TAX ADMINISTRATION, MORALE AND COMPLIANCE IN SMALL AND MEDIUM ENTERPRISES IN LIRA MUNICIPALITY UGANDA

BY

CONG NELSON

16/U/13316/GMBA/PE

A DISSERTATION SUBMITTED TO GRADUATE SCHOOL IN PARTIAL FULFILLMENT OF THE REQUIREMENTS OF THE AWARD OF MASTER OF BUSINESS ADMINISTRATION DEGREE OF KYAMBOGO UNIVERSITY

NOVEMBER 2018

DECLARATION

I hereby declare that this research report is my original work which has been prepared for the requirements towards the ward of Master of Business Administration degree of Kyambogo University and that to the best of my knowledge, it contains no materials previously published or presented by any other person nor material which has been accepted for award of any other degree by any University, except where due acknowledgement has been made in the text.

Cong Nelson

Signature

APPROVAL

We declare that this research report was done under our supervision and guidance and it is ready for examination.

Dr. Mary Maurice Mukokoma (PhD)

Signature.....

Dr. Gerald Kasigwa (**PhD**)

Signature

DEDICATION

This work is dedicated to my father Mzee George Obia and my mother the late Imat Bito Obia

ACKNOWLEDGEMENT

It is important to note that, during the period while this research report was being prepared a number of people and individuals contributed in one way or the other. However the guidance, protection and mercies of God the Almighty stands out distinctively. I am heavily indebted to my Supervisor(s) Dr. Mary Maurice Mukokoma (**PhD**) and Dr. Gerald Kasigwa (**PhD**) both lecturers in the Department of Management Science Kyambogo University. Not much could have been done without their generous guidance and inspiration which enabled me to produce this successful work. I also extend profound gratitude to my colleagues' student with whom we were in the same class for the brilliant ideas shared which enormously contributed in producing this successful work.

Finally, I would like in a special way to thank my family and friends for the support and encouragement each one of them accorded me during the entire period when I was pursuing the course. Thank you very much and may the good Lord whose understanding and knowledge surpass ours bless you abundantly.

God bless us all.

DECLARATION	i
APPROVAL	ii
DEDICATION	iii
ACKNOWLEDGEMENT	iv
LIST OF TABLES	ix
LIST OF FIGURES/ ILLUSTRATIONS	x
LIST OF ABBREVIATIONS	xi
ABSTRACT	xiii
CHAPTER ONE	1
INTRODUCTION	1
1.1 Introduction	1
1.2 Background of the study	1
1.3 Statement of the problem	6
1.4 Purpose of the study	6
1.5 Specific Objectives	7
1.6 Research questions/ Hypothesis	7
1.7 Scope of the study	7
1.7.1 Subject scope	7
1.7.2 Time scope:	8
1.7.3 Geographical Scope	8
1.8 Significance of the study	8
1.9 Conceptual Framework	9
1.10 Operational Definitions of Terms	10

TABLE OF CONTENT

CHAPTER TWO	11
LITERATURE REVIEW	11
2.0 Introduction	11
2.1 Theoretical framework	11
2.1.1 The benefit theory of taxation	11
2.2 Tax audit and Tax Compliance.	13
2.3 Relationship between Taxpayer Education and Tax Compliance	15
2.4 Taxpayer Registration	17
2.5 Tax Morale and Tax Compliance	18
2.6 Tax Compliance	20
2.7 Literature Gap	22
2.8 Summary of the literature review	22
CHAPTER THREE	22
CHAPTER THREE	23
METHODOLOGY	
	23
METHODOLOGY	23 23
METHODOLOGY	23 23 23
METHODOLOGY	23 23 23
METHODOLOGY	23 23 23 23 23 24
METHODOLOGY	23 23 23 23 24 24
METHODOLOGY	23 23 23 23 24 24 24 24
METHODOLOGY	23 23 23 24 24 24 24 24
METHODOLOGY	23 23 23 24 24 24 24 24 25 26
METHODOLOGY	23 23 23 24 24 24 24 25 26

3.7 Data Collection Procedure	29
3.8. Measurement of variables	29
3.9. Sources of data	29
3.10 Data Analysis	
3.11 Limitations of the Study	
CHAPTER FOUR	31
PRESENTATION, ANALYSIS AND INTERPRETATION OF RESULTS:	31
4.0 Introduction	31
4.1 Response Rate	31
4.2 Results on the background characteristics of respondents	
4.4 Descriptive results of the research variables	34
4.5 Results on the level of Tax Compliance by SMEs	
4.6 Results on the influence of taxpayer Education on Tax Compliance	41
4.7 Results on the relationship between tax audit and tax compliance	43
4.8 Results on the mediating effect of tax morale on the relationship between tax	
Administration and tax compliance.	46
CHAPTER FIVE	50
DISCUSSION, SUMMARY, CONCLUSION, RECOMMENDATIONS AND SUGGE	ESTIONS:
	50
5.0 Introduction	50
5.1 Discussion	50
5.2 Summary of findings	
5.3 Conclusion	53
5.4 Recommendations	53
5.5 Suggestions	54

REFERENCE:	55
APPENDICES	60
APPENDIX I: QUESTIONNAIRE	60
APPENDIX II: INTERVIEW GUIDE	65
APPENDIX III: INTRODUCTORY LETTER FROM THE DEAN GRADUATE SCHOOL	66
APPENDIX IV: INTRODUCTORY LETTER FROM LIRA MUNICIPAL COUNCIL	67
APPENDIX V: LIST OF SMEs IN LIRA MUNICIPALITY	68

LIST OF TABLES

Table 1. 1: Trend in revenue generation in East African countries and South Africa as percentag	e
to GDP for 2013/2014- 2015/2016	5
Table 3. 1: Population sample, sample size and sampling techniques	25
Table 3. 2: Content Validity Indices for the questionnaires	28
Table 3. 3: Reliability indices for the respective variables	28
Table 4. 1: Profile of Respondents	32
Table 4. 2.Profile of SMEs	33
Table 4. 3: Descriptive Statistics of the studied variables	34
Table 4. 4: Descriptive Statistics- Average Mean for studied Variables	37
Table 4. 5: Legend table for interpretation of the Mean	41
Table 4. 6: Pearson linear correlation co-efficient between taxpayer education and tax complian	ce
	41
Table 4. 7: Regression Model table on the relationship between taxpayer education and tax	
compliance	42
Table 4. 8: Regression ANOVA table on the relationship between taxpayer education and tax	
compliance	43
Table 4. 9: Regression Model Coefficient table on the relationship between taxpayer education	
and tax compliance	
Table 4. 10: Pearson's linear correlation coefficient between tax Audit and tax compliance	44
Table 4. 11: Regression Model table on the relationship between taxpayer education and tax	
compliance	44
Table 4. 12: Regression ANOVA table on the relationship between tax Audit and tax compliance	ce
	45
Table 4. 13: Regression Model Coefficient table on the relationship between Tax Audit and tax	
Compliance	45
Table 4. 14: Correlations table on the relationship between Tax Administration, Tax Morale and	l
tax Compliance	46
Table 4. 15: Model Summary table on the relationship between Tax Administration, Tax Morale	
and tax Compliance	47
Table 4. 16: ANOVA Table on the Mediating effect on the relationship between tax	
Administration and tax compliance.	
Table 4. 17: Multi Regression Model Coefficient table on the relationship between Tax Audit and	nd
tax Compliance	49

LIST OF FIGURES/ ILLUSTRATIONS

Figure 1. 1: Conceptual framework model on Tax Administration, Tax morale and Tax

1.	9
compliance	ų

LIST OF ABBREVIATIONS

EAC: East African Community

EARATC: East Africa Revenue Authorities Technical Committee

FDI: Foreign Direct Investment

GDP: Gross Domestic Product

IT: Information Technology

ITA: Income Tax Act

IMF: International Monetary Fund

MDGs: Millennium Development Goals

MNCs: Multi National Corporations

MNEs: Multinational Enterprises

MoFPED: Ministry of Finance Planning and Economical Development

OECD: Organisation of Economic Co-operation and Development

PAYE: Pay as You Earn

PIT: Personal Income Tax

SAA: Sub Saharan Africa

SARS: South Africa Revenue Service

SEATINI: Southern and Eastern Africa Trade Information and Negotiations institute

TIN: Tax Identification Number

UBOS: Uganda Bureau of Statistics

URA: Uganda Revenue Authority

VAT: Value Added Tax

ABSTRACT

The SMEs tax to GDP ratio in Uganda stand at 2.8 percent and this includes the contribution from those SMEs operating in Lira Municipality. This results into tax gaps which are collected by government in its quest to provide public goods and services (UIA, 2017). This study aimed at examining the relationship between tax administration, tax morale and tax compliance and a case study design approach was used as it allowed empirical inquiry and investigation of the variables studied.

The study revealed that the level of tax compliance by SMEs operating in Lira Municipality is moderately low and as matter of fact tax to GDP ratio is a measure of compliance and this confirms that SMEs contributes little to the national treasury, it is therefore imperative that much has to be done in areas of tax administration and tax morale which are main determinants of tax compliance.

The study also found out that taxpayer education and tax audit are positively correlated with tax compliance this therefore means that a boost in taxpayer education and tax audit would result into a positive increase in the level of tax compliance and subsequently boosting domestic revenue. It was also found out that tax morale has got positive relationship with tax administration and tax compliance, therefore its mediating effect on tax administration is key factor in boosting compliance as such much needed to be done to ensure that the level of SMEs of Lira municipality is increased so that it can boost tax administration and subsequently enhancing compliance level.

In conclusion therefore tax compliance by SMEs of Lira municipality is moderately low and as we are aware governments all over the world depends entirely on taxation as a means of raising funds to provide public goods and services. Therefore a lot has to be done in the area of tax administration and tax morale so as compliance level of SMEs in Lira Municipality is enhanced which will then transform into high revenue yields for government.

CHAPTER ONE

INTRODUCTION

1.1 Introduction

Tax administration is centered on the implementation and enforcement of tax legislation and regulations. These activities includes identification and registration of taxpayers, processing of tax returns and third party information, examination of the completeness and correctness of tax returns, assessment of tax obligations, (enforced) collection of taxes and provision of service to taxpayers (Olatunji, 2016).

Tax morale encompasses the principles, norms and values that are held by individuals in realizing their tax obligations. It is an intrinsic motivation to pay taxes coming from awareness that tax revenue contributes to the provision for public goods (Torgler B., 2003).

Tax compliance means broadly, meeting legal obligations imposed by the tax system. The focus is thus on illegal evasion (deliberate) or from ignorance and error rather than legal (avoidance). But the distinction is not always clear cut and among the risks that Revenue Authorities must manage more for some taxpayer groups for instance the very wealthy, than others are those from avoidance activities which cross some line of legal acceptability (IMF, 2015).

1.2 Background of the study Historical Perspective

Challenges in dealing with taxpayer behavior and tax administration are old as taxation itself. A remarkable example is that, when income tax was first introduced in the United Kingdom in 1799, it was thought unacceptable that taxpayers should be required to disclose the precise level of their incomes. To

deal with the obvious risks involved, the response was to require that taxpayers should declare that the tax paid was not less than 10 percent of their income (Binh & Taylor, 2018). The statement of income was to proceed from taxpayer, in doing that it was not proposed that income should be distinctly laid open but it would be declared only to the extent that assessment was beyond the proportion of a tenth of the income of the person on whom it was imposed. In this way, the disclosure that would lead to revolt was avoided (Binh & Taylor, 2018).

First important findings in the tax morale literature dates back to 1960s and 1970s by German scholars around Günter Schmölders known as the cologne school of tax psychology. They have emphasized that economic phenomenon should not only be analysed from traditional point of view. They saw tax morale as an attitude regarding tax (non) compliance (Macintyre, Torgler, & Schafficer, 2007)

Treatment of taxpayers with great caution helps cultivate tax morale and reduces tax compliance costs. (Torgler, 2003) Since the 1990s, the issue of tax morale has increasingly attracted attention. The question of why so many people pay their taxes even though fines and audit probability are low has become a central issue in the tax compliance literature (Torgler, Schafflier, & Macintyre, 2007). A good citizen has moral qualms to undertake a forbidden activity. These moral costs are closely related to tax morale which motivates citizens to pay their dues to the state (Torgler, Schafflier, & Macintyre, 2007).

Until 1920 tax compliance were low across all countries. Indeed, until 1910 less than 10% of national income was collected by most industrialized governments of the world through taxation and this was just enough for them to fulfill basic functions, such as maintaining order and enforcing property rights (Esterban & Max, 2018).

After the First World War, however, tax compliance started growing considerably. In the period 1920-1980 taxation as a share of national income increased drastically, more than doubling across all countries in the world these increases in taxation went together with more government expenditure on public services, particularly education and health care. After 1980, tax revenues started stabilizing, albeit with marked differences in levels for each country. Today these differences remain significant (Esterban & Max, 2018).

Conceptual Perspective

Tax compliance remains a global challenge for instance, between 2015 and 2016 alone; many U.S. multinational corporations were involved in tax disputes with the European Commission. From a historical perspective, these disputes are unprecedented as they have resulted in tremendous amount of tax penalties. It is well known that international tax law has many loopholes, and in the past three decades, multinational corporations (MNC) have exploited it (Yang & Metallo, 2018).

The European Commission, in 2016 sent shockwaves throughout the entire investment community when it imposed a massive \$14.5billion in penalties on Apple, Inc., USA, for receiving illegal tax subsidies from the Irish government. In the same year (2016), the Organization of Economic and Cooperation Development (OECD) announced a universal agreement to address these issues. The tax loophole misuses have become too serious to neglect anymore (Yang & Metallo, 2018).

In many African countries, however, tax evasion which is bigger compliance problem leaves states with major holes in their budgetary pockets. A 2015 report by the High Level Panel on Illicit Financial Flows from Africa cites tax abuse as an important contributor (along with laundering of criminal proceeds, corruption, and market abuse) to an estimated \$30 billion to \$60 billion per year that African

governments lose to illicit financial flows, hampering growth through state investment, improvements in education and health services, and lower debt commitments abroad (United Nations Economic Commission for Africa, 2015a, 2015b; Guardian, 2015). The 2016 leaks of the "Panama Papers" exposing tax evasion and fraud among many African and world leaders and their families further underlined the magnitude of the burden that tax evasion places on the continent (Kuo, 2016; Copley, 2016) and (Isbell, 2017).

It is a general maxim that taxpayers want to minimize their tax liability to the greatest extent possible. However, taxpayers who overzealously pursue this aim risk crossing the line separating permissible tax avoidance from impermissible tax evasion (Yang & Metallo, 2018).

Contextual Perspective

Despite the sustained growth of Uganda's economy, trends in tax revenue show a stagnation of performance. Tax revenue as a percentage of GDP, oscillated between 11.7 per cent and 13.1 per cent between 2005/06 and 2014/15. Compared to other EAC countries, Uganda's Tax to GDP ratio is one of the lowest; Kenya's stood at 20.0 per cent, Rwanda's at 14.7 per cent and Tanzania's at 21.0 per cent in 2013/14 (Oxfam and SEATINI, 2017).

In its efforts to raise tax revenue from the current 13.9 per cent of GDP in FY 2015/16 to 16.3 per cent of GDP by FY 2020/21, government has put in place several mechanisms to widen the tax base (MoFPED, 2016) and (Oxfam and SEATINI, 2017).

Country	2013/2014	2014/2015	2015/2016
Kenya	19.1	18.7	18.8
Rwanda	14.9	15.1	16.1
Tanzania	12.6	11.7	13.3
Uganda	13.3	12.3	12.8
Burundi	13.6	13.7	13.0
South Africa	26.1	25.7	26.2

 Table 1. 1: Trend in revenue generation in East African countries and South Africa as percentage to GDP for 2013/2014- 2015/2016

Source: EARATC & SARS annual Report 2015/2016

The above table indicates Ugnada as a country with the lowest Tax to GDP ratio amongst East African countries and South Africa in the year between 2013 to 2016.

In Uganda Small and Medium Enterprises (SMEs) are seen as critical for economic growth of the country contributing 20 percent of GDP and constituting 90 percent of the private sector or creating employment estimated at 2.5 million, improving standard of living and ensuring social and political stability, (Uganda Investment Authority, 2016). It has been observed however, from previous taxation studies that several SMEs in developing economies are non Tax compliant in spite of major reforms, since they (SMEs) cannot be easily located by tax administration yet they pay less tax than their fair share of tax (Tusubira & Nkote, 2013).

In the face of low tax compliance, much remains to be done in many countries including Uganda to build effective tax administration and increase on the morale of taxpayers. Major areas of concerns are weaknesses in tax administration in terms of auditing, taxpayer education, tax services and legal frameworks (policies and Laws), and taxpayer registration (IMF, 2015).

1.3 Statement of the problem

The Small and Medium Enterprises (SMEs) tax to GDP ratio in Uganda is 2.8 percent which is low compared to that of Kenya which is 9.4 percent, Tanzania 8.0 percent, Rwanda 3.3 percent and Burundi 5.7 percent. The average SMEs tax to GDP ratio for East Africa Countries is 5.8 percent; Sub Saharan Africa is 7.3 percent and Latin America and the Caribbean 9.12 percent. The low percentage of tax to GDP ratio explains why there is a substantial tax gap between taxes that that are theoretically collectable from economically active SMEs in Uganda and the actual taxes collected (Uganda Investment Authority, 2016) and (IMF, 2018).

The low tax to GDP ratio has been attributed to non compliance by taxpayers (SMEs) and potential taxpayers (SMEs) with tax legislation and this resulted from low tax morale due to negative perception towards tax payment and poor tax administration (Nada, 2017).

Although URA has put in place mechanisms to improve on tax administration and boost morale of tax payers such as conducting tax clinics, taxpayer education, through training seminars and workshops improved tax services, reward to honest taxpayers and tax exemptions to compliant taxpayers, but still the level of compliance by SMEs still remains low as indicated by low tax to GDP ratio nationally and this includes Lira Municipality (Uganda Investment Authority, 2016) and (URA, 2017).

It is therefore imperative that poor tax administration and low morale be addressed in order to improve compliance among SMEs in Uganda Lira Municipality inclusive.

1.4 Purpose of the study

The purpose of the study was to examine the effect of tax administration and tax morale on tax compliance.

1.5 Specific Objectives

- 1. To determine the level of tax compliance amongst SMEs in Lira Municipality.
- 2. To examine the influence of taxpayer education on tax compliance.
- 3. To analyze the effect of tax audit on tax compliance.
- 4. To examine the mediating effect of tax morale on the relationship between tax Administration and tax compliance.

1.6 Research questions/ Hypothesis

1. What is the level of tax compliance amongst SMEs in Lira Municipality?

The following hypothesis were tested in order to achieve the objective of the study

- 1. H₁-There is no significant relationship between taxpayer education and tax compliance
- 2. H₂-Tax audit has got no significant effect on tax compliance
- 3. H_3 -There is no significant effect of tax morale on the relationship between tax administration and tax compliance

1.7 Scope of the study

1.7.1 Subject scope

The study focused on the tax administration, morale and compliance. The effectiveness of tax administration was assessed based on taxpayer education, tax audit and taxpayer registration which are dimensions of tax administration. Tax morale was examined in terms of its mediating effect between tax administration and tax compliance. Tax compliance was measured in terms of taxpayer ability to file returns in time, pay tax dues timely and compute tax liability correctly for purposes of determining the level of compliance by SMEs in Lira Municipality.

1.7.2 Time scope:

The study covered a period of three years 2015 to 2017 as a basis of assessment of tax compliance among SMEs in Lira Municipality and took a period of three months commencing August 2018 and ending early November 2018.

1.7.3 Geographical Scope.

The study was carried out in Lira District and more specifically Lira Municipality. Lira District is found in Northern Uganda and is boarded by the following Districts Otuke and Alebtong in the East, Pader to North, Kole in West and Dokolo to the South. Lira Municipality where these SMEs are operating is approximately 450 kilometers (350 miles) from Kampala by road and North of Uganda. Lira district is selected due to the fact that it is one of the fast growing districts with a number of businesses operating in the district and another hub for businesses in South Sudan (Lira District Local Government, 2012) and (UBOS, 2014).

1.8 Significance of the study

This study has provided concepts and grounds on which to develop a framework for exploring tax compliance among SMEs in Uganda. The Government of Uganda and its revenue collection body (Uganda Revenue Authority) will gain more in terms of new ideas and knowledge which has resulted from this study in its effort to design suitable tax Administration programmes which includes, plans for taxpayer identification and registration, taxpayer education and tax audit for SMEs. The report of this study will also be useful to the business community and organization's management teams for purposes of knowing the tax compliance environmental factors and how the conditions can be improved or dealt with. Finally, this research report will be of interest to policy makers, scholars and researchers who may require developing and advancing their knowledge in this area of study.

1.9 Conceptual Framework

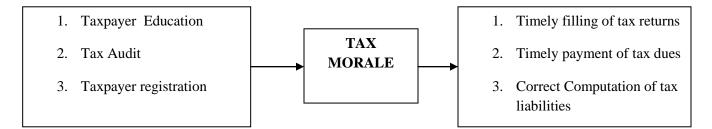
Conceptual framework is a written or visual presentation that "explains either graphically, or in narrative form, the main things to be studied, the key factors, concepts or variables and the presumed relationship among them. It can also be defined as a set of broad ideas and principles taken from relevant fields of enquiry and used to structure a subsequent presentation (Wong & Wai, 2015) and (Gitaru, 2017)

The figure below shows the conceptual model depicting the nature of relationship between the independent, mediating and dependent variables. As such, the Independent variables of this study is tax administration measured in terms of taxpayer education, tax audit and taxpayer registration. The mediating variable is tax morale which was measured in terms of it mediating effect on the relationship between tax administration and tax compliance which is the independent variable.

Figure 1. 1: Conceptual framework model on Tax Administration, Tax morale and Tax complianceTax AdministrationTax Compliance

(Independent Variable)

(Dependent Variable)



Source: Mohd et al. (2013) and Moderated by Researcher

1.10 Operational Definitions of Terms

Tax Administration is centered on the implementation and enforcement of tax legislation and regulations. These activities include identification and registration of taxpayers, processing of tax returns and third party information, examination of the completeness and correctness of tax returns, assessment of tax obligations, (enforced) collection of taxes and provision of services to taxpayers.(Olatunji, 2016)

Tax Audit can be defined as "an examination of an individual or organization's tax report by the relevant tax authorities in order to ascertain compliance with applicable tax laws and regulations of state". Tax audit is also a process where the internal revenue service tries to confirm the numbers that you have put on your tax return (Kircher, 2008).

Tax Compliance Tax compliance involves the process of a true reporting of the tax base, correct computation of the liability, timely filing of the return and timely payment of the amounts due (Franzoni, 1998)

Taxpayer Education This refers to programs aimed at teaching taxpayers about their tax rights, responsibilities and legal requirements. Also refers to the method of educating the people about the whole process of taxation and why they should pay tax.

Tax Morale encompasses the principles, norms and values that are held by individuals in realising their tax obligations. It is an intrinsic motivation to pay taxes coming from awareness that tax revenue contributes to the provision of public goods (Macintyre, Torgler, & Schafficer, 2007).

Tax Registration Is simply a process whereby a taxpayer is enlisted (registered) with the revenue Authority for purposes of paying taxes and the tax payer in question is issued with a certificate of registration indicating the taxpayer identification name, taxpayer legal name, the name of business, address of taxpayer, nature of business and the type of tax the taxpayer is registered for.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This Chapter reviewed the literature related to variables that were studied and it was done in accordance to the objectives and theory that underpinned the study. While reviewing the literature, attention was paid mostly on areas of Tax administration, Tax Morale and Tax compliance.

2.1 Theoretical framework

2.1.1 The benefit theory of taxation

According to this theory of taxation, citizens should be asked to pay taxes in proportion to the benefits they receive from the services rendered by the Government. This theory is based upon the assumption that there is an exchange relationship or quid pro quo between the tax payer and Government (James, Brian, & Feinstein, 1998, Mukhatar, Kerosi, & Onadabu, 2015). Under the benefit theory, tax levels are automatically determined, because taxpayers pay proportionately for the government benefits they receive. In other words, the individuals who benefit the most from public services pay the most taxes. Income tax, property tax and sales tax all reduce how much money consumers have to save or spend. Business taxes place some of the burden on commercial enterprises (Mukhatar, et al, 2015).

According to this theory, the state should levy taxes on individuals according to the benefit conferred on them. The more benefits a person derives from the activities of the state, the more he should pay to the government in terms of taxes. This principle has been subjected to severe criticism on the following grounds The world over, taxes is one major source of government revenue, however, not every national government have been able to effectively exploit this great opportunity of revenue generation. This can be attributed to a number reasons including the system of taxation, tax legislation, tax administration and policy issues, over reliance on other sources of revenue (such as foreign aid and grants), corrupt practices in the system especially as it relates to the system of tax collection and behavior of citizens towards tax payment and ease of tax payment (Mark, Philip, & Adrian, 2007 & Mukhatar, et al, 2015).

It is therefore imperative and justifiable that in order for taxpayers (SMEs) to be compliant, the government should ensure that the returns a taxpayer get in terms of goods and services provided on the basis of taxpayers' money should be proportionate to the taxes they pay. There should be no provisions of lip services to the common man who part away with his or her hard earned income in terms of taxes, in this way if a taxpayer sees that the services or goods he gets in return to the taxes paid are commensurate then he would be compliant.

Government ought to ensure that the economic environment in which these SMEs operate is stable and conducive for businesses to operate, strong macroeconomic policies in place to control economic variables like inflation and interest rates which affects business operations would be a motivator for SMEs to comply and pay taxes. It should be noted that once businesses realize that the economy is biting them hard in terms of very high interest rates, inflation is high, the morale of paying taxes goes low and the end result would be low tax compliance and government loses out in tax revenue.

As justified above, such intervention by Government would buttress the benefit theory of taxation, as government would be in position to tax SMEs effectively if economic variables like inflation and interest rates are controlled and there should be no reason for SMEs not to comply since they (SMEs) would be operating in a stable economic environment which is good for their businesses and profitability.

2.2 Tax audit and Tax Compliance.

Tax audits have been variously discussed in relation to tax compliance. Some studies claimed that audits have a positive impact on tax evasion. It has been suggested that in self assessment systems, tax audits can play an important role and their central role is to increase voluntary compliance. It is further argued audits rates and the thoroughness of the audits could encourage taxpayers to be more prudent in completing their tax returns, report all income and claim the correct deductions to ascertain their tax liability (Modugu & Anyaduba, 2014).

In contrast, taxpayers who have never been audited might be tempted to under report their actual income and claim false deduction (Modugu & Anyaduba, 2014). It has also been found that tax audits can change compliance behavior from negative to positive. In a study of small proprietors in the United States, it was found that tax audits have a significant role in enhancing tax compliance. However this study did not empirically test individual taxpayer's thus left open room to conduct research in this area (Witte & Woodbury, 1985).

While (Witte & Woodbury, 1985). Found significant results as indicated above, other studies found contradictory result in the relationship between tax audit and tax compliance. It was found out that audits did not significantly correlate with evasion for all groups of taxpayers. Audits were found to be more effective in inducing taxpayers to over claim deductions rather than encouraging them to correctly report actual income (Modugu & Anyaduba, 2014).

Another study of tax compliance of small and medium size enterprises (SME) in Australia with the objective to examine the relationship between record keeping practices of SMEs and the potential exposure to tax compliance problems also noted that low tax compliance among SMEs might better encourage the tax authority to increase audits and investigations. this study found that audit history,

including frequency, audit outcome and the type of audit of small business owners has a significant indirect impact on tax compliance (in terms of record keeping) (Evans, Carlons, & Massey, 2005) and (Modugu & Anyaduba, 2014). The result also evidenced that the primary objective of the small business owners doing their record keeping is tax compliance related rather than part of their management of their business. Thus, as the audits investigations increase, many SMEs will make more of an effort at proper record keeping. From the foregoing, it is observed that previous studies have evidenced that tax audits play an important role in increasing voluntary compliance. Audits rates and the thoroughness of the audits could potentially encourage taxpayers to be more prudent in completing their tax returns (Modugu & Anyaduba, 2014).

It is important to note that countries like Australia unlike Uganda has mechanisms and enough resources interm of personel and finances to carry out regular Audit and the system would entail good ethical practices that would inturn yield voulantary tax compliance. But with the Uganda system and corrupt tendencies within our system it may be difficult for our audit to result in to volunatry tax compliance, in the first instance as a country Uganda do not have enough resources interms of personel and finances to carry out routine audit, leave alone the corrupt tendencies of the revenue officials (tax administrators).

In this study therefore as a research student basing on Uganda's system and taking into considerations of the level of audit done by Uganda Revenue Authority, I will analyse tax auidt as a dimension of tax administration and would like to know whether there is signifance relationship between the audit component of tax administration and tax compliance, It will also be important to find out wehether audits carried out by revenue body has encouraged voluntary tax compliance and above all would use it in determining and analysing the level of tax administration among SMEs in Lira Municipality.

2.3 Relationship between Taxpayer Education and Tax Compliance

There is a positive relationship between taxpayer education and voluntary tax compliance. Taxpayer education will provide the necessary tax knowledge to comply with the tax matter and change the perceptions and attitudes towards tax-compliance by creating more positive attitudes. This was confirmed in a study carried out among the undergraduate students in the University of Malaysia. Using the questionnaires administered to the students, at the beginning of the semester, to test the compliance attitudes, before studying taxation subjects, and their responses were all recorded. At the end of the semester, another set of questionnaires, were administered to test the compliance attitudes, after acquiring the tax knowledge. The statistical findings confirmed the prevalence of the significant positive relationship between the level of taxpayer education and the level of the voluntary tax compliance (Machogu & Amayi, 2013).

From the above study it should be noted that these were not actual taxpayers who do not feel the pain of parting away with hard earned money in term of taxation, these were students who were subjected to taxpayer education as a subject of study, we therefore shall subject real taxpayers (SMEs) in this study and we will want to examine the influence taxpayer education has on tax compliance, whether it has positive or negative influence on tax compliance remains a subject of analysis.

In a study conducted to evaluate the influence of tax knowledge on the tax compliance behavior among the taxpayers in Malaysia as a result of taxpayer education. The objective of the study was to investigate the effect of the presence of tax knowledge and understanding, on the level of tax compliance behavior. Analyzing the data collected using questionnaires, to compare the compliance behavior of taxpayers with significant level of tax knowledge with those without tax knowledge. Statistical findings, confirmed that those with tax knowledge, had higher level of compliance than those without. The results indicated a significant relationship between the level of tax knowledge and the level of tax compliance (Brian, 1993) and (Machogu & Amayi, 2013).

As such there is need to carry out similar study presently, because the environment, in which the study was carried out, is different, and the study only compared the behavior of those taxpayers with significant level of tax knowledge to those without tax knowledge. The study to be conducted will examine the influence taxpayer education has on tax compliance and this will be carried out among SMEs in Uganda and particularly those in Lira Municipality.

In another study conducted to determine the economic and behavioral factors affecting tax compliance among taxpayers in the United States of America The objective of the study was to determine the economic and behavioral factors, affecting the tax compliance among tax payers, in the Arkansas City tax penalty amnesty system. Arkansas City had announced an amnesty system, whereby the noncompliant traders were waived of the penalties and fines provided that they were ready to pay their tax liability supposed to be paid and they did not pay. Using questionnaires administered to the participants of this amnesty program, the respondents identified factors that made them not to pay their taxes due, within the statutory period and not declaring the correct taxable income, as complexity of the tax laws, ability to pay, ignorance of the tax laws, and the perceptions of high tax rates and unfairness of the tax system. A significant portion of non compliance was unintentional, caused by the complexity of tax laws and ignorance, as most of the tax payers did not understand their tax liabilities or their tax obligations. The results confirmed that there was a significant positive relationship between taxpayers'' knowledge of the tax matters, and the voluntary tax compliance (Christina, Debonah, & Gary, 2003) and (Machogu & Amayi, 2013). As seen above, most of the studies in the area of tax compliance have concentrated on how to change the taxpayer behavior towards more compliance using a mix of strategies, such as audit, deterrent measures of penalties and fines, as well as quality service delivery strategies. Only few studies have concentrated on how tax compliance behavior is affected by one individual factor holding constant other influencing factors. What is not clearly brought out among the studies is the effect of individual variables which would influence compliance among the SMEs especially in those areas where the studies were conducted. The characteristic nature of SMEs poses a threat to the voluntary tax compliance.

2.4 Taxpayer Registration

The record-compilation function, comprising identification and registration of taxpayers, constitutes an important task for tax administrations. Although tax authorities tend to focus on auditing of taxpayers who are already known and registered, they should also put efforts in including in the tax-return system all persons and companies that have succeeded in escaping their notice. Management of taxpayers' records consists of creation, updating and deletion of the records. (Müller, 2008)

The Tax Identification Number (TIN) is an important tool to easily identify citizens and businesses for tax purposes. It enables Tax Administrations to easily and effectively link the information included in its different data bases with reference to each taxpayer, and it is a very effective instrument for facilitating the exchange of information between tax administrations and taxpayers and also with employers and others who have a withholding obligation or an obligation to provide third party information to the tax administrations and also for the exchange of information between Tax Administrations and other governmental bodies and with Tax Administrations from other countries (Müller, 2008).

The use of the Tax Identification Number helps to improve the efficiency in the information management and enables and facilitates the realization of matching controls (Müller, 2008) An effective tax system encourages taxpayer compliance with registration obligations. Thereto the tax community should be provided with clear and comprehensive descriptions of the requirements that lead to registration and tax administrations should facilitate taxpayers to make the procedural requirements as easy as possible online registration by taxpayers adequately serves the needs of taxpayers thus promotes compliance, reduces the number of unintentional errors and is cost efficient (Gerit, 2011).

However, tax administrations should also take measures to assure the completeness of taxpayer's registration. Thereto it is necessary to establish a system whereby the tax administration is notified of all external events with tax implications: setting-up of businesses and companies, transfer of registered offices, start of gainful employment for natural persons, changes of residence, changes of activity (Gerit, 2011).

Essentialy therefore for taxpayer Identification and registration to yield into voluntary tax compliance there ought to be a robust system of tax payer identification and registration which is simple and easy to use. Simple registration process needs to be introduced by tax authority and perhaps use of simple IT application as opposed to complex systems would not only result into taxpayers being lazy to register but also avoid the system due to complexity.

2.5 Tax Morale and Tax Compliance

While tax morale is commonly used as a single concept, it can be more accurately thought of as a set of underlying motivations for tax compliance. Identifying the channels through which tax morale operates is both important for understanding individual preferences and for designing appropriate policy responses. They considered five broad potential mechanisms through which tax morale could operate, recognizing that these channels are not mutually exclusive and are in fact likely to overlap and interact with each other and these are the intrinsic motivation, reciprocity, peer effects and social influence, cultural factors, information perfection and derivations from utility functions. (Erzo & Monica, 2014)

The factors affecting tax morale comprise of the perception of equity, including government's treatment of taxpayers, trust towards government institutions, the nature of the fiscal exchange between the taxpayers and government based on customer satisfaction, government reward on honest taxpayers, such as subsidies and tax holiday, tax knowledge and other individuals charcteristics. Other factors affecting tax morale include demographics, economics, active participation in the political process and the expectation of society (Abdul, 2017).

According to these factors tax morale differs significantly and systemetically across because of the differences in cultural and demographic characteristics, for example research on tax morale in the USA and Europe has shown that both have strong democratic tradition, taxpayers are treated as citizens with equal rights and obligations (Alm & Torgler, 2006),

citizens are involved in political decission-making process (to make them feel like citizens) and have mechanisms to see that the tax money is spent in accordance with the expectations. If we compare between Northern Europe and Southeren Europe, Northern Europe has a "higher" tax morale than Southern Europe due to differences in democratic practices (Alm & Torgler, 2006), Research has also shown that, in terms of taxpayers background, individuals with low education have a relatively high tax morale, women have relatively high tax morale as do parents, married people have relatively high tax morale and full time employess working for other people or organisations have higher tax morale than the enterenprenuer or self employeda (Alm & Torgler, 2006), and (Abdul, 2017).

Research related to tax morale and tax compliance conducted in Indonesia resulted into showing that there exist significant effect of tax morale on tax compliance (Abdul, 2017). Similarly these studies carried relied or focused on tax knowledge, tax fairness and trust in government as important features of tax morale that impacted tax compliance. All these studies conveyed linkages between tax knowledge, tax fairness and trust in government as dimensions of tax morale that impacts on tax compliance (Abdul, 2017).

Most of the studies conducted, took into considerations factors like citizens participation in democratic process as an important factor in boosting morale of citizen into paying taxes and trust in government, some of these variables may be difficult to measure as they tend to be qualitative than quantitative in nature. However it would be important to add factors like returns the citzen get interm of goods and services after paying taxes. For example the provision of public goods, such as good road net works, schools, medicine in government hospitals, and the general stability of a country could be factors that would entice citizens to pay taxes.

2.6 Tax Compliance

Tax compliance means broadly, meeting legal obligations imposed by the tax system. The focus is thus on illegal evasion (deliberate) or from ignorance and error rather than legal (avoidance). But the distinction is not always clear-cut, and among the risks that Revenue Authorities must manage more for some taxpayer groups for instance the very wealthy, than others are those from avoidance activities which cross some line of legal acceptability. (IMF, 2015)

Tax compliance refers to the willingness of individuals to act in accordance with in both the spirit and the letter of the tax law and administration without the application of enforcement activity. Prior to that, Roth et al. (1989) defined tax compliance as filing all required tax returns at the proper time and that returns accurately report tax liability in accordance with the tax law applicable at the time the return is filed. (Maryann & Sawyer, 2001)

The findings from a cross cultural study between Hong Kong and Australia indicated that Australian taxpayers were generally more compliant than the Hong Kong taxpayers (Richardson, 2008). In an experimental study to investigate the taxpayers' noncompliance behavior in the US, Australia and Singapore, results indicated that Singaporean taxpayers had the lowest noncompliance rate at almost 26 percent, while Australian taxpayers had the highest at 45 percent. The findings further suggested that complete compliance was highest in Singapore (54 percent) and lowest in Australia (30 percent). The US was in the middle in terms of both the compliance and noncompliance rates. (Maryann & Sawyer, 2001)

(Belkaoui, 2004). In his study on thirty countries, measured the level of tax compliance using the index that varies from 0 to 6, where higher scores indicated higher compliance. In this study, New Zealand was ranked the second most compliant after Singapore. This was followed by Australia, the United Kingdom (UK) and Hong Kong. Malaysia was ranked eighth, after the US, while Italy was considered to be the least compliant. A review of the above-mentioned studies provides useful information to the researcher on the level of compliance behavior across countries.

However, studies on compliance behavior would be less meaningful without investigating the potential factors leading to such behavior (Maryann & Sawyer, 2001). (Jackson & Millron, 1986) in their earlier review of 43 tax compliance studies undertaken from 1974 to 1985, identified fourteen key variables of compliance behavior, which include: age; gender; education; income level; income source; occupation; peer influence; ethics; fairness; complexity; tax authority contact; sanctions; probability of detection;

and tax rates There are a number of factors combined together or when singly used can lead to compliance among different taxpayers as seen from the above studies.

In this study our focus will be on the following variable which includes timely payment of tax, correct computation of tax liability and timely filling of returns in assessing the level of tax compliance among SMEs in Lira Municipality.

2.7 Literature Gap

As a dimension of tax Administration, Taxpayer education and other variables reviewed, were being provided as one of the tools to enhance voluntary tax compliance alongside other factor variable among the entrepreneurs in the SMEs. The influence of taxpayer education and other variables reviewed on the level of voluntary tax compliance on SMEs has not been fully elaborated as a method of enhancing tax compliance among the taxpayers as a single factor variable. All variables reviewed; such as audit, registration and morale were seen to be complementing each other in influencing tax compliance However, such methods cost a lot of money and time to the Revenue Authority.

2.8 Summary of the literature review

From the literature, Uganda government just like any government in the world must depend largely on taxation as a means of raising revenue to provide public goods and services to her citizens. This therefore calls for strengthening tax administration, putting in place good programmes such as taxpayer education and sensitisation, robust tax payer identification and registration systems, taxpayer audits to ensure efficient administration, management and increased taxpayer moral resulting into compliance which will in turn yield good revenue collection level for the provisions of social services.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter includes the research methodology that was used during the research study. In more details, this chapter contains the research design, the research approach, population and sampling, sources of data, the methods of data collection, the selection of the sample, the research process, and the type of data analysis, measurement of data, reliability and validity of research instruments, the ethical considerations and the research limitations.

3.2 Research design

Research design means the structuring of investigation aimed at identifying variables and their relationships to one another. A research design is very useful as it helps the researcher to develop a mental image of the structure for gathering the data and the analysis that will follow (Asika, 1991). This study used a case study design to answer the research objectives. A case study is an empirical inquiry that investigates a contemporary phenomenon (the case) in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident. This provided the basis for gathering detailed information and in depth analysis of the study variables (Yin, 2014)

3.2.1 Research approach

The research approach used for the purposes of this study is the mixed research approach where by both quantitative and qualitative research approaches were used. The purpose of this form of research is that both qualitative and quantitative researches, in combination, provide a better understanding of a research problem or issue than either research approach alone.

3.3 Area of the Study

The study was conducted in Lira Municipality and as such the study population was drawn from among SMEs operating in Lira Municipality and tax officials from URA offices in Lira and Gulu. Gulu came as a result of the fact that URA tax Auditors who audit SMEs operating in Lira Municipality are based in URA offices Gulu.

3.4 Target Population

The study was conducted from Lira Municipality and the target population was drawn from among SMEs and these included thirteen tax officials drawn from URA Lira and Gulu Offices and the different SMEs dealing in both service and product in Lira Municipality totaling to 100 SMEs. The study therefore had a target population of 113 in total.

3.5 Sampling Technique

Sampling consists of obtaining information from only a part of a large group or population so as to infer about the whole population. The object of sampling is thus to secure a sample which will represent the population and reproduce the important characteristics of the population under study as closely as possible (Kvale, 1996). Census and Probability sampling techniques were used. Simple random sampling which enabled every possible sample to be equally chosen was then applied to arrive at the samples that were drawn from a population of Small and Medium enterprises operating in Lira Municipality. However due to the few number of population of the tax officials census was done and all of them constituted the sample based on the fact that they were well abreast with the subject which was studied.

3.5.1 Sample size selection

The sample size was eight (8) tax officials, five (5) tax auditors determined through census and 80 respondents from the target population of 100 SMEs and this was determined by formula for sample size determination as shown below.

$$n = N$$

 $1+Ne^2$

Where, N = Target population n = the sample size

e= the level of precision of measurement (acceptable error margin)

From Lira municipality, the target population of (N=100) and error margin will be considered at a level e= 0.05

Thus,

n = 100

1+100(0.05)²

n= 80

The eighty respondents from the target population 100 was arrived at using a table developed by RV

Krejcie and Morgan as cited by (Amin, 2005). The selected sample will be distributed as shown below.

Table 3. 1: Population sample, sample size and sampling techniques

Category	Population	Sample Size	Sampling Technique
Small and Medium	100	80	Simple Random sampling
Enterprises			
URA Tax officials	08	08	Census
URA Tax Auditors	05	05	Census
Total	114	94	

Source: Primary Data

3.6 Research Instruments

3.6.1 Questionnaires

This is a written list of questions, the answers to which are recorded by respondents. In a questionnaire respondents read the questions, interpret what is expected and then write down the answers (Ranjit, 2011). Self-administered questionnaires which were semi structured was used for data collection and later on retrieved and analyzed for purposes of generating this report.

3.6.2 Interviews

An interview is a conversation, whose purpose is to gather descriptions of the life-world of the interviewee with respect to interpretation of the meanings of the described phenomena (**Kvale, 1996**). In a similar an interview is an extendable conversation between partners that aims at having in-depth information about a certain topic or subject, and through which a phenomenon could be interpreted in terms of the meanings interviewees bring to it (Alshenqeeti, 2014).

Accumulating such meanings can be done in various ways, of which one-on-one interviews are the most common. Besides one-on-one interviews, focus groups interviewing is also popular (Marshall & Rosman, 2006). Additionally, research has shown that four types of interviews are frequently employed in social sciences. The first is the structured interview, whose key feature is that it is mostly organized around a set of predetermined direct questions that require immediate, mostly 'yes' or 'no' type, responses. Thus, in such an interview, the interviewer and interviewees would have very little freedom, Accordingly, it can be argued, that this type of interviews is similar to the 'self-administered' quantitative questionnaire in both its form and underlying assumptions (Alshenqeeti, 2014).

Interviews with both structured and semi structured questions were conducted with revenue officials from URA Lira and Gulu offices to ascertain most especially interventions put in place to enhance compliance, improve on tax administration and increase on tax morale among SME taxpayers in Lira Municipality.

3.6.3 Validity and reliability of research instruments

Validity and reliability is the degree of accuracy and consistency of a data collection instrument to measure a variable. Research tools were prepared and presented to supervisor(s) to check their correctness and the ability to measure the variables which were studied. The supervisor(s) comments were used to improve the data collection instruments by eliminating all errors and weak points which were identified in the tools. Pretesting of the questionnaires was also done by administering them to 30 respondents within the target population but outside the sample. This helped in identifying the gaps which existed and thereby making appropriate modifications.

The researcher also used the formula below to establish validity of the research tools as indicated by (Denise, 2006)

Content Validity Index (CVI) = Agreed items by all Judges Suitable

Total number of Items Judged

Variable	Description	No. of Items	No. of Valid items	Content Validity Index
Independent	Tax Administration	25	20	0.8
Mediating	Tax Morale	7	5	0.714
Dependent	Tax Compliance	12	9	0.75

 Table 3. 2: Content Validity Indices for the questionnaires

Source: Primary Data (2018)

According to (Amin, 2005) for any instrument to be considered valid it must have a content validity index of 0.7 and above. For purposes of this study therefore all the instruments used had CVI above 0.7 as indicated in the above table.

Reliability is the measure of the degree to which research instrument yields consistent results after repeat. Cronbach's Alpha coefficient will be used to measure reliability of the instruments according to (Amin, 2005) an Alpha of 0.5 or higher is sufficient to show reliability the closer it is to 1 the higher the internal consistency in reliability. The questionnaires were tested and reliability computed using SPSS and scores evaluated for purposes of testing reliability.

Variable Description No. of Cronbach's alpha items Tax Administration 0.515 Independent 20 Mediating Tax Morale 05 0.663 Dependent Tax Compliance 9 0.618

 Table 3. 3: Reliability indices for the respective variables

Source: Primary (Data2018)

The values of Cronbach's alpha determined the level of reliability of the instruments which were above 0.5 for it to be reliable as indicated in the above table.

3.7 Data Collection Procedure

Meeting was held with the officials of the office of the town clerk Lira Municipal council, URA officials at Lira Regional office in the second week of August 2018 so as to gain acceptance of their participation in the research. More specifically, this helped me as a research Student to come in touch with and asked them to participate in the research after explaining the nature and the scope of the study to them.

During the study only primary data were collected. Interviews and Questionnaires were used and the latter had Likert scale for quantitative data. Questionnaires has been considered, as they are less costly, requires less administration effort inherent in instruments like interviews and useful in obtaining objective data (Marshall & Rosman, 2006).

3.8. Measurement of variables

Variables cannot be measured at one specific level only. Whether variable will be measured in one way or the other depends very much on how it is conceptualized and on what type of indicators have been used during measurement. The same variables can be measured in various ways (Sarantakos, 2005). In this study the variables were measured at the nominal and ordinal levels. The ordinal levels used Likert type items where by 5 took the value of strongly agree to 1 which took value of strongly disagree.

3.9. Sources of data

Primary data was collected from the field through interviews and questionnaires that were selfadministered to the respondents. The data was retrieved, edited, tabulated and used for making conclusions in view of the research study objectives.

3.10 Data Analysis

The filled-in questionnaires were edited for consistency. The data generated was qualitative and quantitative in nature. Frequency tables have been produced and presented by use of tables, graphs & bar charts in order to explain the level of tax compliance and to examine the influence taxpayer education and tax audit has on tax compliance among SMEs in Lira Municipality. Therefore, descriptive analysis techniques were used; consistent with the research design. Using Package for Social Sciences (SPSS 20), the quantitative data were coded to enable the responses to be grouped into categories. Descriptive statistics such as frequencies and percentages have been adopted to summarize the data. A correlation and multi regression analysis was performed in examining and assessing the relationships between the independent, mediating and dependent variables.

3.11 Limitations of the Study

The study was conducted in Lira Municipality northern Uganda. It is the belief of the researcher that it would have been more comprehensive and sounding if the study was conducted from among SMEs from all the regions in Uganda. But to cope up this limitation, the selected samples were believed to be large enough so that conclusions were confidently drawn. It was also envisaged that many people are always privy on matters to do with taxation, it is therefore critical to note that all necessary information required for this study may not have been given by respondent, it was put clearly to the respondents that this was purely an academic research study and as such the information given would be purely used for academic purpose. In this way the respondents gave all and truthful information which resulted into true findings of the study.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF RESULTS:

4.0 Introduction

This chapter presents the description of the findings of the study both in narrative and tabulations. First is the demographic information of the respondents such as gender, age and education. It also presents the characteristics of SMEs in relation their status, type of industry and the size. Secondly descriptive statistics of the mean and standard deviation followed by detailed analysis of the research question and hypotheses is then presented.

Finally the presentation, analysis and interpretation of the research question based on the research objectives are given.

4.1 Response Rate

In total, eighty five (80) questionnaires were distributed to sampled respondents and these were Small and medium enterprises (SMEs) and all the responses were received back. However two responses were excluded by the researcher due to too much gaps which existed in them for instance the responses were made quarter way and this could not give any meaningful information. The final sample therefore consisted of seventy eight responses (78) reflecting a percentage response rate of 97.5% of the total sample and this was considered adequate. There was also interview conducted with thirteen revenue/ tax officials and for this, the response rate was one hundred percent of the sampled population. This response rate was considered good as it checked against the risk of bias in responses due to a good percentage return.

4.2 Results on the background characteristics of respondents

The study revealed that most businesses had lasted for between five to ten years of age. 35.9 % of the businesses had lasted for at least between 1-4 years, 28.2 % between 5-10 years and 34.6 for over 10 years and above and only 1.3 % had lasted for below one year. The respondents were constituted by 82.1 % of male and 17.9 % of female. This indicated that men were more in business than women in small and medium enterprises in Lira Municipality. The level of education of respondents was as follows 23.1 % had certificates, 21.8 % had Diplomas, 43.6 % had university degrees and 11.5 % had Master Degrees. The respondents who were in top management of the businesses constituted 52.6 %, middle management 25.6 % and operational 21.8 %, this facilitated the collection of correct data as the respondents were better placed and were well informed about matters to do with taxation of their respective businesses as presented in Table 4.1.

		Valid No. (N= 78)	Frequency (N)	Percent (%)
Gender	Male	64	82.1	82.1
	Female	14	15.5	17.9
Age	Less than 1 year	1	1	1.3
	1-4 years	28	28	35.9
	5-10 years	22	22	28.2
	10 years and above	27	27	34.6
Education	Certificate	18	18	23.1
	Diploma	17	17	21.8
	Degree	34	34	43.6
	Master Degree	09	09	11.5
Managerial Level	Operational	17	17	21.8
	Middle	20	20	25.6
	Тор	41	41	52.6

ondents

n=78

Source: Primary Data 2018

4.3 Results on the background characteristics of SMEs

As shown in table 4.2 below, 65.4% of the enterprises were registered Private Limited Companies, 17.9 % Sole proprietorship, 7.7% Partnership, 6.4%, Public Limited Company and 2.6% Non registered. The Industries were constituted as follows, 26.9% Construction , 25.6% Retail, 16.7% Service, 12.8% Manufacturing, 5.1% mobile money, 5.1% Service and product, 3.8% Construction and Supplies, 2.6% Produce, and 1.3% Pharmacy (Pharmaceuticals) the responses got were from diverse group of industries and this was good for purposes of comparison. 51.3 % of the respondents were small enterprises and 48.7 % were medium enterprises this according to the classification of micro, small and medium enterprises. (PKF, 2013)

		Valid No. (N= 78)	Frequency (N)	Percent (%)
Status	Not registered	2	2	2.6
	Private Limited Company	51	51	65.4
	Public limited company	5	5	6.4
	Partnership	6	6	7.7
	Sole proprietorship	14	14	17.9
Industry	Retail	20	20	25.6
	Service	13	13	16.7
	Manufacturing	10	10	12.8
	Construction	21	21	26.9
	Mobile money	4	4	5.1
	Service and product	4	4	5.1
	Pharmacy	1	1	1.3
	Produce	2	2	2.6
	Construction and supplies	3	3	3.8
Size	1-50	40	40	51.3
	51-250	38	38	48.7

Table 4. 2. Profile of SMEs

n=78

Source: Primary Data 2018

4.4 Descriptive results of the research variables

The main objective of this study was to examine the effect of tax administration and tax morale on tax compliance among small and medium enterprises of Lira Municipality in Lira District. One research question and three hypotheses were framed to answer the research objectives. Questionnaires were designed and dispensed to respondents and interviews were conducted in the main areas of studies and theses included Taxpayer education, tax audit, taxpayer registration, tax morale and tax compliance. Each dimension had several components tested in order to answer the objectives of the study. Analysis of the Means and Standard deviations were done to present the descriptive results of the variables studied.

1) Taxpayer Education	Mean	Std. Deviation
	Statistic	Statistic
I always attend taxpayer seminar/ workshop organized by URA	3.1282	1.29293
I regularly attend tax clinics organized by URA	2.7308	1.32580
I regularly listen to the radio talk shows programmes of URA	3.7692	.92474
I regularly visit taxpayer education portal of Uganda Revenue Authority	3.0256	1.28906
I have ever received practical hand books and guides from URA to assist me in preparing my own tax returns	3.0000	1.45941
There are routine taxpayer education programme run by URA	3.4615	1.02808

Source: Primary Data: 2018

2) Taxpayer Registration	Mean	
	Statistic	Statistic
I got registered with the online registration of taxpayer introduced by URA on my own	2.6026	1.49753
Somebody else did for me my online registration of taxpayer introduced by URA	3.2821	1.38543
The online taxpayer registration introduced by URA is simple and user friendly	2.7308	1.27588
I always update my information online with ease and simplicity	2.7051	1.18551
I always share information with URA online	3.7436	.78021
I always file my returns online	4.3590	.48280
I do almost all my tax transactions online	4.1282	.79542
Valid N (listwise)		

N=78

Source: Primary Data: 2018

3) Tax Audit	Mean	Std. Deviation
	Statistic	Statistic
My business was audited by URA Tax Auditors in the last financial year	2.7821	1.29582
I always keep proper records of all my Business transactions	3.3462	1.07904
I always share all my accounting records with URA officials	3.1282	1.06123
I have ever received audit manual from URA	3.0641	1.19891
The Audit manual explains the type of audit and circumstances in which audits are to be carried out	3.0000	1.00647
My business regularly use accounting documents like vouchers payment receipts and invoices	3.3205	1.07502
My business is regularly audited by URA Tax auditors	2.9103	1.15304
Valid N (listwise)		

N=78

Source: Primary Data: 2018

4) Tax Morale	Mean	Std. Deviation
	Statistic	Statistic
As a citizen it is my duty to pay tax	4.6154	.56363
I feel it is my responsibility to pay taxes so that the government can provide public goods and services	4.2308	.78828
Because of the fair tax system I find it prudent to pay taxes	2.3333	1.27582
Because I trust the government in the way it uses our taxes I find it worthwhile paying taxes	1.8974	1.16875
Because of the knowledge I have about our tax system I find it is important to pay taxes	2.7949	1.43571

N=78

Source: Primary Data: 2018

5) TAX COMPLIANCE	Mean	Std. Deviation
	Statistic	Statistic
I always file my returns in time	3.3718	1.35904
I always pay tax in time without intervention of the tax officials	3.3462	1.31748
I always disclose all my income for tax purposes	3.3974	1.24149
I always follow tax rules and regulations governing SME' operations	3.1282	1.20990
I feel paying tax is a burden on us taxpayers	3.6154	1.49658
I feel it is wrong if I do not report all my income in order to pay less income taxes	3.2436	1.39745
If in doubt about whether or not to report a certain source of income, I would not report it	2.9359	1.20970
There is nothing bad about underreporting taxable income on one's tax return	2.6410	1.30905
Taxes are so heavy that sometimes it is justifiable to cheat on taxes	3.5641	1.55914
Valid N (listwise)		

N=78

Source: Primary Data: 2018

Table 4. 4: Descriptive Statistics- Average Mean for studied Variables

	Mean	Std. Deviation
	Statistic	Statistic
Tax Compliance	3.1859	.77057
Tax Audit	3.0788	.52332
Taxpayer Registration	3.3645	.42494
Taxpayer Education	3.1859	.77057
Tax Morale	3.1744	.71449

N=78

Source: Primary Data: 2018

The above table shows the average mean for the entire studied variable

4.5 Results on the level of Tax Compliance by SMEs.

On this variable, which is a dependent variable respondents were asked to state whether they were filling returns timely, paying taxes timely without intervention of revenue officials, disclosing all their incomes for tax purposes, compliance with tax regulations and rules, whether paying tax is a burden, whether they were disclosing all their incomes for taxation, whether it was bad to under report and whether taxes are so heavy that it is justifiable to cheat.

4.5.1 Timely filing of returns

Respondents were asked to state whether they were filling returns in time and as indicated in table 4.3 (5), a high mean of 3.3718 was reported which implies that the level of compliance in respect to timely filling of returns was high as interpreted by the legend table, table 4.5.

4.5.2 Timely Payment of taxes without intervention of revenue officials

Respondents were asked to state whether they were paying taxes in time without intervention of revenue officials and as indicated in the in table 4.3 (5), a high mean 3.3462 was reported which implies that the

level of compliance in respect to timely payment tax dues by SMEs of Lira Municipality was high as interpreted by the legend table, table 4.5.

4.5.3 Disclosure of all income for tax purposes

Respondents were asked to state whether they were disclosing all their incomes for tax purposes and as indicated by table 4.3 (5) a high mean of 3.3974 was reported which implies that the level of compliance in respect to full disclosure by SMEs of Lira Municipality was high as interpreted by the legend table, table 4.5.

4.5.4 Compliance with tax rules and regulations governing SMEs operations.

Respondents were asked to state whether they were following tax rules and regulations governing SMEs operations and as indicated in table 4.3(5) and interpreted by table 4.5 a moderately low mean of 3.1282 was reported implying the level of compliance in respect to adherence to regulations and rules relating to tax matters were not being followed well by these SME's operating in Lira Municipality.

4.5.5 Paying tax as a burden on taxpayers

Respondents were asked to state whether they felt paying tax was a burden on them and as indicated by table 4.3 and interpreted by table 4.5 (5), a high mean of 3.6154 was reported implying that a good number of taxpayers did not consider paying tax as a responsibility, this would affect level of compliance as many may attempt to evade.

4.5.6 Failure to report all income in order to pay less income taxes

Respondents were asked to state whether they did not feel it wrong if they did not report all their income in order to pay less income taxes and as indicated in table 4.3 (5) a moderately low mean of 3.2436 was reported implying that a bigger percentage saw failure to report on all income as a necessary evil, this would affect level of compliance as all incomes due for taxation would not be disclosed and reported in the returns.

4.5.7 If in doubt about whether to or not to report a certain source of income

Respondents were asked to state whether if they were in doubt about certain sources of income they would report or not report such incomes for taxation purposes and as indicated in table 4.3(5) a moderately low mean of 2.9359 was reported implying that very few respondents agreed to the fact that if they were not sure of certain source of income they would not report on them, this also an incentive for compliance.

4.5.8 Under-reporting taxable income on one's tax return

Respondents were asked to state whether there is nothing bad on under-reporting taxable income on one's tax return and as indicated in table 4.3 a low mean of 2.6410 of was reported implying that a few number of respondents agreed to the fact that underreporting on one's income in the returns was not bad, this implies that a good proportion of taxpayers are willingly to disclose all their incomes for tax purposes a positive indicator of compliance.

4.5.9 Taxes are so heavy that sometimes it is justifiable to cheat.

Respondents were asked to state whether taxes are so heavy that sometimes it is justifiable to cheat on taxes and as indicated in table 4.3, a high mean of 3.5641 was reported implying that a good percentage of SMEs agreed that taxes were heavy so cheating would be justifiable. This affects level of compliance as taxpayers would not be paying taxes willingly. As a matter of fact tax compliance is the ability of a taxpayer to pay taxes willingly without being coerced to do so (IMF, 2015).

In determining the overall level of tax compliance of SMEs in Lira Municipality, all indicators of tax compliance were computed and as indicated by table 4.4 a moderately low mean of 3.1859 and a standard deviation of 0.77057 was reported and as interpreted by the legend table 4.5 it was determined that the level of tax compliance by SMEs operating in Lira Municipality was moderately low.

The above findings are corroborated with the findings from the interviews that were conducted with the Uganda Revenue officials in Lira who all rated the level of tax compliance as being low. The tax officials were asked questions such as;

If you were to rate what is the level of tax compliance by small and medium enterprises in Lira Municipality? All the responses were that tax compliance level is generally low

If the level of tax compliance is low why do you think it is so? Responses such as; Tax payer don't see the value of paying taxes in terms of service delivery, Lack of knowledge about tax system, Poor attitudes towards paying taxes and Deliberate attempts to evade taxes were given by the tax officials.

From the above analysis and findings, it was found out that the tax payers have got poor attitudes towards payment of taxes and most of them believe that they don't see value of paying taxes. It is therefore prudent to say that the level of tax compliance by small and medium enterprises of Lira Municipality is moderately low arising from the findings of this study.

LEGEND TABLE: The Likert scale had the highest value of five and one being the lowest as such the scale for rating mean were seven and it was calculated as below

=(5-1)/7

=0.571

As such the first scale which is the lowest took the value of 1 to 1+0.571 and the values were added and rated until the last value of 4.48 to 5.0

Extremely	Very Low	Low	Moderately Low	High	Very High	Extremely High
Low						
1-1.57	1.58-2.15	2.16-	2.74-3.31	3.32-3.89	3.90-4.47	4.48-5.0
		2.73				

 Table 4. 5: Legend table for interpretation of the Mean

4.6 Results on the influence of taxpayer Education on Tax Compliance

The first null hypothesis on this study variable was that taxpayer education has got no significant relationship on tax compliance. To test whether taxpayer education has got no significant relationship on tax compliance, the two variables were correlated using Pearson linear correlation co-efficient index. The table 4.6 below shows that the correlation between the two variables yielded r = 0.240 whose sig= 0.034 which is less than α 0.05 hence the null hypothesis was rejected. The significance level showed that taxpayer education has a strong positive relationship between tax payer education and tax compliance.

 Table 4. 6: Pearson linear correlation co-efficient between taxpayer education and tax compliance

		Taxpayer Education	Tax Compliance
	Pearson Correlation	1	.240*
Taxpayer Education	Sig. (2-tailed)		.034
	Ν	78	78
	Pearson Correlation	.240*	1
Tax Compliance	Sig. (2-tailed)	.034	
	Ν	78	78

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

4.6.1 Regression Analysis

Linear regression was done in order to determine the explanatory power of taxpayer education in predicting the level of tax compliance. This analysis helped in examining the influence of taxpayer education on tax compliance.

4.6.2 Model Summary

The analysis in table 4.7 Adjusted R square which is the coefficient of determination has value of 0.58 an indication that there would be a variation of 58 % on tax compliance due to a change in the level of taxpayer education.

 Table 4. 7: Regression Model table on the relationship between taxpayer education and tax compliance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.240 ^a	.058	.045	.95047

a. Predictors: (Constant), Taxpayer Education

4.6.3 ANOVA

The ANOVA statistics in the table 4.8 below showed that the processed data which is the population parameters had a significant level of 3.4 % this revealed that the data was ideal for making conclusion on the population parameters as the value of significance (P- value) was less than 5%. It also indicates the model was statistically significant and that tax audit was significantly influencing tax compliance.

Mo	del	Sum of Squares	df	Mean Square	F	Sig.
	Regression	4.214	1	4.214	4.664	.034 ^b
1	Residual	68.658	76	.903		
	Total	72.872	77			

 Table 4. 8: Regression ANOVA table on the relationship between taxpayer education and tax

 compliance

a. Dependent Variable: Tax Compliance

b. Predictors: (Constant), Tax Education

4.6.4 Model Coefficient

Results from the coefficient regression in table 4.9 below revealed that holding taxpayer education to a constant zero, tax compliance among Small and medium enterprises in Lira Municipality would stand at 2.461. A unit increase in taxpayer education would lead to increase in tax compliance by a factor of

0.278.

 Table 4. 9: Regression Model Coefficient table on the relationship between taxpayer education and tax compliance

Model Unstandar		rdized Coefficients	Standardized Coefficients	t	Sig.	
		В	Std. Error	Beta		
1	(Constant)	2.461	.421		5.847	.000
1	Tax Education	.278	.129	.240	2.160	.034

a. Dependent Variable: Tax Compliance

4.7 Results on the relationship between tax audit and tax compliance.

The second null hypothesis on this study variable was that tax Audit has got no significant effect on tax compliance. To test whether tax audit has got significant effect on tax compliance, the two variables were correlated using Pearson linear correlation co-efficient index. Table 4.10 below shows that the correlation between the two variables yielded r = 0.252 whose significance is 0.026 which is less than α 0.05. Hence the research null hypothesis was rejected. The findings revealed that tax audit have got significant effect on tax compliance at one percent level of significance meaning there is a positive relationship between tax audit and tax compliance

		Tax Audit	Tax Compliance
	Pearson Correlation	1	.252*
Tax Audit	Sig. (2-tailed)		.026
	Pearson Correlation	.252*	1
Tax Compliance	Sig. (2-tailed)	.026	

Table 4. 10: Pearson's linear correlation coefficient between tax Audit and tax compliance

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

4.7.1 Regression Analysis

Linear regression was done in order to determine the explanatory power of independent variable (tax audit) in the variance of the dependent variable (Tax compliance)

I. Model Summary

Adjusted R square is the coefficient of determination which shows the variation in the dependent variable due to changes in the independent variable. From the model summary table 4.11 below, the value of R Squared was 0.63, an indication that there would be a variation of 63% on tax compliance due to a change in the level of tax audit. From the findings shown above there was a strong positive relationship between the study variables as shown by r= 0.252. It should be noted that audit of taxpayers (SME's) are done annually by URA auditors and this was revealed during the interviews conducted by the researcher with the URA Auditors and other tax officials. This Audit therefore is not comprehensive and this could probably explains why the value r is not showing a very strong positive relationship

 Table 4. 11: Regression Model table on the relationship between taxpayer education and tax compliance

Model	R	R Square	Adjusted R	Std. Error of the	
			Square	Estimate	
1	.252 ^a	.063	.051	1.28348	

a. Predictors: (Constant), Tax audit

II. ANOVA

The ANOVA statistics in the table 4.12 below showed that the processed data which is the population parameters had a significant level of 2.6 % this revealed that the data was ideal for making conclusion on the population parameters as the value of significance (P- value) was less than 5%. It also indicates the model was statistically significant and that tax audit was significantly influencing tax compliance.

Table 4. 12: Regression ANOVA table on the relationship between tax Audit and tax compliance

		Sum of	Df	Mean	F	Sig.
		Squares		Square		
	Regression	8.457	1	8.457	5.134	.026 ^b
1	Residual	125.197	76	1.647		
	Total	133.654	77			

a. Dependent Variable: Tax Compliance

b. Predictors: (Constant), Tax Audit

III. Model Coefficient

Results from the coefficient regression in table 4.13 below revealed that holding tax audit to a constant zero, tax compliance among Small and medium enterprise in Lira Municipality would stand at 2.510. A

unit increase in tax audit would lead to increase in tax compliance by a factor of 0.287.

 Table 4. 13: Regression Model Coefficient table on the relationship between Tax Audit and tax

 Compliance

Model				Standardized	t	Sig.	95.0% Con	
		Coefficients		Coefficients			Interval for	: В
		В	Std. Error	Beta				
	(Constant)	2.510	.397		6.326	.000	1.720	3.300
1	Tax audit	.287	.127	.252	2.266	.026	.035	.540

a. Dependent Variable: Tax Compliance

4.8 Results on the mediating effect of tax morale on the relationship between tax Administration and tax compliance.

In establishing the effect of a mediator variable, it is important to establish that the three conditions are met by obtaining a correlation coefficient for the three relationships (Pierce, 2001) and (Turhan & Emel, 2012).

The third null hypothesis on this study was that tax morale has got no significant effect on the relationship between tax administration and tax compliance. To test whether tax morale has a mediating effect on the relationship between tax administration and tax compliances a correlation analysis was done to find whether there is a positive relationship between these three variables and as indicated in the Table 4.14 below, it was revealed that very strong positive relationships exist between all the three variables. The correlation between the three variables yielded r =0.275, r = 0.250 whose significance are 0.015 and 0.028 which is less than α 0.01 and also r = 0.829 whose significance are 0.000 which is less than α 0.05, hence the research null hypothesis was rejected.

Table 4. 14: Correlations table on the relationship between Tax Administration, Tax Morale and	
tax Compliance	

		Tax Compliance	Tax Morale	Tax Administration
T	Pearson Correlation	1	.275*	.829**
Tax Compliance	Sig. (2-tailed)		.015	.000
Compliance	Ν	78	78	78
	Pearson Correlation	$.275^{*}$	1	$.250^{*}$
Tax Morale	Sig. (2-tailed)	.015		.028
	Ν	78	78	78
Tax	Pearson Correlation	.829***	$.250^{*}$	1
Administration	Sig. (2-tailed)	.000	.028	
	Ν	78	78	78

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

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

I. Multi Regression Analysis

Multi Regression analysis was done to determine the level of predictability, how the dependent variable is influenced by the independent variable and the mediating variable. Multi Regression analysis was used to predict how the mediating variable (Tax morale) and the independent variable (Tax administration) predict dependent variable (tax compliance). Here the value R^2 (R square), in this analysis $R^2 = 0.113$ meaning 11.3 % of the variance in the tax compliance is influenced by tax morale and tax administration.

 Table 4. 15: Model Summary table on the relationship between Tax Administration, Tax Morale and tax Compliance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.336 ^a	.113	.089	.92851

a. Predictors: (Constant), Tax Administration, Tax Morale

II. ANOVA

The value to look at is the P value. It is important to look at the slope of the regression line, the equation for a straight line is y = a + bx, the independent variable is x, the dependent variable is y, a is the intercept, and b is the slope. Regression analysis figures out what the best values of a and b are, and reports these as coefficients. It then tests whether the coefficient b, the slope, is different from zero. (Dan, 2008)

A slope of zero means that the dependent variable changes arbitrarily as the independent variable changes. However, just because the slope is different from zero doesn't mean that the relationship is necessarily any good – that's why we also look at the R^2 (Dan, 2008). Here the *p* value for Profile Area is 0.011, which is significant. Furthermore, the slope is 0.265 and 0.477 as shown in table 4.16 indicating that for every unit increase in tax morale and tax administration, tax compliance increases by 11.3 % as shown in table 4.15

 Table 4. 16: ANOVA Table on the Mediating effect on the relationship between tax

 Administration and tax compliance.

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	8.212	2	4.106	4.762	.011 ^b
1	Residual	64.660	75	.862		
	Total	72.872	77			

a. Dependent Variable: Tax Compliance

b. Predictors: (Constant), Tax Administration, Tax Morale

The value to look at is the P value. It is important to look at the slope of the regression line, the equation for a straight line is y = a + bx, the independent variable is x, the dependent variable is y, a is the intercept, and b is the slope. Regression analysis figures out what the best values of a and b are, and reports these as coefficients. It then tests whether the coefficient b, the slope, is different from zero. (Dan, 2008)

A slope of zero means that the dependent variable changes arbitrarily as the independent variable changes. However, just because the slope is different from zero doesn't mean that the relationship is necessarily any good – that's why we also look at the R^2 (Dan, 2008). Here the *p* value for Profile Area is 0.011, which is significant. Furthermore, the slope is 0.265 and 0.477 as shown in table 4.17 indicating that for every unit increase in tax morale and tax administration, tax compliance increases by 11.3 % as shown in table 4.14

III. Model Coefficient

Results from the coefficient regression in table 4.17 below revealed that unit increase in tax compliance among Small and medium enterprise in Lira Municipality is influenced by a factor of 0.265 and 0.477of tax morale and tax Administration respectively.

 Table 4. 17: Multi Regression Model Coefficient table on the relationship between Tax Audit and tax Compliance

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		В	Std. Error	Beta		
1	(Constant)	.987	.771		1.280	.204
	Tax Morale	.265	.166	.181	1.602	.113
	Tax Administration	.477	.225	.239	2.120	.037

a. Dependent Variable: Tax Compliance

CHAPTER FIVE

DISCUSSION, SUMMARY, CONCLUSION, RECOMMENDATIONS AND SUGGESTIONS:

5.0 Introduction

This chapter presents the discussions, summary, conclusion, recommendations and suggestions for further research in the area of subject studied.

5.1 Discussion

The purpose of this study was to examine the effect of tax administration and tax morale on tax compliance of small and medium enterprises of Lira Municipality, Lira District in Uganda. The study had four research objectives and as such one research question and three null hypotheses were framed and tested to answer the research objectives.

5.1.1 Objective 1: To determine the level of tax compliance amongst SMEs in Lira Municipality.

On objective one, a research question was framed; what is the level of tax compliance by SMEs operating in Lira Municipality? After the analysis it was found that the level of tax compliance by small and medium enterprise in Lira Municipality is moderately low. These findings concur with (Nada, et al 2017) who in their findings asserts that domestic revenue mobilisation still remains a big challenge in Uganda economic sector as a big portion of SMEs in Uganda are non tax compliant and this is confirmed by this study.

5.1.2 Objective 2: To examine the influence of taxpayer education on tax compliance.

A null hypothesis was framed to answer objective two; H_1 -There is no significant relationship between taxpayer education and tax compliance. After the analysis it was found that there exist very strong positive correlation between taxpayer education and tax compliance. What is important is only for the revenue officials to enhance and boost up the level of taxpayer education. The results from this study showed that taxpayer education had a mean of 3.1859 as shown in table 4.4 and interpreted by the legend table 4.5 it was deduced that the level of taxpayer education which is dimension of tax administration is moderately low in Lira Municipality. It is therefore important to note that (Machogu & Amayi, 2013) in their study of University student in Malaysia found out that there exist a very stong positive corelation between taxpayer education and tax compliance. What is important is for the the government through Uganda Revenue Authority a statutory institutuion charged with responsibility of collection of revenue (taxes) to put in place robust taxpayer education programme which should be able to cover the entire tax payers, in this way the effect would transform into a bigger revenue generation for the state.

5.1.3 Objective 3: To analyze the relationship between tax audit and tax compliance

Under this objective, a null hypothesis was also framed, H_2 -Tax audit has got no significant effect on tax compliance, after the analysis it was found that tax audit has got a positive relationship with tax compliance. However the findings also indicated that the level of audit coverage is moderately low as shown in table 4.4 and as interpreted by the legend table in table 4.5. With a mean of 3.0788 it clearly evidenced that the level of audit is not comprehensive enough and this is confirmed by the results from the qualitative data got from revenue officials. Audit is done annually and there are only five auditors and are based in Gulu who are required to audit SMEs including Micro enterprises which are all operating in Northern Uganda. This is practically untenable and it is for this reason that the level of audit coverage is very low as auditing is done on sample basis.

As indicated above, this study found a very strong positive correlation between Audit and tax compliance and this is confirmed (Modugu & Anyaduba, 2014) who found that tax audit can enhance

compliance. What is important is that the level of audit should be boosted and carried out regularly, taxpayers themselves need to be sensitised and trained on record keeping and use of accounting documents as lack of these documents would frustrate the work of auditors.

5.1.4 Objective 4: To examine the mediating effect of tax morale on the relationship between tax Administration and tax compliance.

A hypothesis; H_3 -There is no significant effect of tax morale on the relationship between tax administration and tax compliance was framed to answer the last objective of this study. A correlation analysis was conducted and as reflected in table 4.14 it was found out that tax morale has got positive relationship with tax Administration and tax compliance meaning that tax morale could positively influence tax administration thereby enhancing compliance. From the findings the mediating effect of tax morale on tax administration was found to be enhancing tax compliance by 11.3% as shown in table 4.15.

5.2 Summary of findings

It was determined that the level of tax compliance of small and medium enterprises of Lira Municipality in regards to timely filling of returns, timely payments of tax dues, computation of correct tax liability and full disclosure of income for purposes of payment of taxes is moderately low as indicated by table 4.4 showing a mean of 3.1859 and as interpreted by the legend table as shown in table 4.5

The study found out that taxpayer education positively influences tax compliance as indicated in the findings of this study, the only lacking component is the ability of the government to entrench and put in place a robust taxpayer education programme which will make tax payers appreciate paying taxes.

Tax audit is a key component that would encourage taxpayers to comply with their tax obligation as the findings in this study showed that tax audit is positively correlated with tax compliance. Attempts should be made by revenue body to scale up on audit so that the coverage is better to enhance compliance.

Tax morale is a key mediating variable in tax compliance and as the findings of this study showed tax morale is positively correlated to tax administration and tax compliance, clearly taxpayers believes it is their duty to pay taxes, however other components of tax administration like tax payer education should be enhanced so that taxpayers are made aware of the tax system, get to know and realize that there are public goods and services delivered by government which comes in as a result of taxes.

5.3 Conclusion

In conclusion it was established that the level of tax compliance by SMEs of Lira municipality is moderately low and as we are aware governments all over the world depends entirely on taxation as a means of raising funds to provide public goods and services. Much therefore need to be done in the area of tax administration and tax morale which would enhance compliance. Poor tax administration and low tax morale has been indicated in many studies across the world as being responsible for low domestic revenue mobilization. There is high need to strengthen the revenue body, with enough resources both capital and human so that their work is made easy. Failure to improve on tax administration would act as a disincentive for tax compliance among SMEs in Lira Municipality and may be many parts of Uganda.

5.4 Recommendations

From the findings of this study and analysis it is recommended that extensive taxpayer education, comprehensive auditing and robust program of taxpayer's registration be enhanced in an attempt to improve compliance by tax payers. There is high need for taxpayers to be sensitized on the benefits of paying taxes as this would increase on their morale and they would appreciate paying taxes. Rewards

programmes such as exemptions of compliant taxpayers should be enhanced as it a good incentive for compliance.

This study has clearly revealed that the current level of tax administration in Lira Municipality is not comprehensive enough and as such much still need to be done to enhance the level of tax administration in an attempt to boost the level of tax compliance.

5.5 Suggestions

Arising from the findings of this study it is recommended that further research be done in areas of taxpayer knowledge, tax policies and legislation. It would also be interesting to conduct studies in areas of service delivery by government in relation to taxation.

REFERENCE:

Abdul, R. (2017). *Tax Compliance in Indonesia, the Role of Public officals as Taxpayers*. Enschede, The Netherlands: University of Twente.

African Tax Aministration forum (ATAF), T. A.-O. (2017). Taxation in Africa. Addis Ababa: ATAF, AUC AND OECD.

AICPA. (2017). *Tax policy concept statement*. Washington D.C: American Institute of Certified Public Accountant Inc.

Alm, J., & Torgler, B. (2006). Culture Differences and Tax morale in the United States and Europe. *Journal of Economic Psychology*, 27 (2), 224-246.

Alshenqeeti, H. (2014). English Linquistics Research. URL: http://dx.doi.org/10.5430/elr.v3n1p39 , III, 39-45.

Amayi, J. B., & Machogu, C. G. (2013). The effectof tax Education on voluntary Tax compliance among SME's in Mwanza City Tanzania. 12-23.

Amin, M. K. (2005). *Social science Research Paper: Conception methodology and Analysis.* Kampala: Makerere University.

Asika, N. (1991). Research Methodology in Behavioural sciences. Ibadan, Nigeria: Longman.

ATAF, AUC, OECD. (2017). *Revenue Mobilisation in Africa Continues to Improve*. Addis Ababa, Ethiopia: African TaxAministration Forum, The African Union Commission and The Organisation for Economic Co-operation.

Belkaoui, A. R. (2004). Relationship between tax compliance internationally and selected determinants of tax morale. *Journal of International Accounting, Auditing and Taxation*, 135-143.

Binh, T. N., & Taylor, J. (2018). Atax 10th International Administration conference. *Atax* (pp. 345-363). New South Wales: School of Taxation and Business Law University of New South Wales.

Brian, E. (1993). Taxation with representation. An analysis of the role of tax practioners in tax compliance. *Journal of Public Economics , 52* (2), 163-197.

CDC. (2009, January 18). Data Collection Methods for Evaluation:. *Evaluation Briefs* (18), pp. 1-2.

Christina, R. M., Debonah, T. W., & Gary, F. D. (2003). Economic and Behavourist determinants of tax compliance. Evidence from the 1997 Ankasans tax penalty Amesty program. *IRS Research conference*. Washington Dc: http://www.irs.icbe.gov/pub/irs-soi/ritsema.

Dan, F. (2008). Guide to SPSS. Newyork NY 100027: Barnard College department of Biological sciences.

Denise, R. M. (2006). Is there any thing as evidence based Management? Academy of Manangement Review .

Develpment, M. o. (2017). Analysis of Tax trend in Uganda. Kampala: MoFPED.

Domestic Revenue Mobilisation: challenges and Policy Solutions. (2017). *George Town University NBER & IGC* (pp. 1-25). Kampala: International Growth Center (IGC).

EARA. (2017). *East Africa Revenue Authorities Comparative Revenue Analysis.* Kampala: East Africa Revenue Authorities.

Erzo, F. L., & Monica, S. (2014). Tax Morale. Journal of Economic Perspective , 28 (4), 149-168.

Esterban, O. O., & Max, R. (2018, June 23). *Our World in Data*. Retrieved June 23, 2018, from Our World in Data: https://ourworldindata.org/taxation

Evans, C., Carlons, S., & Massey, D. (2005). Record keeping Practices and tax compliance of SME's Australia. *e-Journal of Tax Research*, 288-334.

Franzoni, L. A. (1998). *Tax Evasio and Tax compliance*. University of Bolohna, School of Economics and Statistics. Bologna Italy: University of Bologna.

Gerit, T. S. (2011). *Taxation in the Netherlands (fourth Edition)*. AH Alphen Gan Den Rijn: Kluwer Law International.

Gitaru, K. (2017). The effect of Tax payer Education on Tax Compliance in Kenya A Case study of SME's in Nairobi Cental Business District. Nairobi: Munich Personal RePEc Archive.

IMF. (2015). *Current Challenges in Revenue mobilisation: Improving Tax Compliance.* Washington DC: International Monetary Fund.

IMF. (2017). IMF Country Report No. 17/7. Washington D.C: International Monetary Fund.

IMF. (2018). World Economic and Financial Surveys. Washington DC: International Monetary Fund.

Isbell, T. (2017). *Tax Compliance, Africans affirm civic duty but lack trust in tax department*. Nairobi: AfroBarometer.

ITA. (2017). Income Tax (Amendament) Act. Kampala: Uganda Gazzate.

Jackson, B., & Millron, V. (1986). Tax Compliance Research. Findings problems and prospects. *Journal of Accounting Literature*, 125-165.

James, A., Brian, E., & Feinstein, J. (1998). Tax Compliance. Journal of Economics Literature, 36 (2), 818-860.

Kennedy Prince Modugu and John Obi Anyaduba. (2014). Impact of Tax Audit on Tax Compliance in Nigeria. *International Journal of Business and Social Science*, 207-215.

Kircher, E. (2008). Enforced versus Volutary Tax compliance. The Sippery Frame work. *Journal of Economic Psychology*, 29 (2), 210-225.

Kvale, S. (1996). An Introduction to Qualitative Research: interviewing. London: Sage.

Lira District Local Government. (2012). *Lira District Local Government Statistical Bstract*. Lira: Lira District Local Government.

Machogu, C. G., & Amayi, J. B. (2013, August). The effects of Taxpayer Education on voluntary tax compliance, among SMEs in Mwanza City- Tanzania. 12-23.

Macintyre, Torgler, & Schafficer. (2007). *Tax compliance, Tax morale and governance quality. International studies programme.* Georgia USA: Andrew Young School of policy and studies Georgia State University Atlanta.

Mark, S., Philip, L., & Adrian, T. (2007). *Research Methods for Business students*. New York: Financial Times/ Prentice Hall.

Marshall, C., & Rosman, G. B. (2006). Designing Qualitative Research (4th Edition ed.). Thousand Oaks: Sage.

Maryann, R., & Sawyer, A. J. (2001). A Taxonmy of Tax Compliance Literature: Further Findings, Problems and Prospects. *Australian Tax Forum*, 138-284.

Modugu, K. P., & Anyaduba, J. O. (2014). Impact of Tax Audit on Tax Compliance in Nigeria. *International Journal of Business and Social Science*, 207-215.

MoFPED. (2016). National Budget frame work paper Fy 2016/2017- Fy 2020/21 Part 1 medium term macroeconomic Outlook and indicative revenue framework. Kampala: Ministry of Finance Planning and Economic Development.

MoFPED, M. o. (2017). Analysisof Taxation Trend in Uganada. Kampala: MOFPED.

Mohamed, S., & Stuart, M. (2004). *Attitude, Incentives and Tax Compliance*. Toronto, Canada: Mc Master University.

Mohd, R. P., Mohd, R. M., & Wan, F. B. (2013). The Perception of Taxpayyers on Tax Knowledge and Education with level of Tax Coompliance: a study of the influence of religiosity. *ASEAN Journal of Economics, Management and Accounting*, 118-129.

Mukhatar, A. E., Kerosi, E., & Onadabu, I. T. (2015). Relationship between tax compliance Barriers and Government's Revenue generation at Gobonimo Market Somaliland. *International Journal of Business Management and Economic Research (IJBMER)*, 380-399.

Müller, J. (2008). The Netherlands in International Tax Planning (second revised edition).

Nada, E. O. (2017). Domestic Revenue Mobilisation: Challenges and Policy Solutions. *George Town University, NBER & IGC MOPED & IGC Economic Growth Forum* (pp. 1-25). Kampala: International Growth Center.

Obi, J. A., Eragbhe, E., & Modugu, K. P. (2014). Impact of Deterent Tax policies on Tax Compliance: The Nigerian Experience. 150-158.

Obwango, R., & Okot, D. (2013). *Tax financing in uganda*. Kampala: makerere University, school of management and Business studies.

Okuja, J. O. (2016, 9 19). Domestic Tax Laws of Uganda . *Domestic Tax Laws of Uganda, Updated & Tracked Compendium* . Kampala, Uganda: TASLAF Advocates and Consultants.

Olatunji, R. A. (2016). Tax Administration and Revenue Generation: A perspective of Ogun State Internal Revenue Service. *International Journal of Innovative Finance and Economics Research*, 11-21.

Oludele, A. A. (2015). Correlates of Tax Compliance of Small and Medium Size Businesses in Cameroon. *Gordon Institute of Business Science, South Africa*, 389-413.

Oludele, A. A. (2015). Correlates of Tax Compliance of Small and Medium Size Businesses in Cameroon. *Gordon Institute of Business Science, South Africa*, 389-413.

Oxfam and SEATINI. (2017). *Taxation in Uganda Review and Analysis of National and Local Government performance Opportunities and Challenges*. Kampala: Oxfam and Southern and Eastern Africa Trade, Information and Negotiation Institute.

Oxfam and SETANI. (2017). Taxation in Uganda Challenges and Opportunities. Kampala: Oxfam and SETANI.

Pierce, J. (2001). *Towards a theory of psychological ownership in Organisation*. Los Angles USA: Academy of Managemnt Review.

PKF. (2013). World wide tax Guide. Eisner : PKF International Limited.

Ranjit, K. (2011). Research Methodology a step by step gor beginners (3rd Edition ed.). London: SAGE.

Richardson, G. (2008). The relationship between culture and tax evasion across countries. Additional evidence and extension. *Journal of International Accounting Auditing and Taxation*, *17* (2), 67-68.

Sarantakos, S. (2005). Social Research (3rd Edition ed.). Newyork: Palgrave Mac-Millan.

School of Taxation and Business Law (Atax)Australian School of Busiess the University of New South Wales. (2012). Special Edition: Atax 10th International Tax Administration Conference. *eJournal of Tax Research , x,* 345-363.

Swistak, A. (2015). Tax Penaltiesin SME Tax Compliance. *Warsaw School of Economics, al Niepodleglosci 162,02-544*, 130-147.

Torgler, B. (2003). Tax Morale: Theory and Empirical Analysis of tax compliance. Basel: University of Zurich.

Torgler, Schafficer, & Macintyre. (2007). *Tax compliance, Tax Morale anf Governance quality international studies programme.* Georgia USA: Andrew young school of policy studies Georgia State University Atlanta.

Torgler, Schafflier, & Macintyre. (2007). *Tax compliance, tax morale and governance quality international studies programme.* Georgia Atlanta, USA: Andrew young school of policy studies Georgia state University Atlanta.

Turhan, E., & Emel, E. (2012). The mendiating role of Psychological ownership on the relationship between internal locks of control and organisational committement. *International journal of Business management and Management studies*, *II*, 171-185.

Tusubira, F. N., & Nkote, I. N. (2013). Income Tax Compliance among SME's in Uganda Taxpayers' Proficiencies and Perspective. *International Journal of Business and Social Science*, 133-143.

Tusubira, F. N., & Nkote, I. N. (2013). Income Tax Compliance among SME's in Uganda Taxpayers' Proficiencies Perspective. *International Journal of Business and Social Science*, 133-143.

UBOS. (2014). *National Population and Housing census area specific profile*. Kampala: Uganda Bureau of Statistics .

Uganda Investment Authority. (2016, April 5). *Uganda Investment Authority Web site*. Retrieved June 16, 2018, from Uganda Investment Authority Web site: http://www.ugandainvest.go.ug

UIA. (2008). Small and Medium Enterprises (SME) Business Guide. Kampala: Uganda Investment Authority.

URA. (2017). Revenue Performance Report 2016/2017. Kampala: URA.

URA. (2016). Tax Authorities catches cold as Uganda Economy sneezes. Kampala: Uganda Revenue Authority.

URA. *Tax to GDP ratio: a comparative study of Uganda with selected East African Countries and South Africa.* Kampala: Uganda Revenue Authority.

URA. (2015). Taxation Hand Book (Revised edition) a guide to taxation in Uganda. Kampala: Fountain Publisher.

URA. (2000). URA Cooperate Plan 2001/02-2006-07. Kampala: Uganda Revenue Authority.

Witte, A., & Woodbury, D. (1985). The effect of tax Laws and tax administration, the case of the US Income tax. *National tax Journal*, *38* (1), 1-13.

Wong, R. M., & Wai, A. Y. (2015, May). *Hong Kong Institute of Business Studies*. Retrieved August 25, 2018, from Lingnan University Hong Kong: http://commons.in.edu./hkibswp/93

Wuensch, K. L. (2005). *Skewness in B.S Everrit & DC Howell(Eds) Encyclopedia of statistics in behavioural Science.* Chichester UK: Wiley.

Yang, J. G., & Metallo, V. N. (2018). The Emmerging International Taxation Problems. 1-10.

Yin, R. K. (2014). Case study Design and Methods. Thousand Oaks CA: Sage.

APPENDICES

APPENDIX I: QUESTIONNAIRE

Dear Respondent

I am Cong Nelson a student of Kyambogo University Conducting an Academic Research as a partial requirement for the award of Master of Business Administration Degree. You have been considered and chosen one of the respondents and therefore you are requested kindly to spend a few minutes of your time to answer the questions in this questionnaire. The information given will be used strictly for academic purposes only.

Part A- Socio Demographic

Please tick appropriately inside the box

1. Gender

Male	1	Female	2	

2. Age How old is the firm/ Business

Less than 1 year	1	Above 10 years	4	
1-4 years	2			
5-10 years	3			

3. Educational level

Certificate	1	Master Degree	4	
Diploma	2	PhD	5	
Degree	3	Other (Specify)		

4. Managerial Level

Operational	1		Middle	2		Тор	3	
-------------	---	--	--------	---	--	-----	---	--

5. Status: What is the firm's registration status?

Not registered	1	Partnership	4	
Private limited company	2	Sole proprietorship	5	
Public limited company	3	Other (Specify)		

6. Industry: Which industry is the business?

Retail	1	Construction	4	
Service	2	Mobile Money	5	
Manufacturing	3	Other (Specify)		

7. Size: Number of Employees

1-5	1		6-50	2		51-250	3	251 and above	4	
-----	---	--	------	---	--	--------	---	---------------	---	--

Part B- Tax Administration:

Likert Scale: 5. Strongly Agree 4. Agree 3. Neither Agree nor Disagree 2. Disagree 1. Strongly Disagree

	Taxpayer Education	1	2	3	4	5
8.	I always attend taxpayer seminar/ workshop organized by URA					
9.	I regularly attend tax clinics organized by URA.					
10.	I regularly listen to the radio talk shows programmes of URA.					
11.	I regularly visit taxpayer education portal of Uganda Revenue Authority					
12.	I have ever received practical handbooks, and guides from URA to assist me in preparing my own tax returns					
13.	There are routine tax education programmes run by URA					

Likert Scale: 5. Strongly Agree 4. Agree 3. Neither Agree nor Disagree 2. Disagree 1. Strongly Disagree

	Tax Registration	1	2	3	4	5
20	I got registered with the online registration of taxpayer					
	introduced by URA by myself					
21	Somebody else did for me my online registration of taxpayer					
	introduced by URA					
22	The online registration of taxpayer introduced by URA is					
	simple and user friendly.					
23	I always update my information online with ease and					
	simplicity.					
24	I always share information with URA online					
25	I always file my returns online					
26	I do almost all my tax transaction online					

PART C-TAX AUDIT

	Tax Audit	1	2	3	4	5
28	My Business was audited by URA Tax Auditors in the last					
	financial year					
28	I always keep proper records of all my business Transactions					
29	I always share all my accounting records with URA officials					
30	I have ever received audit manual from URA					
31	The audit manual explains the type of Audit and					
	circumstances in which audits are to be carried out					
32	My business use accounting documents like Vouchers,					
	payment receipts and invoices					
33	My business is regularly audited by URA auditors					

Part D- TAX MORALE

Likert Scale: 5. Strongly Agree 4. Agree 3. Neither Agree nor Disagree 2. Disagree 1. Strongly Disagree

	TAX MORALE	1	2	3	4	5
27	As a citizen it is my duty to pay tax					
28	I feel it is my responsibility to pay taxes so that the government can provide public goods and services					
29	Because of the fair tax system I find it prudent to pay taxes					
30	Because I trust the government in the way it uses our taxes I find it worthwhile paying taxes					
31	Because of the knowledge I have about our tax system I find it is important to pay taxes					

Part D- TAX COMPLIANCE

Likert Scale: 5. Strongly Agree 4. Agree 3. Neither Agree nor Disagree 2. Disagree 1. Strongly Disagree

		1	2	3	4	5
32	I always file my returns in time					
33	I always pay tax on time without intervention of tax officials					
34	I always disclose all my income for tax purposes					
35	I always follow tax rules and regulations governing SMEs operations.					
36	I feel paying tax is burden on us as taxpayers					
37	I feel it is wrong if I do not report all my income in order to pay less income taxes					
38	If in doubt about whether or not to report a certain source of income, I would not report it					
39	There is nothing bad about under-reporting taxable income on one's tax return					
40	Taxes are so heavy that sometimes it is justifiable to cheat on taxes.					

Thank you very much for your time

APPENDIX II: INTERVIEW GUIDE

I would like to ask you some questions about matters related to tax Administration, Tax compliance and Tax morale by Small and Medium Enterprises (SMEs) in Lira Municipality. The response will be used for an academic research and I request you to be open and honest in your answers.

Qn: I am grateful for meeting you, may I please know your name..... **Qn** : If you were to rate, what is the level of tax compliance by Small and Medium Enterprises operating in Lira Municipality..... **Qn:** If the level of tax compliance is low why do you think it is so?..... **Qn:** what programmes have you put in place to ensure that taxpayers within the municipality comply with their tax obligations..... **Qn**: in your own opinion do you think tax payers have the morale of paying taxes Yes No if No why do you think they don't have the morale? _____ **Qn:** As an official concerned with tax matters do you normally carry Audits of taxpayers **(i)** Yes No if yes how often **On:** You have been auditing SMEs of Lira Municipality how do you rate your level of audit?... **Qn:** Are tax payers willing to be registered for purposes of taxation Yes No If yes how is registration done?..... Finally is there anything you feel we have not talked about or any other thing you can add

APPENDIX III: INTRODUCTORY LETTER FROM THE DEAN GRADUATE SCHOOL



To Whom It May Concern

RE: LETTER OF INTRODUCTION

Dear Sir/Madam.

DOME	DA REVENU	DEPAR	TMEN
11020	2 4 OCT	2018	-
	GUI	top	>

Cong Nelson Registration Number This is to introduce Mr. 16/U/13316/GMBA/PE who is a student of Kyambogo University pursuing a Masters Degree.

He intends to carry out research on "Tax Administration, Morale and Compliance in Small and Medium Enterprises of Lira Municipality in Uganda" as partial fulfillment of the requirements for the award of the Masters in Business Administration.

We therefore kindly request you to grant him permission to carry out this study in your institution.

Any assistance accorded to him will be highly appreciated.

Yours sincerely,

KYAMBOGO UNIVERSITY 1,00 Assoc. Prof. Muhamud N. Wambede OF DEAN, GRADUATE SCHOOL GRADUATE SCHOOL

UGANDA REVENUE AUTHORITY DOMESTIC TAXES DEPT. LIRA	
2 6 OCT 2013	
FIELD DELIVERY	

APPENDIX IV: INTRODUCTORY LETTER FROM LIRA MUNICIPAL COUNCIL



OFFICE OF THE TOWN CLERK LIRA MUNICIPAL COUNCIL



Plot No. 5-6, Boma Circus, P.O. Box 199, Lira. Tel: 0772658215. E-mail: liramunicipalcouncil@gmail.com

Ref: CR/156/3

Date: 22nd October, 2018

TO WHOM IT MAY CONCERN

RE: CONG NELSON REG. NO. 16/U/13316/GMBA/PE.

This serves to introduce to you the above named person who is a student of Kyambogo University pursuing a Master Degree in Business Administration He intends to do his research within Lira Municipality and his topic is "Tax Administration, Morale and Compliance in Small and Medium Enterprises of Lira Municipality in Uganda". A case study of Lira Municipal Council. The study is scheduled to take two weeks i.e. from 22nd October to 7th November, 2018.

Please accord him the necessary assistance.

FOR TOWN CLERK LIRA MUNICIPAL COUNCIL Ogweng Patrick FOR TOWN CLERK, LIRA

- CC: The Human Resource Officer, LMC
- CC: CONG NELSON (Student)

APPENDIX V: LIST OF SMEs IN LIRA MUNICIPALITY

- 1. Acanadiro transporters Ltd
- 2. Africa Trade Group Ltd P.O. Box 267, Moses Road Lira
- 3. Alpharma Care Ltd. Aputi Road, Lira
- 4. Amen Book Shop- Olwol Road
- 5. Arman Pharmacy (U) Ltd. Main Street, Lira,
- 6. Art Beads Limited Plot No.9a, Shop No.2&3, Ogwangujji Road, Lira
- 7. AT Agrosokoni (U) Ltd Lira Branch Bala Road
- 8. Atin Paco Bus Company
- 9, Aweki Investments Ltd
- 10. Ayela pe Investments- Aroma Road
- 11. Baby Coach Services
- 12. Bagowe General Enterprises Ltd Cuk atat Road
- 13. Beeline Foods Ltd Plot 2A Muruzi Road,
- 14. Bengoa Millers Odokomit,
- 15. Black N Rhino Marketing Agency Plot 13a, Ayer Road, Opposite Mayors Garden
- 16. Boslung Hotel
- 17. BP Hotel Kitgum Road Lira Municipality
- 18. BTL Advertising Ltd Plot 30 Kwania Road, P.O Box 7320 Kampala, Uganda
- 19. C&O Enterprises Ltd P.O Box 178 Lira
- 20. Centenary Rural Development Bank Ltd Lira Branch Plot21 Lira Avenue
- 21. Comfort Bus Services
- 22. Concept Media Teso-bar, Adyel Division, Lira Municipality, Lira District
- 23. Daysinn Hotel Ltd
- 24. Delmaw Enterprises Ltd. 53/54 Go Down Road, Lira
- 25. DFCU Leasing Lira Branch Kwania Road
- 26. Don co. LTD Soroti Road
- 27. Elite Class travelers Ltd
- 28. Equatorial Store Lira Avenue (Main Street) P.O. Box 337 Lira
- 29. Feliesta Pharmacy Plot36 Lira Avenue, P.O. Box 263 Lira
- 30. Felister Bus Co.
- 31. Florence Pharmacy- Teso Bar Adyel Division
- 32. Gagga Bus Services
- 33. Garden inn Hotel- Lira
- 34. Gateway Bus services
- 35. Gia-Net Ltd First Floor, Amulam Complex, Oyam Road, Lira,
- 36. Gillian Hotel
- 37. Global Link Investments and Construction Co. Ltd Plot 13 Maruzi Road,
- 38. Good Luck Bus Services
- 39. Grace Ogwang Apala Produce- Aroma Avenue Lira Municipality
- 40. Gracious Palace Hotel
- 41. Gunya Co Ltd Plot 4 Aroma Lane, Uganda
- 42. Gurunanak oil Mill- Railways Division
- 43. Home of Shoes Investments LTD Obote Avenue
- 44. Hotel Good News
- 45. Lillian Towers Hotel



- 46. Lira Agro Chemicals- Obangakene Road
- 47. Lira Hotel
- 48. Lira Medical Center
- 49. Lira Motor Garage Aroma Lane
- 50. Megum Technical Services Aputi Road Lira Municipality
- 51. MT oil LTD
- 52. Rhino Oil LTD- Soroti Road
- 53. Mukwano Group of Companies
- 54. New Uganda Securiko Ltd. (Lira) Cathedral Road P.O. Box 460 Lira
- 55. New Lira Super Market- Olwol Road
- 56. Next Clinic & Laboratory Services Plot44 Lira Avenue, P.O. Box 281
- 57. Ngomson Investments Ltd Olwol Road
- 58. Nimaro Enterprises Plot15 Market Street, P.O. Box 452
- 59. Northern Uganda Oil Millers Association Plot12 Olwol Road
- Nylon Shop Plot 14B Lira Avenue Odyek Ejang Building, Ojwina Division, Lira Municipality
- 61. Olet Elyak Ltd. Maruzi Road, 173, Lira
- 62. Omolo Drive Construction Co. Plot19 Ogwal Ajungu Road, P.O. Box 287
- 63. One Stop Super Market Bala Road
- 64. Otada Transporters Ltd
- 65. Palm Gardens Hotel- Juba Road Ojwina Division
- 66. Pari Super Market- Obote Avenue
- 67. Patom Construction Co. Aduku Road, P.O. Box 526,
- 68. Peace & Mercy General Merchandise Plot 2, Market Street, P.O. Box 680, Lira
- 69. Pioneer Enterprises Ltd- Kotido Road Lira Municipality
- 70. Point Tech Media -Aduku Road
- 71. Progressive Building & Civil engineering Contractors Ltd. 17/18 Bala Road, 689,Lira,
- 72. Radio Lira FM 95.3 Kwania Road
- 73. Radio Rhino 96.1 Plot 44,Lira Avenue
- 74. Radio Unity 97.7 Juba Road
- 75. Radio Voice of Lango 88.0 Obote Avenue
- 76. Radio WA FM 89.8 P.O Box, 99, Lira, Lira Cathedral Ordination Ground
- 77. Willobo Enterprises Ltd.- Obote Avenue
- 78. Rato Enterprises Ltd P.O Box 213 Lira
- 79. Rhino Medicine (U) Ltd. Plot6 Aputi Road P.O. Box 483,Lira
- 80. Rock Bus Company
- 81. Sai Agribusiness Co. Ltd Plot7 Kwania Road
- 82. Santa Solo Hotels Juba Road
- 83. Sarapoba Hotel Teso Bar Adyel Division
- 84. Shajapa Co. Ltd- Obote Avenue
- 85. Shell Uganda LTD Kwania Road
- 86. Sigiria & Brothers Ltd Plot 13/15, Uganda
- 87. Stanbic Bank (Lira Branch) P.O. Box 211Lira
- 88. SunMoyo Co Ltd- Noteber Road Main Market Building

FOR TOWN CLERK LIRA MUNICIPAL COUNCIL P. O. BOX 199 LIRA (U

89. Supercare Ltd. - Pharmacy Lira Bus Park, Lira

- 90. Terzina Investments Ltd P.O Box 179 Lira
- 91. Total Lira Service Station Plot 2 to 6 Juba Road, Lira
- 92. Town View Hotel Bala Road Avenue, P.O. Box 201 Lira
- 93. Trust Refrigeration Ltd Olwol Rd
- 94. United Assurance Co. Ltd. (Lira) Plot18 Olwol Road
- 95. UPET Lira Service Station Plot 15 Kwania Road, Uganda
- 96. Upland Enterprises and Construction Ltd.-Kwana Road, 603,Lira,
- 97. View Port Multimedia- Obote Avenue
- 98. White House Hotel
- 99. Will read Hotel Plot 8/10 Erute Road
- 100. YY Coaches

FOR TOWN CLERK 136 23 OCT 2018 P. O. BOX 189 LIRA (U)