MAKERERE UNIVERSITY

MAKERERE UNIVERSITY BUSINESS SCHOOL

PROPERTY TAX INCOME COLLECTION FOR KAMPALA CAPITAL CITY AUTHORITY

BY:

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A RESEARCH REPORT SUBMITTED TO MAKERERE UNIVERSITY BUSINESS SCHOOL (FACULTY OF GRADUATE STUDIES AND RESEARCH) IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION OF MAKERERE UNIVERSITY

PLAN B.

OCTOBER, 2023

DECLARATION

I, Namasembe Rashidar declare that this research report is my original work and has never been submitted to any institution that I know of for an academic award.

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APPROVAL

This is to certify that this research report has been submitted with my approval as university supervisors.

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Mr. Bananuka Juma (R.I.P)

DEDICATION

This research is dedicated with deepest love to my parents, my husband and to my children for their love, sacrifice, support, vulnerability, wisdom and strength that they have inspired me to be the best I can be

May GOD bless them always.

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ABBREVIATIONS AND ACRONYMS

KCCA	-	Kampala Capital City Authority
OSR	-	Own Source Revenues
IGC	-	International Growth Centre
MDF	-	Municipal Development Forums
CVI	-	Content Validity Index (CVI)
UK	-	United Kingdom
SD	-	Standard deviation

ABSTRACT

This study aimed at examining the property tax income collection at Kampala Capital City Authority (KCCA). The study was mainly based on three objectives: to examine the property tax practices used by Kampala Capital City Authority, to examine challenges which Kampala Capital City Authority faces in managing Property Tax income and to suggest ways of improving Property Tax income at Kampala Capital City Authority. The study adopted a cross-sectional design and quantitative approach. Data was collected using the primary means by presenting questionnaires to 285 respondents and 252 were returned giving a response rate of 88%. Data was analyzed using the Statistical Package for Social Sciences (SPSS Version 23). The study findings revealed that KCCA endeavors to collect and administer property taxes through practices like identifying the tax base, availing capable and required workforce, registering all the properties, informing Landlords about property tax and its rates, fair computation of property tax rates and valuation of all taxable properties. However, KCCA face several challenges like low level of awareness, complicated property tax system, corrupt tax collectors, poor enforcement measures, lack of good political will, time lag in the valuation process, exemptions to property taxpayers, poor methods of determining of property tax rates, lack of effective statutory rate for property tax, inadequate capacity of tax collectors and delays in payment of property taxes**.** Several strategies like decentralizing the payment of property tax to reduce the corruption behavior, improving the quality of social service provision, improving compliance measures and bettering customized taxpayer services, Citizens' access to information on property taxes, improvement in the property tax policy, broadening the property tax base, removal of some exemptions, establishing more accessible and transparent payment facilities and providing more education and sensitization programs to motivate the property owners. Therefore, this study recommends that KCCA need to put more emphasis on the identifying reliable tax base to increase the number of properties captured in the tax net, train their staff regarding property tax collection and management and conduct continuous property tax awareness program in Kampala. Further studies may also be carried out on property tax income collection in other cities in in Uganda like Arua, Mbarara, Masaka, Mbale, Fort portal and Gulu

CHAPTER ONE

1.0 INTRODUCTION

1.1 Background to the study

Increased tax revenues can increase financial strength (Fachrudin, Siahaan and Pane, 2018). Bahl and Lin (2014) said that Property Taxes are very important in developing urban strategies to support sustainable growth. Property Taxation has advantages over other local taxes because the land is immobile and it cannot relocate to other areas with lower tax rates, unlike tax on income where higher taxes can lead to relocation to lower tax jurisdictions (Nyabwengi and K'Akumu, 2019). Property Tax is argued to be a reliable source of local government revenue under decentralisation because the local government has the autonomy to decide on the tax base and the tax rate (Nyabwengi and K'Akumu, 2019).

In some developed countries, Property Taxes are used to finance local authorities (Babawale, 2013). It comprises a significant percentage of local governments' own source revenue amounting to 37.7% in Australia, 53.3% in Canada, and 33% in the UK (Bird and Slack, 2005). In the United States of America, despite a lot of critics over Property Taxes, it plays an important role in government finance (Spelman and Spelman, 2003). In the developing countries, its contribution to own source revenue is lower, at 15% in Kenya and 21% in South Africa (Bird and Slack, 2005). In South Africa, Local and metropolitan municipalities, particularly in urban areas, generate more than 20% of their own income through Property Tax (Department of National Treasury, 2011).

In Uganda, Property Tax is a significant source of revenue in Kampala, making up over 35% of own source revenues for the Kampala Capital City Authority (KCCA, 2019). This tax is applied to the rental or business income of commercial, industrial, institutional, and residential properties. The city is home to around approximately 350,000 properties across its five divisions, of which

125,000 are owner-occupied residential properties, and therefore not eligible for the tax. With the introduction of updated Central division records in 2017/18, property contributions to own source revenues (OSR) increased from 19.8 to 29.3% in one financial year alone (IGC, 2020). The introduction of Property Tax collection strategies by KCCA saw property rates collection grow from UGX 7.78bn to UGX 32.393 bn in the FY 2018/19 representing a percentage growth of 161% (KCCA Statistical Abstract, 2019).

Subsequently, KCCA increased the targeted revenue from Property Tax to UGX 85.9bn. In 2020 only 29.2 billion UGX was collected representing a deficit of UGX 56.7bn of revenues (KCCA, 2020). The Property Tax revenues reduced from UGX 32.393 in the 2018/2019 to UGX 29.2bn in 2020. This was partly attributed to the legal exemptions and limited means of enforcement (IGC, 2020).

Property Taxation in Uganda faces challenges of administration; for instance, undervaluation of properties. The land values are outdated and do not reflect the current market situation (KCCA, 2020). This hinders equity in Property Taxation (Olima, 2005). The under-taxation of property in Uganda and other developing countries is a major cause of inequity in taxation (Brautigam *et al*., 2008). Low tax morale among taxpayers as well as long-term data and staffing requirements for valuing properties also present significant challenges (KCCA, 2020). Excluding properties from taxation is a way of legitimising exemptions. Exemptions for owner-occupied properties represent a significant revenue leakage and removing such exemptions would increase overall revenue potential by 26%. At the same time, legal means of enforcing taxes are weak. While it is theoretically possible to take any property owner to court for non-compliance, the inefficiency of the judicial system makes this an ineffective deterrent (KCCA, 2020)

Bakibinga and Ngabirano (2019) also indicated that KCCA has been failing to raise its targeted tax through property rates since 2013 to date. For example, out of the targeted revenue of UGX 85.9bn from Property Tax in 2020, only 29.2 billion UGX was collected representing a deficit of UGX 56.7bn of revenues (KCCA, 2020). The failure to collect the targeted Property Tax revenues could be attributed to weak means of enforcement, and inadequate communication with clients. Inadequate or outdated client data, high tax liabilities, failure to value all properties, and low tax morale of the taxpayers due to government misuse of taxes (KCCA, 2020; Bakibinga and Ngabirano, 2019). To overcome Property Tax collection barriers, several approaches are to be tried. Therefore, the study sought to evaluate Property Tax collection and suggest ways of improving Property Tax at Kampala Capital City Authority.

1.2 Problem statement

Kampala Capital City Authority has put in place Property Tax collection strategies like relationship management, third-party enforcement, involvement of political leaders, and municipal development forums (MDF) to provide Kampala with the necessary financing for critical public investments (KCCA, 2020). Despite the efforts put in place, KCCA has not yet collected its targeted revenue of UGX 85.9bn from Property Tax. This is attributed to the legal and administrative challenges which have affected collections thus contributing to the reducing property taxes collected against target. In 2020, only 12% of billed properties paid their taxes on time while only 34% of potential revenue was raised (Ahabwe *et al*., 2020). If the property tax collection is not improved KCCA will continue losing revenues. Therefore, this study intended to examine the existing legal and administrative practices at KCCA, the challenges faced and the strategies that may enable KCCA to register improvement in Property Tax income.

1. 3 Purpose of the study

The purpose of the study was to examine the property tax income collection at Kampala Capital City Authority.

1.4 Research Objectives

i To examine the property tax practices used by Kampala Capital City Authority

ii To examine challenges which Kampala Capital City Authority faces in managing Property Tax income.

iii To suggest ways of improving Property Tax income at Kampala Capital City Authority

1.5 Research Questions

i What are the Property Tax income practices used by Kampala Capital City Authority?

ii What are challenges faced by Kampala Capital City Authority in Property Tax income?

iii What are the strategies of improving Property Tax income at Kampala Capital City Authority?

1.6 Scope of the study

1.6.1 Content scope

The study covered the components of property tax income, challenges faced and strategies for improving Property Tax income.

1.6.2 Geographical scope

This study was carried out at the headquarters of Kampala Capital City Authority located on Nakasero Hill, in the Central District of Kampala, Uganda's capital city. This place was appropriate to see the study carried out effectively to completion.

1.6.3 Time scope

The study focused on the property tax income practices used at Kampala Capital City Authority for the last four years from 2018 to 2021 and the study was conducted in three months that is between August and October 2022.

1.7 Significance of the study

i. To KCCA, when the Property Tax income system is efficient other factors remaining constant the budgeted revenue from Property Tax will be achieved. Findings may be utilized by planners and other researchers during taxation plan for increasing government revenue.

ii. The Uganda Revenue Authority may utilize the study on enhancement of Property Tax income by identifying the potential taxpayers for rental income tax.

iii. Policy makers can use the study findings on making the fiscal policy effective on the Property Tax and inclusion with the relevant factors for effective Property Tax collection.

iv. Management of KCCA may use the findings of the study to improve timely proper collection of Property Tax specifically on property value.

v. Residents of Kampala can use the study findings to know the importance of paying the Property Tax on timely basis. In addition to that they will recognize the contribution it makes to government revenue.

vi. Academicians**:** The findings from this study may be used as references for further research work by scholars who might be interested in this area of study, hence enhancing existing literature in the area of Property Tax.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Property Tax

A property tax is a levy on property that the owner is required to pay (Wang, Zhu, and Wu, 2015). The tax is levied by the governing authority of the jurisdiction in which the property is located. This definition includes three main points: the local government controls property taxes; the collection object is the property owner and the tax amount is based on the value of property (Skidmore *et al*. 2012). Some scholars use property tax referring to taxes related to real estate and other property while others may use it under the circumstance of property tax in China (Xia 2011; You and Hu, 2011). The other schools of thought take a broader approach where the term Property Tax is used to describe a variety of levies on the use, ownership, and transfer of property (Norregaard, 2013). Other studies like Riel Franzsen and William McCluskey (2017) describe Property Tax as that which constitutes a 'recurrent tax levied on the ownership or occupation of immovable property, whether land only, land and buildings, or buildings only' (Franzsen and McCluskey 2017). Franzsen (2002), on the other hand, defines Property Tax as an annual tax on the ownership or occupation of immovable property, which may consist of land or buildings. Abbott (2008) says that Property Tax is a tax that is levied on deemed value or against income arising from the property. The tax is traditionally associated with local governments (Babawale, 2013). According to Fjeldstad, Ali and Goodfellow (2017), Property Tax administration in developing countries is generally characterized by narrow tax base, exemptions, ineffective assessment of properties, low tax rates, and flat rates.

According to Manwaring and Regan (2019) Property tax, is a tax on the rental or business income of property in the city of Kampala, Uganda that can be applied to commercial, institutional, and

rented residential properties across the five urban divisions of the city. The tax is a percentage of the actual (or estimated) annual rental value or business income value and is only collected from property owners that generate income from their property. In Uganda, Property Taxes take the form of property rates, rental income tax, capital gains tax, and transfer taxes (stamp duty) (Local Governments Rating Act, 2005). It is levied by local governments to enable them provide a wide range of services to the people (Mulangira, 2014). Property rates are levied by local governments to enable them provide a wide range of services to the people such as street lighting, garbage collection and road works (Local Governments Rating Act, 2005), section 3(2). Property rates are payable by owners of urban properties as well as commercial buildings found in the rural areas (Haas and Kopanyi 2018). The total rates payable are determined using the annual rental value of the property subject to rates (Kelly, 1999). Once the annual rental value has been ascertained, the local government responsible has the discretion to levy rates starting from a minimum of UGX2,000 up to 12 percent of the ratable value (Local Governments Rating Act, 2005, section 3(2)). Owner-occupied residential properties and residential properties located outside the urban areas are generally exempted from paying property rates (Local Governments Rating Act, 2005) (as amended), section 5).

2.2 Property Tax Income Practices

Valuation

Valuation is an important aspect in the imposition of property rates (Zebong, Fish and Prichard 2017). For this reason, the law requires every local government to come up with a first valuation list, which should then be updated at least once every five years. The valuation list is to be made with the assistance of a qualified and registered valuation surveyor appointed by the local government and should include the following particulars: Serial number, Detailed description of

property such as plot number, street and other relevant details, Name and address of the owner, Village and parish local council, Property use, Gross property value; and Ratable value of property (Local Governments Rating Act, 2005, section 10).

The valuation method of land and building tax imposition base generally uses mass appraisal and individual appraisals. Mass appraisal is used for big amount of, homogeneous, not special characteristic, and not high value tax objects. In mass appraisal, land tax imposition base is calculated based on the indicative value contained in each land value zone. Building tax imposition base of building is calculated based on the list of building component costs reduced by the physical depreciation (Fachrudin, Siahaan and Pane, 2018). Meanwhile, individual assessment is performed for tax objects that have special characteristics, high economic value, various type and size, high-rise building, and multi-ownership. This method has not been fully implemented by the many cities in the world due to resource constraints (Fachrudin *et al*., 2018). For example the city of Hanoi Vietnam experience the same difficulties in determining market value. Tax is not calculated on market value, but rather is area-based considering the location of property within a particular zone of a city (Loan and Mccluskey, 2012). Valuation and assessment in Uganda are based on the annual rental income of the property as determined by a registered valuer (a person who holds a practicing certificate under the Surveyors' Registration Act of 1974) appointed by their local government. According to Bakibinga and Ngabirano (2019) Valuation of properties is done after a period of ten years and a valuation roll is made for that purpose. This subsists for a period of ten years after which it is updated. The methods used for data collection mainly involved use of human resource other than ICT.

Setting Tax Rates

A local government may not impose a tax rate that exceeds 12 percent of the ratable value of a property or is less than 1/10th of a currency point. A currency point is currently UGX 20,000, which implies a minimum of UGX 2,000 per ratable property (UN- Habitat 2013). Because the regulations are silent on how the rates are set, there is no systematic approach to rate setting. Local governments may also take into consideration other factors in setting the rate, such as: the desire to have a uniform rate for all sub counties or divisions within the jurisdiction of a local government; the ratepayer's ability to pay; the likely reaction from the public to an increase in rates; and trends in the general economic performance within the area. In Uganda, the law mandates that property rates be used to provide specific services, such as road construction and maintenance, street lighting, antimalaria drains, garbage collection, physical planning, and other services required by the taxpayers within their areas. In addition, the law requires that a minimum of 75 percent of the revenue be used for these services. (Franzsen and McCluskey 2005). In Uganda, the process of property rate administration begins with the registration of all property owners within the municipality as potential taxpayers. This is followed by the formation of an assessment committee to value each property and set the ratable value, on which the amount of tax to pay is set. The tax is supposed to be set at not more than 12% of the ratable value of a property (Bakibinga and Ngabirano, 2019).

Billing and collection

Tax billing is done annually by local authorities, who are also required under the act to publish the chargeable rates in the official gazette and local newspapers. (Olima 2010). Local authorities are required to prepare and send demand notes indicating the amounts due for payment only to all property rate payers who have failed to pay by the due date. Revenue collection is generally

administered by the local authority's own staff. However, in Uganda, the former Kampala City Council had contracted private collectors to undertake revenue collection. The private debt collectors were paid a commission of 10 percent of the amount collected (Kopanyi 2015; Olima 2010). Despite the engagement of private debt collectors, the collection rate was still low, approximately 50 percent of the projected figures (Olima 2010). The Masaka Municipal Council also experimented with the privatization of collection, apparently without success (Nsamba-Gayiiya 2001). Although outsourcing may address the lack of capacity to collect the tax, it is unlikely to decrease unwillingness to pay it.

Enforcement

Local governments can enforce the payment of property rates by several mechanisms, including sending demand notices, charging penalties and interest, recovering property rates from tenants and occupants, prohibiting transfer of a property, and imposing a first charge on a property (Local Governments Act, 2005). These mechanisms are underused, and enforcement efforts are generally low (Olima 2010). Impracticable enforcement provisions abound, and enforcement against absentee property owners is lengthy and costly (Oxfam 2013). Taking defaulters to civil court seems to be the most common method, but it is costly, and settling a case may take years (Bendana and Mayanja 2012). Nsamba- Gayiiya (2001) states that although the enforcement measures provided for in the law seem adequate, some of them are politically unacceptable and therefore are not used in practice. If there is no political will to enforce payment and taxpayers are aware that these measures are not invoked, an adverse impact on voluntary compliance is inevitable, especially if service delivery is poor. Furthermore, proper enforcement is possible only if the under lying data are reliable.

Identifying the tax base

For taxation purposes, the tax base should be identified according to the legal definition of the tax (Kelly, 2013). This is followed by an assessment and compilation of the rating roll that contains the property details (Kitchen, 2013). The roll number serves as the link between the tax assessment information, tax billing and property transfer records. The property coverage ratio should be upto date and close to a 100 percent (Kelly, 1999). This is important to ensure equity and also adequacy in revenue generation. The properties are captured in a fiscal cadastre, which forms the basis for an effective Property Taxation (Roy and Johannes, 1992). United Nations (2005) defines a cadastre as a set of records about the land that consists maps or plans showing the size and location of all land parcels and text records that describe the attributes of the land. The fiscal cadastre can be developed either through self-declaration or through government inventory (Dillinger, 1992; Kelly, 2013). Government inventory method is the most commonly used for constituting a fiscal cadastre although it is expensive and depends on officers to carry out field surveys. The taxing authority should rely on a partnership approach to gather and keep up to date data on the fiscal cadastre from government agencies, private sector and individuals handling Property Tax-related information (Kelly, 2013).

Assessment of the tax base

Once the Property Tax base has been identified, assessment of the tax base is done depending on the legal definition say capital value, annual rental value or site value. The Property Tax assessment process should be uniform within the taxing jurisdiction to ensure that the burden of the local government is shared equitably among the taxpayers (Bird and Slack, 2002). In addition, to enhance equity in taxation, revaluations should be carried out regularly to ensure that the assessed values are almost a true reflection of the market value. Revaluation cycles should be short

usually after three to five years. Where regular revaluations are not possible especially in developing countries facing constraint in market valuation, McCluskey *et al*. (2002) recommends the value banding system. The branding system is currently used in the UK and is described as a system that relies on the "concept of dividing properties into different categories according to an estimate of their capital value for the purposes of determining a Property Tax bill" (Davis *et al*., 2004). McCluskey *et al*. (2017) further recommends adoption of self-declared values, outsourcing of valuation services to the private sector and indexation of values, which raises the property values according to an annual inflation factor.

2.3 Challenges Facing Property Tax Collection

The main challenges facing property identification process in developing countries according to Roy and Johannes (1992), Bird and Slack (2002) and McCluskey *et al*. (2013) include: poor updating of the Property Tax base, uncoordinated information on the fiscal cadastre, the problem of informal settlements and poor monitoring and recording of property transfers data. Manual systems of property records affect the accuracy of Property Taxation, which erodes the fairness of the Property Taxation system. These challenges result to incomplete Property Taxation registers, which impedes equity in Property Taxation and reduces the revenue adequacy of the local authority.

The Property Tax base is also affected by exemptions and preferential treatment of properties. Exemptions from taxation is an important component of Property Taxation whose objective is to promote social justice, reduce administrative and collection costs by exempting low yielding properties and exempting properties that provide, either directly or indirectly, services that are considered public goods (Prakash *et al*., 2009). Exemptions are based on property ownership, use and characteristics of the property owner such as properties used for religious, education,

diplomatic and health purposes (Kelly, 2013). Exemptions are either legally provided or given through local discretion and administrative practices (Franzsen and McCluskey, 2013). Exemptions have an adverse effect on Property Taxation and result to a narrow tax base, it is a discriminatory and unfair practice that can promote land uses that would be different were all the properties treated equally, it affects revenue adequacy, impacts on Property Tax equity and efficiency leading to distortion in location and economic decisions of firms (Kitchen, 2013; De cesare, 2012; Kelly, 2013).

The low-level of fiscal decentralization has also contributed to poor Revenue contribution in developing countries (Fjeldstad *et al*., 2017). In principle, local government authorities are likely to collect Property Tax more efficiently than central governments because they can more easily oversee local residents, have better information about their assets, and monitor their compliance (Fjeldstad *et al*., 2017). However, Property Tax collection is often poor also in countries with a more decentralised system of revenue collection.

Resistance from property owners is another barrier to effective Property Tax Collection, these owners form a powerful lobby that can block both policy reform and effective implementation (Fjeldstad *et al*., 2017). This is common in large capital cities; resources are concentrated where political and economic elites tend to be closely bound together. Indeed, in such cities, where bureaucratic capacity to overcome some of the administrative challenges is likely to be higher than elsewhere, elite resistance may form the primary obstacle.

Poor tax administration: This is largely due to inadequate human resource, infrastructure and limited information on properties. These challenges are reflected in a number of tax administrative tasks such as a narrow tax base, ineffective tax assessments of properties and very low tax rates (Fjeldstad *et al*., 2017).

Taxpayers' attitude: Property Tax are often unpopular among taxpayers in developing countries due to a number of reasons. First, Property Tax that is levied on the wealth of individuals or businesses may not necessarily correspond to the income of the taxpayers. This can particularly overburden those with limited incomes like pensioners. Second, Property Tax on non-residential properties can be unpopular among business owners as it can affect their resource allocation and investment decisions. Third, collection of Property Tax may not be matched with improved local services, largely due to corruption and low-level of accountability among local officials (Fjeldstad *et al*., 2017). Weak enforcement: Low collection rate combined with weak enforcement is another problem in developing countries. Low political willingness of elected local officials to enforce taxes from the wealthy and the powerful can further exacerbate the low collection rates. Given the generally unpopular nature of Property Tax among taxpayers, politicians may also be less willing to have strong Property Tax enforcement on poor people residing in poorer neighborhoods in order to maximize their vote in elections. Furthermore, punishment for non-compliance such as confiscation of properties may not be politically feasible.

Administrative and political challenges; Still many African countries utilise a value-based (ad valorem) Property Tax model, calculating tax rates based on the properties' capital value or rental value. An ad valorem-based system requires a functioning property market with clear land ownership and transaction records. In addition, it requires qualified valuers, capable of assessing the worth of land and/or buildings at fixed intervals. Most municipal governments in Africa do not have the adequate skills and resources to manage such a model. Due to a combination of inappropriate tax policy and weak administration, property registers and valuation rolls are often outdated or not in place. This situation is exacerbated by a lack of street names and house numbers in many cities. Administrative capacity and equipment to identify, assess, and value the taxable

property are often limited. Billing, collection and enforcement are generally weak. However, the major constraints for the development of effective Property Tax systems are often considerably more political than administrative. The tax base is usually narrowed by extensive legal exemptions. Political support to enforce the Property Tax is often in short supply, and political interference in revenue collection is common (Franzsen and McCluskey, 2017).

Ineffective Property Taxation might become self-reinforcing through its effect on incentives to invest in property. Real estate interests often produce powerful resistance to Property Tax. Thus, the more real estate wealth accumulates in the absence of Property Taxation, the harder it is politically to implement Property Tax. Further, in most African countries, high property transfer taxes are levied. High transfer taxes tend to undermine the formalisation and regularisation of the property market (Franzsen and McCluskey, 2017). These taxes are easy to collect and usually levied by the central government. The political appetite to reduce or abolish this source of revenue in favour of a 'difficult to administer' and 'data hungry' Property Tax is often low or absent.

In Uganda taxpayers have limited awareness of Property Tax collection, to the extent that some think that they should not pay any tax on their properties. In addition, some property owners confuse the Property Tax with ground rent (Oxfam 2013). Whereas property rates are paid on commercially managed properties in Kampala city, Ground rent are payments made for all released plots by Kampala District Land Board on behalf of KCCA and is made annually in accordance to lease conditions as provided for in the covenant (KCCA, 2018) Local governments simply do not have the capacity to effectively administer the Property Tax. The first issue is the lack of a comprehensive property information database. This complicates property identification, and as a result, many properties are not included on valuation lists and tax registers.

There is a severe shortage of technical officers and valuers, and therefore, many valuation lists are seriously out of date. For example, properties in the central business district of Kampala City were revalued only after fifteen years in 2005, despite the mandate of the law that revaluations be carried out every five years. Most, if not all, local governments other than the KCCA depend on the Ministry of Lands, Housing, and Urban Development to create, prepare, and update their valuation lists. The low capacity to systematically maintain and coordinate the fiscal cadastre information has seriously inhibited the possibility of adhering to the valuation cycle where valuation lists exist.

Local governments need to do general revaluations or at least update their valuation lists through supplementary valuation lists, but they have no funds to do so (Oxfam, 2013). Therefore, many high- value buildings constructed and completed since 2005 are not yet included on valuation lists. Property valuations are undertaken through competitive contracts at costs many urban and especially rural local governments cannot afford. A modern CAMA system may be a goal in Uganda generally and the KCCA more specifically (Kopanyi 2015). In the short term, however, the goal should be to consider a more rudimentary and simplified system of property assessment that acknowledges short- to medium- term capacity constraints. In principle, the law already allows for mass valuation. Furthermore, there are positive developments in land management that will eventually lead to base expansion for the Property Tax.

In conclusion, weak performance of the Property Tax is due to inefficient tax administration, inaccurate public perceptions, and the broad absence of political support. Strict enforcement and improved taxpayer education could result in improved revenues. Networking with other stakeholders, such as the Surveys and Mapping Department, the National Water and Sewerage Corporation, and the Uganda electricity Board, to improve information in property and taxpayer

databases should also be considered. The failure to address the need for reforms in Property Taxation has made it very difficult for Uganda's cities and districts to deliver effective services.

2.4 Strategies of Improving Property Tax Collection

Property tax reforms. To improve property tax collection and enhance service delivery there is need for tax administration reform (Balogun, 2019). In their studies Boamah, (2013) and Oluwadare and Ojo, (2014) found out that successful property tax reform must be comprehensive, covering all aspects of property tax administration namely, coverage, valuation, collection, enforcement, remittance and taxpayer service. In Ethiopia and Mozambique, municipalities impose a presumptive levy based on size and location of buildings. This has simplified the system to a degree where it is both transparent and easy to administer (Moore and Monkam 2015). Rwanda initially adopted an area-based model, recognising its limited administrative capacity in the aftermath of the 1994 genocide. The country has since moved to self-assessment by the taxpayer, reducing the administrative burden, but carrying significant risks of underpayment. In Sierra Leone, after the civil war, several city councils, including the capital Freetown and the second largest city Bo, deviated from the ad valorem model and adopted a simplified, area-based model. Property valuation was based on the dimensions of the structure, construction type, location and accessibility. This approach was perceived to be fair and secured legitimacy of the local government. The municipalities increased their income from Property Tax by 300–500% between 2007 and 2010 (Jibao and Prichard 2015). In their study Khan, Fassinou, Zahonogo, Hounsounon, Usman, Fatoumbi and Enquiry (2022) stated that, in Uganda Within four years of establishment property tax reforms, KCCA increased their own source revenue by more than 100%. Kampala's success can be attributed to improved and modernized administrative processes and procedures, increased capacity, insourcing of requisite skills and knowledge and increased use of automation

Introduction of modern technology for mass valuation of properties has proved effective in some countries. In 2014, Arusha City Council in Tanzania changed from a manually administered own-source revenue system to a modern Local Government Revenue Collection Information System (LGRCIS) integrated with a geographic information system (or a GIS platform) (World Bank 2017). Man (2011), Bahl, Goh, and Qiao (2014) and Hou, Ren, and Zhang (2014) argue for the need to introduce a property tax system as a stable source of municipal financial revenues in China. Hong and Brubaker (2012) discuss the integration of a property tax with the public land leasehold system. Zhang and Hou (2016) use household income data to estimate the ability of households to pay a local property tax under alternative exemption scenarios. Dale-Johnson and Zhu (2017) uses a dynamic general equilibrium model to examine how different types and usages of property tax revenue and expenditure scenarios impact upon land prices, house prices, house rents, vacancy rates, and government revenue as well as land concession revenue. Hou, Ren, and Ma (2016) propose a design for a property tax system for China.

Given the geographically delimited tax base paid by local residents with limited mobility, Property tax is generally regarded as a stable and predictable revenue source for local authorities. This is because properties are physically immovable, and in principle relatively straightforward for governments to identify and tax properties, even where administrative capacity is limited (Fjeldstad *et al*., 2017).

Tax payers are likely to be motivated to pay Property Taxes if the benefit of the tax becomes visible to them. For example, part of the revenue collected could be directed towards improving services which the tax payers need, such as infrastructure improvements, and be made aware that the services are provided out of the Property Tax paid. Visibility could also be extended to include publication of Property Tax revenue collected within an LGA as well as its wards and sub wards.

Publication of such information could serve as a platform for enhanced collaboration between LGAs and the URA. This information could also be used as a benchmark for LGAs to verify payments against the number of eligible properties in their areas of jurisdiction (Chegere *et al*., 2020).

Property Tax requires the creation of systematic record keeping and organisation, and involves the collection of detailed data on land and properties, thus potentially spurring broader administrative improvements (Fjeldstad *et al*., 2017). The emphasis should be on constructing a workable, even if imperfect, system for raising revenue, rather than seeking first to build a perfect policy and institutional framework. A simplified, area-based model where properties are valued based on the dimensions of the structure, construction type, location and accessibility should be considered in situations with poor administrative capacity. In many African countries, revenue collection from Property Tax shows a very low collection rate with almost no enforcement against non-compliance. Therefore, rather than focusing on legal provisions, the emphasis should be on improving the basic tax administration components.

An increasing number of central government revenue administrations in Africa are now getting involved in the collection of local Property Taxes. To make the "centralisation" of Property Tax collection work will require cooperation, exchange of information and proper coordination between the national revenue administration and the local government authorities, as well as with other relevant ministries and other entities such as the deeds office (Balogun, 2019). Effective policy implementation requires that the various public agencies involved have a mutual understanding of the objectives of the policy and, their respective roles (Franzsen and McCluskey, 2017). To ensure a sound working relationship between the actors, it is vital that legislation and standard operating procedures are in place. If the relevant laws require revisions, these must be

addressed first. Clarity on the division of functions and responsibilities amongst the key stakeholders is also essential, for instance: Who must provide and maintain the taxpayer database? Who must value the properties? What training of valuers and collectors is required and who will do the training?. It is also important to mobilise the necessary political will to administer the tax in a comprehensive and impartial manner. Many properties owners resist paying their bills due to the lack of any visible benefits, especially in areas with poor infrastructure and irregular or non-existent service delivery. To enhance voluntary compliance, there is a need to establish clearer links between tax payment and improved services (Franzsen and McCluskey, 2017).

Educating taxpayers on the rationale, procedures, obligations and responsibilities related to Property Tax. Provision of easy payment options, such as mobile phone-based system M-Pesa used in Kenya and Tanzania, should be considered. Tax administration will only earn taxpayer compliance by creating a climate of fairness and trust. It is important that tax payers are made aware of the rate, the procedures for paying Property Tax and consequent fines for not paying Property Tax. Behavioral intervention such as reminders at the appropriate time or moral motivations to taxpayers may also increase the rate of compliance. It is also important that enforcement is done, and action taken for those who evade (Franzsen and McCluskey, 2017). In her study Nansubuga (2018) found out that public sensitization and awareness campaigns on property tax influence voluntary taxpayer compliance, elimination of ignorance of taxpayers about tax laws and procedures to change their attitude, ease property tax administration, understand tax laws and procedures.

To meet the desire to widen and diversify the tax base, each tax source including Property Tax should have specific targets and regional managers should be evaluated based on specific targets for each type of tax source instead of aggregate collection. Also improving collection rate by

promoting public awareness programmes to help increase compliance as well as by strengthening the enforcement measures. Strengthening fiscal decentralisation by giving more autonomy to local government to administer Property tax collection if the aim is to improve local service provision. Also change of reforms should also go hand in hand with strategies for executing collection and enforcement or behaviour change interventions that will foster voluntary compliance. For example, formalisation of properties, the use of mobile phones and point of sales for making payments; and reminder messages can be emphasised. There should also be a clear division of responsibilities among the implementing institutions involving registration of properties, valuation, maintenance of property registers and revenue data (Chegere *et al*., 2020).

A room for variation should be allowed without compromising the simplicity of the tax. For example, there could be designed area-based flat tax amounts which adjust for location or for different types of buildings and their purposes such as residential, commercial, industrial or vacant properties. Mauritius, which is among few African countries which have successfully managed to raise significant revenue from Property Tax has a law which empowers the city and municipal town councils to determine their own tax rates based on use, whether residential, business, commercial, or industrial (Liu, 2019).

Strengthening coordination and improving capacity for LGAs to collect or assist in collection of Property Tax. While LGAs may not have enough resources compared to URA in collecting Property Tax, they may provide a good support in collection of the tax because they are more aware of the location and use of properties in their area of jurisdiction (Balogun, 2019).

CHAPTER THREE

3.0 RESEARCH METHODOLGY

3.1 Research Design

The study used a cross-sectional research design and quantitative in nature. Cross sectional design was used to capture information based on data gathered for a specific period of time (Cooper and Schindler, 2011). This research design enabled an investigation into the subject of study, in particular, examining the components of property tax collection, challenges and strategies of improving property tax collection at Kampala Capital City Authority. This involved the quantitative design which was analytical and descriptive in nature.

3.2 Population Study

The study covered a population of 1,113 staff of KCCA across the five division of Kampala (KCCA, 2021; Manwaring and Regan, 2019). Kampala is comprised of five divisions; Central, Nakawa, Kawempe, Rubaga, and Makindye. The study considered staff from the administration and HR section, revenue collection, enforcement, treasury, physical planning and legal affairs. These offices were considered because they directly involve in the collection and management of property taxes

3.3 Sample Size and Sampling design

Out of a population size of 1113 staff of KCCA from the five division of KCCA, a sample size of 285 respondents was selected as it was determined by Krejcie and Morgan (1970). According to Krejcie and Morgan table (1970), a sample of 285 is appropriate for a population of 1000. The sample size was determined in proportions and after chosen randomly to select the respondents. This implies that stratified simple sampling techniques whereby 5 strata were created considering the five divisions in Kampala. To select respondents on each stratum, simple random sampling

was used and this was done by allocating numbers for each respondent, which numbers were picked at random. The employees were selected from the 6 sections of KCCA that is administration and HR section, revenue collection, enforcement, treasury, physical planning and legal affairs from all the five divisions in Kampala as seen in the table below:

Table 3.1: Showing Population, Sample Size and Sampling method

Departments (unit of analysis)	Population	Sample size	Sampling method
Administration and HRM	281	72	Simple random
Enforcement	305	78	Simple random
Revenue Collection.	219	56	Simple random
Treasury Services.	102	26	Simple random
Physical Planning.	148	38	Simple random
Legal affairs	59	15	Simple random
Total	**1113**	**285**	**Simple random**

Source: *KCCA* ***2022***

3.3.1 The Unit of Analysis and Inquiry

The unit of analysis was KCCA management departments because they contribute to administration of property tax income generated. The unit of inquiry was individual staff who are involved in the day-to-day collection and management of property tax at KCCA. Under the Administration and Human Resource Department, questionnaires were given to Manager Training Property Tax Regulation while under enforcement; the questionnaires were given to the Head Enforcement and respective enforcement officers. Under Revenue Collection, the questionnaires were given to the Director Revenue Collection, the local tax assessors, Director Budget and Budgeting Officers and Director Legal Affairs. The lawyers and clerks working in the department while under physical planning, the questionnaires went to the Director Physical Planning, the Supervisor in Charge Property Tax Assessment. The study therefore was based on the individual employees' perspective on Property Tax income collection in the five divisions of Kampala.

3.4 Data Sources

The study used only primary data. Primary data was obtained from the selected individuals using self-administered questionnaires consisting of close ended questions. The questionnaire was designed according to the objectives of the study and responses to the questions was anchored on a five (5) point Likert scale ranging from 1-strongly disagree to 5-strongly agree. This was adopted because it allows a systematic collection of information about the objective of the study.

3.5 Data Collection instrument

Questionnaire

A self-administered structured questionnaire was used to collect data. The questionnaire is about collecting data by asking respondents to give their response to the questions being set by the researcher in a prearranged sequence (Saunders *et al,* 2019). This tool was used because it measures the perception of the respondents and helps in gathering data over a large sample and saves time (Devault, 2020). This instrument was be used because it provides an avenue for the researcher to ask probing questions. Questionnaires are fast, cheap and can be self-administered (Mugenda and Mugenda, 2013). The questions in the questionnaire were close-ended because they are exhaustive and mutually exclusive to the study variables. The questionnaire was designed according to the objectives of the study and responses to the questions were anchored on a five (5) point Likert scale ranging from 1-strongly disagree to 5-strongly agree. This was adopted because it allows a systematic collection of information about the objective of the study.

3.6 Reliability and Validity of data

Validity of the questionnaire was established using Content Validity Index (CVI) to determine the relevance of the questions in measuring the variable (Campbell and Stanley, 1966). A research instrument is said to be valid if it measures what it is supposed to (Amin 2005). To test for validity,

the questionnaire was reviewed by the supervisors and pre-tested in the field to confirm that it addresses the objectives for which it had been designed. The relevance of each item in the research instruments to the research objectives was evaluated. The reviewers rated each item as either relevant or not relevant. Validity was determined using Content Validity Index (C.V.I).

The researcher tested the reliability of the questionnaire using Cronbach's alpha test as recommended by Nunnally (1978). An instrument is reliable if it produces the same results whenever it is repeatedly used to measure trait or concepts from the same respondents even by other researchers. The more reliable a test is the more confidence we can have that the score obtained from the test are essentially the same scores that would be obtained if the test was re-administered. Cronbach's Alpha is reliability coefficient that indicates how well the items in a set are positively correlated to one another. Cronbach alpha was computed in terms of the average inter correlation among the items measuring the closer Cronbach alpha is to 1 the higher the internal consistency reliability (Sekaran 2003). Reliability of the research instrument was examined using Cronbach's co-efficient Alpha value. Values above 0.7 were accepted meaning the instrument is valid (Nunnally, 1978).

The instrument was subjected to a pretest where five respondents from the population, who are not part of the sample size, were used to test the reliability of the questionnaire. The Cronbach Alpha Coefficient with a measure of equal or greater than 0.70, was taken as an acceptable for the instrument after the pilot study. Results are shown below in table 3.2.

Table 3.2: Reliability of Results

Variable	**Cronbach alpha**	**Number of items**
Property income tax practices at KCCA	0.797	11
Challenges of property tax collection at KCCA	0.744	11
Strategies of improving property tax collection at KCCA	0.871	11

Source: Primary data

As shown in the results in table 3.2, all Alpha coefficients are at or above the threshold of 0 .70 and hence the results are reliable.

3.7 Data Analysis and Presentation.

Data was collected from the field using questionnaires. Data Collected was edited, coded and analyzed using the Statistical Package for Social Scientists V23 (SPSS). The analysis was done focusing on the descriptive statistics including frequencies, mean and standard deviation. Respective interpretations were done to attach meaning to the findings.

3.8 Ethical Considerations

The researcher got a letter of introduction clearly containing the purpose of the study from Makerere University Business School to request for permission and make the respondents aware about the purpose of the study. The researcher also ensured respondents that the information obtained is kept confidential and strictly for academic purpose and their names need not be indicated in the questionnaires. They are free to participate or not participate in the study.

CHAPTER FOUR

PRESENTATION, INTERPRETATION AND ANALYSIS OF FINDINGS

4.0 Introduction

This chapter covers the presentation, analysis and interpretation of the results according to the objectives of the study specified in the first chapter. The objectives were to examine the property tax practices used by Kampala Capital City Authority, to examine challenges which Kampala Capital City Authority faces in managing property tax income and to suggest ways of improving property tax income at Kampala Capital City Authority.

4.1 Response Rate

The study targeted a sample of 285 staff at the main branch of Kampala Capital City Authority (KCCA). However, out of 285 questionnaires distributed, 252 questionnaires were returned and giving rise to a percentage of 88% which is suitable to draw valid and reliable conclusions. According to Mugenda and Mugenda (2003), a 50% response rate is adequate, 60% good and above 70% rated very well. This also concurs with Kothari (2004) assertion that a response rate of 50% is adequate, while a response rate greater than 70% is very good. This implies that based on this assertion; the response rate in this case of 88% was very good.

Table 4.1: Response Rate

Targeted respondents	Attained respondents	Response rate
285	252	88%

Source: Primary data

The 252 comprised of Kampala Capital City Authority staff and therefore the researcher obtained a response rate of 88 percent. The researcher considers this rate as sufficient and good for the study.

4.2 Background information of the respondents

Respondents included the staff from top to lower management from all departments. The background information gathered for this study included information on the gender, age, academic qualification, period of services and division of the authority. Results of these background information about the respondents are summarized in Table 4.2, 4.3, 4.4, 4.5 and 4.6 as indicated below.

Table 4.2: Gender of the Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	138	54.8	54.8	54.8
	Female	114	45.2	45.2	100.0
	Total	252	100.0	100.0	

Source: primary data

Results in Table 4.2 indicate that the majority of the respondents are male (138%) while the females (114%) are the slight minority. This implies that the results are based on the opinions of more male than male respondents at KCCA and that the number of staff is mainly male. This also indicates that both female and male participate in running the activities of Kampala Capital City Authority but male respondents are more active in improving property tax income activities.

Table 4.3: Age of the Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 25 years	2	.8	.8	.8
	25 - 35 years	117	46.4	46.4	47.2
	35 - 45 years	76	30.2	30.2	77.4
	Above 45 years	57	22.6	22.6	100.0
	Total years	252	100.0	100.0	

Source: primary data

Results in Table 4.3 show that the biggest category of respondents (46%) is in the 25-35 years age group followed by 30 percent who are in the 35-45 years age group. Results show that most of the respondents are middle aged (25-45years) although all age brackets are represented hence the implication that most staff are mature to provide the answers required in the study.

Table 4.4: Academic qualification

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Certificate	13	5.2	5.2	5.2
	Diploma	67	26.6	26.6	31.7
	Degree	137	54.4	54.4	86.1
	Masters/PHD	35	13.9	13.9	100.0
	Total	252	100.0	100.0	

Source: primary data

Results on highest education attained show that 54.4% have a bachelor's degree, 26.6% have diplomas, 13.9% have a master's degree or PHDs and also 5.2% have certificates. This means the respondents were knowledgeable and qualified and could provide valid answers to our research questions.

Table 4.5: Period of service

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-3 years	48	19.0	19.0	19.0
	3 - 5 years	129	51.2	51.2	70.2
	6 -7 years	54	21.4	21.4	91.7
	8 years and above	21	8.3	8.3	100.0
	Total	252	100.0	100.0	

Source: primary data

The results show that the majority of 51.2% of the respondents have been in service with KCCA for 3-5 years, 21.4% have been there for below 6-7 years, 19% have worked for 1-3 years and 8.3% have worked for 8 years and above. This implies majority of the respondent had spent enough time with KCCA therefore they were in better position to provide information about ways of improving property tax income at Kampala Capital City Authority.

Table 4.6: Division of authority

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Central	29	11.5	11.5	11.5
	Nakawa	44	17.5	17.5	29.0
	Kawempe	58	23.0	23.0	52.0
	Rubaga	76	30.2	30.2	82.1
	Makindye	45	17.9	17.9	100.0
	Total	252	100.0	100.0	

Source: primary data

The results in table 4.6 indicate that majority (30.2%) of respondents were from Rubaga division, 23% from Kawempe division, 17.9% from Makindye, 17.5% from Nakawa and 11.5% from the Central division. Results were obtained from staff from all the five divisions of KCCA who are involved in the day to day running of the authority activities. Therefore, data about ways of

improving property tax income at KCCA was collected from the right people and therefore more reliable.

4.3 Descriptive Statistics Results

The summary descriptive statistics of the property tax income practices, the challenges faced by KCCA in managing property tax income and the strategies of improving property tax income at Kampala Capital City Authority are presented in Table 4.7, 4.8 and 4.9 bellow. The purpose of descriptive statistics is to check whether the calculated means represent the observed data, that is, whether the mean is a good replica of reality (Field, 2009 and Saunders *et al.*, 2007). The descriptive statistics of the variables cover means, standard deviations, minimum and maximum values to summarize the observed data in the table below.

Standard Deviation (SD) is the extent by which the views obtained from the respondents vary from the mean scores. It implies that a higher SD had varying opinions towards the given response (SD above 1), and when the SD is below 1 closer to 0, it means uniformity in the opinions provided in the study. A mean above 3 indicates that the respondents were in agreement to the question asked.

4.3.1 The property tax income practices

The first objective was concerned with the property tax practices used by KCCA. Pursuant to this objective, descriptive statistics were run and these are shown in table 4.6 which is followed by interpretation and analysis. The findings are based on the Likert scale where 1-strongly disagree, 2-disagree, 3-Not sure, 4- agree and 5-storngly agree. The findings are indicated in table 4.7 below:

Table 4.7: Property tax income practices used by KCCA (N=252)

	Min	Max	Mean	SD
KCCA has identified the tax base for proper property tax in Kampala	1	5	3.8492	1.07167
KCCA does continuous awareness creation about property for the taxpayers.	1	5	3.7103	1.16361
KCCA has a capable and required workforce empowered to implement and enforce property tax law	1	5	3.4325	1.30255
KCCA has registered all the properties that should be registered for property taxation.	1	5	3.3214	1.05045
Landlords in Kampala are aware of the property tax and its rates	1	5	3.2222	1.21011
There is fair computation of property tax rates in Kampala	1	5	3.1905	1.09482
Tax officials have adequate potential and confidence in decisions making related to property tax collection	1	5	3.1667	0.98798
In KCCA rules and regulations are highly effective in implementation.	1	5	3.1429	1.08752
KCCA has done a valuation for all taxable properties in Kampala.	1	5	2.9048	1.08542
KCCA has enough capacity in managing and administration of property tax in a lawful manner.	1	5	2.8571	1.15157
The existing property tax administration practice is sufficient enough	1	5	2.4325	0.95278
Valid N (listwise)	1.00	5.00	**3.2027**	**1.10531**

Source: primary data

The results in table 4.7 show the Grand mean of 3.2027 which indicates that from an overall perspective (average) the respondents were somewhat in agreement with the statements in the questionnaire regarding the property tax practices used by KCCA. This implies that some of the respondents were not in agreement with some property tax practices used by KCCA given the grand mean of 3.2027.

The most prominent practice was identifying the tax base for proper property tax in Kampala since it has the highest Mean=3.849; SD=1.07167 and implies that KCCA has established the tax base for all property in Kampala to ensure property tax generation. KCCA has also tried to establish other practices like continuous awareness the property tax, capable and required workforce to

implement and enforce property tax law, registered all the properties that should be registered for property taxation, made Landlords aware of property tax and its rates and does fair computation of property tax rates in Kampala.

The respondents were in agreement that KCCA does continuous awareness creation about property tax for the taxpayers (Mean=3.710, SD=1.1636) which implies that KCCA continuously informs taxpayers about property tax. They were somewhat in agreement that KCCA has a capable and required workforce empowered to implement and enforce property tax law (Mean=3.432, SD=1.3025) which implies that KCCA has a capable workforce which collects property tax. The respondents somewhat agreed that KCCA has registered all the properties that should be registered for property taxation (Mean=3.321, SD=1.0504) which implies that KCCA registers all taxable properties in Kampala. The respondents also somewhat agreed that Landlords in Kampala are aware of the property tax and its rates (Mean=3.222, SD=1.2101) which implies that KCCA has informed al, landlords about property and rates. The respondents somewhat agreed that there is fair computation of property tax rates in Kampala (Mean=3.190, SD=1.0948) which implies that KCCA has set fair rates for property tax which are favourable to landlords. They further somewhat agreed that tax officials have adequate potential and confidence in decisions making related to property tax collection (Mean=3.1667, SD=0.9879) which implies that KCCA have enough and qualified tax official to collect and administer property taxes. The respondents somewhat agreed that In KCCA rules and regulations are highly effective in implementation (Mean=3.1429, SD=1.0875) which implies that KCCA implements property tax rules and regulations established.

However, respondents were in disagreement that the existing property tax administration practice is sufficient enough (Mean=2.4325, SD=0.9527) which implies that KCCA does not sufficiently administer property tax in Kampala. The respondent further disagreed that KCCA has enough

capacity in managing and administration of property tax in a lawful manner (Mean=2.8571, SD=1.1515) and this implies that doesn't have enough qualified human resources to manage and administer property tax in a lawfully manner. Furthermore, respondents were in disagreement that KCCA has done a valuation for all taxable properties in Kampala. (Mean=2.9048, SD=1.0875) which implies that KCCA has not done enough valuation of all taxable properties in Kampala.

Given the above results, Kampala Capital City Authority has established property tax practices to manage and administer property taxes since most of them have the mean that is above 3.0 on a scale of 1-5 and also with a standard deviation that are not very far away from one. Forexample, identifying the tax base, continuous awareness programs, capable and required workforce, registered all the properties, informed Landlords about property tax and its rates and fair computation of property tax rates in Kampala. However, it has been indicated that KCCA does not sufficiently administer property tax in Kampala, doesn't have enough qualified human resources to manage and administer property tax in a lawfully manner and has not done enough valuation of all taxable properties in Kampala.

4.3.2 The challenges which Kampala Capital City Authority faces in managing property tax income

The second objective was to examine the challenges which Kampala Capital City Authority faces in managing property tax income. Table 4.8 shows the presentation descriptive statistics for this objective followed by interpretation and analysis.

Table 4.8: The challenges which Kampala Capital City Authority faces in managing property tax income (N=252)

	Min	Max	Mean	SD
The low level of awareness has made most property owner fail to pay their property taxes	1	5	4.02	0.93
The property tax system process still confuses a lot of taxpayers because of the many features it is comprised of	1	5	3.683	0.995
The property tax collectors are subjected to corrupt behavior	1	5	3.595	0.79
The property tax enforcement measures put in place by KCCA are poor	1	5	3.512	0.77
Lack of good political will affects property tax collection.	1	5	3.472	0.946
Time lag in the property valuation process affect tax collector to affect their works	1	5	3.417	0.968
Exemptions given to some property taxpayers discourage others from paying	2	5	3.349	0.887
The methods of determination of property tax rates influence most property taxpayer not to pay their property taxes	1	5	3.143	1.162
The lack of effective statutory rate for property tax is one of the critical challenges	1	5	3.115	0.997
The inadequate capacity of property tax collectors affects property tax collection	1	5	3.099	1.065
The property tax payers delay in paying their property taxes	1	5	2.706	0.784
Valid N (listwise)	1.00	5.00	**3.374**	**0.936**

Source primary data

The results in table 4.8 show that respondents were somewhat in agreement with the stated challenges given the grand mean of 3.374 and SD of 0.936. This implies that some of the respondents were in not agreement with some of the challenges which Kampala Capital City Authority faces in managing property tax income.

The most prominent challenge which was agreed upon by most respondents was that the low level of awareness has made most property owner fail to pay their property taxes (Mean=4.02, SD=0.930) implying that KCCA has not informed some property owners about property taxes. Also, the respondents were in agreement that the property tax system process still confuses a lot of taxpayers because of the many features it is comprised of (Mean=3.683, SD=0.995) implying that property tax system is still complicated due to the many features its comprised of.

The results in table 4.8 further show that respondents agreed that the property tax collectors are subjected to corrupt behavior (Mean=3.595, SD=0.790) which indicates that KCCA has corrupt property tax officials. Respondents agreed that the property tax enforcement measures put in place by KCCA are poor (Mean=3.512, SD=0.770) which shows that KCCA has poor property tax enforcement measures. They somewhat agreed that lack of good political will affects property tax collection (Mean=3.472, SD=0.946) which implies that KCCA doesn't have good political will in the community. They somewhat agreed that there is time lag in the property valuation process which hinder tax collectors to affect their works (Mean=3.417, SD=0.968) which implies that KCCA does not give tax collector enough time to value property taxes. They also somewhat agreed that Exemptions given to some property taxpayers discourage others from paying (Mean=3.349, SD=0.887) which indicates that KCCA give property tax exemptions to some landlords which discourages others from paying property tax.

The respondents somewhat agreed that the methods of determination of property tax rates influence most property taxpayer not to pay their property taxes (Mean=3.143, SD=1.162) which implies that KCCA use poor methods while determining property tax. The respondents somewhat agreed that the lack of effective statutory rate for property tax is one of the critical challenges (Mean=3.115, SD=0.997) which implies that Kampala Capital City Authority does not have an effective statutory rate stipulated for property tax. Furthermore, majority of the respondents were somewhat in agreement that there is inadequate capacity of property tax collectors which affects property tax collection (Mean=3.099, SD=1.065) meaning that KCCA does not have enough have tax officials to collect property taxes. Lastly, respondents somewhat agreed that property tax payers delay in paying their property taxes (Mean=2.706, SD=0.784) implying that some tax payers delay in paying their property taxes.

In conclusion therefore, respondents were in agreement on all the challenges included in this study given their mean and also there was uniformity in the opinions provided in the study given their standard deviation which was below 1. Given the above results, all the property challenges at KCCA are in existence since most of them have the mean that is above 3.0 on a scale of 1-5 and also with a standard deviation that are not very far away from one.

4.6 Strategies of improving property tax income at Kampala Capital City Authority.

The third objective was to design possible ways of improving property tax income at Kampala Capital City Authority. Table 4.9 below summarize the results from the respondents and it is followed by interpretation and analysis.

Table 4.9: Strategies of improving property tax income at Kampala Capital City Authority. (N=252)

	Min	Max	Mean	SD
By totally decentralizing the payment of property tax the street government will reduce the corruption behavior	1	5	3.877	0.83065
Improving the quality of social service provision will motivate property taxpayer pay for their property on time	1	5	3.7778	0.99712
Leverage data to research and improve compliance measures and better customize taxpayer services	1	5	3.627	0.90799
Citizens' access to and right to information on property taxes collected and how revenue is spent	2	5	3.6111	0.96531
Improvement on the property tax policy, legal and regulatory framework	1	5	3.5476	0.92858
Broadening the property tax base	1	5	3.4563	1.01879
Removal of some exemptions will increase net property tax receipts.	1	5	3.4246	1.03248
Improvement in property tax administration	1	5	3.4167	1.02799
Streamline, improve and automate property tax collection and calculation processes whenever possible	1	5	3.4087	0.85829
Establishing more accessible and transparent payment facilities	1	5	3.3651	0.99883
More education and sensitization are required to motivate the property owners to pay their property taxes	1	5	3.1825	1.00517
Valid N (listwise)	1.00	5.00	**3.5176**	**0.9610**

Source: primary data

Table 4.9 above presents results and the findings indicates that respondents were somewhat in agreement with the strategies of improving property tax income at KCCA given by the grand mean

of 3.517and SD of 0.961. This implies that some of the respondents were in not agreement with some of the proposed strategies for improving property tax income at KCCA

The most prominent strategy which was agreed upon by most respondents was totally decentralizing the payment of property tax the street government will reduce the corruption behavior (Mean=3.877, SD=0.831). This was followed by Improving the quality of social service provision will motivate property taxpayer to pay for their property on time (Mean=3.778, SD=0.997), Leverage data to research and improve compliance measures and better customize taxpayer services (Mean=3.627, SD=0.908), Citizens' access to and right to information on property taxes collected and how revenue is spent (Mean=3.611, SD=0.965), Improvement on the property tax policy, legal and regulatory framework (Mean=3.548, SD=0.929) and Broadening the property tax base (Mean=3.456, SD=1.019).

Respondents also ranked Removal of some exemptions will increase net property tax receipts. (Mean=3.425, SD=1.032), Improvement in property tax administration (Mean=3.418, SD=1.028), Streamline, improve and automate property tax collection and calculation processes whenever possible (Mean=3.409, SD=0.858) as effective strategies of improving property tax income at KCCA

In addition, respondents were somewhat in agreement to establishing more accessible and transparent payment facilities (Mean=3.365, SD=0.999) and more education and sensitization are required to motivate the property owners to pay their property taxes (Mean=3.182, SD=1.005) as effective strategies for improving property tax income at KCCA. All these items had a mean score above 3.0 and SD below or close to 1 as indicated in table 4.9 above which indicates that most of the respondents were in agreement with the strategies and also there was uniformity in the opinions provided.

In conclusion, all above strategies were agreed upon by the respondents for property tax income at Kampala Capital City Authority since they all have the mean that is above 3.0 on a scale of 1-5 and also with a standard deviation that are not very far away from one. Decentralizing the payment of property tax, Improving the quality of social service provision, leveraging data to research and improving compliance measures, Citizens' access to and right to information on property taxes collected and how revenue is spent, improvement on the property tax policy, legal and regulatory framework and broadening the property tax base had a higher mean score implying that KCCA should emphasize more on those strategies to property tax income.

CHAPTER FIVE

DISCUSSION OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents a discussion of findings, conclusions and recommendations drawn from the study findings of the previous chapter. This chapter is organized in four sections. The first section deals with discussions of the research findings in relation to the research objectives and conclusions are in section two. The second focus on the study conclusion, third section focuses on recommendations while the fourth section presents areas for further research.

5.1 Discussion of Findings

5.1.1 Property tax income practices at Kampala Capital City Authority (KCCA)

The results of the study indicated that identifying the tax base (Mean=3.849, SD=1.07167), continuous awareness programs (Mean=3.710, SD=1.1636), availing capable and required workforce (Mean=3.432, SD=1.3025), registering all the properties (Mean=3.321, SD=1.0504), informing Landlords about property tax and its rates (Mean=3.222, SD=1.2101) and fair computation of property tax rates (Mean=3.190, SD=1.0948) as the key Property tax income practices. This implies that KCCA identifies the taxable base for property taxes, provides continuous awareness programs for property taxes, avails capable and required workforce, registers all the properties, informs Landlords about property tax and its rates and does fair computation of property tax rates. However, some respondents were not in agreement with some property tax practices used by KCCA as indicated that KCCA does not sufficiently administer property tax in Kampala, doesn't have enough qualified human resources to manage and administer property tax in a lawfully manner and also that KCCA has not done enough valuation of all taxable properties in Kampala.

The findings are in line with the study of Bakibinga and Ngabirano (2019) who stated that the process of property rate administration begins with the registration of all property owners within the municipality as potential taxpayers. This is followed by the formation of an assessment committee to value each property and set the ratable value, on which the amount of tax to pay is set. The tax is supposed to be set at not more than 12% of the ratable value of a property (Bakibinga and Ngabirano,2019). Additionally, for taxation purposes, the tax base should be identified according to the legal definition of the tax (Kelly, 2013). This is followed by an assessment and compilation of the rating roll that contains the property details (Kitchen, 2013). The Property Tax assessment process should be uniform within the taxing jurisdiction to ensure that the burden of the local government is shared equitably among the taxpayers (Bird and Slack, 2002). The findings are further supported by the study of Zebong, Fish and Prichard (2017) who stated that valuation is an important aspect in the imposition of property rates. For this reason, the law requires every local government to come up with a first valuation list, which should then be updated at least once every five years.

5.1.2 The challenges faced by KCCA in managing property tax income

Results show that the strongest cited challenges faced by KCCA in managing property tax income include: low level of awareness about property tax (Mean=4.02, SD=0.930), the property tax system process still confuses many taxpayers (Mean=43.683, SD=0.995), property tax collectors are subjected to corrupt behavior (Mean=3.595, SD=0.790), property tax enforcement measures put in place by KCCA are poor (Mean=3.512, SD=0.770) and lack of good political will affects property tax collection (Mean=3.472, SD=0.946). Furthermore, it was agreed upon by most respondents that time lag in the property valuation process and exemptions given to some property taxpayers impede the proper collection and management of property tax at KCCA. However, respondents were in not agreement with some of the challenges which Kampala Capital City

Authority faces in managing property tax income. The challenges were that the methods of determination of property tax rates influence most property taxpayer not to pay their property taxes, the lack of effective statutory rate for property tax is one of the critical challenges, inadequate capacity of property tax collectors affects property tax collection and that property tax payers delay in paying their property taxes.

The study findings are consistent with several studies for example; Prakash *et al*. (2009) stated that the property tax base is affected by exemptions and preferential treatment of properties. Fjeldstad *et al*. (2017) added that resistance from property owners is another barrier to effective property taxation, these owners form a powerful lobby that can block both policy reform and effective implementation. The results are also supported by the findings of Oxfam (2013) that in Uganda some property owners confuse the Property Tax with ground rent. local governments need to do general revaluations or at least update their valuation lists through supplementary valuation lists, but they have no funds to do so (Oxfam, 2013). Therefore, many high- value buildings constructed and completed since 2005 are not yet included on valuation lists.

5.1.3 Strategies of improving property tax income at KCCA

The results indicated that the respondents were in agreement that decentralizing the payment of property tax to reduce the corruption behavior (Mean=3.877, SD=0.831), improving the quality of social service provision (Mean=3.778, SD=0.997), Leveraging data to research, improving compliance measures and bettering customized taxpayer services (Mean=3.627, SD=0.908), Citizens' access to and right to information on property taxes (Mean=3.611, SD=0.965), improvement in the property tax policy, legal and regulatory framework (Mean=3.548, SD=0.929) and broadening the property tax base (Mean=3.456, SD=1.019) can be appropriate strategies for improving financial resource mobilization at KCCA.

Several other strategies were agreed upon by respondents such as removal of some exemptions, improvement in property tax administration, streamlining, improving and automating property tax collection and calculation processes whenever possible, establishing more accessible and transparent payment facilities, and providing more education and sensitization programs to motivate the property owners to pay their property taxes

These findings are in agreement with the literature of (Balogun, 2019) who stated that to improve property tax collection and enhance service delivery there is need for tax administration reform also, in their studies Boamah, (2013) and Oluwadare and Ojo, (2014) found out that successful property tax reform must be comprehensive, covering all aspects of property tax administration namely, coverage, valuation, collection, enforcement, remittance and taxpayer service

The findings are also supported by the study of Fjeldstad *et al*., 2017) who found out that property tax requires the creation of systematic record keeping and organisation, and involves the collection of detailed data on land and properties, thus potentially spurring broader administrative improvements. Balogun (2019) further stated that to make the "centralisation" of Property Tax collection work will require cooperation, exchange of information and proper coordination between the national revenue administration and the local government authorities, as well as with other relevant ministries and other entities such as the deeds office

In addition, Franzsen and McCluskey (2017) stated that to enhance voluntary compliance, there is a need to establish clearer links between tax payment and improved services. Educating taxpayers on the rationale, procedures, obligations and responsibilities related to Property Tax (Franzsen and McCluskey, 2017). Lastly in her study Nansubuga (2018) found out that public sensitization and awareness campaigns on property tax influence voluntary taxpayer compliance, elimination of

ignorance of taxpayers about tax laws and procedures to change their attitude, ease property tax administration, understand tax laws and procedures.

5.2 Conclusion

Drawing from the above findings and discussion, a number of conclusions have been drawn: The study was undertaken to establish property tax collection at Kampala Capital City Authority (KCCA), challenges faced by KCCA in managing property tax income at KCCA and the Strategies for improving property tax income at KCCA. Kampala Capital City Authority endeavors to collect and administer property taxes through practices like identifying the tax base, availing capable and required workforce, registering all the properties, informing Landlords about property tax and its rates, fair computation of property tax rates and valuation of all taxable properties. These efforts are reflected in the responses received from the survey findings which are also sufficiently supported by past studies on the concept of property tax practice for KCCA. Despite the availability of property tax practices at KCCA, there are several challenges faced by KCCA in collecting and managing property taxes like low level of awareness, property tax system confuse taxpayers, corrupt behavior of tax collectors, poor property tax enforcement measures, lack of good political will, time lag in the property valuation process, exemptions given to some property taxpayers, the methods of determining of property tax rates, lack of effective statutory rate for property tax, inadequate capacity of property tax collectors and delays in payment of property taxes.

Several strategies like decentralizing the payment of property tax to reduce the corruption behavior, improving the quality of social service provision, Leveraging data to research, improving compliance measures and bettering customized taxpayer services, Citizens' access to and right to information on property taxes, improvement in the property tax policy, broadening the property

tax base, removal of some exemptions, establishing more accessible and transparent payment facilities and providing more education and sensitization programs to motivate the property owners to pay their property taxes were suggested and strongly adopted by the respondents as appropriate strategies for improving property tax income at KCCA. On that basis the study has a number of recommendations in the section that follows.

5.3 Recommendations

From the findings, discussions and conclusions of the study the following recommendations are made.

- The study recommends continuous strengthening of the existing property tax income collection practices at Kampala Capital City Authority. The avenues for digital marketing that should be given much more emphasis include identifying the tax base for proper property tax in Kampala, continuous awareness creation about property tax for the taxpayers and providing a capable and required workforce empowered to implement and enforce property tax law.
- To eliminate the challenges faced by KCCA property tax management like poor methods of determination of property tax rate and inadequate capacity of property tax collectors. All managers and tax officers of Kampala Capital City Authority should undergo regular training regarding property tax collection and management. This will help them to enhance their basic ways of enforcing tax collection and acquire more knowledge in property tax administration
- Findings indicated low level of awareness about property tax at Kampala Capital City Authority. Therefore, the recommends that KCCA should conduct continuous property tax awareness program in Kampala to Improve taxpayer awareness about the importance and use

of property taxes in order to change negative perceptions. Specific actions to be conducted may include: running public notices in the print media on local revenue enhancement; utilize radio, television and newspapers to disseminate information about tax obligation to the public; conduct workshops about the new strategies of revenue collection with local officials, revenue collection contractors, RDC, and opinion leaders; post comprehensive information about local revenue on the KCCA website; and prepare and distribute together with the demand notes information leaflets explaining the use of revenues.

- Lastly, results indicated that KCCA has not done enough valuation of all taxable properties in Kampala. Therefore, the study recommends that KCCA should add more time for the property tax valuation by commencing supplementary valuations by KCCA valuers or by insourcing private valuers annually.

5.4 Limitations of the Study

- There was concern that some of the respondents may have some reservations as to how much information they share due to fear of company policies and unwillingness to complete questionnaires as they may see the exercise as unbeneficial to them, however the researcher mitigated this by clearly explaining the importance of research to all the respondents that were selected to participate in this study.
- The current study was limited by the research design. The study focused mainly on cross-sectional study, thus generalizing the data of the sample to a bigger population ignoring the importance of longitudinal study which can be useful in examining the property tax collection. However, the study used a sample of Kampala Capital City Authority which carries out a number of taxable properties in Uganda and most of the cities Uganda experience the same property tax collection challenges in their operations.

- The study used a self-administered questionnaire with close ended questions and this limited the amount of data to be collected because it did not give room for the respondents to supplement any information and in case of any misinterpretation, it went unnoticed. However, the self-administered questionnaire was tested and the questions were found valid and reliable to gather the right information required by the study.

5.5 Areas for Further Study

The researcher recommends future scholars to look at property tax income collection in other cities in Uganda like Arua, Mbarara, Masaka, Mbale, Fort portal and Gulu. This study used a cross sectional research design and quantitative approach, which has limitations in that what is on the ground may not represent what has been happening there for some time. Future researchers should conduct longitudinal and mixed research on property tax income collection to gather the respondent's opinions so that a longer time bracket is applied, as this might give different and even a wider perspective on the results.

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APPENDICES

Appendix 1: Questionnaire

MAKERERE UNIVERSITY BUSINESS SCHOOL

Dear Respondent,

Am Namasembe Rashidar, a student pursuing a Master's Degree in Business Administration from Makerere University. My study is on **"**Property Tax Income Collection at Kampala Capital City Authority**"**. You have been identified as a respondent, and I, therefore, request you to kindly spare a few minutes of your busy schedule to fill this questionnaire. This study is purely for academic purposes. Responses shall be treated with utmost confidentiality.

Section A: Background Information (Please Tick Appropriately):

1. Gender

a) Male ☐ b) Female ☐

2. Age of the respondents

a) Below 25 yrs b) Between 25 -35 yrs

c) Between 35-45 yrs d) Above 45 yrs

3. Academic qualification of the respondents

a) Certificate ☐ b) Diploma ☐ c) Degree ☐ d) Masters/PHD ☐

e) Others specify ……

4. How long have you worked for the authority

a) 1-2years ☐ b) 3-5years

c) 6-7years ☐ d) 8years and above ☐

5. Location of the property?

Central ☐ Nakawa ☐ Kawempe ☐ Rubaga ☐ Makindye ☐

Section B-D:

For sections B – D, please indicate the extent to which you agree or disagree with the statement by ticking in the box with the number that best suits your response. The table below shows the alternative responses and the number assigned to each response.

Strongly disagree	Disagree	Not sure	Agree	Strongly Agree
1	2	3	4	5

Section B: Property Tax Income Practices at KCCA

	Property Tax Practices	Scores				
1	The existing property tax administration practice is sufficient enough.	1	2	3	4	5
2	Tax officials have adequate potential and confidence in decisions making related to property tax collection	1	2	3	4	5
3	KCCA does continuous awareness creation about property for the taxpayers.	1	2	3	4	5
4	KCCA has a capable and require workforce empowered to implement and enforce property tax law	1	2	3	4	5
5	KCCA has enough capacity in managing and administration of property tax in a lawful manner.	1	2	3	4	5
6	KCCA has done a valuation for all taxable properties in Kampala.	1	2	3	4	5
7	In KCCA rules and regulations are highly effective in implementation.	1	2	3	4	5
8	Landlords in Kampala are aware of the property tax and its rates	1	2	3	4	5
9	There is fair computation property tax rates in Kampala	1	2	3	4	5
10	KCCA has registered all the properties that should be registered for property taxation.	1	2	3	4	5
11	KCCA has identified the tax base for proper property tax in Kampala	1	2	3	4	5

Section C: Challenges of Property tax collection at KCCA

	Property Tax Income Challenges	**Scores**				
1	The property tax payers delay in paying their property taxes	1	2	3	4	5
2	The property tax collectors are subjected to corrupt behavior	1	2	3	4	5
3	The low level of awareness has made most property owner fail to pay their property taxes	1	2	3	4	5
4	The methods of determination of property tax rates influence most property taxpayer not to pay their property taxes	1	2	3	4	5
5	The lack of effective statutory rate for property tax is one of the critical challenges	1	2	3	4	5
6	Time lag in the property valuation process affect tax collector to affect their works	1	2	3	4	5
7	The property tax system process still confuses a lot of taxpayers because of the many features it is comprised of	1	2	3	4	5
8	The inadequate capacity of property tax collectors affects property tax collection	1	2	3	4	5
9	Exemptions given to some property taxpayers discourage others from paying	1	2	3	4	5
10	Lack of good political will affects property tax collection.	1	2	3	4	5
11	The property tax enforcement measures put in place by KCCA are poor	1	2	3	4	

Section D: Strategies for improving Property tax income at KCCA

	Strategies for improving property tax collection	**Scores**				
1	Improving the quality of social service provision will motivate property taxpayer pay their property at time	1	2	3	4	5

2	By totally decentralizing the payment of property tax the street government will reduce the corruption behavior	1	2	3	4	5
3	More education and sensitization are required to motivate the property owners to pay their property taxes	1	2	3	4	5
4	Establishing more accessible and transparent payment facilities	1	2	3	4	5
5	Improvement on the property tax policy, legal and regulatory framework	1	2	3	4	5
6	Broadening the property tax base	1	2	3	4	5
7	Improvement in property tax administration	1	2	3	4	5
8	Citizens' access to and right to information on property taxes collected and how revenue is spent	1	2	3	4	5
9	Removal of some exemptions will increase net property tax receipts.	1	2	3	4	5
10	Streamline, improve and automate property tax collection and calculation processes whenever possible	1	2	3	4	5
11	Leverage data to research and improve compliance measures and better customize taxpayer services	1	2	3	4	5

Thank you so much for your time

Appendix 2: Krejcie and Morgan (1970) table for determining sample size for a finite population.

N	*S*	*N*	*S*	*N*	*S*
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	1000000	384

Note.—*N* is population size. *S* is sample size.

Source: Krejcie & Morgan, 1970