

# Impact of Tax Education on The Public Sector - A Case Study of Lwakhakha Town Council, Namisindwa District Local Government

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**Abstract:** *Since the local government of Lwakhakha Town Council has a variety of problems, the study evaluated tax understanding and its effects on the public sector. The primary goal of the research was to determine how knowledge about taxes affects collecting tax revenues. To evaluate the impact of tax knowledge on collecting revenue, the investigator used experimental and interpretative quantitative technique. The investigation's subject is carefully chosen. To gather data, the research effort was using an organized survey instrument. The study's conclusions show that appropriate tax education improves conformity. Tax education raises technical expertise required to calculate a taxpayer's obligation for taxes as well as their understanding of tax laws. Numerous factors, including the level of understanding of individual tax payers as a result of learning about taxes, affect tax mobilisation. These variables include the technical proficiency of the person who is the taxpayer in their tax affairs and their knowledge of the applicable tax laws and consequences (penalties, fines, and indictments).*

**Keywords:** tax education and public sector

## BACKGROUND

In Europe, the ability to implement legislation and rules, notably those pertaining to taxing and laundering of funds, is directly impacted by the institutional connections made between the OCTs and the relevant EU Member States. No matter how much control the member states of the European Union have over their OCTs, local governments in certain of the UK and Dutch OCTs are having trouble enforcing the law due to structural flaws as well as a lack of funding and staff members. In the case of the French OCTs, insufficient data as well as ineffective supervision measures make it challenging to monitor financial activity. In the opening study, the instances of France, the Netherlands, and the United Kingdom are compared in terms of preventing money laundering, tax avoidance, and boosting disclosure of taxes. The case of Greenland is also examined, and implications are drawn regarding how the EU should utilize its clout in these overseas nations more effectively (Sarkcr, 2003). In order to determine whether and, if so, to what extent, EU-US trade and investment relations have affected tax avoidance, money laundering, and transparency in taxes, an ex-post evaluation of impact was conducted. The economies of the EU and the US are closely entwined; they account for more than 30% of global commerce and produce half of the world's GNP. Overall, the United States' attempts to prevent tax evasion do not appear to have been hampered by investments and trade links with the European Union.

Numerous emerging economies, particularly African nations, have been involved with planning, establishing, and carrying out required techniques for maximizing their tax revenues throughout the past few decades. Gupta (2008) notes that these nations have engaged in a number of methods, including revamping their government, fiscal, and accounting systems. Therefore, these changes have been made in order to practice democratic and ethical governance as well as a means of increasing government income, growing the economy, reducing impoverishment, and promoting sustainable development (Gupta, 2008).

Uganda Revenue Authority was established in Uganda to handle the administration of taxes.

## PROBLEM STATEMENT

The existing tax disparity among payers and collection at Lwakhakha Town Council seems to be significant, and revenue from local conformity is low. Infractions is one of the key causes of the tax gap, and it has been established that different demographic groups' attitudes and perceptions about taxation need to alter in order to influence tax-paying behaviour. In order to positively affect perceptions in the direction of compliance with taxes, perspective must first be identified. The council of the community is anticipated to collect taxes totalling \$500,000,000 annually, increasing to 100%, but it only collects 87,000,000, which is significantly less than the norm.

## SPECIFIC OBJECTIVES

1. To establish the level of Tax Compliance among Ugandan Tax payers.
2. To assess the performance of domestic revenue collection in Uganda.

3. To establish the relationship between Tax Compliance and Domestic Revenue Collection

### Research Questions

1. What is the level of Tax Compliance among Ugandan Tax payers?
2. How is the performance of domestic revenue collection in Uganda?
3. What is the relationship between Tax Compliance and Domestic Revenue Collection?

### Methodology

#### Research Design

A design for research is a thorough plan that directs the investigation. According to Dalton L. R. and Todor, C. (1979), it is the blueprint and framework of an inquiry that is designed to yield answers to research concerns. The study must use a descriptive methodology, which calls for the application of methods that are qualitative as well as quantitative. Quantitative research was founded on descriptive analytical principles and the use of data collection assessments based on the investigator's personal experiences.

Study Demographic Members of the Lwakhakha Town Council's administrative and politically staff as well as those who pay taxes (market vendors, property tax payers, boda cyclists, authorities, and those who pay taxes, the town council's political arm) made up the study community.

#### Sample Size

The study involved 40 respondents; the respondents included 10 staff members from local government at town council level, and 6 tax payers from each from different businesses around wards of the town council considering time factor constraints and other factors.

#### Data Collection

The study incorporated the use of various methods in the process of data collection in a bid to come up with sound, concrete and credible research findings. The researcher therefore amalgamated the use of both primary and secondary methods

#### Sampling Method

The term "sampling method" refers to a technique used to choose the appropriate number of samples from the Study community. The individuals who responded were chosen on purpose since they satiate the requirements for inclusion. A non-probability way of picking a sample is known as "purposeful sampling," which is based on choosing participants since only they can offer the required information.

#### Using surveys

This approach uses established inquiries that the investigator has created in order to gather the necessary data for the study. The investigator created an open-ended and closed-ended survey responses which was conducted by individuals, meaning that the study participants completed it in the study area. Employees of the Lwakhakha Town Council and tax payers were surveyed to gather knowledge.

#### Interview method.

An interview method involved interaction between the researcher and respondent by the help of an interview guide. An interview guide was drafted with a set of questions that two the researcher asked Respondents during an interview and this was open ended in nature. The researcher personally records the provided responses as per study respondents during the process of carrying out an Interview. This tool was used to collect information from respondents selected among the town council officials.

#### Evaluation of data

The adjusted data underwent the following both qualitative and quantitative analyses: For easier comprehension, numerical information was bundled with statistical explanations including tables displaying percentages and frequency, pie charts, and graphs. But the responses received from participants that are pertinent to the investigation's problem were identified through the analysis of the quantitative information. Such data was mostly examined by describing the information gathered from the area in which the investigator was able to use quotes from participants.

### RESULTS

#### Background Information

This section contains the general characteristics of the respondent group in terms of basic characteristics such as Age group, Gender and level of education. These were all presented using the frequency distributions.

#### Respondents according to gender

The researcher asked the respondents their gender so as to find out their sexes to avoid unbiased gender information. The findings revealed that both sexes were involved in the study for gender sensitivity as shown in table 1 below.

**Table 1 GENDER OF THE RESPONDENTS**

RESPONSE	FREQUANCE	PERCENT %
MALE	25	62.5
FEMALE	15	37.5
TOTAL	40	100.0

Source: primary data 2021

The results in table 1 shows that most respondents were male 62.5% taxpayers against 37.5% of the female participants. This distribution may have a cultural connotation which traditionally has been limiting women in Africa from entrepreneurship adventures.

#### Level of Education among the Tax Payers

The table 2 shows the level of education of the respondents

Response	Frequency	Percent%
Certificate	6	15.5
Diploma	10	25.0
Degree	13	23.0
Masters	3	7.5
None of the above	8	20.0
Total	40	100.0

Source: Primary data, 2021

Table 2 indicates that 32% of the respondents had degrees, these were followed by 25% who had diplomas, then 20% who had no qualification, 15.5% with certificates and on 7.5% had attained master degree. This clearly shows that at least majority of the respondents were literate and therefore able to give correct response.

#### Age Group among the Tax Payers

This was intended to help the researcher evaluate respondents' level of maturity and taxpayer's awareness in particular as one of the contemporary issues in economic development process Results indicate the distribution for one's category by Age group

**Table 3: Showing Age Bracket of the Respondents**

Response	Frequency	Percent%
15-20 years	4	7.5
21-25 years	22	55.0
26-35 years	10	25.0
31-35 years	3	7.5
36 years and above	1	2.5
Total	40	100.0

Source: Primary data, 2021

Table 3 above indicates that the highest percentage (55%) of the respondents were between 21-25 years, these were followed by those between the age of 26-30 years (25%), then those between 15-20 years and between 31-35 years shared the same percentage (7.5%) and lastly only 2.5% of the respondents were above 36 years. This implies that biggest number of respondents were the youth who own most of the taxable products and services.

#### Level of Tax Compliance

**Table 4: Showing Whether Tax Payers Pay their Taxes Wasingly**

Response	Frequency	Percent %
Strongly agree	8	20.0
Agree	9	22.5
Not sure	1	2.5

<b>Disagree</b>	<b>22</b>	<b>55.0</b>
<b>Strongly disagree</b>	<b>2</b>	<b>5.0</b>
<b>Total</b>	<b>40</b>	<b>100.0</b>

As can be seen in table 4 above, the majority of respondents—55% and 5%—disagreed and strongly disapproved with the idea that they pay their fair share of taxes, accordingly These participants were then followed by 22% and 20% who acknowledged and fervently agreed—and 2.5% who were unsure of how to respond. Based on the majority of participants, the study indicates that there is still a potential of disobedience because some respondents disapproved.

**Table 5: Showing Tax Payers pay their dues at the Right Time and in the Right Amount**

<b>Response</b>	<b>Frequency</b>	<b>Percent%</b>
<b>Strongly agree</b>	<b>5</b>	<b>12.5</b>
<b>Agree</b>	<b>23</b>	<b>57.5</b>
<b>Not sure</b>	<b>3</b>	<b>7.5</b>
<b>Disagree</b>	<b>8</b>	<b>20.0</b>
<b>Strongly disagree</b>	<b>1</b>	<b>2.5</b>
<b>Total</b>	<b>40</b>	<b>100.0</b>

Source: Primary data, 2021

Table 5 above indicates that 57% and 12.5% of the respondents agreed and strongly agreed respectively that they pay their dues at the right time and in the right amount, these were followed by 20% who disagree. Then 7.5% who were not sure and lastly 2.5% who strongly disagreed. This also implies that there is still a level of non-compliance among taxpayers especially with the respondents who disagreed.

**Table 6: Showing whether Taxpayers hate paying because Tax rates are too high.**

<b>Response</b>	<b>Frequency</b>	<b>Percent%</b>
<b>Strongly agree</b>	<b>7</b>	<b>17.5</b>
<b>Agree</b>	<b>22</b>	<b>55.0</b>
<b>Not sure</b>	<b>0</b>	<b>0.0</b>
<b>Disagree</b>	<b>11</b>	<b>27.0</b>
<b>Strongly disagree</b>	<b>0</b>	<b>0.0</b>
<b>Total</b>	<b>40</b>	<b>100.0</b>

Source: Primary data, 2021

From the table 6 above, 55% and 17.5% of the respondents agreed and strongly agreed respectively that they hate paying taxes because tax rates are too high. 27% of the respondents disagreed and they said they pay their taxes whether they are high or not. This implies that as a result of high taxes the level of tax payers' compliance is reduced.

**Table 7: Showing Low Compliance Culture and Level of Tax Compliance**

<b>Response</b>	<b>Frequency</b>	<b>Percent%</b>
<b>Strongly agree</b>	<b>10</b>	<b>25.0</b>
<b>Agree</b>	<b>22</b>	<b>55.0</b>
<b>Not sure</b>	<b>4</b>	<b>10.0</b>
<b>Disagree</b>	<b>3</b>	<b>7.5</b>
<b>Strongly disagree</b>	<b>1</b>	<b>2.5</b>
<b>Total</b>	<b>40</b>	<b>100.0</b>

Source: Primary data, 2021

Table 7 indicates that 55% and 25% of the respondents agreed and strongly agreed respectively that low compliance culture among tax payers affects the level of tax compliance. These were followed by 10% who were not sure, then 7.5% and 2.5% who disagreed and strongly disagreed respectively with the view that low compliance culture among tax payers affects the level of tax compliance. Basing on the highest percentage of respondents (55%), the study concludes that with a low compliance culture among tax payers the level of tax compliance is reduced hence reducing on the amount of revenue collected.

**Table 8: Showing the effect of Large Informal Sector on Tax Compliance.**

Response	Frequency	Percent %
Strongly agree	11	27.5
Agree	24	60.0
Not sure	0	0.0
Disagree	5	12.0
Strongly disagree	0	0
<b>Total;</b>	<b>40</b>	<b>100.0</b>

Source: Primary data 2021

From table 8 above, 60% and 27% of the respondents agreed and strongly agreed respectively that if a there is large informal sector the level of tax compliance is reduced and only 12% of the respondents disagreed. Basing on the highest percentage of respondents (60%) the study asserts that however much this informal sector contributes substantially to the growth of the economy. It remains highly susceptible to tax evasion, therefore increasing on the levels of non-compliance.

**Table 9: Showing Tax Payer's Attitude towards URA and the Level of Tax Compliance**

Response	Frequency	Percent%
Strongly agree	10	25.0
Agree	22	55.0
Not sure	3	7.5
Disagree	4	10.0
Strongly disagree	1	2.5
<b>Total</b>	<b>40</b>	<b>100.0</b>

Source: Primary Data, 2021

From table 9 above, 55% and 25% of the respondents agreed and strongly agreed respectively that tax payer's attitude towards URA affects the level of tax compliance, these were followed by 10% who disagreed, then 7.5 who were not sure. In an interview with the respondents they revealed that those who have a bad attitude towards URA tend not to comply and those who comply were found to be in good terms with URA. This therefore implies that there is a high level of compliance among taxpayers who have solidarity with URA.

**Table 10: The Level of Tax Compliance is expected to Improve**

Response	Frequency	Percent%
Strongly agree	16	40.0
Agree	20	50.0
Not sure	4	10.0
Disagree	0	0.0
Strongly disagree	0	0.0
<b>Total</b>	<b>40</b>	<b>100.0</b>

Source: Primary data, 2021

From table 10, 50% and 40% of the respondents agreed and strongly agreed respectively that the level of tax compliance is expected improve in Uganda, and only 10% of the respondents were not sure whether level of tax compliance was improve or not Basing on the highest percentage of the respondents (50% and 40%) the study concludes that with an improvement in compliance levels, URA is likely to collect more domestic revenues hence increasing funds to finance the budget.

### Performance of Domestic Revenue Collection

Here respondents were also asked to rank using the liker scale (strongly agree, agree, not sure, disagree and strongly disagree) each of the statements given in the questionnaires and their response was as follows.

**Table 11: Showing response on Cost of Collection of Taxes as a Percentage of Revenue**

Response	Frequency	Percent%
Strongly agree	11	27.5
Agree	20	50.0
Not sure	3	7.5
Disagree	5	12.5

<b>Strongly disagree</b>	<b>1</b>	<b>2.5</b>
<b>Total</b>	<b>40</b>	<b>100.0</b>

Source: Primary data, 2021

Table 11 above indicates that 50% and 27% of the respondents agreed and strongly agreed respectively that the cost of Collection of Taxes as a Percentage of Revenue has been on a decline, 7.5 were not sure, 12.5% and disagreed and strongly disagreed respectively. This therefore implies that URA is realizing improvements from time to time and this is one of the reasons why a lot of revenue is collected today.

**Table 12: Showing URA Experiences Tax Arrears**

<b>Response</b>	<b>Frequency</b>	<b>Percent%</b>
<b>Strongly agree</b>	<b>13</b>	<b>32.5</b>
<b>Agree</b>	<b>23</b>	<b>62.5</b>
<b>Not sure</b>	<b>3</b>	<b>7.5</b>
<b>Disagree</b>	<b>0</b>	<b>0.0</b>
<b>Strongly disagree</b>	<b>0</b>	<b>0.0</b>
<b>Total</b>	<b>40</b>	<b>100.0</b>

Source: Primary data, 2021

From table 62.5% and 32.5% of the responders agreed and strongly agreed respectively that URA experiences and registers tax arrears at the end of every financial year, and only 7.5% of the respondents were not sure whether it experiences tax arrears or not. This shows weaknesses in revenue collection which also affects its performance and therefore may affect some hinder planning for delivering of public goods and services since there are no funds.

**Table 13: Showing Tax Administration and Revenue Performance**

<b>Response</b>	<b>Frequency</b>	<b>Percent%</b>
<b>Strongly agree</b>	<b>28</b>	<b>70.0</b>
<b>Agree</b>	<b>12</b>	<b>30.0</b>
<b>Not sure</b>	<b>0</b>	<b>0.0</b>
<b>Disagree</b>	<b>0</b>	<b>0.0</b>
<b>Strongly disagree</b>	<b>0</b>	<b>0.0</b>
<b>Total</b>	<b>40</b>	<b>100.0</b>

Source: Primary data 2021

From the table 13 above, 70% and 30% of the respondents strongly agreed that an improved tax administration leads to an improved revenue collection. This therefore implies with a good tax administration URA is able to realize higher revenue collections.

**Table 14: Showing response on Comparison of Revenue Collection Today and in the Past.**

<b>Response</b>	<b>Frequency</b>	<b>Percent</b>
<b>Strongly agree</b>	<b>1</b>	<b>2.5</b>
<b>Agree</b>	<b>39</b>	<b>97.5</b>
<b>Not sure</b>	<b>0</b>	<b>0.0</b>
<b>Disagree</b>	<b>0</b>	<b>0.0</b>
<b>Strongly disagree</b>	<b>0</b>	<b>0.0</b>
<b>Total</b>	<b>40</b>	<b>100.0</b>

Source: Primary Data, 2021

From table 14, the highest percentage (97.5%) of respondents agreed and also 2.5% of respondents strongly agreed that the collection of revenues today is higher than in the past. This also indicates that there is an improved performance compared to the past.

**Table 15: Showing whether URA Realizes Increments in Revenue Collection**

<b>Response</b>	<b>Frequency</b>	<b>Percent</b>
<b>Strongly agree</b>	<b>3</b>	<b>7.5</b>
<b>Agree</b>	<b>36</b>	<b>90.0</b>
<b>Not sure</b>	<b>1</b>	<b>2.5</b>

Disagree	0	0
strongly disagree	0	0
Total	40	100.0

Source: Primary Data, 2021

From the table 15 above the highest percentage of respondents (90%) agreed that URA realizes increments in revenue collection every financial year. these were followed by 7.5% who strongly agreed and only 2.5% were not sure. This also indicates good performance in revenue collection.

**Table 16: Showing the Expectation about Performance in Revenue Collection**

Response	Frequency	Percent
Strongly agree	12	30.0
Agree	28	67.5
Not sure	1	2.5
Disagree	0	0.0
Strongly disagree	0	0.0
Total	40	100.0

Source: Primary data, 2021

As seen in table 16 above, 67.5% and 30% of the respondents agreed and strongly agreed respectively that they expect domestic revenue collection the better next year. 2.5 % of the respondents were not sure whether it was increase or not. In an interview with management they said they expect the collection of next year to be better than that of this year because of an improvement in tax administration, the level of compliance is increasing and that rural electrification has also enabled people to start many businesses which are the sources of revenue.

**Table 17: Showing Large Taxpayers Office and Revenue Collection**

Response	Frequency	Percent%
Strongly agree	9	22.5
Agree	22	55.0
Not sure	4	10.0
Disagree	3	7.5
Strongly disagree	2	5.0
Total	40	100.0

Source: Primary data, 2021

Table 17 indicates that the highest percentage of respondents (55%) agreed that the introduction of a Large Taxpayer's Office increased domestic revenue collection, these were followed by 22% who strongly agreed, then 10% were not sure, 7.5% disagreed and only 5% of the respondents strongly disagreed. Basing on the highest the percentage of respondents (55%), the study concludes that introduction a Large Taxpayers' Office improved on revenue collection.

#### **Relationship between Tax Administration and Revenue Collection.**

Here respondents were also asked to rank using the liker scale (strongly agree, agree, not sure, disagree and strongly disagree) each of the statements given in the questionnaires and their response was as follows.

**Table 18: The level of tax compliance affects the performance of domestic revenue collection**

Response	Frequency	Percent
Strongly agree	29	72.5
Agree	11	27.5
Not sure	0	0.0
Disagree	0	0.0
Strongly disagree	0	0.0
Total	40	100.0

Source: Primary Data, 2021

Table 18 indicates that 72.5% of the respondents strongly agreed that tax compliance affects the performance in domestic revenue collection, and 27.5% of the respondents agreed that the level of tax compliance affects the performance in domestic revenue collection.

**Table 19: Showing Tax Education, Tax Compliance and Revenue Collection**

Response	Frequency	Percent%
Strongly agree	9	22.5
Agree	23	57.5
Not sure	3	7.5
Disagree	3	7.5
Strongly disagree	2	5.0
Total	40	100.0

Source: Primary Data, 2021

Table 19 indicates that 57.5% and 22.5% of the respondents agreed and strongly agreed respectively that tax education helps people to understand the importance of paying taxes which helps them to be compliant in paying their taxes. This therefore increases on the amount collected since more people were to pay taxes without any force. This also reduces on collection costs hence improved performance. Since more people were to pay taxes without any force. This also reduces on collection costs hence improved performance.

**Table 20: Showing Low Compliance Culture affects Revenue Collection**

Response	Frequency	Percent %
Strongly agree	37	92.5
Agree	3	7.5
Not sure	0	0.0
Disagree	0	0.0
Strongly disagree	0	0.0
Total	40	100.0

Source: Primary Data, 2021

From the table above, 92.5% of the respondents strongly agreed that the low compliance culture among Ugandans affects the revenue collection; these were followed by 7.5 who also agreed. This implies that with a good compliance culture in a nation the total domestic revenue collection is likely to be high.

### Conclusion

With a correlation of  $r=0.708$  at a significance level of 0.05, it can be concluded that tax conformity along with achievement in collecting revenues are strongly positively correlated. This means that if tax conformity is high, effectiveness in national revenue the gathering is also high, and if tax conformity is low, accomplishment is also low. Because of this, tax adherence is a severe issue in a number of developing nations, and there is an obligation to enhance it in order to strengthen the ability of those administrations to raise money for construction.

### Recommendations of the Study

The tax management should be stressed in order to give people and organizations advice on how to improve accountancy practices and tax returns. This will assist to increase compliance with tax laws, which will also help to increase the collection of earnings.

Generally speaking, tax consulting offices are needed set up all around the nation to offer guidance on the meaning and implementation of tax laws, as well as the steps involved in submitting reports and requests. Additionally, it improved the compliance with taxes.

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