

**Tax Administration And Revenue Generation In Uganda. A Case Study Of Kcca, Central Division.**

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**Abstract**

The study heavily focused on investigating the impact imposed by tax administration on the generation of local revenues in KCCA Central Division. The study was guided by the research objectives, questions and the appropriate methodologies that generated credible and reliable findings that was very significant to government and non-government actors as a guide in the advocacy and formulation of policies and programs geared improving local tax management and utilization for community development. The study found out that there is a close correlation between tax administration and the generation of the local revenues KCCA Central Division. The study also found out a number of laws and policies that guided the collection and expenditure of local revenues and most sections of these laws were found incapacitating to the local tax administrators. Therefore, to improve the local revenue generation, the study recommended to intensify the fight against corruption and others factors that undermine tax collection and management, digitalizing of the tax management system among others for effective realization of the annual revenue targets. The division should embrace better means of local tax collection such as contracting out to private firms the tax collection functions, digitalizing the tax and local revenue generation, public-private partnerships among others to minimize losses.

**Keywords: Tax Administration And Revenue Generation**

**Background of the study**

Taxation is a term used especially when a tax authority usually collects or imposes a tax. The term “taxation” refers to all types of involuntary levies, from income to capital gains to property taxes (Ronald et al., 2023). Although a tax system can be a noun or a verb, it is usually referred to as an act; the resulting revenue is usually called taxes. Taxation differs from other forms of payment, such as market exchanges, in that taxation does not require consent and is not directly tied to any services provided (Abiodun et al., 2021). The government enforces taxation through the implicit or explicit threat of force (Tasha et al., 2023b). Taxation is legally distinct from racketeering or protective racketeering because the formidable institution is the government, not private actors. Taxation refers to the

practice of the government collecting money from its citizens to pay for public services (Ramadhan, Alex, Kazaara et al., 2023). Without taxation, there would be no public libraries or parks, and one of the most frequently discussed political topics is taxation. Taxation is the practice of collecting taxes (money) from citizens based on their earnings and property. Money raised from taxes supports the government and allows it to fund the police and courts, have an army, build and maintain roads and many other services. Taxation is the price of being a citizen, although politicians and citizens often argue about how much taxation is too little or too much (Tasha et al., 2023a). The legal framework was further conceived as a set of constitutional, legislative, regulatory, jurisprudential and

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managerial rules, which together establish the voting rights of citizens in the election of representatives. In addition to selecting public officials, citizens often use elections to accept or reject legislative bills, government decisions and resolutions (Lydia et al., 2023). According to (Ramadhan, Alex, Ariyo, et al., 2023), a legal framework is a framework, set of rules, procedural steps or tests, often established through precedent in the common law, through which judgments in a given legal case can be determined. Revenue is the total amount of money received by any business entity or organization for goods sold or services provided during a period. For the government, public revenue refers to the amounts it receives from various sources. In other words, government income is public income (Lydia et al., 2023). This income comes from taxes, licenses and fees (FASAB, 2005). The American Tax Policy Center (2013) defines revenue as funds collected from the public that arise in the exercise of sovereign or governmental powers by the government. Federal revenues come from a variety of sources, including personal and corporate income taxes, excise taxes, customs duties, property taxes, gift taxes, royalties and fines, contributions to social security programs, and miscellaneous revenues (Tasha et al., 2023a).

In Uganda, local authority accounts account for a significant proportion of government expenditure and are therefore expected to play a vital role in the implementation of national growth and poverty reduction strategies. For

#### **Problem statement**

Tax is an important source of domestic revenue for the government and is essential to accelerate growth and the opportunity for Uganda to achieve its development goals, and without them citizens would not be able to have good roads or access to quality and affordable health care and education (Mark & Jacob, 2023). Like many other developing countries, Uganda has implemented

example, local government authorities (LGA5) in mainland Uganda account for approximately one in five shillings of public expenditure (Georgia State University, 2005). The effectiveness of local government service delivery depends on the adequacy and growth of local revenues to support and maintain the operation and maintenance of local infrastructure (Ivan et al., 2023). These LGAs should therefore increase their own revenue to supplement declining subsidies from the central government.

It is important to note that local revenue can potentially provide a sustainable source of funding for local governments to meet their development agenda. Local revenue mobilization enables local people to participate in, own development programs and demand effective service delivery, improving people's livelihoods. The Central Division continues to be the largest economic center of Kampala city as a central business center and is expected to generate more revenue than other divisions (Winny et al., 2023).

An economically based theory proposed by Robert (1928) that states that the rate of economic growth of a region is determined by the amount of increase in tax revenue from the region. Economic activities are grouped according to basic activities and non-based activities. As Craig Davis (2016) points out, there are a number of assumptions on which economic base analysis is conducted.

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comprehensive tax reforms covering most important sources of revenue. The main objectives of these reforms were to broaden the tax base; increasing efficiency in tax collection; creating incentives for the private sector and ensuring equal taxation (Tasha et al., 2023a). The reforms included adjusting tax rates, broadening the tax base, limiting exemptions and simplifying procedures. However, the objectives of the tax reforms have not yet been achieved as the country still experiences narrow tax bases (Akandwanaho, 2019).

In 2010, the Government of Uganda enacted the Kampala Capital City Act 2010 and Section 50 of the said Act provides for the responsibility of the KCCA to levy, collect, collect and assess fees and taxes in accordance with the Act enacted by Parliament under Article 152 of the Constitution.

Despite the well-intentioned objectives of the KCCA and efforts to improve revenue collection (Kazaara & Christopher, 2023), tax administration remains a major challenge, especially in the central division, which falls short of annual taxes. collection targets. This could be attributed to poor tax administration and poor intergovernmental relations and unless these issues are addressed, the division is likely to continue to be frustrated in terms of revenue generation, leading to poor service delivery among others (Gracious, 2023). Therefore, the researcher intends to conduct a forensic study of the subject against this background to create a sustainable remedy for the above problems.

#### **Specific Objectives**

1. To investigate how tax administration affect revenue generation in KCCA, Central Division.
2. To identify the challenges associated with tax administration in KCCA, Central Division
3. To devise better mechanisms of tax administration for KCCA, Central Division.

#### **Methodology**

A qualitative research design which was descriptive and explanatory in nature was used. The aim of this design was to ensure that the required data was collected objectively, accurately and economically to generate both credible and reliable findings that guided further action (Olanrewaju et al., 2021a). Population is any collection of a given specified group of human beings or non-human such as objects (Olanrewaju et al., 2021b). The study population comprised of officials from KCCA & Central Division both civil and political leaders, officials from the ministry of finance, ministry of KCCA and presidency, officials from URA, members of the Civil society Sector in the municipality, and the business community/tax payers. The researcher interviewed about 80 respondents from a population of 100 stakeholders of whom 20 were officials from the municipality (both civil & political), 10 from the CSOs, 30 officials from URA, ministry of local government, and ministry of finance, 20 members of the business community/local tax payers who had reliable information about the research topic (Nafiu et al., 2013). The researcher administered questionnaires to a selected number of respondents and used emails, cell phones more especially in cases where it was difficult to have interviews. This helped the researcher to generate as much information as possible. The qualitative data obtained from the questionnaires and interviews were coded and tabulated on a scale and after

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was computed using statistical package for social scientists (SPSS) (Nelson et al., 2022). This was because the study was basically qualitative that was meant to investigate the relationship between tax administration and revenue generation in KCCA, Central Division. Data was analyzed progressively using thematic qualitative analysis which is a descriptive presentation of qualitative data. This method was used in order to be able to describe in detail the views and opinions of the respondents. Themes were defined and data was presented according to the identified themes which were based on the study objectives. Quotations were used to bring out the voices of the respondents for the case of interviews.

### **Results**

**Table 1: showing the response rate of respondents on whether it is true that tax administration affects revenue generation in KCCA, Central Division**

| <b>Response</b>       | <b>Frequency</b> | <b>Percentage</b> |
|-----------------------|------------------|-------------------|
| Agree                 | 10               | 12.5              |
| Strongly agree        | 70               | 87.5              |
| Disagree              | 00               | 00                |
| Strongly disagree     | 00               | 00                |
| Not sure              | 00               | 00                |
| <b>Total response</b> | <b>80</b>        | <b>100%</b>       |

**Source: primary source (2023).**

The above figure depicts that 70 respondents strongly agreed that tax administration affects revenue generation in KCCA, Central Division which constituted 87.5%, and those who agreed were 10 respondents constituting 12.5%, none of the respondents was no sure constituting 00%. There were no respondents who disagreed constituting 00%. While 00 respondents strongly disagreed constituting 00%. This means that the majority of the respondents strongly agreed.

**Table 2: showing the response rate of the respondents on whether tax administration enables the establishment of good tax legal and policy frameworks in KCCA, Central Division**

| <b>Response</b>   | <b>Frequency</b> | <b>Percentage</b> |
|-------------------|------------------|-------------------|
| Agree             | 25               | 31.25             |
| Strongly agree    | 55               | 68.75             |
| Disagree          | 00               | 00                |
| Strongly disagree | 00               | 00                |

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|                       |           |             |
|-----------------------|-----------|-------------|
| Not sure              | 00        | 00          |
| <b>Total response</b> | <b>80</b> | <b>100%</b> |

**Source: primary source (2023).**

The above figure depicts that 55 respondents strongly agreed that tax administration enables the establishment of good tax legal and policy frameworks in KCCA, Central Division which constituted 68.75%, and those who agreed were 25 respondents constituting 31.25%, none of the respondents was not sure constituting 00%. There were no respondents who disagreed constituting 00%. While 00 respondents strongly disagreed constituting 00%. This meant that the majority of the respondents strongly agreed that tax administration is very instrumental in formulating policies and laws for tax collection.

**Table 3: showing the response rate of the respondents on whether tax administration ensures efficient and effective assessment of tax payers in KCCA Central Division.**

| Response              | Frequency | Percentage  |
|-----------------------|-----------|-------------|
| Agree                 | 45        | 56.25       |
| Strongly agree        | 35        | 43.75       |
| Disagree              | 00        | 00          |
| Strongly disagree     | 00        | 00          |
| Not sure              | 00        | 00          |
| <b>Total response</b> | <b>80</b> | <b>100%</b> |

**Source: primary source (2023).**

The above figure depicts that 45 respondents agreed that tax administration ensures efficient and effective assessment of tax payers in KCCA Central Division which constituted 56.25%, and those who strongly agreed were 35 respondents constituting 43.75%, none of the respondents were not sure constituting 00%. There were no respondents who disagreed constituting 00%. While 00 respondents strongly disagreed constituting 00%. This meant that the majority of the respondents agreed that revenues can only be collected if the tax administrators carry out tax payers' assessment.

**Table 4: showing the response rate of the respondents on whether tax administration ensures efficient and effective identification of tax payers in KCCA Central Division .**

| Response | Frequency | Percentage |
|----------|-----------|------------|
|----------|-----------|------------|

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|                       |           |             |
|-----------------------|-----------|-------------|
| Agree                 | 65        | 81.25       |
| Strongly agree        | 15        | 18.75       |
| Disagree              | 00        | 00          |
| Strongly disagree     | 00        | 00          |
| Not sure              | 00        | 00          |
| <b>Total response</b> | <b>80</b> | <b>100%</b> |

**Source: Primary source (2023).**

The above table depicts that 65 respondents agreed that tax administration ensures efficient and effective assessment of tax payers in KCCA Central Division which constituted 81.25%, and those who strongly agreed were 15 respondents constituting 18.75%, and none of the respondents were not sure constituting 00%. There were no respondents who disagreed constituting 00%. While no respondent strongly disagreed constituting 00%. This meant that the majority of the respondents agreed that tax administrators are very instrumental in ensuring efficient and effective assessment of tax payers in KCCA Central Division (Richard et al., 2023)

**Table 5: showing the response rate of respondents on whether corruption affects the tax administration initiatives in KCCA, Central Division.**

| <b>Response</b>       | <b>Frequency</b> | <b>Percentage</b> |
|-----------------------|------------------|-------------------|
| Agree                 | 25               | 31.25             |
| Strongly agree        | 55               | 68.75             |
| Disagree              | 00               | 00                |
| Strongly disagree     | 00               | 00                |
| Not sure              | 00               | 00                |
| <b>Total response</b> | <b>80</b>        | <b>100%</b>       |

**Source: primary source (2023).**

The above figure depicts that 55 respondents strongly agreed corruption affects the tax administration initiatives in KCCA, Central Division which constituted 68.75%, and those who agreed were 25 respondents constituting 31.25%, none of the respondents was not sure constituting 00%. There were 0 respondents who disagreed constituting 00%. While also 00 respondents strongly disagreed constituting 00%. This meant that the majority of the respondents strongly agreed that corruption

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heavily affects the tax administration in KCCA, Central Division.

**Table 6: showing the response rate on whether poor facilitation of the revenue generation agencies affect the tax administration initiatives in KCCA, Central Division.**

| Response              | Frequency | Percentage  |
|-----------------------|-----------|-------------|
| Agree                 | 55        | 68.75       |
| Strongly agree        | 25        | 31.25       |
| Disagree              | 00        | 00          |
| Strongly disagree     | 00        | 00          |
| Not sure              | 00        | 00          |
| <b>Total response</b> | <b>80</b> | <b>100%</b> |

**Source: primary source (2023).**

The above table depicts that 25 respondents strongly agreed that poor facilitation of the revenue generation agencies affects the tax administration initiatives in KCCA, Central Division which constituted 31.25%, and those who agreed were 55 respondents constituting 68.75%, and none of the respondents was not sure constituting 00%. There were no respondents who disagreed constituting 00%. While 00 respondents strongly disagreed constituting 00%. This meant that the majority of the respondents agreed and confessed that revenue generation agencies are poorly funded affecting tax administration.

**Table 7: showing the response rate on whether having limited skills by the revenue generation officials affects the tax administration initiatives in KCCA, Central Division.**

| Response              | Frequency | Percentage  |
|-----------------------|-----------|-------------|
| Agree                 | 25        | 31.25       |
| Strongly agree        | 55        | 68.75       |
| Disagree              | 00        | 00          |
| Strongly disagree     | 00        | 00          |
| Not sure              | 00        | 00          |
| <b>Total response</b> | <b>80</b> | <b>100%</b> |

**Source: primary source (2023).**

The above figure depicts that 55 respondents strongly agreed that limited skills by the revenue generation officials affects the

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tax administration initiatives in KCCA, Central Division which constituted 68.75%, and those who agreed were 25 respondents constituting 31.25%, none of the respondents was not sure constituting 00%. There were 0 respondents who disagreed constituting 00% (Ramadhan, Alex, Ariyo, et al., 2023). While 00 respondents strongly disagreed constituting 00%. This meant that the majority of the respondents strongly agreed that most tax collection officials are semi-skilled which greatly affects the tax administration processes.

**Table 8: showing response rate on whether public private mechanisms can enhance tax administration in KCCA Central Division.**

| Response              | Frequency | Percentage  |
|-----------------------|-----------|-------------|
| Strongly agree        | 65        | 81.25       |
| Agree                 | 15        | 18.75       |
| Disagree              | 00        | 00          |
| Strongly disagree     | 00        | 00          |
| Not sure              | 00        | 00          |
| <b>Total response</b> | <b>80</b> | <b>100%</b> |

**Source: primary source (2023).**

The above figure depicts that 65 respondents strongly agreed that public-private partnerships can help improve tax administration in KCCA Central Division which constituted 81.25%, and those who agreed were 15 respondents constituting 18.75%, and none of the respondents was not sure constituting 00%. There were no respondents who disagreed constituting 00%. While 00 respondents strongly disagreed constituting 00%. This meant that the majority of the respondents strongly agreed that KCCA Central Division should embrace the public-private initiatives if they are to improve their revenue generation.

**Table 9 showing the response rate on whether intensifying the fight against corruption can help to enhance local revenue generation in KCCA Central Division.**

| Response          | Frequency | Percentage |
|-------------------|-----------|------------|
| Strongly agree    | 60        | 75         |
| Agree             | 20        | 25         |
| Disagree          | 00        | 00         |
| Strongly disagree | 00        | 00         |
| Not sure          | 00        | 00         |

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|                       |           |             |
|-----------------------|-----------|-------------|
| <b>Total response</b> | <b>80</b> | <b>100%</b> |
|-----------------------|-----------|-------------|

**Source: primary source (2023).**

The above figure depicts that 60 respondents strongly agreed that there is need to intensify the fight against corruption as strong measure to enhance local revenue generation which constituted 75%, and those who agreed were 20 respondents constituting 25%, and none of the respondents was not sure constituting 00%. There were 00 respondents who disagreed constituting 00%. While 00 respondents strongly disagreed constituting 00%. This meant that the majority of the respondents agreed that without fighting corruption, local governments cannot realize their local tax targets in KCCA Central Division.

**Table 10 showing the response rate on whether employing enough and qualified staffs can help to enhance tax administration in KCCA, Central Division.**

| <b>Response rate on challenges</b> | <b>Frequency</b> | <b>Percentage</b> |
|------------------------------------|------------------|-------------------|
| Agreed                             | 40               | 50                |
| Strongly agree                     | 15               | 18.75             |
| Disagree                           | 10               | 12.5              |
| Strongly disagree                  | 15               | 18.75             |
| Not sure                           | 00               | 00                |
| <b>Total response</b>              | <b>80</b>        | <b>100%</b>       |

**Source: primary source (2023).**

The above figure depicts that 50 agreed that there is need to employ sufficient and qualified employees to manage tax collection in KCCA Central Division which constituted 50%, and those who strongly agreed were 15 respondents constituting 18.75%, and none of the respondents was not sure constituting 00%. There were 10 respondents who disagreed constituting 12.5%. While

15 respondents strongly disagreed constituting 18.75%. This meant that the majority of the respondents agreed that without employing enough staffs who are qualified, local governments cannot realize their local tax targets in KCCA Central Division. Employees are a strong pillar in the realization of local revenues.

### **Conclusions**

There is a relationship between tax administration and revenue generation in KCCA Central Division

Local revenue is very big driving force towards local development if it is sufficient and well managed by the stakeholders.

Capacity building on tax collection and management is a necessary component for effective revenue generation and expenditure.

Corruption culture has been accepted in local governments as the only way of survival and those who resist it are ridiculed and discriminated. This continues to undermine local tax collections and consequently undermine the political reputation of local governments.

### **Recommendations**

Sections of the legal frameworks that are incapacitating should be repelled so as to give the division more

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considerable autonomy to collect and spend local resources to meet the local development goals.

Government should strengthen the capacity of local governments to collect local revenues so as to be able to be able to meet the revenue targets annually. This can be done through organizing capacity building workshops to train civil and political servants to enhance their skills in what they do.

The division should embrace better means of local tax collection such as contracting out to private firms the tax collection functions, digitalizing the tax and local revenue generation, public-private partnerships among others to minimize losses.

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