

**UGANDA'S TAX ADMINISTRATION SYSTEM AND TAX COMPLIANCE AMONG
SMEs, A CASE STUDY OF LIRA MUNICIPALITY**

BY

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DECLARATION

I, Ebong Gonzaga hereby confirm that this dissertation is my original effort and has never been presented for any academic award in any institution or University. I have also acknowledged all the referenced work that I referred to while undertaking this dissertation.

Sign..... Date.....

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APPROVAL

We affirm that this dissertation was compiled by Ebong Gonzaga under the title, “*Uganda’s tax administration system and tax compliance among SMEs, a case study of Lira Municipality*”. It was under our direction and it meets the necessities for the award of a Master’s degree in Business Administration of Kyambogo University.

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DEDICATION

This dissertation is dedicated to my parents Mr. Joseph Otim and Ms. Alice Otim for they have been my motivation to improve again and again.

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ABBREVIATIONS

TPB	:	The Theory of Planned Behaviour
GDP	:	Gross Domestic Product
BC	:	Before Christ
SMEs	:	Small & Medium Enterprises
URA	:	Uganda Revenue Authority
US	:	United States of America
EAC	:	East African Community
MoH	:	Ministry of Health
SOPs	:	Standard Operating Procedure
TIN	:	Tax Identification Number
UGx	:	Ugandan Shillings
SPSS	:	Statistical Packages for Social Scientists

ABSTRACT

This study was based on SMEs in Lira municipality and was meant to assess the relationship between tax administration system (Tax education, Tax registration and Tax assessment) and Tax compliance (Tax filing, Tax reporting and Tax payment) among SMEs in Lira Municipality. By undertaking a multi-methodological approach analyzing perceived quantitative and qualitative data, the study used a sample size of 173 SMEs in Lira Municipality (Central division). The finding of the study revealed that tax education is significantly associated with two major components of tax compliance (tax filing and tax reporting) but does not significantly relate to tax payment. It was revealed that, identification of legal tax payers is statistically significant and positively correlated to tax compliance (tax filing, tax reporting and tax payment) at 99% level of confidence. Tax assessment components (record keeping, skilled personnel of URA on tax assessment, information requirement by tax payers and tax assessment methods used by URA) are seen to be significantly positively associated with tax compliance. Finally, compliance cost has a positive effect on tax compliance and significantly predicts tax compliance. In this regard, tax policy makers, Uganda Revenue Authority, tax payers, managers of different companies need to consider proper education channels, mode of registering tax payers, best assessment methods and reduce compliance costs to motivate tax payers to voluntarily comply with tax filing, registration and payment.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter covers background to the study, statement of the problem, objectives of the study, research hypotheses, scope of the study, justification of the study, definition of key terms and conceptual framework.

1.1 Background to the study

Taxation is perceived as a load which each citizen ought to bear to sustain his or her government because the government has certain functions to perform for the benefits of those it governs. In developing countries, tax non-compliance is a serious challenge facing income tax administration and hindering tax revenue performance. Even though various tax reforms are geared towards increasing tax revenue for several years, total revenue collections have remained consistently low and is relatively shrinking (Alabede, Zainol & Kamil, 2011).

Tax compliance can be described as the process of fulfilling the tax payer's civil obligation for tax payment and filing of tax returns including the provision of necessary documents and explanations required by the tax authority in a timely manner (Oyedele, 2009).

Achieving high levels of voluntary tax compliance and maintaining it , remains a formidable and continuous challenge to fiscal policy makers in developed and developing countries alike. This is the case because, irrespective of the nature of the economy, the principal objective of taxation is one and the same: to raise revenue towards the financing of public goods and services, and funding of governments (Martina, Silvia, Eric & Alfred, 2008).

Small Scale Enterprises (SMEs) as profit making entities are subjected to taxation. Since the individual SME remit smaller tax revenues, more focus is centred on the large tax payers. This presents a prime chance for non-compliance among SMES. Tax compliance is currently a topical issue, especially in developing countries as governments at various levels are seeking ways to improve efficiency in tax revenue collection to finance their budgets. Small scale enterprises are the majority business taxpayers in most developing countries and as such their compliance levels directly impact on government tax revenue collections.

The overall objective of the study was, investigating relationship between Uganda's tax administration system measured in form of tax registration, tax education, tax assessment and tax audit and tax compliance (returns filing, tax payment and accurate reporting) of SMEs in Lira Municipality. The significance of this study is discussed at length under section 1.7 of this book.

1.1.1 Historical background

Taxation has evolved right from the ancient empires. It was put into practice by diverse empires in different geographical locations and times; perhaps like temple and monument construction, taxation is a common phenomenon of human society. Taxes have been traced by archaeologists as far back as King Scorpion the First's empire in southern Egypt between 3300 and 3200 BC. There is evidence through archaeology where records of taxation have been found in clay tablets and on jars and vases discovered in King Scorpion I's tomb. The thrilling part of the discovery is not only that taxation occurred so early, but that the tablets, jars and vases have the oldest use of writing with symbols representing constants and forming syllables-hieroglyphics (William, 2002).

In Western Europe, quasi-voluntary compliance emerged through a bargaining process. This brought rulers and potential taxpayers together to negotiate about who was to be taxed, the

basis for assessing taxes, how taxes should be collected, and the purposes of revenue use. Where this bargaining process succeeded, it enhanced the effectiveness and legitimacy of the state in three ways. Consultation promoted quasi-voluntary compliance so that taxes could be collected more effectively. Revenues were enhanced as a result. Bargaining also helped to generate consensus about and coherence of national policies and priorities for revenue use. Finally, paying tax became a valid basis for claiming political influence and where this took root the foundation for an eventual move towards electoral democracy was established (Therkildsen, 2006).

Korchmina (2018) compiles an account of the history of tax compliance basing on Russia and Britain. In 1812, the Russian government introduced the progressive income tax, with the highest tax rate of 10 per cent. After Britain, the Russian Empire became the second country to adopt this levy – under the threat of Napoleonic invasion. It is reported that by then, tax compliance was much higher in Russia compared to Britain. The example of Russian income tax in 1812 gives clear evidence of the significance of the voluntarily component in the payment of income taxes. Even in an under-governed and late-industrialized country, the collection of income tax could be organized quite efficiently, even among elites, if elites can be pressured by peer-based institutions. Despite the high level of freedom of taxpayers and the near-absence of coercion, the level of tax compliance in Russia was relatively high. Tax morale was determined by a social sanctioning mechanism among the narrow group of peers, boosted by the fear of Napoleon, which could be considered as the national pride, and tend to progressivity. It is also likely that the Russian nobles paid the new tax because the tax burden was not very high, and the elite could consider the fiscal demands of Russian state as being fair and equal to their financial capacities. The Moscow nobles paid approximately one million

rubles in income tax and, and, in the same year, they collected approximately three million rubles via donations to support the Russian troops.

Uganda's present tax system has colonial roots. The prime objective of colonial taxation was financial self-sufficiency of the colony. At the same time taxation of Africans was seen as a way to push them into the monetary economy – at first by compelling them to grow cotton. Coercion and imprisonment were integral parts of taxation of Africans but not of non-Africans (Mamdani,1996; Thompson, 2003). The dual system of taxation described by Adam Smith and Lord Hailey started with the hut tax imposed on Africans in 1900 followed by the poll tax in 1905. At first revenues went to the colonial government. Native local authorities achieved their initial taxing powers in 1925, when they were allowed to commute work obligations (known as "luwalo") into cash. But local government taxation proper first came about when Graduated Poll Tax (GPT) was gradually introduced across all districts between 1954 and 1960 (Davey ,1974; 35-38). Non-Africans were tax-free until 1919 when a poll tax was levied on them. A graduated personal tax for non-Africans was introduced in 1940 but substituted by income tax in 1945. For the 20th century as a whole, the most significant change in Uganda's system of direct taxation was the abolition, at independence in 1962, of discrimination based on race. To collect taxes in a reliable and efficient manner requires quasi-voluntary compliance; taxpayers must be encouraged to 'volunteer' to pay, while the non-compliant must be coerced to pay if they are caught (Levi,1988, 52-70).

The lesson here is that coercion is not the answer to improve tax compliance.

1.1.2 Theoretical background

This study is informed by the Motivational Postures Theory and the Theory of planned Behavior (TPB). The motivational postures adopted by different taxpayers reflect the social distance (Ahmed & Braithwaite, 2005) cited in Lin Mei (2017). Motivational postures are

“sets of beliefs and attitudes that sum up how individuals feel about and wish to position themselves in relation to another social entity, in this case a tax authority” (Lin Mei, 2017). Motivational postures are vital in tax compliance as various studies show that the cooperative postures of commitment and capitulation are negatively associated with tax avoidance and evasion and positively associated with voluntary tax compliance (Kirchler, 2008). On the other hand, resistance, disengagement and game playing are positively associated with tax avoidance and evasion and enforced tax compliance (Ahmed, 2005; Kirchler, 2008).

The Theory of Planned Behaviour (TPB) (Ajzen, 1991) is a favored model for understanding intentions and behaviors of tax payers. This relationship is decisive to any important modifications in tax policy. Intention is a necessary component of tax compliance as it is only through the willing participation of taxpayers that revenue is collected. Thus, getting an insight of the taxpayer intention to comply is as important as predicting the actual compliance behavior.

In this research, the TPB has been used to clarify the complexity of tax compliance decision making but, importantly, can also be utilised for the development of broad population compliance strategies.

1.1.3 Conceptual background

The key concepts in this study are tax compliance and tax administration system. Tax compliance is defined largely as the willingness of taxpayer to pay taxes (Walsh, 2012). Tax compliance covers filing compliance (filing returns on time), reporting compliance (reporting incomes correctly) and payment compliance (paying tax due on time). Arturo (2013) shows that tax administration comprises of taxpayer registration, taxpayer services, processing of tax declaration filings and tax payments, taxpayer audits, taxpayer objections (administrative appeals), taxpayer appeals, Collection of tax arrears (as opposed to current tax payments) and

tax-fraud investigations. These measures have been adopted in the current study. The traditional role of tax administration focuses on detecting and correcting errors after they have been made.

An important part of improving taxpayers' relationships with the tax authorities are concepts meant to clarify objectives of the state and procedures of tax authorities in the tax area, creating taxpayers' positive attitudes towards tax collection, as well as increasing perception of fairness in tax collection and the use of collected tax receipts (Rabatinová, 2018). Earlier studies have acknowledged that tax administration systems and tax compliance have some links. Tax revenue in many countries remains well below the levels needed to finance the achievement of the sustainable development goals, with 15 percent of GDP often cited as a rough annual estimate (Gaspar, Jaramillo & Wingender,2016). In the meantime, revenue collection is frequently characterized by significant unfairness and inequity, with particularly weak compliance and enforcement among the rich, and often significant–though overlooked– formal and informal burdens on lower income groups (Moore & Prichard, 2017). From this, it is likely that tax administration systems influence tax compliance.

1.1.4 Contextual background

Revenue collection remains a key challenge in African and Uganda in particular (Mukunda, 2017). This is mainly on account of limited tax compliance. In the last three decades, Uganda has embarked on improvements to broaden the tax base and increasing domestic revenue mobilization. Modernizing the tax administration systems is among the initiatives (World Bank, 2018b). In comparison with regional neighbours, Uganda's tax revenue to GDP is still below the 16 per cent Sub-Saharan average and lags behind her East African Community (EAC) neighbors too (World Bank, 2018b). Tax administration in Lira has gradually improved from manual forms to electronic system where tax payers need to access tax information at

their convenience and consult on tax matters 24 hours using the toll-free line. There is also tax education and sensitization in different parts of the country, Lira inclusive (Uganda Revenue Authority (URA) Annual Report, 2015/2016, 2016).

Despite such efforts, tax compliance in Lira is still a challenge. Some SME entrepreneurs are illiterate and hire tax consultants to help them file returns and interpret trade laws and regulations especially for tax purposes. There are also complaints by traders about delayed administrative feedback especially in clearing imports at various customs points (Kato, 2017). Most SMEs survive at the mercy of clearing agents who sometimes may not offer satisfactory advice, hence tax disputes between URA and the tax payer (Kato, 2017).

The town Clerk of Lira on realizing poor compliance-initiated sensitization of the community on its roles in promoting service delivery through voluntary tax compliance even in the absence of the law enforcement officers (Ogweng, 2018). The low tax compliance among SMEs in Lira Municipality could be a sign of general loopholes in the tax administration systems (Cong, 2018) and thus sets the basis of this study.

1.2 Statement of the problem

Uganda's tax administration system is a key enabler of tax compliance (Godin & Hindriks, 2015; Mukunda, 2017). Enhancing the way taxes are administered is likely to result into better willingness of SMEs to pay the taxes as and when they fall due and help Uganda to generate tax revenues to ensure a stable fiscal regime. The constitution of the Republic of Uganda under Article 17 (1)(g) provides the legal basis for tax payment and tax collection (Balaba, 2020). At the national level, URA has tried to make tax administration reforms in education, identification and registration, assessment, audits and appeals. Currently, there are a number of fora for tax education and sensitization as well as tribunals to handle tax related complaints,

audits and verifications among others countrywide, including Lira Municipality (Busingye, 2017; Uganda Revenue Authority Annual Report, 2015/2016, 2016; Mukunda, 2017).

However, Lira municipality, notwithstanding the above improvements, still continues to register poor tax filing, incomplete or no tax reporting as well as untimely or even failed tax payment (Cong, 2018; Ogweng, 2018; Kato, 2017). This poor tax compliance is common among SMEs (Ministry of Trade Industry and Cooperatives, 2018; Busingye, 2017) and more so, those in Lira Municipality (Ogweng, 2018; Cong, 2018). To date, tax authorities in the world, including URA are using electronic tax administration system to interact with tax payers in regards to tax compliance. With the introduction of self-assessment system, e-filing and ever-changing tax policies, tax payers require capable human resources capable of understanding and interpreting tax laws in order to avoid tax non-compliance. In doing so, they end up hiring tax consultants at high cost for such professional work, hence discouraging them from voluntarily complying to taxes (Musimenta, 2017).

This poor compliance normally forces Uganda Revenue Authority to impose tax penalties, forcefully collect any unpaid tax and sometime close businesses (Ogweng, 2018). If such poor tax compliance continues, Lira Municipality is likely to lose hope of self-sustenance and face very poor service delivery to the people due to limited tax collections to finance the municipality activities.

It is thus important to explore whether tax administration systems and compliance costs influence tax compliance among small and medium scale enterprises particularly in Lira municipality. This will then act as a basis to inform authorities to improve on tax administration for better tax compliance in Lira Municipality which is currently taking a negative and worrying trend.

1.3 General objective of the study

The general objective of the study is to examine the relationship between Uganda's tax administration system and tax compliance among SMEs in Lira Municipality.

1.4 Research Objectives

This study was guided by the following research objectives;

- To determine the relationship between tax education and tax compliance among SMEs in Lira Municipality.
- To determine the relationship between tax registration and tax compliance among SMEs in Lira Municipality.
- To determine the relationship between tax assessment and tax compliance among SMEs in Lira Municipality
- To examine the effect of, tax education, tax registration, tax assessment and compliance costs on tax compliance among SMEs in Lira municipality.

1.4.1 Null Research hypotheses

This study aimed at answering the following research hypotheses

- H1:** There is no significant relationship between tax education and tax compliance among SMEs in Lira Municipality.
- H2:** There is no significant relationship between tax registration and tax compliance among SMEs in Lira Municipality.
- H3:** There is no significant relationship between tax assessment and tax compliance among SMEs in Lira Municipality.
- H4:** Compliance costs have no significant effect on tax compliance

1.5 Scope of the study

The scope of this study was confined to the geographical, subject and time scope.

1.5.1 Geographical Scope

The study was confined to Lira Municipality, with specific reference to SMEs in Lira. The target populations for this study was small and medium enterprises (SMEs) operating in Lira municipality, covering the divisions of Adyel, Ojwina, Central and Railways (2.2581° N, 32.8874° E).

Lira central division

Lira Central Division is located in Lira Municipal Council in Lira District. It is one of the four Divisions in the Municipality. The Division covers a land area of 203,625 hectares. The population of Lira Central Division is about 17,593, 82, males and 9295 females from 3089 households (National Population and Housing Census, 2002).

Lira Central Division was chosen since the majority of SMEs including Metal fabricators, Leisure and hospitality, timber dealers, groceries and general merchandise dealers among others are found there and are either ideal candidates for taxation or are actually paying the taxes. Lira Municipality (Central Division) was selected basing on the increasing levels of poor tax compliance amidst tax administrative reforms which creates a puzzle to the tax authorities and the Municipality administration.

1.6.2 Subject Scope

The study was confined to establishing the relationship between tax administration systems and tax compliance of SMEs. The scope selected is small enough to be covered in depth but large enough to give a contribution to the current knowledge on tax administration and tax compliance.

1.6.3 Time Scope

This study was carried out between April 2020 and Feb 2021. The focus was on the period 2009 to 2020 to capture recent developments in relation to the study context and perspective.

1.7 Significance of the study

The findings of the study is expected to be significant in the following ways;

This study is intended to provide policy makers, that is the Ministry of Finance Planning and Economic Development and tax law makers in parliament insights to base any possible amendments to suit the local needs. This will drive voluntary compliance among tax payers.

The Uganda Revenue Authority has so far tried several means to enforce tax compliance. This study will provide additional information to URA to understand how best to enhance tax compliance among SMEs.

Lira Municipality is mandated to collect taxes locally and also to help government bodies like URA to meet revenue targets. This study will highlight how the two bodies can cooperate for mutual benefit.

To other researchers, it is important to tell the nature of the relationship between tax administration systems and tax compliance, thus this study will provide a current reference material.

To the researcher, this study will boost the knowledge on taxation and hence be a milestone in the career growth as well as academic achievements.

Lira municipality will also benefit from the study as a basis for making reforms in administration that will appropriately address tax compliance loopholes.

1.8 Conceptual Framework

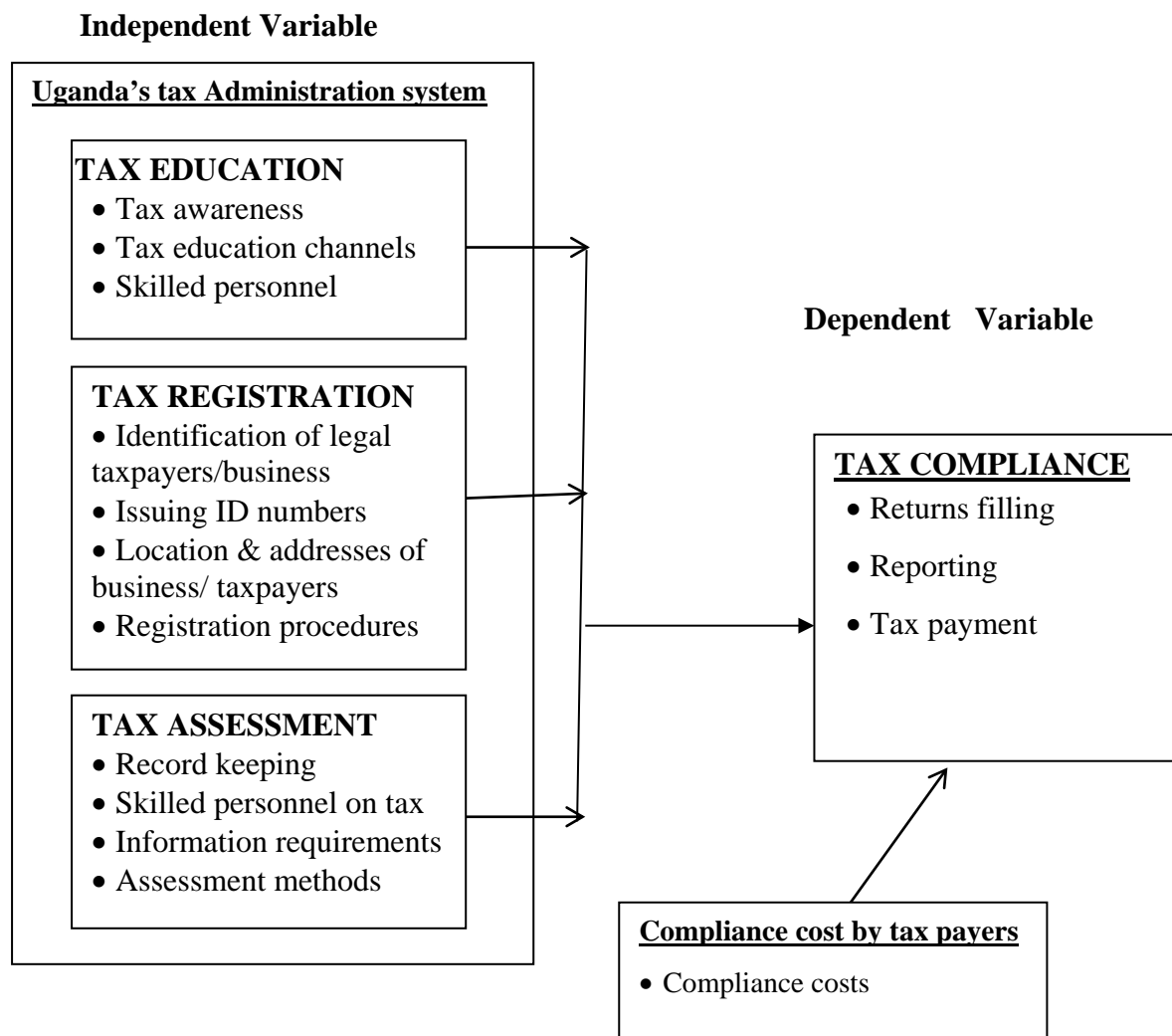


Figure 1. 1: Conceptual Framework

Source: Adapted from literature by (Lemgruber, Masters & Cleary, 2015; Alm, 2011; Ocheni, 2015; Maseko, 2014).

In the conceptual framework above, tax administration is thought to influence tax compliance. Tax administration is the independent variable, studied in terms of education, registration and assessment, (Lemgruber, Masters & Cleary, 2015). All these elements are thought to influence tax compliance among SMEs.

The effect of Compliance cost on tax compliance was also looked at in this study (Maseko, 2014). In addition, tax compliance is the dependent variable, studied in terms of tax filing, tax

reporting and tax payment (Alm, 2011; Ocheni, 2015). The study assumes that tax compliance among SMEs in Lira municipality is influenced by the tax administration systems used by URA. These relationships are studied guided by Motivational Postures Theory (Braithwaite, 2003) and the Theory of Planned Behavior (Ajzen & Fishbein, 1980).

Working definitions

Tax education: Imparting knowledge and skills related to taxes among tax payers.

Tax registration: Taking note electronically or manually the details of potential tax payers for inclusion in the taxpayer database.

Tax assessment: The determination of the amount of tax due for every tax payer at a certain point in time.

Tax collection: The actually gathering or receiving of taxes by cash, cheque or electronically
Returns filling: The record and sharing of the expected tax payment to fall due in a given financial year for a tax paying entity (individual or organization).

Tax reporting: The declaration of the details pertaining to tax payments made or about to be made.

Tax payment: The actual release of the assessed tax to the tax authorities like URA or its representatives including banks, tax clearance agents or URA representatives.

Compliance cost: This relates to actual money paid and opportunity cost relating to the time and other resources expended when complying with tax laws.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

In this chapter, the researcher reviewed the relevant literature. The review begins with the theory and then the relationship between education and tax compliance, the relationship between identification, registration and tax compliance and the relationship between tax assessment, audits and appeals and tax compliance.

One of the largely untapped taxpayer groups in Uganda are the SMEs. In Uganda, Small Enterprises employ between 5 and 49 and have total assets between UGX 10 million but not exceeding 100 million. The Medium Enterprise therefore, employs between 50 and 100 with total assets more than 100 million but not exceeding 360 million (UIA, 21018). Uganda has an extensive SME sector which accounts for approximately 90% of the entire private sector, over 80% of manufactured output and contributes about 75% to the Gross Domestic Product (GDP). It takes up more than 2.5 million people in employment. It encompasses about 1,100,000 enterprises which makes the sector one of the largest employers in the country. SMEs stretch across all sectors; the service sector (49%), commerce and trade (33%), manufacturing (10%) and other fields (8%) (Ministry of Trade Industry and Cooperatives, 2018).

2.1 Theoretical literature review

2.1.1 Motivational Postures Theory (Braithwaite, 2003)

This study is guided by the Motivational Postures Theory (Braithwaite, 2003). The aim is to capture the attitude which is reflected from the taxpayer on the registration and assessment, tax audits and verifications and tax regulation and controls as established by tax authorities. Braithwaite (2003) stated that the authorities may have legal legitimacy, but this does not

guarantee them psychological legitimacy. Individuals and groups evaluate authorities in terms of what they stand for and how they perform. As evaluations are made, revised, shared and accumulated over time, individuals and groups develop positions in relation to the authority and develop a social distance (Braithwaite, 2003). Social distance will determine the level of acceptance and rejection of the taxpayer through the tax system which in turn will affect their compliance behavior. Posture motivation is formed from the position (distance) between taxpayers with regulators and regulations that lead to beliefs, feelings and attitude interconnected.

Five motivational postures that have been identified by Braithwaite (2003) are divided into two parts. Two of the first postures reflect a positive orientation toward authority, namely motivations posture commitment and capitulation. While the three postures of the second part describe the resistance (defiance) of the tax system that motivation posture of resistance, disengagement and game playing. Commitment reflects beliefs about the desirability of tax systems and feelings of moral obligation to act in the interest of the system (URA in this case) and pay one's tax with good will. Capitulation reflects acceptance of the tax office as the legitimate authority and the feeling that the tax office is a kind power as long as one acts properly and refers to its authority. Resistance reflects doubts about the intentions of the tax office to behave cooperatively and benignly towards those it dominates and provides the rhetoric for calling on taxpayers to be watchful, to fight for their rights and to curb tax office power. Disengagement is also a motivational posture that communicates resistance, but here the disenchantment is more widespread, and individuals and groups have moved beyond seeing any point in challenging the authorities. The tax office and the tax system are beyond redemption for the disengaged citizen, the main objective being to keep both socially distant and blocked from view. The fifth posture is game playing. Game playing is a tax behavior

which relates to the taxpayer's view on tax regulations to seek opportunities (loopholes) that can be used in order to find the weakness of the rule.

2.1.2 The Theory of Planned Behavior (TPB)

The TPB has its origins in the earlier theory of Expected Utility but introduces a number of additional explanatory variables which are, according to Ajzen and Fishbein (1980, p. 4) “designed to explain virtually any human behavior”. If they are correct in their claims that “behaviors are not really difficult to predict”, then the TPB has the potential to aid the tax office, in predicting, supporting and thus re-shaping taxpayer behavior (Härtel, Langham & Paulsen, 2012).

TPB proposes a direct relationship between intention and behavior. This relationship is critical to any significant change in policy. Intention is an essential component of tax compliance as it is only through the willing participation of taxpayers that revenue is collected. Thus, predicting taxpayer intention to comply is as important as predicting the actual compliance behaviour. Determining if behaviour is motivated by unwillingness to comply (as opposed to external factors preventing compliance) will shape the treatment to improve performance of the behavior (Härtel, et al., 2012). The tax authority would design interventions that preemptively address the cause of the non-compliance rather than administer solutions post hoc which may encourage further non-compliance.

In addition to intention, the TPB addresses the issue of behavioral control with the inclusion of two variables, perceived behavioural control and actual control. Perceived behavioural control is composed of two elements: the individual's controllability of the behaviour and their self-efficacy in performing the requisite behaviour. This variable encapsulates the factors which determine an individual's persistence and effort in performing the actions necessary for the behaviour. Actual control is only a recent addition to the model (2010) but is an essential

component when investigating behaviours that are complex or require the individual to overcome performance obstacles. Actual control has been defined as “the relevant skills and abilities as well as barriers to, or facilitators of, performance” (Fishbein & Ajzen, 2010).

The TPB is a strong model for predicting all types of behavior. Nevertheless, weaknesses in the model relate to effective operationalization of variables and its applicability in certain contexts. Few studies have empirically tested the full TPB model due to the misapplication of key methodological factors, such as the correct specificity of behavioural measures or the temporal instability of intentions. Additional difficulty is met when the behavior is complex or when it involves a third party.

In view of the above, SMEs continue to use the loopholes and avoid being entered into the tax bracket. This on the other hand angers those in the tax bracket who feel the injustice of ‘paying for others’ and wish also to jump out. All this challenges, the authority (URA) to reinforce its administrative authority and the cycle continues. On the above note, these theories provided guidance to the study.

2.2 Review of Study Constructs in relation to Tax Compliance

2.2.1 Tax education

Furthermore, Oladipupo and Uyioghosa (2016) cite (Braithwaite, 2007) who indicates that high awareness by the society would encourage people to fulfill their obligations to register as taxpayers, reporting and paying taxes properly. Richardson (2016) explained that it is very important for people to understand tax law, because it shapes their disposition to comply. He also explained that generally, the law is viewed as complex, this results in taxpayers becoming unwilling to try and comprehend the tax legislation. Many people find it difficult to

comprehend the messages contained in the tax laws, their best level of comprehension depends on the knowledge that a person has pertaining to the area of tax knowledge (Saad, 2012).

Charity, Mwandambira, Newman and Ongayi (2018) established that SMEs particularly in most developing countries do not comply with tax law. They possess only basic tax knowledge and lack a deeper understanding of tax issues. It also emerged that enhancing tax knowledge on its own without addressing the high tax rates and corruption will not positively impact on tax compliance behaviour among SME.

Although there is little research on tax education, recent studies have shown that taxpayers often have little understanding of how tax systems work (Kira, 2017; Feldman, et al. 2016; Tanui , 2016). Using Afrobarometer data on thirty-six African countries, Isbell (2017) reports that the majority of respondents have difficulty figuring out what taxes they owe to the government. While small taxpayers are likely to suffer more from lack of tax knowledge, large taxpayers and business associations are also not immune to this issue (Nalishebo & Halwampa, 2014). Importantly, it is increasingly clear that tax knowledge is a key determinant of tax compliance (Palil, 2010; Richardson, 2006). This is even true in countries where tax systems are complex and hard to navigate. As a result, there is an increasing awareness, especially amongst African tax specialists, that lack of tax education and knowledge is one of the key obstacles to voluntary tax compliance (Kira, 2017; Nalishebo & Halwampa 2014; Tanui, 2016). However, lack of knowledge about tax rules and how they should be applied can affect tax compliance in two opposite ways. On the one hand, it can be associated with lower taxpayer compliance, including both underreporting and failure to register (Kira, 2017; Lubua, 2014; Palil, 2010). There is anecdotal evidence that businesses might think they do not have to register because they only run a small shop, or because they make very little profit. On the other hand, a limited understanding of the tax system could result in higher compliance costs

or even overpayment. A recent study shows that taxpayers in the United States of America (US) often pay more than they should due to high compliance costs and relatively complex reporting requirements (Benzarti, 2015).

Adekoya, Lawal and Olaoye (2020) recognize that the skills of the tax enforcement team are important. They look at the human relations skills as important enablers of enforcing tax compliance especially in the informal sector which is largely untapped in Africa. They reiterate the need for good relations between the tax enforcement team and the tax payers as a means of improving tax compliance.

2.2.2 Tax registration

In addition to the above, the economic structure, the complexity of the tax law for taxpayers and tax professionals, political aspects, culture, norms and identity are some of the factors that explain a relatively low tax-to-GDP ratio (Besley & Persson, 2014). Developing countries often have a large informal sector, it is not an exception when this sector covers over half of the country's economy. Identification and registration of taxpayers, constitutes an important task for tax administrations and tax authorities should as well put efforts in including in the tax-return system all persons and companies that have succeeded in escaping their notice. They should as well promote online taxation (OECD, 2014).

According to Nyamwanza, Machiki, Mapetere and Nyamwanza (2014), registration is the process, by which the tax administration collects basic taxpayer identifying information, such as names, addresses and legal entity types. Nyamwanza, et al. (2014) further asserts that this information allows the tax administration to know who its taxpayers are, where they are located and whether they are active or inactive.

Generally, the authors reviewed agree that it is important to emphasize tax payer identification and registration as a means of enforcing compliance. However, they all fall short of explaining to what extent each of these dimensions would predict the tax compliance levels statistically. This creates a knowledge gap pending coverage by the current study.

2.2.3 Tax assessment and collection

In Uganda, The Tax Procedures Code Act (2014) has several stipulations detailing the need for and procedures and methods for creating, maintaining, storing and protecting records relating to taxation. In Part iv of the Act

“Accounts and records” among the provisions is that “every taxpayer shall for the purposes of a tax obligation-(a) maintain, in the English language, records including in electronic format, as may be required to determine the taxpayer's tax liability under a tax law; (b) maintain the record so as to enable the taxpayer's tax liability under the tax law to be readily ascertained; and (c)retain the record for five years after the end of the tax period to which it relates or other period as specified in the tax law”.

It is further noted that a mode of record keeping shall contain sufficient transaction information and, in the case of a record in electronic format shall be capable of being retrieved and converted to a standard record format equivalent to that contained in an acceptable paper record.

Uganda, The Tax Procedures Code Act (2014) further provides details of assessment methods asserting that;

“the following are self-assessment returns for the purposes of this Act-(a) a return of income; (b) a return of rental income;(c) a return required to be furnished under the Value Added Tax Act; (d) a return required to be furnished under the Excise Duty Act; and e) a return specified as a self-assessment return under a tax law.”

From the above, it follows that the revenue authorities in Uganda appreciate that records keeping is an important element in the tax assessment.

The digital age is rapidly transforming the relationship between tax authorities and taxpayers (Kassim, 2013). Driven by a desire for more revenue, greater efficiency and improved compliance in an atmosphere of shrinking resources, tax authorities are increasingly relying on digital tax data gathering and analysis using digital platforms to facilitate real-time or near real-time collection and assessment of taxpayer data (Liu & Ye, 2013). When taxpayers file their taxes online, they will be creating a permanent electronic record for use in the future. Instead, they can pull up their information on computer and get to work right away. The Digital Tax System brings more accuracy and online filing takes much of the guesswork out of the tax return process and many programs even do the calculations. It also makes the filing process faster and the last thing most taxpayers want to do is spend days and weeks sifting through papers to file their return. When tax payers file their taxes online, that will speed up the process, which will save them a lot of time and frustration and improve compliance as well.

Indirect tax assessment methods are policy tools commonly adopted by fiscal authorities worldwide. It is possible to distinguish different typologies of indirect tax assessment methods, on the basis of the information used to reconstruct the tax base. As an alternative to taxable income declared by the taxpayers, the fiscal authority can estimate tax liabilities taking into account information reported by a third party or information regarding some taxpayers' observable characteristics. By removing the element of self-assessment, indirect tax assessment methods reduce, but do not completely eliminate, the opportunity to evade. Therefore, taxpayers may alter their behavior in potentially inefficient ways in order to reduce their presumed tax liability. Indirect tax assessment methods have often been criticized as being unfair, because they do not necessarily reflect a taxpayer's ability to pay.

2.2.4 Compliance costs

Taxpayers incur two main types of compliance costs: gross monetary compliance costs and psychological costs. Gross monetary compliance costs include both actual money paid and opportunity costs relating to the time and other resources expended when complying with tax laws (Evans & Tran-Nam, 2014). Psychological costs, on the other hand, involve the estimation of stress and anxieties resulting from complying with tax laws, normally measured using a Likert scale (Evans, Hansford, Hasseldine, Lignier, Smulders & Vaillancourt, 2014).

In describing tax compliance cost there is also the need to distinguish between computation costs and planning costs (Hijattulah & Pope, 2008).

2.3 Empirical studies

2.3.1 Tax education and tax compliance among SMEs

Palil (2010) posits a relationship between that tax knowledge and taxpayers' ability to understand the laws and regulation for better compliance. This author is supported by Amayi and Machogu (2013) who sought to establish the effect of taxpayer education on voluntary tax compliance, among Small and Micro-Enterprises (SMEs) in Mwanza City-Tanzania. A cross-sectional descriptive research design was used. Both primary and secondary data were collected using a questionnaire. 85% of the respondents, admitted to have gained understanding on the basic tax laws and procedures, while 15% showed that there was no improvement in understanding the basic tax laws. 78.7% of the respondents agreed that through the taxpayer education, they had been able to understand and become aware of their taxpayer rights and obligations. 21.3% of the respondents stated that taxpayer education had not been able to help them in understanding and becoming aware of their tax rights and obligations. 83% of the respondents agreed that taxpayer education helped them in understanding clearly the procedure

of paying taxes, while 17% claimed that despite the tax education they received, they did not understand clearly the procedure of paying taxes.

Tembo (2014) shows that there was a positive relationship between taxpayer's education knowledge and tax compliance, a significant positive relationship between tax awareness campaigns and tax compliance and a significant positive relationship between religiosity (tax morals/ethics) and tax compliance among Small and Medium Enterprises in Nakawa Division. Oosa (2016) show that tax knowledge has a higher tendency to promote tax compliance than tax penalty. Government should therefore do everything possible to increase public knowledge on tax matters and tax education should be included in school curricula at all times. Small and medium scale business owners should also seek to advance their tax knowledge and awareness for the mutual benefits to the governments and taxpayers.

Wadesango and Mwandambira (2018) provide further evidence noting that tax non-compliance is an area of concern for all government and tax authorities and it will continue to be an important issue that must be addressed. The study was to evaluate if lack of tax knowledge contributed to high levels of tax non-compliance amongst SMEs in Zimbabwe. To achieve this, a quantitative research approach was used involving a sample of 35 SMEs and 40 tax officials. The findings were that SMEs in Zimbabwe possess basic tax knowledge about taxation but lack a deeper understanding like the difference between presumptive taxation and income-based taxation. Wadesango and Mwandambira (2018) further note that this insignificantly influences their non-compliance behaviour. It emerged that in order for tax knowledge to influence tax compliance positively, the tax rates and corruption need to be addressed too. In spite of these results, Wadesango and Mwandambira (2018) recommend that Zimbabwe Revenue Authority (ZIMRA) should still continue to raise awareness to uninformed and

inexperienced SMEs on the benefits of paying tax, encourage proper record keeping through tax payer education and social media campaigns.

In Nigeria, Nwidobie and Oyedokun (2018) show that direct education by the tax authority is the most effective channel of educating tax payers in Nigeria as the types of taxes, mode and amount of payment, effective due date for payment and benefits of tax paid are clearly disseminated to taxpayers and taxpayers questions accurately answered by tax administrators, increasing taxpayer education and compliance to tax obligations, necessitating increased taxpayer education directly by tax administrator effective channels for educating tax payers to improve tax compliance in Nigeria.

From these, there seems to be a link between tax knowledge and tax compliance. The only gap is to what extent and what is the best way to pass on this knowledge that can bring the highest compliance levels.

Bird (2014) also argues that “the existence of tax knowledge, which consists of general knowledge, legal knowledge and technical knowledge did not significantly affect tax compliance behaviour of SMEs”. His findings indicated that knowledgeable taxpayers were not necessarily compliant taxpayers. It was also found that tax knowledge has no impact on tax compliance in Indonesia according to Fauziati (2016).

In Zimbabwe, Maseko (2013) reports no correlation between tax knowledge and tax registration but a weak negative correlation with tax compliance. Tax knowledge in SMEs is presented to have no influence on decisions to either register or not register for tax.

2.3.2 Tax registration and tax compliance among SMEs

An effective tax system encourages taxpayer compliance with registration obligations. Therefore, the tax community should be provided with clear and comprehensive descriptions

of the requirements that lead to registration and tax administrations should facilitate taxpayers to make the procedural requirements as easy as possible. Online registration by taxpayers adequately serves the needs of taxpayers thus promotes compliance, reduces the number of unintentional errors and is cost efficient (Gerit, 2011).

Hendy (2013) asserts that the basic registration functionality of a tax IT system includes the storing and maintenance of taxpayer identifying information, the automatic issuance of TINs (identification number) and taxpayer certificates and the automatic determination of taxpayer filing requirements. He also said that effective registration with tax digital tax systems uses unique TINs to facilitate exchange of information between government agencies to ease the detection of non-compliance.

Joshi, Prichard and Heady (2014) do not divert much from the ideas submitted by Besley and Persson (2014) and they observe that SMEs generate enough income to warrant taxation but find it easy to escape the attention of the tax administration or to conceal a substantial part of their tax liability, because of their location, size, and/or nature of their businesses. This means that without identification and registration of these businesses, compliance is rather impossible.

2.3.3 Tax assessment and tax compliance among SMEs

According to Atawodi and Ojeka (2012), high tax rates and complicated filing procedures are the two most vital factors making SMEs in Northern Nigeria not to comply with tax laws and regulations. Barbutamisu (2011) asserted that factors like level of income, tax benefits, penalties, fines, tax audit, audit probabilities, assumed fairness, attitude, personal, social and national norms affect the level of tax compliance. Another significant barrier to tax compliance by SMEs is that sizeable amount of their transactions are cash based, which makes their transactions challenging to track. A considerable amount of transactions are done outside

banking medium (Obara & Nangih, 2017). This makes assessment difficult and thus lowers compliance levels.

According to Kidder and Craig (2011), taxpayers always work hard to increase their benefit through consideration of the threat that they may be discovered and be reprimanded due to non-compliance activities pertaining to tax requirements.

Alm (2013) in his study concluded that the impact of fines and penalties to non-compliance is virtually zero. Some were also neutral and they assert that fines were only a means which is used by revenue authorities to punish taxpayers but it is not a way to foster compliance or non-compliance.

2.3.4 Tax compliance costs and tax compliance among SMEs

Mahangila (2017) determined whether or not an increase in income tax compliance costs leads to a decrease in income tax compliance. The tax context experiment involved 75 small and medium entrepreneurs based in Dar es Salaam, Tanzania's business hub. The participants were first randomly assigned to one of the three experiment treatments. In the first treatment, the tax compliance cost was TAZ 50,000; in the second, it was TAZ 100,000; and in the third, it was TAZ 166,667. Each participant in each treatment received income of TAZ 1,000,000. TAZ is a laboratory currency which, at the end of the experiment, was exchanged at the rate of TAZ 120 for 1 actual Tanzania shilling (Tsh). Generally, the results indicated that tax non-compliance significantly increased as tax compliance costs increased. Although the study used small samples of SME taxpayers, therefore the results may not be generalisable, the results imply that tax compliance costs may be responsible for the unsatisfactory tax compliance levels of SME taxpayers.

SME taxpayers may face economic hardship as a result of proportionately higher compliance costs (Schoonjans, Van Cauwenberge, Reekmans & Simoens, 2011) and their tax compliance levels may be lower (Arachi & Santoro, 2007). High tax compliance costs may explain why SMEs' tax compliance levels are lower than expected, as many of these business entities may perceive the tax systems to be unfair. Subsequently, knowing whether tax compliance costs impact on the SMEs' tax compliance is useful when considering how to combat their tax non-compliance.

A report by the consortium consisting of Ramboll Management Consulting, the Evaluation Partnership and Europe Economic Research (2013) for the European Union on the methods of measuring tax compliance costs methodologies suggested that reducing tax compliance costs might increase voluntary tax compliance costs.

2.4 Research gap and conclusion

From the above review, most authors seem to agree that tax compliance is a serious challenge to most revenue authorities in both the developed, emerging and under developed economies. There is a however, a diversion in approach as to what is the best way to improve tax administration systems to generate better compliance. Braithwaite (2003) explains tax motivation through the Motivational Postures Theory. A number of authors point out the relationship between tax compliance and tax administration system (Palil,2010; Amayi & Machogu, 2013; Gerit, 2011; Hendy, 2013; OECD, 2014; Barbutamisu, 2011; Byamukama, 2013) . However, it is not clear whether the above relationships pointed out are relevant to Uganda's tax compliance levels among SMEs and tax administration systems. Besides, statistical evidence is lacking or inadequate hence creating a gap to be closed. This justifies the need for afresh empirical study to bring out the Ugandan context.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter presents and discusses the research design, study population, sample size and sampling techniques and procedure, data collection methods and instruments, the validity and reliability of data collection instruments, data analysis and measurement of variables.

3.1 Research design

The study used a cross sectional research design adopting both quantitative and qualitative approach. The research also used both quantitative and qualitative data as this research method dealt with quantifying and analysis variables in order to get results. It involved the utilization and analysis of numerical data using specific statistical techniques to answer questions like who, how much, what, where, when, how many, and how. The quantitative approach was employed in order to capture statistical evidence of tax payers' motivation levels and tax compliance levels as well as the relationships to obtain the correlation and regressions. Qualitative data on the other hand was used in this study because the topical issues of compliance require social reality that should be obtained in the real life among the tax payers.

3.2 Study population

Lira Municipality is located in Lira District in Northern Uganda. It is geographically located at latitude 20' 17' north of the equator and longitude 32' 56' east of the principal meridian. It became a municipal council in 1985. The Council has four (4) Divisions, twenty-two wards (22) and sixty-four cells (64).

The target populations were the SMES operating within Lira municipality and are legally registered by URA as taxpayers on the category of SMEs. Lira municipality has a total of 1,643

SMEs. (URA, 2019). For the purpose of the study, the population were proportionately spread across the four divisions. Therefore, the study population was 328 SMEs in the central division, where our focus was.

3.3 Sample size

The sample size for the quantitative data was determined using Yamane (1967) formula where;

$$s = \frac{X^2 NP(1-P)}{d^2(N-1) + X^2 P(1-P)}.$$

s = required sample size.

X^2 = the table value of chi-square for 1 degree of freedom at the desired confidence level (3.841).

N = the population size.

P = the population proportion (assumed to be .50 since this would provide the maximum sample size).

d = the degree of accuracy expressed as a proportion (.05).

$n = 176$. Therefore, the sample size was 176 SME operators in Lira municipality

3.4 Sampling procedure

The sample was obtained using simple random sampling. Simple random sampling was used until the desired sample is obtained. Simple random sampling (SRS) occurs when every sample of size n (from a population of size N) has an equal chance of being selected (Fricker, 2005). The choice of simple random sampling was dictated by the desire to minimize possible bias and ensure that all SMEs and their owners or managers have equal chances of being selected to participate in the study.

3.5 Sources of data

The study used primary data. An advantage of using primary data is that researchers are collecting information for the specific purposes of their study. In essence, the questions the

researchers asked were tailored to elicit the data that would help them with their study. Researcher collect the data himself, using surveys, interviews (Sajjad, 2018). The primary data was collected using questionnaires from the SMEs owners or managers in Lira Municipality. The URA staff were given interview questions to respond against.

3.6 Data collection methods and instruments

Data collection is the process of gathering and measuring information on variables of interest, in an established systematic fashion that enables one to answer stated research questions, test hypotheses, and evaluate outcomes (Kabir, 2016). A self-administered questionnaire was used to collect primary data from the SMEs operators. It contained closed ended questions. A self-administered questionnaire (SAQ) refers to a questionnaire that has been designed specifically to be completed by a respondent without intervention of the researchers (e.g. an interviewer) collecting the data (Lavrakas, 2008). Structured questionnaires was used because they are easy to administer, cost effective and appropriate for collecting quantitative data in a short time period. A five-point likert scale was used to determine the level of agreement with the questions in the Questionnaire relating the variables described above where 1= strongly Disagree, 2 =Disagree, 3=uncertain, 4= agree and 5= strongly agree.

An unstructured questionnaire was also used to collect qualitative data.

Table 3.1 represents the variables under study and their components of measure to be assessed in order to achieve the objectives of the study.

3.7 Measurement of variables

Table 3. 1: Measurement of variables

Variables	Measures	Authors	Scale
Tax compliance	Tax Filing. Tax Reporting. Tax Payment.	Alm (2011); Ocheni (2015)	Likert scale
Tax education	Tax awareness Tax education channels Skilled personnel	Tanui, 2016; Kira, 2017)	Likert scale
Tax Registration	Identification of legal taxpayers/business Issuing ID numbers Location & addresses of business/ taxpayers Registration procedures	KPMG, 2019; Verberne, 2017; Verberne, 2017	Likert scale
Tax Assessment	Recording keeping Skilled personnel on tax Information requirements Assessment methods	Law Insider, 2020; Uganda, The Tax Procedures Code Act (2014); Liu & Ye (2013)	Likert scale
Tax Collection	Collection methods Collection procedures Man power collection Collection cost	Cawley & Zake , 2010; Bucci , 2019; Pava (2014); Logue & Vettori, (2011)	Likert scale

Source: Author, adopted from Literature review

3.8 Validity and reliability

3.8.1 Validity

For quality control, a pre-test of the research instruments to establish their validity was done. The instrument was given to the researcher's two supervisors to give their opinions on the relevance of the questions using a 5-point Likert scale of strongly disagree, disagree, not sure, agree and strongly agree. The data was then considered valid for the study.

Table 3. 2: Validity statistics

Items	Content validity index (average of two experts)
87	0.90

Source: Primary data (2020)

This shows that 90% of the questions were accepted as valid making the tool acceptable for data collection.

3.8.2 Reliability

The reliability of the research instrument was pretested by administering it to selected respondents and was examined for their reliability by using Cronbach's Alpha value. Although the standards for what makes a "good" α coefficient are entirely arbitrary and depend on your theoretical knowledge of the scale in question, many methodologists recommend a minimum α coefficient between 0.65 and 0.8 (or higher in many cases); α coefficients that are less than 0.5 are usually unacceptable, especially for scales purporting to be unidimensional (Goforth, 2018). The study thus considered 0.65 or greater to be the perfect Alpha score of reliability, processed using SPSS software ver.23.

Table 3. 3: Reliability statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	Number of items
0.913	0.928	87

Source: Primary data (2020)

The detailed analysis showing the reliability coefficients of the consolidated subsections on the questionnaire tool were as shown in Table 3.4 It can be concluded that the reliability of the tool used was excellent and acceptable going by the scale given by George and Mallery (2003) that an alpha score of .9 and above is considered to be excellent; that $\geq .8$ as good; $\geq .7$ as acceptable; $\geq .6$ as fair; $\geq .5$ as poor; and $\geq .5$ as unacceptable. Therefore, basing on the above Cronbach's Alpha value (0.928), the reliability of the instrument used was excellent.

3.9 Data processing and analysis

Analysis is the application of reasoning to understand and interpret the data that have been collected (Kothari, 2004). By definition, qualitative data analysis is the range of processes and procedures whereby one moves from the qualitative data that have been collected into some form of explanation, understanding or interpretation of the people and situations being investigated. Qualitative data analysis is usually based on an interpretative philosophy.

Analyzing qualitative data is essentially a complex process which consists of noticing, collecting and thinking; and the purpose of this model is to show that there is a simple foundation to the complex and rigorous practice of qualitative data analysis. This process is interactive and progressive. In this study, the researcher used the judgmental practice which was a suitable method of analyzing qualitative data and the ethnographic representation of tax compliance realities.

The primary data collected was edited, coded and analyzed to identify the relationship between the tax administration systems and tax compliance. Data derived from the questionnaires was analyzed using SPSS ver 23 statistical package. Descriptive statistics and inferential was produced in form of tables.

Since the study ran a correlational analysis. Inferential statistics including Pearson correlation and regression was processed. Correlation helped to establish the relationships between the study variables while multiple regression was used to establish the effect of tax administration systems on tax compliance. Also, sample characteristics were processed to generate frequencies and percentages.

3.10 Ethical considerations

The study was conducted after attaining an introductory letter from Kyambogo University to be presented to the respondents. The researcher also ensured that participation was voluntary without any forceful tendencies. The privacy of respondents was sheltered by only using the study for academic purposes and not asking for personal details. The researcher also acknowledged all the sources used. The entire report considered facts as found and did not subject them to bias and prejudgments.

3.11 Limitations

Taxation issues normally cause anxiety and fear which deter participation of tax payers.

The Covid-19 precautions set by Ministry of Health (MoH) constrained in data collection but the researcher adhered to the standard operating procedures (SoPs) in place to get the study conducted.

CHAPTER FOUR

ANALYSIS, PRESENTATION AND INTERPRETATION OF RESULTS

4.1 Introduction

The chapter presents the analysis and interpretation of the study findings arising from the raw data collected from the field using questionnaires and interview guide. The following sections in this chapter therefore concentrate on the findings of this study on the Uganda's tax administration system and tax compliance among SMEs, a case study of Lira municipality. The first section presents the response rate followed by background information about the respondents and results from the analysis of data gathered during the study and its interpretation in context of the research objectives.

4.2 Response rate

The researcher expected to collect data from a total of 176 respondents. A total of 173 respondents were realized constituting of 98.3% as illustrated in table 4.2.1 below. Five URA staff were supposed to be interviewed but 3 senior staff were reached, constituting 60%.

Table 4. 1 :Response rate

Instrument	Released number	Received number	Response rate (%)
Questionnaires	176	173	98.3
Interviews	5	3	60
Total	181	176	

Source: Primary data (2020)

Table 4.1 above shows that 60.0% of respondents participated in interviews and 98.3% of the distributed questionnaires were received. According to Amin (2005), a total response rate of 70% is a good representation of the study population. Therefore, a rate of 98.3% is considered

as good response as supported by Amin (2005). This shows that the study findings are representative enough of the population.

Table 4. 2: Matrix of qualitative results

Questions	Responses
<p>Tax education:</p> <p>1. According to your opinion, how is tax education of tax payers associated with their tax compliance?</p>	<p>1. When tax payers are made aware of the tax compliance concepts and their impacts on their businesses, they will comply voluntarily to taxes.</p> <p>2. Tax education is very important because tax payers get to understand penalties of non-compliance.</p> <p>3. Tax education is good but the channels used by URA should be improved so that different tax laws are communicated and interpreted to tax payers to improve their compliance</p>
<p>2. Tax registration</p> <p>How is registration of tax payers related to their tax compliance?</p>	<p>When a tax payer is not identified, and issued a Tax Identification Number, URA will not be able to follow those non-compliance tax payers. Thus, tax registration is positively related to tax compliance.</p> <p>The location of the tax payers also matters when assessing their compliance. This is because tax payers from different locations pay different tax heads under the presumptive tax</p>

<p>Tax assessment</p> <p>Please elaborate more on how tax assessment tends to improve tax compliance among the tax payers in Lira Municipality? How can tax assessment be helpful in boosting tax compliance among SMEs in Lira Municipality?</p>	<p>URA normally assesses tax non-compliance when there is no proof of filing returns, reporting in accurate financial position and non-payment of taxes. So when a notice / warning is sent through emails to tax payers, they tend to wake up and look for tax consultants to file their returns and generate a payment reference number to pay taxes assessed. Therefore, tax assessment is also positive related to tax compliance among SMEs in Lira municipality.</p> <p>The online assessment method is very good since tax payers are informed first before an administrative follow up is done by debt collection department of URA.</p> <p>Tax audits are normally conducted on clients who are extremely noncompliance. These audits help tax payers to correct the wrongly file returns, educates clients on other tax compliance areas and reconciles tax payers and the URA to a mutual understanding on tax position.</p>
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4.3 Results on the background information of respondents

In this section, data is presented on the background information composition of the sample obtained through the questionnaire which included; gender, age group, level of education,

nature of business veing carried out and number of years in business. All the tables are based on the 173 questionnaires filled and returned by the respondents, thus giving the quantitative data analysis and also 3 respondents were interviewed. The purpose of collecting background data on respondents was to help in establishing the respondent sample characteristics and be able to form appropriate opinions about the research findings. The detailed analysis of these characteristics and interpretation are presented in table 4.3 below:

Table 4. 3: Background information of respondents

SN	Variable	Value	Frequency	Percentage
1.	Gender of the respondent	Male	94	54.3
		Female	79	45.7
2.	Age of the respondent	18-25yrs	24	13.9
		26-30 yrs	47	27.2
		31-35 yrs	49	28.3
		36-40 yrs	35	20.2
		40 years and above	18	10.4
3.	Marital status	Married	66	38.2
		Single	54	31.2
		Divorced	20	11.6
		Widowed	17	9.8
		Separated	16	9.2
4.	Highest academic level	Primary education	28	16.2
		O-Level	49	28.3
		A- Level	40	23.1
		Diploma	32	18.5
		Bachelor's Degree	24	13.9
5.	Nature of business being carried out	Trade	46	26.6

	Accommodation & food	15	8.7
	Recreation and personal services	19	11.0
	Agriculture	21	12.1
	ICT	26	15.0
	Insurance	6	3.5
	Construction	14	8.1
	Others	26	15.0
6.	Number of years taken in business	1-3 years	62
			35.8
		4-6 years	75
			43.4
		7-9 years	22
			12.7
		10 years and above	14
			8.1
	Total	173	100.0

Source: Primary data (2020)

Table 4.3 shows that 54.3% which was the majority of the respondents were male, 45.7% of the respondents were female. This finding implies that the study was representative since both female and male respondents were captured and there were more male employees than their counter parts. This is partly because of the nature of the work in some businesses that the company deals in which needs more energetic or male employee to achieve the goals and objectives.

The findings in table 4.3 above illustrates that 28.3% of the respondents were between 31-35 years of age, 27.2% were between 26-30 years of age, 20.2% were between 36-40 years of age. This finding implies that this study was representative since the age category of respondents was regarded mature enough to understand and appreciate the issues of tax administration and their relationships with tax compliance among SMEs.

The results in table 4.3 above indicates that 28.3% of the respondents have attained O-Level , 23.1% are A-level leavers, 18.5% have attained a diploma , 16.2% were primary leavers and only 13.9 % have acquired bachelors degree in various disciplines. From the majority of the respondents, the findings give indications that they are likely to have prior knowledge on tax administration concept and its impacts and relationships with tax compliance.

The results in table 4.3 above inidcate that 26.6% of the respondent were trading companies, 15% of them were carrying on busiesses involved in ICT and other busiesses that were not listed in the questionnaire (e.g schools, transport, NGOs, Accountancy firms,etc), 12.1% of the respondents were those involved in selling agricultural products and other agro-inputs, 11% were involved in hotel management and only 8.1 of the respondents were in construction busiesses. This implies that alomost all of the repondents qualify for tax purposes.

Table 4.3 above indicates that 43.4% of the respondents that participated in this study had spent over 4-6 years in their respective businesses, 35.8% had taken 1-3 years in operation, 12.7% had taken over 7-9 years and only 8.1% had operated for more than 10 years and above. This means that the businesses surveyed had registered for taxes and the information given for empirical data analysis will be relevant.

4.4 Inferential statistical analysis of quantitative data

4.4.1 Analysis of relationship between tax education and tax compliance

This section presents description findings measuring the relationship between tax education and tax compliance. This research objective was conceptualized using questions which required each respondent to do self-rating in regards to their views on tax awareness, tax education channels and the skilled personnel used by Uganda Revenue Authority in conducting tax education. Responses are presented based on Likert scale ranging from 5 which reflected

strongly agree, 4 agree, 3 undecideds, 2 disagree and 1 strongly disagree. The average of the responses on the above three parameters of tax education (tax awareness, tax education channels and skilled personnel) was analyzed and correlated with the different tax compliance components (tax filing, tax reporting and tax payment). The results of the correlation analysis are summarized in Table 4.4.

Table 4. 4: Correlation analysis between tax education and tax compliance

Variables	Statistics	TAX COMPLIANCE		
		Tax filing	Tax reporting	Tax payment
Tax education				
Tax payers' awareness	Pearson Correlation	-.157(*)	-.180(*)	-.017
	Sig. (2-tailed)	.039	.018	.820
Tax education channels	Pearson Correlation	.156(*)	.160(*)	.134
	Sig. (2-tailed)	.040	.036	.079
Skilled personnel of URA	Pearson Correlation	.170(*)	.215(**)	.062
	Sig. (2-tailed)	.025	.004	.421
	N	173	173	173

Source: Primary data (2020), significant at 5% level

According to Table 4.4 above, it shows that there is a negative significant relationship between tax awareness and tax filing and tax reporting since their respective p-values (0.039 and 0.018) are less than 0.05. Tax awareness is not significantly associated with tax payment since their p-value (0.820) is greater than the significant value of 0.05.

It is also evidenced by the Pearson correlation coefficients that there is a weak positive relationship between tax awareness and tax filing as well as tax reporting.

From the above correlation matrix, tax education channels used by Uganda Revenue Authority are seen to have a significant relationship between tax filing and tax reporting. This relationship is supported by their p-values (0.04 and 0.036) being less than the significant level of 0.05. But this is not significantly associated with tax payment, since the p-value between them is 0.079 which is greater than 0.05.

However, much as there exists a significant relationship between tax education channels and tax filing and reporting, the strengths of their relationships are weak.

Additionally, positive correlation exists between the skills of the tax enforcers and tax filing and tax reporting of the tax payers. Their significant relationships are supported by their p-values 0.025 and 0.004 which are less than the significant level of 0.05. This implies that the tax payers tend to develop other means of evading taxes if they are not approached well and sensitized to comply with the tax laws and tax compliance.

But we also see that there is no significant relationship between the skills of the URA tax officer and the ability of the tax payers to pay their taxes. This non significance is concluded based on the p-value of 0.421 being more than the significant level (0.05).

Hypothesis testing on tax education and tax compliance

Ho: There is no significant relationship between tax awareness and tax compliance (tax filing, tax reporting and tax payment) among SMEs in Lira Municipality.

From the above analysis, there is a negative significant relationship between tax awareness and tax filing and tax reporting respectively, since their p-values (0.039 and 0.018) are less than 0.05. We therefore fail to accept the null hypothesis above and conclude that tax awareness as a component of tax education is significantly associated with tax filing and tax reporting which are major components of tax compliance.

Ho: There is no significant relationship between tax awareness tax payments among SMEs in Lira Municipality.

From the analysis above, tax awareness is not significantly associated with tax payment since their p-value (0.820) is greater than the significant value of 0.05. We therefore fail to reject the null hypothesis that there is no significant relationship between tax awareness and tax payment among SMEs in Lira city.

4.4.2 Analysis of relationship between tax registration and tax compliance among SMEs in Lira Municipality

This section presents findings that seek to address the second objective of this research measuring the relationship between tax registration and tax compliance among SMEs in Lira municipality. This research objective was conceptualized using questions which required each respondent to do self-rating in regards to their views on identification of legal tax payers, issuing tax identification numbers, location and addresses of tax payers, registration procedures being implemented by URA. Responses are presented based on Likert scale ranging from 5 which reflected strongly agree, 4 agree, 3 undecideds, 2 disagree and 1 strongly disagree. The average of the responses on the above four parameters of tax registration was analyzed and correlated with the different tax compliance components (tax filing, tax reporting and tax payment). The results of the correlation analysis are summarized in Table 4.5 below.

Table 4. 5: Correlation analysis between Tax Registration and tax compliance

Variables	Statistics	Tax Compliance		
		Tax filing	Tax reporting	Tax payment
Tax Registration				
Identification of legal tax payers	Pearson Correlation	.280(**)	.242(**)	.237(**)
	Sig. (2-tailed)	.000	.001	.002
Issuing Tax Identification number	Pearson Correlation	.352(**)	.223(**)	.090
	Sig. (2-tailed)	.000	.003	.240
Location & addresses of tax payers	Pearson Correlation	.415(**)	.335(**)	.369(**)
	Sig. (2-tailed)	.000	.000	.000
Tax registration procedures	Pearson Correlation	.177(*)	.151(*)	.084
	Sig. (2-tailed)	.020	.047	.270
	N	173	173	173

Source: Primary data (2020)

To establish the relationships between the dimensions of tax registration, a bivariate correlation analysis was done and the correlation matrix generated in Table 4.5 above was used for analysis.

According to the findings in table 4.5 above, identification of legal tax payers was established to be statistically significant and positively correlated to tax compliance (tax filing, tax reporting and tax payment) at 99% level of significance. Although there is a weak correlation

between identification of legal tax payers and the tax compliance (tax filing, tax reporting and tax payment), there is a clear indication that identification of tax payers has a strong relationship with tax filing. Implying that, for the tax payers who have been identified and registered by Uganda Revenue Authority, tax filing and tax reporting must be complied with. Identification of legal tax payers is significantly associated with tax compliance (tax filing, tax reporting and tax payment) since their p-values (0.000, 0.001, 0.002) are less than the significant level 0.01 (1%) respectively.

Additionally, the above output revealed that issuing Tax Identification Number (TIN) is significantly related with tax compliance (tax filing and tax reporting). This is because their p-values (0.000 and 0.003) are less than 0.01. This is not statistically significantly associated with tax payment as shown by its p-values (0.240) which is greater than 0.01 and 0.05.

This above analysis implies that the tax payers that have been issued a TIN should file tax returns and report their income statement and statement of financial position to Uganda Revenue Authority (URA). Additionally, the insignificance of issuing tax identification number with tax payment means that having a Tax identification Number does not guarantee payment of taxes, but only that that is due upon tax computation. Thus, filing and reporting of tax position are the key compliance components to be adhered to by the registered tax payers.

While assessing the relationship between location and addresses of tax payers and their tax compliances in terms of tax filing, tax reporting and tax payment, it is evidenced from the above correlation matrix that location and identification of tax payers is significantly related to all the three components of tax compliance (tax filing, tax reporting and tax payment) , since their p-values (0.000, 0.000 and 0.000) are less than 0.01 respectively. This implies that location of tax payers determines their compliance. That is, businesses in Lira Municipality are likely to be taxed at a different rate than their counterparts in the rural areas. Different tax

amount is levied to small business tax payers by Uganda Revenue Authority as shown in table 4.6 below;

Table 4. 6: Traders in Kampala city and divisions of Kampala whose turn over exceeds 10 million shillings but does not exceed 50 million pay the following amounts as tax

Business Trade	With turnover between (UGX 35,000,000 - 50,000,000)	With turnover between (UGX 20,000,000 – 35,000,000)	With turnover between (UGX 10,000,000 -20,000,000)
General Trade	500,000	400,000	250,000
Carpentry/ Metal Workshops	500,000	400,000	250,000
Garages (Motor Vehicle repair)	550,000	450,000	300,000
Hair and Beauty/ Salons	550,000	400,000	300,000
Restaurants and/or Bars	550,000	450,000	300,000
Clinics	550,000	450,000	300,000
Drug Shops	500,000	350,000	100,000
Others	450,000	300,000	200,000

Source: Uganda Revenue Authority Handbook 2018

Table 4. 7: Traders in municipalities whose turnover exceeds 10 million shillings but does not exceed 50 million pay the following amounts as tax.

Business Trade	With turnover between (UGX 35,000,000 - 50,000,000)	With turnover between (UGX 20,000,000 – 35,000,000)	With turnover between (UGX 10,000,000 - 20,000,000)
General Trade	400,000	300,000	150,000
Carpentry/ Metal Workshops	400,000	300,000	150,000
Garages (Motor Vehicle repair)	450,000	350,000	200,000
Hair and Beauty/ Salons	450,000	350,000	200,000
Restaurants and/ or Bars	450,000	350,000	200,000
Clinics	450,000	350,000	200,000
Drug Shops	400,000	300,000	150,000
Others	400,000	350,000	150,000

Source: Uganda Revenue Authority handbook 2018

From Table 4.6 and 4.7 above and from the significance of the relationship between location and compliance of the tax payers, Lira municipality recorded the highest number of respondents (26.6%) carrying on trade as their principal business activities within Central Division. Therefore, the above analysis is key in determining the level of tax compliance and

the above tax rates per location supports the claim that location of business of tax payers is significantly associated with tax compliance.

From the above correlation matrix, tax registration procedures is seen to be significantly associated with tax filing and tax reporting. This is shown by their p-values of (0.020 and 0.047) being less than 0.05. The strengths of correlation are relatively very weak, though significant in this study. Tax registration procedures is not significantly associated with tax payment as shown by their p-value (0.270) > 0.05. This analysis implies that the guidelines determined by Uganda Revenue Authority matters a lot in enforcing tax registration of tax payers and hence compliance.

Hypothesis testing for tax registration and tax compliance

Ho: Tax registration is not significantly associated with tax compliance among SMEs in Lira Municipality.

From the above analysis, identification of legal tax payers' location and addresses were found to be statistically significantly related to the three components of tax compliance (tax filing, tax reporting and tax payment). This is so, because their p-values were seen to be all less than the significant level of 0.01. Therefore, we reject the null hypothesis and conclude that tax registration (identification of legal tax payers and location and addresses of tax payers) are significantly related to tax compliance.

Issuing of tax identification number (TIN) was also revealed to be significantly related to tax filing and tax reporting, since their p-values (0.000 and 0.003) were less than 0.001. However, this was not confirmed to be significantly associated with tax payment by tax payers at 0.01, since the p-value (0.240) > 0.01. This also implies that issuing a TIN does not necessitate

payment of all the taxes, but determines tax filing and disclosing tax payer's financial position to the Revenue Authority.

Additionally, tax registration procedures are also significantly associated with tax filing and tax reporting as revealed by their p-values (0.020 and 0.047) which are all less than 0.05. Tax registration procedures is seen not to be significantly related to tax payment since the p-value (0.270) > 0.05. Therefore, the way a tax payer is registered for taxes does not dictate how much taxes should be paid and when it should be paid to the revenue authority.

Table 4. 8: Correlation analysis between Tax Assessment and tax compliance

Variables	Statistics	Tax Compliance		
		Tax filing	Tax reporting	Tax payment
Tax assessment				
Record keeping	Pearson Correlation	.310(**)	.265(**)	.256(**)
	Sig. (2-tailed)	.000	.000	.001
Skilled personnel of URA on tax assessment	Pearson Correlation	.183(*)	.191(*)	.149
	Sig. (2-tailed)	.016	.012	.051
Information requirement by tax payers	Pearson Correlation	.544(**)	.593(**)	.415(**)
	Sig. (2-tailed)	.000	.000	.000
Tax assessment methods used by URA	Pearson Correlation	.435(**)	.375(**)	.342(**)
	Sig. (2-tailed)	.000	.000	.000
	N	173	173	173

Source: Primary data (2020), significant at 5% level

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

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

According to the findings in Table 4.8 above, record keeping was established to be statistically significantly and positively correlated to tax compliance (tax filing, tax reporting and tax payment) at 1% level of significance. Their p-values (0.000, 0.000 and 0.001) are all less than 0.01, thus, record keeping of tax payers are statistically significant to tax compliance.

This was supported by respondent that “Good record keeping and well-prepared financial statement improves tax compliance and vice versa. The revenue authority will always use the submitted returns and the source documents to do tax assessment”.

Generally, from the correlation matrix above, tax assessment components (record keeping, skilled personnel of URA on tax assessment, information requirement by tax payers and tax assessment methods used by URA) are seen to have a significant relationship with tax compliance (tax filing, tax reporting and tax payment). Their significances are backed by their respective p-values which are 0.000 and (0.016, 0.012 and 0.051) which are less than the 0.05. It can also be seen that among the four components of tax assessment (record keeping, skilled personnel of URA staff , information requirement by tax officers and tax assessment methods used by URA) , information requirement needed by the URA officers during the assessment have positive correlation between tax assessment and tax compliance among the SMEs in Lira municipality.

Hypothesis testing:

Ho: There is no significant relationship between tax assessment and tax compliance among SMEs in Lira municipality

From the correlation matrix above, tax assessment components (record keeping, skilled personnel of URA on tax assessment, information requirement by tax payers and tax assessment methods used by URA) are seen to have a significant relationship with tax

compliance (tax filing, tax reporting and tax payment) since their respective p-values which are 0.000 , 0.016 and 0.012 are less than the 0.05. We therefore reject the null hypothesis and conclude that tax assessment is significantly associated with tax compliance in Lira Municipality.

Table 4. 9: Correlation analysis between Compliance cost and tax compliance

Variables	Statistics	Tax Compliance
Compliance cost	Pearson Correlation	0.47
	Sig. (2- tailed)	.000

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

From the above correlation matrix, there is a positive significant correlation between tax compliance cost and tax compliance among the SMEs in Lira Municipality since the p-value of 0.000 is less than 0.01. This implies that as tax payers start incurring cost of hiring tax consultants to manage their taxes, the level of tax compliance will keep improving in the positive sense too.

4.5 Linear regression analysis

A multiple linear regression analysis was conducted to establish the effect of the independent variables (tax education, tax registration, tax assessment) on expected tax compliance (tax filing, tax reporting and tax payment).

In order to determine the effect of tax education, tax registration, tax assessment and tax compliance on tax compliance (tax filing , tax reporting and tax payment), inferential analysis was conducted using regression analysis to predict the value of one variable based on the value of the other, a simple liner regression model below is used:

$$E(Tc) = \beta_0 + \beta_1Te + \beta_2Tr + \beta_3Ta + \beta_4Cc + \epsilon$$

Where

$E(Tc)$ = dependent variable (Expected Tax compliance)

Te = independent variable 1 (Tax education)

Tr = independent variable 2 (Tax registration)

Ta = independent variable 3 (Tax assessment)

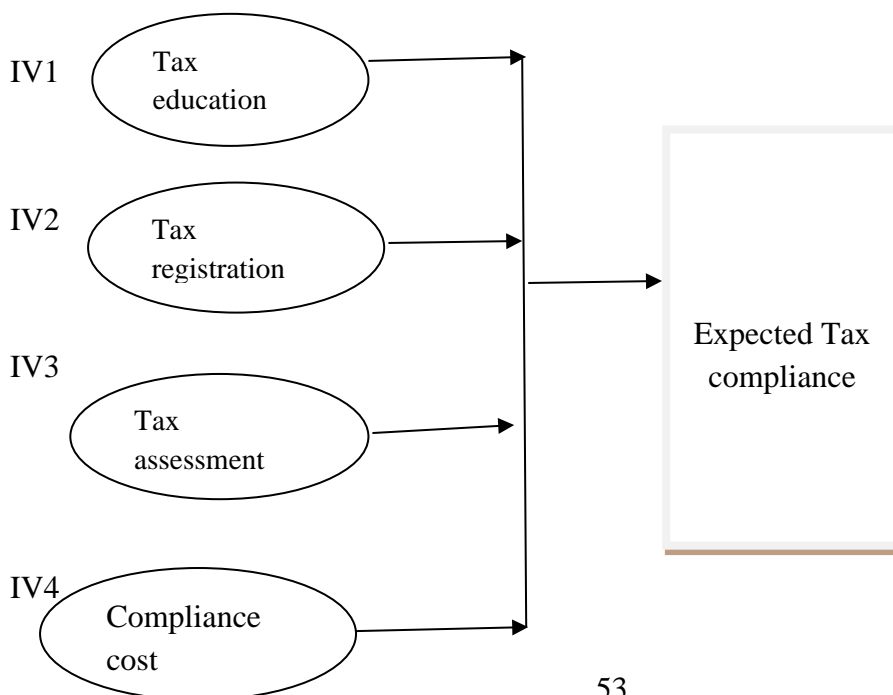
Cc = Cost of compliance

β_0 = intercept (value of $E(Tc)$, when $Te=0$, $Tr=0$, $Ta= 0$, $Cc = 0$)

$\beta_{1,2,3,4}$ = Coefficients of the independent variables

ϵ = random error

Fig 10: Diagrammatical presentation of the inferential statistics of the study variables.



4.5.1 Regression analysis of tax education, tax registration, tax assessment and tax compliance costs on tax filing

Analysis using regression analysis technique was made to check the effect of tax education, tax registration, tax assessment and compliance cost on tax filing.

Much as correlation analyses were conducted the relationships between the independent variables and the dependent variables, a further analysis to investigate the effects the independent variables have on the dependent variables were tested using a multiple linear regression as shown below.

Table 4. 10: effects of tax education, tax registration, tax assessment and compliance cost on tax compliance

	Unstandardized Coefficients		Standardized Coefficients		
Model	B	Std. Error	Beta	t	Sig.
(Constant)	.879	0.285		3.088	.002
Tax education	-0.168	0.063	-0.175	-2.686	.008
Tax Assessment	0.720	0.089	0.059	0.780	.000
Tax Compliance costs	0.200	0.101	0.558	7.129	.000
Tax Registration	0.070	.043	0.275	4.622	.436
MODEL SUMMARY					
R	.673				
R Square	.453				
Adjusted R -Square	.440				
Std. Error of the Estimate	.51799				
Durbin Watson	1.582				

Predictors: (Constant), Tax education, Tax registration, Tax assessment

Dependent variable: Tax compliance

The study results in Table 4.10 above, indicate that the four independent variables identified in this study under tax administration (tax education, tax registration, tax assessment and compliance costs) are presented to show their significance impact on tax compliance (Tax

filing, tax reporting and tax payment). From the above output, the regression model can be fitted as follows;

$$E(Tc) = 0.879 - 0.168 Te + 0.720 Ta + 0.200 Tcc$$

Basing on the first variable which was tax education, the results indicate that it has a negative effect and significantly predicts Tax compliance since the p-value of $0.008 < 0.05$. This implies that as the cost of implementing tax awareness, tax education channels and skilled personnel of URA to educate tax payers increase by a unit, this will on average lead to a fall in tax compliance by 16.8%. Tax payers will not incur any additional cost of receiving training on tax matters and hence, noncompliance. Therefore, the tax authority (URA) should make the cost of getting tax knowledge as cheap as possible, in any case it must be freely sponsored by the government through local radio stations and including tax compliance as a course unit in the syllabus at the higher institution of learning.

The results also indicate that, tax assessment has a positive effect and significantly predict tax compliance of SMEs in Lira municipality as revealed by the p-value ($0.000 < 0.05$). This implies that a unit increase in tax assessment of SMEs in Lira Municipality would lead to an improvement in tax compliance on average by 0.72. Therefore, this analysis implies that tax payers tend to comply when they are issued with notice of assessment for non-compliance.

Tax compliance cost was used to evaluate its effect on tax compliance. The findings indicate that, cost of compliance has a positive effect on tax compliance and it does have a significant predication on tax compliance since its p-value ($0.000 < 0.05$). Therefore, a unit increase in the cost of filing a return would lead to an increase in the compliance rate on average by 0.20. This implies that tax payers who incur cost of hiring tax consultants in filing and assessing tax

payable would always be compliance, other than their counterparts who don't invest in tax consultants.

Finally, tax registration is seen not to have a significant effect on tax compliance. This is evidenced by their p-value of $0.436 > 0.05$. We therefore conclude that, there is no significant effect of tax registration on tax compliance of the SMEs in Lira municipality. This finding further implies that, tax payers who are not registered for taxes will not be in the tax register of Uganda Revenue Authority, hence they would have no need to file tax returns, report any taxes and pay taxes to the Revenue Authority.

Referring to table 4.5.1, the Durbin-Watson $d = 1.582$, which is between the two critical values of $1.5 < d < 2.5$. Therefore, we can assume that there is no first order linear auto-correlation in our multiple linear regression data.

It is also indicated in the ANOVA^a table that the F-test was found significant at ($F=34.807$, $Sig=0.000$, $p<0.05$) showing that the regression coefficient was significantly different from zero. Therefore, tax education, tax assessment, tax compliance costs and tax registration were found to be significant predictors of tax compliance among SMEs in Lira Municipality, implying that tax compliance is explained by 44% increases in tax education, tax assessment, tax compliance costs and tax registration and 56% of the variation in tax compliance is explained by other factors not considered in this study, hence a weak fit.

4.5.2 Hypothesis testing on cost of compliance and tax compliance

Hypothesis 1:

Ho: Tax compliance cost have no significant effect on tax compliance

The results that were obtained revealed a positive effect since the p-value of $0.000 < 0.05$, Therefore the null hypothesis (H0) was rejected and the alternative hypothesis (H1) accepted,

that cost of compliance have a significant effect on tax compliance among SMEs in Lira municipality.

CHAPTER FIVE

SUMMARY, DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter focuses on the discussion of the findings of the study and their relation to the research objectives the summary of the ideas developed from the findings of the study, conclusion with final remarks on the findings and their significance on the research topic, recommendations derived from the findings and areas for further study.

The findings of the data analysis in chapter four is discussed in this section. The section contains three parts. The first part describes the frequency distribution of five demographic characteristics of the respondents in this study. The second part presents the results of the descriptive statistical analysis of the research variables of tax compliance and tax administration (Tax education, tax registration, tax assessment and tax compliance costs). The last part is the result of regression analysis between tax compliance cost and tax compliance among SMEs in Lira municipality.

5.1 Demographic characteristics

The study considered five demographic characteristics including the gender of the respondents, age, education level of the respondents, Nature of business and number of years spent in business by the respondents. Majority of the respondents were male (54.3%) while the rest were female (45.7%). This could imply that many business operators in SMEs are male as many females are more into business of home managers. Most of the respondents (28.3% and 27.2%) were in the age brackets 26-35 years.

Again, the majority of the respondents had Ordinary level certificates and (28.3%) while few had just University degree (13.9%). The implication is that majority of the respondents had

general education. Does level of general education translate or fix a person with tax knowledge? This may not be so. It is tax education that fixes a person with tax knowledge. However, general education may prepare a person to get a better understanding of tax laws through tax education.

5.2 Summary of major findings

5.2.1 Relationship between tax education and tax compliance among SMEs in Lira Municipality

The findings revealed a negative significant relationship between tax awareness and tax filing and tax reporting since their respective p-values (0.039 and 0.018) are less than 0.05. Tax awareness is not significantly associated with tax payment since their p-value (0.820) is greater than the significant value of 0.05.

Tax education channels used by Uganda Revenue Authority is seen to have a significant positive relationship with tax filing and tax reporting. This relationship is supported by their p-values (0.04 and 0.036) being less than the significant level of 0.05. But this is not significantly associated with tax payment, since the p-value between them is 0.079 which is greater than 0.05.

Additionally, positive significant relationship exists between the skills of the tax enforcers and tax filing and tax reporting of the tax payers. Their significant relationships are supported by their p-values 0.025 and 0.004 which are less than the significant level of 0.05. This implies that the tax payers tend to develop other means of evading taxes if they are not approached well and sensitized to comply with the tax laws and tax compliance.

5.2.2 Relationship between tax registration and tax compliance

The findings revealed that identification of legal tax payers was established to be statistically significant and positively correlated to tax compliance (tax filing, tax reporting and tax payment) at 99% level of significance.

Identification of legal tax payers is significantly associated with tax compliance (tax filing, tax reporting and tax payment) since their p-values (0.000, 0.001, 0.002) are less than the significant level 0.01 (1%) respectively.

Issuing Tax Identification Number (TIN) is significantly related with tax compliance (tax filing and tax reporting). This is because their p-values (0.000 and 0.003) are less than 0.01. This is not statistically significantly associated with tax payment as shown by its p-values (0.240) which is greater than 0.01.

While assessing the relationship between location and addresses of tax payers and their tax compliances in terms of tax filing, tax reporting and tax payment, it is evidenced from the that location and identification of tax payers is significantly related to all the three components of tax compliance (tax filing, tax reporting and tax payment) , since their p-values (0.000, 0.000 and 0.000) are less than 0.01 respectively.

5.2.3 Tax assessment and tax compliance

The findings also revealed that tax assessment components (record keeping, skilled personnel of URA on tax assessment, information requirement by tax payers and tax assessment methods used by URA) are seen to have a significant relationship with tax compliance (tax filing, tax reporting and tax payment). Their significances are backed by their respective p-values which are 0.000, 0.016 and 0.012 which are less than the 0.05.

It can also be seen that among the four components of tax assessment (record keeping, skilled personnel of URA staff, information requirement by tax officers and tax assessment methods used by URA), information requirement needed by the URA officers during the assessment have high positive correlation with tax compliance.

5.2.4 Tax compliance cost and tax compliance

Tax compliance cost was used to evaluate its effect on tax compliance. The findings in table 10 indicate that, cost of compliance has a positive effect on tax compliance and it does have a significant predication on tax compliance since its p-value ($0.000 < 0.05$). Therefore, a unit increase in the cost of filing a return would lead to an increase in the compliance rate on average by 20%. This implies that tax payers who incur cost of hiring tax consultants in filing and assessing tax payable would always be compliance on average by 0.20, other than their counterparts who don't invest in tax consultants.

5.3 Discussions of major findings of the study.

5.3.1 Relationship between tax education and tax compliance

The first objective of the study was to examine the relationship between tax education and tax compliance among SMEs in Lira Municipality. The study confirms that there is a negative significant relationship between tax awareness and tax filing and tax reporting. Implying that a decrease in tax awareness will mean a fall in tax compliance. Therefore, when most of the tax payers fail to know the techniques of manipulating the loopholes in the tax law, their compliance in tax reporting and filing will reduce significantly.

Tax awareness is not significantly associated with tax payment implying that knowing tax matters does not imply paying the taxes due to the tax payers, but rather motivation to pay taxes.

It is also evidenced that the relationship is negligible or very weak between tax awareness and tax filing as well as tax reporting although significant in this study.

This was supported by respondents that 'better knowledge about tax compliance (filing and reporting accurate revenue and expenses in returns' improve tax compliance of SMEs in Lira city 'This finding are in agreement with scholars Oladipupo and Uyioghosa (2016) who indicated that high awareness by the society would encourage people to fulfill their obligations to register as taxpayer reporting. Richardson (2016) also explained that it is very important for people to understand tax law, because it shapes their disposition to comply. This therefore implies that URA can improve tax compliance in terms of tax filing and accurate tax reporting by embracing reliable tax awareness.

Tax education channels used by Uganda Revenue Authority is seen to have a significant relationship between tax filing and tax reporting. But this is not significantly associated with tax payment. However, much as there exist a significant relationship between tax education channels and tax filing and reporting, the strengths of their relationships are very weak.

Additionally, association exist between the skills of the tax enforcers and tax filing and tax reporting of the tax payers. This implies that the tax payers tend to develop other means of evading taxes if they are not approached well and sensitized to comply with the tax laws and tax compliance.

This is in support by Adekoya et al. (2020) who recognized that the skills of the tax enforcement team are important. They look at the human relations skills as important enablers of enforcing tax compliance especially in the informal sector which is largely untapped in Africa. They reiterate the need for good relations between the tax enforcement team and the tax payers as a means of improving tax compliance.

In addition, there is no significant relationship between the skills of the URA tax officer and the ability of the tax payers to pay their taxes. These above results imply that when tax education for SMEs are strong, the SMEs' willingness to file returns, report accurate tax position and comply with the tax laws in place increases. The finding is generally consistent with the study of Tani (2016) that stipulates that tax awareness has to be spread in order to notify all consumers about the direction and objectives the relevant tax authorities wish to achieve by administering taxation policy.

The finding is also in agreement with scholars Oladipupo and Uyioghosa (2016) who indicated that high awareness by the society would encourage people to fulfill their obligations to register as taxpayers. Just like Richardson (2016) also explained that it is very important for people to understand tax law, because it shapes their disposition to comply

5.3.2 Tax registration and tax compliance

Considering the second objective of this study, which was to determine the relationship between tax registration and tax compliance among the SMEs in Lira Municipality. It was revealed that, Identification of legal tax payers is statistically significant and positively correlated to tax compliance (tax filing, tax reporting and tax payment). Although the correlation coefficients between identification of legal tax payers and the tax compliance (tax filing, tax reporting and tax payment) are very weak, there is a clear indication that identification of tax payers has a strong relationship with tax filing. Implying that, for the tax payers who have been identified and registered by Uganda Revenue Authority, tax filing and tax reporting must be complied with. Identification of legal tax payers is significantly associated with tax compliance (tax filing, tax reporting and tax payment). This is also supported by OECD (2014) that identification and registration of taxpayers, constitutes an important task for tax administrations. Although tax authorities tend to focus on auditing of taxpayers who are already

known and registered, they should also put efforts in including in the tax-return system all persons and companies that have succeeded in escaping their notice. An effective tax system encourages tax payer compliance with registration obligations. Thereto the tax community should be provided with clear and comprehensive descriptions of the requirements that lead to registration and tax administrations should facilitate taxpayers to make the procedural requirements as easy as possible Online registration by taxpayers adequately serves the needs of taxpayers thus promotes compliance, reduces the number of unintentional errors and is cost efficient.

Additionally, the study has revealed that Issuing Tax Identification number (TIN) is significantly related with tax compliance (tax filing and tax reporting). The study further confirms that the tax payers that have been issued a TIN should file tax returns and report their income statement and statement of financial position to Uganda Revenue Authority (URA). Additionally, the insignificance of issuing tax identification number with tax payment means that having a Tax identification Number does not guarantee payment of taxes, but only that that is due upon tax computation. Thus, filing and reporting of tax position are the key compliance components to be adhered to by the registered tax payers.

While assessing the relationship between location and addresses of tax payers and their tax compliances in terms of tax filing, tax reporting and tax payment, it is evidenced from the above correlation matrix that location and identification of tax payers is significantly related to all the three components of tax compliance (tax filing, tax reporting and tax payment). This implies that location of tax payers determines their compliance. That is, businesses in Lira city are likely to be taxed at a different rate than their counterparts in the rural areas.

The above findings imply that an effective tax system will always encourage taxpayer compliance with registration obligations and tax filing and reporting voluntarily.

The findings is in agreement with Joshi et al. (2014) who did not divert much from the ideas submitted by Besley and Persson (2014) that SMEs generate enough income to warrant taxation but find it easy to escape the attention of the tax administration or to conceal a substantial part of their tax liability, because of their location, size, and/or nature of their businesses. This means that without identification and registration of these businesses, compliance is rather impossible.

5.3.3 Tax assessment and tax compliance

From the third objective of this study, the findings revealed that record keeping was established to be statistically significantly and positively correlated to tax compliance (tax filing, tax reporting and tax payment). Thus, record keeping of tax payers are statistically significant to tax compliance.

Generally, the correlation between tax assessment components (record keeping, skilled personnel of URA on tax assessment, information requirement by tax payers and tax assessment methods used by URA) are seen to have a significant relationship with tax compliance (tax filing, tax reporting and tax payment). It can also be seen that among the four components of tax assessment (record keeping, skilled personnel of URA staff, information requirement by tax officers and tax assessment methods used by URA) , information requirement needed by the URA officers during the assessment have high correlation coefficients. Hence a fair correlation between tax assessment and tax compliance among the SMEs in Lira municipality.

The above findings imply that tax payers tend to wake up to comply with tax filing, tax reporting and tax payment when a default assessment are administered to them by URA.

This implication is backed by Kidder and Craig (2011), who found that taxpayers always work hard to increase their benefit through consideration of the threat that they may be discovered

and be reprimanded due to non-compliance activities pertaining to tax requirements. Therefore, higher fines simply make evading taxes more hazardous for taxpayers and should deter them from evasion.

5.3.4 Tax compliance costs and tax compliance

The last objective was to determine the effect of tax compliance cost and tax compliance. The findings indicate that, cost of compliance has a positive effect on tax compliance and it does have a significant predication on tax compliance. Therefore, a unit increase in the cost of filing a return would lead to an increase in the compliance rate on average by 20%. This implies that tax payers who incur cost of hiring tax consultants in filing and assessing tax payables would always be compliance, other than their counterparts who don't invest in tax consultants.

This is not supported by Mahangila (2017), who determined that tax non-compliance significantly increased as tax compliance costs increased. His results imply that tax compliance costs may be responsible for the unsatisfactory tax compliance levels of SME tax payers.

Arachi and Santoro (2007) noted that SME taxpayers may face economic hardship as a result of proportionately higher compliance costs and their tax compliance levels may be lower. And that high tax compliance costs may explain why SMEs' tax compliance levels are lower than expected, as many of these business entities may perceive the tax systems to be unfair.

5.4 Conclusions

From the findings, tax education is significantly associated with two major components of tax compliance (tax filing and tax reporting) but does not significantly relate to tax payment. It was revealed that, Identification of legal tax payers is statistically significant and positively correlated to tax compliance (tax filing, tax reporting and tax payment) at 99% level of significance. Tax assessment components (record keeping, skilled personnel of URA on tax assessment, information requirement by tax payers and tax assessment methods used by URA)

are seen to have a significant relationship with tax compliance. Finally, Cost of compliance has a positive effect on tax compliance and it does have a significant predication on tax compliance. In this regard, tax policy makers, Uganda Revenue Authority tax payers, managers of different companies need to consider proper education channels, mode of registering tax payers, best assessment methods and bolster compliance costs to motivate tax payers to voluntarily comply to taxes. This study findings should also provide additional information to URA to understand how best to enhance tax compliance among SMEs.

5.5 Recommendation

From the preceding of the findings in chapter four and conclusions, the following recommendations are made in line with the study objectives:

5.5.1 Tax education and tax compliance

This study recommends that an introductory course on taxation be included in the syllabus preferably at Advanced level (S.5) as an elective subject so that students are aware of their responsibilities as future taxpayers. This education method could be expected to help cultivate responsible taxpayers.

Uganda Revenue Authority should launch a campaign of teaching tax payers on tax compliance and their importance in regards to service delivery. This should be all over the radio stations across the country and through seminars organized regionally.

5.5.2 Tax registration and tax compliance

Registering a small business for tax and expecting it to willingly return and pay taxes is being over expectant of Uganda Revenue Authority. URA is advised to adopt early enforcement strategies like following up the 1st return in the 1st month of registration to encourage

compliance. In this regard new registrations should be issued tax clearances which are valid for 3 months only so that they are encouraged to keep a relationship with the revenue authority.

5.5.3 Tax assessment and tax compliance

The study recommends that to improve on the return rates and the quality of self-administered tax returns, URA should invest more on technological devices that will help transmit all the transactions that take place between the tax payers and their final consumers to the revenue authorities. Other forms of Electronic receipting and invoicing solutions linked to the URA server will help in monitoring the taxes charged at all levels of consumption (Value Added Taxes). By doing this the records of the tax payers will be maintained by URA, information requirement from the tax payers are readily available and therefore tax assessment will be made easily.

5.5.4 Tax compliance costs and tax compliance

Uganda Revenue Authority should adopt the recruitment and certification of qualified tax agents with versatile tax knowledge across the country to help the tax payers in tax compliance of filing returns, tax reporting and tax payment. The Revenue Authority should set standard fees for the work of the tax agent so that the cost of compliance does not override the benefit of tax compliance.

5.6 Areas for further study / research

This study focused on the relationships between the different tax administration system and tax compliance among SMEs in Lira municipality. Since the study was carried out on SMEs in Lira Municipality, a similar study should be conducted in order to examine the relationship between tax administration and tax compliance among manufacturing companies in Uganda. This is because most of the manufacturing companies are managed by the foreign investors

and government officials who are more likely to evade tax due to huge amount of profit being repatriated and high level of transfer pricing.

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APPENDIX I: QUESTIONNAIRE FOR SMES OWNERS IN LIRA MUNICIPALITY

Dear respondent, I am Gonzaga Ebong conducting an academic research under the topic “Uganda’s tax administration system and tax compliance among SMEs, a case study of Lira municipality” You are requested to participate in this study. This is an academic research and your response will be treated with the utmost confidentiality it deserves.

SECTION I: General Information (please tick the appropriate box below)

Gender of respondent?

Male female

Education background of respondents

Primary b) O-level c) A-level d) Diploma e) Degree

Marital status of the respondents

Married b) Single c) Divorced d) Widowed e) separated

Age bracket of respondents?

18-25 b) 26-30 c) 31-35 d) 36-40 e) 40+

What is the nature of your SME

Trade b) Accommodations and food c) Recreation and personal services

d) Agriculture e) ICT f) insurance g) mining h) construction

i) Others (please specify)

For how long have you been in business?

a) 1-3 years b) 4-6 years c) 7-9 years d) 10 years and more

SECTION II: EXPLORES TAX ADMINISTRATION SYSTEM AND TAX

COMPLIANCE BY SMES IN LIRA MUNICIPALITY.

This section explores tax administration system and tax compliance by SMEs in Lira Municipality. Please indicate by ticking the appropriate box to what extent you agree or disagree with the following statements below. (1=strongly Disagree (SD), 2= Disagree (D), 3=not sure (U), 4 = Agree (A) and 5= strongly agree (SA))

	TAX ADMINISTRATION SYSTEM	SA	A	U	D	SD
Tax education (TAD)	Tax awareness	SA	A	U	D	SD
TAD1	I always attend taxpayer seminar/ workshop organized by URA	5	4	3	2	1
TAD2	I regularly attend tax clinics organized by URA.	5	4	3	2	1
TAD3	I regularly listen to the radio talk shows programmes of URA.	5	4	3	2	1
TAD4	I regularly visit taxpayer education portal of Uganda Revenue Authority.	5	4	3	2	1
TAD5	I have ever received practical handbooks, and guides from URA to assist me in preparing my own tax returns	5	4	3	2	1
TAD6	There are routine tax education programmes run by URA	5	4	3	2	1
	Tax education channels	SA	A	U	D	

TAD7	URA uses a variety of channels to sensitise me on taxes	5	4	3	2	1
TAD8	URA uses local media in lira to sensitise me of taxes.	5	4	3	2	1
TAD9	Tax education to me is effective as it touches my information needs.	5	4	3	2	1
TAD10	I have several channels I use to get tax related information.	5	4	3	2	1
	Skilled personnel	SA	A	U	D	SD
TAD11	The URA officers have answers to tax payers queries any time.	5	4	3	2	1
TAD12	URA officers have relevant human relation skills to interact with tax payers.	5	4	3	2	1
TAD13	URA officers always behave professionally.	5	4	3	2	1
TAD14	URA officers have good knowledge of tax laws in Uganda	5	4	3	2	1
Tax Registration (TRN)	Identification of legal taxpayers/business	SA	A	U	D	SD
TRN1	URA has been able to identify most tax payers in Lira Municipality	5	4	3	2	1
TRN2	There is a clear classification of all tax payers in Lira municipality	5	4	3	2	1

TRN3	Electronic systems are increasingly being used to track tax payers in this area.	5	4	3	2	1
TRN4	Most informal businesses in Lira are in the tax net.	5	4	3	2	1

	Issuing ID numbers	SA	A	U	D	SD
TRN5	I got registered with the online registration of taxpayer introduced by URA by myself.	5	4	3	2	1
TRN6	URA uses my TIN to identify my business.	5	4	3	2	1
TRN7	The online registration of taxpayer introduced by URA is simple and user friendly.	5	4	3	2	1
TRN8	Most small-scale businesses in my area have TINs.	5	4	3	2	1
TRN9	I always share information with URA online.	5	4	3	2	1
TRN10	Getting TINs is becoming much easier today compared to the past.	5	4	3	2	1
	Location & addresses of business/ taxpayers	SA	A	U	D	SD
TRN11	Most businesses are located in strategic areas for business.	5	4	3	2	1
TRN12	My business location is easily traceable to URA.	5	4	3	2	1
TRN13	I find it easy to access URA offices for tax purposes.	5	4	3	2	1
TRN1	URA officers easily check on my business for tax purposes.	5	4	3	2	1

	Registration procedures	SA	A	U	D	SD
TRN15	Tax registration is easy	5	4	3	2	1
TRN16	Tax registration is fast	5	4	3	2	1
TRN17	Tax registration is cost effective	5	4	3	2	1
TRN18	The guides on the procedures are easily available.	5	4	3	2	1
Tax Assessment (TAS)	Recording keeping	SA	A	U	D	SD
TAS1	I keep current records of my business.	5	4	3	2	1
TAS2	I have most of the historical records for my business.	5	4	3	2	1
TAS3	My records are safe.	5	4	3	2	1
TAS4	No one can modify my business records without permission.	5	4	3	2	1
TAS5	I keep all the records that may be required for legal purposes in relation to tax assessment.	5	4	3	2	1
	Skilled personnel on tax	SA	A	U	D	SD
TAS6	My taxes are always correctly assessed.	5	4	3	2	1
TAS7	URA officers have offered all the help I need in relation to tax matters.	5	4	3	2	1
TAS8	URA has adequate staff to handle tax payers in Lira	5	4	3	2	1
TAS9	URA officers have often related well with tax payers here in lira.	5	4	3	2	1

	Information requirements	SA	A	U	D	SD
TAS10	I know the kind of information URA wants from me.	5	4	3	2	1
TAS11	I have the capacity to avail all the information URA wants if needed.	5	4	3	2	1
TAS12	Information requirements are changing thus calling for constant updates	5	4	3	2	1
TAS13	It is quite costly to meet all the URA tax information requirements	5	4	3	2	1
TAS14	I have a checklist for all the information I should have to the satisfaction of URA.	5	4	3	2	1
	Assessment methods	SA	A	U	D	SD
TAS15	I am given adequate time to prepare my URA tax assessment.	5	4	3	2	1
TAS16	The tax assessments are timely done.	5	4	3	2	1
TAS17	My assessments are done in the English language to be easily understood by the entire URA staff.	5	4	3	2	1
TAS18	Indirect tax assessment methods are frequently used in Lira.	5	4	3	2	1
TAS19	Sometimes I am given a chance to do a self-assessment	5	4	3	2	1
TAS20	There is a common habit of officers using presumed tax liability.	5	4	3	2	1

TAS21	My tax liability under the tax law t is readily ascertained	5	4	3	2	1
TAS22	There is a chance to contest assessments which I feel are not correct.	5	4	3	2	1
Tax Collection (TC)	Collection methods	SA	A	U	D	SD
TC1	I pay taxes by cash to the bank.	5	4	3	2	1
TC2	I pay taxes by cheque	5	4	3	2	1
TC3	I use a tax clearing agent to pay taxes on my behalf	5	4	3	2	1
TC4	I pay taxes at once	5	4	3	2	1
TC5	I pay taxes cumulatively until my tax liability is covered.	5	4	3	2	1
	Collection procedures	SA	A	U	D	SD
TC6	URA provides me with a manual to handle my tax collection.	5	4	3	2	1
TC7	I pay taxes to the URA account directly.	5	4	3	2	1
TC8	URA officers reach out to us to advise on the tax collection procedures.	5	4	3	2	1
TC9	The tax collection procedures are easily understood.	5	4	3	2	1
	Man power collection	SA	A	U	D	SD
TC10	URA deploys staff to enforce tax collection as and when needed.	5	4	3	2	1

TC11	Traders in Lira have limited capacity to manipulate URA officers.	5	4	3	2	1
TC12	There is a good skill mix in the URA officers I see here in Lira.	5	4	3	2	1
	Collection cost	SA	A	U	D	SD
TC13	I face huge accounting costs for taxation.	5	4	3	2	1
TC14	Determining tax liability at times takes a lot of time.	5	4	3	2	1
TC15	I feel psychologically burdened to compute taxes.	5	4	3	2	1
TC16	Tax clearing agents have been always a big cost to my business.	5	4	3	2	1
Tax compliance (TXC)	Tax Filing	SA	A	U	D	SD
	Tax Filing	SA	A	U	D	SD
TXC1	I file my tax returns honestly.	5	4	3	2	1
TXC2	I make declarations for the details of all the goods filed.	5	4	3	2	1
TXC3	I have improved my voluntary filing of returns to the nearest URA offices in Lira Municipality.	5	4	3	2	1
TXC4	I always ensure accuracy to my best knowledge when computing my taxes.	5	4	3	2	1

TXC5	I keep a second or duplicate record of my filed returns for future cross checking or resolving any possible dispute.	5	4	3	2	1
	Tax Reporting.	SA	A	U	D	SD
TXC6	My trading documents are very clearly streamlined in URA.	5	4	3	2	1
TXC7	I correctly report tax liability to URA.	5	4	3	2	1
TXC8	I report all transactions, including both small and large ones.	5	4	3	2	1
TXC9	I always encourage my tax representatives to be as honest as possible in tax matters.	5	4	3	2	1
TXC10	I follow my submitted tax reports to prove they are correct in all details.	5	4	3	2	1
TXC11	I compare my current reports with the previous ones to easily detect suspicious figures before authorities do so.	5	4	3	2	1

	Tax Payment	SA	A	U	D	SD
TXC12	I pay my taxes in conformity with the assessments done.	5	4	3	2	1
TXC13	I am increasingly becoming tax compliant voluntarily.	5	4	3	2	1
TXC14	I see many of my fellow traders paying taxes as required.	5	4	3	2	1
TXC15	I have paid all my taxes in the past one year on time.	5	4	3	2	1
TXC16	I always pay the full tax as assessed	5	4	3	2	1
TXC17	I have evidence in terms of receipts and or bank slips for tax payment.	5	4	3	2	1

END

Thank you for your time

APPENDIX II: INTERVIEW GUIDE:

Questions
<p>Tax education:</p> <p>According to your opinion, how is tax education of tax payers associated with their tax compliance?</p>
<p>Tax registration</p> <p>How is registration of tax payers related to their tax compliance?</p>
<p>Tax assessment</p> <p>Please elaborate more on how tax assessment tends to improve tax compliance among the tax payers in Lira Municipality?</p> <p>How can tax assessment be helpful in boosting tax compliance among SMEs in Lira Municipality?</p>