VALUE ADDED TAX AND ORGANIZATION LOGISTIC FUNCTIONS: -A
CASE CENTURY BOTTLING COMPANY LIMITED
NAMAMVE- KAMPALA (U)

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A RESEARCH REPORT SUBMITTED TO THE FACULTY OF BUSINESS & MANAGEMENT IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR AWARD OF A BACHELORS DEGREE IN SUPPLIES & PROCUREMENT OF KAMPALA INTERNATIONAL UNIVERSITY

SEP, 2008
DECLARATION

I BISOBORWA MATHIAS hereby declare that this work is my own and has never been submitted to any other university or institution for the award of any academic qualification. Indeed where other peoples work has been used, references have been duly provided and in some cases publications made.

Signed

BISOBORWA MATHIAS (STUDENT)

Date 15.9.2008
This report has been prepared under my supervision

Signed...........................................

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15/09/08
DEDICATION

This book is dedicated with lots of love and appreciation to my parents, brothers and sisters and all those who have contributed. Without you all, I would have not made it thank you,
ACKNOWLEDGEMENT

I am grateful to the almighty God for having kept me in good health during this period when pursuing my course.

Since gratitude go to my academic supervisor and head of department for his specialist and professional advisee shaped this study and made it possible to produce this academic report successfully.

I am also grateful to my lecturers MR. Njuba Henry, LUTIMBA FRED, MATOVU FRED, and all those officers and people who assisted me materially and provided the necessary information required for this study.
ABSTRACT

This study was an attempt to find out the effect of VAT on logistic function in central bottling company limited which is fund in Namanve in Mukono district.

The study was carried out in the entire department related to procurement activities such as finance, production, marketing, and procurement.

It was aimed at deterring specifically the effect of VAT and relationship between VAT and organization logistic function which was the purpose of investigation.

The data was collected by the use of questioner, interview and observation the result obtained were statistically analyzed by the use of table, pie charts and graphs.

The research findings were that the introduction of VAT has a significant effect on price and sales of taxable supply and VAT had significant effect on administration efficiency.

The emphasis of the recommendation centered mainly on harmonious tax administration and that all stakeholders in the system, the consumers, traders and tax authorities should have proper understanding of tax in the Uganda context.
LIST OF TABLES

TABLE 1  Position of respondents
TABLE II  Impact of value added tax on organization
          Profitability and production
TABLE III  How VAT has reduced the profitability of
          Organization
TABLE IV  Extent to which value added tax has
          Affected profitability and productivity
TABLE V  How vat has reduced the profitability of
          Organization
TABLE VI  Showing gender of respondent
TABLE VII  Impact of value added tax on logistic
          Function performance
TABLE VIII  Impact of value added tax on
          Profitability
TABLE IX  Period spent as employee of central
          Bottling company limited
TABLE X  Impact of value added tax on logistic
          Functions in organization
TABLE XI  the relationship between value added tax and
          Organization logistic functions
TABLE OF CONTENTS

TITLE ..................................................................................................... i
DECLARATION .......................................................................................... ii
APPROVAL ................................................................................................... iii
DEDICATION ................................................................................................ iv
ACKNOWLEDGEMENT ................................................................................. v
ABSTRACT ................................................................................................ iv
LIST OF TABLES ........................................................................................ vii

CHAPTER ONE INTRODUCTION ........................................................... 9
1.0 BACKGROUND OF THE CASE STUDY ..................................................... 9
1.1 TYPES OF VALUE ADDED TAX ................................................................. 10
1.1.0 ORGANIZATION LOGISTIC FUNCTIONS ................................................... 12
1.1.2 TYPES OF LOGISTICS ......................................................................... 13
1.2 BACKGROUND OF THE CASE STUDY ......................................................... 14
1.3 STATEMENT OF THE PROBLEM ............................................................... 14
1.4 PURPOSE OF THE RESEARCH ................................................................. 14
1.5 OBJECTIVES OF THE STUDY .................................................................. 15
1.6 RESEARCH QUESTIONS ......................................................................... 15
1.7 SCOPE OF THE STUDY ........................................................................... 15
1.8 SIGNIFICANT OF THE STUDY ................................................................ 15
1.8.2 CONCEPTUAL FRAME WORK ............................................................... 16
1.8.3 DEFINITIONS OF TERMS .................................................................... 18

CHAPTER TWO
2.0 LITERATURE REVIEW ........................................................................... 20
2.1.0 INTRODUCTION .................................................................................. 20
2.1.1 HISTORICAL BACKGROUND OF VAT .................................................... 21
2.2.1 VAT ENABLES ORGANIZATION TO KEEP PROPER RECORDS .............. 22
2.2 RELATIONSHIP BETWEEN VAT AND LOGISTIC FUNCTIONS ................ 22
2.3 IMPACT OF VAT ON LOGISTIC FUNCTIONS IN ORGANIZATION ............... 22
2.3.1 IT LEADS TO INCREASED COST OF PRODUCTION AND DISTRIBUTION . 22
2.3.2 IT LEADS TO HIGH COMPETITION ..................................................... 22
2.4 THE EFFECT OF VAT ON PRODUCTION AND PROFITABILITY ................. 24
2.4.2 IT REDUCES THE PROFITABILITY OF ORGANIZATION ....................... 24
2.4.3 IT LEADS TO HIGH COSTS OF PRODUCTION ...................................... 26
2.4.5 IT ALSO AFFECTS THE VOLUME OF PRODUCTION ............................... 26
2.5 PROBLEMS OF TAX ADMINISTRATION ................................................ 27
CHAPTER ONE

1.0 INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Valve added tax (V.A.T) is tax on consumer expenditure; it is collected on business transaction and imports. VAT is a sale tax administered in a multiple stage from imposed on each beginning at the start of production and ending with the sale to the consumer.

We can also define VAT as a consumption tax that is collected through the production as process with each intermediary passing on the tax to the next until final consumer has paid.

Most business transaction involves suppliers of goods or service VAT is payable on supplies which are made. The retail price of commodity is the sum of the valve added by the sequence of firms in the production and distribution channel. The difference between selling price and cost of purchased goods and materials.

Suppliers made in Uganda that are not exempt are called taxable supplies. A taxable person can an individual, firms, or company, as longs such a person is required to be registered for vat.

Thus another possible form of sale tax is one that supplies to each firm at each level of production and distribution, but that valve added than total receipts. The total yield of such taxes would equal the yield of retail sales tax with the sum rate, since the bases are identical in sum magnitude, such levy; known as a valve added tax (V.A.T) is he newest of the major forms of sales tax.
1.2 TYPES OF VALVE ADDED TAX

According to the Shoup (1969), gave the following types of VAT

(a) Production VAT:
The value added by a firm is got by deducting inputs except capital goods from output. It is a popular form of VAT because it tends to retard economic growth.

(b) Consumption VAT:
The value added by the firm is sales minus all inputs including capital inputs purchased. This form of VAT is most popular.

The idea dates back at least in the 18th century, a German economist firm devised V.A.T. his vision tax on goods that did not affect the cost either a manufactured or the distribution. In 1918 the government of German recommended this tax by von semen’s as a substitute for the turnover tax, but was collected on the final price charged to the consumer. Thus the number of transactions that was made in process of sale of the goods was not complicated while taxing. The tax was a fixed percentage of the final price always.

The manufactures sales taxes of several countries eventually gained partial valve added elements for example Argentina in 1935 and France 1948. Upon the formation of the common market in Europe (new the European Union) it was decided that one requirement for countries to join, was imposition of a form of V.A.T.

In 1973, the UK joined the European Union replacing their existing sales tax with V.A.T. from this form of levy; it was a simple into distribution channels and broadens the deductible categories of purchases to cover most producers of goods.

France extended the tax into wholesale channels and broadened the producer’s goods deduction in 1954 and in 1968 extended it to the retail level. Finland introduced elements at the retail level in 1964.
In 1962, the valve-added tax was recommended for member countries by the fiscal (New mark) committee of the European Economic Community (EEC) and was later approved by EEC council of ministries. Germany made the change in 1968, Belgium and Netherlands on the same date in 1969, and Luxembourg in 1970. Norway introduced a 20 percent valve-added tax in 1970. Meanwhile, the tax was considered in the larger American countries and adopted by Brazil in 1965 and Uruguay in 1968, replacing turnover and manufacturer’s sales tax respectively. Its introduction was planned in Mexico Argentina in 1970. A valve-added tax proposal was submitted to the legislative body in Chile in 1969.

The Ivory Coast (Coted’Ivore) has adopted a valve-added tax of the French variety. In 1965, the State of Louisiana, U.S.A., modified its retailer sales tax to extend it to the wholesale supplier of retailers with a valve-added feature.

In Uganda, it was introduced during the budget speech delivered to the National Resistance Council (N.R.C.) by Hon. J.S. Mayanja-Nkangi, minister for Finance and Economic planning on 16th June 1996, that he announced to the Members of Parliament and the public at large that the government would introduce valve-added tax (V.A.T) in Uganda with effect from 1st July 1996. From that date 1st July 1996, VAT replaced sales tax and commercial transaction levy (CTL) hitherto applicable in Uganda, in order to boost revenue to the government.

VAT was introduced in Uganda in 1996 to replace sales tax and CTL for the following reasons:

To broaden the tax base so that more government revenue can be generated. VAT is the biggest tax revenue earner for government. It brings in more than total of all direct taxes.

By D. Olu Ajakaiye
Publication: February 2000
1.1.0 ORGANIZATION LOGISTIC FUCTIONS

Logistics is the art of managing the supply chain and science of managing and controlling the flow of goods, information and other resources like energy and people between the point of origin and the point of consumption in order to meet customers' requirements. It involves the integration of information, transportation, inventory, warehousing, material handling, and packaging. According to wikipedia. (August 2007) "chill breeze writer" — Abhijit Banerjee

The oxford English dictionary defines logistics as: "the branch of military science having to do with procuring, maintaining and transporting material, personal and facilities.

Logistics is an idea considered to have transformed from the military's need to supply themselves with arms and ammunition and ration as they moved from their base to a forward position. In ancient Greek, roman and Byzantine empires, there were military officers with the title 'logistikas' who were responsible for supply distribution matters.

Logistician is the professional in logistic and transport sector, including sea, air, and rail modes. Professional qualifications for the logisticians can carry post-normal letters. Common example include FCILT/CMILT/ MILT (by the chartered institute of logistics and transport) by European logistics association (ELA), plog by Canadian professional logistic institute, CML/CPL by international society of logistics

However, some universities and academic institutions do help in producing logisticians, by offering academic degree programmers at both undergraduate and postgraduate levels, to
1.1.2 TYPES OF LOGISTICS

(a) PRODUCTION LOGISTICS
The term is used for describing logistics processes within an industry, the purpose of production logistics is to ensure that each machine and workstation is being fed with the right product in the right quantity and quality at the right point in time. The issue is not transportation itself, but to streamline and control the flow though the valve adding process and eliminate non-valve adding ones. Production logistics can be applied in existing as well as pants. Manufacturing in an exiting plant is a constantly changing processes machines are exchanged and new ones added, which gives the opportunity to improve the production logistics system accordingly. Production logistics provides the means to achieve customer response and capital efficiency.

(b) BUSINESS LOGISTICS
In business logistics may be either internal focus (inbound logistics), or external focus (outbound logistics) covering the flow and storage of materials from point of origin to point of consumption. The main functions of a qualified logistician include inventory management, purchasing, transportation, warehousing, consultation and organization. There two fundamentally different forms of logistics. One optimizes a steady flow of material through a network of transport links and storage nodes. That coordinates a sequence of resources to carry out some project.

(c) CONSUMER LOGISTICS
Is that part of logistics concerning reception of the initial product, storage, transportation maintenance, operation and disposal of materials including:- Stock control, provision or construction of facilities other than those needed to support production facilities, movement control, Reliability and defect reporting, Safety standards for storage, transport, handling and related training.
1.2 CENTURY BOTTLING COMPANY LIMITED.

Century bottling company limited (CBC) was established in Uganda during 1995. The first CCS representatives arrived in the country's capital Kampala in January 199 on mission to transform CBC into a world class operation.

Shortly after coco-cola Sabco took control of century bottling it was found that the existing bottling equipment was in very poor condition and breakdowns were taking up valuable production time. From one production line century bottling then grew to two production centers with four production lines. At the end of 1998, a new plant was opened in Mbarara and the new production centre at Namanve was officially opened on 3 April 2001.

The Namanve plant just outside Kampala is an impressive facility and a worthy jewel in the Coca-Cola Sabco crown. It is situated on 18 acres of land and equipped with three bottling lines, ware house space for over 120,000 cases of soft drinks a 26,000m2 yard as well as boasting the latest technology in water treatment- and just basics.

Due to the existence of many logistic functions in spite of being manufacturing firm such logistic functions are in bound outbound activities. On which this company is a registered member of vat. Therefore from that evidence that is why the researcher intends to carryout the research from that area. Hoping to find out how vat has affected the logistic functions within this company.

1.3 STATEMENT OF THE PROBLEM

In an effort to investigate the cause of the valve added tax confusion, the researcher’s problem was to find out whether since the introduction of VAT system in Uganda hard a negative impact on organization logistic function. The investigation was also aimed at finding out whether specifically the tax increases has improved the logistic function in organization hence affects the profitability of the business activities and organization plans are affected.

1.4 PURPOSE OF THE RESEARCH

The purpose of the study was to examine the effect of valve added tax on organization logistics function and productivity of century Bottling Company limited and why many traders all over the country had tried to reject the introduction of value added tax system in Uganda.
1.5 OBJECTIVES OF THE STUDY

Was to examine the relationship between value-added tax and logistic function in Central Bottling Company limited
Was to identify impacts of value added tax on the logistic functions in CBCL
Was to examine the effect of VAT on the productivity of CBCL

1.6 RESEARCH QUESTIONS

1. What is the relationship between vat and logistic functions in CBCL?
2. What are the other factors that affect the CBCL in regards to the logistic activities?
3. How has vat affected the productivity and profitability of CBCL?

1.7 SCOPE OF THE STUDY

1. The geographical scope of the study was carried out in CBCL which is located at Namanve - Mukono district. This area was chosen by the researcher because of large number of logistic activities carried out by the organization
2. Subject scope was focusing on the impact of value added tax on logistic activities and other factors that lead to productivity of CBCL.
2.1 The investigation covered the period between 2002-2007 because within this period the researcher was able to get ready data for the study.

1.8 SIGNIFICANCE OF THE STUDY

The study of value added tax and a logistic function in CBCL is to undertaken hoping that:

- The research was carried out to help the researcher to be awarded a degree in purchasing and supplies management.
- The research will guide the policy makers to enabling them to make informed and realistic policies to the benefit the government and organizations.
• The findings will help other scholar's research studying similar or related problems.
• The findings will help the economics to have a clear implication of taxation to all parties concerned.
• It will also help the policy makers to be able to understand the need for preparing the ground to which such policies are going to operate.
• The findings will also help the business community who will have access to this study to understand clearly the implications of only tax system and also realize the need for proper bookkeeping and accountability.
• Finally, it will guide future researchers who might come across this study and would wish to probe into the subject matter.

1.8.2 CONCEPTUAL FRAME WORK

This helps to define the topic of the variables within the explanation of the variables within the topic.

We have independent variables which influence, determine, predict and control the dependent variables.

We also have the dependent variables which work hand in hand with the independent variables to influence the dependent variables for the purpose of this research the independent variable is V.A.T and the dependent variable is the logistic functions the intervening variable may include: Economic stability, consumer behaviors, product quality and income of the people.

This can be illustrated with the use of a diagram as indicated below.
Vat can affect the logistic function through route (1) in the following ways:

**Economical stability**
Here when the sellers over charge their product, it can lead to inflation which can affect the logistic functions because the economy will not be stable which also result to the quantity procured and supplied to be less.

**Consumer behaviors**
Due to vat the consumers can decide to avoid some commodities which have VAT and consume only the commodity which does not pay VAT because they will be cheap and affecting logistic functions in the organization.

**Product quality**
CHAPTER TWO

2.0. REVIEW OF RELATED LITERATURE

2.1.0 INTRODUCTION

This chapter covers an overview of the general problem of taxation, policies, laws and tax administration which has tended to skip the attention of many researchers and policy makers in Uganda.

It presents the literature of an overview of the general problem of taxation.

Various authors have written about taxation each one having his meaning of the definition tax.

The world book Encyclopedia (1984) defines a tax as “a pecuniary charge imposed by authority by persons and as a rule not designated for a specific purpose or a sum levied on members of an organization to defray expenses”.

Hardwick B. Khan and J Long mead define a tax as “Compulsory transfers of money from private individuals, groups or institutions to the government”.

This means one paying the tax is compelled to do so and this is for purposes of contribution to the general revenue pool from which most government’s expenditure are financed.

For a voluntary system to work successfully, the people must be confident that taxes are levied fairly and that everyone pays his share. If the feeling becomes widespread that tax system is a collection of loopholes and evasions, if people see their equally prosperous neighbors paying substantially less or enjoying tax-free expense account living, taxpayer morale declines.
2.1.1 HISTORICAL BACKGROUND OF VAT

The first country to impose Value Added Tax in its comprehensive form was Brazil. The Brazilian state abolished the heterogeneous turnover (cascade) taxes that they levied for 30 years.

The reform was designed to overcome the defects of turnover and to secure a greater degree of tax co-ordination among the states of federalism, Gerard, (1973:118).

This tax was on consumer goods not capital goods. The Brazilian national tax that is imposed on sales by manufacturers only has employed the value added technique since 1959.
Later in 1967, Denmark became the first country to employ a comprehensive VAT at the National level (shrup 1969).

France and Germany followed in 1968. These VAT replaced several types of sales tax:
- A combination of value added restricted to manufacturing (France)
- A turnover or cascade tax (Germany)
- Wholesalers tax (Denmark)

The other members of the European Economic Community (EEC) Enacted Value Added Taxes shortly thereafter to replace their turnover taxes.

Today to comply with the directive of commission of European Communities, which followed the recommendation of the EEC’s fiscal and Financial Committee (Neumark Committee 1963) – all the EEC countries must use the VAT. Two countries enacted a VAT to replace a retail sales tax (RST); Sweden in 1969 and Norway in 1970. The two taxes are generally considered to be about the same except that with a VAT there are more tax payers and a greater certainty of excluding producer goods.
In the USA, the state of Michigan enacted a VAT in 1973 with many exemptions and a high minimum deduction. The tax rate range from 0.45% over the year until the tax was replaced in 1967. It was received in a somewhat different form in 1975. It was to be business tax would not necessarily be shifted to the consideration as higher price.

Michigan is one of the VAT in Latin America is perhaps traceable to the pioneering steppe taken by Brazil.

In 1949, the syrup tax mission to Japan recommended that the prefectures enact a low rate VAT to replace one of the three layers of business income tax (national prefect Ural and municipal), which it was feared, placed too heavy a burden on the tax.

The prefectual VAT was enacted but its application was suspended and with in a few years it was repealed without having put into operation.

The VAT in Cote D'Ivoire exemplifies the limited type of VAT that developed gradually and without much difficulty from a serious of crude taxes. It started as a cascade type of turn over tax in 1950. It evolved into a production tax during 1957-1959, while the country was a territory for the French West African Federalism. Then at independence it became a VAT that covers only manufacturing and other production but which is supplemented by a tax on services that is on total receipts not just value added.

Introduction in Uganda it was during the budget speech delivered to the National Resistance Council (N.R.C.) by Hon. J.S Mayanja-Nkangi, minister for Finance and Economic planning on 16th June 1996 that he announced to the Members of Parliament and the public at large that the government would introduced value added tax (V.A.T) in Uganda with effect from 1st July 1996. From that date 1st July 1996, VAT replaced sales tax and commercial transaction levy (CTL) hitherto applicable in Uganda order to boost revenue to the government.
2.2 RELATIONSHIP BETWEEN VAT AND LOGISTICS

2.2.1 Vat enables organization to keep proper records
Value added tax helps an organization to have proper record keeping in order for revenue authorities to know what they suppose to pay from their sales and returns from the purchase and which help organization to identify the sales return of each product category so that they can be able to apply the right marketing strategy basing on the costs associated and expected revenue. By Larbi Siaw (1996)

2.3 IMPACT OF VALUABLE ADDED TAX ON THE LOGISTIC FUNCTION IN ORGANIZATION

2.3.1 It leads to increased costs of production and distribution
This is because when you increase vat tax it means also the workers will demand for high wages because in order them to fit in the changing economical environment also vat leads to increase on transportation costs especially when they increase the vat on vehicle spare parts will stick as cost and reflect in transport charges

Even though transportation might have been exempt from the tax. In addition, those Supplies (goods and services that are outside the scope of VAT because of the Threshold also attracts VAT. Sticks on such supplies also as cost which may limit the Distribution of goods and services hence affecting logistic activities in organization


2.3.2 It leads to high competition from the goods which don’t pay vat
In the case of supplies of services between taxable persons ('Business to Business'), in 2003 the Commission proposed applying VAT in the country where the purchaser is established (i.e. the place of consumption) rather than in the country of the supplier. Its proposal, which it amended in 2005, concerns in particular the VAT rules applicable to certain services supplied to individuals.
The proposed amendments are intended to eliminate distortions of competition between firms in the EC, on the one hand, and between those firms and firms in non-member countries supplying services to individuals at a distance. The amended proposal also reduces the VAT formalities to be completed by firms by harmonizing the rules currently applicable to services supplied to operators and those supplied to individuals [Consultation procedure CNS/2003/0329].

According to Desai, Mihir A., and James Hines Jr. 2002 *Value Added Taxes and International Trade:*

2.4 THE EFFECT OF VAT ON PRODUCTIVITY AND PROFITABILITY

2.4.1 It reduces the profitability of organization

According Frank Livesey (1996) Under Article 2 of the VAT Directive, VAT is levied on the supply of goods and services affected for consideration within the EU. While the tax technically attaches to the supply of goods and services, and businesses are required to charge and remit the tax, the incidence of the VAT is on the consumer. Consequently, "taxable persons" example suppliers of goods and services are entitled to a deduction of VAT amounts charged to them by their suppliers ("input tax credit"). The input tax credit is not available to consumers so that the VAT on supplies to consumers becomes final.

2.4.2 It leads to the prices increase of same commodities

According Stanley Surrey, (1998) Vat is an indirect tax it is also regressive. It May lead to increases in prices of consumer goods and services. In other words, VAT is an indirect tax on the domestic consumer of goods and services - whether these are? Produced locally or imported into the country. It is collected at all levels of production and distribution. Ability to pay is not taken into consideration. Both the rich and the Poor will pay the same VAT if they were to purchase the same quantity of an item.

Another important factor influencing prices is the extent of tax shifting. In general, manufacturers and traders attempt to shift the full VAT liability forward at each stage of the production and distribution chain and other logistic activities because, under VAT,
they act as tax collectors and would wish to recoup their tax and compliance costs. Thus, if the VAT liability is shifted fully forward, it would result in inflationary pressure. However, the degree of tax shifting is constrained by other factors and it may not always be possible for manufacturers and traders to pass on the tax liability fully to consumers. For instance, if consumers decide to maintain their real level of consumption, it will enable manufacturers/traders pass the tax forward fully leading, thereby, to inflationary pressure. On the other hand, if consumer demand is price elastic and the money supply rigid, shifting of VAT liability forward would result in a fall in aggregate demand. VAT can influence prices by triggering demand for higher factor earnings.

In this case, the net impact of VAT on prices is determined by the relative strength of price increases/decreases of the commodities subject to higher and low revised rates. Much of the price increases reported in the press after April 1 in some States appear to be because of this phenomenon.

A key defect of the previous sales tax regime was the widespread tax evasion. A common practice was to incorporate the tax element which was avoided in the mark-up value and, thereby, earn abnormal profits.

However, under VAT, since the profit margins also come under taxation, to realize the same amount of margin earned by way of avoiding the tax payment, traders will have to up their mark-up rates leading, thereby, to price increases.

To illustrate, suppose a trader originally fixes a mark-up of shillings 500 on his purchase price of a commodity worth shillings 1000, which includes a 10 per cent sales tax (shillings 100) on the purchase price, then his selling price and profit after tax (if sales tax is paid) amounts to Ross shillings 1500 (1000 + 500) and 400, shillings respectively. However, if the trader manages to avoid the 10 per cent sales tax, then his profit after tax would be shillings 500.

Under a VAT system, in the same situation, his VAT liability amounts only to 5 shillings (15 shillings on the selling price minus shillings 10 on the purchase price) assuming a 10
per cent VAT rate. In this case, the profits of the trader after paying VAT rise to 45 shillings (50 minus 5).

However, if the trader still wants to earn a margin of 5 shillings 0 under VAT, he would have to raise the margin approximately to 5 shillings 5, in which case the selling price of the commodity would go up to 15 shillings 5.

It is difficult to unequivocally relate VAT changes to price changes. International experience shows that a changeover to VAT does not result in any sustained increase in the price level.

In majority of the cases, all that it had caused was a one-time initial rise in prices, which is reported to be happening in the States which switched to VAT on April 1.

(The authors are with the Research and Publications Division of The ICFAI Business School, Chennai.)

2.4.3 It also leads to high costs of production
According to Hardwick B. Khan and J Longmead the price increases owing to VAT might trigger wage-induced hikes in business costs and when this happens logistics functions are affected such as input and output and entire supply chain of course, the ability of the workforce to secure higher wages depends on numerous other factors outside the scope of VAT.

2.4.5 It also affects the volume of production
According to Namanda (Research Report 2003) a VAT system leads to higher margins mean higher tax burden on the commodities. It is true that if consumers respond to price increases by cutting down consumption, then it will affect the trade volumes of manufacturers/traders.

However, the latter can confront this by reducing their output rather than their mark-up rates in a bid to lower prices. Such a step may ultimately have serious economic effects.
Such strategies have been adopted in Nigeria, for instance. And several countries, in anticipation of such moves by businesses, took effective steps to prevent them.

For instance, in Ireland, before the introduction of VAT, the Government formed a National Prices Commission (NPC) entrusted to run a system of price restraint in the VAT regime.

Since a VAT system requires only a few tax rates, the changeover from a system with numerous rate categories, such as in the sales tax regime in India, will result in significant corrections in the tax rates on various commodities that is, the rates on some commodities may go up and others down.

2.5 PROBLEMS OF TAX ADMINISTRATION

Taxation is sensitive and has had laxity in its administration and policy makers seem to undermine the role of proper tax administration a good tax system.

In our present tax system the property tax based on arbitrary, local assessments of value is probably the most uncertain tax, and for this reason leads to a great deal of friction, substantial inequity among property owners, a reduction of investment in building and no doubt, to some corruption.

Since the compliance costs to the taxpayer and the collection costs to the government add nothing to the national output, resources should not be wasted on them. Our major taxes have fairly low compliance and collection costs today, a few percent of total revenue at most.

A good tax system does not impose taxes that are impossible to enforce. Even where voluntarily compliance is the rule, the possibility of verifying tax payments must exist otherwise the tax becomes an invitation to break the law.

In undeveloped countries there is less record keeping and many people are illiterate, the possibilities of enforceable taxation are much more circumscribed
Naimedde A (1988:14-18) in his research report observed that:

"While tax policy and tax laws are being taught at most institutions of higher learning with enormous literature to nourish them, the area of tax administration that transforms the tax policy and how its reality has been neglected"

As a result, primary concern should shift to the area of tax administration. If one cannot administer a policy or a low then all other effort involved in that exercise will be futile. Accordingly the Director American Institute of Tax Administration (1988: 2-3) also warns:

"Not only will such efforts fail to bring the desired revenue but such an approach will in the due course bring disrepute to the fiscal authority and the government".

The VAT strike in Uganda (October 1996) confirms the above warnings as reported in the New Vision and Monitor newspapers. Traders complained of poor understanding and administration of the tax. Thus the simple logic of this analysis requires that tax administrators must not only work closely with the tax planners and legal experts but should be involved in each of the progressive steps from the very outset of the tax concept.

The operation also required full co-operation between tax authorities and taxpayers. On the contrary, many traders outcry was that they did not know how the policy was designed. They were only told to participate in its administration and begin collecting VAT on behalf of Government, which they were not familiar with and as a result the Vat strike was inevitable.

According to the World Bank Report (A World Bank Symposium) (c) 1990, The French Revolution (1789) in which the inequitable distribution of the tax burden was a major factor all indicate how controversial the subject is.
In Uganda the Government in a bid to collect revenue, the Graduated Tax Assessment culminated into a crisis in Iganga District in 1994 in which some people were arrested and thus prompting the government to set up a commission of inquiry. Similarly the Anti VAT crisis in October 1996, which hangs on for a full week, is another indicator of taxation controversy.

Ghana was also locked up in a similar dilemma (11th May 1995) when the public and traders protested against VAT implementation in the country. Some economists on the contrary believe that the willingness of the people to pay taxes depends to extent on the tax system. Adam Smith in his book “The Wealth of Nations” stated four principles which he called the Canons of Taxation.

These were:

1. That people should pay taxes according to their abilities (a principle which modern economists have subjected to two interpretations – the benefit principle and the ability-to-pay principle);

2. That the payment of taxes should be clear and certain to the taxpayer and the taxman.

3. That the method, manner and time of payment should be convenient to the taxpayer;

4. That the cost of collection in relation the tax yields should be minimal.

In view of the more diverse aims of taxation of modern governments, there are additional criteria by which a tax system should be judged.

Hardwick and Long mead (1982:202–202) wrote that:

“The finance Minister must be certain of the discriminate between different income groups. Taxes should not distort people’s choice between goods or occupations or reduce the willingness to work and take risks. Thus to achieve the efficiency objective, taxes should be neutral.
Taxes should have built-in flexibility or automatic adjustment. However such principles have been overshadowed by more recent development in the theory of taxation. Included are the principles of adaptability, universality, adequacy and redistribution.

2.6 CHALLENGES OF TAX REVENUE COLLECTION IN UGANDA

Developing countries are constantly faced with growing financial demands of local services, which have to be delivered on the remotest parts of the nation. These demands are fuelled by a number of factors of which population growth and security rank most. In addition, the public spending consequences of population growth have been compounded by rapid urbanization. Over the years tax revenue had fallen short of the expenditure needs of government such that government has had to rely on other sources particularly foreign financing.

Uganda Revenue Authority amidst challenges faces the cost and difficulty of levying taxes upon a predominantly rural and self-employed population. Namanda (Research Report 1994) noted that a good tax administration system should ensure that all taxpayers are on the pay rolls, which is however, lacking in Uganda and this affects the eventual tax revenue collection.

Stanley Surrey (1964: 89 – 96) observed that:

"Unless the tax authorities know who are the individuals or units subject to the tax
The whole machinery of administration must necessarily function with incomplete coverage of taxable area…"

In most developing countries, they lack a clear picture of the scope of the tax system. The different taxes imposed at what rate and to whom they apply such that a single commodity or transaction may be subject to a number of taxes.

Adam Smith stated:
"The subjects of every state ought to contribute towards the support of their
government as nearly as possible in proportion to the revenue which they
respectively enjoy under the protection of the state."

Although Dharma Chair (1966: 192 96) noted that:

"... There are indicators to show that rural dwellers especially growers of cotton
and coffee pay substantially higher proportions of their income in taxes than the
middle income and upper urban dwellers...

Dharma (ibid.) clarified the tax which each individual is bound to pay out to certain and
not arbitrary protect the taxpayer from being manipulated by the tax collectors. It was
lack of clarity of this maximum that traders expressed their grievance.

Andrew Mwenda (The New Vision October 1996) put it that double taxation is the cause
of VAT strike. The strike by traders against Vat has brought to the forefront this as a
major thing problem.

First poor understanding of the operations of VAT and therefore poor tax administration
by Uganda revenue authority as a result of poor tax administration, many tax payers have
been dissatisfied with the operations and conduct of the URA personnel.

Namanda (1994) on the problems of revenue collection in relation to the personnel wrote
that in developing countries people are paid poorly, the lack of training and as a result of
inadequate salaries, jobs attract mainly the incompetent with divided loyalty and
inadequate attention to government work. This breeds dishonesty, bribery and corruption
and in addition, evasion and avoidance also becomes inevitable.

The Government faces challenge of collecting enough revenue though taxes however
people's willingness to pay such taxes will largely expound on the services provided in
addition to the categories of public services they value like roads, water supply and
schools.

J. Harvey (1992: 218) notes that,
“Some standardization of taxation is necessary in order to remove any hidden barriers to trade.”

In the (EEC), VAT is to be the basic form of indirect tax and it is proposed that eventually it will be imposed by all member countries at the same rates.

J. Harvey (Ibid.) elaborates advantages of indirect taxes in which VAT is a member. Platform raising revenue and regulating the economy, indirect taxes are difficult to evade and simple to collect and when the tax is raised, extra revenue comes in immediately. Larbi Siaw (1996) observed that VAT as being fiscal system that can sustain Uganda’s current record of economic growth. Business in many developed countries like Canada, Britain and rioted when VAT was first introduced in their countries but later accepted it as the most viable system.

Administrative issues and implementation of VAT required introduction measures needed to ensure success with the tax, that is; publicity, lead-in-time, certain organization issues staff requirements and training as well as miscellaneous problems.

The main issues of VAT administration are tax payer identification, invoicing and bookkeeping requirements, rules for filing returns and making payments, auditing programs, refunds, penalties and collectors.
CHAPTER THREE

3.0 METHODOLOGY

3.1 INTRODUCTION
This chapter presents the methodology used in carrying out the study; it brings out the research design, study population and sample size, data collection instruments, data analysis, interpretation tools and limitations of the study.

3.2 RESEARCH DESIGN
The study was conducted using description cross-sectional and analytical research designs based on the results from questionnaires, interview guided and observation. Annalistically design was used in evaluation of facts gathered and to collect as much data as possible.

3.1. STUDY POPULATION
The study focused on the top managers and procurement department and finance. These were able to deliver to me all necessary information I need to come out with the successful result for may research.

3.4.0 SAMPLING DESIGN
The study was conducted using purposive method of sampling because it’s more specific and helps to get reliable information.

3.4.1 SAMPLE SIZE
The study was conducted using a random sampling design whereby the employees of the company will have equal chances of being chosen. The sampling size will consist of (64) respondents
3.4.2 POPULATION

The target population in this study was procurement department and other related departments who were connected with the logistic issues in order to give me the information I need.

<table>
<thead>
<tr>
<th>POPULATION</th>
<th>TARGET POPULATION</th>
<th>PERCENTAGE OF TARGET POPULATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>SENIOR</td>
<td>15</td>
<td>25%</td>
</tr>
<tr>
<td>CLERKS</td>
<td>20</td>
<td>33%</td>
</tr>
<tr>
<td>SUBORDINATE</td>
<td>25</td>
<td>42%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>60</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

3.4.3 SAMPLE DESIGN

A simple sample random technique was used to represent the population from the entire employee within the user departments. Respondent was randomly selected from the whole population in each department to represent others.

3.5.0 DATA COLLECTION METHOD

3.5.1 SOURCE OF DATA

There are two major sources from which data was collected are primary and secondary sources of data.

3.5.2 PRIMARY SOURCES

Both the questionnaire and interview was used to collect primary data from respondents. Questionnaires were issued to the employee as well as interview quid's because same employees might not have enough time to answer the questions.
3.5.3 SECONDARY SOURCES

The main sources of this data included among others literature from journals, newsletters, paper, and textbooks, on VAT, procurement and logistics and other support data from libraries.

Other facts was also gathered from documentary study of VAT repots, logistics report, government documents like logistics repots, computer search, periodicals, abstracts, internet, reference quoted in the books, paper presented at conference.

3.6 QUESTIONNAIRE

The questionnaire was structured questions that were too presented face to face to the respondent. The questionnaire was administered to the respondents to solicit for information asked about in the context.

3.7 INTERVIEWS

An interview was conducted for different categories of respondents from the selected procurement department and other department.

3.8 DOCUMENTS

The documents was made use of to enable the researchers analyzes the existing literature and records like logistic reports procurement statutes, published and unpublished information from the selected logistic companies.

3.9.0 DATA PROCESSING AND ANALYSIS.

Data processing was done manually and with the use of graphs, table and pie-charts. It was further be edited and coded each questionnaire will be checked for uniformly, accuracy, consistence and completeness using the percentage, frequency distribution and ratios finally drawings proper conclusions and recommendations.

3.9.1 DISTRIBUTION TABLE

It was also involved in the conversion frequency into percentage and the researcher presented them inform of pie charts and graphs also used
3.9.2 LIMITATIONS

The research was expensive in terms of money. A lot of money was needed for transport, stationery and typing of the research work. This as a result may slow down the pace at which the study was conducted. However, quality of the finding was not being affected.

The study group could was highly cautious or reluctant to answer some questions and to disclose some of the company’s secrets more so weaknesses.

The time allocated to the researcher to cover the whole study was so little that the subject matter wasn’t completely exhausted
4.0 INTRODUCTION

This chapter presents the findings of the study with the aim of providing answers to the research questions and an interpretation of each of these findings in light of the research questions. The research consists of 35 questionnaires of which all were received or returned by respondents out of 35 respondents the majority were male with 65.7% and few female consisting of 34.3%

The findings also indicated that most staffs have gone through different levels (or) positions in line with the organization structure. This position included top management, middle level management, lower managers and junior staff (from top to bottom). The findings further indicated that the organization had few people on top management with 9% and most of the people at junior level consisting of 74%

<table>
<thead>
<tr>
<th>Initial designation</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top Management</td>
<td>3</td>
<td>9</td>
</tr>
<tr>
<td>Middle level manager</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Lower level manager</td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td>Junior staff</td>
<td>25</td>
<td>74</td>
</tr>
<tr>
<td>Total</td>
<td>35</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Primary Data

From the results above, it indicates that the majority of the staff was at junior level with 74%

Impact of value added tax on logistics function in organization

Explanatory studies were used to assess how value added tax has affected logistic activities in this organization. According to study it revealed that there are significant changes in volume of production and profitability because VAT affects organization activities such as transportation, inputs and output.
The findings pertained to the objective were also presented and interpreted hereunder. Study was made to determine the effects of value added tax on organization logistic function.

Table 2 impact of value added tax on organization profitability and production

<table>
<thead>
<tr>
<th>Does value added tax reduces profitability of your organization</th>
<th>yes</th>
<th>No</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
<td>30</td>
<td>5</td>
<td>35</td>
</tr>
<tr>
<td>Percentage %</td>
<td>85.7</td>
<td>14.3</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: primary data

According to the above table, the researcher observed that value added tax reduces profitability of the organization by (85.7%) due to poor response of customers from price increase.

The findings were further presented using the cluster bar graph below

Figure 4.2 impact of value added tax on profitability and productivity

Source: primary data

As it can be observed from the above clustered bar graph 85.7 % of the respondent accepted that vat affects profitability and production of the organization and should be taken as important factor for the development and performance of any organization especially profit making organization.
The impact of VAT on productivity and profitability

Explanatory research was conducted to study the effect of VAT on productivity and profitability on this organization. The introduction of VAT has an effect on sales the findings were presented in frequency distribution table and further analysis developed from the graphical presentation of the findings.

The extent which VAT affects sales and profitability in the organization is presented here below.

Table 3 How VAT has reduced the profitability of organization

<table>
<thead>
<tr>
<th>How has VAT affected your average Sales since its introduction in Uganda?</th>
<th>Reduced</th>
<th>Increased</th>
<th>total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
<td>25</td>
<td>10</td>
<td>35</td>
</tr>
<tr>
<td>Percentage %</td>
<td>85.7</td>
<td>14.3</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: primary data

According to the findings from the table above reveal that when VAT was introduced, prices of taxable supplies went up especially those items where VAT was not in proportion with the rate of previous taxes sales tax.

According to the respondent in the table above expressed that their sales hard significantly declined to a tune of about 35% and when the sales reduces it indicates that logistic function will all so be affected especially transportation, distribution and storage because of lack of capital in organization. According to the figure given by them were by 85.7% agrees that VAT has reduced their sales compared to 14.3% which says that VAT has increased their sales worst still there some traders who don’t fail within the VAT shareholder and hence attracting more customers which is disadvantage to the VAT registered page lie central bottling company limited.
Figure 4.3 How VAT has reduced the profitability of organization

Source: primary data
The bar chart reveals that the majority of the respondents 85.7% agreed that really VAT affects sales of organization according to the respondent there same observation by traders that there is a money squeeze in economy and customers has no money to spend due to the VAT effect they can not buy the products as they need them

Table 4.3 How VAT has reduced the profitability of organization

Source: primary data
The findings after being presented in pie chart it reread the following
VAT does not allow them to compete with unrequited were prices are generally lower because there not taxed the same
The effect of VAT on productivity and profitability

In an interview with staff of central bottling company question was imposed to measure if it’s true that value added tax leads to the price increase of their products.

Table 4 extent to which value added tax has affected profitability and productivity

<table>
<thead>
<tr>
<th>Does VAT leads to the price increase of your products?</th>
<th>Yes</th>
<th>No</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
<td>30</td>
<td>5</td>
<td>35</td>
</tr>
<tr>
<td>Percentage%</td>
<td>85.7</td>
<td>14.3</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: primary data

According to my observation from the respondent 85.7% accepted that value added tax leads to price increase because is a direct tax on the domestic consumer of goods and services whether these are produced locally or imported into the country. Its collected at all levels of production and distribution ability to pay is not taken into consideration both rich and the poor will pay the same VAT if they were to purchase the same quality of an item and 14.3 percentages did not agree.

The findings were further presented using the cluster bar graph below

Figure 4.4 showing extent to which value added tax has affected profitability and productivity

Source: primary data

As it can be observed from the above cluster bar graph, 85.7 percent of the respondents accepted that value added tax leads to price increase and organization needs to get other
best ways of reducing procurement costs in the organization so that the prices of their products can be stable.

The logistic areas affected by the price increase are storage, distribution, transportation, procurement, supply chain because if there price increase people will not be willing to by a lot of products due to price increase which means that organization will incur a lot of procurement costs.

Table 5 How VAT has reduced the profitability organization

<table>
<thead>
<tr>
<th>Does VAT affects consumption on partners</th>
<th>Yes</th>
<th>No</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
<td>30</td>
<td>5</td>
<td>35</td>
</tr>
<tr>
<td>Percentage %</td>
<td>85.7</td>
<td>14.3</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: primary data

According to the respondent from the table above shows that 85.7% agreed that VAT affects the consumption partner and 14.3% say VAT does not affect organization need to get the way of improving such relationship for Futher Corporation

Figure 4.5 Gender in order to have gender balance i distributed May questioners to both men and women to get their views towards my research

Table 6 showing gender of respondents

<table>
<thead>
<tr>
<th>Sex</th>
<th>Code</th>
<th>Frequencies</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>1</td>
<td>20</td>
<td>80%</td>
</tr>
<tr>
<td>Female</td>
<td>2</td>
<td>5</td>
<td>20%</td>
</tr>
<tr>
<td>Total</td>
<td>3</td>
<td>25</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: primary data

From the above table 20% of the respondent were female and 80% were male this justifies that the type of work done in this organization favors men.

The findings were further presented using the cluster bar graph below
As it can be observed from above cluster bar graph, 20 percentage of respondent were female and 80 percentage of respondent were male this indicates that most of work in this organization is done by men and they play big role for organization performance and achievements.

The findings were further presented using the line graph below

Source: primary data.

According to above observation line graph majority of respondent were male by 80% and 20% female which means men contributes a lot for the success of this organization and economy at large.
Table 7 Impact of value added tax on logistic function

<table>
<thead>
<tr>
<th>Does value added tax affect the performance of your organization</th>
<th>Very high</th>
<th>low</th>
<th>Very low</th>
<th>total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
<td>25</td>
<td>6</td>
<td>4</td>
<td>35</td>
</tr>
<tr>
<td>Percentage</td>
<td>71.4</td>
<td>17.2</td>
<td>11.4</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: primary data

According to the findings, most of the respondents interviewed indicated that VAT affects most of their performance by 71.4% of the respondent this indicates that organization needs to keep records very well so that they can have possible measure and compare with some firms which don’t pay VAT in the same sector.

They also needs to buy raw materials from the suppliers who pay vat so that they can have returns which enables them to recover the money spent

Table 8 Impact of value added tax on profitability

<table>
<thead>
<tr>
<th>Do value added value taxes reduce sales and profitability of your organization?</th>
<th>yes</th>
<th>No</th>
<th>total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
<td>28</td>
<td>7</td>
<td>35</td>
</tr>
<tr>
<td>Percentage%</td>
<td>80</td>
<td>20</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: primary data

The introduction of VAT hard no significant impact on sales of taxable suppliers as stated in the research findings in the table above its belied that the more sales volume The more the profitability of business.

According to the respondent in the table above express that their sales had significantly declined according to the figures given by them. Worse still, there some traders or manufacture of the same drink s who do not fall within the vat threshold and this group tend to low their prices hence attracting more customers which is disadvantage to the VAT registered pays like central bottling company limited.

However according to respondent there some observation by traders that there is a money squeeze in economy and customers had no money to buy their products as
planned this was at time when some traders were expecting to be a boom season because it was a time when children were going back to school and parents were making major purchase.

They also says that at times it becomes difficult for them to compare with those who are unregistered were prices are generally lower because they are not taxed the same way. This information was further presented on bar graph showing the views from the respondent regards the impact of value added tax on profitability of this organization. As the sales were going down as due to element of vat tax which reduced the number of customers to the tune of 34% compared before the introduction of vat in Uganda hence affecting the logistic activities such as transportation, storage, distribution and level of Product

**Figure 4.8 impact of value added tax on profitability**

![Bar Graph]

Source: primary data

According to the above bar graph indicates that majority of respondent agrees that vat affects the sales and profitability of this organization by 80% and 20% says no this shows the difficult environment this firm is operating in.
Table 9 Period spent as an employee of central bottling company limited

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under one year</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>1-2 Years</td>
<td>27</td>
<td>77</td>
</tr>
<tr>
<td>2-5 Years</td>
<td>7</td>
<td>20</td>
</tr>
<tr>
<td>Over 5 Years</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Primary Data

The findings above indicate that most of the respondents had experience of 2 to 5 years with 77% and 20%.

Figure 4.9 Impact of value added tax on logistic function in organization.

Explanatory studies were made to examine the impact of value added tax on logistic activities in this organization. The study revealed that there VAT increases cost of production and distribution especially when workers demands for high wages due to increased VAT on consumer goods in order for them to fit in the changing environment. Further more VAT leads to increased costs of transportation especially when there increase of vat on vehicles spare parts which will stick as costs and reflect on transport charges.

The findings pertained to the objective are presented here under.

To examine the impact of vat on the productivity of central bottling company limited
The extent to which value added tax affects the logistic activities in terms of costs and distribution in organization

Frequency distribution table, pie charts and bar were used to determine the extend in which vat affects the logistic function in the organization

Table 10 the impact of value added tax on logistic functions in organization.

<table>
<thead>
<tr>
<th>Does VAT increases cost of production and distribution?</th>
<th>Yes</th>
<th>No</th>
<th>total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
<td>32</td>
<td>3</td>
<td>35</td>
</tr>
<tr>
<td>Percentage %</td>
<td>91.4</td>
<td>8.6</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: primary data
The above table reveals that majority of respondents agreed that value added tax increase cost of production and distribution and 8.6% of respondents disagreed.

**Figure 4.10 the impact of value added tax on logistic functions in organization**

![Graph showing the impact of value added tax on logistic functions in organization.](image)

**Source: primary data**

According to the above illustration 91.4% of the respondents agreed that VAT really affects all supply chain activities such as inputs, transport, output, and distribution.

The findings reveal that the environment in which this organization is operating is very complex.

Explanatory studies were made to assess how value added tax enable organization to improve on record keeping.

The study revealed that there is significant relationship between value-added tax and logistic function in organization.

The findings pertaining to the objective are presented hereunder.

The extent to which introduction of VAT in Uganda has helped this organization to improve on recordkeeping in organization.

The frequency distribution tables, pie charts were used to determine the extent in which value-added tax has lead to improvement of record keeping and performance of this organization.
Table 11 the relationship between value-added tax and organization logistic function

<table>
<thead>
<tr>
<th>Does value added tax improve on recordkeeping in your organization?</th>
<th>Yes</th>
<th>No</th>
<th>I don't know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
<td>26</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Percentage %</td>
<td>74.3</td>
<td>11.4</td>
<td>11.4</td>
</tr>
</tbody>
</table>

Source: primary data.

The above table reveals that majority of respondents are 74.3% agreed that value-added tax hard improved and the record keeping in there organization in order to have proper accountability. And 14% of respondent disagreed and 14.4% were not sure.

Figure 4.10 showing the relationship between value-added tax and organization logistic function

Source: primary data

The above bar chart reveals that the majority of the respondent are 74.3% agreed that introduction of VAT in Uganda has improved on record keeping these respondent shows that organization responds positively to the business environment especially in making the decision related to the new policies set by the government such as all organization
needs to pay taxes in order for the government to facilities the social services in the country
Record keeping helps logistic function such as production, transportation, distribution and storage because it enables organization to analysis were the organization incurs a lot of costs so that it can be able to improve in terms of cost effective in order to satisfy their customers.
5.0 DISCUSSION, CONCLUSION AND RECOMMENDATION

5.1 INTRODUCTION

The rational of this chapter is to discuss and present a brief summary of the implications of the result as analyzed and presented in chapter four in respect to the research objectives and review of the literature. The chapter also presents the possible recommendation of the study.

5.2 Discussion

The effects of value added tax on productivity and profitability as it was presented in chapter four

The study revealed that value added tax affects profitability of the organization and productivity since VAT is levied on the supply of goods and services VAT sticks on such supplies also as cost. All things being equal, those below the threshold should sell their goods at cheaper prices, but this is not always the case. The supplier sometimes takes advantage of the exemptions in the VAT system to charge VAT inclusive prices and thus reap additional profit. It is clear then that in widening the tax base VAT extracts more money from the consuming public than would otherwise have been possible.

That is to say goods are produced with input tax load, output is taxed again. This causes double taxation which normally reduces the rate of consumption of the commodities and when the rate of consumption reduces the logistic functions like procurement will be affected because consumption rate will be low.

In an interview with staff of central bottling company question was imposed to measure if it’s true that value added tax leads to the price increase of their products.

According to my observation from the respondent 85.7% accepted that value added tax leads to price increase because in a direct tax on the domestic consumer of goods and services whether these are produced locally or imported into the country. Its collected at
all levels of production and distribution ability to pay is not taken into consideration both rich and the poor will pay the same vat if they were to purchase the same quality of an item and 14.3 percentages did not agree.

Difference scientists like Frank livescy (1996) Under Article 2 of the VAT Directive; VAT is levied on the supply of goods and services affected for consideration within the EU. While the tax technically attaches to the supply of goods and services, and businesses are required to charge and remit the tax, the incidence of the VAT is on the consumer. Consequently, "taxable persons" example suppliers of goods and services are entitled to a deduction of VAT amounts charged to them by their suppliers ("input tax credit"). The input tax credit is not available to consumers so that the VAT on supplies to consumers becomes final. As it was advocated by Stanley surrey, (1998) Vat is an indirect tax it is also regressive. It May lead to increases in prices of consumer goods and services. In other words, VAT is an indirect tax on the domestic consumer of goods and services. It is collected at all levels of production and distribution. Ability to pay is not taken into consideration. Both the rich and the Poor will pay the same VAT if they were to purchase the same quantity of an item.

According to Hardwick B. Khan and J Long mead the price increases owing to VAT might trigger wage-induced hikes in business costs and when this happens logistics functions are affected such as input and output and entire supply chain of course, the ability of the workforce to secure higher wages depends on numerous other factors outside the scope of VAT.

According to Namanda (Research Report 2003) a VAT system leads to higher margins mean higher tax burden on the commodities. It is true that if consumers respond to price increases by cutting down consumption, then it will affect the trade volumes of manufacturers/traders.

However, the latter can confront this by reducing their output rather than their mark-up rates in a bid to lower prices. Such a step may ultimately have serious economic effects. Such strategies have been adopted in Nigeria, for instance. And several countries, in anticipation of such moves by businesses, took effective steps to prevent them.
For instance, in Ireland, before the introduction of VAT, the Government formed a National Prices Commission (NPC) entrusted to run a system of price restraint in the VAT regime.

Since a VAT system requires only a few tax rates, the changeover from a system with numerous rate categories, such as in the sales tax regime in India, will result in significant corrections in the tax rates on various commodities that is, the rates on some commodities may go up and others down. Value added tax as noted earlier, is a tax on the final consumption of goods and services in the domestic market but it is collected at all stages of production and distribution. It is also an indirect tax, like the other five forms of taxes that it was meant to replace? they key aspect of VAT is that a registered person making sales of taxable goods or services must account for tax on all his/her sales, and get credit for the tax paid on His/her purchases of business inputs.

5.3 CONCLUSION
Introductory measure needed to ensure success with the tax included publicity, lead-in-time, certain organizational issues, staff requirements and training as well as miscellaneous problems.

5.3.1 The main issue of VAT administration is tax payer identification, invoicing and book-keeping requirements, rules for filling returns and making payments, auditing programs, refunds, penalties and collections.
URA sensitization campaigns were few, poor conducted and attended.

5.3.2 VAT as marketed by all their proponent was looked at from the supply side only, whiles the consumer and hence the market was totally ignored. It was assumed that the market will take goods at whichever price.
5.4 RECOMMENDATIONS

URA could have avoided the unfortunate situations if had engaged the services of local firms which have the advantage of know-how of the culture, feelings and perception of the people of Uganda.

VAT could have been implemented in series on particular products to allow traders adopt strict book-keeping.

The government and URA should vigorously constitute to sensitize the public about the operations of VAT system to avoid evasion and guidance.

Taxation issue should be taught in schools low as o’level because most proprietors of small business are basically of this level.

The introduction of a new tax requires several adjustments including the establishment of a frame work of laws and regulations.

Competent and qualified staff should always be employed to handle VAT issues professionally to avoid undesired effect which may arise.

5.5 THE IMPACT OF VALUABLE ADDED TAX ON THE LOGISTIC FUNCTION IN ORGANIZATION

The study revealed that the vat has led to the increase of cost of production and distribution hence affecting the performance of the organizations this was revealed from the departments like finance, marketing, procurement and operation the researcher observed that; it also does so because it taxes only the value added by the person being taxed. The typical sales tax imposed on manufacturers, wholesalers, and retailers frequently causes distortions, partly because it cascades, that is, it represents a tax on another tax;

This is because when you increase VAT tax it means also the workers will demand for high wages because in order those to fit in the changing economical environment also vat
leads to increase on transportation costs especially when they increase the VAT on vehicle spare parts will stick as cost and reflect in transport charges

Even though transportation might have been exempt from the tax. In addition, those Supplies goods and services that are outside the scope of VAT because of the Threshold also attracts VAT sticks on such supplies also as cost which may limit the Distribution of goods and services hence affecting logistic activities in organization this was revealed from the table 6 from the findings, most of the respondents interviewed indicated that VAT affects most of their performance by 71.4% of the respondent this indicates that organization needs to keep records very well so that they can have possible measure show to compare with some firms which don’t pay vat in the same sector. They also needs to buy raw materials from the suppliers who pay VAT so that they can have returns which enables them to recover the money spent

The introduction of vat hard no significant impact on sales of taxable suppliers as stated in the research findings in the table 7 observed the more sales volume The more the profitability of business .

The findings from the table above revealed that when VAT was introduced, prices of taxable supplies went up especially those items were VAT rate wasn’t in proportion with the rate of o the previous taxes and sales had significantly declined to a tune of about 35% according to the figures given from the respondent say that manufacture of the same drinks who do not fall within the vat threshold and this group tend to low their prices hence attracting more customers which is disadvantage to the vat registered pays like central bottling company limited

They also says that at times it becomes difficult for them to compare with those who are unregistered were prices are generally lower because they are not taxed the same way This information was further presented on bar graph showing the views from the respondent regards the impact of value added tax on profitability of this organization
As the sales were going down as due to element of vat tax which reduced the number of customers to the tune of 34% compared before the introduction of vat in Uganda hence affecting the logistic activities such as transportation, storage, distribution and level of BY Slemrod, Joel, and Jon Bakija 2000, Taxing Ourselves, Second edition Cambridge, Massachusetts: The MIT Press

In the case of supplies of services between taxable persons (‘Business to Business’), in 2003 the Commission proposed applying VAT in the country where the purchaser is established (i.e. the place of consumption) rather than in the country of the supplier. Its proposal, which it amended in 2005, concerns in particular the VAT rules applicable to certain services supplied to individuals.

5.6 The relationship between value-added tax and organization logistic function
The above bar chat from the table 10 reveals that the majority of the respondent are 74.3% agreed that introduction of VAT in Uganda has improved on record keeping in to central bottling company according to the findings it shows that organization records were not well organized as per today and its responding positively to the business environment especially in making the decision related to the new policies set by the government such as all organization needs to pay taxes in order for the government to facilities the social services in the country

Record keeping helps logistic function such as production, transportation; distribution and storage because it enables organization to analysis were the organization incurs a lot of costs so that it can be able to improve in terms of cost effective in order to satisfy their customers.

Under the VAT regime, however, a set-off is given for input tax as well as tax paid on previous purchases. Entities engaged in the manufacturing and trading of goods are able to claim tax credit on the materials and services that they buy to make further supplies or services directly or indirectly sold to end-users. This prevents the ‘cascading effect of taxes’ on the production and
distribution processes of goods and services and encourage economic growth. In essence, this prevents overall distortions in the taxation regime.

5.7 VAT Leads To Better Tax Administration and Compliance

The VAT design will significantly bring in simplicity and transparency in the tax structure, thereby improving tax-compliance and eventually boosting the revenue growth of state governments. The hallmark of the VAT system is that VAT liability will be self-assessed by the dealers themselves in terms of submission of returns upon setting off the tax credit. The existing system of compulsory assessment at the end of each year will be discontinued. Compulsory assessments will now be limited to a few cases where a specific notice is issued. This would make tax administration simpler and reduce the costs involved in revenue collection.

This system of self-assessment will be supplemented by audited mechanism where the assessments of a certain number of traders, selected on a scientific basis, will be assessed every year. This will ensure accountability and transparency in the system while avoiding undue harassment of traders and dealers.

Due to the inherent transparency and accountability in the system, VAT leads to not only better tax administration but also higher levels of compliance and lesser evasion. Tax evasion is a grave problem in a developing country like ours as it leads to a creation of a ‘resource crunch’ for developmental activities of the state. Reputed international institution it avoids cascading taxes, and therefore avoids distortions and over-taxation.

5.8 AREAS FOR FURTHER RESEARCH

The impact of VAT on logistic function on organization are many and cannot be conclusively cored in a book of this volume.

It requires a number of researches to be carried out to come up with a conclusive report on the impact of VAT on organization logistic function.

5.9 There will be a need for further research particularly on:

1. Prices
2. The need for tax reform in Uganda.
APPENDICES

APPENDIX 1

REFERENCES


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CURRICULUM VITAE

PERSONAL DETAILS

NAMES: BISOBORWA MATHIAS
AGE: 30 Years
GENDER: MALE
MARITAL STATUS: MARRIED
NATIONALITY: UGANDAN
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DATE: SEP, 8, 2008

WORKING EXPERIENCE

From 1994 to 1996 I worked with Jada Uganda limited I was an agent selling lottery around Kampala I left after the completion of the project.

1997 worked with best bay designer as assistant manager in printing department and distribution of already finished work to the customers.

I also worked with tropical resources as purchasing manager since 2002 to 2006 until when I joined Ugalight were I am working now as procurement officer this company deals in producing wooden product and distributing them to supermarkets all over the country.

Presently since 2002 I have bean the chairman in pride microfinance for MEC 4333 EG 8 this company deals in giving loans to individual and group loans.

EDUCATION BACKGROUND

From 2005 to 2008 I joined and studied at Kampala international university were I am waiting for graduation in November 2008 were I will awarded degree in purchasing and supplies management.

Form 2003 to 2004 I was at Royal College Bunga for a Uganda advanced certificate of education (UACE).

From 1992- 193 was S.T Peters SS Nsambya for O level and qualification for the award of Uganda certificate of Education (UCE).
REFERENCES

1. Wandera Lydia
   The director
   Valley View primary school
   Tel: 0772- 636886

2. Ndozereho Vincent
   Procurement officer for
   Southern range Nyanza jinja
   Tel: 0712-738513

3. Kasigwa Gerald
   Auditor general in ministry of finance head
   Office Kampala
   Tel: 0772-427947

4. Njuba Henry
   Lecture (KIU) for procurement
   Tel: 0772-586166
KAMPALA INTERNATIONAL UNIVERSITY
A QUESTIONNAIRE FOR STAFF IN PROCUREMENT DEPARTMENT

Dear Respondent,

My name is BISOBORWA MATHIAS of Kampala International pursuing a Degree in Supplies and Procurement Management program. This questionnaire is intended to facilitate the study of the VALUE ADDED TAX AND LOGISTIC FUNCTION IN ORGANIZATION it is designed with a view to collect reliable data that would help in understanding the relationship between value added tax and logistic function in organization.

Please try to spare some time and answer the following questions. They involve ticking and filling in where necessary.

The accuracy of this report depends greatly on how honest you answer the questions.

Thank you for your time.

Please tick and fill where necessary/applicable

1. Name .............................................................. (Optional)

   Gender
   (a) [ ] Male
   (b) [ ] Female

2. Age (please tick your group)
   20 -25
   26 -30
   31 -35
   36 -40
3. POSITION HELD
   - Top Management
   - Middle Management
   - Lower Management (Supervisory)
   - Worker
   - Casual Staff

4. What is your area of specialization ........................................

6. LEVEL OF EDUCATION
   - Professional
   - University Degree
   - Diploma
   - Secondary Education
   - Other (Specify)

7. Name the form of business your organization carries out
   - Grocery
   - Hardware
   - Supermarket
   - Services
   - Other specify
   - Manufacture

8. FOR HOW LONG HAVE YOU WORKED WITH CBCL
   - 0-6 Months
   - 6-12 Months
   - 2 Years
   - 2-5 Years
   - More than 5 Years

9. What other consideration might have affected your prices since introduction of VAT?
12. Do you have any knowledge about VAT?  
   Yes  ☐  No  ☐

10. Which other taxes do you pay in this organization?  

How has VAT affected your average Sales since its introduction in Uganda?  
Reduced  ☐  increased  ☐

11. Comment on the procedure used by Uganda revenue authority to collect VAT  
   ☐ Good  ☐ Fair  ☐ Bad

12. Does value added tax affect the performance of your organization?  
   Yes  ☐  No  ☐

13. How was operating costs before the introduction of value added -tax in Uganda  
   Very high  ☐  Low  ☐  Very low  ☐

14. Does VAT lead to the price increase of your products?  
   Yes  ☐  No  ☐

15. Does VAT affect consumption on partners?  
   Yes  ☐  NO  ☐

16. Does value added tax affect the performance of your organization?  
   Very  ☐  high low  ☐  very low  ☐

17. Do value added taxes reduce sales and profitability of your organization?
18. Does VAT increase cost of production and distribution?
Yes [ ] No [ ]

19. Does value added tax improve on recordkeeping in your organization?
Yes [ ] No [ ]
OFFICE OF THE DEAN  
SCHOOL OF BUSINESS AND MANAGEMENT

Date: 21st May, 2008

THE HUMAN RESOURCE MANAGER,
COCA-COLA UGANDA LTD

Dear Sir/Madam,

**RE: BISOBORWA MATHIAS REG.NO.BSP/8426/51/DU**

The above mentioned is a bonafide student of Kampala International University pursuing a Bachelor of Supplies and Procurement Management programme in the School of Business and Management of the University.

He is currently conducting field research and the title of the Research project is "VALUE ADDED TAX AND LOGISTIC FUNCTION IN ORGANISATIONS" A CASE STUDY OF COCA-COLA. As part of his studies (research work) he has to collect relevant information through questionnaires, interviews and other relevant reading materials.

Your Institution has been identified as a valuable source of information pertaining to his research project. The purpose of this letter is to request you to avail him with the pertinent information he may need.

All and any information shared with him will be used for academic purposes only and we promise to share our findings with your institution.

Any assistance rendered to him in this regard will be highly appreciated.

Yours Sincerely,

DR. SENOGA EDWARD
ASSOCIATE - DEAN SCHOOL OF BUSINESS

"Exploring the Heights"