

**APPLICATION OF E TAX SYSTEM AND EFFICIENCY IN TAX ADMINISTRATION
A CASE STUDY OF UGANDA REVENUE AUTHORITY**

BY

UMAR IDRIS AHMED

BBA/40399/132 /DF

**RESEARCH REPORT SUBMITTED TO THE DEPARTMENT OF BUSINESS ADMINISTRATION
STUDIES, IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD
OF BACHELORS OF BUSINESS ADMINISTRATION STUDIES
OF THE KAMPALA INTERNATIONAL
UNIVERSITY**

MAY, 2015

DECLARATION

I declare to the best of my knowledge that this Research is original and it has not been presented in any higher institution for any academic award.

Signature.....

Date.....

APPROVAL

This is to certify that this research was carried out by Umar Idriss Ahmed under my research supervision. It is now ready to be submitted to the department of Business administration studies, faculty of management studies with approval of my university supervisor in partial fulfilment for the award of Bachelors of Business administration studies

SUPERVISOR

JOHN BAPTIST BALIRUNO

Signature:-.....

Date:-.....

DEDICATION

I dedicate this research to my beloved parent, my father Mal. Idriss Abubakar (Treasurer) My Mother Hajiya Fatsuma Ahmed Accama, My Aunties Hajiya (Dr) Laraba Ahmed Accama, Hauwa Ahmed Accama, And My Uncle, Alhaji Abubakar Ahmed Accama, for having enabled me reach this level that I'm in now through the grace of Almighty Allah, I will also like to dedicate it to my beloved Uncle Alhaji Ahmadu Bomo for having contribution to my tuition and health wise. May the Almighty Allah bless them all and continue to give them along and healthy life so that they live to see my success.

ACKNOWLEDGEMENT

I owe, my gratitude to all those who financially and psychologically helped me in conducting my studies, ALHAJI IBRAHIM BOMOI, Which always contribute to my tuition and Special appreciation goes to all the lecturers in the Collage Of Economic and Management, For Imparting Professionalism In to Work, Thanks a Great deal.

I can, not fail to acknowledge my dear parents. Mal. Idriss Abubakar (Treasurer), Hajiya Fatsuma Ahmed Accama, For their prayers and great Contribution In my academic carrier, not forgetting my brothers and sisters Muhammad Idriss Abubakar, Abubakar Idriss Abubakar, Aisha Idriss Abubakar, Mariyam Idriss Abubakar, Nusaiba Idriss Abubakar, Aisha Usman Bello, Ummi Usman Bello, Amina Usman Bello, Fatima Umar (Teemah), Usman Idriss Abubakar, Ahmed Idriss Abubakar, Sani Idriss Abubakar, Muhammed Idriss Sadiq, Mohammed Mohammed Bomoi, Abdullahi Mohammed Bomoi, Adamu Mohammed Bomoi, Mohammed Alkali Accama.

Special Thanks owned to my dear Friends, Bashir Muhammed Gambo (Goske), Muhammed Bulama (Mugu), Usaman A Ibrahim (Data), Abdulhamid Auwal (Usher), Muhammad A Balde (Danlikita), Muhammad Idriss (Criminal), Rufa'i Ibrahim Usman (Barde), For their spiritual and Moral Encouragement in the accomplishment of my Studies.

Finally I greatly appreciate all my respondents for their great contribution towards the accomplishment of this Work. May Allah Reward You Abundantly, Ameen.

ABBREVIATIONS AND ACRONYMS

DFID	British Department for International Development
DTD	Domestic Taxes Department of the Uganda Revenue Authority
E Tax System	Electronic Tax system
ITA	Income Tax Act (1997)
PAYE	Pay as you earn
PRS	Payment Registration Slip
TIN	Tax Identification Number
The Commissioner	Commissioner General of Uganda Revenue Authority
URA /	Uganda Revenue Authority
VAT	Value Added Tax

ABSTRACT -

The purpose of the study was to establish whether the introduction of the E Tax system in Uganda enhanced the performance of the URA in relation to efficiency in tax administration following several claims of lack of transparency, inadequate education on tax matters and corruption in the assessment of taxes.

The study objectives involved evaluating application of the E Tax system in Uganda, evaluating the efficiency of tax administration in Uganda and to establish the relationship between E Tax system and efficiency in tax administration in Uganda.

The research was done by employing correlational and cross sectional research designs on a survey population that generally included finance officers who handle tax matters in different companies within Kampala district. These officers were arrived at using the purposive sampling method while the simple random sampling technique was used to select the various companies where the officers work. Data was collected from existing literature and by use of questionnaires. The data was measured using The Likert Scale and analyzed using SPSS Data Analysis program.

The problem investigated was to do with challenges faced in efficient administration of taxes in Uganda and whether introduction of the E Tax system has brought about any improvements therein.

Findings showed that there is general education about E Tax matters and the system is being used in areas where it is in effect despite its increase in the cost of compliance and low connectivity speed of internet; record keeping by Ugandan firms for purposes of tax assessment is insufficient, the public is not well educated regarding general tax matters and processes in the URA regarding tax exemptions are not very open.

Recommendations basing on findings are that the authority takes measures to roll out the E Tax system to the rest of the country; there is need for additional education of the masses about general tax procedures besides E Tax.

TABLE OF CONTENTS

DECLARATION	i
APPROVAL.....	ii
DEDICATION	iii
ACKNOWLEDGEMENT	iv
ABBREVIATIONS AND ACRONYMS	v
ABSTRACT.....	vi
TABLE OF CONTENTS.....	vii
LIST OF TABLES.....	xi
CHAPTER ONE	1
1.0 Introduction.....	1
1.1 Background to the Study.....	1
1.2 Statement of the Problem.....	3
1.3 Purpose of the Study	3
1.4 Objectives of the Study	3
1.5 Research Questions	4
1.6 Scope of the Study	4
1.7 Significance of the Study	4
CHAPTER TWO	6
LITERATURE REVIEW.....	6
2.0 Introduction.....	6
2.1 Application of E Tax.....	6

2.2	Tax Administration.....	9
2.3	Relationship between Application of E Tax and Efficiency in Tax Administration.....	16
CHAPTER THREE		18
METHODOLOGY.....		18
3.0	Research Strategy and Design.....	18
3.1	Survey Population	18
3.2	Sample Size and Sampling Method	18
3.3	Data Collection	18
3.4	Measurement of Data	19
3.5	Presentation and Analysis of Data	19
3.6	Limitations of the Study.....	20
CHAPTER FOUR.....		21
PRESENTATION, ANALYSIS AND DISCUSSION OF RESEARCH FINDINGS		21
4.0	Introduction.....	21
4.1	Presentation of Findings on gender of the respondents	21
4.1.1	Findings on age bracket of the respondents	21
4.1.2	Findings on the qualification level of the respondents	22
4.1.3	Findings on the period of employment in the current position	22
4.2	Application of E Tax System	23
4.2.1	URA staff and taxpayers are trained and educated on E tax matters.....	23
4.2.2	As a registered taxpayer I file returns using E tax system	23
4.2.3	I pay taxes using the E tax system as a registered taxpayer.....	24
4.2.4	Banks are enhancing E Tax application for me as a taxpayer	24

4.2.5 There is a negative effect of power interruptions and low connectivity speed of internet on the application of E tax	25
4.3 Efficiency in Tax Administration	25
4.3.1 Record/book keeping in Ugandan firms is sufficient enough for adequate assessment of income	25
4.3.2 Taxpayers and tax officials are well educated regarding tax matters	26
4.3.3 The organizational structure of the URA is sufficient enough for effective administration of taxes in Uganda.....	27
4.3.4 The current tax structure enables URA to assess business in rural areas	27
4.3.5 URA should take measures towards assessing taxes in rural areas	28
4.3.6 Uganda's current tax structure allows for adequate collection of taxes	28
4.3.7 Processes of tax administration in URA are open enough and they give the public confidence in the system's propriety and credibility.	29
4.3.8 There is transparency in procedures followed when awarding tax holidays and exemptions to organizations	30
4.3.9 All exempt organizations are suitable for exemption	30
4.3.10 If not, do you agree or disagree that more than 50% exempt organizations deserve it	31
4.4 Application of E Tax and Efficiency in Tax Administration.....	32
4.4.1 E tax is internet based and considering that not all businesses have internet services in their office premises it may lead to an increased in the cost of tax compliance.	32
4.4.2 The E Taxbeinga24-Hour service has improved my ability to file returns on time.....	32
4.4.3 Procedures in E Tax system require that I keep proper record of business transactions for easier assessment of returns	33
4.4.4 E Tax has increased compliance due to reduced bureaucracies at URA offices	33
4.4.5 Application of E Tax has enabled URA handle more taxpayers in a given period compared to previous systems	34

4.4.6 The E Tax has led to improved transparency in administration of taxes.....	34
4.5 Correlation between Application of E Tax System and efficiency in Tax Administration ...	35
 CHAPTER FIVE.....	36
SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS	36
5.0 Introduction.....	36
5.1 Summary of Research Findings	36
5.2 Conclusion	38
5.3 Recommendations	38
5.4 Areas for further research	39
REFERENCE TEXTS:.....	40

LIST OF TABLES

Table 4.1 : Showing finding on gender of the respondents	21
Table 4.2 : Showing findings on the age bracket	21
Table 4.3: Showing findings on the qualification of the respondents.....	22
Table 4.4 : Showing findings on period of employment in current position	22
Table 4.5 : Showing findings on training and education of URA staff and taxpayers on E Tax matters 23	
Table 4.6 : Showing findings on filing returns using E tax system	23
Table 4.7 : Showing findings on payment of tax using E tax system	24
Table 4.8 : Showing findings on if banks enhanced E tax application	24
Table 4.9 : Showing findings on power interruptions and low connectivity of internet on E tax application	25
Table 4.10 : Showing findings on whether record/book keeping in Ugandan firms is sufficient enough for adequate assessment of income.....	25
Table 4.11 showing findings on education of tax payers and tax officials on tax matters	26
Table 4.12: Showing findings on whether the organizational structure of the URA is sufficient enough for effective administration	27
Table 4.13 : Showing findings on whether the current tax structure enables URA to assess businesses in rural areas	27
Table 4.14 : Showing findings on whether URA should take measures towards assessing taxes in rural areas.....	28
Table 4.15 :Showing findings on whether Uganda’s current tax structure allows for adequate collection of taxes	28
Table 4.16 showing findings on whether processes of tax administration in URA were open enough and they gave the public confidence in the system’s propriety and credibility	29

Table 4.17 : Showing findings on whether there was transparency in procedures followed when awarding tax holidays and exemptions to organizations	30
Table 4.18 showing findings on if all exempt organizations were suitable forexemption	30
Table 4.19: Showing findings on if 50% of the exempt organizations deserve it	31
Table 4.20 : Showing findings on whether E tax being internet based and considering that not all businesses have internet services in their office premises has led to an increase in the cost of tax compliance	32
Table 4.21 : Showing findings on whether the E tax being a 24-hour service had improved the ability to file returns on time	32
Table 4.22 showing findings on whether procedures in E Tax system required that respondents keep proper record of business transactions for easier assessment of returns	33
Table 4.23 showing findings on E Tax has increased compliance due to reduced bureaucracies at URA offices	33
Table 4.24 : Showing findings on if application of E tax had enabled URA handle more taxpayers in a given period compared to previous systems	34
Table 4.25 showing findings on if the E tax had led to improved transparency in administration of taxes	34
Table 4.26 Correlation	35

CHAPTER ONE

1.0 Introduction

Tax administration in Uganda has for several years been associated with inadequate ways and means of tax assessment and collection owing to factors like corruption and too many bureaucracies at tax administration offices. In 2009, the Uganda Revenue Authority introduced a new system, the E Tax system with the aim of giving taxpayers easier and faster access to services as well as reducing bureaucracies at the URA offices. This research study was done to investigate whether indeed introduction and application of the new system has had any impact on procedures of tax administration in Uganda.

1.1 Background to the Study

The Ugandan tax administration began soon after the downfall of the Idi Amin regime in 1980. Over the next ten years at least two government commissions and three consultancy studies dealt with the problem of tax administration in the face of increasing fiscal problems (Republic of Uganda 1983; Ministry of Finance 1989; Republic of Uganda 1990; CLD 1991). Together these reports describe “the decline of a previously highly regarded Ugandan civil service into a sorry state of inefficiency, irresponsibility, indiscipline and corruption” (Therkildsen 2004, p. 68).

The reports identified four main causes of poor tax administration as lack of taxpaying culture among taxpayers, low wage levels, poor working conditions and little encouragement for staff to exercise initiative as well as low probability of detection and punishment for corruption. (Odd-Helge Fjeldstad, 2005).

The Nations Encyclopedia (2007) notes that “The Uganda Revenue Authority (URA) was established to address the priority of improving government tax-collecting abilities” and that despite the improvement in methods of tax administration, URA is still faced with challenges in collecting taxes “it is claimed that almost immediately after the creation of the URA its officials were involved in the major embezzlement of the funds it was set up to collect. In addition,

throughout the government departments in 1997-98, US\$120 million in tax revenue and government spending was unaccounted for.”

Furthermore Fjeldstad (2005) indicates that “URA has failed to meet its targets and revenue has dropped as a percentage of GDP amid accusations of increasing corruption. An evaluation commissioned by the British Department for International Development (DFID) points to the continued public perception of a high level of corruption, reflected in the widespread availability of “duty free” goods on local markets and arrests of senior URA officers. In March 2000 President Yoweri Museveni is reported to have called the URA “a den of thieves”. Likewise, in March 2003 the former Commissioner General of the URA, Annebritt Aslund, listed corruption as “problem number one” in the organization.” (Odd H. Fjeldstad, 2005). “The Justice Julia Sebutinde inquiry that launched investigations into corruption at the Uganda Revenue Authority (URA) unearthed gross violations of tax rules, including connivance of public officials with taxpayers leading to the loss of billions of shillings to the state (David Kaiza, 23 February 2004, The East African).

In a bid to reduce the above challenges and risks and improve efficiency in collection of taxes, URA introduced the “e-tax initiative”, “which was developed by the DTD way back in 2003. The major objective of this project was to improve service delivery in Domestic Taxes and URA in general through the modernization of systems, processes and people.” “*E Tax* is an Information System for the management of all domestic taxes and duties, including but not limited to Income Tax, Value added Tax, Withholding Tax, Pay-As-You-Earn (PAYE) and Excise duties. This software which is web-enabled has modules for effecting and monitoring key activities of tax administration such as registration, de-registration, assessment, taxpayer accounts, audit, compliance, objections and appeals, incorporating international best practice and security features. Online services such as e-Registration, e>Returns, e-Payments, and electronic tax calculation have been developed in *E Tax* (Ssegane, 2009).

1.2 Statement of the Problem

Tax administration over the past years has been done amidst several challenges. Odd H. Fjelsdtad (2005) notes that “Despite quite comprehensive changes in the tax structure (rates and bases) in recent years, the tax system in Uganda is still complicated and non-transparent”. He adds that “Tax legislation is unclear and causes random and partly ad hoc collection procedures”. Fjelsdtad(2005) further notes that “it is not surprising that taxation takes place in an atmosphere of distrust and fear between taxpayers and revenue officers. Thus, the government’s credible commitment about the use of tax revenues and its procedures to design and implement tax policy non-arbitrarily are crucial to regain legitimacy. The credibility or trustworthiness of the revenue administration’s sanctions against tax defaulters is also important in this context”.

1.3 Purpose of the Study

The purpose of this study was to establish whether the introduction of the E Tax system has improved performance of the URA as far as efficiency in tax administration is concerned following several claims of lack of transparency, inadequate education on tax matters and corruption in the assessment of taxes and mismanagement of funds collected by the tax authority using the ‘old’ / manual system of tax administration.

1.4 Objectives of the Study

1. Evaluating application of the E Tax system in Uganda
2. Evaluating the efficiency of tax administration in Uganda
3. To establish the relationship between E Tax system and efficiency in tax administration in Uganda.

1.5 Research Questions

1. How is the E Tax system applied in administration of taxes in Uganda?
2. What systems are in place to ensure efficiency in administration of taxes in Uganda?
3. How has the introduction of the E Tax system enhanced efficiency in tax administration in Uganda?

1.6 Scope of the Study

Subject scope:

This study focused on application of the E Tax system of tax administration and on structures and processes that lead to efficiency of tax administration.

In the application of the E Tax system, registered taxpayers interface with the authority through the internet and they can file and register payments of taxes – particularly domestic taxes – online. This study also will cover procedures in tax administration, including assessment and collection of taxes; it will also focus on other factors that influence efficiency in tax administration.

Geographic scope:

The study was done among taxpaying companies in Kampala City, which accounts for a great portion of domestic taxes collected.

1.7 Significance of the Study

The study brings to light details of the manual system of tax administration as well as those of the E Tax system; giving the merits and demerits of both systems. As such, taxpayers will benefit from this study because it gives details of why the revenue authority opted for modern technology to administer taxes and not the manual system hence grasp it wholeheartedly.

The Uganda Revenue Authority will benefit from the study, as details of why it opted for modern technology to administer taxes have been brought to light for the taxpayers causing the taxpayers to cooperate more hence comply with the authorities requirements.

The Government of Uganda largely will benefit from this study, as more taxpayers will be drawn to complying with the new system of tax administration, hence more taxes will be collected at a lower cost.

Students of taxation will benefit from the study by having more knowledge about the current process involved in tax administration in comparison with the manual process.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The Uganda Revenue Authority, a government parastatal formed by Act of Parliament in September 1991 with the mandate to administer taxes in Uganda has, since its inception undergone several structural changes in an effort to improve the management of taxes in the country. This ranges from a complete change in the organizational structure (headed by the Commissioner for Income Tax in the Ministry of Finance in the pre-URA era), to a series of restructuring of the authority over the years (Bahemuka, 2006) as well as introduction of computerized tax administration systems in an effort to improve efficiency in tax administration. Regardless of the structural and procedural changes that have taken place in the tax authority, it still continues to face challenges in its mandate in the administration of taxes.

2.1 Application of E Tax

This subsection primarily talks about the procedures followed in the E Tax system, the format of its portal and factors that affect applicability of the system.

2.1.1 E Tax Definition

A publication by the URA (*e-Registration, 2010*) introduces E Tax as a name given to an Integrated Tax Administration System (ITAS) that provides online services to the taxpayer on a 24 hour basis. The Stride Magazine (URA, 2009) reveals that the system was acquired by the Domestic Taxes Department (DTD) of the URA to modernize tax service and infrastructure, with the aim of reducing tax administrative and compliance costs, which is in concurrence with Tumuhimbise (2000) who recognizes low costs of compliance as an essential principle for tax administration.

2.1.2 Structure/Format of the Web Portal and E Tax Application

URA publication on Frequently Asked Questions (FY: 2010-2011) reveals that the web portal (ura.go.ug) has been built to be viewed on Internet Explorer and returns are filed using a

template based on Microsoft Excel (Excel). Being internet based and as indicated in *e-Registration* (URA, 2010), it is a 24 hour application. All procedures to do with filing of domestic taxes and monitoring their progress are handled by the E Tax system.

2.1.3 Transparency in E Tax Application

The structure of the system allows users to openly interface with the URA considering that procedures to be followed are all given on the web portal. As stressed by Satish & Clive (1996) transparency is essential for an effective tax administration system and the ITAS, The Stride Magazine confirms, will provide an effective and transparent system across the domestic tax regimes, adding that it will include, among others tax registration and return processing.

2.1.4 Procedures in E Tax Application

Procedures include registration for online service access, filing returns, registration for payment of taxes due as well as follow up of any matters relating to returns filed.

2.1.4.1 Registration

For a taxpayer to be able to use the E Tax, The Income Tax (Amendment) No.2 Act S.158A requires that a taxpayer is registered as a user of a computerized system. The Stride (URA, 2009) reveals that registration is the very first interface between the taxpayer and the URA. *e-Registration* (URA, 2010) notes that registration starts with an application to register for a Tax Identification Number (TIN) (a unique number assigned to every taxpayer registered by the URA). Under E Tax, The Stride (2009) reveals, a taxpayer is able to register for all tax types.

2.1.4.2 Filing Returns in E Tax Application

E-Filing (URA) reveals that introduction of electronic filing in E Tax facilitates the taxpayer to fulfill the obligation of submitting taxes they have registered for. In this process, it adds, the taxpayer obtains a return from the web portal (<http://ura.go.ug>), saves the template on any storage device and takes time to file the return whereafter the return is validated before it is uploaded onto the web portal. Validation, according to the e-filing instructions, helps a taxpayer correct all possible errors. If successful, an auto-generated e-acknowledgement receipt is

received by the taxpayer as evidence of submission. If, according to e-Filing (URA, 2010), it is on the contrary and the system detects and errors in the return, the taxpayer is given chance to amend the errors when they are issued a Return Modified Advise Notice.

E-filing (URA, 2010), observes that the filing process has been separated from payment, thus ensuring confidentiality of data. The taxpayer can also submit the return at any time convenient for them though it should be before the due date for filing the return.

2.1.4.3 Payment of Taxes in E Tax Application

FAQs (URA, FY: 2010-2011, Issue 2) reveals that payment of taxes can be done via the web portal through the “payment registration link”. In this process according to FAQs (URA, FY:2010-2011), a taxpayer is required to fill in their details including amount to be paid, tax type, preferred bank and method of payment among others. The system automatically generates a payment registration slip (PRS) with the details entered, which slip is printed and used for effecting payment at the bank. FAQs (URA, 2010), however, notes that some tax types may require a TIN on the PRS before the PRS can be generated.

FAQs further reveals that on effecting payment at the bank, the taxpayer does not have to go to URA (to submit their documents) because the bank sends reconciliation reports to the authority and the taxpayers account is automatically updated before a receipt acknowledging payment is sent to the taxpayer’s web portal account and copied to their email address.

2.1.5 The Law and E Tax Application

The Income Tax (Amendment) Act (1997) requires that a taxpayer is registered for computerized services before they can use the system. The Information Communication Technology (ICT) Law, however, has not yet been enacted according to FAQs (URA, FY: 2010-2011); the law though, it says, is being developed and awaiting the President’s assent.

E-Filing (URA, 2010) notes that due to the absence of a law governing electronic transactions, all returns and application forms submitted online have to be printed, signed and delivered to the nearest URA offices within ten (10) days of filing to confirm fulfillment of the taxpayer’s filing obligation.

2.2 Tax Administration

“The aim of any tax administration is to promote voluntary compliance by creating a reasonable possibility that non-compliance will be detected and suitable penalties applied” (Uganda Revenue Authority, *Towards VAT, February 1994*) The URA discusses in its paper *Towards VAT (1994)* that to achieve a sufficiently high level of collection efficiency in tax administration, a responsible tax paying culture should be created. There should be paper based transactions at all levels, tax payers and tax collectors should be educated, sophisticated Information Technology is needed as well as adequate resources. Furthermore, adequate physical controls for example for exports, effective administrative support, strong legislation and political support are necessary. According to Kauju (The New Vision, 8 March, 2011), some of the issues mentioned have been addressed, and others are being attended to while some are still a problem.

2.2.1 Definition of Tax Administration

Tax administration involves structural organization of the tax authority (Okello, 2006).

2.2.2 Organizational Structure of the URA

Before the formation of the URA in 1991, tax administration was the responsibility of the Department of Income Tax in the Ministry of Finance. The department was headed by the Commissioner for Income Tax and the Commissioner was deputized by The Chief Assessor and The Chief Collector; each of whom had assistants in different administrative regions of the country like Mbale, Jinja, Masaka, Mbarara and Gulu (Bahemuka, 2006).

On the creation of the URA, Bahemuka (2006) notes that a number of structural changes took place at the authority and Peter Kauju (The New Vision 8 March, 2011) reports that the authority has undergone structural changes with the aim of improving service delivery and increase collections.

Prior to 2004, the authority was governed by a Board of Directors, which comprised a Chairman appointed by the Minister, the Commissioner General of the Authority a representative from Ministry of Finance, Ministry of Trade and Industry and Uganda Manufacturers' Association as

well as two representatives appointed by the Minister. The Commissioner General was in charge of the daily operations of the authority and was assisted by officers appointed by the Board. These included two Deputy Commissioner Generals – one in charge of Administration and one in charge of Revenue; the Secretary to the Board, Commissioners for Finance and Administration, Internal Revenue, Customs and Excise, Internal Audit and Tax Investigation, Large Taxpayers and Research and Development. This structure indeed served to improve performance compared to the previous set up, as Kaujju reported in the New Vision of 8th March, 2011, increments in taxes collected since Financial Year 1990/1991 when the URA was created. However, the authority is still wanting structurally, for instance considering the Ministerial appointments to the Board, a minister may choose to appoint individuals who will serve few individuals' interests and not the whole country, much as the individuals appointed to the Board had to have knowledge and experience on tax matters. This even is more delicate because as Bahemuka (2006) notes, the minister has overriding powers over the Board.

Richard M. Bird (1992) suggests that an appropriate organizational structure is necessary for effective tax administration. To concur with Bird's view, the authority underwent restructuring which was concluded in 2004 and as Kaujju reports in the New Vision of 8th March, 2011, the restructuring "led to the merging of some departments from eleven to five and the number of employees also dropped to about 1,800 from slightly over 2,200 all in quest of efficiency". Furthermore, as Bird (1992) agrees with the effect of the structure on efficiency in tax administration, Kaujju (New Vision 8 March, 2011) reports that since 2004 the URA has been performing above forecast as a result of administration efficiency among others. It is worth noting though that much as there have been structural changes over the years in as far as tax administration in Uganda is concerned and indeed there have been improvements in the performance of the same the URA still has some challenges to overcome:

The current structure mainly serves in favor of taxpayers whose businesses are located in urban areas, hence potential tax payers in rural areas are left out – a leakage in revenue for the government. The authority therefore needs to work towards a structure that will allow it to access those potential payers at a minimum cost.

2.2.3 Procedures in Tax Administration

Bahemuka (2006) looks at two factors as functions of tax administration that is assessment and collection of taxes due.

Before the URA was formed, assessment and collection of taxes was managed by the Chief Assessor and Chief Collector respectively, who each had assistants in the different administrative districts of the country. According to Bahemuka (2006), it was the duty of the Chief Assessor to issue tax returns, receive and examine completed returns and prepare and issue notices of assessments, showing tax payable. The Chief Collector, on the other hand, was to collect tax due and account for it. Having individuals separately in charge of assessment and collection was fair enough to ensure that funds collected were not misused or stolen. However, the workforce was not adequate enough to perform effectively the procedures in question. This was contrary to Bird (1996) who emphasizes the need for an appropriate organizational structure if a system of tax administration is to be efficient at all. On the other hand, Okello (2006) fears the tax officials could collude with taxpayers to falsify records submitted.

2.2.4 Introduction of Tax identification Numbers

Upon the establishment of the URA, tax identification numbers (TIN) were introduced, with the aim of the URA knowing the income and business transactions of a taxpayer. As a matter of fact, the Income Tax Act (1997) S. 135 (2) requires that a taxpayer shows the TIN in any return, notice or document used.

2.2.5 Required Documentation for Tax Assessments

Okello (2006) observes that the Income Tax Decree of 1974 assumed that all businesses can keep proper books of accounts from which taxable income can be deduced. A URA discussion paper of 1994 also recommended that a minimum number of records be kept by the tax payer in, for instance, administration of a tax like VAT. Some of these records include annual accounts, sales and purchase invoices serially numbered. However, not all registered and potential taxpayers practice that kind of record keeping as Okello (2006) laments that many companies do not keep proper books of accounts much as it is the basis used to assess taxpayers' income hence

determine taxes payable. The resultant here is that URA has wrong information, if any is available, such that the taxpayer is either over taxed or undertaxed.

2.2.6 Modes of assessment

Taxpayers are permitted to furnish returns of income for a period of income to the Commissioner. In such a situation and according to the Income Tax Act 1997 S. 95 (1) (2), the Commissioner is deemed to have made an assessment of chargeable income of the taxpayer as well as taxes payable. This return is treated as a notice of assessment served on the taxpayer by the Commissioner. A major shortfall here is that the taxpayer may falsify information given in the assessment and much as the ITA provides for penalties in case of false or misleading information, Income Tax Act (1997) S. 153 and Bahemuka (2006) too note that the Commissioner can ignore the self-assessment and raise an estimated assessment with reasons, Okello (2006) on the other hand believes that taxpayers may collude with tax officials to falsify records submitted to the authority.

2.2.7 Transparency of Tax Administration

Transparency in a tax system is “reflected in terms of completeness and quality of information available to the public and decision makers in tax administration, especially in regard to the nature, magnitude and consequences of tax evasion and non-compliance (Satish & Clive, 1996).

Quality and completeness of information available to decision makers in the tax administration leads to internal transparency, while external transparency on the other hand refers to information available to the general public. Satish & Clive (1996) emphasize the importance of both types of transparency for a tax system to be efficient. They lay importance on openness in processes that enhance interaction and feedback between administration and the public, asserting that it gives checks and balances, besides giving the public confidence in the system’s propriety and credibility.

Increased transparency and accountability in government processes goes a long way in depoliticizing public administration, and it secures consensus from the public on implementation of economic policies and programs; it also limits political and administrative discretion hence

corruption in the mobilization and allocation of resources. The duo explains that in Sub-Saharan Africa, transparency in tax administration increases pressure on politically influential and financially capable taxpayers to meet their tax liabilities, arguing that when other tax payers see the former improving in tax compliance then they too are increasingly willing to comply hence reducing chances of corruption in revenue services.

2.2.7.1 Tax Education as a Tool for Transparency

Tumuhimbise (2000) and Bhatia (2006) stress the need for taxpayers to understand matters about taxation and taxes easily. The case in Uganda has not been so, with Kaujju (The New Vision March 8, 2011) reporting that lack of information amongst the public regarding tax matters is the biggest challenges faced by the tax authority in some of the processes of tax administration. To this effect, the authority has put in place tax days, where it takes an opportunity to interact with the public, giving them more information about tax matters, thereby increasing transparency levels by the URA.

Considering tax regimes that preceded the current URA, modes of operation all suggest lack of transparency in the way tax related transactions were conducted, more so before TINs were introduced. This lack of transparency is contrary to the expectations of Satish & Clive (1996) that an efficient tax system is facilitated by transparency in tax administration.

Currently, looking at policies regarding tax exemptions and tax holiday and who qualifies for them, some taxpayers are not well-informed as to how these exemptions / holidays are reached and who qualifies for them. Actually Okello(2006) notes with concern that there are many tax exemptions in the Income Tax Act, with most of the exempt persons being the rich who can actually pay the tax. This only results in reduction of collection levels.

The URA, in a bid to improve transparency, has put in place a modernization plan to improve services in the domestic tax area, customs, integrity, communication and taxpayer education areas among others as reported by Kaujju (The New Vision, March 8, 2011) – a positive step towards increased transparency. Much as Satish & Clive (1996) believe that enhancing transparency of tax administration through better compliance and enforcement improves revenue

performance the URA is faced with challenges of smuggling while others fail to remit their tax returns for VAT and PAYE voluntarily as reported by Kauju (The New Vision 8 March, 2011). This, the report explains, is regardless of the fact that there are some people who have complied because initially they were not informed.

2.2.8 Administrative Capacity of the Tax Authority and Efficiency in Tax Administration

A weak administrative capacity of the tax authority – central or local – leads to low collection of taxes (Satish & Clive, 1996). This situation is worsened if taxpayers have no accounting systems because accounts cannot be verified, a notion agreed to by Okello (2006). Satish & Clive note that 80% of 10,000 businesses in a country like Madagascar are taxed on presumptive basis which may lead to underestimation of income; however, Okello (2006) observes that the Income Tax Decree of 1974 assumed that all businesses can keep proper books of accounts from which taxes can be deduced. This was a problem for the tax authorities as small taxpayers could not keep full / proper accounting records. Consequently, the presumptive tax was introduced in the Income Tax Act 1997 (S. 4) for administrative convenience. In Uganda currently, many businesses in the formal sector are making an effort to have proper accounting systems in place, but some tax payers do manipulate this system so as to have less income reflected, thus reduced taxes payable.

2.2.9 Tax Structure and Efficiency in Tax Administration

Bhatia (2006) considers a tax structure as a set of all taxes and their rate schedules; the tax system chooses and adheres to certain principles. Bhatia (2006) believes that a good tax system is designed basing on an appropriate set of principles like equality and certainty, where he argues that the rich should pay more taxes. Indeed Tumuhimbise (2000) concurs with him, noting that good tax principles should include simplicity and equity.

A tax structure, Bhatia (2006) asserts, is associated with the makeup of a country's economy and should be approved by the legislature. Bhatia (2006) laments that in some cases theory and practice of tax structure and policy may vary with each other, therefore taxes should be designed in a way that reduces negative effects and strengthens positive effects.

Bhatia (2006) introduces the single and multiple tax systems: the single tax system comprises one tax type and was advocated for in the past, he argues that this was because of “poor understanding of working of a complex modern economy”. He notes, among other issues, that a single tax system may not yield adequate revenue to meet a government’s needs hence may not help the economy in achieving its objectives of growth.

In his book *Public Finance* Bhatia (2006) proposes that any modern economy should take on the multiple tax system because income for a modern economy originates from many sources; it permits equitable distribution of income and wealth and some taxes promote regional growth. Satish & Clive (1996), however, argue that a tax system should not be very complicated as its administration may become difficult while Okello (2006), on the other hand, argues that a structure like Uganda’s with a number of tax exemptions, more so being applicable to organisations which can pay the taxes, create a kind of inequity amongst the taxpayers; Tumuhimbise (2000) further points out that much as there was an increasing trend of increase in revenue collection in the early 1990’s, investments licensed by the Uganda Investment Authority during the first half of the decade affected collections because of tax holidays and concessions. He is of the view that income on profits and capital gains as well as domestic goods and services are popular taxable areas, hence concretized policies to tax both personal and corporate income and consumption taxes are worth pursuing. Tumuhimbise (2000) adds that Uganda has concentrated tax efforts in the area of taxes on international trade and transactions, a pattern proposing export taxes and high levels of imports or high tariffs on low volumes of imports and further points out that in Uganda little revenue is derived from taxation of domestic activities since most of them are not commercial transactions, blaming the country’s poor structure in the 1970’s on economic war policies characterized by expulsion of Asians, reduction of foreign investment and reduction in government tax revenue among others. Considering the small industrial base of our economy, Tumuhimbise (2000) is not optimistic that the structure of taxes in Uganda is going to change soon!

For a good tax system to be in place, Bhatia(2006) believes that taxes payable by an individual should be certain and not arbitrary. Satish & Clive (1996) too agree that tax payers ought to be educated about tax matters, a theory acceptable with the Uganda Revenue Authority as reported

by Kaujju (The New Vision March 8, 2011). In addition to certainty, the mode and timing of payment should be – as far as possible – convenient to the taxpayer and the system should also be very easy to understand as noted by Bhatia (2006) and Tumuhimbise (2000), or else it will be difficult to administer the taxes and may breed problems of interpretation and legal disputes (Bhatia, 2006). To back this up, Kempaka and Muhumuza (1999) report that a difficult tax regime promotes corruption.

A good tax system, Tumuhimbise (2000) and Bhatia (2006) argue, should be in such a way that the cost of collecting taxes should be lower than revenue collected, adding that taxes that are too widespread are difficult to administer and increase administrative expenses on the taxpayer. Tumuhimbise (2000) further recommends that costs of compliance are not too high for the taxpayer, or else the taxes will be resisted by the taxpayers.

2.2.10 Corruption and Efficiency in Tax Administration

Kempaka & Muhumuza (1999) in a report, reveal that the more types of taxes a firm needed to pay the higher the probability that they would pay bribes. This is confirmed by Kaujju's report in The New Vision of 8th March, 2011, where he reports that the URA was rated among the most corrupt entities in the country.

2.3 Relationship between Application of E Tax and Efficiency in Tax Administration

E Tax, being a web-based application can be accessed at anytime and anywhere at the taxpayer's convenience. Since the taxpayer does not have to be at URA office premises to file returns, it greatly reduces the level of bureaucracy and time wasting because of very long queues at offices and banks, which previously was synonymous with any matters to do with taxation. The Taxman (URA, 2010), reports that processes which used to take two days previously now can be done within 15 minutes.

Because of its format and structure, procedures are clearly laid out on the web portal such that any transactions being done are performed with utmost transparency, which Satish & Clive (1996) believe to be necessary for effective tax administration.

With the E Tax application, basically most transactions can be done at the taxpayer's desk, a move which greatly reduces compliance costs and improves enforcement.

In regard to the tax structure, the E Tax application applies mainly to domestic taxes and non-tax revenues like motor vehicle registration, licensing services but currently does not apply to customs and excise taxes. This leaves a gap and creates a loophole for loss of revenue, much as the URA has acknowledged an improvement in domestic tax collections with the introduction of E Tax.

Assessment process under the E Tax is automatic, but depends on the information availed by the taxpayer. If the taxpayer gives wrong information then the system in turn gives a wrong assessment; this poses a challenge despite the fact that the law calls for penalties in case a taxpayer gives misleading information, as tax officials may still go ahead and collude with the taxpayers to give wrong or misleading information.

CHAPTER THREE

METHODOLOGY

3.0 Research Strategy and Design

Associational research design, particularly the correlational design and cross sectional were employed. The design enabled the researcher to establish applicability of the E Tax and factors that determine efficient tax administration; as such, the researcher was in position to determine the relationship between the application of E Tax and efficiency in tax administration in Uganda.

3.1 Survey Population

The population studied generally included finance officers who handle tax matters in different companies within Kampala district.

3.2 Sample Size and Sampling Method

A sample of thirty (30) taxpayers was selected and the purposive method of sampling was employed for selecting officers involved in handling tax matters while the simple random sampling technique was used to select the various companies where the officers work.

3.3 Data Collection

3.3.1 Sources of Data

Data was secondary, collected from existing literature both in the offices approached and from sources outside the offices approached and primary, from individual's experiences and knowledge of the issue under investigation.

3.3.2 Methods of Data Collection

The questionnaire and review of documentation were the main methods for collecting data.

3.3.2.1 Questionnaire

The questionnaire was divided into sections including the title, purpose of the study, explanation about the research and the researcher; a section concerning the respondent's demographics, for instance their age, level of education, period taken in the current position / office (experience). The main section contained questions and statements designed to collect data on application of the E Tax and questions relating to efficiency in administration of taxes in Uganda, including challenges faced in tax administration; questions on factors that the respondents believed are needed for efficient tax administration and statutory requirements as well were sought after in the questionnaire.

3.3.2.2 Review of Documentation

The researcher got information from existing documentation about the E Tax, general tax administration including factors required for efficiency in the same; this documentation included reports, study texts and publications by the Uganda Revenue Authority and other authors.

3.3.3 Procedure for Data Collection

The researcher approached the relevant officials in the taxpaying entities selected on prior appointment so as to have the questionnaires filled.

3.4 Measurement of Data

The Likert Scale was employed to determine respondents' level of agreement / disagreement with questions / subject matters.

The comparative scale was used particularly to compare levels of efficiency in tax administration before the introduction of the E Tax and after its introduction.

3.5 Presentation and Analysis of Data

Data was analyzed using SPSS Data Analysis program.

3.6 Limitations of the Study

The study was on an area that required specific knowledge on tax matters, so information could only be got from a specific group of people.

One of the variables of the study (E Tax) was a newly introduced system in Uganda, so literature on the said area was not very readily available.

The study was slowed down owing to stringent policies in some organisations regarding who authorizes or releases any information on taxation and tax related matters.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND DISCUSSION OF RESEARCH FINDINGS

4.0 Introduction

This chapter deals with the presentation and interpretation of the findings of the study, it was done on the basis of specific objectives of the study and in relation to the reviewed literature. The findings were presented with the help of tables for purposes of easier understanding, clarity and interpretation. The response to the study consisted of 30 taxpayers.

4.1. Presentation of Findings on gender of the respondents

Table 4.1 : Showing finding on gender of the respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	14	46.7	46.7	46.7
	Female	16	53.3	53.3	100.0
	Total	30	100.0	100.0	

Source primary data 2015

Table 4.1 above shows that majority of the respondents were female representing 53.3% of the respondents. This implies that companies do not discriminate against gender when it comes to employment.

4.1.1 Findings on age bracket of the respondents

Table 4.2 : Showing findings on the age bracket

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20-30	7	23.3	26.9	26.9
	31-40	13	43.3	50.0	76.9
	41-above	6	20.0	23.1	100.0
	Total	26	86.7	100.0	
Missing	System	4	13.3		
Total		30	100.0		

Source primary data 2015

Table 4.2 above indicates that majority of the respondents were in the age range of 31-40 years, implying that many companies employ fairly young, energetic and fresh staff to handle tax matters.

4.1.2 Findings on the qualification level of the respondents

Table 4.3: Showing findings on the qualification of the respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Diploma	5	16.7	18.5	18.5
	Bachelor's Degree	17	56.7	63.0	81.5
	post graduate	5	16.7	18.5	100.0
	Total	27	90.0	100.0	
Missing	System	3	10.0		
Total		30	100.0		

Source primary data 2015

Table 4.3 above shows that majority of the respondents were Bachelor's Degree holders, signifying that companies employ an educated class of people who can ably handle tax matters.

4.1.3 Findings on the period of employment in the current position

Table 4.4 : Showing findings on period of employment in current position

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	below 1 year	4	13.3	14.8	14.8
	1-5 years	14	46.7	51.9	66.7
	6-10 years	6	20.0	22.2	88.9
	11-above years	3	10.0	11.1	100.0
	Total	27	90.0	100.0	
Missing	System	3	10.0		
Total		30	100.0		

Source primary data 2015

From table 4.4 above, 46.7% of the respondents, representing the majority, have stayed for a period between 1-5 years in their current position and 20% had stayed for a period ranging from 6-10 years in their job positions, showing that the respondents had experience in their work.

4.2 Application of E Tax System

4.2.1 URA staff and taxpayers are trained and educated on E tax matters

Table 4.5 : Showing findings on training and education of URA staff and taxpayers on E Tax matters

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	5	16.7	17.2	17.2
	agree	14	46.7	48.3	65.5
	not sure	3	10.0	10.3	75.9
	disagree	5	16.7	17.2	93.1
	strongly disagree	2	6.7	6.9	100.0
	Total	29	96.7	100.0	
Missing	System	1	3.3		
Total		30	100.0		

Source primary data 2015

Table 4.5 above shows that 46.7% of the respondents agreed that URA staff and taxpayers are trained and educated on E tax matters. This has been because of the sensitization that URA has been carrying out since the introduction of the E Tax system.

4.2.2 As a registered taxpayer I file returns using E tax system

Table 4.6 : Showing findings on filing returns using E tax system

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	16	53.3	53.3	53.3
	agree	10	33.3	33.3	86.7
	not sure	3	10.0	10.0	96.7
	disagree	1	3.3	3.3	100.0
	Total	30	100.0	100.0	

Source primary data 2015

Table 4.6 above shows that 53.3% of the respondents strongly agreed that as registered taxpayers they filed returns using E Tax system and 33.3% agree with the statement. This was because it is mandatory to use the system in the area of research.

4.2.3 I pay taxes using the E tax system as a registered taxpayer

Table 4.7 : Showing findings on payment of tax using E tax system

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	17	56.7	56.7	56.7
	agree	12	40.0	40.0	96.7
	not sure	1	3.3	3.3	100.0
	Total	30	100.0	100.0	

Source primary data 2015

Table 4.7 above shows that 56.7% of the respondents strongly agreed that they used the E Tax system as registered taxpayers to pay taxes and 40% agreed. This proves that most if not all taxpayers in areas where E Tax is in use indeed pay their taxes using E Tax system.

4.2.4 Banks are enhancing E Tax application for me as a taxpayer

Table 4.8 : Showing findings on if banks enhanced E tax application

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	7	23.3	23.3	23.3
	agree	15	50.0	50.0	73.3
	not sure	3	10.0	10.0	83.3
	disagree	5	16.7	16.7	100.0
	Total	30	100.0	100.0	

Source primary data 2015

From table 4.8 above 50 % of the respondents agreed with the statement that banks enhanced E Tax application for them as tax payers owing to the fact that URA is implementing the E Tax system through banks as well.

4.2.5 There is a negative effect of power interruptions and low connectivity speed of internet on the application of E tax

Table 4.9 : Showing findings on power interruptions and low connectivity of internet on E tax application

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	13	43.3	43.3	43.3
	agree	15	50.0	50.0	93.3
	not sure	1	3.3	3.3	96.7
	strongly disagree	1	3.3	3.3	100.0
	Total	30	100.0	100.0	

Source primary data 2015

From table 4.9 above, it is clear that 50% of the respondents agreed that power interruptions and low connectivity of internet speed had negatively affected the application of E Tax while 43.3% strongly agreed.

4.3 Efficiency in Tax Administration

4.3.1 Record/book keeping in Ugandan firms is sufficient enough for adequate assessment of income

Table 4.10 : Showing findings on whether record/book keeping in Ugandan firms is sufficient enough for adequate assessment of income

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	11	36.7	37.9	37.9
	not sure	2	6.7	6.9	44.8
	Disagree	12	40.0	41.4	86.2
	strongly disagree	4	13.3	13.8	100.0
	Total	29	96.7	100.0	
Missing	System	1	3.3		
Total		30	100.0		

Source primary data 2015

From table 4.10 above, 40% of the respondents disagreed with the statement that record/book keeping in Ugandan firms is sufficient enough for adequate assessment of income. This is in line

with Chapter Two (S. 2.2.5 and S. 2.2.8) of this report where it is noted that record keeping by firms is poorly done in Uganda more so for tax assessment purposes.

4.3.2 Taxpayers and tax officials are well educated regarding tax matters

Table 4.11 showing findings on education of tax payers and tax officials on tax matters

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	agree	9	30.0	31.0	31.0
	not sure	5	16.7	17.2	48.3
	disagree	11	36.7	37.9	86.2
	Strongly disagree	4	13.3	13.8	100.0
	Total	29	96.7	100.0	
Missing	System	1	3.3		
Total		30	100.0		

Source primary data 2015

Table 4.11 above indicates that 36.7% of the respondents disagreed with the statement that taxpayers and tax officials were well educated regarding tax matters; a closer though lower percentage of 30% however agrees that taxpayers and tax officials are well educated as far as tax matters are concerned. The majority here, however, differs from Section 4.3.1 above where respondents agreed that taxpayers and tax officials are educated in regard to tax matters, particularly E Tax.

4.3.3 The organizational structure of the URA is sufficient enough for effective administration of taxes in Uganda

Table 4.12: Showing findings on whether the organizational structure of the URA is sufficient enough for effective administration

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	1	3.3	3.3	3.3
	Agree	13	43.3	43.3	46.7
	not sure	6	20.0	20.0	66.7
	disagree	6	20.0	20.0	86.7
	strongly disagree	4	13.3	13.3	100.0
	Total	30	100.0	100.0	

Source primary data 2015

Table 4.12 above indicates that 43.3% of the respondents agreed that the organizational structure of the URA is sufficient enough for effective administration of taxes in Uganda. This concurs with the Literature Review (chapter 2.7) of this study which indicates that URA has undergone many changes in its organizational structure for purposes of improved tax administration. However, 20% disagreed with the statement and another 20% were not sure of the statement. This equal disparity of uncertainty and disagreement suggests inadequacy in education of the public concerning general tax matters.

4.3.4 The current tax structure enables URA to assess business in rural areas

Table 4.13 : Showing findings on whether the current tax structure enables URA to assess businesses in rural areas

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	1	3.3	3.4	3.4
	agree	1	3.3	3.4	6.9
	not sure	8	26.7	27.6	34.5
	disagree	7	23.3	24.1	58.6
	strongly disagree	12	40.0	41.4	100.0
	Total	29	96.7	100.0	
Missing	System	1	3.3		
Total		30	100.0		

Source primary data 2015

From table 4.13 above, 40.0% of the respondents strongly disagreed that the current tax structure enables URA to assess business in rural areas and 26.7% were not sure of it while another fairly big percentage of 23.3% of the population disagreed that the structure allows URA to assess business in rural areas. This suggests that URA is failing to capture tax from businesses in rural areas and thus reducing on the country's tax base seems and also that taxpayers are not well informed about the country's tax structure.

4.3.5 URA should take measures towards assessing taxes in rural areas

Table 4.14 : Showing findings on whether URA should take measures towards assessing taxes in rural areas

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	11	36.7	36.7	36.7
	agree	17	56.7	56.7	93.3
	not sure	1	3.3	3.3	96.7
	disagree	1	3.3	3.3	100.0
	Total	30	100.0	100.0	

Source primary data 2015

Table 4.14 above indicates that 56.7 % of the respondents agreed that URA should take measures towards assessing taxes in rural areas and 36.7% strongly agreed. This was due to the findings from table 4.4.4.

4.3.6 Uganda's current tax structure allows for adequate collection of taxes

Table 4.15 :Showing findings on whether Uganda's current tax structure allows for adequate collection of taxes

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	agree	8	26.7	26.7	26.7
	not sure	10	33.3	33.3	60.0
	disagree	8	26.7	26.7	86.7
	strongly disagree	4	13.3	13.3	100.0
	Total	30	100.0	100.0	

Source primary data 2015

Table 4.15 above indicates that a majority 33.3% of the respondents were not sure whether Uganda's current tax structure allows for adequate collection of taxes, while an equal percentage of 26.7% disagreed as well as agreed that Uganda's current tax structure allows for adequate collection of taxes. This is another implication that taxpayers are not much informed about the country's tax structure, a scenario similar to that in section 4.4.4 of this chapter.

4.3.7 Processes of tax administration in URA are open enough and they give the public confidence in the system's propriety and credibility.

Table 4.16 showing findings on whether processes of tax administration in URA were open enough and they gave the public confidence in the system's propriety and credibility

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	2	6.7	6.7	6.7
	Agree	5	16.7	16.7	23.3
	not sure	9	30.0	30.0	53.3
	disagree	12	40.0	40.0	93.3
	strongly disagree	2	6.7	6.7	100.0
	Total	30	100.0	100.0	

Source primary data 2015

From table 4.16 above majority 40.0% of the respondents disagreed that processes of tax administration in URA were open enough and they gave the public confidence in the systems propriety and credibility while 30.0% were not sure; only 16.7% agreed with the statement, implying that there is need for more openness in processes in the tax administration system

4.3.8 There is transparency in procedures followed when awarding tax holidays and exemptions to organizations

Table 4.17 : Showing findings on whether there was transparency in procedures followed when awarding tax holidays and exemptions to organizations

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	2	6.7	6.9	6.9
	agree	3	10.0	10.3	17.2
	not sure	10	33.3	34.5	51.7
	disagree	9	30.0	31.0	82.8
	strongly disagree	5	16.7	17.2	100.0
	Total	29	96.7	100.0	
Missing	System	1	3.3		
Total		30	100.0		

Source primary data 2015

Table 4.17 above shows that 33.3% of the population was not sure whether there is transparency in procedures followed when awarding tax holidays and exemptions to organizations. 30% however disagreed with the statement.

4.3.9 All exempt organizations are suitable for exemption

Table 4.18 showing findings on if all exempt organizations were suitable for exemption

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	1	3.3	3.4	3.4
	agree	9	30.0	31.0	34.5
	not sure	8	26.7	27.6	62.1
	disagree	7	23.3	24.1	86.2
	strongly disagree	4	13.3	13.8	100.0
	Total	29	96.7	100.0	
Missing	System	1	3.3		
Total		30	100.0		

Source primary data 2015

From table 4.18 above findings revealed that 30.0% of the respondents agreed that all exempt organizations were suitable for exemption while 26.7% were not sure of the statement and 23.3%

disagreed giving almost equally differing views of taxpayers about the same issue. This shows that the public has various opinions towards tax exemption.

4.3.10 If not, do you agree or disagree that more than 50% exempt organizations deserve it

Table 4.19: Showing findings on if 50% of the exempt organizations deserve it

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	2	6.7	7.4	7.4
	agree	8	26.7	29.6	37.0
	not sure	6	20.0	22.2	59.3
	disagree	8	26.7	29.6	88.9
	strongly disagree	3	10.0	11.1	100.0
	Total	27	90.0	100.0	
Missing	System	3	10.0		
Total		30	100.0		

Source primary data 2015

Table 4.19 above indicates that 26.7% of the respondents agreed and an equal 26.7% disagreed with the statement that more than 50% of exempt organizations deserve exemption. That is to say, of the population that disagreed in Section 4.4.9 above that all exempt organisations were suitable for exemption; equal proportions of the population disagreed and agreed that more than 50% of exempt organisations actually deserve exemption.

4.4 Application of E Tax and Efficiency in Tax Administration

4.4.1 E tax is internet based and considering that not all businesses have internet services in their office premises it may lead to an increased in the cost of tax compliance.

Table 4.20 : Showing findings on whether E tax being internet based and considering that not all businesses have internet services in their office premises has led to an increase in the cost of tax compliance

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	16	53.3	53.3	53.3
	agree	12	40.0	40.0	93.3
	not sure	1	3.3	3.3	96.7
	disagree	1	3.3	3.3	100.0
	Total	30	100.0	100.0	

Source primary data 2015

Table 4.20 above shows that 53.3% of the respondents strongly agreed that E tax is internet based and considering that not all businesses have internet services in their office premises it may lead to an increase in the cost of tax compliance, and 40% simply agree. The statement therefore holds true.

4.4.2 The E Taxbeinga24-Hour service has improved my ability to file returns on time

Table 4. 21 : Showing findings on whether the E tax being a 24-hour service had improved the ability to file returns on time

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	13	43.3	43.3	43.3
	agree	15	50.0	50.0	93.3
	disagree	1	3.3	3.3	96.7
	strongly disagree	1	3.3	3.3	100.0
	Total	30	100.0	100.0	

Source primary data 2015

Table 4.21 above shows that 50.0%% of the respondents agreed that the E Tax being a 24-hour service had improved their ability to file returns on time and 43.3% strongly agreed. This finding

is true because indeed E tax is a 24-hour service and thus the services can be accessed anytime and anywhere.

4.4.3 Procedures in E Tax system require that I keep proper record of business transactions for easier assessment of returns

Table 4.22 showing findings on whether procedures in E Tax system required that respondents keep proper record of business transactions for easier assessment of returns

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	13	43.3	43.3	43.3
	Agree	16	53.3	53.3	96.7
	strongly disagree	1	3.3	3.3	100.0
	Total	30	100.0	100.0	

Source primary data 2015

Table 4.22 above indicates that 53.3% of the respondents agreed that procedures in E tax system require that they keep proper record of business transactions for easier assessment of returns, 43.3% agree. However, this finding contradicts with finding on table 4.4.1, but the requirement may help companies undertake proper record keeping procedures to ease their work more so where tax assessment is concerned.

4.4.4 E Tax has increased compliance due to reduced bureaucracies at URA offices

Table 4.23 showing findings on E Tax has increased compliance due to reduced bureaucracies at URA offices

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	7	23.3	23.3	23.3
	agree	13	43.3	43.3	66.7
	not sure	6	20.0	20.0	86.7
	disagree	3	10.0	10.0	96.7
	strongly disagree	1	3.3	3.3	100.0
	Total	30	100.0	100.0	

Source primary data 2015

Table 4.23.4above shows that 43.3% of the respondents agreed that E tax had increased compliance due to reduced bureaucracies at URA offices and 23.3% strongly agree. This finding is true since one can access the services anywhere via the internet.

4.4.5 Application of E Tax has enabled URA handle more taxpayers in a given period compared to previous systems

Table 4 .24 : Showing findings on if application of E tax had enabled URA handle more taxpayers in a given period compared to previous systems

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	8	26.7	26.7	26.7
	agree	18	60.0	60.0	86.7
	not sure	4	13.3	13.3	100.0
	Total	30	100.0	100.0	

Source primary data 2015

From table 4.24 above, 60.0 % of the respondents agreed that application of E tax had enabled URA handle more taxpayers in a given period compared to previous system.

4.4.6 The E Tax has led to improved transparency in administration of taxes

Table 4.25 showing findings on if the E tax had led to improved transparency in administration of taxes

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	4	13.3	13.3	13.3
	agree	14	46.7	46.7	60.0
	not sure	9	30.0	30.0	90.0
	disagree	3	10.0	10.0	100.0
	Total	30	100.0	100.0	

Source primary data 2015

Table 4.25 above indicates that 46.7% of the respondents agreed that E tax had led to improved transparency in administration of taxes. Considering responses in Section 4.4.7 and 4.4.8 above, the result in this section indicates that the introduction of E Tax has led to more transparency in tax administration.

4.5 Correlation between Application of E Tax System and efficiency in Tax Administration

Correlations

Table 4.26 Correlation

		APPLICATION OF E TAX	EFFECIENCY OF TAX ADMINISTRATION
APPLICATION OF E TAX	Pearson Correlation	1	.513(**)
	Sig. (2-tailed)	.	.004
	N	30	30
EFFECIENCY OF TAX ADMINISTRATIO N	Pearson Correlation	.513(**)	1
	Sig. (2-tailed)	.004	.
	N	30	30

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

From table 4.26 above, it is evident that there is a significant positive relationship between application of E Tax and efficiency in tax administration indicated by Pearson's coefficient $r = 0.513 (**)$, $p > 0.01$. This means that as long as E Tax is well applied, there will be efficiency in tax administration.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter outlines the researcher's summary of findings, conclusion and recommendations on findings of the research; they are based on the findings given in Chapter Four of the study and related to Chapter Two of the study; they are also based on comments given by some of the respondents during the course of gathering the data.

The research project has in general achieved its aims. The goal of the study was to establish the effect of application of the E Tax system on the efficiency of tax administration processes in Uganda considering that there had been claims of no transparency in tax administration processes, inadequate education of taxpayers about tax matters, too many bureaucracies at the URA among others, before the introduction of E Tax.

The research process included reviewing several pieces of literature and gathering information from respondents directly concerned with tax matters at their places of employment. Results from the study largely concur with already written materials except in a few instances.

5.1 Summary of Research Findings

Most respondents were female, within the age bracket of 31-40 years, have had experience in their current offices for 1-5 years and hold qualifications suitable enough to handle taxation issues.

5.1.1 Evaluating Application of the E Tax System

The researcher's findings show that most respondents agreed that URA staff and tax payers are educated on E Tax matters and that most registered taxpayers use the E Tax system to file their returns as well as make payments for the same; banks are also enhancing E Tax services since

payments of taxes has to be done through designated banks. It is, however, clear that power interruptions and low connectivity speed of internet negatively impact application of the E Tax.

5.1.2 Evaluating Efficiency in Tax Administration in Uganda

The study has shown that there is insufficient record keeping by Ugandan firms for purposes of tax assessment. It has also shown that contrary to the general consensus that tax officials and tax payers are educated on E Tax matters; the same people are not well educated regarding general tax matters. Findings also showed that most taxpayers are satisfied with the organizational structure of the URA as far as being effective in administration of taxes in Uganda is concerned but many others are dissatisfied with it or are not sure of the structure. The structural changes mentioned in Chapter 2.7 of this report indeed seem to have enabled the URA administer taxes better. The current tax structure, however, does not allow the URA to assess businesses in rural areas and respondents agreed that the authority should take measures to assess businesses in these areas.

Many people though, were not sure whether Uganda's current tax structure allows for adequate collection of taxes and this in itself is an indicator in line with Section 4.4.2 of this study that tax payers are not very well educated on general tax matters. Besides the majority being uncertain about the tax structure, equal proportions of the public agreed as well as disagreed that the country's tax structure allows for adequate collection of taxes.

Findings of the study showed that processes in the URA are not open enough and these processes do not give the public confidence in the system's propriety and credibility; there is also uncertainty regarding transparency in procedures followed when awarding tax holidays and tax exemptions, an issue cited in Chapter 2.9 of this study. Much as a majority is uncertain about transparency in procedures for awarding tax holidays and exemptions to organisations, majority of respondents agreed that tax exempt organisations are indeed suitable for exemption; yet again many people were not sure whether all tax exempt organisations are actually suitable for exemption. Considering that many people were uncertain about awarding of tax holidays and an almost equal number disagreed, it is not surprising that equal percentages of the population agreed and disagreed that 50% of exempt organisations deserve it.

5.1.3 Application of E Tax System and Efficiency in Tax Administration

The research findings indicate that there is an increase in the cost of tax compliance since E Tax is internet based and not all businesses have internet services in their office premises; E Tax system has however, enabled taxpayers file returns on time and the fact that procedures in the system require that taxpayers maintain proper records for tax assessment purposes. Compliance has also increased because of reduced bureaucracies at URA offices and the URA now handles more taxpayers in a given period of time with the E Tax system. Findings further show that there is more transparency in administration of taxes with the E Tax system in place.

The research findings generally indicate a significant positive relationship between E Tax application and efficiency in tax administration.

5.2 Conclusion

The E Tax system generally has improved tax administration in areas where it is applied; however the research has shown that there are still challenges faced in applying it, like power interruptions, poor internet connectivity, and lack of internet access in office premises for some businesses. Other hurdles to be overcome by the authority include tax education of the masses, the need for more transparency by the authority, poor recording keeping in firms and how to tax businesses in rural areas.

5.3 Recommendations

- Measures should be taken by the authority to roll out the E Tax system to the rest of the country and to other departments of the authority.
- URA could work more with the banks to further the aspect of online banking to make the payment process easier.
- URA should endeavor to have the legislature expeditiously enact the Information and Communication Technology law to govern electronic businesses in order to reduce the cost of stationery printing on the taxpayers.
- URA needs to add more effort in educating the masses about general tax procedures besides E Tax; these may include issues like the country's tax structure and how it is

beneficial to the country and to the individuals, procedures in awarding tax exemptions and holidays and who qualifies for them.

- The authority needs to regularly publish organisations which are exempt from taxes and how the exemption was arrived at.
- The authority needs to educate taxpayers on the benefits of proper record keeping in relation to taxation.
- The authority should take measures to assess businesses in rural areas for tax purposes to widen the country's tax base.

5.4 Areas for further research

Basing on research findings, the researcher notes that it is worth researching more on the following areas:

- Taxation of the Informal Business Sector and Increase in Revenue Collection
- Applicability of the Current Tax Structure to Businesses in Rural Areas
- Taxation and Service Delivery
- Record Keeping in Firms and Effective Tax Assessment in Uganda
- Tax Education among the Public and Effective Tax Administration in Uganda

REFERENCE TEXTS:

David Kaiza (2004, Monday, February 23). Uganda: Tax regime is 'anti-poor and retrogressive', *The East African (Kenya)*

Fred Muhumuza and Gloria Kempaka. Report on the Inaugural EPRC/World Bank Annual Workshop on the Ugandan Economy. *Tax, Investment and Corruption in Uganda; 13th May, 1999.*

H. L. Bhatia. Public Finance, *25th Edition, 2006*

John Ssegane (December 2009). CATA Newsletter Vol. No.4 2009 pg. 26

KalistOkello. *Principles of Taxation, 2006*

ManassehP.Tumuhimbise. *Introduction to Taxation in Uganda, 2000*

Odd HelgeFjeldstad (Chr. Michelsen Institute Working Paper 2005:10), Corruption in Tax Administration: Lessons from Institutional Reforms in Uganda; Factors that Led to the Establishment of the URA, *Corruption in the URA*

Peter Kaujju (2011, Tuesday, March 8). 20 Years of Economic Recovery, New Vision.

Pius K. Bahemuka. *Income Tax in Uganda, 2006*

Richard M. Bird. *Tax Policy and Economic Development, 1992*

Satish C. Wahdawan and Clive Gray. *Enhancing Transparency of Tax Administration, July 1996*

The Income Tax Act (1997), *CAP 340*

The Nations Encyclopedia website www.nationsencyclopedia.com, 2007

Uganda Revenue Authority. *Electronic Tax Filing, 2010*

Uganda Revenue Authority. *Electronic Tax Registration*, 2010

Uganda Revenue Authority. *Frequently Asked Questions: FY 2010-2011*

Uganda Revenue Authority. *The Stride Magazine*, 2009

Uganda Revenue Authority. *The Taxman*, 2010

Uganda Revenue Authority. *Towards VAT*, February 1994