

Taxation And Its Impact On The Organizational Performance. A Case Study Of Kakira Sugar Factory

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Abstract

The study aimed at taxation and its effect on the organizational performance of Kakira Sugar factory and it was guided by the following objectives; To determine the effect of taxation awareness and knowledge on the financial performance of an organization, to determine the impact of tax administration criteria on the financial performance of an organization and to examine the influence of tax rates on the financial performance of an organization. The sample size of the population under study was 40 respondents which determined using the Slovene's formula. The respondents were selected using purposive sampling techniques. Purposive sampling is a sampling technique in which the researcher relies on his or her judgment when choosing members of the population to participate in the study. Purposive sampling is a non-probability sampling method and it occurs when elements selected for the sample was chosen by the judgment of the researcher. From the findings, the tax payer was aware of where to pay the tax and when had, 25% of the respondents who strongly agreed, 28% agreed, 8% were not sure, 22% disagreed and 17% strongly disagreed. The business entity was aware of the significance of paying taxes had 22% of the respondents who strongly agreed, 42% agreed, 6% were not sure, 19% disagreed while 11% strongly disagreed. From the findings it is recommended that tax administration should reduce criminal aspects of tax evasion with well know tax measures. Further, tax administration should use current tax reform to reduce tax complexity with Tax authorities should focus and help taxpayer during filing taxes returns information.

Keywords: Taxation awareness, tax administration criteria, tax rates and financial performance

Background Of The Study

In practice the War Income Act 1917 provides a deduction for: Since then the scope and importance of the deduction from the taxable income of charitable donations has increased. In 1954, the 15% ceiling was also raised up to 30% for specific donations to churches and hospitals (Kamleitner et al., 2012). As marginal tax rates reached an all-time high in the late 1940s and 1950s, creating a major incentive for charitable giving, the reported charitable giving of the top 0.01% of US taxpayers experienced a tremendous increase (Tasha et al., 2023). Taxation refers to a fee levied by the government or regional entities for a transaction, product or activity to finance government expenditure (David et al., 2023). According to Business Dictionary. Com, tax is a means by which governments finance their spending by imposing fees on citizens and legal entities (Musimenta et al., 2017). Taxation is the process by which charges are imposed on individuals or property by the legislative branch of the federal government and many state governments to raise funds for public purposes. The basis of taxation is the theory that fees are levied to support the government in exchange for general benefits and protections that the government provides to the taxpayer and his property (Ramadhan, Alex, Kazaara, et al., 2023). The existence of government is a necessity which cannot continue without funds to meet its expenses; therefore the government has the right to compel all citizens and property within its power to share in its costs. Both state and federal governments have the power to improve taxes on their citizens. (Pied, John Phillip 2003). Financial performance

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by definition (Gracious, 2023) consists of financial results (return on invested capital or return on asset and stock value or shareholder return). Performance is the competence of an organization to transform resources within the firm in an effective and efficient way to achieve organizational goals (Ivan et al., 2023a). According to Alfred (2007), financial performance is a measure of how a business entity has used its resources to generate revenue (K. Paul et al., 2023). Financial performance is commonly measured using gearing ratios, profitability ratios and liquidity ratios. Profitability indicators of any business entity paint a picture of how well the entity has effectively used resources, liquidity indicators deal with the ability of business entities to meet short-term obligations, and indebtedness indicators indicate the extent of corporate indebtedness (Alex et al., 2023). (David et al., 2023) defines financial performance measurement as a way to ensure that resources are used as efficiently and effectively as possible. The essence is to provide the organization with the maximum return on the capital invested in the business. The financial performance of commercial banks is very important because managers need to know how well financial institutions are performing (Alex et al., 2023). There are two main reasons why financial institutions should have financial performance measures (Musimenta et al., 2017). The first is to create financial statements at the right time. Second, financial statements should be analyzed to provide information about system performance that needs to be used to improve that performance (F. Christopher et al., 2022). Jinja District is located in the eastern region of Uganda and its residents engage in a variety of small and large scale businesses. Many local entrepreneurs in Jinja district start their businesses with almost no capital and often have little or no knowledge about taxes, which sometimes forces business entities to stop competing in the market due to lack of knowledge or awareness, poor tax administration and unfavorable tax rate. (Ramadhan, Alex, Ariyo, et al., 2023).

Problem statement

The financial performance of businesses in many organizations in Uganda remains in the informal sector because the perceived benefits outweigh the perceived tax costs (Ntirandekura et al., 2022). Organizations are not growing and many have closed due to declining numbers. The issue of taxable capacity for the financial performance of the company is a challenge (Musimenta et al., 2017). However, despite the above, poor tax policies such as high tax rates, multiple taxation, complex tax regulations and lack of proper awareness or education on related issues affect the performance of various organizations (Mark et al., 2023). It concerns the taxable position of small and medium-sized enterprises in the management of various business entities. In Uganda, many organizations have failed to achieve sustainable growth, hence the government has to come up with a bailout package to save their financial systems (Moses et al., 2023), they are ignorant of taxes and consequently ignorant. survive in a competitive market. The annual reports state 100% as the expected business performance target in the district for the 2019/2020 and 2020/21 financial years. However, 65% and 59% have been implemented, but these businesses must comply with URA's tax payment regulations. (Polycarp et al., 2023). These rates appeared to be on an increasing trend, leading to the closure of some business establishments in the district (W. Paul & Kazaara, 2023). While tax administration was done in the Kakira sugar mill, many taxes were not properly paid and instead were considered a burden to sugar mill owners. Traders lacked knowledge about how much tax administration contributes to their business performance (KMDF, 2021). Deficiencies in organizational performance coupled with poor tax policies in Kakira sugar mill affect the ability of these businesses to mobilize required financial and non-financial resources (T. Christopher, 2022). Furthermore, the poor performance of business enterprises, if not

addressed immediately, would affect economic growth and development as they contribute significantly to the economy (Frank et al., 2023). This leads the researcher to explore more about how tax administration affects organizational performance.

Specific objectives of the Study

- 1.** To determine the effect of taxation awareness and knowledge on the financial performance of an organization
- 2.** To determine the impact of tax administration criteria on the financial performance of an organization
- 3.** To examine the influence of tax rates on the financial performance of an organization.

Methodology

The study used a cross-sectional survey design. According to (A & Ahmed, 2019), a survey deals with the collection of data from a usually large number of respondents and data from a usually large number of respondents, and the data normally collected focuses on the opinions, ideas and attitudes of the respondents in relation to the phenomenon under investigation (Jallow et al., 2022). Therefore, the proposal takes into account all the basic research steps related to the analysis of the effects of tax policies on organizational performance. This study used a qualitative and quantitative approach, the qualitative method provided data to show a detailed picture of the effects of tax policies and the quantitative method provided data for statistical purposes and to assess the impact of the organization's tax policies (Olanrewaju & Abiodun, 2021).

The study was conducted in Kakira Sugar Factory, Jinja District. Kakira Sugar Works Limited, often referred to as Kakira Sugar Works, is a leading sugar producer in Uganda, the third largest economy in the East African Community (Ivan et al., 2023a). The company's main factories are located in Kakira, Jinja District, Eastern Uganda. The site lies approximately 16 kilometers (9.9 mi), by road, northeast of Jinja, the nearest major city. Kakira is located approximately 100 kilometers (62 mi), by road, east of Kampala, Uganda's capital and the country's largest city.

This study was conducted to investigate the effect of tax policies on organization financial performance and the case of kakira sugar factory (Racheal et al., 2023). It focused on dimensions that include tax awareness and knowledge, tax administration criteria and intended tax purpose on the financial performance of SMEs in Hoima. The sample size of the research population was 40 respondents who determined using Solvene's formula (Nafiu et al., 2013). Respondents were selected using purposive sampling techniques. Purposive sampling is a sampling technique in which the researcher relies on his or her judgment to select members of the population to participate in the study. Purposive sampling is a method of non-probability sampling and occurs when the elements selected for the sample were selected based on the judgment of the researcher (Ivan et al., 2023a). In this method, the researcher designs and prints closed-ended questions based on a live Likert scale (SA = Strongly Agree, A = Agree, N = Neither Agree nor Disagree, D = Disagree, and SD = Strongly Disagree). The designed sample questions elicited responses from respondents in the study, as it will be a self-administered questionnaire, the method allows for a larger sample size, which should make the results more reliable and trustworthy (Amin, 2005). In addition, (Nafiu, 2012) argues that the content of this questionnaire covers large areas in a short period of time, questionnaires also offer greater assurance of anonymity, allowing respondents to provide sensitive information without fear. A questionnaire was designed for data collection in accordance with research specifications

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(Olanrewaju et al., 2021). Questions regarding community participation and service provision had multiple choice responses ranging from SD (1). D (2), NS (3). A (4) and SA (5) and were also ranked from highest to lowest (Nafiu et al., 2012).

Data analysis is carried out in accordance with the principle of data management. The data collected from the field were sorted, edited and coded according to the theme, which was based on the research objectives and questions (Winny et al., 2023). Qualitative data were derived from open-ended questions in the questionnaires, while qualitative data were derived from closed-ended questions. Demographic characteristics were analyzed based on frequencies and percentages in a frequency table using SPSS & STATA (Nelson et al., 2022).

RESULTS

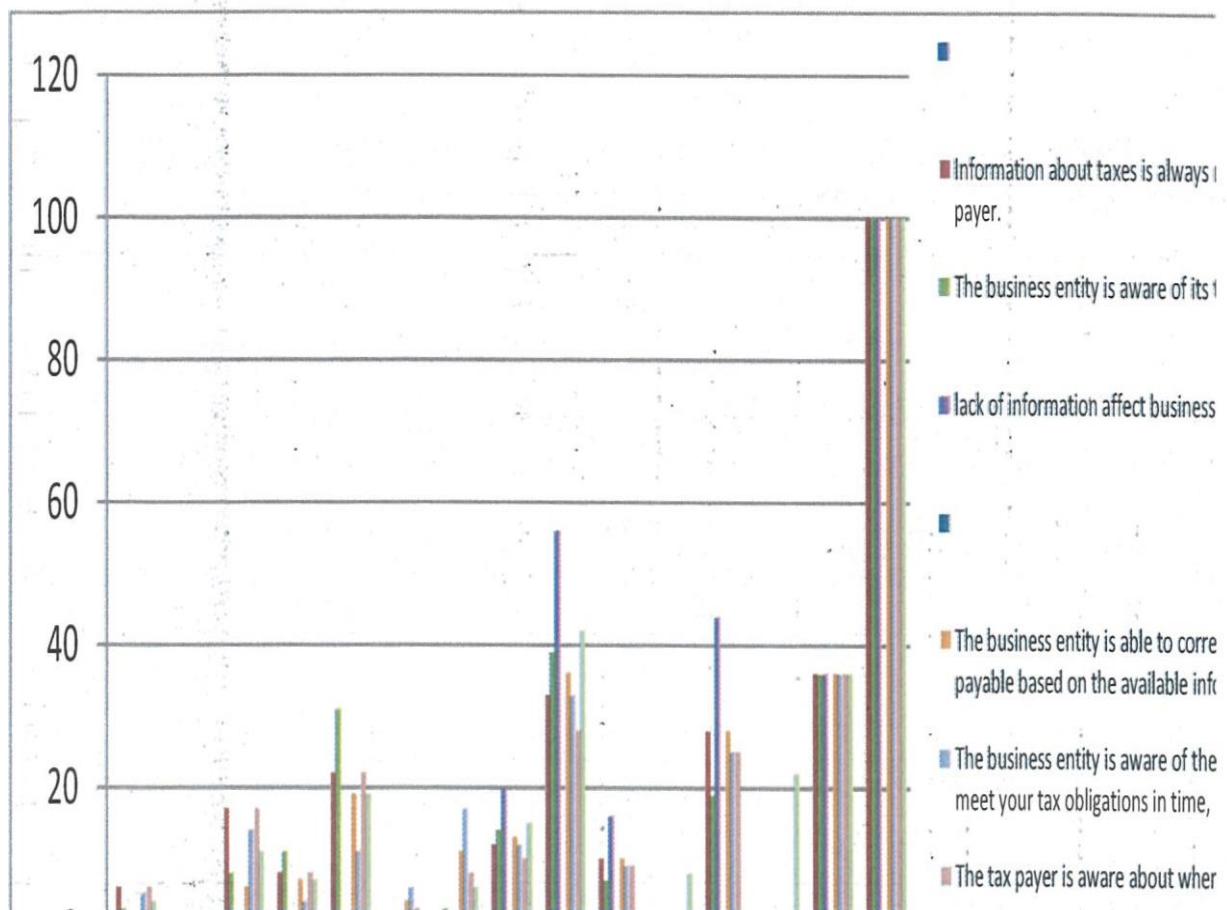
Table 1. Showing Study findings on the effect of tax awareness on the financial performance of organization in Kakira sugar factory.

Statement	Response										F	%
	SD		D		NS		A		SA			
information about taxes is always readily available to le tax payer.	3	20	2	27	2	11	21	20	22	2	36	100
he business entity is ware of its tax obligation.	2	4	18	4	12	28	2	3	18	3	36	100
sick of information affect business' tax compliance	2	11	24	2	21	32	12	12	32	34	36	100
The business entity is able correctly calculate the amount payable based the available information	4	6	17	5		11	13		10	28	36	100
The business entity is aware of the consequences failing to meet your tax obligations in time,	3	5	22	3	9	12	23	12	12	34	36	100

The tax payer is aware About where to pay the axes and when.	13	11	30	2	6	32	12	32	2	28	36	100
The business entity is aware of the significance paying taxes.	2	5	32	23	2	4	3	5	34	28	36	100

source; Primary Data 2023

Bar graph Showing findings on the effects of awareness on the financial performance of organization in Kakira sugar factory



Source; Primary Data 2023

From the finding in table above showed that, tax awareness affects the financial performance of Organization in Kakira sugar factory. It was found that statements; Information about taxes is readily available, had 28 % of the respondents who strongly agreed, 33% agreed, 0% were not sure, 22% disagreed and 17% strongly disagreed the business entity is aware of its tax obligation, had, 19 % of the respondents who strongly agreed, 39% agreed, 3% were not sure, 31% disagreed and 8%strongly disagreed (Faridah et al., 2023).

Lack of tax information affect the business tax compliance had, 44% of the respondents who strongly agreed, 56% agreed, 0% were not sure, 0% disagreed and 0% also strongly disagreed. Business entity is able to correctly calculate the tax amount payable based on the available information had, 28% of the respondents who strongly agreed, 36% agreed, 11% were not sure, 19% disagreed, while 6% strongly disagreed. Business entity is aware of the consequences of failing to meet its tax obligation on time had, 25% of the respondents who strongly agreed, 33% agreed, 17% were not sure, 11% disagreed and 14% strongly disagreed (Ivan et al., 2023a).

The tax payer is aware of where to pay the tax and when had, 25% of the respondents who strongly agreed, 28% agreed, 8% were not sure, 22% disagreed and 17% strongly disagreed.

The business entity is aware of the significance of paying taxes had 22% of the respondents who strongly agreed, 42% agreed, 6% were not sure, 19% disagreed while 11% strongly disagreed (Ivan et al., 2023b).

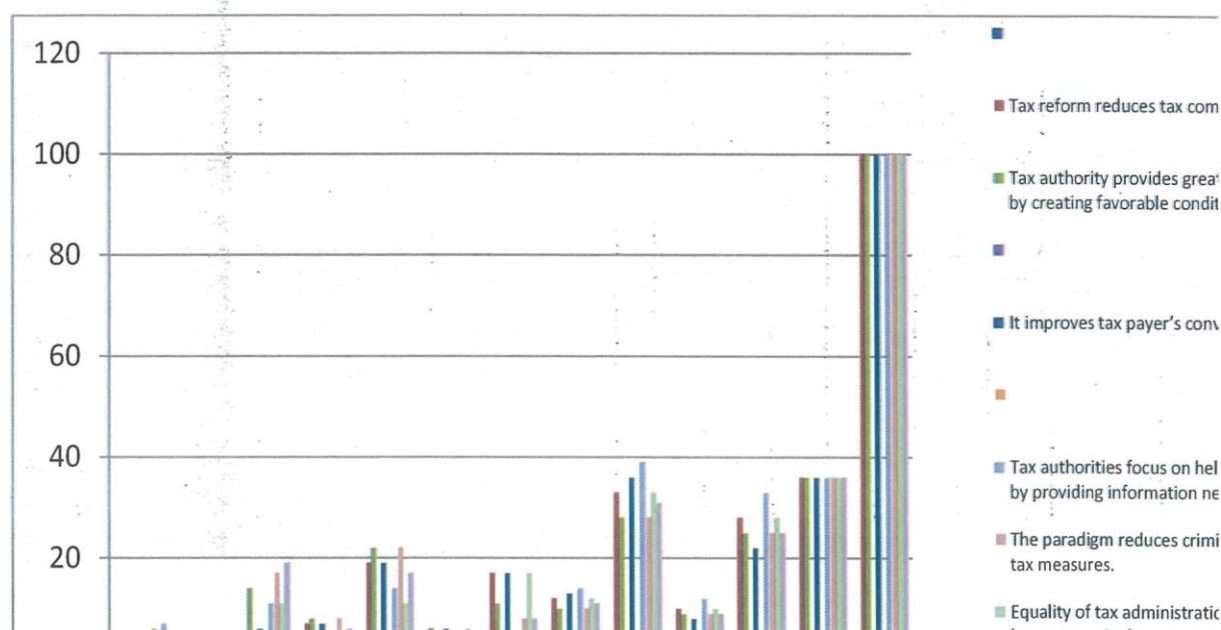
The study findings on the effects of tax awareness on the financial performance of Organization: Tax awareness provide readily available information about taxes had 61% Agreed, business entity is aware of its tax obligation had 58 % Agreed, lack of tax information affect the business tax compliance had 100%, the business entity is able to correctly calculate the tax amount payable based on available information had 74%, business entity is aware of the consequences of failing to meet tax obligation on time had 58 %/0, the tax payer is aware about where to pay the taxes and when had 53 % and the business entity is aware about the significance of paying taxes (Benard, 2023). Had 64%, This implied that tax awareness had a positive effect on the financial performance of organization in Kakira sugar factory.

Table 2: Effect of Tax administration on the financial performance of Organization in Kakira sugar factory.

Statement	SD		D		NS		A		SA		F	%
Tax reform reduces complexity in enforcement	1	3	7	19	6	17	12	33	10	28	36	100
Tax authority provides assistance to tax payers by creating favorable conditions for tax compliance	5	14	8	22	4	11	10	28	9	25	36	100
Improves tax payers convenience in tax assessment	2	6	7	19	6	17	13	36	8	22	36	100
Tax authorities focus on helping in tax payers to file tax by providing information needed	4	11	5	14	1	3	14	39	12	33	36	100
The paradigm reduces criminal aspects of tax invasion tax measures	6	17	8	22	3	8	10	28	9	25	36	100

Equality of tax administration services provides the largest marginal revenues in reducing tax gaps in tax enforcement measures	4	11	4	11	6	17	12	33	10	28	36	100
The generation of tax administration based on financial performance is problematic to tax payers	7	19	6	17	3	8	11	31	9	25	36	100

Bar graph Showing findings on the effects administration on the financial performance of organization in Kakira sugar factory.



Source; Primary Data 2023

From the study findings above in table 2 indicated that tax administration also has a positive effect on the financial performance of Organization. It was found out that statements; tax reform reduce tax complexity in enforcement had 28 % of the respondents who strongly agreed, 33% agreed, 17 % were not sure, 19 % disagreed and 3% strongly disagreed.

Tax authority provides greater assistance to tax payers by creating favorable conditions for tax compliance had, 25% of the respondents who strongly agreed, 28% agreed, were not sure, 22% disagreed and 14% strongly disagreed. It improves tax payers' convenience in tax assessment had 22% of the respondents who strongly agreed, 36% agreed, 17% were not sure, 19% disagreed and 6% strongly disagreed.

Tax authority's focus on helping taxpayers to file taxes by providing information needed had 33% of the respondents who strongly agreed, 39% agreed, 3% were not sure, 14% disagreed and 11 % strongly disagreed.

The paradigm reduces criminal aspects evasion tax measures had 25 % of the respondents who strongly agreed, 28% agreed, 8% were not sure, 22% disagreed, while 17% strongly disagreed.

Equality of tax administration services provides the largest marginal revenues in reducing tax gaps in tax enforcement measures had 28% of the respondents who strongly agreed, 33% agreed, 17% were not sure, 11% disagreed, while 11% strongly disagreed.

.The generalization of tax administration based on financial performance is problematic to taxpayers had 25% of the respondents who strongly agreed, 31% agreed, 8% were not sure, 17% disagreed and 19% strongly disagreed.

.Tax reform reduces tax complexity in enforcement had 61% agreed, Tax authority provides greater assistance to tax payers by creating favorable conditions for tax compliance had 53%, It improves tax payer's convenience in tax assessment had 58%. Tax authorities focus on helping taxpayers to file taxes by providing information needed had 72%, The paradigm reduces criminal aspects of tax evasion tax measures had 53%, Equality of tax administration services provides the largest marginal revenues in reducing tax gaps in tax enforcement measures had 61% and finally The generalization of tax administration based on financial performance is problematic to taxpayers had 56% . This implied that tax administration had a positive effect on the financial performance of Organization in Kakira sugar factory.

Conclusions

In conclusion. Based on the first objective examined the effect of tax awareness on financial performance of organization in Kakira sugar factory district (Kakira sugar factory). The study concluded that information about tax is readily available for the tax payer, business entity is aware of its tax obligation, lack of tax information affect the business tax compliance, the business entity is able to correctly calculate the tax amount payable based on available information, business entity is aware of the consequences of failing to meet tax obligation on time, the tax payer is aware about where to pay the taxes and when and the business entity is aware about the significance of paying tax.

The other objective determined the effect of Tax administration on financial performance of small business enterprises in Kakira sugar factory district (Kakira sugar factory). Findings concluded that that Tax reform reduces tax complexity in enforcement, Tax authority provides greater assistance to tax payers by creating favorable conditions for tax compliance , It improves tax payer's convenience in tax assessment, Tax authorities focus on helping taxpayers to file taxes by providing information needed, The paradigm reduces criminal aspects of tax evasion tax measures, Equality of tax administration services provides the largest marginal revenues in reducing tax gaps in tax enforcement measures and finally The generalization of tax administration based on financial performance is problematic to taxpayers.

Recommendation of the study

From the finding, it is indicated that lack of tax information affects enterprises from tax compliance. This study recommended that taxpayers should have Information about to establish tax compliance not only awareness.

From the findings it is recommended that tax administration should reduce criminal aspects of tax evasion with well know tax measures. Further, tax administration should use current tax reform to reduce tax complexity with Tax authorities should focus and help taxpayer during filing taxes returns information. However, tax authority provides greater assistance to tax payers; it should create favorable conditions for tax compliance not only tax awareness.

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