



Dissertation By
KATUSIIMEH MESHARCH

**Department of Political
Science and Public
Administration Makerere
University.**

**AN ASSESSMENT OF THE ROLE OF GRADUATED
TAX IN FINANCING DECENTRALIZED LOCAL
GOVERNMENTS IN UGANDA: A CASE OF
BUSHENYI DISTRICT.**

January, 2004



**AN ASSESSMENT OF THE ROLE OF GRADUATED TAX IN FINANCING
DECENTRALIZED LOCAL GOVERNMENTS IN UGANDA: A CASE OF
BUSHENYI DISTRICT.**

BY

KATUSIIMEH MESHARCH

WALTO (Reg. No. 2000/HD14/613U)

**A Dissertation Submitted to the Department of Political Science and Public
Administration as part of the fulfillment for the award of Master of Arts Degree in
Public Administration and Management of Makerere University.**

January, 2004

Declaration and Copyright

I, Katusiimeh Mesharch Walto declare that this dissertation is my own original work and that it has not been presented and will not be submitted to any other university for a similar or any other degree award.

Supervisors

Date -----

Dr. Yasin Olum

CODESRIA - LIBRARY

Dedication

To my parents: The Late Fenekansi Rwebiita who died when I was in Primary Six in 1988. His love for education motivated me to get better and better in my education career to make his dreams come true. May his soul rest in eternal peace. Amen ; and to my mother Kelloy Rwebiita who has persevered single-handedly to meet the educational needs of her children.

CODESRIA - LIBRARY

Acknowledgements

Any social science research involves many individuals, organizations and institutions towards its accomplishment. That has not been different from this particular study. Indeed, many people, organizations and institutions in their plurality or singularity have helped me morally and materially, which have supplemented my efforts and initiatives towards accomplishment of this particular study. Thus I strongly acknowledge them all. It is however not easy to list them all in this limited space; but a few worth-noting are hereby mentioned.

First and foremost, I would like to extend my heartfelt gratitude to my supervisor Dr. Yasin Olum. His readiness to supervise me is highly appreciated. Furthermore, I sincerely thank him for his readiness to read the proposal and criticize, suggest and supervise my field work and then later report writing.

I would like to extend my acknowledgement to the Head of the Department of Political Science and Public Administration Makerere University, Dr. Murindwa-Rutanga. His cool, kind advice, moral support and encouragement during the pursuit of this study deserved to be equaled to that of a parent. And all those lecturers who shaped me in one way or another towards this academic thinking like Dr. Mushemeza Elijah Dickens, Mr. Sabiiti-Makaara, Mr. Godfrey Tukahebwa, Dr. Charles Bwana, Dr. Ddumba-Sentamu, Dr Julius Kiiza and Dr. Anne Mette Kjaer.

My sincere thanks to all those who supported me morally and financially during the course of this study. I wish to extend my sincere gratitude to CODESRIA for the funding that made this research possible. Special thanks also go to my mother Kelloy Rwebiita, Rev.

Canon Dr. Alex Kagume, my brothers Elly Twineyo, Asiimwe Junior Katobe Wilfreds, Alex Mwesigwa and Tumwebaze Henry. Others are Hon. Dr. Elioda Tumwesigye, Dr. William Muhairwe, Mr. Abel Tumuramy Rushegyera, Mr. Arinaitwe Rugyendo Deogratius, Mr. John Bwebare and Ms Diana Kemigisha . I would like to say ‘Thank you’ and that those ‘who give shall receive’.

It would be unfair if I dare underrate the moral and material support I enjoyed from my MAPAM fellows. These include; Bernedatte Kafero, Elizabeth Kukiriza, Dorothy Ngalombi, Tadeo Banura, Nakajoba Mary, Flavia Byekwaso, and others with whom I had cordial and intimate discussions during the pursuit of this study.

However, for all mentioned above, in case of any drawbacks, pitfalls and limitations that may be found in this work, they should not be held responsible. I solely remain to bear the responsibility.

TABLE OF CONTENTS

	PAGE
Declaration & copyright	i
Dedication	ii
Acknowledgements	iii
Table of Contents	iv
List of Tables	v
List of Abbreviations	xv
Abstract	xvi

CHAPTER ONE : INTRODUCTION

1.1 Background to the study	1
1.2 Statement of the problem	5
1.3 Objectives of the study	6
1.3.1 General objective	6
1.3.2 Specific objectives	6
1.4 Justification of the study	6
1.5 Scope of the study	7
1.6 Limitations of the study	8

CHAPTER TWO: THEORETICAL FRAMEWORK AND LITERATURE**REVIEW**

2.0 Introduction	9
2.1 Theoretical Frame work	9

2.1.1 Public Choice theory	9
2.2 Definition of Conceptual terms	13
2.2.1 Decentralization	13
2.2.1.1 Reasons for Decentralization	15
2.2.2 Local Government	16
2.2.3 Tax	17
2.2.4 Reasons Why People Pay Tax?	18
2.2.5 Graduated Personal Tax (GPT)	19
2.3 Revenue Adequacy	19
2.4 Tax Assessment	20
2.5 Characteristics of Local Finance	21
2.6 Tax Collection	22
2.7 Tax Compliance	22
2.8 Taxation and Service Delivery	23

CHAPTER THREE: METHODOLOGY

3.1 Introduction	26
3.2 Research Design	26
3.3 Area of study	26
3.4 The survey population	27
3.5 Sampling procedures	27
3.6 Data collection	28
3.6.1 Pre-testing Research instruments	28
3.6.2 Research Instruments	28
3.7 Research Procedure	29

3.7 Data Management and Analysis	29
--	----

CHAPTER FOUR: FINDINGS AND DISCUSSION

4.1 Introduction	30
4.2 Bio-data (Background of Respondents)	30
4.2.1 Age Distribution of Respondents	31
4.2.2 Distribution of Respondents by Sex	32
4.2.3 Distribution of Respondents by Positions Held	32
4.2.4 Educational Level of Respondents	33
4.2.5 Length of Service of Respondents	34
4.3 Definitional Issues	34
4.3.1 Respondents Understanding of the term tax	35
4.3.2 Respondents Understanding of Graduated Personal Tax	36
4.3.3 Respondents Views on Who should pay G.P.T ...	36
4.3.4 Respondents Views on Whether GPT should be paid	37
4.3.5 Reasons for why GPT should or should not be paid	38
4.3.6 Respondents views on why GPT was enacted	40
4.3.7 The Understanding of the term decentralization	40
4.3.8 The Understanding of local government	41
4.3.9 Respondents Understanding of Financial Decentralization	42
4.4 Revenue Adequacy	44
4.4.1 Sources of Local Government Revenue	44
4.4.2 Revenue Generated in the Sub-county	46
4.4.3 Revenue Generated in the Sub-county in form of G.P.T .	48

4.4.4 Revenue from local sources compared to central government and other sources	51
4.4.5 Reliability of G.P.T53	
4.4.5.1 Number of people Assessed compared to number of people paid	54
4.4.5.2 Graduated Personal Tax Return	55
4.4.6 A Case for the Abolition of GPT	57
4.5 Graduated Tax Assessment	61
4.5.1 Tax Assessment Processes	61
4.5.2 Tax Assessors Behaviour	67
4.5.3 Graduated Tax Exemption	71
4.5.3.1 Reasons for Tax Exemption	72
4.5.4 Complaint Mechanisms for Taxpayers	73
4.6 Graduated Personal Tax Collection	75
4.6.1 Methods of Tax Collection	75
4.6.2 Reasons for Poor GPT Collection	76
4.6.3 GPT Collection Personnel	79
4.6.4 Strategies to collect GPT	80
4.6.5 Costs of Graduated Personal Tax Collection	80
4.7 Characteristics of Local Finance	82
4.7.1 Centre- Local Relations	82
4.8 Disbursement of Graduated Personal Tax	86
4.8.1 Revenue Generated at the Sub-county compared to what is disbursed	87

4.8.2 Revenue Retained by the Sub-county compared to the moneys that are transferred to the district	88
4.8.3 Amount disbursed to the Village Councils by the sub-counties	90
4.8.4 Communication Channels	92
4.9 Utilization of Revenue Generated from GPT.....	95
4.9.1 Citizen Participation in Revenue Disbursement and Utilization	95
4.9.2 Revenue Utilized by Councilors and Technocrats	98
4.9.3 Amount of Revenue Spent in the Delivery of Services	100
4.9.4 Problems in Revenue Utilization	102
CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	
5.1 Introduction	104
5.2 Summary	104
5.3 Key Findings	105
5.3.1 Definitional Issues	105
5.3.2 Revenue Adequacy	105
5.3.3 Graduated Personal Tax Assessment	106
5.3.4 Graduated Personal Tax Collection	106
5.3.5 Characteristics of Local Finance	106
5.3.6 Distribution of GPT to Local Government Units	106
5.3.7 Revenue Utilization	107
5.4 Conclusions	107
5.5 Recommendations	108

5.6 Suggestions for Further Research 114

References115

CODESRIA - LIBRARY

List of Tables

Table 1: Age Distribution of Respondents	31
Table 2: Distribution of Respondents by Sex	32
Table 3: Distribution of Respondents by Positions Held	32
Table 4: Educational Levels of Respondents	33
Table 5: Length of Service of Respondents	34
Table 6; Respondents Understanding of the term tax.....	35
Table 7: Respondents Perception of GPT'	36
Table 8: Respondents views on who should pay GPT'	36
Table 9: Respondents views on whether GPT' should be paid	37
Table 10: Reasons for why GPT' should or should not be paid	38
Table 11: Respondents views on why GPT' was enacted	40
Table 12: Respondents Understanding of the term decentralization	40
Table 13: The Understanding of the term Local Government	41
Table 14: Respondents Understanding of Financial Decentralization	42
Table 15: Graduated Personal Tax compared to other locally generated revenues -----	
-----	44
Table 16: Revenue Adequacy in Kagango Sub-county	46
Table 17: Respondents views on whether revenue generated in the sub-county is adequate for service delivery	47
Table 18: Revenue Generated in the Sub-county in form of GPT	48
Table 19: Respondents vies on the Reviews Generated in the sub-county in form of GPT	49

Table 20: Revenue from local sources compared to central government and other sources	51
Table 21: Responses about the ratio of LGR to the central government revenue that is disbursed to the sub-county	52
Table 22: Reliability of GPT	53
Table 23: Graduated Personal Tax: Number of people assessed vs number of people Paid --- -----	54
Table 24: Graduated Personal Tax Percentage Return -----	55
Table 25: Respondents views on whether if GPT is abolished it can affect the performance of the sub-county	57
Table 26: Respondents views on whether GPT is an important source of income	58
Table 27: Respondents views on whether the method of classification of taxpayers is programmed or systematic	61
Table 28: Respondents on whether Tax Assessors in the sub-county are motivated to effectively carry out the work	62
Table 29: The Respondents views on whether the assessment of taxpayers in the sub-county is fair in comparison to those who are in different income brackets	63
Table 30: Respondents views on whether the assessment of rural taxpayers in the sub-county is based on what obtains in the market place	64
Table 31: Respondents views on whether the method used in the assessment of taxpayers in the sub-county is accurate/objective ...	65

Table 32: Respondents on whether taxpayers behave in an ethical manner	67
Table 33: Peoples Particiapation in the Classification of Taxpayers	71
Table 34: Graduated Tax Exemption	71
Table 35: Respondents views on the reasons for tax exemption	72
Table 36: Respondents vies on whether tax assessment problems are appropriately resolved	74
Table 37: Respondents on the appropriateness of the methods of tax collection	75
Table 38: Respondents views on whether the methods of tax collection were appropriately formulated by the taxpayers	76
Table 39: Respondents suggestions on the strategies for GPT Collection	80
Table 40: Costs of Tax Collection	81
Table 41: Respondents views on whether the local government effectively controls the administration of GPT	82
Table 42: Respondents on whether the proportion of the local tax revenue collected in the sub-county in form of GPT is adequate	84
Table 43: Respondents views on whether disbursement of GPT from the district is done according to the law	86
Table 44: Respondents views on whether GPT disbursement is done in a timely manner	87

Table 45: Revenue Generated at the Sub-county compared to what is disbursed ----- -----	87
Table 46: Revenue Retained by the Sub-county compared with the moneys that are transferred to the district -----	88
Table 47: Respondents on whether the amount disbursed to the sub-counties is adequate for service delivery	90
Table 48: Amount disbursed to the Village Councils by the Sub-counties-----	90
Table 49: Respondents on the adequacy of the revenue disbursed to the lower council 1	92
Table 50: Respondents view on whethre the local people are informed when funds are disbursed	93
Table 51: Respondents on local peoples participation in the way disbursed funds are utilized	95
Table 52: Peoples satisfaction in the way disbursed funds Are utilized	98
Table 53: Revenue Utilized by Councilors and Technocrats	98
Table 54: Revenue Spent in the Delivery of Services -----	100
Table 55: Respondents views on whether the local people want revenue generated from GPT be directed to specific projects	101
Table 56: Respondents Perception of the problems in Revenue utilization	102
Table 57: Respondents suggestions on how the problems of GPT revenue utilization can be solved	103

List of Abbreviations

ACAO – Assistant Chief Administrative Officer

LGA – Local Government Act

GPT – Graduated Personal Tax

CAO – Chief Administrative Officer

LC - Local Council

FY – Financial Year

MISR - Makerere Institute of Social Research

CODESRIA – Council for the Development of Social Science Research in Africa

%GE – Percentage

CODESRIA - LIBRARY

Abstract

This study is premised on the fact that controversy has been widespread in the country over the use of Graduated Personal Tax (GPT) as a means of financing decentralized local governments in Uganda. There are those who argue very strongly in favor of the abolition of GPT while others see it an indispensable means of financing local services. Those who argue for its abolition see it as a primitive tax, regressive in nature, offensive and sometimes dehumanizing to the population especially the poor. They further argue that the assessment of GPT and its exemption procedures are disputable and subjective and fraught with corruption.

The study set out to investigate the extent to which GPT can finance Local Governments in Uganda. The key focus of the study was on the following issues; revenue adequacy, the nature of local finance, the way the tax is assessed, the methods of tax collection, the way in which revenue is disbursed and finally how this revenue is utilized.

Methodologically, this study adopted a retrospective cross-sectional design by employing both qualitative and quantitative methods of data collection.. The study was carried out in Bushenyi District in Western Uganda. One sub-county was selected for the study that is Kagango sub-county. The district was selected mainly because of numerous press reports alleging the decline in revenue generation. The major source of information was documentary review on district and sub-county budgets. This was backed up by information from key informants like technocrats and politicians at the sub-county and district level and the local populace who pay taxes. Qualitative data was analyzed using thematic coding while quantitative data especially generated from sub-county and district budgets and from the questionnaires were analyzed descriptively using tables.

The major findings of the study revealed that Local Government revenues at the sub-county are inadequate though it was clear from the respondents and the budgets that GPT is the mainstay of local governments. One critical factor leading to this low revenue generation is the way in which local councilors interfere with the way these resources are raised and utilized. In terms of assessment, the majority of the respondents stated that GPT does not reflect the ability to pay. More specifically, they said it is not proportional because the rich are taxed lowly while the poor are taxed highly and harshly. It was also noted that those who assess the taxes are ill trained and poorly motivated. For instance, tax assessors use the desk assessment system that does not accurately indicate the reality of how much one should be taxed; and non declaration of assets and underassessment of the taxpayers were vividly mentioned. The study also revealed that some methods of tax collection are quite unpopular and that contrary to what was expected, the study revealed that that the costs of tax collection were low.

In addition, whereas financial decentralization was meant to define GPT as a form of tax that is supposed to be generated by the locality and, indeed, owned by it, the central government still interferes in its administration thus affecting the way it is raised and utilized. Coupled with this interference is the fact that the district takes a large share of the revenues disbursed to the sub-counties adversely affecting service delivery at lower levels.

Interestingly enough the local people do not participate in the way the disbursed revenues are disbursed and utilized. In fact the councilors and the technocrats tend to earmark much of the revenue generated to themselves in form of overhead administrative costs rather than direct service delivery.

In conclusion, much of the difficulties of administering and managing GPT in a predominantly peasant economy like Uganda should be appreciated. It has to be realized that GPT is the major contributor of revenue to Local Governments. Hence, the abolition of GPT in the absence of other forms of taxes that have been empirically studied is bound to create more problems.

The study makes the following recommendations:

On revenue adequacy, taxpayer education programs are essential to ensure the rationale and the procedures for the collection of GPT are clearly understood. It is also essential that customer service, in form of more efficient and equitable tax administration and more effective and accountable delivery of local public services, be provided. The people should be encouraged to view their relationship with the governments not in terms of what they receive but in terms of what they do.

On tax assessment, Local Governments should increase sensitization and promote transparency by publishing tax registers and projects undertaken using GPT contributions. Management and operational staff must be motivated to assist in revenue mobilization effort. The study recommends that the assessment and collection of GPT be privatized to release the sub-county staff for more developmental oriented activities.

With regard to tax collection, training of councilors should be initiated to give guidance on their roles on tax collection by mobilizing their constituents and by making them take the lead in paying GPT. Also Local Governments should explore tax collection methods such as payment by installments throughout the year.

On characteristics of Local Finance, the central government should desist from interfering in the administration of GPT at the local levels. Otherwise their interference will compromise the very essence of financial decentralization in which the local areas have been empowered to manage their own financial resources but within prescribed Financial Regulations.

On tax revenue disbursement, more funds should be retained at the sub-counties instead of the 35% that is normally remitted to the districts from the sub-counties. More funds are needed at the sub-counties to provide services than at the district levels.

On revenue utilization, the study recommends that priority must be to improve service delivery since people are always more willing to pay taxes when they receive tangible benefits or services.

CHAPTER ONE

INTRODUCTION

1.1 Background to the study

Decentralization of government and of government financing is an important objective in many developing countries. In fact decentralization has become a fashion of our time as it is being considered or attempted in an astonishing diversity of developing and transitional countries, by solvent and insolvent regimes, by democracies and autocracies, by regimes making the transition to democracy and by others seeking to avoid that transition, by regimes with various colonial inheritances and by those with none. Decentralization is also being attempted where civil society is strong, and where it is weak. Decentralization appeals to the people of the left, the center and the right, and to groups, which disagree with each other on a number of other issues (Manor 1999: 1).

The background to Uganda's decentralization can be traced to the Resistance Councils Statutes and Committees Statute 1987 that was drafted on the recommendations of the Commission that was set up to inquire into the Local Government system (Nsubuga 1999). Following the adoption by Government in 1992 of devolution as the main plank of Uganda's decentralization policy a new law – the Local Governments Statute 1993 was enacted to extend greater powers to local Governments. Its provisions were entrenched and expanded further in the 1995 Constitution of the Republic of Uganda¹ and in the Local

¹ Chapter Eleven of the Constitution of the Republic of Uganda (1995) provides for the principles and structures of local government

Governments Act (LGA), 1997². These are the two most authoritative documents on Uganda's decentralization policy.

One of the distinguishing features of Uganda's decentralization is financial decentralization. The argument for decentralization among other things is revenue mobilization. Well-functioning sub-national/local governments are able to access some tax bases more readily than a central government can (Ebel & Vaillancourt, 1993). The argument is that local or district government authorities have an advantage in being able to more closely identify people's needs and thus to supply the appropriate form and level of services and can be more closely held responsible by local communities for the provision of such services. In turn communities are more likely to be willing to pay taxes locally where the amounts they contribute can be related more directly in their eyes to services received. As a result the level of tax revenue raised without excessive public dissatisfaction may be increased (Livingstone, Charlton 1998).

According to the Fifth Schedule of the Local Governments Act 1997 every district or urban council shall levy an annual tax to be known as graduated tax" (LGA 1997 pg. 145). The origins of GPT go back to Hut tax, introduced by the colonial government in the Hut tax regulations of 1900, and the poll tax ordinance in 1905. Later, in 1938, a flat rate African administration tax was introduced. Because a poll tax was the most regressive of taxes, the Wallis Report of 1953 recommended the introduction of graduation, both as a means of

² Now called the Local Governments Act No.1 of 1997 (With Amendment Act 2001)

increasing yield and to take account of obviously significant stratification of rural incomes (Livingstone and Charlton 1998). Consequently the graduated form of tax was first introduced in Buganda in 1954 replacing the African Authority poll tax which dated back to 1939 (Due 1963). Accordingly the first statutory instrument in 1968-the Local Administrations Graduated tax, (Declaration of Rates, 1972) led to the local administrations to fix graduated tax rates basing on annual cash income (Wazarwahi, 1996: 43).

It should be noted that in the olden days in the feudal states especially Buganda “taxation” was traditional in the sense that tribute had always been paid to superiors. After the signing of the 1900 Buganda Agreement, the British introduced “Hut Tax Regulations of 1900”. These regulations imposed a tax of three Rupees upon “every owner or occupier of a dwelling house or a hut building of any sort used as a human habitation. Then the British colonial agents hastened to make similar agreements with other states, i.e Ankole, Toro and Bunyoro so as to put these states on the same footing with the state of Buganda. When the Ankole Agreement was made in 1901, it provided for the imposition of hut tax whilst preventing the levying of any exactions by chiefs, 10% of these taxes being payable to the chief, who collected them (Wazarwahi 1996).

It is also important to note that Hut and Poll taxes were introduced by the colonial authorities to exact contribution to the expenses of government by ordinary Africans, to encourage them to enter the cash economy by wage labour or cultivating marketable surplus and to make the protectorate self-supporting. Essentially, however, this form of taxation was, to many anti-colonialist Uganda’s, a capitalistic machination and a bourgeoisie

maneuver to exploit the native working class. The system forced the peasant workers to produce plenty of cotton, coffee, flax and other cash crops lest serious sanctions were imposed upon them, (Wazarwahi 1996).

With decentralization as a central part of Uganda's national development policy, the current government has been interested in all potential sources of government revenue, including GPT, which can be tapped at the district and municipal levels in order to provide the financial basis for decentralized and democratized decision making and also to reduce dependence on central government funds which are in short supply.

However, of late GPT has become controversial as a source of financing districts and Local Governments; some people question its effectiveness and efficiency as far as financing local governments is concerned. According to the New Vision of Monday, April 23, 2001, the Chief Administrative Officer (CAO) Bushenyi district reported that 70% of local council leaders have defaulted on graduated tax in the financial year 2000-2001. " L.C.'s in addition to harboring tax defaulters claiming they don't want to spoil their future votes, don't pay."

Though the lower Local Councils in Uganda receive the 25% of the amount retained at Sub-county level, it is too little to cater for the needs of the peasants as some of it tends to be embezzled by the Local Council officials or it is not used for development purposes. According to The New Vision of Thursday, April 19, 2000 it was reported that several village councils in Kasese district used their part of the 25% revenue from the sub counties to celebrate the end of the ADF rebellion.

According to press reports for over the last three years, Bushenyi district is one of the districts in Uganda that has experienced resistance from the taxpayers on the collection of graduated tax. It is against this background that the study sought to examine the role of GPT in financing decentralized local governments in Uganda.

1.2 Statement of the problem

Taxes are of major importance in the implementation of government policies. They mainly provide the funds to finance expenditure. One of the major taxes that Local Governments rely on to finance their operations in Uganda is GPT. However, of late, GPT has become questioned as means of financing decentralized local services. The debate about graduated tax in Uganda has drawn attention in Parliament more than once and lately the issue became contentious in the recently concluded 2001 presidential elections. There were three conflicting views; one for abolition of GPT, another view was for cutting GPT to only 3000 Uganda shillings and lastly the other view for reviewing the whole system of taxation in Uganda. According to the New Vision of Thursday, April 12, 2001 a motion was tabled in parliament for the abolition of graduated tax. Some Members of Parliament (MPs) argued that graduated tax is regressive and levied without national economic objectives. The allegation is that graduated tax is a primitive tax, regressive, offensive and sometimes dehumanizing. It is further argued that while the cost of administering the tax continually increases it's contribution to the overall Recurrent and Development Budgets of local authorities it is not more than 10%. The other argument is that the assessment and exemption procedures are disputable and subjective and fraught with corruption thus leading to the taxpayers to get a raw deal. With these diverse perceptions and interpretations in the value of GPT, there is bound to be a serious negative effect on the performance of

decentralized local governments. It is against this background that the study sought to establish the effect of GPT on the financing of decentralized Local Governments services in Uganda.

1.3 Objectives of the study

1.3.1 General Objective of the study

The main objective of the study was to investigate the extent to which GPT can finance local governments in Uganda.

1.3.2 Specific objectives

1. To assess the proportion of the GPT that goes to Local Government.
2. To find out how significant GPT is as a form of tax in terms of total Local Government revenue and in relation to personal incomes.
3. To find out how the assessment and collection of GPT affects the performance of Local Governments.
4. To examine how the GPT is distributed to finance Local Government services.
5. To assess how the GPT raised in the Local Government is used.

1.4 Justification of the study

In terms of policy in put, this study, being an empirical one, is invaluable for a systematic, concrete and effective policy formulation regarding the establishment of a more just system

of local taxation in the country, which is certainly a pre-requisite to democracy, good governance and poverty eradication.

This study sought to make a valuable contribution in a field where very little work has been done but where the ordinary person must feel the effect of government policies and actions.

1.5 Scope of the study

The study covered Bushenyi district, which was purposively sampled. The choice of Bushenyi district was based on the fact that press reports indicated that it recorded lower numbers of people who paid GPT. Besides that in the recent past Bushenyi district was regarded as the model 'district' as far as social service delivery is concerned. Bushenyi district has got 5 counties namely Sheema, Igaara, Buhweju, Ruhinda and Bunyaruguru. Only one Sub County (Kagango sub-county) from Sheema County was selected for the study. The study was limited to finding out; what proportion of the graduated tax goes to local government; the significance of graduated tax in terms of total local government revenue and in relation to personal incomes for the financial years of 1998/99-2000 /2001; problems faced in the system of assessing GPT and lastly the study examined how GPT tax is distributed to local government units and how the GPT raised in the local government is used.

1.6 Limitations of the study

Many problems were encountered in conducting this research. Some of these are typical of social science research in Africa: officials who hide behind the smoke screen of 'confidentiality' to withhold information; however this was overcome by the insistence that the purpose of the study was only for academic purpose. The frequent postponement of interview appointments; poor-record keeping; suspicion of the purposes or objectives of the research; desire to say the 'right things' to the interviewer were the other obstacles that were met by the researcher. Local politicians and officials were difficult to track down and when they were found, they were often uninterested.

The other problem was in relationship to the local council leadership. The research was conducted barely 4 months after the new leadership had just taken over power following the local council elections in March and April 2002. This caused inadequate information especially for the period 1998 – 2001 when they were not active in local council administration. To overcome this problem the researcher concentrated on the administrators that is civil servants and those politicians who had been re-elected. The researcher also concentrated more on what the past leadership had done.

CHAPTER TWO

THEORETICAL FRAMEWORK AND REVIEW OF LITERATURE

2.0 Introduction

In this chapter, the researcher reviews related literature on local government, decentralization, taxation and service delivery. The literature reviewed in this section is on the theoretical framework, definitions of conceptual terms, revenue adequacy, characteristics of local finance, tax collection, tax assessment, tax compliance and taxation and service delivery.

2.1 Theoretical Frame work

2.1.1 Public-Choice Theory (PCT)

Public choice theory is a branch of economics that developed from the study of taxation and public spending (Cullies & Jones, 1998). It emerged in the fifties and received widespread public attention in 1986, when James Buchanan, one of its two leading architects (the other was his colleague Gordon Tullock), was awarded the Nobel Prize in economics.

Public choice takes the same principles that economists use to analyze people's actions in the marketplace and applies them to people's actions in collective decision making. Economists who study behavior in the private market place assume that people are motivated mainly by self interest. Although most people base some of their actions on their concern for others, the dominant motive in people's actions in the market place – whether they are employers, employees, or consumers – is a concern for themselves. Public choice economists make the same assumption – that although people acting in the political market place have some

concern for others, their main motive, whether they are voters, politicians, lobbyists, or bureaucrats, is self interest.

One of the chief underpinnings of public choice theory is the lack of incentives for voters to monitor government effectively. Anthony Downs, in one of the earliest public choice books, *An Economic Theory of Democracy*, pointed out that the voter is largely ignorant of political issues and that this ignorance is rational. Even though the result of an election may be very important, an individual's vote rarely decides an election. Thus, the direct impact of casting a well-informed vote is almost nil; the voter has virtually no chance to determine the outcome of the election. So spending time following the issues is not personally worthwhile for the voter.

Public choice economists point out that this incentive to be ignorant is rare in the private sector. Voters are largely ignorant about the positions of the people for whom they vote. Except for a few highly publicized issues, they do not pay a lot of attention to what legislative bodies do, and even when they do pay attention, they have little incentive to gain the background knowledge and analytic skill needed to understand the issues.

Public choice economists also examine the actions of politicians. Downs (1957) assumed that politicians as well as voters act in their own self interest. It is assumed that the objective of a politician is to maximize political power. However, in order to secure political power, the politician must maximize votes. This means that politicians will not always choose policies that accord to the "public interest". Their first consideration may, instead be on how any policy will affect their political popularity.

Those projects that have a visible pay off prior to and close to the election date are more likely to be acceptable. Long-term projects may be rejected, even if they yield higher social returns, if voters are unaware of the long-term project or if they are myopic. It will be important to the politician that the public investment wins him votes (Cullies & Jones, 1998).

Although politicians are expected to pursue the “public interest,” they make decisions on how to use other people’s resources, not their own. Furthermore, these resources must be provided by taxpayers and by those hurt by regulations whether they want to provide them or not. Politicians may intend to spend taxpayer money wisely. Efficient decisions, however, will neither save their own money nor give them any proportion of the wealth they save for citizens. There is no direct reward for fighting powerful interest group in order to confer benefits on a public that is not even aware of the benefits or of who conferred them. Thus, the incentives for good management in the public interest are weak. In contrast, interest groups are organized by people with very strong gains to be made from governmental action. They provide politicians with campaign funds and campaign workers. In return they receive the “ear” of the politician and often gain support for their goals.

In other words, because politicians have the power to tax and to extract resources in other coercive ways, and because voters monitor their behaviour poorly, legislators behave in ways that are costly to citizens. One technique analyzed by public choice is log rolling, or vote trading. Politicians offer voters the opportunity to support issues on which they feel strongly in return for issues about which they may be indifferent.

In addition to voters and politicians, public choice analyzes the role of bureaucrats in government. Their incentives explain why many regulatory agencies appear to be “captured” by special interests.

Although public choice economists have focused mostly on analyzing government failure, they have suggested ways to correct problems. For example, they argue that if government action is required, it should take place at the local level whenever possible. Because there are many local governments, and because people “vote with their feet,” there is competition among local governments, as well as some experimentation.

Public choice also contend that the fact that not all government revenue is a result of taxation is thought to lead voters to underestimate the costs of programs. Tax awareness is also said to be reduced to the extent that there are forces in the economy that automatically boost government revenue, without the formal need to introduce a new tax or change the tax rate. Downs (1960) argues that the programs of government are often associated with benefits of an intangible nature or with benefits to be reaped along time in the future.

Therefore from a ‘public-choice’ angle, decentralization is a situation in which public goods and services are provided primarily through the revealed preferences of individuals by market mechanisms. ‘Public-choice’ theorists contend that under conditions of reasonably free choice, the provision of some public goods is more economically efficient when a large number of local institutions are involved than when the central government is the provider. The argument here is that a larger number of providers of goods and services offer citizens more options and choices that they need.

However, the main limitations of 'public-choice' theories are their rationalistic assumptions and narrow prescriptions. Their assumptions seem to apply to developed countries where goods and services are more readily available in different localities due to mass production that users can choose from and where the people generally have the means to afford them. In a developing country context like Uganda, there is widespread scarcity across geographical spaces and massive poverty that very few can afford these services (Olum, 2000). He adds that, in Uganda, the majority of the people act very irrationally and always resort to using public resources to pursue their own personal and group interests.

The argument that decentralized authorities overseeing various local jurisdictions will compete by offering different standards of services and by imposing different tax burdens and that taxpayers will vote with their feet in favour of more attractive authorities, others have observed that this has little relevance in developing countries especially in rural areas. People there are often less mobile, and when they do move in numbers, it tends strongly to be for extreme reasons such as environmental devastation or the outbreak of epidemics.

Despite the weaknesses, this study heavily relies on the Public Choice Theory.

2.2 Definition of Conceptual terms

2.2.1 Decentralization

Decentralization is a term that means different things to different people depending on their interests and area of focus. It is a word that therefore carries several faces.

Conceptually, decentralization is a term that pre-supposes centralized and unitary states and describes a process by which powers (political decision-making and financial and managerial powers) are transferred from the center to local governments (corporate bodies) giving them more autonomy and liberty to manage their local affairs within the frame work of their unitary state (Nsibambi, 1998: 6).

This study is concerned mainly with financial/fiscal decentralization. According to (Ebel and Vaillancourt, 2001), there are 3 models of fiscal decentralization. These include; Devolution, which is the most complete form. Independently established sub-national and local governments are given the responsibility for delivery of a set of public services, along with the authority to impose fees and taxes to finance them. Devolved governments have considerable flexibility to select the mix and level of services, and may receive some financial support in the form of transfers from the center. The essence of decentralization is that these governments must be accountable to their citizens, and must be in a legal and financially viable position to make spending decisions.

The second form of decentralization is De-concentration. De-concentration refers to the decentralization of central government ministries. De-concentration with authority means that regional branches of central offices are created with some ability to make independent decisions. De-concentration without authority occurs when regional offices are created with no independent capacity from the center. De-concentration remains accountable to central authority.

The third form of decentralization is Delegation. This is an intermediate between devolution and de-concentration. Sub-national or local governments (not branches of local government) are given responsibility for delivering certain services, but are subject to some supervision by the Central government (which may provide some form of finance for the service).

In practice, the Uganda governmental system has some elements of all the three variants though the Ugandan 1995 Constitution recognizes only devolution³.

2.2.1.1 Reasons for Decentralization

According to (Ebel and Vaillancourt, 2001) decentralization enhances a nation's economic efficiency. An efficient solution is one that maximizes social welfare, subject to a given flow of land, labor and capital resources. That set of governments closest to the citizens can adjust budgets (costs) to local preferences in a manner that best leads to the delivery of bundle of public services that is responsive to community preferences. Accordingly sub-national local governments become agencies that provide services to identifiable recipients up to the point where the value placed on the last (marginal) amount of services that recipients are willing to pay for is just equal to the benefit they receive. Secondly, another factor is revenue mobilization.

³ According to the National Objectives and Directive Principles of State Policy, the state shall be guided by the principle of decentralization and devolution of governmental functions and powers to the people at appropriate levels where they can best manage and direct their own affairs.

Well-functioning sub-national/local governments are able to access some tax bases more readily than a central government can.

In Uganda more specifically, decentralization was introduced to promote popular participation, empower local people to make own decisions, and enhance accountability and responsibility. It also aims at introducing efficiency and effectiveness in the generation and management of resources and in the delivery of services. In the end the local population would be able to get 'value for money' out of their taxes and through their elected representatives, make the development process responsive to the needs of the local people (Ministry of Local Government, 1994, "Decentralization in Uganda: The Policy and Its Implications).

2.2.2 Local Government

Stones, (1964), defines local government as that part of the government of a country which deals with those matters which concern the people living in a particular locality. Stones adds that local government includes those things which Parliament considers to be of national importance but which, it has been decided, should be administered by local bodies under the control of the Central Government. The Ugandan local government is based on this assumption.

Therefore local government briefly means the administration of the affairs of a locality, or a specific area, within a country. Local government is always interchangeably used with local authority. A local authority is a body corporate with a legal personality and an identity for an area. It can sue and be sued. It is empowered to employ its own staff. It has its own district

funds. The local authority's revenue is derived partly from its own exploitation of delegated sources and partly from governmental grants or arrangements. The Ugandan 1995 Constitution and the 1997 Local Governments Act spells out these facts clearly. Leach, Stewart & Walsh, (1994), adds that local authorities are agencies for the delivery of services, prescribed by national legislation, but they are also political institutions constituted for local choice of both the service provided and the development of local communities and for the expression of local voice on the needs and concerns of those communities.

Greenwood and Stewart (1986) identify five key institutional features of local government, which continue to distinguish local authorities from other public, private and voluntary sector organizations. First, each authority operates with a focus on specific local geographical areas. Second, they have discretion in the scope of their service provision within a statutory framework of national legislation. Third, local authorities have the right to raise taxes locally. Forth, and a most critical characteristic, they have an electoral base, legitimating decision making and ensuring accountability to the local community. Fifth, they are not all-purpose public authorities – they are responsible only for certain functions, and therefore have to collaborate and co-operate extensively with other agencies.

2.2.3 Tax

A tax may be defined as a transfer of financial resources from an individual person with or without any immediate flow of goods and / or services. According to Stiglitz (1993) a 'good tax system' is fair, flexible, transparent, productive and convenient.. By fairness of a good tax system, means that people who are better off should pay more taxes than poorer people (this is vertical fairness) and people with similar economic status should pay similar taxes (this is

horizontal fairness). A good tax system should also be flexible. This implies that tax rates should be free to change if / when economic conditions change. A good tax system should also be transparent that is the rules determining how much someone must pay in taxes should be public and clear. The good tax system should also be productive. In other words, the cost of collecting taxes should be a small fraction of total revenues. And lastly a good tax system should be convenient that is taxes should be collected at a time when people have money and are not facing more cyclical expenditures.

2.2.4 Reasons why people pay tax

According to Wazarwahi (1996), the general concept is that taxes are the prices that the citizens must pay for social services given to them and for development. To Lee (1965) taxes are the price we pay for civilization. Taxes are the most efficient way of securing the transfer of command over resources to the government. Taxes also help to control inflation and by so doing back up private savings for public development. Further more taxes assist in narrowing the gap between the available incomes of the rich and the very poor. Taxes should have the distributive effect of making the relatively rich people sponsor the relatively poorer members of the society in economic and social welfare in conformity with the doctrines of social justice.

Local authorities in particular need revenues raised from taxes, in addition to other sources, to be able to develop their areas and offer both social and utility services to their citizens.

2.2.5 Graduated Personal Tax (GPT)

GPT can be defined as a crude form of income tax levied in Uganda upon the entire population of able-bodied adult males and some women by the District Administration and Urban Authorities where they reside. Essentially graduated tax is one of the forms of direct personal tax. It is levied on income, actual or presumed, from all sources, including land and other assets used for subsistence (Wazarwahi, 1996).

According to Reinikka and Collies (2001), the legal base of the GPT is income, but in practice it is an income tax, a wealth tax, or a poll tax, depending on the district and subject of taxation. They add that because the threshold is about half the lower threshold of the central government income tax on individuals, the tax is regressive over much of the income scale. The GPT is assessed and collected as a presumptive tax on almost all tax subjects in rural areas and the self employed in urban areas.

2.3 Revenue Adequacy

Wraith (1964); Hepworth (1970); Penner (1970); Stewart and Stoker (1990); Nsibambi (1998); Ikhide (1999); contend that internally generated revenue remains a small percentage of total Local Government revenue, ranging from 4 and 21% in the Local Governments. The amount of total local government expenditures covered by internally generated revenue remains abysmally low in most cases less than 3%. They add that one worrisome aspect of revenue sources is the low level of internal revenue generation. Most local governments depend on the central government to enable them to function. The main reason why generally people were reluctant to pay taxes is because it was difficult to point to projects successfully executed through revenues generated from previous year's taxes. Councilors also

risk unpopularity by enforcing tax payment. They suggest that local taxpayers are much more likely to put up with a deficient system if they are given opportunity to see a direct relationship between their tax payment and a local project such as the school or the dispensary. Given this situation it is difficult to compel people to pay taxes.

Penner (1970); Stewart and Stoker (1990); Nsibambi (1998); Ikhide (1999) add that if local authorities are to exercise discretion over the way they carry out the functions, and to determine the level and pattern of expenditure on them, they should be responsible for finding the money through local taxes for which they are accountable. Otherwise why the bother argument that is if local governments raises very little of its income from local taxation, so why not simply transfer the remaining proportion to VAT or some other national tax? These authors however are concerned about local finances in general. Graduated personal tax is not taken into consideration and where it is considered it is not discussed in detail as one of the sources of local finance.

2.4 Tax assessment

Bahr and Linn (1992); Wazarwahi (1996); Livingstone and Charlton (1998); Keene and Scase (1998); Reinikka & Collies (2001) argue that central to the evaluation of any assessment practice is the potential to keep pace with property values and thereby give some buoyancy to the revenue yield. This in turn means that there must be a system for accurately and regularly determining changes in the market value. Livingstone and Charlton (1998) argue that the assessment procedure should be objective, which means that a manual describing the assessment method should exist, and the procedure be in some sense horizontally and vertically equitable.

2.5 Characteristics of local finance

According to Due (1963); Alderfer (1964); Stren (2001) the main characteristics of local finance in developing countries are (1) the extremely small proportion of the total public income that finds its way into local treasuries to be used for local public purposes; (2) the substantial share of local public revenue that comes from national grants– in–aid, national subsidies, and national loans; (3) the lack of a strong local tax and revenue – collecting system (many local taxes are actually collected by national agencies); and (4) the broad scope of national controls over each phase of local finance including budgeting, auditing, spending, allocation of grants, purchasing, tax levying and tax collecting. They argue that in that case the fiscal gap (i.e., the new powers and inadequate revenue sources) can become a fiscal trap i.e. when local governments must rely on other levels of government to provide them with the resources they need, thus losing their autonomy.

According to the LGFC Recommendation Paper N0. 4, the characteristics of a strong local tax are: The tax should deliver a high yield to the local governments, The tax should provide a predictable amount of revenue to finance the supply of goods and services, the tax administration should be related to low administrative costs and compliance costs, the tax should ensure a close relationship between the costs of the service provision and the finance thereof and promote efficient and sufficient spending levels, the tax should have a low mobility across areas and the tax should be visible to the citizens. However much of this literature is based on other developing countries and not Uganda.

2.6 Tax collection

According to Due (1963); Alderfer (1964); Wazarwahi (1996); Livingstone and Charlton (1998); Reinikka and Collies (2001) varying methods are used to force payment like house to house checks and a common method, mainly to catch migrant workers and others with no established home that is to stage road blocks and check all persons passing. They argue that these procedures and practices in collection of taxes appear far from being satisfactory, as there are no inadequate set of penalties necessary to enforce the tax and no inducements necessary to stimulate collection. According to them, in its present form GPT represents an expensive form of tax administration and particularly in tax collection because there is a lot of resistance to paying it as tax payers think it is unfair due to horizontal inequity. They also note the lack of well-trained personnel to handle tax collection. Sometimes either overwhelmed by the over zealousness or geared by the competitive spirit to finish collection of the tax much earlier than the legally set date, the chiefs have in the past unnecessarily harassed many innocent and law abiding citizens. At times they have assaulted individuals, wrongly arrested and falsely imprisoned them. They advocate for localizing tax collection such that local personnel can do the job for a greater chance of developing a stable and ever increasing volume of local revenue. However their work is not empirical. Most of them relied heavily on newspaper articles. Their other weakness is that recommendations are not suggested which this study identifies.

2.7 Tax Compliance

Enumuo (2000) argues that the post-colonial state like its progenitor has remained a state for domination and accumulation. He further argues that whereas to the power elite it is a vehicle for private accumulation and class consolidation, the mass of Africans have

continued to experience the African state as a coercive, alien force to be avoided and cheated whenever possible. While nearly everyone can be most vociferous in making claims upon the state, exceedingly few citizens feel any duty to discharge civic obligations to the state. It is further argued that the emphasis on citizen rights and neglect of civic duties by Africans derives from the colonial ideologies of legitimation which, in trying to justify colonial rules, encouraged the African to view his relationship with the government 'not in terms of what he does for the government but in terms of what he receives from the government. Both Enumuo (2000) and Levi (1988) argue that the strength of a state is measured by its capacity and capability to penetrate its society, regulate its social relationships, and extract required resources from it.

Enforcement becomes an issue once the rulers have identified the non-compliant. To punish free riding, shirking, and venality by both agents and constituents, rulers must rely on a respective apparatus composed of police, jailers, and other hirelings paid to uphold the laws (Levi 1988). However, she argues that coercion is expensive, and its use often precipitates resentments that can fuel the flames of opposition. Thus, according to her, rulers will seek to create compliance that is quasi-voluntary. It is voluntary in that constituents pay because they choose to. It is quasi-voluntary because they will be punished if they do not and are caught.

2.8 Taxation and Service Delivery

According to Levi (1988), one major limitation to rule is revenue, the income of the government. The greater the revenue of the state, the more possible it is to extend rule. He adds that revenue enhances the ability of rulers to elaborate the institutions of the state, to

bring more people within the domain of those institutions, and to increase the number and variety of the collective goods provided through the state.

Elected members of decentralized bodies tend to strongly emphasize small-scale building projects – roads, school buildings, bridges and the like (Manor,). They are condemned for this and are accused of preferring such works because they lend themselves to kickbacks from contractors. However, many of them derive special satisfaction from creating something tangible, to which they can point as evidence of their creativity – not only to voters, but to the friends and family as well. Many of them prefer to commit the resources to relatively simple, straight forward projects rather than to more complex innovations in service delivery. They also tend to have rather limited administrative resources, which can manage these simpler matters, but which may not be equal to more complex undertaking.

According to Crook and Manor (1994), their preferences for small-scale infrastructure projects tends to be shared by most of their constituents. They add that however, beneficial large scale development programs may have been, rural dwellers tend to have a rather different conception of what constitutes “rural development”. They are enthusiastic about efforts to look after the little things that have been ignored for a very long time.

The people who get elected to decentralized authorities especially at or near the local level – tend to be pre-occupied with relatively short time spans. This happens because they are not schooled in devising initiatives that extend over longer periods, and partly because they often feel driven to show concrete results to voters in time for an early election. This can cause

policymakers up in a system frustration since it sets up a dissonance between the views and programs of people at different levels.

In sum, this study focuses on all these themes, namely: Revenue adequacy, Tax assessment, Characteristics of local finance, Tax Collection, Tax Compliance, Disbursement of Revenue and Revenue Utilization, because of their centrality to the contribution of GPT to the financing of local governments.

CODESRIA - LIBRARY

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This section outlines the plan of action for answering the research questions/objectives underlying this study. It lays down information on the design of the study, the geographical area of study, the study population, and the sampling techniques of selecting respondents. The methods of data collection, processing and analysis are also described.

3.2 Research design

This study used a retrospective cross-sectional design. This approach was chosen because the study involved a cross-section of respondents who deal with matters related to graduated tax in Bushenyi local government. The study was both quantitative and qualitative. The study used the qualitative method of data gathering in a bid to get more detailed information about graduated tax from the respondents. Quantitative data was generated from the figures such as budgets to support the qualitative data information. The quantitative aspect was also meant to capture statistical data on tax distribution and utilization in a decentralized Local Government system.

3.3 Area of study

This study was carried out in Bushenyi district in Western Uganda. The choice of Bushenyi district was based on the fact that press reports⁴ indicated that it had recorded the lowest number of people who had paid graduated tax in the financial year (2000-2001) than the previous years. According to Bushenyi Three year District Development Plan (1998 – 2001),

⁴ See the New Vision of Thursday, April 19, 2000 and the New Vision of Monday, April 23, 2001.

the district has a population of 739,800 people. The total number of taxpayers in Bushenyi District have ranged in between 100,940 in 1998/99 F/Y to 102,064 in 2001/2002 Financial Year. Bushenyi district has got a total of 5 counties and 2 Town Councils. These include; Sheema, Igaara, Buhweju, Bunyaruguru and Ruhinda and Bushenyi-Ishaka Town Council and Kabwohe-itendero Town Council. For the purposes of this study, only one Sub-county in Sheema County that is Kagango Sub-county was selected for the study. Kagango sub-county number of taxpayers have ranged in between 4494 tax payers in the F/Y 1998/99 to 4543 taxpayers in the F/Y 2001/2002.

3.4 The survey population

The targeted population included: local people who pay graduated tax, L.C Officials from L.C 1 to LCV, civil servants both at the sub-county and district level, elected councilors, opinion leaders and business people. The reason was that almost all groups of categories mentioned are affected by graduated tax differently and therefore have different views. Ministry of Local Government Officials were also interviewed together with some Members of Parliament on the Local Governments Committee.

3.5 Sampling procedures

Purposive sampling was employed to people who have had the experience of working with local governments (politicians and civil servants). The process of sampling in this case involved identification of the informants, and arranging times for meeting them.

Simple random sampling was employed for other respondents especially local people who pay graduated personal tax. With the help of the Local Council 1 Officials, respondents were

identified and explained the aim of the study. Those who responded positively were interviewed.

3.6 Data collection

3.6.1 Pre-testing instruments

A pilot study was carried out in Kampala district order to ascertain the validity and reliability of the research instruments.

3.6.2 Research Instruments

(I) Interviews: In-depth form of interviewing was employed for key informants who were purposely sampled with the help of an interview guide. This was in a bid to get more detailed information. In total 15 key informants were interviewed.

(ii) Focus group discussions: Four focus group discussions were arranged of nine people each in 4 parishes of Kagango Sub-county with the help of the Chairmen LC 1. This was in a bid to get the experience of local taxpayers that pay graduated tax. The use of the focus group was also advantageous because it enabled the researcher get the real truth from the respondents as opposed to individual interview which, is susceptible to lies.

(iii) Semi-structured questionnaires: These were administered to councilors and civil servants at both the sub-county and district level. Out of 55 questionnaires that were distributed, 46 were returned indicating the response rate of 84%.

(iv) Documentary Review: The major source of information was documentary review on sub-county and district budgets. The researcher reviewed secondary data from district and sub-county headquarters. This is because they are the focal points of decentralization as they are responsible for collecting the graduated tax. Common documents like memoranda,

progress reports, agendas, minutes of meetings, statistical yearbooks, district and sub-county development reports among others were reviewed.

Other sources of secondary data were libraries in Kampala like Makerere University main Library, Makerere Institute of Social Research (MISR), World Bank Library, Local Government Ministry Library and Decentralization Secretariat. The researcher identified and interpreted information contained in the documents; and ascertained aspects related to graduated tax and the main ideas.

3.7 Research Procedure

A letter of introduction from the Department of Political Science and Public Administration Makerere University was presented to the Chief Administrative Officer (CAO) Bushenyi district for permission to do research. His authorization eased access to the required participation to be covered by the study. During data collection, the respondents were assured that the study was purely for academic purposes and the respondent's responses were to be kept strictly confidential and anonymous. The data collected was then taken for cleaning and analysis.

3.8 Data Management and Analysis

All the qualitative data collected from key informants was edited on a continuous basis to ensure completeness. Data collected with the use of interview schedules was put into meaningful and exhaustive categories. Content analysis based on the themes was the main method of analyzing qualitative data. On the other hand, Quantitative data was analyzed descriptively to support the qualitative data analysis.

CHAPTER FOUR

FINDINGS AND INTERPRETATIONS

4.1 Introduction

This chapter presents the findings and discussion of the role of GPT in financing decentralized local governments in Uganda. A Case of Bushenyi District This study set out to; assess the proportion of the GPT that goes to local government, find out how significant graduated tax is as a form of tax in terms of total local governments revenue and in relation to personal incomes, examine how graduated tax is distributed to finance local government services and assess how the graduated tax raised in the local government is used.

The chapter considers the socio-demographic characteristics of respondents as a basis for understanding the sample under study. The findings are then presented according to themes of the study as earlier mentioned in the literature review. These are Definitional Issues, Revenue Adequacy, Tax Assessment, Tax Collection, Characteristics of Local Finance, Tax Revenue disbursement and Revenue Utilization.

4.2 Bio-data (Background of Respondents)

The information was obtained from the semi-structured questionnaires. A total of 46 questionnaires were returned representing the response rate of 84% of the 55 questionnaires that were sent out.

4.2.1 Age Distribution of Respondents

Table 1: Age Distribution of Respondents

Age brackets	Frequencies	Percentage
18-22	-	-
23-27	1	2.2
28-32	14	30.4
33-37	7	15.2
38-42	8	17.4
43-47	5	11.0
48-52	5	11.0
53-57	1	2.2
58-62	3	6.5
63-67	0	0.0
68-72+	0	0.0
No response	2	4.3
Total	46	100.0

Table 1 indicates that the majority of the respondents are from the age category of 28-32 (30.4%) followed by those between 38-42 (17.4%) and then those between 33-37 (15.2%). The majority of the respondents being young can be explained by the fact that they were willing to answer questionnaires than their eldest counterparts who preferred in-depths interviews. It was also observed that most civil servants at the district and sub-county levels are young and fresh graduates from Universities having had just been recruited in the local government service with the demands of the new policy of decentralization.

4.2.2 Distribution of Respondents by Sex

Table 2: Distribution of Respondents by Sex

Sex	Frequency	Percentage
Male	37	80.4
Female	6	13
No response	3	7.6
Total	46	100

Table 2 indicates that of those who returned questionnaires, 80.4% were males and 13% were females. This can be explained by the fact that the males form the majority of the public servants at the sub-county and district levels and are the ones that are more keen in issues related to GPT. But also more importantly, women claimed to have little time for answering questionnaires.

4.2.3 Distribution of Respondents by positions held

Table 3: Distribution of Respondents by positions held

Position	Frequency	Percentage
Councilors	15	32.6
Civil servants	28	60.8
No response	3	6.6
Total	46	100

Table 3 indicates that the majority of the respondents were civil servants (60.8%). Councilors accounted for 32.6% of the total number of respondents. It was easy to get civil servants because they have offices at the sub-county and district headquarters unlike the councilors

who had to be traced at their homes deep in the villages. Note also that several implications can be drawn from the above findings and among them is that it presents people who are mostly decision makers. This adds weight to results of this study.

4.2.4 Educational Levels of Respondents

Table 4: Educational Level of Respondents

Educational level	Frequency	Percentage
Post Graduate level	1	2.2
University	17	37.0
Diploma	11	23.9
Advanced level	7	15.2
Ordinary level	7	15.2
No response	3	6.5
Total	46	100.0

The university graduates as table 4 shows form the majority of the respondents with 37% followed by Diploma holders (23.9). It is significant that the majority of the respondents are degree and diploma holders and therefore being the “cream” of the country and therefore likely to give more enlightened and informed views about issues related to the administration of GPT. This gives weight to the respondents recommendations.

4.2.5 Length of service of respondents

Table 5: Length of service of respondents

Length of service	Frequency	Percentage
1-5	21	45.7
6-11	10	21.7
12-16	3	6.5
17-21	3	6.5
22-26	-	-
27-31	-	-
32-36	1	2.2
37-41	2	4.2
No response	6	13
Total	46	100.0

As table 5 shows, the majority of the respondents have worked between 1-5 years followed by those between 6-11 years. This can be explained by the fact that the majority of the public servants are young having had just been recruited into office and to some councilors having had just been elected into office for the first time.

4.3 Definitional issues

It was important to ask the respondents the level of understanding of the key terminology used and this sub-section presents the respondents level of understanding of the terms like tax, Graduated Personal Tax, decentralization, local government, financial decentralization.

4.3.1 Respondents Understanding of the term tax

Table 6: Respondents Understanding of the term tax

Response	Frequency	Percentage
Forced transfer of money	12	26.0
Money levied on property	10	21.7
Revenue being taxed	8	17.5
Money collected for public use	6	13.0
Money levied on one's income	5	10.9
No response	5	10.9
Total	46	100.0

The results in table 6 indicates that the majority of the respondents (26.0%) perceive the tax as the forced transfer of money. According to Wazarwahi (1996), the system of GPT as obtaining in this country (Uganda) is a colonial creation and owes its origin in the C.A.G Wallis Report of 1953⁵. This attitude may have an effect on paying the tax as GPT makes people remember the exploitative colonial poll tax. Graduated tax brings up memories of the poll tax that the colonialists imposed to force Africans to grow cash crops and enter the global economy. Indeed Mamdani (2002: 54) argues that during the colonial times, it was the chief who had the right to make a bylaw governing his locality, who assessed the value of the property and therefore how much the tax people had to pay, who fined and jailed those who failed tax

⁵ Up to the time of the inquiry by the Wallis Commission, there existed a system of flat rates. The commission strongly observed that the flat rate was the most primitive form of taxation and that it became out of date as soon as variations in individual wealth appeared. It observed that the system could not adequately finance the utility and social services, which District councils were to provide in the future. It recommended that the tax be graduated.

4.3.2 Respondents Perception of Graduated Personal Tax

Table 7: Respondents Perception of Graduated Personal Tax

Response	Frequency	Percentage
Revenue coerced from an individual	5	10.9
Annual tax paid by every able-bodied person above 18 years	17	37
Reduction of Revenue from personal benefits	3	6.5
Fee paid to finance local services	2	4.3
Tax paid because of ownership of property	12	26
No response	7	15.2
Total	46	100.0

The majority of the respondents (37%) appeared to know the meaning of what GPT is as the majority were able to define it as the annual tax paid by every able-bodied person above 18 years according to table 7 above. It is also significant to note that 26% of the respondents perceived GPT as Tax paid because of ownership of property. Therefore GPT is being perceived as property tax. This agrees with Reinikka and Collies (2001) assertion that the legal base of the GPT is income, but in practice it is a wealth tax.

4.3.3 Respondents Views on Who Should Pay GPT

Table 8: Respondents views on who should pay GPT

Responses	Frequency	Percentage
Ugandans who are able bodied and above 18 years	28	60.9
Males above 18 years	2	4.3
Any adult with earnings	6	13
Government employees who earn salary	6	13
Business Persons	1	2.2
No response	3	6.6
Total	46	100.0

Again it is clear from the above findings that the respondents know what GPT is and who should pay it with 60.9% indicating that Ugandans who are able bodied and above 18 years should pay it. Information got from focus group discussions, however, contradicts table 8. The majority of the respondents thought that Graduated Personal Tax is paid by only males above eighteen years. Yet it is supposed to be paid by both males and females (See Fifth Schedule LGA 1997 Section 2(1)). The fifth schedule of the Local Governments Act, 1997 further specifies that graduated tax be collected from all able bodied male persons above the age of 18 and all able bodied women engaged in gainful employment.

However, the local Government officials (tax administrators) believe that traditionally women do not pay GPT. Infact women in Kagango Sub-county local government visited with the exception of those employed by government and other formal institutions, do not pay graduated tax even when gainfully employed. Many respondents interviewed believe that women are still considered inferior to men. *“Paying tax is a sign of manhood. Society or communities tend to sympathize with single headed households even when she has property. Most likely you can be treated harshly by the society if you start assessing women for the purpose of taxation”* One parish chief said.

4.3.4 Respondents views on whether Graduated Tax should be paid

Table 9: Respondents views on whether GPT should be paid

Responses	Frequency	Percentage
No	2	4.3
Yes	39	85
No response	5	10.7
Total	46	100.0

It is also significant to note that the majority of the respondents (85%) indicated that Graduated Personal Tax should be paid. This is contrary to the popular belief that Graduated Personal Tax is unpopular at the local level.

4.3.5 Reasons for why GPT should be or should not be paid

Table 10: Reasons why GPT should be or should not be paid

Responses	Frequency	Percentage
Money is needed for infrastructural development	14	30.3
It is a duty for every citizen	3	6.5
Increases government revenue	2	4.3
Economic empowerment of local governments	14	30.3
Unfair more expensive to collect	1	2.2
Benefit the old age	1	2.2
It encourages people to work	4	8.7
It is the chief source of revenue	1	2.2
No response	6	13.1
Total	46	100

It is also significant to note that the majority (30.3%) of the respondents were of the view that GPT is paid because money is needed for infrastructural development and also for the economic empowerment of local governments as shown in table 10 above.

The reasons were identified by the respondents in the focus group discussions were however different. Accordingly, different people have different reasons as to why GPT is paid as listed below.

(I) Paying Graduated Tax and consequently getting a GPT ticket is one way of identifying one a Ugandan⁶.

(ii) To be recognized in society such as to stand for any electable office like as a Chairman LC 1 or win a tender at the district or qualify for a district bursary, one needs to have a GPT ticket.

(iii) One needs a GPT ticket for one to stand surety for someone in court

(iv) The majority were of the view that they pay GPT in order not to get arrested or that they pay because they are forced to pay it.

(v) Paying graduated tax gives a sense of manhood. A man who does not pay tax is not capable of anything and can be overlooked by his wife.

It was interesting to note that the main reason for paying GPT as revealed by the information obtained from focus group discussions is not to contribute towards the development of their areas as advanced by Wazarwahi (1996) and Lee (1965) that the general concept is that taxes are the prices that the citizens must pay for social services given to them and for development.

⁶ In Uganda there are no national identity cards. So citizens who are not formally employed or are not in any educational institution use the graduated personal tickets as an identity card.

4.3.6 Respondents views on why GPT was enacted

Table 11: Respondents views on why GPT was enacted

Responses	Frequency	Percentage
Reduce dependence on loans	9	20
Citizens to contribute to service delivery	12	26
To supplement revenue for government	9	20
To contribute towards development	4	8
No response	12	26
Total	46	100

When asked the reasons why GPT was enacted, the majority (26%) were of the view that GPT was enacted such that citizens can contribute to service delivery. Again it is significant to note that the same number of respondents (26%) did not respond to the question. This probably may be because they feel they were or are not involved in deciding what GPT should do.

4.3.7 The understanding of the term decentralization

Table 12: Respondents understanding of the term decentralization

Responses	Frequency	Percentage
Give power to local authorities	39	85
People making their own decisions	2	4.3
Self administration and accountability	2	4.3
Non response	3	6.4
Total	46	100

Table 12 above shows that the respondents again seem to know what decentralization means reflected by the responses with the majority (85%) perceiving decentralization as giving power to the local people.

4.3.8 The understanding of local government

Table 13: Respondents understanding of the term local government

Responses	Frequency	Percentage
A unit of the central government that handles matters at lower levels	3	6.5
A part of government that deals with governance of the people in the localities	16	35
A gazetted area which has power to collect revenue and make bye laws	7	15.0
A body corporate that can sue and be sued	11	24.0
Its established local councils	1	2.2
Non response	8	17.3
Total	46	100

Again, table 13 shows that the respondents have a high level of understanding of what local government with the majority (35%) being able to define local government as that part of government that deals with governance of the people in the localities.

4.3.9 Respondents understanding of financial decentralization

Table 14: Respondents understanding of financial decentralization

Responses	Frequency	%ge
Allowing Financial management and accountability at a lower level	9	19.6
Allowing local government to enact and execute budgets	11	24.0
Transfer financial resources from the center to the district	21	46.0
Non Response	5	10.4
Total	46	100

Table 14 above shows that the respondents have a high level of understanding of financial decentralization. The majority (46%) were of the view that financial decentralization is the transfer of financial resources from the centre to the district.

Overall, the findings show that the respondents have a clear view of what the concepts mean. The concepts are however fairly conceptualized at higher levels mainly by district and LC111 local authorities as the information from the semi-structured questionnaires has revealed but not by many among lay community members.

For example tax and graduated personal tax were not differentiated by respondents mainly those in the focus group discussions. The rural taxpayers especially know of only graduated tax. One old man had this to say

I know of Graduated Tax. Since I was born I have never paid any other tax, I do not know of other taxes except that these days i hear that when you buy sugar or salt, you pay tax'.

However, from the interviews with other respondents in the rural areas especially from the local leaders at the grass roots, the respondents show they have a fair understanding of the concepts reflected in the quotes below;

“Decentralization is where power has been given to us (Chairmen Local Councils) and we can easily plan for ourselves what to do without much interference from the D.Cs⁷”, one Local council Chairman said.

“My own understanding of the word local government is the government at the lower levels. For example the chairman LC111 has a government and even the LC 1 Chairman has a government”, one respondent from the focus group discussion said.

“Financial decentralization means where financial powers have been taken even up to lower levels of local government. Even the village council can be able to plan for the percent⁸ they are given.”, one local council finance secretary said.

⁷ D.C stands for District Commissioner. In the past the Chief Administrative Officer’s (CAO) were called District Commissioners (D.C). Up to now the local people still call CAO’s and their Assistants D.Cs.

⁸ This is the 25% that the sub-county disburses to the village council according to the law.

4.4 Revenue Adequacy

4.4.1 Sources of local government revenue

The respondents were asked the sources of revenue in the sub-county. The majority of the respondents (99%) identified GPT as the main source of local government revenue yet the other sources of local government revenue⁹. This shows the significant role GPT plays in financing local governments in Uganda.

This is further exemplified by the information got from the budgets as the table below shows.

Table 15: Graduated Tax compared to other locally generated sources

Year	GPT	Others ¹⁰	%GE of GPT
1998/99	75,049,000	1,549,250	97.9%
1999/2000	71,657,000	1,808,800	97.5%
2000/2001	73,058,000	1,622,550	97.8%

Source: Kagango sub-county Local Government Approved Estimates for 1998/99 – 2000/2001 financial years

⁹ The fifth schedule of the Local Government Act (1997) identifies other revenues in addition to graduated tax, rates and grants from Government. These are fees and fines, on licenses and permits in respect of any service rendered; interest on investments; rents from lease of property owned by the Local Council; fees and fines imposed by courts administered by the Local Council; donations, contributions and endowments; charges or profits arising from any trade, services or undertaking carried by the local council; annual bicycle allowances; parking fees; advertisement fees; cess on produce; user-charges; fishing licenses; agency fees; charcoal burning licenses; and any other revenue which may be prescribed by the Local Government and approved by the Minister.

¹⁰ Other revenues apart from GPT charged in Kagango Sub-county and identified by respondents include user fees (market fees, slaughter fees) and other revenue sources (Registration fees, trading licenses, liquor licenses; other charges like cattle release, court fees and land rent).

Table 15 reveals that GPT is an important source of local revenue contributing to over 95% annually compared to other locally generated sources.

CODESRIA - LIBRARY

4.4.2 Revenue generated in the sub-county

Table 16: Revenue Adequacy in Kagango sub-county

	Actual 98/999	Budget 98/99	%GE Return	Actual 99/00	Budget 99/00	%GE Return	Actual 00/01	Budget 00/01	%GE Return
TLR	76,598,250	121,368,000	63.1%	73,465,800	142,811,900	51.4%	74,680,550	141,011,000	52.9%
C.G.G				771,000	771,000	100%	35,051,400	7,500,500	467.3%
NGOs							---	17,500,0000	
Total									

Source: Kagango sub-county Local Government Approved Estimates for 1998/99 – 2000/2001 financial years.

It can be deduced that the money budgeted for in almost all the financial years studied is not the money that is actually generated. The revenues are not adequate and the implications have been that sometimes Kagango sub-county has cut down on the estimated expenditure of some vital services.

Table 17: Respondents Views on Whether Revenue Generated in the Sub-county is Adequate for Service Delivery

Response	Frequency	%GE
Strongly Agree	3	6.5
Agree	2	4.3
Averagely Agree	16	34.8
Disagree	19	41.4
Strongly Agree	6	13.0
Total	46	100

The results in table 17 reveals that 41.4% are of the view that revenue generated in the sub-county is inadequate for service delivery.

It has to be noted that the inadequacy of revenues at the sub-county has had several implications. In the financial year 1998/99, only 63.1% of the money the sub-county expected to get were realized (see table 16). Again the sub-county was not able to meet the cost of medical drugs, music, dance and drama, education supervision, agriculture, goods and

services (fertilizers/demonstration plots, insecticides and herbs, agriculture hand tools (seeds) (Source, Kagango 1999/2000 sub-county approved budget estimates).

Likewise in the financial year 1999/2000, only 51.4% of the money expected of the revenue expected were realized (see table 16). Nothing was consequently spent on youth programs and purchasing of sub-county motorcycles. Again cost of medical drugs, education supervision, music, dance and drama, demonstration plots, maintenance and access roads (Ngoma and Akainoni bridges), road and construction services and extension staff allowances were all not done due to the inadequacy of revenue (Source, Kagango sub-county 2000/2001 approved budget estimates).

For example in the financial year 2000/2001, only 52.9% of the money estimated to be got from the total local internally generated sources was realized. It is therefore not surprising that nothing was spent on the following key items like cost of medical drugs, education supervision, music, dance and drama and road contract services (Source, Kagango sub-county 2001/2002 approved budget estimates).

4.4.3 Revenue Generated in the Sub-county in form of GPT

Table 18: Revenue generated in the sub-county in form of GPT

Year	Estimated	Actual	%GE of the estimated
1998/99	117,903,000	75,049,000	63.6%
1999/2000	138,782,500	71,657,000	51.6%
2000/2001	138,221,000	73,058,000	52.8%

Source: Kagango sub-county Local Government Approved Estimates for 1998/99 – 2000/2001 financial years.

Table 18 above shows that the revenue generated from GPT is low. It can be easily seen from the table above that revenues from GPT declined from 63.6% in the financial year 1998/99 to 51.6% in the following financial year that is 1999/2000 and then increased slightly in the financial year 2000/2001.

A question was asked whether the revenue generated in the sub-county in form of GPT is very high, high, averagely high, low, very low, as the table below indicates.

Table 19: Respondents Views on the Revenues Generated in the Sub-county in form of GPT

Response	Frequency	%GE
Very High	3	6.5
High	3	6.5
Averagely High	8	17.4
Low	30	65.3
Very low	2	4.3
Total	46	100

As table 19 indicates, the majority of the respondents (65.3%) indicated the revenues generated in the sub-county in form of GPT is low.

During interviews and focus group discussions some reasons were given for the inadequacy of local revenue and more particularly of graduated tax. There was a wide spread concern that GPT revenue was falling in part because it has been politicized. There was confusion especially in the presidential campaigns as President Museveni without careful analysis of the situation as he was under pressure from his opponents announced rather vaguely that the minimum graduated tax should be put at 3000 Uganda shillings. It was very clear that this was misunderstood to mean that all taxpayers should pay only 3000 as taxpayers started demanding the 3000 graduated tax tickets. According to the Parish chief Nyarweshama parish, after the Presidential elections some residents of Nyarweshama parish demonstrated against higher rates of graduated tax demanding to pay only three thousand Uganda shillings only.

It was also revealed during the course of the study that the confusion of graduated tax has also been exploited by local councilors. Local councilors tend to grant informal tax holidays before elections. It was very evident that often politicians have publicly made statements criticizing or even unilaterally exempting individuals from paying the tax as a way of canvassing for support from the people. Councilors themselves admitted to making short term political decisions from time to time especially at times of elections. This is a natural phenomenon in any democratic society, which has in recent years been exacerbated by the frequency of elections and referenda. However, politicians exhibit a paradox on graduated tax, yet they want development, facilitation against a source they constrain themselves on politicking.

This is in agreement with the earlier arguments presented by the public choice theorists that the objective of a politician is to maximize political power and that politicians will not always choose policies that accord to the “public interest” but the first consideration may instead be on how any policy will affect their political popularity.

4.4.4 Revenue from Local sources compared to Central Government and other sources

Table 20 : Revenue from local sources compared to Central Government and others

Year	Total Internally Locally Generated Revenue	Central Government Revenues	Others ¹¹
1998/99	76,598,250	----	----
1999/2000	73,465,800	771,000	2,400,000
2000/2001	74,680,550	35,051,400	----

Source: Kagango sub-county Local Government Approved Estimates for 1998/99 – 2000/2001 financial years.

Table 20 above shows that the central government revenue that is disbursed to the sub-counties is still low. It is however important to note that the revenues from the central government disbursed to sub-counties is increasing from nothing at all in the year 1998/99 to contributing 31.9% of total local government revenue in the 2001/2001 financial years.

Information from questionnaires further attest to this as the table below shows.

¹¹ Others in this case means Non Governmental Organisation (NGO) grants

Table 21: Responses about the ratio of Local Government Revenue to the Central Government Revenue that is disbursed to the sub-county

Response	Frequency	%GE
Very High	0	0
High	8	17.4
Averagely High	8	17.4
Low	24	52.3
Very low	4	8.7
No Response	1	2.2
Total	46	100

According to table 21 above, it can be deduced that the central government revenue that is disbursed to the sub-counties is low according to the majority of the respondents (52.3%).

It has to be noted that sub-counties get only conditional grants¹² from the central governments.

According to the sub-county chief Kagango sub-county, central government grants started in the financial year 1999/2000 “when local generated revenue especially from GPT started dwindling”. It seems the administrators (technocrats) have relaxed in terms of revenue mobilization, as they know central government transfers contribute some significant amount.

If that is the case then reliance of central government grants and moneys from donor and

¹² According to the Local Governments Act (1997), conditional grant shall consist of moneys given to local governments to finance programs agreed upon between the government and local governments; and shall be expended for the purposes of which it was made and in accordance with the conditions agreed upon.

NGO funded projects will in a way undermine the local autonomy and self-reliance potential of local communities. This is because of dependency on donor-aided projects and central government grants. As Mukandala (1995) argues, donor and NGO initiated projects attracted village participation because they had money to throw around. Some of these projects were poorly planned and technically enviable. Villages were left holding the bag when the projects failed and the expert moved on to 'greener' ignorant pastures elsewhere.

4.4.5 Reliability of Graduated Personal Tax

The respondents were asked to comment whether graduated tax is a reliable tax. The views of the respondents are shown below.

Table 22: Reliability of Graduated Personal Tax

Response	Frequency	%GE
Strongly Agree	6	13
Agree	18	39.2
Averagely Agree	11	23.9
Disagree	10	21.7
Strongly Disagree	1	2.2
Total	46	100

The majority of the respondents as table 22 above reveal, think that GPT is a reliable tax with (39.2%) indicating agree response and 23.9% indicating averagely agree compared with 21.7% who disagree that GPT is not a reliable tax.

The reliability of graduated personal tax is measured according to two things, the number of people assessed compared to the number of taxpayers who actually pay and graduated tax percentage return every months in the financial year.

4.4.5.1 Number of people assessed compared to number of people paid

Table 23: Graduated Personal Tax – Number of people assessed Vs number of people paid

Year	No. Assessed	No. paid	%GE returns
1998/99	4483	3408	76%
1999/2000	4582	3644	79.5%
2000/2001	4543	3537	77.9%

Source: Kagango sub-county Local Government Approved Estimates for 1998/99 – 2000/2001 financial years.

From table 23 above it can be deduced that the percentage of graduated tax payers who pay are quite high for all the financial years studied therefore basing on that, one can say that graduated tax is reliable. GPT is a reliable tax in the sense that if you have 75% responding positively towards payment then that is very good performance.

4.4.5.2 Graduated Personal Tax Return

Table 24: Graduated Tax Percentage Return

Date	No. Assessed	No. Paid	No. Unpaid	Amount Assessed	Amount collected	Amount Uncollected	%
31 st May 2000	4543	2672	1871	81,128,000	48,362,000	32,766,000	58.8
30 th June 2000	4543	3,221	1,322	81,128,000	58,098,000	23,030,000	70.9
31 st Aug 2000	4543	28	4515	81,306,000	439,000	80,867,000	0.6
30 th Sept. 2000	4543	69	4474	81,306,000	1,225,000	80,181,000	1.5
30 th Nov 2000	4543	191	4352	81,306,000	3,393,000	77,913,000	4.2
5 th Jan 20	4543	474	4069	81,306,000	8,650,000	72,656,000	10.4
28 th Feb 2001	4543	742	3801	81,306,000	13,748,000	67,558,000	16.3
31 st March 2001	4543	955	3,588	81,306,000	17,612,000	63,694,000	21.0
7 th May 2001	4543	1970	2573	81,306,000	34,272,000	47,034,000	43.4
30 th June 2001	4543	3484	1,059	81,306,000	63,263,000	18,043,000	76.7

Source: Kagango sub-county Local Government Approved Estimates for 1998/99 – 2000/2001 financial years.

From table 24 above, it can be deduced that most taxpayers pay between the months of March to June. From the interviews conducted, it was found out that taxpayers pay during those months because “that is period when tax enforcement becomes intense but also it is the period of harvests of agricultural products like beans, coffee and the when the prices of *matooke* is at its peak, so it is quite convenient for taxpayers to pay during that time”¹³. Therefore considering that taxpayers do not pay in time one can say that graduated tax is not reliable.

However according to information got from the focus group discussions, taxpayers pay when they threaten to arrest them or impose surcharge. *“Why should I pay tax in August, or October, there are other priorities anyway like I have to pay fees for my children, I have to wait until they sound a strong warning to the tax defaulters”* An informant from the focus group said.

It was also found out that those who pay early are those in the category of business men who must travel long distances and the aged especially those over the age of 45. According to sub-county chief Kagango sub-county the “young ones between the ages of 18 – 35 are quite rebellious to graduated tax payment and they give us hard time. They constitute the majority who get arrested and sometimes taken to prison” unlike the aged.

It was also found out that the law is not taken into consideration when it comes to the imposition of surcharge¹⁴. Surcharge is supposed to be charged at the beginning of January every financial year but that has always been not considered. “What is normally considered is that when the majority like over 60% pay, that is when surcharge is imposed. *“Surcharge has been politicized so much that it is very sensitive, one has to be careful as it can cause an uprising especially if many may not have paid by the time of the imposition.”* One respondent from the focus group discussion had to say. Therefore political stability will by and large, depend on the proper management of its finances.

¹³ Interview with the sub-county chief Kagango sub-county local council

¹⁴ Surcharge is an additional amount of money taxpayers pay when they exceed the official time of payment (deadline) and according to the Local Governments Act (1997), where the tax payable or any part thereof remains unpaid at the end of the first six months of the financial year, there shall be a surcharge of fifty percent of the amount remaining unpaid.

Consequently the system of local taxation, if mismanaged can lead to political instability with all its consequential ills. As Davey (1974) argues, taxation comes to have dual implications either as a mark of allegiance or defiance by the populace to their government.

4.4.6 A case for the abolition of Graduated Personal Tax

A question was asked to respondents about the implications of graduated personal tax abolishment. Interestingly, the taxpayers did not argue for the abolition of taxes but proper investigation by government into the extent, procedure and regulation of graduated tax payment.

Table 25 : Respondents views on whether if GPT is abolished, it can affect the performance of the sub-county

Response	Frequency	%GE
Strongly Agree	19	41.3
Agree	19	41.3
Averagely Agree	3	6.5
Disagree	3	6.6
Strongly Agree	2	4.4
Total	46	100

As table 25 below indicates, 41.3% strongly agree that if GPT is abolished it can affect the performance of local governments.

In the same vein a question was asked whether GPT is an important source of income for local governments.

Table 26: Respondents views on whether GPT is an important source of income

Response	Frequency	%GE
Strongly Agree	24	52.1
Agree	17	36.9
Averagely Agree	4	8.3
Disagree	1	2.2
Strongly Agree	0	0
Total	46	100

Table 26 above indicates that the majority of the respondents strongly agreed that GPT is an important source of source of income for local governments.

Those, with whom the researcher held discussions at all levels, while expressing dissatisfaction with GPT, felt that it should remain for the present and efforts should concentrate on improving the fairness and performance.

Respondents were able to point out the good side of graduated personal tax. One respondent observed, “*Graduated tax is a tax in which local governments derive financial autonomy as most of them use it to finance activities*”. It is even more important in lower level councils like Kagango sub-county, which finance most of their activities using collections from graduated tax.

Another respondent observed that graduated tax is “*an old and popular tax within the community and most taxpayers annually plan when to pay*”. This means that the level of expenditure required for tax education and mobilization may not be as high as it would be if knowledge about the tax amongst taxpayers were poor.

Through observation, it was clearly seen that graduated personal tax has proved to be a dependable avenue for collecting other incomes such as development and education taxes¹⁵. Besides the degree of graduated tax evasion amongst the poor are generally believed to be lower as they use the tickets as a way of identification and a sign of patriotism (See reasons for paying GPT).

Another respondent was able to point out that graduated personal tax imputed from agricultural outputs reduces redundancy of citizens as they work hard to produce enough for self and for the tax. In effect, therefore graduated personal tax is in a way an incentive to taxpayer to work so as to be able to pay graduated tax or replace the income knocked off by the tax (Wazarwahi, 1996). Likewise Kaldor (1959) argues that taxation influences the amount of work undertaken in two ways: by making it more necessary for the taxpayer to earn money, in order to make for the income that is lost through taxation.

¹⁵ Whenever the local councils charge other taxes, they use the GPT ticket for easy administration. For example in the financial years 1998/99 and 1999/2000 development fund and building fund were charged and the taxpayers would pay GPT plus other charges levied.

It was also observed that the tax (GPT) has some major advantages, which include its comprehensive coverage of income and people; and its ability to capture the substantial informal sector.

Therefore, as Livingstone and Charlton (1998) observe, despite past problems and continual criticism, the tax has proved to have remarkable resilience, largely owing to a combination of familiarity and the absence of an immediately obvious, or politically immediately feasible alternative source and an additional tax base available to local governments.

A non systematic abolition of the graduated tax without developing a viable alternative replacement source of own revenue source to local governments will in general undermine the decentralization process and in particular imply some of the following: That sub-counties and other lower level councils and administrative units who depend entirely on local sources of revenues (graduated tax being the predominant) will be crippled and will not have the funds for operation, grass-root development and mobilization – the way they have it now. In consequence the alternative source of finance to fund costs of administration, council expenses and allowances has to be found. At the moment these are funded using local revenues of which graduated tax is predominant.

The other consequence is that greater pressure will be exerted on the already highly constrained consolidated fund as the Ministry of Finance will be made to immediately find alternative finance to bridge the gap that would have been created by scrapping graduated tax. Pressure on the consolidated fund will also mean that government will have to cut its expenditures in some sectors.

4.5 Tax Assessment

4.5.1 Tax Assessment Processes

The respondents were asked whether the method of classification of taxpayers is programmed or systematic.

Table 27: Respondents views on whether the method of classification of taxpayers is programmed or systematic

Response	Frequency	%GE
Strongly Agree	3	6.5
Agree	15	32.7
Averagely Agree	12	26
Disagree	12	26
Strongly Disagree	3	6.6
No response	1	2.2
Total	46	100

As table 27 above shows, respondents had mixed feelings about whether the method of classification of taxpayers is systematic with the majority (32.7%) indicating that they agree with the view, closely followed by those who indicated that they disagree and averagely agree (26%).

It should be noted that before assessment, enumeration¹⁶ is done. The Chairperson LC1 and the Parish Chief do enumeration. According to the Sub-county Chief Kagango, enumeration is supposed to be done by the parish chief and the Local Council Official in addition to the

¹⁶ The enumeration exercise is the first process of assessment.

technical team composed of the sub-county Veterinary Officer and Agricultural Officer. However these extension workers do not participate in the exercise to tender advice on how to estimate the acreage of the taxable crops and animals because there are no financial benefits accruing by way of allowances.

It was revealed that the tax assessors are not well facilitated as the table below shows.

Table 28: Respondents on whether Tax Assessors in the sub-county are motivated to effectively carry out their work

Response	Frequency	%GE
Strongly Agree	3	6.5
Agree	7	15.2
Averagely Agree	14	30.5
Disagree	17	36.9
Strongly Disagree	5	10.9
Total	46	100

As table 28 above shows, the majority (36.9%) indicated that the tax assessors are not motivated to carry out their work. So it is clear that the parish chiefs and the local council officials are not facilitated sometimes in the course of tax assessment and this kills their motivation.

According to one local council official,

“We are tired of working for nothing, I finished the enumeration exercise, then now we have been told we shall participate in the enumeration exercise of the census and yet we move with people who are paid some allowances, next I will refuse if there is no allowance.”

“Sometimes we walk long distances, hungry, thirsty and tired, many times since the local council officials think we are facilitated, I use my own money in buying them lunch. Or sometimes, the local council chairman tells me to go and get lunch from one rich man in the village” one parish chief had this to say.

Chiefs who collect taxes are not paid their allowances in time. This lowers their morale and lures them into corruption and embezzlement of the revenue collected.

The implication is that there is a likelihood that the tax enumerators are compromised to favor the rich people as they can easily bribe the tax administrators. This might explain the widespread feeling among the interviewees especially from the focus group discussions that the assessment for GPT does not reflect the ability to pay. The poor are treated too harshly, while the better off are treated too leniently. This was, however, different as regards to information from the semi-structured questionnaires as the table shows.

Table 29: The Respondents Views on Whether The assessment of taxpayers in the sub-county is fair in comparison to those who are in different income brackets

A question was asked whether the respondents thought that the assessment of taxpayers in the sub-county was fair in comparison to those who are in different income brackets. The responses are shown in the table below;

Response	Frequency	%GE
Strongly Agree	1	2.2
Agree	22	47.8
Averagely Agree	8	17.4
Disagree	14	30.4
Strongly Disagree	0	0
No response	1	2.2
Total	46	100

Surprisingly, the respondents think that the assessment of taxpayers is fair compared to those in different income brackets. This may be explained probably because the self administered questionnaires were answered by the officials some who are part of the assessment team.

Table 30: Respondents Views on Whether the assessment of rural taxpayers in the sub-county is based on what obtains in the market place

Response	Frequency	%GE
Strongly Agree	0	0
Agree	5	10.8
Averagely Agree	13	28.3
Disagree	23	50
Strongly Disagree	3	6.6
No response	2	4.3
Total	46	100

However when respondents were asked whether the assessment of rural taxpayers is based on what obtains in the market, the results show as the table 30 indicates that the majority (50%) disagreed with the view.

Tax assessment exercise does not adequately consider the fluctuations in incomes due to bad weather, disease, death in the family, etc. As Livingstone and Roger Charlton (2001) argues “graduated personal tax, appears to be unfair in two senses: unfair in not being closely related to income and unfair in being unequal or arbitrary in its incidence on similar income recipients”.

Basing from the respondents majority views two things can be clearly identified in the assessment systems; the use of not-well-motivated enumerators or sometimes the use of poorly skilled enumerators. This makes the assessment system vulnerable to fraud and subjective behaviour.

Table 31: Respondents views on whether the method used in the assessment of taxpayers in the sub-county is accurate/objective

A question was asked as to whether the methods used in the assessment of taxpayers in the sub-county is accurate/objective. Responses are indicated in the table below.

Response	Frequency	%GE
Strongly Agree	0	0
Agree	7	15.2
Averagely Agree	19	41.3
Disagree	19	41.3
Strongly Disagree	0	0
No response	1	2.2
Total	46	100

Table 31 above indicates that there were mixed feelings towards whether the method in the assessment of taxpayers is accurate/objective. 41.3% indicated averagely and disagree showing there is some level of dissatisfaction as to the accuracy and objectivity of the whole assessment exercise.

The use of 'desk' methods of assessment was quite common according to the respondents. The official assessment procedures, theoretically involving close calculation of money incomes, are not followed. Enumeration teams are supposed to physically visit the homesteads to compile the list of properties owned by the taxpayers but in many cases this is not done. The study revealed that taxpayers almost pay a fixed amount of tax over the years. The adoption of a relatively fixed level of payment may reflect the preference for an easy life among collectors and administrators or a differential response to perceived difficulties and costs of assessment.

Some respondents also complained that taxpayers are just graded according to the way they appear. This is strengthened by the fact that some taxpayers do not appear for enumeration and as a result they are assessed in absentia.

4.5.2 Tax Assessors behaviour

A question was asked as to whether the tax assessors in the sub-county behave in an ethical manner.

Table 32: Respondents on whether taxpayers behave in an ethical manner

Response	Frequency	%GE
Strongly Agree	3	6.5
Agree	15	32.6
Averagely Agree	20	43.5
Disagree	5	10.9
Strongly Disagree	2	4.3
No response	1	2.2
Total	46	100

As the table above indicates, the respondents show that 43.5% indicated averagely agree and 32.6% indicating agree.

Respondents also commented on widespread collusion between taxpayers and assessors, favoritism and political influence, on a wide variety of ways of avoiding tax. Specifically the LCs who are members of the enumeration committees were reported to refuse to reveal the actual properties of the taxpayers for fear of loosing votes in future. Yet according to the

parish chiefs, political leaders (local officials) take a dominant role, as they are taken to live close to the people they serve and therefore they know people very well including the property they have.

There is reported 'a rampant tendency' amongst taxpayers to under – or non-declaration of assets, particularly the hiding of 'movable wealth' such as livestock. A common practice is that of incorrectly listing property under the names of absent relatives or friends. In relation to that, tax assessors themselves admitted to become "lenient and as a result deliberately under assessing taxpayers for fear that if guidelines are strictly followed to count everything - -- every taxpayer might find himself above 50,000 Uganda shillings which might cause uprising and further controversies". As a result the possessions of rich taxpayers are usually grossly under-assessed.

The imputation values used by the assessment committees have been seriously out of date, the last set of values having been determined in 1992/93¹⁷. The use of fixed imputation values determined centrally is problematic, given constantly fluctuating prices for agricultural and livestock products.

These problems in graduated tax assessment agree with (Dungu 1998). According to Dungu Graduated Tax assessment met direct opposition and angry reactions from the taxpayers for

¹⁷ On 19th Nov. 2001 the Permanent Secretary Ministry of Local Government issued a statement directing all CAOs to liaise with the technical staff and come out with new proposals in terms of imputation values and in that response Bushenyi district has come out with one)

three main reasons. Since there was no cooperation between the chiefs and the RCs¹⁸, the assessment was uncoordinated.

Also officials at lower levels that were supposed to canvas the villages had no training. Some RCs only charged face values of some people rather than the property an individual had. The uncoordinated committees of chiefs and RCs at lower levels and officials from the District headquarters made it impossible for uniform tax assessment. At some point very crude assumptions were made which resulted in the minimum payable being too high for the lower categories of people.

It was noted by the respondents (mainly local council officials) during the course of this study that taxpayers evade taxes due to weaknesses in the registration processes like:

1. Substantial migration, short-or longer-term, between rural and urban areas, in search of employment affect tax registers. Individuals frequently change their employment, particularly in the informal sector, making it difficult for collectors to track them down and determine their incomes for taxation.
2. Another problem is registration in that, new entrants reaching the age of 18¹⁹. There is a problem of establishing age in the case of young persons, whose capacity and willingness to pay is reduced by lack of income and in many cases employment.
3. The registration of the women who are in business is difficult, since it is not straightforward to identify those in receipt of independent incomes.

¹⁸ RCs stands for Resistance Councils which was now changed to Local Councils (LCs)

¹⁹ In Uganda especially in the rural areas, the majority of the people do not have birth certificates.

One respondent observed,

Tax assessment in the villages tends to be retrogressive and anti-development. Quite often a person who has produced more coffee, bought cows, or built an iron-roofed house is taxed higher for these achievements, and is also diligently pursued for payment. This has discouraged many people from expanding production or saving and investing, thus stifling wealth creation and development. The real challenge is to establish a creative approach to graduated-tax administration that will reverse wastage and complacency among the population, stimulate production, promote development and ease payment.

As Mukandala (1998) argues, Decentralisation may be for 'extractionist' purpose. The motive here is "to create a favourable condition for extracting resources from peasants and workers in the name of participation (quoted in Kamugisha 1969, 2)."

After enumeration, then assessment comes in. The 5th schedule of the LGA, 1997 provides for a tax assessment committee (appointed by the district council) and a tax appeal tribunal (constituted in a manner that the Minister may, by statutory instrument, prescribe). However, neither of the two are in common operation. This has grave implications. It was interesting to find out that at the final day of assessment process, the taxpayers are invited.

During the reading of the names and the amount one is supposed to pay, some taxpayers plead to have their tax liabilities reduced. This means the work of the Appeals Committee is carried out during the assessment stage. This probably explains why the respondents when asked whether the taxpayers participate in the classification exercise, the majority (43.4%) agreed with the statement as table 33 below shows.

Table 33: People's Participation in the classification of taxpayers

Response	Frequency	%GE
Strongly Agree	2	4.3
Agree	20	43.4
Averagely Agree	5	10.8
Disagree	13	28.5
Strongly Disagree	5	10.8
No response	1	2.2
Total	46	100

4.5.3 Graduated Tax Exemption

A question was asked whether taxpayers who are exempted from paying taxes are correctly identified. The results are shown in table 34 below;

Response	Frequency	%GE
Strongly Agree	5	10.8
Agree	23	50
Averagely Agree	12	26.1
Disagree	5	10.9
Strongly Disagree	1	2.2
Total	46	100

As table 34 above shows, the majority (50%) indicated agree implying that taxpayers who are exempted from paying taxes are correctly identified.

4.5.3.1 Reasons for Tax Exemption

Still the respondents when asked whether the reason(s) for exempting some taxpayers in the sub-county is genuine, the majority (60.8%) indicated agree implying that they think that the reason(s) for exempting taxpayers in the sub-county is genuine.

Table 35: Respondents views on the reasons for tax exemption

Response	Frequency	%GE
Strongly Agree	8	17.4
Agree	28	60.8
Averagely Agree	9	19.6
Disagree	1	2.2
Strongly Disagree	0	0
Total	46	100

The present exemption mechanisms are done on a case by case basis within the parameters of locally defined rules.

In Kagango sub-county local government old age as revealed by personal appearance is the major factor.

Temporary exemptions are also granted in the following categories:

- if a taxpayer loses a partner is given some period of time usually one year;
- sickness of a taxpayer resulting into inability to generate income; and
- where the head of the household gets extra burden, for example taking charge of children of deceased relatives

In the whole sub-county, poverty per se does not constitute a parameter for tax exemption. Paragraph 3 (1) of the Statutory Instrument 2001 No. 38 states that; “The standard rate of graduated tax which shall be imposed by every local government on people of very little or no income at all shall be Shs 3,000” per year. No income at all is recognition of the fact that there are Ugandans without income. Yet they are required to pay shs 3000 every year to government.

However, the local Government officials believe that traditionally women do not pay GPT. Therefore women in all local governments visited with the exception of those employed by government and other formal institutions, do not pay graduated tax even when gainfully employed.

4.5.4 Complaint Mechanisms for Taxpayers

A question was asked whether in case there are tax assessment problems, they are appropriately resolved. A significant majority indicated agree (47.8%) as the table below shows.

Table 36: Respondents views on whether tax assessment problems are appropriately resolved

Response	Frequency	%GE
Strongly Agree	1	2.2
Agree	22	47.8
Averagely Agree	8	17.4
Disagree	10	21.8
Strongly Disagree	2	4.3
Non response	3	6.5
Total	46	100

In Kagango sub-county, there is an Appeals Tribunal chaired by the Chief Administrative Officer (CAO) normally assisted by his Assistant popularly known as (ACAO). When any complaint is raised, the hearing is done at the relevant sub-county, and verification is extended to the respective villages of taxpayer origin. However, it was noted that the taxpayer sees that the process as cumbersome and prefer to appeal to the sub-county chief and in most cases on personal approach. In other cases, the taxpayers disregard the appeals channel and prefer to appeal to their elected leaders especially the LCIII Chairman who in turn raises the taxpayers concern to the technical team. As has already been noted the taxpayers do much of the complaining during the assessment processes.

4.6 Tax Collection

4.6.1 Methods of tax collection

A question was asked as to whether the method of tax collection in the sub-county is appropriate. The results show that the majority indicated averagely agree (39.1%) and (30.5%) indicating disagree as the table below shows.

Table 37: Respondents on the appropriateness of the methods of tax collection

Response	Frequency	%GE
Strongly Agree	2	4.3
Agree	12	26.1
Averagely Agree	18	39.1
Disagree	14	30.5
Strongly Disagree	0	0
Total	46	100

Taxpayers are supposed to take their taxes to the sub-county headquarters themselves starting from the beginning of every financial year. However, it was revealed that other methods are employed when taxpayers do not voluntarily take the money to the sub-county headquarters. Some of the common methods are setting of roadblocks and early morning tax operations in a bid to track tax defaulters. Respondents decried the setting of roadblocks to trap defaulters as a cause of inconvenience to the entire road users. The respondents also sighted the hostility with which defaulters are arrested and detained forcing some to hide in socially undesirable conditions to avoid arrests.

4.6.2 Reasons for poor GPT collection

When respondents were asked whether the methods of tax collection were appropriately formulated by the taxpayers, the majority indicated disagree (71.7%) as the table below shows.

Table 38: Respondents views on whether the methods of tax collection were appropriately formulated by the taxpayers

Response	Frequency	%GE
Strongly Agree	0	0
Agree	1	2.2
Averagely Agree	3	6.6
Disagree	33	71.7
Strongly Disagree	9	19.5
Total	46	100

The results according to table 38, shows that lack of people's participation in formulating the methods of how the tax can be collected may be the cause behind the poor tax collection.

During the course of interviews and focus group discussions, it was revealed that most people do not see a clear link between paying taxes and service improvements. Even where specific payments are made for particular services, there is wide spread dissatisfaction because the services provided do not meet the expectations of the payers.

There is lack of proper tax collecting culture. One key informant had this to say, "naturally people do not want to pay taxes, taxes have never been popular not only to the peasants but

also the educated elite's. I always hear Makerere University Staff for example complaining they pay a lot of tax.”

There was concern about corrupt practices. Yet, few had ventured to complain for fear of victimization, or because they felt nothing would come out of their efforts.

Other problems identified by the respondents relate with the discrimination in tax collection. According to some respondents from the focus group discussions “ Rich people appear to be more inaccessible to have their taxes paid than the common man. A not-paying hawker can be put behind bars until he pays, a big shot seems to be above the law.” This therefore, means that force is more likely to be used against the poor than rich defaulters.

The above reasons for poor tax collection therefore tend to agree with (Enemuo, 2000) that “like its colonial progenitor, the post colonial state in Africa has remained a state for domination and accumulation. Whereas to the power elite it is a vehicle for private accumulation and class consolidation, the mass of Africans have continued to experience the African state as a coercive, alien force to be avoided and cheated whenever possible. While nearly everyone can be most vociferous in making claims upon the state, exceedingly few citizens feel any duty to discharge civic obligations to the state”.

A further complaint was of political interference and cronyism whereby politicians made decisions on revenue matters for personal political reasons and hindered GPT revenue collection activities for their own ends. As has already been noted, Councilors admitted to making short term political decisions from time to time, especially at times of elections.

Poverty is also another reason frequently cited for poor GPT collection. It was revealed that GPT eat into the meagre incomes of poor people that they must sometimes choose between taxes or for basic necessities such as education and health care. Respondents felt that GPT inflicted hardship because of the requirements to pay in a lump sum rather than installments. According to one local councilor, GPT lags behind inflation and is troubled by cash flow problems caused by the fact that in the period of peak collections is the same time that taxpayers need their cash for school fees and Christmas festivities.

The implication of this is that GPT does not meet one of the key characteristics of a good tax system that is a good tax system must be convenient as earlier argued by Stiglitz (1993). According to him a tax system is convenient if people are asked to pay taxes when they are able to do so. This minimizes the burden of payment by co-ordinating it with for example harvests. The current system especially as it relates with GPT collection lacks sensitivity to the localized conditions of poor people.

According to many respondents, Cash is typically rare in the countryside. According to one respondent in the focus group discussion “ Indeed many families borrow to survive. Those who can’t borrow sometimes go without food or/other necessities. In truly desperate times they are forced to sell their household items in order to meet medical care costs.” In short, levying taxes against families with chronically little cash means they will sometimes have to make choice between selling their food and household assets or going to jail for defaulting on taxes.

However, some respondents questioned the question of poverty as a cause of poor collection of GPT. “Deep in the villages, an adult male spends at least 500/= on local drinks each day, which amounts to over 180,000/= per year. Most of this money is blown-up within days of receipt of wages or sale of produce and livestock. Yet this same adult will default on his tax and cry of poverty when so much valuable money and production time are wasted at beer joints”. One parish chief wondered.

All these according to respondents have led to low collections. Yet enforcement is virtually non-existent. Low revenue collections are frequently increased at the local or national level by political leaders seeking to advance their popularity generally or in advance of elections. According to one respondent interviewed “The primary obstacle to successful local revenue mobilization is weak administration. Weak administration combined with a lack of political will for enforcement, generates a low level of local revenue mobilization performance.”

4.6.3 GPT Collection Personnel

Local government employees argued that they deal with clients who were by and large poor, illiterate, and ignorant of their rights. It is therefore, tempting to push them around, partly because the chances of being caught are very low.

However, taxpayers are concerned with what they often regard as the excessive use of force in tax collection. Some view this as partly a result of tax collectors being ignorant and badly trained. Some feel victimized by the tax authorities when they get caught in actions to net defaulters or when they query about revenue matters or complain about assessments and the like.

4.6.4 Strategies to collect GPT

Respondents were asked to suggest strategies for GPT collection and the table 39 below shows the results.

Table 39: Respondents suggestions on strategies for GPT Collection

Response	Frequency	%ge
Paying in installments	14	30.5
Tendering	5	10.9
Give incentives to tax collectors	4	8.7
Imposition of a very strong law	5	10.9
Allow LCs to collect	2	4.3
Involve taxpayers in the Assessment of tax	2	4.3
Introduce National Identification for all taxpayers	1	2.2
Confiscating properties of defaulters	1	2.2
No response	12	26.0
Total	46	100.0

Among all the methods suggested, paying in installments was the most popular with 30.5% of the respondents as the table above shows.

4.6.5 Costs of Tax Collection

Costs of collection are defined as all necessary costs that can be attributed to the revenue collection system. The revenue collection system for the case of GPT include costs for registration, enumeration, assessment, submission, collection, banking and enforcement

This study classifies costs of collection under the following groups:

- Registration and enumeration: These are costs incurred by the registration committee²⁰.
- Assessment: These are costs incurred by the assessment committee²¹.
- Enforcement: These are costs for making follow ups of tax defaulters in the Parishes²²
(Follow up exercise is conducted by the Parish Chief with the assistance from Local Defense Unit personnel and Local Administration Police Personnel).

Table 40: Costs of Tax collection²³

Year	Costs of tax collection	Actual G/T collections	%GE in tax collection
1998/99	695,000	75,049,000	0.9
1999/2000	1,868,500	71,657,000	2.6
2000/2001	694,500	73,058,000	0.95

(Source Kagango sub-county budget estimates for 1998/99, 1999/2000 and 2000/2001)

It was significant to study the costs of GPT collection because high costs of revenue collection would result in an increased inability to render services back to taxpayers. The reduced levels of service would often lead to a decreased morale of taxpayers thus reducing the levels of compliance. However from the above table it can be deduced that the costs of tax collection are relatively low. Contrary to general belief that the cost of collecting

²⁰ Registration and Enumeration committee is supposed to be made up of the Chairman L.C 1, Chairperson L.C 2, the Parish Chief and the Extension workers at the sub-county.

²¹ The Assessment committee is made up of the sub-county chief, LC 3 Chairperson, sub-Accountant and the Parish Chief of the area.

²² The Parish Chief conducts the follows up exercises with the assistance from the Local Defense Unit Personnel and Local Administration Police Personnel.

graduated tax is higher than realized revenues, the study indicates that in actual fact the cost of collecting graduated tax is generally below 3% of revenues from graduated tax and that there are still rooms for reducing on these costs by improving on the efficiency of collection and tax awareness. The findings of this study therefore does not agree with (Wazarwahi, 1996, Livingstone and Charlton, 1998, Reinikka and Collies, 2001) who had earlier argued that in its present form GPT represents an expensive form of tax administration and particularly in tax collection.

4.7 Characteristics of Local Finance

4.7.1 Centre-Local Relations

A question was asked whether the local government effectively controls the budgeting, auditing, spending, purchasing, tax levying, tax collection and allocation of grants arising from GPT. The majority 36.9% indicated agree, 30.5 indicated averagely agree and then 15.2 indicated strongly agree as the table below shows.

Table 41: Respondents views on whether the Local Government effectively controls the administration of GPT

Response	Frequency	%GE
Strongly Agree	7	15.2
Agree	17	36.9
Averagely Agree	14	30.5
Disagree	7	15.2
Strongly Disagree	1	2.2
Total	46	100

²³ The figures of cost collection were based on only Graduated Tax Assessment allowances and enumeration and Graduated Tax Operation allowances.

GPT has been assigned to local governments as “own tax²⁴”. Here local authorities have full or certain influence on the amount of revenues raised through setting the tax base, tax rate or tax administration..

The advantages of “own source revenue” are that they: Ensure a strong relationship between tax and services, create stronger incentives to offer efficient services and they support local democracy. The main argument is that in a situation where an authority has to raise the funding itself, its appetite for spending less gets smaller and will be based on a much stronger priority.

In addition, the close relationship between tax and service levels ensures accountability to the citizens and ensures more efficient resource allocation and adjustment to local preferences (LGFC Commission Recommendations No.4 Nov 2000).

According to the majority of the respondents interviewed this is not the case. The proportion of the local tax collected especially in the form of GPT is not adequate as the table below shows.

²⁴ According to article 191 of the 1995 Ugandan Constitution, local governments shall have the power to levy, charge, collect and appropriate fees and taxes in accordance with the law enacted by Parliament. The fees and taxes to be levied, charged, collected and appropriated consist of GPT and others like rent, rates, royalties, licenses etc.

Table 42: Respondents whether the proportion of the local tax revenue collected in the sub-county in form of G.PT is adequate

Response	Frequency	%GE
Strongly Agree	0	0
Agree	2	4.3
Averagely Agree	11	23.9
Disagree	30	65.2
Strongly Disagree	3	6.6
Total	46	100

As table 42 above shows, the majority (65.2%) indicated disagree implying that GPT revenues are inadequate.

The reasons why GPT fell as a proportion of the total local government revenue given include the following:

- Unpopularity of the tax and lack of acceptable means of collecting it for those who are not employed in the former sector.
- Lack of taxpayer records and national identities; and a constantly changing (transient population).
- Poor follow up on the part of the local authorities
- Poor administration on the part of the local authorities e.g. inefficiency in issuing receipts for the money leading to many people questioning the validity of them being charged without getting receipts on time or at all.
- The tax historically evoked nostalgic feelings as being reminiscent of the colonial era.

According to the sub-county chief Kagango sub-county, there is a lot of central government interference in the administration of GPT even though the tax is wholly decentralized. “ When it comes to GPT assessment, the Minister of Local Government comes up with the minimum GPT to pay, then tax collection, they tell us not to impose surcharge and consequently not to arrest the tax defaulters, that we should respect their human rights. Yet they tell us that as part of the conditional grants the central government allocates to us, we must meet 10% from the locally generated revenue. That is double standards”.

Again according to the district councilor for Kagango sub-county, the central government portrays double standards in many ways “ Every time they push more responsibilities to the sub-county local governments especially for planning when the same is not done in terms of grants. Formerly planning was the responsibility of the central government, now it was devolved to the sub-county councils, the councilors need allowances and yet they tell the sub-counties not to use more than 20% of the locally raised revenue on councilors allowances”.

According to Ribot (1998) decentralization without empowerment is in reality another form of centralization. Attempts to decentralize are often made without proper analysis of either the situation or the process of decentralization itself. This may result into a fiscal trap that is when Local Governments must rely on other levels of government to provide them with the resources they need, thus losing their autonomy.

From the above statements it can be deduced that the proportion of total public revenue that goes to the sub-county treasury is not enough. This is made worse since the sub-counties only receive conditional grants. Only the district local government receives

unconditional grants. Yet also to qualify to get the conditional grant, the sub-county has to contribute 10% of the amount allocated to it and yet the sub-counties by law are not allowed to spend more than 20% of the locally generated revenue on councilors allowances. It is not surprising therefore as it was revealed during the course of the study that the former council is planning to sue Kagango local government for failure to pay their allowances.

4.8 Disbursement of Graduated Tax from the District

A question was asked whether the revenues from GPT is disbursed to the sub-counties in accordance to the law. The majority of the respondents agrees that disbursement was done according to the law as the table below shows.

Table 43: Respondents views on whether disbursement of GPT from the District is done according to the law

Response	Frequency	%GE
Strongly Agree	8	17.4
Agree	24	52.3
Averagely Agree	6	13
Disagree	5	10.8
Strongly Disagree	1	2.2
No response	2	4.3
Total	46	100

As table 43 shows, the majority 52.3% indicated agree, and 17.4% indicated strongly agree.

Again, the question was asked whether the disbursement of the revenue from graduated tax is done in a timely manner, the table 44 below shows the results.

Table 44: Respondents views on whether GPT disbursement is done in a timely manner

Response	Frequency	%GE
Strongly Agree	1	2.2
Agree	2	4.3
Averagely Agree	11	24
Disagree	27	58.6
Strongly Disagree	4	8.7
No response	1	2.2
Total	46	100

As table 44 above indicates, the respondents indicated dissatisfaction with the timing of the disbursed revenues with 58.6% indicating disagree.

4.8.1 Revenue generated at the sub-county compared to what is disbursed

Table 45: Revenue generated at the sub-county compared to what is disbursed.

Year	TLR	Actual transfers	Amount retained by the sub-county
1998/99	76,598,250	16,919,734	59,678,516
1999/2000	73,465,800	42,299,373	31,166,427
2000/2001	74,680,550	44,307,873	30,372,677

(Source, Extracted from Kagango sub-county budget estimates for 1998/99, 1999/2000 and 2000/2001)

From table 45 above, it can be deduced that much of the money is transferred from sub-county. From the financial year 1999/2000, the sub-counties started to retain little amounts due to the 35% retained by the district.

4.8.2 Revenue retained by the sub-county vs. the moneys that are transferred to the district

Table 46: Revenue retained by the sub-county compared with the moneys that are transferred to the district

Year	Amount retained by the sub-county	Money transferred to the district
1998/99	59,678,516	----
1999/2000	31,166,47	25,635,995
2000/2001	30,372,677	26,853,258

(Source, Extracted from Kagango sub-county budget estimates for 1998/99, 1999/2000 and 2000/2001)

Table 46 above, shows clearly that the district almost retains the same amount of money as is disbursed to the sub-counties. There is a general belief at the sub-county that the district retains much (35%²⁵). Yet taxpayers look to the sub-counties to deliver social services as they live close to it in comparison with the District local government. According to the sub-county chief Kagango sub-county, the district takes 35% of the money collected as a whole without deducting costs of tax administration, which is unfair to the sub-county local governments. The argument is further strengthened by the fact that the district local governments receive the unconditional grants²⁶.

This may be is the reason why the respondents felt that the amount of revenue from graduated tax that is disbursed to the sub-counties is not adequate to meet the delivery of services at a national standard of service delivery as table 47 below indicates.

²⁵ According to the Local Governments Act 1997 Chapter V111, in rural areas, revenue shall be collected by the sub-county councils and a sub-county council shall retain sixty five percent, or any other higher percentage as the district council may approve, of the revenue collected by it and pass the remaining percentage to the district.

²⁶ Unconditional grant is the minimum grant that is paid to Local Governments to run decentralized services.

Table 47: Respondents on whether the amount disbursed to the sub-counties is adequate for service delivery

Response	Frequency	%GE
Strongly Agree	0	0
Agree	2	4.3
Averagely Agree	5	10.8
Disagree	31	67.5
Strongly Disagree	8	17.1
Total	46	100

As the table 47 shows, 67.5% indicated disagree showing a high level of dissatisfaction with the disbursed revenues and what they can do at the sub-county level.

4.8.3 Amount disbursed to the village councils²⁷ by the sub-counties

Table 48: Amount disbursed to the village councils by the sub-counties

Year	Amount disbursed to village councils	Average amounts disbursed to village councils (97 village councils)
1998/99	11,239,719	115873.4
1999/2000	11,902,416	122705.3
2000/2001	12,467,589	128531.8

(Source, Extracted from Kagango sub-county budget estimates for 1998/99, 1999/2000 and 2000/2001)

²⁷ According to the fifth schedule of the LGA (1997), a sub-county shall retain sixty five percent of the amount retained and distribute the thirty five percent as follows – five percent to be remitted to the county councils; five percent to be distributed amongst the Parishes; and twenty-five percent to be distributed amongst the Village Councils.

Lower Local Councils (LC 1) are areas closer to the people and where the needs of the people are articulated. It is an area where services from the council or the central government are projected. It is a place whereby, initially all council budgets, plans, programs and policies emanate.

There are 97 village councils in Kagango sub-county and on average for the financial year 1998/99 only 115873.4 Uganda Shillings was distributed to the village councils. In 1999/2000 it was 122705.3 Uganda Shillings and then in the year 2000/2001 it was 128531.8 Uganda Shillings. Basing on the figures above, it can be deduced that the amount distributed to the village councils is not enough for any viable development project. This money is made worse by the fact that each village council gets according to how their taxpayers performed in terms of GPT revenue collection to the extent that some village councils have been getting less than 50,000 shillings while others whose GPT revenue collection performance was high, gets a higher amount disbursed to it.

The respondents' views further suggest that the amount of revenue from GPT that is disbursed to the local council 1 from sub-counties to meet the delivery of services is not adequate as table 49 below reveals.

Table 49: Respondents on the adequacy of the revenue disbursed to the Lower Council 1

Response	Frequency	%GE
Strongly Agree	0	0
Agree	3	6.5
Averagely Agree	5	10.9
Disagree	29	63
Strongly Disagree	9	19.6
Total	46	100

Table 49 above shows that the majority of the respondents (63%) indicated that the money disbursed to the LC 1 level is not really adequate for service delivery .

However the information got from the focus group discussion and observation, this money has been able to help in the construction of rural feeder roads that link various village councils.

4.8.4 Communication Channels at the Local Levels

A question was asked whether the local people are informed when funds are disbursed.

Table 50 below shows the results.

Table 50: Respondents views on whether the local people are informed when funds are disbursed.

Response	Frequency	%GE
Strongly Agree	3	6.5
Agree	4	8.7
Averagely Agree	16	35.8
Disagree	21	45.7
Strongly Disagree	2	4.3
Total	46	100

As table 50 above shows, 45.7% indicated that the people are not informed when the funds are disbursed. It has to be noted that this shows lack of transparency and accountability on the part of the leaders.

It was interesting to find out that some local people (taxpayers) do not know of the 25% that is distributed to them. This leaves one to wonder how decisions are arrived at especially when it comes to the utilization of the local revenue disbursed.

Village executives were low – grade political cadres who never put much emphasis on development aspects. They were not articulate and innovative and some of them did not know how to read and write. Their election is mainly based on patriarchal connections. According to the information got from focus group discussions, sometimes the village councils are not called and sometimes when they are called many the local officials make it in such a way that many people fail to turn up. “Even when people come they do not do much as they rubber stamp the executives position”. This contradicts the principle of subsidiarity which states that decisions should be made at the lowest possible level where competencies

exist. It aims for the effective implementation of tasks within a given policy and a hierarchical level, which minimizes costs and maximizes social well being (Babin and Bertrand 1998).

CODESRIA - LIBRARY

4.9 Utilization of Revenue Generated from Graduated Tax

4.9.1 Citizen participation in Revenue Disbursement and Utilization

It is the right of people to know how their resources are allocated and utilized (Gariyo, 2000). Budgets are instruments for mobilization, allocation and utilization of resources. It is a right for ordinary people and poor people in particular to participate in the design, planning and implementation of programmes and activities that should benefit them. In Uganda citizen participation in the planning process, is guaranteed by the constitution²⁸.

A question was therefore asked whether the local people do participate in the way disbursed funds are utilized. Table 51 below shows the results.

Table 51: Respondents on local peoples participation in the way disbursed funds are utilized.

Response	Frequency	%GE
Strongly Agree	8	17.4
Agree	13	28.3
Averagely Agree	12	26.1
Disagree	11	23.9
Strongly Disagree	2	4.3
Total	46	100

Table 51 above shows that the respondents believe that citizens participate in revenue utilization. This is indicated by the responses; agree (28.3%) and averagely agree (26.1%).

²⁸ Article X of the National Objectives and Directive Principles of State Policy states that Government shall take the necessary steps to involve the people in the formulation and implementation of development plans and programs which affect them

However, the majority of the citizens (local taxpayers) in the focus group discussions and administrators in the in-depth interviews views were of the view that local people do not influence budgetary processes and policy formulation. This is absurd because citizens should have a direct interest as taxpayers in the budgetary processes. According to the sub-accountant Kagango sub-county “the mechanisms for constructing budgets are too complex and require skills and knowledge for this to happen. The language of the budget is complex involving numerous figures and terminology. It is too abstract for ordinary citizens to comprehend”.

Arnstein (1969) developed a typology of ways in which the word (citizen participation) is used. These eight levels are progressively ranked in a ladder that is into more general categories ranging from “non participation” (Therapy and manipulation), “degrees of tokenism” (Informing, Consultation and Placation), and “Degrees of citizen power” (Partnership, Delegated power and citizen control)

When we look at GPT revenue disbursement and utilization it is clear that they fall within the lower levels of the ladder that is non participation that is characterized by manipulation and Therapy and probably also with the ladder of the degree of tokenism that is characterized by informing, consultation and placation.

Several conclusions can be drawn from any modestly informed look at what passes as participatory GPT disbursement and utilization: Most local participation in tax disbursement and utilization occurs at the lower levels of Arnstein’s ladder of citizen participation and also

examples of serious devolution (expressed as a meaningful role in decision making) are rare as had been argued by Ebel and Vaillancourt (2001) earlier.

Discussion of people's participation in GPT revenue disbursement and revenue utilization often revolved around complaints that the "people do not want to participate". Sometimes the reason for this unwillingness to participate was attributed to a lack of knowledge and skills or a lack of understanding regarding the importance of participation. It is likely, however, that the more common reason is that people do not participate because they see no point in promoting someone else's agenda.

However, there was widespread demand for more information about local government taxation in a broad sense. Most taxpayers would particularly want to know (i) the amount of revenues collected at each level; (ii) the size of revenues transferred from upper levels of the council and received at lower levels; (iii) the type of expenditures these funds can legitimately be used for.

A widely observed phenomenon is unwillingness to pay on the part of taxpayers associated with a perceived failure by local authorities to deliver the corresponding level of quality services. More specifically, the feeling is that the funds collected are used largely to cover the wages and allowances of the politicians and civil servants at district headquarters rather than being applied to tangible projects likely to benefit the payer.

Table 52: Peoples Satisfaction in the way disbursed funds are utilized

A question was asked as to whether the local people are satisfied by the way disbursed funds are utilized in the sub-counties. The responses are shown below.

Response	Frequency	%GE
Strongly Agree	1	2.2
Agree	9	19.5
Averagely Agree	12	26.1
Disagree	14	30.4
Strongly Disagree	10	21.8
Total	46	100

As the table indicates the majority of the respondents (30.7%) are not satisfied with the way the local funds are utilized.

One of the ways in which GPT revenue is utilized is through councilors and technocrats allowances.

4.9.2 Revenue utilized by Councilors and Technocrats

Table 53: Revenue utilized by Councilors and Technocrats

Year	Politicians	Technocrats	Total	Total Local generated revenue	%GE
1998/99	6,272,500	6,338,100	12,610,600	76598250	16.5
1999/2000	7,843,000	8,073,300	15,916,300	73465800	21.7
2000/2001	9,874,000	15,112,650	24,986,650	74680550	33.4

Source: Kagongo Sub-county Local Government Budgets (1998-2001 financial years)

Table 53 shows that the expenditure on councilors and technocrats has been drastically increasing over the years for example from 16.5% to 33.4% when at the same time local revenues were dwindling.

Councilors are people's representatives and speak and act in the name and voice of the people at local level. Councilors are therefore policy-makers (or by-law makers) at the grass root levels and serve a four-year term. During their term in service there is no provision to call them back when they prove inept. After the service they have to face the electorate for another term and they can serve many terms depending on how they serve and express themselves before their electorate. In Uganda there are no standard qualifications for councilorship apart from being an adult, mentally fit, and any other general qualifications. This generalization has led to many faults in the Ugandan politics. First the issue of primacy: development has been put aside, instead people have tried to express the candidate as being “simple”, “of our calibre” “easy to approach” and the like. Of course such statements tend to isolate the learned people from political activism since they are termed as “critical”, “non-compliant”, bookish, “town guys” and the like.

At local levels, a councilor has to mobilize people to support the local governments program as well as to represent the people. Having been elected into councilorship members have to work hand in hand with the people and technocrats to bring about development in the council's area of jurisdiction starting from the village level. On principle, the byelaws made by the council have to reflect the actual needs of the individual councilors within the council. A councilor has to mobilize, conscientize and sensitize people within his/her area to pay revenue and other taxes for the development of the area. However, despite the good

intention of having people's representation in the council, councilors have been irresponsible not only to the government but also to the electorate. Their election (into office) has been taken as a way to self-enrichment and collusion over taxes collected as this study unfolds. This agrees with (Levi, 1988)' hypothesis that rulers are predatory in that they try to extract as much revenue as they can from the population and it is by means of the state and its revenues that rulers achieve their personal and social ends.

4.9.3 Amount of revenue spent in the delivery of services

The respondents were asked what kind of services they expect from government after paying taxes particularly GPT. The respondents identified roads, safe water, medical care and primary education. This agrees with the earlier findings by Crook and Manor (1994) that rural dwellers tend to have a rather different conception of what constitutes 'rural development'. That they are enthusiastic about efforts to look after the little things that have been ignored for a very long time.

Table 54: Revenue spent in the delivery of services²⁹

Year	Roads	Medical care	Education	Safe water	Total	Total Local Revenue	%GE
1998/99	4166300	3634000	1293000	4056400	13,149,700	76,598,250	17.2
1999/20000	2212500	457000	2664000	4662300	9,995,800	74,236,800	13.5
2000/2001	387400	---	30250600	600000	31,238,000	109,731,950	28.5 ³⁰
Total	6,766,200	4,091,000	34,207,600	9,318,700	54,383,500	960,567,000	5.7

²⁹ It was difficult to get to know what specifically GPT moneys has been utilized for as every local revenue collected is banked on the same account and also as a requirement to get conditional grants, the sub-county local government is required to contribute 10% from the locally generated revenue. Besides local people consider every service that comes by their way to be from the taxes they pay.

³⁰ The percentage spent was comparatively high because of the central government grants particularly the Universal Primary Education (UPE) grant given to sub-counties as conditional grants

Source (Extracted from Kagango sub-county budget estimates of 1998/99, 1999/2000 and 2000/2001.

As the table reveals money spent on the delivery of services to the satisfaction of the taxpayer is so little. This therefore confirms what Nsibambi (1998) had said that the reason why generally people were very reluctant to pay taxes is that it was very difficult to point to projects successfully executed through revenues generated from previous years taxes.

The question was asked whether The local people want revenue generated from GPT to be directed to specific project(s). Table 55 below shows the responses.

Table 55: Respondents views on whether the local people want revenue generated from GPT be directed to specific projects

Response	Frequency	%GE
Strongly Agree	12	26
Agree	18	39.2
Averagely Agree	11	23.9
Disagree	5	10.9
Strongly Disagree	0	0
Total	46	100

The majority (39.2%) indicated agree while 26% indicated strongly agree.

4.9.4 Problem(s) in Revenue Utilization

Respondents were able to identify some problems in revenue utilization as table 56 below shows.

Table 56: Respondents perception of the problems in revenue utilization

Response	Frequency	Percentage
Evaluation is not proper	4	8.8
Revenue does not come in time	3	6.6
Corruption and Embezzlement	20	43.6
Councillors want to use all the money for allowances	5	10.9
Poverty on taxpayers	1	2.2
Political interference	2	5.5
Inadequate revenue	2	5.5
Disagreements among LC Officials over what to finance	2	5.5
No response	7	15.4
Total	46	100.0

Table 56 above shows that corruption and embezzlement ranks high (43.6%).

The respondents were also asked to suggest the strategy(s) that can be used in solving the problem(s) of the utilization of graduated tax revenue in the sub county and table 57 below shows the responses.

Table 57: Respondents suggestions on how the problems of GPT revenue utilization can be solved

Responses	Frequency	Percentage
Supplement the funding from the central govt	1	2.2
Tax payers to be sensitized on the disbursement of funds	6	13.1
IGG office to be vigilant	5	10.8
Train planners	1	2.2
Constant Auditing/External Auditors	4	8.7
Ensure proper accountability	7	15.2
Sticking to the budget	5	10.9
Organizing workshops and seminars	7	15.2
Stop politicizing GPT	2	4.3
Early Assessment to ensure GPT is collected in time	1	2.2
No response	7	15.2
Total	46	100.0

As table 57 above shows, various suggestions with the majority suggesting organizing workshops and seminars and ensuring good accountability.

CHAPTER FIVE

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Introduction

Following the research findings and discussions in the preceding chapter four, chapter five presents the summary, conclusions and recommendations of the study.

5.2 Summary

The topic of this study was “An Assessment of the Role of Graduated Personal Tax in Financing Decentralized Local Governments in Uganda (1998-2001): A Case of Bushenyi District. The aim of this study was to find out the extent to which GPT can finance local governments in Uganda. One of the major taxes that Local Governments rely on to finance their activities is GPT. Despite that, GPT has become controversial as it is regressive and the assessment and the exemption procedures are disputable and subjective and fraught with corruption. Because of these controversies, this study was designed to find out; what proportion of the GPT goes to local government; how significant graduated personal tax is as a form of tax in terms of total local government revenue and in relation to personal incomes; how graduated personal tax is distributed to local government units; how the graduated personal tax raised in the local government is used and to find out how the assessment and collection of GPT affects the performance of Local Governments in Uganda.

The methodology used involved a retrospective cross-sectional design. Data was collected using both qualitative and quantitative research methods. Qualitative data was analyzed using thematic coding while quantitative data especially generated from sub-county and district

budgets and semi-structured questionnaires were analyzed descriptively. Following the research findings presented in the preceding chapter, this chapter draws conclusions and recommendations basing on those research findings.

5.3 Key Findings

5.3.1 Definitional Issues

The concepts tax, GPT, decentralization, financial decentralization and local government are fairly conceptualized at higher levels mainly by district and LC111 local authorities but not by many among lay community members. The majority of the respondents were of the view that GPT should be paid and should be paid by all those males above eighteen years. It was interesting to note that respondents were of the view that women should not pay GPT. It was also revealed that the respondents think that the colonial government imposed GPT.

5.3.2 Revenue Adequacy

The study found that the revenues at the sub-county are not adequate though it was clear from the respondents and the budgets that GPT is the mainstay of local governments. It was revealed that the money generated from GPT is low and has been dwindling over years. One of the major reasons given was the interference of the politicians in granting informal tax holidays. It was also noted that the central government's grants are still low though the revenues from the central government were increasing over the years. The respondents did not argue for the abolition of GPT.

5.3.3 Graduated Personal Tax Assessment

There is a widespread feeling among the interviewees that the assessment for GPT does not reflect the ability. They were complaints that the poor are treated too harshly than their rich counterparts. It was also noted that the tax assessors are not well motivated. Other problems like the desk assessment systems, non-declaration of assets and underassessment were reported. It was found out that the present GPT exemption mechanisms are done on a case by case basis within the parameters of locally defined rules.

5.3.4 Graduated Personal Tax Collection

It was found that the methods of tax collection are quite unpopular especially the setting of roadblocks and early morning operations which taxpayers consider repressive. The reasons given why tax collection was poor were lack of proper tax collecting culture, poverty of the taxpayer, and lack of accountability and discrimination in tax collection. It was found out that contrary to the information from the literature review, the costs of tax collection were low.

5.3.5 Characteristics of Local Finance

It was found out that though GPT has been assigned to local governments as 'own' tax, though is a lot of central government in the administration of GPT.

5.3.6 Distribution of Graduated Tax to Local Government Units

It was revealed that the district takes too much share in the revenues disbursed yet the sub-counties are expected to deliver a lot in the eyes of the taxpayers and also the fact that the

sub-counties only get conditional grants unlike their district counterparts who receive both conditional and unconditional grants.

5.3.7 Revenue Utilization

It was revealed that local people do not participate in how revenues are disbursed and later alone utilized. Furthermore, according to the sub-county budgets, it was revealed that the councilors and technocrats utilize much of the local revenue in comparison to the revenues spent on social service delivery.

5.4 Conclusions

Much of the difficulties of administering and managing graduated personal tax in predominantly peasant households such as ours should be appreciated, focus should not be lost on the fact that graduated personal tax is the major contributor to revenue of local governments. An hurried abolition of the tax when a replacement is not in place will create more problems.

Revenue administration is a discipline and therefore it has to have techniques. Under a prural society it needs qualified personnel who are able to enforce its administration by all means be it persuasive or confrontational. It needs close supervision and a good compensation system for all personnel who administer it since the whole environment is quite tempting.

Mobilizing political will requires education and incentives to those involved in the GPT revenue mobilization effort. The taxpayer must be convinced to pay the tax through

receiving improved local services and perceiving the taxes and fees are being administered fairly.

5.5 Recommendations

The researcher hopes that the recommendations drawn from the conclusions of this study would enhance the performance of local governments in the administration of graduated personal tax not only in Bushenyi district but also in other parts of the country.

Revenue Adequacy

1. Local governments should be encouraged to identify and reward most compliant taxpayer say by sex and social status.
2. Attention should also be given to educate the taxpayer on the rationale, procedures, obligations and responsibilities related to GPT. Having the ability to link revenue collection to improved service delivery and a better-educated taxpayer population will enhance compliance.
3. Mobilizing the community through participatory budgeting and civic participation will engage the citizens and also facilitate enhanced GPT revenue collection.
4. The tax delinquency lists should be highly publicized to ensure transparent and consistent action against non-compliance. This will enable local assemblies to effectively target their resources to maximize collections from those in non-compliance.
5. Public relations campaigns should be undertaken. In light of the new decentralization policy, the government should embark on a public relations campaign to fully inform the citizens on their rights and obligations. Brochures, posters, the mass media and citizen meetings should be used to provide information on the various etc.

6. Stakeholder education is essential linked to customer service. Taxpayer education programs are essential to ensure that the rationale and procedures for the GT tax are fully understood. It is also essential to provide customer service both in terms of more efficient and equitable tax administration as well and perhaps more importantly – more effective and accountable delivery of local public services. Tax collection in the absence of service delivery is very difficult.
7. GPT should not be levied when families have increased financial demands e.g. (time of payment of school fees) or lack income (during the period just before harvest). Collecting tax during this period encourages evasion by those who would otherwise be willing to pay.
8. The people should be encouraged to view their relationship with the government not in terms of what they receive from the government but in terms of what they do for the government.

Tax Assessment

9. Information on individual assessments should be available to all to scrutinize as well as their payment details. This will quell conjuncture as to neighbor's assessments and raise peer pressure on those who have not paid.
10. Local governments should, with the assistance of the Ministry of Local Government, increase sensitization and promote transparency by publishing tax registers and projects undertaken using graduated tax contributions.
11. Management and operational staff must be motivated to assist in revenue mobilization effort to ensure the registers are complete and kept up-to-date, assessments are calculated properly, tax demands notices are distributed, taxpayers are made aware of

their obligations and the procedure to pay are collected systematically and fairly from all the taxpayers

12. There should be privatization of both assessment and collection of GPT, thereby potentially freeing up sub-county staff for more developmentally salient activities. This will also as to reduce the effect of political interference.
13. There should be rotation of staff to different sections to avoid collusion during enumeration, under assessment and deliberately allowing evasion because staying in one station is too long.
14. Imputation values should be regularly revised to reflect changing economic realities.
15. Make exemptions explicit. Districts should formalize and agree upon the GPT exemptions within guidelines and these should be widely published.
16. Tax assessment committees and tax appeal tribunals should be established so that people are no longer at the mercies of local officials.
17. Local governments and especially sub-county councils should improve on record keeping especially at LC1 level because the local officials are more likely to identify taxpayers more reliably.

Tax Collection

18. There is need for capacity building in local government in tax administration and financial management. Improved GPT revenue collection will be ineffective without the appropriate financial management skills and procedures to provide accountability, budgeting and planning, which will direct resource flows towards service delivery and development.

19. Training of councilors should be instigated in order to give guidance on their roles in assisting the councils in their tax collection efforts by mobilizing their constituents and providing an example.
20. There should be a sufficient collection effort by all the concerned parties. Proper methods of imposing sanctions among taxpayers should be put in place because most non-payers have escaped without punishment. The ability to “get off” naturally reduces incentives for others to pay.
21. Local government councils should adopt simple systems of motivating collectors, assessors and supervisors (including LCI officials). This study recommends existing incentive pay and incentive allowances schemes for district revenue collectors/administrators. Local Council Officials at the grass root level should be provided with support logistics like bicycles, fuel and other allowances that is quite sufficient for GPT assessment, collection and other mobilization activities.
22. On tax defaulting, the government should embark on community services to make tax defaulters pay in kind.
23. The need for taxpayer education programs was identified during the field visits in order to sensitize taxpayers to the purposes, and uses made, of revenues raised locally by councils in order to restore the credibility of local authorities within the community. This credibility will clearly only be sustained if the promises are supported by actions.
24. Taxpayers also consistently complain about the lack of information and this may be an important reason for the widespread view that neither politicians nor administrators are articulately accountable for the collection and use of revenues. A council based strategy for more systematic dissemination for such information should be developed. The emphasis should shift from exclusive focus on taxpayer obligations (“pay your taxes”)

towards an equal emphasis on taxpayer rights to information, including the right to complain and to be heard. Moreover, councils that actually do improve service delivery would dwell to try to inform the public.

25. Local Governments should network with one another. Lower local governments (LC1s) should network with one another and plan the disbursed revenue together such that they can be able to do viable projects for the taxpayers to be able to appreciate the value of their money.
26. Local governments should explore collections through payment by installment throughout the year.
27. There is need for strengthening the monitoring and supervision of collection and utilization of funds collected.

Characteristics of Local Finance

28. The government must strictly follow the established laws, regulations and procedures to earn the credibility that the taxes are being administered in a transparent, accountable and fair manner.
29. The central government should stop interfering in the administration of GPT.

Tax Revenue Disbursement

30. More money should be allocated to the sub-counties other than the district local government as taxpayers perceive the sub-county as a place convenient to them as regards to service delivery.

31. Local people should be informed when the money is disbursed to their respective villages and local councils such that they can be able to take part in the planning stages and participate in how the disbursed revenues should be utilized.

Revenue Utilization

32. With tax utilization, the first priority must be to improve service delivery since people are always more willing to pay taxes if in return they receive some tangible benefits or services.

33. There is need for strengthening the monitoring and supervision of the utilization of funds collected.

34. There is need to simplify the budget figures and make them easily understandable by the Uganda public. There is also need to make information on the budgetary process available to the wider public through popular publications.

5.6 Suggestions for Further Research

1. This study could be replicated by using another district from Uganda or study another sub-county in Bushenyi district for comparison purposes particularly a Town Council or Municipality.
2. There is need to find out the implications of taxing the rural-unemployed women in Uganda.
3. There is need also to study Alternative Ways of Financing Decentralized Local Governments in Uganda.
4. There is also need to look at the question of Human Rights and Taxation in Uganda.

CODESRIA - LIBRARY

References

Alderfer, Harold F., (1964), **Local Government in Developing Countries**, New York: Mc Graw-Hill Book Company

Allen J, (1990), **Cultivating the grassroots: Why Local Government Matters**, The Hague: International Union of Local Governments.

Arnstein, Sherry R., (1969), A Ladder of Citizen Participation. **Journal of the American Institute of Planners**, Vol. 35: 216-224.

Babin, D. and Bertrand A., (1998) **Managing Pluralism: Subsidiarity and patrimonial mediation**, *Unasyuva*. 194, 49: 19-25.

Bahr Roy W., and Linn Johannes F., (1992), **Urban Public Finance in Developing Countries**, Washington D.C: Oxford University Press.

Bird Richard, M., (2001), "User charges in local government finance" in Mila Freire & Richard Stren (eds.), **The challenge of urban government: Policies and practices**, Washington: World Bank.

Crook Richard and James, Manor, (1994) **Enhancing Participation and Institutional Performance: Democratic Decentralization in South East Asia and West Africa**, London: Overseas Development Administration.

Cullis John and Jones Philips (1998) **Public Finance and Public Choice**, Oxford: Oxford University Press.

Davey Keneth J., (1974), **Taxing a Peasant Society**, London: Charles Knight and Company Limited.

Downs Anthony (1957) **An Economic Theory of Democracy**, New York: Harper and Row

Downs A., (1960) 'Why the Government is Too Small in a Democracy', **World Politics**, 13, pp. 451 – 63.

Due John, F., (1963), **Taxation and Economic Development in Tropical Africa**, Cambridge: The M.I.T Press.

Dukhira, Chit, (1994), **Grass Roots Democracy for National Development: A study of Local Government and Management**, Rose-Hill: De L'océan Indien Publishers.

Dungu Expedict (1998) "Decentralization in Uganda: Process, Prospects, and Constraints, Kampala – Uganda 1990-99", in **Decentralization and Democratization in sub-Saharan Africa**, Occasional papers 45 through 49. International Programs – University of Iowa.

Ebel, Richard, D., & Vaillancourt, Francois, (2001), "Fiscal Decentralization and Financing urban Governments: Framing the problem" in Mila Freire & Richard Stren (eds), **The challenge of urban government: Policies and practices**, Washington: World Bank.

Enemuo, C., Francis, (2000), "Problems and Prospects of Local Governance" in Hyden Goran, Olowu Dele, Ogendo Okoth, (2000) **African Perspectives on Governance**, Asmara: Africa World Press Inc.

Hepworth, N., P., (1970), **The finance of local government**, London: Unwin Hyman Ltd

Hyden Goran, Olowu Dele, Ogendo Okoth, (2000) **African Perspectives on Governance**, Asmara: Africa World Press Inc.

Ikhide Silvanus, (1999), "Local Government Finance and Accountability: A case study of selected Local Governments in Nigeria"; in Olowu Dele and Adebayo Williams and Soremekun Kayode **Governance and Democratization in West Africa**, Dakar: Codesria.

Gariyo Zie (2000) Citizen Involvement in the Budgetary Process in Uganda. A paper presented at a workshop on the theme “ Civil Society: Donor Policy Synergy and Co-ordination, Glasgow, Scotland (unpublished).

Kaldor Nicholas, (1959) **An Expenditure Tax**, London: George Allen and Unwin Limited.

Kamugisha, S. B (1969) “Decentralization”. University of Dar-es-salaam- B.A Dissertation

Katare, Rwelengera E., (1993) Democratic Rights during 1990 General Elections in Tanzania: The case of Bukoba Rural Constituency” B.A Dissertation The University of Dar-es-salaam

Katare Rwelengera E., (2001) The Performance of Dar-es-salaam City Commission: A Challenge to Local Government Institutions in Tanzania: A dissertation submitted for a partial fulfillment of the Requirements for the Degree of Masters of Arts (Public Administration) of the University of Dar-es-salaam.

Klugman, J. (1994) **Decentralization: A survey of literature from a Human Development Perspective**, New York: UNDP.

Leach Steve, Stewart John and Walsh Kieron, (1994), **The Changing Organization and Management of Local Government**, London: Macmillan.

Lee Eugene, (1965), **Local Taxation in Tanzania**, Dar-es-salaam: Institute of Public Administration.

Levi Margaret, (1988), **Of Rule and Revenue**, London: University of California Press, Ltd.

Linda Keen and Scase Richard, (1998), **Local Government Management: The rhetoric and reality of change**. Buckingham: Open University Press.

Livingstone, Ian & Charlton Roger, (1998), “Raising local authority district revenues through direct taxation in a low-income developing country: evaluating Uganda’s GPT” in **Public Administration Development** 18. 499-517: John Wiley and Sons Limited.

Livingstone Ian and Charlton Roger (2001), *Financing Decentralized Development in a Low-Income Country: Raising Revenue for Local Government in Uganda*. Oxford: Blackwell Publishers

Lisk F. (eds.), 1985, **Popular Participation in Planning for Basic Needs**, ILO, Gower: Aldershot.

Manor, James, (1999), **The Political Economy of Democratic Decentralization**, Washington, DC,: World Bank publications.

Mukandala Rwekaza (1998) Decentralization and Democratization in Tanzania, occasional paper No. 46, in **Decentralization and Democratization in sub-Saharan Africa**, Occasional papers 45 through 49. International Programs – University of Iowa.

New vision, Thursday April, 12 2001

New vision, Monday April, 23 2001

Nsibambi, Apollo, (1998), “Financing decentralization in Uganda” in Nsibambi Apollo (eds.), **Decentralization and civil society in Uganda: The Quest for Good governance**, Kampala: Fountain Publishers.

Nsubuga-Kiyaga, John, (1999), Salient issues in the implementation of Uganda’s decentralization policy (Being a paper presented on May 7,1999 at St. Augustine Student Centre Makerere University) (un published).

Olum, Yasin, 2000, *The Political Economy of Decentralization in Africa: The case of Uganda*, Being a paper presented at a conference on the theme “challenges to the Social

Sciences in Africa in the Twenty-First Century”, held at the International Conference Center, Kampala, on 25th-27th October 2000 (un published).

Penner, R., G., (1970), **Financing Local Government in Tanzania**, Nairobi: East African Publishing House.

Reinikka Ritva and Collies Paul, (2001), **Uganda’s Recovery: The Role of Farms, Firms, and Government**, Washington: The World Bank.

Sabine, George H. and Thomas L. Thorson (1989) **A History of Political Theory**, 4th Edition. New York: Dryden Press.

Stewart John and Stoker Gerry, (Eds.) (1995), **Local Government in the 1990’s**, London: Macmillan.

Stiglitz, J (1993) **Economics**, W.W Norton and Company.

Stoker, Gerry, (1991), **The politics of local government: Public policy and politics**, London: The Macmillan press ltd.

Stones P., (1964), **Local Government for Students**, London: Macdonald and Evans Limited.

Stren, Richard, (2001), “Financial management-Revenue raising” in Mila Freire & Richard Stren (eds.), **The challenge of urban government: Policies and practices**, Washington: World Bank.

The Republic of Uganda, (1995), Constitution of the Republic of Uganda.

The Republic of Uganda, (1997), Local Government Act N0.1 of 1997 (With Amendment Act 2001).

The Republic of Uganda, Local Government Finance Commission: Local Revenue Enhancement Study, Final Report, Vol. 2 November 2000 PriceWaterHouseCooper

The Republic of Uganda, Local Government Finance Commission Revenue Sharing Study: Sharing Expenditure Responsibilities and Revenue Assignments November, 2000

Todaro, Micheal, P., (1982), **Economics for a developing world: An introduction to principles, problems and policies for development**, Longman: Essex

Wazarwahi-Bwengye, Francis, (1996), Local Government Taxation in Uganda: A legal perspective (Being a dissertation submitted to Makerere University in part-fulfillment of the requirements for the degree of Master of Laws) un published.

Wraith, Ronald, C., B., (1964), **Local government in West Africa**, London: George Allen and Unwin Limited.

CODESRIA - LIBRARY

Appendix 1

AN ASSESSMENT OF THE ROLE OF GRADUATED TAX IN FINANCING DECENTRALIZED LOCAL GOVERNMENTS IN UGANDA: A CASE OF BUSHENYI DISTRICT

QUESTIONNAIRE

This questionnaire seeks to obtain information on the above very important topic of national importance. You have been purposively chosen as a respondent because of the position you hold at the sub-county and the information you could possibly have regarding the said topic. Be informed that the information you give will be strictly for research purposes and will be treated with utmost confidentiality.

Bio-data/Background of Respondent

1. Name (Optional) _____
2. Age _____
3. Sex _____
4. Position held _____
5. Level of Education _____
6. Length of service _____

I: DEFINITIONAL ISSUES

1. What do you understand by the term tax? _____

2. What do you understand by Graduated Personal Tax (GPT)? _____

3. Who should pay GPT? _____

4. Do you think that GPT should be paid? _____

5. Why do you say so to No. 4? _____

6. When is GPT paid? _____

7. When do you think GPT should be paid? _____

8. Who decided that GPT should be paid? _____

9. Why do you think that GPT was enacted? _____

10. What do you understand by decentralization? _____

11. What do you understand by Local Government? _____

12. What do you understand by financial decentralization? _____

II: REVENUE ADEQUACY

13. Name the sources of revenue in the sub-county _____

14. The revenue generated in the sub-county is adequate for service delivery (tick one).
a) Strongly Agree
b) Agree
c) Averagely Agree
d) Disagree
e) Strongly Disagree
15. Revenue generated in the sub-county through GPT is (tick one).
a) Very High
b) High
c) Averagely High
d) Low
e) Very Low
16. GPT is an important source of revenue in the sub-county (tick one)
a) Strongly Agree
b) Agree
c) Averagely Agree
d) Disagree
e) Strongly Disagree
17. The percentage of the revenue generated through GPT to total Local Government revenue is about (tick one)
a) 1:2 (50%)
b) 1:4 (25%)
c) 1:8 (12.5%)
d) 1:10 (10%)
e) 1:20 (5%)

18. What is your assessment of the ratio of Local Government revenue to that of the Central Government revenue that is disbursed to the sub-county (tick one)
- a) Very High
 - b) High
 - c) Averagely High
 - d) Low
 - e) Very Low
19. Revenue generated from GPT is transferred to the Central Government (tick one)
- a) Strongly Agree
 - b) Agree
 - c) Averagely Agree
 - d) Disagree
 - e) Strongly Disagree
20. All the GPT revenue generated is utilized in the sub-county (tick one)
- a) Strongly Agree
 - b) Agree
 - c) Averagely Agree
 - d) Disagree
 - e) Strongly Disagree
21. The sub-county has powers to decide on the utilization of the revenue it generates from GPT (tick one)
- a) Strongly Agree
 - b) Agree
 - c) Averagely Agree
 - d) Disagree
 - e) Strongly Disagree
22. The accountability mechanism in the sub-county is capable of stopping mis-use of resources (tick one)
- a) Strongly Agree
 - b) Agree
 - c) Averagely Agree
 - d) Disagree
 - e) Strongly Disagree
23. The proportion of GPT spent in the delivery of services in the sub-county is (tick one)
- a) Very high
 - b) High
 - c) Averagely high
 - d) low
 - e) Very low
24. The proportion of GPT spent on the delivery of services in the sub-county is enough (tick one)
- a) Strongly Agree
 - b) Agree
 - c) Averagely Agree

- d) Disagree
 - e) Strongly disagree
25. If GPT is abolished it can affect the performance of the sub-county (tick one)
- a) Strongly Agree
 - b) Agree
 - c) Averagely Agree
 - d) Disagree
 - e) Strongly Disagree
26. GPT cannot be relied upon as a form of local government revenue (tick one)
- a) Strongly Agree
 - b) Agree
 - c) Averagely Agree
 - d) Disagree
 - e) Strongly Disagree
27. GPT is a more reliable form of tax in financing local government services (tick one)
- f) Strongly Agree
 - g) Agree
 - h) Averagely Agree
 - i) Disagree
 - j) Strongly Disagree

111 : TAX ASSESSMENT

27. The method of classification of taxpayers in the sub-county is appropriate (tick one)
- a) Strongly Agree
 - b) Agree
 - c) Averagely Agree
 - d) Disagree
 - e) Strongly Disagree
28. The method(s) of classification of taxpayers is programmed/systematic
- a) Strongly Agree
 - b) Agree
 - c) Averagely Agree
 - d) Disagree
 - e) Strongly Disagree
29. The people in the sub-county determine the classification of taxpayers
- a) Strongly Agree
 - b) Agree
 - c) Averagely Agree
 - d) Disagree
 - e) Strongly Disagree
30. The method used in the assessment of taxpayers in the sub-county is accurate/objective (tick one)
- a) Strongly Agree
 - b) Agree
 - c) Averagely Agree

- d) Disagree
 - e) Strongly Disagree
31. The assessment of taxpayers in the sub-county is done regularly (tick one)
- a) Strongly Agree
 - b) Agree
 - c) Averagely Agree
 - d) Disagree
 - e) Strongly Disagree
32. The assessment of taxpayers in the sub-county is based on what obtains in the market place (tick one)
- f) Strongly Agree
 - g) Agree
 - h) Averagely Agree
 - i) Disagree
 - j) Strongly Disagree
33. The assessment of taxpayers in the sub-county reflects the level of income of those in the same income bracket (tick one)
- a) Strongly Agree
 - b) Agree
 - c) Averagely Agree
 - d) Disagree
 - e) Strongly Disagree
34. The assessment of taxpayers in the sub-county is fair in comparison to those who are in different income brackets (tick one)
- a) Strongly Agree
 - b) Agree
 - c) Averagely Agree
 - d) Disagree
 - e) Strongly Disagree
35. The tax assessment system being used in the sub-county is comprehensive (tick one)
- a) Strongly Agree
 - b) Agree
 - c) Averagely Agree
 - d) Disagree
 - e) Strongly Disagree
36. Where there are any tax assessment problem(s), this is appropriately resolved (tick one)
- a) Strongly Agree
 - b) Agree
 - c) Averagely Agree
 - d) Disagree
 - e) Strongly Disagree
37. Taxpayers are keen at paying GPT (Tick one)
- a) Strongly Agree
 - b) Agree
 - c) Averagely Agree
 - d) Disagree
 - e) Strongly Disagree

38. The assets/properties that are taxed are assessable (tick one)
- a) Strongly Agree
 - b) Agree
 - c) Averagely Agree
 - d) Disagree
 - e) Strongly Disagree
39. The assets/properties that are taxed are rightly taxed (tick one)
- a) Strongly Agree
 - b) Agree
 - c) Averagely Agree
 - d) Disagree
 - e) Strongly Disagree
40. Tax assessors consider the appropriate factors in assessing assets/properties (tick one)
- a) Strongly Agree
 - b) Agree
 - c) Averagely Agree
 - d) Disagree
 - e) Strongly Disagree
41. Staff in the Assessment Office in the sub-county are adequate (tick one)
- a) Strongly Agree
 - b) Agree
 - c) Averagely Agree
 - d) Disagree
 - e) Strongly Disagree
42. Tax assessors in the sub-county are competent (tick one)
- a) Strongly Agree
 - b) Agree
 - c) Averagely Agree
 - d) Disagree
 - E) Strongly Disagree
43. Tax Assessors in the sub-county are motivated to effectively carry out their task (tick one)
- a) Strongly Agree
 - b) Agree
 - c) Averagely Agree
 - d) Disagree
 - e) Strongly Disagree
44. Assessment structures in the sub-county are available (tick one)
- a) Strongly Agree
 - b) Agree
 - c) Averagely Agree
 - d) Disagree
 - e) Strongly Disagree
45. The tax assessment structures in the sub-county are effective (tick one)
- a) Strongly Agree
 - b) Agree
 - c) Averagely Agree
 - d) Disagree

e) Strongly Disagree

46. Tax Assessors in the sub-county behave in ethical manner (tick one)

- a) Strongly Agree
- b) Agree
- c) Averagely Agree
- d) Disagree
- e) Strongly Disagree

47. Taxpayers who are exempted from paying taxes are correctly identified (tick one)

- a) Strongly Agree
- b) Agree
- c) Averagely Agree
- d) Disagree
- e) Strongly Disagree

48. The reason(s) for exempting some taxpayers in the sub-county is genuine (tick one)

- a) Strongly Agree
- b) Agree
- c) Averagely Agree
- d) Disagree
- e) Strongly Disagree

49. The taxpayers in the sub-county are enough to generate enough revenue through GPT to fund local services (tick one)

- (a) Strongly Agree
- (b) Agree
- (c) Averagely Agree
- (d) Disagree
- (e) Strongly Disagree

IV: CHARACTERISTICS OF LOCAL FINANCE

50. The current scales of GPT in the sub-county is acceptable (tick one)

- a) Strongly Agree
- b) Agree
- c) Averagely Agree
- d) Disagree
- e) Strongly Disagree

51. The proportion of total public revenue that goes to the sub-county treasury is adequate (tick one)

- a) Strongly Agree
- b) Agree
- c) Averagely Agree
- d) Disagree
- e) Strongly Disagree

52. The share of the public revenue that comes from the national grants in the form of aid, national subsidies and national loans is adequate (tick one)

- a) Strongly Agree
- b) Agree
- c) Averagely Agree

- d) Disagree
- e) Strongly Disagree

53. The proportion of the local tax revenue collected in the sub-county in form of GPT is adequate (tick one)

- a) Strongly Agree
- b) Agree
- c) Averagely Agree
- d) Disagree
- e) Strongly Disagree

54. The central government effectively controls the budgeting, auditing, spending, purchasing, tax levying, tax collection and allocation of grants arising from GPT (tick one)

- a) Strongly Agree
- b) Agree
- c) Averagely Agree
- d) Disagree
- e) Strongly Disagree

55. The local government effectively controls the budgeting, auditing, spending, purchasing, tax levying, tax collection and allocation of grants arising from GPT (tick one)

- a) Strongly Agree
- b) Agree
- c) Averagely Agree
- d) Disagree
- e) Strongly Disagree

56. The sub-county can raise revenue outside the support of local government and central government (tick one)

- a) Strongly Agree
- b) Agree
- c) Averagely Agree
- d) Disagree
- e) Strongly Disagree

V : TAX COLLECTION

57. GPT should not be collected at all (tick one)

- a) Strongly Agree
- b) Agree
- c) Averagely Agree
- d) Disagree
- e) Strongly Disagree

58. The method of tax collection in the sub-county is appropriate (tick one)

- a) Strongly Agree
- b) Agree
- c) Averagely Agree

- d) Disagree
- e) Strongly Disagree

59. The methods of tax collection were appropriately formulated by the taxpayers (tick one)

- a) Strongly Agree
- b) Agree
- c) Averagely Agree
- d) Disagree
- e) Strongly Disagree

60. The cost of tax collection in the sub-county is proportional to the amount raised (tick one)

- a) Strongly Agree
- b) Agree
- c) Averagely Agree
- d) Disagree
- e) Strongly Disagree

61. The costs incurred in tax collection is worth the services rendered in the sub-county (tick one)

- a) Strongly Agree
- b) Agree
- c) Averagely Agree
- d) Disagree
- e) Strongly Disagree

62. Other strategy(s) can be suggested to collect GPT (tick one)

- a) Strongly Agree
- b) Agree
- c) Averagely Agree
- d) Disagree
- e) Strongly Disagree

63. Suggest any strategy(s) you know in relation to question 62 above.

VI : DISBURSEMENT OF GRADUATED TAX FROM THE DISTRICT TO THE SUB-COUNTIES

64. Revenues from GPT is disbursed to the sub-counties in accordance to the law (tick one)

- a) Strongly Agree
- b) Agree
- c) Averagely Agree
- d) Disagree
- e) Strongly Disagree

65. A sizeable proportion of revenue from GPT is disbursed to sub-counties (tick one)
- a) Strongly Agree
 - b) Agree
 - c) Averagely Agree
 - d) Disagree
 - e) Strongly Disagree
66. The amount of revenue from graduated tax that is disbursed to the sub-counties is adequate to meet the delivery of services (tick one)
- a) Strongly Agree
 - b) Agree
 - c) Averagely Agree
 - d) Disagree
 - e) Strongly Disagree
67. The amount of revenue from GPT that is disbursed to the local council 1 from sub-counties to meet the delivery of services is adequate.
- a) Strongly Agree
 - b) Agree
 - c) Averagely Agree
 - d) Disagree
 - e) Strongly Disagree
68. The disbursement of the revenue from graduated tax is done in a timely manner (tick one)
- f) Strongly Agree
 - g) Agree
 - h) Averagely Agree
 - i) Disagree
 - j) Strongly Disagree
69. The local people are informed when funds are disbursed to the sub-counties (tick one)
- a) Strongly Agree
 - b) Agree
 - c) Averagely Agree
 - d) Disagree
 - e) Strongly Disagree
70. The district has a mechanism of following up the utilization of funds disbursed to the sub-counties (tick one)
- a) Strongly Agree
 - b) Agree
 - c) Averagely Agree
 - d) Disagree
 - e) Strongly Disagree
71. The sub-county has a mechanism of following up funds disbursed to it by the district (tick one)

- a) Strongly Agree
- b) Agree
- c) Averagely Agree
- d) Disagree
- e) Strongly Disagree

72. Other method(s) should be used to follow up the utilization of funds in the sub-counties (tick one)

- a) Strongly Agree
- b) Agree
- c) Averagely Agree
- d) Disagree
- e) Strongly Disagree

VII : UTILIZATION OF REVENUE GENERATED FROM GRADUATED TAX

73. The revenue generated from GPT has done a lot in the sub-counties (tick one)

- a) Strongly Agree
- b) Agree
- c) Averagely Agree
- d) Disagree
- e) Strongly Disagree

74. The local people do participate in the way disbursed funds are utilized (tick one)

- a) Strongly Agree
- b) Agree
- c) Averagely Agree
- d) Disagree
- e) Strongly Disagree

75. The local people are satisfied by the way disbursed funds are utilized in their sub-counties (tick one)

- a) Strongly Agree
- b) Agree
- c) Averagely Agree
- d) Disagree
- e) Strongly Disagree

76. There are other areas in the sub-county where disbursed funds can be utilized (tick one)

- a) Strongly Agree
- b) Agree
- c) Averagely Agree
- d) Disagree
- e) Strongly Disagree

77. It is possible to tell that a particular project(s) is funded from GPT (Tick one)

- (a) Strongly Agree
- (b) Agree
- (c) Averagely Agree
- (d) Disagree
- (e) Strongly Disagree

78. The sub-county has project(s) that are funded directly from graduated tax (tick one)

- a) Strongly Agree
- b) Agree
- c) Averagely Agree
- d) Disagree
- e) Strongly Disagree

79. The local people want revenue generated from GPT to be directed to specific project (s) (tick one)

- a) Strongly Agree
- b) Agree
- c) Averagely Agree
- d) Disagree
- e) Strongly Disagree

80. There are problem(s) that affect(s) the utilization of graduated tax revenue in the sub-county (tick one)

- a) Strongly Agree
- b) Agree
- c) Averagely Agree
- d) Disagree
- e) Strongly Disagree

81. Can you mention some of the problem(s) in your response to No. 74.

82. There are strategy(s) in solving the problem(s) of the utilization of graduated tax revenue in the sub-county (tick one)

- a) Strongly Agree
- b) Agree
- c) Averagely Agree
- d) Disagree
- e) Strongly Disagree

83. Suggest the strategy(s) that can be used in solving the problem(s) of the utilization of graduated tax revenue in the sub-county (tick one)

Appendix 11

AN ASSESSMENT OF THE ROLE OF GRADUATED TAX IN FINANCING DECENTRALIZED LOCAL GOVERNMENTS IN UGANDA: A CASE OF BUSHENYI DISTRICT

INTERVIEW GUIDE

Theme One: Definitional Issues

- i) What is the meaning of tax?
- ii) What is the meaning of GPT? – who pays it? Do they think it should be paid? When is it paid? Who put the tax in place, and why?
- iii) What is decentralization?
- iv) What is local government?
- v) What is financial decentralization?

Theme Two: Revenue Adequacy

- i) What are the sources of revenue in the sub-county?
- ii) Is the revenue generated in the sub-county adequate?
- iii) How much is generated from GPT?
- iv) Do you think that GPT is an important source of local government revenue? (explain).
- v) What is the ratio between internally generated revenue from GPT and total local government revenue?
- vi) What is the ratio between local government revenue and central government revenue?
- vii) Is any proportion of the revenue generated from GPT transmitted to the central government?
- viii) If so, how much?
- ix) Does all the revenue generated from GPT get utilized in the local government?
- x) If yes, how much?
- xi) If not, why not?
- xii) What power does the sub-county have over revenue utilization?
- xiii) Can the sub-county determine the level and pattern of expenditure of local revenue generated?
- xiv) What is the accountability mechanism in the sub-county for local revenue generated?
- xv) What proportion of GPT is spent on the delivery of services in the sub-county?
- xvi) Is the amount spent from GPT in the delivery of services enough? (explain).
- xvii) Can the GPT revenue affect the performance of the sub-county in case it is abolished? (explain).
- xviii) Can the GPT be relied upon as a form of local government revenue? (explain).
- xix) Is the GPT more reliable than other forms of taxes in financing local government services? (explain).

Theme Three: Tax Assessment

- i) What is the method of tax assessment in the sub-county in terms of: a) classification of taxpayers? Who determines the classification? How is the classification done? b) accuracy/objectivity of the assessment method? c) regularity of the assessment? d) the determination in market value of the assessment? e) equity in procedure of assessment (horizontal and vertical) f) completeness of the assessment system? g) resolution in assessment problems?
- ii) Are taxpayers keen at paying GPT? (explain).
- iii) What is taxed? Are the assets/properties assessable?
- iv) Staff in the Assessment Office in terms of: a) adequacy? b) competence c) motivation (e.g., salaries etc).
- v) Assessment structures in terms of: a) are they in place? If yes, are they good? If not, why not? b) behaviors of the members of the structure(s) (are they ethical or corrupt, efficient or inefficient, etc)?
- vi) What factors influence the assessment of taxpayers?
- vii) Who are exempted from paying graduated tax?
- viii) What criteria is considered in exempting people from paying graduated tax?
- ix) Are the taxpayers enough to generate enough revenue through GPT to fund local services?

Theme Four: Characteristics of Local Finance

- i) What is your opinion about the current scales of graduated tax and GPT in particular?
- ii) What proportion of total public revenue goes to the sub-county treasury?
- iii) What is the share of public revenue that comes from the national grants is in the following forms:
 - a) aid
 - b) national subsidies, and
 - c) national loans?
- iv) What is the proportion of the local tax revenue collected is contributed by GPT?
- v) How does the central government control each phase of GPT in terms of:
 - a) Budgeting?
 - b) Auditing?
 - c) Spending?
 - d) Allocation of grants?
 - e) Purchasing?
 - f) Tax levying?
 - g) Tax collection?
- vi) How does the local government control each phase of GPT in terms of:
 - a) Budgeting?
 - b) Auditing?

- c) Spending?
 - d) Allocation of grants?
 - e) Purchasing?
 - f) Tax levying?
 - g) Tax collection?
- vii) Are there any other levels of revenue generation other than through the central government and local government that is available in the sub-county?

Theme Five: Tax Collection

- i) Should GPT be collected at all? (explain).
- ii) What are the methods of tax collection?
- iii) Who formulated the methods you have identified?
- iv) How appropriate are the methods that are used in tax collection?
- v) What do you think about the cost of tax collection?
- vi) What do you think about the cost of tax collection in terms of services rendered?
- vii) What strategy do you suggest for the collection of GPT?

Theme Six: Disbursement of Graduated Tax from the District to the Sub-Counties

- i) Revenue from graduated tax is disbursed to sub-counties in accordance with the law?
- ii) If yes, how much?
- iii) If not, why not?
- iv) If yes, how is this disbursement done?
- v) Is the amount that is disbursed adequate in meeting the needs of the sub-county to deliver services? (explain).
- vi) How long does it take for the disbursement to be effected?
- vii) When is the revenue disbursed?
- viii) Does the timing of the disbursement have any effect on the delivery of services at the sub-counties? (explain)
- ix) Are the people informed when the taxes are disbursed?
- x) If not, why are they not informed?
- xi) What should be done to make them informed?
- xii) What factors influence the amount that is disbursed?
- xiii) Does the district have a mechanism of following up how the disbursed funds have been utilized?
- xiv) Does the sub-county have a mechanism of following up how the disbursed funds are utilized?
- xv) What method do you think is the most appropriate in following up how the disbursed funds are utilized?

Theme Seven: Utilization of Revenue Generated from Graduated Tax

- i) What has the revenue accruing from graduated tax disbursed or retained by the sub-county done?

- ii) Do the people participate in deciding how the disbursed revenue is utilized?
- iii) If not, why not?
- iv) The people are satisfied with the way the disbursed revenue is utilized? (explain).
- v) Are there areas where you would like to see graduated tax revenue spent where it is not presently spent? (specify).
- vi) Are there specific projects that are funded from graduated tax revenues? (specify).
- vii) Do the taxpayers differentiate between projects funded from graduated tax and other funds from other levels (e.g., government, non-governmental organizations) (explain).
- viii) What major problem(s) affect(s) the utilization of graduated tax revenue in the sub-county and in the district?
- ix) If there are any problem(s) in the utilization of graduated tax revenue, how do you think they can be overcome?

= I wish to thank you for accepting to answer the questions =

CODESRIA - LIBRARY