

Effect of Tax Administrative Procedures on Budget Implementation of Juba Municipality

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Abstract: This study looked at the effect of tax administrative procedures on budget implementation of Juba Municipality. The specific objective was to examine effect of Tax administrative procedures towards budget implementation. Three theories formed the basis of this study, they included economic of crime model, ability to pay theory, benefits received theory, and socio-political theory. Descriptive survey study design was applied to assist in identifying; analyzing target population of the study was 210 management staffs working in the municipality of Juba. The study embraced stratified random sampling method. Data collection instrument was questionnaire. Analysis of quantitative data was performed by the use of descriptive statistics measure of percentage plus frequency hence allowing interpretation. Inferential analysis was also carried out using multiple regression analysis. From the study result, it was concluded that tax administrative procedures have a positive statically significant effect on budget implementation of Juba municipality. The study recommends that municipality should consider putting in placepro active processes, structures as well as policies supporting implementation of budget.

Keywords: Tax Administrative Procedures, Budget Implementation, Juba Municipality.

I. INTRODUCTION

Tax evasion is not stand alone by itself. It means if there is no taxation then there is also no tax evasion. Budget implementation by itself without taxation cannot stand; this means tax evasion and budget implementation co-exist with each other hence the two are linked up through taxation. Although developed nations are trying to work harder to put the tax system in place, Tax Evasion still seems to be unavoidable (Lukwata, 2011). According to Aguti (2011), the reasons why people invade and dodge payments of taxes is not out rightly understood properly creating a gap to evade tax payments. Tax evasion reduces government revenue and endangers the reputation of tax system.

Budget implementation entails ensuring that both revenue projections and expenditure framework contained in the approved budget document are achieved within the fiscal years. According to Olu (2009), budget implementation at any level of government reflects a large extent of the measure of accountability and transparency in the systems. As observed by Adesopo, (2011), budgeting process has gone beyond an annual ritual; it is today known to be very strategic in nature and all-encompassing as it is through it the government scarce resources are allocated to programmes and services for governmental operations. This makes budget process a powerful tool for participatory governance. Budgeting is a serious business that sets the tone for development in a polity, usually for a 12-month period, and a government without a financial plan is walking blindfolded (Oniore, 2014). Budget is an instrument of fiscal policy, which reflects government control over size and relationship between government receipts (revenue) and expenditures, usually designed to cover a specified period of time. Budget in modern times, therefore means the document which contains estimates of revenue and expenditure of a country usually for one year (Oniore, 2014).

According to IMF report (2018), effective tax administrative rules and techniques are the challenges facing the developing countries on tax collection. This has become one of the impeding factors towards economic growth affecting quality of service delivery. According to IMF report, the little tax revenues collection of emerging nations is due to a failure to establish a proper tax administration systems resulting into their over dependence on foreign aid and donations. IMF concluded that effective tax administration depends on the existence of these factors.

The taxation Act 2009 of the government of South Sudan stated that having clear tax policies will result in strong tax management where enforcement will become quick and easy. The Act detailed the establishment and administration of directorate of taxation with a mission to collect the proper amount of tax and to contribute to the prosperity of South Sudan (Omar et al., 2018). This was in response in the need of the government to diversify its revenue collection to supplement the government oil-revenues.

1.2 Statement of the Problem

Developing countries suffer vast effect on tax evasion. This has been argued by (Hopkinton, 2010) who carried a research on tax evasion in developing and developed countries. They further found that there are few multinational enterprises and few wealthy individuals in developing countries hence these factors reduced tax. Tax evasion is detrimental to the economy of a country through reduction of government source of revenue and unstable increase in tax rates to the few who pay tax hence discouraging investments and flourishing of the enterprises and therefore reduced economic growth. In an article published by Gurtong online magazine in South Sudan on 18th March 2018, the Commissioner General of South Sudan said that South Sudan loses millions of money through tax evasion and avoidance, non-compliance to tax laws and exploitation of loopholes in the tax system. According to Enofe et al., (2013) the performance of government on budget implementation becomes very low and poor due to small and insignificant revenue collected as a result of tax evasion causing stagnation in infrastructure implementations and delivery of social services. Feizizadeh (2012) on his research about tax avoidance on impact of Nigerian economic development revealed that there is slow growth in economic development. Ejoh (2014) clearly found that there is collaboration between tax officials and tax payers who scheme together by making false returns and submissions with which in the end cause the government financial loss, leading to low revenue collection causing deficit and short on budget funding and hence poor budget implementation. This study was intended to add knowledge to the existing research by looking at the effects of tax evasion of budget implementation of Juba municipality, Jubek state.

1.3 Hypothesis of the study

administrative procedures have no significant effect on budget implementation of Juba municipality

H₀1: Tax

II. Literature Review

The section looks at theories as well as empirical findings that connect to the research.

2.1.1 Economic of Crime Model

Proposed by an economist Gary Becker in the year 1968. The theory hypothesizes that an individual will maximize on the utility of tax evasion by balancing on the benefits of evading to pay tax against the consequences of being caught and punished by imprisonment or fines or both. The approach proposes that compliance largely depends on the severity of the penalties meted out to the culprits once caught and the strictness of the audit verifications. Hence, the model puts more weight on the enforcement officers to curb the menace through law and monitoring of the taxation process with a much emphasis on that increase in declared income depends on increase in probability of detection, rate of penalties and the frequency of audits and verifications. However, these factors may not reduce tax evasion due to other interrelated presumptions of corruption and lack of awareness to comply with tax obligations.

2.1.2 Ability to Pay Theory

The theory was proposed by Kendrick, (1939). The theory proposes that a taxpayer or corporate entity eligible to pay taxes should be obliged to pay tax based on his or her ability to pay. It is based on the assumption that tax should come from those who have ability to pay and taxation rate should increase based on the increase in taxable income. This is the most prevalent form of taxation system in developed countries and is preferred mode of taxation based on grounds of sacrifice. It is viewed so since it is the tax payer surrendering his or her money to the government which is supposed to have provided better services and even economic activity boost to the tax payer. However, it is quite difficult to be able to measure the level of sacrifice since establishing the utility each person receives from an income is different in the eyes of each person.

2.1.3 Socio-political Theory of Taxation

Wagner (1955) advocated that social and political objectives should be the deciding factors in choosing taxes. Wagner did not believe in individualist approach to a problem. He wanted that each economic problem should be looked at in its social and political context and an appropriate solution found thereof. The society consisted of individuals, but was more than the sum total of its individual members. It had an existence and entity of its own which needed preservation

and taking care of. Accordingly, a tax system should not be designed to serve individual members of the society, but should be used to cure the ills of society as a whole. Wagner, in other words, was advocating a modern welfare approach in evolving and adopting a tax policy. He was specifically in favour of using taxation for reducing income inequalities. This theory assumes that the imposed taxes are highly justified in funding activities by the State hence the state apportions the burden or cost of provision of goods and services to tax payers. Theory dictates that the tax system does not serve the citizens and individuals or corporate entities but aids in curing the ills of the society.

2.2 Empirical Literature

There were many researches that have been done on tax evasion with different scholars in both developed and undeveloped countries, with some of the known case that the rate of the tax evasion could again defer from country to country whether developed or undeveloped. There have not been similar studies conducted yet in line with tax evasion context of South Sudan and how significantly it has impacted its fiscal budget and provisions of its social services with the resource envelope collected from taxes. This section gives a relationship of other research work pertinent to study objectives. Scholars have looked at the impacts of tax evasion on the economic growth of the country.

On examination of impact of evasion of taxes towards economic growth in Nigeria, Onyeka and Nwankwo (2016) found that tax evasion brings a great loss to the government revenue which in turn produced slump on the growth Nigerian economy. Besides, they found that tax evasion is considered unethical but evident in high rate in most corrupt departments within the government. In their research on the problems associated with tax evasion and revenue performance on the economic growth success of OECD countries. In Kenya, Kamau(2012) in their research on tax evasion and tax avoidance among companies found that majority of tax evaders presented fake statements of accounts, destroyed the records or made false alterations.

Beside weakness of the tax administrative officers to have taxpayers' registration and database of both the existing and the new one for easy follow up so as to identify tax non-compliance, current political situation of the country where fighting is erupted at any time, took advantage of efficiently tax revenue collection due to hide out and fled away of the tax payers hence budget implementation is affected. According to Lenz (2015) stated that tax exemption and low compliance is stems from high taxes rates incurred by tax payers and low sensitization programs of tax payers. According to Enofe (2013) the performance of government on budget implementation becomes very low and poor due to small and insignificant revenue collected as a result of tax evasion causing stagnation in infrastructure implementations and delivery of social services. Ejoh (2014) clearly found that there is collaboration between tax officials and tax payers who scheme together by making false returns and submissions with which in the end cause the government financial loss, leading to low revenue collection causing deficit and short on budget funding and hence poor budget implementation.

Recently Ejumudo, K and Ejumudo, T. (2020)examined budget implementation and governance in Nigeria. The study utilized descriptive and discursive techniques in the quest to identify whether or not budgeting and budgeting implementation facilitated good governance in the country. Result bore that the egregious budget implementation as a result of unrealistic desire on target beneficiaries was significantly affected by poor governance.

2.5 The Conceptual Framework

This section presents conceptual framework that shows the hypothetical relationship between variables under study.



Figure 1: Conceptual Framework

Source: researcher (2022)

III. RESEARCH METHODOLOGY

3.1 Research Design.

A detailed descriptive survey study design was applied to assist in identifying, analyzing and describing the association between tax evasion and budget implementation of Juba municipality, Jubet State.

3.2 Target Population

Target population involved 239 management staffs working in the municipality of Juba. The management was stratified as top management, middle management and lower level management.

Table 1: Target Population

Target Population	Population
Top level managers	11
Middle level managers	51
Lower level managers	148
Total	210

3.3 Sample size and sampling procedure

In computing sample size, the study adopted formula by Yamane (1967). From a target population of 210, a sample size of 138 was arrived at. The study embraced stratified random sampling method. Stratified sampling involves dividing population in significant strata based on functional areas (Kothari, 2004). The target population was divided into functional areas of management levels within the municipality top management level, middle management level and lower management level. The functional areas formed the strata for data collection. The sample size was distributed based on proportion of the number of managers in each stratum. Thereafter, specific staff to take part in the study was picked from the number of employees in each stratum.

Table 2: Sample Size

Stratum	Population(N)	Sample size(n)
Top management	11	7
Middle management	51	34
Lower management	148	97
Total	210	138

3.4 Research Instrument

Collection of data was by the use of questionnaire that had been developed by the researcher, under the administration of university supervisor. This questionnaire contained closed questions. Questionnaires were distributed to Juba municipality employees in selected functional management areas. Questionnaires encompassed Likert scale with a scale ranging from 1 to 5.

3.5 Data Analysis Techniques

In this study, SPSS software program version 28 was applied to analyze data. Descriptive statistical tools of percentage and frequency were applied for interpretation, after tabulation. In the study, inferential statistics was performed through both correlation analysis and regression analysis. In testing relationship between independent variables and dependent variable, correlation coefficient considered. Simple regression analysis for H01 was applied in establishing the direction and the degree of relationship between independent variables over dependent variable. Model for the objective was as follows

$$Y = \alpha + \beta_1 X_1 + \epsilon$$

Where;

Y- Budget Implementation, the Dependent variable

X₁- Tax administration procedures

α -The constant

β₁- The coefficient

ε -Error term

β₁, β₂, and β₃ = The strength of the relationship between the variables.

The model significance was confirmed using the analysis of the variance (ANOVA) by the use of F statistics at a 95% confidence level. The coefficient of determination R² was used to show the contribution of the independent variable on the dependent variable.

IV. DATA PRESENTATION, ANALYSIS, AND DISCUSSION

4.1 Correlation between tax administrative procedures and budget implementation

Table 1: Correlation matrix

		Budget implementation	Tax Administrative procedures
Pearson Correlation®	Budget Implementation	1.000	0.565
	Tax Administrative procedure	0.565	1.000
Sig. (1-tailed)	Budget Implementation	.	0.000
	Retained Earnings	0.000	.
N=150, α= 0.05			

The study established the relationship that existed between tax administrative procedures and budget implementation of Juba municipality, Jubek State. According to the results in table 4.11, there existed a significant, positive statistical correlation of (r = 0 .565; p < 0.05) correlation between Tax administrative procedures and budget implementation. This meant that an increase in the application of tax administrative procedures would increase budget implementation. Thus, it could be deduced that tax administrative procedures affects budget implementation positively.

4.2 Regression analysis between tax administration procedures and budget implementation

Regression was under taken for determining the proportion of budget implementation that could be predicted by tax performance procedures. It was hypothesized that H01: Tax administration procedures have no significant effect on budget implementation of Juba municipality. Results are presented in table 2.

Table 2: Effect of tax administrative procedure on budget implementation.

Model Summary						
Model	R	R ²	Adj.R ²	Std. Error		
1	0.268	0.078	0.072	0.57535		
ANOVA ^a						
		Summation of Squares	df	Mean ²	F	Sig.
	Regression	7.759	1	7.759	23.161	<0.001
	Residual	45.619	136	0.335		
1	Total	53.478	137			
Coefficients ^a						
		Unstand. Coefficients	S.E	Stand. Coefficients	t	Sig.
	(Constant)	3.168	0.137	Beta	23.116	<0.001
	Tax administration procedures	0.207	0.043	0.268	4.786	0.001

a. Dependent Variable: Budget implementation

b. Predictors: (Constant), Tax administration procedures

Result of regression in Table 4.12 shows the goodness of fit between tax administrative procedures and budget implementation. An R² of 0.078 informs that 7.8 % variances about budget implementation are explained by the variances in tax administrative procedures while 92.2% belong to other factors linked to budget implementation that are not described by the model. Correlation of 26.8% informs that tax administrative procedures have a positive correlation with budget implementation.

The model was found to be significant (F (138) =23.161, p <0.001). The residual sum of squares of 45.619 as shown in table 4.12 informs that the model doesn't explain all the variations in budget implementation but there are other influences accounting for a larger proportion of this disparity. The study went ahead to determine the beta coefficients of tax administrative procedures. Results disclose that tax administrative procedures are statistically significant in explaining budget implementation. This is explained by ($\beta = 0.207$, p=0.001). This results suggests that one unit change in tax administrative procedures will contribute to a positive change in budget implementation at the rate of 0.207

V. CONCLUSION

It is therefore concluded that retained earnings positively influence the profitability of micro and small enterprises in Nakuru Central Business District and so it should always form a component of capital structure. From the findings it is confirmed that there is a statistically significant effect of tax administrative procedures on budget implementation of Juba municipality. Hence any positive adjustment in tax administrative procedures creates an increase in budget implementation of Juba municipality. It can be concluded from this study that tax administrative procedures were statistically significant in explaining budget implementation of Juba municipality.

VI. RECOMMENDATION OF THE STUDY

The study found that tax administrative procedures have a positive statically significant relationship with budget implementation of Juba municipality. The study recommends that municipality needs to create a set of active processes, policies plus structures supporting implementation of tax administrative procedures. The existing policy on tax administration should be reviewed with a view of increasing budget implementation.

VII. SUGGESTION FOR FURTHER STUDIES

The study recommends that municipality needs to create asset of active processes, policies plus structures supporting implementation of tax administrative procedures. The existing policy on tax administration should be reviewed with a view of increasing budget implementation.

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