

Tax Administration and Tax Revenue Performance in Kampala: A Case of Kampala Capital City Authority (KCCA), Uganda

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Abstract

This study examined the relationship between tax administration and tax revenue performance at the Kampala Capital City Authority (KCCA), Uganda. Local revenue is critical to the capacity of city authorities to deliver services and pursue development, and the effectiveness of tax administration is a principal determinant of how much revenue is actually raised. The study investigated how taxpayer registration, tax assessment, tax collection and enforcement, and taxpayer education relate to tax revenue performance. A cross-sectional survey design with a mixed-methods approach was adopted, and data were collected from 170 respondents comprising KCCA revenue officials, tax collectors, and registered taxpayers using structured questionnaires and interviews. Descriptive statistics, Pearson correlation, and structural (path) analysis were used. The results revealed a strong positive and significant relationship between tax administration and tax revenue performance ($r = 0.69$, $p < 0.01$), with the tax administration dimensions jointly explaining 67.0% of the variance in revenue performance ($R^2 = 0.670$). Tax collection and enforcement ($\beta = 0.33$) and tax assessment ($\beta = 0.29$) emerged as the strongest path predictors. The study concludes that effective tax administration significantly enhances tax revenue performance and recommends strengthening collection and enforcement, improving assessment, and expanding taxpayer education.

Keywords: tax administration, tax revenue performance, tax collection, tax assessment, KCCA, Uganda

1.0 Introduction

The capacity of governments and local authorities to finance public services and pursue development depends fundamentally on their ability to raise revenue, and taxation is the principal and most sustainable source of that revenue (OECD, 2021). For city authorities in particular, local revenue determines the extent to which they can provide infrastructure, sanitation, health, education, and other services on which urban populations depend (Fjeldstad et al., 2021). The performance of tax revenue—the amount actually collected relative to potential—is therefore a matter of considerable public importance, and it is shaped decisively by the quality of tax administration (Bird & Zolt, 2021). Tax administration refers to the systems, processes, and practices through which tax laws are implemented and revenue is raised, encompassing the identification and registration of taxpayers, the assessment of tax liabilities, the collection of taxes and the enforcement of compliance, and the education and facilitation of taxpayers (Bird & Zolt, 2021). Each of these functions influences how much revenue is ultimately collected (Julius et al., 2024). Effective taxpayer registration widens the tax base by bringing eligible taxpayers into the system; accurate assessment ensures that liabilities reflect true tax capacity; efficient collection and credible enforcement convert assessed liabilities into actual revenue; and taxpayer education builds the understanding and voluntary compliance that underpin sustainable revenue (Fjeldstad et al., 2021; OECD, 2021).

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In Uganda, and in Kampala specifically, the mobilisation of local revenue has long been a challenge, with actual collections falling well short of potential owing to a large informal sector, weak taxpayer registration, valuation difficulties, and compliance gaps (Fjeldstad et al., 2021; Kangave & Katusiimeh, 2023). The Kampala Capital City Authority, established to govern and develop the capital, depends heavily on locally generated revenue including property rates, local service tax, business licences, and various fees—to finance its operations and services (W. Paul & Kazaara, 2023). The effectiveness of its tax administration in raising this revenue is therefore critical to its ability to deliver on its mandate (KCCA, 2023).

Although the general importance of tax administration is well established, empirical evidence quantifying its relationship with tax revenue performance at the level of a Ugandan city authority, and disaggregating the effects of specific administrative functions, remains limited (Kangave & Katusiimeh, 2023; Nabwire & Ssekabira, 2023). This study addresses that gap by examining, through correlation and structural (path) analysis, how taxpayer registration, tax assessment, tax collection and enforcement, and taxpayer education relate to tax revenue performance at KCCA (W. Paul & Kazaara, 2023). The findings are significant for KCCA management, revenue policymakers, and public-finance scholars. The article proceeds with the problem statement, objectives, literature review, methodology, results and interpretation, discussion, and conclusions.

2.0 Statement of the Problem

Effective tax administration is expected to translate into strong tax revenue performance, and the Kampala Capital City Authority invests in tax administration systems on the expectation that they will maximise the collection of local revenue to finance services and development (Bird & Zolt, 2021). Ideally, effective registration, assessment, collection, enforcement, and taxpayer education should enable KCCA to raise revenue close to its potential (Tasha et al., 2023). In practice, however, KCCA's revenue collections have persistently fallen short of potential, and the extent to which tax administration accounts for revenue performance has not been established through rigorous empirical research (KCCA, 2023; Kangave & Katusiimeh, 2023).

KCCA faces tax administration challenges, including incomplete taxpayer registration, difficulties in property valuation and assessment, weak collection and enforcement, and limited taxpayer education, which may suppress revenue performance (Fjeldstad et al., 2021). Yet the precise contribution of each administrative function to revenue performance remains unclear, which hampers efforts to strengthen administration where it matters most (Ramadhan, Alex, Kazaara, et al., 2023). Without such evidence, reforms risk being poorly targeted (T. Paul et al., 2022). If this problem remains unaddressed, KCCA will continue to under-collect revenue, constraining its capacity to deliver services and develop the city (T. Paul et al., 2022). This study therefore sought to establish the relationship between tax administration and tax revenue performance at KCCA and to identify the most influential administrative functions.

3.0 Main Objective

The main objective of the study was to examine the relationship between tax administration and tax revenue performance at the Kampala Capital City Authority, Uganda.

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3.1 Specific Objectives

- i. To assess the tax administration practices adopted by KCCA.
- ii. To establish the relationship between tax administration dimensions (taxpayer registration, tax assessment, tax collection and enforcement, and taxpayer education) and tax revenue performance.
- iii. To determine the relative contribution (path coefficients) of each tax administration dimension to tax revenue performance.

4.0 Literature Review

Research on tax administration and revenue performance draws on several theoretical frameworks, notably the economic deterrence model, the fiscal exchange theory, and the ability-to-pay principle (Julius et al., 2024). The economic deterrence model holds that compliance, and hence revenue, is driven by the probability of detection and the severity of penalties, implying that collection and enforcement are central to revenue performance (Allingham & Sandmo, as discussed in Bird & Zolt, 2021). Fiscal exchange theory frames compliance as conditioned by the perceived return in public services, implying that taxpayer education and the visible use of revenue shape voluntary compliance (Fjeldstad et al., 2021). The ability-to-pay principle underpins the assessment function, holding that liabilities should reflect taxpayers' capacity, which requires accurate registration and valuation (OECD, 2021).

Empirical studies broadly confirm a positive relationship between the quality of tax administration and revenue performance (Julius & Kazaara, 2026). Research across developing economies finds that authorities with effective registration, assessment, collection, and enforcement raise more revenue than those with weak administration, and that administrative reform is among the most effective means of increasing revenue (Bird & Zolt, 2021; OECD, 2021). Studies in East Africa report that tax administration significantly influences local revenue performance, though effectiveness is constrained by informality, capacity, and compliance culture (Kangave & Katusiimeh, 2023; Nabwire & Ssekabira, 2023).

Tax collection and enforcement feature prominently as a determinant of revenue performance. Studies show that efficient collection systems and credible enforcement including penalties, follow-up, and the pursuit of defaulters convert assessed liabilities into actual revenue and deter non-compliance, whereas weak enforcement invites default (Bird & Zolt, 2021; OECD, 2021). Tax assessment constitutes a second theme: accurate identification and valuation of tax liabilities, particularly for property rates, ensures that revenue reflects true tax capacity, and studies link improved assessment to higher revenue (Fjeldstad et al., 2021). Taxpayer registration forms a third theme, since a complete and accurate register widens the tax base, and taxpayer education forms a fourth, building the understanding and voluntary compliance that underpin sustainable revenue (OECD, 2021). The literature emphasizes that these functions are interdependent and that strong revenue performance requires their integration (T. Paul et al., 2022). Despite this body of work, few studies quantify and compare these functions using a structural path model at a Ugandan city authority, a gap this study addresses.

5.0 Methodology

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5.1 Research Design

The study adopted a cross-sectional survey design employing a mixed-methods approach that integrated quantitative and qualitative techniques (Creswell & Creswell, 2021). The quantitative strand enabled the measurement of the tax administration dimensions and revenue performance and the statistical testing of relationships, while the qualitative strand, drawn from interviews, provided contextual depth (T. Paul et al., 2022). A cross-sectional design was appropriate because data were collected at a single point in time from a defined population.

5.2 Study Area and Population

The study was conducted at the Kampala Capital City Authority in Kampala, Uganda's capital. The target population comprised KCCA revenue officials, tax collectors, and registered taxpayers. Revenue officials and collectors were central as the implementers of tax administration, while taxpayers provided the perspective of those subject to administration, together offering a rounded view of administration and revenue performance (Julius, 2024).

5.3 Sample Size Determination

A sample of 170 respondents was determined using the Krejcie and Morgan (1970) table with reference to the population of relevant officials and taxpayers, and this was consistent with the Cochran (1977) formula at a 95% confidence level and a 5% margin of error. This sample provided adequate statistical power for the correlation and path analyses undertaken.

5.4 Sampling Techniques

A combination of purposive, stratified, and simple random sampling was used. Revenue officials and tax collectors were selected purposively on the basis of their involvement in tax administration; taxpayers were stratified by division and then selected using simple random sampling. Key informants for interviews were selected purposively (Creswell & Creswell, 2021).

5.5 Data Collection Methods and Instruments

A structured questionnaire measured the four tax administration dimensions—taxpayer registration, tax assessment, tax collection and enforcement, and taxpayer education—and tax revenue performance, using a five-point Likert scale (Ramadhan, Alex, Ariyo, et al., 2023). An interview guide was used with revenue officials to gather qualitative insights into administration practices and revenue challenges. The instruments were pre-tested for clarity and relevance.

5.6 Validity and Reliability

The validity of the instruments was established through expert review by specialists in taxation and research methodology, who assessed the content validity index, which exceeded the acceptable threshold of 0.70 (Amin, 2005). Reliability was assessed through a pilot study, and the Cronbach's alpha coefficient for the tax administration scale was 0.87, indicating high internal consistency.

5.7 Data Analysis

Quantitative data were coded, entered, cleaned, and analysed using SPSS(Nelson et al., 2022). Descriptive statistics summarised the levels of the tax administration dimensions and revenue performance. Pearson's product-moment correlation examined the bivariate relationships between each dimension and revenue performance(Kazaara & Christopher, 2023). A structural (path) model was then estimated, using regression-based path analysis, to determine the combined explanatory power of the dimensions and the standardised path coefficients linking each dimension to revenue performance. Qualitative data were analysed thematically and used to corroborate and contextualise the findings (Creswell & Creswell, 2021).

5.8 Ethical Considerations

Permission was obtained from KCCA, informed consent was secured from all participants, participation was voluntary, and the confidentiality and anonymity of respondents were maintained throughout the study (Creswell & Creswell, 2021).

6.0 Results and Interpretation

6.1 Descriptive Statistics

Table 1 presents the descriptive statistics for the tax administration dimensions and revenue performance based on responses from the 170 participants.

Variable	Mean	Std. Dev.	Interpretation
Taxpayer registration	3.24	0.85	Moderate
Tax assessment	3.11	0.87	Moderate
Tax collection and enforcement	3.38	0.83	Moderate
Taxpayer education	2.82	0.93	Moderate
Overall tax administration	3.14	0.76	Moderate
Tax revenue performance	3.19	0.74	Moderate

Source: Primary Data, 2025

The descriptive results in Table 1 indicate that tax administration practices at KCCA were, on the whole, moderate, with an overall mean of 3.14(Julius et al., 2024). Tax collection and enforcement recorded the highest mean (3.38), followed by taxpayer registration (3.24) and tax assessment (3.11), while taxpayer education recorded the lowest mean (2.82), indicating that the education and facilitation of taxpayers was the weakest function—a gap that fiscal exchange theory suggests may undermine voluntary compliance (Fjeldstad et al., 2021). Tax revenue performance recorded a moderate mean (3.19), consistent with collections falling short of potential (KCCA, 2023). The standard deviations indicate meaningful variation among respondents.

6.2 Correlation Analysis

Pearson correlation was computed to establish the relationships between the tax administration dimensions and revenue performance (Table 2).

Variable	Revenue Performance (r)	Sig. (p)
Tax collection and enforcement	0.64	0.000
Tax assessment	0.60	0.000
Taxpayer registration	0.53	0.000
Taxpayer education	0.49	0.000
Overall tax administration	0.69	0.000

Source: Primary Data, 2025

The correlation results in Table 2 show that all four dimensions were positively and significantly associated with revenue performance at the 0.01 level (Amos et al., 2024). Overall tax administration correlated strongly with revenue performance ($r = 0.69$, $p < 0.01$), confirming that effective administration enhances revenue, consistent with the economic deterrence and fiscal exchange frameworks (Bird & Zolt, 2021; Fjeldstad et al., 2021). Tax collection and enforcement recorded the strongest individual association ($r = 0.64$), underscoring the centrality of converting liabilities into actual revenue and deterring default (OECD, 2021), followed closely by tax assessment ($r = 0.60$). Taxpayer registration ($r = 0.53$) and taxpayer education ($r = 0.49$) were also significant, though more moderate (Christopher et al., 2024). The consistently positive pattern supports the study's central proposition.

6.3 Structural (Path) Model and Path Coefficients

A structural path model was estimated to determine the combined explanatory power of the tax administration dimensions and the standardised path coefficients linking each dimension to revenue performance. Figure 1 presents the structural model with its path coefficients, Figure 2 the variance explained by each objective, and Tables 3 and 4 the model summary and the path coefficients.

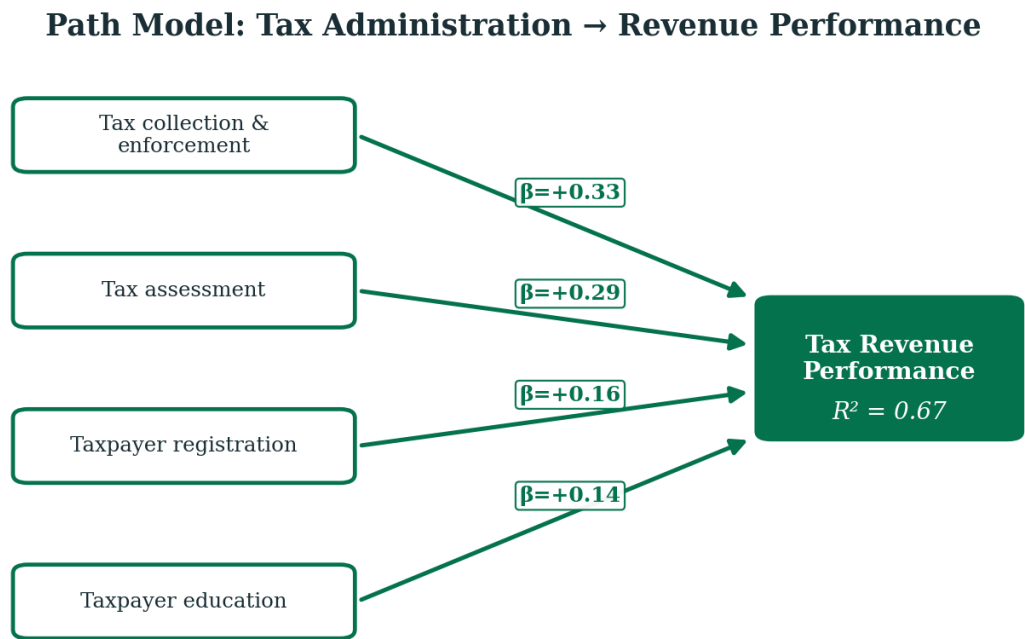


Figure 1: Structural model of tax administration and revenue performance showing standardised path coefficients (β) and $R^2 = 0.67$.

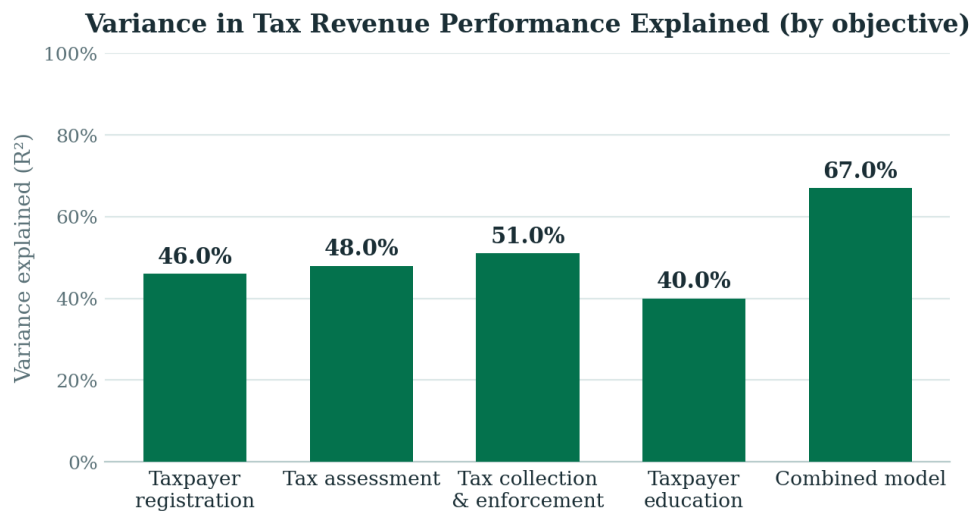


Figure 2: Variance in tax revenue performance explained across the study objectives.

Model Summary	Value
R	0.819

R Square	0.670		
Adjusted R Square	0.662		
Std. Error of Estimate	0.427		
F (4, 165)	83.71 (p = 0.000)		
Path (Predictor → Revenue performance)	Path coeff. (β)	t	Sig. (p)
Tax collection and enforcement → Revenue perf.	0.33	4.86	0.000
Tax assessment → Revenue performance	0.29	4.24	0.000
Taxpayer registration → Revenue performance	0.16	2.61	0.010
Taxpayer education → Revenue performance	0.14	2.28	0.024

Source: Primary Data, 2025

The structural model summary in Table 3 indicates that the four tax administration dimensions jointly explained 67.0% of the variance in revenue performance ($R^2 = 0.670$), a large proportion that establishes tax administration as a major determinant of revenue performance(Julius, 2024). The model was highly significant ($F(4, 165) = 83.71, p < 0.01$)(Sophie & Crispus, 2024). The remaining 33.0% of variance is attributable to factors outside the model, such as the size of the informal economy, macroeconomic conditions, political factors, and taxpayers' income levels (Fjeldstad et al., 2021).

The standardised path coefficients in Table 4, visualized in Figure 1, clarify the relative strength of each structural path. The path from tax collection and enforcement to revenue performance was the strongest ($\beta = 0.33, p < 0.01$), demonstrating that efficient collection systems and credible enforcement have the greatest influence on revenue, since they convert assessed liabilities into actual receipts and deter default, precisely as the economic deterrence model predicts (Bird & Zolt, 2021). The path from tax assessment followed ($\beta = 0.29, p < 0.01$), confirming that accurate identification and valuation of liabilities materially shape revenue by ensuring that collections reflect true tax capacity (OECD, 2021). The paths from taxpayer registration ($\beta = 0.16, p < 0.05$) and taxpayer education ($\beta = 0.14, p < 0.05$) were positive and significant but more modest(Atuhairwe et al., 2020). Notably, taxpayer education was both the lowest-rated dimension descriptively and the weakest structural path, a convergence that identifies taxpayer education and facilitation as a specific area for strengthening, since building voluntary compliance could complement enforcement and yield more sustainable revenue gains.

7.0 Discussion of Results

The findings of this study confirm that tax administration is strongly and significantly related to tax revenue performance at KCCA, and the structural model clarifies the relative weight of each administrative function(Ntirandekura et al., 2022). The dominance of tax collection and enforcement as the strongest structural path ($\beta = 0.33$) is theoretically coherent and practically significant. The economic deterrence model holds that revenue depends on the probability of detection and the credibility of enforcement, and the finding that collection and enforcement most strongly drive revenue performance confirms that, in the KCCA context, the decisive step is

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converting assessed liabilities into actual receipts and pursuing defaulters (Bird & Zolt, 2021; OECD, 2021). The interviews with revenue officials reinforced this, associating revenue shortfalls with gaps in follow-up and the pursuit of defaulters rather than with the tax rates themselves.

The strong effect of tax assessment ($\beta = 0.29$) indicates that accurate valuation, particularly of property for rating purposes, is also decisive, consistent with the ability-to-pay principle and with evidence that assessment gaps—undervaluation and incomplete valuation rolls—substantially erode potential revenue (Fjeldstad et al., 2021). This points to the importance of maintaining accurate, up-to-date valuation rolls and registers as a foundation for revenue performance.

The more modest but significant contributions of taxpayer registration ($\beta = 0.16$) and taxpayer education ($\beta = 0.14$) are theoretically instructive. That taxpayer education was both the weakest structural path and the lowest-rated dimension descriptively is a particularly important convergence: it suggests that KCCA has relied more on enforcement than on cultivating voluntary compliance through education and improved fiscal exchange (Julius et al., 2026). Fiscal exchange theory holds that compliance is strengthened when taxpayers perceive a return in services, implying that investment in taxpayer education, and in visibly linking revenue to service delivery, could build the voluntary compliance that makes revenue more sustainable and less dependent on costly enforcement (Fjeldstad et al., 2021).

Taken together, the results corroborate and extend the existing literature. They corroborate the established importance of collection, enforcement, and assessment, and they extend understanding by quantifying, through a structural model, the relative weight of each administrative function at a Ugandan city authority (Faridah et al., 2023). The practical implication is that the greatest gains in revenue are likely to come from strengthening collection and enforcement and improving assessment, while investing in the currently weaker functions of registration and, especially, taxpayer education to build sustainable voluntary compliance (Kangave & Katusiimeh, 2023).

8.0 Conclusion and Recommendations

The study concludes that tax administration has a strong, positive, and significant relationship with tax revenue performance at KCCA, with tax collection and enforcement and tax assessment being the most influential dimensions (T. Paul et al., 2022). It is recommended that KCCA strengthen collection systems and enforcement, including the pursuit of defaulters (Bird & Zolt, 2021); improve assessment through accurate, up-to-date valuation rolls and registers (Fjeldstad et al., 2021); complete and maintain the taxpayer register to widen the base; and, most pressing, invest in taxpayer education and facilitation to build voluntary compliance (OECD, 2021). Future research could employ objective revenue and collection-efficiency data and longitudinal designs to further establish causality.

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