of income tax administration start with preparing lists or registers and ensuring that taxpayers are on the tax rolls. As more taxpayers are located and registered, there would be decrease in the number of taxpayers who would otherwise evade. The Tax Registers must be current and every possible source of names for these registers must be combed thoroughly although in Uganda Local authorities, updating registers may take up to three years, (Abigaba 1998).

The delay in updating registers may lead to the authorities not meeting their targeted revenue. As was noted by Bird (1991), registration of taxpayers increased revenue collection in Bolivia. There is also need for an update of database of taxpayer information which is believed to be poor and ineffective, (Tanzi & Zee, 2000). This stuy would fill the gap in ensuring that tax authorities need to have an updated register of the taxpayer after their proper identification.

Although the process of registration and data process are the most expensive aspects of tax administration, (Almy, 2000), assessors still need to collect and maintain essential data and have data accessible. Revenue shortfalls in Uganda have been attributed to the poor record keeping, which leads to local authorities charging flat rates and people who should have paid more pay less (Oriaro 1998 and Abigaba 1998).

Although Bird (1992) argues that undue emphasis on adding new taxpayers to the tax rolls has resulted in information overload which in the end hardly produces enough revenue, tax collection efficiency can be improved through the updating of tax registers (Shotton, 2000). Bird (1992) notes that the principle methods usually suggested for expanding the tax rolls are field census and unique identification systems that are expensive. He further asserts that the use of revenue officials to carryout door-to-door canvases in selected districts looking for taxpayers is usually a waste of time and scarce resources. He tends to support voluntary registration as is provided for in the Fifth Schedule, part II (2) (13) of the LG Act (1997). However, this view can make Local authorities complacent moreover it is taxpayer data records that is one of the causes of poor revenue collection in Uganda.

2.4.3. Tax assessment and LST revenue yield.

Assessment is one of the key aspects of tax administration, Bird, (1992) and is the process of ascertaining or establishing a person's tax liability. In Uganda, LST assessment is quite

automatic where the taxpayer is in formal employment (Oriaro 1998) because the income is ascertainable and the tax brackets are provided to districts. However, it is not easy when assessing peasants in the peri-urban villages where incomes are based on property owned on presumptive basis, (Oriaro 1998 and Muhumuza, 2000). This process takes a long time and in some cases is based on previous year's assessment (Abigaba, 1998). This situation is unpleasant especially since wrong assessment leads to loss of revenue, Bird, (1992). LST assessment, which is progressive in nature, seems to emphasize fairness of a tax where individuals with higher income are believed to afford higher tax rates and should be pay higher taxes, (Shah and Whaley, 1991, Bird, 1992, Silvani & Baer, 1997, Mode, 1999). The levying of higher taxes to higher income earners seems to have originated from Max and Engels (1848) who were so eager to destroy the upper and middle class that they advocated a heavy graduated income tax on them. A system which today has been used today to try and bring about equity, (Oriaro 1998). This explains why tax bracket is provided for withholding the LST.

However in Uganda, where most of the population is predominantly agricultural, assessment is quite difficult and this has affected revenue collected, (Oriaro 1998, Abigaba, 1998, Beijuka, 1999). There is a large informal sector and many small establishments as is the case in many other developing countries (Tanz & Zee, 2000). To further the fear of LGs failing to levy LST, Bahl (1999) asserts that LGs typically do not have a deep capacity to assess taxes. He however appreciates that importance of assessments in boosting revenue for LGs which revenue can be used to render services. Bird (1992) points out that in developing countries since there is no conceivable way in which the population in the traditional rural sector can possible be brought within the ambit of the income tax, the personal income tax is inevitably more a "Class" than a "mass" tax. Contrary to this view and as an attempt to it a "mass" tax, individuals whose income

cannot be readily ascertained pay a presumptive LST (Oriaro 1998). In Uganda, since some individuals pay a presumptive LST, (Oriaro 1998), Thirsk, (1991) argues that this may create new evasion opportunities for some taxpayers who may seek reclassification as members of hard-to-tax group and pay less tax. Since LST is paid by any adult above eighteen (18) years with some income or property, revenue collected may reduce without this system although it is seen as unfair, (Okumu, 1991).

However, in support of this mode of assessment, Shalinzi & Squire (1989) show that the presumptive method has operated in Cameroon, Guinea, Senegal and Togo although its performance is still being monitored. They point out though, that significant expansion of revenue collected from presumptive income taxes is dependent on improving compliance. Muhumuza, (2000) proposes that while using this mode, tax assessment should be related to productivity of assets and not the current value assessed by the local finance officials as is the case in Uganda.

**2.5. LST revenue yield.**

LST is one the sources facing a number of challenges which have kept its growth below expectations. The setbacks originate mainly from insufficient dataon tax payers, inadequate records to guide assessment, collection, and enforcement. (USAID/SDS, 2013). Additional challenges include: LST is still unpopular in most LGS, Self -employed workers and professionals are not registered and not assessed, No records from the private sector payroll and hence reliance on government,employees only, Laxity of LST to up-date their payrolls, reconcile with responsible ministries, and follow up on any issues which may arise, Predominance of informal sector with no reliable records, The threshold still high, resulting in exemptions for a large number of persons, Assessment guidelines for commercial farmers not published,

Concealment of information by potential tax payers,inappropriate assessment methods, and Lack of awareness regarding LST.

In Uganda, fiscal and monetary discipline was emphasized in the corporation tax guidelines 2001 as the reason, why corporation tax is low. Nonetheless, with the new policies in place, collections were estimated to rise, but instead, they dropped. In Uganda, the main task in tax administration is revenue yield, Mulindwa, (2000). This therefore means that, if a tax is well administered, then certainly revenue yield will have to increase. It is therefore, the only indicator for ascertaining whether or not a tax is administered well.

Cheasty, (1996) offered the elements for the decline of revenue collection as politics, declining tax bases that are a sharper decay in taxed activities, retailers failing to pay taxes because of minority policies, unemployment and deficiencies in governance. Yankelovick, (1984) stated that sizeable share of the population regard the tax laws as unfair. Empirical studies on tax compliance are handicapped by data scarcity. Revenue authorities do not reveal their audit strategy and official respect for taxpayers' privacy further limits a 's access to data.

**Literature review summary**

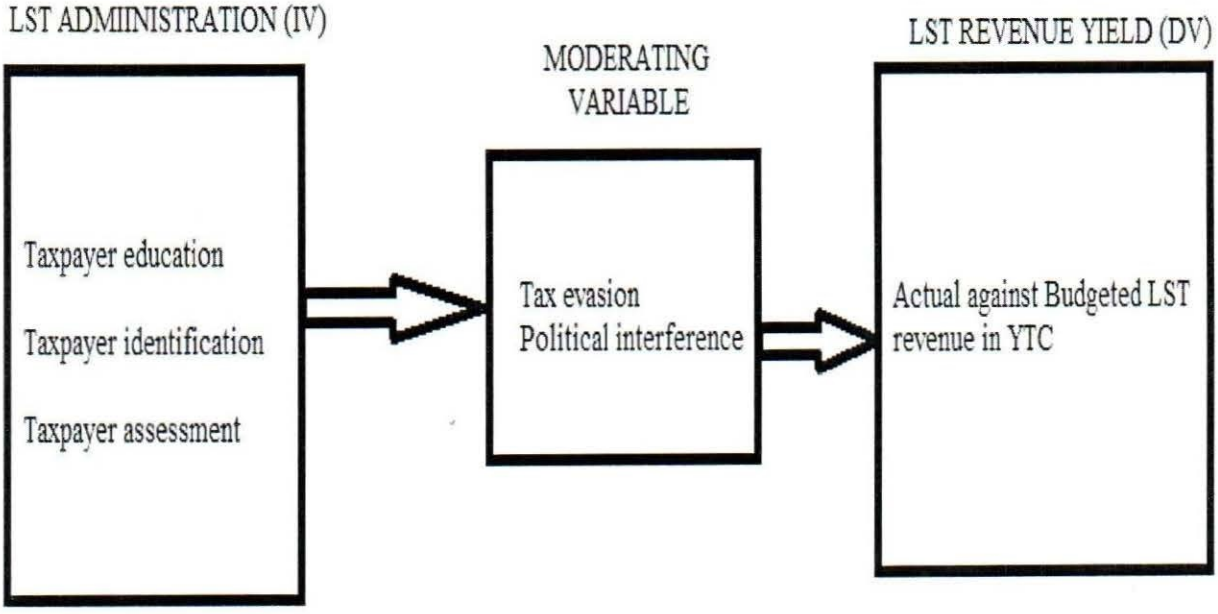
Overall, there is not enough funding to ensure that all the services and functions for which district and urban governments are responsible.

Irregular tax administration in Africa is a main cause of revenue shortfalls that enhance inflationary pressure while depriving Governments' of resources to provide public goods.

Uganda and Tanzania have poor records of both employees (potential taxpayers) and employers (responsible for collecting the tax), in both the formal and informal sector Oriaro, (1998).

Effective administration is essential for mobilizing LG revenues, Fjeldstad O., Chambas .G. Brun .J. (March 2014).

FIGURE 1: THE CONCEPTUAL FRAMEWORK SHOWING THE RELATION BETWEEN LST ADMINISTRATION AND ITS REVENUE YIELD




**ADOPTED:** Abigaba, (1998), Iga, (1999) and Shotton, (2000).

In Uganda, the model draws specifically from the works of Abigaba (1998) and Iga (1999) who agrees with the indicators of tax administration and emphasize that effective administration can lead to taxpayers paying LST. Yields from taxpayers were shown as one measure of revenue collection performance as pointed out by Shalinzi (1991) and Nsamba (2000). Nsamba defines revenue yield as actual tax paid by the taxpayers and collected by the tax authority. The ratio of actual yield to budgeted collection was pointed out by Nsamba (2000) as also a measure of collection performance. Bahl (1999) however warns that LGs need to plan their budgets with some certainty about the continuation of their revenue source.

Although empirical research has shown that theres is significant releationship between tax administration and revenue yield, (Musgrave 1980), (Shalinzi 1991), (Iga 1999) and (Shotton 2000), there are other factors pointed out by s as also affecting collections. That is, Tax policy in place, (Musgrave 1980), (Vasquez et al, 1992), (Bird, 1992), (Bird et al, 1995) and (Gupta et al, 1997), taxpayer mobility, (Oriaro et al, 1998) and (McLure 1999), seasons, demographic factors, other revenue sources and political interference, (Abigaba 1998), (Muhumuza 2000), (McLure 2000). This model however draws from the prior findings of the existence of the relationship between tax administration and revenue performance.

# CHAPTER THREE

# METHODOLOGY

## 3.1. **Introduction**

In this chapter, the researcher explained how the study was conducted in terms of research design, area of the study, target population, sampling techniques and sample selection, research instruments, data collection procedure, data analysis and limitations of the study.

## 3.2. **Research design**

A case study was adopted for this study. Case study approach involved an observation of a single group or event at a single point in time, usually subsequent to some phenomenon that allegedly produced change, for instance a community, after an urban renewal of program, (Nachmias, 1992), (Yin 2000).

A case study approach according to Bromley (1990) is a systematic inquiry into an event or a set of related events which aim at designing and explaining the phenomenon of interest. A case study is an empirical enquiry that allows for an investigation of the dynamics of a particular system, (Hagget, 1977). Additionally, Yin, (1984 cited by Zucker, 2001) also regarded a case study research design as an empirical enquiry that investigates a contemporary phenomenon within real-life context, when the boundaries between phenomenon and the context are not clearly evident, and in which several sources of evidence are used.

The employed case study design because the phenomenon under investigation is still a contemporary one and the study is based on real life situation.

However, there were challenges associated with the case study research design such as: researcher related weaknesses such as biases and poor judgment of issues, difficulties relating to the nature of the case study especially when the study has a security or political consequence. Also, language challenges can also affect the outcome of a case study. Some members of case being studied failed to collaborate. These challenges and limitation were managed through appropriate planning and adequate preparation towards the field survey.

### 3.3. **Area of study**

This study was done in YTC. The Town Council has six (6) parishes and twenty three (23) villages. Yumbe district is one County district, (Aringa County) with twelve (12) sub-counties and one Town Council. These are further divided into 101 parishes and 636 villages.

### 3.4. **Target population**

The accessible population was thirty one (31) elements, with a sample size of twenty five (31) subjects which was drawn from the study population, determinate using Krejcie and Morgan (1970).

**Table 1: Population, Sample size and Sampling Techniques**

| Element | Population | Sample size | Sampling technique |
|---|---|---|---|
| Treasury YTC | 2 | 2 | Purposive sampling |
| Town Clerk | 1 | 1 | Purposive sampling |
| LCIII, (Mayor YTC) | 1 | 1 | Purposive sampling |
| Secretary for Health services | 1 | 1 | Sampling technique |
| Secretary for Education | 1 | 1 | Purposive sampling |
| Secretary for Finance & planning | 1 | 1 | Purposive sampling |
| Secretary for works and technical services | 1 | 1 | Purposive sampling |
| Secretary of Information | 1 | 1 | Sampling technique |
| Concillors | 13 | 13 | Purposive sampling |
| Internal auditor | 1 | 1 | Purposive sampling |
| Parish chiefs | 6 | 6 | Purposive sampling |
| Speaker of YTC and Deputy | 2 | 2 | Purposive sampling |
| Total | 31 | 31 | |

**Source:** YTC Treasury Department

## 3.5. **Sampling techniques and procedures**

A purposive sampling technique was used to carry out this study to ensure a more reliable and detailed information on the variables of the study. This technique allows the researcher to choose respondents by virtue of their position and knowledge about the problem in question. This technique is recommended by Amin, (2005) who states that some of the respondents in the study population would be well aware of what was taking place in their institutions. It was for the above mentioned reason that the researcher chose the technique.

## 3.6. **Data collection methods**

The researcher employed a mix of qualitative and quantitative data collection techniques. Quantitative data collection method of closed-ended questionnaires with predetermined response using 5-point likert scale (strongly disagree 1, disagree 2, not sure 3, agree 4, strongly agree 5, was used). Qualitative data collection method was also employed to provide information useful to understand in-depth information behind observed results, Aylesworth, (2004). Both primary and secondary data was collected during this research. The primary data involved collection of information directly from the field through questionnaires, interview and focus group discussions. Secondary data was collected through reviewing the existing records like the annual performance reports, tax manuals and other relevant tax literature like the national budget reports to examine LST administration and its revenue yield

### 3.6.1. Questionnaire survey

This method involved the use of questionnaires with structured, close-ended questionnaires and pre-determined answer options to enable the respondents give their opinions' about the variables, LST administration and its revenue yield, Taxpayer education, identification and assessment

being constructs of the independent variable, and actual revenue to budgeted revenue, growth of LST revenue over years, and the contribution of LST revenue to overall budget of the TC. This method is important because many questions can be used at the same time to generate views from the respondents (Sekaran, 2003).

### 3.6.2. Interview

The used interviewing data-collection technique which involved oral questioning of respondents, (Amin, 2005). Answers to questions posed during the interview were recorded in writing. This technique allowed for probing on issues which are not clear to the

### 3.6.3. Focus Group Discussions

This method put the study samples in groups of 5 informants to freely discuss the subject of LST and its revenue yield. With the guidance of well-structured focus group discussion topics, this helped in getting views shared by respondents. The information collected was then recorded for further analysis during the study.

## 3.7. **Data collection instruments**

This refers to tools used for collecting data during the study, (statistical, 2010). The instruments used to collect data were questionnaires, FGD topics and interview guide.

### 3.7.1. Questionnaires

This was the major data collection tool to be used during the study and the employed a research assistant to administer questionnaire to the respondents. The questions from the questionnaire were derived from the Dependent and the Independent variables. The questionnaire had both

open and close-ended questions. Open-ended and close-ended questions differ in several characteristics, especially as reqards the role of respondents when answering such questions. Close-ended questions limit the respondent to the set alternatives being offered, while open-ended questions allow the respondent to expresss an opinion without being influenced by the , (Foddy, 1993: 127). This has several consequences for the quality of survey data. The advantages of the open-ended questions include the possibilitiy of discovering the responses that indiviuals give spontaneously, and thus avoiding the bias that may result from suggesting responses to individuals, a bias which may occur in the case of close-ended questions.

However, opne-ended questions also have disadvantages in comparison to close-ended, such as the need for extensive coding and larger item non-response.

Usually a compromise as regards the use of open- and close-ended questions is reached. Decades ago, Lazarsfeld (1944: 38-60) already suggested using open-ended questions at the initial stage of questionnaire design in order to identify adequate answer categories for the close-ended questions. In the later stages of the questionnaire design, open-ended questions can be used to explore deviant responses to the close-ended questions.

### 3.7.2. Focus group discussion guide

Focus Group Discussion (FGD), a guided discussion involving select group members, in a systematic way, to provide information regarding the effect of LST administration and its revenue yield in YTC, was used. The guide was then pre-tested on three respondents who later did not constitute the FGD. Five respondents were able to give their time for this discussion.

### 3.7.3 Interview guide

The interview guide aided the researcher separate what to ask about, in what sequence and how to pose follow-ups (Kennedy, 2006). It involved a face-to-face talk with the respondents within

YTC. The instrument was arranged in a way that each variable addressed an issue. The interview provided the in-depth data required and ensured that the questions were fully understood and helped the interviewer ask questions or make comments intended to lead to the respondent giving data to meet the study objective (Mugenda & Mugenda, 1999).

### 3.8. **Quality control (validity and reliability)**

The carried pre-testing to identify problems that could occur with the data collection instrument and find possible solutions to correct the problems depicted during pre-testing. For example, terminology used during interviews or questionnaires may not have been understood by respondents and information to be retrieved from documents may not be readily available. (OAG, 2007).

#### 3.8.1 Validity

In this study, content validity was used. It refers to the degree the instrument enables the researcher to collect data that measure the concept under study as designed (Sekaran 2003). Questionnaire was designed according to the study variables in the conceptual framework to ensure validity (Amin 2005). The content validity index was computed as a ratio of relevancy question scores to total scores. According to Lawshe's (1975) formula termed the content validity ratio: $CVR = (n_e - N / 2) / n / 2)$ where CVR = content validity ratio, $n_e$ = relevant question scores, N = total question scores.

The expected CVI yielded values which range from + 1 to – 1; where positive values will indicate that at least half of the relevant questions rated the item as essential and thus conforming to the validity of the instruments used. For the questionnaire,

Expert A = 37/40= 0.925, Expert B= 38/40= 0.95. Therefore, (0.925+0.92) = 0.938 = 94%.

3.8.2 Reliability of the instrument

Reliability is a measure of the degree to which a research instrument yields consistent results after repeated trials. Reliability of instruments was increased by reviews of the instruments by more experienced people, and field tests on appropriate population. The internal consistency method was used. The administered the questionnaires to two staff of the Town Council once, who later did not constitute part of the study population. This was meant to minimize errors and to increase reliability of the data collected by taking proactive action based on the pre-test results. It was then tested using Cronbach's Alpha, and an average of 0.7 was obtained, hence relevant for use, Amin, (2005).

**Table 2: Summary of reliability statistics**

| **Variable** | **Reliability Statistics** |
|---|---|
| **Taxpayer Education** | **0.65** |
| **Taxpayer identification** | **0.67** |
| **Taxpayer assessment** | **0.66** |
| **Revenue yield** | **0.79** |
| **Average** | **0.7** |

**Source**: Computer generated.

3.9 **Measurement of variables**

The used a combination of nominal, interval and ordinal scales to measure the research variables as they can easily measure quantitative data through the use of scores. In this case local service tax administration and its revenue yield variables were measured by adopting a five-point Likert scale ranging from strongly agree (5), agree (4), not sure (3), disagree (2), strongly disagree (1).

### 3.10. **Data collection procedure**

The required a letter of introduction from the Graduate school to YTC. This served like a permission to conduct the research in the Town Council. When the Town Clerk endorsed the permission, the then collected the required data in the Town Council.

### 3.11. **Data analysis**

During the analysis of the data, the researcher categorized, coded and prepared a summary of the details, tabulated, interpreted and now presents a report (Baptiste, 2011) so that this evidence can be applied to achieve the research objectives. That is, establishing the effect of LST administration on its revenue yield in YTC. A similar data analysis criterion was used by URA, (William 2006) when establishing the relationship between rental income tax administration and rental revenue collection in URA (William 2006). The researcher used Spreadsheet to clean, sort & analyze the data.

#### 3.11.1. Quantitative data analysis

Data from the questionnaires and structured interview guides were used to produce statistics. The analysis was descriptively done. This enabled the researcher to present the data in a meaningful manner to allow simpler interpretation of the findings of the study.

Pearson correlation was used to explore the associations between two quantitative variables. Regression analysis was used to predict the value of a variable based on the value of another variable. That is, the independent variable (IV) and dependent variable (DV).

#### 3.11.2. Qualitative data analysis

Qualitative data was generated from interviews and documentary reviews.

Content analysis was used in analyzing qualitative data. Data from interviews, and documentary review were sorted, coded and arranged into themes according to the study objectives. This was intended to examine the effect of LST administration on its revenue yield.

# CHAPTER FOUR

# DATA PRESENTATION, ANALYSIS AND INTERPRETATION

## 4.0 Introduction

This chapter presents the analysis of data from the field. The data was based on the queestionnaires which were derived from the objectives of the study: To analyse the effect of taxpayer education on LST revenue yield in YTC, To examine the effect of taxpayer identification on LST revenue contribution to overall budget in YTC, and finally, To access the effect of taxpayer assessment on percentage yield of LST in YTC. Correlation coefficient was applied to establish the degree of linear relationships between these variables.

The rest of the chapter has been organized as follows: the response rate as part one, Results on the background characteristics of respondents as part two, and descriptive results on the substantive objectives as part three.

## 4.1 Response rate

Response rate is the ratio of the actual number of respondents, vis-à-vis the targeted. In this study, the researcher targeted to collect data from 31 respondents drawn from the two respondents' categories. Of the 31 targed respondents, only 25 questionnaires were fully completed and returned, giving a response rate of 81%. The researcher considered this response rate to be very good because according to Amin (2005) for survey studies of this nature a response rate of 70% is considered valid. This therefore means that the findings of this research can be considered valid.

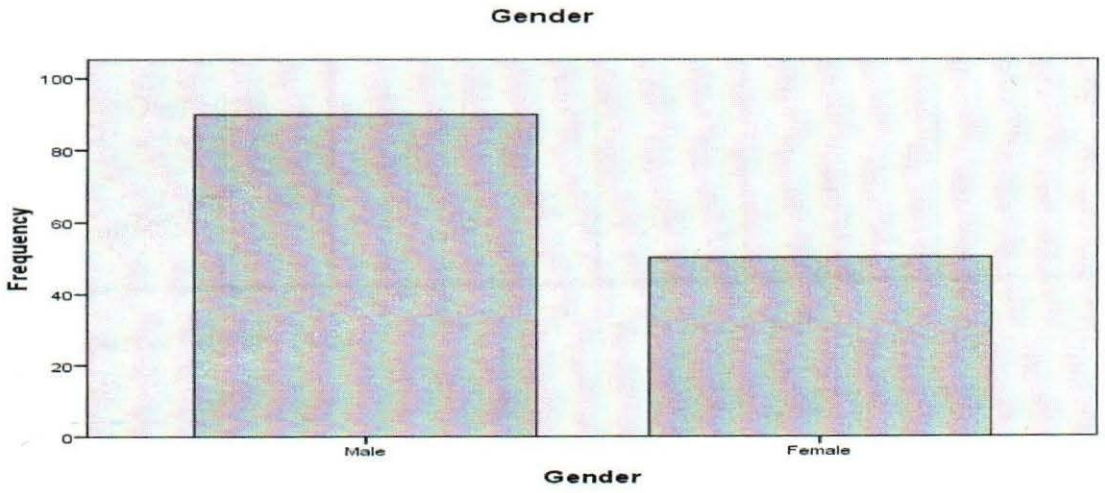
## 4.2. **Background characteristics**

This section contains the general characteristics of the respondent group in terms of basic characteristics such as Age group, Gender and level of education. These were all presented using the frequency distributions.

### 4.2.1 Gender

The set to find out the Gender distribution of employees in YTC. This was intended to balance the response based on gender. The results are presented as shown in Figure 2.

**Figure 2: Bar graph showing the distribution of respondents by gender.**




**Source**: primary data

In Figure 2, out of 25 respondents, 87.3% were male and only 12.3% were Female. This clearly indicates that the number of males employed in YTC is considerable bigger than Females and therefore few Female employees contribute to the yield and administration of local revenue compared to their male counter parts.

4.2.2 Age Distribution of the Respondents

This was intended to establish the age distribution of the respondents and how it relates to LST Revenue yield. The results are as presented in Table 3.

**Table 3: The distribution of respondents by Age**

| Age Group | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|
| 21-30yrs | 10 | 40 | 40 | 40 |
| 31-40yrs | 12 | 48 | 48 | 88 |
| 41-50yrs | 2 | 8 | 8 | 96 |
| Over 50yrs | 1 | 4 | | 100 |
| Total | 25 | 100 | 100 | |

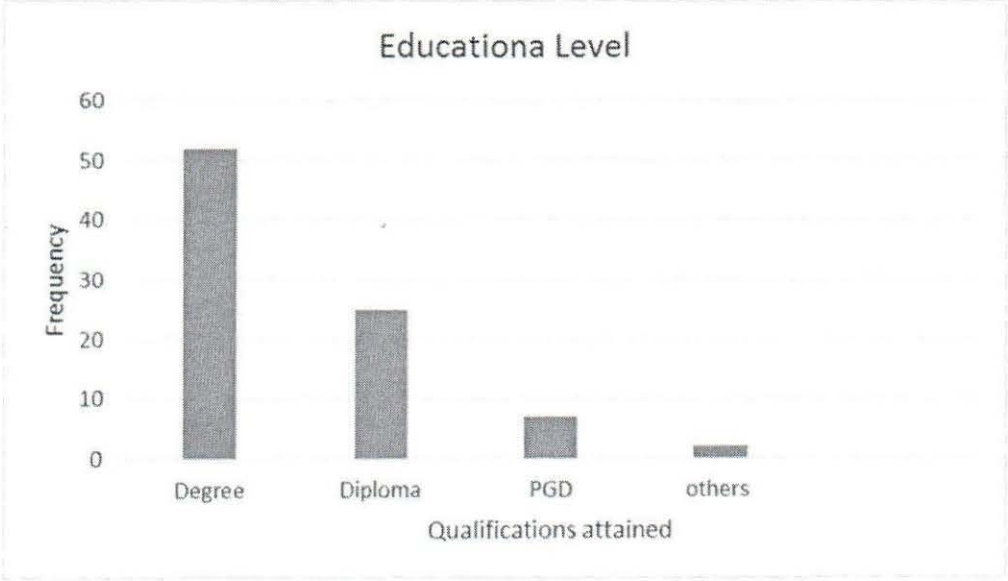
**Source**: Primary data

The table 3 shows that bulk of the respondents, 12 (48%) were within the range of 31-40 years. 10 (40%) were between ages 21–30 years. 2 (8%) fell between the age ranges of 41–50years, while the minority 1 (4%) was above 50 years of age. What this implies is that, the majority (48%) and 40 % of employees at the Town Council are middle aged (31-40) and young workers (21-30 years) with high probability to perform better in revenue Collection when motivated.

4.2.3 Education Level

The study queried into education level of the respondents. This was done with a view of guaranteeing that the data collected was from true sources because the response category which was stated in the sample size determination majority were of those who are literate.

**Figure 3: Bar graph showing distribution of education level of the respondents**




**Source**: Primary data

Figure 3 reveals that the most common level of education attained by the respondents was Degree 15 (60), this was followed by Diploma holders 7 (28%), 2 (8%) were PGD Diploma holders and the least being certificate holders who were 1 (4%). This implies that the Town Council has highly qualified staff who grasps easily issues of local revenue management and collection and its importance in delivery of services.

4.2.4 Experience/ Length of service

The also inquired in to the length of service to establish the distribution of the respondents by experience.

**Table 4: The distribution of the respondents by length of service**

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|
| Below 20 years | 20 | 80 | 80 | 80 |
| 20-30yearrs | 2 | 8 | 8 | 88 |
| 31-40years | 2 | 8 | 8 | 96 |
| 41-50years | 1 | 4 | 4 | 100 |
| Total | 25 | 100.0 | 100.0 | |

**Source**: Primary data

From Table 4: of the respondents, none had served for over 50 years, 1 (4%) had served between 41 and 50 years, 2 (8%) had served between 31 and 40 years, and the majority 20 (80%) had served for 21 and 30 years. This implies that very few respondents 1 (4%) were serving Yumbe district under Arua district, and majority joined service after the creation of Yumbe district. It could also mean that the staff has had a substantial less exposure on matters related to revenue management and administration. This finding is in agreement with the Town Council staff list

(2011) which indicated majority of the staff had served in the Town Council for less than 10 years.

## 4.3. **Empirical findings on LST and Revenue Yield**

The study examined the effect of Local service tax administration on its revenue yield in YTC. In this section, the researcher presents the findings on taxpayer education and LST revenue yield, taxpayer identification and contribution of LST to overall budget of YTC, and taxpayer assessment and percentage contribution of LST to overall budgeted revenue, as stated in chaper one, part 1.4.

### 4.3.1 Taxpayer education and LST revenue yield

The first objective of the study was to examine the effect of taxpayer education on LST revenue yield in YTC. The findings obtained from the questionnaire are summarized in table 5.

**Table 5: Summary of descriptive statistic on the views of respondents on taxpayer education and LST revenue yield**

| Taxpayer Education | Percentage Responses | | | | | Mean | SD |
|---|---|---|---|---|---|---|---|
| | SDA | DA | N/S | A | SA | | |
| Local Service tax is understood by the taxpayers | 4 (1) | 32 (8) | 32 (8) | 24 (6) | 8 (2) | 3.09 | 1.038 |
| Yumbe Town Council has sensitized taxpayers on LST through various media and workshops | 4 (1) | 40 (10) | 32 (8) | 20 (5) | 4 (1) | 2.84 | 0.884 |
| Yume Town Council has consulted LST payers on matters relating to LST | 16 (4) | 20 (5) | 40 (10) | 20 (5) | 4 (1) | 3.00 | 1.018 |
| LST payers clearly understood the LST collection process and procedures | 20 (5) | 28 (7) | 12 (3) | 24 (6) | 16 (4) | 3.41 | 1.228 |
| The Town Council has adequate literature on LST | 72 (18) | 4 (1) | 8 (2) | 4 (1) | 12 (3) | 3.78 | 0.86 |
| The existing literature on LST has been translated into Aringa or Kiswahili | 28 (7) | 28 (7) | 16 (4) | 12 (3) | 16 (4) | 3.71 | 1.172 |
| LST payers are adequately informed of the penalties of evading this tax by Town Council authorities | 8 (2) | 24 (4) | 20 (5) | 36 (9) | 20 (5) | 3.12 | 1081 |
| The Town Council staff in charge of LST have adequate knowledge of the tax. | 4 (1) | 28 (7) | 16 (4) | 4 (1) | 48 (12) | 1.86 | 1.081 |

**Source**: primary data

From table 5, when respondents were asked whether LST was understood by the taxpayer, 1 (4%) srongly disagreed, 8 (32) disagreed, 8 (32%) were not sure, 6 (24%) agreed and 2 (8%) strongly agreed. Considering those who strongly disagreed and those who strongly agreed, we have the followings: the bulk, 9 (36%) disagreed meanwhile 8 (32%) agreed. This infers that

taxpayers have no knowledge on LST and have therefore not understood how it is paid and handled.

In a Focus group discussion, (FGD), some coucillors were able to consent that "*LST is new, its assessment and the mode of payment is not yet familiar to us*".

When asked whether the Town Council had educated the taxpayers on LST through various media and workshops, 1 (4%) strongly disagreed, 10 (40%) disagreed, 8 (32)% were not sure, 5 (20%) agreed and 1 (4%) strongly agreed. Considering those who strongly disagreed and strongly agreed, we have most respondents disagreed 11 (44%) and 6 (24%) agreed. This infers that YTC has not educated taxpayers on LST through various media and workshops.

When asked whether they were consulted on matters relating to LST, 4 (16%) strongly disagreed, 5 (20%) disagreed, 10 (40%) were not sure, 5 (20%) agreed, and 1 (4%) strongly agreed. Considering those who strongly disagreed and strongly agreed, 9 (36%) disagreed and 6 (24%), agreed. This means that the Town Council has either not consulted LST payers on matters involving LST or the taxpayers are not aware of any consultations by the Town Council staff. This affects tax paid and collected. Administrators said they try to inform taxpayers during meetings which FDG agreed to, however, other media like radio and posters are rarely used which is in line with Bird's (1991) findings that sensitization was poor and may lead to low collections.

On the question whether LST payers clearly understood the LST collection processes and procedures, 3 (20%) strongly disagreed, 7 (28%) disagreed, 3 (12%) were not sure, 6 (24%) agreed, and 4 (16%) strongly agreed. Considering those who strongly disagreed and strongly

agreed, we have 12 (48%) of the respondents disagreed and 10 (40%) agreed. This implies that LST collection processes and procedures are not understood by the taxpayers.

When asked whether the Town Council has adequate literature on LST, 18 (72%) of the respondents strongly disagreed, 1 (4%) disagreed, 2 (8%) were not sure, 1 (4%) agreed, and 3 (12%) strongly agreed. Considering those who strongly disagreed and those strongly agreed, 19 (76%) disagreed, and 4 (16%) agreed. This means that the Town Council does not have adequate literature on LST.

When asked whether the existing literature on LST was translated into Aringa Language and Kiswahili, 7 (28%) strongly disagreed, 7 (28%) disagreed, 4 (16%) were not sure, 3 (12%) agreed, 4 (16%) strongly agreed. Considering those who strongly disagreed and strongly agreed, the bulk of the respondents, 14 (56%) disagreed, and 7 (28%) agreed. This means that the existing literature on LST is not translated into Aringa language and Kiswahili.

Respondents were still asked whether LST payers were adequately informed of the penalties of evading this tax by YTC, 2 (8%) strongly disagreed, 4 (24%) disagreed, 5 (20%) were not sure, 9 (36%) agreed, 5 (20%) strongly agred. Also considering those who strongly disagreed and strongly agreed, 6 (32%) disagreed, and 14 (56%) agreed. In YTC, those who said they are aware of the consequences cited imprisonment and loss of property as the penalty for not paying LST. This implies that most taxpayers know the consequences hence not complying is as a result of other factors as was pointed out by Bird (1991). From FGD, respondents agreed that they were aware of the consequences; they cited fines, surcharge of 10% above the tax liability and communal work. However, the administrators said that imprisonment is not cost effective since money spent on an inmate is much more than the unpaid tax amount.

Respondents were finally asked whether YTC staff in charge of LST had adequate knowledge of the tax, 1 (4%) strongly disagreed, 7 (28) disagreed, 4 (16%) were not sure, 1 (4%) agreed, and 12 (48%) strongly agreed. Considering those who strongly disagreed and who strongly agreed, 8 (32%) disagreed, mean while 13 (52%) agreed. What is inferred from this is that, LST administrators have adequate knowledge on the tax. 31.74% disagreed and 52.90% agreed. This means that LST administrators have adequate knowledge on the tax.

Pearson Correlation technique was used to analyze the effect of taxpayer education on LST revenue yield in YTC. The results presented in the table 6.

**Table 6: Showing correlation between taxpayer educatin and LST revenue yield**

| | | LST Education | LST Revenue |
|---|---|---|---|
| LST Education | Pearson Correlation | 1 | .396* |
| | Sig. (2-tailed) | | .000 |
| | N | 25 | 25 |
| LST Revenue yield | Pearson Correlation | .396* | 1 |
| | Sig. (2-tailed) | .000 | |
| | N | 25 | 25 |

*. Correlation is weak at the 0.01 level (2-tailed)

The results from table 6 indicate that LST education has a weak but positive correlation with LST revenue yield, with a correlation coefficient of 0.396 at 0.01 significance level. This means that althought the two variables are positively related, the strength of the relationship is not so

significant. So we can reasonably reject the null hypothesis that there is significant relationship between LST payer education has a significant effect on LST revenue.

A linear regression model was used to determine the proportion that the independent variable (LST education) contributes to LST revenue yield (dependent variable). The results are summarized in table 7.

**Table 7: Variations in LST revenue caused by taxpayer education**

Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the estimate |
|---|---|---|---|---|
| 1 | .396[a] | .157 | .151 | .95943 |

a. Predictors: (Constant), LST education

**Source:** Primary data

Table 7 shows the model summary of regression. It indicates R squared that tells how an independent variable explains the variations in a dependent variable. It revealed that correlation coefficient *(R),* using the predictor; taxpayer education, is .396 and the $R^2$ (.157). This implies that 15.7% (.157*100%) variations in LST revenue are explained by taxpayer education, while the remaining percentage of variations can be explained by other factors. With only about 16% variability, we can reasonably reject the null hypothesis that LST payer education has a significant effect on LST revenue yield at .01 significance level.

**Table 8: Causal relationship between Taxpayer Education and LST revenue yield**

| Model | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| (Constant) | .470 | .527 | | .893 | .373 |
| LST Education | .845 | .167 | .396 | 5.063 | .000 |

a. Dependent Variable: LST Revenue Yield

**Source**: Primary data

The regression results in Table 8 indicate that a unit change in LST education brings about 0.396 changes in LST revenue yield. The coefficients above indicate that recognition weakly contributes to the equation for predicting LST revenue yeild, *(y=a +bx)* where *y is the dependent variable, a is the constant and b is Tax Education.* The p-value (0.000) clearly reflects a statistically weak relationship. Therefore, this information is consistent with qualitative analysis.

4.3.2 LST payer Identification and LST revenue yield

The second objective of the study was to examine the relationship between of tax payer identification and LST revenue yield in YTC. The findings obtained from the questionnaire are summarized in table 9.

**Table 9: The summary of descriptive statistics on the views of respondents on taxpayer identification**

| Tax payer Identification | | PERCENTAGE RESPONSES | | | | Mean | Std Deviation |
|---|---|---|---|---|---|---|---|
| | SDA | DA | N/S | A | SA | | |
| Local service tax payers are Correctly identified by Yumbe Town Council | 8 (2) | 16 (4) | 8 (2) | 52 (13) | 16 (4) | 3.57 | 1.174 |
| All identified Local service tax payers are duly registered by YTC. | 8 (2) | 16 (4) | 28 (7) | 32 (8) | 16 (4) | 3.29 | 1.177 |
| YTC has an updated data base of Local service tax. | 4 (1) | 16 (4) | 52 (13) | 24 (6) | 4 (1) | 3.00 | .826 |
| YTC has adequate resources to identify Local service tax Payers. | 12. (3) | 16 (4) | 24 (6) | 36 (9) | 12 (3) | 3.15 | 1.223 |
| YTC has clear and precise Local service tax payers Identification process. | 8 (2) | 28 (7) | 36 (9) | 24 (6) | 4 (1) | 2.88 | .951 |
| Local service taxes Payers usually face challenges from URA staff during the identification process. | 16 (4) | 12 (3) | 32 (8) | 16 (4) | 24 (6) | 3.29 | 1.316 |

**Source: Primary data**

From table 9, when respondents were asked whether LST payers were correctly identified by YTC, 2 (8%) strongly disagreed, 4 (16%) disagreed, 7 (28%) were not sure, 8 (32%) agreed, and 4 (16%) strongly agreed. Considering those who strongly disagreed and those who strongly agreed, minority, 6 (24%), disagreed, and the greatest majority, 12 (48%) agreed. This implies that LST payers are correctly identified by YTC although some respondents still disagreed. This view is in tandem with interview results especially one parish chief interviewed stated that "*tax payer identification in the Town Council is well structured; the identification is done early enough by a proficient team of revenue officers who have the capability*".

On the question of whether all identified LST payers were duly registered by YTC, 1 (4%) of the respondents strongly disagreed, 4 (16%) disagreed, 13 (52%) were not sure, 6 (24%) agreed, and 1 (4%) strongly agreed. Considering those who strongly disagreed and those who strongly agreed, 5 (20%) of the respondents disagreed, and 7 (28%) agreed. This implies that Local service tax payers identified are duly registered by the Town Council. However, the number of respondents who disagreed and those who were not sure is high 18 (72%) indicating that though tax payers identified were registered, the information is not made available to all the stakeholders. This finding is consistent with interview results especially one member of the finance committee observed *that "True tax payers identified are properly registered and the Town Council has revenue registers in place, but the information from the revenue registers is not disseminated to all the stakeholders especially the politicians"*.

When asked whether Town Council has an updated data base of LST, 1 (4%) of the respondents strongly disagreed, 4 (16%) disagreed, 13 (52%) were not sure, 6 (24%) agreed, and 1 (4%) strongly agreed. Considering those who strongly disagreed and those who strongly agreed, 5 (20%) of the respondents disagreed, and 7 (28%) of the respondents agreed that YTC has an

updated data base of Local service tax. This implies therefore that much as revenue registers may be in place but not all the stakeholders are given up to date information on revenue and revenue registers. Besides revenue issues are considered solely the preserve of the finance staff not so many stakeholders are therefore aware of issues on revenue. This view was confirmed through interviews with FGDs with Finance committee and revenue officers which revealed that *the "Town Council has revenue registers in place, but the information from the revenue registers is not disseminate to all the stakeholders especially the politicians and most of the people in the Council have a believe that revenue issues are a responsibility of the Finance committee and the finance staff".*

When asked whether YTC had adequate resources to identify LST Payers, 3 (12%) of the respondents strongly disagreed, 4 (16%) disagreed, 6 (24) were not sure, 9 (36%) agreed, and 3 (12%) strongly agreed. Considering those who strongly disagreed and those who strongly agreed, 7 (28%) of the respondents disagreed, and 12 (48%) of the respondents agreed.

When respondents were also asked whether YTC had clear and precise LST payers Identification process, 2 (8%) strongly disagreed, 7 (28%) disagreed, 9 (36%) were not sure, 6 (24%) agreed, and 1 (4%) strongly agreed. Considering those who strongly disagreed and strongly agreed, 9 (36%) disagreed, and 7 (28%) agreed that there is clear and precise LST payers identification process.

On whether LST payers usually faced challenges from URA staff during the identification process, 4 (16%) strongly disagreed, 3 (12%) disagreed, 8 (32%) were not sure, 4 (16)% agreed, and 6 (24%) strongly agreed. Considering those who strongly disagreed and those who strongly agreed, 7 (28%) disagreed, and 10 (40%) agreed that LST Payers usually face challenges from URA staff during the identification process. This means therefore that LST payers are confused

on the various taxes at their disposal to pay. They have therefore continued to mix up taxes paid to URA and those to the Town Council. This analysis has been supported by interview results from tax payers, for example one tax payer noted that "I *don't understand taxes paid to the Town Council, I know of all taxes being paid to URA. I thought LST is also one of the taxes paid to URA".*

The degree of strength and effect of participation of LST payer indentificaiton (independent variable) and LST contribution to the overall budget of YTC, (dependent variable) were determined using Pearson's correlation coefficient technique and regression analysis since they are more suitable for measuring cause-effect relationships. The effects are presented in Table 10.

**Table 10: Correlation between LST payer identification and LST revenue contribtuiton to overall budget of YTC**

| | | LST payer identification | LST revenue contribution to overall budget. |
|---|---|---|---|
| LST PAYER IDENTIFICATION. | Pearson correlation | 1 | .334* |
| | Sig. (2-tailed) | | 25 |
| | N | 25 | |
| LST REVENUE CONTRIBUTION TO OVERALL BUDGET. | Pearson correlation | .334* | 1 |
| | Sig. (2-tailed) | | |
| | N | 25 | 25 |

**SOURCE**: Primary data

The results in table 10, indicate that LST Payer identification had a positive correlation with LST revenue contribution. This means that the two variables are positively related. Suggesting that where there is proper identification of LST, LST revenue yield will be high.

Further, a regression analysis was run to predict the strength of the relationship between LST payer identification and LST revenue contribution, and show how much of the variance in the dependent variable (LST revenue contribution) would be caused by LST payer identification, (independent variable). The results are summarized in table 11.

**Table 11: Variations in LST Revenue yield caused by Taxpayer Identification**

Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .334[a] | .112 | .105 | .98463 |

a. Independent variable (Constant), (0.01 sgn.) LST payer identification.

**Source:** Primary data

Therefore Table 11 indicates, the coefficient of determination (Adjusted R) .112, implying that LST payer identification explains about 11.2% of the variance in LST revenue contribution to the overall budget of YTC. It means that LST payer identification predicts LST revenue yield of the Town Council. This further means that other factors could explain the remaining percentage of variation in LST revenue yield of the Town Council. So with just about 11% variability, we can reasonably reject the null hypothesis that LST payer identificantion has a significant effect on LST revenue yield.

**Table 12: Regression output summary on Taxpayer Identification and LST Revnue yield**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Independent Variable) | 1.409 | .415 | | 3.393 | .001 |
| | LST PAYER IDENTIFICATION | .529 | .127 | .334 | 4.168 | .000 |

a. Dependent variable: LST revenue contribution to the overall budget

From table 12, a correlation coefficient of .334 ($R^2$) at, 0.01 significance level indicates that a unit change in in Taxpayer identification brings about 33.4% change in contribution of LST revenue to overall budget of YTC. The coefficients indicate a weak although positive relationship between the dependent and the independent variable.

4.3.3 LST Assessment and percentage yield of LST in YTC

The third objective of the study was to assess the effect of taxpayer assessments and percentage of LST revenue yield in YTC. The findings obtained from the questionnaire are summarized in table 13.

**Table 13: Summary of descriptive statistic on the views of respondents on tax assessment**

| Tax Assessment | Percentage Responses | | | | | Mean | Std Deviation |
|---|---|---|---|---|---|---|---|
| | SDA | DA | NS | A | SA | | |
| YTC applies the best practices in assessment of Local service tax payers. | 4 (1) | 28 (7) | 32 (8) | 24 (6) | 12 (3) | 3.12 | 1.089 |
| YTC has been able to re-engineer its existing processes, systems and procedures to ensure effective assessment and valuation of tax payers. | 20 (5) | 32 (8) | 20 (5) | 24 (6) | 4 (1) | 2.63 | 1.074 |
| YTC has enabling technology to facilitate its monitoring and evaluation of assessment systems and procedures. | 8 (2) | 24 (6) | 36 (9) | 8 (2) | 24 (6) | 3.14 | 1.276 |
| YTC staffs who manage Assessment of Local Service tax collection are qualified. | 4 (1) | 8 (2) | 8 (2) | 68 (17) | 12 (3) | 3.78 | .938 |
| YTC Tax assessment Systems can show actual Local service tax collected against set targets. | 12 (3) | 8 (2) | 32 (8) | 36 (9) | 12 (3) | 3.24 | 1.207 |

**Source**: Primary data

From table 13, when respondents were asked whether YTC applied the best practices in assessment of LST payers, 1 (4%) stongly disagreed, 7 (28%) disagreed, 8 (32%) were not sure, 6 (24%) agreed, and 3 (12%) strongly agreed. Considering those who strongly disagreed and strongly agreed, 8 (32%) indicated that YTC applies the best practices in assessment of LST payers, while minority 9 (36%) disagreed. This implies that much as the Council employs best practices in revenue assessment, there is a lot left to be desired because the percentage of respondents who disagreed combined with those who are not sure reveal that the Council does not apply best practices in revenue assessment.

On whether YTC had been able to re-engineer its existing processes, systems and procedures to ensure effective assessment and valuation of tax payers, 5 (20%) disagreed, 8 (32%) disagreed, 5 (20%) were not sure, 6 (24%) agreed, and 1 (4%) strongly agreed. Considering those who strongly disagreed and those who strongly agreed, majority of the respondents, 13 (52%) disagreed that the Town Council has been able to re-engineer its existing processes, systems and procedures to ensure effective assessment and valuation of tax payers, those who agreed were 7 (28%). This means that YTC has not been able to re-engineer its existing processes, systems and procedures to ensure effective assessment and valuation of tax payers. The Council is still using old and outdated systems that are based on the tax assessment teams' opinion. This finding is in agreement with the interview results especially, the Treasurer noted that "*our local revenue performance has continued to remain below target because we have not been able to computerize our revenue assessment and management process. This is an area the Town Council should invest in.*

Also when asked whether the Town Council has enabling technology to facilitate its monitoring and evaluation of assessment systems and procedures, 2 (8%) of the respondents strongly disagreed, 6 (24%) disagreed, 9 (36%) were not sure, 2 (8%) agreed, and 6 (24%) strongly agreed. Considering those who strongly disagreed and those who strongly agreed, 8 (32%) disagreed, 8 (32%) agreed. This finding implies that YTC has less enabling technology to facilitate its monitoring and evaluation of assessment systems and procedures. The Monitoring and Evaluation of LST revenue collection is manually done or less efficient technology is used.

when respondents were asked on whether the Town Council staff who manage Assessment of LST collection are qualified, 1 (4%) of the respondents strongly disagreed, 2 (8%) disagreed, 2

(8%) were not sure, 17 (68%) agreed, and 3 (12%) strongly agreed. Considering those who stronlgly disagreed and those who strongly agreed, 20 (80%) agreed meanwhile 3 (12%) disagreed. This therefore means that the Town Council has qualified staff who manage assessment of LST collection.

On the question whether the YTC Tax assessment Systems can show actual LST collected against set targets, 3 (12%) of the respondents strongly disagreed, 2 (8%) disagreed, 8 (32%) were not sure, 9 (36 )agreed, and 3 (12%) strongly agreed. Considering those who strongly disagreed and those who strongly agreed, the greater majority, 12 (48%) agreed while minority, 5 (20%) disagreed. This implies that YTC Tax assessment Systems can show actual LST collected against set targets. However, the percentage of respondents who disagreed and those who were not sure instead reveals YTC Tax assessment Systems do not show actual LST collected against set targets if it does it is for meant for few staff in the Council. that This view is in tandem with interview result where one political leader observed that *"when we approve the budget the revenue targets are clear but the revenue performance reports presented are in most cases insufficient not so good for decision making.*

The strength of the relationship were further analyzed using Pearson correlation to establish the relationship between LST payer assessment (independent variable) and LST revenue yield (dependent variable). The results are presented in Table 14.

**Table 14: Correlation between tax assessment and percentage yield of LST**

Correlations

| | | TAX ASSESSMENT | PERCENTAGE YIELD OF LST |
|---|---|---|---|
| TAX ASSESSMENT | Pearson Correlation | 1 | .207* |
| | Sig. (2-tailed) | | .000 |
| | N | 25 | 25 |
| PERCENTAGE YIELD OF LST | Pearson Correlation | .207* | 1 |
| | Sig. (2-tailed) | .000 | |
| | N | 25 | 25 |

*. Correlation is significant at the 0.01 level (2-tailed)

**Source:** Primary data

The results from table 14, indicate that LST payer assessment had although weak, but a positive correlation with LST revenue yield. This means that the two variables are positively correlated. This supports the premise that there is a significant relationship between tax assessment and the revenue yield. This implies that when appropriate tax assessment is undertaken, the higher will be the percentage of LST yield.

In order to establish the proportion of the independent variable, Tax assessment accounts for the LST revenue yield, a regression was carried out. The results are shown in Table 15.

**Table 15 Variations in percentage yield of LST revenue**

Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .207[a] | .043 | .036 | 1.02203 |

a. Predictors: (Constant), Taxpayer Assessment

**Source:** Primary data

Therefore Table 15 indicates, the coefficient of determination ($R^2$) .043, implying that Taxpayer Assessment explains 4.3% of the variance in LST revenue yield in YTC. It also implies that LST Tax Assessment predicts percentage revenue yield in YTC. This also means that other factors could explain for the remaining percentage of variation in LST Revenue Yield in YTC. However, with just 4.3% of the variance in LST revenue exaplained, we can reasonably reject the null hypothesis that LST assessment has a significant effect on LST revenue yield.

### 4.4. **LST Revenue yield**

The research set out to generate respondents view on the dependent variable (LST Revenue Yield). The summary of the responses are provided in the Table 16.

**Table 16: The summary of descriptive statistic on the views of respondents on LST Revenue yield**

| Staff Performance | | Percentage Responses | | | | | |
|---|---|---|---|---|---|---|---|
| | SDA | DA | N | A | SA | Mean | Std Dev. |
| LST collected meets its revenue yield targeted in YTC. | 24 (6) | 12 (3) | 16 (4) | 40 (10) | 8 (2) | 2.87 | 1.329 |
| LST collected increases overall revenue performance in YTC. | 8 (2) | 20 (5) | 16 (4) | 24 (6) | 32 (8) | 3.5 | 1.329 |
| LST has increased revenue contribution to the overall budget of YTC since its inception. | 20 (5) | 20 (5) | 12 (3) | 32 (8) | 16 (4) | 3.11 | 1.397 |
| Local Revenue yield has remained the same since the inception of the LST in Yumbe Town Council | 8 (2) | 32 (8) | 8 (2) | 32 (8) | 20 (5) | 3.29 | 1.344 |
| Local Revenue yield has reduced since the inception of LST in YTC. | 16 (4) | 32 (8) | 8 (2) | 28 (7) | 16 (4) | 2.94 | 1.326 |
| LST revenue collected is used for funding both development and recurrent expenditure. | 16 (4) | 32 (8) | 12 (3) | 28 (7) | 12 (3) | 2.94 | 1.326 |

**Source:** primary data

From table 16, when the respondents were asked if LST collected met its revenue yield in YTC, 6 (24%) strongly disagreed, 3 (12%) disagreed, 4 (16%) were not sure, 10 (40%) agreed, and 2 (8%) strongly agreed. Considering those who strongly disagreed and strongly agreed, greater percentage, 12 (48%) agreed mean while minority, 9 (36%) disagreed. This implies that LST collected meets its targeted revenue yield in YTC.

Meanwhile when the participants were asked whether LST collected increased overall revenue yield in YTC, 2 (8%) stgrongly disagreed, 5 (20%) disagreed, 4 (16 )were not sure, 6 (24%) agreed, and 8 (32%) strongly agreed. Considering those who strongly disagreed and strongly agreed, 14 (56%) agreed, mean while 7 (28%) disagreed. This implies that LST collected increases overall revenue yield in YTC.

The respondents were also further asked whether LST has increased revenue yield since its inception in YTC, 5 (20%) strongly disagreed, 5 (20%) disagreed, 3 (12%) were not sure, 8 (32%) agreed, and 4 (16%) strongly agreed. Considering those who strongly disagreed and strongly agreed, 12 (48%) of the respondents agreed mean while 10 (40%) of the respondents disagreed. This implies that LST revenue contribution has to overall budget of YTC since its inception.

The further inquired whether LST revenue yield had remained the same since the inception of the LST in YTC, 2 (8%) strongly disagreed, 8 (32%) disagreed, 2 (8%) were not sure, 8 (32%) agreed, and 5 (20%) strongly agreed. Also considering those who strongly disagreed and strongly agreed, 13 (52%) agreed mean while 10 (40%) disagreed. The above findings indicate that Local Revenue performance has remained the same since the inception of the LST in YTC.

On further inquiry on whether LST revenue yield had reduced since the inception of LST in YTC, 4 (16%) strongly disagreed, 8 (32%) disagreed, 2 (8%) were not sure, 7 (28%) agreed, 4 (16%) strongly agreed. Considering those who strongly disagreed and strongly agreed, 12 (48%) disagreed mean while 11 (43%) agreed. The above findings point out that LST revenue yield has increased since the inception of LST in YTC.

The research further inquired whether LST Collected was used for funding development and recurrent expenditure, 4 (16%) strongly disagreed, 8 (32%) disagreed, 3 (12%) were not sure, 7 (28%) agreed, and 3 (12%) strongly agreed. Considering those who strongly disagreed and strongly agreed, 12 (48%) disagreed mean while 10 (40%) agreed. The above findings show LST Collected is not used for funding both development and recurrent expenditure. This finding is consistent with interview results for instance the treasurer remarked that *"LST Collected is small to finance development expenditure but rather it is used to finance recurrent expenditure.*

Therefore, the preceding findings in general depict that there is a strong relationship between LST administration and its revenue yield in YTC. It means the independent variable influences the dependent variable.

**TABLE 17: SHOWING LST YIELD IN YTC: FY 2009/2010FY2013/2014.**

| | | | | | |
|---|---|---|---|---|---|
| FISCAL YEAR | 2009/2010 | 2010/2011 | 2011/2012 | 2012/2013 | 2013/2014 |
| BUDGET | 5,591,831 | 5,605,000 | 6,505,500 | 6,280,000 | 8,300,000 |
| ACTUAL | 2,500,000 | 1,315,000 | 3,100,000 | 3,000,000 | 4,000,000 |
| PERCENT | 44.71 | 23.46 | 47.65 | 47.77 | 48.19 |

**Source**: Yumbe Town Council Treasury.

# CHAPTER FIVE

# SUMMARY, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

## 5.0. **Introduction**

The study investigated and analyzed the relationship between LST administration and its revenue yield in YTC in West Nile. The preceding four chapters provide a basis for which this wind-up is based. This chapter contains four sections as: summary, discussion, conclusions drawn and recommendations made based on the findings in chapter four.

## 5.1 **Summary of major findings**

Below is a summary of major findings presented objective by objective so as to present a snapshot of the information obtained during the study.

### 5.1.1 Taxpayer education and LST revenue yield in YTC

Research objective one sought to find out the effect of LST payer education on its LST revenue yield in YTC.

The study findings indicated the followings:

That taxpayer education had a positive correlation with the LST revenue yield of a correlation coefficient of .369 at 0.01 significance level. And $R^2$ of 15.7%.

That majority of the LST payers had no knowledge on LST. This was because majority of the tax payers were not educated on LST through various media and workshops by YTC. Besides, most of the tax payers were not sure on having been consulted on matters relating to LST or the tax payers were not aware of any consultations by Town Council Staff.

Majority of the taxpayers also indicated that LST payers did not clearly understand the LST collection processes and procedures because majority agreed that existing literature on LST had

not been translated into their local language- Aringa or Kiswahili which majority of them understand. This makes taxpayers unaware of the penalties of evading the payment of LST. Yet majority of the tax payers agreed that YTC staff in charge of local service tax have adequate knowledge of the tax.

### 5.1.2 Taxpayer identification and LST revenue contribution to the overall budget of YTC

Research question two sought to find out the effect of LST payer identification on LST revenue contribution to overall budget of YTC.

The study finding indicated the followings:

That LST payer identification has a statistically significant effect on LST contribution to overall budget of a coefficient .334 at 0.01 significance level.

That greater part of the LST payers were correctly identified by YTC, LST payers identified were duly registered by YTC but the information is not made available to all the stakeholders like the withholding agents (employers). That the Town Council had unclear LST payers identification process.

That LST payers were confused on the various taxes payable to YTC.

### 5.1.3 Tax assessment and LST revenue yield in YTC

Research question three sought to find out the effect of LST payer assessment on percentage yield of LST revenue to overall budget of YTC.

The study findings indicated the followings:

That taxpayer assessment had a positive correlation with LST revenue yield of a correlation coefficient of .207 at 0.01 significance level.

That the Town Council did not apply best practices in revenue assessment.

That the Town Council has not re-engineered its existing processes, systems and procedures to ensure effective assessment and valuation of tax payers.

YTC does not have a proper monitoring and evaluation of assessment systems and procedures. Although the Town Council Tax assessment Systems can show actual LST collected against set targets the targets shown were meant for few staff in YTC.

## 5.2 **Discussion of the study findings**

Discussion is structured according to the objectives of the study the set out earlier. In the course of the discussions, attempt is made to cross reference the implications of the findings with the existing literature.

### 5.2.1 Taxpayer education and the LST revenue yield in YTC

The first objective was to analyze the effect of taxpayer education on LST revenue yield in YTC. The findings showed a considerable positive effect. Earlier studies by Abigaba, (1998) and Lubega, (2000) also found that tax education greatly affects revenue collection and compliance. However, according to Chen & Reinikka, (1999) and Wentworth (1985), taxpayer education may have little impact on revenue since even the informed taxpayers may evade for reasons ranging from ineffectiveness of monitoring structures to absence of benefits realized from taxes paid.

Another finding was that majority of the LST payers had no knowledge on LST. This was because majority of the tax payers also were not educated on LST through various media and workshops by YTC. In constrast, Bird, (1998) reported that taxpayer education is necessary to convince taxpayers that taxes are the price paid for civilized society and that they live in such society and the tax system is equitable. Similar findings were reported by Surrey, (1974) and Thirsk, (1991). They said that tax administration is dealing with a public that is unfarmilia with tax knowledge hence a need to educate them. These reports are further supported by a view

experessed by Snavely, (1988). He asserts that states strive to reinforce tax compliance behavior by sending messages in media, leaf-lets, bill boards stressing the benefits of compliance and the consequences of non-compliance.

Another finding was that most taxpayers were not consulted on matters relating to LST or the taxpayers are not aware of any consultations by YTC staff. In disparity, studies by Salvani & Bear (1997), Mitchel (1996), and Abigaba (1998) maintained that taxpayers' voluntary compliance is a guiding principle that has provided the basis for successful reforms in tax administration and that taxpayer education can go a long way to achieve compliance and improve revenue collection.

Majority of the tax payers also indicated that LST payers didn't clearly understand the LST collection processes and procedures because existing literature on LST was not translated into local language-Aringa or Kiswahili, which most locals understand. This made the tax payers not to be aware of the penalties of evading the payment of LST.

Majority of the tax payers agreed that YTC staff in charge of local service tax had adequate knowledge of the tax. In constrast, Muhumuza (2000) said that in Uganda, tax knowedge is effective.

### 5.2.2 Taxpayer identification and LST revenue yield in YTC

The second study objective was to determine the influence of taxpayer identification on LST revenue yield in YTC and the findings showed a significant positive effect.

The study revealed that LST payers were correctly identified by YTC. This is a step forward for proper tax assessment and subsequently collection as noted by Bird, (1991). He noted that if

taxpayers were identified and registered, revenue collection would increases as was the case in Bolivia.

Local service tax payers identified were duly registered by YTC but the information is not made available to all the stakeholders. This view is supported by Tanzi and Zee, (2000), where they said that although the process of registration and data process are the most expensive aspects 'of tax administration, (Almy, 2000), assessors still need to collect and maintain essential data and have the data accessible. Oriaro & Abiga (1998) reported that revenue shortfalls in Uganda have been attributed to the poor record keeping, which leads to local authorities charging flat rates.

That YTC had unclear LST payers' identification process.

In constrast however, studies by Abigaba (1998), Chen and Reinsildca (1999) found out that the main features of tax administration in Uganda were assessments; frequent audits which were either desk / field operations or both, and lengthy delays in clearance of documents. The basic tasks of identifying potential taxpayers, assessing tax on them appropriately and later collecting the tax have not been carried out.This does cause problems in administering a tax. This could possibly be the reason behind the low LST revenue.

Majority of the respondents agreed that LST payers were confused on the various taxes at their disposal to be pay and where to pay. This has made many tax payers to make payment of taxes to wrong authority. This view is support by Pollak (2009) who observed that Federal taxes and Town Council authority taxes are a matter that should be well clarified to tax payers through tax awareness seminars and organization of tax payer days if tax confusions are to be reduced in Nigeria.

5.2.3 Tax assessment and LST revenue yield in YTC

The set out to examine the effect of tax assessment on LST revenyue yield in YTC and the findings showed a that tax assessment had a positively significant effect on LST revenue yield. The study revealed that YTC did not apply best practices in revenue assessment besides YTC had not been able to re-engineer its existing processes, systems and procedures to ensure effective assessment and valuation of tax payers. The Town Council was still using old and outdated systems that are based on the tax assessment team's opinion. On the other hand, YTC was found to have less enabling technology to facilitate its monitoring and evaluation of assessment systems and procedures. The monitoring and evaluation of LST revenue collection was manually done or less efficient technology was used. This finding is in disagreement with the study conducted by Brooks (2006), who noted that the faith of local revenue performance in Nigeria depends on the a shift from old manual driven practices in assessment to highly automated system that is less of human error. Besides Barman, (2007) indicated that Indian Local revenue performance has increased drastically due to improvement in the assessment technology and this has made tax payers to always be aware of the likely payable tax and prepare accordingly.

YTC had qualified staffs who manage assessment of LST collection. This therefore means that the propensity to assess taxes properly is high. This finding is in agreement with study conducted by Schoeman (2006) who argues that Municipal fiscal sustainability in South Africa and assessment of taxes varies positively with the competence and ability of the tax assessment team.

Although YTC tax assessment Systems could show actual LST collected against set targets, but the targets shown were meant for few staff in the Town Council. This means that YTC has clear revenue targets that drive the likely assessment and collection of taxes. Fjeldstads (2005) noted

that large amounts of revenues remain uncollected and the little collected is never managed very well if the revenue targets are not clearly developed and made aware to every stake holder.

## 5.3. **Conclusions**

The  set out to examine the effect of LST administration on its revenue yield in YTC.

Specifically, the study set out to analyze the relationship between taxpayer education and LST revenue yield, to examine the relationship between Taxpayer identification and LST revenue yield in YTC and lastly, to assess the effect of  taxpayer assessment on LST revenue yield in YTC. In this chapter the  therefore presents the findings of the study. In this part, the  therefore presents the major conclusions of the study objective by objective.

### 5.3.1 Taxpayer education and LST revenue yield in YTC.

Taxpayer education was found to be positive but weakly significant to the LST revenue yield. This implies that the more intensive tax education and sensitization is undertaken, the more LST revenue yield is achieved. But more other factors explain variability in LST revenue than LST payer education. From the study, the performance of Local service revenue collection has been achieved to larger extent because YTC staffs in charge of LST have adequate knowledge of the tax.

LST Revenue yield has been hampered by the tax payers have no knowledge on LST and have therefore not understood how it is paid and handled yet the tax payers also were also not educated on LST through various media and workshops by YTC besides having not been consulted on matters relating to LST or this made tax payers not to be aware of any consultations by YTC staff.

On the other hand still the LST payers didn't clearly understand the LST collection processes and procedures because majority agreed that existing literature on LST have not been translated into Aringa and Kiswahili. This made the tax payers not to be aware of the penalties of evading the payment of LST.

### 5.3.2 Taxpayer identification and LST revenue yield in YTC

From correlation analysis presented in chapter 4 and the discussions above, the study concludes that Tax identification has remained a critical factor in LST administration process having a significantly positive correlation with the performance of LST revenue yield. This implies that proper tax identification results into increase in the yield of LST revenue yield. On the basis of the findings obtained, this study concludes that tax identification has positive significant correlation on the performance of LST revenue yield in YTC. Basing on the findings, the study also concludes that LST payers are correctly identified by YTC, LST payers identified are duly registered by YTC but the information is not made available to all the stakeholders. YTC has unclear and not precise LST payers identification process. It was also concluded that LST payers are confused on the various taxes payable to the Town Council. This therefore calls for massive education.

### 5.3.3 Taxpayer assessment and LST revenue yield in YTC

From correlation analysis presented in chapter 4 and the discussions above, the study concludes that Tax assessment has remained a critical factor in LST revenue yield with a weak but significant positive correlation with the performance of LST revenue collection. This implies that the more efficient tax assessment is undertaken the more the good performance of LST revenue yield. On the basis of the findings obtained, this study concludes that tax assessment has weak but positive significant correlation on the performance of LST revenue yield in YTC. Basing on

the findings, the study also concludes that the Town Council does not apply best practices in revenue assessment besides YTC has not been able to re-engineer its existing processes, systems and procedures to ensure effective assessment and valuation of tax payers. The Town Council is still using old and outdated systems that are based on the tax assessment team's opinion. On the Other hand, YTC was found to have less enabling technology to facilitate its monitoring and evaluation of assessment systems and procedures. The monitoring and evaluation of LST revenue collection is manually done or less efficient technology is used yet YTC has qualified staffs who manage assessment of LST collection. Though YTC Tax assessment systems can show actual LST collected against set targets the targets shown were meant for few staff in the Town Council.

## 5.4 Recommendations

As resources available to LGs continue to dwindle, LR is essential for the success and long-term sustainability of infrastructure and service delivery in the entities. Thus, it is critical that YTC come up with actions to enhance locally raised revenues as a strategic way of bridging the gap. This will entail developing measures to increase returns from LST. The measures should relate to both LST revenue generation and accountability.

### 5.4.1 Taxpayer education and the LST revenue yield in YTC

On the basis of the findings obtained, the following are recommended for the improvement of the performance of LST revenue yield in YTC.

There is need for coordination between political leaders and technical staff in LST administration, since the tax is still unpopular in YTC.

5.4.2 Taxpayer identification and LST revenue yield in YTC.

On the basis of the findings obtained, the researcher recommends that YTC should collaborate with institutions like NSSF and URA to establish data on private sector employees, and verify how much they earn. This would ensure continuous registration and register update of all employees and payroll inspection.

Collect data on self-employed professionals such as lawyers, medical practitioners, and others operating in the Town Council.

5.4.3 Taxpayer assessment and LST revenue yield.

On the basis of the findings obtained, the researcher recommends that YTC links LST assessment to Business Licensing, and apply small, flat, LST rate to all businesses, which do not have records to guide assessment.

## 5.5. **Limitations of the study**

The results of this may not sufficiently be generalized for areas outside Yumbe Town Council due to the fact that the Town Council is unique in its own accord, with over 98% of the population engaged in subsitance farming, since LST is paid by people in gainful employment, the low LST revenue is due to the fact the only LG employees are remit to the Town Coucil LST revenue.

## 5.6. **Areas for further research**

1. There is need to carry out further research on property rates and Local hotel tax.

2. Further research can also be done on the influence of local revenue on service delivery.

3. Further research can still be done on employee capacities and LST collection.

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**KYAMBOGO UNIVERSITY**

Dear respondent,

The researcher is a student of Kyambogo University pursuing a Master's degree in Business Administration. He is carrying a research to generate data and information on Local Service Tax Administration in Local Governments- The case of Yumbe Town Council. This is to request you to participate and contribute to this study. It is purely an academic study and all information obtained shall only be utilized for this purpose. As a respondent, your responses will be held with utmost confidentiality.

Kindly spare some of your valuable time to answer these questions by giving your views where necessary.

SECTION A: Staff/ Institution Characteristics.

A1.Gender. Male ☐ ☐ Female

.

A2. Age Group

| 21-30 years | 31-40 years | 41-50 year | Over 50 years. |
|---|---|---|---|
| | | | |

A3. Highest Level of education

| Diploma. | Degree. | Post Graduate | Other (Please Specify). |
|---|---|---|---|
| | | | |

A4. How long have you worked with the Institution?

| Below 21-30 years | 31-40 years | 41-50 year | Over 50 years. |
|---|---|---|---|
| | | | |

In the sections that follow in the table, indicate by ticking once for each statement so as to show your level of Agreement or Disagreement with each of the statements.

NOTE:

1-Strongly Disagree, 2-Disagree, 3- Not Sure, 4- Agree, 5- Strongly Agree.

| S/N | Statements | 1 | 2 | 3 | 4 | |
|---|---|---|---|---|---|---|
| SECTION B: Local service tax (LST) Administration. | | | | | | |
| A | TAXPAYER EDUCATION: | | | | | |
| 1(a) | Local Service Tax is understood by the taxpayers in Yumbe Town Council. | | | | | |

I. (b) If agree, by what percent has it contributed to the revenue yield in the following fiscal years

| FY 2009/10 | FY 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/2( |
|---|---|---|---|---|---|
| .....% | .....% | .....% | .....% | .....% | ..... |

| 2.(a) | Yumbe Town Council has sensitized taxpayers on LST. | | | | | |
|---|---|---|---|---|---|---|

2.(b) If agree, by how much has it contributed to the overall budget of the Town council?

| 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 |
|---|---|---|---|---|---|
| .....% | .....% | .....% | .....% | .....% | .....% |

| 3.(a) | Yumbe Town Council has consulted taxpayers on Local Service Tax. | | | | | |
|---|---|---|---|---|---|---|

3.(b) If agree, by what margin has this led to increase in local tax revenue yield?

| FY 2009/10 | FY 2010/11 | FY 2011/12 | FY 2012/13 | FY 2013/14 | FY 201 |
|---|---|---|---|---|---|
| .....% | .....% | .....% | .....% | .....% | ..... |

| 4.(a) | Local Service Taxpayers clearly understand the LST collection processes and procedures. | | | | | |
|---|---|---|---|---|---|---|

4.(b) If agree, by what percentage has it led to increase in local tax revenue yield?

| FY 2009/10 | FY 2010/11 | FY 2011/12 | FY 2012/13 | FY 2013/14 |
|---|---|---|---|---|
| .....% | .....% | .....% | .....% | ..... |

| | | | | | | |
|---|---|---|---|---|---|---|
| (a) | Yumbe Town Council has adequate literature on LST. | | | | | |

(b) If agree, how much revenue has been realized as a result in the following fiscal years?

| FY 2009/10 | FY 2010/11 | FY 2011/12 | FY 2012/13 | FY 2013/14 |
|---|---|---|---|---|
| | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| (a) | The existing literature on LST has been translated in Lugbara-Aringa dialect. | | | | | |

(b). If agree, how much revenue has been realized as a result in the following fiscal years?

| FY 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 |
|---|---|---|---|---|
| | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| (a) | Local Service Taxpayers are aware of the consequences of evading the tax by the Town Council revenue enhancement team. | | | | | |

(b). If agree, where there any penalties during the following fiscal years and how much?

| FY 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 |
|---|---|---|---|---|
| | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| (a) | Yumbe Town Council staff in charge of Local Service Tax have adequate knowledge on the tax. | | | | | |

(b) If agree, how much revenue has been realized as a result during the following fiscal years?

| FY 2009/2010 | 2010/11 | 2011/12 | 2012/13 | 2013/14 |
|---|---|---|---|---|
| | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| | TAXPAYER IDENTIFICATION: | 1 | 2 | 3 | 4 | 5 |
| (a) | Local Service Taxpayers are correctly identified by Yumbe Town Council. | | | | | |

| | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1.(b) | | If agree, by how much has it lead to increase in the Local Tax revenue yield? | | | | | | | | | | | | |
| | | FY 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | | | | | | | | |
| | | | | | | | | | | | | | | |
| 2.(a) | All identified Local Service Taxpayers are duly registered by Yumbe Town Council. | | | | | | | | | | | | | |
| 2.(b). | | If agree, indicate the percentage by which revenue increased during the following fiscal years. | | | | | | | | | | | | |
| | | FY 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | | | | | | | | |
| | | | | | | | | | | | | | | |
| 3.(a) | Yumbe Town Council has an updated database of Local Service Tax. | | | | | | | | | | | | | |
| 3.(b). | | If agree, by how much has it contributed to the Local Service Tax revenue yield? | | | | | | | | | | | | |
| | | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | | | | | | | | |
| | | | | | | | | | | | | | | |
| 4.(a) | Yumbe Town Council has adequate resources to identify Local Service Taxpayers. | | | | | | | | | | | | | |
| 4.(b) | | If agree, by how much has that led to increase in Local Service Tax revenue yield during the fo fiscal years? | | | | | | | | | | | | |
| | | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | | | | | | | | |
| | | | | | | | | | | | | | | |
| 5.(a) | Yumbe Town Council has clear and precise Local Service Taxpayer Identification process. | | | | | | | | | | | | | |
| 5.(b) | | If agree, by how much has it led to increase in Local Service Tax revenue in the following fisca | | | | | | | | | | | | |
| | | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | | | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| | TAXPAYER ASSESSMENT | | | | | |
| | Yumbe Town Council applies the best practices in assessment of Local Service Taxpayers. | | | | | |
| (b) | If agree, score any three best scores against the revenue contribution<br>1..... percentage of revenue .....<br>2.....percentage of revenue .....<br>3..... percentage of revenue ..... | | | | | |
| (a) | Yumbe Town Council has been able to re-engineer its existing processes, systems and procedures to ensure effective assessment and valuation of taxpayers. | | | | | |
| b) | If agree, score any three re-engineered processes, systems and procedures with their relative revei contribution percentages.<br>1.....percentage revenue.....<br>2..... percentage of revenue.....<br>3.....percentage of revenue ..... | | | | | |
| a) | Yumbe Town Council has enabling technology to facilitate its monitoring and evaluation of assessment systems and procedures. | | | | | |
| b) | If agree, explain how much revenue has been realized as a result?<br>.....<br>..... | | | | | |
| (a) | Yumbe Town Council staff who manage the Assessment of LST are qualified. | | | | | |
| b) | If agree, how much increment in revenue has been as a result? | | | | | |

| 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 |
|---|---|---|---|---|
| | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| 5.(a) | Yumbe Town Council Tax Assessment Systems can show actual Local Service Tax collected against set targets. | | | | | |
| 5.(b) | If agree, has that helped to increase the Local Service Tax? (tick) | | | | Yes | No |
| | LOCAL SERVICE TAX REVENUE YIELD | | | | | |
| 1 | LST collected meets its revenue yield in Yumbe Town Council. | | | | | |
| 2 | LST collected increases overall revenue performance in Yumbe Town Council. | | | | | |
| 3 | LST has increased revenue performance since its inception in Yumbe Town Council. | | | | | |
| 4 | Local Revenue performance has remained the same since the inception of the LST in Yumbe Town Council. | | | | | |
| 5 | Local Revenue performance has reduced since the inception of LST in Yumbe Town Council | | | | | |
| 6 | Local Service Collected is used for funding both development and recurrent expenditure. | | | | | |

*Thanks for being cooperative.*

ANIKU AHMED MOHAMMED MOYINI,

13/U/2018/GMBA/PE

**KYAMBOGO UNIVERSITY**

**INTERVIEW GUIDE**

To be administered on tax administrators/ general local service tax payers.

*Please briefly respond to the following questions.*

SECTION A: Local Service Tax Administration.

A. Taxpayers Identification:

What are the Challenges that Yumbe Town Council has regarding tax payer identification?

_____

_____

What do you feel should be done regarding tax payer Identification?

_____

_____

B. ASSESMENT:

Do you think Yumbe Town Council has effective systems to asses Local Service Tax?

Yes. ☐ No. ☐

What do you feel is lacking in the assessment of Local Service Tax in Yumbe Town Council?

_____

_____

C TAXPAYER EDUCATION.

Do you feel Yumbe Town Council has done enough to sensitize the tax payers about Local Service Tax?

Yes ☐ No ☐

What methods have been used by Yumbe Town Council to improve tax payer knowledge on local service tax? _____

_____

What needs to be done to improve sensitization of the masses regarding local service tax?

_____

_____

What weaknesses do you see in the Local service tax sensitization campaign by Yumbe Town Council?_____

_____

SECTION B: Local Service Tax Revenue Collection Performance.

Actual Local Service Tax Revenue Collection

Is the Local service tax collection in Arua Municipal Council satisfactory?

Yes. ☐ No ☐

What should be done to improve Local service tax revenue collection?

_____

_____

Growth of Local Service tax overtime.

Have you experienced any growth in Local service tax since its inception?

Yes ☐ No. ☐

What should be done to improve growth of local service tax?_____

_____

Contribution to Local Revenue Budget.

Does Local Service tax contribute significantly to local revenue budget of Yumbe Town Council?

Yes ☐ No. ☐

What could be done differently by Yumbe Town Council to improve local service tax contribution to its budget? _____

_____

Compliance by tax payers.

Do tax payers comply with local service tax payment?

Yes ☐ No. ☐

What could be done by Arua Municipal Council to improve tax payer compliance to local service tax?_____

_____

E. Cost of Local Service Tax Collection.

1. Does Yumbe Town meet its Local service tax collection costs using the available resources?

Yes ☐ No. ☐

2. What could be done differently by Yumbe Town Council to minimize cost of local service tax collection?_____

_____

Local Service Tax Evasion

Do Local service tax payers bribe Council staff to evade payment of local service tax?

Yes ☐ No. ☐

2. What could be done by Yumbe Town Council to minimize Local service tax evasion?

_____

_____

G. Political factors.

1. Do political factors hinder Local service tax realization?

Yes ☐ No. ☐

What could be done by Yumbe Town Council to minimize the influence of politics in Local service tax collection? _____

_____

**FOCUS GROUP DISCUSSIONS GUIDE ON LOCAL SERVICE TAX ADMINSTRATION AND ITS REVNUE YIELD**

| S/no | Variables/Indicators. | Documents to be reviewed. | Content to be reviewed. |
|---|---|---|---|
| 1 | Tax Payer Identification.<br><br>Registration of Local service tax payers.<br><br>Existence of data base on Local service tax. | Local service Tax payers register. | Tax payers registered. |
| 2 | Assessment of Local service tax payers.<br><br>Valuation of local service tax payers.<br><br>Locating Local service tax payers with high revenue potentials.<br><br>Setting strategies and plans for collection. | Local service tax returns and assessment records. | Details of local service tax payers. |
| 3 | Sensitization<br><br>Adequate tax education through radio talk show.<br><br>Stake holders meetings.<br><br>Tax linkage to service delivery. | Yumbe Town Council revenue enhancement plan. | Local service tax education pamphlets/ handouts.<br><br>Tax payers' rights and obligations. |

| /no | Variables/Indicators. | Documents to be reviewed. | Content to be reviewed. |
|---|---|---|---|
| 1 | Actual local service tax collection. | Yumbe Town Council Final accounts.<br><br>Yumbe Town Council routine local | Local service tax Collection and projection statistics. |

| | | | |
|---|---|---|---|
| | | revenue performance reports. | |
| 2 | Growth of local service tax over time. | Yumbe Town Council Final accounts.<br><br>Yumbe Town Council routine local revenue performance reports. | Collection and projection statistics. |
| 3 | Contribution of local service tax to local revenue budget. | Yumbe Town Council Final accounts.<br><br>Yumbe Town Council routine local revenue performance reports. | Collection and projection statistics. |
| 4 | Level of compliance by tax payers. | Yumbe Town Council Final accounts.<br><br>Yumbe Town Council routine local revenue performance reports | Collection and projection statistics. |
| 5 | Cost of tax collection. | Yumbe Town Council Final accounts. | Collection and projection statistics. |