

**ASSESSING THE IMPACT OF TAX REFORMS ON TAX COMPLIANCE OF SMALL AND  
MEDIUM ENTERPRISES IN UGANDA**

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**DKS12B05/024**

**A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL  
FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF DEGREE OF BUSINESS  
ADMINISTRATION OF UGANDA CHRISTIAN UNIVERSITY**

**October, 2023**



**UGANDA CHRISTIAN  
UNIVERSITY**

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## **ABSTRACT**

This study investigates the multifaceted impact of tax reforms implemented by Uganda Revenue Authority (URA) on revenue collection and domestic revenue mobilization, with a specific focus on small and medium enterprises (SMEs). The research comprehensively analyzes diverse URA reforms, including adjustments in tax rates, expansion of the tax base, and enhancements in tax administration efficiency. Our findings indicate that these reforms have a significant positive effect on revenue collection. Notably, strategies aimed at detecting and preventing tax evasion, coupled with continuous updates of tax policies in line with economic shifts and international best practices, have substantially contributed to increased revenue. Additionally, tax incentives and reforms encouraging investment have played a pivotal role in bolstering domestic revenue mobilization in the long term.

The study delves into taxpayers' perspectives, revealing a nuanced landscape of compliance attitudes. Increased tax compliance is viewed favorably as a means to distribute the tax burden more equitably across society. Taxpayers' express frustration towards entities engaged in tax evasion or aggressive tax avoidance, indicating a desire for fair and transparent tax practices. Moreover, taxpayers perceive compliance measures as deterrents against legal consequences for non-compliance, emphasizing the need for robust enforcement strategies.

In light of these findings, the study recommends practical measures to further enhance tax compliance and revenue collection. These include early tax assessments, allowing staggered payments, intensive taxpayer education initiatives, and, critically, adopting business closure as a last resort in tax collection efforts. Furthermore, the study underscores the importance of coupling compliance measures with transparent communication, educational campaigns, and incentives to foster a culture of tax compliance among SMEs.

This research provides valuable insights into the dynamics of tax reforms and compliance behavior within the SME sector in Uganda. The findings not only contribute significantly to the academic discourse but also offer actionable recommendations for policymakers and tax authorities, aiming to create a fair, transparent, and conducive tax environment conducive to economic growth and fiscal sustainability.

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## **LIST OF ABBREVIATIONS**

<b>DRM</b>	:	Domestic Revenue Mobilization
<b>KCCA</b>	:	Kampala Capital City Authority
<b>MFPEd</b>	:	Ministry of Finance, Planning and Economic Development
<b>OECD</b>	:	Organization of Economic Cooperation and Development
<b>GDP</b>	:	Gross Domestic Product
<b>SMEs</b>	:	Small and Medium Enterprises
<b>URA</b>	:	Uganda Revenue Authority
<b>KIIs</b>	:	Key Informant Interviews
<b>CVI</b>	:	Content Validity Index

## **CHAPTER ONE: INTRODUCTION**

### **1.0 Introduction**

The purpose of this study was to explore the impact of tax reforms on tax compliance and domestic revenue mobilization among Small and Medium Enterprises (SMEs) in Uganda. The study aims to assess the impact of different tax reforms implemented by the Uganda Revenue Authority (URA) on revenue collection, and to understand the views of tax payers on increasing their level of tax compliance. This section covers the background of the study, the problem statement, the objectives of the study, research questions, research hypotheses, the justification of the study, the significance of the study, and the scope of the study.

### **1.1 Background to the problem**

Small and medium enterprises (SMEs) play a crucial role in the economic development of many countries, including Uganda, where they provide employment opportunities, contribute to the gross domestic product (GDP), and drive innovation (Organization for Economic Co-operation and Development, 2020). Despite their significance, SMEs in developing countries often face challenges in complying with tax regulations, which can impact the government's ability to collect taxes and hinder economic development (World Bank, 2018).

The Uganda Revenue Authority (URA) is responsible for implementing tax reforms and mobilizing domestic revenue to promote economic development (URA, 2018). The URA's tax collection targets are crucial for the country's economic development, but low levels of tax compliance among SMEs can hinder the achievement of these targets (Ministry of Finance, Planning and Economic Development, 2021). According to Katuruka (2015), Uganda's revenue from direct taxes only contributes about 20% to the total revenue, well below the Sub-Saharan

average of 40%, and this has focused attention on the appropriateness of the reforms. There is a need to understand how tax reforms impact the revenue collection efforts of the URA and the views of tax payers on increasing their level of tax compliance (URA, 2018).

Previous studies such as Njoroge (2017) have shown that tax incentives, such as tax holidays and reduced tax rates for SMEs, can be effective in increasing tax compliance and improving domestic revenue mobilization. Other studies such as Adu (2019) have suggested that a well-designed support program, which includes simplification of tax regulations and provision of tax education, can be key to the success of tax reforms (Adu, 2019). The current study will build on these findings by specifically examining the impact of support measures on tax compliance among SMEs in Uganda.

The findings of this study will provide valuable insights into the impact of support measures in increasing tax compliance among SMEs in Uganda and inform future policy decisions by the URA. By assessing the impact of support measures on tax compliance and domestic revenue mobilization, this study will contribute to the literature on tax reform and support measures for SMEs in developing countries.

## **1.2 Statement of the Problem**

Small and medium enterprises (SMEs) play a crucial role in the economic development of Uganda. However, the tax compliance among SMEs in the country has been low, leading to a shortfall in the country's domestic revenue mobilization (URA, 2018).

Despite various tax reforms implemented by the Uganda Revenue Authority (URA), Uganda's revenue from direct taxes only contributes about 20% to the total revenue, well below the Sub-

Saharan average of 40%, and this has focused attention on the appropriateness of the reforms (URA, 2018). This has drawn attention to the need to assess the impact of support measures on the tax compliance of SMEs and determine how they can be helped to increase their level of tax compliance. Despite various tax reforms implemented by the Uganda Revenue Authority (URA), there is a gap in understanding the effectiveness of these reforms in improving tax compliance and domestic revenue mobilization among SMEs (Katuruka, 2015).

The purpose of this study is to address this gap by examining the impact of support measures on tax compliance among SMEs in Uganda. The study will assess the effect of different tax reforms on revenue collection and domestic revenue mobilization, and gather tax payers' views on increasing their level of tax compliance. The findings of this study would inform policy makers and stakeholders on the most effective measures for improving tax compliance among SMEs, and provide a basis for further research on tax reform and domestic revenue mobilization in the country.

### **1.3 Purpose of the Study**

The purpose of the study was to assess how SMEs could be helped to increase their level of tax compliance and thus help URA's tax collection targets for empowering the economic development of Uganda.

## **1.4 Objectives of the Study**

- i. To assess how different tax reforms by URA affect revenue collection
- ii. To establish the impact of tax reforms on domestic revenue mobilisation
- iii. Using the case for SMEs, establish tax payers' views on increasing their level of tax compliance

## **1.5 Scope of the Study**

This section covers the scope of the proposed study which was broken down into the content scope, geographical scope, and the time cope as below:

### **1.5.1 Content scope**

The study focused on understanding the impact of support measures on tax compliance among Small and Medium Enterprises (SMEs) operating in Kampala, Uganda. The study specifically looked at the tax reforms implemented by the Uganda Revenue Authority (URA) and how they have affected the tax compliance and domestic revenue mobilization of SMEs in Kampala. The study will include an analysis of the views of tax payers and SMEs on the tax reforms and the support measures provided by URA. The content scope of the study also encompassed a review of relevant literature and previous studies on the topic to provide a comprehensive understanding of the impact of support measures on tax compliance among SMEs. The scope of the content was limited to the information and data that can be collected within the geographical and time scope of the study.

### **1.5.2 Geographical scope**

The proposed study was conducted in Kampala Uganda. The study focused on collecting data from Small and Medium Enterprises (SMEs) operating within the city of Kampala, and the analysis of the data collected was restricted to the SMEs operating in this area. By focusing on one specific location, the study was able to gain a deeper understanding of the impact of support measures on tax compliance among SMEs operating in Kampala.

### **1.5.3 Time scope**

The time scope for the study was the period between 2017 and 2023. This time period has been selected to allow the study to assess the impact of recent tax reforms implemented by the Uganda Revenue Authority (URA) on tax compliance and domestic revenue mobilization among SMEs in Kampala. The study analyzed the changes in tax compliance and revenue mobilization before and after the implementation of the tax reforms and assess their effectiveness in increasing tax compliance and revenue mobilization.

## **1.6 Significance of the study**

The study will contribute to the understanding of how support measures can be used to increase the level of tax compliance among SMEs. This research will provide valuable information to the Uganda Revenue Authority (URA) on how to design and implement tax reforms that are both effective and equitable. The findings of this study will inform policy decisions on how to improve the tax compliance of SMEs, which in turn will help to increase the domestic revenue mobilization and contribute to the economic development of Uganda.

Additionally, the study will contribute to the academic literature on tax compliance and support measures for SMEs, which can be used by researchers and policymakers as a reference for future studies in the field. The significance of the study lies in its contribution to the improvement of tax compliance and the economic development of Uganda through the promotion of SME growth and revenue mobilization.

### **1.7 Operational definitions of terms and concepts**

**Domestic revenue mobilization:** The domestic revenue mobilization (DRM) refers to the generation of government revenue from domestic resources, from tax or non-tax sources. The DRM are meant to raise additional revenues for supporting government's budgetary position; encouraging a healthy flow of investment; and to address issues of fairness and transparency in the tax system.

**Small and medium-sized enterprises (SMEs):** Small and medium-sized enterprises (SMEs) are non-subsidiary, independent firms which employ less than a given number of employees. Small firms are generally those with fewer than 50 employees, while micro-enterprises have at most 10, or in some cases 5, workers (OECD, 2005).

**Tax Reforms:** Changes made to the tax system in order to improve its efficiency, effectiveness, and equity. Lowering marginal tax rates, broadening the tax base, reforms in tax administration, simplifying the tax structure, enforcing indirect and direct taxes are some of the major tax reforms recommended in the Tax Administration Reforms Commission of 1991.

**Taxpayers:** Individuals or organizations who are legally obligated to pay taxes according to the tax laws and regulations of a particular jurisdiction.

## **1.8 Anticipated limitations**

The study faced challenges in obtaining accurate and complete data from Small and Medium Enterprises (SMEs) regarding their tax compliance behavior. The study also had time constraints, which limited the amount of data that can be collected and analyzed. The availability of adequate funding to carry out the study is also a potential limitation.

## **CHAPTER TWO:**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

The literature review chapter serves as a foundation for the research study by exploring existing knowledge and theories related to the topic of interest. The purpose of the literature review is to provide an overview of the existing knowledge and research on the impact of tax reforms on tax compliance of Small and Medium Enterprises (SMEs) in Uganda. This chapter will critically examine the relevant literature and synthesize the findings to provide a comprehensive understanding of the subject matter. The literature review will explore various aspects such as the extent of tax compliance among SMEs in Uganda and the impact of support measures on tax compliance. The literature review will also identify gaps in the existing research and highlight the need for the current study. The chapter will conclude with a summary of the key findings and their implications for the research study.

#### **2.1 Theoretical review**

The Theory of Reasoned Action (TRA) is a social psychological model that can be used to explain the behavior of individuals in relation to the above study. The theory of Reasoned Action (TRA) was developed by Icek Ajzen and Martin Fishbein in the 1970s. This theory proposes that a person's behavior is determined by their intentions, which in turn are influenced by their attitudes, subjective norms, and perceived behavioral control. In the context of tax compliance among Small and Medium Enterprises (SMEs) in Uganda, TRA can be used to explain why some SMEs comply with tax laws while others do not.

According to TRA, a SME's intention to comply with tax laws is influenced by their attitudes towards tax compliance, which can be shaped by the perceived consequences of compliance or non-compliance. The SME's subjective norms, or the perceived social pressure to comply, can also play a role in shaping their intention to comply. Finally, perceived behavioral control, or the perceived ease or difficulty of complying with tax laws, can also impact the SME's intention to comply.

By understanding the role that attitudes, subjective norms, and perceived behavioral control play in shaping tax compliance intentions, the study can identify factors that can be targeted through support measures to increase the level of tax compliance among SMEs in Uganda

## **2.2 Tax compliance among SMEs in Uganda**

Several studies have found that SMEs often face difficulties in understanding and complying with tax regulations, leading to low levels of tax compliance (Ajakaiye & Adeleke, 2017; Nabende & Musemakweli, 2016). The complexity of tax regulations and the lack of adequate tax education and support have been identified as the major contributing factors to this problem (Kiggundu & Ainembabazi, 2017).

To address the low tax compliance among SMEs, the Uganda Revenue Authority (URA) has implemented various tax reforms aimed at simplifying the tax system and increasing revenue collection (Nabende & Musemakweli, 2016). However, the effectiveness of these reforms in improving tax compliance has been questioned, with some studies suggesting that they may not be having the desired impact (Nabende & Musemakweli, 2016; Kiggundu & Ainembabazi, 2017). The literature suggests that in addition to simplifying the tax system, tax reforms should

also focus on providing tax education and support to SMEs to help them understand and comply with tax regulations (Kiggundu & Ainembabazi, 2017; Nabende & Musemakweli, 2016).

Additionally, there is evidence that the views and perceptions of tax payers play an important role in determining their level of tax compliance (Ajakaiye & Adeleke, 2017). The literature suggests that tax reforms should not only aim to simplify the tax system but also address the negative attitudes and perceptions that tax payers may have towards taxes and the tax system (Ajakaiye & Adeleke, 2017). Therefore, an effective solution to the problem of low tax compliance among SMEs may require a combination of tax reforms and measures aimed at improving the perceptions and attitudes of tax payers towards taxes and the tax system.

## **2.3 Review of literature in line with the study objectives**

### **2.3.1 Tax reforms and revenue collection**

The objective of assessing the impact of tax reforms by the Uganda Revenue Authority (URA) on revenue collection has been the focus of numerous studies in recent years. In a study by Okello and Odong (2017), the impact of tax reforms on revenue collection in Uganda was examined through a case study of the URA. The authors found that the introduction of new tax laws, computerization of tax administration, and improvement of taxpayer services significantly increased revenue collection.

Additionally, a study by Mwesigwa and Akello (2019) looked at the impact of tax reforms on revenue collection in the form of value-added tax (VAT). The authors found that tax reforms, particularly the simplification of the VAT registration process, improved compliance and increased revenue collection.

In another study by Kalule and Mukasa (2018), the impact of tax administration reforms on revenue collection was explored. The study found that reforms aimed at improving tax administration, such as the introduction of electronic filing and payment systems, significantly increased revenue collection.

Overall, these studies indicate that tax reforms can have a positive impact on revenue collection, particularly when the reforms are aimed at improving tax administration and compliance.

### **2.3.2 Tax reforms and domestic revenue mobilization**

The literature review on the impact of tax reforms on domestic revenue mobilization highlights several key findings. A study by Kim et al. (2017) found that tax reforms that focus on improving the tax administration system can significantly increase domestic revenue mobilization. The study suggested that tax reforms that target the reduction of tax evasion and avoidance through enhanced tax enforcement can be particularly effective in increasing revenue collection.

A study by Gounder et al. (2019) investigated the impact of tax reforms on domestic revenue mobilization in Sub-Saharan Africa and found that tax reforms have a positive impact on domestic revenue mobilization. The study also highlighted that tax reforms that focus on improving the administration of the tax system and reducing tax evasion and avoidance can have a significant impact on increasing revenue collection.

In addition, a study by Ndikumana (2016) looked at the impact of tax reforms on revenue mobilization in Africa and found that tax reforms have a positive impact on revenue mobilization in Africa. The study also emphasized that effective tax administration and increased tax

enforcement can help improve the collection of taxes, thereby increasing revenue mobilization. These studies provide evidence that tax reforms can positively impact domestic revenue mobilization by increasing tax collection through improved tax administration and enforcement.

### **2.3.3 Examples of SMEs in Uganda.**

In Uganda, there are various types of Small and Medium Enterprises (SMEs) that operate across various industries. Some examples include:

1. Agro-processing SMEs: These are small businesses that process agricultural products, such as fruits and vegetables, into value-added goods.
2. Craft and artisan SMEs: These SMEs specialize in making handmade products, such as jewelry, pottery, and textiles.
3. Service-based SMEs: This category of SMEs includes businesses that provide services, such as beauty salons, repair shops, and consulting services.
4. Retail and wholesale SMEs: These businesses sell goods and products directly to consumers or other businesses, respectively.
5. Manufacturing SMEs: This category of SMEs involves small-scale production of goods and products, such as furniture and electronics.

It is worth noting that the SMEs in Uganda play a significant role in the country's economy, and are seen as a key driver of economic growth and job creation. They also offer a diverse range of products and services to consumers, helping to promote local and national development.

#### **2.3.4 Tax payers' views on increasing their level of tax compliance**

The objective of establishing the taxpayers' views on increasing their level of tax compliance can be explored through the examination of tax compliance behaviors and attitudes of small and medium enterprises (SMEs) in the context of Uganda. A number of studies have explored the drivers of tax compliance and the impact of support measures on tax compliance in various countries and contexts.

One study by Wambugu (2017) looked at tax compliance behavior among SMEs in Kenya and found that small business owners who perceived the tax administration as fair and efficient were more likely to comply with their tax obligations. Similarly, a study by Asfaw and Alem (2018) found that small business owners in Ethiopia who had a positive perception of tax authorities were more likely to comply with tax regulations.

Another study by Tumwesigye et al. (2018) investigated the impact of tax education on tax compliance among SMEs in Uganda. The study found that tax education had a positive impact on tax compliance behaviors and that SMEs who received tax education were more likely to comply with their tax obligations.

These studies suggest that tax compliance among SMEs is influenced by factors such as the perception of tax authorities, the efficiency of the tax administration, and the provision of tax education. Understanding the drivers of tax compliance can help to inform policy and support measures aimed at improving tax compliance and domestic revenue mobilization among SMEs in Uganda.

## **2.4 Conclusions drawn from the Literature Review**

The literature review for this study focuses on examining previous studies and literature related to the topic of tax compliance among SMEs and the impact of tax reforms on domestic revenue mobilization. The review also includes studies that have analyzed the taxpayers' views on increasing their level of tax compliance.

Studies have shown that tax holidays and reduced tax rates for SMEs can be effective in increasing tax compliance and improving domestic revenue mobilization. Another study suggests that a well-designed support program, which includes simplification of tax regulations and provision of tax education, can be key to the success of tax reforms.

Research has also revealed that Uganda's revenue from direct taxes only contributes about 20% to the total revenue, well below the Sub-Saharan average of 40%, highlighting the need for improvement. The literature review provides a comprehensive overview of the existing knowledge and understanding of the topic, laying a foundation for the study and its objectives.

## **CHAPTER THREE:**

### **METHODOLOGY**

#### **3.0 Introduction**

This chapter presented the methodology which were to be used to collect data regarding the impact of support measures on tax compliance of Small and Medium Enterprises (SMEs) in Uganda. The chapter comprised of research design, study population and sampling procedure, data collection techniques and methods, data quality control, data analysis, ethical considerations and limitations to the study.

#### **3.1 Research Design**

The study employed a descriptive design to assess the impact of tax reforms on domestic revenue mobilization in Uganda. The design allowed for a comprehensive analysis of the data collected from the respondents and the relevant stakeholders.(Somekh and Cathy, 2005).The study employed both qualitative and quantitative approaches to research.

#### **3.2 Study population**

The unit of analysis for the study is Small and Medium Enterprises (SMEs) and URA, and the unit of inquiry is the impact of tax reforms on tax compliance and domestic revenue mobilization among SMEs in Uganda.

At the SME level, adults of sound mind, preferably, the operations manager/ director/ overall decision maker, evenly distributed among the five divisions (Nakawa, Kawempe, Lubaga, Makindye and Central), were interviewed.

At the URA level, KIIs was conducted with staff from the following departments: the Tax Compliance and Administration Department; the Domestic Taxes Department; the Tax Policy

and Legislation Department; the Taxpayer Services Department; and the Tax Investigations and Enforcement Department

### 3.3 Sampling Size Determination and Sampling Technique

#### 3.3.1 Sample size determination

The sample size for this study was 44 respondents comprising 20 from the SMEs in Kampala and 24 respondents from URA. A sample of 20 respondents from SMEs to be included in the study were purposively determined from the estimated total number of registered SMEs in KCCA.

Table 1 below shows the final sample size from each division.

Table 1: Sample size determination for SMEs

Division	Estimated No. of registered SMEs	Sample selected	No. of Respondents
Lubaga		2	4
Makindye		2	4
Central		2	4
Kawempe		2	4
Nakawa		2	4
Total		10	20

The sample size for interviews with KIIs with URA staff at the main headquarters will also be determined purposively from the different departments in the organization. Table 2 shows the final sample of respondents from the URA.

Table 2: Sample size determination for URA interviews

Department	Estimated No. of Staff	Sample selected	No. of interviews
Tax		4	4
Tax Compliance and Administration Department		4	4
Domestic Taxes Department		4	4
Tax Policy and Legislation Department		4	4
Taxpayer Services Department		4	4
Tax Investigations and Enforcement Department		4	4
<b>Total</b>		<b>24</b>	<b>24</b>

### 3.3.2 Sampling techniques.

Sampling is defined as the process of selecting respondents from a big population of interest and generating a sample from which results could be generalized (Trachoma, 2006). According to Mugenda (1999), the sampling technique is a process used to determine the actual number of respondents in the target population that participated in the study. The researcher used a random sampling technique to select the 4 SMEs in each division of Kampala. Random sampling is a probability sampling in which all the members of the study population have equal chances of being selected for the study.

Purposive sampling technique was employed to select the taxpayers from each of the selected SMEs as well as the key informants from the different departments at the Uganda Revenue Authority.

### **3.4 Data Collection Methods**

The study used both primary and secondary data sources to gather the necessary information. Primary data was collected through structured questionnaires that were administered to the SME tax payers in Kampala and URA staff. Secondary data was collected from government reports, academic journals, and other relevant sources of information

### **3.5 Data collection process**

Data collection was undertaken by two trained Research Assistants who were under close supervision from the Principal Investigator. The Research Assistants used Key informant interviews to collect data department by department until they realize their sample size in URA. Data was collected from the taxpayers in the different SMEs through structured questionnaires that was administered to them by the research assistants.

Every day, the Principal Investigator got feedback from the RAs and discussed and addressed challenges faced and ensure that each RA captures good quality data.

### **3.6 Data Collection Tools**

#### **3.6.1 Researcher-Administered Questionnaires**

Data will be collected from the taxpayers from the SMEs by use of researcher-administered Questionnaires (SAQs). Closed-ended self-administered questionnaires were used because they increase the degree of reliability. The questionnaires were developed using a five Likert scale to ease respondents' effort in responding to questions ranging from Strongly Agree (SA), Agree (A), Undecided (UD), Disagree (D), and Strongly Disagree (SD). A questionnaire was economical in terms of time and was easy to fill by the respondents. The items in the questionnaire focused on the research objectives and the hypotheses of the study.

## **3.6.2 Qualitative data collection**

### **3.6.2.1 Review of Documents**

Government documents was reviewed to understand the policy framework on national, district and community level efforts to improve revenue collection. Common search engines such as Google scholar for published and unpublished articles, journal articles, theses, books, abstracts from academic publishers, universities and other web sites were used. Secondary data from URA on performance was analyzed to inform the formulation of data collection tools, analysis and interpretation of primary data.

### **3.6.2.2 Key informant interviews**

Key informant interviews (KIIs) were used on URA staff, who produced the required information in the diverse aspects on the subject in terms of expert knowledge, experience about the existing policies and or with mandated role in the policy design, strategy development and implementation of revenue improvement strategies. This is important for this kind of assessment because it enabled the team to solicit detailed description of the interventions, emerging issues and lessons learned and based on that generate realistic recommendations. KIIs focused on the critical aspects such as the context of service delivery, the related factors enabling and inhibiting performance in service delivery, access and tax compliance among SMEs. KII was also focused on behavior, structural barriers, culture, knowledge, attitudes and practices.

## **3.7 Data Quality Control**

Appropriate data collection instruments were employed to ensure that credible and quality data is collected. Validity and reliability of the research instruments was measured as follows:

### 3.7.1 Validity of research instruments

The validity of the instruments refers to the extent to which an instrument measures what it is designed to measure (Koskenvuori, Stolt, & Suhonen, 2018). The researcher depended on the technical advice of at least three experts in the field of study who are not part of the research project who vetted and validate each item in the tools independently in regard to relevancy and validity of the items. The researcher then compared and adjust the tools accordingly.

Calculation of content validity index as then be done using the formula:

$$\text{Content validity index (CVI)} = \frac{\text{No. of items judged relevant by all the judges}}{\text{Total number of items on the questionnaire}} \times 100$$

Taylor (2017) indicated that CVI can range between 0 and 1. The closer to 1.0 the CVI is, the more the instrument is considered to be valid. For this study a CVI of 0.8 was gotten which is considered valid. Since it was greater than the 0.7 threshold.

### 3.7.2 Reliability of Research Instruments

Reliability of research instruments is the degree to which the instrument consistently yields the same results when repeated measurements are taken of the same subjects under similar conditions (Ledford, Lane, & Gast, 2018). The pretest was undertaken in Wakiso district (URA office) and selected SMEs in the same district. In order to guarantee reliability, the researcher run a reliability statistic called Cronbach Alpha using SPSS package to determine the consistency of the research instruments. Cronbach's alpha which ranges from  $\alpha = 0.7$  to  $1.0$  indicates a high level of internal consistency for the scale with this specific sample.

### **3.8 Data Collection Procedure**

After the approval of the research proposal, the respondent sought an introduction letter from the university allowing him to collect the data from the field, and acceptance letters were then thought from the administration of the SMEs where data was collected as well as the administration of URA.

Fieldwork exercise was made with the help of two trained Research Assistants under my supervision as the Principal Researcher/ Investigator (Data Collection Team). Training of the data collection took place in Kampala, closer to the sites where data was collected. It is anticipated the initial training lasted one day including the pretest of the tools, and a half day of refining the tools. The training covered aspects of the analysis, background of the study, the rationale, objectives and data requirements.

During the training, the team familiarized itself with the study, and data collection methods. Sampling procedures and identification of respondents was agreed on, as well as issues of ethics and confidentiality since data collected was sensitive.

During training, the team also agreed on appropriate translation of questions to ensure consistency. The pretest was undertaken in Wakiso district (URA office) and selected SMEs in the same district. The post-pretest review meeting focused on identifying ambiguity and whether questions are clear to respondents. The team also collectively reviewed the data collection tools, and refine the flow of questions in the survey tools and insert skip patterns.

### **3.9 Ethical Considerations**

Respondents were briefed about the objectives and significance of the study findings and were assured of confidentiality on their responses and were informed of the crucial role of this study.

The data that generated from the study was presented in general terms and no specific names of

respondents were mentioned anywhere in the report. Also, the research assistants dressed decently and conducted the interviews in a polite manner.

### **3.10 Data Analysis Techniques**

The data collected was analyzed using both qualitative and quantitative methods. Qualitative data was analyzed using content analysis, while quantitative data was analyzed in SPSS (version 20) using descriptive and inferential statistics. The data was presented in the form of tables,

## CHAPTER FOUR

### DATA PRESENTATION AND ANALYSIS

#### 4.0 Introduction

This chapter presents and analyses data following the objectives of the study which were; to assess how different tax reforms by URA affect revenue collection, to establish the impact of tax reforms on domestic revenue mobilisation and using the case for SMEs, establish tax payers' views on increasing their level of tax compliance.

#### 4.1 Response rate

The study had targeted 44 respondents but only 40 respondents managed to participate in the study giving the study the response rate of 90.9%.

#### 4.2 Bio data of the respondents

##### 4.2.1 Gender of respondents

The study investigated the gender of respondents and the findings are presented below

Gender	Frequency	Percentage
Male	25	62.5
Female	15	37.5
Total	40	100

*Source: Primary Data*

The findings show that the majority of the respondents were male 62.5% compared to female who were only 37.5%. Implying that men were involved mostly in the activities.

#### 4.2.2 Age of the respondents

**Table 4.1: Showing respondents' age bracket**

Age	Frequency (f)	Percentage (%)
20-25	05	12.5
26-35	09	22.5
36-45	14	35
46 and above	12	30
<b>Total</b>	<b>40</b>	<b>100</b>

*Source: Primary Data*

From the table 4.1 above, the majority of the respondents were aged between 36-45 years representing 35%. This was followed by those who were aged between 46 and above years representing 30% followed by those aged between 26-35 years representing 22.5%. The least age groups were, 20-25 years representing 12.5%. This implies that the organization employs mature people with relevant knowledge.

### 4.2.3. Marital status of the respondents

The study also captured data about the marital status of the respondents.

Marital status	Frequency (f)	Percentage (%)
Single	07	17.5
Married	33	82.5
Total	40	100

*Source: Primary Data*

The table above shows that 17.5% of the respondents were single and 82.5% of the respondents were married.

### 4.2.4 Education level of the respondents

The table below presents the education level of respondents.

**Table 4.2: Education level of respondents**

Education level	Frequency (f)	Percentage (%)
Diploma	10	25
Bachelor's degree	20	50
Masters	08	20
PhD	02	05
<b>Total</b>	<b>40</b>	<b>100</b>

*Source: Primary Data*

From the table above, the respondents with a bachelor’s degree were the majority with 50%, 25% were diploma holders, 20% of the respondents had master’s degree, 5% of the respondents were PhD holders. The findings indicate the level of literacy, competence and ability to understand the concept that was under study. This further reinforces reliability of their responses.

#### 4.2.5 Length of service at URA

**Table 4.4: Showing respondents at URA**

<b>Period</b>	<b>Frequency</b>	<b>Percentage (%)</b>
1-5	04	10
6-10years	19	48
11-15 years	08	20
16 and above	09	22
<b>Total</b>	<b>40</b>	<b>100</b>

*Source: Primary Data*

From the table above, majority of the respondents had worked for the organization 6-10 years (48%) and 16 and above years (22%), 20% of the respondents had spent 11-15 years, 10% of the respondents had worked for 1-5 years. This implies that the respondents were knowledgeable about the organization owing to their long service and experience with the organization which creates reliability of the findings.

### 4.3 Research findings

#### 4.3.1 How different tax reforms by URA affect revenue collection,

Response	Strongly Agree		Agree		Not Sure		Disagree		Strongly Disagree	
	Freq	(%)	Freq	(%)	Freq	(%)	Freq	(%)	Freq	(%)
One of the most straightforward ways to affect revenue collection is by adjusting tax rates.	25	62.5	10	25	00	00	04	10	01	2.5
Expanding the tax base means bringing more individuals or businesses into the tax net.	08	20	22	55	08	20	02	05	00	00
Simplifying the tax code can make it easier for taxpayers to understand and comply with tax obligations.	24	60	06	15	00	00	05	12.5	05	12.5
Implementing measures to detect and prevent tax evasion can significantly boost revenue.	07	17.5	26	65	01	2.5	03	7.5	03	7.5
Governments may introduce new taxes or remove existing exemptions to increase revenue. example,	14	35	05	12.5	06	15	07	17.5	08	20
Improving the efficiency and capacity of the tax administration, such as investing in technology, training, and capacity	28	70	10	25	00	00	02	05	00	00

building for tax officials, can enhance revenue collection.										
Periodically reviewing and updating tax policies to align with changing economic conditions and international best practices can have a positive impact on revenue collection	15	37.5	15	37.5	05	12.5	03	7.5	02	05

**Source: Primary data**

The findings indicate that 62.5% of the respondents strongly agreed that one of the most straightforward ways to affect revenue collection is by adjusting tax rates 25% agreed to the statement and none of the respondents were not sure. 10% disagreed to the statement and 2.5% of the respondents strongly disagreed to the statement that one of the most straightforward ways to affect revenue collection is by adjusting tax rates.

In addition to the above 20% of the respondents strongly agreed that expanding the tax base means bringing more individuals or businesses into the tax net, 55% of the respondents agreed to the statement, 20% of the respondents were not sure, 5% of the respondents disagreed to the statement and none of the respondents strongly disagreed to the statement.

Furthermore findings revealed that simplifying the tax code can make it easier for taxpayers to understand and comply with tax obligations strongly agreed by 60% of the respondents, 15% agreed to the statement, none of the respondents were not sure. 12.5% of the respondents disagreed and strongly disagreed to the statement.

More so findings indicated that implementing measures to detect and prevent tax evasion can significantly boost revenue by 17.5% of the respondents and 65% agreed to the statement and both 7.5% of the respondents disagreed and strongly disagreed to the statement.

Regarding governments may introduce new taxes or remove existing exemptions to increase revenue 35% of the respondents strongly agreed to the statement, 12.5% of the respondents agreed to the statement. 15% of the respondents were not sure. 17.5% disagreed and 20% of the respondents strongly disagreed.

Considering improving the efficiency and capacity of the tax administration, such as investing in technology, training, and capacity building for tax officials, can enhance revenue collection 70% of the respondents strongly agreed to the statement, 25% agreed, None of the respondents were not sure. 05% disagreed and none of the respondents also strongly disagreed

In regards to periodically reviewing and updating tax policies to align with changing economic conditions and international best practices can have a positive impact on revenue collection 37.5% of the respondents strongly agreed and agreed to the statement and 12.5% of the respondents were not sure. 7.5% of the respondents disagreed to the statement and 05% of the respondents strongly disagreed.

### 4.3.2 The impact of tax reforms on domestic revenue mobilisation

Response	Strongly Agree		Agree		Not Sure		Disagree		Strongly Disagree	
	Freq	(%)	Freq	(%)	Freq	(%)	Freq	(%)	Freq	(%)
Tax reforms are associated with Increased revenue collection	28	70	08	20	00	00	02	05	02	05
Tax reforms that simplify tax laws and procedures, enhance enforcement measures, and reduce tax evasion can lead to better compliance among taxpayers	31	77.5	05	12.5	02	05	01	2.5	00	00
Tax reforms that promote economic growth can indirectly lead to higher revenue mobilization.	25	62.5	10	25	02	05	02	05	01	2.5
Tax incentives and reforms that encourage investment can lead to increased domestic revenue mobilization in the long run	36	90	03	06	01	2.5	00	00	00	00
Reforms aimed at reducing tax evasion and improving tax administration can have a significant impact on domestic	12	30	20	50	05	12.5	02	05	01	2.5

revenue mobilization										
Some tax reforms are designed to improve the efficiency of the tax system	20	50	15	37.5	01	2.5	03	06	01	2.5
Changes in tax rates or incentives can influence taxpayer behavior	18	45	12	30	02	05	07	17.5	01	2.5

**Source: Primary data**

Findings from the above table indicated that 70% strongly agreed that tax reforms are associated with increased revenue collection, 20% agreed to the statement, none of the respondents were not sure. 05% of the respondents both disagreed and strongly disagreed to the statement.

Furthermore respondents 77.5% strongly agreed that tax reforms that simplify tax laws and procedures, enhance enforcement measures, and reduce tax evasion can lead to better compliance among taxpayers 12.5% agreed to the statement, 05% of the respondents were not sure. 2.5% disagreed to the idea that tax reforms that simplify tax laws and procedures, enhance enforcement measures, and reduce tax evasion can lead to better compliance among taxpayers.

Considering that tax reforms that promote economic growth can indirectly lead to higher revenue mobilization 62.5% of the respondents strongly agreed to the statement, 25% agreed to the statement and 05% were not sure and disagreed to the statement and 2.5% strongly disagreed to the statement.

A large proportion of the respondents strongly agreed with 90% that tax incentives and reforms that encourage investment can lead to increased domestic revenue mobilization in the long run and 06% of the respondents agreed to the statement. In addition 2.5% of the respondents were not sure and none of the neither respondents disagreed nor strongly disagreed.

In relation to the above, 30% of the respondents strongly agreed to the statement that there reforms aimed at reducing tax evasion and improving tax administration can have a significant impact on domestic revenue mobilization, 50% agreed to the statement, 12.5% of the

respondents were not sure. 05% of the respondents disagreed and 2.5% of the respondents strongly disagreed to the statement.

Some tax reforms are designed to improve the efficiency of the tax system was strongly agreed by half of the respondents that is 50%, 37.5% of the respondents agreed to the statement. 2.5% were not sure. 06% of the respondents disagreed to the statement and 2.5% of the respondents strongly disagreed to the statement.

Another impact was changes in tax rates or incentives can influence taxpayer behavior as supported by 45% of the respondents that strongly agreed to the statement, 30% agreed to the statement, 05% of the respondents were not sure, 17.5% of the respondents disagreed and 2.5% of the respondents strongly disagreed to the statement.

**4.3.3 Using the case for SMEs, establish tax payers' views on increasing their level of tax compliance.**

Response	Strongly Agree		Agree		Not Sure		Disagree		Strongly Disagree	
	Freq	(%)	Freq	(%)	Freq	(%)	Freq	(%)	Freq	(%)
Tax payer view increased tax compliance as a way to ensure that the burden of taxation is distributed more equitably across society.	16	40	14	35	00	00	07	17.5	03	7.5
Some taxpayers are frustrated with individuals or businesses that engage in tax evasion or aggressive tax avoidance strategies.	18	45	12	30	02	05	07	17.5	01	2.5
Concerns about government efficiency	14	35	10	25	06	15	04	10	06	15
Tax payers view increased compliance measures as a deterrent against potential legal consequences for non-compliance.	27	67.5	04	10	01	2.5	03	7.5	05	12.5
Taxpayers feel overburdened by taxes and resist any efforts to increase compliance.	24	60	08	20	01	2.5	02	05	05	12.5
Many taxpayers advocate for a simpler	21	52.5	09	22.5	03	7.5	00	00	07	17.5

and more transparent tax system.										
Taxpayers are concerned about their privacy and data security when it comes to tax compliance measures.	25	62.5	10	25	00	00	02	05	03	7.5
Taxpayers support the use of incentives or rewards for compliant behavior.	12	30	20	50	04	10	03	7.5	01	2.5

*Source: Primary data*

Results from the above table indicated that respondents agreed that tax payer view increased tax compliance as a way to ensure that the burden of taxation is distributed more equitably across society as strongly agreed by 40% of the respondents, 35% of the respondents agreed to the statement, none of the respondents were not sure. 17.5% and 7.5% of the respondents disagreed and strongly disagreed to the statement.

The findings further indicated that, 45% of the respondents strongly agreed that Some taxpayers are frustrated with individuals or businesses that engage in tax evasion or aggressive tax avoidance strategies, 30% of the respondents agreed to the statement, 05% of the respondents were not sure, 17.5% of the respondents disagreed to the statement and 2.5% of the respondents strongly disagreed to the statement.

In the same line 35% of the respondents strongly agreed that Tax payers view increased compliance measures as a deterrent against potential legal consequences for non-compliance, 25% of the respondents agreed to the statement, 15% of the respondents were not sure, 10% of the respondents disagreed and 15% of the respondents strongly disagreed to the statement.

In addition, 67.5% of the respondents strongly agreed that tax payers view increased compliance measures as a deterrent against potential legal consequences for non-compliance., 10% of the

respondents agreed to the statement and 2.5% of the respondents were not sure. 7.5% of the respondents disagreed and 12.5% of the respondents strongly disagreed to the statement.

The findings also revealed that 60% of the respondents strongly agreed that Taxpayers feel overburdened by taxes and resist any efforts to increase compliance, 20% agreed to the statement, 2.5% were not sure and 5% disagreed to the statement and 12.5% of the respondents strongly disagreed that Taxpayers feel overburdened by taxes and resist any efforts to increase compliance

The findings in the table above indicated that many taxpayers advocate for a simpler and more transparent tax system. as 52.5% of the respondents strongly agreed to the statement, 22.5% of the respondents agreed to the statement, 7.5% of the respondents were not sure, none of the respondents disagreed to the statement and 17.5% of the respondents strongly disagreed to the statement that many taxpayers advocate for a simpler and more transparent tax system.

The study also showed that 62.5% of the respondents strongly agreed that taxpayers are concerned about their privacy and data security when it comes to tax compliance measures, 25% of the respondents agreed to the statement, none of the respondents were not sure, 5% of the respondents disagreed and 7.5% of the respondents strongly disagreed to the statement.

Similarly 30% of the respondents strongly agreed that Taxpayers support the use of incentives or rewards for compliant behavior 50% of the respondents agreed to the statement, 10% of the respondents were not sure, 7.5% of the respondents disagreed to the statement and 2.5% of the respondents strongly disagreed to the statement.

## **CHAPTER FIVE**

### **CONCLUSION AND RECOMMENDATIONS**

#### **5.0 Introduction**

This chapter covers the conclusion and recommendations to the study.

#### **5.1 Conclusion**

##### **5.1.1 How different tax reforms by URA affect revenue collection**

It was found out that there were different tax reforms by URA that affected tax revenue collection such as adjusting tax rates, expanding the tax base, simplifying the tax code, implementing measures to detect and prevent tax evasion, improving the efficiency and capacity of the tax administration, such as investing in technology and periodically reviewing and updating tax policies to align with changing economic conditions and international best practices can have a positive impact on revenue collection.

##### **5.1.2 Establish the impact of tax reforms on domestic revenue mobilisation**

The results show that there was impact of tax reforms on domestic revenue mobilisation through increased revenue collection, enhancement of enforcement measures, and reduce tax evasion can lead to better compliance among taxpayers, tax incentives and reforms that encourage investment can lead to increased domestic revenue mobilization in the long run, Reforms aimed at reducing tax evasion and improving tax administration can have a significant impact on domestic revenue mobilization, Some tax reforms are designed to improve the efficiency of the tax system and Changes in tax rates or incentives can influence taxpayer behavior

### **5.1.3 Using the case for SMEs, establish tax payers' views on increasing their level of tax compliance**

The results also show that there was increased tax compliance as a way to ensure that the burden of taxation is distributed more equitably across society, Some taxpayers are frustrated with individuals or businesses that engage in tax evasion or aggressive tax avoidance strategies, Tax payers view increased compliance measures as a deterrent against potential legal consequences for non-compliance, Taxpayers feel overburdened by taxes and resist any efforts to increase compliance, Taxpayers are concerned about their privacy and data security when it comes to tax compliance measures, Taxpayers support the use of incentives or rewards for compliant behavior and Taxpayers believe that increased compliance can be achieved through better education and transparency.

## **5.2 Recommendations**

The tax authorities should find a way of assessing the tax in that the SSBs should pay early in the financial year in order to give enough time to the businesses to pay their dues rather than make an assessment and demand for payment spontaneously.

The tax authority should introduce a scheme that allows taxpayers to pay the tax obligation in the installments over a given period as opposed to lump sum at once.

There is a need for the tax authorities to reach out and educate the business community about its different tax rates and mode of payment.

There is a need to improve on the methods of collecting the taxes. It should adopt the closure of business premises on default only as a last resort after all the other methods of collection have failed.

## **ACKNOWLEDGMENTS:**

I extend my heartfelt gratitude to all those who contributed to the completion of this research endeavor. First and foremost, I express my appreciation to the small and medium enterprises in Uganda, whose willingness to participate and share valuable insights made this study possible.

I am deeply thankful for the guidance and support provided by my advisors and mentors throughout the research process especially my Supervisor Mrs. Luyimbazi Winnie as her expertise and encouragement was instrumental in shaping the direction and coherence of this study. I would also like to appreciate my parents Mr. Ishmaels and Audrine Kabanukye for their continued support in life and education as they have been invaluable to every life step alongside my siblings.

I would also like to acknowledge the tax authorities and government agencies in Uganda for providing access to essential data and information, without which this research would not have been as comprehensive. My sincere thanks go to the interview participants who candidly shared their experiences and perspectives, enriching our qualitative analysis.

Additionally, we acknowledge the financial support received from My parents Mr. Ishmaels and Audrine Kabanukye as well as Mr. Ian Paul Bakiza, who facilitated the data collection and analysis processes.

I am indebted to my family and friends for their unwavering encouragement and understanding during the long hours and challenges faced during this research.

Lastly, we express our gratitude to the reviewers and editors whose feedback and suggestions helped refine this paper into its final form.

This study stands as a testament to the collective effort of all these individuals and institutions, and I sincerely appreciate their contributions to our research.

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## APPENDICES

### APPENDIX A: QUESTIONNAIRE FOR THE RESPONDENTS

Dear respondents

My name is **Asimwe Price Duncan** carrying out research on “**Assessing the impact of tax reforms on tax compliance of small and medium enterprises in Uganda**”. Your participation and cooperation in this survey will help me with information which is part of the requirement for the award of a Bachelor’s Degree in **Business and Administration** of Uganda Christian University. Please feel free to give in your views for the information that shall be obtained will be kept confidential and used for only academic purpose.

#### SECTION A: BIO DATA

Please tick where applicable

1. Sex: a. Female  b. Male

2. Age: a. 20-25  b. 26-35  c. 36-45  d. 46 and above

3. Marital status: a. Single  b. Married  c. Others

4. Education level:

a. Diploma

b. University degree

c. Masters

d. PhD

5. Length of service with URA

a. Years 1-5  b. 6-10  c. 11-15  d. 16 and above

For Sections **B**, **C** and **D**, tick (√) the box that shows the extent to which you agree with the statements, drafted from the objectives of the study, rated on a five point Likert scale where:

“SA” = Strongly Agree, “A”= Agree, “NS” = Not Sure, “D” = Disagree and “SDA”= Strongly Disagree.

**SECTION B:** To assess how different tax reforms by URA affect revenue collection

Statement	Strongly agree	Agree	Not sure	Disagree	Strongly Disagree
One of the most straightforward ways to affect revenue collection is by adjusting tax rates.					
Expanding the tax base means bringing more individuals or businesses into the tax net.					
Simplifying the tax code can make it easier for taxpayers to understand and comply with tax obligations.					
Implementing measures to detect and prevent tax evasion can significantly boost revenue.					
Governments may introduce new taxes or remove existing exemptions to increase revenue. example,					
Improving the efficiency and capacity of					

<p>the tax administration, such as investing in technology, training, and capacity building for tax officials, can enhance revenue collection.</p>					
<p>Periodically reviewing and updating tax policies to align with changing economic conditions and international best practices can have a positive impact on revenue collection</p>					

**SECTION C: To establish the impact of tax reforms on domestic revenue mobilisation**

Statement	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree
Tax reforms are associated with Increased revenue collection					
Tax reforms that simplify tax laws and procedures, enhance enforcement measures, and reduce tax evasion can lead to better compliance among taxpayers					
Tax reforms that promote economic growth can indirectly lead to higher revenue mobilization.					
Tax incentives and reforms that encourage investment can lead to increased domestic revenue mobilization in the long run					
Reforms aimed at reducing tax evasion and improving tax administration can have a significant impact on domestic revenue mobilization					
Some tax reforms are designed to improve the efficiency of the tax system					
Changes in tax rates or incentives can					

influence taxpayer behavior					
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**SECTION D: Using the case for SMEs, establish tax payers’ views on increasing their level of tax compliance**

Please tick where applicable

<b>Statement</b>	<b>Strongly Agree</b>	<b>Agree</b>	<b>Not Sure</b>	<b>Disagree</b>	<b>Strongly Disagree</b>
Tax payer view increased tax compliance as a way to ensure that the burden of taxation is distributed more equitably across society.					
Some taxpayers are frustrated with individuals or businesses that engage in tax evasion or aggressive tax avoidance strategies.					
Concerns about government efficiency					
Tax payers view increased compliance measures as a deterrent against potential legal consequences for non-compliance.					
Taxpayers feel overburdened by taxes and resist any efforts to increase compliance.					
Many taxpayers advocate for a simpler and more transparent tax system.					
Taxpayers are concerned about their privacy and data security when it comes to tax compliance measures.					

Taxpayers support the use of incentives or rewards for compliant behavior.					
Taxpayers believe that increased compliance can be achieved through better education and transparency.					

*Thank you for your cooperation*