

TAXATION AND BUSINESS PERFORMANCE

**CASE STUDY: BRALIGA AND SONS ENTERPRISE,
ADJUMANI TOWN.**

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DECLARATION

I ALIKUNDU ISMAIL REG No. BBA/12507/61/DU declare that this research proposal is from own finding and has never been produced by any body else for the same a ward in my institution.

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APPROVAL

This is to satisfy that, 'the research proposal entitled taxation and business performance' to be submitted to faculty of business and management as a requirement for the fulfillment for a ward of degree in bachelors of business administration.

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CHAPTER ONE

1.0 BACKGROUND OF THE STUDY

Taxes have existed virtually as long as there have been organized governments. In the middle ages, individuals provided services directly to their lords. These were all taxes although they were not monitored.

In modern communities, it is generally accepted that governments have to collect taxes in order to pay for the collective services to be rendered to the public. In this context, taxation is considered to be a transfer of monetary resources from private sector to the public sector. However, unlike most transfer, it is not entered into voluntarily. Taxation is compulsory. The argument for taxation to be compulsory rotates around the need for public services.

The forced transfer may appear to be a violation of human freedom but transfers through the government wear the mantle of legality and respectability conferred upon them by the political process. Problems only arise in distinguishing legitimate collections from illegitimate uses of the powers of taxation.

Tax is a major government source of revenue. This can be subdivided into the following:

- a) Taxes on income and expenditure i.e. Corporation tax, Income tax, Expenditure tax, Interest tax and similar other taxes if any.
- b) Taxes on property and capital transactions i.e. Taxes on specific forms of wealth and its transfers such as estate duty, Wealth tax, Land revenue, Stamp and Registration fees.
- c) Taxes on commodities and services i.e. Taxes on production, Sales, Purchase, Transport, Storage and Consumption of goods and services.

Non tax revenue of the government can be divided into three sections.

- a. Currency, Coinage and Profits.
- b. Interest receipts, dividends and profits

- c. Other non tax revenue; Administrative services, Public services commission, Police, Jails, Agriculture, Allied services, Industry and minerals, Water and power development services.

Taxes collected by local government;

- Graduated poll tax (this was suspended by the finance minister in Uganda effective 1-july-2005)
- Land rates, fees and licenses.

Taxes collected by central government

- Income tax, Corporation tax, Capital gains tax, Value Added Tax (VAT), Excise duty and Imported duty etc

According to Dan Schisler (2004), the federal government enacted the first federal income tax in 1861 as a method to finance the civil war. Prior to that time, federal tax revenue came primarily from excise taxes and duties on imported goods. Once the war was over, the congress repealed the income tax, congress again passed a federal income tax in the late 1800's in order to broaden the types of taxes and to increase federal revenue, however in 1895, the supreme court held

Income

According to the Bible, the King Solomon of the Old Testament pointed to the need for taxes to be applied for civil purposes (1 Kings 4:7; 9:15; 12:4), and these amounts were increased during times of foreign occupation.

The early Christians of the New Testament including Jesus supported the payment of taxes. "Render unto Caesar the things that are Caesar's". It is even recognized as a duty whether as a "telos" on merchandise or travellers (Matt. 17:25), an annual "phoros" on property tax (Luke 20:22; 23:2), a "kensos" or poll tax (Matt. 22:17; Mark 12:14, or the tribute money of a temple-tax (Matt. 17:24-27).

Adjumani Town council is one of Adjumani district's sub county, Adjumani district was created out of Moyo district and started operating formerly in the financial year 1997/1998 whereby it has been lunched on 17th July 1997. It is bordered by Moyo district in North and West, by Amuru District in East and South and River Nile divided Adjumani District and Moyo District whereby you will across River Nile using Ferry from both sides.

Through taxation, local government are able to produce more or high output than would have been where taxation flow is only limited to specific sections of businesses.

However, lack of taxation in Adjumani town council has led to poor budgeting, ineffectiveness in implementation of different projects within town council areas, inability to develop the sense sectors.

1.1 STATEMENT OF THE PROBLEM

In Uganda emphasis has been put to improve on taxation as a formality but most local governments have failed to perform to the public expectation. The taxation in Adjumani town council has resulted into poor relationship, lack of trust, poor coordination and also increases in the rate of conflict between town council authorities and traders trading around the town council area because of the taxation policies impose on them. Therefore the taxes that are impose on them, it make traders avoid paying tax to the government, especially when they are heavily tax which enable smuggle goods so that avoid the tax because tax impose on them have low (profit) return from their business.

1.2 PURPOSE OF THE STUDY

The purpose of the study is to establish the relationship between taxation and business performance

1.3 SPECIFIC OBJECTIVES OF THE STUDY

The following will be the objectives under which the research will be carried out.

- To establish the relationship between taxation and performance of business
- To find out how does the taxation affects the performance of business
- To examine the taxing method use in the business.

1.4 RESEARCH QUESTIONS

- What is the relationship between the taxation and performance of business?
- How does taxation affect business performance?
- What are forms of tax are used in Adjumani town council?

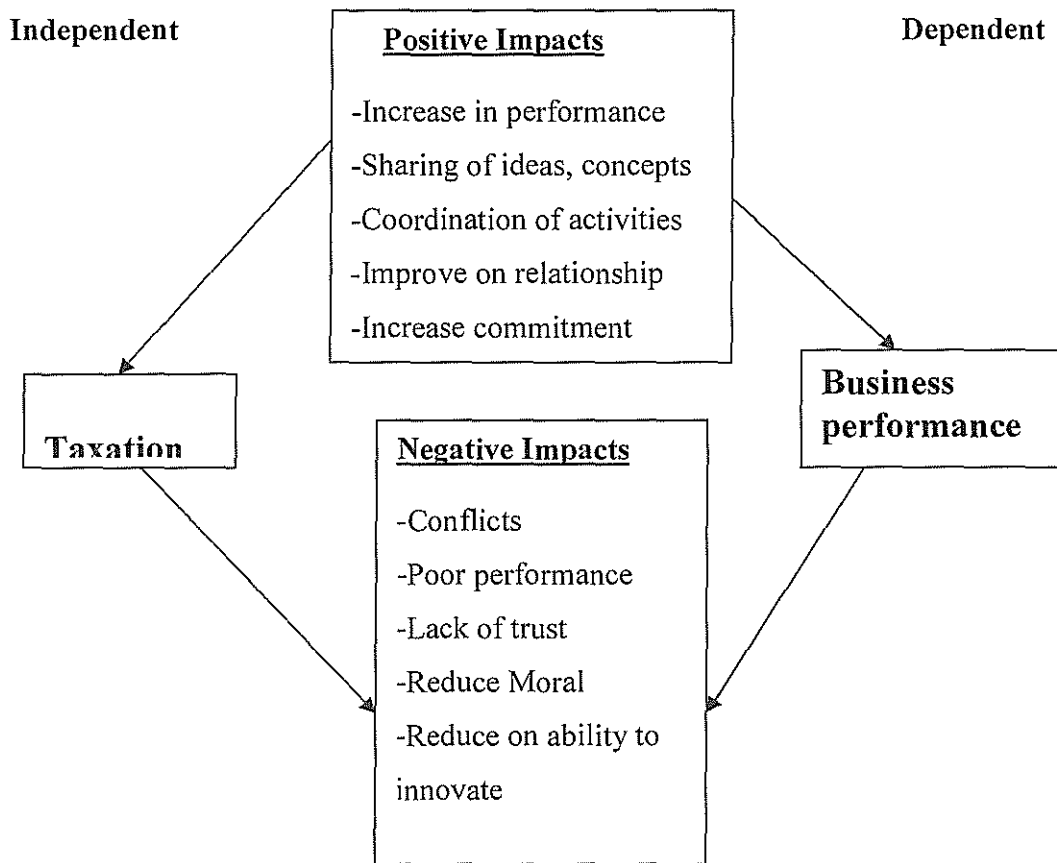
1.5 SCOPE OF THE STUDY

The study will be carried in northern Uganda in the District of Adjumani (Adjumani town council Sub County) in West Nile. The researcher has chosen Adjumani town council due to nearness to the researcher's residence and easy access to required information and this will cover all those administrators and traders that based in the town council area which operating at different types of business.

1.6 SIGNIFICATANCE OF THE STUDY

- This study will be useful in finding out how best the management of Adjumani town council can effectively taxes for better performance of business at the town council area.
- To provide up to date literatures for academicians and managers in the department of tax and finding may be used for future literature review.
- The study will also be useful to the policy makers of Adjumani town council in providing effective taxation system for better performance of business.
- It is also important because it contributes to the researcher fulfillment of the requirement for a ward of bachelor's degree in business administration.
- It can be used by other researchers, students of Kampala international university students, lecturers and administrators for further reference

1.7 CONCEPTUAL FRAME WORK



LITERATURE REVIEW

2.0 INTRODUCTION

This chapter is about the ideas and views of other persons in the relation to the topic identified by the researcher. The literatures are vital and enable the researcher to investigate further; the literature was mainly taken from other secondary sources of data.

2.1 DEFINITION OF THE CONCEPTS

Manasseh Tumuhimise (2002), defined taxation as a compulsory and non refundable contribution exacted by government for public purposes. This payment is not followed by a concurrent benefit in return. The charge or levy is instituted by law.

According to Dora Hancock (1998/1999), taxation is a compulsory payment made to a physical authority as accost of administering certain services to the public i.e. the compulsory payment made to the government by the public to enable it carry out its function such as roads, hospitals, schools, educations.

2.2 CLASSIFICATION OF TAXES

Kath Nightingale (1997), he state that taxes have been classified into two as Direct and Indirect tax

Direct taxes:

Direct *taxes* refer to those taxes that are paid by the people or organizations on whom they are imposed. For example, income taxes are paid by the person who earns the income

Indirect taxes are those that are paid to the government by an intermediary then passed on to the consumer by including the tax in the final price. The cost of indirect taxes is borne by someone other than the person responsible for paying them. For example, taxes on liquor or gasoline are often included in the price of the items, so even though the seller sends the payments to the government, the buyer is the real payer hence Indirect taxes are

sometimes described as hidden taxes because the purchaser of goods or services may not be aware that a proportion of the price is going to the government. (J.C. Rocket -2001),

Therefore the below are the examples of Direct and Indirect taxes

No	DIRECT TAXES	INDIRECT TAXES
1	Individual income tax	General sales, turnover or VAT
2	Corporate tax	Excise on local production
3	Withholding taxes	Profits on fiscal monopolies
4	Taxes on payroll and labour	Taxes on specific services
5	Taxes on property	Import duties
6	Taxes on net wealth	Export duties
7	Estate, inheritance and gift tax	Profits on foreign exchange
8	Tax on financial/ capital transaction	
9	Poll tax/ graduated tax	
10	Social security contributions	

In law, the terms may have different meanings. In US constitutional law, for instance, direct taxes refer to poll taxes and property taxes, which are based on simple existence or ownership.

Indirect taxes are imposed on rights, privileges, and activities. Thus, a tax on the sale of property would be considered an indirect tax, whereas the tax on simply owning the property itself would be a direct tax.

J. Mirrlees (1971), emphasize that the distinction can be subtle, but it is important under US law, since the United States Constitution requires that direct taxes be apportioned according to population. That is, if one state has twice the population of another state, then the direct tax revenue from that state must be exactly twice that from the other state.

Proportional tax

According to Atkinson, A.B (1976), proportional tax is where tax percentage does not depend on the base, hence the tax is proportional to how much you earn, have, or spend, this is where the tax payer pays the same proportion of the tax regardless of their different incomes i.e. the tax paid at the same percentage by every tax payer. Hence his form of tax is fair on one hand and on another, it's unfair for the poor people because they would have more burden compared to the rich.

Regressive tax

J.E. Stiglitz (1976) emphasized that here, the rich people are charged less than poor people because one's income increase, the percentage of tax paid reduce. Hence this type of tax promotes income inequality.

Degressive tax

According to Atkinson, A.B (1976), this is a tax where tax rate increases as one's income increases up to the level where the tax rates become constant.

2.4 TYPES OF COMMON TAXES

Income tax:

According to Hellwig, M.F. (2004), Income tax is a tax levied on individual economies which is earned during a certain period; it varies with sources and size of tax payer's income and various other characteristics as laid down by law. Income tax is also known as a progressive tax because the tax rate increases with increasing in one's income. Some critics characterize this tax as a form of punishment for economic productivity. Other critics charge that income taxation is inherently socially intrusive because enforcement requires the government to collect large amounts of information about business and personal affairs, much of which could be considered proprietary. The crucial invention permitting the reliable collection of high income taxes was direct withholding of taxes from payrolls by employers. This reduces the perceived burden of the tax, because employees never handle the money. Direct withholding also discourages cheating,

because it requires the collaboration of employers, and as there are fewer employers than employees, the government's enforcement efforts can be deployed more effectively. Where income tax is not collected at source, it becomes possible to cheat by lying about one's affairs. Either one fails to declare income, or declares nonexistent expenses. Tax enforcement authorities fight this by looking at individual spending ratios using computer programs. For example, if a person spends too much on cars, their tax affairs might be audited.

Corporation tax:

According to Mugume Christine, 2006, this is a tax that levied on net incomes of company and business. Hence it will be charge on the profits form sales, interest and dividends received, rents and loyalties, receipts from services and capital gains and losses.

Capital gains tax:

.according to Mugume Christine, 2006, this is where a tax is levied on transaction which produce profits but not in the form of income. For example capital gains on transfer of property or taxes on gains made by an investor on the sale of shares, whereby he bought and sold on a stock exchange. This tax is also not developed in Uganda because of the low level of such transactions. In the developed countries, this tax has been assumed of importance largely because of the development of financial markets and the need to control the transactions

Sales tax

Manasseh Tumuhimise (2002) said sales taxes are a form of excise levied when a commodity is sold to its final consumer, it is usually applied to only one stage of business activity. They are generally held to discourage retail sales. The question of whether they are generally progressive or regressive is a subject of much current debate. People with higher incomes spend a lower proportion of them, so a flat-rate sales tax will tend to be regressive. It is therefore common to exempt food, heating and lighting costs from sales

taxes, since poor people spend a higher proportion of their incomes on these commodities, so exempting them should make the tax more progressive. It can be argued that sales tax directly discourages improvements in the efficiency of production because it taxes the purchase of factory equipment. The classic way of cheating on sales tax is to ask a merchant for a cash discount. The merchant pockets the cash and writes off the merchandise to shrinkage and the state fails to get the tax.

Value-added tax

According to Guesnerie, R.-1995),A value-added tax is a tax that are imposed on the value of a commodity at each level of production during the production process. Hence it is also refer as a goods and services tax, it is apply to every operation that creates value. Economic theorists have argued that this minimizes the market distortion resulting from the tax. A VAT was historically used when a sales tax or excise tax was uncollectable. For example, a 30% sales tax is so often cheated that most of the retail economy will go off the books. VAT distributes such a tax in small enough increments that it becomes more trouble to cheat than to pay the tax. However, a VAT punishes production, which is considered a bad effect

Property taxes

Manasseh Tumuhimise (2002) emphasized that property tax is usually levied on the value of property owned, usually real estate. Property taxes may be charged on a recurrent basis, or on upon a certain event, the common type of event that driven property taxes are stamp duty, charged upon change of ownership, and inheritance tax, which is imposed in many countries on the estates of the deceased. Some believe that inheritance taxes do not have any harmful effect on the economy and may even be beneficial as they encourage consumer spending by the elderly. However, they are also believed to discourage productivity and to disrupt the continuity of family-owned businesses.

Tariffs

According to Guesnerie, R.-1995), tariffs includes an import or export tariff that are a charge on the movement of goods through a political border, so that to discourage trade, and they are used by governments to protect domestic industries. .

Customs duties

According to Dora Hancock (1998/1999), customs duties is tax that are imposed on imported goods, this tax is to encourage more imports in the country than export.

2.5 PRINCIPLES OR CANONS OF TAXATION

According to Ferderick Niswander(2004), the principles of taxation are concepts that provide guidelines towards a good tax system or tax payer can contribute to government revenue with maximum compliance in order for government to optimize its tax revenue. Some of canons include:

Simplicity

According to Sally M .Jones (2004), a good tax should be the one that is easy to understand i.e. the tax payer must be able to known the exactly the amount to pay and when and how much to pay without any difficult. If the tax legislation is so complex to understand by the taxable person, this increase the level of resentment paving the way to tax evasion, it will also require a lot of manpower and facilities to implement.

Equity

Manasseh Tumuhimise (2002), emphasizes that tax liability should match with tax payer's income, consumption or transactions levels which will be an important criterion of levying taxes. Hence Equity has two dimensions, horizontal and vertical.

Horizontal equity refers to the taxing of all persons at the same level of income of consumption uniformly.

Vertical equity refers to treatment of people with different income levels and vice versa. The canon implies equity of sacrifice or ability to pay the tax in proportion to the income of the tax payer.

Certainty

According to Ferderick Niswander(2004), the tax each individual is bound to pay ought to be certain and not arbitrary, in order to avoid corruption. The time of payment, the manner of payment and the quantum to be paid ought all to be clear and plain to every tax payer. In other wards, nothing to be left to the discretion of the tax body. In addition, the government should be fairly certain about the amount of tax revenue and the time when it is expected to flow in the consolidated account.

Convenience

According to Sally M .Jones (2004), Every tax ought to be levied at the time or in the manner in which it is most likely to be convenient for the tax payer to pay. The payment of value added tax (VAT) is convenient because the consumer pays this tax when he buys commodities and at the time when he has the means to buy (Ferderick Niswander, 2004). The tax authority has tries to open offices as close to the tax payers as possible and to direct them to pay at the specified banks nearest to the tax districts.

Flexibility

According to Diamond, P.A (1971)., there should be no rigidity in taxation. The tax system can be changed to meet the revenue requirements of government and at the same time help the tax payers to develop their businesses. The tax system ought to be able to respond easily to changed economic circumstances.

Productivity

A tax should produce sufficient and stable revenue i.e. bring constant revenue

Neutrality

According to Manasseh Tumuhimise (2002), A good tax should not distort the way a community would otherwise use its resources, unless it is very clear that a change is socially desirable.

Diversity

According to Diamond, P.A (1971)., there should be variety in taxation. A single or few taxes would neither meet the revenue requirements of the government nor satisfy the canon of equity. There should be a variety of direct and indirect taxes but again not too many to administer. For example Uganda Revenue Authority (URA) is trying to increase the tax base through introduction of presumptive tax on small business that are below a turn over of 5,000,000 per annum or the recent introduced “local government service tax”

Efficiency and Effectiveness

Dora Hancock (1998/1999), emphasis that a good tax should have three basic objectives of tax systems such as; to supply enough revenue to pay government expenses, redistribute wealth, secure economic stability. when a tax structure realizes these three objectives, it can be regarded as effective

2.6 OBJECTIVES OF TAXATION

Hellwig, M.F. (2004), has view that the provision of revenue is the primary objectives of levying taxes. Government has to pay its traditional role of policing and protecting its citizens and requires money to finance such activities. Governments have assumed more roles with time and require more money for the purpose. Through taxation government today provide infrastructure in form of roads, schools, public buildings, hospitals, bridges, etc to be able to finance these actives, it requires finances and these are received through taxation.

According to Dora Hancock (1998/1999), Taxation encourages saving in the economy and provides money for investment. Thus helps in allocation of resources from private to public sector. In poverty stricken countries, government has role of stimulating growth so as to increase the standard of living of the people. Since these countries are capital deficient and lack managerial skills and the enterprising spirit necessary for economic growth, government has to come in and establish basic and strategic industries to pioneer growth. (Kath Nightingale, 1997),

According to Jotham Gruber (2005), taxation refers to as the distribution of income and wealth. He noted that uncontrolled capitalism resulted into unprecedented miseries on the populaces, Child labor, long working hours, poor working conditions and other economic hardships were the consequences of the free market economy. Government through taxation has invariably intervened in economy specifically in various forms.

Harvey S. Rosen (1995) said that taxation is used to reduce concentration of wealth and means of production. This is through consolidation of means of production through government ownership of business and also through regulatory measures which control contentious expenditure of the rich.

Pius K Bahemuka (2006) has view that Government through minimum wages legislation and ceilings on salaries, attempts to reduce disparities in incomes. Taxation is used here either through establishing industries owned by government where salaries will controlled or tax heavily in higher incomes groups than those in lower income groups.

According to According Dan Schisler (2004), many countries especially the third world where poverty is rampant, large sections of the society can not afford to facilities the public services such as education, health and an number of social amenities. Government assists such classes with the provisions of such services and amenities with funds raised through taxation.

Development of backward regions

According to Bierbrauer, F. (2005), the private sector tends to concentrate on industries hence the development in certain areas which may have special factors attracting in such industry. Consequently, regions without factors to attract industry tend to lag behind. Government has to encourage balanced regional development and it can assist the development of backward areas by either providing necessary funds through taxation or creating increasing incentives like tax rebates.

Dora Hancock (1998/1999), has identified that market economy tends to have recurring trade cycles of rising and falling incomes, output, employment and price. According to Kath Nightingale 1997, taxation has been used to neutralize such fluctuations in the economy. This was emphasized more as the Great Depression of the 1930's which led to philosophers like Keynes to develop prescriptions for the economy in such conditions. It is argued during the period of inflationary pressure that an increase in income taxes may curb the pressure. Reduction of taxes during recession stimulates production as more money is available to investors.

2.7 EFFECTS OF TAXATIONS

According to Dora Hancock (1998/1999), some economists view taxes as factors that creating inefficiencies in the economy. Hence the graph describe how taxes have impacts on the business

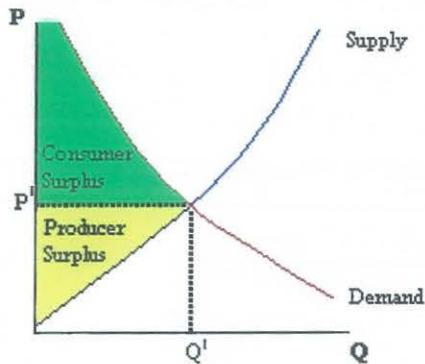


Figure 1: Equilibrium

Figure 1 indicates a good without any government interference. This good could represent anything from televisions to labour. At this equilibrium quantity Q_1 of the good are sold at price P_1 . The consumer and producer surplus are both high.

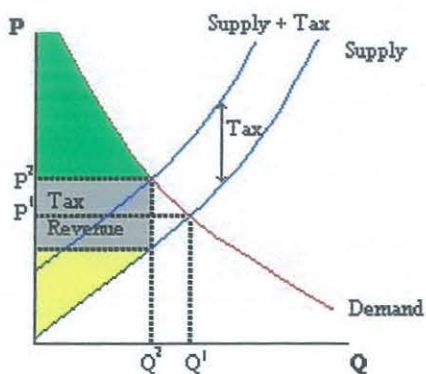


Figure 2: With a tax

Figure 2 shows the introduction of a very simple tax. The tax charges a flat fee whenever a consumer wishes to purchase the good. The price thus rises to P_2 , and since fewer consumers wish to purchase the good at the higher price, the quantity produced falls to Q_2 . The government receives the amount of the tax for each unit sold, and this amounts

to the region shown in grey. This is the amount of revenue the government receives for this tax.

Note that in this situation the price of the good to consumers only increases by half the amount of the tax, the other half of the tax is borne by the producer. Thus both consumer and producer surpluses shrink by equal amounts. For many goods this is not the case. Who bears the cost of the tax is determined by the elasticity of the good. For inelastic goods like cigarettes, and gasoline almost all of the tax is paid by the consumer.

Also note that this flat tax is extremely simplistic. Almost all taxes are a percentage of the cost of the good, many are also progressive. This is especially true with income taxes.

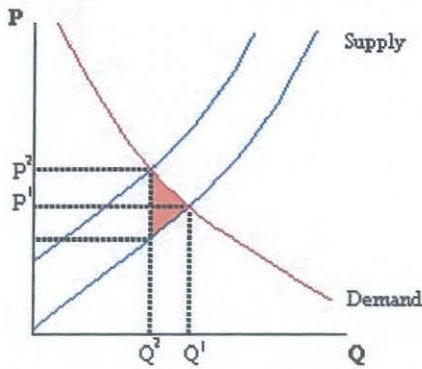


Figure 3: Net Societal Loss

The tax does not only change who gets the surplus, it also shrinks the entire amount of surplus available in the society by the amount shown in orange. This is the inefficiency which causes economists to dislike taxes.

This model does not take into account what the government uses the tax money for, however, and a tax can be justified if it removes other greater inefficiencies in the economy, such as monopolies, or if it is invested in the society and causes the economy to grow enough that it makes up for the loss in inefficiency

CHAPTRE THREE

METHODOLOGY

2.0 INTRODUCTION

This chapter presents and describes the methods and techniques that will be used to collect and analyze data. It will include the study, population, data collection instruments, processing and analysis and limitations of data.

2.1 RESEARCH DESIGN

The researcher will use both qualitative and quantitative methods of data collection analysis.

2.2 AREA OF STUDY

The study will be carried out in Adjumani town council. Most of the respondents will be got from traders in different sectors of business and Adjumani town council authority..

2.3 STUDY POPULATION

The population under study will comprises of 50 respondents and this sample will be selected from different sectors of the business.

2.4 SAMPLING DESIGN

The researcher will use simple random sampling techniques in a sense that whether one is on probation or confirmed will be put into consideration. Respondents will be identified depending on their willing and availability to take part in the exercise or study. The various sectors of business will form samples where respondents will be selected at random.

2.5 DATA COLLECTION INSTRUMENTS

The data collection instruments will be basically self administered questionnaire, which will comprise of open and closed ended questions that will require respondents to answer all the questions to the best of his or her knowledge. Interviews will be also used in data collection from which the researcher will have to ask questions and respondents answer from selected sectors of business

Interviews

An interviews guide will be used especially with the secretariats coordinator, town clerk, tax officer, law enforcement and the traders. The researcher will carry face to face interviews with the respondent. The researcher will also explain to the respondent why the study will be carried out. The research will be preferred because of the fact that the researcher will have to face interaction with the respondent and to be able to ask probing questions relevant to the study.

Questionnaires

These are pre-formulated written set of questions to which the respondents will record their answers. It is an efficient data collection mechanism when the researcher knows exactly what is required and how to measure the variables of interest. Questionnaires can be administered personally or mailed to respondents. For this case study, the questionnaire will be self administered to the targeted respondents. The questionnaire will be preferred because they save time especially when the grouped is big and geographically scattered, they can be stored for future reference, they will give straightforward answers and therefore easy to evaluate.

Observation

Well as interviews and questionnaire elicit respondent from the respondent, it is possible to gather without asking question by observing people in their natural work environment and recording their behaviors. The researcher will play one or two roles, none participant observer. As a non-participant observer, the researcher will collect data in the role of pure

researcher without trying to become an integral part of an business. Here the researcher become part of work team and in the process observes traders behaviors and the business performance.

2.6 RESEARCH PROCEDURE

The researcher will obtain an introduction letter from Kampala international university, school of business and management to Adjumani town council, permission will be sought from the town council authorities to allow the researcher conduct this study, participants willing to provides information will be guided in the questionnaire filling process and questions will be asked by the researcher for clarification.

2.7 DATA ANALYSIS AND PRESENTATION

After collection of data, only correctly filled questionnaires will be coded, edited and analyzed. Analyses will be carried out by use of frequencies; percentage and true finding are presented using tables.

3.8 RESEARCH LIMITATION

The study is likely to face the following problems;

- a) Most of the Adjumani town council traders are busy people therefore too limited time is likely to pose on the researcher. The researcher will solve this by socializing with few for them to link him with more of them.
- b) Some of the people are not willing to give out information due to lack of trust on which the researcher really is.
- c) Arrogance on the researcher since the research is not beneficial to them in any way.
- d) Some traders ask for payments in order to reveal the information on their business for instance, the business profiles and the names of the workers.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.0 Introduction

The chapter was about presentation and analysis of the data related to the taxation and business performance. The study specifically focused on the taxation and business performance and finally the types or principle for effective taxing

The researcher was much interested to found out the composition in the business through the analysis of age, sex, marital status, Level of education qualification, Departments or Sectors in the town council office and in the business. These according to the researcher would give comprehensive information on how taxing could have impact on the business performance in Adjumani town council area

4.1 The respondents were asked to state their age and responses were summarized in table 4.1 below

Table of age category

Age category	Frequency	Percentage
20-25	1	2%
26-30	5	10%
31-35	20	40%
36-40	15	30%
41-45	5	10%
45-above	4	8%
Total	50	100%

Source: Respondents

The above table 4.1(a) shows that many of the traders in business are in the medium age (between 31-40), when researcher directly interview the traders why majorly lay on that

age level, they said this is where one has to work hard so that you can support and also to have better life.

According researcher finding, there are few people above 41 years old, is because most they are old whereby they can do business that need a lot of energy, they decided to used there follower or looking after their cattle in the villages.

The researcher finds that there are few people below 25years, because most of youth do not have capital whereby they can carryout business for their living, that why they do not involved in the business, if government avail them with funds, they could involve in business according to when the researcher tried to interview the youth, why they are not involve in the business activities.

4.2 The respondents were asked to state their gender status and responses were summarized in table 4.2 below

Below is the table of age category

Gender category	Frequency	Percentage
Male	45	90%
Female	5	10%
Total	50	100%

Source: Respondents

The above table 4.1(b) shows that there were more male in business than female which presenting 90% and 10%, when the researcher asked the few female that why they do not involve in the business, they responded that majority of female do not have capital that can make them involve in the business, that is why they are few in the business system. This reveal that women have the chances of breaking the glass ceiling, the glass ceiling is the artificial barriers that are created by their husband for them to have access to acquire funds from financial, if government can avail them with funds.

4.3 The respondents were further asked to state their marital status and response were summarized in table 4.3below

Table 4.3

Marital status	Frequencies	Percentages
Married	46	92%
Single	4	8%
Total	50	100%

Source: Respondents

The above table shows that majority of traders are married, which presented 92% while those who had not married are few, which presented 8%, according to the one respondent that most of traders are found married because they carry out the business so that they can earn income to support their families, when interviewing trader directly.

Another reason is that most thinks that their role is to take care of families and see that business is the work of their husband, so that their husband do business so that to support them in the family needs, when interview the women that why do they not involve in the business.

4.4 The respondents were asked to state their qualification level of education and responses were summarized in table 4.4 below

Below is the table of age category

Level of education qualification	Frequencies	Percentages
Primary Level	30	60%
Secondary Level	15	30%
Profession Certificate	3	6%
Diploma	2	4%
Degree	0	
Total	50	100%

Source: Respondents

According to 30 respondents that presenting 60%, reveal that most of traders are primary leaver as follow by secondary leaver which presenting 30%, when directly interviewing the respondents, they said most traders obtain primary level because they dropped out of school, that at that time they did not have school fees, that would enable them to continues with school and whereby they decided to drop out of school and join business so that they can earn income to support their basic needs or attain living, this is why they don't move further with education. Secondly minority traders that who had profession paper are those belong from rich family according to the respondents.

4.5 The respondents were asked to state their department or sectors they belong from and responses were summarized in table 4.5 below

Table 4.5

Department/sectors	Frequencies	Percentages
Finance	0	0%
Tax officer	0	0%
Traders	50	100%
Law enforcement	0	0%
Total		100%

Source: Respondents

According to the table, only researcher has distributed the questionnaire forms to only the traders, that is why only traders has participate in answering the question.

4.6 Opinion of the respondents on the taxation system used in business

Table 4.6

Understanding tax system	frequencies	Percentages
Clear	15	30%
Not clear	30	60%
Non	5	10%
Total	50	100%

Source: Respondents

Table 4.6, shows that 30 traders presenting 60% told the researcher that most of the traders do not understand the taxation system that are used in Adjumani town council because government impose different types of tax such as property tax, income tax and valued added tax (VAT) that make them difficult for traders to understanding taxation system are been used because they are not educated about various types of taxation system and its important to economic development of the country.

5 respondents which present 10%, does not respond which mean they are ignorance about government tax system so that is why do not respond to the question.

According to the answers from the questionnaire, 15 respondents, do understanding the taxation system used in the town, its means that they have knowledge on the tax system.

4.7 Data analysis on how does the traders respond after receiving the tax assessment form

Table 4.7

Traders respond after receiving tax assessment form	Frequencies	Percentages
Instant	0	0%
A day	0	0%
A week	10	20%
A month	30	60%
Non	10	20%
Total	50	100%

Source: Respondents

According to table 4.7, most of traders respond after a month which present 60%, because they have small form of business and also they have low turn of business, whereby it make them difficult to respond in time and that why most of traders do not respond instant after receiving the assessment form. According to research carryout by the researcher, there are few traders that respond in a week and that who do not respond even though they receive the assessment form, their aim is not to pay the taxation.

4.8 Data analysis on how tax assessment form are been delivered to the traders

Table 4.8

Mode of tax assessment form delivery	Frequencies	Percentages
Verbal	2	4%
Written	48	96%
Total	50	100%

Source: Respondents

According to 48 traders, presenting 96%, revealed that tax assessment forms are delivered to the traders in form of letters, whereby the letter indicated classes under which your business has belong and how much you are suppose to pay for it and also

give some period for traders to respond to the office, if they have complain or organized themselves for the payment., according to 2 respondents that tax authority do assessing business by mean whereby they just go to your shop and said pay such amount of money as taxation for their goods, in conclusion the traders find that those tax authority who picked cash from the traders without tax assessment forms are illegal personal, at end the traders tried to pay twice in the same financial year because the other has been taken illegal without office notice.

4.9 Data analysis on how the respondent always understand what taxation is

Table 4.9

Understand what taxation	Frequencies	Percentages
Yes	5	10%
No	45	90%
Total	50	100%

Source: Respondents

According to table 4.9, 45 respondents, presenting 90%, told the researcher that most of the traders do not understand the taxation that are used in business because government impose different types of tax such as property tax, income tax and valued added tax (VAT) that make them have more outflow cash in form of tax, that enable them difficult to understanding the various form of taxes. Secondly they don't understanding form of taxation because they are not educated about important of each form of the taxation, 5respondents presenting 10%, said they understand the ward taxation, according to researcher finding, those who had knowledge about taxation are those who been educated about the taxations and its important to the economic development.

4.10 The respondents view on really does taxation affect the performance of business

Table 4.10

View on really does taxation affect the business performance	Frequencies	Percentages
Yes	40	80%
No	10	20%
Total	50	100%

Source: Respondents

40 traders equivalent to 80% said that taxation really affect them because they gain little profits from what they are sold, then tax also take part of it at the end they find themselves deal in a loss, they also said for them to at least to get profit, they have dodge some taxes such as valued added taxes, income tax, whereby they can really realist that getting profit

However the 10 respondents who claim that for them they don't feel the effects of taxation on the business performance, according to direct interview of the respondents, those who does feel the effects of taxation on the business who does not pay any one form taxation just why they don't feel the effects.

4.11 Opinion of respondents on what form of taxation common used in Adjumani town council

Table 4.11

Form of taxation that are been used	Frequencies	Percentages
Direct taxation	10	20%
Indirect taxation	35	70%
Physically collection	5	10%
Total	50	100%

Source: Respondents

Table 4.11 shows that majority of the trader which present 70% said, government is use indirect, according to direct interview of the traders, is why government is using direct tax system is because they first see your goods normally you deal on, and then they assess you according what you are deal on, that they said that government majorly using indirect tax system

10 respondents presenting 20%, claim that the government is using direct tax, when they also interview directly by the researcher when carryout the research, that the reason is because, tax authority normally value what you own such as building, animals and level of income you are, after that they give assessment whereby they expect you to paid it to them, when you asked them why they do assess like that then they start point what you have, just why they assess like.

According to 5 respondents which presenting 10%, said some tax authority also used physically collect, according respondents, those respondents said that those tax authority normally come asked them give revenue for what they are selling, in another researcher find that what were said are market due whereby the traders that who deal on small agricultural products have to paid as soon they have come with the product in the market.

4.12 The respondents view on the common form of taxation used in the various sectors

Table 4.12

Form of taxation used	Frequencies	Percentages
Trading licenses	37	74%
Property tax	10	20%
Income tax	3	6 %
Custom duty	0	%
Total	50	100%

Source: Respondents

Table 4.12 shows that 37 traders which presenting 74%, claim that government normally using trading licenses, it is because what they normally paid to the government is this so

they don't other forms of taxation whereby people have to paid to the government as inform of taxes, when the researcher was interviewing the traders directly

According to 10 respondents which presenting 20%, they also paid property tax but this has begun on the financial year o 2007/8, this is when researcher also directly interviewing the respondents, that this is because the government asked them to paid tax for their building

While 3 respondents said they also paid income tax monthly to Uganda Revenue Authority (URA), non have give ticked custom duty according to researcher, the traders in Adjumani do not know about custom duty or they paid such tax since such tax are dealing with import and export goods whereby those traders who operate in Adjumani do not import or export goods

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter mainly dealt with summary, conclusion and recommendations related to taxation and business performance. The researcher was specifically interested in needs analysis, taxing methods and taxation system, from the findings and analysis made after conducting the study revealed that there was so much correlation between business performance and taxation as summarized below.

5.1 Summary of the Findings

The summary of the findings were presented in accordance with the research objectives of the study

The first objective was to determine the relationship between taxation and business performance in Adjumani town council .The study found out that taxation acted as corner stone as far as performance was concerned in the business. The record revealed that those traders who had opportunity to discuss their taxes before they were sent to Uganda revenue authority (URA) are doing well compared to their counterparts. Despite the fact that tax authority carried periodical tax assessment when ever they send tax assessment form to the traders, study also revealed that the tax assessment was not comprehensive.

The second objectives of the study was to examine effects of taxation on business performance, the researcher find that the taxation really affects them, because most traders that operating in Adjumani town area are on small scale, have low business turnover and less demand for their products, whereby the goods could stay over three(3) without in stocking news products so if they are tax in various form of taxes, at the end they find themselves operating loss basis, that why most traders find that taxation really affects their business.

The last objective was to find out which form of taxation are been used in the business, the researcher finding out the mostly taxation that are used in Adjumani town was trading licenses, following by property tax because most traders have low level of income and also not deal in international trade so it make it difficult implement other forms of taxation.

5.2 Conclusions

The conclusion of the study are presented in accordance to the research questions

The first research question was ‘What is the relationship between taxation and business performance. It was found that tax assessment acted as corner stone for achieving business targets for improved performance. It was also revealed that tax is designed to help the government accomplish its objectives. Determining taxation system is a diagnostic phase of setting business objectives .Just as a trader must be given trading licenses before they deal with a business.

The second research question was “how does taxation affect business performance”, the study indicated that traders deals on small scale business, when they are to paid income tax, VAT, at the end they find themselves operation on losses basis. The study also indicated that since traders in Adjumani are agricultural products so it make difficult for them to paid heavy taxes, for example a person who does not carryout heavy business, to pay income tax, VAT every month. In another hand affects their small business. .

The third research question was “What are forms of tax are used in the business? Researcher had find the tax authority in Adjumani town area mostly using trading licenses only and most of traders are ignorance about the various types taxation in Uganda so the tax authority such as Uganda revenue authority have to educated trader about what taxation is, why people have suppose to paid taxes and why is important so that they will knowledge about taxations.

5.3 Recommendation

According to the summary and conclusions of the study, the researcher found it necessary that the following recommendation would be of much importance if put into practice.

Tax authority need to overhaul their system of tax assessment and make sure that assessment is done comprehensively ranging from trading and most skill person to analysis it. The person should put interest on performance appraisal data.

There is also need for tax authority to have up to date taxation information system so that to make it available and missing information on the taxation system can easily be known and all the parties or sectors that involved in the taxing must have free discussion on their taxing system in order to register improvement in performance.

Tax authority needs to adopt comprehensive tax system or method as single taxing method that can make great change in the performance. Property tax and Trading licenses must be used in a coordinated manner to realize the improvement in performance.

Government should allocate enough resources to tax authority so as to acquire latest taxing methods as motorcycles, vehicle so that they can move from one point to another whereby they can raise enough revenue for them.

It is recommended that taxing would be effective in the area, if traders are taken outside or sensate them about the important of taxation on economic development of the country so that to discourage them in avoid them to pay taxes to the government.

5.4 Areas for further Research

The researcher has tried to exhaust and achieve accuracy in the area under study but taxing is very wide hence there are some areas which need further investigation.

Through the study it was discovered that not only tax assessment, taxing methods and principle that affect business performance but there are other factors which will affect business performance like luck of enough customers, type of goods where they deal on

and the area where they established their business also affect the business performance was well they carryout the trading. It is therefore observed that comprehensive research should be carryout and that will focus on wide range of factors that affects the business performance other than centering only on tax assessment, tax methods and tax collection system.

APPENDIX

3.9 The time frame work of the study

Proposal	October
Data collection	November
Dissertation writing	December
Submitting	December

Budget for the study

Item	Amount in Uganda shillings
Typing and printing	200,000
Literature collection	100,000
Data collection	300,000
Miscellaneous	100,000
Total	700,000

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QUESTIONNAIRES

I am called ALIKUNDU ISMAIL, a bachelor student of Kampala international university. I am conducting research on “the impact of taxation on the business performance” a case study of Adjumani town council. The purpose of this study is to fulfill my academic requirements. Therefore I kindly request you to answer for me the following questions.

Background information

Please tick in the most appropriate box

- a. Age
- | | | | | | |
|----------|--------------------------|----------|--------------------------|-------------|--------------------------|
| a) 20-25 | <input type="checkbox"/> | b) 26-30 | <input type="checkbox"/> | c) 31-35 | <input type="checkbox"/> |
| d) 36-40 | <input type="checkbox"/> | e) 41-45 | <input type="checkbox"/> | f) 46-above | <input type="checkbox"/> |
- 2 Sex
- | | | | |
|---------|--------------------------|-----------|--------------------------|
| a) Male | <input type="checkbox"/> | b) Female | <input type="checkbox"/> |
|---------|--------------------------|-----------|--------------------------|
- 3 Marital status
- | | | | |
|------------|--------------------------|-----------|--------------------------|
| a) Married | <input type="checkbox"/> | b) Single | <input type="checkbox"/> |
|------------|--------------------------|-----------|--------------------------|
- 4 Level of education qualification
- | | | | |
|-----------------------------|--------------------------|--------------------|--------------------------|
| a) Primary level | <input type="checkbox"/> | b) Secondary level | <input type="checkbox"/> |
| c) Professional certificate | <input type="checkbox"/> | d) Diploma | <input type="checkbox"/> |
| e) Degree | <input type="checkbox"/> | | |
- 5 Departments or Sectors
- | | | | | | |
|---------------------|--------------------------|--------|--------------------------|------------|--------------------------|
| a) Finance | <input type="checkbox"/> | b) Tax | <input type="checkbox"/> | c) Traders | <input type="checkbox"/> |
| d) Law enforcements | <input type="checkbox"/> | | | | |

OTHER QUESTIONS

- 1 How do you find the taxation system used in the business?
a) Clear b) Not Clear c) Non
d) Others (Specify).....
2. After how long does the trader respond after receiving the tax assessment form.
a) Instant b) A day c) A week
d) A month e) None f) Other (specify).....
- 3 How is tax assessment form being delivered to the traders?
a) Verbal b) Written c) Other (Specify).....
- 4 Does the respondent always understand what taxation is?
a) Yes b) No c) Other (Specify).....
- 5 Does taxation really affecting the performance of business?
a) Yes b) No c) Other (Specify).....
- 6 What form of tax is common used in Adjumani town council?
a) Direct taxation b) Indirect taxation c) Physical collection
Other (Specify).....
- 7 Indicate the most common form of taxation used in the various sectors.
a) Trading licenses b) Property tax c) Income tax
d Custom duty e) Other (Specify).....

8 What are some of the obstacles to taxation in Adjumani town council?

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9 What are some of the solutions to the problem in the question (8) above?

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THANKS

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