

**ASSESSING THE EFFECTIVENESS OF REVENUE COLLECTION
AND CONTROL BY THE LOCAL AUTHORITY
CASE STUDY, MOMBASA CITY COUNCIL.**

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DATE: JUNE 2009.

Declaration

I the undersigned hereby declare that the presentation of this report is my original work. It has never been submitted to any other university for the award of academic qualification.

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Approval

This research report has been compiled under my supervision and is now ready for submission for the award of a Bachelors Degree in Business administration.

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Dedication

I dedicate this dissertation to my parents; Julius Mile and Joyce Kavutu, My Brothers; Patrick, Vincent, Stanley and Brother in law Chris, My Sisters Beatrice and Eunice, Uncle Mathew, Mama Mile and My girlfriend Annette for their love, commitment and continuous moral and financial support towards the completion of this project.

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Acronyms

MCC	Mombasa city council
PAYE	Pay as you earn
ITA	Income tax act

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CHAPTER ONE

1.1 Introduction and Background

Consideration of alternative tax systems must consider underlying levels and distributions of income. Broad, simpler tax bases would facilitate administration, increase revenues, and reduce opportunities and incentives for tax evasion. It is that simpler tax structures with lower tax rates that would achieve at least equal revenue and distributional objectives that are superior in terms of efficiency and equity.

A crucial issue in efficiency-equality evaluations of tax reform resides in the possibility that the level as well as the distribution of welfare may change, where the household-specific measures of welfare capture the value of income as well as the value of leisure. A better-designed redistribution and income support tax system may not only foster equality but also improve the configuration of incentives and by this route contribute in its turn to efficiency. The efficiency might however, be tested in two sides, the government being responsible for collecting taxes and the taxpayers' side.

This study was designed to highlight on the effectiveness of revenue collection procedures in Mombasa City Council, and how the revenue department strategies and policies are contributing to effective collection and control.

1.2 Statement of the Problem

Good revenue collection policy is believed to help in cost reduction, as cited by Bryant terry and Beth Kanter. Mombasa city council has policies and guidelines which are aimed at cost reduction in revenue collection and control. Therefore the purpose of this study is to assess the effectiveness of revenue collection and control by the local authority in reducing the cost.

1.3 RESEARCH OBJECTIVES

The study was carried out in order to attain the following objectives:

1. To understand what revenue collection is about.
2. To understand the processes and means of revenue collection by the revenue authority.
3. To understand the cost reduction as brought about by the revenue collection.

1.4 RESEARCH QUESTIONS

The study was mainly guided by the following research questions:

1. What is revenue collection?
2. What are the collection procedures?
3. How has this helped in cost reduction?

1.5 SIGNIFICANCE OF THE STUDY

This study will have the following significance:

1. The study broaden the knowledge of the researcher in the area of revenue collection
2. Findings from the study could provide feedback to the council about the policies and strategies and determine the way which could be the best to harmonize the taxpayers' expectations and hence compliance
3. The evaluation done in this study would provide empirical framework that would further contribute to additional enquiry for other researchers who need the inner concept of the same study.

1.6 SCOPE OF THE STUDY

1.6.1 Geographical scope

The scope of this research was highly limited to the accounts/finance department of the Mombasa City Council.

1.6.2 Study scope.

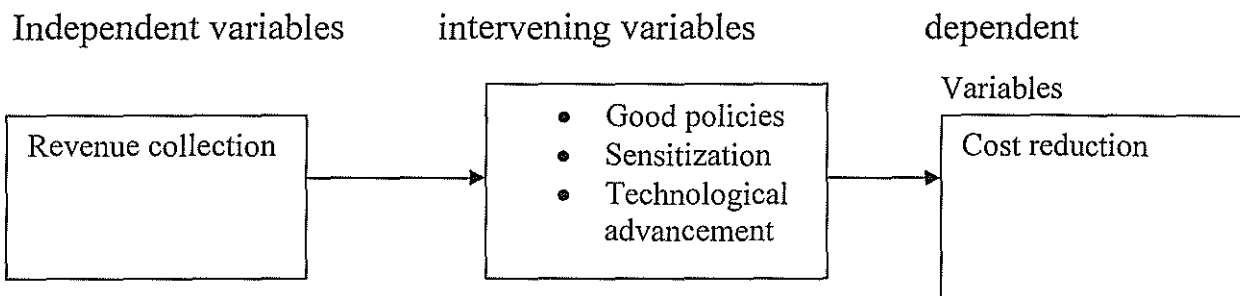
The study scope was Mombasa city council.

1.7 Limitation of The Study.

The study had the following limitations:

1. The main difficult faced during the study was the confidentiality of data, written data in particular. There was a limitation to publish data from expenditure department as they were confidential. This has made it difficult for the researcher to have access to secondary data. However the researcher was allowed to write manually some data which were confidential and also he had tried as he could to find primary data.

1.8 Conceptual framework



CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

This chapter summarizes the literature to the study. The chapter normally tells about what have been put forward already by other scholars. This chapter tries to highlight the material facts on the topic and that which are related much to study. Ever since the study was about revenue collection and control in local government authorities, the chapter concentrated much on theories of revenue collection.

2.1 Relevance of Theories and Principles of the Proposed Study

Bradley R Schiller (1993) defined revenue as “the price of a product multiplied by the quantity sold in a given time period” Revenues are equal to the tax rates times the tax base and increase in the tax rate results in decrease in tax base.

2.1.1 Revenue Collection an Overview

Usually taxes in most countries are assumed to be major and main source of revenue to finance government expenditures. The amount of revenue collected from a particular tax depends on the tax rates, the charge per unit and the tax base.

Most governments aim at collecting higher revenues but changing the rates may alter the level of revenues collection, e.g. Lower tax rates may results in lower revenues. However higher tax rates do not always result in higher revenue collection.

Among the reasons which lead to collection of lower revenue is tax avoidance and tax evasion and as well as, one of the causes of tax avoidance and evasion is higher tax rates indicating therefore, higher tax rates may results into lower revenue rather than higher revenue collection.

2.1.2 Tax Policy

This refers to a general statement of what the government wants to accomplish through the use of taxation. S.James 1988:8 defined tax as “A compulsory charge by the state usually payable in monetary form for which nothing is received direct in return” Hence tax is charged for the purpose of raising revenue for government expenditure, this

purpose is well understood by almost everybody. However, there are many other objectives such as income redistribution, stabilization of economy and promotion of investment

2.1.3 Tax Base

This is a country's overall economic base, to which its various taxes can be applied. They include land, labor, capital, mineral resources, and level of production and consumption. Some countries have unique resources such as oil and/or diversified economies, while others have a very narrow tax base, with only minimal economic resources or activities on which to draw for own-source revenues. For any specific tax, the tax base is the resources to which the tax rate is applied.

To obtain a desired amount of revenue, the rate can be lower if the tax base is broad than if the tax base is narrow.

2.1.4 Sources of Revenues in Local Government Authorities

Local government authorities have been empowered to administer delivery of public services which are of local character within its area such as provision of education, health, water and other social services. To ensure that local authorities are capable of providing these services, funds must be raised from various sources to finance them. Local Government Finance Act (1982) spelt out some sources as follows

2.1.4.1 Property taxes

This is the form of tax paid normally by occupier of building(s) within a local authority. The owners of these properties are obliged to pay for their properties to the respective municipal council so that the council can have funds to provide public services.

2.1.4.2 City Service Levy

This is a kind of levy charged on the revenue collected by the industries and other business.

2.1.4.3 Miscellaneous Receipts

The Local Government Act no 9 of 1982 part 11 section 4 states that “Any receipt derived from any trade, industry, work, service or other undertaking carried on or owned by a city council either in whole or in part, with the approval of proper office, be paid into separate fund to be maintained by the city council, for the purpose of trade, industry, works, service or undertaking as the case may be from which the receipt is derived”.

2.1.4.4 Grants/Subvention

These normally come from central government, these include, grants for education and health department

Grants are categorized into two basic grants and specific grants.

i. Basic grants

These are given to enable the local government authorities to discharge their obligatory functions taking into account their tax and other sources.

ii. Specific grants

These are given by government as an inducement to local action or when a demand is made up on the grant.

Grants are essentially a way of providing incentives to local government authorities so as to perform functions in national interest.

The Kenya ministry of finance gave instructions that local governments have the mandate to raise certain revenues from taxes, levies and fees. The local governments set their own revenue policy within the limits set by Central Government. They retain all their revenue and use it as part of their own budgets – these revenues do not form part of Central Government revenue.

The taxes, levies, fees and revenue sources, which local governments are mandated, to raise under the Local Government Finances Act are as follows:

Taxes on Property

- Property rates

Taxes on Goods and Services

- Crop cess (maximum 5% of farm gate price)
- Forest produce cess

Taxes on Specific Services

- Guest house levy

Business and Professional Licenses

- Commercial fishing license fees
- Intoxicating liquor license fee
- Private health facility license fee
- Taxi license fee
- Plying permit fees
- Other business licenses fees

Motor Vehicles, Other Equipment and Ferry Licenses

- Vehicle license fees
- Fishing vessel license fees

Other Taxes on the Use of Goods, Permission to Use Goods

- Forest produce license fees
- Building materials extraction license fee
- Hunting licenses fees
- Muzzle loading guns license fees
- Scaffolding / Hoarding permit fees

Turnover Taxes

- Service levy

Entrepreneurial and Property Income

- Dividends
- Other Domestic Property Income
- Interest
- Land rent
-

Administrative Fees and Charges

- Market stalls / slabs dues
- Magulio fees
- Auction mart fees
- Meat inspection charges
- Land survey service fee
- Building permit fee
- Permit fees for billboards, posters or hoarding
- Tender fee
- Abattoir slaughter service fee
- Artificial insemination service fee
- Livestock dipping service fee
- Livestock market fee
- Fish landing facilities fee
- Fish auction fee
- Health facility user charges
- Clean water service fee
- Refuse collection service fee
- Cesspit emptying service fee
- Clearing of blocked drains service fee
- Revenue from sale of building plans
- Building valuation service fee
- Central bus stand fees
- Sale of seedlings
- Insurance commission service fee
- Revenue from renting of houses
- Revenue from renting of assets
- Parking fees

Local Governments are not allowed to levy any taxes, levies or fees which are not on this list.

2.1.5 Principles Of Good Taxation System

Simon James (1999/2000:16) wrote, "It is also possible to analyze taxes as to whether they are good or bad according to certain criteria"

"Most taxation experts agree on some broad principles or criteria for evaluating tax systems. However, where they differ is on the degree or weight of these criteria. This difference mainly depends on individual personal philosophy and value of judgment" (Mponguliana 2000:13)

A sound tax system is one which adheres to the following principles

2.1.5.1. Equity

In this canon the core criterion is that taxes should be ideally levied on the important principle of fairness or equity, which may either, be vertical or horizontal (Mponguliana 2000). By using a progressive rates structure and minimum exemption policy, equity and fairness may be maximized.

The concept of 'from each according to his ability' to pay or benefits received is really what this principle is all about. A progressive tax structure which is based on wealth may run into serious liquidity problems. Mponguliana in his book '**The theory and practice of taxation in Tanzania**' says 'Individuals with higher income are not only better able to bear the tax burden than lower income earners but they can bear heavier burdens of tax. A tax system that takes away proportionately more income from the higher income earners than from the lower income earners is termed as progressive tax system'

2.1.5.2. Simplicity

This principle forwards the idea that the taxpayer should generally be able to understand the tax system as a whole. The tax should be easily payable with the minimum difficulty and make the necessary payments by or on the correct statutory due dates.

Of the major important aspect simplicity however, is the taxpayers own awareness of the sanction and penalties provided for any negligent or failure to comply with the tax laws.

(Mponguliana 2000:14) said “a simplex tax system is the valuable asset in promoting voluntary compliance particularly in the situation where the need for more equipment and manpower are serious constraints in tax administration”

Unfortunately most tax system does not satisfy this requirement they are so complex and intricate that specialist and professional counsel is often required for proper compliance.

The language is difficult and repetitive, there are innumerable exemptions and exceptions to the general principle and the law is generally long windy and detailed with serious definition problems.

2.1.5.3. Economy

Consideration of what it will cost to collect the tax is important in any tax system. The administration of tax system should on the whole be least expensive in term of time, manpower and material. It does not make sense to spend far in excess of revenue collections. The purpose of efficient administration is not to minimize costs but to optimize the cost of collection. A comparison between the costs of collection is to be made against collected revenue to see if it is optimal or the net gain is maximized

“The concept of cost is much wide than it is generally understood, it includes both pecuniary and non pecuniary costs. The former includes the monetary expenditure on wages stationary, transport, electricity, these are easy to determine. However, the non pecuniary costs are more difficult to quantify and value, they include such invisible elements as the reduction of income, consumption and any other inconveniences arising from tax”(Mponguliana 2000:14).generally this principle is all about outweighing the collection costs and collected revenue.

2.1.5.4. Certainty

The imposition of any tax should yield the expected revenue in order to assist governmental forward planning. A definitive advance forecast of revenue collections therefore assists plan implementation and success.

“Government budgeting requires fairly precise estimations of expected revenue, therefore accurate forecasting of the sources of these revenues should be made (NBAA Volume 1:22)

The principle suggest that the government should be certain on how much it is going to collect from its sources there from budgeting and planning.

2.1.5.5. Convenience

In this canon what should be practiced in the collection of revenue is the timing of the payment or collection of tax. The tax system that allows the payment of tax at a month end, immediately after the harvest season or provides for the payment of tax through such devices as pay as you earn (PAYE) or other withholding arrangement can be regarded as convenient to tax payers. Contrary a tax system that places heavy burdens on taxpayers long after the income is consumed is an inconvenient one. The Income Tax Act No 11 of 2004 considers principle in its provisions. For instance section 88(5) says ‘Where an installment payer is a resident person who conducts agricultural business involving seasonal crops during a year of income, and conducts no other type of business during that year of income, the amount of the person’s first and second installments shall be nil’

This section implies that the tax from the above undertaking is going to be collected after the harvest, On the part of government the principle is not only economical and reduce the prospect of evasion but also delay between the time of receipt of the income and the collection of tax. Immediate tax collection after revenue does also facilitate quick plan implementation.

2.1.6 Tax Burden

The tax burden is the amount paid as a tax by the assesses to the government. Tax burden analysis is a critical tool for tax policy in order to evaluate the fairness, as well as the social and economic impact of taxation alternatives. The tax burden can be calculated from data from tax returns by various categories such as income class, sector of the economy, individual vs. business, etc. Tax burden measures tax payments according to who is remitting the tax payment by law.

2.1.7 Tax Incidence

This refers to the point that receives the ultimate burden of the tax. By this term it is meant that, where the same person who receives the initial impact, meets the final burden, the incidence is formal, while, where two points differs, there is informal incidence, and the person supposed to bear the burden has shifted it.

2.1.8 Tax Incentives/Tax Expenditures

Many developing countries which are seeking to encourage business development and capital investment encounter pressure to provide tax incentives or exemptions, especially when they are competing for foreign direct investment. Evidence from local and national development efforts, in both developed and developing countries show limited if any, gain from such incentives. Socio-economic and political factors such as basic infrastructure, stable government, sound fiscal condition, available labor force and low social conflict are generally more decisive in influencing business investment decisions. In practice, however, decisions around tax incentives are often driven by political pressure.

2.1.9 Tax Reform

Both developing and developed countries have engaged in periodic tax reform efforts over the last several decades. In developing and transition economies, tax reform has often been driven by international agencies such as the World Bank and the IMF, seeking to address countries' budget deficits and to open markets to globalization.

Their recommendations have resulted in the following reforms in most countries:

- **Simplification** – eliminating minor taxes and consolidating others so as to reduce the number and complexity of taxes;
- **Base-broadening** – bringing various forms of in-kind income into the base of the income tax and reducing special credits and exemptions;
- **Rate reduction and harmonization** – reducing top marginal tax rates and making these consistent across personal and corporate income taxes, and reducing the number of applicable tax rates and/or tax brackets.

2.1.10 TAX AVOIDANCE AND EVASION

2.1.10.1 Tax evasion;

The tax evasion involves a taxpayer deliberate contravention of the tax law in order to pay or little tax respectively by breaking the law. Thus tax evasion is the application of fraudulent practices in order to minimize or eliminate tax liability. The following can be considered as a tax evasion for the case a person observed to do either for intention or unintentional

- a) Preparing or maintenance of false book of accounts or records.
- b) Making a false return of income by omitting or understating income or overstating expenses
- c) Application of fraud e.g. manipulation of stock sheet and valuation, destruction of accounting records, non- issue of sales receipts etc.
- d) Making false statement in a return affecting tax liability.

Where such act are made with an intent to evade tax or assist another person to evade tax it constitute fraud or gross neglect, which is heavily punishable by law,

2.1.10.2 Tax avoidance;

Tax avoidance is the practice and technique where by one so arranges his business affair such as he pays little or no tax at all but without contradiction of the tax laws. Tax avoidance take advantage of any loopholes and weakness, deficiencies and loose or vague clause in the tax legislation to minimize or eliminate tax liability altogether.

Tax avoidance is not punishable by law. Where the tax authorities detect the practice, the only solution is to amend the law in order to plug the loopholes and weakness in the law that allow the possibility of tax avoidance, it is for this reason that the practice of tax avoidance is sometimes considered as legally allowed.

2.1.11 Causes Of Tax Evasion And Avoidance:

Any attempt to avoid or evade tax may be caused by any one or combination of the following:-

- High marginal tax rates and frequent changes in tax rates.
- Administrative inefficiency, collusion with taxpayers and bribery of tax officials.
- Inadequate training and experience of tax administrators coupled with lack of exposure to business practices may limit tax official's ability.
- Too many taxes (multiplicity taxes) are difficult to comply with correctly due to lack of knowledge of the detailed provisions of tax laws.
- Low prospect of detection and punishment of tax evaders, the more tax evaders a person knows who are not caught and punished the more he is attracted to non compliance.
- Deficiency in legal structure of the tax laws (poor draftsmanship) and complexity allow tax avoidance
- Traditional and cultural tendency to hate taxes (low tax morality). The wasteful manner in which sometimes the government departments, spend the revenue and lack of clear benefits to tax payers.

2.1.12 How To Minimize Tax Evasion And Avoidance

It becomes relatively easier to design effective ways and means of fighting tax avoidance and evasion if we know the causes. All efforts should go towards minimizing or containing the causes.

In the light of above causes of tax avoidance and evasion the following should be undertaken.

- Keep the marginal tax rate law, bearable and not subject to frequent changes
- Promote administrative efficiency to providing better tool e.g. computer, transport, adequate financial resources and staff motivation such as good salary, housing, promotion etc
- Carrying out technical staff training on accountancy, tax law, exchange visit with other countries, practical business exposure and taxpayer education especially for small businessmen to encourage voluntary compliance.

- Carry out a measure selective prosecution policy and punishment particularly on major taxpayer with a view of punishing them for deterrence effect. Tax officials may be punished for corruption and inefficiency.
- Avoid multiplicity of taxes by remaining with few major productive taxes only to make easier administration and compliance.
- Design clear and simple tax laws and avoid ambiguity (better legal draftsmanship of the laws).

‘Although from economic point of view, keeping legal consideration apart, tax avoidance and tax evasion have similar effects that is a reduction of revenue yield and are based on the same desire of taxpayers to reduce tax burden, it is likely that individuals perceive them as different and as unequally fair’ (Friedrich Schneider)

2.1.13 Taxation as a Tool for Social and Economic Policy

Besides the significant objective of collection of revenue, the tax system is often used as a tool for a number of non-revenue goals. Some of these goals are as follows: -

- I. The tax system is used as a device for the reduction of income disparities within society and among geographical regions with different factor endowments. From collected revenue government may undertake particular programme for the direct benefit of some less favored group of citizens such as the most lowly paid or zero income earners.
- II. To stimulate full employment and economic stabilization particularly in the industrialized countries where unemployment generally arise from inadequate consumer demand (Dernburg and McDougall 1976).
- III. Controlling the flow of unwanted imports and supporting the importation of some goods which catalyzes the growth of economy. For instance high rates of import duty on luxury goods and low or zero rates on agricultural equipments’
- IV. Encourage investment, be it local or foreign. In this case incentives may take form of accelerated capital depreciation allowances, tax holidays, favorable carry forward

or carry back provisions on losses and the general improvement of infrastructure to create a generally favorable investment climate.

2.1.14 Tax Administration

The tax system must be consistent with each country's level of administrative capacity. Developing countries especially, suffer from inadequate tax administration resources, weak public sector infrastructure, the lack of both quantity and quality of civil service workers, low public sector salaries and high levels of corruption. Thus, tax administration considerations are critical issue for the design of tax systems in developing countries.

2.1.15 Control of Revenues

It is not enough that, the local government authority has reached its certain revenue that it has expected to collect before. The aspect of revenue collection and spending should if possible result into a nil balance. The collected revenue must be under a good control, local authority however, is supposed to control and manage the collection of revenue so that it can be able to finance the services that it is required to deliver.

2.1.16 Revenue Accounting Systems

For effectiveness of revenue collection, an organization must have well accounting procedures. These procedures involve the recording of accounting transactions and economical events affecting revenue to produce operating and financial information needed by management to direct and control operation.

2.1.17 Internal Control Systems

According to the Institute of Chartered Accounts of England and Wales, Internal control is meant not only internal check and internal audit but the whole system of controls, financial and otherwise established by management in order to carry on the business of organization in orderly manner, safeguarding its assets and obtain as far as possible the accuracy and reliability of its records (NBAA, Student Manual).

2.1.18 Characteristics of a Good Internal Control

For a satisfactory good internal control system, the following must be among characteristics:-

- Ø A plan of organization, which provides appropriate segregation of functional responsibilities.
- Ø A system of authorization and record procedures adequate to provide reasonable accounting controls over assets, liabilities, revenue and expenses.
- Ø Sound practices to be followed in performing duties and functions of each department in organization.
- Ø Personnel of quality and caliber commensurate with the responsibility entrusted to them.
- Ø A reliable system of internal control system, which operates effectively to detect and correct data processing.

2.1.19 Categories of Internal Control

Internal control is in two categories namely, **administrative control** and **accounting control**.

According to NBAA student manual, **Book keeping, principles of accounting and auditing**, administrative and accounting controls are explained as follows:-

Administrative control

These controls include, but are not limited to the plan of organization and the procedures and records that are concerned with decision making process leading to managerial authorization of transactions.

Accounting control

Accounting controls which are usually derived from administrative controls, comprise the plan of the organization and the procedures which are concerned with the safeguarding of

assets and the reliability of accounting records and consequently are designed to provide reasonable assurance that

A. Transactions are recorded as necessary

To permit preparation of financial statements in conformity with the generally acceptable accounting principles or any other criteria applicable to such statements and

To maintain accountability of assets

B. Transactions are executed according to management's general or specific authorization

C. Access to assets is permitted in accordance with management's authorization

D. The recorded accountability for assets is compared with existing assets at reasonable interval and appropriate action is taken with respect to any differences

Every organization whatever its size should have some form of internal control system which includes such controls as accounting controls, standard costs controls, budgetary controls and so on.

2.1.20 Control of Public Fund

These attempts to establish financial control over public funds, to go beyond the monitoring of financial resources. Over the years, a set of procedures has been created to report the financial affairs of the vast array of functions carried out by the state and local government units. This process is especially important since public officials often hold authority over sums of money that can be staggering in size (Joe B Hoyle and Thomas F Schaefer, 1998:691). They continued go on saying that 'Stressing accountability and stewardship role played by government officials is in diametric contrast to a profit oriented business where stockholders contribute capital voluntarily and then elect a board of directors to monitor operating and financial activities. Because the citizens desire to monitor elected officials, governmental accounting has developed its own specialized control procedures. Budget for example, must be legally adopted by a government's legislative body to indicate anticipated revenues and approved expenditures.

2.2 EMPIRICAL LITERATURE REVIEW

A report by Seppala P (1998) on Tanzanian Local Administration- A vehicle for democratic development conducted in East Africa Cities found that, the district council receives income from two sources; central government allocations and its own taxes and levies. The Central government allocation covers the salaries of the majority of officers. He also found that the district councils have their own tax base, since the poll tax has been unpopular and generated only a little income, districts have concentrated on other forms of taxation. He said, in southern Tanzania, the crop levy collected on cashew production has greatly generated a sizeable income, especially for Newala and Masasi districts.

He concluded that central government allocations are very important source of local government revenue in Tanzania and Uganda cities, but are almost non existent in the case of Kenya. He said that in Dar es Salaam they constitute an average of 60% of the city's total revenue sometimes reaching significantly higher levels than this, as in 1995 when they peaked to 81.8%.

According to Donal O' Donoghue (2003) on his report about strategies for local government authorities conducted at Galway country council, he said that the availability, control and use of finance are at the core of any organization's existence, and not least local authorities, in their public service delivery role.

He found that there are growing demands on local authorities funding, as the requirements for new and improved services increases. He found that local authorities current or day to day expenditures, are financed from a range of revenues, payments for provision of services (charges, rents on property and others), commercial rates and government grants is the general purposes block grant, which is allocated to authorities annually from the local government fund.

He concluded that existing sources of funding for local government are considered to be secure, uncertain and the base for rising revenue too narrow, new system should identify sources of funds, which would be under the control of local authorities.

2.2.1 A Synthesis of Literature Review

The above two researchers have recognized the fact that sources of finance for local government authorities are not sufficient. However the possible sources of finance that shortage has not been put forward by them. It is the task of this research to bridge that gap by coming up with suggestion to cater for that shortage.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 RESEARCH DESIGN

The researcher employed descriptive case study design in order to gain rich understanding of the context of the research, developing skills of evaluating data and synthesizing ideas. It also helped the researcher to produce accurate representation of the target population. The study has been administered through interviews, structured questionnaire, documentation and observation.

3.2 Research Techniques.

The researcher used both Qualitative and Quantitative technique during the study.

3.2.1 Qualitative Technique

This is a technique that used non-numerical data or data that had not been quantified. The researcher used this for non-standardized data based on meanings that need to be expressed through words such as **compliance**

3.2.2 Quantitative Technique

This technique used numerical data or data that was quantified. The researcher applied this to analyze and describe numerically the effectiveness of the revenue collection procedures

3.3 Population of Enquiry

The target population that was enquired in this study included management of the Mombasa City Council, head of accounts departments, staff and other employees of accounts department.

3.4 Sampling framework

These provided a range of methods that enabled the researcher to reduce the amount of data he needed to collect by considering only data from sub groups rather than all possible cases or elements. The researcher applied the following sampling techniques

3.4.1 Quota sampling

This is non-probability sampling procedure that ensures that the sample represents certain characteristics of the population chosen by the researcher. The researcher finds quota sampling necessary because it is appropriate for case study design; it is less costly and can be obtained easily. Under this technique, the researcher divided the total population into four groups namely managers, head of accounts departments, staff and other stakeholders of the organization such as employees. 80% of the sample was obtained through quota sampling.

3.5 Sample Size

The sample size of the study consisted of 40 people out of 60 people in Mombasa city council. To arrive at the sample size the following formula was used;

$$n = \frac{N}{1 + Ne^2};$$

Where; n is the sample size,

N is the total population

1 is the constant

e^2 is equal to 0.05

3.6 Sample Selection

This was carried out taking into consideration the number of departments present in the organization. The researcher divided the population into three strata which include management, departmental leaders, and staff. Management group is approximately considered to have 10 people. At least 4 people represented their respective group who were selected randomly. Number of the departmental leaders included at least one (1) representative from each department. The staff group had 30 workers. The number of the staff included the whole workers.

3.7 DATA COLLECTION METHODS

This study included the following:

3.7.1 Interviews

This involved presentation of oral verbal stimuli and reply in terms of oral verbal responses. Interview is important for collection of primary data. It was also found that managers were more likely to agree to be interviewed rather than complete questionnaires. The researcher conducted in-depth interviews on the MCC leaders, head of accounts departments and its staff. All data concerned with the decision making such motivational policy and problems in motivating employees (tax collectors for the purpose of this study) which might cause poor performance, bribery and hence low revenue have been obtained from the management and head of departments. The questions concerned with personal reaction such as effects of employee motivation and their suggestion of improvement have been obtained from all staff of accounting department and other stakeholders basing on the sample. However, other data collection methods have been used in the areas not covered by interview.

3.7.2 Questionnaires

This consisted of a number of questions printed/typed in a definite order on a form or set of forms. The questionnaires were sent to the respondents who were expected to read and write down reply on their own. The researcher used the structured questionnaire during his case study in which questions were specified and all respondents other than accounting department staff replied the same set of questions. The researcher used questionnaire because it is reliable, simple, needs minimum costs and the required data are collected with a minimum number of errors. The researcher used both closed questionnaires (“Yes” or “No” questions) and open questionnaires (inviting free response). Questionnaires were designed to bring out silent aspects of the research which might not be covered by interviews which include, what motivate accountants and tax collectors and the effects of this motivation on the council operation performance.

3.7.3 Observation

This is systematic observation, recording, description, analysis and interpretation of people's behavior. There are some data or activities that were stated in the organization policy but motivate workers such as organization environment, access to organization facilities. They have to be observed. Participant observation will have been used where by the researcher observed at the same time attempted to participate fully in the activities of the MCC. The researcher carried out the observation on the revenue collection procedures in which Mombasa City council uses and how they may influence the council performance in terms of collection.

3.7.4 Documentation

This included written documents of the organization such as notices, journals, books, magazine, administrative and public records as well as non written documents such as tape and video recording. The researcher used documentation so as to obtain some other secondary data necessary to answer research questions which include MCC revenue collection policy and MCC operation performance. The researcher used all written documents such as administrative records, books and journal which in one way or another helped him to answer research questions.

3.8 TYPES OF DATA COLLECTED.

The researcher collected both primary and secondary data.

3.8.1 Primary data.

Primary data are those which were collected afresh and for the first time and thus happen to be original in character. Primary data involved direct experience and observation and thus, distortions by other observers were avoided and therefore reliable. These data were obtained through interviews that the researcher conducted, questionnaire formulated by the researcher and also through observation.

3.8.2 Secondary data.

These are those that had already been collected by some one else and which had already passed through statistical process. This included all data obtained from council-documented records, TCC reports, books, and journals, academicians surveys and government surveys. Secondary data is important to be used since statistical information and records may be of particular use for answers of research questions and objectives. They also need fewer resources (expenses) because they have already prepared.

3.9 DATA ANALYSIS AND REPORTING.

Data collected had been analyzed using descriptive statistics such as percentages in order to summarize and organize data in meaningful way. The data were interpreted so as to give clear meaning to the reader .The researcher used sample drawn from the population to draw conclusion about the whole population.

CHAPTER FOUR

4.0 FINDINGS AND ANALYSIS

The analysis of how effective the revenue collection system at MCC is, was done by a researcher after establishing the validity of the research questions, interviewed members of staff from the finance section, personnel and administration section. Not only that but also they had been given a schedule of questionnaire to fill, according to the objectives of the study and the research questions.

Furthermore the researcher used the MCC documents as another source of establishing this study, and passing through other related literatures of the previous studies on what they had discussed relating to this study. The researcher at long last reached at the point to establish the following in the process of revenue collection:-

4.1 Taxpayers' response towards revenue collection

It was observed that procedures used to collect revenue from taxpayers are similar to all revenue departments. Tax payers come by themselves to the offices of the MCC and pay their taxes depending on the nature of activities they are undertaking, they do make these payments by means of either cash or cheques. Through the study it was discovered that other tax payers were not willing to pay even if they are already in tax brackets, hence there was always a physical survey, visit and check-up to taxpayers areas of business to make sure that they pay their taxes on time and also as a means of detecting others who are conducting various business activities but still not in tax bracket. This is to say that there is a kind of non compliance by taxpayers.

4.2 A narrow revenue base

The tax system in Mombasa City Council is still characterized by high rates concentrated over a narrow base in spite of a major tax reform effort. Taxes are levied on few activities leaving out many of the activities untaxed. The structure of the activities has changed considerably, especially in the period of economic reform but the structure of taxes has not changed significantly. For instance in the interpretation of tax status, what is said is that, 'substance and not form' is taxed, but in real life what was discovered is that in most cases this rule operated in vain. This scenario in turn affects the collection of revenue.

4.3 Ineffective taxpayer's education campaign

The research revealed that most of taxpayers, that is, tax paying community were not educated well on why they should pay taxes. The public is against taxation since they see no clear relation between the taxes they are paying and the volume and quality of services they get. In this regard, what the researcher could generally say was that, the Mombasa City Council is facing difficulties in collecting revenue simply because it had not prepared the tax payers on the aspect of taxation. It is known that most of Kenyans are lacking formal business education. This problem led to businessmen to have poor arrangements of their business, putting no records of their undertaking hence, becoming very difficult for tax collectors to extract appropriate amount to be paid by each individual.

Unfortunately, above all the problems to the side of tax payers, the research discovered that no satisfactory education campaign on tax issues are being conducted by Tanga City Council as the effort to overcome this problem.

4.4 Poor working environment and work load

The researcher also noted that the finance department was facing non conducive working environment as most of the personnel had to do their work in a very poor condition; even in terms of office furniture, few available rooms, very few accountants had access to computer and in actual fact the computer were not networked. In general most of the workers were doing their work manually. The finance department had only one car reserved for use by City treasurer, this is not enough for revenue collection purposes.

The workload of collecting revenues had been really a burden to finance department in the sense that the council is expanding much rapid while the tools and instruments of working were not enough to match the prevailing situation.

Again in Mombasa district, most of individual tax payers were small scale businessmen, normally peddlers and street vendors, thus it was not easy to trace the amount they are supposed to pay as tax, it was again very difficult to visit them and collect taxes and if they were left to pay on their own they were not paying.

4.5 Loop holes in revenue collection procedures

Revenue collection, accounting and financial management was the responsibility of finance department headed by City Treasurer. The department is responsible for among other things, to ensuring efficient and effective collection of revenue and expenditure control, appropriate accounting procedures, co-ordinating the preparation of the annual council budget, production of timely and accurate financial reports.

The researcher identified that there are several factors that hinder the revenue collection. The main problem identified in this area is failure to monitor and control revenues from their sources. For instance there is no reliable database of tax payers making it difficult to estimate revenue and hence difficult in follow up. In the case of property taxes there exists a problem in valuation the council has not yet recently conducted property valuation. It is from this scenario therefore creating some loop holes to evade property taxes or paying very little amount than required.

4.6 Trend of revenue collection

Revenue collection is very important to any local government authority since the operation of any council depends on the revenue collection. The collection is a professional duty and it should be performed by professional personnel. If the duty is imposed to unqualified personnel it will be difficult for them to come up with a system which may easily reveal challenges in the whole process.

The research found that for quite some number of years the trend of revenue collection from council's sources of revenue was below the targeted, this is no doubt because of the lack of enough skills and knowledge of the people who have been given work to collect taxes. The fact that in most revenue sources the amount collected is below what has been forecasted proves that the council has enough revenue sources, what stands as a problem is how the process is undertaken and by whom.

4.7 Presentation of findings and analysis

Data extracted by the researcher and presented in tables 1 and 2 below show the budgeted and actual amount of revenue collected from year 2004 to mid of 2009.

Table 1

Revenue source	20004		2005		2006	
	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual
Development levy	85,000,100	56,232,975	101,800,000	57,046,263	121,064,000	50,629,434
Business license	155,800,000	88,810,304	145,000,000	127,164,090	145,000,100	145,247,314
Service levy)	150,000,000	176,814,949	160,000,000	134,020,970	170,000,100	193,284,241
Property tax	150,000,000	198,497,091	160,000,000	75,510,155	170,000,000	85,957,438
Produce cess	1,500,000			298,066		731,250
Market fees	73,100,000	43,972,990	58,000,000	34,832,650	44,090,000	42,190,740
Hotel levy	15,400,000	16,949,710	17,400,000	11,960,692	18,840,000	11,155,792
Livestock cess					800,000	106,850
Other sources	230,401,400	160,341,413	189,959,900	391,327,014	35,162,926	331,598,142
Sub total	861,201,500	741,619,432	832,159,900	832,159,900	704,957,126	860,901,200
Fidia ya mapato						
TOTAL	861,201,500	741,619,432	832,159,900	832,159,900	704,957,126	860,901,200

Table 2

Revenue source	2007		2008		2009		Jan-June	
	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual
Development levy	84,000,000	35,748,266		1,746,975				126,000
Business license	147,910,100	155,469,122	150,000,000	158,044,385	15,000,000			10,603,617
Service levy)	226,041,270	242,320,581	240,000,000	328,802,543	130,000,000			213,039,74
Property tax	229,900,000	47,173,825	220,000,000	106,283,846	150,000,000			103,114,98
Produce cess	1,000,000	172,800	1,500,000	355,500	750,000			
Market fees	47,478,000	42,959,305	30,000,000	40,962,300	15,488,000			10,461,800
Hotel levy	14,000,000	9,873,952	12,171,000	9,368,552	6,000,000			5,302,715
Livestock cess	1,000,000	179,000		640,000				
Other sources		498,978,148	176,722,835	182,363,940	66,860,000			105,529,55
Sub total	751,329,370	1,032,875,000	830,393,835	828,568,040	384,098,000			448,178,41
Fidia ya mapato			256,077,000	130,141,317	124,170,369			124,170,36
TOTAL	751,329,370	1,032,875,000	1,086,470,835	958,709,357	508,268,369			572,348,78

ANALYSIS FROM THE TABLES

· Revenue collection

The tables above show that the council managed to collect above the target in 2006, 2007 and 2009. In 2007 the council collected exactly what it has budgeted.

At a glance what can be said is that, the City Council has the ability to meet its budget.

Table 3

General summary budget and actual collection from 1999-2004

YEAR	BUDGET ED	ACTUAL	PERCENTAGE
2004	861,201,500	741,619,432	(13.89)
2005	832,159,900	832,159,900	100
2006	704,957,126	860,901,200	22.12
2007	751,329,370	1,032,875,000	37.47
2008	1,086,470,835	958,709,357	(11.76)
2009(Jan-June)	508,268,369	572,348,782	12.61

Source: MCC revenue report

Table.4**Presentation of revenue collection for the year 2009**

CODE	REVENUE SOURCE	BUDGETED	ACTUAL: JULY-OCT	%
050703	GUEST HOUSE LEVY	6,000,000	3,100,222	51.67
040100	PROPERTY TAX	140,000,000	23,950,537	17.11
051024	SEWEGE FEES	6,200,000	1,926,000	31.06
051048	GABAGE COLLECTION FEES	13,649,000	1,860,400	13.63
050811	BUSINESS LICENCE	5,000,000	3,003,600	60.07
051041	MARKET DUES	4,500,000	2,611,600	58.04
051009	SLAUGHTER FEES	10,915,000	2,268,500	20.78
051010	POSTERS/BILLBOARDS	7,200,000	4,087,500	52.42
040103	LAND RENT(PREMIUM)	20,000,000	5,796,800	28.98
090460	FINES AND PENALTIES	1,019,000	829,000	81.35
051015	TAXI LICENCE FEES	307,000	39,000	12.70
051020	BUS STAND FEES	24,000,000	8,000,000	33.33

Source: MCC budget book 2005

The report suggests that in 2004 the council was not strong in revenue collection that it has deficit budget. In the year 2005 the council collected what it has budgeted, in 2006 and 2007 the council collected revenue above its budget with an annual increase of percentage of excess revenue. In 2008 the collected below its budget, here is where a question can be paused on the reason behind low collection.

The research here reveals that in the case of property tax the deficit arose from the budgeted and actual collection is Kshs113, 716,154 which makes up about 89% of the total adverse collection for the year. As from the knowledge of the researcher, among the sources of revenue which are normally certain is property tax, now the magnitude of deficit implies poor valuation rolls or collection follow up.

· **Property tax**

Property tax is a form of tax paid by owners of buildings. This tax is supposed to be paid by all owners of buildings be it residential or commercial building with exception of public libraries, museums and places of worships. The collection trend shows that only in 2004 the council was able to collect above its budget. From 2005 to 2009, the council seems to collect taxes from property below its budget. Here a lot of questions may be raised like do these properties shifted to another council? Or are they depreciating in terms of value? Above all these, the researcher reveals that, buildings are built every now and then and easy to collect revenue, the problem has to do with valuation rolls and also no clear database for new properties.

· **Business license**

Business can be defined as ‘any undertaking intended to generate income whether legal or illegal carried on for whatever period of time’.

Business includes

‘(a) a trade, concern in the nature of trade, manufacture, profession, vocation or isolated arrangement with a business character and

(b) a past, present or prospective business, but excludes employment and any activity that, having regard to its nature and the principal occupation of its owners or underlying owners, is not carried on with a view to deriving profit’ (ITA 2004:771)

All businesses are subjected to tax; fees paid for business license are significant source of revenue to local government authorities. The council revenue report shows that the trend of revenue collection from business license has increasingly make up significant revenue.

· **Service levy**

This a levy charged on revenues collected from industries and other businesses like petrol stations within the area of Mombasa City Council. The charge is normally in percentage form and currently MCC is collecting 0.3% of the total sales/turnover of the business.

The research noted that most of industries are within tax bracket, the problem is, most of new undertaking are not early introduced in the tax sources.

· Deliberate refusal to pay tax

Tax is a compulsory levy. That is every one who meets the criteria of paying tax like threshold amount that have set, should pay tax. The research found that on the side of tax payers they have a tendency of refusing to pay tax deliberately and for them this is heroic conduct.

· Accounting system

Mombasa City Council accounting system comprises of most of unqualified accounting personnel, that people having low level of education to perform accounting principles, this also create problem in internal control system because for the principles of internal control to be followed the personnel must be well off academic wise.

Table 5
Assessment of principles of internal control

S/NO	PRINCIPLES OF INTERNAL CONTROL	VERY GOOD	GOOD	FAIR	POOR
1	Internal control procedures adopted	×			
2	Segregation of duties		×		
3	Policies that strengthen accounting control	×			
4	Authorization and approval of transaction		×		
5	Pre-audit	×			
6	Internal audit unit		×		
7	Rotation of employees			×	
	TOTAL	3	3	1	
	%	42.86	42.86	14.28	0

Education to tax collectors

The researcher discovered that tax collecting officials lack enough education in tax matters, the revenue collectors need to have enough understanding of the efficiency collection of revenue so as to be able to educate tax payers, tax payers will get enough understanding on the important of paying taxes, the type of tax they have to pay etc obviously they will comply voluntarily hence reducing time and cost collecting revenue. The revenue collectors should themselves understand the important of being given the authority to collect revenues.

Table 6

Professional qualification in finance department

PROFESSIONAL QUALIFICATION	NO	%
Certificate level	3	10
Atech 11	2	6.67
Ordinary diploma	4	13.33
Advanced diploma/Degree	6	20
Postgraduate	2	6.67
CPA	0	0
Non of the above	13	43.33
TOTAL	30	100

SOURCE: Interview

From the table above, it shows that the council is experiencing a shortage of qualified professionals. No even one certified public accountant in the city council at all, again the table shows that those who have no any qualification makes a big number in the department. Only very few percentages of finance department workers have at least

undergraduate level of education, this is an implication that very few department workers have enough skills on taxation and revenue issues. Unfortunately these people are involving themselves much in revenue collection issues.

Again those who have at least postgraduate level are below seven percent which is very dangerous for council which its operation depend much on revenue collection.

CHAPTER FIVE

4.0 CONCLUSION AND RECOMMENDATION

4.1 CONCLUSION

The field report analyzed data on effectiveness of revenue collection in MCC for a period of 14 weeks. During the field work period in MCC the researcher participated fully in all accounting activities. As the major purpose of any research being collection of findings which could be used in one way or another to solve problems if any. In this research much of concentration was put on assessing the effectiveness of revenue collection by looking at its sources, problems faced by the council during revenue collection exercise and measures that have been and to taken to improve revenue collection efficiency.

Despite all these efforts the revenue collection is not sufficiently effective and efficiency. This is due to many reasons like lack of enough expertise in tax matters, poor tax administration, tax evasion, lack of enough facilities and poor working condition.

Furthermore, the research reveals that methods and techniques used for collection of taxes discourage taxpayers, for instance fixed rate in some kind of tax like property tax, where in most cases taxes are charged area-wise regardless of owner's economic ability to pay such amount, hence make taxpayers to find by hooks and crooks ways to evade tax

In helping the council to identify some reasons which led to loss of revenue, the research reveals that the council should increase rate of doing her primary conduct that it has been empowered, that is provision of social services. If the revenue collected is being well utilized and the revenue collector being selected by their competence and skills there is a large possibility of increasing revenue collection to the projected level since all suggested ways of collection are going to be highly adhered to, tax payers would be given right education on payment of their taxes. This study further shows that, the tax payers some how do not trust or do not understand the way their money is spent, they notice no any benefit they are getting from paying tax.

The internal control of the system is at glance doing fine, but there is a problem in this aspect as to spending of money. Most of the revenue is used in paying staff a lot of allowances which in really sense they do not deserve.

The council has been trying much to improve the revenue collection exercise through implementation of action plan maximize revenue collection, to recover tax arrears by employing all possible means, to monitor and eliminate unnecessary delays and harassment to taxpayers and provide them with efficient and effective services.

5.2 RECOMMENDATION

After the study which has been conducted at Mombasa City Council for 14 weeks and from the findings of the study, and as far as the knowledge of the researcher is concerned the researcher is able to make recommendation on the following:-

· Education

To revenue officials

MCC should train its staff and provide them with the technical knowledge and personal skills to perform their jobs professionally and promoting compliance. Employee in the department of finance should be if possible all trained on taxation matters. For instance technique of putting barriers and other kind of harassment in the roads and market places is not a good way of revenue collection; this is out of taxation ethics. People need to be educated concerning tax paying.

To taxpayers

The researcher recommends that, the MCC should educate tax payers on important of paying tax in order to minimize tax avoidance and evasion. Increase of public awareness on tax issues is very crucial. The government should prepare the tax payers and educate them towards compliance, this could best be done by providing proper education on the important of paying taxes, paying taxes on due dates, effects of not paying taxes, power that has been given to tax administrators of imposing fines and penalties and taxpayers rights, this could be best done through seminars, television and radios programs, news papers and opening of tax consultation centers near public area like markets etc.

· Revenue source

The researcher recommend that, MCC has to increase and broaden its revenue sources in the sense that they contribute much on the total revenue, for instance from the report in chapter four it seems that produce cess and livestock cess in some years

did not contribute any to revenue. Also the council should make sure that it put special efforts to improve their performance and hence high revenue.

· **Separate revenue department**

Tanga City Council should also establish a separate good and strong revenue department which will be lead by competent tax administrators and financial managers of high integrity, honest and accountable to ensure proper enforcement of tax provisions, and better taxpayer services.

· **Friendship environment**

Friendship environment between tax payers and tax officials should again be observed. In this aspect what is important is that tax payers should be prepared in such a way that they treat tax officials not as their enemies rather their friends. Advisory offices should be opened near tax payers and public place like markets. Introduction of hotline which will be free of charge kike what PCB is doing. MCC should view tax payers as their customers in such a way that it should be sympathize with those who have faced problems like theft and fire in their business such that they pay no tax dues at the time of problems, this will improve and strength their business again and in turn will improve tax compliance.

· **Good working condition:**

As the work of revenue collection is direct a man to money phenomenon, tax officials are much tempted to use money they collect, to avoid this revenue/tax collectors should be provided with good working environments, in terms of salaries and other financial incentives so that they should not be tempted to use money or to participate in corruption. Again good working environment in terms of office facilities like good offices, computers, introduction of IT such that they become able to accurately keep their records and provide better services to tax payers and good performance in revenue collection exercise.

· **Computerization of the system**

Researcher recommend the council on the adaptation of new technology in performing its duties, the staff working with the council especially the finance department should be well equipped to use modern accounting technology. The employees should be provided

with modern tools and instruments to simplify their work, these tools include computers if possible each person should be provided his/her own, calculators and other stationeries.

· **Physical survey**

On the researcher's opinion he advise the council to conduct more physical survey so that the economic information of taxpayers are captured, give advice to tax payers, make registration of new economic conduct and record them in tax net .This will enable the tax officials to assess the tax payers effectively.

· **Agent for collection**

The researcher advises the council to introduce a new system which is to employ some agents to collect taxes from various areas, the council is not capable of reaching all tax payers due to rapid expansion of the city.

· **Improve provision of social services**

Councils have been empowered to collect taxes such that they can use them to provide social services to their areas. Tax payers will automatically comply if first educated on the potentiality of paying taxes at the same time see the physical improvements like good social services and infrastructures which result from taxes they are paying.

· **Proper enforcement of tax law**

In case of any contravention, proper observation of PART V111, section 98 to 109 of the Income Tax Act (ITA) No 11 of 2004 which entails about interests, fines, penalties and even imprisonment to both taxpayers and tax officials. Major concern however in these sections is punishment. Punishment imposed to tax officials who are aiding or abetting, agrees to permits, conceals, connives at or acquiesces in act or thing where the government is or may be defrauded with respect to any matter under this Act, including the payment of tax and non tax paying people should be strictly adhered to the extent that it will discourage other tax evaders and innocent people who were planning to exercise non compliance.

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19. <http://www.tanedu.org/primaryschools.asp>
20. <http://www.tzonline.org/pdf/Tanga.pdf>
21. <http://www.tanzania.go.tz/census/districts/tanga.htm>
22. http://www.districthealthservice.com/cms/upload/policycat_68_2979.doc

APPENDIX 1
QUESTIONNAIRE

Dear respondent

RE: QUESTIONNAIRE OF AN ASSESSMENT OF EFFECTIVENESS OF REVENUE COLLECTION AND CONTROL BY THE LOCAL AUTHORITY

Attached herewith is the set of questions which kindly request for your response. I would like to take this opportunity to present my humble appreciation to you to extend your support in answering these questions to the best level of your knowledge.

Your contribution towards realization of the intended objective will be appreciated.

Thank you in advance

QUESTIONS

Tick where appropriate

1. Are you an employee of MCC?

YES NO

2. For how long have you been working with finance dept in MCC?

.....

3. Are you satisfied with the current environment you are working with? In terms of

i. Office quality

ii. Working tools

iii. Financial benefit.....

4. Why do you think most people are not willing to pay their tax due voluntarily?

Is it due to the following?

i. Poverty

ii. Ignorance

iii. Lack of serious punishment

iv. No direct benefit from their taxes

If non of the above, what are the reasons?

.....
.....
.....

6. Are tax payers aware of due dates?

YES No

7. Are the facilities available enough for effective performance of the revenue collection?

If no, to what extent?

8. How do you find the overall performance of the tax/revenue administration?

Please tick one

i. Efficient

ii. Reasonable

iii. Poor

9. What factors do you think hinder revenue administration?

Mention and explain

.....
.....

10. Are there any seminars or short courses conducted by MCC to her workers on tax matter?

YES..... NO

11. What measures do you think should be taken in order to improve tax/revenue collection end administration machinery?

.....
.....
.....

APPENDIX 2
RESEARCH BUDGET

The researcher was required to have sufficient fund for conducting the study. Source of funds to finance the study were from sponsors, relatives and friends.

ITEM	TRANSACTION	AMOUNT	TOTAL
Stationeries	Stationary	25000	25,000
Secretarial services	. Typing	60000	
	. Photocopy	50000	
	. Binding	30000	140,000
Transport	. To the institute	120000	195000
	.To workstation	75000	
Meal	. Breakfast (600x116)	69600	
	. Lunch (1500x116)	174000	243,600
Communication	Communication	70,000	70,000
Other related expenses		85000	85,000
TOTAL			758,600



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**OFFICE OF THE DEAN
SCHOOL OF BUSINESS AND MANAGEMENT**

Date: 2nd April, 2009

Our Ref: KIU/SBM/RL/002-2/04/09-3

THE HUMAN RESOURCE MANAGER,
MICRO FINANCE BANK,
KENYA

Dear Sir/Madam,

RE KAVUTU MALUKI RICHARD REG.NO.BBA/9614/61/DF

The above mentioned is a bonafide student of Kampala International University pursuing a Bachelor of Business Administration (Accounting Option) programme in the School of Business and Management of the University.

He is currently conducting field research and the title of the Research project is **ASSESSING THE EFFECTIVENESS OF REVENUE COLLECTION AND CONTROL, BY THE LOCAL AUTHORITY. CASE STUDY; MOMBASA CITY COUNCIL.** As part of his studies (research work) he has to collect relevant information through questionnaires, interviews and other relevant reading materials.

The purpose of this letter is to please request you to avail him with the necessary information he may need.

All and any information shared with him will be used for academic purposes only and we promise to share our findings with your institution.

Any assistance rendered to him in this regard will be highly appreciated.

Yours Sincerely,

**DR. NUWAGABA ALFRED
DEAN SCHOOL OF BUSINESS AND MANAGEMENT**