**ELECTRONIC TAX FILING SYSTEM AND REVENUE COLLECTION IN UGANDA**

**A CASE STUDY OF UGANDA REVENUE AUTHORITY, NAKAWA**

**BY**

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# DECLARATION

I **NDAYIZEYE BORIS PARFAIT** declare that this dissertation under the topic “electronic tax filing system and revenue collection in Uganda, basing on a case study of Uganda Revenue Authority” is my original work and has never been presented for any academic award in any university or institution of higher learning and where the works of others have been used due acknowledgement has been done.

Signature: …………………………..

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Index No: 2018/FEB/MBA/M223039/WKD

# APPROVAL

This dissertation titled electronic tax filing system and revenue collection in Uganda, basing on a case study of Uganda Revenue Authority was under my supervision and has been submitted for examination with my approval.

Signature: ………………………

Mr. Owino Joshua (Supervisor)

Date :…………………………….

# DEDICATION

I dedicate this dissertation to my family and friends

# ACKNOWLEDGEMENTS

I would like to extend my sincere thanks to God Almighty who has kept and sustained me throughout my stay at the University. Heartfelt appreciation goes to my family and all my friends for the support, advice and encouragement.

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# LIST OF ACRONYMS

E-tax : Electronic tax filing system

URA : Uganda Revenue Authority

# ABSTRACT

The study was about the role of electronic tax filing system on revenue collection in Uganda, a case of Uganda Revenue Authority. It was guided by three objectives: i) to examine how electronic data transfer enhances submission of tax returns in Uganda Revenue authority, ii) to examine how tax preparation software enhances timely payment of tax due on or before due date in Uganda Revenue Authority, iii) to examine how implementation of electronic tax system has enhanced registration of tax payers in Uganda Revenue Authority.

The study adopted a cross sectional survey design divided in section of research approach, research strategy, research duration and the research classification. The study used a sample size of 67 respondents. It is also shown that the Adjusted R square is .709 which is an indication that 70.9% of the changes that do occur in revenue collection are due to changes in electronic tax filing system. The test also revealed that URA’s electronic tax filing system has a positive relationship with revenue collection and as such the null hypothesis was rejected.

In conclusion, the study notes that 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.

In recommendation, the study suggested that URA should call the taxpayers for training at the different branches to enable sensitization about the services that are rendered and therefore communicate all the reasons for the adoption of E-tax service as this will motivate the uses of the service, hence increase in the rate of compliances.

# CHAPTER ONE

# INTRODUCTION

# Background to the study

The study examines the role of electronic tax filing system on revenue collection in Uganda. It focused on a case study of Uganda Revenue Authority.

The study about electronic tax filing system and revenue collection warrants research because over the years, it has been established that electronic revenue collection in developing countries has gained increasing prominence in the policy debate. Nisar (2013) argued that recent trends in public taxation stress the need of developing a system of tax assessment and collection that involves internet services. Several factors explain this, including the potential benefits of taxation for state building; independence from foreign aid; the fiscal effects of trade liberalization; the financial and debt crisis in the “West”; and the acute financial needs of developing countries.

E taxation is an e-government application that allows for the administration and collection of the tax. It has been used to develop information communication technologies on the automation of tax offices. Along with these developments, it has been ensured that tax payers can submit their statements in the electronic form (Cetin 2010).

The electronic tax system provides education and information to tax payers through electronic registration, filing and payment. In general, the e-tax system is a comprehensive internet portal that can be accessed seven days a week and 24 hours a day, which provides tax payers with a safe self-service option package, a single point of information and actions and does not require intervention by tax administration personnel (Jimerez et.al, 2013).

According to Hunter (2005) electronic tax filing refers to various systems that enable individuals and small businesses to file their tax returns and make tax payments through electronic data transfer. Electronic tax filing systems increase the quality and quantity of information available to tax officers, enabling them to complete trans-actions faster and more accurately. Returns filed electronically have much lower error rates than paper returns and substantially cut the need to impose penal-ties and other punitive measures to foster compliance. Edward (2008) further notes that the more efficient handling provided by electronic returns allows tax officers to issue assessments and refunds more quickly, and taxpayers know right away if their returns have been accepted by the tax authorities.

Stanislav (2012) points out that governments world-wide, have invested heavily in electronic systems for the past two decades. These range from registration services (birth, car, company) to license/document applications (driver, dog, and passport) and tax and social welfare services. As already noted, when looking at progress to date, it is not surprising to find that the aspect of e-government which tends to be most developed and most widely used is electronic tax system.

Gideon (2013) asserts that an efficient national revenue collection system is the hub of every public administration system and the cornerstone of sound fiscal management. It enables governments to finance budget deficits from domestic sources, thus dissuading recourse to off-shore sourcing. It was also argued that there is need to review the structural and operational frameworks governing the national revenue authority, tighten treasury control over all national revenue sources, strengthen legislative oversight and the public audit functions, plug loose areas in income tax frameworks as well as instituting transparency in national revenue remittance processes.

According to Atika (2012), electronic tax system forms part of the revenue collection reforms by Uganda Revenue Authority whose main motive is enhancing tax collections and tax efficiency and thus, tax revenues have been increasing rapidly due to the country's rapid economic development accelerated by the new systems In this regard, the planning and formulation phase of an elaborate electronic system strategy was done in the URA Corporate plan of 2003 and was implemented in the fourth corporate plan of 2009. URA has a centralized Information Communication Technology (ICT) department that provides support services in terms of electronic systems to the entire organization all these to try and achieve its goals for achieving increased revenue collection and facilitating voluntary compliance by taxpayers (Atika, 2012).

Wasao, (2014) explains that challenges facing revenue collection may not be necessarily because of the introduction of the electronic system but other factors such as tax compliance. In addition, it is observed that while looking at the importance of technology established that, the electronic system is considered as an efficient tool when properly used otherwise it can also become a problem which needs to be solved, rather than the solution. The electronic tax system comprises modern Technology that has in the form of computers, internet and software applications. Such technology is considered to be only efficient when handled by well-trained personnel and embedded in the workflow of the organization

Okot et.al (2012) observed that Uganda’s the public sector is much bigger than the private sector and yet contributed very little to the tax base. The private sector, which was dominated by subsistent agriculture (about 60 percent of GDP) had low revenue productivity. In addition, the commercial sector was largely informal and difficult to tax. In addition, it is stated that tax laws are characterized by wide ranging exemptions, which eroded further the tax base. The laws also provided extensive discretionary powers to the Minister to grant specific exemptions, rendering the system highly vulnerable to tax avoidance schemes.

Ayoki (2007) notes that all the reforms in Uganda’s tax system are aimed at improving tax collection, administration and above all tax compliance. Therefore in a bid to improve tax compliance, Uganda Revenue Authority introduced electronic tax filing system (on line) just as its program of e tax system. Electronic tax filing system started as a faint rumor a couple of years ago. It hardly got the attention of small business operators as everyone imagined it was meant for big companies like financial institutions, education institutions. However, this came to pass since its inception.

In Uganda, the Uganda Revenue Authority unveiled a new system to facilitate quick clearance of goods through Customs called the ASCYUDA which is a short form for Automated System for Customs Data. The ASYCUDA Worldis a Web-based application or computer system that supports paperless declaration processing through the use of scanned or electronic documents. It allows Customs Administration and traders to handle and submit their declaration transactions electronically- from declaration, capturing, processing, release till goods are exited from Customs all via the Internet. It is noted that the system is supposed to increase of tax declarations and improve on revenue collected from traders since it can be accessed via internet, external users merely need the internet to access it and no installations are needed. (asycudasupport@ura.go.ug)

The electronic tax system provides education and information to taxpayers through electronic registration, filing, and payment. In general, the e-tax system is a comprehensive internet portal that can be accessed 7 days a week and 24 hours a day, which provides taxpayers with a safe self-service option package, a single point of information and action, and does not require intervention by tax administration personnel (Jimenez et al., 2013). When explaining electronic taxes, online filing and tax declarations, which are generally web-based portals that allow taxpayers to pay electronically, share information about tax assessments between different government departments, and educate taxpayers on tax matters, are evaluated. E-taxation services are taxation services used in most countries and sometimes forced by customers.

The performance of an economy is predicated on revenue collection and Governments need finances to support administrative, infrastructure and service provision. It is further noted that increased use of technology has arguably improved tax payer services, compliance and administration. The dimension of a taxpayer having to register with the tax authorities when required to do so increases on revenue collected. It is also highlighted that one pillar of tax compliance is registration as a taxpayer when one meets criteria set by the Revenue Authority.

Tax policy has become volatile, unpredictable and constituted a serious hindrance to trade, investment and enterprise (Mutebille, et al, 2009). Moreover, tax administration capacity has deteriorated greatly, smuggling and evasion were rampant and decision about tax issues are heavily influenced by rent seeking behavior (Mutebille, et al, 2009). Information about tax laws, rules, and regulations is also not generally available or easily accessible even to policy makers and administration officials.

According to the Government of Uganda (2008) it was observed that revenue collection rose from 62.73billion shillings in the financial year 1990/91 to 250.15billion shillings in the financial year 1995/96 (Mutebille, et al, 2009). In spite of the above registered improvement in the tax collection, the government of Uganda still hoped that more revenue could be realized if the tax base is enlarged and tax administration improved.

The Uganda Revenue Authority (URA) was set up by an [Act of Parliament](http://en.wikipedia.org/wiki/Act_of_Parliament) in 1991. It is a government body in charge of collecting taxes, accounting for the collected taxes in accordance with the statute under which it was established. The URA has head offices in [Kampala](http://en.wikipedia.org/wiki/Kampala) and operates over a dozen main branch offices throughout the country. It is responsible for [collecting](http://en.wikipedia.org/wiki/Taxation) and [accounting](http://en.wikipedia.org/wiki/Accounting) for various forms of [tax revenue](http://en.wikipedia.org/wiki/Tax_revenue), in [Uganda](http://en.wikipedia.org/wiki/Uganda).

Uganda Revenue Authority in 2005 embarked on a modernization drive that has culminated into an ambitious computerized system dubbed electronic tax. The objective of the new system is to reduce the cost of the tax payer complying with URA (Musoke and Mugalu, 2010). The purpose of electronic tax system and the domestic tax modernization program was to remove the inefficiencies associated with costs of movement by tax payers to URA offices to do business and present to tax payers a system that reduces their cost of compliance. However, since its inception in June 2009, it is not clear how the new system has improved tax collection, enhanced administration, reduced compliance costs and improved tax compliance. This is therefore what prompted the researcher to carry out a study to find out whether indeed the system has improved and eased tax administration, collection and compliance.

According to a 10 year Tax Collection Plan (2011-2020) URA is set to achieve the following objectives under electronic tax filing system;

1. To enhance effective registration of tax payers
2. To improve on submission of tax returns on or before due date
3. To enhance on payment of tax due on or before due date
4. To improve on accurate reporting of tax liability

The study therefore based on three objectives from the list above to examine whether Uganda Revenue Authority is achieving the set objectives

# Statement of the problem

Despite the fact that Electronic tax filing system was introduced into the domestic taxes department to increase revenue collection, administration, avail services to the tax payers all the time from anywhere, reduce costs of compliance and improve tax compliance, tax compliance levels remain low and tax collections are below the targets set by Uganda Revenue Authority (Kabafunzaki, 2017).

The performance evaluation report (2016) indicates that despite the rise in revenue collection, electronic tax filing has failed to meet the 2016/17 target. The 2017/18 target declined to 23% from 31% for the previous tax period, in addition to this, the taxman had to raise collections by over 20 per cent through new efficient measures that heavily relied on the introduction of electronic tax system. However, taxpayers, URA staff and even other government bodies have complained on the cumbersome processes of tax payment filing and compliance through the electronic system. Some argue that the increase of revenue collection is not related to electronic tax system but other factors like stable economy, population growth and increase in donor borrowing.

Evidently the system is not promising as expected and it is based on this evidence that the decided to carry out the study.

# Purpose of the study

The purpose of the study was to examine the role of electronic tax filing system on revenue collection in Uganda. It focused on a case study of Uganda Revenue Authority.

# Objectives of the study

The study was guided by the following objectives;

1. To examine how electronic data transfer enhances submission of tax returns in Uganda Revenue authority.
2. To examine how tax preparation software enhances timely payment of tax due on or before due date in Uganda Revenue Authority.
3. To examine how implementation of electronic tax system has enhanced registration of tax payers in Uganda Revenue Authority.

# Research questions

The study was guided by the following questions

1. How has electronic data transfer enhanced submission of tax returns in Uganda Revenue Authority?
2. How has tax preparation software enhanced timely payment of tax due on or before due date in Uganda Revenue Authority?
3. How has implementation of electronic tax system enhanced registration of tax payers in Uganda Revenue Authority?

# Hypotheses of the study

H0: There is no significant relationship between electronic tax filing system and revenue collection in URA.

H1: There is a significant relationship between electronic tax filing system and revenue collection in URA.

# Scope of the study

# Content scope

The study focused on electronic tax filing system as the independent variable and revenue collection as the dependent variable. Electronic tax filing system was discussed in relation to how it affects dimensions of revenue collection that include submission of tax returns, timely payment of tax due on or before due date and registration of tax payers in URA.

# Geographical scope

The study was conducted at Uganda Revenue Authority Headquarters Nakawa in Kampala and among the tax payers in and around the capital city of Uganda (Kampala).

# Time scope

The study focused on the four financial years of URA that is 2014-2018. It looked at the role of electronic tax filing to tax administration and tax collection. This being the period when URA did not meet the set objectives.

# Significance of the study

The study findings may be of great significance to different stakeholders and groups of individuals as explained below:

**Uganda Revenue Authority**: The study lays in the hope of helping Uganda Revenue Authority to use the findings from this study to critically assess the influence of the system and take any corrective measures to counter any weaknesses identified.

**Other researchers:** The study intends to break ground and provide information to all future researchers in the field of electronic tax filing in Uganda

**Government and policy makers:** The study findings intend to particularly help the government in a better understanding of the electronic tax filing system and how to improve on revenue collection, as well as provide valuable information for future interventions. It aims at informing policies towards setting up of e-tax system, and show how the concept can be used as a powerful government tool to improve the amount of tax money collected from tax payers through increased tax compliance levels.

# Setting of the study

The study about electronic tax filing system is important because it has been established that before 1991, revenue collection was carried out by the former departments of Customs and Excise, Inland Revenue and Income Tax in the Ministry of Finance. Revenue collection was low and tax administration weak. The weakness included low tax collection, delays, poor record keeping and political interference. There was also low tax compliance, tax evasion, corruption and connivance between staff and tax payers, unmotivated workforce, inefficient and ineffective tax administration characterized by poor internal controls and inadequate accountability.

The study was conducted at Uganda Revenue Authority at the Headquarters in Kampala. The Uganda Revenue Authority (URA) was established by the Uganda Revenue Authority Statute of 1991 and set up in September of the same year as a central body for assessment and collection of specified revenue, to administer and enforce the laws relating to such revenue and to provide for related matters.

The Uganda Revenue Authority (URA) commissioner general, Ms. Doris Akol, says e-tax payment initiatives like electronic billing machines and mobile tax filing systems, also help SMEs to keep clean books of accounts.

“E-tax payment platforms ease tax payment and save time compared to the old way of filing tax returns where taxpayers had to spend hours queuing at banks or URA offices,” says Ms. Akol. URA has also implemented an Electronic Cargo Tracking Software (ECTS) that is aimed at helping Customs officials and stakeholders have real time information about the movement, location and any other developments on cargo under customs control.

URA further uses the system to monitor the movement of goods with high revenue risk on which taxes have not yet been paid destined for the domestic market and those in transit to neighboring countries.

After effecting this, URA bore a vision that goods moving along the Northern Corridor (Mombasa-Kigali) shall be monitored in real time, curbing dumping, theft and other vices that over times ensued in the transit world.

The Electronic Cargo Tracking Software cost URA a whooping US$5.2m which was co-funded by the Government of Uganda, World Bank and Trademark East Africa and was developed by Malaysia-based B-Smart Technologies as the solution provider. The money was among others used to purchase electronic seals and an impending control center, which will be housed at the URA head office in Nakawa, Kampala.

The Electronic Cargo Transfer System comprises of electronic seals and a control center. Due to the fact that the system interfaces with Asycuda World, a customs management system, it will target high risk goods.

Thereafter, a Customs official attaches a seal on a container. The seal relays accurate, real time information about the container\goods to the control center. The owner of the goods and the clearing agent also get updates. There are two types of seals. One used to track cargo and the other fixed into the cigarette lighter port, monitors units (small vehicles).

The seal sends alerts when a container is tampered with, when a driver veers off course and communicates sudden stops on the road. The seal can only be removed by Customs officials when cargo reaches its destination. It is important to note that all the designated transit routes are geo-mapped, making it easy to detect vehicles veering off-course. The system automatically stores everything, making it possible to process data spanning over a year whenever the need arises.

According to URA, the implementation of the system has helped to foil highway robberies and delays before cargo gets to its destination or crosses the border to another country. The system further provides real time information on the location and status of the cargo to transporters and cargo owners or their agents as the goods are transported from Mombasa to Kigali.

Until now, goods owners relied on calls made to drivers, who often told lies on their whereabouts. The costs of physical escorts, the risk of diversion of cargo, the absence of reliable statistics, inability to know the actual location and status of goods were the challenges that prompted the system.

# Arrangement of the study

The study is arranged into eight chapters and presented below

**Chapter one**

This chapter presents the introduction of the study, background of the study, purpose of the study, objectives of the study, research questions, the significance of the study, and the arrangement of the study

**Chapter two**

This chapter presents the literature survey, literature review and conceptual framework.

**Chapter three**

This chapter contains the research methodology that was used to accomplish the research undertaking outlined above. It presents research design and data collection tools and techniques.

**Chapter four**

This chapter focuses on examining electronic data transfer enhances submission of tax returns in Uganda Revenue Authority.

**Chapter five**

This chapter presents findings on tax preparation software enhances timely payment of tax due on or before due date in Uganda Revenue Authority.

**Chapter six**

This chapter presents findings on implementation of electronic tax system has enhanced registration of tax payers in Uganda Revenue Authority.

**Chapter seven**

This chapter harmonises electronic tax filing system and revenue collection in Uganda Revenue Authority.

**Chapter eight**

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

# CHAPTER TWO

# STUDY LITERATURE

# Introduction

This chapter is presented in three key sections. Section one deals with the literature survey which is concerned with local studies that have been conducted in the same area and section two deals with the review and models in line with the study objectives. Section three presents the conceptual framework.

# Literature survey

This section presents the various studies carried out in Uganda in the field of this study with the view to identify gaps of the existing studies which this study will attempt to close.

Nabatanzi (2015) conducted a study about effects of electronic tax system on the revenue efficiency in Uganda Revenue Authority in Masindi District. The study was guided by three research objectives i) to establish the effects of electronic tax payment on revenue collection efficiency by URA in Masindi District, ii) to find out the effect of electronic tax filing system on revenue collection efficiency by URA in Masindi District, iii) to establish the challenges of using electronic- tax system on revenue collection efficiency by URA in Masindi District. The findings revealed that that most respondents agreed that URA has good electronic tax payment System and that for the URA officials; most of them are conversant with its use and are trained. However, most tax payers indicated difficulty in using the system and blamed lack of computer knowledge, poor internet and unstable power supply as major reasons. This however does not deter them from paying their taxes and filing them because however hard it is, they do beat deadlines to do so. However, the study failed to mention on how electronic data transfer enhances submission of tax returns. It is therefore the aim of this current study to fill the identified gap by providing relevant literature.

Zungu et al. (2014) carried out a study about the effects of e-tax filing on tax compliance in Uganda. Her study was guided by three research objectives, i) To reduce the cost of the tax payer complying with URA, ii) To increase tax collection achieves compliance and removes the inefficiencies associated with costs of movement by tax payers to URA offices to do business, iii) To present to tax payers a system that reduces their cost of compliance. The study findings revealed that electronic tax filing system has improved tax collection as it is easy for tax payers to assess their tax obligation accurately and enable them file their returns on time. It was also indicated that the new system has also helped ease the work of URA staff and to a small extent led to an increase in tax collection in URA. Findings from the study also show that the attitude of tax payers and that of URA staff towards the use of e-tax is positive as a considerable number viewed the use of the system as being good. However, the study did not discuss how tax preparation software enhances payment of tax due on or before due date and it is the aim of this current study to fill the identified gap by providing relevant literature.

Nanyombi (2012) carried out a study about the implementation of electronic tax filing and payments in Uganda and based on a case study of URA, Kampala Central Division region. The study findings revealed that E-filing systems increase the quality and quantity of information available to tax officers, enabling them to complete transactions faster and more accurately. Returns filed electronically have much lower error rates than paper returns and substantially cut the need to impose penalties and other punitive measures to foster compliance. It was also noted that the more efficient handling provided by electronic returns allows tax officers to issue assessments and refunds more quickly, and taxpayers know right away if their returns have been accepted by the tax authorities. Furthermore, results also revealed that the benefits of e-filing and e-payment systems extend to other electronic processes in the tax authority. However, the findings failed to discuss how implementation of electronic tax system has enhanced registration of tax payers and it is the aim of this current study to fill the identified gap by providing relevant literature.

# Literature review

# Theoretical review

# Neoclassical Economic Theory

According to the neoclassical economic theory which makes use of the Smithian concept of homo economic us, taxpayers are selfish rational utility maximizes who, following the optimal strategy, try to evade taxes as a means of obtaining the best outcome. Slemrod et al. (2010) found a higher level of compliance among low and middle-income taxpayers and a higher propensity to avoid taxes in the high-income group. It is also assumed that vary audit rates from 5% to 30% and 60% and report a significant increase in tax compliance. In the same vein, Trivedi et al. (2009) shift from an audit probability of 0% to 25% and observe higher tax compliance in the latter case. Other studies report that compliance diminishes in the first rounds after an audit and then increases again

According to Guala, (2005) the phenomenon was coined “bomb-crater” effect and refers to the following situation: “a taxpayer who has recently been audited seems to believe that the likelihood of a subsequent audit is very remote; therefore, the risk of evasion appears to be low. After several periods, however, the assumed likelihood of audits increases again, and compliance increases. Some studies report a negative relationship between tax rate and compliance behaviour.

# Control Theory

Mwachiro (2011), Control theory has been described as “an interdisciplinary branch of engineering and mathematics that deals with the behavior of dynamical systems with inputs. The external input of a system is called the reference. When one or more output variables of a system need to follow a certain reference over time, a controller manipulates the inputs to a system to obtain the desired effect on the output of the system.

The objective of a control theory was to calculate solutions for the proper corrective action from the controller that result in system stability, that is, the system will hold the set point and not oscillate around it. Systems have inputs and outputs to bring a product after processing and so inputs and outputs of a control system are generally related by differential equations.

Setting objectives, budgets, plans and other expectations establish criteria for control. Control itself exists to keep performance or a state of affairs within what is expected, allowed or accepted. Control built within a process is internal in nature. It takes place with a combination of interrelated components-such as social environment effecting behavior of employees, information necessary in control, and policies and procedures. Internal control structure is a plan determining how internal control consists of these elements.

The issue of electronic tax filing system and revenue collection is not unique in Uganda. To examine the problem regarding electronic tax filing system and revenue collection in the URA, the researcher reviewed current models that have been used to solve similar problems in general or in particular settings.

# Electronic data transfer and submission of tax returns

Electronic tax system is the system that has been developed to replace the current URA Online system. It is a web-enabled and secure application system that provides a fully-integrated and automated solution for administration of domestic taxes. It Enables Taxpayer internet based PIN registration, returns filing, payment registration to allow for tax payments and status inquiries with real-time monitoring of accounts (Waweru 2013).

According to Kun, et al (2008), for a long time, government services have been regarded as synonymous with bureaucracy in both developing and industrialized countries. The tenets of Weberian bureaucracy include such factors as organized hierarchy, development of standardized and impersonal procedures, formal division of labor and responsibility, and emphasize efficiency in all procedures.

Kun, et al, (2008) explains that all countries have bureaucratic state mechanisms; and while many commercial organizations are strongly inspired by the tenets of bureaucracy, their efficiency varies widely. Whatever the level of efficiency of the bureaucracy, the availability of computers to people from all walks of life has brought them better and more convenient access to public services. Additionally, through the Internet and computer technology, governments can provide services in the original positive sense of Weberian bureaucracy. In other words, e-government can facilitate public service offerings in a truly standard, impersonal, efficient, and convenient manner for both service provider (the government) and service recipient (the citizens). In some cases a government agency can also be a service recipient of an e-government service. In economic terms, the ability of citizens to access government services anytime, anywhere helps to mitigate the transaction costs inherent in all types of government services (Kun, et al, 2008).

According to Harold (2011), computer-generated returns, transmitted electronically, generally are easier to process than paper returns; since the information on the forms doesn't have to be keyed in, number by number, by IRS staff into the Service's computers hence there is less chance of errors. Electronic transmittal is instantaneous, bypassing the frustrating vagaries of the postal system and the client receives confirmation within a day or two that the return not only was received by the IRS, but was received accurately.

However, from an American experience, electronic tax systems’ biggest advantage, from the taxpayer's point of view, is that it shortens the time for refunds from an average of 12weeks to about three weeks. Refunds can even be deposited directly into taxpayers' bank accounts. As an added incentive, some vendors that provide electronic filing services for tax preparers also offer a service in which clients due a tax refund can apply for an immediate bank loan equal to the expected IRS check. As a result, a client could receive the refund (less bank and preparer fees) within three days of the filing (Harold, 2011).

Different literatures points out ICT use to be extremely beneficial; Mugisha, (2001) attests that, the use of ICT enhances timely access to accurate and relevant information, which is a prerequisite for good planning, programming, implementation as well as monitoring and evaluation which forms the key component in development; Suluo, (2013) shows that, ICT use has led to high level organizational growth; and yet Crede,(2008) reveals two facts, first; ICT has the capacity to increase productivity and create more cost effective output with the same or less inputs and second; Development of ICT applications for business use alter the approach organizations function and eventually, improve their services as well as products. What these scholars are trying to emphasize is that; the spread of ICT use in various sectors brings new opportunities for economic growth and development. New organization design, new markets, new products and improved services are been created which brings with them new sources of revenue.

Ayodeji (2014) looked at the Impact of electronic tax systems on Tax Administration in Nigeria. He argued that the dwindling global fortune occasioned by the fall in the price of crude oil, the major source of wealth for Nigeria shifted the attention of the government and major stakeholders in the country to the revenue generated locally. But the daunting task of boosting the Internally Generated Revenue necessitates the adoption of electronic tax systems technologies to drive Tax administration and concluded that electronic tax systems plays an important role in the increase of internally generated revenue in Nigeria by ensuring compliance thereby boosting productivity and economic activities in the country. It is a change agent for accelerated growth and poverty reduction in Nigeria and the whole of African continent at large. The major recommendation from their study was that necessary laws and regulations have to be passed by the appropriate authorities to reduce or abolish import taxes on information technology hardware such as computers, Servers, printers, biometric scanners and other devices.

# Tax preparation software and payment of tax due on or before due date

Developments in information and communication technologies, and in particular the Internet, provide new possibilities for the production, storage, processing, transmission, integration, and use of information (DPT, 2005). The convergence of the computers with the internet facilitated and accelerated the sharing of the produced information among the computers, institutions and even the states. The computer and the internet composition provide the basis for the birth of electronic services (e-service), giving the opportunity to be given in a non-physical virtual environment with some private and public services users. In this context, e-services were first used by the business community to develop trade (Demirhan, 2014).

E-taxation is an e-government application that allows for the administration and collection of the tax. It has been used to develop information communication technologies on the automation of tax offices. Along with these developments, it has been ensured that taxpayers can submit their statements in the electronic form, computerized realizations of accruals and collections related to statements, taxpayers can collect information on income wealth and expenditures in the electronic environment, and computer audit of the tax audit is provided (Çetin, 2010).

Wamathu (2013) studied the effects of electronic taxation on financial performance of audit firms in Uganda. From the finding the study found that there has been timely filing of returns since inception of I-tax, there has been a reduction in audit period due to introduction of I-Tax, respondents were quite knowledgeable. ,system failure when login were less, I-Tax was user manual friendly , I-tax system was reliable and that I-tax was not user friendly, I-tax system cost effective, I-tax system was cost effective and respondent were aware of that I-Tax system was electronic cash register and electronic signature device. She recommended that there is need for the Uganda Revenue Authority to invest on technology in order to reduce the system failure as the study revealed that system failure affects system logins.

Tax e-filing is one of the e-government services that have been adopted by many developed countries today where the public has to discharge their responsibility to the government via online tax filing. And that despite the rapid adoption of tax e-filing in many countries, researchers have argued that it is yet to establish an integrated system that is reliable, especially in developing countries due to high perceived risk by the public.

Gassama (2004) notes that among the risks that could possibly be significant are performance risk, psychological risk, time risk and privacy risk. Past studies have shown that taxpayers tend to e-file near the tax deadline and this may lead to system crashes if the e-filing system is not tailored to accommodate this trend. Psychological and time risks could possibly be prevalent for taxpayers who are not IT literate, they may find themselves frustrated or anxious if a lot of time is spent learning about the e-filing system and then find that the system does not function as they had hoped it would. Privacy risk may possibly be a significant risk for e-filing adoption; this is because e-filing involves the transmission of taxpayers’ confidential information through the Internet. Recommendations included a fact that risk reducing strategies could be formulated to encourage e-filing adoption such as improved security features for the user interface. The risk-reducing strategies could be developed to cater to the facets of risk that are the most prevalent in e-filing adoption.

Rakner (2003) states that, the adequacy of government revenues allows the government to support its operations ranging from administrative activities, infrastructure constructions and service provision. The study aimed to show how e-transparent services address the challenge of voluntary tax compliance by SMEs in the republic of Tanzania. The study observed the following factors to influence voluntary compliance: Awareness of tax laws, business experience, the integrity of employees, low frequency of visitation by tax officers and training needs. Recommendations read that the revenue authority must use relevant ICT tools to positively promote these factors; as the result, the position of taxpayers to voluntarily file their tax returns will be enhanced.

The electronic tax system provides education and information to taxpayers through electronic registration, filing, and payment. In general, the e-tax system is a comprehensive internet portal that can be accessed seven days a week and 24 hours a day, which provides taxpayers with a safe self-service option package, a single point of information and action, and does not require intervention by tax administration personnel (Jimenez et al., 2013). When explaining electronic taxes, online filing and tax declarations, which are generally web-based portals that allow taxpayers to pay electronically, share information about tax assessments between different government departments, and educate taxpayers on tax matters, are evaluated. E-taxation services are taxation services used in most countries and sometimes forced by customers (Klun, 2015).

# Implementation of electronic tax system

The importance and high position of tax system is clear for all in every country's economy complex. Therefore, given the weaknesses and shortcomings of the tax system, tax system reform always attracted both public and private sector economic activists respectively. The necessity of performing this economic revolution is often taken into consideration in Iran's top secret documents or planning. Since taxation in developing countries can play a role in economic development, electronic tax in terms of its functions is of manifestations of advanced and developed economies.

The use of electronic systems in areas of declaring the taxable income by taxpayers and receiving the levy, play an important role in advancing the goals of e-Government. To accelerate and advance the government's goals like speed and accuracy in current affairs and to decrease the tax collecting expenses, saving the time, information accuracy and completeness, facilitate to receive the tax and trying to set up financial and budgetary discipline and to achieve tax goals will guarantee the taxpayers satisfaction and tax organizations, to establish trust and transparency in economic activity and the prevention of tax evasion, as well as the realization of the macro objectives of e-government such as implementation the tax revenues, income and wealth fair distribution, economic and social justice and to provide the necessary background for the competitiveness and economic sustainability and achieve favorable economic resources and environmental protection, the protection of investors and create jobs and economic growth guarantees (Intamedia, 2014).

Gelir (2010) asserts that the introduction of the e - tax system as an innovation in Nigeria have influenced the way income taxpayers operate and comply with the filing of their income tax return. E-tax system introduction was as a result of the emergence of information technology to improve the level of tax compliance without the physical appearance at the tax office not having contact with the tax officers when filing their tax return. For the Federal Inland Revenue Service Board to empower taxpayers with the choice of using e-tax system has led to the reduction in the compliance cost, saves time of filing return and more confidence for the taxpayer.

In addition, Beselt et al. (2016) asserts that to the tax authority, electronic tax filing system reduces tax administration cost and improves the overall efficiency of the tax administration. Based on the above benefits it is expected that the outcomes of implementing e-tax system would enhance tax compliance and increase revenue generation leading to taxpayers’ continuous usage of the e – tax system. The availability of the technology facilities does not fully guarantee taxpayers satisfaction with the implementation and use of e-tax system. The quality of service provided with the technology is one of the criteria that determine the success or hindrance of e-tax system implementation.

The reason for the dissatisfaction of the e-tax system was said to be the level of readiness intern of the technology, slow network during the filing system and the level of system security to protect their tax related data are said to be contributing factors to their dissatisfaction to continue in using the e-tax system. Hence there is the need to address the issue which this study has added some variable to see the criteria to be used in evaluating the e-tax system.

Onyango E (2011) referred E tax system to an integrated tax administration system that provides online services to a tax payer on a 24 hour basis. The system which is custom made by Tata consultancy services limited for Uganda Revenue Authority URA. The system is designed to help the tax body administer income tax, value added tax (VAT), Local exercise duty and other fees and licenses. He further notes that E tax enables tax payers to lodge their application online through the web portal, from anywhere on the globe as long as they are connected to the internet.

According to a message from the public and corporate affairs division at Uganda Revenue Authority headquarters the new method payment is very much like the old one only that this time everything is done online hence the term E tax. Furthermore, the tax body also added that, unlike in the past where obtaining the tax identification number (TIN) took a long time, the new method reduces the time frame. A TIN is a unique identifier of a tax payer who deals with URA. It also enables URA maintain a proper record of business done with its clients. The TIN acts as a tax payer’s account in E tax and enables one to access a variety of services and reports pertaining to their transactions with Uganda Revenue Authority.

Lumanyika.R. (2012), states that E tax is a web based application developed to automate Uganda Revenue Authority services. It enables tax payers to access domestic revenue services such as registration, returns payments and objections and appeals through the internet daily from any part of the world. In addition, E tax was in 2011 linked to the custom’s automated system for customs data (ASYCUDA) to further ease transactions. In 2012 alone, Shs. 7 trillion worth of revenue resulting from 1.4 million payments have so far been receipted through electronic tax payments. The revenue was a result of over 360,000 tax returns that have been online via the electronic tax system codenamed “e- tax” which commenced in June 2009.

According to Uganda Revenue Authority’s manager analysis, Myra Ochwo, country wide, tax payers have embraced the e- tax system and to date over 130,000 electronic tax payer identification numbers (TINs) have been issued. A “TIN” is a unique identifier that anyone dealing or intending to deal with Uganda Revenue Authority must possess and issued in accordance with sections 50 and 135 0f the VAT Act respectively. In addition, the e- tax system enables tax payer’s TINs to ensure that they are dealing with registered tax payers and print submitted forms. Other advantages include accessing the withholding tax exempted list, extend due dates for filing tax returns ad access return history (Jahirul, 2011)

Johanna (2011) observed that since the launch of e- tax, various clearing and forwarding agencies have been abolished, allowing the Uganda Revenue Authority to gain savings (according to information from the public and corporate affairs division of the URA. Furthermore, tax payers on the other hand have also benefited under e- tax, through the efficient and cost free method of transaction it provides. It’s observed that the aim of e- tax is to remove the inconveniences of the old manual tax system, including the interference of middlemen and other risks.

Johanna .M. (2011) further noted that under e –tax and it’s e-filing and e-payment features, the filing process takes only 10miutes while in the old system it took two days. The duration of the payment process also reduced significantly from one day under the old system, to 15 minutes under e- tax even with bank payment and related procedures. It also reduced the amount of time to get a Tax Identification Number which acts as a tax payer’s account in e-tax used to access the Uganda Revenue Authority’s online services and information.

The expansion of the tax base is increasingly recognized as an important policy goal, as an increase in domestic revenue sources promises to reduce aid dependence and reduce distortionary consequences of taxes on externally traded goods. E-filing is one of advanced e-governance system adopted in developed countries. It provides convenience to tax payers for tax assessment and payment (Agrawal, 2006). Internet allows consumers or tax payers to conduct transactions within a few mouse clicks (Jahirul, 2011). This convenience can serve as a key driver for e-filing adoption especially in developing countries like Rwanda. E-filing and e-payment provides many aspects of convenience to tax payers for example tax filing can be conducted at any time, filing can be done in any location, easy use of the system, information search and other online transactions that is not available in the traditional channels.

# Conceptual framework

**Independent variable** **Dependent variable**

**Revenue collection**

* Submission of tax returns
* Timely payment of tax
* Registration of tax payers

**E-tax filing system**

* Electronic data transfer
* Tax preparation software
* Implementation of E tax

**Intervening variables**

* Rules and regulations
* Government policy
* Competent staff

Intervening variable

# Figure 2.1: Conceptual framework

**Source: Adopted from Lumanyika .R. (2012) model and modified by the researcher**

The conceptual framework reflects two variables namely electronic tax filing system as the independent variable and revenue collection as the dependent variable. In other words, it’s conceptualized that revenue collection depends on electronic tax filing system. In this study, the indicators of electronic tax filing system are electronic data transfer, tax administration, tax preparation software and implementation of E tax can lead to a direct impact on revenue collection.

However, despite the relationship between the independent variable and dependent variable, other intervening variables exist and can affect both variable outcomes.

# CHAPTER THREE

# METHODOLOGY

# Introduction

This chapter presents the research methodology that was used to accomplish the research undertaking. It describes the research design, study area, study population, and sample size, sampling methods, data collection methods, sources and research instruments, validity and reliability, data processing, data analysis techniques, ethical considerations and anticipated limitations to the study.

# Research design

# Research design

According to Owen (1996) a research design is an outline of how an investigation is carried out and indicates how data is to be collected, what instruments to be used and how the data was collected and analyzed. Under this section the following are identified, and explained research approach, research strategy, and research duration and research classification.

# Research approach

The research approach is important because it can be used to test the validity of the research hypothesis. In the research approach the researcher used a combination of positivism and phenomenological approaches which focuses on commonality of lived experience within a particular group. In this study, the fundamental goal of the phenomenological approach was to arrive at the description of the nature of electronic tax filing system and revenue collection by the respondents.

# Research strategy

Research strategy is a methodology that helps the researcher to examine the research issue. The study used a case study as the research strategy. This involved a detailed examination of URA on how electronic tax filing system is implemented to facilitate revenue collection.

# Research duration

The study adopted a cross sectional approach basing on four years (2014-2018) to gather the relevant information about the variables. The researcher carried out the study in a period of six months. Data was collected between the month of July and September 2019, the researcher believed this was enough time to collect and provide the most relevant and reliable information of the study.

# Research classification

Gossa (2016) explains that this means understanding the specific type of research to be used, it is important because it explains the purpose of carrying out the research. The study used quantitative and qualitative techniques. Quantitative data involves collecting and converting data into numerical form hence use of statistical calculations in computing the responses from respondents under the questionnaire instrument and also computing the hypothesis where conclusions were drawn. Qualitative data provides details in understanding the study problem, in this study this is community relations therefore, the qualitative data was used to capture feelings, thoughts and experiences of respondents through questions that were posed in the interview sessions.

# The study population

Koffi (2002) defines study population as the totality of respondents from which the sample size is derived. The study population comprised of 80 respondents. These included commissioner of domestic taxes, assistant commissioner, management, tax collection supervisors, tax collection officers, tax payers and I.T department. These were chosen because they are expected to have enough knowledge required in understanding the electronic tax filing system in Uganda Revenue Authority since their responsibilities and roles reflect directly back to them and its relationship with revenue collection.

# Sample size and selection method

This is the act of choosing the number of observations or replicates to include in a statistical sample. In this study therefore, a sample size of 67 respondents were selected for the study and Cluster sampling was used. This method was used because it provides an equal chance of selection of respondents in order to get accurate results. Respondents from finance/ planning and audit teams were most emphasized given that they are at the forefront of revenue mobilisation.

The sample size was determined using the following formula by Yamane (1967:886).

n = N

**Where**

n = Sample size

N= Population size

e = margin of error at 95% confidence level

e = Margin of error/0.05

1 + N (e2)

n= 80

1 + 80 (0.052)

n= 80

1 + 80 (0.0025)

n= 67

# Table 3.1: Population and sample size distribution

|  |  |  |  |
| --- | --- | --- | --- |
| **Respondents** | **Population** | **Sample size** | **Sampling method** |
| Commissioner of domestic taxes | 1 | 1 | Census |
| Assistant commissioner | 2 | 2 | Census |
| Management | 6 | 6 | Census |
| Tax collection supervisors | 15 | 12 | Purposive sampling |
| Tax collection officers | 20 | 15 | Purposive sampling |
| Tax payers | 30 | 25 | Simple random sampling |
| IT department | 6 | 6 | Census |
| **Total** | **80** | **67** |  |

**Source: Primary data**

# Background information of respondents

In this section, respondents were asked to provide their background information and their Results are presented in tables.

# Gender of respondents

Respondents were asked to identify their gender. Results to the question are presented in table 3.2

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Table 3.2: Gender of respondents | | | | | |
|  | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Male | 26 | 41.3 | 41.3 | 41.3 |
| Female | 37 | 58.7 | 58.7 | 100.0 |
| Total | 63 | 100.0 | 100.0 |  |

**Source: Primary data (2019)**

As seen in table 3.2, results indicate that 41.3% were males while 58.7% were females. This means that both male and female respondents were well presented in the study, it also means that most of the information was gathered from female respondents, given that they were the majority.

# Age group (in years)

Respondents were also asked to identify the age group in which they belonged to. Results to the question are summarised in table 3.3

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Table 3.3: Age (in years) | | | | | |
|  | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | 20-30 years | 19 | 30.2 | 30.2 | 30.2 |
| 31-40 years | 21 | 33.3 | 33.3 | 63.5 |
| 41-50 years | 11 | 17.5 | 17.5 | 81.0 |
| Above 50 years | 12 | 19.0 | 19.0 | 100.0 |
| Total | 63 | 100.0 | 100.0 |  |

**Source: Primary data (2019)**

Results in table 3.3 indicated that 30.2% of the respondents were aged between 20-30 years, 31-40 years were aged between 31-40 years, and 17.5% were aged between 41-50 years while 19.0% were aged above 50 years. The results also indicated that majority of the respondents 33.3% were aged between 31-40 years. The results also revealed that there was a well representation of respondents in terms of age.

# Period of service in URA

Respondents were also asked to identify the period of years they had served in URA. Results to the question are obtained in table 3.4

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Table 3.4: Period of service in URA (in years) | | | | | |
|  | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Below 2 years | 15 | 23.8 | 23.8 | 23.8 |
| 2-5 years | 31 | 49.2 | 49.2 | 73.0 |
| 6-10 years | 10 | 15.9 | 15.9 | 88.9 |
| Above 10 years | 7 | 11.1 | 11.1 | 100.0 |
| Total | 63 | 100.0 | 100.0 |  |

**Source: Primary data (2019)**

According to results in table 3.4, most of the respondents 49.2% had served for a period between 2-5 years, 23.8% had served for a period below 2 years, 15.9% had served between 6-10 years while 11.1% had served above 10 years. Since majority of the respondents had served for a reasonable number of years ranging to 10 years, it can be assumed that they have acquired knowledge and an understanding about the application of electronic tax filing system by tax payers.

# Highest level of education

Respondents were also asked to indicate the highest level of education attained. Results to the question are captured in table 3.5

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Table 3.5: Highest level of education | | | | | |
|  | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Diploma | 10 | 15.9 | 15.9 | 15.9 |
| Bachelor’s degree | 29 | 46.0 | 46.0 | 61.9 |
| Master's degree | 20 | 31.7 | 31.7 | 93.7 |
| Others, specify | 4 | 6.3 | 6.3 | 100.0 |
| Total | 63 | 100.0 | 100.0 |  |

**Source: Primary data (2019)**

According to results in table 3.5, it is revealed that majority of respondents 46.0% had degree of bachelor, this was followed by 31.7% of the respondents who had degree of master, 15.9% had diploma and 6.3% specified, some had certificates, while others had doctorates in various academic fields. This can be interpreted to mean all respondents had attained a certain level of understand and as such could read and understand the questionnaires and question asked in the interview guide. This means that the data collected was reliable and relevant

# Sampling methods

The researcher used purposive method of sampling. This is dictated by the nature of the study which aims at getting information from specific respondents.

Convenience sampling was also used by the researcher for accessible purposes in regard to the tax collection supervisors just in case the selected individual is not available at the time of the interview.

Simple random sampling was used to select the staff and managers and then the researcher conveniently chose the rest of the staff available.

Census and stratified sampling was used in organising the units in the population into strata using common characteristics. In this way the different characteristics of the population was represented.

# Research procedure

The researcher obtained a letter of introduction from the Dean School of Business Nkumba University; this was later delivered to URA to seek permission to conduct research. The researcher systematically collected data with the aim of answering the questions stated in the data collection instruments as well test the hypothesis and evaluate the outcomes. The researcher constantly monitored the respondents with the questionnaires to ensure they are fully filled.

# Data collection sources

**Primary data**

According to Kotler (1996), primarydata is information that you collect specifically for the purpose of your research project. The study used face to face interviews in order to save time and the data were collected by using structured questionnaires that will be self-administered by the respondents.

**Secondary data**

According to Keen (1999) Secondary data refers to data that was collected by someone other than the user. This study collected secondary data through document reviews and other sources such as textbooks, business reports/ manuals, journals so as to get enough relevant information about the research topic. This was used because the data tends to be readily available and inexpensive to obtain

# Data collection methods

Primary data were collected interviewing method in order to save time. Secondary data were collected through document reviews.

# Interview

Andrea (2014) states that interview method of data collection is a verbal conversation between two people with the objective of collecting relevant information for the purpose of research. The purposes of the interview is to explore the views, experiences, beliefs and/or motivations of individuals on specific matters and are particularly appropriate for exploring issues where participants may not want to talk about such issues in a group environment. Respondents from management and assistant commissioner were interviewed in the study.

# Survey method

Groves (1989) defines this method as a field of applied [statistics](https://en.wikipedia.org/wiki/Statistics) of [human research surveys](https://en.wikipedia.org/wiki/Survey_%28human_research%29), and surveymethodology studies involve the [sampling](https://en.wikipedia.org/wiki/Sample_%28statistics%29) of individual units from a [population](https://en.wikipedia.org/wiki/Population_%28statistics%29) and the associated [survey data collection](https://en.wikipedia.org/wiki/Survey_data_collection) techniques, such as [questionnaire construction](https://en.wikipedia.org/wiki/Questionnaire_construction) and methods for improving the number and accuracy of Results to surveys. Survey method was used because it saves time.

# Documentary review

According to Brent (1997), document review involves systematic datacollection from existing records. This method was used to gather information about the study variables that is electronic tax filing system. The study used document checklist as part of the method, this method was used because a lot of information can be reviewed to provide the most reliable and relevant information.

# Data collection instruments

These are tools of data collections and for purposes of this study; the following were used;

# Self-administered questionnaire

Smedts (2009) asserts thata self-administered questionnaire (SAQ) refers to a questionnaire that has been designed specifically to be completed by a respondent without intervention of the researchers. The questionnaire comprised of statements requiring the respondents to opt for one out of the five opinions using the 5-point Likert scale with strongly disagree=1, disagree=2, not sure=3, agree=4 and strongly agree=5. The questionnaires were distributed to all 67 respondents in the sample distribution as they are assumed to have prior knowledge about the electronic tax filing system. The questionnaire approach was self-administered

# Interview guide

The interview guide is a list of questions a researcher asks participants during the interview (Angus, 2000). The researcher designed structured interview guide where each respondent was asked the same question in the same order. Respondents from management and tax collection supervisors’ were most emphasised to answer questions from the interview guide. The researcher clearly expressed the purpose of the interview and started with the neutral questions to facilitate free flow of information

# Validity and reliability

# Validity of the instrument

Validity refers to the extent to which a method of data collection presents what it is supposed to do, to establish the validity of instruments; instruments was pre-tested by administering the questionnaires to respondents. A pre-test of the research instrument to establish its validity done; The instrument was be given to two experts who gave their opinions on the relevance of the questions using a 5- point scale of relevant to not relevant. It was further pre-tested by administering it to probable respondents (n=10) and test their understandability of the items. Items that were found not to be relevant were then eliminated and those found not to be understood were adjusted for understandability for the final research instrument that was used.

# Reliability of the instrument

Reliability is the degree to which an assessment tool produces stable and consistent results (Fraser, 2004). This is important because it enables the researcher to make conclusions of the study. Reliability of the questionnaire items was tested using the Cronbach’s alpha coefficient. Reliability of this study’s instruments was ascertained by pre-testing the questionnaires and interview guide. The researcher established the reliability of the questionnaire using reliability analysis by analysing the scale reliability of the instruments under SPSS software.

The results of the Cronbach’s alpha are summarised in table 3.6

|  |  |
| --- | --- |
| Table 3.6: Reliability Statistics | |
| Cronbach's Alpha | N of Items |
| .992 | 28 |

# Data processing

The collected data were edited, coded and cross checked for completeness using Ms Excel and exported to SPSS for analysis.

# Data analysis

After processing the summarized data were analysed using both descriptive statistics and inferential statistics made use of frequencies and percentages while inferential statistics based regression analysis to test the hypothesis for generalization.

# Ethical considerations

The researcher ensured voluntary participation of the respondents and must avoid the use of offensive, discriminatory, or other unacceptable language in the formulation of data collection instruments. In addition, the researcher maintained the highest level of objectivity in discussions and analysis throughout the research.

# Limitations of the study

Time constraint: The researcher faced a problem of inadequate time required for the research study. Comprehensive research study involves a great deal of collecting, analyzing and processing hence requires a lot of time which may was not enough for the researcher. However the researcher overcame this limitation by designing a work plan or timeframe which served as a guide in time management.

Subjectivity of each respondent in a survey research is the inherit limitation and each survey has its own interpretation of the questions, but survey method was used, the limitation was identified and accepted in the current study. It was recognised that some Results were as a result of individual indifferences, unwillingness to participate by some respondents, but all the same the study was able to reach significant conclusions with regard to financial accountability and performance of Medical Teams International.

# CHAPTER FOUR

# ELECTRONIC DATA TRANSFER AND SUBMISSION OF TAX RETURNS

# Introduction

This chapter deals with the first objective of the study; how electronic data transfer enhances submission of tax returns in Uganda Revenue authority. It aims at examining the current situation at URA with the intention of establishing whether the authority has endeavored to enhance on submission of tax returns. Out of the 67 questionnaires distributed 63 were filled and returned representing 94% response rate which is above the 50% suggested by Kothari 2003

E-filing isn't just some new way of embracing technology and saving a few sheets of paper or a few cents on postage. Aside from providing a safe and secure transfer of tax payer’s data to URA, it offers several other benefits.

E-filing is very safe for submitting tax returns. The chances are extremely remote that tax payer’s income tax data could be stolen when using e-file. In fact, it's more secure than mailing a tax return via snail mail, because the data in an e-filed tax return is specially encrypted for extra security, which prevents any access to data as it moves between tax software and the URA or state tax agency.

Tax preparation software typically comes with the necessary forms and facilities for filing state taxes at the same time as federal taxes. Tax preparation is ultimately algorithmic in nature and therefore very well-suited for computerized methods especially for small businesses in which complexities are relatively low.

With the aim of understanding how electronic data transfer enhances submission of tax returns, respondents were asked the following questions are Results are presented in this section.

# Electronic data transfer is effective in submission of tax

Respondents were asked whether electronic data transfer is effective in submission of tax. Results to the question are summarised in table 4.1

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Table 4.1: Electronic data transfer is effective in submission of tax | | | | | |
|  | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly disagree | 4 | 6.3 | 6.3 | 6.3 |
| Disagree | 7 | 11.1 | 11.1 | 17.5 |
| Neutral | 5 | 7.9 | 7.9 | 25.4 |
| Agree | 20 | 31.7 | 31.7 | 57.1 |
| Strongly agree | 27 | 42.9 | 42.9 | 100.0 |
| Total | 63 | 100.0 | 100.0 |  |

**Source: Primary data (2019)**

According to results in table 4.1, 6.3% of the respondents strongly disagreed, 11.1% disagreed, 7.9% were neutral, 31.7% agreed while 42.9% strongly agreed to the statement. Since majority of respondents 74.6% generally agreed, it can be interpreted to mean that it is safe for tax payers to E-file tax returns. Respondents also stated that the software used guarantees that is uses the most secure technology available and this is in form of encryption. It was also revealed that the system is fast and convenient to use for most tax payers because the system does not require tax payers to meet their obligations at URA offices but rather anywhere around the country hence presenting to tax payers a convenient way of fulfilling their obligations with URA.

# The system has clear institutions on the application procedure

Respondents were also asked whether the system has clear institutions on the application procedure. Results are obtained in table 4.2

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Table 4.2: The system has clear instructions on the application procedure | | | | | |
|  | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Neutral | 11 | 17.5 | 17.5 | 17.5 |
| Agree | 27 | 42.9 | 42.9 | 60.3 |
| Strongly agree | 25 | 39.7 | 39.7 | 100.0 |
| Total | 63 | 100.0 | 100.0 |  |

**Source: Primary data (2019)**

As seen in table 4.2, results indicate that 17.5% of the respondents were neutral, 42.9% agreed while 39.7% strongly agreed respectively to the statement. Since majority of the respondents generally agreed (82.6%), it can be implied to mean that all procedures are handled by the E- tax system. It was indicated that 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. In addition, respondents noted that instructions 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.

# The system is accessible to all persons

Respondents were also asked whether the system is accessible to all persons. Results to the question are summarised in table 4.3

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Table 4.3: The system is accessible to all persons | | | | | |
|  | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly disagree | 20 | 31.7 | 31.7 | 31.7 |
| Disagree | 20 | 31.7 | 31.7 | 63.5 |
| Neutral | 5 | 7.9 | 7.9 | 71.4 |
| Agree | 10 | 15.9 | 15.9 | 87.3 |
| Strongly agree | 8 | 12.7 | 12.7 | 100.0 |
| Total | 63 | 100.0 | 100.0 |  |

**Source: Primary data (2019)**

According to results in table 4.3, it is revealed that 31.7% of the respondents strongly disagreed and disagreed respectively to the statement, 7.9% were neutral, 15.9% agreed while 12.7% strongly agreed respectively. A combined percentage of 63.4% of the respondents generally disagreed, this means that the accessibility of the system is only limited to some tax payers. During an interview session, one key respondent expressed that;

*“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”*

However, it was noted that the system is a web-based application and can be accessed at anytime and anywhere at the taxpayer’s convenience.

# Electronic data transfer has effective components

Respondents were also asked whether the electronic data transfer has effective components. Results to the question are summarised in table 4.4

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Table 4.4: Electronic data transfer has effective components | | | | | |
|  | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly disagree | 9 | 14.3 | 14.3 | 14.3 |
| Disagree | 10 | 15.9 | 15.9 | 30.2 |
| Neutral | 3 | 4.8 | 4.8 | 34.9 |
| Agree | 20 | 31.7 | 31.7 | 66.7 |
| Strongly agree | 21 | 33.3 | 33.3 | 100.0 |
| Total | 63 | 100.0 | 100.0 |  |

**Source: Primary data (2019)**

The results in table 4.4 show that 14.3% of the respondents strongly disagreed, 15.9% disagreed, 4.8% were neutral, 31.7% agreed while 33.3% strongly agreed respectively. The results also indicate that majority of the respondents generally agreed to the statement. This can be interpreted to mean that the system components are major contributing factors to revenue collection. Respondents went ahead to identify the common components they were aware of and these included online VAT filing which they say has saved much of their time, online income tax filing, online payment, NSSF (National Social Security Fund), component of not filing current return before previous return, integration of E-tax to ASYCUDA used by customs department.

# The components of data transfer are easy to comprehend

Respondents were also asked whether the identified components of data transfer are easy to comprehend. The results to the question are presented in table 4.5

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Table 4.5: The components of data transfer are easy to comprehend | | | | | |
|  | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly disagree | 15 | 23.8 | 24.2 | 24.2 |
| Disagree | 24 | 38.1 | 38.7 | 62.9 |
| Neutral | 5 | 7.9 | 8.1 | 71.0 |
| Agree | 9 | 14.3 | 14.5 | 85.5 |
| Strongly agree | 10 | 15.9 | 15.9 | 100.0 |
| Total | | 63 | 100.0 | 100.0 |  |

**Source: Primary data (2019)**

The results in table 4.5 show that majority of the respondents 62.9% generally disagreed to the statement; this was presented by 23.8% who strongly disagreed and 38.1% who disagreed respectively. The results indicate that for some reason that tax payers do not understand what to do when it comes to E tax. The respondents went ahead to give reasons as to why they are finding it difficult to comprehend, and among the reason given include, language problems as many tax payers do not understand the English language used on the URA web portal, many computations are done automatically so not easy to understand the final results. This means that despite the advantages of the system, most tax payers lack a clear understanding on the application of the system.

# Electronic data transfer has increased on revenue collected

Respondents were asked whether the data transfer system has increased on revenue collection. Results to the questions are captured in table 4.6

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Table 4.6: Electronic data transfer has increased on revenue collected | | | | | |
|  | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly disagree | 4 | 6.3 | 6.3 | 6.3 |
| Disagree | 8 | 12.7 | 12.7 | 19.0 |
| Neutral | 8 | 12.7 | 12.7 | 31.7 |
| Agree | 20 | 31.7 | 31.7 | 63.5 |
| Strongly agree | 23 | 36.5 | 36.5 | 100.0 |
| Total | 63 | 100.0 | 100.0 |  |

**Source: Primary data (2019)**

According to the results in table 4.6, it is indicated that 6.3% of the respondents strongly disagreed, 12.7% disagreed, 12.7% were neutral, 31.7% agreed while 36.5% strongly agreed respectively. Generally 68.2% agreed that electronic data transfer has increased revenue collection. This means that tax compliance levels have increased over the years since the inception of the electronic system. During an interview session, one respondent expressed that;

*“The system has been able to fetch more tax compliant tax payers since the process can now be performed anywhere at the convenience of the payers, this has brought in more revenue for the authority. Tax payers are now more willing to submit tax returns since Electronic tax filing systems have been able to increase the quality and quantity of information available to tax officers, enabling them to complete trans-actions faster and more accurately”.*

# Revenue performance has increased tremendously since inception of e tax filing system

Respondents were asked whether the revenue performance has been able to tremendously increase since inception of e tax filing system. Results to the question are obtained in table 4.7

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Table 4.7: Revenue performance has increased tremendously since inception of e tax filing system | | | | | |
|  | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly disagree | 5 | 7.9 | 7.9 | 7.9 |
| Disagree | 4 | 6.3 | 6.3 | 14.3 |
| Neutral | 11 | 17.5 | 17.5 | 31.7 |
| Agree | 18 | 28.6 | 28.6 | 60.3 |
| Strongly agree | 25 | 39.7 | 39.7 | 100.0 |
| Total | 63 | 100.0 | 100.0 |  |

**Source: Primary data (2019)**

Results in table 4.7 indicate that majority of respondents 68.3% generally agreed to the statement, this was presented by 39.7% who strongly agreed and 28.6% who agreed respectively. Since this is the majority response it can be interpreted to mean that the reform to e tax filing system has significantly increased revenue performance. Records at URA website and articles indicate that the total revenue during the first five years of the introduction of e tax filing system had increased the net collections by URA (excluding government taxes and tax refunds) increased by 79 per cent from UGX 6.22 trillion in 2011/12 to UGX 11.59 trillion in 2015/16. Despite the increase in TTR, Uganda’s tax revenue to GDP ratio has stagnated at around 12.6 percent of GDP, making Uganda’s tax-to-GDP ratio one of the lowest in the East African Community (EAC) region.

# Tax compliance has increased due to e tax filing

The respondents were asked whether tax compliance has increased due to e tax filing system. Results to the question are captured in table 4.8

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Table 4.8: Tax compliance has increased due to e tax filing | | | | | |
|  | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly disagree | 21 | 33.3 | 33.3 | 33.3 |
| Disagree | 18 | 28.6 | 28.6 | 61.9 |
| Neutral | 2 | 3.2 | 3.2 | 65.1 |
| Agree | 7 | 11.1 | 11.1 | 76.2 |
| Strongly agree | 15 | 23.8 | 23.8 | 100.0 |
| Total | 63 | 100.0 | 100.0 |  |

**Source: Primary data (2019)**

As seen in table 4.8, results indicated that majority of the respondents 61.9% generally disagreed to the statement; this was represented by 33.3% and 28.6% who strongly disagreed and disagreed respectively. This means that due to increase in revenue money collected through e tax filing, the level of tax compliance is still low. Respondents stated that most corporate organisations do not submit the entire totals of taxes due, the levels of tax collected in rural areas is still very low due to ignorance of using the service and poor internet networks which cannot enable tax payers access the URA web portal to submit tax returns.

# CHAPTER FIVE

# TAX PREPARATION SOFTWARE AND TIMELY PAYMENT OF TAX DUE

# Introduction

This chapter deals with the second objective of the study; how tax preparation software enhances timely payment of tax due on or before due date in Uganda Revenue Authority. It aims at examining the current situation at URA with the intention of establishing whether the authority has endeavored to enhance timely payment of tax due through tax preparation software.

All the reforms in the Uganda’s tax system were aimed at improving tax collections, administration, and above all tax compliance. In a bid to improve tax compliance, Uganda Revenue Authority decided to go online hence introducing the electronic tax filing system.9nowledgeable about the sorry state of our cyber infrastructure and computer literate levels, even big companies were not bothered by the electronic talk thinking it was another loud idea by an ordinary Ugandan dreamer. Electronic tax system started as a faint rumor a couple of years ago. It hardly got the attention of small business operators as everyone imagined it was meant for big companies like Shell, Total and banks. However, this came to pass, and it’s now close to years since its inception.

Computerisation of the tax collection process enables easy detection of defaulters, and also helps to reduce corruption by reducing personal interaction between tax officials and tax payers that is necessitated by inefficient manual systems. The E-tax service system includes many components which enable tax payers to effectively use the system.

With the aim of understanding how tax preparation software enhances timely payment of tax due, respondents were asked the following questions are Results are presented in this section.

# Tax payers easily access the URA tax portal to submit payment

Respondents were asked whether the tax payers easily access the authority’s tax portal to submit payment. Results to the question are shown in table 5.1

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Table 5.1: Tax payers easily access the URA tax portal to submit payment | | | | | |
|  | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly disagree | 4 | 6.3 | 6.3 | 6.3 |
| Disagree | 5 | 7.9 | 7.9 | 14.3 |
| Neutral | 7 | 11.1 | 11.1 | 25.4 |
| Agree | 15 | 23.8 | 23.8 | 49.2 |
| Strongly agree | 32 | 50.8 | 50.8 | 100.0 |
| Total | 63 | 100.0 | 100.0 |  |

**Source: Primary data (2019)**

The results in table 5.1 indicate that 23.8% of the respondents agreed to the statement, 50.8% strongly agreed this was the majority response and can be used to conclude that most registered tax payers file returns using E tax system. Respondents noted that <http://web.ura.go.ug> is the web portal accessed to submit tax return for the various provisions. It was also noted that the web portal is easily and readily available to areas or tax payers who can access internet services and that the process is not time consuming. However, 6.3% and 7.9% of the respondents that generally disagreed stated that tax payers in rural areas with poor internet services have difficulty in accessing these services.

# The server is regularly upgraded to ensure timely payment.

Respondents were also asked whether the server is regularly upgraded to ensure timely payments. Results to the question are summarised in table 5.2

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Table 5.2: The server is regularly upgraded to ensure timely payments | | | | | |
|  | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly disagree | 2 | 3.2 | 3.2 | 3.2 |
| Disagree | 4 | 6.3 | 6.3 | 9.5 |
| Neutral | 15 | 23.8 | 23.8 | 33.3 |
| Agree | 19 | 30.2 | 30.2 | 63.5 |
| Strongly agree | 23 | 36.5 | 36.5 | 100.0 |
| Total | 63 | 100.0 | 100.0 |  |

**Source: Primary data (2019)**

According to results in table 5.2, it is indicates that 3.2% of the respondents strongly disagreed and 6.3% disagreed stating that new some new service catalogues take time to be added on the portal from date of inception. 30.2% and 36.5% of the respondents agreed and strongly agreed respectively. Since this was the majority response it can be interpreted to mean that the server is usually quickly upgraded for timely payments, this is coupled with installation of a user friendly system and provision of e-tax clinics around the country. This means that presenting to tax payers a system that can easily be used in fulfilling their tax obligations gains the authority and country at large in the achievement of its goals and targets.

# E-Tax preparation completely replaced manual payments

Respondents were asked whether tax preparation under E tax filing system completely replaced manual payments. Results to the question are presented in table 5.3

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Table 5.3: Tax preparation completely replaced manual payments | | | | | |
|  | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Neutral | 15 | 23.8 | 23.8 | 23.8 |
| Agree | 20 | 31.7 | 31.7 | 55.6 |
| Strongly agree | 28 | 44.4 | 44.4 | 100.0 |
| Total | 63 | 100.0 | 100.0 |  |

**Source: Primary data (2019)**

The results in table 5.3 indicate that majority of the respondents generally agreed; this was presented by 31.7% and 44.4% of the respondents who agreed and strongly agreed to the statement. This means that most of the manual payments are no longer done by tax payers. During an interview session, key respondents expressed that;

*“E-tax services support on-line filing and assessment of tax returns; electronic funds transfer to enable taxes to be paid and refunds to be issued across the Internet; different government departments sharing information on tax assessments to support comprehensive policy decision making. Also web-based information portals are used to educate taxpayers and researchers on taxation issues and publishing information. The overall aim of e-taxation is to replace cumbersome manual, bureaucratic service systems with collaborative, efficient, process-driven and secure online delivery”.*

# The software is user friendly to ensure timely payments from tax payers

The respondents were asked whether the software is under friendly to ensure timely payments from tax payers. This is obtained in table 5.4

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Table 5.4: The software is user friendly to ensure timely payments from tax payers | | | | | |
|  | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly disagree | 14 | 22.2 | 22.2 | 22.2 |
| Disagree | 23 | 36.5 | 36.5 | 58.7 |
| Neutral | 5 | 7.9 | 7.9 | 66.7 |
| Agree | 10 | 15.9 | 15.9 | 82.5 |
| Strongly agree | 11 | 17.5 | 17.5 | 100.0 |
| Total | 63 | 100.0 | 100.0 |  |

**Source: Primary data (2019)**

As seen in table 5.4, it is revealed that 22.2% of the respondents strongly disagreed, 36.5% disagreed, 7.9% were neutral, 15.9% agreed while 17.5% strongly agreed. This means that the software is not user friendly to all tax payers hence there is delay in payments. Respondents stated that the software has guidelines that enable tax payers. The respondents also stated that the poor cyber infrastructure in the country can further be seen coming into play again as a major weakness in addition to the unfriendly system, it was explained that many tax payers lack the sensitisation on the application of the system.

# The system is always slow at the filing date

Respondents were also asked whether the system is always slow at the filing date. Results to the question are captured in table 5.5

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Table 5.5: The system is always slow at the filing date | | | | | |
|  | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly disagree | 5 | 7.9 | 7.9 | 7.9 |
| Disagree | 10 | 15.9 | 15.9 | 23.8 |
| Neutral | 6 | 9.5 | 9.5 | 33.3 |
| Agree | 21 | 33.3 | 33.3 | 66.7 |
| Strongly agree | 21 | 33.3 | 33.3 | 100.0 |
| Total | 63 | 100.0 | 100.0 |  |

**Source: Primary data (2019)**

The results in table 5.5 indicate that majority of respondents generally agreed to the statement, this was presented by 33.3% who both agreed and strongly agreed. 15.9% disagreed, 7.9% strongly disagreed. This means that at the filing data the system is usually down and too slow. Respondents also noted that the system in place is not good enough to handle all the users at the same time. This greatly undermines compliance levels as tax payers become disgruntled with the system hence leading to non- compliant behaviors. This goes ahead to further show that the system is overwhelmed by the number of users.

# Tax payers are sensitized about the use of the system

Respondents were also asked whether tax payers are sensitized about the use of the system. Results to the question are obtained in table 5.6

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Table 5.6: Tax payers are sensitized about the use of the system | | | | | |
|  | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly disagree | 22 | 34.9 | 34.9 | 34.9 |
| Disagree | 24 | 38.1 | 38.1 | 73.0 |
| Neutral | 4 | 6.3 | 6.3 | 79.4 |
| Agree | 3 | 4.8 | 4.8 | 84.1 |
| Strongly agree | 10 | 15.9 | 15.9 | 100.0 |
| Total | 63 | 100.0 | 100.0 |  |

**Source: Primary data (2019)**

According to the results in table 5.6, it is seen that majority of respondents 73.1% disagreed; this was presented by 34.9% and 38.1% who strongly disagreed and disagreed respectively. Since a high combined percentage of respondents generally disagreed, it can be implied to mean that tax payers are not well educated about the use of the system. Results also showed that most tax payers are self-taught about how to use the system by following prompts which are on the URA web site portal for submitting return on the different tax catalogues. 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. This equal disparity of uncertainty and disagreement suggests inadequacy in education of the public concerning general tax matters.

# The system can be easily accessed using internet browsers such as Mozilla Firefox

Respondents were asked whether the system can be easily accessed using internet browsers such as Mozilla Firefox. Results are summarised in 5.7

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Table 5.7: The system can be easily accessed using internet browsers such as Mozilla Firefox | | | | | |
|  | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Neutral | 7 | 11.1 | 11.1 | 11.1 |
| Agree | 18 | 28.6 | 28.6 | 39.7 |
| Strongly agree | 38 | 60.3 | 60.3 | 100.0 |
| Total | 63 | 100.0 | 100.0 |  |

**Source: Primary data (2019)**

Results in table 5.7 indicate that majority of the respondents generally agreed to the statement, this was presented by 28.6% who agreed and 60.3% strongly agreed respectively. This can be implied to mean that the system is accessed by tax payers using internet browsers. Respondents stated that the tax payers log in into the search engines and pay tax returns. During an interview session, one respondent expressed that

*“there has been a reduction of the amount of time to get a Tax Identification Number (TIN), which acts as a tax payer’s account in E-Tax services used to access the URA’s online services and information, compared to the long lines that were once, have to be followed to acquire an identification number”*

# URA has set up various URA centers across the country

Respondents were also asked whether the authority has set up various URA centers across the country. Results to the question are presented in table 5.8

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Table 5.8: URA has set up various URA centers across the country | | | | | |
|  | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly disagree | 16 | 25.4 | 25.4 | 25.4 |
| Disagree | 20 | 31.7 | 31.7 | 57.1 |
| Neutral | 7 | 11.1 | 11.1 | 68.3 |
| Agree | 9 | 14.3 | 14.3 | 82.5 |
| Strongly agree | 11 | 17.5 | 17.5 | 100.0 |
| Total | 63 | 100.0 | 100.0 |  |

**Source: Primary data (2019)**

According to results in table 5.8 it is indicated that majority of the respondents generally disagreed to the statement, this was presented by 25.4% who strongly disagreed, and 31.7% who disagreed respectively. 11.1% were neutral, 14.3% agreed while 17.5% strongly agreed. Since this is the majority it can be implied to mean that the authority has not been successful in setting up many various centers across the country. Respondents also noted that this has been one of the contributing factors to the decline in revenue performance in the country.

# CHAPTER SIX

# IMPLEMENTATION OF TAX SYSTEM AND REGISTRATION OF TAX PAYERS

# Introduction

This chapter deals with the third objective of the study; how implementation of electronic tax system has enhanced registration of tax payers in Uganda Revenue Authority. It aims at examining the current situation at URA with the intention of establishing whether the authority has endeavored to enhance registration of tax payers through implementation of electronic tax system.

Tax system is an oil well having no end, because it comes out from the community and is spent there. You can't find a country that is wealthy, but the tax system is not correct. On the other hand, you can't find a poor country having a good tax system. This suggests that the computerized and integrated tax system is, makes the country rich and prosperous. Generally, modifying the tax system through setting up E-taxation system not only prevents tax evasion efficiently, but also it is a big barrier against injustice and ineffectiveness in tax system regarding income tax.

The use of electronic systems in areas of declaring the taxable income by taxpayers and receiving the levy, play an important role in advancing the goals of e-Government. To accelerate and advance the government's goals like speed and accuracy in current affairs and to decrease the tax collecting expenses, saving the time, information accuracy and completeness, facilitate to receive the tax and trying to set up financial and budgetary discipline and to achieve tax goals will guarantee the taxpayers satisfaction and tax organizations.

With the aim of understanding how implementation of electronic tax system enhances registration of tax payers, respondents were asked the following questions are Results are presented in this section.

# The system is regularly monitored

Respondents were asked whether the system is regularly monitored. Results to the question are summarised in table 6.1

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Table 6.1: The system is regularly monitored | | | | | |
|  | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly disagree | 8 | 12.7 | 12.7 | 12.7 |
| Disagree | 10 | 15.9 | 15.9 | 28.6 |
| Neutral | 11 | 17.5 | 17.5 | 46.0 |
| Agree | 20 | 31.7 | 31.7 | 77.8 |
| Strongly agree | 14 | 22.2 | 22.2 | 100.0 |
| Total | 63 | 100.0 | 100.0 |  |

**Source: Primary data (2019)**

The results in table 6.1 indicate that 12.7% of the respondents strongly disagreed, 15.9% disagreed, 17.5% were neutral while 31.7% agreed and 22.2% strongly agreed to the statement. Since majority of the respondents generally agreed, 53.9%, it can be implied to mean that there is a responsible department within the authority who ensure regular monitoring of the system. Respondents stated that regular monitoring is done to ensure reduced levels of errors to eliminate any mistake one may have made when filing their returns. It was also observed that most electronic filing services automatically verify math and correct the numbers made hence monitoring ensures that such system functions are accurate hence monitoring. It was also observed that 12.7% and 15.9% who strongly disagreed and disagreed respectively mentioned that the timing for monitoring the system is not consistent as at times management seems reluctant in making improvements.

# The position of the tax system is clear to all tax payers

Respondents were also asked whether the position of the tax. The results to the question are summarised in table 6.2

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Table 6.2: The position of the tax system is clear to all tax payers | | | | | |
|  | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly disagree | 14 | 22.2 | 22.2 | 22.2 |
| Disagree | 23 | 36.5 | 36.5 | 58.7 |
| Agree | 18 | 28.6 | 28.6 | 87.3 |
| Strongly agree | 8 | 12.7 | 12.7 | 100.0 |
| Total | 63 | 100.0 | 100.0 |  |

**Source: Primary data (2019)**

According to results in table 6.2, it is revealed that majority of the respondents generally disagreed to the statement; this was presented by 22.2% and 36.5% who strongly disagreed and disagreed respectively. This can be interpreted to mean that a large number of tax payers is not entirely certain about the wide range of tax incentives and exemptions tax avoidance and that this is mainly by the multinational corporations; taxation regime that is not clearly understood by most taxpayers; and high levels of corruption which lead to revenue leakage.

# The tax system reduces administration costs

Respondents were also asked whether tax system reduces administration costs for the authority. Results to the question are captured in table 6.3

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Table 6.3: The e tax system reduces administration costs | | | | | |
|  | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly disagree | 7 | 11.1 | 11.1 | 11.1 |
| Disagree | 8 | 12.7 | 12.7 | 23.8 |
| Neutral | 6 | 9.5 | 9.5 | 33.3 |
| Agree | 23 | 36.5 | 36.5 | 69.8 |
| Strongly agree | 19 | 30.2 | 30.2 | 100.0 |
| Total | 63 | 100.0 | 100.0 |  |

**Source: Primary data (2019)**

The results in table 6.3 revealed that 30.2% of the respondents strongly agreed and 36.5% agreed to the statement respectively. 11.1% strongly disagreed and 12.7% disagreed while 9.5% were neutral as they did not have conclusive data to form an opinion. Since majority of the respondents generally agreed, it means that the system has improved on tax compliance levels. During an interview session, one key respondent stated that;

*“In deed administration costs have reduced tremendously when it comes to tax collection; all credit is to the electronic tax filing system. The system has generated large numbers of tax compliance through both voluntary and involuntary tax compliance which has seen more numbers of tax payers obeying tax laws without enforcement actions which in turn reduces administration costs”.*

This means that URA wastes little money and time in collecting tax and tax payers suffer little alienation in parting with their money.

# The level of system security protects tax related data

Respondents were also asked whether there is sufficient system security that protects tax related data. Results to the question are observed in table 6.4

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Table 6.4: The level of system security protects tax related data | | | | | |
|  | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Neutral | 8 | 12.7 | 12.7 | 12.7 |
| Agree | 32 | 50.8 | 50.8 | 63.5 |
| Strongly agree | 23 | 36.5 | 36.5 | 100.0 |
| Total | 63 | 100.0 | 100.0 |  |

**Source: Primary data (2019)**

As seen in table 6.4, results indicated that majority of the respondents generally agreed to the statement, the response had a combined percentage of 87.3% and this means that the system is more secure than other forms of filing for tax returns. During an interview session, one respondent expressed that;

*“The short answer is yes. E-filing is very safe for submitting tax payers tax returns. The chances are extremely remote that your income tax data could be stolen when you e-file. In fact, it's more secure than mailing a tax return via snail mail, because the data in an e-filed tax return is specially encrypted for extra security, which prevents any access to data as it moves between your tax software and URA”.*

This means that the system provides a safe and secure way for a tax payer to transfer tax related data.

# Returns payment and objections appeal through the internet

Respondents were asked whether a tax payer can make return payments and objections appeal through the internet. Results to the question are summarised in table 6.5

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Table 6.5: Returns payment and objections appeal through the internet | | | | | |
|  | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly disagree | 8 | 12.7 | 12.7 | 12.7 |
| Disagree | 10 | 15.9 | 15.9 | 28.6 |
| Neutral | 10 | 15.9 | 15.9 | 44.5 |
| Agree | 14 | 22.2 | 22.2 | 66.7 |
| Strongly agree | 21 | 33.3 | 33.3 | 100.0 |
| Total | 63 | 100.0 | 100.0 |  |

**Source: Primary data (2019)**

The results in table 6.5 show that majority of the respondents generally agreed to the statement, this was presented by 33.3% and 22.2% who strongly agreed and agreed respectively. These results can be implied to mean that URA provides a facility to submit a notice of objection electronically. Respondents stated that though the response is most times delayed, the provision is there. It was stated that the authority has general information for electronic filing of objection and payment, also in case a tax payer has submitted an objection electronically and wishes to amend it, the tax payer can submit an objection form which is downloadable from URA web portal.

# The aim of e tax system removes the old manual tax system

Respondents were also asked whether the aim of e tax system removes the old manual tax system. The results to the question are obtained in table 6.6

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Table 6.6: The aim of e tax system removes the old manual tax system | | | | | |
|  | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Neutral | 10 | 15.9 | 15.9 | 15.9 |
| Agree | 24 | 38.1 | 38.1 | 54.0 |
| Strongly agree | 29 | 46.0 | 46.0 | 100.0 |
| Total | 63 | 100.0 | 100.0 |  |

**Source: Primary data (2019)**

The results in table 6.6 show that majority of respondents that is 46.0% and 38.1% strongly agreed and agreed respectively, since this was the majority response it can be interpreted to mean that the system is more efficient and effective than the old manual system which took a lot of time to file for tax returns. Respondents also noted that E-tax payment platforms ease tax payment and save time compared to the old way of filing tax returns where taxpayers had to spend hours queuing at banks or URA offices. In addition, it was observed that URA’s e-Tax offers 24-hour online services to taxpayers. The e-tax system offers benefits both to the service provider (URA) and the consumers like the filing of tax returns in minutes compared to the old manual one that took up to two days, cost-free transaction, and less time spent on getting a Tax Identification Number (TIN)

# Internet allows tax payers to conduct transactions in a timely manner.

Respondents were also asked whether the internet allows tax payers to conduct transactions in a timely manner. Results to the question are presented in table 6.7

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Table 6.7: Internet allows tax payers to conduct transactions in a timely manner | | | | | |
|  | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly disagree | 4 | 6.3 | 6.3 | 6.3 |
| Disagree | 6 | 9.5 | 9.5 | 15.9 |
| Neutral | 2 | 3.2 | 3.2 | 19.0 |
| Agree | 26 | 41.3 | 41.3 | 60.3 |
| Strongly agree | 25 | 39.7 | 39.7 | 100.0 |
| Total | 63 | 100.0 | 100.0 |  |

**Source: Primary data (2019)**

The results in table 6.7 indicate that majority of the respondents generally agreed to the statement, this was presented by 41.3% and 39.7% who agreed and strongly agreed respectively. 6.3% and 9.5% strongly disagreed and agreed stating that internet services are not readily available to all tax payers especially those in rural areas. However, since majority of the respondents generally agreed, it can be implied to mean that more individuals are using the internet as a medium of transactions for filing tax returns. This means that the URA has recognised the need to utterly migrate from the traditional manual transactions to electronic transactions using the internet to provide services to its citizens.

# The filing process does not take much time

Respondents were asked whether the filing process does not take much time. Responses to the question are obtained in table 6.8

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Table 6.8: The filling process does not take much time | | | | | |
|  | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly disagree | 4 | 6.3 | 6.3 | 6.3 |
| Disagree | 8 | 12.7 | 12.7 | 19.0 |
| Neutral | 9 | 14.3 | 14.3 | 33.3 |
| Agree | 19 | 30.2 | 30.2 | 63.5 |
| Strongly agree | 23 | 36.5 | 36.5 | 100.0 |
| Total | 63 | 100.0 | 100.0 |  |

**Source: Primary data (2019)**

According to results in table 6.8, it is indicated that majority of respondents 36.5% and 30.2% strongly agreed and agreed respectively. This can be interpreted to mean that tax payers find the system easier, faster and more accurate than traditional paper based services. The respondents also stated that the inevitable process of paying tax, reduces the time involved and improves accuracy. It was also noted that online taxpayers have an extra 10 days in which to declare their taxes, a feature much appreciated by accountants and other professionals who submit large volumes of returns on behalf of the new system, with funds released at least a month before paper based claimants.

# Hypothesis testing

The hypothesis H0: There is no significant relationship between electronic tax filing system and revenue collection in URA. H1: There is a significant relationship between electronic tax filing system and revenue collection in URA.

# Regression Analysis

Multiple regression analysis was performed in order to establish the extent to which electronic tax filing system explained the degree of variance in revenue collection in URA. The result obtained is presented in the model summary table 6.9

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Table 6.9: Model Summary | | | | |
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .845a | .714 | .709 | .72577 |
| a. Predictors: (Constant), Electronic tax filing system. | | | | |

Results in table 6.9 show the model summary of the regression which yielded an Adjusted R Square of .709. This means that electronic tax filing system contributes 70.9% to revenue collection; the remaining 29.1% is contributed to other factors that were outside the scope of this current study. These factors were outside the scope of the study and were not explored.

**ANOVA (Analysis of variance)**

ANOVA analysis was performed to test the equivalent hypothesis that there is a significant relationship between electronic tax filing system and revenue collection in URA. The results are summarized in table 6.10

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Table 6.10: ANOVAa | | | | | | |
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 76.299 | 1 | 76.299 | 144.849 | .000b |
| Residual | 30.551 | 58 | .527 |  |  |
| Total | 106.850 | 59 |  |  |  |
| a. Dependent Variable: Revenue collection. | | | | | | |
| b. Predictors: (Constant), Electric tax filing system | | | | | | |

F= 76.299, p<0.05, the null hypothesis that there is no significant relationship between electronic tax filing system and revenue collection in URA is rejected. This means that there is a significant relationship between electronic tax filing system and revenue collection in URA.

The regression coefficient is not zero and therefore an increase in performance of electronic tax filing system in URA will ultimately lead to an increase in revenue collection

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Table 6.11: Coefficientsa | | | | | | |
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| B | Std. Error | Beta |
| 1 | (Constant) | 1.442 | .191 |  | 7.537 | .000 |
| Electric tax filing system | .913 | .076 | .845 | 12.035 | .000 |
| a. Dependent Variable: Revenue collection. | | | | | | |

The test revealed that electric tax filing system have an influence on revenue collection in Uganda Revenue Authority, this is because the test yielded a significant relationship since the Beta value is positive presented by (p= .845, P=0.01).

In view of the above tests, it can be concluded that, URA electronic tax filing system has significantly influenced revenue collection as it contributes 70.9% as indicated in the model summary, this is above average.

# CHAPTER SEVEN

# TOWARDS HARMONISING ELECTRONIC TAX FILING SYSTEM AND REVENUE COLLECTION

# Introduction

This chapter sets out to link study findings to the literature review by discussing the findings in relationship with literature review, and then suggest a way forward. Implications are, deduced, from the findings, discussed and interpreted basing on the research hypotheses of the study.

# Electronic data transfer and submission of tax returns

On the question of how electronic data transfer and submission of tax returns, it was revealed that 74.6% generally agreed to the statement that electronic data transfer is effective in submission of tax. Majority of the respondents generally agreed (82.6%) that the system has clear instructions on the application procedure, in addition, a combined percentage of 63.4% of the respondents generally disagreed to the statement that the system is accessible to all persons. The results also indicate that majority of the respondents generally agreed to the statement that electronic data transfer has effective components. The results in table 4.5 show that majority of the respondents generally disagreed to the statement that the components of data transfer are easy to comprehend. The results also showed that 31.7% agreed while 36.5% strongly agreed respectively that electronic data transfer has increased on revenue collected. Results indicated that majority of respondents 68.3% generally agreed to the statement that revenue performance has increased tremendously since inception of e tax filing system. Results indicated that majority of the respondents represented by 33.3% and 28.6% strongly disagreed and disagreed to the statement that tax compliance has increased due to e tax filing.

Hayran S. (2013) states that, the importance and high position of tax system is clear for all in every country's economy complex. Therefore, given the weaknesses and shortcomings of the tax system, tax system reform always attracted both public and private sector economic activists respectively. The necessity of performing this economic revolution is often taken into consideration in Iran's top secret documents or planning. Since taxation in developing countries can play a role in economic development, electronic tax in terms of its functions is of manifestations of advanced and developed economies. The use of electronic systems in areas of declaring the taxable income by taxpayers and receiving the levy, play an important role in advancing the goals of e-Government.

To accelerate and advance the government's goals like speed and accuracy in current affairs and to decrease the tax collecting expenses, saving the time, information accuracy and completeness, facilitate to receive the tax and trying to set up financial and budgetary discipline and to achieve tax goals will guarantee the taxpayers satisfaction and tax organizations, to establish trust and transparency in economic activity and the prevention of tax evasion, as well as the realization of the macro objectives of e-government such as implementation the tax revenues, income and wealth fair distribution, economic and social justice and to provide the necessary background for the competitiveness and economic sustainability and achieve favorable economic resources and environmental protection, the protection of investors and create jobs and economic growth guarantees (Gelir, 2011).

Developments in information and communication technologies, and in particular the Internet, provide new possibilities for the production, storage, processing, transmission, integration, and use of information (DPT, 2005): The convergence of the computers with the internet facilitated and accelerated the sharing of the produced information among the computers, institutions and even the states. The computer and the internet composition provide the basis for the birth of electronic services (e-service), giving the opportunity to be given in a non-physical virtual environment with some private and public services users. In this context, e-services were first used by the business community to develop trade (Demirhan, 2014)

E-taxation is an e-government application that allows for the administration and collection of the tax. It has been used to develop information communication technologies on the automation of tax offices. Along with these developments, it has been ensured that taxpayers can submit their statements in the electronic form, computerized realizations of accruals and collections related to statements, taxpayers can collect information on income wealth and expenditures in the electronic environment, and computer audit of the tax audit is provided (Çetin, 2010).

# Tax preparation software and timely payment of tax due on or before due date

On the question of how tax preparation software enhances timely payment of tax due on or before due date. The results indicate that 23.8% of the respondents agreed to the statement, and 50.8% strongly agreed to the statement that tax payers easily access the URA tax portal to submit payment. Results in table 5.2, it is indicated that 3.2% of the respondents strongly disagreed and 6.3% disagreed stating that new some new service catalogues take time to be added on the portal from date of inception. Results also indicated 31.7% and 44.4% of the respondents agreed and strongly agreed to the statement that tax preparation completely replaced manual payments. It is revealed that 22.2% of the respondents strongly disagreed, 36.5% disagreed that the software is user friendly to ensure timely payments from tax payers. The results indicated that majority of respondents generally agreed to the statement that the system is always slow at the filing date. The results revealed that majority of respondents 73.1% disagreed; this was presented by 34.9% and 38.1% who strongly disagreed and disagreed respectively that tax payers are sensitized about the use of the system. Also the results indicated that majority of the respondents generally agreed to the statement that the system can be easily accessed using internet browsers such as Mozilla Firefox. Results in table 5.8 it is indicated that majority of the respondents generally disagreed to the statement that URA has set up various URA centers across the country.

E-payment has been designed to help individual customers and companies as well as the banks itself in eliminating or reducing some of the problems inherent in the settlement and payment process. Customers can pay their bills without having to actually move to the bank’s premises (Wahab, 2012). They may also have access to their account information and even transfer money to other accounts in the comfort of their homes.

When it comes to making electronic payments, there are a handful of options available to people, primarily: checks, Electronic Funds Transfer (EFT), Automated Teller Machine (ATM), cards (debit, credit and smart), Electronic Purses/Wallets, mobile money (Mobile Banking and Money Transfer), Telephone Banking, Personal Computer Banking (Home Banking), Digitized 'E-Cash' Systems, Electronic Cheque, Online/Internet Payments and Digital Person to Person (P2P) Payments (Wahab, 2012). The content of P2P exchange is usually the form of digital financial instrument such as encrypted credit card numbers, electronic checks, or digital cash that is backed by a bank or an intermediary, or by a legal tender.

According to Pariwat (2004), for the achievement of effective and efficient retail payment systems, the following considerations that shape the choice of payment method for consumers and businesses should be taken into account; the convenience, reliability and security of the payment method, the service quality, involving such features as the speed with which payment are processed; the level and structure of fees charged by financial institutions; taste and demographic; and technological advances which have improve the speed, convenience and flexibility of different payment systems. E-payment is convenient, safe, and secure methods for payment of bills and other transactions by electronic means such as card, telephone, the Internet, Electronic Fund Transfer. Electronic payment gives consumers an alternative to paying bills and debts by cash, cheque and money order (Wahab, 2012).

So, sound revenue system for county governments is a vital pre-condition for the success in promoting efficiency in the service delivery and economic development at the counties (Ngotho 2014). For most developing countries, revenue collection goes hand-in-hand with economic growth and the revenue is the lifeblood for governments to deliver essential services and to make long-term investments in public goods (Organization for Economic Co-Operation and Development [OECD], 2008).

# Implementation of electronic tax system and registration of tax payers

Results to the question revealed that majority of the respondents generally agreed, 53.9% the system is regularly monitored. Results revealed that majority of the respondents generally disagreed to the statement; this was presented by 22.2% and 36.5% strongly disagreed and disagreed that the position of the tax system is clear to all tax payers. The results revealed that 30.2% of the respondents strongly agreed and 36.5% agreed to the statement that the e tax system reduces administration costs. Results indicated that majority of the respondents generally agreed to the statement, the response had a combined percentage of 87.3% that the level of system security protects tax related data. The results in table 6.5 show that majority of the respondents generally agreed to the statement, this was presented by 33.3% and 22.2% strongly agreed and agreed respectively that returns payment and objections appeal through the internet. The results in table 6.6 show that majority of respondents that is 46.0% and 38.1% strongly agreed and agreed that the aim of e tax system removes the old manual tax system. It is indicated that majority of respondents 36.5% and 30.2% strongly agreed and agreed respectively that the filling process does not take much time.

Taxation is essential for sustainable economic development, and tax administration is a basic function of a successful state. Taxation also helps make a government accountable to its citizens. When governments spend taxpayers’ money, they are more accountable to make budget decisions transparent and accessible.

E-filing systems increase the quality and quantity of information available to tax officers, enabling them to complete transactions faster and more accurately. Returns filed electronically have much lower error rates than paper returns and substantially cut the need to impose penalties and other punitive measures to foster compliance. The more efficient handling provided by electronic returns allows tax officers to issue assessments and refunds more quickly, and taxpayers know right away if their returns have been accepted by the tax authorities. E-filing lowers the cost of handling returns allowing administrative resources to be reallocated to other tasks such as auditing, customer services and tracking non-compliance.

The benefits of e-filing and e-payment systems extend to other electronic processes in the tax authority. E-filing and e-payment allow for better, safer data storage that can be used to implement a risk management system for auditing and enforcement. Automation helps establish a good system for tracking case files, which is essential for effective auditing and increases the speed and quality of data provided to auditors.3 In addition, e-filing systems are usually complemented by software that standardizes and facilitates processes for taxpayers, making compliance easier.

Well-designed electronic systems can lower corruption by reducing face-to face interactions. To ensure that taxes are collected efficiently and reduce opportunities for corruption, a generally accepted principle is that tax authorities should not handle money directly. Ideally, tax officials should have little direct contact with taxpayers and so less discretion in deciding how to treat them. E-filing is also easy, flexible and convenient for taxpayers. E-filing makes it possible to file returns from a taxpayer’s home, library, financial institution, workplace, tax professional’s business or even stores and shopping malls. With an integrated e-filing and e-payment system, taxes can be filed and paid online from any place.

# CHAPTER EIGHT

# SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

# Introduction

This chapter comprises of the summary of findings, conclusion and recommendation of the study according to the study objectives. The study is about electronic tax filing system and revenue collection. The recommendations are on a basis of the findings and relates to advice and the interventions that the researcher feels should be brought to the attention of URA. The study ends by presenting the areas that the researcher considers vital for further studies

# Summary of findings

# Electronic data transfer and submission of tax returns

The results revealed that the software used guarantees that is uses the most secure technology available and this is in form of encryption. It was indicated that 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. However, it was noted that the system is a web-based application and can be accessed at anytime and anywhere at the taxpayer’s convenience. The results indicated that some tax payers find it difficult to comprehend the system components due to factors such as language problems as many tax payers do not understand the English language. Records at URA website and articles indicate that the total revenue during the first five years of the introduction of e tax filing system had increased the net collections by URA (excluding government taxes and tax refunds) increased by 79 per cent from UGX 6.22 trillion in 2011/12 to UGX 11.59 trillion in 2015/16. most corporate organisations do not submit the entire totals of taxes due, the levels of tax collected in rural areas is still very low due to ignorance of using the service and poor internet networks.

# Tax preparation software and timely payment of tax due on or before due date

The results in this section indicated that the web portal is easily and readily available to areas or tax payers who can access internet services and that the process is not time consuming. It was also stated that presenting to tax payers a system that can easily be used in fulfilling their tax obligations gains the authority and country at large in the achievement of its goals and targets. The results indicated that the poor cyber infrastructure in the country can further be seen coming into play again as a major weakness in addition to the unfriendly system. This greatly undermines compliance levels as tax payers become disgruntled with the system hence leading to non-compliant behaviors. The results showed that there is equal disparity of uncertainty and disagreement suggests inadequacy in education of the public concerning general tax matters.

# Implementation of electronic tax system and registration of tax payers

The results to this question revealed that regular monitoring is done to ensure reduced levels of errors to eliminate any mistake one may have made when filing their returns. It was revealed that a large number of tax payers are not entirely certain about the wide range of tax incentives and exemptions tax avoidance and that this is mainly by the multinational corporations. The results showed that the system provides a safe and secure way for a tax payer to transfer tax related data. It was stated that the authority has general information for electronic filing of objection and payment, also in case a tax payer has submitted an objection electronically and wishes to amend it. Results also noted that E-tax payment platforms ease tax payment and save time compared to the old way of filing tax returns where taxpayers had to spend hours queuing at banks or URA offices. The results indicated that the URA has recognised the need to utterly migrate from the traditional manual transactions to electronic transactions using the internet to provide services to its citizens. It was also noted that online taxpayers have an extra 10 days in which to declare their taxes, a feature much appreciated by accountants and other professionals who submit large volumes of returns on behalf of the new system, with funds released at least a month before paper based claimants.

# Conclusions

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.

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.

# Recommendations

System monitoring, this should be done at the implementation stage to enable the URA review all that is on the URA web portal and therefore change where the need arises and for better service delivery to the users of the E-tax services.

System testing and validation, this should be done to enable checking for any kind of errors that would be within the system, to avoid inconveniences with the user (the tax payers and the URA officials).

URA should call the taxpayers for training at the different branches to enable sensitization about the services that are rendered and therefore communicate all the reasons for the adoption of E-tax service as this will motivate the uses of the service, hence increase in the rate of compliances.

URA should inform the government to enable E-tax services to be extended to higher institutions of learning, for effective training right from formal education level to the field.

URA should find ways of reducing the URA web portal disturbances which is ever on and off especially at the time of deadlines, that is when filing VAT, income tax returns and many others to avoid penalties caused due to the web portal network.

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.

# 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

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# APPENDICES

# APPENDIX A: SELF ADMINISTERED QUESTIONNAIRE

Dear respondent,

You are kindly requested to fill in the following questions to enable the researcher accomplish the study about **“the role of electronic tax filing system on revenue collection in Uganda, focusing on a case study of Uganda Revenue Authority** leading to the award of a Degree of Master of Business Administration of Nkumba University. Therefore the study is an academic work and thus the information given will confidentially be used for that purpose. You are kindly requested to give your own views, as no response is wrong, you may not disclose your name**.**

**SECTION A**

**BACKGROUND INFORMATION**

1. Gender

|  |  |
| --- | --- |
| Male | Female |
| 26 | 37 |

2. Age group (in years)

|  |  |  |  |
| --- | --- | --- | --- |
| 20-30 | 31-40 | 41-50 | Above 50 |
| 19 | 21 | 11 | 12 |

3. Period of service in URA (in years)

|  |  |  |  |
| --- | --- | --- | --- |
| Below 2 years | 2 - 5 | 6-10 | Above 10 |
| 15 | 31 | 10 | 7 |

1. Highest level of education

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Certificate | Diploma | Bachelor’s degree | Master’s degree | If others, specify |
| - | 10 | 29 | 20 | 4 |

**SECTION B:** **Electronic data transfer and submission of tax returns in URA**

SD: Strongly disagree, D: Disagree, N: Neutral, A: Agree, SA: Strongly agree

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **No.** | **Statement** | **Scale** | | | | |
| 1 | Electronic data transfer is effective in submission of tax | 1 | 2 | 3 | 4 | 5 |
| 2 | The system has clear instructions on the application procedure | 1 | 2 | 3 | 4 | 5 |
| 3 | The system is accessible to all persons | 1 | 2 | 3 | 4 | 5 |
| 4 | Electronic data transfer has effective components | 1 | 2 | 3 | 4 | 5 |
| 5 | The components of data transfer are easy to comprehend | 1 | 2 | 3 | 4 | 5 |
| 6 | Electronic data transfer has increased on revenue collected | 1 | 2 | 3 | 4 | 5 |
| 7 | Revenue performance has increased tremendously since inception of e tax filing system | 1 | 2 | 3 | 4 | 5 |
| 8 | Tax compliance has increased due to e tax filing | 1 | 2 | 3 | 4 | 5 |

**SECTION C: Tax preparation software and timely payment of tax due in URA**

SD: Strongly disagree, D: Disagree, N: Neutral, A: Agree, SA: Strongly agree

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **No.** | **Statement** | **Scale** | | | | |
| 1 | Tax payers easily access the URA tax portal to submit payment | 1 | 2 | 3 | 4 | 5 |
| 2 | The server is regularly upgraded to ensure timely payments | 1 | 2 | 3 | 4 | 5 |
| 3 | Tax preparation completely replaced manual payments | 1 | 2 | 3 | 4 | 5 |
| 4 | The software is user friendly to ensure timely payments from tax payers | 1 | 2 | 3 | 4 | 5 |
| 5 | The system is always slow at the filing date | 1 | 2 | 3 | 4 | 5 |
| 6 | Tax payers are sensitized about the use of the system | 1 | 2 | 3 | 4 | 5 |
| 7 | The system can be easily accessed using internet browsers such as Mozilla Firefox | 1 | 2 | 3 | 4 | 5 |
| 8 | URA has set up various URA centers across the country | 1 | 2 | 3 | 4 | 5 |

**SECTION D:** **Implementation of electronic tax system and registration of tax payers in URA**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **No.** | **Statement** | **Scale** | | | | |
| 1 | The system is regularly monitored | 1 | 2 | 3 | 4 | 5 |
| 2 | The position of the tax system is clear to all tax payers | 1 | 2 | 3 | 4 | 5 |
| 3 | The e tax system reduces administration costs | 1 | 2 | 3 | 4 | 5 |
| 4 | The level of system security protects tax related data | 1 | 2 | 3 | 4 | 5 |
| 5 | Returns payment and objections appeal through the internet | 1 | 2 | 3 | 4 | 5 |
| 6 | The aim of e tax system removes the old manual tax system | 1 | 2 | 3 | 4 | 5 |
| 7 | Internet allows tax payers to conduct transactions in a timely manner | 1 | 2 | 3 | 4 | 5 |
| 8 | The filling process does not take much time | 1 | 2 | 3 | 4 | 5 |

# APPENDIX B: DOCUMENT REVIEW CHECKLIST

|  |
| --- |
| URA carrying out pilot tests on more efficient tax system, Politics and Policy |
| Tax Reforms and Domestic Revenue Mobilisation in Uganda, Fountain Publishers, Kampala |
| Tax performance in poor countries”, Country report Uganda. |
| Tax compliance, self-assessment and tax administration. Journal of Financial and Management in Public Services |
| Enhancing Income Tax Collection in SMEs Customers’ Perspective: A Case of Uganda Revenue Authority (URA) |
| Effects of electronic tax system on the revenue efficiency in Uganda Revenue Authority |
| Acceptance of electronic tax filing: a study of taxpayer intention”, Inform. Manage. |

**APPENDIX: INTERVIEW GUIDE**

1. Interviewer self-introduction and purpose of the interview ……………..
2. Interviewee personal data…………………………
3. What is the nature of relationship between electronic tax filing system and the tax payers?.............and what factors may account for such a relationship?.........................
4. Does URA engage in sensitisation of tax payers on the application of electronic tax filing system?…………………………….
5. What difficulties do tax payers encounter in submission of tax returns?……………
6. Do you think a majority of tax payers have a positive feedback on the system ?....if yes how specifically…………………..
7. What could be done to improve on payment of tax returns using electronic tax filing?.............................
8. Since its inception, do you believe that the system has increased on revenue collection?...................................................................