THE IMPACT OF LOCAL SERVICES TAX ON SERVICE DELIVERY TO THE PEOPLE OF BUGUJU, MUKONO CENTRAL DIVISION

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UGANDA CHRISTIAN UNIVERSITY
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DECLARATION

I, OGENRWOT COLLINS declare that this dissertation work is entirely mine and solely a result of my own effort, it has never been submitted in any University or Institution for academic reward.

Signature............................ date.....4th SEPTEMBER, 2023

APPROVAL

This is to clarify that the dissertation work has been under my supervision and is now ready for submission to the school of business

Sign........................ date ....4th SEPTEMBER, 2023....

MR. MUBIRU RICHARD (supervisor)

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ABBREVIATIONS

URA: Uganda Revenue Authority.

LST: Local Services Tax.

LG: Local Government.

GDP: Gross Domestic Product.

SPSS: Statistical Package for Social Science

ABSTRACT

This research was aimed at the Impact of Local Services Tax and Service Delivery to the people of Bugujju, Mukono Central Division. The study was based on three main objectives which were: To find out the impact of local service tax on service delivery, to find out if taxpayers are aware of all tax obligations and policies, to determine the level of service delivery to the people and to find out problems faced by taxpayers and their businesses.

The researcher used both qualitative and quantitative research designs with a sample of 80 respondents. Qualitative data was obtained through questionnaires, interviews, and observation while quantitative data was obtained through computation and analysis. The collected data was analyzed using Microsoft Excel and presented in the form of tables.

The study findings revealed that there is a significant relationship between Local Service Tax and Service Delivery in Buguju indicated by a correlation of r = 0.677. The research findings showed that 90% of respondents agreed that they had a problem with the mode of assistance 80% with the mode of tax collection and 51.6% of the respondents revealed that there is too much inefficiency among tax collectors.

The study recommends measures for LST collection like training tax collectors, sensitizing the masses, etc. The study suggests that future studies should be conducted to analyze any other factors that affect revenue collection as well as services delivered by the local government.

The study concludes that town agents have challenges in revenue collection but such problems were not beyond control and also service is delivered according to the amount of revenue collected since it's a source of government funding for community services.

CHAPTER ONE.

INTRODUCTION AND BACKGROUND

1.0 Introduction

Local Services Tax. Local Service Tax is to generate revenue for the local government to fund various services and infrastructure projects within the community.

Service Delivery: refers to the provision of services and benefits that are funded by the revenue generated from the tax.

Location of Bugujju. It is located in the Mukono Central Division

1.1Background of the study

The Local Service Tax was introduced by the local governments (Amendment) (No.2) ACT, of 2008 which allowed the local governments to levy, collect, and charge additional taxes in order to provide new sources of revenue for local governments, and for related purposes.

The Local Service Tax (LST) is to be levied on the wealth and income of the following categories of people; persons in gainful employment, self-employed and practicing professionals, self-employed artisans, businessmen and businesswomen, and the assessment is to be fair, equitable, and non- regressive:

However, the salaries of the following categories of people are exempted from LST; members of the Uganda Police Force, Members of the Uganda Prisons Service, Members of the Uganda People's Defense Forces, unemployed persons, and people unable to earn a minimum income to access basic necessities of life and members of the Diplomatic Missions Accredited Missions to Uganda.

Service delivery is the processes and methods through which tax-related services are provided to individuals, businesses, and other entities by tax authorities or professionals. It involves the administration, collection, and enforcement of taxes, as well as providing assistance and guidance to taxpayers. Examples of services delivered are; maintenance of roads, garbage collection, and Education services among others.

Mukono Central Division is an administrative division located in Mukono Municipality, which is situated in the Central Region of Uganda. Mukono Municipality is approximately 21 kilometers east of the Capital City, Kampala. Mukono Central Division is one of the divisions that make up the municipality.

Mukono Central Division covers an area that includes both urban and peri-urban areas. It is a highly populated division with a mix of residential, commercial, and institutional activities. The division is known for its vibrant economy and diverse population.

The division is characterized by a range of amenities and facilities, including schools, hospitals, markets, banks, and government offices. It is also home to several higher education institutions, including Uganda Christian University, which is one of the prominent universities in the country.

1.2 Statement of the problem.

Local Service Taxes are raised by the government to generate revenue used to deliver services to the public in various fields like health, education, and infrastructure as this will help to improve on the performance of different businesses.

Despite the payments of the local service tax by the locals of Bugujju, the service delivery by the local government is still poor. There are no garbage containers at the different points which has resulted in poor waste disposal exposing the local people to the risk of contracting diseases like cholera. There are poor roads with a lot of dust which has a negative impact on businesses dealing in food commodities like restaurants which limit the number of customers. Some roads are inaccessible due to deep potholes which hinders motor vehicles from delivering services to some parts of the community within Bugujju.

1.3 Objectives of the study.

1.3.1 General Objective.

The general purpose of the study was to evaluate the impact of Local Service Tax on Service Delivery to the people of Bugujju, Mukono Central Division.

1.3.2 Objectives of the study.

I. To find out the impact of local service tax on service delivery in Bugujju, Mukono Central Division.

II. To find out if taxpayers are aware of all tax obligations and policies in Bugujju, Mukono Central Division.

III. To determine the level of service delivery to the people of Bugujju, Mukono Central Division.

IV. To find out problems faced by taxpayers and their businesses in Buguju, Mukono Central Division.

1.4 Research question.

I. How is the service delivery in Bugujju?
II. Are taxpayers aware of all their obligations in Bugujju?
III. What are the problems being faced by taxpayers and their businesses in Bugujju?
IV. What is the level of service delivery to the locals of Bugujju?

1.5 Scope of the study.

1.5.1 Subject scope.

The study covered the different categories of people in Bugujju. Specifically, the investigation of the service delivery, the awareness of taxpayers regarding their obligations, and problems being faced by the taxpayers in Bugujju.

1.5.2 Geographical scope.

The study was carried out in Bugujju, which is located in Mukono Central Division. The area was purposely selected because the researcher stays within the vicinity and therefore this was easy in terms of data collection.

1.5.3 Time scope.

It was carried out between July and August 2023.

1.6 Significance of the study

The findings of the study are significant in the following ways;

- To scholars and researchers, the findings of the study are expected to contribute to the existing literature about Local Service Tax and the impact it has on the economy as a whole.

- To the tax authority and government, the study may guide them in adjusting tax policies so that they suit the requirements of the people in Buguju.

- The findings of the study may enable the researcher to gain more knowledge concerning local services tax on Service delivery to the people of Buguju.

Figure 4.1 Conceptual framework.

Local services tax   **Services delivery**

Independent variable.   Dependent variable

Assessment, enforcement and Identification of tax sources

Provision of safe water, Waste collection   Road maintenance

Government policies, Personal attitude Level of technology
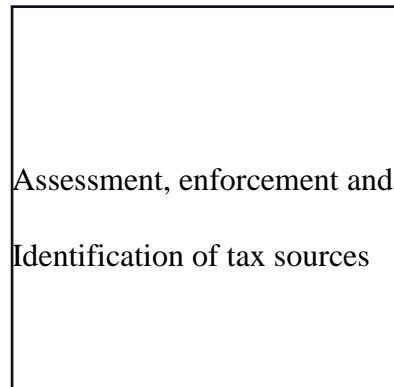
Intervening variable
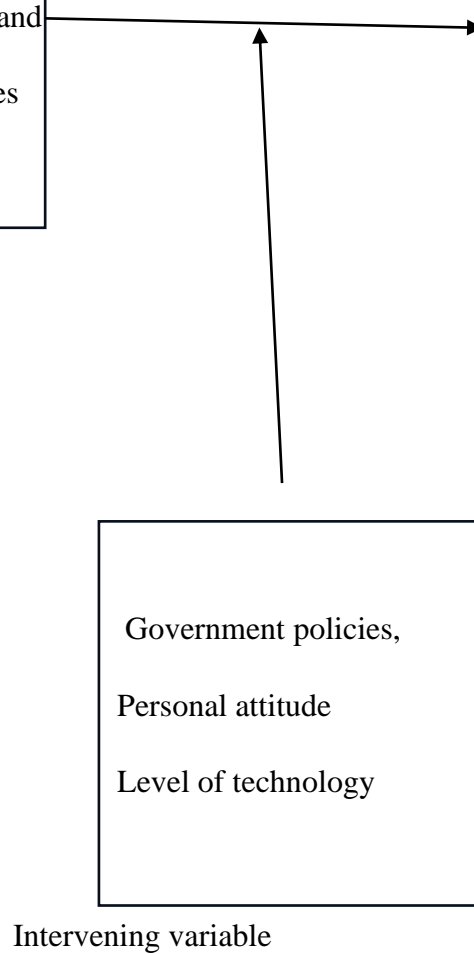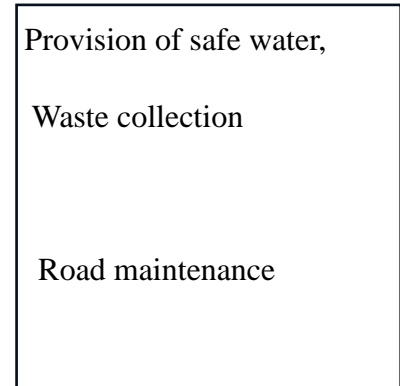
Source. Adopted and modified from Clinton, 2010

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter looks at Local Service Tax and its impact on service delivery to the local people. It consists of existing literature on Taxation (local service tax) by different research studies from magazines, textbooks, journals, and newspapers.

This chapter covers Taxation (local service tax), classification, and purpose of Local Services Tax. However, it particularly addresses the problems affecting taxpayers, the awareness of the tax obligation and service delivery to the locals, and the theoretical review.

2.1 The Concept of Local Service Tax.

This refers to the assessment, collection, administration, and management of local revenue in Uganda. It deals with raising public revenue and managing public expenditure and debt. It is the responsibility of the local government who represent the Uganda Revenue Authority (URA) at the municipal level (Manasseh,2010). The general idea behind the taxation is the provision of public goods and services.

Taxation (Local Service Tax) is a payment that cannot be avoided without attracting a punishment and in return of which no gain/ quid pro-quo is promised by the government to the taxpayer (Balunywa,2018). The government is responsible for providing its citizens with certain public facilities and services like roads, hospitals, schools, and market securities. There are two main tax authorities; the Local Government Authority and the Central Government Authority (URA).

2.2 The purpose of taxation (Local Service Tax).

According to the Income Tax Act (2017), Local Service Tax is an important source of government revenue and an economic policy tool for the government to attain economic growth. The importance of taxation therefore raises a debate about whether the government should interfere in the operations of market mechanism. Income Tax Act (2014) further noted that taxes may be levied for other reasons but revenue remains the prime objective of most taxes.

Balunywa (2018) noted that local service tax has increased in importance not only as a tool for raising revenue for traditional roles but also for accelerating economic growth and ensuring social justice.

According to the Uganda Economic Journal (2013), taxes can reduce the quality of resources consumed by the private sector. The Economic Journal (2013) also shows that, in stressing the consumption-reducing aspect, taxes may change the distribution of income and help to stabilize the economy.

2.2.1 Taxpayer's knowledge.

Most Ugandans have a poor understanding of the rationale of taxes and knowledge of the different taxes imposed on them (Copying with Taxes 2016). As a result, the tax compliance in Uganda is still very low. Besides that, various surveys conducted on local businesses suggest that about 60% of them keep no records at all, while 25% keep partial records making it difficult to assess taxes (Ndandiko, 2010).

Therefore, there is a need to sensitize the public, especially business owners. The sensitization should be done on not only local service tax but different taxes like trading licenses etc. that impact business owners and the rationale that underlines the imposition of taxes because taxpayers are not aware of the reasons for paying taxes, evasion of tax duties, laws and regulations are very rampant. (World Bank Survey, 2014)

2.3 Tax policy.

The World Bank has influenced many countries in undertaking tax reform policies. In the case of Uganda, the tax base has remained significantly narrow since independence, leading to inadequate tax revenue. By 2004, the tax ratio of tax revenue to GDP was just 18-20%. The composition of tax revenue has been predominantly important. Small business is taxed differently compared to corporate businesses with an annual turnover of above 50 million shillings. As quoted by Kitinisa (2003),

2.4 Approaches to Tax Administration.

According to Bird (2014), tax administration refers to the identification of a taxpayer, collection, and enforcement of tax liability. According to Olman (2017), tax administration refers to a structure of identification of potential taxpayers, collection, and laws governing taxation.

Roy Bahi (2018) says that much attention should be paid to critical aspects of tax administration, training, procedures, staffing, collection, and use of information. The weaknesses in tax administration are mainly a lack of relevant information about taxpayers, and continued criticism of tax and its structure. The tax structure should be simple in order to avoid tax evasion.

2.4.1 Identification of a Tax Payer.

Taxes are levied on individuals, groups/legal entities' income earned. The identification of a taxpayer is done with reference to natural/ artificial persons who can earn income.

However, for the purpose of this research, we shall confine ourselves to business as a taxpayer and a business can be defined as a vocation, trade, profession, or adventure in the nature of trade but does not include employment (Income Act, 2017).

2.4.2 Implementation of Revenue Plan and Services Delivery.

Implementation of a revenue plan entails indicators namely, motivating staff, capacity building, and recruitment of skilled staff. The indicators are explained below in line with service delivery by several scholars for instance Abelson(2006) stressed that the local governments are capable of providing public services, mobilizing community resources, stimulating private investments, expanding rural-urban linkages, adopting national development to local conditions and investing in local infrastructure based on collected low revenue. This was found to be true of Buguju as it had failed in its attempt to successfully hit the revenue threshold therefore negatively affecting the delivery of local services to its community.

Similarly, Onwe(2009) reveals that the manpower capacity of the local government competition with the staff of the local government will not yield the desired result. And that there is a skilled gap among the few senior staff of the local government. The new revenue forecast issues have since remained complex even though the local government does not have the technical capacity to mobilize for local revenue since what they actually plan does not confirm the actual collected hence a revenue gap.

2.4.3 Revenue expenditure control and service delivery.

Revenue expenditure control entails three indicators namely budget implementation review, quarterly audit reports, and quarterly progress performance report. The indicators are

explained below in line with services delivery by several scholars for instance Todd(2009) argues that accountability involves citizens, government, and services providers. The scholars argue that it is important to recognize and strengthen systems of mutual accountability and partnership at the local level inclusive of Local governments. The ability to ensure joint responsibility for service delivery runs the risk of everyone's responsibility becoming no one's responsibility. In addition, Mbufu (2011) further argues that formalizing a revenue enhancement plan, budget priority allocations and effectively implementing the plan are issues that can better service delivery. On the contrary, Nananya (2003) recommends that in order to enhance local government revenue, accountability of such revenue would be seen in terms of the quality and quantity of public services extended to the local communities. The scholars further note accessing such services would drive more people to pay the tax that is allocated to the provision of such services however Local governments would register more taxes if it strengthened the enforcement of laws and adherence to revenue controls. In this study, it was found that Buguju collected more local revenue base whenever its staff observed the Local government's local revenue controls.

Luzige (2008) receipts that sources of revenue for instance parking fees, rent, licenses, and permits among others are instrumental in realizing service delivery in Local governments including expenditure on health, education, sports and technical services, roads, and community and welfare. To the scholar, any increase in local revenue collection improved service delivery thus a significant relationship between local revenue performance and services delivery.

Pradeep (2011) classified reports in Local Government (LG) as being financial reports, council reports, and performance reports among others. He further explains that financial reports are formal records of a business or organization's financial activities while Mbufu (2013), argues that records are used by the management for decision-making as they are used for future references to know which period had a decline in revenue collection and which one had the highest collections. The scholar adds that records and reports are used for audit purposes and as supporting documents in case a local government is to request funds from the central government and donors (Okotie,2010).

Other factors that affect local services tax and business are;

Government policies; According to Richard (2015), unfavorable government policies on taxation such as increased taxes paid by businesses in the form of local services tax greatly hinder business performance as this increases the costs of operation thereby reducing profitability and financial performance in general.

Level of Technology: According to Laveens (2016). Technology affects both taxation and service delivery. Proper adoption of technology eases tax collection and administration thus improving the process of taxation. On the other hand, most of the owners of businesses rarely adhere to technological advancement as this gives the tax bodies the authority to take the loopholes in the knowledge of business owners to exploit them thereby reducing the performance of their businesses.

Attitude of the taxpayers; A negative attitude toward taxation greatly leads to tax evasion where taxpayers deliberately refuse to pay the taxes. This forces the tax bodies to look for those who dodge paying taxes and end up closing their business premises thus reducing their time of operation thence leading to poor or no delivery of services especially in the months when business premises are closed (Kanisa, 2014).

2.4.4 Taxes and Profit Levels.

The taxable profits of the business are always different from the normal business account profits for three major reasons;

i. Certain income which may be considered in the normal accounting system may not be liable to tax.

ii. Certain expenses that are deducted on profit and loss account may not be available when determining taxable income,

iii. Some tax allowances may be provided and will not be reflected in the business account. (Manasseh T. 2000).

Gordon and Dawson (2017) assert that many business people have complained probably with some justification that taxes interfere with the opportunities to re-invest their profits in their businesses.

2.4.5 Summary of literature review.

In a nutshell, local revenue management is treated as a multidimensional variable that constitutes components namely revenue planning, mobilization, and revenue control for the case of this study. Revenue enhancement planning is categorized as the identification of revenue resources, assessment, and enforcement where local revenue if well collected can be realized through timely enforcement while implementation of a revenue plan entails motivating staff, capacity building, and recruitment of skilled staff. Further to note, revenue expenditure control entails implementation reviews, quarterly audit reports, and quarterly progress performance reports. Local governments are capable of providing public services, mobilizing community resources, stimulating private investments, expanding rural-urban linkages, adopting national development to local conditions, and investing in local infrastructure based on the collected low revenue. Local revenue can be improved and strengthened through accountability to enable taxpayers to appropriately relate tax paid to service delivery coupled with the strengthening enforcement of laws governing the administration and collection of taxes. Gaps identified include declining local revenue sources, political interference, and unfair procedures for revenue collection, and planning which cause mistrust causing tax invasion.

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CHAPTER THREE

METHODOLOGY

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3.0 Introduction

This chapter covered the background on how data was gathered. It discusses the research design, study population, sampling, and study variables, sources of data, data collection methods and instruments, data processing, analysis and presentation, and limitations of the study.

3.1 Research design.

Cross-sectional survey design based on the use of qualitative and quantitative approaches that were adopted to establish the relationship between Local Services Tax and Services delivery. This design was used for profiling, defining, segmentation, estimating, predicting, and examining associative relationships. Cross-sectional studies easily provide a quick snapshot of what's going on with the variables for the research problem.

3.2 Study population.

The study comprised of 100 Managers/owners and employees of businesses in Buguju, Mukono Central Division.

3.3 Sampling.

3.3.1 Sampling design.

The sampling design was used to select representative elements or respondents from the target or accessible population. In this research, I used both purposive and simple random sampling methods; this involved selecting respondents randomly and random interviews of the chosen officials. This technique or design helped me get unbiased data since purposive sampling could enable me to deal with respondents who have adequate information about the impact of Local Service Tax on service delivery.

3.3.2 Sample size

The study involved 80 respondents. The researcher assumed that this sample size would be representative enough for the entire population.

3.3.3 Sampling procedure.

3.3 Sample size.

The sample size of the study was determined using the Slovene formula of sample determination. Under this, a target population of 100 respondents was zeroed down to a sample size of 80 respondents respectively as stated by Slovene (1978). The Slovene formula was used to determine the minimum sample size.

n = $N/1+Ne^2 = 100/1+100(0.05)^2$

=80 respondents

n=number of samples

N=total population

e=level of significance 0.05

Using the formula above, a sample of 80 respondents was obtained

3.4 Study variables.

The independent variable was the impact of Local Services Tax; the dependent variable was Service Delivery to the people and their businesses and the intervening variable was the government policies. That is to say, the study was carried out to establish the relationship between how Local Services Tax affects service delivery to the people and businesses in Buguju, Mukono Central Division.

3.5 Sources of data.

Two sources of data were used for the purposes of research, these were primary data and secondary data.

3.6.1 Secondary Data Collection.

Secondary data for this study was obtained from different sources like; reading publications and textbooks as well as journals, magazines, and newspapers written by different authors concerning the impact of local services tax on service delivery.

3.6.2 Primary Data.

 Primary data was used to get information from the respondents through face-to-face information and the use of questionnaires to collect data from respondents. The primary

source of data was used because it enabled me to observe and get information directly from the activities that take place in Buguju, Mukono Central Division.

3.7 Methods of data collection and instruments.

3.7.1 Questionnaires.

The questionnaire helped to collect information from various respondents compared to other methods such as interviews; primary data was collected through the administration of written questionnaire guides to fill in., The questionnaire guide contained both closed and open-ended questions which could allow the collection of qualitative and quantitative data. The questionnaire was designed in a simple way or manner for the respondents to be able to understand the questions. In addition, the questionnaire design was time-saving for both the researcher and the respondents

3.7.2 Interview method.

The interview method involved the use of a semi-structured interview approach to collect qualitative data. The method helped to collect sensitive information about the study which is not possible to get using a questionnaire, it helped to obtain more detailed information about the study, however, it was time-consuming as information was captured from highly designated respondents and took more resources to execute as schedules, meetings are always fixed and reschedules time and again.

3.8 Data processing analysis and presentation.

3.8.1 Data processing.

Data collected was checked for completeness, categorized, coded, and entered into a computer where it was summarised into frequency tables.

3.8.2 Data analysis.

The data was analyzed automatically using SPSS (Statistical Package for Social Sciences). The SPSS package was opted for because it handles a large number of variables.

3.8.3 Data Presentation.

Quantitative data was presented in the form of descriptive statistics using frequency tables. Qualitative data was sorted and grouped into themes, The researcher thereafter evaluated and analyzed the adequacy of information in answering the research questions through coding of

data and identifying categories and parameters that emerged in the responses to the variables of the study. Qualitative data was presented using narrative text.

3.9 Limitations of the study.

Financial constraints: Financing the research study was too costly in terms of feeding and processing the report.

Non-response: Some owners of businesses in the community were busy attending to their customers and spared no time for me Lastly, there was a language barrier with the few elders who couldn't speak English hence making communication difficult.

CHAPTER FOUR
DATA PRESENTATION, ANALYSIS AND INTERPRETATION OF THE FINDINGS

4.0 Introduction.

This chapter presents data analysis, tables, and figures that were presented and interpretations made in accordance with the research objectives of the study. The chapter was divided into sub-chapters namely: demographic characteristics of respondents and findings in relationship to the objectives of the study.

4.1 Demographic characteristics of respondents.

The respondents' demographic characteristics include; age, gender, level of education, and level of experience.

4.2.1 Age of the respondents

The respondents were required to indicate their ages and the distribution of the

respondents by age is shown in Figure 4.1.

Figure 4.1: Age of the respondents

Age of respondents	Numbers	Percentage
20-25	7	9%
26-30	12	14%
31-35	41	51%
36-40	16	20%
41- above	6	6%
Total	80	100

Source **Primary data**

From Figure 4.2, the study revealed that the largest number of respondents were in the age group of 31-35years (4l)5l%, these were followed by those in the range of 36-40

40 years (16)20% and the smallest number was those who were in the range of 41 and above years and above who were (5)6.7% respondents. This implies that most of the respondents were in the age range of 31-35 years.

4.1.2 Gender of the Respondent.

The study captured the gender of the respondents in order to establish the most dominant business people in Buguju. The respondents were asked to state their sex and the distributions are shown in table 4.1.

Table 4.1: Gender of the respondents

Gender	Frequency	Percentage (%)
Male	50	62.5
Female	30	37.5
Total	80	100

Source: Primary data

According to the results for the gender of the respondents in Table 4.1, of the 80 respondents, the majority were males (50) contributing 62.5% of the total sample of the entire sample. This therefore implies that the most dominant business people are males.

4.23 Level of Education of the Respondents

I asked the respondents to state their level of education to find out whether the respondents could be able to interpret the questionnaires given to them. The findings indicated that all the respondents in the targeted group had relevant knowledge to read, interpret, and answer the questionnaires given to them by the researcher as presented in Table 4.

Figure 4.2.2: Table of level of education

Level of education	Frequency	Percentage
Primary level	15	7.50%
Certificate	20	26.25%
Diploma	15	16.25%
Degree	20	25.0%
Secondary	10	2.5%
Total	80	100

Source: Primary data

From Figure 4.1.1, 7.50% had attained primary level of education, 26.25% had certificates, 16.25% had diplomas, 25.0% had acquired degrees and 2.5% of the respondents had attained secondary as their highest level of education. This means that the majority of respondents were literate and able to understand and internalize the contents of the questionnaires.

4.1.4 Time spent in the business

The respondents were asked to state the period they had spent in their businesses and the findings showed that most of the respondents had spent reasonable time in doing business as captured in table 4.2.

Table 4.2 Time spent on running the business by the respondents

Time spent(year)	Frequency	Percentage (%)
2	6	6.7
2-3	12	15.6
3-4	44	56.6
4 and above	18	22.2
Total	80	100

Source: Primary Data

The findings in Table 4.2 indicated that out of the 80 respondents, the majority had spent 3-4 years in business (44)56.6%, followed by those who had spent 4 years and above on their current job (l8)22.2%, then those who had spent 2-3 years were (12)l5.6% and the least number of respondents who had spent less than 2 years on their job and these were (6)6.7%. This implies that most of the respondents had experience concerning the effect of local services tax on the delivery of services within Buguju.

4.2 Awareness of the Taxpayers.

Respondents were asked if they were aware of the taxes they pay if a business has ever been assessed for tax purposes, if any records were kept by the firm, how records are kept if the tax authority has given any assistance as regards tax awareness, and what kind of assistance.

According to the information I got, 80.0% agreed that they were aware of the taxes they ought to pay while 20.0% indicated that they were not aware of all the taxes that they were

meant to pay. Most business entrepreneurs in Buguju were therefore aware of the local services tax that they were supposed to pay.

4.2.1 Tax assessment

Respondents were asked if they had ever been assessed for tax purposes, the table

below illustrates their responses.

Table 4.3: If the businesses have ever been assessed for tax purposes.

Response	Frequency	Percentage (%)
Strong agree	25	31.7
Agree	19	23.3
Uncertain	12	15
Agree	12	15
Strong agree	12	15
Total	80	100

Primary data

Table 4.3 shows that 31.7% of the business entrepreneurs strongly agreed that their businesses have ever been assessed for local services tax purposes, 23.3% agreed, 15.0% indicated that they were not certain, 15.0% disagreed and 15% strongly disagreed. In all, the majority 55.0% agreed that their businesses had been assessed for purposes of paying local services tax among others. This implies that URA through the town agents carries out assessments of the businesses before the tax they are meant to pay is levied.

Table 4.4: Showing how businesses keep their records

Response	Frequency	Percentage (%)
Bin cards	13	16.7
Store cards	48	60.0
Both	19	23.3
Total	80	100

Source: Primary data

From Table 4.4 above, 16.7% of the businesses sampled, keep their records using Bin cards, 60.0% used store ledgers, and 23.3% used both bin cards and store ledgers.

4.2.2 Assistance as regards tax awareness

The researcher asked respondents if the business entrepreneurs have received any assistance as regards tax awareness and the form of assistance. The table below illustrates how they responded.

Table 4.5: Shows if the tax authority has ever given assistance as regards tax awareness.

Response	Frequency	Percentage (%)
Yes	16	20
No	64	80
Total	80	100

The source is primary data

From Table 4.5 above, 80% of the respondents said they had not received any assistance from the tax authority towards tax awareness and 20% said they had received some assistance. Over 20% of the respondents who agreed to have received assistance, said it was in the form of manuals, this means that there were very few workshops that could have been more effective in terms of creating awareness to the taxpayers.

Table 4.6 Nature of assistance given to the taxpayers.

Importance of donor funding	Strong disagree	Disagree (%)	Not sure (%)	Agree (%)	Strong agree (%)	Mean
The methods used in assessing the tax are fair	50	21.7		20.3	8	2.15
Whenever tax is collected, is it friendly?	40	26		30	3.3	2.29
Tax	30	25		10	15	2.15

authorities do not harass me whenever they come to collect tax					

Primary data

The likes scale is 1- Strongly Disagree 2- Disagree 3-Not sure 4- Agree 5-Strongly Agree.

The response mean is 1.00-1.80- Strongly Disagree, 1.81-2,60- Disagree, 2.61-3.40

Not sure, 3.41-4.20- Agree, 4.21- 5.0 —Strongly Agree.

According to Table 4.6, the results show that natural assistance given to taxpayers is poor. This is from the fact that 71.7% of the respondents disagreed that the methods used were fair with a rejection mean of 2.15, and 66.7% of the respondents rejected the statement that whenever taxes are collected from them, taxes are fair with a rejection mean of 2.29 and also 75% rejected the statement tax authorities do not harass them whenever they come to collect taxes with a mean of 2.15.

4:2:3 Average amount of local revenue paid by the community.

Respondents were also asked about how much on average amount they pay as local revenue annually. The table below illustrates the response.

Table 4:7: Average amount paid.

Shillings (00)	Frequency	Percentage (%)
Zero	0	0
100-190	55	68.3
200-290	13	16.7
300-390	12	15.0
400-490	0	0
500-590	0	0
600 and above	0	0
Total	80	100

Primary data

According to Table 4.7, among the businesses sampled, no business does not pay tax, 68.3% pay an average tax of 10,000 to 19,000/=, and 16.7% pay on average between 20,000 to 29,000/= while 15.0% of the businesses pay between 30,000 to 39,000/= The above results show that community in Buguju were paying more money in local revenue.

4.3 Problems faced by the taxpayers
4.3.1   Problem associated with LST collection

Table 4.8: Problems associated with LST collection.

Problem	YES	NO
Mode of assistance	90	10
Mode of collection	80	20

Source primary data

From Table 4.8 the findings show that 90% of the respondents agreed that they had a problem with the mode of assistance and also 80% of the respondents agreed that they had a problem with the mode of tax collection.

4.3.2 Efficiency of tax officers

Respondents were asked if the tax officers are effective in identifying and registering potential taxpayers, The table below illustrates how they responded.

Table 4.9: Respondent's view on whether tax officials are efficient.

Response	Frequency	Percentage (%)
Strong Agree	19	23.3
Agree	8	10
Uncertain	12	15
Disagree	39	48.3
Strong Disagree	2	3.3
Total	80	100

Source primary data

From Table 4.9, 48.3% disagreed that the tax officials are effective in identifying and registering potential taxpayers while 23.3% strongly agreed, l5% were uncertain, 10% agreed and 3.3% strongly disagreed. Since 51.6% of the respondents disagreed, it implies that there is too much inefficiency among the tax collectors within Mukono Central Division.

4.3.3 Specific effects of the Local Revenue on businesses.

The following are specific effects that were given by the proprietors of Buguju.

Loss of sakes; This is mainly a result of the closure of business premises by Mukono Local government staff on default During the time when the premises are closed, operation is halted therefore no sales are made.

Loss of equipment; This happens due to rough handling by the enforcement and Local town agents' staff, Sometimes machines and equipment are confiscated by the tax collectors when the owners have failed to meet the tax obligations and during confiscation, equipment is damaged and sometimes lost.

Loss of stock. Some business proprietors said they also lose capital as a result of heavy fines imposed on them when they default on their tax obligations.

Inconveniencing business operations; This happens when the staff of the tax authority visits business premises in the routine check-ups on business. Sometimes they ask for books of accounts and try to interview the business owners and in the process, they inconvenience business operations.

From the above-mentioned effects, it was noted that 40% of businesses in Buguju lose capital as a result of heavy fines imposed on them when they default on their tax obligation,

4.3.4 Suggestions from Taxpayers.

Respondents were asked to give suggestions on how their problems can be dealt with. The following were the responses.

Tax authorities should improve or increase the period of deadlines that they give out to taxpayers when giving warnings.

More efforts should be put into tax education so as to increase awareness and understanding of the mode of assessment.

4.3.5 The services that have been delivered to the people of Buguju.

The study findings indicate that 96% of the respondents agreed that their Services have been delivered to the Buguju community while 4% said that there are no services delivered.

Table 4.10 Respondents view on the Service delivery

Service delivered	Frequency	Percentage (%)
Garbage collection	25	34
Town planning	13	20
Road construction and maintenance	5	8
Health Centres and medical facilities	15	20
Free education and construction of schools	7	6

Security, law enforcement	15	12
Total	80	100

Primary source data

.

CHAPTER FIVE

SUMMARY OF MAJOR FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents a summary of major findings, conclusions, and recommendations on the findings.

5.1 Summary of major findings

5.1.1 Awareness of the Taxpayers.

From the findings of the study according to a questionnaire answered by some entrepreneurs, 80.0% agreed that they were aware of the taxes they ought to pay while 20.0% indicated that they were not aware of all the taxes that they were meant to pay. Most business entrepreneurs in Buguju were therefore aware of the taxes that they were supposed to pay. The findings also revealed that 3l.7% of the business entrepreneurs strongly agreed that their businesses have ever been assessed for tax purposes, 23.3% agreed, 15.0% indicated that they were not certain, disagreed, and strongly disagreed respectively. In all, the majority 55.0% agreed that their businesses had been assessed for purposes of paying taxes. This implies that URA through the town agent carries out assessments of the businesses before the tax they are meant to pay is levied.

5.1.2 Services delivered to the people of Buguju community

According to the major findings, 34% of the respondents cited garbage collection as one of the services delivered to the Buguju community. In their view, the respondents contended that the Local revenue has helped the division to remain smart by daily collection of Garbage.

5.1.3 Problems faced by taxpayers

The findings of the study showed that 90% of the respondents agreed that they had a problem with the mode of assistance and also 80% of the respondents agreed that they had a problem with the mode of tax collection and 51.6% of the respondents revealed that there is too much inefficiency among the tax collectors in Mukono Central division.

5.2 Conclusion of the study.

5.2.1 Awareness of the Taxpayers.

The findings of the study revealed that most of the owners of income-generating enterprises in Buguju are aware of the Local Revenue they pay and how much they pay. However, it was also discovered that Business owners had not received any assistance from the tax authority towards tax awareness. More so, the results showed that the nature of assistance given to taxpayers is poor as it was revealed that the methods used are not fair, taxes are not fair and it was also discovered that tax authorities harass taxpayers whenever they go to collect taxes.

5.2.2. Problems faced by taxpayers.

The findings of the study showed that Income-generating enterprises have a problem with the mode of assistance and the mode of tax collection. It was also found out that there is too much inefficiency among the tax collectors in Buguju.

5.3 Recommendations

5.3.1 Awareness of the Taxpayers

URA through the local government should find a way of assessing the Local revenue in that the different categories of qualified people should pay early in the financial year in order to give enough time to the businesses to pay their dues rather than make an assessment and demand for payment spontaneously.

The tax authorities should introduce a scheme that allows taxpayers to pay the tax obligation in installments over a given period of time as opposed to a lump sum at once.

5.3.2 Local Revenue amount paid by the people of Buguju.

URA should revise the amount of tax paid as it was revealed that businesses are charged highly.

5.3.3 Problems faced by taxpayers.

URA should reach out and educate the business community about its different tax rates and modes of payment. The study revealed that the biggest problem with the Local Revenue paid is in fact that the community does not understand how the tax is arrived at as well as how it is paid but not because it is too high with the introduction of the new technology IRAS (Integrated Revenue Administrated System).

URA should improve on the methods of collecting local revenue. It should adopt the closure of business premises on default only as a last resort after all the other methods of collection have failed. This should be an exception and not a rule.

5.3.4 Assessment of the locals of Buguju by the enforcement team.

The terms for locking the business should be revised especially by allowing Businesses to pay in installments as the findings of the study revealed that locking the business as a result of local revenue reduces the operations and income generated.

5.4 Areas for further research.

The researcher carried out this study in order to examine the impact of local revenue on service delivery as a case study but the study was not exhaustive owing to constraints in terms of scope, time, and finance. Further research is therefore needed in areas such as;

i) Factors leading to tax evasion among businesses in Buguju, Mukono Central Division.

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APPENDIX I

QUESTIONNAIRE FOR BUSINESS PROPRIETORS

Dear respondent, I am Ogenrwot Collins a student of Uganda Christian University (UCU) pursuing a Bachelor's Degree in business administration. Currently am carrying out a research study on the impact of Local Service Tax on Service Delivery to the people and businesses in Buguju, Mukono Central Division as part of the requirements for a ward of Bachelor's Degree in Business Administration. This questionnaire is therefore intended to seek information on the above subject matter. The information is purely for academic purposes and all the answers will be handled with utmost confidentiality. I therefore humbly request that you complete this questionnaire correctly in the spaces provided or options given. (Please, tick the appropriate answers where options are given),

Part A

SECTION A: DEMOGRAPHIC PROFILE

1. **Gender**

   Male. ☐

   Female ☐

2. **Age**

   20-25. ☐

   26-30. ☐

   31-35. ☐

36-40. □

Above 40 □

3. **Level of Education.**

Primary □

Secondary □

Certificate □

Diploma. □

Degree □

4. **Number of years spent in the business?**

Less than 2 years □

2-3 years. □

3-4 years. □

4 years and above □

Part B: Awareness of the tax payers

5. **Are you aware of the tax you pay**?

   Yes ☐   No ☐

6. **If Yes, are you satisfied with the tax policies**?

   Yes ☐   No ☐

7. **How was the assistance as regards tax awareness?**

Note: Under the following sections, **please tick** according to your level of agreement.

1. **Strongly disagree 2. Disagree 3. Not sure 4. Agree 5. Strongly Agree**

   Please evaluate the statement by ticking in the box with the number that suits you.

Statement	1	2	3	4	5
The method used in assessing the taxes is fair					
Whenever the tax is collected from me, they are fair					
Tax authorities do not harass me whenever they come to collect tax					

8. **Which form of assistance is provided?**

   Manual ☐   Workshops ☐

9. **What is your average amount of local services tax paid per year**?

   Zero ☐   10,000-19,000 ☐   20,000-29,000 ☐   30,000-39,000 ☐

   40,000-49,000 ☐   50,000 and above ☐

Part C: Problems being faced by taxpayers

10. Do you have problems with?

   i.   The mode of assistance Yes ☐   No ☐

    ii. The mode of collection of tax. Yes ☐   No ☐

11. What are the specific effects of the tax on your business

i………………………………………………………………………….

ii………………………………………………………………………….

iii…………………………………………………………………………

12. Give any suggestions about the problems that may have been encountered while complying with tax obligations.

i…………………………………………………………………………..

ii…………………………………………………………………………..

iii…………………………………………………………………………

Note: Under the following sections, **please tick** according to your level of agreement.

1. **Strong disagree 2. Disagree 3. Not sure 4. Agree 5. Strongly Agree**

Statement about Service Delivery	1	2	3	4	5
There is routine maintenance of community roads within the Buguju.					
The routine maintenance of community roads has improved service delivery within the Buguju.					
Mukono Local Council has ensured the timely collection of garbage and waste within the Buguju community.					
Mukono Local Council has constructed boreholes to provide clean water to the locals of Buguju community					
The town council has supported the Education system within the community of Buguju.					
The Town Council has constantly engaged in the construction of school blocks within the Buguju community.					

13. Note: Under the following sections, **please tick** according to your level of agreement.

The following are some of the services rendered by the Local government to the community.

Please tick the service that has been **BEST** performed in terms of service delivery by the Local government to your community.

List of some of the services delivered by Local government	✓ Tick
Responding to fire, conducting fire safety, inspections, and providing rescue services	
Offering ambulance services and medical assistance during emergencies	
Construction, maintenance, and repair of local roads and highways.	
Providing safe drinking water and wastewater treatment.	
Managing garbage collection, recycling programs, and waste disposal.	
Constructing school blocks within the community.	
Monitoring and responding to public health threats and outbreaks.	

The following are some of the services rendered by the Local government to the community.

Please tick the service that has been **WORST** performed in terms of service delivery by the Local government to your community.

List of some of the services delivered by Local government	✓ Tick
Responding to fire, conducting fire safety, inspections, and providing rescue services	
Offering ambulance services and medical assistance during emergencies	
Construction, maintenance, and repair of local roads and highways.	
Providing safe drinking water and wastewater treatment.	
Managing garbage collection, recycling programs, and waste disposal.	
Constructing school blocks within the community	
Monitoring and responding to public health threats and outbreaks.	

Thank you for your valuable time

SCHOOL OF BUSINESS

1st Aug 2023

TO WHOM IT MAY CONCERN

 Name: Ogenrwot Collins   Reg. No. J22B05/205

A bachelor's student who is seeking permission from your office to collect data for his/her dissertation titled "IMPACT **OF LOCAL SERVICES TAX ON SERVICES DELIVERY TO THE PEOPLE OF BUGUJU, MUKONO CENTRAL DIVISION"**

We shall be grateful if you could render assistance to him/her in collecting the necessary data for his/her dissertation

The Uganda Christian University School of Business thanks you in advance

……………………………………..

Mukisa Simon Peter
Research coordinator