

**TAX PAYERS' KNOWLEDGE AND TAX COMPLIANCE AMONG SME's IN
NAKAWA DIVISION IN KAMPALA UGANDA**

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**A DISSERTATION SUBMITTED TO GRADUATE SCHOOL IN PARTIAL
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DECLARATION

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

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APPROVAL

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

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DEDICATION

This work is dedicated to my parents and friends who were there for me to this level.

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During the period while this research Report was being prepared a number of people contributed in one way or the other. However, the guidance, protection and mercies of the Lord God Almighty stand out distinctively. I also owe a great debt to my supervisor(s) Dr. 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 my profound gratitude to my colleagues' students with whom we have been in the same class for the brilliant ideas shared which enabled me to produce this work.

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God bless us all.

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LIST OF ABBREVIATIONS

DFID	: Department for International Development
DTD	: Domestic Taxes Department
EAC	: East African Community
GDP	: Gross Domestic Product
IFF	: Illicit financial flows
IMF	: International Monetary Fund
IT	: Information Technology
ITA	: Income Tax Act
ITAS	: Integrated Tax Administration System
LGFC	: Local Government Finance Commission
MDGs	: Millennium Development Goals
MNC	: Multinational corporations
MoFPED	: Ministry of Finance Planning and Economic Development
PCA	: Public and Corporate Affairs
SAS	: Self Assessment System
SME	: Small and Medium Enterprises
SPSS	: Statistical Packages for Social scientists
TAM	: Technological Acceptance Model
TIN	: Tax Identification Number
TRA	: Theory of Reasoned Action
URA	: Uganda Revenue Authority
VAT	: Value Added Tax

ABSTRACT

The purpose of the study was to examine the effect of the tax payers' knowledge on tax compliance and the objectives included establishing relationship between tax information and tax compliance; examining the effect of electronic tax filing on tax compliance and examining the relationship between self-assessment and tax compliance.

This study covered tax payers and Uganda revenue authority officials working in Kampala district particularly in Nakawa division. Covering compliance levels, administrative issues, challenges and tax payers' information of tax payers among the SMES. The time considered was a period of one year of 2018 as a basis of assessment of tax compliance taking a period of six months commencing April 2018 and ending early October 2018.

Related literature was reviewed according to the objectives. The methodology involved qualitative and quantitative data used. Sampling method used was probability sampling technique especially simple random sampling and purposive sampling. Both primary and secondary data was gathered using questionnaires and interviews and data analyzed using SPSS.

It can be concluded that once the tax payers have the relevant tax information, then they will comply to pay taxes. It was also that allowing payers to assess themselves gives them the satisfaction to easily pay on assumption that they have not been cheated hence an increase in tax compliance. Likewise using the electronic tax filing reduces the time that would otherwise be spent in movement going to tax authorities and bodies for tax concerns. It also reduces costs on both sides of the tax payers and tax authority. The researcher recommended that URA should continue to train people on relevance of paying taxes as well as providing all needed information to the payers easily as and when needed. URA should also work upon its system to increase its system speed at which it serves its customer to handle a large amount of traffic at any one given time.

CHAPTER ONE

INTRODUCTION

1.0. Introduction

When people understand the basic knowledge about tax and tax policies, it becomes easier to comply and pay the taxes. This chapter therefore presents the background to the knowledge status and compliance to tax payments; gives a statement of the problem; purpose of the study, specific objectives, scope of the study, significance of the study, the operational definitions of the study and the conceptual framework.

1.1. Background of the study

The background gives a brief highlight of the topic at hand. It is here that a historical perspective is given, a conceptual, and contextual background to the study is brought out. These are further explained below.

1.1.1. Historical perspective

Tax compliance issues are as old as mankind with its historical setup from the biblical scriptures through empires, kingdoms and present state authorities in which all these bodies achieve their development plans with taxation. Therefore, Tax compliance is a global concern because it ensures high government revenue collection. Due to tax compliance problems like tax evasion and tax avoidance, many tax reforms have been carried out to ensure tax compliance which include tax penalties for non compliance, anti avoidance act and anti tax shopping rules to ensure smooth tax compliance (James and Alley 2004:29).

In November 1961, the income tax for Ugandans was introduced but would take effect the following year. The law, however, was questioned on how the numbers of the potential taxpayers would be determined. According to (Garner, 1962) it was difficult to determine tax payable by government servants and other employees as there were no figures to work on. This made the tax authorities not to assess the taxes to be paid but they would pay soon and probably most African companies were different from this.

In 1990s, Uganda undertook extensive reforms in its tax system as part of the broader Structural Adjustment Programmes (SAPs) spearheaded by the International Monetary Fund (IMF) and the World Bank and other development partners aimed at encouraging economic growth. The reforms involved a complete overhaul of tax legislation and the system of tax administration. The reforms in tax administration were proposed and supported by the Department for International Development (DFID) and its partners (Moore, 2013:8). There were various considerations for tax reform and these reflected the concerns of the stakeholders.

In 1991, an independent revenue authority (Uganda Revenue Authority (URA)) was created to improve tax compliance. A new Income Tax Act was passed in 1997 (hereinafter ITA 1997) to consolidate the tax legislation and assist in administration. The tax system was rationalized by lowering the tax rates and dramatically reducing the scale of exemptions through the repeal of a number of sections in the Investment Code Act of 1991. One important aspect of the new legislation was the removal of the Minister of Finance's discretionary powers to grant tax holidays and other tax advantages under the

Investment Code Act 1991. Instead, a system of allowances and deductions was created to operate across the board.

The newly created URA was set a target of increasing the tax to Gross Domestic Product (GDP) ratio by a percentage point annually (Reinikka and Chen, 1999:2). Indeed this was achieved for a number of years but it has stagnated since 2004. This was against the background of an expanded economy. The economic base had, in the 1990s, shifted from largely subsistence agriculture to a mixture of commercial agriculture, industry and services Bagala, (2018).

Most taxpayers in Uganda are not information able about the taxation regime and taxes levied in Uganda. Further, most taxpayers do not have an adequate understanding of the functions and mandates of institutions responsible for taxation in Uganda. There is confusion between the URA taxes and LGs taxes. Most taxpayers complained of double taxation in that they pay taxes to URA and also LG taxes and levies. This is partly due to the fact that most citizens do not understand what kind of taxes they are supposed to pay and to which institutions. This was emphasized by a Civil Society respondent who noted that “generally citizens don’t differentiate between URA and LG taxes. (Oladippupo & Obazee, 2016).

1.2. Conceptual background

Tax compliance is the ability and willingness of taxpayers to comply with tax laws, declare the correct incomes in each year and pay the right amount *of taxes on time*. (Oladippupo & Obazee, 2016).

Across the world and more so in developed countries like America, Russia, Italy, China, France, Japan, United Kingdom, Spain, Brazil and Germany have never complied at one hundred percent to their respective tax authorities and tax evasion was estimated at five percent with the above ten mentioned developed country. (Murphy, Tax justice network, 2011).

In 2015, a 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 thirty billion Dollars to sixty billion dollars 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). In many African countries, however, tax compliance is low something that leaves states with major holes in their budgetary pockets (Isbell, 2017).

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).

It should be remembered that tax compliance is the degree to which the tax payer obeys or fails to agree with the tax rules of his country, for example by declaring income, and paying the tax due in a timely manner. Tax compliance means making tax payments,

producing and submitting information concerned on tax to the tax authorities on time and in the required formats (ACT Wiki, 2014).

According to (Jones, 2009) tax compliance is the timely filling and reporting of required tax information, the correct self-assessment of taxes owed and timely payment of taxes without enforcement action. From this definition, there are dimensions of tax compliance which are: timely reporting, timely payment and accurate returns.

Taxation, as Uganda's main source of revenue is now moving from the taxing of commodities to a proposal to tax social media (Bagala, 2018). In the wake of outbursts about taxing social media users, Uganda Revenue authority, the country's tax body is now directing commercial banks to avail it with personal data of their clients a move that will definitely receive a lot of resistance. The move could be good but the resultant effect is what might remain questionable now takes us on a journey of the country's tax regime and how it has played out (Bagala, 2018).

Tax avoidance is common in Uganda as it is a practice of seeking to minimize the tax one pays by arranging affairs in a way that is technically legal. Tax avoidance is mainly common with multinational corporations (MNCs) that use transfer pricing and tax havens to avoid paying all taxes. A global financial report released in 2013 revealed that Uganda loses an average of US\$509m in illicit outflows per year. One of the vehicles used to effect capital flight by MNCs is establishing branches in low-tax jurisdictions and then manipulatively arrange their profit determination and tax affairs in such a way that profits arise from and are taxed in the low-tax country (SEATINI Uganda, TJNA & Oxfam

Novib, 2012). The Uganda Financial Intelligence Authority is mandated with tackling illicit financial flows (IFFs) in Uganda; however, it faces challenges in fulfilling its mandate (Copley, 2016).

Taxpayers' knowledge is measured in terms of the levels of tax education by the tax payers, technical tax skills and self-assessment and is dependent on the payments made by registered and active taxpayers. This is achieved by the presence and proper functioning of electronic tax payments such as the electronic cash registers and the tax portal system that are used by taxpayers to make payments of their tax obligations through the internet. The organization realizes preset objectives of efficient and effective operations, collection of accurate, reliable and informative financial reports that comply with relevant legal and regulatory requirements (Ali, 2017).

Ali, (2017) further noted that the problem of tax non compliance is widely acknowledged as a massive phenomenon in many developing countries and least developing countries as Yemen and Somalia are reported to have been with rate of tax evasion during the last few decades.

1.1.3. Contextual perspective

Nakawa Division is one of the five administrative divisions of the city of Kampala, the capital and largest city of Uganda. The division is comprised of different wards such as Bugoloobi, Bukoto, Butabika, Kiswa, Kiwantule, Kyambogo, Kyanja, Luzira, Mbuya, Muntungo, Nabisunsa, Banda, Naguru, Nakawa and Ntinda. Nakawa division has many

tax payers including Industries, Supermarkets, Vehicle showrooms, Retail shops, Petrol stations, Companies, consultancies and many others.

There is positive correlation between the tax payers' knowledge and tax compliance of tax payers in Nakawa Division. It is a statutory obligation for businesses to pay taxes especially those that qualify by having tax identification number (TIN) and make monthly returns.

In Nakawa Division, tax payers resistance, underutilization and reluctance to use electronic tax payment system remains a great concern and still plague various tax agencies which are embracing E-tax payment system. Therefore the understanding and influencing taxpayers' acceptance of electronic tax payment system critical given the investments which have been made in technology and the potential for cost saving. Despite the need to increase tax revenue by URA by introducing E-tax payment system, URA is still challenged by low tax compliance by taxpayers as most business owners have poor perception towards online tax payment and tax returns. It is on this background that the study will examine the contribution of having electronic tax payment system on tax compliance by taxpayers in Nakawa Division.

1.2. Statement of the Problem

All eligible taxable persons with taxable incomes are required to comply with tax authorities voluntarily (ITA 1997). Tax payers in Uganda always seek tax loopholes with the tax system through tax avoidance and tax evasion which are threats to tax compliance and this has made the country to have a mere 14% Growth Domestic Product (GDP) in Uganda compared to 20% in the sub-Saharan Africa (Muhakanizi, 2017).

Government has introduced many tax reforms which include tax penalties for non-compliance, anti-avoidance act and anti-tax shopping rules to ensure smooth tax compliance (James and Alley 2004:29) and significantly educate payers with the aim of imparting tax knowledge to the tax payers so that they can have tax information, skills in computing and filling accurate tax returns and as well as sensitizing the communities about the relevance and importance of tax compliance.

Despite the reforms to improve tax payments and collection, tax compliance levels remain low and tax collections are below expectations with cases of understating sales, late filing of tax returns, understating of tax liabilities, poor keeping of books of accounts, late tax payment, forging of certificates of origin and invoices of imported goods worsening the situation (Financial Report, 2017).

Persistent low levels of tax compliance can cause the government's failure to realize the required targets for financing the national budget. Unless this is addressed, it may lead to a national crisis.

It is against this background that that the researcher wanted to examines the effect of tax payers' information on tax compliance in Uganda.

1.3. Purpose of the study

The purpose of the study was to examine the effect of the tax payers' knowledge on tax compliance among the SME'S in Nakawa Division.

1.4. Objectives of the study

- i. To establish relationship between tax information and tax compliance among the SMES in Nakawa Division.
- ii. To examine the effect of electronic tax filing on tax complaince among the SME'S in Nakawa Division.
- iii. To examine the relationship between self assessment and tax compliance among the SME'S in Nakawa Division.

1.5. Research Questions

- i. What is the relationship between tax information and tax compliance among the SME'S in Nakawa Division.
- ii. What is the effect of electronic tax filing on tax complaince among the SME'S in Nakawa Division.
- iii. What is the relationship between self assessment and tax compliance among the SME'S in Nakawa Division.

1.6. Scope of the study

This covered the area of study, the content and the time frame

1.6.1 Geographical Scope

The study covered tax payers and Uganda revenue authority officials working in Kampala district particularly in Nakawa division.

1.6.2 Content

The research considered tax compliance elements, tax payers' information, Electronic tax fillings and self-assessment issues of tax payers among the SMES in Nakawa Division.

1.6.3 Time Scope

The study covered a period of one year of 2018 as a basis of assessment of tax compliance among SME's in Nakawa Division Kampala district and it was expected to take a period of six months commencing April,2018 and ending early October,2018. This is in line with the Academic period of the course which runs for two years and ends in August, 2018.

1.7. Significance

The study will generate information for tax policy makers, administrators and revenue collectors as it provides information on tax laws and rules and its adoption.

The study will increase on the existing literature on tax payers' information in Uganda where little research has been done, hence creating more information and information to the future researchers and academicians.

The study will bring to light details of the manual tax administration system as well as those of the tax payers' information giving the merits and demerits of different tax systems. As such, taxpayers will benefit from this study because it gives details of why

the revenue authority opted for modern technology to administer taxes and not the manual system hence grasp it wholeheartedly.

The Uganda Revenue Authority will benefit from the study, as details of why it opted for modern technology to administer taxes have been brought to light for the taxpayers causing the taxpayers to cooperate more hence comply with the authorities requirements.

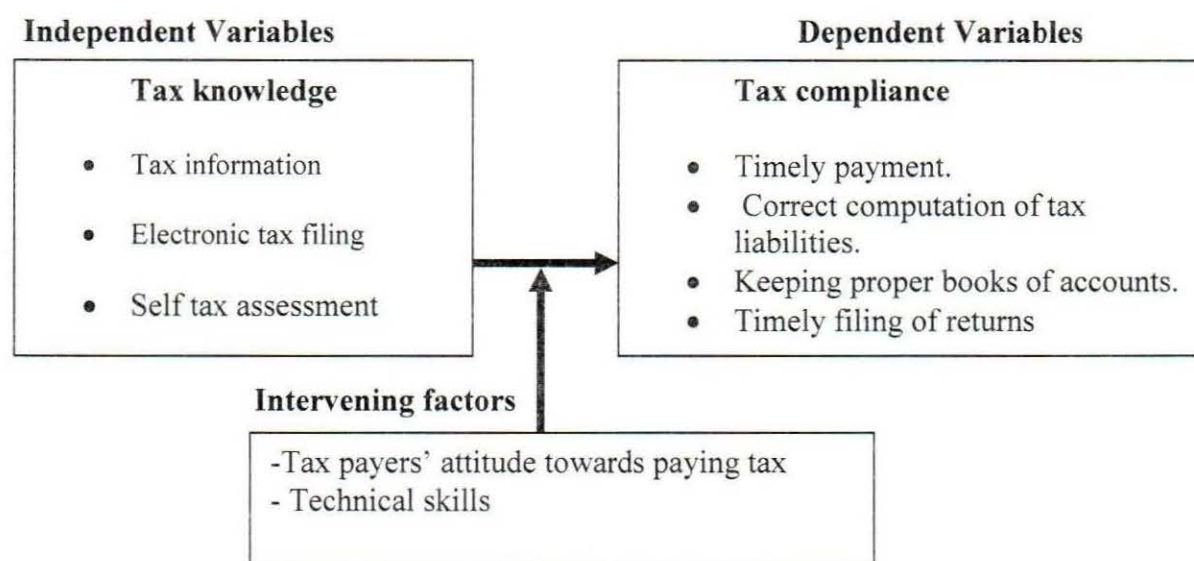
The Government of Uganda at large will benefit from this study, as more taxpayers will be drawn to complying with the new system of tax administration, hence more taxes be collected at a lower cost. Students of taxation will benefit from the study by having more information about the current process involved in tax filing and administration in comparison with the manual process.

1.8. Conceptual Framework

This refers to a collection and model of interrelated concepts that provide a fruitful language and orientation in which to frame substantive research problem (Capman 2005)

The conceptual framework explains the subject area in terms of independent and dependent variables as follows:

Fig 1. Conceptual framework on tax information and tax compliance



Source: (Jones, 2009) and moderated by researcher 2018.

The frame work in figure 1 shows that taxpayers' knowledge affects tax compliance either positively or negatively. This means that when tax payers' knowledge is high, then tax compliance will be high. However, compliance is also affected by Tax payers' attitude towards paying tax. Sometimes when a payer feels that there is no expected equal or relative return, he/she may deliberately decline to comply as expected despite having all the relevant information, self-assessment and tax filing abilities.

Operational definitions of terms

Tax knowledge: is the level of awareness or sensitivity of the taxpayers to tax legislation. According to Susanti (2007), tax knowledge can also be defined as taxpayers' level of understanding toward tax law and regulations. Level of taxpayers' knowledge is determined by knowledge in relation to issues of rebate, relief, tax returns and deduction from different taxpayer category of joint assessment, business and self-employed.

Tax information: Is the level of awareness or sensitivity of the taxpayers to tax legislation.

Tax compliance: Is the degree to which the tax payer meets the tax obligation as set out in the appropriate legal and regulatory provisions.

Online tax filing: is a system for submitting tax documents to URA electronically, often without the need to submit any paper documents.

CHAPTER TWO:

REVIEW OF LITERATURE

2.0. Introduction

This chapter critically presents the review of the existing literature related to tax payers' knowledge and tax compliance and it explains the different objectives basing on the existing literature, to establish the level of Tax Compliance among Ugandan Tax payers and to establish whether tax information, information and assessment has increased tax compliance.

2.1. Theory of Technological Acceptance Model (TAM).

The theoretical framework is going to be based on the Theory of Technological Acceptance Model (TAM). The theory of TAM was formulated in 1989 as a derivative of the Theory of Reasoned Action (TRA) in an attempt to explain the user acceptance and adoption of new technology (Hussein et al., 2010). The key features of the TAM is the perceived ease of use and usefulness .The perceived usefulness is defined as the degree to which a person believes that a particular technology will enhance his performance (Azmi & Bee, 2011). On the other hand, the perceived ease of use is the degree to which the person believes that using a particular system will be free from of effort. The Behavioral Intent is the extent to which an individual intends to perform a specific behavior. The TAM theory argues that perceived usefulness and perceived ease of use influences the computer user's intention and actual usage of a new information system (Hussein et al., 2010). There are varied thoughts among the scholars on whether the perceived usefulness or the perceived ease of use is the primary determinant in the usage of a new information

system (Azmi & Bee, 2011). Azmi & Bee (2010) included perceived risk in their study. When this is applied to the taxation, the use of internet and online facilities are judged to the effect of their ease of work and simplification of tax processes and compliance.

2.2. Tax information and tax compliance

Tax knowledge refers to the processes, by which taxpayers become aware of tax legislation and other tax-related information.

According to Susanti (2007), tax information can be defined as taxpayers' level of information toward tax law and regulations. Level of taxpayers' information is determined by information in relation to issues of rebate, relief, tax returns and deduction from different taxpayer category of joint assessment, business and self-employed. The findings of Nzioki and Peter (2014) indicate that tax information and education has significant positive effect on tax compliance in Real Estate Sector. An increase of tax information level can lead to the increase of tax compliance level. They also suggested that improved awareness of taxpayers with regards to their tax obligations can be better improved through enhanced tax education services rather than just provide them simple guideline on filling tax returns. According to Alabede, Zainol Ariffin, and Idris (2011), tax information of taxpayer can be equipped and enhanced through education. However, the level of tax information must not necessarily happen simultaneously with the level of education. Just as in Fischer's model and other study, education level of taxpayer can only be one of the demographic factors which linked to tax information, moral reasoning, non-compliance opportunity and attitude but have no direct influence on tax compliance behavior.

Loo, Mckerchar and Hansford (2009) supported statements of Canada Revenue Authority (2009) as their findings reveal that gaining tax information has a significant impact on Malaysian's compliance level when the self-assessment system had introduced. They further indicate that the ability of taxpayers in complying tax by reporting taxable income, claim relief, rebates and compute tax liability correctly can be determined by the sufficiency of taxpayers' information toward tax policy. Mukasa (2011) agree that tax information has a significant positive relationship with tax compliance behavior. As the result from their research, higher tax information is expected to lead to higher compliance rates and lower tax information lead to lower tax compliance rate in adverse. The survey among small and medium registered taxpayers operating in Kampala central division found that low tax information is one of the significant factors which contributed to less compliance. This is because lack of information of tax law coupled with inadequacy of taxation books in layman terms to guide them which will contribute to unintentional tax non-compliance.

According to the findings of Mukhlis, Utomo and Soesetio (2015), there is a positive and significant relationship between tax education on tax information and tax compliance on Handicraft SMEs. Sectors in Indonesia support the above statement and note that there was a positive significant relationship between taxpayers' tax information and tax compliance. The taxpayers who are equipped with the sufficient tax information are able to access their tax liability correctly and file tax return forms on time. Taxpayer cannot be expected to submit complete, proper tax returns accurately unless they have sufficient information to understand the system.

However, Kasipillai, Aripin, and Amran (2013), oppose the argument on positive correlation between tax information and tax compliance as opposed by some of the studies. They found that there is a significant negative relationship between tax information and compliance behavior. They claim that the increasing information of tax such as audit process and tax regulations expose taxpayers the opportunity to evade tax. In other word, a taxpayer who has higher level of tax information is of well-know about the loophole in tax regulation and system, know the legal way to reduce or even avoid tax. From their research, they found that tax compliance would be higher for taxpayers who were less well educated and older.

Low levels of tax compliance in developing countries to a great extent- have been attributed to low levels of tax payer information. Azubike (2009) argues that lack of information and enlightenment for taxpayers is a major problem as they are not sufficiently educated and enlightened on the provisions of the various tax laws. Questions about tax compliance are as old as taxes themselves and will remain an area of discovery as long as taxes exist. There is almost no civilisation that did not tax. Six thousand years ago, tax history started with records on clay cones in Sumer, with the inscription, "There were the tax collectors" (Adams, 1993). "History has shown that there has always been a reluctance to pay tax. A major reason for this attitude is that the taxpayer does not always perceive that he receives any benefits from parting with his hard earned cash. Taxpayers feel that whatever is contributed by way of tax is mostly squandered away and the social responsibilities the government is expected to discharge get neglected.

In relation to the factors that affect tax compliance, tax fairness and tax information has an important role. In this case the tax information is strongly influenced by the education level of taxation that is perceived by the public. In his research Mukhlis et al (2013) concluded that basically the SME sector businesses can understand their tax obligations when there is the aspect of justice and tax benefit can be received in real terms by businesses in the SME sector in East Java. Therefore, the research results done by Mukasa (2011) gave the result that the tax information and perceived fairness of taxes have a causal relationship with tax compliance. Therefore, it is important to analyze the role of tax information as far as tax compliance is concerned.

2.3. Electronic tax filing system and tax compliance levels

A publication by the URA (e-Registration, 2010) introduces E-Tax as a name given to an Integrated Tax Administration System (ITAS) that provides online filing to the taxpayer on a 24 hour basis. The Stride Magazine (URA, 2009) reveals that the system was acquired by the Domestic Taxes Department (DTD) of the URA to modernize tax service and infrastructure, with the aim of reducing tax administrative and compliance costs, which is in concurrence with Tumuhimbise (2000) who recognizes low costs of compliance as an essential principle for tax administration.

Tax compliance refers to the willingness of people to comply with tax authorities by paying their taxes (Peter & Dijke, 2007). According to Alm (2011), the scope of tax compliance includes, reporting income and paying all taxes in accordance with the applicable laws, regulations, and court decision. Tax compliance typically means, true

reporting of the tax base, correct computation of the liability (accuracy), timely filing of the return, and timely payment of the amounts due (timeliness) (Franzoni, 2011).

Tax compliance is a global concern because it ensures high government revenue collection. In Uganda, URA has sought to increase tax compliance by application of sanctions such as armed monitoring, audits, and closure of non-compliant tax payers' businesses, penalties and suing of tax defaulters. The use of sanctions has increased collection of revenues and tax compliance ratio. Whereas there is an increase in the collection figures and compliance, tax compliance in Uganda is still below the global average of 20% and the sub Saharan average of 18% (URA, 2002/03-2006/07)

Electronic tax filing system, or e-filing, is a system for submitting tax documents to URA electronically, often without the need to submit any paper documents. Electronic tax filing systems are an e-government application that is being utilized with increasing frequency all over the world. Such systems are particularly favorable for governments because they avoid many of the mistakes taxpayers make in manual filings, and they help to prevent tax evasion by data matching (Manly et al, 2005). The data houses developed using electronic tax filings can allow tax inspectors to analyze declarations more thoroughly, and enable policy makers to develop fairer and more effective (Kun, et al, 2008).

Computerization of the tax collection process enables easy detection of defaulters, and also helps to reduce corruption by reducing personal interaction between tax officials and taxpayers that is necessitated by inefficient manual systems (Kayaga, 2007). With that view, URA introduced E-tax and these are elements that constitute E-tax service system.

The E-tax service system includes many components which enable tax payers to effectively use the system. These components are in most cases used by Business Enterprises. The major components of the E-tax service system include the following.

Online tax filing has been of high benefit to an economy using it as it increase revenue collection levels. Over the past years there has been an extraordinary rate of growth in social expenditure, with expenditures on programs growing from 17 % to 34 % of the Government's budget (LGFC) (Local Government Finance Commission, 2010). Therefore due to the desire to increase revenue collections URA decided to introduce E-tax service system.

E-tax filling and collection reduces the costs incurred during the collection of revenue. It does not require much of the officials of URA to collect revenue or even give assessment to the taxpayers everything is system generated. Therefore the costs that were once incurred in collecting revenue were reduced.

Uganda is believed to have the highest tax gap of about 50% because of the difference between the tax that the URA should collect from all eligible taxpayers in the country, and what they actually collect from the few that are compliant (Nakiwala, 2010). However according to Onyango (2011) the 2010/2011 financial year performance report released in November, Uganda Revenue Authority collected Ush2.8 trillion (\$1.13 billion) in domestic taxes against an annual target of Ush2.9 trillion \$1.17 billion. Therefore there is a reasonable increase in revenue collection with the adoption of E-tax service system.

Electronic tax filing system has eased payment process. The adoption of E-tax by URA enabled taxpayers to reduce the time spent on the long queues when making payments. E-tax services made the payment process smooth and manageable according to the taxpayers. Mugai (2012) says that the payment has been reduced from the two days that were once used for payment to ten minutes.

Costs involved in taxes have been cut down, by eliminating middlemen. This has been a success affecting URA and the tax payers. Previously taxpayers needed to employ a tax consultant to always advise them on the tax matter, but now with the E-tax system, costs have gone down as taxpayers can inquire on line for any information needed. Morden (2011) says that since the launch of E-tax last year, various clearing and forwarding agencies have been abolished, allowing the URA to gain savings, according to information from the Public and Corporate Affairs (PCA) Division of the URA.

URA has improved accessibility by establishing different branches in the different localities. This has made the taxpayers comfortable with filing on line especially when there is need to submit the hard copy to URA. Taxpayers, on the other hand, have also benefited under E-Tax services, through its efficiency (Modern, 2011).

URA has managed to a reasonable level, to sensitize the public about the introduction and the need for adoption of the E-tax service system. Tumuhimbise (2000) and Bhatia (2006) stresses the need for taxpayers to understand matters about taxation and taxes easily.

URA through publication of the literature to do with E-tax has successfully sensitized the public and the tax payers as a whole. Sensitization involves educating the taxpayers as a means of shaping their attitudes. It is necessary to convince taxpayers to comply so as to enable government do its duties (Baingana, 2011).

The computer applications were first introduced in banking institutions. They were mainly used by the tellers probably because they were handling big transactions. Computerization movements have evolved and have helped set the stage on which the computer industry expanded. In all these cases, computers were preferred to the old system of manual data processing. Similarly it has been observed that computer systems are powerful technologies that managers can effectively use to transform their organizations into a more efficient and competitive entities.

E Tax, being a web-based application can be accessed at anytime and anywhere at the taxpayers' convenience. Since the taxpayer does not have to be at URA office premises to file returns, it greatly reduces the level of bureaucracy and time wasting because of very long queues at offices and banks, which previously was synonymous with any matters to do with taxation. The Taxman (URA, 2010), reports that processes which used to take two days previously now can be done within 15 minutes. Because of its format and structure, procedures are clearly laid out on the web portal such that any transactions being done are performed with utmost transparency, which Satish & Clive (1996) believe to be necessary for effective tax administration.

The URA frequently assesses tax returns submitted by tax payers. These assessments are typically desk reviews of self declarations and supporting documents. The tax officer may accept the tax payers' declaration as it is or assesses an additional tax to be paid. The government of Uganda through Uganda Revenue Authority established in 1991 has been able to further strengthen tax administration through a series of institutional reforms (Mutebile, 2001). URA administers different types of taxes under different Laws (Acts) such as Income Tax, Value added tax, Customs duties and Excise tax among many others. Hence URA is supposed to ensure taxpayers comply with the respective tax law. It is necessary to mention Kaldor's statement (1980) that the efficiency of a tax system is not determined only by appropriate legal regulation but also by the efficiency and integrity of the tax administration. In many countries, especially in developing countries, small amounts of collected public revenue can be explained by either incapability of the tax administration in realization of its duty, or with some degree of corruption.

2.4. Relationship between self assessment and tax compliance

Self-assessment for tax purposes is not a new phenomenon. Canada and the United States first implemented self-assessment in the 1910s, followed by Japan in 1947 (Loo et al., 2005). In the last 30 years, however, the spread of self-assessment for income tax has been a common phenomenon Sri Lanka (1972), Pakistan (1979), Bangladesh (1981), Indonesia (1984), Australia (1986-87), Ireland (1988), New Zealand (1988) and the United Kingdom (UK) in 1996-97 (Noor et al., 2013).

Based on the declared missions and objectives of self assessment from various countries who have adopted the system to date, it seems that voluntary compliance, administrative

efficiency and improving fairness and equity are the key motivating factors for introduction of SAS. Loo (2006) also claims that, in general, the reasons for implementing SAS are to simplify the tax collection system and increase voluntary compliance. Therefore, in order to convert this system into a meaningful tax mechanism compared to the previous system (direct assessment), the principles of operation must be created and implemented so that the SAS can be operated efficiently.

The mechanisms of operation of a SAS are significantly different from the direct assessment system, whereby the administrative burden of tax is at least partly shifted to taxpayers. From the positive perspective, this should encourage taxpayers to become more responsible, honest and to up to date with current tax regulations by forcing them to engage more directly with their tax computations process. In contrast, some taxpayers may have a negative reaction by using the nature of SAS to manipulate their tax returns (decrease voluntary compliance) and/or employ tax agents (James, 1996; Hasseldine and Hansford, 2003) who in turn can affect their tax declaration levels either negatively (from a tax revenue perspective) e.g. by advising them of tax deductions (for example) they may otherwise not opt to take, or potentially positively by increasing the quality of returns that would otherwise be made in error.

To reduce the possibility of tax payers manipulating their tax returns, the tax authorities are likely to implement an enhanced investigation policy such as increasing tax audits and tax assessments, but these actions, if applied extensively, will in effect eventually turn the SAS back into the old direct assessment system. The more tax assessment required by the tax authorities, the less benefit results from moving to self-assessed for tax

return. Therefore, the tax authorities have to determine the appropriate operation of SAS and exercise the principles of SAS by ensuring the taxpayers' and tax authority's responsibilities are balanced, thereby minimising any tax assessment they have to perform so that SAS can genuinely reduce tax compliance costs and increase administrative efficiency as well as developing public voluntary compliance.

It can thus be concluded that the main objective of SAS is to encourage voluntary compliance and efficient tax administration and to make the tax system simpler and fairer. Principles are defined as the rules or theories that something is based on and these principles become the main underpinning regulations to accomplish the objectives of SAS (Mohamad Ali et. al., 2007). Based on the 'Canons of Taxation' introduced by Smith (1776), the central principles of taxation which relate to SAS are equity, certainty, convenience and efficiency (Lymer and Oats, 2008).

Certainty: Taxpayers need to be fully informed about when, where, and who should pay taxes and what amount of tax should be paid (the incidence of tax). Lymer and Oats (2008) again suggested that any financial transaction should be known in advance to achieve full certainty. In SAS, clear and certain rules should be disseminated to taxpayers sufficiently in order to minimise 'grey areas of the law' and misinterpretation. For example, in the UK the Human Management Resource Capital Code of Practice provides details about the information that taxpayers can expect in order to help to reduce uncertainties.

Convenience and efficiency: The tax administrators should not only focus on their convenience but must also consider taxpayers' convenience particularly in terms of tax regulations, filings, assessments, payments, administration and costs of administering the

tax system (Sandford, 1993). The taxpayers' costs associated with the operation of SAS are normally called 'compliance costs' (Pope and Abdul Jabbar, 2008). The SAS should provide a simple tax system and tax returns. These would facilitate taxpayers in understanding tax systems and encourage them to easily file tax returns correctly. This could be aided through continuous education programmes administered in various ways, for example through pamphlets and mass media.

Since tax can affect taxpayers' behaviour in many ways, the SAS also has to be very convenient from taxpayers' perspective (Lymer and Oats, 2008: 51) for example clear payment structures and appropriate forms of payment (e.g. including online BGC transfer).

Key issues in self assessment system

SAS has been widely practiced and the number of countries which adopt SAS is expected to grow over time. Each country has its own laws and regulations in implementing an SAS. Some countries practice the fiscal year basis while other countries may practice current year basis. In line with information technology developments, many countries (for example, the UK and Malaysia), have moved toward electronic filing which, from a tax administrators' perspective, is more user-friendly and, most importantly, could save costs (time and money - printing, paper, postage etc.) for all parties. It is noted that each country inevitably has its own issues and controversies upon implementing SAS. The following are some issues that should be addressed and continuously monitored in order to accomplish SAS objectives. In addition to these issues, there are also various tax compliance issues in SAS.

E Tax, being a web-based application can be accessed at anytime and anywhere at the taxpayers' convenience. Since the taxpayer does not have to be at URA office premises to file returns, it greatly reduces the level of bureaucracy and time wasting because of very long queues at offices and banks, which previously was synonymous with any matters to do with taxation. The Taxman (URA, 2010), reports that processes which used to take two days previously now can be done within 15 minutes. Because of its format and structure, procedures are clearly laid out on the web portal such that any transactions being done are performed with utmost transparency, which Satish & Clive (1996) believe to be necessary for effective tax administration.

With the E-Tax application, basically most transactions can be done at the taxpayers' desk, a move which greatly reduces compliance costs and improves enforcement. In regard to the tax structure, the E-Tax application applies mainly to domestic taxes and non-tax revenues like motor vehicle registration, licensing services but currently does not apply to customs and excise taxes. This leaves a gap and creates a loophole for loss of revenue, much as the URA has achieved an improvement in domestic tax collections with the introduction of E-Tax (URA, 2010). Assessment process under the E-Tax is automatic, but depends on the information availed by the taxpayer. If the taxpayer gives wrong information then the system in turn gives a wrong assessment; this poses a challenge despite the fact that the law calls for penalties in case a taxpayer gives misleading information, as tax officials may still go ahead and collude with the taxpayers to give wrong or misleading information.

Tax administrations generally accept tax returns at face value (i.e. not subjected to technical scrutiny) at the time of filing, at which time the tax due is paid. Some simple checks may be performed; however, the focus is to ensure arithmetical accuracy and that the taxpayer has completed the appropriate items on the tax return form. Self-assessment systems require far less information and supporting documents from taxpayers when returns are filed. Business taxpayers must, however, keep records explaining all transactions relevant for tax purposes, including sales and expense invoices and receipts, wages records, cash register tapes, bank account statements, and details of debtors, creditors, trading stock and depreciable assets.

Generally, it is permissible for a taxpayer to issue and store records in either paper or electronic form. The role of the tax administration under self-assessment is first and foremost to assist the taxpayers to understand their rights and obligations under the law. Given that more responsibility is placed on taxpayers to correctly interpret the law, greater attention is given to educating and assisting taxpayers in understanding the law's requirements.

The tax administration also makes it easy and as least costly as possible for taxpayers to meet their obligations. Self-assessment demands that tax administrations adopt a service-oriented attitude towards taxpayers. The emphasis under a self-assessment system shifts the verification process from pre- to a post-filing basis. The tax administration relies more on post-filing controls such as risk-based audits, collection enforcement measures, and prosecution of tax evaders. Tax administrations operating self-assessment systems adopt targeted verification approaches, (e.g., through information sharing, data matching, and risk-based desk and field audits) to verify the information contained in tax returns. In

this way, the tax administration's limited resources are directed toward addressing the most significant threats to the tax system, while, in principle, leaving compliant taxpayers free to conduct their business without unnecessary intervention by tax officials. Internationally, there has been a steady movement towards self-assessment and away from administrative assessment practices.

2.5. Other factors

Technical skills,: Technical tax compliance, suggests confirmation to the tax laws, rules and regulations imposed by the tax authorities of the country and adopts the correct accounting treatment and principles to match the taxation procedure. From the administrative tax compliance point of view, it is evident that this category more closely related to managing the issues of tax education. (Kasipillai, J., & Jabbar, H. A. (2003).

Tax payers attitude: when ever a tax payer fulfils his obligation, he/she may not expect direct benefits or equivalent returns. However, Ione would be happy when some services are done better for the community out of the taxes collected for example the road infrastructure, power, health, education all well catered for.

According to Loo, Evans and McKerchar (2012), factors affecting tax compliance can be viewed from two different aspects, namely economic deterrence factors and socio-psychological factors. Economic deterrence factors utilise sanctions and enforcements, including penalties and regular tax audits in their approach, whilst socio-psychological aspects will look into areas, such as tax knowledge, tax complexity, taxpayers' attitude, ethics, compliance costs and demographic variables including age, gender, ethnicity and

occupations. Lisi (2015) and Shafiq (2015) support Loo, Evans and McKerchar (2012) motion on socio-psychological factors by suggesting that moral and ethical factors are more dominant factors that contribute to tax compliance attitude among taxpayers. In spite of the economic deterrence and socio-psychological factors, the opportunities are also seen as a factor that can influence tax compliance behaviour and there is evidence that greater opportunities for Malaysian taxpayers to evade tax. There is where the important role of the tax education comes, which sets the mindset of the taxpayers to be rational and realise the consequences of non-compliance.

2.6. Summary

Various authors and scholars have done much work upon self assessment, tax information, electronic tax filing and their relationship to the level of compliance in paying taxes but still tax payers remain uncompliant. Solutions to improve tax collection and increase the compliance by the tax payers have devised by tax authorities, various authors, and scholars but have not yielded much fruit indicating that there is a knowledge gap to be bridged.

This explains why Tax payers in Uganda have often had loopholes with the tax system through tax avoidance and tax evasion which are threats to tax compliance and this has made the country to have a mere 14% Growth Domestic Product (GDP) in Uganda compared to 20% in the sub-Saharan Africa (Muhakanizi, 2017).

It is the purpose of this research that the literature gap be bridged to effectively provide solutions to perfect implementation of tax policies that can yield higher compliance and increase tax collection.

CHAPTER THREE

METHODOLOGY:

3.0. Introduction

This chapter shows a description of research design, study population, sampling design which includes the sampling method, sampling procedure and sample size, sources of data collection, data collection methods, data processing, analysis and presentation and the problems encountered.

3.1. Research Design

The researcher used both the qualitative and quantitative research designs. The study further employed the cross section design as this is where a large population is studied at one specific time (each sample is studied at once) and differences between individual groups within the population are compared. In order to determine the approach and strategy that was the best to meet the objectives and answer the questions researcher mainly will use, cross-section research since the research is to be carried out once in which both qualitative and quantitative techniques were utilized. Exploratory research design, since little is known about the phenomenon in question, explanatory research to explain the different E-tax filling systems and predictive research to enable the researcher predict the outcomes of the study.

3.2. Area of Study.

The research was carried out in Nakawa Division in Kampala District, The division is comprised of different wards such as Bugoloobi, Bukoto, Butabika, Kiswa, Kiwantule,

Kyambogo, Kyanja, Luzira, Mbuya, Muntungo Nabisunsa, Banda, Naguru, Ntinda and Nakawa.

3.3. Study Population

The study population comprised of a number of Small business enterprises for example Supermarkets, Retail shops, Companies, consultancies, as well as URA officials and employees in Nakawa Division.

3.4. Sample Size

A sample size of 97 respondents from different SMEs in Nakawa Division was considered depending on the type of business and area in which the respondents are.

Table 3.1: Showing areas used, Sample Size and Sampling procedure

Category chosen depending on location	Sample Size	Total chosen	Sampling procedure
Bugoloobi, Kiwatule, Mbuya, , and Nakawa	7	28	Simple Random Sampling
Bukoto, Kiswa, Banda Mutungo and Nagguru	6	30	Simple Random Sampling
Butabika, Kyanja, Luzira, Nabisunsa, kiwatule, Kyambogo, and Ntinda	5	35	Simple Random Sampling
URA Officials	4	4	Purposive sampling
TOTAL		97	

Source: primary data, (2018)

3.4.1 Sampling Method

Sampling method is defined as a method used in order to obtain the required sample from the study population; during the process of data collection, stratified probability sampling technique was employed by using the following formulae and determined

$P = F/N \times n$. Where; F= Number in the category

N = Total population.

P = Number of respondents in the category obtained from the group

n = Total number of the respondents

3.4.2 Sampling procedures

Sample selection was by probability sampling technique especially simple random sampling and purposive sampling. Simple random sampling was used because the study intended to select a representative without bias from the accessible population (Oso and Onen, 2005). This ensured that each member of the target population had an equal and independent chance of being included in the sample. This involved selection of people who took part in research. The following sampling procedures was used. Purposive sampling involved selecting a certain number of respondents based on the nature of the office. This method is believed to be appropriate because it enabled selection of informed persons who possessed vital data that was comprehensive enough to allow gaining a better insight into problem. In the study respondents were contacted in person, as the researcher wanted first-hand information from them and the study keenly inquired respondents' views on the subject under study. This required the researcher to sample with a purpose in the researcher's mind.

Random sampling method involved selecting respondents from the study population by chance. In this way every respondent had an equal chance of being included in the sample. This method was used to select respondents from Uganda Revenue Authority in Nakawa Division. This was used to avoid bias in obtaining samples. This was achieved by getting a list of employees from the manager and then a sampling interval established by random method to select the respondents consistently.

3.5. Source of Data

3.5.1 Primary Data

Primary data was collected by using questionnaires and interview guides in the field which was assumed to give first-hand information on the subject under study.

3.5.2 Secondary Source

Secondary data was got from sources like; Annual reports, Journal articles, internet, magazines, newspapers and text books related to the subject of the study and these were consulted at length to extract the information required to support the findings from the study respondents. The researcher visited various places to get information that is related to the study variables as presented in literatures review.

3.6. Instruments of data collection

The researcher used primary and secondary methods of collecting data. Primary data was obtained by the researcher through administering of questionnaire and interview guides. Secondary, data was collected from Annual reports, Journal articles, internet, magazines, newspapers and text books. The methods for data collection are guided by a questionnaire instrument and an interview guide as indicated below

3.6.1 Questionnaire:

An open and close ended questionnaire was constructed and this was self-administered where the researcher allowed the study respondents to fill the questionnaire in the study field. The questionnaire was divided into sections including Introduction; general information, and specific information.

3.6.2 Interview:

According to Schostak, (2006: 54) 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). Interviews with both structured and semi structured questions will be conducted with revenue officials from URA and various businesses within Nakawa Division to ascertain the interventions put in place to enhance compliance, among SME taxpayers in Nakawa.

3.6.3. Content validity

In order to collect reliable and valid data, the researcher ensured that credible instruments are used. Credible research instruments are required to be reliable and valid. Instruments were pretested to ensure their validity and reliability. Pretesting was also done to identify any ambiguities, misunderstanding or inadequacies (Amin, 2005).

Validity

With regard to face validity, the words that were used in the instruments were simple, clear and related to the research problem. In regard to content validity, the supervisors evaluated the instruments by ticking items that were relevant and crossing out those that were not relevant.

The Content Validity Index (CVI) =
$$\frac{\text{Number of items declared relevant}}{\text{Total number of items}}$$

For this case the CVI was 0.89 for the questionnaires and 0.86 for the interview guide

Reliability

Data from the pilot study collected from 15 respondents was entered in Statistical Package for Social Science (SPSS) and Cronbach's alpha coefficient test of reliability was calculated using the formula below.

$$\alpha = K/K-1[1 - (\frac{\sum_{i=1}^h j^2 y)}{\sigma^2 x}]$$

where $\sigma^2 x$ is the variance of the observed total item scores, and $\sigma^2 Y_i$ is the variance of component i for the pilot sample. Cronbach's alpha coefficient results were analyzed and all sub scales of tax information, assessment, electronic tax filing, and tax compliance were shown as tax information ($\alpha = .803$), assessment ($\alpha = .723$), electronic tax filing ($\alpha = .811$), and tax compliance ($\alpha = .70$),

Table 3.2: Reliability coefficient (cronbach's alpha) for each variable

Variable	No. of items	Alpha's (α) at pre-test
Tax information	5	.803
Self Assessment	5	.723
Electronic tax filing	5	.811
Tax compliance	11	.747

3.7. Research Procedure

The study observed all those procedures followed in research. Using the letter of introduction obtained from the Dean Faculty of Business and entrepreneurship studies, the researcher was introduced to every respondent reached at, fully explaining the purpose of research. After getting their consent, he conducted the research. The researcher also built the confidence of the respondents by assuring them that their views were confidential and was used only for academic purposes.

3.8. Data analysis, Interpretation and presentation:

3.8.1: Data analysis

Data was critically edited during and after collection, presented in Microsoft excel 2013 tables and graphs and analyzed using statistical package for social scientists (SPSS). Codes were assigned to data with similar characteristics in relation to the main aims of the study. Content analysis and supportive inquiry of selected respondents for their particular information and interests on the proposed topic was also done. In this method the interview guide and the general questionnaire were carefully designed for different categories of respondents to get different kinds of data required by the researchers.

3.8.2. Methods of data analysis

The main research methods used were regression analysis on electronic tax filing, and correlation analysis for relationship between tax information and self-assessment on tax compliance.

3.8.3: Interpretation and presentation:

The edited data was ready for presentation using of tables and graphs that were generated from the questions relevant to the study variables. Interpretation and discussion of the results was done by the researcher explaining the strength of the study variables basing on the frequencies and percentages, charts and graphs. Statistical conclusions were further made during the interpretation of the study results.

3.9. Ethical Consideration

Before commencing the research, an introductory letter from the University was sought and the purpose of the study explained to the authorities to avoid inconveniences and misunderstandings about the purpose. The information collected was kept highly confidential.

3.10. Limitations of the study

The study was limited by the following constraints;

Fear of disclosure of relevant information: since the topic of study is sensitive some respondents feared to give all their information thinking that the researcher is a spy of URA. This was however overcome by explaining to the researcher that the purpose of the study was academic and not providing tax payers' information to URA. This implies that there was confidentiality.

CHAPTER FOUR

DATA PRESENTATION, INTERPRETATION AND ANALYSIS

4.0. Introduction

This chapter presents the findings of the study, which examined the effect between taxpayers' knowledge on tax compliance of Nakawa division in Kampala District. Analyses addressed the three objectives that were the major focus of the study.

The study was guided by the following objectives.

- (i) To establish relationship between tax information and tax compliance among the SMES in Nakawa Division.
- (ii) To examine the effect of electronic tax filing on tax compliance
- (iii) To examine the relationship between self assessment and tax compliance.

4.1: Demographic Data

In total, 97 questionnaires were distributed to the respondents and 96 were received back representing a response rate of 98.9%. The researcher considered the response adequate since respondents from all the tax payers' strata as the sample designed responded. According to Mugenda and Mugenda (2003), a response rate of over 60% of the respondents is considered adequate but if unresponsive rate is high, the researcher is required to do a follow up study to check the factors behind the lack of response since it can be a relevant factor in the study. High response rates reduce the risks of bias in the responses.

Table 4.I: Gender of respondent

	Frequency	Percent	Valid Percent	Cumulative Percent
Male	74	77.1	77.1	77.1
Female	22	22.9	22.9	100.0
Total	96	100.0	100.0	

Source: Primary data from the field (2018)

From the findings indicated in the table 4.I above, businesses are operated by both male and female. In this study, the male dominated the female with a valid percentage of 77.1% leaving the female with only 22.9%.

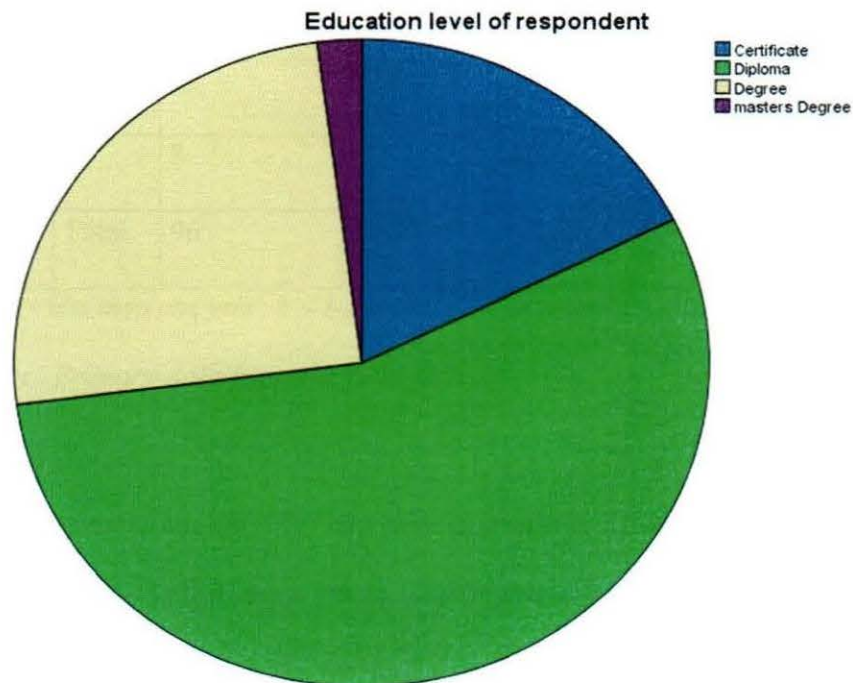
The education levels for the respondents was shown as follows

Table 4.II: Education level of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Certificate	17	17.7	17.7	17.7
	Diploma	53	55.2	55.2	72.9
	Degree	24	25.0	25.0	97.9
	master's Degree	2	2.1	2.1	100.0
	Total	96	100.0	100.0	

Source: Primary data from the field (2018)

From the table 4.II above, a bigger percentage (55.2%) had diplomas followed by 25% holding degrees. Certificate holders were 17.7%. This implies that a bigger percentage of business people at least had diplomas making them easily able to follow tax issues in relation to their businesses.



It was of necessity to find out the period of time these respondents had spent in their business. This was relevant to give an analysis of business trends, computation and tax implications. The periods were as shown in the table below.

Table 4.III: Period in the Business

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	A	2	2.1	2.1	2.1
	B	19	19.8	19.8	21.9
	C	45	46.9	46.9	68.8
	D	22	22.9	22.9	91.7
	E	8	8.3	8.3	100.0
	Total	96	100.0	100.0	

Key: a - less than one year; b – 1-4 years; c – 5-9 years; d – 10-14; e – 15 years and above

Source: Primary data from the field (2018)

A bigger percentage (46.9%) had been in business for about 5-9 years and another 22.9% being in business for about 10-14 years. Others included 19.8% 1-4 years, 8.3% for 15 years and above, and 2.1% for less than one year. This implies that 69.8% had spent about 5-14 years in business which is a good ground for providing information.

Consideration for annual business income was also made. This was as shown in the table below.

Table 4.IV: Annual Business Income

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	LESS THAN 20 M	1	1.0	1.0	1.0
	21m-40m	5	5.2	5.2	6.3
	41m-50m	14	14.6	14.6	20.8
	51m-60m	11	11.5	11.5	32.3
	61m and above	65	67.7	67.7	100.0
	Total	96	100.0	100.0	

Source: Primary data from the field (2018)

It was shown that a valid percentage of 67.7% would make a business income of above 61 million annually. Others included 1.0% making below 20M, 5.2% making between 21&40M, 14.6% making between 41M and 50M and 11.5% making between 51-60M. This fully confirms to the definition of SMEs since these normally lie in income brackets of less than 200 million per year.

Research data

4.2: Tax Information

In the following data presentation, responses were coded 1-1.9: Strongly Agree; 2-2.9: Agree; 3-3.9: Disagree; 4-4.9: Strongly disagree; 5: Neither agree nor disagree for easier analysis.

Table 4.V: Descriptive Statistics concerning tax information

	Minimum	Maximum	Mean	Std. Deviation
I always attend taxpayer seminar and work normally organised by URA	1.00	4.00	2.3646	1.10615
I always attend tax clinics organised by URA	1.00	5.00	2.1354	1.02207
I always follow the radio talk shows by URA	1.00	5.00	1.7396	1.03867
I always visit Uganda Revenue Authority website for important information on tax matters	1.00	5.00	2.4375	1.32833
I always watch URA,s routine tax education programmes	1.00	5.00	2.1458	1.06602
I am aware of the various channels through which i can pay my taxes	1.00	5.00	2.4792	1.08559
I am aware of new tax rates	1.00	4.00	2.3646	1.10615
I am also aware that different taxable incomes have different tax payables	1.00	5.00	2.1354	1.02207
Average mean	1.13	3.63	2.2253	.76833

Source: Primary data from the field (2018)

According to findings presented in the table 4.V above, respondents always attended tax payer seminars and workshops normally organised by URA as reflected by the 2.36 mean. Respondents were always aware of the various channels through which taxes can be paid (2.47), new tax rates when released (2.36). On average none of the respondents was completely ignorant of tax information.

It may also be observed that tax payers' listening to radio talk shows and clinics organized by URA made them become informed of new tax rates and channels through which to pay taxes.

It was discovered that respondents always attended tax payer seminars as long as they get aware of them. This was through attending tax clinics, following radio tax shows organized by URA. This made a number of them know how to use the website to search and learn more of tax concerns they need to know thus become knowledgeable of tax information.

There was an effort by Uganda Revenue authority to sensitize the masses of the principles and policies followed while handling tax issues. Through such engagements, people are able to identify the roles played by various bodies in taxation for example the tax payers' obligation, URA and the government's responsibility. For instance; URA only collects while the government handles the planning and use of the collected resources for community and national service delivery.

As a general observation using the average mean of 2.2 with a standard deviation of .768 implies that respondents strongly agree to have information concerning taxes as well as knowing that the information they knew had a relationship with tax compliance.

The above observation was backed up by the correlation studies done upon tax information and Correlation tax information and tax compliance. These are presented in the table below.

Table 4.VI: Correlation analysis for tax information and tax compliance

Correlations			
		Tax information	Tax compliance
Tax information	Pearson Correlation	1	.931**
	Sig. (2-tailed)		.000
	N	96	96
Tax compliance	Pearson Correlation	.931**	1
	Sig. (2-tailed)	.000	
	N	96	96
**. Correlation is significant at the 0.01 level (2-tailed).			

Results of the study indicated a correlation coefficient (P value) of 0.931 being above 0.5. This implies that there is a strong positive relationship between the two variables. This can be interpreted that the more information the taxpayers have, the more the chances of complying.

4.3: Self-assessment

Table 4.VII: Descriptive Statistics concerning self-assessment

	Minimum	Maximum	Mean	Std. Deviation
I always carry out my own tax computation	1.00	5.00	2.1458	1.06602
URA always approve my tax returns	1.00	5.00	2.4792	1.08559
I regularly assess my tax my tax obligations before submitted to tax authorities.	1.00	4.00	2.3646	1.10615
I feel satisfied to pay the tax I have computed my self	1.00	5.00	2.1354	1.02207
It takes me a short time to assess my self	1.00	5.00	2.1771	.89437
I always furnish accurate provisional returns.	1.00	5.00	1.9792	.83325
I always assess my books of accounts for tax purposes	1.00	5.00	2.1458	1.06602
Self-assessment increases tax payers' morale to comply with tax authorities.	1.00	5.00	2.4792	1.08559
URA always get satisfied with returns so furnished by me.	1.00	4.00	2.3646	1.10615
URA officials always treat my returns as accurate.	1.00	5.00	2.1354	1.02207
I know the prevailing tax rates for tax computations.	1.00	5.00	1.7396	1.03867
Average mean	1.36	3.27	2.1951	.63011

Source: Primary data from the field (2018)

According to the findings *table 4.VII* above, respondents strongly knew the prevailing tax rates for tax computations, and could always furnish accurate provisional tax returns (reflected by the means of 1.7396 and 1.9792 respectively). Issues agreed upon by respondents included taking a short time to assess oneself, getting satisfied to pay a tax computed by yourself, as well as regularly meeting the tax obligation to tax authorities.

It has been shown that almost all respondents averagely agreed that self-assessment was possible and had a relationship with compliance.

Tax payers were exceptionally happy that URA always get satisfied with returns so furnished by me and that they regularly assess their tax obligations before being submitted to tax authorities. This is because their minimum is 1 and their maximum was 4 implying that none of the respondents completely denied the ability to assess him/herself. The challenge was that they were not so competent.

A number of tax payers always carried out their own computations that were later on filed with URA. To their surprise, URA always approved them as accurate. This brought up self belief that the tax payers have the relevant knowledge about tax computations.

Surprisingly, those who have challenges with the computations got it as result of not keeping proper books of records. This challenged their ability to pay the exact tax amounts.

Respondents further revealed that self-assessment was hard if done for the first time but became easier with consecutive repetitions and thus took less time on the process and improved their self-analysis and developed a sense financial analysis and management which was good for any growing business.

One URA informant interviewed over allowing tax payers to assess themselves narrated that they would attend to many queries online which is a better way to go since all these

queries would remain unanswered had there not been this platform. He was quoted as saying:

"URA allows taxpayers to practically engage themselves in calculating their tax obligations and URA just comes in to audit and verify whether the computed amounts are the correct ones." (URA informant, 2018)

This was evident as from the summary table of means and standard deviation where self-assessment had a 2.1951 mean and a standard deviation of 0.63011.

4.4: Electronic tax filing

Table 4.VIII: Descriptive Statistics for electronic tax filing

	Minimum	Maximum	Mean	Std. Deviation
I got registered for tax purposes	1.00	5.00	2.4792	1.08559
Electronic tax filing system saves time unlike manual system which was consuming a lot of time in filing returns.	1.00	4.00	2.3646	1.10615
Electronic tax filing system has improved on tax returns to tax authorities.	1.00	5.00	2.1354	1.02207
I always find little challenges while filing my tax returns to tax authorities	1.00	5.00	1.7396	1.03867
I always incur little costs on filing returns through online.	1.00	5.00	2.4375	1.32833
I always view my tax updates through online.	1.00	5.00	2.1771	.89437
I always furnish my tax returns electronically.	1.00	5.00	1.9792	.83325
Electronic tax filing has eased tax payment processes	1.00	5.00	2.1458	1.06602
I can file my tax returns tax authorities any time.	1.00	5.00	2.4792	1.08559
Average mean	1.33	3.67	2.2153	.65523

Source: Primary data from the field (2018)

Findings from the *table 4.VIII* revealed that respondents strongly supported and agreed that they always found little challenges while filing returns and electronic tax filing had

always become easy to do using online means. It was also that respondents agreed that electronic tax filing had improved tax returns to tax authorities, and thus less costs would be incurred. Tax updates were always viewable faster than using the physical consultations with the field offices and tax bodies which all had a part to play in relation to tax compliance.

The average mean was 2.21 with a deviation of .655 implying that a majority of respondents said self-assessment was useful and effective in reducing costs and time to comply with tax.

URA informants revealed that electronic filing reduced paper work for staff, quickened processes of retrieving records. Besides this, even clients benefitted through making quick updates, and improving tax returns to tax authorities.

Electronic data filing increases chances of transparency since anybody can easily see what was done in the system as long he or she is authorized and has passwords.

Table 4.IX: Regression electronic tax filing

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	.054	.030		1.813	.073
Electronic tax filling	.961	.013	.992	73.968	.000

a. Dependent Variable: Tax compliance

According to the regression analysis done here, the coefficient of 0.992 shows that once an increase in tax filing usage is done, it has a corresponding average lead in increase in tax compliance keeping other factors constant. Since the P-value (0.000) is less than 0.05, the higher degree of compliance depends on ability to file tax appropriately.

4.5. Tax compliance

Table 4.X: Descriptive Statistics on Tax compliance

	Minimum	Maximum	Mean	Std. Deviation
I always file my tax returns in time	1.00	5.00	2.1771	.89437
I always pay my taxes without intervention of tax officials	1.00	5.00	1.9792	.83325
I always disclose all my incomes for tax purposes	1.00	5.00	2.1458	1.06602
I always follow tax rules and regulations governing tax operations.	1.00	5.00	2.4792	1.08559
I know paying taxes is not a burden on us as a tax payer.	1.00	4.00	2.3646	1.10615
It is wrong to pay less tax	1.00	5.00	2.1354	1.02207
I regularly keep proper books of accounts for tax purposes.	1.00	5.00	1.7396	1.03867
I feel it is wrong to report less incomes in order to pay less tax liabilities.	1.00	5.00	2.4375	1.32833

Source: Primary data from the field (2018)

Findings from the *table 4.X* reveal that tax payers always pay in time, follow tax rules and regulations governing SMEs operations, know that it's wrong to pay less taxes, and paying taxes is not a burden to payers then the mean (2.1823) reflects an agreement for compliance.

The means of the findings as per the objectives above were hence summarized up in the following table

Table 4.XI: Summary of descriptive statistics on Tax information, self-assessment, and filling

	N	Minimum	Maximum	Mean	Std. Deviation
Tax information	96	1.13	3.63	2.2253	.76833
Tax self-assessment	96	1.36	3.27	2.1951	.63011
Electronic tax filling	96	1.33	3.67	2.2153	.65523
Tax compliance	96	1.38	3.50	2.1823	.63477
Valid N (list wise)	96				

Table 4.XI above summarizes the descriptive statistics of the study in a way that standard deviation from the mean for each variable is presented that is to say .76, .63, .65, and .63 for tax information, self assessment, tax filing an tax compliance respectively. Likewise the means for the variables were 2.22, 2.19, 2.21, and 2.18 for tax information, self assessment, tax filing and tax compliance respectively.

Table 4.XII: Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.992 ^a	.985	.985	.07895

a. Predictors: (Constant), Electronic tax filing, Tax information, Tax self-assessment

According to the model summary it can be observed that the R –square =0.985, this implies that 98.5% of the variations in tax compliance can be explained by electronic tax filing, having tax information, as well as the way tax self-assessment is done.

Table 4.XIII: Coefficients of variables

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.029	.033		.901	.370
	Tax information	.002	.040	.002	.050	.960
	Tax self-assessment	.143	.058	.142	2.460	.016
	Electronic tax filing	.832	.040	.859	20.844	.000

a. Dependent Variable: Tax compliance

Following the overall picture of findings presented, it can be observed a change in amount of tax information possessed by the tax payer leads to a 0.02 increase in tax

compliance keeping other factor constant. This is statistically significant since the P-value (0.000) is less than 0.05, thus implying that tax compliance relies on information.

An increase in tax self-assessment would lead to 0.143 increase in tax compliance. This is statistically significant since the P-value (0.000) is less than 0.005 this implies that tax compliance relies on information

Generally it was observed that a study involving 97 respondents across Nakawa division revealed that when taxpayers have relevant knowledge towards tax information, they easily comply and if they don't have such information they may unknowingly not comply. On addition to this, failure to assess oneself makes one to either pay much or less tax than the actual. Being able to assess oneself improves self discipline in handling tax issues, proper tax filing, and management. Most of the taxpayers could assess themselves, with a few of them hiring technical people to do the computations. This increased the tax payers morale to comply since this took less time than lining up for services at the URA offices.

Online filing was done with ease since it only necessitated having the internet facility. This was an adaptability of the latest technological changes that made communication to and from URA much easier. This solved any information loopholes as payers would search for any information and get it instantly. This increased the efficiency in collecting taxes unlike the previous manual systems.

It was also observed that there were other factors/variables that affected the tax payers compliance. These included the attitude the payers had towards the tax collectors. The payers were reluctant to pay when they felt the taxes they paid were either higher than

their ability or were used poorly without proper accountability. They would easily comply when they felt the money paid was used well for the benefit of the whole community or priority concern by the government in the economy but not misappropriated.

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.0. Introduction

This chapter comprises of the discussion, conclusion of the study findings in relation to the literature as guided by the objectives. It also provides recommendations and areas for further study.

5.1. Discussion of findings

5.1.1. Demographic information

Having a valid percentage of 77.1% of male and 22.9% for female is worth it in balancing gender. It was however noted that men were the common people in SMEs while women were in other businesses like markets and office work. The good thing is that almost all the people engaged in the study were elite with a bigger percentage holding at least a diploma. This is quite good since educated people can easily read and understand issues and materials presented to them.

With reference to chapter four, a bigger percentage of business people at least had diplomas making them easily able to follow tax issues in relation to their businesses. It was also observed that very few people engaged in businesses hold Masters. Such people are mostly in consultancy and other fields.

The time spent in business also carried weight since a bigger percentage 69.8% had spent about 5-14 years in business. Such people can really give good and reliable information

unlike people who have just joined business for at least a year and have known less in reference to taxation.

The businesses such people were running were mostly SMEs with bigger ones managing to make a turnover of at least 65 million. Such sizable businesses give challenges in computation of taxes than the very small businesses with less than 40 million.

5.1.2. Tax information and tax compliance

On average, none of the respondents was completely ignorant of tax information. This was good because these tax payers always attended tax payers' seminars, clinics and workshops organised by URA. The average mean of 2.2 implies that respondents strongly agree to have information concerning taxes as well as knowing that the information they knew had a relationship with tax compliance.

The results of the findings match with the findings of Nzioki and Peter (2014) who indicated that tax information and education has significant positive effect on tax compliance in Real Estate Sector. An increase of tax information level can lead to the increase of tax compliance level. They also suggested that improved awareness of taxpayers with regards to their tax obligations can be better improved through enhanced tax education services rather than just provide them simple guideline on filling tax returns. According to Alabede, Zainol Ariffin, and Idris (2011), tax information of taxpayer can be equipped and enhanced through education. However, the level of tax information must not necessarily happen simultaneously with the level of education.

Results of the study indicated a correlation coefficient (P value) of 0.931 being above 0.5. This implied that there is a strong positive relationship between the two variables.

This can be interpreted that the more information the taxpayers have, the more the chances of complying.

According to Utomo and Soesetio (2015), the taxpayers who are equipped with the sufficient tax information are able to access their tax liability correctly and file tax return forms on time. Taxpayer cannot be expected to submit complete, proper tax returns accurately unless they have sufficient information to understand the system.

5.1.3. Self-assessment

According to the findings presented in chapter four, respondents strongly knew the prevailing tax rates for tax computations, and could always furnish accurate provisional tax returns (reflected by the means of 1.7396 and 1.9792 respectively). Issues agreed upon by respondents included taking a short time to assess oneself, getting satisfied to pay a tax computed by yourself, as well as regularly meeting the tax obligation to tax authorities. It has been shown that almost all respondents averagely agreed that self-assessment was possible and had a relationship with compliance.

Like some of the benefits and elements of self-assessment, Loo (2006) claims that, in general, the reasons for implementing SAS are to simplify the tax collection system and increase voluntary compliance. Therefore, in order to convert this system into a meaningful tax mechanism compared to the previous system (direct assessment), the principles of operation must be created and implemented so that the SAS can be operated efficiently.

As evidenced from the summary table of means and standard deviation where self-assessment had a 2.1951 mean and a standard deviation of 0.63011. There was a close relation that self-assessment affects compliance.

To reduce the possibility of tax payers manipulating their tax returns, the tax authorities are likely to implement an enhanced investigation policy such as increasing tax audits and tax assessments, but these actions, if applied extensively, will in effect eventually turn the SAS back into the old direct assessment system. The more tax assessment required by the tax authorities, the less benefit results from moving to self-assessed for tax return. Therefore, the tax authorities have to determine the appropriate operation of SAS and exercise the principles of SAS by ensuring the taxpayers' and tax authority's responsibilities are balanced, thereby minimising any tax assessment they have to perform so that SAS can genuinely reduce tax compliance costs and increase administrative efficiency as well as developing public voluntary compliance.

Because of its format and structure, procedures must be clearly laid out on the web portal such that any transactions being done are performed with utmost transparency, which Satish & Clive (1996) believe to be necessary for effective tax administration.

5.1.4. Electronic tax filing

According to the regression analysis done here, the coefficient of 0.992 shows that once an increase in tax filing usage is done, it has a corresponding average lead in increase in tax compliance keeping other factors constant. Since the P-value (0.000) is less than 0.05, the higher degree of compliance depends on ability to file tax appropriately.

The effect of electronic tax filing on tax compliance can be well analysed through the computerisation. Computerization of the tax collection process enables easy detection of defaulters, and also helps to reduce corruption by reducing personal interaction between tax officials and taxpayers that is necessitated by inefficient manual systems (Kayaga, 2007). With that view, URA introduced E-tax and these are elements that constitute E-tax service system.

According to the model summary it can be observed that the $R^2 = 0.985$, this implies that 98.5% of the variations in tax compliance can be explained by electronic tax filing, having tax information, as well as the way tax self-assessment is done. Therefore electronic tax filing can be relied upon in tax computations and relative compliance achieved.

Business Enterprises have had different reactions when trying to adopt the new system of filing returns, but have eventually been caught up because they do not have any option but to abide by the order of the day. However according to Gens (2000), tax reforms need to consider the taxpayers attitudes and perception, Asher (1997) says ,for tax reforms to be effective and sustained, it requires a fiscal system in general and tax system in particular that considers legitimate to enable effective management and adoption.

Computerization movements have evolved and have helped set the stage on which the computer industry expanded. In all these cases, computers were preferred to the old system of manual data processing. Similarly it has been observed that computer systems are powerful technologies that managers can effectively use to transform their organizations into a more efficient and competitive entities.

5.2. Conclusions

Following the overall picture of findings presented, it can be concluded that once the tax payers have the relevant tax information, then they will comply to pay taxes. It was also that allowing payer to assess themselves gives them the satisfaction to easily pay on assumption that they have not been cheated hence an increase in tax compliance. Likewise using the electronic tax filing reduces the time that would otherwise be spent in movement going to tax authorities and bodies for tax concerns. It also reduces costs on both sides of the tax payers and tax authority. The challenge with this is making sure that you internet facility to link you up to the URA network as well as ability to use the computer. This necessitated the involvement of technical people to calculate tax returns for those who would not. There were however some other factors raised that affect compliance for example the tax payers attitude towards the taxes paid as they felt they were better off paying a tax for which the benefits are worth the amount of money foregone. This implies that compliance would be higher once the tax payers know how that is used after it has been collected.

5.3. Recommendations

The researcher recommends that the following be done

(a) Information

URA should continue to train people on relevance of paying taxes as well as providing all needed information to the payers easily as and when needed. This increases the payers' awareness and quick decision making to offset their obligations.

(b) Self-assessment

Despite the fact that URA always approved the tax payers returns, a number of businesses could not assess themselves but would employ specialists to that part for them, this is costly since these people charge a fees. It is however recommended that URA trains the tax payers on how to carry out self-assessment. This could be done through online video sessions, organized tax clinics.

(c) Electronic tax filing

A number of businesses could discovered that online methods were cheaper and reliable to use since they had no cues to line up, and would operate 24/7, these were adopted by business men and women who were so busy to waste any time. It is recommended that this method is upheld but with concern to improve the functionality of the system for example increasing the speed at which it serves its customer irrespective of what amount of traffic is online at a specific time.

(d) Other considerations

The tax body and government should try their level best to train the population about the objective purpose of taxes as well as ensuring that money out of taxes is accounted for appropriately.

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APPENDIX I: RESEARCH QUESTIONNAIRE FOR RESPONDENTS

Dear Respondents

I am **RUTAROH PASKARI** a student of a Master's degree in business administration of at Kyambogo University and am carrying out a research study on the topic "Tax payers' knowledge upon Tax Compliance in Uganda": a case of Nakawa Division, Kampala District

This is one of the requirements for the award of this degree. Please you are kindly requested to participate in the study by answering the following questions in a way you feel appropriate. Your response will be only for academic purpose and will be treated confidential.

SECTION A: GENERAL INFORMATION (Tick the appropriate answer)

Please tick appropriately inside the box for whichever applies

1. Gender

- (i) Male ☐ (ii) Female ☐

2. Age

- (i) 20-30 ☐ (ii) 31-40 ☐ (iii) 41-50 ☐ (iv) 51-60 ☐ (v) 61 and above ☐

3. Educational level

- (i) Certificate ☐ (ii) Diploma ☐ (iii). Degree ☐ (iv) Master Degree ☐ (v) PhD ☐

4. The period you have been in this Business

- (i) Less than 1 year ☐ (ii) 1-4 years ☐ (iii) 5-10 years ☐ (iv) 11 years and above ☐

5. Annual Business Income

- (i) Below 10 millions ☐ (ii) 10,000,001-50,000,000 ☐ (iii) 50,000,001 and above ☐

SECTION B: SPECIFIC INFORMATION

In this section you are required to respond by ticking the most appropriate level of agreement marked 1-5.

Part A- Tax information

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

Element of Taxpayer information	1	2	3	4	5
I always attend taxpayer seminar and workshop normally organized by URA					
I always attend tax clinics organized by URA					
I always follow the radio talk shows by URA.					
I always visit Uganda Revenue Authority website for important information on tax matters					
I always watch URA's routine tax education programmes					
I am aware of the various channels through which I can pay my taxes					
I am aware of new tax rates					
I am also aware that Different taxable incomes have different tax payables.					

Part B: Self Assessment

Element of self assessment	1	2	3	4	5
I always carry out my own tax computation					
URA always approves our tax returns					
I regularly pay my tax obligations to tax authorities.					

I feel satisfied to pay a tax that I have computed my self					
It takes me a very short time to assess myself					
I always furnish accurate provisional returns.					
I always examine my books of accounts for tax purposes					
Self assessment increases a tax payers' readiness to file his returns					
URA officials always get satisfied with returns so furnished by me.					
URA officials always treat my returns as accurate.					
I am always aware of the prevailing tax rates and trends					

Part C: Electronic Tax Filing

The following abbreviations will be used: Strongly agree (5), Agree (4), Not Sure (3), Disagree (2), and Strongly Disagree (1)

Statements	5	4	3	2	1
I got registered for tax purposes					
Electronic tax filing reduces time wastage					
Electronic tax filing improves electronic tax transfer					
I always find little challenges while filing my returns					
I always incur little costs on filing returns through online					
I always view my tax updates through online.					
Electronic tax filing has eased payment processes					
I always furnish my tax returns electronically.					
The ability to have tax filing 24/7 increases its usage					

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
I always file my returns in time					
I always pay tax on time without intervention of tax officials					
I always disclose all my income for tax purposes					
I always follow tax rules and regulations governing SME's operations.					
I feel paying tax is burden on us as taxpayers					
I feel it is wrong if I do not report all my income in order to pay less income taxes					
There is nothing bad about under-reporting taxable income on one's tax return					

Thank you very much for your time

APPENDIX II

QUESTIONNAIRE FOR UGANDA REVENUE AUTHORITY OFFICIALS

I am **RUTAROH PASKARI** a Master of Business Administration student of Kyambogo University carrying out a research study on the topic “Tax payers’ knowledge upon Tax Compliance in Uganda”: a case of Nakawa Division, Kampala District. This is one of the requirements for the award of the degree. Please you are kindly requested to participate in the study by answering the following questions in a way you feel appropriate. Your response will be only for academic purpose and will be treated confidential.

Your response should be by ticking in the box you think is appropriate ranging from strongly agree to strongly disagree.

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

Part A- Tax information

Statements	5	4	3	2	1
URA has endeavour to inform tax payers all information concerning taxes payables					
Tax payers can easily consult URA online for any information					
There are free lines that can be used by clients to inquire about anything					
Taxpayers know the benefits of paying taxes					
URA uses a number of chanel to communicate with its clients					
Educative sessions are regularly organised for tax payers.					

Part B: Self Assessment

Statements	5	4	3	2	1
Our tax payers always file their tax returns in time when due					
The computations file are always correct					
URA always has to help the tax payers in computation of the taxdues					
Our customers are always willing to compute how much they owe to the tax body					
The ability of tax payers to assess themselves has made them able to pay taxes willingly					
Companies consistently follow tax laws when making assessments					

Part C: Electronic Tax Filing

The business or companies always file tax returns on time

Statements	5	4	3	2	1
Communication to tax concerns is done online instantly hence reducing tax disputes					
Taxpayers always use the online method to pay taxes willingly.					
Online tax returns filings has increased among taxpayers					
Registered taxpayersfile returns online					
Manua taxfiling is no longer done					
Custoers understand the electronic tax filing system very well and do not get problems when using it					
Easy andsimple to file tax retuns using electronic tax filing systems by customers					
Customers can assess their taxobligations accurately using the electronic taxfiling system					
Returns are filed timely using electronic tax filing system					

Part D: Tax Compliance

Statements	SA	A	NS	DA	SDA
Tax payers always pay their taxes willingly because they know the benefits					
The tax payers always file their returns in time without reminders					
It saves time to pay taxes online than manually lining up at URA offices					
The electronic system easily provides records for reference anytime					
E- Tax has increased compliance due to reduced bureaucracies at URA offices					
Being able to assess yourself reduces chances of being cheated by brokers					
URA always responds faster to payers concerns so as to maintain good relationships					

INTERVIEW GUIDE

1. Of what benefit is it to have tax payers informed of the relevant tax information?
2. How does URA pass on information to the tax payers?
3. What is the contribution of tax information to tax compliance?
4. How does self assessment contribute to tax compliance?
5. What is the relationship between electronic` tax filing to tax compliance?
6. What other factors may affect the tax payers compliance?

KYAMBOGO UNIVERSITY

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Office of the Dean, Graduate School

30th October 2018

To Whom It May Concern

RE: LETTER OF INTRODUCTION

Dear Sir/Madam,

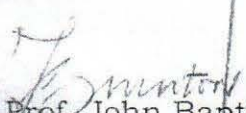
This is to introduce **Mr. Rutaroh Paskari** Registration Number **16/U/13333/GMBA/PE** who is a student of Kyambogo University pursuing a Masters Degree.

He intends to carry out research on **"Tax Payers Knowledge and Compliance Among SME's of Nakawa Division in Kampala Uganda** as partial fulfillment of the requirements for the award of the Masters in Business Administration.

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

Any assistance accorded to her will be highly appreciated.

Yours sincerely,


Assoc. Prof. John Baptist Mateya
FOR DEAN, GRADUATE SCHOOL

