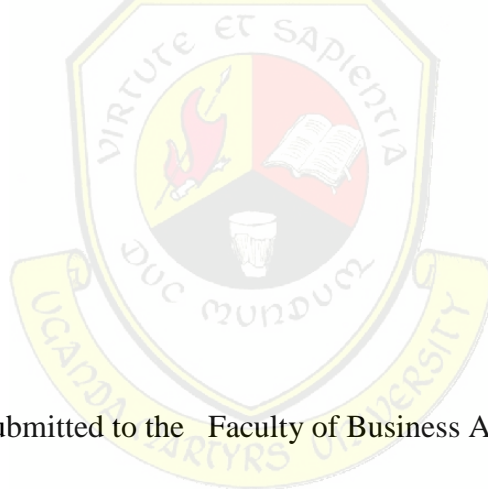


EFFECT OF IMPORT TAXES MANAGEMENT ON THE DEMAND OF SECOND
HAND IMPORTED CARS IN UGANDA. CASE STUDY: JAMBO AUTOMART LTD

BY

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DEDICATION

This work is dedicated to my dear mother and father for the big blessing they are and for their guidance and provision throughout my education

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This research would not be possible without guidance and the powerful hand of the Almighty God. I wish to express my genuine appreciation to my parents and my wife, for their financial and moral support throughout this research.

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It is doubtful whether this research would have been successfully completed without the above mentioned people.

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LIST OF ABBREVIATIONS

C.I.F. : Cost Insurance and Freight

V.A.T. : Value Added Tax

U.R.A. : Uganda Revenue Authority.

K.N.B.S. : Kenya National Bureau of Statistics

I.T.A : Income Tax Authority

F.TC. : Federal Trade Commission

ABSTRACT

The study was set to examine the effect of import taxes management on the demand for imported cars in jambo automart limited. The study objectives were to determine the effect of import duties on the demand for imported cars in jambo automart limited , to find out the effect of environmental levies on the demand for imported cars in jambo automart limited and to establish the effect of insurance fees on the demand for imported cars in jambo automart limited

A case study research design was used where both quantitative and qualitative methods of data collection and analysis was also used. Purposive and simple random sampling was used to get a representative sample fifty. Thematic content analysis was used as the main analysis strategy. Key findings were transformed into themes for analysis and presentation of data.

The study found out that majority (62%) of the respondents agreed that import duties has negatively affected demand for imported cars. Also majority of respondents 56% indicated environmental levies increases the prices of cars hence discourage the purchase of such cars. The findings also showed that most respondents (73.1 %) were not satisfied with insurance taxes where at great extent, they disagree with the statement.

The researcher concluded that, import duties, environmental levies and insurance fees negatively affected the demand for imported whereby all these taxes, increase on costs management costs and control hence reduced demand for imported cars.

The researcher recommended that the government also should try to reduce on the various import taxes that are levied on the used vehicles. The government should also try to revise the tax regime and come up with a single tax rate that incorporates all the taxes that are levied. This will help to reduce on the bureaucracies and paper work that is involved in the process of clearing the vehicles and make the process simpler. Though URA is rolling out the ASCUDA system, there still exist a lot of gaps existing in tax administration in Uganda that need to be fused.

From an environmental point of view, it is quite alarming that despite the introduction of the environmental levy, the majority of the vehicles that are imported into the country exceed the recommended 8 years and this raises concern over the uneconomical fuel consumption, high levels of carbon emissions which is further worsening the prevailing environmental crises like global warming, desertification and the greenhouse effect. The importation of very old models of cars has turned Uganda into a disposal ground for the used cars especially from Asia in countries like Japan and United Arab Emirates. Therefore the government should come up with strict measures to reduce the importation of very old models of cars into the country.

Observing the trend of vehicles that are being imported into the country, it has been observed that there is an increase in the number of vehicle that are being imported into the country for use in the agricultural sector and since agriculture is the backbone of the economy, a tax waiver should also be placed for the vehicles meant to be used in the agricultural sector and this will go a long way in boasting investment in agricultural value addition.

CHAPTER ONE

GENERAL INTRODUCTION

1.0 Introduction

This study focused on, the effect of import taxes on the demand of second hand imported cars. This chapter presented the background of the study, problem statement, main objective, specific objectives of the study, scope, significance of the study, justification, definition of key terms and conceptual framework.

1.1 Background of the study

A tax is defined as fee charged ("levied") by a government on a product, income, or activity. Uganda Revenue Authority charges different forms of taxes to the imported second hand cars and this include; Import duty which is the customs duty payable at importation, CIF or customs value which means cost, insurance and freight; it covers the cost of imported cars, Cost incurred in an attempt to protect the cars from being damaged and the cost of shipment of this cars, tax on car age i.e. a car of certain age from date of manufacture is charged an additional tax for example in Uganda cars of 8 years and above pay environmental tax, fixed tax rate, this means that a flat tax charged to all imported cars on their CIF value, VAT, WHT. URA does the collection of these taxes on behalf of government, the people who pay these taxes are individuals or companies importing these cars and the final person who bears the tax burden will be people buying these cars from importers. The purpose of taxation is to

finance government expenditure on provision of public goods and services, such as street lighting, street cleaning and health services.

Import VAT (Value Added Tax) is a tax charged on imported goods and services. Import duty rates vary depending on the type of goods; many goods are duty free. Relief from duty and VAT may apply in special cases. Also, in some cases additional duties may be charged, depending of the country of manufacture of the goods

According to Journal of Uganda import tax law 49, 2, (2008): 145-176 , URA charges a flat tax on the CIF value of imported cars this is due to the difficulty of computing tax of many different second hand imported cars having many different features different from each other for example one car model can have one car airbag or two or three(there's airbag advancement) , this cars may also differ in number of seats and many more different features and all this complexities in computation of tax for each specific secondhand car forced Uganda revenue authority and car importers to agree on one basis of taxing imported second hand cars and CIF value or customs value of a specific car model was to be used as a basis of imposition of a tax for example CIF value of ipsum cars will be used for all ipsum cars imported

When buying a used car, at least most vehicle owners and dealers know that buying an old car attracts more tax than purchasing a brand new one. This is explained by the fact that old vehicles, according to motor vehicle laws, emit harmful smoke that pollute the environment and as a result, buyers of such vehicles are supposed to incur a tax, an environmental levy that amounts to 20 per cent of the total price of the vehicle.

This tax, according to Uganda Revenue Authority (URA), is meant to discourage old vehicles from being imported into the country with the assumption of protecting the environment.

But as some of you might be wondering, some newer vehicles may incur total taxes that may be way higher than those of much older cars.

An official at URA customs department admits this fact and says it happens when the newer vehicle's overall value is high. "We have a value guide that we use to levy uniform taxes regardless of the year in which a car was manufactured," the official who preferred anonymity says.

He says the value of the vehicle determines the overall tax. "The overall tax is not determined by the environmental levy alone that is only 20 per cent. But there are other taxes which apply uniformly regardless of the nature (new or old) like infrastructure, value added, withholding and registration fees among others.

According to a source from URA, who chose to remain anonymous because he is not the spokesperson, the environmental levy tax does not affect cars manufactured after 2007.

"That tax policy only affects vehicles manufactured in 2006 and beyond," he says.

Customs Duty is a tariff or tax imposed on goods when transported across international borders. The purpose of Customs Duty is to protect each country's economy, residents, jobs, environment, among others. By controlling the flow of goods especially restrictive and prohibited goods, into and out of the country.

Dutiable refers to articles on which Customs Duty may have to be paid. Each article has a specific duty rate, which is determined by a number of factors, including where you acquired the article, where it was made, and what it is made of. Also, anything you bring back that you did not have when you left the United States must be "declared." For example, you would declare alterations made in a foreign country to a suit you already owned, and any gifts you acquired outside the United States. American Goods Returned (AGR) does not have to be declared, but you must be prepared to prove to U.S. Customs and Border Protection the articles are AGR or pay Customs duty.

Vehicle Registration Tax is chargeable on the registration of motor vehicles (including motor-cycles) in the State. All motor vehicles in the State, other than those brought in temporarily by visitors, must be registered with the Revenue Commissioners. A vehicle must be registered before it can be licensed for motor tax purposes. Any delay in registering your vehicle or paying the tax may make you liable to substantial penalties including forfeiture of the vehicle and prosecution.

Section 62 of Finance Act (No 2) 2008 allows the Commissioners to raise an additional charge on registration where Revenue is of the opinion that the vehicle has not been registered within the specified 30 day limit. This usually arises where satisfactory documentary evidence is not produced at the time the vehicle is presented for registration.

Any queries relating to an additional charge having been raised at registration should be addressed to the VRT section within your Revenue district. Please note that queries relating to an additional charge will not be entertained unless documentary evidence is produced giving proof of the date that the vehicle entered the State and reasons why they said

documentation was not produced to the NCTS when the vehicle was presented for registration. It should be noted that an unregistered vehicle may be detained by Revenue officials or by An Garda Síochána if the vehicle is not registered within the specified 30 day limit

An imported second hand car is a used car bought into one country from another. A second hand or used good is one that is being purchased by or otherwise transferred to a second or later end user in our case meaning that the car imported was once used in another country by some person. A second hand good does not necessarily remain in the same condition as it was before it was transferred to the current user. Most cars in the country are imported from Japan either by dealers or by private individuals with the help of clearing agents and these cars include Toyota, Subaru, Nissan, Wagon, Mercedes-Benze, Honda, Mitsubishi, Mazda, Land Rover, Volkswagen, Toyota ipsums, Ford, Forester, Land Cruiser, Volvo, Peugeot, BMW etc. and Toyota model is the most imported car model in Uganda.

Import duty is a tax that the importer has to pay to bring foreign goods into his or her country. Import VAT (Value Added Tax) is a tax charged on imported goods and services. Import duty rates vary depending on the type of goods; many goods are duty free. Relief

from duty and VAT may apply in special cases. Also, in some cases additional duties may be charged, depending of the country of manufacture of the goods

The Customs Value (CIF Value): URA releases fixed customs values almost every year.

The Engine Size: URA levies duty on engine size – the bigger the engine, the greater the duty.

Manufacturing age: All imported cars above 8 years from the current year are levied an environmental penalty tax of 20% of the value of the car. However, in addition to computation of taxes, newer cars are valued higher, and therefore attract a higher overall tax than old ones.

The monthly exchange rate: URA values the cars for tax purposes in US dollars to obtain the customs value in shillings.

Registration fees, this fee is around Shs1.2m for a standard car and Shs1.7m for heavy engine cars. There are four key factors that are used to calculate the Taxes.

The Customs Value (CIF Value) Uganda Revenue Authority releases fixed customs values almost every month. These are available on their website to Used Motor Vehicle Indicative Value Guide under Customs Tax Guide.

The Engine Size the URA levies duty on engine size – the bigger the engine, the greater the duty. This reflects the cost / value to the Ugandan economy of cars with greater engine capacity which acts as a proxy for higher fuel consumption.

The Manufacturing Age of the Car All imported cars above 10 years from the current year are levied an environmental penalty tax of 50% of the value of the car while those above 5 years but below 10 years are taxed at 35%. However, In addition to computation of taxes, newer cars are valued higher, and therefore attract a higher overall tax than old ones.

The monthly exchange rate: URA values the cars for tax purposes in US dollars to obtain the customs value in Uganda shillings. The exchange rate is adjusted every month. The lower or a depreciating dollar means a relatively lower tax bill and the reverse is true.

Registration fees: This fee is around US\$1, 200,000 for a standard car and 1,700,000/- for heavy engine cars. It is best thought of as the tax fee for number plates. Uganda Revenue Authority uses its own Car Values as a basis for Tax assessment.

Customs Duty is a tariff or tax imposed on goods when transported across international borders. The purpose of Customs Duty is to protect each country's economy, residents, jobs, environment, etc., by controlling the flow of goods, especially restrictive and prohibited goods, into and out of the country.

The Toyota Ipsum is a seven-seater multi-purpose vehicle produced by Japanese automaker Toyota from 1995 to 2009. The first generation, named Ipsum in Japan was built from 1995–2001, with export versions arriving in 1996 in the world markets. It had a choice of two in-line-four petrol engine ranging from 1.8- to 2.0-litres, as well as a 2.2-litre diesel engine, the 3C-TE. Toyota ipsum cars were introduced in the Uganda market in 2004.

1.2 Statement of the problem

Jambo Automart and other car dealership companies in Uganda are taxed and these taxes have been on the rise despite the efforts being made to avoid the taxes (source) Jambo automart administration department. The increasing tax rates have generated a lot of concern about their future car prices and have affected the demand of second hand cars drastically. According to auction house BCA, average used car values fell by 3.7% to £4,765 last August compared with the previous month. Since the ultimate objective of the company is to maximize sales, but increasing the value of a used car is an important objective too. Due to the inability of the company to properly plan and control the resources of their company, the failure to pay tax can be attributed to the inefficient management of resources. On the other hand if the government does not care about the changes in tax rates, there may be creation of a business gap, and, or un productive society.

Therefore there exists scanty information on the impact of import taxes on the demand of second hand cars in Jambo Automart in Uganda.

Uganda government from the 2009 to 2013 has been increasing the import tax rates on the CIF value of all imported second hand cars from 70.8% to 71.6% to 71.9% to 72.3% to 73.5% for years 2009,2010,2011,2012 and 2013 respectively but the number of this imported cars imported by Jambo auto mart have been seen decreasing in a reverse direction of 3990 to 3407 to 2987 to 1956 to 1602 for years 2009, 2010,2011,2012,2013 respectively created need to analyze the relationship between import tax and demand of the used second hand cars.

According to Kaplowet al (2008a), a tax will decrease the quantity of an item that consumers demand. This occurs for the simple reason that tax increases the price of the product, making it less attractive to consumers. The relationship between taxes and demand is negative and linear, meaning that in general demand will decrease proportionately to an increase in the tax.

The degree, to which a tax will affect consumer demand, depends on the level of price elasticity. Price elasticity refers to the degree to which demand responds to a change in price. Some products are more elastic than others, meaning that a change in the price of certain products will affect demands more significantly than for other products.

It is against this background that the researcher developed a problem that needs to be researched in this report as majority of people expected reduction in quantity demanded of imported cars by importing companies like Jambo auto mart due to tax increase.

1.3 Objective of the study

1.3.1 Main objective

To examine the effect of import taxes management on the demand for imported cars in jambo automart limited

1.3.2 Specific objective

- i. To determine the effect of import duties on the demand for imported cars in jambo automart limited
- ii. To find out the effect of environmental levies on the demand for imported cars in jambo automart limited
- iii. To establish the effect of insurance fees on the demand for imported cars in jambo automat limited

1.4 Reasearch questions

- i. What is the effect of import duties on the demand for imported cars in jambo automart limited?
- ii. What is the affect environmental levies on the demand for imported cars in jambo automart limited?
- iii. What is the effect of insurance fees on the demand for imported cars in jambo automart limited?

1.5 Scope of the study

This covered the time scope, content scope, and the geographical scope.

1.5.1. Time scope

This research was carried out between the year 2015 and 2016 in Jumbo Auto Mart Uganda, this because Jambo automart is the largest second hand importing company in Uganda has been in existence since 2009 and therefore has more reliable data and looked at its data from 2010-2016.

1.5.2. The content scope

The study was carried out on the effect of import tax on the demand of imported second cars at Jambo Auto mart Uganda located in Kampala district a long Kampala-Jinja road.

The study conducted targeted staff and management of Jumbo Auto Mart

1.5.3. The geographical scope.

The research was conducted in Jambo automart limited which is one of the leading car importing companies in Uganda it is located on plot 27 along Kampala – Jinja road.

1.6 Significance of the study

The findings of the study may benefit the following, stakeholders, Uganda revenue Authority, other car importers, policy makers and management of Jambo autormat limited.

UGANDA REVENUE AUTHORITY:

This study shall contribute literature on taxation and import duties levied on imported second hand cars to URA when making decisions on whether or not to increase the taxes imposed on the imported second hand cars and this shall be of value to Uganda revenue authority being a tax examining body in Uganda.

CAR IMPORTERS:

The information from the study shall also be relevant to policy makers in the country as a guide for them to regulate the importation of old used vehicles which have an environmental effect to the country through emission of much exhaust carbon fumes.

POLICY MAKERS:

The information obtained will be important in expanding knowledge in the area of revenue management and policy making for Uganda as a whole.

1.7 JUSTIFICATION OF THE STUDY.

The justification of this study is that it helped me provide relevant information to jambo automart to improve on its imports and the information is also relevant to policy makers in the country as a guide for them to regulate the importation of old used vehicles which have an environmental effect to the country through emission of much exhaust carbon fumes

1.8. Definition of key terms

Import tax: Import duty is a tax that the importer has to pay to bring foreign goods into his or her country. Import VAT (Value Added Tax) is a tax charged on imported goods and services. Import duty rates vary depending on the type of goods; many goods are duty free. Relief from duty and VAT may apply in special cases. Also, in some cases additional duties may be charged, depending of the country of manufacture of the goods

Tax: A tax is defined as fee charged ("levied") by a government on a product, income, or activity.

According to Karl Marx (2009), he assumed that taxation would be unnecessary after the advent of communism and looked forward to the "withering away of the state". In socialist economies such as that of China, taxation played a minor role, since most government income was derived from the ownership of enterprises, and it was argued by some that monetary taxation was not necessary.^[79] While the morality of taxation is sometimes questioned, most arguments about taxation revolve around the degree and method of taxation and associated government spending, not taxation itself.

Environmental levies: According to Arthur Pigou,. this includes natural resources consumption tax, greenhouse gas tax (Carbon tax), "sulfuric tax", and others. The stated purpose is to reduce the environmental impact by re pricing. Economists describe

environmental impacts as negative externalities. As early as 1920, Arthur Pigou suggested a tax to deal with externalities (see also the section on increased economic welfare below). The proper implementation of environmental taxes has been the subject of a long lasting debate

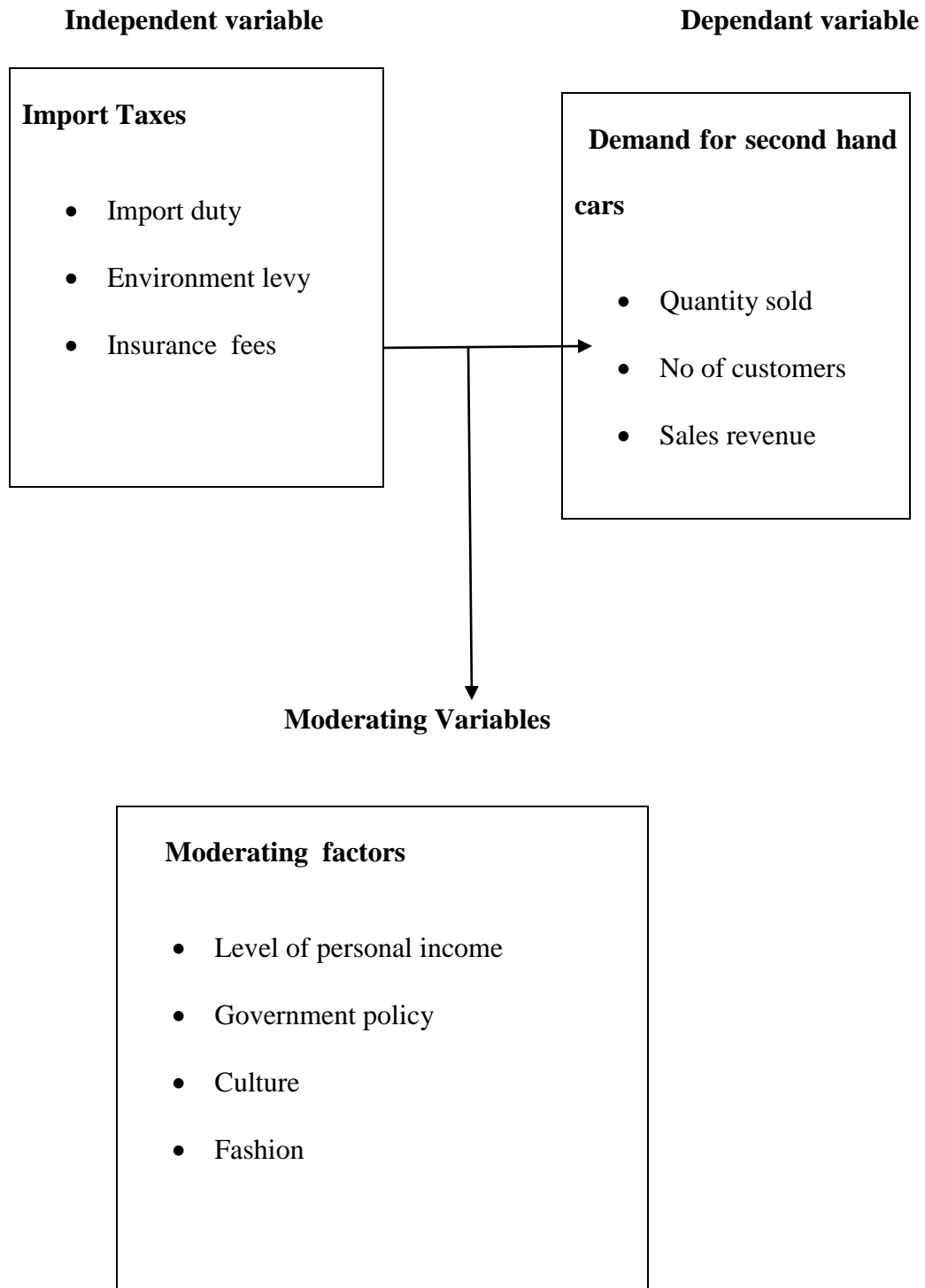
Insurance levies: Insurance is a means of protection from financial loss. It is a form of risk management primarily used to hedge against the risk of a contingent, uncertain loss.

An entity which provides insurance is known as an insurer, insurance company, or insurance carrier. A person or entity who buys insurance is known as an insured or policyholder. The insurance transaction involves the insured assuming a guaranteed and known relatively small loss in the form of payment to the insurer in exchange for the insurer's promise to compensate the insured in the event of a covered loss. The loss may or may not be financial, but it must be reducible to financial terms, and must involve something in which the insured has an insurable interest established by ownership, possession, or preexisting relationship. The insured receives a contract, called the insurance policy, which details the conditions and circumstances under which the insured will be financially compensated. The amount of money charged by the insurer to the insured for the coverage set forth in the insurance policy is called the premium. If the insured experiences a loss which is potentially covered by the insurance policy, the insured submits a claim to the insurer for processing by a claims adjuster

Imported second hand cars: An imported second hand car is a used car bought into one country from another. A second hand or used good is one that is being purchased by or otherwise transferred to a second or later end user in our case meaning that the car imported was once used in another country by some person. A second hand good does not necessarily remain in the same condition as it was before it was transferred to the current user. Most cars

in the country are imported from Japan either by dealers or by private individuals with the help of clearing agents and these cars include Toyota, Subaru, Nissan, Wagon, Mercedes-Benz, Honda, Mitsubishi, Mazda, Land Rover, Volkswagen, Toyota ipsums, Ford, Forester, Land Cruiser, Volvo, Peugeot, BMW etc. and Toyota model is the most imported car model in Uganda.

1.9 Conceptual Framework



Source; Ramsey-et (2002)

Figure 1-1 conceptual Framework

Figure 1-1 shows the conceptual frame work indicating the independent, dependent and intervening variable. The assumption derived from figure 1-1 is that tax is an independent variable which leads to the dependent variable of demand.

In spite of the presence of tax, which is charged by the government to its citizens especially the car importers there are other variables called the moderating variables which lead to the issue of tax increment during taxation hence affecting the demand of imported cars and these include, fashion, culture, Government policies and level of personal income

1.10 Conclusion

Evaluating the effect of import taxes on the demand of imported second hand cars is very important to ascertain stumbling blocks affecting the dealing in second handcars so as to develop robust strategies to ensure that there is increase in demand of such cars since they are the leading car imported in Ugandan markets and besides Jambo Autormat, even other car dealers and bonds depend on second handcars for survival. This chapter aimed at assessing how import duties, environmental levies and insurance levies have impacted on the demand of second hand car Jambo Autormat so as to suggest long lasting solutions to the problem so as to help Jambo Autormat and other car dealers boost the demand for their products on the car markets in Uganda.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter focused on existing literature on taxation and import taxes by different scholars/research studies from magazines, text books, journals and newspapers. This chapter covered economic theory of taxes and quantity demanded of goods, effect of import duty on demand of cars, impact of taxes on demand of imported goods at large, effect of incurrence, registration fees, environmental levies, custom duties on the importation of car and other factors affecting demand of imported cars.

2.1 Theoretical review

2.1.1 Economic theory of taxes and quantity demanded of a good

In general, a tax will decrease the quantity of the item that consumers demand. This occurs for the simple reason that tax increases the price of the product, making it less attractive to consumers. The relationship between taxes and demand is negative and linear, meaning that in general demand will decrease proportionately to an increase in the tax. The degree, to which a tax will affect consumer demand, depends on the level of price elasticity. Price elasticity refers to the degree to which demand responds to a change in price. Some products are more elastic than others, meaning that a change in the price of certain products will affect demands more significantly than for other products. Necessities, such as basic foods, are generally less likely to be affected by a tax than luxury goods, Kaplow et al (2008a).

2.1.2 Economic theory of taxes and quantity demanded of a good in relation to their substitutes

The demand for a product may not be eliminated by a tax, but when suitable alternatives exist, it can switch the demand to these alternatives. For instance, if an excise tax was introduced on cane sugar, it could have the effect of increasing demand on alternatives such as beet sugar. In some cases, the demand may shift to the black market; this is the case with the tobacco industry, where taxes have in some cases increased the demand for illegal cigarettes. It is possible for a business owner to influence demand in the face of increased excise taxes. The root of the decreased demand is the increased price of the product; businesses can counteract this cause by reducing their prices. This will increase the number of products demanded, but will not necessarily result in higher profits as it means that the business will have a smaller profit margin, Ramsey et al(2002).

2.1.3 Consumer demand theory:

The branch of economics by John Stuart Mill (2004) devoted to the study of consumer behavior, especially as it applies to decisions related to purchasing goods and services through markets. Consumer demand theory is largely centered on the study and analysis of the utility generated from the satisfaction of wants and needs. The key principle of consumer demand theory is the law of diminishing marginal utility, which offers an explanation for the law of demand and the negative slope of the demand curve.

Consumer demand theory provides insight into an understanding market demand and forms a cornerstone of modern microeconomics. In particular, this theory analyzes consumer

behavior, especially market purchases, based on the satisfaction of wants and needs (that is, utility) generated from the consumption of a good.

A basic version of this theory, primarily taught in introductory courses, involves the analysis of total and marginal utility, especially the role played by the law of diminishing marginal returns. A more sophisticated version of the theory, more commonly found at the intermediate course level and above, relies on the analysis of indifference curves and relative utility, with a key role play by decreasing marginal rate of substitution. Both versions provide insight into the law of demand and the negative slope of the demand curve and this in most cases is caused by increase in prices as a result of increased taxes.

2.3 Review of main concepts of the study

2.3.1 Import taxes

The literature on consumer imports has been tackled from a variety of angles by several authors and they focused on a specific category of consumer imports, namely consumer durables with specific emphasis on motor cars and their determinants. In the case of the study by scholars, the variables that impacted mainly on motor cars were taxes.

According to data from the Kenya National Bureau of Statistics, KNBS, in 2003 the number of vehicles imported into the country stood at 33,000. By 2012, this number had grown by more than 300 per cent to stand at 110,474 units. In the same period, the number of motorcycles registered also increased nearly three times over from 51,855 in 2008 to 140,153 in 2011 due to the reduced taxes of the time. The UN projects that going by the current trend

of 10-12 per cent growth per annum in vehicle imports; there will be five million vehicles on Kenyan roads by 2030 and 8.7 million by 2050.

According to Salanie et al (2003) sought to examine the determinants of consumer durables in Barbados with the use of regression analysis between 1960 and 1982 and to judge the effectiveness of two major policy instruments, credit and hire purchase regulations. He discovered that taxes, real income, the consumption to income ratio, relative prices, loans to the personal sector and hire purchase credit helped to explain the dependent variable. His analysis and results implied that both monetary and fiscal policy had a strong role to play in determining demand of variables. Since cars are durables goods, Salanie (2003) who builds a demand model for consumer durables in Barbados by employing data that spans the period 1960 to 1982 comes quite close to what this present study endeavours to achieve. Salanie shows that real consumer expenditure on durables (demand) is a function of import duty, car prices, car manufacturing date, income. And in his model of regression he used the time series analysis as adopted from journal of statistics education volume 16, number 3(19) when they tried to predict the retail price of 2005 General Motor (GM) cars over time.

According to Campbell et al (2000), set out to determine the long and short run variables that influenced motorcar imports for Barbados, using regression analysis from 1970 to 1999. It should be noted that in Barbados, motorcar imports represent the single largest item of consumer durable imports. This study revealed that in the long run, motorcar imports were explained by real income, commercial bank credit, total tax, bank repayments, relative prices, the unemployment rate and a dummy variable representing the 1990-1992 period when Barbados entered into a stabilization program with the International Monetary Fund. In the

short run, real income, commercial bank credit, bank repayments and relative prices were the variables of importance.

2.3.2 Demand for imported cars

The relationship between taxes and demand is negative and linear, meaning that in general demand will decrease proportionately to an increase in the tax. The degree, to which a tax will affect consumer demand, depends on the level of price elasticity. Price elasticity refers to the degree to which demand responds to a change in price. Some products are more elastic than others, meaning that a change in the price of certain products will affect demands more significantly than for other products. Necessities, such as basic foods, are generally less likely to be affected by a tax than luxury goods, Kaplow et al (2008).

Ramsey-et (2002) says that the root cause of the decreased demand is the increased price of the product; businesses can counteract this cause by reducing their prices. This will increase the number of products demanded, but will not necessarily result in higher profits as it means that the business will have a smaller profit margin, Ramsey et al(2002).

2.4 Actual review

2.4.1 Effect of import duties on the demand for imported cars

Import duty is a tax that the importer has to pay to bring foreign goods into his or her country. Import VAT (Value Added Tax) is a tax charged on imported goods and services. Import duty rates vary depending on the type of goods; many goods are duty free. Relief

from duty and VAT may apply in special cases. Also, in some cases additional duties may be charged, depending of the country of manufacture of the goods In general,

According to Kaplow et al (2008) a tax will decrease the quantity of the item that consumers demand. This occurs for the simple reason that tax increases the price of the product, making it less attractive to consumers. The relationship between taxes and demand is negative and linear, meaning that in general demand will decrease proportionately to an increase in the tax. The degree, to which a tax will affect consumer demand, depends on the level of price elasticity. Price elasticity refers to the degree to which demand responds to a change in price. Some products are more elastic than others, meaning that a change in the price of certain products will affect demands more significantly than for other products. Necessities, such as basic foods, are generally less likely to be affected by a tax than luxury goods.

2.4.2 Effect of environmental levies on the demand for imported ipsum cars

According to URA's current validation guide, an Opel Zafira made in 2002 with 2200cc is charged \$3,356 (Shs8.2m) and a Subaru Traviq (2002) with 2200cc is charged \$3,051(Shs9m). These are the same vehicles with different badges. Yet when it comes to Toyota Harriers of 3000c and the Lexus R300, they are all charged the same taxes yet they belong to different segments in ordinary and luxury respectively. Vehicle taxation is a bit tricky for an average person to understand.

According to David Mugenyi of URA, Environmental levy affects all vehicles manufactured earlier than 2008, the difference is made by the value of cost, insurance and freight (CIF), which is determined by trading prices internationally. That said, why should

older vehicles be levied less than “newer” used ones? Albert Tumwine sought to ascertain the reasons.

When buying a used car, at least most vehicle owners and dealers know that buying an old car attracts more tax than purchasing a brand new one. This is explained by the fact that old vehicles, according to motor vehicle laws, emit harmful smoke that pollute the environment and as a result, buyers of such vehicles are supposed to incur a tax, an environmental levy that amounts to 20 per cent of the total price of the vehicle.

This tax, according to Uganda Revenue Authority (URA), is meant to discourage old vehicles from being imported into the country with the assumption of protecting the environment.

But as some of you might be wondering, some newer vehicles may incur total taxes that may be way higher than those of much older cars.

An official at URA customs department admits this fact and says it happens when the newer vehicle’s overall value is high. “We have a value guide that we use to levy uniform taxes regardless of the year in which a car was manufactured,” the official who preferred anonymity says.

He says the value of the vehicle determines the overall tax. “The overall tax is not determined by the environmental levy alone that is only 20 per cent. But there are other taxes which apply uniformly regardless of the nature (new or old) like infrastructure, value added, withholding and registration fees among others.

According to a source from URA, who chose to remain anonymous because he is not the

spokesperson, the environmental levy tax does not affect cars manufactured after 2007. “That tax policy only affects vehicles manufactured in 2006 and beyond,” he says

2.4.3 Effect of insurance fees on the demand for imported second hand cars

According to Sam Radwan of ENHANCE International LLC, he states that low premium penetration (insurance premium as a % of GDP), an ageing population and the largest car market in terms of new sales, premium growth has averaged 15–20% in the past five years, and China is expected to be the largest insurance market in the next decade or two.

Global insurance premiums grew by 2.7% in inflation-adjusted terms in 2010 to \$4.3 trillion, climbing above pre-crisis levels. The return to growth and record premiums generated during the year followed two years of decline in real terms. Life insurance premiums increased by 3.2% in 2010 and non-life premiums by 2.1%. While industrialized countries saw an increase in premiums of around 1.4%, insurance markets in emerging economies saw rapid expansion with 11% growth in premium income. The global insurance industry was sufficiently capitalized to withstand the financial crisis of 2008 and 2009 and most insurance companies restored their capital to pre-crisis levels by the end of 2010. With the continuation of the gradual recovery of the global economy, it is likely the insurance industry will continue to see growth in premium income both in industrialized countries and emerging markets in 2011.

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Advanced economies account for the bulk of global insurance. With premium income of \$1.62 trillion, Europe was the most important region in 2010, followed by North America \$1.409 trillion and Asia \$1.161 trillion. Europe has however seen a decline in premium

income during the year in contrast to the growth seen in North America and Asia. The top four countries generated more than a half of premiums. The United States and Japan alone accounted for 40% of world insurance, much higher than their 7% share of the global population. Emerging economies accounted for over 85% of the world's population but only around 15% of premiums. Their markets are however growing at a quicker pace.^[40] The country expected to have the biggest impact on the insurance share distribution across the world is China.

In July 2007, The Federal Trade Commission (FTC) released a report presenting the results of a study concerning credit-based insurance scores in automobile insurance. The study found that these scores are effective predictors of risk. It also showed that African-Americans and Hispanics are substantially overrepresented in the lowest credit scores, and substantially underrepresented in the highest, while Caucasians and Asians are more evenly spread across the scores. The credit scores were also found to predict risk within each of the ethnic groups, leading the FTC to conclude that the scoring models are not solely proxies for redlining. The FTC indicated little data was available to evaluate benefit of insurance scores to consumers. The report was disputed by representatives of the Consumer Federation of America, the National Fair Housing Alliance, the National Consumer Law Center, and the Center for Economic Justice, for relying on data provided by the insurance industry.

2.5 Major factors affecting demand of imported cars

2.5.1 Effect of prices on demand of imported cars

Analysts believe that the second-hand car market is collapsing due to rising prices of imported second hand cars, the credit crisis and Government plans to backdate road tax

increases on the most heavily polluting cars. Industry analysts believe that the biggest falls will hit the market in time. The latest evidence of the market crisis emerged in a study by Sainsbury's finance, which predicted that £22.76 billion will be spent on second-hand cars between February and August, compared with £24.87 billion in the previous six months. It is estimated that the VED rises will hit 70 per cent of motorists, including millions of families on low income. Owners of any cars emitting more than 161g of carbon dioxide per kilometer, including a large number of hatchbacks, will suffer from the rises as well as those with larger vehicles. The decision to also include any car registered before 2001 with an engine larger than 1549cc such as many Vauxhall Astra and Renault Megane models – will affect six million motorists. This means some cars will be worth less than they cost to tax. By 2010 the owner of a nine-year-old Fiat Marea two-litre family saloon will have to pay £430, at least £100 more than its trade value, Mark et al (2012).

2.5.2 Effect of income on the demand of imported cars

O'Herlihy (2001) provides evidence based on post-war and pre-war data that suggest income and prices are respectively positive and negative determinants of demand for cars in Great Britain. Using the number of new-car registrations as the measure of demand for cars, the author shows through the use of OLS econometric methods, that real per capita disposable income, the real price of new cars, hire purchase restrictions, lending rates, habit-persistence as proxied by the demand for new cars in the previous period and oil shortages are predictors of the demand for cars. The study estimates the short-run and long-run elasticity of the individual variables, and the results are as follows: the income elasticity of demand for cars is positive and highly elastic in both the short run and long run. On the other hand, the demand for cars is negatively influenced by increases in their prices; the results indicate that a 1%

increase in the price of cars translates into 0.34% and 0.57% decrease in their demand in the short run and long run, respectively.

The hire-purchase restrictiveness, interest rate and oil shortages variables all have negative but inelastic impacts on the demand for new cars in both the short run and long run. However, of all the variables hire purchase restiveness has the least elastic influence on the demand for cars.

2.5.3 Effect of fashion on the demand of imported cars

According to Leibenstein (2005).It is also important to remember that in realizing the bandwagon effect is the basic assumption that the consumers' consumption behaviour is dependent on someone's taste and preferences or fashion. The bandwagon effect is seen in cases where individuals are trying to "fit in". This effect is shown when the demand of certain good is increased, based on the assumptions or knowledge that other consumers are also consuming that same good. This effect is most easily described using the example of fashion. People most often like to have the latest fashion of cars that most people drive for the purpose of showing off. They look to people whom they admire, or see what their favorite celebrities, or even their friends are driving. The individual's desire (demand) to also own and drive the latest fashions will be increased, because they have observed those fashions as what is popular. This is a very simple way to explain the bandwagon effect, and it is an example that most people have witnessed or experienced themselves. To further clarify, take the example of attending college. In an environment where most of an individual's peers are going to attend college, the individual will see college as the right thing to do, and also attend college to be like his peers. However, in an environment where most of an individual's peers are not going to attend college, the individual will have a decreased demand for

college, and is unlikely to attend. This brings up the next point concerning the bandwagon effect; the taboo effect. Essentially the taboo effect displays the same type of consumer behaviour, but in the opposite direction.

2.6 Minor factors affecting demand of imported cars

2.6.1 Effects of car age on final demand of imported cars

One explanation is obsolescence due to styling changes or quality improvements such as airbags advancements that are available in newer cars. For example the rate of depreciation on small vehicles increases with the introduction of a newer model with greater horsepower. However, this obsolescence effect, although significant, is small relative to other durable goods that have more radical model changes. Thus, it seems unlikely that improvements in car quality or in styling changes can explain the magnitude of demand declines and the variation in demand declines over brands. Kremer et al (2002)

Age and date effects exerted by phenomena influencing changes in the asset demand, if the mentioned phenomena exert an influence on the value of the asset, this influence also needs to appear in the market value of the asset. However relatively few used assets have an active competitive market which could provide information serving as a basis to determine the end-of-period value of the asset in use. Therefore we need to estimate the change in the value of the asset in use on the basis of the phenomena affecting the asset value as of the beginning and the end of the period; a possible model to do so was presented in the dissertation. The impacts of exhaustion, deterioration and obsolescence, estimated in the future, change not only with the age of the asset, thus influencing the current value of the asset, but also because

we perform our estimations for the future at different moments in time, i.e. at different dates, and the change in the date of the estimation also impacts on the asset value. According to the organization described above, these effects are called 'age and time effect' in academic literature. As, however, age effect is primarily based on time, I will hereinafter designate the phenomenon identified by academic literature as time effect by the term of 'date effect'.

Hulten et al (1996)

Automotive production on a commercial scale started in France in 1890. Commercial production in the United States began at the beginning of the 1900's and was equal to that of Europe's. In those days, the European industry consisted of small independent firms that would turn out a few cars by means of precise engineering and handicraft methods. The American automobile plants were assembly line operations, which meant using parts made by independent suppliers and putting them together at the plant. In the early 1900's, the United States had about 2,000 firms producing one or more cars. By 1920 the number of firms had decreased to about 100 and by 1929 to 44. In 1976 the Motor Vehicle Manufacturers Association had only 11 members. The same situation occurred in Europe and Japan.

The first automobile produced for the masses in the US was the three-horsepower, curved-dash Oldsmobile; 425 of them were sold in 1901 and 5,000 in 1904--this model is still prized by collectors. The firm prospered, and it was noted by others, and, from 1904 to 1908, 241 automobile-manufacturing firms went into business in the United States. One of these was the Ford Motor Company which was organized in June 1903, and sold its first car on the following July 23. The company produced 1,700 cars during its first full year of business.

Henry Ford produced the Model T to be an economical car for the average American. By 1920 Ford sold over a million cars.

At the beginning of the century the automobile entered the transportation market as a toy for the rich. However, it became increasingly popular among the general population because it gave travelers the freedom to travel when they wanted to and where they wanted. As a result, in North America and Europe the automobile became cheaper and more accessible to the middle class. This was facilitated by Henry Ford who did two important things. First he priced his car to be as affordable as possible and second, he paid his workers enough to be able to purchase the cars they were manufacturing. This helped push wages and auto sales upward. The convenience of the automobile freed people from the need to live near rail lines or stations; they could choose locations almost anywhere in an urban area, as long as roads were available to connect them to other places. Many states in the US established motor fuel taxes that were used only to build and maintain highways helping the auto highway system become self-supporting hence increasing on the demand of cars at that time.

2.6.2 Substitute effects on the demand of imported cars.

According to Verboven et al (2000). There are numerous amounts of substitutes in the automotive market and if the price of one vehicle increases the demand for a substitute will increase. It is simply to think that one car has more equipment than the others, it has longer useful life, it's more flexible especially in a metropolitan area where sedan cars are dominating, it consumes less fuel, or it has bigger capacity than other. For instance, if the gas increases people tend to buy cars which have less gas consumption or even they change their transportation habits (their purchase patterns as well), they will take bus, or train. Generally, the higher the cost of operating a vehicle, the more likely people will seek

alternative transportation options. He concluded that substitute in automotive market have a direct effect on the demand of cars.

2.7 Conclusion

From the above literature review, it can be concluded that import taxes has a great relationship with demand for imported cars. These taxes increase the prices for cars charged against. A result, customer may not be willing to pay high prices leading to low quantities of cars purchased.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter focused on the methods that were used in the study, research design, area of the study, study population, sampling procedures, sample size, sampling techniques, data collection methods and instruments, anticipated constraints, and the conclusion.

3.1 Research design

According to Kombo (2009), research design is the “glue” that holds all the elements in a research project together. This study adopted a case study research design so as to be able to collect relevant information for this study in agreed period of time and it was really successful. A case study design was adopted, and both qualitative and quantitative methods were employed and the research carried out was descriptive in nature, the two methods were employed so as to supplement on each other.

The quantitative approach was used because it helped the researcher to quantify data gathered from a large group of respondents in a shorter time; quantitative approach therefore helped the researcher to analyze data in big numbers. The qualitative approach on the other hand was used because, it enabled the researcher to get in-depth textual information using the interviews, and documentary analysis (Ibid 2005) this approach helped in analyzing and collecting non numerical data.

3.2 Area of study

The study was carried out in jambo automart limited located along kampala-jinja road in Kampala district.

3.3 Study population.

Tromp (2009), connotes that study population can be a group of individuals, objects or items from which samples are taken for measurement. Study population also refers to an entire group of persons or elements that have at least one thing in common. A total population of this study was 60. The study population comprised of directors of jambo automart and the staff from different departments.

Table 3.3.1 Distribution of Respondents of the Study

| Departments | Population |
|--------------------|-------------------|
| Finance | 10 |
| Administration | 10 |
| Engineering | 10 |
| Casual laborers | 15 |
| Human resource | 15 |
| Total | 60 |

Source: Primary data

3.4 Sampling procedure

3.4.1 Sample size.

The sample size was determined using the Slovenes method for calculating the sample size, according to solven, this formula can appropriately applied in such circumstance as shown below:

$$n = \frac{n}{1 + N(e)^2}$$

n= Sample size, e=MARGINE OF ERROR, N= POPULATION SIZE

$$n = \frac{60}{1 + 60(0.05)^2}$$

$$n = 52$$

The sample size consisted of 52 respondents who were chosen from the study population of 60. The 52 respondents were distributed to the number of people according to each department.

Table 3.4.1 Sample Size

| Department | Population | Sample size |
|-----------------|------------|-------------|
| Finance | 10 | 9 |
| Administration | 10 | 9 |
| Engineering | 10 | 8 |
| Casual laborers | 15 | 14 |
| Human resource | 15 | 12 |
| Total | 60 | 52 |

Source: Primary data

3.4.2 Sampling techniques

The respondents were selected randomly using the stratified random sampling method. The respondents were selected using simple random sampling to represent the group, both males and females were tested.

3.5 Data collection methods and instruments.

Different data collection methods and instruments shall be employed, the major methods and tools that shall be use are:

Data sources

The study employed and looked at both secondary and primary data.

Secondary data

This was obtained through literature review of documents, journals, reports, newspapers, text books and newsletters which were already written by different authors in relation to the study.

Primary data

This refers to raw data, which was collected directly from the respondents using the following instruments; interview guide, questionnaires, focus group discussion guide.

3.5.1 Data Collection methods and instruments

In order for the researcher to obtain exhaustive information coupled with the limited time of the respondents, the researcher used questionnaires and documentary review so as to obtain the information.

Self-Administered Questionnaires

Hannan (2009) defines a questionnaire as a device used to gather information about peoples' opinions often by asking respondents to give their views about the subject. Questionnaires can be closed ended which have structured answers for the respondents to choose from or open ended where questions are designed without answers. For this research closed ended questionnaire was issued. The questionnaire was constructed and given to the supervisor in order to get expertise judgment on validity. The questionnaire was accompanied by a response option ranging from, strongly disagree, disagree, undecided, agree and strongly agree.

Interview Guide

The researcher had a dialogue with some of the respondents. Personal interviews were carried out hand in hand with the questionnaire to increase the response rate. Interview was used because of its flexibility in enabling probing especially where specific answers are needed and where the respondent is unable to understand the questions.

Documentary Review

This involved exploring literature written by other researchers in line with the study parameters, and also in the personnel files to ascertain the effect of import tax on the importation of second hand cars in Uganda

3.6 Quality control method.

This include the following: Validity and Reliability

3.6.1 Validity

This term refers to the ability of the instruments used to produce findings that are in agreement with theoretical and conceptual values, for this study purpose the instruments was given to the supervisor to comment on ambiguity, difficulty and relevancy of questions to ensure construct content and face validity so as the aims and objectives of the study are achieved.

3.6.2 Reliability

Reliability was used to measure the degree to which the questionnaires were to produce consistent results under the same conditions. It is the degree to which instruments consistently measured whatever it was measuring. Both instruments were pretested in order to ascertain accuracy and ability to produce the necessary and adequate responses for the researcher gathers meaningful information from the pretest ad find it easy to administer the questionnaire then the questionnaire were to be trusted.

3.7 Data Management and Processing

After a successful issuing of the questionnaires the next step was collecting the questionnaires and numbering them, edited to eliminate errors and arranged them according to the parameters that were set by the research guide.

3.8 Data analysis

Amin (2005) defines data analysis as a component of research methodology that leads to data reduction, data display and drawing of conclusions and verification for the intended purpose.

Two types of analysis were used to conduct the research and these were quantitative and qualitative analysis methods.

3.8.1 Quantitative analysis

Quantitative analysis involved the use of numerical figures presented in frequency tables for easy interpretation.

3.8.2 Qualitative analysis

Qualitative analysis involved descriptive, discursive and explanatory content analysis that gave a clear meaning to those intending to use the research

3.9 Ethical considerations

The researcher obtained an introduction letter from the institute of business management and administration UMU Mbale campus that introduced him to the field. This helped him seek permission from the authorities to carry out research in this respective area. And later the researcher prepared a report to confirm data collection. The researcher intends to treat all information provided by participants with maximum confidentiality. All sources that were consulted were clearly distinguished and acknowledged by means of references.

3.10 Limitations of the study

Inadequate resources more so financial resources since the researcher had to pay for Internet services, pay for secretarial services, and transport costs since the researcher had to move from place to place looking for data relevant for this report. But the researcher solved this challenge by soliciting for funds from all available sources say friends, parents.

There was a serious problem of non response by the respondents. Some respondents refused to provide information and asked a lot of questions, others were too busy to be contacted for information; this made the researcher to miss out important data for this study. However the researcher got an introduction letter from the university for easy indemnification in the field.

The busy schedule of the respondent was also a problem in that the researcher hardly got time to discuss with the respondents; however this was solved by making appointment with some of the respondents. Here the researcher always fixed appointments with the respondents and frequently reminding them on phone.

3.11 Conclusion

By identifying relevant methods and instruments, this helped the researcher in conducting the study that was very important in ascertaining the blocks within the import taxes and helped the researcher to assess the effects of import taxes on the demand of imported second hand cars at jambo automart limited. This chapter also helped to evaluate the effectiveness of the instruments and methods in assessing the effect of import taxes and other factors on the demand of imported second hand cars and identifying possible measures and ways to improve on the demand of the second hand cars.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.0 Introduction

Basing on the secondary data obtained from jumbo auto mart, from the different respondents that were found at the bond provided data that is presented in this chapter and this is a detailed presentation of the findings. It provides answers to the research questions. This chapter also evaluated the effect of import duties on the demand of imported second hand cars at jambo autormat limited in Wakiso district. It described the effect of other factors that also affected the demand of these cars. Frequency tables have been used to display the data. Data is presented in tables and in different sections according to the objectives. It also reflects the methodology used to generate the data, the research question and the hypothesis that are being answered. this section still contains the background characteristics of the respondents, effect of import duties on the demand of second hand cars, and other factors affecting the demand of second hand imported cars.

4.2 Background characteristics of the respondents.

The study was carried out on the effect of import tax on the demand of imported second cars at Jambo Auto mart Uganda located in Wakiso district a long Kampala-Jinja road and this study conducted targeted staff and management of Jumbo Auto Mart

Despite these commonalities among the respondents, they had other varying characteristics and these were evaluated because background characteristics can have an effect on the findings The respondents were required to indicate their age, working experience, and other

background information. These varied among respondents as shown in tables 4,5 and 6 below.

Table 4.1.1: sex of respondents

| SEX | FREQUENCY | PERCENTAGE (%) |
|--------------|------------------|-----------------------|
| MALES | 44 | 85 |
| FEMALES | 08 | 15 |
| TOTAL | 52 | 100 |

The table above shows that there were 44 (85%) male respondents and 08 (15%) female respondents used in the study. There was gender imbalance in gender sensitivity but this was as a result of the limited number of employees at jambo automart Uganda limited. However all the respondents were willing and gave in all the required information.

Table4.1.2 age of the respondents

| AGE | FREQUENCY | PERCENTAGE (%) |
|--------------|------------------|-----------------------|
| 1-20 | 04 | 08 |
| 21-30 | 12 | 23 |
| 31-40 | 20 | 38 |
| 40 ABOVE | 16 | 31 |
| TOTAL | 52 | 100 |

The table above shows age composition of the respondents, the table above shows that the company had varied age bracket employees that is to say 04 (08%) were in between the age bracket of 1-20 these were teenagers who would not give reliable information due to limited experience of work at jambo automart, 12(23%) of the respondents were in the age bracket of 21-30 and their participation was good enough, 20(38%) of the respondents were between the age of 31-40 and these composed of the highest number of respondents and provided reliable information since they had at least gained experience at jambo automart Uganda limited and finally 16(31%) of the respondents were above 40 years and had enough information that helped me have access to all the information that I wanted.

Table4.1.3 respondents working experience

| Working experience | Frequency | Percentage (%) |
|---------------------------|------------------|-----------------------|
| 1-6 | 31 | 60 |
| 7-10 | 18 | 34 |
| 10 ABOVE | 3 | 6 |
| TOTAL | 52 | 100 |

The table above shows the working experience of different respondents in there different categories , the table shows that the company had employed people at different times and employees had different working experience levels that is to say (60%) of the employees had worked with the company for more than one year and clearly attributed that import duties have greatly affected the demand of imported second hand cars at Jambo automart, this category comprised of those in the casual laborers' section and attributed this phenomenon of decrease in demand to highly levied import taxes.(34%) of the laborers had worked with the

company for more than six years and not more than 10 years and the most of the respondents still in this category when sample attributed that import taxes and affected the demand of imported second hand cars negatively in that the taxes increase as the demand of the cars also goes down. And in reference to the table above (6%) of the employees had worked with jambo for more than 10 years and these basically fell in the finance and administration department much as the gave hints on other factors, there major points were attributed to the import duties that have been going up year after year and the demand has also been going down in the same proportion respectively. the employees in this working experienced work bracket gave more valuable and information that helped me in making my recommendations. The table below shows the relationship between import tax and demand of second hand imported cars at jambo automart limited

Table4.1.34: Showing the relationship between the import tax rates and second hand cars imported by jambo automart in respective years

| YEAR | 2009 | 2010 | 2011 | 2012 | 2013 |
|------------------------------------|------|------|------|------|------|
| Import tax % | 70.8 | 71.6 | 71.9 | 72.3 | 73.5 |
| Demand for second hand cars | 3990 | 3407 | 2987 | 1956 | 1604 |

Source: jambo automart

The table above clearly explained the data provided by the respondents, as government rose import taxes as per the margin seen in respective years say from the 2009 to 2013 the taxes were being increased (import tax rates on the CIF value of all imported second hand cars) from 70.8% to 71.6% to 71.9% to 72.3% to 73.5% for years 2009,2010,2011,2012 and 2013

respectively but the number of this imported cars imported by Jambo auto mart have been seen decreasing in a reverse direction of 3990 to 3407 to 2987 to 1956 to 1602 for years 2009, 2010, 2011, 2012, 2013 respectively such figures have presented the relationship between import taxes and the demand this agree and falls in line with Kaplow et al (2008) economist theory that says that a tax will decrease the quantity of the item that consumers demand. This occurs for the simple reason that tax increases the price of the product, making it less attractive to consumers. The relationship between taxes and demand is negative and linear, meaning that in general demand will decrease proportionately to an increase in the tax. The degree, to which a tax will affect consumer demand, depends on the level of price elasticity. Price elasticity refers to the degree to which demand responds to a change in price. Some products are more elastic than others, meaning that a change in the price of certain products will affect demands more significantly than for other products. Necessities, such as basic foods, are generally less likely to be affected by a tax than luxury goods,

4.3 Import duties and demand for imported cars

The object one was to determine the effect of import duties on the demand for imported cars in jambo automart limited. Data was collected presented and analyzed as below;

Table4.1.5: respondent's evaluation of the effect of import duty on the demand of imported second hand cars

| Statements | Response | Frequenc | Percentage |
|--|----------------|-----------|------------|
| Jambo automart limited pays import duties on importation cars | Strongly agree | 49 | 94.2 |
| | Agree | 02 | 3.85 |
| | Not sure | 01 | 1.92 |
| | Disagree | 00 | |
| | TOTAL | 52 | 100 |
| Import duties have been increasing over time. | Strongly agree | 51 | 98 |
| | Agree | 00 | 00 |
| | Not sure | 01 | 02 |
| | Disagree | 00 | 00 |
| | TOTAL | 52 | 100 |
| The demand for second hand cars has greatly gone down due import duties. | Strongly agree | 45 | 86.5 |
| | Agree | 05 | 9.615 |
| | Not sure | 02 | 3.85 |
| | Disagree | 00 | 00 |
| | TOTAL | 52 | 100 |
| The company feel a burden in paying this duty | Strongly agree | 39 | 75 |
| | Agree | 11 | 21.15 |
| | Not sure | 02 | 3.85 |
| | Disagree | 00 | 00 |
| | TOTAL | 52 | 100 |
| I am satisfied with import duties charged on second hand cars | Strongly agree | 00 | 00 |
| | Agree | 02 | 3.8 |
| | Not sure | 12 | 23.1 |
| | Disagree | 38 | 73.1 |
| | TOTAL | 52 | 100 |

| | | | |
|--|----------------|-----------|------------|
| High car prices has negatively affected the demand for second hand imported cars in jambo autormat limited | Strongly agree | 33 | 63.5 |
| | Agree | 10 | 28.8 |
| | Not sure | 04 | 7.7 |
| | Disagree | 05 | 9.6 |
| | TOTAL | 52 | 100 |
| Import duties have reduced the demand of imported cars in automart Uganda limited. | Strongly agree | 52 | 100 |
| | Agree | 00 | 00 |
| | Not sure | 00 | 00 |
| | Disagree | 00 | 00 |
| | TOTAL | 52 | 100 |

SOURCE JAMBO AUTOMART

The study had various quantitative variables that were covered which included import duties, insurance levies, environmental tax, and other taxes. These are summarized below, in the table above shows that much as the import taxes are generally imposed by government on all imported goods but 49(94.2%) Of the respondents gave in the information that jambo autormat pays all the import taxes effectively as opposed to the (00%) of the respondents but as prior noted these taxes tend to affect the level of second hand cars. This statement stands in line with Kaplow et al (2008) an economist who suggests that a tax will decrease the quantity of the item that consumers demand. This occurs for the simple reason that tax increases the price of the product, making it less attractive to consumers. The relationship between taxes and demand is negative and linear, meaning that in general demand will decrease proportionately to an increase in the tax. The degree, to which a tax will affect consumer demand, depends on the level of price elasticity

Most of the respondents in the study further reported that import duties paid by jambo autormat have been increasing, for example according to the table above, 51(98%) Of the respondents reported that import taxes at jambo have been increasing rapidly year after year. And only 01(02%) of the respondents did not have any information on the increment but this can be attributed to the information that was provided y jambo autormat staffs for example Uganda government from the 2009 to 2013 has been increasing the import tax rates on the CIF value of all imported second hand cars from 70.8% to 71.6% to 71.9% to72.3% to 73.5% for years 2009,2010,2011,2012 and 2013 respectively but the number of this imported cars imported by Jambo auto mart have been seen decreasing in a reverse direction of 3990 to 3407to 2987 to 1956 to 1602 for years 2009, 2010,2011,2012,2013 respectively created need to analyze the relationship between import tax and demand of the used second hand cars.(source is jambo autormat) this also moves in line with Kaplow et al theory that suggests that the relationship between taxes and demand is negative and linear, meaning that in general demand will decrease proportionately to an increase in the tax. The degree, to which a tax will affect consumer demand, depends on the level of price elasticity. Price elasticity refers to the degree to which demand responds to a change in price. Some products are more elastic than others, meaning that a change in the price of certain products will affect demands more significantly than for other products. Necessities, such as basic foods, are generally less likely to be affected by a tax than luxury goods, Kaplow et al (2008).

In the table above, most of the respondents also reported that the demand of second hand imported cars had gone due to the effect of the import taxes that is to say 45 (86.5%) of the respondents reported the demand of second hand cars had gone down due to increase in import taxes.

Most of the respondents in the study further reported that jambo automart feels the burden of paying import duties, almost all the respondents at jambo autormat have it that they feel the burden of the import duty since it has been increasing, for example according to the table above, 39(75%) Of the respondents reported that jambo autormat feels the burden of the daily increasing import duty levied by URA and non (00) of all the total number of respondents was not in support of the statement.

All the respondents basing the table above, reported that they were not satisfied with import tax levied by government, according to the statistics obtained, Non of the respondents (oo) reported that was satisfied with the import duties and 38(73.1) disagreed that they were satisfied with the import duties.

On average, the respondents all reported that high car prices negatively affect the demand of imported second hand cars at jambo automart Uganda limited 33(63.5%) of the respondents agreed that high prices have negatively affected the demand of imported second hand cars and only (5%) of the respondents reported that high car prices have not negatively affected the demand of imported second hand cars in jambo autormat Uganda limited.

All the respondents who were sampled at jambo autormat reported that import duties have affected the demand of second hand cars at jambo autormat Uganda limited. 52 (100%) of the respondents reported that import duties have affected the demand of second hand cars at jambo autormat Uganda limited.

The over whelming majority of the respondents basing on the table reported that import duties are primarily responsible for the decrease in the demand of the imported second hand

cars in that almost all,99.9% of the respondents gave in their opinion in disfavor of the import duties levied on the second hand cars by Uganda revenue authority.

In conclusion, basing on the table above, Import tax has got an impact on the demand of used cars and as these taxes increase the prices this affects the demand in the negative direction, this in most cases is related to other duties that are levied in line with import tax

All the above shows that when taxes increase they increase the price of the cars and as they relatively reduce the demand of the used cars and since value is measured according to demand we can relatively concludes that taxes have a negative impact on the demand of used cars since most respondents hold import tax strongly as a major factor affecting the demand of imported second hand cars at jambo autormat Uganda limited.

4.4 Environmental levies and demand for imported cars

The object two was to find out the effect of environmental levies on the demand for imported cars in jambo automart limited. Data was collected presented and analyzed as below;

Table4.1.6: respondent’s evaluation on the effects of environmental levies on the importation of second hand cars

| Statement | Response | Frequency | Percentage |
|---|-----------------|------------------|-------------------|
| URA charges environmental levies on imported second hand cars | Strongly agree | 12 | 23.1 |
| | Agree | 20 | 38.5 |
| | Not sure | 10 | 19.2 |
| | Disagree | 10 | 19.2 |
| | TOTAL | | 100 |
| Imported cars at Jambo Automart Limited are charged with environmental levies | Strongly agree | 31 | 59.6 |
| | Agree | 20 | 38.4 |
| | Not sure | 01 | 1.9 |
| | Disagree | 00 | 00 |
| | TOTAL | | 100 |
| Environmental levies increase value for the cars | Strongly agree | 04 | 7.6 |
| | Agree | 06 | 11.5 |
| | Not sure | 27 | 51.9 |
| | Disagree | 15 | 28.8 |
| | TOTAL | | 100 |
| The levies has negatively affected the demand for cars | Strongly agree | 33 | 63.5 |
| | Agree | 18 | 34.6 |
| | Not sure | 00 | 00 |
| | Disagree | 01 | 1.9 |
| | TOTAL | | 100 |
| Jambo Automart Limited’s demand for car has declined due environmental levies | Strongly agree | 20 | 38.4 |
| | Agree | 12 | 23.1 |
| | Not sure | 03 | 5.7 |
| | Disagree | 17 | 32.6 |
| | TOTAL | | 100 |
| I am satisfied with environment levy charged on second hand cars | Strongly agree | 07 | 13.5 |
| | Agree | 12 | 23.1 |
| | Not sure | 06 | 11.5 |
| | Disagree | 27 | 51.9 |
| | TOTAL | 52 | 100 |

SOURCE JAMBO AUTOMART

Among other variables tested was the environmental levy, According to Arthur Pigou,. this includes natural resources consumption tax, greenhouse gas tax (Carbon tax), "sulfuric tax", and others. The stated purpose is to reduce the environmental impact by re pricing. Economists describe environmental impacts as negative externalities. As early as 1920, Arthur Pigou suggested a tax to deal with externalities (see also the section on increased economic welfare below). The proper implementation of environmental taxes has been the subject of a long lasting debate

From the findings, 12(23.1%) of the reported that URA charges environmental levies on all imported cars at jambo autormat Uganda limited and 10(19.2%) disagreed that the statement was not right and some of the respondents were not even aware that environmental levies are charged by URA to jambo automart this was a clear pointer to the fact since the impact of the levies was not so much felt resulted into the acceptance of the null hypothesis that levy has no impact on the demand of used cars. Though levy has no significant impact on the demand of used cars, Environmental levy has a negative but insignificant relationship with demand of the second hand imported cars at jambo

On average, the respondents reported that all imported cars at jambo autormat Uganda limited are charged with an environmental levy from URA, 31(59.6) of the respondents and the majority also agreed only a few were not aware of whether environmental levies are paid or not Non (00) of the respondent reported that environmental levies are not paid.

In the table above, only 4(7.6%) of the respondents reported that environmental levies increase the value for the imported second hand cars and 15 (28.8%) Of the respondents

disagreed to the statement that environmental levies increase the value of imported second hand .

Basing on the table above, most of the respondents also reported environmental levies have affected the demand of second hand imported cars at jambo automart Uganda limited 33(63.5%) of the respondent were in line with the statement while only one 1(1.9%) reported that environmental levies have not affected the demand of imported second hand car at jambo automart Uganda limited.

From the findings, 20(38.4%) of the reported that the demand for imported second hand cars by jambo has declined and 17(32.6) reported that the demand for second hand cars at jambo has not declined because of environmental levies, much as URA charges environmental levies on all imported cars at jambo autormat Uganda limited and 10(19.2%) disagreed that the statement was not right and some of the respondents were not even aware that environmental levies are charged by URA to jambo automart this was a clear pointer to the fact since the impact of the levies was not so much felt resulted into the acceptance of the null hypothesis that levy has no impact on the demand of used cars. Though levy has no significant impact on the demand of used cars, Environmental levy has a negative but insignificant relationship with demand of the second hand imported cars at jambo

With reference to the table above, most of the respondents reported that they were not satisfied with import tax levied by government, according to the statistics obtained, 7(13.5%) of the respondents said they were satisfied with the environmental levy and 27 (51.9%) reported that they were not satisfied with the environmental levies that are imposed by URA on the imported second hand cars.

4.4 Insurance fees and demand for imported cars

The object three was to establish the effect of insurance fees on the demand for imported cars in jambo automat limited. Data was collected presented and analyzed as below;

Table4.1.7: respondent evaluation of the effects insurance fees on the demand of second hand cars at jambo automart.

| Statement | Response | Frequency | Percentage |
|---|-----------------|------------------|-------------------|
| All imported cars pay insurance fees | Strongly agree | 33 | 63.5 |
| | Agree | 15 | 28.8 |
| | Not sure | 03 | 5.7 |
| | Disagree | 01 | 1.9 |
| | TOTAL | | 100 |
| Insurance fees charged on second hand cars at Jambo Automart increase their prices | Strongly agree | 04 | 7.6 |
| | Agree | 27 | 51.9 |
| | Not sure | 13 | 25 |
| | Disagree | 08 | 15.4 |
| | TOTAL | 52 | 100 |
| Insurance fees are fair to car buyers | Strongly agree | 24 | 46.2 |
| | Agree | 19 | 36.5 |
| | Not sure | 06 | 11.5 |
| | Disagree | 03 | 5.7 |
| | TOTAL | 52 | 100 |
| Jambo Automart Ltd pays insurance fees with ease | Strongly agree | 05 | 9.6 |
| | Agree | 09 | 17.31 |
| | Not sure | 14 | 26.9 |
| | Disagree | 24 | 46.2 |
| | TOTAL | 52 | |
| Insurance fees has encouraged buying of the cars | Strongly agree | 38 | 73.1 |
| | Agree | 09 | 17.31 |
| | Not sure | 02 | 3.85 |
| | Disagree | 03 | 5.7 |
| | TOTAL | 52 | 100 |
| Insurance fees has negatively affect the demand for imported cars at Jambo Automart | Strongly agree | 23 | 44.2 |
| | Agree | 17 | 32.6 |
| | Not sure | 10 | 19.2 |
| | Disagree | 02 | 3.8 |
| | TOTAL | 52 | 100 |

SOURCE JAMBO AUTOMART

On analyzing the effect of insurance levies on the demand of imported second hand cars, the respondents reported the following basing on the findings,

On average, the respondents reported that all imported cars at jambo autormat Uganda limited are charged and pay insurance levy from URA, 33(63.5) of the respondents and the majority also agreed that insurance levies are paid only a few were not aware of whether insurance levies are paid or not Non that is to say 03 (5.7) and only 01(1.9) of the respondent reported that insurance levies are not paid.

In the table above, only 4(7.6%) of the respondents reported that insurance levies increase the prices for the imported second hand cars and 08(15.4%) Of the respondents disagreed to the statement that insurance levies increase the price of imported second hand .

Basing on the table above, most of the respondents also reported insurance levies have are fair to the buyers that is too say 24(46.2) of the respondents agree that the fees are fair while 08(15.4%) also reported that insurance fees are not fair to the buyers at automart Uganda limited.

Some of the respondents in the study further reported that jambo automart pays the insurance fees with ease in that 05(9.6%) of the respondents reported that while 24(46.2%) also agree that they pay with ease but 08(15.4) reported that jambo automart feels the burden of paying insurance duties, almost all the respondents at jambo autormat have it that they feel the burden of paying the insurance duty but its impact is not greatly felt in regard to percentages.

Most of the respondents in the study further reported that insurance levies have encouraged car buying at jambo automart for example 38(73.1) of the respondents reported that insurance had encouraged buying and only 03(5.7%) were not in agreement with the statement

4.5 DISCUSSION OF THE FINDINGS

4.5.1 The effect of import duty on the demand of imported cars

the researcher found out that import duty had an impact on the demand of imported cars at jambo automart Uganda limited and this was evidenced by the analyzing frequency and percentage values obtained from the respondents , the physical interviews carried out on the respondents also attributed that import duties negatively affect the demand of imported second hand cars at jambo automart Uganda limited. This can evidenced in the findings that all the respondents who were sampled at jambo autormat reported that import duties have affected the demand of second hand cars at jambo autormat Uganda limited. 52 (100%) of the respondents reported that import duties have affected the demand of second hand cars at jambo autormat Uganda limited.

The over whelming majority of the respondents basing on the table reported that import duties are primarily responsible for the decrease in the demand of the imported second hand cars in that almost all,99.9% of the respondents gave in their opinion in disfavor of the import duties levied on the second hand cars by Uganda revenue authority. The findings in the study agree with salanie et al (2003) in the literature review when they discovered that taxes, real income, the consumption to income ratio, relative prices, loans to the personal sector and hire purchase credit helped to explain the dependent variable. His analysis and results implied that both monetary and fiscal policy had a strong role to play in determining demand of variables.

4.5.2 The effect of environmental levies on the demand of imported second hand cars at jambo automart.

The researcher found out that environmental levies had a negative impact on the demand of imported cars and this was evidenced by reports ascertained from the respondents in that, 20 (38.4%) of the respondents reported that the demand for imported second hand cars by jambo

has declined and only a few 17(32.6) reported that the demand for second hand cars at jambo has not declined because of environmental levies, much as URA charges environmental levies on all imported cars at jambo autormat Uganda limited and 10(19.2%) disagreed that the statement was not right and some of the respondents were not even aware that environmental levies are charged by URA to jambo automart this was a clear pointer to the fact since the impact of the levies was also much felt resulted into the acceptance of the hypothesis that levy has an impact on the demand of used cars. Though levy has no significant impact on the demand of used cars, Environmental levy has a negative but significant relationship with demand of the second hand imported cars at jambo and this is in line with theory by David Mugenyi of URA, Environmental levy affects all vehicles manufactured earlier than 2008, the difference is made by the value of cost, insurance and freight (CIF), which is determined by trading prices internationally. That said, why should older vehicles be levied less than “newer” used ones? Albert Tumwine sought to ascertain the reasons.

When buying a used car, at least most vehicle owners and dealers know that buying an old car attracts more tax than purchasing a brand new one. This is explained by the fact that old vehicles, according to motor vehicle laws, emit harmful smoke that pollute the environment and as a result, buyers of such vehicles are supposed to incur a tax, an environmental levy that amounts to 20 per cent of the total price of the vehicle.

This tax, according to Uganda Revenue Authority (URA), is meant to discourage old vehicles from being imported into the country with the assumption of protecting the environment.

But as some of you might be wondering, some newer vehicles may incur total taxes that may

be way higher than those of much older cars.

An official at URA customs department admits this fact and says it happens when the newer vehicle's overall value is high. "We have a value guide that we use to levy uniform taxes regardless of the year in which a car was manufactured," the official who preferred anonymity says.

He says the value of the vehicle determines the overall tax. "The overall tax is not determined by the environmental levy alone that is only 20 per cent. But there are other taxes which apply uniformly regardless of the nature (new or old) like infrastructure, value added, withholding and registration fees among others.

According to a source from URA, who chose to remain anonymous because he is not the spokesperson, the environmental levy tax does not affect cars manufactured after 2007. "That tax policy only affects vehicles manufactured in 2006 and beyond," he says

4.5.3 The effect of insurance fees on the demand of imported second hand cars at jambo automart Uganda limited

The researcher found out that the insurance fees had no impact on the demand of imported second hand cars and this was evidenced by the reports generated from the respondents in that Basing on the table above, most of the respondents also reported insurance levies are fair to the buyers that is too say 24(46.2) of the respondents agree that the fees are fair while 08(15.4%) also reported that insurance fees are not fair to the buyers at automart Uganda limited and some of the respondents in the study further reported that jambo automart pays the insurance fees with ease in that 05(9.6%) of the respondents reported that while 24(46.2%) also agree that they pay with ease but 08(15.4) reported that jambo automart feels the burden of paying

insurance duties, almost all the respondents at jambo autormat have it that they feel the burden of paying the insurance duty but its impact is not greatly felt in regard to percentages.

Most of the respondents in the study further reported that insurance levies have encouraged car buying at jambo automart for example 38(73.1) of the respondents reported that insurance had encouraged buying and only 03(5.7%) were not in agreement with the statement, therefore this a pointer to the fact that this has no effect on the demand of imported second hand cars and this is in agreement with Sam Radwan of ENHANCE International LLC, he states that low premium penetration (insurance premium as a % of GDP), an ageing population and the largest car market in terms of new sales, premium growth has averaged 15–20% in the past five years and this also works in line with theory put forward by the Federal Trade Commission (FTC) released a report presenting the results of a study concerning credit-based insurance scores in automobile insurance. The study found that these scores are effective predictors of risk. It also showed that African-Americans and Hispanics are substantially overrepresented in the lowest credit scores, and substantially underrepresented in the highest, while Caucasians and Asians are more evenly spread across the scores. The credit scores were also found to predict risk within each of the ethnic groups, leading the FTC to conclude that the scoring models are not solely proxies for redlining. The FTC indicated little data was available to evaluate benefit of insurance scores to consumers. The report was disputed by representatives of the Consumer Federation of America, the National Fair Housing Alliance, the National Consumer Law Center, and the Center for Economic Justice, for relying on data provided by the insurance industries

4.6 Conclusion

Basing on the findings of the study, Import duties have got an impact on the demand of used cars and as these taxes increase the prices this affects the demand in the negative direction, this in most cases is related to the environmental aspects and issues related to these cars as the old models are taxed relatively higher than the latest edition of cars which will imply that the old models will be priced relatively higher than the car models because of the tax .

All the above shows that when taxes increase they increase the price of the cars and as they relatively reduce the demand of the used cars and since value is measured according to demand we can relatively concludes that import taxes have a negative impact on the value of used cars.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

Contained in this chapter are the summary conclusions which give a detailed account of how the study addressed the objectives of the study. It also contains the policy recommendations to the various stakeholders and finally the areas recommended by the researcher for further research.

5.1 Summary of findings

5.1.1 Import duties

For the first objective, which aimed at establishing the effect import duty on the demand of imported second hand cars used car, it was found out that import duties keep on raising year after year say 70.8% to 71.6% to 71.9% to 72.3% to 73.5% for years 2009,2010,2011,2012 and 2013 respectively. The managers attribute these relatively high and increasing duties as a result to increased prices, the unfriendly taxation that exists in the country and the low rate of stock turn over which is attributed to the fact that cars are durable goods which necessitates the traders to charge a higher profit margin on the vehicle.

5.1.2 Environmental levies

For the second objective which aimed at establishing the environmental levies which are paid by Jumbo auto mart, the main tax rates paid are the import duty which is 25 % of the dutiable value of the vehicle, value added tax (VAT) which is 17%, Import commission of 2% of Dutiable Value, Withholding Tax of 6% of Dutiable Value, the environmental levy charged

on cars older than eight years is 20%. There is an excise duty of 10% on selected cases. There for environmental levies backed up by these are taxes also pose a threat.

5.1.2 Insurance fees

For the third objective which aimed at establishing the effect of environmental levies on the demand of imported second hand cars, The study found that these scores are effective predictors of risk and therefore do not negatively affect t

5.2 Conclusion

In a land-locked, developing country like Uganda with very few alternatives to road transport due to the absence of a functional railway system, the government has to put in place measures to ensure that there is a continuous supply of vehicle for road transport since the government is investing heavily in the road infrastructure in order to enhance economic activity in all parts of the country, to spur development and to achieve the various development goals that have been set up by the government .

5.3 Study recommendations

The government should try to reduce on the various import taxes that are levied on the used vehicles. The government should also try to revise the tax regime and come up with a single tax rate that incorporates all the taxes that are levied. This will help to reduce on the bureaucracies and paper work that is involved in the process of clearing the vehicles and make the process simpler. Though URA is rolling out the ASCUDA system, there still exist a lot of gaps existing in tax administration in Uganda that need to be fused.

From an environmental point of view, it is quite alarming that despite the introduction of the environmental levy, the majority of the vehicles that are imported into the country exceed the recommended 8 years and this raises concern over the uneconomical fuel consumption, high levels of carbon emissions which is further worsening the prevailing environmental crises like global warming, desertification and the greenhouse effect. The importation of very old models of cars has turned Uganda into a disposal ground for the used cars especially from Asia in countries like Japan and United Arab Emirates. Therefore the government should come up with strict measures to reduce the importation of very old models of cars into the country.

Observing the trend of vehicles that are being imported into the country, it has been observed that there is an increase in the number of vehicle that are being imported into the country for use in the agricultural sector and since agriculture is the backbone of the economy, a tax waiver should also be placed for the vehicles meant to be used in the agricultural sector and this will go a long way in boosting investment in agricultural value addition.

5.4 Areas for further research

A trend analysis on the tax and taxation policies on imported goods in Uganda

An environmental impact assessment on the importation of used cars into Uganda

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APPENDENCES

Appendix I: Questionnaire

Dear respondent,

Request to complete research questionnaire.

I am an undergraduate student pursuing a Bachelor of Business Administration and Management of Uganda Martyrs University. I am conducting a study on the 'effects of import taxes on the demand for imported second hand cars in Uganda with my case study being Jambo Automart Uganda limited'. You have been selected as a potential respondent in this study.

Therefore I request you to complete this questionnaire as honestly as possible.

Your option will not only be respected but will also be treated with utmost anonymity and confidentially. The responses you will give will be strictly used for the purpose of this study.

Yours Sincerely

.....

Shimali Peter

Student

SECTION A: Background information

Please tick in the given boxes your appropriate view

1. Gender

1. Male

2. Female

| |
|--------------------------|
| <input type="checkbox"/> |
| <input type="checkbox"/> |

2. What is your highest level of education?

1. Certificate/Diploma

2. Bachelors Degree

3. Masters Degree

| |
|--------------------------|
| <input type="checkbox"/> |
| <input type="checkbox"/> |
| <input type="checkbox"/> |

3. In which department do you currently work in this company (Jambo Automart LTD?)

1 Finance

2 Administration

3 Engineering

4 Human resource management

5 Casual laborers

| |
|--------------------------|
| <input type="checkbox"/> |
| <input type="checkbox"/> |
| <input type="checkbox"/> |
| <input type="checkbox"/> |
| <input type="checkbox"/> |

4. I what age bracket do you fall? (Circle where appropriate)

- 1. 20 years and below
- 2. 21-30 years
- 3. 31-40years
- 4. 40 yearsand above

| |
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| |
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| |

5. For how long have you worked in this Company?

- 1. 1-6 years
- 2. 7-10 years
- 3. 10+ years

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| |
| |

Import taxes on the demand of second hand imported cars

SECTION B TO D

In these sections, you are required to tick on a response option ranging from strongly disagree (1), disagree (2), not sure (3), agree (4) and strongly agree (5)

SECTION B: Import duties

| | Statements | 1 | 2 | 3 | 4 | 5 |
|----|--|----------|----------|----------|----------|----------|
| 1. | Jambo automart limited pays import duties on importation cars | | | | | |
| 2. | Import duties have been increasing over time. | | | | | |
| 3. | The demand for second hand cars has greatly gone down due import duties. | | | | | |

| | | | | | | |
|----|--|--|--|--|--|--|
| 4. | The company feel a burden in paying this duty | | | | | |
| 5. | I am satisfied with import duties charged on second hand cars | | | | | |
| 6. | High car prices has negatively affected the demand for second hand imported cars in jambo autormat limited | | | | | |
| | Import duties have reduced the demand of imported cars in automart Uganda limited. | | | | | |

List any other factor(s) that is affecting the demand of second hand imported cars as a result of import duties

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SECTION C: Environmental levies

| | | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|
| 1 | URA charges environmental levies on imported second hand cars | | | | | |
| 2 | Imported cars at Jambo Automart Limited are charged with environmental levies | | | | | |
| 3 | Environmental levies increase value for the cars | | | | | |
| 4 | The levies has negatively affected the demand for cars | | | | | |
| 5 | Jambo Automart Limited's demand for car has declined due environmental levies | | | | | |
| 6 | I am satisfied with environment levy charged on second hand cars | | | | | |

List any other factor(s) that is affecting the demand of second hand imported cars as a result of environmental levies

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SECTION D: Insurance fees

| | | 1 | 2 | 3 | 4 | 5 |
|---|--|---|---|---|---|---|
| 1 | All imported cars pay insurance fees | | | | | |
| 2 | Insurance fees charged on second hand cars at Jambo Automart increase their prices | | | | | |
| 3 | Insurance fees are fair to car buyers | | | | | |
| 4 | Jambo Automart Ltd pays insurance fees with ease | | | | | |

| | | | | | | |
|---|---|--|--|--|--|--|
| 5 | Insurance fees has encouraged buying of the cars | | | | | |
| 6 | Insurance fees has negatively affect the demand for imported cars at Jambo Automart | | | | | |

List any other factor(s) that is affecting the demand of second hand imported cars as a result of insurance fees

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SECTION F: Demand for imported cars

| | | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|
| 1 | There are increase number of second hand cars at Jambo Automart | | | | | |
| 2 | The number of sold cars keeps on improving from time to time | | | | | |
| 3 | Revenue from second hand cars has improved in recent days | | | | | |
| 4 | The rate of profits from second hand cars has improved | | | | | |
| 5 | There is a steady market for imported cars | | | | | |
| 6 | Jambo Automart has grown resulting from imported cars sales | | | | | |

List any other factor(s) that is affecting the demand of second hand imported cars Jambo Automart

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Thank very much for your time and response