PUBLIC PERCEPTION ON PROPERTY TAX POLICY IN MPIGI DISTRICT:
POLICY IMPLICATIONS AND COMPLIANCE ISSUES

By

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MASTER OF ARTS IN ECONOMIC POLICY AND PLANNING OF MAKERERE
UNIVERSITY.

October, 2018
DECLARATION

I Nsobya Charles declare that this is my original work and to the best of my knowledge it has never been presented to any University for any award.

Signed: ___________________________  Date: 13/12/2017

Nsobya Charles
APPROVAL

This is to certify that this research report by Nsobyat Charles has been written under my supervision and it's now ready for submission to the College of Business and Management Sciences of Makerere University with my approval.

Sign: ........................................ Date: 9/1/2018
Muwanga James
SUPERVISOR
DEDICATION

This work is dedicated to my mother Mrs. Nsobya Gladys, for being such a strong woman to fight back a severe ailment just as everybody else had thought otherwise. I will always cherish you, mum.
ACKNOWLEDGEMENTS

I hope and believe that every good work is certainly impossible to accomplish single handedly. I therefore convey thanks to all of you - family, friends and colleagues at work for the great encouragement and support that you have been to me from time to time.

Special thanks to Flavia, my wife, for the love, continuous reminder and supportive spirit throughout the process of producing this work.

I would also like to thank Dr. Muwanga James, my supervisor for the technical guidance and constant thorough review of my works from which I learnt a lot.

Sincere gratitude and appreciation to the CAO Mpigi District – Willy Bataringaya, the former District Planner – Kirabira Paul and the entire Mpigi District administration for giving me access to various materials especially the sampling frame, which were used in this study. They also granted me office space and time off my routine schedule to concentrate on this study.

To my parent, I thank you for pushing me on when personally I could see no light at the end of the tunnel.

May the Almighty God reward you abundantly
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# ACRONYMS

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<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
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<tr>
<td>ATO</td>
<td>Australian Taxation Office</td>
</tr>
<tr>
<td>CPO</td>
<td>Commercial Property Owners</td>
</tr>
<tr>
<td>DLG</td>
<td>District Local Government</td>
</tr>
<tr>
<td>EPI INFO</td>
<td>Epidemiological Information</td>
</tr>
<tr>
<td>IRS</td>
<td>Internal Revenue Service</td>
</tr>
<tr>
<td>LG</td>
<td>Local Government</td>
</tr>
<tr>
<td>PTL</td>
<td>Property Tax Law</td>
</tr>
<tr>
<td>RCA</td>
<td>Revenue Collection Agencies</td>
</tr>
<tr>
<td>SPSS</td>
<td>Statistical Package for Social Scientist</td>
</tr>
<tr>
<td>TO</td>
<td>Tax Office</td>
</tr>
<tr>
<td>TPB</td>
<td>Theory of Planned Behavior</td>
</tr>
<tr>
<td>TRA</td>
<td>Theory of Reasoned Action</td>
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ABSTRACT

The study was carried out in Mpiigi District in mostly upscale areas known as town councils. This was after a realization that town councils had been collecting property taxes for the last three years. The key informants were those involved in property tax collection both at the district level and lower local government level.

A systematic random sample of 110 respondents comprising of property tax payers and 8 key tax officer and administrators of Mpiigi District were studied in order to identify the attitudes of property tax payers and how they relate to tax compliance in Mpiigi District.

Most of the tax payers were found to have a positive attitude towards payment compliance and indeed agreed that they paid their dues on time. It was also established that one tax payer’s actions can significantly influence the actions of another tax payer given that they get to know what course of action the other had taken. Although there was no any alternative but to pay the tax, respondents confirmed that property tax burden was unfairly high (51%) leading to a negative attitude towards tax compliance.

Findings from the study further indicated that the major methods used to enforce property tax compliance especially consultative workshops and tax assessment exercise alone, were ineffective in changing taxpayers’ attitude towards tax compliance. However, business closure, fines and penalties were more effective in enforcing property tax compliance. There is a need to further involve tax payers during tax assessment exercise particularly the owners of these properties to help them appreciate the methods used to arrive at the taxes charged.

A linear regression between payment compliance and tax payer’s attitude revealed a negative association with peer tax payers i.e. if the peers increase tax evasion, payment compliance reduces.

The study therefore concluded and recommended that Mpiigi District needed to get closer to the property taxpayers through recognizing outstanding tax payers and also aim at reaching out to property owners more.
CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The recent rise in the number of taxes by the governments in many developing countries like Uganda and the rest of the sub-Saharan Africa has become a serious burden on their citizens; for instance the current trends in property and income tax has raised concerns about its harmful impact that has resulted into reduced compliance to taxes by citizens. This is worsened by the fact that the developmental benefits of governments taxing citizens, even for modest sums, are often disregarded (Ndikumana, 2014). While African governments have long depended on revenue from Local resources and foreign aid to fund their budgets, limited attention has been put on their central role of building effective, accountable and responsive systems for proper tax/revenue management. Although never popular, property tax and all other forms of taxation are an essential component of consensual and representative government (Monkam & Moore, 2015).

Property tax which is an annual levy on immovable property, such as land and buildings, usually paid by the owner to the state is closely associated with financing local and municipal government because of the immediate connection between property values and services funded at the local level. Property taxation is widely regarded as highly progressive and equitable because the sum due is determined by wealth rather than being a percentage on transactions. The fact that land and buildings are immobile means that taxpayers cannot relocate to another jurisdiction to avoid the levy unless they sell their assets. With well administered property tax, local authorities can count on a predictable, autonomous, and potentially lucrative source of income; because an annual property tax is highly visible to ordinary taxpayers. The fact that property owners are acutely aware of their potential to enhance the accountability of the tax administrators, this does not make it popular, and the unavoidable and uncompromising nature of property tax has led to it being neglected globally. For example Levies on land and buildings are estimated to account for 0.5% of GDP in sub-Saharan Africa (Fjeldstad & Kari, 2012). This is because there is a very high rate of unwillingness to pay property tax that has deprived the local
governments of the capital required to improve local services and infrastructure, undermining social and economic development. And according to (Monkam & Moore, 2015) Many governments continue to argue that allowing sub national authorities to become significantly dependent on property taxes that they raise locally will lead to unfairness between richer and poorer localities (Jibao & Wilson, 2010). A Generalized indictment of competence in African governments that the risks of disparity are the ostensible reasons why, across Africa, central governments continue to keep local authorities dependent on transfers from the national treasury.

While studies also indicate that there often is a perception that leased or rental property users pay no property tax because the tax usually is billed to the property owner. This leads to the faulty perception that renters escape property tax. A corollary perception is that commercial property taxes translate into taxes on local consumers and therefore only add to the tax burden of homeowners (IAAO, 2010). This makes it is inevitable for those with significant investments in property to resist the tax which means compliance to property tax is still an issue for many governments in developing countries. Here taxpayer compliance is the willingness of taxpayers to obey existing tax laws differently as defined by (IRS, 2009,), (ATO, 2009) and (Kirchler, 2007). Tax compliance determines the amount of revenue raised by Revenue Collection Agencies and the ability of governments to effectively and efficiently provide public services (Teera & Hudson, 2004). That can only be provided using revenue got from taxation and Property tax is the most common, dependable and sustainable source of revenue to local governments worldwide (Boamah, 2013) and one of the most lucrative sources of local government financing (Mou, 1996). It is thus essential for the success of fiscal decentralization and the financing of local infrastructure and service delivery. For instance, it is a key source of revenue for local authorities in most OECD countries (Hefferan and Boyd, 2010). Property taxes constitute 100% of local tax revenue in Australia and Ireland, 99% in the United Kingdom, 93% in Canada and 72% in the United States (Braid, 2005), and the tax forms more than 2% of developed countries GDP (Bahl, 2009).

Despite the immense contribution of property tax in developed nations, its potential is generally under-exploited in developing countries (Lall and Deichmann, 2006). Property tax revenue constitutes less than 4% of all tax revenues in developing and transitional countries, and averages 0.42% and 0.54% of Gross Domestic Product (GDP) of developing and transitional countries
respectively (Kaiser, 2005; Bahl, 2009). There are low rates of property tax collections across a sample of municipal corporations in India (Rao and Ravindra, 2002). The tax accounts for less than 10% of local revenues in the Punjab province of Pakistan (Ellis, et al., 2007). It is about 80% of local government revenue in Thailand, but its potential is highly under-exploited (Varanyuwatana, 1999). Property taxation raises about 27% of local government tax revenue in 52 municipalities in Latin America (De Cesare, 2004). It forms about 22% of total recurrent revenues of local authorities, 1.3% of total government tax revenue, and 0.3% of GDP in Kenya (Kelly, 2000). Because of its revenue implications, scholars and policy analysts have over the years debated how public perception on property tax policy can influence tax compliance.

Tax compliance is a global concern because it ensures high government revenue collection. In Uganda, Uganda Revenue Authority (URA) has moved to increase tax compliance by application of sanctions such as armed monitoring, audits & closure of non-compliant tax payers’ businesses, penalties and suing tax defaulters. The use of sanctions increased tax collection from 133.79 in 1991 to 1264.31 billion Uganda shillings in 2002 and the tax compliance ratio from 6.7% to 12.98% respectively (URA newsletter, 2005).

Mpigi District Local Government has been implementing Property Tax Laws since the year 2007 to raise revenue to supplement central government funding. The district has put various measures in place to ensure compliance with the laws, including the use of sanctions, fines, penalties and closure of non-compliant taxpayers’ buildings. However, (Mpigi district five year development plan II) pointed out that property tax revenues had consistently remained low as compared to the targeted revenue with the realized actual revenue far below the targeted as seen in table 1 below. Overall, the realized revenue from property tax is stochastic causing concerns on how to achieve a uniform but consistent rise in revenue from property tax just like other sources of tax revenue. The unpredictable performance of property tax in Mpigi District may be attributed to non-compliance with existing tax laws, particularly property tax laws. In turn, this has led to inefficient and ineffective delivery of public services in the District.
Table 1: Revenue from Property tax in Mpigi District

<table>
<thead>
<tr>
<th>Source</th>
<th>2014/2015 In millions U shs</th>
<th>2015/2016 In millions U shs</th>
<th>2016/2017 In millions U shs</th>
<th>2017/2018 In millions U shs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Target</td>
<td>Actual</td>
<td>Target</td>
<td>Actual</td>
</tr>
<tr>
<td>Property tax</td>
<td>35</td>
<td>7</td>
<td>42</td>
<td>15</td>
</tr>
<tr>
<td>Other sources</td>
<td>873</td>
<td>706</td>
<td>981</td>
<td>777</td>
</tr>
</tbody>
</table>

Source: Mpigi District Annual performance reports 2014 – July 2018

However, much as the situation described above causes concern, there is limited research concerning the actual taxpayers’ attitudes towards property taxes, their level of compliance with existing property tax laws, and the relationship between taxpayers’ attitudes and compliance with property tax laws are not yet known. The recommendations of this research would go a long way in assisting the policy makers at the District to come up with strategies that can improve taxpayer attitudes and enhance compliance with property tax laws.

1.2 Statement of the Problem

Although Mpigi District had consistently undertaken measures to promote voluntary compliance with local taxes and property tax in particular, there were still high levels of non-compliance with tax laws for instance from 2014 to June 2018 the district has never realized even 50% of its targeted property tax revenue. And the past one decade of the implementation of the property tax policy by the government has seen the lowest rate of returns in terms of revenue (Mpigi District Development Plan, 2010 – 2014). Measures like use of fines, penalties, closure of non-compliant tax payers’ businesses premises had been employed to raise tax compliance but little had been realized. Despite this legal backing and the potential of property rates to raise revenue for local development and services delivery, the Mpigi District local government has not been able to mobilize property rate effectively and efficiently. The result is that the local governments in Uganda rely on central government transfers as their main source of funds. Since property rates are levied only on fixed property in Uganda, it should be relatively easy for the local governments and Municipalities to mobilize property tax compared to market tolls. Also, the stock and quality of immovable properties continue to increase thereby continuously enhancing
the revenue potential of property taxes. It is therefore an irony that the Mpigi District local government should leave such a huge and guaranteed revenue potential untapped. (URA newsletter, 2005) shows that most properties in Uganda have either not been valued or re-valued over a long period of time; local authorities are either unwilling or incapable of mobilizing property taxes and tax payers are reluctant to pay.

From the above it is clear that the contribution of property tax to government revenue is negligible in Uganda; it formed 0.2% of decentralized government’s revenue correspondingly only 0.05% of the country’s’ GDP in 2014 (Monkam & Moore, 2015). Thus this phenomenon remained complex and could not be addressed by a mere look at the determinants of tax compliance from tax authority’s point of view without a critical analysis of the attitudes of tax payers towards tax compliance. This study therefore investigated Public perception on property tax policy its Policy implications and compliance issues in Mpigi District.

1.3 General Objective
To examine the relationship between public perception on property tax policy and the level of compliance to property tax payments in Mpigi District.

1.3.1 Specific Objectives
i. To assess the effectiveness of the methods used to enforce compliance of property tax laws in Mpigi District
ii. To establish the perception of taxpayers towards property tax laws.
iii. To examine the relationship between taxpayers’ perception and compliance with property tax laws.
iv. To establish the policy implications of the public perception on property tax in Mpigi District.

1.4 Research Questions
i. What is the effectiveness of the methods used in enforcing property tax laws in Mpigi District?
ii. What is the perception of taxpayers towards property tax laws in Mpigi District?
iii. How are tax payers’ attitudes related to compliance with property tax laws?
iv. What are the policy implications of such public perception to property tax laws?
1.5 Significance of the Study

The study was significant in two ways; first, it highlighted the recommendations which Mpigi District Local Government would employ to improve compliance with property tax laws. Secondly, little had been done to find out the relationship between taxpayers’ attitudes and compliance with property tax laws in Uganda, leading to scarcity of this type of information. Findings from this study will serve as a point of reference for other researchers intending to study the relationship between taxpayer attitudes and compliance with property tax laws in other districts of Uganda. Finally, the study contributed to the debate by examining the relationship between taxpayer attitudes and compliance with property tax laws in Mpigi District.

1.6 Scope of the study

The study was conducted in Mpigi District. The content scope covered perception of property owners on the property tax policy, and investigated residents’ willingness to pay and their perception on property tax policy and how they affect compliance with property tax laws. The study, in addition, covered the period between financial years 2014/2015 and 2017/2018.

1.7 Conceptual framework

The conceptual model of this study is illustrated in the figure below

**Figure 1: Conceptual framework for effect of taxpayer attitudes on compliance with property tax laws in Mpigi District**

<table>
<thead>
<tr>
<th>Independent variable</th>
<th>Dependent variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxpayer perception</td>
<td>Tax compliance</td>
</tr>
<tr>
<td>• Norms (personal, peer, social)</td>
<td>• Payment compliance</td>
</tr>
<tr>
<td>• Perceived fairness of Tax system</td>
<td>• Filing compliance</td>
</tr>
<tr>
<td>• Emotions (feeling happy or sad)</td>
<td>• Reporting compliance</td>
</tr>
</tbody>
</table>

**Based on literature review and modified by the researcher:** (Hessing, D, Robben, W, Elffers, H (1987); Frey, S. & Feld, F. (2002).)
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction
This chapter contains the literature reviewed for this study. It considers attitudes and theories on human behavior, the meaning of tax compliance, and the theoretical and empirical relationship between taxpayers’ attitudes and compliance with tax laws.

2.2 Theoretical literature.

Theories on property tax
Theoretically and from an economic perspective, because land is an asset of fixed supply, economic distortions associated with most forms of taxation do not accompany property taxes on land; and property taxes can be secured by the property and therefore are difficult to evade. For this reason, property taxes provide a more predictable consistent amount of revenue and it is especially true of taxes on real property (IAAO, 2010). It is also believed that property tax is generally levied and administered locally; therefore it is uniquely suited to the needs and structure of local government and promotes local autonomy. And administratively complex, but simpler and more straightforward than most locally administered sales or income taxes therefore it is easy to comply with.

Theories on tax compliance
Two broad classes of theories have dominated the study of tax compliance economic based theories and psychology based theories. Economic based theories presuppose that taxpayers are rational and comply with existing tax laws only when the costs of this option outweigh the benefits; otherwise they do not comply (Trivedi, Shehata, & Mestelmen, 2005). Based on these theories, tax compliance can be minimized through enforcing measures such as severe penalties (Trivedi et al, 2005). However, these theories have been criticized ignoring psychological factors such as taxpayer attitudes in explaining tax compliance behavior (Fischer, 1992).

Attitudes are the thoughts, feelings and beliefs an individual has about objects, persons or situations (Kirchler, Hoelzl & Wahl, 2008). They can be positive or negative. It is assumed that
attitudes encourage individuals to act according to them. Thus, a taxpayer with positive attitudes toward tax evasion is expected to be less compliant than a taxpayer with negative attitudes.

Many studies on tax evasion have found significant, but weak relationships between attitudes and self-reported tax evasion (Trivedi et al., 2005). A model of tax evasion behavior developed by Weigel, Hessing & Elffers, 1987) considers social and psychological conditions, including attitudes and moral beliefs about tax evasion’s propriety, as antecedents of tax compliance. Data they collected from fined tax evaders and honest tax payers showed that attitudes explain in part self-reported tax evasion, but are insignificant predictors of actual behavior. These findings suggest a rather complicated relationship between tax evasion and attitudes, however, if tax attitudes become worse, tax evasion will increase.

2.3 The impact of Tax Payer Perception on Attitudes, Behaviour and compliance

According to (Thananga, Wanyoike, & Wagoki, 2013) the interface between the tax collector and the taxpayer plays a key role in influencing perceptions that shape the tax payers behaviour; for example if a tax payer perceives a revenue body’s approach to be very controlling, it can cause taxpayers to feel distrusted. A feeling of distrust by taxpayers may cause them to adopt the same attitude towards the revenue body, and this may reduce compliance. While a positive effect of perceived fairness in tax related affairs will strengthen tax compliance.

This shows the influence of perceptions on distributive fairness and its ability to affect tax compliance, for example People who know that their tax burden is higher than others tend to be less compliant with tax laws. While the more people believe that the government takes good care of their paid taxes and spends it carefully, the more compliant they tend to be. (Murphy, 2004), showed that procedural fairness influences the acceptance of decisions made by the tax authority and builds trust in the tax authority among private taxpayers; makes it important for tax authorities, since by enacting fair procedures authorities support their legitimacy and trust (Braithwaite, 2003). The perceived supportiveness of advice by tax officers is associated with self-reported compliance (Kirchler, Niemirowsk, & Wearing, 2006) and if taxpayers have a say in political decisions with regard to financial issues tax morale is stronger.
2.3.1 Attitude towards behaviour

Attitude towards behavior is defined as an individual’s evaluation of performing the behavior (Manstead, 2004) and it contains two independent components, namely affective and instrumental attitudes (Ajzen, 2006). (Ajzen & Fishbein, 1980) Viewed attitude as a reasoned action where individuals have complete control over their behavior. In turn, that behavioral intension is determined by attitude towards behavior and subjective norms; which refer to a person’s perceptions of the expectations of the people who are important to him or her, whether he or she should or should not perform certain behavior (Manstead, 2004). To assess such perceptions both injunctive quality, that deals with an individual’s perceptions on what others think if he or she performs certain behavior and descriptive qualities that relates to an individual’s perceptions of whether others important to them would perform (or not perform) such behavior (Ajzen, 2006) are equally important. Similar to attitude towards behavior, subjective norms are also determined by beliefs, known as normative beliefs that comprise the person’s beliefs that others would expect him or her to act in certain way, and his/her inclination to conform to their expectations (Manstead, 2004).

2.3.2 Taxpayers’ attitudes

Theoretically, (Ajzen, 1991) and (Ajzen & Fishbein, 1975) have indicated that attitude is a partial indication of behaviour. Attitude toward an event, object, function or person may be favourable or unfavorable. According to (Kirchler, Hoelzl, & Wahl, 2008) a taxpayer who has a positive attitude towards tax evasion is expected to be less compliant while a taxpayer with unfavorable attitude is likely to be more compliant. (Eriksen & Fallan, 1996) Revealed that taxpayer’s attitude toward tax system has influence on reinforced desire toward tax evasion and compliance. In agreement with that (Chan, Troutman, & O’Bryan, 2000) reported that Hong Kong taxpayers have less favourable attitude towards the tax system due to lower levels of compliance (Oriviska & Hudson, 2002). In relation to taxation, taxpayers’ attitudes may also be defined as positive or negative views of tax compliance behaviour. The outcome of positive views is tax compliance and a negative view is tax non compliance. These views may be explained by Psychology-based theories which reveal that taxpayers’ attitude may be influenced by the following factors which eventually influence taxpayers’ behavior.

- Taxpayer’s perceptions of the tax system and Revenue Authority (Ambrecht, 1998).
• Peer attitude / subject norm (Toumi, Hasseldine, Hite, James, & Conner, 2000).
• Emotions (Giorgio, Mateus, Claude, & Marie-Claire, 2007).
• Taxpayers’ understanding of a tax system / tax laws (Silvani & LeBaube, 1992).
• Motivation such as rewards (Field, Frey, & Targler, 2006) and punishment such as penalties (Allingham & Sandmo, 1972).
• Cost of compliance (Slemrod, 1992) and (LeBaube, 1992).
• Equity of the tax systems (Trivedi, Shehata, & Mestelman, 2005).
• Image of the government based on whether it is achieving the tax objectives under prescribed principles of taxation (LeBaube, 1992), comments on improving tax compliance) and below is detail review tax payers’ attitude based on norms, emotions and perceived fairness of the tax system as detailed below.

2.3.2.1 Tax payers’ norms

One of the dimensions of taxpayer attitudes that influences tax compliance are norms (Ajzen, 1991) that are behavioral standards classified on three different levels: the individual level, the social level and the national level (Kirchler, Hoelzl, & Wahl, 2008). Individual norms are related to moral reasoning and values. There is considerable overlap between individual norms, values and tax ethics: the more developed the moral reasoning or tax ethics, the more likely is voluntary compliance (Trivedi, Shehata, & Mestelman, 2005). On the social level, norms are usually defined as prevalence or acceptance of tax evasion among a reference group (Wenzel, 2004). Social norms are related to the behavior of reference groups, for example friends, acquaintances or vocational group. If taxpayers believe that non-compliance is widespread and approved behavior in their reference group, they are likely to be non-compliant as well. On the level of national norms, norms become cultural standards, often mirrored in the actual law. Several authors suggest that trust in political leadership and administration will lead to voluntary tax compliance when favorable national norms are established (Fjeldstad, 2004). In general, if the norms held by taxpayers lead to positive attitude towards tax compliance, voluntary tax compliance will result. In his study on relational norms and tax compliance among individual income tax payers in Uganda, (Batte, 2007) found out that relational norms are significantly positively related to intentions to pay taxes thus leading to positive attitudes towards tax compliance. Few studies have been conducted to find out the effect of norms on property tax
compliance in Uganda thus this study will investigate individual tax payers’ norms as regards compliance to property tax laws and also try to find out how society treats those who have failed to comply with the tax laws.

2.3.2.2 Perceived fairness of tax system and tax payers attitude

Perceived fairness of tax system is the other dimension of taxpayer attitudes that influences taxpayer compliance behavior (Rawlings, 2003). Perceived fairness may be viewed from three perspectives: distributive justice--refers to the exchange of resources, both benefits and cost; procedural justice--refers to the process of resource distribution; and retributive justice--refers to the perceived appropriateness of sanctions in the case of norm-breaking (Kirchler, Hoelzl, & Wahl, 2008).

Under distributive justice, comparisons are made on the individual, the group, and the societal level. On the individual level, taxpayers are concerned about the fairness of their outcomes, and they want to be treated relative to their merits, efforts and needs. If an individual’s tax burden is heavier than that of comparable other individuals, a positive attitude towards tax compliance is likely to decrease. On the group level, taxpayers are concerned about the fairness of outcomes of the group and want a fair treatment of their group relative to other (income) groups (Spicer & Lundstedt, 1976)). If a specific group thinks its tax burden is heavier than that of another group, a negative attitude towards tax compliance is likely to increase within this group (Juan, Lasheras, & Mayo, 1994). On the societal level, taxpayers are concerned about the fairness of the outcomes of taxation to the whole nation. If the tax system is perceived as unfair, a negative attitude towards tax compliance is likely to increase (Cowell, 1992), whereas a system experienced as fair might increase trust and consequently increase voluntary tax compliance.

Empirical evidence exists which supports the notion that distributive justice is related to compliance by taxpayers. In an experimental study, (Spicer & Becker, 1980) had participants make hypothetical tax evasion decisions. It was found that participants increased the amount of taxes evaded when they perceived themselves to be the victims of vertical inequity. It was also shown that they decreased the amount of tax evaded when they perceived themselves to be the beneficiaries of vertical inequity. (Similarly, Kinsey & Grasmick, 1993) found that changes in attitudes towards tax cheating were due in part to perceptions of increased vertical inequality in the US tax system over time.
Related to procedural justice, the components essential for perceived fairness are neutrality of the procedure, trustworthiness of the tax authorities and polite, dignified, and respectful treatment (Tyler & Lind, 1992). Comparisons again are made on the individual, group and societal level. On the individual level, taxpayers consider the treatment by the tax authorities, information provided, costs regarding compliance and administration, and the dynamics of allocation of revenues. It is argued that increased information related to tax law and explanations for changes can increase fairness perceptions of tax system (Carnes & Cuccia, 1996). Perceived procedural justice on the individual level and a culture of interaction are important for building up trust (Job, Stout, & Smith, 2007). On the group and societal level, taxpayers consider the neutrality of tax officers regarding subgroups, such as vocational groups or income groups. If tax authorities and officers treat taxpayers equally, in a respectful and responsible way, trust in the government and thus voluntary tax compliance is likely to increase on the individual, group and societal level.

There is empirical evidence supporting the above notion. For example, (Frey & Feld, 2002) presented evidence to suggest that tax compliance increased when taxpayers were treated as trustworthy in the first instance by tax authorities. In addition, (Murphy, 2003) demonstrated that sanctions or punishments used as strategy of first choice to obtain tax compliance can undermine the regulators’ legitimacy when perceived as being procedurally unfair. In a further study, (Murphy, 2005) showed that those taxpayers, who were less satisfied with their tax authority’s treatment, were more likely to question its legitimacy and hold resistant views towards the authority. What the findings presented in this section is that taxpayers’ attitudes towards the tax system, and how they feel they have been treated by a tax authority, do play an important role in influencing their decision to comply or not.

Concerning retributive justice, unreasonable and unfair penalties lead to negative attitudes toward the tax office and taxes in general (Wenzel & Thielmann, 2006). Thus, unfavorable retributive justice perceptions could lead to increased distrust and consequently to increased tax non-compliance. Although justice research has not always yielded consistent evidence for the impact of justice perceptions on tax compliance, perceived justice might increase voluntary tax compliance.
2.3.2.3 Emotions and tax payers’ attitude

Emotions can literally be defined as a natural instinctive state of mind deriving from one's circumstances, mood, or relationships with others. It is any of the particular feelings that characterize such a state of mind, such as joy, anger, love, hate, horror, etc (Zajonc, 1980). As observed by (Giorgio, Mateus, Claude, & Marie-Claire, 2007), emotions do not simply proxy the physical cost of evading taxes but also constitute a driving force of behaviour. In other words, the emotions associated with reporting, audit and sanctions can influence further compliance. With emotions being functional in driving preferences and decisions (Coricelli, Dolanr, & Sirigu, 2007), rational decision making cannot be dissociated from emotions (Damasio, 1994). Different emotions might be related with the act of evading taxes and its consequences. Underreporting income for example, might generate anticipatory and anticipated emotions (Lowenstein, Hsee, Weber, & Welch, 2001). Thus the evader might experience intense feelings i.e. anticipatory emotions, when taking the risky choice of reporting less than requested. These kind of emotions are expected to increase with the level of non compliance. Moreover, the evader might anticipate how bad he will feel if audited and punished i.e. anticipated emotions.

(Frijda, 1986), noted that the intensity of the emotions related to tax non compliance differs according to the publicity of this information. Indeed, different events can generate various emotions according to the cognitive appraisal theory of emotions, which states that emotions are concern-activated response patterns that depend on the cognitive evaluation of the context (Lazarus, 1991) For instance; evaders can feel regret and guilt even when the information is not spread out and their reputation remains intact in the future. They can feel shame and embarrassment if their cheating behavior is made public. Since it is difficult to cope with a damaged reputation, we expect the “social” emotion of shame to have a larger impact on future choice behavior than its “private” counterpart (i.e., guilt). Thus, shame avoidance, in addition to guilt avoidance, is likely to increase tax compliance (Allingham & Sandmo, 1972).

2.4 Tax Compliance

Compliance can be defined as either a state of being in accordance with established guidelines, specifications, or legislation or the process of becoming so. Taxes, for example, are paid in accordance with the laws of the land. According to (Brown & Mazur, 2003), tax compliance is multi-faceted measure and theoretically, it can be defined by considering three distinct types of
compliance such as payment compliance, filing compliance, and reporting compliance. (OECD, 2010) advocates dividing compliance into categories in considering definitions of tax compliance. These categories are administrative compliance and technical compliance where the former refers to complying with administrative rules of lodging and paying otherwise referred to as reporting compliance, procedural compliance or regulatory compliance and the later refers to complying with technical requirements of the tax laws in calculating taxes or provisions of the tax laws in paying the share of the tax.

Theoretically, views of the taxpayers and tax collectors are that tax compliance means adhering to the tax laws, which are different from one country to another. The goal of tax administration is to foster voluntary tax compliance (Silvani & LeBaube, 1992) and hence reduce tax gap (difference between taxes paid and owed for all taxes and all taxpayers) and “compliance gap.” Tax compliance, according to (Cobham, 2005), is a problem to many countries as measured by tax to GDP ratio although it has been improving for many countries. For example, its one-third of GDP in rich countries; Latin America and the Caribbean 17% of GDP and low-income countries (in Sub Saharan Africa) showed less than 15% to GDP (the recommended rate). It remains a big challenge to low income countries like Uganda whose ratio stands at 12.98%. The low tax compliance ratio could be a result of low intentions to pay taxes as traders believe that tax laws give them little time to arrange payment thus increasing the temptation to evade (Monitor, Thursday July 31, 2003) thus the traders’ attitudes towards Uganda Revenue Authority also affects compliance. They believe that property tax is a high burden to the overall operation of their business. For that reason In Uganda, a number of small property owners remain outside the tax system through tax non compliance. It is easier for them to remain outside because they can remain unnoticeable to the tax administration. Furthermore, they find it easier to slip out of the tax collectors’ net because the enforcement costs would exceed the potential tax revenue collected from them (Gauthier & Reinikka, 2001).

2.4.1 Reporting compliance

Reporting compliance can be defined as declaring all properties that are taxable to the tax officers. (Marsha & Slemrod, 1995) in their research on the determinants of income tax compliance measured reporting compliance in three aspects, that is to say taxpayers voluntarily report on filed returns: the total amount of income that they report, the amount of offsets they
report, and the corresponding net income minus offsets. They further noted that it was tempting to monitor the tax reported on the returns, but the impact of tax policy parameters (e.g., marginal tax rates and filing thresholds) on the tax voluntarily reported is twofold influencing the tax calculation directly, and potentially influencing compliance propensities, as well. By focusing on income and offsets separately before the tax calculation we can isolate the impact of tax policy parameters on reporting compliance.

As noted by (Alm, 1999), self-reporting creates problems there is a difference between what people report they believe and/or would do and what they actually believe or would do. This results from a variety of factors ranging from the fact that people often imperfectly perceive their own motivations, to the fact that people often report what they think the interviewer wants or what they think (or are told) the topic is. However, tax payers are responsible for providing all relevant data regarding taxable properties to the tax office. Such information includes among others, the taxpayer’s name and address, location of the tax object, taxable area of land and building and recent purchase price where applicable (Blane, 2002).

In order to enforce reporting compliance, some compliance experts have suggested various types of rewards that would indicate appreciation of good citizenship without commoditizing taxpaying and decreasing tax morale, such as reduced public transportation fares, or free admission to museums and cultural events (IRS, 1996). It further suggests other possible rewards of this nature noting that taxpayers who have paid the correct amount of taxes in a timely fashion for a stated amount of time, for example, might be given faster access to assistance such as special phone lines that have a shorter wait. This approach is less drastic, and perhaps more acceptable, than the recent suggestion by Professor Joshua Rosenberg, University of San Francisco School of Law, of rewarding taxpayers who provide extended reporting with lower tax rates, the report concludes.

In Uganda, one of the measures URA has put in place to ensure property tax reporting compliance is for the tax body to be involved in the process of transferring property ownership from one party to the other. In the process, the property is registered into the tax body computer system hence keeping track of such property tax obligations (The Independent magazine, 29th Oct 2011, p. 12).
2.4.2 Filing compliance

Filing compliance can be measured as the ratio of the number of required returns actually filed to the total number required to be filed, expressed as a percentage (filing rate). In Uganda, property valuation is based on annual rental value, with the owner of the property liable for payment (Okellokello & Nsamba, 2000). This is supplemented by (Franzsen, 2000) who noted that property valuation is based on (total) improved value. The valuation is governed by the Local Government (Rating) Act, 2005 that provides for annual rental value. The act also provides for revaluations of property at least once in every 5 years or such longer period as the local government may determine. The law further provides for the updating of valuation lists through annual supplementary valuation lists to address properties that may have been omitted, new properties, property that is subdivided or subleased and any property which may have ceased to qualify for exemption.

In Uganda, property tax assessment is problematic where returns assessment forms supposed to be filled out by land lords or tenants are rarely submitted to the tax office. When they do, they tend not to be accurate (Okellokello & Nsamba, 2000). For example, land lords declare low rentals for obvious reasons and yet the property rental market has been unstable for a long time and difficult to track. However, knowledge increases taxpayers’ sense of control of their tax situations and also increases the chances of filing accurate and timely returns. Consequently, knowledge can decrease feelings of frustration as well as decrease the actual amount of time a taxpayer must spend on taxes. Thus this study will aim at finding out the frequency of filing property tax returns with the tax office by property tax payers within the last 3 years.

2.4.3 Payment compliance

(Mackneil, 1980) Defined tax compliance as the prompt payment of all due taxes. URA notes that satisfied customers are likely to regularly comply by paying taxes on time, more frequently and in the right amounts. Payment compliance can either be voluntary or involuntary. Voluntary involves obeying the tax laws without any state enforcement actions that leads to maximizing revenue because administration costs are low in both economic and psychic sense. According to the neo-classical economic view, people obey laws when it is in their interest to do so. Compliance results from the individual’s rational choice aimed at maximizing individual outcome which builds an atmosphere of trust and cooperation because a person feels that others
are accounting in a reciprocal manner. (Makanga, 2004) noted that voluntary payment compliance is not only promoted by the awareness of rights and expectations but also by clear simple and user friendly administration systems and procedures. In instances when voluntary compliance cannot be achieved, tax administrators must identify and address the risks associated with nonpayment compliance by developing strategies targeted at addressing the risks.

Following the analytical approach suggested by (Levi, 1980), the relationship between a taxpayer and the local government includes the following. First, there is an element of fiscal exchange, as payment of taxes and the provision of services may be interpreted as a contractual relationship between taxpayers and the local government. Second, there is an element of coercion, as represented by the enforcement activities of tax collectors and the penalties imposed on those detected for non-payment. The credibility or trustworthiness of the revenue administration’s sanctions against defaulters is important in this context. Payment Compliance can further be motivated by the presence of government expenditures. Individuals may pay taxes because they value the goods provided by the government, recognizing that their payments are necessary both to help finance the goods and services and to make others contribute (Andreoni, Erard, & Feinstein, 1998). Hence, a taxpayer may be seen as exchanging purchasing power in the market in return for government services.

At the same time, agencies concerned with trust aim to minimize the use of ruthless enforcement techniques on trustworthy citizens and ensure that enforcement procedures are perceived by the broader public as reasonable, fair and in accordance with the accepted standards of society. Therefore, in the long run trust-enhancing enforcement cannot be separated from legal processes and the contents of the law, since trust-based compliance is dependent on long-term social gains that make up for compliance costs (Scholz & Mark, 1998). With reference to taxes, this implies that factors expected to affect payment are the knowledge that all other people have to pay, that fair and reasonable enforcement mechanisms ensure that there is no way of avoiding payment, and that failure to pay will be punished with fines or eventually the cut-off of services.

On the other hand, social relationships may also help deter non-payment. Individuals can be dissuaded from engaging in evasion out of fear of the social sanctions incurred should their action be discovered and revealed publicly (Grasmick & Green, 1980), (Grasmick & Scott,
1982). With the above factors in mind, this study will find out responses the knowledge that all other people have to pay, that fair and reasonable enforcement mechanisms ensure that there is no way of avoiding payment, and that failure to pay will be punished with fines or eventually the cut-off of services and the fear of social sanctions.

### 2.5 Relationship between Taxpayers’ Attitudes and Tax Compliance

According to (Wenzel, 2004) the interactions between the tax authority and the tax payer create a good relationship that impacts on the tax payers’ attitude. (Alm & Torgler, 2006) Assert that the trust the taxpayers have in the state improves the positive attitude and commitment in paying taxes. The eventual effect is reflected through voluntary compliance by willingly reporting and filing tax returns and as well as paying the tax obligations as and when they fall due. (Smith, 1992) concurs to it that positive actions by the state are intended to increase positive taxpayer attitudes and commitment to the tax system and tax payment, and thus compliant behavior. Thus, if government acts trustworthily, taxpayers may be more willing to comply with tax laws. For example, attitudes toward the government may affect the taxpayer’s normative commitment to comply with the law. An individual's perceptions, in combination with her opportunities, may thus determine her current choice of whether or not to be a tax evader.

(Alabede, Zaimah, & Kamil, 2011) investigated the moderating effect of financial condition and risk preference on relationship between taxpayers’ attitude and compliance behavior. They collected data by surveying individual taxpayers’ opinions, and analyzed it using moderated multiple regression. Their findings indicated that taxpayer’s attitude towards tax evasion was positively related to compliance behavior. They further found that taxpayer’s risk preference had strong negative moderating impact on the relationship between attitude towards tax evasion and compliance behavior.

In a study of Australian taxpayers, (Wenzel, 2002) studied the impact of justice perceptions, on self-reported tax compliance. Using a survey methodology, and found that taxpayers were more compliant when they thought that they had been treated fairly and respectfully by the Tax Office. He further argues that social norms should elicit concurring behavior only when taxpayers identify with the group to whom the norms are ascribed. He sums it up when he asserts that there
is a rationale for higher identification with the community for which public goods were being provided and for which taxes were being paid would lead to compliance.

2.5 Public Perception on Property tax policy and local governance

(Ellis, Mihaly, & Lee, 2007) in their Property Taxes in the Large Cities of Punjab Province, Pakistan found that property tax is an source of revenue for the local government and thus it is very important for development they then recommended that the growing demand for public services and infrastructure requires the availability of a reliable and sustainable stream of income for decentralized governments. This is because Urbanization and decentralization have created the need for local governments to improve local revenue mobilization in order to enhance local infrastructure and services provision. This finding was backed by a number of other studies like that of (McCluskey, Franzsen, Johnstone, & Johnstone, 2003) who studied the Property Tax Reform: the Experience of Tanzania’s real estate and found that property tax has appositive significant effect on local government revenues the therefore argued that the taxation of real estate property is the most progressive and assured way of raising stable, predictable and sufficient revenue stream for local authorities and facilitating fiscal decentralization. Property tax is also politically visible, and economically efficient (Monkam N. F., 2011). Additionally it is neutral on its influence on tax payers' economic decisions and therefore constitutes an efficient means for local government units to mobilize revenue and one of the best local taxes owing to the immovability of the tax base (Bird and Slack, 2002). Property tax is well-suited for local governments to generate revenue for the financing of their infrastructure investments and the provision of municipal services (Lall & Deichmann, 2006) and it is least affected by short-term income and economic dynamics since properties exhibit long-term asset values appreciation.

Taxation of property helps to reduce the dependence of decentralized governments on central government funding, and is an important means for realizing fiscal empowerment of local governments (Mathur, Bahl, Thakur, & Rajadhyasksha, 2009). Property tax possesses the potential to impact positively on the fiscal autonomy of local authorities (McCluskey & Bevc, 2007). The tax strikes a balance between economic efficiency and fairness and hence much more acceptable to the local electorates (Davis, McCluskey, & Lim, 2004). Property tax is an ideal tax for local governments in low-income countries since it serves as benefit levy, is progressive in its distribution of the tax burden, and has significant revenue-raising potential (Bahl & Martinez-
Vazquez, 2008). In addition, its ability to mobilize revenue for local authorities has immense potential as a tool for land and urban development policies and it is imposed for the purpose of mobilizing revenue for government, public purposes, infrastructure, municipal services, or land use planning (Needham, 2000). This makes it an important element to local government financing in many nations.

2.4 Challenges to property tax Policy and compliance issues

The property tax system in most developing countries has several challenges. This may be the consequence of poor tax administration and policy. For instance, in most African countries, central governments hesitate to transfer property tax policy and administrative authority to local governments and are uninterested in the promotion of property tax reform (Kelly, 2000). The limited buoyancy of property taxation in developing and transitional countries may arguably be due to an under-developed fiscal decentralization regime (Bahl & Martinez-Vazquez, 2008). Property tax has been ineffective in low-income and transition countries partly because of legal exemptions, under-valuation, and low coverage ratios (Bahl, 2009). For example, the physical, financial and human resource capacity required for effective property taxation is a major challenge in east and southern African nations (Franzsen, 2002). The availability of professional valuers is central for the success of property rating. Despite the central role of property assessment to the success of any property rating regime professional expertise are generally lacking in most developing countries.

2.5 Summary of Literature Review

Basing on the above literature property tax is perceived to have a positive effect on local governments revenue thus it’s important to them; That is the revenue such taxes produce is often an important source of finance for local governments. The extent to which those governments have control over property taxes is thus often an important determinant of the extent to which they are able to make autonomous expenditure decisions. The level, design, and control of property taxation are thus, in many countries, critical elements in effective decentralization policy (Bird & Enid, 2002). Public perception on property tax policy influence attitudes, in form of norms and perceived fairness of tax systems were the antecedents for behavioral intention, and consequently actual behavior. Additionally, emotions were identified as important aspects in determining compliance based on the understanding that the parameters analyzed in the literature
were adopted in order to investigate the effect of attitudes on compliance behavior of taxpayers. Due to the difficulty in obtaining information on actual tax compliance behavior (which was indeed a sensitive issue to taxpayers), this study adopted the intention to comply as a proxy for actual compliance. Such a practice was supported in application of the TPB for example, (Paris & Broucke, 2008).
CHAPTER THREE

3.0 METHODOLOGY
This chapter outlines the methods and procedures where used to conduct this study. It is organized into sections which include: research design, study area, target population, sample size and sampling technique, measurement of variables, data collection methods, validity and reliability of instrument, and data analysis techniques.

3.1 Research Design
A cross-sectional survey design was employed in this study. The design involved collecting data on a number of variables from a sample of subjects representing the population of interest (Commercial Property Owners/Managers) at one specific point in time. The choice of the design was based on the fact the population is large, yet time for collecting data is limited. In addition, this study employed a quantitative approach to examine the relationship between taxpayer attitudes and compliance with property tax laws in Mpigi District. The approach involved questionnaire design, collecting data to test the research questions and making conclusions based on the study objectives.

3.2 Study Area
This study was conducted in Mpigi District. Mpigi district boarders with the district of Mpigi in the North East and East, Mityana in the North, Butambala in West and North West, Kalangala and Lake Victoria in the South and Kalungu is to the south West. The District lies on the shores of Lake Victoria, the largest fresh water lake on the Continent of Africa. The district comprises one county Mawokota and three Mpigi town council.

3.3 Target Population
Individuals, who are Commercial Property Owners/Managers, were smallest unit of analysis in this study thus constituting the target population. According to the Mpigi District Statistical abstract, Commercial Property Owners/Managers in Mpigi District were estimated to be 4510. The distribution of this population according to Town Council is such that, 2880 were estimated to be in Mpigi town council, 850 were in Buwama, 780 were in Kayabwe town council (Mpigi district statistical abstract report, 2017).
3.4 Sample Size

The sample consisted of 118 respondents. 110 respondents were Commercial Property Owners/Managers that participated in this study and 8 key informants. The key informant included property tax revenue collectors and Sub County Chiefs/ Town Clerks. The sample size was based on (Bailey, 1994) who asserted that any research with a sample of 100 is regarded as adequate irrespective of population size. Also according to (Roscoe, 1975), individual respondent sample size of between 30 and 500 or more was appropriate for most studies especially multivariate research where the sample size should be several times larger than the number of variables in the study, preferably ten time or more, thus the justification of the sample of 118.

3.5 Sampling Procedure

The participants in this study were selected using the technique of stratified proportionate random sampling. The technique involved dividing the population (Commercial Property Owners/Managers) into homogeneous subgroups based on the administrative town council of the district. Using proportionate allocation according to property commercial owners in each town council, a total of 110 property commercial owners were interviewed from Mpigi town council.

3.6 Data Collection Methods

An interview administered questionnaire was used as a tool for collection of data. This was done because the researcher wanted to ease data collection exercise and also be able to guide the respondent who may not have understood some questions. The questionnaire will mainly have close-ended questions due to their easiness to fill. They also save time and kept the data collectors focused on the subject. The questionnaire was divided into sections delineating personal information, questions about taxpayers’ attitudes and compliance with property tax laws. In addition, a key informant questionnaire were administered for selected groups (those enforcing the property tax law including revenue desk officers and town clerks) which help in acquiring deep insight on how they ensure compliance to property tax.
3.7 Pre-testing data collection tools
Pre-testing of the study questionnaire was done to test the viability of the tool and adjustments were made accordingly. This helped in determining the strengths and weaknesses of the survey concerning question format, wording and order. Thus the results obtained from this exercise were used to make a final adjusted questionnaire that was used for the survey.

3.8 Data processing and analysis
Data obtained using questionnaires was categorized, sorted, edited, and coded into a coding sheet and analyzed using several computerized data analysis packages like Statistical Package for Social Science (SPSS), and STATA. Descriptive statistics such as frequencies and percentages were used in addition to graphs and charts to establish the bio data composition of the respondents and other key factors under investigations. A linear regression model was estimated to determine the quantitative effect of taxpayers’ attitudes towards property tax laws and the level of compliance with property tax laws as outlined in the second and third objectives of this study. Other statistics included chi-square and Pearson correlation coefficient to determine the relationship of other key variables in the study.
CHAPTER FOUR

4.0 PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

4.1 Introduction

This chapter presents, analyses, and interprets the background characteristics of the respondents who were mostly business property owners or managers and property tax enforcement officers in Mpigi district, the effectiveness of the methods used to enforce compliance of property tax laws, the attitudes of property taxpayers towards property tax laws and the relationship between taxpayers’ attitudes and compliance with property tax laws. The Background characteristics are therefore presented first, followed by presentation of key findings as per the set objectives of the study.

4.2 BACKGROUND CHARACTERISTICS OF RESPONDENTS

This section gives detailed information about the composition and nature of the respondents by their basic characteristics as per the overall objective of the study.

4.2.1 Sex of respondents

Overall, a total of 110 property business entrepreneurs were interviewed in this study. In an effort to get a rich background of the population under investigation, the sex of the respondents was observed and their distribution is shown in figure 2 below.
Figure 2: Showing percentage distribution of respondents by sex

Source: Primary data

Figure 2 above shows that most of the respondents (58%) were male while only 42% were females. This gives us an overall picture that the majority of people who own or run property businesses are males implying that most responses from this study were influenced by males.

4.2.2 Educational background

The table below gives a detailed distribution of the education status of respondents. It is clear that 33 (30%) of the respondents with a 1st degree made up the majority. This category is followed by ‘others’ (22.7%) who mainly consisted of those that had stopped at primary level (72%) and those that had never been to school (28%). Only 11.8% had attained post graduate education.
Table 4.1: Percentage distribution of respondents by their education background

<table>
<thead>
<tr>
<th>Education level</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificate</td>
<td>19</td>
<td>17.3</td>
</tr>
<tr>
<td>Diploma</td>
<td>20</td>
<td>18.2</td>
</tr>
<tr>
<td>Graduate</td>
<td>33</td>
<td>30.0</td>
</tr>
<tr>
<td>Post graduate</td>
<td>13</td>
<td>11.8</td>
</tr>
<tr>
<td>Other</td>
<td>25</td>
<td>22.7</td>
</tr>
<tr>
<td>Total</td>
<td>110</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Primary data

Overall, the tax payers in Mpigi District have high literacy levels implying that they were able to clearly read and interpret property tax laws.

4.2.4 Attitude and length of property ownership.

The table below shows a cross examination of the duration of property ownership and the tax payers’ attitudes.

Table 4.2: Showing tax payers’ attitudes and length of property ownership

<table>
<thead>
<tr>
<th>Length of property ownership</th>
<th>1 to 2 years</th>
<th>3 to 5 years</th>
<th>above 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loyal to district tax officials</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No</td>
<td>19</td>
<td>28</td>
<td>4</td>
<td>51</td>
</tr>
<tr>
<td>Yes</td>
<td>26</td>
<td>26</td>
<td>7</td>
<td>59</td>
</tr>
<tr>
<td>Fair tax system</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No</td>
<td>20</td>
<td>32</td>
<td>9</td>
<td>61</td>
</tr>
<tr>
<td>Yes</td>
<td>25</td>
<td>22</td>
<td>2</td>
<td>49</td>
</tr>
<tr>
<td>Honest tax officers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No</td>
<td>19</td>
<td>20</td>
<td>8</td>
<td>47</td>
</tr>
<tr>
<td>Yes</td>
<td>26</td>
<td>34</td>
<td>3</td>
<td>63</td>
</tr>
</tbody>
</table>

According to table 4.2 above, the majority of the respondents (44.1%) who had acquired property for the last 2 years were loyal to the district tax officials and believed they were honest. This group also believed that the tax system was fair (51%) unlike their counterparts who had these properties for a longer period of time who believed otherwise. Thus in terms of fairness of the tax system, fresh property tax payers had a positive attitude while those who had stayed with
these properties for more than two years had a negative attitude. Interesting to note is that older property owners i.e. those with properties for more than 5 years, believed that the tax officers were not honest to them. This shows that as tax payers interact with tax officials over the years, they lose trust from the taxpayers leading to a negative attitude towards tax compliance.

4.2.5 Range of property tax paid by compliance levels

Table 4.3 below categorises responses according to how much one paid in terms of property tax and the type of compliance.

<table>
<thead>
<tr>
<th>Paid property tax range</th>
<th>Number</th>
<th>percent</th>
<th>Number</th>
<th>percent</th>
<th>Number</th>
<th>percent</th>
<th>Number</th>
<th>percent</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,000 to 200,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reporting compliance</td>
<td>No</td>
<td>23</td>
<td>47.9</td>
<td>13</td>
<td>27.1</td>
<td>8</td>
<td>16.7</td>
<td>4</td>
<td>8.3</td>
</tr>
<tr>
<td></td>
<td>Yes</td>
<td>19</td>
<td>30.6</td>
<td>20</td>
<td>32.3</td>
<td>22</td>
<td>35.5</td>
<td>1</td>
<td>1.6</td>
</tr>
<tr>
<td>Filing compliance</td>
<td>No</td>
<td>27</td>
<td>64.3</td>
<td>5</td>
<td>11.9</td>
<td>8</td>
<td>19.0</td>
<td>2</td>
<td>4.8</td>
</tr>
<tr>
<td></td>
<td>Yes</td>
<td>15</td>
<td>22.1</td>
<td>28</td>
<td>41.2</td>
<td>22</td>
<td>32.4</td>
<td>3</td>
<td>4.4</td>
</tr>
<tr>
<td>Payment compliance</td>
<td>No</td>
<td>17</td>
<td>44.7</td>
<td>9</td>
<td>23.7</td>
<td>12</td>
<td>31.6</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td></td>
<td>Yes</td>
<td>25</td>
<td>34.7</td>
<td>24</td>
<td>33.3</td>
<td>18</td>
<td>25.0</td>
<td>5</td>
<td>6.9</td>
</tr>
</tbody>
</table>

Overall, tax payers who remit little taxes (between 1,000 and 200,000) to the district are less compliant in all aspects of compliance as seen from table 4.3 above i.e. 64.3% don’t file their returns on time, 47.9% don’t report as required and 44.7% don’t pay within the mandatory timeframe. Those who pay between 200,000 and 500,000 are compliant in all aspects of compliance. In this study, big property tax payers achieved 100% payment compliance. This shows that more successful property businesses are more likely to comply than less performing entities.
4.3 PRESENTATION OF FINDINGS ACCORDING TO OBJECTIVES OF THE STUDY

4.3.1 Objective 1: To assess the effectiveness of the methods used to enforce compliance of property tax laws in Mpigi District.

4.3.1.1 District consultations with taxpayers

The researcher asked the respondents on whether there was a feedback from the District tax office on their various tax obligations. The results are shown in table 4.4 below.

Table 4.4: shows responses concerning taxpayers consultations from district revenue officials

<table>
<thead>
<tr>
<th>Response</th>
<th>Consulting with tax payers</th>
<th>Warned before penalty</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Percentage</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>7</td>
<td>6.4</td>
</tr>
<tr>
<td>Disagree</td>
<td>37</td>
<td>33.6</td>
</tr>
<tr>
<td>Undecided</td>
<td>18</td>
<td>16.4</td>
</tr>
<tr>
<td>Agree</td>
<td>45</td>
<td>40.9</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>3</td>
<td>2.7</td>
</tr>
<tr>
<td>Total</td>
<td>110</td>
<td>100</td>
</tr>
</tbody>
</table>

43.6% of the respondents agreed that the District tax officials consults with them before making any changes in the property tax laws. In contrast, 40% of the respondents could not agree with consultations by the district officials. However, the majority of the respondents (54.5%) were contacted and warned before a penalty was effected due to non compliance with property tax. This shows that the district tax office is in close contact with the majority of property tax payers.

3.1.2 Fairness of property tax assessment

Tax assessment can be termed as a process of identifying the amount of tax to be paid by a given property owner depending on a predefined set criteria. With property tax assessment, both the tax payer and the tax enforcer come in agreement with how much tax to be paid as per the property tax laws. Table 4.5 below shows the rate of property tax assessment in Mpigi district.
Table 4.5: Shows the percentage distribution of respondents on property tax assessment

<table>
<thead>
<tr>
<th>Response</th>
<th>Assessment done</th>
<th>no fairness in assessment</th>
<th>File assessment forms on time</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Percent</td>
<td>Number</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>18</td>
<td>16.4</td>
<td>11</td>
</tr>
<tr>
<td>Disagree</td>
<td>43</td>
<td>39.1</td>
<td>22</td>
</tr>
<tr>
<td>Don’t know</td>
<td>17</td>
<td>15.5</td>
<td>16</td>
</tr>
<tr>
<td>Agree</td>
<td>30</td>
<td>27.3</td>
<td>42</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>2</td>
<td>1.8</td>
<td>19</td>
</tr>
<tr>
<td>Total</td>
<td>110</td>
<td>100.0</td>
<td>110</td>
</tr>
</tbody>
</table>

55.5% of the respondents believed that property tax assessment was not reasonably done. This is further supported by 55.5% of the respondents who asserted that the assessment exercise was not fairly done thus discouraging them from complying with property tax laws. Due to such a negative attitude towards tax assessment, 38.2% don’t file their assessment forms on time. Thus from the above results, the researcher deduced that the assessment exercise was not fairly done hence failing to be effective in contributing to tax compliance.

4.3.1.3 Action done to property tax defaulters by district officials

Table 4.6 below shows that 48.2% of the respondents believe that penalties given to property tax defaulters are fair enough as compared to 44.5% who believe they are unfair. Furthermore, 57.3% of the respondents promptly pay their taxes on time due to fear of high penalties once caught. This implies that penalties are effective in enforcing property tax laws.
Table 4.6: Showing various responses regarding fairness of tax defaulting penalties

<table>
<thead>
<tr>
<th>Response</th>
<th>Unfair penalties</th>
<th></th>
<th>Promptly pay</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
<td>Percent</td>
<td>Frequency</td>
<td>Percent</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>9</td>
<td>8.2</td>
<td>6</td>
<td>5.5</td>
</tr>
<tr>
<td>Disagree</td>
<td>44</td>
<td>40.0</td>
<td>25</td>
<td>22.7</td>
</tr>
<tr>
<td>Don’t know</td>
<td>8</td>
<td>7.3</td>
<td>16</td>
<td>14.5</td>
</tr>
<tr>
<td>Agree</td>
<td>34</td>
<td>30.9</td>
<td>54</td>
<td>49.1</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>15</td>
<td>13.6</td>
<td>9</td>
<td>8.2</td>
</tr>
<tr>
<td>Total</td>
<td>110</td>
<td>100.0</td>
<td>110</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.3.2 Objective 2: To establish the attitudes of taxpayers towards property tax laws.

The study aimed at finding out the way various property tax payers perceive the taxes they pay to Mpigi District. A number of questions were asked regarding tax payers attitudes towards property tax laws within the District. The factors that affect attitude were identified as norms, emotions and perceived fairness of the tax system. Table 4.7 below shows the property tax payers’ norms in Mpigi District.

Table 4.7: Shows the distribution of tax payers’ responses as regards several factors of their tax norms.

<table>
<thead>
<tr>
<th>Response</th>
<th>Pay tax on time</th>
<th>Evade taxes if other do the same</th>
<th>Loyalty to tax officers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
<td>Percent</td>
<td>Frequency</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>9</td>
<td>8.2</td>
<td>15</td>
</tr>
<tr>
<td>Disagree</td>
<td>29</td>
<td>26.4</td>
<td>30</td>
</tr>
<tr>
<td>Not bothered</td>
<td>14</td>
<td>12.7</td>
<td>16</td>
</tr>
<tr>
<td>Agree</td>
<td>43</td>
<td>39.1</td>
<td>40</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>15</td>
<td>13.6</td>
<td>9</td>
</tr>
<tr>
<td>Total</td>
<td>110</td>
<td>100.0</td>
<td>110</td>
</tr>
</tbody>
</table>

52.7% of the respondents were found to pay their property taxes on time. This shows that according to this study, most of the property tax payers had a positive attitude towards property
tax payment within Mpigi District. However, it is very interesting to note that a significant number of respondents (34.6%) were not bothered about paying their taxes on time. This shows that timely payment of property tax is not a norm within this group. Interestingly, 44.6% of the respondents were influenced by the actions of their peers. This implies that the actions of their compatriots is likely to influence their own actions. Thus a positive attitude of a given tax payer towards tax compliance is likely to positively influence other tax payers.

4.3.2.2 Perceived fairness of the tax system as a measure of tax payers attitude

Fairness of any tax system goes a long ways in determining the attitude of tax payers in any economy of the world. In fact, it is one of the known cannons of a good tax system. Table 4.8 shows how respondents perceive the tax system in terms of its fairness.

Table 4.8: Shows the distribution of tax payers’ responses on the perceived fairness of the property tax system.

<table>
<thead>
<tr>
<th></th>
<th>High tax burden</th>
<th>Ample time given</th>
<th>Good utilisation of tax money by district</th>
</tr>
</thead>
<tbody>
<tr>
<td>Response</td>
<td>Number</td>
<td>Percent</td>
<td>Number</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>2</td>
<td>1.8</td>
<td>5</td>
</tr>
<tr>
<td>Disagree</td>
<td>37</td>
<td>33.6</td>
<td>42</td>
</tr>
<tr>
<td>Not bothered</td>
<td>15</td>
<td>13.6</td>
<td>12</td>
</tr>
<tr>
<td>Agree</td>
<td>39</td>
<td>35.5</td>
<td>35</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>17</td>
<td>15.5</td>
<td>16</td>
</tr>
<tr>
<td>Total</td>
<td>110</td>
<td>100.0</td>
<td>110</td>
</tr>
</tbody>
</table>

Source: primary data

51% of the respondents said that the tax burden is so high and unfair as there was little time given to them between assessment and actual payment. Not only being too high, the tax collected by the district official had not helped the tax payers on working on their social needs (44.6%). This has created a negative attitude towards tax compliance in Mpigi District.
4.3.2.3 Tax payers emotions as a determinant of tax payers attitude

Emotions are one of the human psychological traits that affect the course of action of a human being. Emotions are caused by events that happen around us. Table 4.9 shows how various happenings around the respondents affect their attitude towards property taxes in Mpigi District.

**Table 4.9: Showing Emotional aspects of property tax payers**

<table>
<thead>
<tr>
<th>Response</th>
<th>Guilty once evades tax</th>
<th>Embarrassed by evading tax</th>
<th>Observes tax laws to protect good reputation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly disagree</td>
<td>18</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>Disagree</td>
<td>16</td>
<td>9</td>
<td>18</td>
</tr>
<tr>
<td>Not bothered</td>
<td>0</td>
<td>10</td>
<td>7</td>
</tr>
<tr>
<td>Agree</td>
<td>39</td>
<td>54</td>
<td>61</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>37</td>
<td>31</td>
<td>17</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>110</strong></td>
<td><strong>110</strong></td>
<td><strong>110</strong></td>
</tr>
</tbody>
</table>

*Source: Primary Data*

From table 4.9 above, 69.1% of the respondents felt guilty when they evaded property tax. This guiltiness would drive the tax payers to fulfill their tax obligations as required by law. This contributes to a positive attitude towards property tax. Furthermore, 77.3% of the respondents would feel embarrassed before their family members if they were caught for evading property taxes. With so much attachment to family values in the traditional African societies, this would push the tax payers to fulfill their tax obligations. In fact, 71% of the respondents observe property tax laws to keep their good reputation in society intact. Due to the fear of losing their good reputations in society, tax payers will maintain a positive attitude towards tax compliance.

4.3.3 Objective 3: To examine the relationship between taxpayers’ attitudes and compliance with property tax laws.

This section examines how various components of tax compliance were related to taxpayers’ attitudes. A number of questions were put forward to the respondents to be able to assess the correlation between various tax compliance variables and variables for taxpayers’ attitudes.
4.3.3.1 Reporting compliance and taxpayers attitude

The researcher examined how reporting compliance is related to various variables of taxpayers’ attitude. The results are shown in the table below.

Table 4.10: Showing Pearson correlation coefficient between reporting compliance and taxpayers’ attitude

<table>
<thead>
<tr>
<th>Reporting compliance</th>
<th>Pearson correlation coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>inequality in tax system</td>
<td>-.208(<em>)&amp; .193(</em>) -.285(**)</td>
</tr>
<tr>
<td>Ashamed due to non compliance</td>
<td></td>
</tr>
<tr>
<td>Not bothered with tax payment</td>
<td></td>
</tr>
</tbody>
</table>

* Correlation is significant at the 0.05 level (2-tailed). ** Correlation is significant at the 0.01 level (2-tailed)

The above table summarises those variables that are significantly related to reporting compliance. Reporting compliance is significantly negatively correlated with perceived inequality of the tax system with a Pearson correlation coefficient of -0.208 significant at 0.05 level. This implies that reporting compliance reduces by 20.8% if perceived tax inequality increases by 1%. In a nutshell, a negative attitude in terms of perceived inequality of the tax system negatively affects reporting compliance.

In the same regard, due to the fear of being ashamed once caught due to non compliance, reporting compliance increases by 19.3% (at 95% level of significance) if the fear of being ashamed increases by 1%. This implies that reporting compliance increases with an increase in fear of being ashamed once caught. From the above table, the Pearson correlation coefficient between reporting compliance and those who are not bothered about property tax payment was -0.285 significant at 0.01 level. This means that a 1% increase in the level of ‘I don’t care attitude about tax payment’, leads to a 28.5% reduction in reporting compliance.

4.3.3.2 Filing compliance and taxpayers attitude

A number of prompting questions were asked about filing compliance and tax payer’s attitude. Table 4.11 shows the various chi-square and p-values associated with several related variables between filing compliance and tax payers attitudes.
Table 4.11: Showing chi square values between filing compliance and taxpayers’ attitude

<table>
<thead>
<tr>
<th>Attitude</th>
<th>File assessment forms</th>
<th>File accurate information</th>
<th>Update tax data annually</th>
<th>Provide all needed information</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Lack of fairness</strong></td>
<td>0.359</td>
<td>0.549</td>
<td>6.329</td>
<td>0.012</td>
</tr>
<tr>
<td><strong>Gross inequalities</strong></td>
<td>0.86</td>
<td>0.354</td>
<td>9.622</td>
<td>0.002</td>
</tr>
<tr>
<td><strong>Harsh penalties</strong></td>
<td>0.009</td>
<td>0.926</td>
<td>1.13</td>
<td>0.288</td>
</tr>
<tr>
<td><strong>Good use of tax revenue</strong></td>
<td>11.826</td>
<td>0.001</td>
<td>0.717</td>
<td>0.397</td>
</tr>
<tr>
<td><strong>Emotions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promptly pay taxes</td>
<td>0.891</td>
<td>0.345</td>
<td>0.668</td>
<td>0.414</td>
</tr>
<tr>
<td>Ashamed if get caught</td>
<td>0.043</td>
<td>0.836</td>
<td>0.135</td>
<td>0.714</td>
</tr>
<tr>
<td>Pleased with use of tax revenue</td>
<td>2.296</td>
<td>0.13</td>
<td>4.347</td>
<td>0.037</td>
</tr>
<tr>
<td><strong>Norms</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others pay honestly</td>
<td>1.057</td>
<td>0.304</td>
<td>0.033</td>
<td>0.857</td>
</tr>
<tr>
<td>Not bothered</td>
<td>0.889</td>
<td>0.346</td>
<td>6.093</td>
<td>0.014</td>
</tr>
<tr>
<td>Follow others in payment</td>
<td>3.458</td>
<td>0.065</td>
<td>2.668</td>
<td>0.102</td>
</tr>
<tr>
<td>Loyal to tax officers</td>
<td>3.719</td>
<td>0.054</td>
<td>0.307</td>
<td>0.58</td>
</tr>
</tbody>
</table>

From table 4.11 above, filing assessment forms depends on the good use of tax revenue by the district authorities since the p=0.001 is less than 0.05 at 95% confidence level. This implies that when the district authorities invest the revenue received from property taxes into tangible outputs, filing compliance would be positively affected. There is a significant relationship between filing accurate information and lack of fairness in assessing property tax rates and gross inequality in property taxes paid with a p-value=0.012 & 0.002 respectively which is less than 0.05 significance level. As regards to tax payers proving all needed information to tax authorities, there is a significant relationship with harsh penalties given, lack of fairness in the tax system and putting into good use the revenue obtained from property tax as the p-values are
0.006, 0.00 and 0.024 which is less than 0.05 (the level of significance). Annually updating of data was significantly related to what other tax payers were doing with a p-value of 0.00 which is less than 0.05, the level of significance. In the same way, providing all necessary information to the tax office is significantly related to being loyal to the tax officer with a p-value=0.03, which is less than 0.05.

4.3.3.3 Payment compliance and taxpayers’ attitude
The researcher probed respondents on key questions that would produce a linkage between payment compliance and tax payer’s attitude. Table 4.12 shows a linear regression output for a chosen few variables.
Table 4.12: Showing a linear regression output between payment compliance and tax payers attitudes

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>Payment compliance (Constant)</td>
<td>0.76</td>
<td>0.17</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High penalty leads to payment</td>
<td>-0.09</td>
<td>0.10</td>
<td>-0.08</td>
<td>-0.85</td>
</tr>
<tr>
<td>Feel ashamed when caught</td>
<td>0.03</td>
<td>0.10</td>
<td>0.04</td>
<td>0.34</td>
</tr>
<tr>
<td>Pleased with tax revenue usage</td>
<td>-0.03</td>
<td>0.10</td>
<td>-0.03</td>
<td>-0.31</td>
</tr>
<tr>
<td>Little fairness reduces payment</td>
<td>-0.18</td>
<td>0.10</td>
<td>-0.17</td>
<td>-1.75</td>
</tr>
<tr>
<td>Gross tax inequality</td>
<td>0.29</td>
<td>0.11</td>
<td>0.29</td>
<td>2.77</td>
</tr>
<tr>
<td>Unfair penalties</td>
<td>0.05</td>
<td>0.09</td>
<td>0.05</td>
<td>0.50</td>
</tr>
<tr>
<td>Others pay honestly</td>
<td>0.05</td>
<td>0.12</td>
<td>0.04</td>
<td>0.43</td>
</tr>
<tr>
<td>High tax burden</td>
<td>-0.01</td>
<td>0.10</td>
<td>-0.01</td>
<td>-0.08</td>
</tr>
<tr>
<td>Follow peer actions</td>
<td>-0.30</td>
<td>0.10</td>
<td>-0.32</td>
<td>-3.13</td>
</tr>
<tr>
<td>Loyal to tax officers</td>
<td>-0.05</td>
<td>0.09</td>
<td>-0.05</td>
<td>-0.58</td>
</tr>
</tbody>
</table>

Source: Primary Data

The belief that others are paying taxes significantly affects payment compliance of a given respondent since p-value = 0.002 is less than 0.05 level of significance. This is further supported by the t statistic (t = -3.131) < -2, using the rule of thumb. In the same way, a view in gross property tax inequality significantly affects payment compliance since p-value=0.006 is less than 0.05 level of significance. It is worth noting that all other variables in the table above are not significantly related to tax payment compliance. Therefore, the resultant linear regression equation is given below as:

$$TPC = 0.76 + 0.29GTI - 0.32FPA + \varepsilon$$

where

TPC is property tax payment compliance

GTI is gross property tax inequalities

FPA is following peer actions
The equation above shows that a 1% widening in disparities of property tax among tax payers increase payment compliance by 29%. This implies that proper assessment of property tax according to the level of business favors payment compliance. If the tax payer’s belief that other tax payers are evading taxes increases by 1%, then his/her payment compliance levels reduce by 32%. In conclusion, a negative attitude towards property tax in terms of believing that others are evading it would lead to a reduction in payment compliance. Progressive taxation whereby those whose property businesses were small paid less than those with bigger property businesses led to increased payment compliance.
CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

This chapter presents the summary, conclusion and recommendations of the study in line with the objectives of the study.

5.1 Summary and discussion of findings

5.1.1 Summary of background characteristics

About background characteristics, majority of the respondents (58%) were male and only 42 were females. 8 key informants also took part in this study. On the educational background, 30% had a 1st degree whereas the majority (58.2%) had not attained university education. 41.8% of the respondents were property managers and 40% were property owners.

Most of the respondents interviewed (38.2%) were paying less than 200,000/= as property tax to the district as compared to only 4.5% who paid above one million shillings. This is in line with the key informant results where most respondents said that most property tax payers were those who paid less than U shs 200,000/=

5.1.2 Summary according to objectives of the study

Objective 1: To assess the effectiveness of the methods used to enforce compliance of property tax laws in Mpigi District.

Consultations with the tax payers were widely done by the district tax officials before any action was to be taken like being warned before a penalty is taken. However, still a significant number of respondents claimed that the tax officials had never reached them during the study period concerning property taxes. As regards property tax assessment as a way of engaging tax payers, majority of the respondents (55.5%) had never participated in any assessment exercise. This means that property tax rates charged are not consultative in nature in Mpigi district. However, the tax officials claimed that the majority of property tax payers were assessed but noted that when the exercise is done, property owner are absent leaving care takers to attend to them and for a few new properties which may not be assessed on time. The majority of the respondents
(55.5%) believed the assessment exercise was unfair to them some claiming that they are over assessed.

With regard to the key informant guide, which comprised of 6 town clerks and 4 district revenue desk officers, all concurred that revenue mobilization was always done through various methods like seminars, workshops and radio talk shows. However, they noted that in most cases, less than half of the property tax payers turn up when invited for consultative workshops and hopefully few listen to radio talk shows. This explains why over 40% of the respondents said they were never consulted by the district revenue officials.

57.3% of respondents promptly paid their property tax obligations for fear of penalties and business closures. Some respondents take advantage of the few law enforcement officers paying at their own convenient time (28.2%). Of the penalties enforced, the majority of the respondents believed that they are fair enough. From the key informant responses, they all agreed that most non compliant property tax payers were normally taken to courts of law to force them to pay. This was the most popular method of enforcing compliance because it was the most effective and did not require a lot of man power. This is due to the fact that the District no longer had law enforcement units to carry out such activities like closure of business premises.

Objective 2: To establish the attitudes of taxpayers towards property tax laws.

The study reveals that some of the norms of tax payers in Mpigi district included timely payment of taxes (52.7%), less loyalty to tax officers (46.4%) and evade taxes if others do the same (59.1%). This concurs with Toumi et al (2000) who suggested that peer attitude greatly affects tax compliance. Tax payers attitude towards property tax are dependent on other tax payers’ views, but have a general positive attitude towards tax payment.

The majority of the respondents (51%) still believed there was a high tax burden of property tax on their business making the tax system unfair to them just in agreement with Juan et al (1994) findings. Given the high burden of the tax, the majority of the respondents (44.6%) said their taxes were put into good use by the district administration. This gives a positive attitude towards tax compliance as found out by Le Baube (1992). This study revealed that tax payers were
undecided on the time given to them between assessment and payment if it was enough or vice versa.

Emotionally, most tax payers felt guilty before the community once caught invading property tax. This was further supplemented by their yearning to keep their reputations in society intact. Therefore, the fear of getting embarrassed and losing their reputations in society contributes to a positive attitude towards tax compliance.

**Objective 3: To examine the relationship between taxpayers’ attitudes and compliance with property tax laws.**

Reporting compliance of all aspects needed by the tax office was found to be negatively correlated with the inequality in the tax system & those that were not bothered about tax payment. However there was a positive correlation between reporting compliance and the fear of being ashamed due to evading property tax.

Filing compliance was significantly related to good utilization of tax revenue by the district officials, level of perceived fairness in assessing property tax and the penalties given to property tax defaulters.

Tax payment compliance was significantly related with gross tax inequalities and peers actions with t statistic =2.774 and -3.131 respectively which was significant using the rule of thumb.

**5.2 Conclusion**

Very many aspects of our lives influence our course of actions in everyday life. This study has tried to find out some aspects in our lives that impact on our attitudes towards certain phenomena, in this case, tax compliance. Those found to be significantly affecting compliance included tax inequality, peer actions, good utilization of the tax revenue, maintaining a good reputation in society among others. It is not wise to conclude that these are the only factors that push tax payers to either comply or not but there are many other factors that this study has not been in position to investigate like payment mechanisms, tax officers public relations, etc. A lot needs to be done to improve the image of the district among property tax payers.
5.3 Recommendations

In relation to this study, a number of recommendations came up in a bid to improve on the attitudes of property tax payers throughout the entire district of Mpigi and possibly be replicated in other districts of the country that are facing the same problem. Below are the suggested action areas to be taken up by the listed stakeholders;

**Property tax payers**

Tax payers need to respond to summons from the district tax offices either aimed at sensitizing them or warning them in time to avoid further embarrassments.

They also need to show interest on how the taxes are computed such that they deeply understand how the taxes they are paying are derived.

**Mpigi District local government**

There is need to introduce a personal touch between the tax payers and the District tax officials before a tax decision is taken. This arises from the fact that some tax payers had never interfaced with tax officials hence believed that taxes charged to them were exorbitant and did not have an idea on how property taxes were computed.

In order to move closer to the tax payers, some tax clinics should be conducted during weekends to be able to reach those property owners who are not reachable during week days. This would go a long way in reaching the majority of tax payers thus improving on their attitudes towards tax payments.

“Giving back to the community”, a slogan that should be used by Mpigi District to officially recognize the tax payers who have diligently paid their tax dues by giving them awards like best property tax payer, best mobiliser on the side of tax officers. This is intended to encourage others to do the same in hope of being appreciated. In the same way, it would make the tax payers feel part of the mix i.e. being able to assist the district in mobilizing their peers to pay taxes.

The district should improve on its accountability to the tax payers through undertaking a tangible development project from taxes collected in given localities. Such a project should be decided by
the tax payers themselves through a consultative seminar and should be implemented as agreed upon.

The central government
There is a need to revisit the local government structure to incorporate the law enforcement unit at the district level which would assist in enforcing property tax laws.


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APPENDIX I: Questionnaire

PUBLIC PERCEPTION ON PROPERTY TAX POLICY IN MPIGI DISTRICT: POLICY IMPLICATIONS AND COMPLIANCE ISSUES

Dear Respondent,

I am Charles Nsobya, a student of Makerere University pursuing a Master’s degree in Economic Policy and Planning. Researching on “Public perception on property tax policy in Mpigi District: Policy implications and compliance issues”. It is an academic research and partial academic requirement for the award of a master’s degree in economic policy planning. You were randomly selected as one of the respondents for the study and The answers you give will strictly be used for purposes of this study and your identity shall be kept anonymous the information you will give will be treated with utmost confidentiality and used purely for academic purposes. I kindly request you to respond to the following questions honestly.

I thank you.
BACKGROUND INFORMATION

Please tick in the box that represents your best option.

1. Sex of respondent
   Male □      Female □

2. What is your current marital status?:
   Married □    Single □    Divorced/separated □   Widowed □

3. Your highest education qualification:
   Post Graduate Degree □    Graduate □    Diploma □    Certificate □
   Others (specify) ..................................................

4. What title do you hold in your business?
   Owner □    Manager □    Others (specify) .........................

5. How long have you had this property? ....... (Years)

6. When did you file your most recent property tax return? Month.......... year .......

7. How much of your annual income do you pay as property tax to Mpigi District?
   a) 1000 to 200,000
   b) 200,001 to 500,000
   c) 500,001 to 1,000,000
   d) above 1,000,000
Using the following scale, **indicate with a tick (✓)** whether you strongly agree, agree, neither agree nor disagree, disagree, or strongly disagree with statements herein.

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<th>3</th>
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<th>5</th>
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<tbody>
<tr>
<td>Strongly disagree</td>
<td>Disagree</td>
<td>Neither agree nor disagree</td>
<td>Agree</td>
<td>Strongly agree</td>
</tr>
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**Tax payers’ Norms**
1. I am committed to paying property tax on time
2. I am always willing to obey any decision taken by the District local revenue office on property tax
3. I am always perceived as non patriotic by my peers when I fail to pay property tax.
4. Neighbors and friends who own commercial properties are paying property taxes honestly.
5. I am not bothered with payment of any taxes accruing to me
6. I would evade property taxes if others do the same.
7. Evading property taxes must be regarded as an immoral behavior in our society
8. As a tax payer, I am always loyal to District tax officers
9. Maintaining a good relationship with Tax officers is important to me as a tax payer

**Fairness of the tax system**
1. The District revenue officials are honest and difficult to bribe
2. Tax assessment and payment systems at the district are reasonable and respect rights of tax payers
3. I am warned by the District Revenue Officials before any further action is taken.
4. The District Revenue Office consults property owners/managers when making changes in their tax system
5. Property tax burden is so high in Mpigi district
6. Penalties given to Property tax defaulters are unfair and too harsh
7. There is enough time between assessment and payment
8. There is gross inequalities in the property tax system of Mpigi District
9. Lack of fairness in assessing property tax rates discourages paying taxes
10. Mpigi District uses revenue collected from property taxes for socially desirable purposes

**Tax payers’ emotions**
1. I would feel guilty when I evade paying property taxes and I am not
caught by the District Revenue Officials

2. I would feel embarrassed before my family members and relatives if I was caught and imprisoned for evading property taxes

3. Due to high penalty once caught, I promptly pay my taxes

4. In order to keep my reputation in society, I fully observe the property tax laws

5. I do not fear underreporting my taxable properties.

6. I feel ashamed when I get caught due to non compliance in payment of property taxes

7. District tax office is always honest with me as a tax payer

8. I am pleased with the way the District handles the tax paid to them.

**Tax Compliance**

*Reporting compliance*

1. I always declare all my properties to the tax office

2. Income generated from property business is known at the tax office

3. I understand the computations of property tax for all my properties

4. Most tax payers under report their property revenue

5. In order to transfer a property to another person, the district officials have to be involved

6. The District encourages you to report your property returns voluntarily

*Filing compliance*

1. I file property tax assessment forms with the tax office on time

2. I always file accurate information with the district tax office

3. All issues to be filed under property tax are known to me

4. Every year, I update data to do with property tax with the tax office.

5. I fully give all needed information during tax registration and assessment.

*Payment compliance*

1. The tax system in Mpigi offers opportunities for nonpayment of property tax

2. The money saved through evading property taxes fully helps in business expansion.

3. I always pay my taxes on time.

4. The procedures involved when paying property taxes reduces on my voluntary tax compliance

5. Changes in property tax rates affect my level of compliance

**Thanking you for your cooperation**
APPENDIX II: Key informant questionnaire

1. How would you rate the performance of property tax in Mpigi district over the last 3 years?
   ………………………………………………………………………………………………
   ………………………………………………………………………………………………
   ………………………………………………………………………………………………

2. How does the district enforce compliance to property tax?
   ………………………………………………………………………………………………
   ………………………………………………………………………………………………
   ………………………………………………………………………………………………

3. Are these methods effective? Yes □ No □

4. If no, why?
   ………………………………………………………………………………………………
   ………………………………………………………………………………………………
   ………………………………………………………………………………………………

5. How is the District addressing the aforementioned challenges in 4 above?
   ………………………………………………………………………………………………
   ………………………………………………………………………………………………
   ………………………………………………………………………………………………

6. What are the major causes of non compliance in property tax laws in Mpigi District?
   ………………………………………………………………………………………………
   ………………………………………………………………………………………………
   ………………………………………………………………………………………………

7. Do you ever consult tax payers in the process of tax assessment? Yes □ No □

8. If yes, do you incorporate their views in the final tax rating? Give examples
   ………………………………………………………………………………………………
   ………………………………………………………………………………………………
   ………………………………………………………………………………………………

Thank you for your time