

Factors influencing the effectiveness of excise duty collections by Uganda revenue authority in the central region of Uganda

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ABSTRACT:

The study examined the factors influencing excise tax revenue collections by URA in Central Region of Uganda. Tax forms the single largest source of revenue in Uganda and among these tax components is the excise duty. The factors were examined putting into consideration the problem of the persistent negative deviation between the planned and realized revenue. Operations of URA Excise Tax department were studied under the five branches of Kampala central, Mukono, Entebbe, Makindye/Rubaga and Kawempe/Bwaise. This involved the major excisable goods comprising beer, spirits, soft drinks, cigarettes and airtime/service fee. In the choosing of representative samples, care was taken to avoid sample bias. The objective of the study were:

- ♣ To identify the factors that influence the current level of performance in the local excise duty collection by URA.
- ♣ To evaluate the effectiveness of the methods used by URA in the collection of excise duties.
- ♣ To assess the challenges faced by URA employees in the bid to effectively collect excise taxes.

A total of 170 members made up the study population, only 128 respondents were taken as a representative sample for the three categories of the URA staff. A sample was selected sample frame including executives, heads of departments and revenue staff that are in direct control of excise tax collection in URA central region.

In order to effectively analyze the factors influencing the effectiveness of excise duty collections, data was collected, coded and analyzed using the SPSS computer programme to establish whether there is a significant impact the identified factors have had on the performance of URA in excise tax revenue collection in the central region of Uganda. Five factors were identified and analyzed with regard to the impact of excise tax revenue collection by URA in Uganda. These factors included policy framework administration team, taxpayers, tax base and tax rate. In order to realize consistence in instruments used and in

the general analysis, the Cronbach's coefficient and moderating factors were called into play. The moderating factors included the tax manager and assessor education, knowledge, skill, experience, competence and accountability. The results of the analysis revealed that the most significant factor influencing the excise tax collection by URA in Uganda is policy framework, followed by administration team, taxable capacity, and tax payers in decreasing order of significance. Whereby tax rate was revealed as an insignificant factor. The study established that all the three present methods of excise tax collection significantly influence the amount of excise tax revenue collection in URA. These include, in order of increasing significance, summative method, direct assessment, step by step and self-assessment.

The challenges were the tax base, taxable capacity and management control, of which were established to be significant predictors of the factors influencing the amount of excise duty revenue collection by URA. The findings revealed that the independent variables contribute 92.1% towards the effectiveness of excise tax revenue collection by URA. The recommendations were as follows:

- ♣ There is need to widen the tax base to include items of trade such as cement and fuel that are not charged now but can easily be included on the list of chargeables in order for the government to raise more revenue.
- ♣ A continuous review of the policies governing excise duty revenue collections need to be a strong component of the overall fiscal policy in Uganda and an important element of parliamentary key discussion areas that should attract keen attention. Therefore the parliament needs to reconsider the components of the ITA (1997) and later amendments with respect to the taxpayer, tax rate, taxable capacity and the administration procedures in the excise duty department in particular in URA in general.
- ♣ Excise tax personnel in positions of responsibility ought to be more concerned with development issues for public interest rather than for individual gains. This calls for going beyond the self and putting the nation first.

The study concludes with the urges that more government involvement especially in line with tax education can bring better results. Areas of further research suggested include:

♣ Factors influencing the effectiveness of customs duty revenue collections by URA at border posts in Uganda.

♣ Factors influencing effective VAT collection by URA in locally produced merchandise in Uganda.

♣ The Impact of by-laws on special assessment as revenue sources in local government in Uganda.