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Factors Affecting Local Government Revenue Collection in Uganda: A Case Study of Masindi Town Council

This study looked at factors affecting local government revenue collection in Uganda focusing on the case of Masindi Town Council. Specifically the study investigated factors that affect revenue collection with the intention of suggesting remedial action. The objectives of the study were to review the policy of tendering in relation to revenue collection, the correlation of the tax base of the Town council with level of revenue generation, the challenges of tax collection in relation to revenue generation and the policy recommendations to address the challenges faced in local government tax collection. The study used both quantitative and qualitative research methods using a cross – sectional design. Empirical data were collected from tax payers of different kinds of businesses in the town council, the staff of the tenderers, town council leadership and the civil servants of the town council involved in monitoring tax collections. These were selected by cluster and simple random sampling. The empirical data were analysed both quantitatively and qualitatively to examine the relationships between the level of revenue and underlying determinants. The key findings of the study indicate that the current policy of tendering leads to lower than optimal revenue collection. The study found correlation between the tax base of the town Council and the level of revenue generation. However, the study also exposed many challenges relating to tax collection in the case of Masindi Town Council such as politicisation of taxes and poor technology in tax collection. The study, therefore, recommends the strengthening of the tendering system through reducing bidding costs, divorcing the tendering system from the politicians and constantly reviewing the contracts to cover up any loopholes. It is also necessary for the local governments to devise other sources of revenue, carry out tax education and restrain politicians to overcome tax collection challenges. Lastly, there is need for increased transfers sent in time not to delay projects and devise alternative sources of revenue like restoration of graduated tax to make local governments self-reliant. Besides, Local Governments should seek more donor funds to cover various projects of the Town Council.

Key Words: Factors, Local Government, Revenue Collection, Masindi T/C.