DETERMINANTS OF TAX REVENUE EFFORTS IN UGANDA

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ABSTRACT

The objective of this study is to examine the determinants of tax revenue efforts in Uganda. Specifically, it aimed at drawing conclusion on some of the macroeconomic variables that affect the tax revenue effort

The study was based on time series quarterly data from 1997 to 2016 obtained from Bank of Uganda and Uganda Bureau of statistics. The study was based on the error correction model for estimating empirical results to capture the Uganda's fiscal reforms on performance of tax revenue collections which affect the country's tax revenue effort. Despite these measures, the output of the tax system as measured by the tax/GDP ratio remains very low averaging 12 per cent contributing to higher fiscal deficits.

The empirical result based on some of the macro variables that affect tax revenue efforts. The findings indicate that in the short run and long-run, changes in export and import affects tax revenue collection. This result means that increases in the export is heavily felt both in the short-run and long-run as the cost of goods and services will be very high. This will bring in more revenue which will raise the country's tax revenue efforts. Hence, in the long run further increases in the export will increase the consumer prices to an extent that negatively affects quantity demanded. The policy advice therefore is that, the Ugandan government through the monetary authorities need to undertake measures that can regulate relative exports which will adversely affect other macro-economic variables and hence overall performance of the economy

In addition to that, GPD growth rate positively and significantly influence tax revenue effort, policies geared towards increasing GPD growth rate should be put in place. That is, Uganda government needs to strengthen overall economic growth support policies to boost up productivity.