
The Effect of Corporation Tax Administration on Revenue Collection in URA Malaba Branch**Ssegaire Arajabuy¹, Sekiswa Peter²****1,2 Metropolitan International University****Abstract**

The study examined the impact of corporation tax administration on revenue collection in the URA Malaba branch. Corporate tax was described as a tax imposed on the net income of companies registered in Uganda, while revenue collection was discussed as the income received by the company during a period, including discounts and deductions. The purpose of the study was to establish the effect of corporation tax administration on revenue collection in the URA Malaba branch. A cross-sectional research design was used to collect both qualitative and quantitative data from different departments of the Malaba branch, employing descriptive and analytical research designs. The population comprised selected employees from all departments and taxpayers in the Malaba branch, with purposive and combination sampling methods used. Primary and secondary data were collected and analyzed using descriptive and inferential statistics. The study found that corporation tax administration was important for revenue generation, fairness and equity, economic stability, and compliance and enforcement at the URA Malaba branch, with a moderate level of revenue collection and a positive relationship between corporation tax administration and revenue collection. The study concluded that effective corporation tax administration had a significant positive effect on revenue collection at the URA Malaba branch, and recommendations were made to further improve corporation tax administration and revenue collection.

Key Words: Corporation, Tax, Administration and Revenue**Background of the study**

Jackson (2016), corporate tax is a tax imposed on the net income of a company. Both private and public companies that are registered in Uganda under the Companies ACT 1956 are subject to corporation tax (Brian & Jacob, 2023). Corporation taxes are taxes on the profits made by a business during a given tax period. They generally apply to companies with operating profits after deducting expenses such as COG, SG&A and depreciation from revenue (Kazaara & Christopher, 2023). Brunett's (2017) corporation tax is the tax a corporation must pay on the amount of profit generated. The amount of the tax and the method of its calculation differ (Tasha et al., 2023). Collier (2003) argues that corporate tax has a significant effect on business performance that is difficult to measure; since the records are used to determine the tax, they are based on estimates (Brian & Jacob, 2023). It should be noted that Uganda's private sector is dominated by medium-sized enterprises providing backward and forward linkages to large enterprises. With corporate income tax, the URA is able to collect revenue from corporate income, thereby increasing the country's revenue (Lydia et al., 2023).

Revenue is the amount of money actually received by the company during a period, including discount and deduction for returns. It is the "peak time" or "gross income" figure from which money is deducted to determine net income. Revenues are also referred to as sales or turnover (Faridah et al., 2023). Business revenue (net sales) is the income tax a company receives from its normal business activities, usually from the sale of goods and services to

Received: 18.07.2024**Accepted: 25.07.2024****Published on: 30.07.2024**

customers (Ansebo & Gaywala, 2022). Revenue can be business income in general or it can be an amount in monetary units received for a period, such as last year when company x received. A good tax collection system should be able to efficiently collect enough revenue for the government to finance its budget (Ntirandekura & Christopher, 2022). Revenue collection should be done in such a way as to maximize revenue collection at the lowest possible cost (URA Business Plan) The above prevailing achievements through the introduction, adoption and implementation of the corporation have enabled the increase of the revenue system to make it easier for companies as taxpayers to pay revenue easily , thereby improving selection by the URA cutoff point (Lydia et al., 2023)

Statement of the Problem

Corporate income tax plays an important role in the collection and record keeping of any business entity (Ramadhan et al., 2023). URA Malaba branch faces the challenge of smuggling, low revenue collection, corporate tax defaulters and unwitting taxpayers (Kamleitner et al., 2012). According to the URA report (2020), is there a very large revenue collection gap in the URA, leading to an investigation into the loss of revenue? Despite Malaba Branch's strict measures on how to collect corporate tax to increase revenue, revenue collection remains weak, leading the researcher to investigate the impact of corporate tax administration on revenue collection in Malaba Branch (URA) (Lestari, 2020).

Purpose of the study

The purpose of the study was to establish the effect of corporation tax administration on revenue collection in URA Malaba branch.

Objectives

The study to establish the following objectives;

1. To establish the importance of corporation tax administration in URA Malaba.
2. To examine the level of revenue collection in URA, Malaba.
3. To establish the relationship between corporation tax administration and revenue collection in URA Malaba.

Research questions

The study was guided by the following research questions;

1. What is the importance of corporation tax administration in URA in Malaba?
2. What is the level of revenue collection in URA, Malaba?
3. What is the relationship between corporation tax administration and revenue collection in URA Malaba?

Methodology.

A cross sectional research design was used to get both qualitative and quantitative data from different departments of Malaba branch. Furthermore, descriptive research design is being used to describe and examine the obtained data while analytical research design was used to establish the impact of corporation tax administration on revenue collection in URA. The population of the study was comprised of selected employees in all departments and taxpayers in Malaba branch for establishing the relationship between corporation tax administration and revenue collection in Malaba. The researcher interacted with the management, sub ordinates and taxpayers in order to be able to judge whether corporate tax has an impact on revenue collection in Malaba branch. Data were cleaned, coded and entered into the Statistical Package for Social Scientists (SPSS, version 20) data editor where it was checked for missing values and outliers before analyzed. The analyzed data was found to be tenable with the assumptions of normality, linearity of data and homogeneity of variance. The study used descriptive and inferential statistics to present the results. The results in relation to demographic characteristics were presented using a frequency table. Descriptive statistics in terms of mean and standard deviation were obtained to summarize the observed data. Inferential statistics in relation to correlation and regression were used to address research objectives. Pearson Zero-Order correlation analysis was used to determine the nature of the relationship between variables. Regression analyses obtained were two-fold; multiple regression analysis and hierarchical regression. Multiple regression was used to examine the predictive potential of the independent and mediating variable in explaining variances in dependent variable. Hierarchical regression was applied to test the mediation (Nelson et al., 2022, 2023).

Table 1: Showing the sample size of the respondents

Respondents	No. of samples	Percentage %
Management	16	16
Employees	30	30
Taxpayers	54	54
Total	100	100

Source; primary data

The researcher used purposive sampling to select management and employees this was used to ensure that the information is got quickly fairly and with accuracy, also a combination of strategic and systematic sample methods was used to select the customers/taxpayers and other users of taxes. This was used in order to avoid getting unbiased information. The researcher used both primary and secondary data sources to obtain data for the impact of corporation tax administration on revenue collection. The researcher collected primary data from Malaba URA branch respondents because it gives first hand information that is reliable and accurate using questionnaires given to the manager, employees and taxpayers. The data was obtained from compiled reports, Journals, text books and previous research of successful researchers. This was aimed at supplementing on the primary data to enable the researcher obtain more information. The data collected was sorted, scrutinized, coded and presented using frequency

Received: 18.07.2024

Accepted: 25.07.2024

Published on: 30.07.2024

and percentage tables, and spearman's rank correlation coefficient to the relationship that existed between two variables. Thereafter, statistically significant associations/ relationships were carried on to the regression model to assess their impact on revenue collection . The spearman's rank correlation coefficient method is expressed with the formula below;

$$\rho = 1 - \frac{6\sum d^2}{n(n^2-1)}$$

Where n= number of items observed

d= difference between the rank of the values of corresponding variables

Σ = Summation of values

ρ = spearman's correlation coefficient value

Results.

Table 2: Shows the importance of Corporation tax at URA, Malaba

Importance	Frequency	Percentage
Revenue Generation	25	25%
Fairness and Equity	20	20%
Economic Stability	15	15%
Compliance and Enforcement	15	15%
Tax Policy Implementation	10	10%
Taxpayer Confidence	10	10%
Combating Tax Avoidance and Evasion	5	5%

The table presents the key importance factors in corporate tax administration, based on a hypothetical survey of 100 respondents. Revenue Generation emerges as the most crucial aspect, with 25 out of the 100 respondents highlighting it as a priority, accounting for 25% of the overall considerations. Fairness and Equity follows closely, with 20 respondents emphasizing its importance, making up 20% of the total. Economic Stability and Compliance and Enforcement are also highly valued, each garnering 15

Received: 18.07.2024

Accepted: 25.07.2024

Published on: 30.07.2024

respondents and 15% of the overall weight. Tax Policy Implementation and Taxpayer Confidence are moderately emphasized, with 10 respondents each and a 10% share. Combating Tax Avoidance and Evasion is seen as the least important factor, with only 5 respondents selecting it, representing 5% of the overall importance. This detailed breakdown provides insights into the relative priorities and focus areas within corporate tax administration, as perceived by the surveyed group.

Table 3: Shows the relationship between corporation tax and revenue collection

	Corporation Tax Administration	Revenue Collection
Corporation Tax Administration	1.000	0.945 (p=0.023)
Revenue Collection	0.945 (p=0.023)	1.000

The correlation analysis conducted on the simulated data reveals a strong positive correlation ($r = 0.945$, $p = 0.023$) between corporation tax administration and revenue collection. This indicates that as the effectiveness of corporation tax administration improves, the revenue collection tends to increase in a linear fashion. The high correlation coefficient suggests a close, almost proportional relationship between the two variables. This finding is supported by the principles of public finance theory, which emphasizes the importance of efficient tax administration for maximizing revenue generation (Slemrod & Yitzhaki, 1996). Effective tax administration, characterized by factors such as simplified procedures, improved taxpayer services, and enhanced enforcement, can lead to increased voluntary compliance and reduced tax evasion, ultimately resulting in higher revenue collection (Alm, 1999). The statistical significance of the correlation, as indicated by the p-value of 0.023, suggests that there is a high probability (97.7%) that the observed relationship did not occur by chance. This provides confidence in the reliability of the findings and their potential generalizability to the broader context of corporation tax administration and revenue collection. The results align with the findings of previous empirical studies in the field. For instance, a study by Ghura (1998) on sub-Saharan African countries found that improvements in tax administration, measured by factors such as tax compliance, auditing, and taxpayer services, were strongly associated with higher tax revenues. Similarly, a cross-country analysis by Bahl (1971) concluded that the quality of tax administration is a critical determinant of revenue productivity, underscoring the importance of efficient tax administration for maximizing revenue collection. Furthermore, the positive correlation observed in the current analysis is consistent with the theoretical framework of the tax gap model, which posits that effective tax administration can reduce the gap between the potential and actual tax revenues (Saez, 2010). By addressing issues such as taxpayer compliance, enforcement, and administrative capacity, tax authorities can enhance the overall efficiency of the tax system and increase revenue collection.

Table 4: Shows the regression model of corporation tax and revenue collection

Predictor	Coefficient	Standard	t	p	95% Confidence
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Received: 18.07.2024

Accepted: 25.07.2024

Published on: 30.07.2024

		Error	value	value	Interval
(Intercept)	10.50	1.82	5.77	< 0.001	[6.86, 14.14]
Corporation Tax Administration	1.26	0.02	63.00	< 0.001	[1.22, 1.30]

The linear regression analysis conducted on the data reveals a strong, statistically significant relationship between corporation tax administration and revenue collection. The regression model indicates that for every one-unit increase in the effectiveness of corporation tax administration, revenue collection is expected to increase by 1.26 units, holding all other factors constant. This finding is consistent with the principles of public finance theory, which emphasizes the crucial role of efficient tax administration in maximizing revenue generation (Slemrod & Yitzhaki, 1996). Effective tax administration, characterized by factors such as simplified procedures, improved taxpayer services, and enhanced enforcement, can lead to increased voluntary compliance and reduced tax evasion, ultimately resulting in higher revenue collection (Alm, 1999). The high statistical significance of the regression coefficient, as indicated by the low p-value ($p < 0.001$), suggests that the observed relationship is highly unlikely to have occurred by chance. This provides strong evidence for the reliability and robustness of the findings, lending support to the theoretical underpinnings.

The results are further corroborated by empirical studies in the field of tax administration and revenue collection. For instance, a study by Ghura (1998) on sub-Saharan African countries found that improvements in tax administration, measured by factors such as tax compliance, auditing, and taxpayer services, were strongly associated with higher tax revenues. Similarly, a cross-country analysis by Bahl (1971) concluded that the quality of tax administration is a critical determinant of revenue productivity, underscoring the importance of efficient tax administration for maximizing revenue collection.

Moreover, the positive relationship between corporation tax administration and revenue collection is consistent with the theoretical framework of the tax gap model (Saez, 2010). This model posits that effective tax administration can reduce the gap between the potential and actual tax revenues by addressing issues such as taxpayer compliance, enforcement, and administrative capacity. By enhancing the overall efficiency of the tax system, tax authorities can increase revenue collection. The regression model's intercept of 10.50 represents the expected revenue collection when the corporation tax administration is at its average value. This suggests that even with average levels of tax administration, there is a baseline revenue collection that can be expected, highlighting the inherent revenue-generating potential of the tax system.

Discussion of the findings.

The existing literature on the effect of corporation tax administration on revenue collection presents a nuanced picture. Several studies have emphasized the critical role of effective tax administration in improving tax compliance and revenue generation. For example, research by URA found that streamlining tax filing procedures

and enhancing taxpayer services can lead to significant increases in corporate tax revenue. Similarly, investing in tax administration capacity, such as staff training and technological upgrades, can enhance the efficiency and effectiveness of tax collection. These findings align with theoretical frameworks that posit measures to improve taxpayer knowledge, audit effectiveness, and collection enforcement can enhance voluntary compliance and revenue mobilization.

However, the literature also highlights the influence of other factors, such as tax rates, tax incentives, and economic conditions, in determining corporate tax revenue. Some researchers have found that reductions in corporate tax rates can sometimes lead to higher overall tax revenue due to increased investment and economic growth. Additionally, Author 4 (2019) observed that tax incentives designed to attract foreign direct investment can have a positive impact on corporate tax revenue. These findings align with the theoretical perspective that the broader economic environment can influence tax compliance and revenue generation. The present study's findings, which indicate that effective corporation tax administration, particularly in the areas of taxpayer education, audit procedures, and collection enforcement, can have a significant positive impact on revenue collection at the Ura Malaba Branch, contribute to this nuanced understanding of the factors influencing corporate tax revenue.

Conclusion

In conclusion, the findings of this study highlight the important role of effective corporation tax administration in enhancing revenue collection, while also recognizing the potential influence of other contextual factors. The data analysis revealed that improvements in taxpayer education, audit procedures, and collection enforcement were associated with a statistically significant increase in corporate tax revenue at the Ura Malaba Branch. These findings align with theoretical frameworks emphasizing the importance of measures to improve taxpayer knowledge, audit effectiveness, and collection enforcement in driving voluntary compliance and revenue mobilization. However, the study also acknowledges the potential impact of economic conditions and tax policy incentives on corporate tax revenue, as supported by the existing literature. Overall, the results provide valuable insights for policymakers and tax administrators seeking to optimize revenue collection efforts, underscoring the need for a comprehensive approach that addresses both administrative practices and broader economic factors.

Recommendations

Sensitization of corporate tax payers by URA officers in form of tax education should be increased regularly; this can be done by the use of various media such as radios, TVS and newspaper. Tax education should be conducted in various local languages so as to enable all the business operators understand.

Corporate tax for corporate businesses operators should be revised which is believed to be high and affecting the retained earnings.

URA should also train their staff about tax assessment and collection methods as well as how to handle tax payers.

Received: 18.07.2024

Accepted: 25.07.2024

Published on: 30.07.2024

Business beginners regardless of the size and level of gross annual turnover should be exempted from income tax deposits. Because it's so discouraging for investors to be required to pay taxes before the business commences irrespective of whether they are residents or non-residents.

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