

**TAX SYSTEMS AND FINANCIAL PERFORMANCE OF SMALL SCALE
BUSINESS ENTERPRISES:A CASE OF SELECTED DAIRY FARMS IN NKOZI**

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**UGANDA CHRISTIAN
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DECLARATION

I, NANTAMBI CLAIRE JULIET herewith declare that this study report is my creative work done to the best of my acquaintance and it has never been succumbed to any other University or institution of education for academic resolutions.

Signature *Claire*

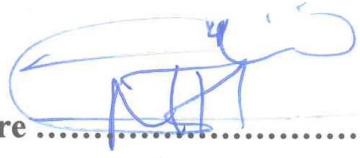
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APPROVAL

This is to certify that this study report has been completed under my administration and is now complete for submission.

Signature


Date.....


MR . KATISME NICSON

(UNIVERSITY SUPERVISOR)

DEDICATION

With great honor, I commit & bestow this research description to my beloved mother Mrs. KAKEMBO ANNIE and my relatives for the support you have underwrote to me in my studies. May the Lord sanctify the work of your hands continually.

ACKNOWLEDGEMENT

I request to extend my appreciations to my beloved mommy Mrs. KAKEMBO ANNIE & my siblings for the backing given to me and courage you have always given to me in my studies. It has been great times with you and thanks for have foregone because of me up to this stage of my studies. I cannot say it all, but the immense God bless you copiously.

I extend the same regard, special appreciation goes to MR. KATISME NICSON for his supervision and monitoring towards my performance. May God sanctify you and reward you copiously. I sincerely ~~acknowledge~~ thank the God for all the provision and protection throughout my academic journey.

TABLE OF CONTENTS

Declaration	ii
Approval.....	iii
Dedication	iv
Acknowledgement.....	v
Table of contents	vi
Abstract	viii
CHAPTER ONE	1
INTRODUCTION.....	1
1.0 Introduction	1
1.1. Background of the study	1
1.2. Statement of the problem	3
1.3 Purpose of the study	3
1.4. Specific objectives.....	3
1.5 Research questions	4
1.6 Scope of the study	4
1.7 Significance of the study.....	4
1.8. Conceptual frame work.....	5
CHAPTER TWO.....	6
LITERATURE REVIEW.....	6
2.0. Introduction	6
2.1 Definition of key terms.....	6
2.2. The effect of tax administration system on financial performance of Small scale business enterprises.....	6
2.3 The effect of tax compliance on financial performance of Small scale business enterprises.....	9
2.4. The relationship between tax systems and financial performance of small scale business enterprises.....	13
2.5. Conclusion.....	15
CHAPTER THREE.....	17
METHODOLOGY.....	17
3.0 Introduction	17
3.1 Research Design.....	17
3.2 Study Population	17
3.3 Sample Size	17

3.4. Sampling Technique.....	18
3.5 Source of Data.....	18
3.6. Data Collection Methods.....	18
3.7 Reliability and validity	18
3.8 Research Procedure	19
3.9. Data analysis and management	19
CHAPTER FOUR	20
PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS	20
4.0 Introduction	20
4.1 Bio data of respondents	20
4.2. The effect of tax administration system on financial performance of Small scale business enterprises.....	22
4.3. The effect of tax compliance system tax on financial performance of Small scale business enterprises.....	23
DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS	25
5.0 Introduction	25
5.1 Discussions of findings;	25
5.2 Conclusions.	26
5.3 Recommendations	26
5.4 Areas for further research.....	27
QUESTIOSNNAIRE	30

ABSTRACT

The study established the affiliation between excise systems and financial presentation of Minor scale business enterprises using Top dairies as a case study. to examine the consequence of tax management system on financial presentation of Minor scale business initiatives, to examine the upshot of tax compliance system tax on financial presentation of Small scale business originalities, to examine the ~~comin~~ connection between excise systems and presentation of Small scale business enterprises. The discoveries may provide information to administrators in dissimilar organizations particularly on knowing how to compare tax structures and performance and the verdict may also be advantageous to other forthcoming researchers to examine further about the connection between levy systems and presentation of Business administrations

The schoolwork incorporated by the usage of various approaches in the development of data assortment in a bid to turn up with sound, tangible and credible research conclusions. The investigator therefore incorporated the use of questionnaire, interviews and documented analysis in the course of collecting principal data. Editing of composed data was done to style the data ready and humbler for presentation. The answered questionnaires were amended one by one to exact errors that were completed by the schoolwork respondents. Information was edited in order to crisscross for accuracy, comprehensiveness, consistency & uniformity. The corrected data was ready for demonstration. Demonstration of data involved the usage of tables that were produced from the questions pertinent to the study variable quantity.

Most small industries enterprises do not produce enough revenues in terms of proceeds to fulfill their goal line of profit intensification and most of them therefore transpire not surviving for more three years in procedure. The small returns are accredited to high taxes they recompence to the tax physique. Since most industries are not enumerated for tax, the few which are enumerated are la-di-da by tax hence; tax system disturbs the profitability of minor business enterprises. Grounding on the study supported out, the researcher commends that URA go on board on a more penetrating tax education sequencer especially for minor business creativities. This should be completed through various broadcasting houses such as newspapers, local radio and television stations. Minor businesses are connected with incapacity to keeping appropriate records, hence contrasting corporate taxes; these companies are taxed deprived of adjusting for inferences of disbursements and losses {John et al, 2009}. Most industries have the gross revenues that meet the requirements for tax, commercial people are cognizant of this and the pecuniary conditions of their corporate to qualify for tax.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This section constitutes the background of the study, statement of the problem, objectives, research questions, scope as well as significance of the study.

1.1. Background of the study

Tax compliance is a complex term to define. According to Brown and Mazur (2003), tax compliance is multi-faceted measure and theoretically, it can be defined by considering three distinct types of compliance such as payment compliance, filing compliance, and reporting compliance. The Organization for Economic Cooperation and Development, 2001 recommends that compliance be dichotomized in order to elucidate the different definitions of tax compliance. The different categories the literature has come up with include administrative compliance and technical compliance, the former referring to complying with the administrative rules of lodging and paying, otherwise referred to as reporting compliance, procedural compliance, or regulatory compliance, whereas the latter is said to refer to complying with technical requirements of the tax laws in calculating the taxes or provisions of the tax laws in paying the share of the tax. Tax administration aims at encouraging voluntary tax compliance -Silvani, 2014-, hence reducing the tax gap, which is the difference between the taxes paid and owed for all the taxes and all the taxpayers, and the compliance gap. According to Cobham -2005-, tax compliance is a problem in many countries as measured by the tax to GDP ratio, although it has been improving for many countries. For instance, its one-third of GDP in rich nations, Latin America and the Caribbean 17% of GDP low-income countries showed less than 15% to GDP which is the recommended rate. Therefore, this remains a big challenge to low-income countries. This has promoted radical tax reforms in countries like Bolivia, Uruguay, Colombia, Jamaica, and Spain, with notable success,.

Among all these, in the literature have only been discussed three actual reforms: the 2001 Russian reform by among others Ivanova et al. 2005, the 2004 reform in the Slovak Republic by among others Brook and Leibfritz 2005 and partially the 2005 Romanian tax reform by Group of Applied Economy. In the case of Russia, real growth in tax revenue was significant subsequent to the reform, but no strong evidence could be identified that this was due either to the flat tax or to improved law enforcement, and no positive labor supply responses could be discerned. The Slovakian reform was expected to be revenue neutral, increase the level and efficiency of capital

formation, and improve the incentives of unemployed workers to seek work. This said, it is also a fact that most real-world reforms have been very recent, and research on their effects is probably also limited due to the lack in those countries of high-quality data from the period prior to their reforms.

While a recent study distinguished between two groups of countries, regarding inequality and polarization, relative poverty and richness are rather high in Southern European countries such as Greece, Portugal, and Spain, as well as the UK, while they are rather low in Continental Europe Austria, Belgium, Germany, Luxembourg - as well as in Finland. Speaking about redistribution, in general, two different groups can be distinguished: progression in Finland, the UK, Germany, Austria, and the Netherlands is rather low, while in Belgium, Greece, Portugal, Luxembourg, and Spain is rather high. If we look at both dimensions, we get a matrix with 4 groups, somewhat like Esping-Andersen²⁸ revised typology: a Mediterranean group with high inequality and high progression, an Anglo-Saxon or liberal group, which also has high inequality but with low progression, a Continental European or conservative group, representing cases with low inequality and high progression, and a Nordic or social-democratic group with low inequality and low progression.

It is not, however, wholly consistent with Esping-Andersen (1990), who classified Germany and Austria as social-democratic welfare states where Esping-Andersen saw them as prototypical conservative Continental European welfare states.

Taxes

Taxes represent the general obligation of taxpayers. They are not paid in exchange for any specific benefit and have existed since ancient times. Tocantins It is also important to note that the property tax was used to finance publicly provided local benefits rather than as a source of general revenue. Property taxes and sales taxes were known in ancient Rome but tariffs were favored over internal taxes as the source of revenue. In modern economies there has been a trend away in tariffs in favor of internal taxes, which provide the majority of revenues McCluskey, W and Franzsen, R. These are namely three functions of taxes: financing government expenditure, providing for stable economic growth, and reducing inequality in income and wealth distribution. Other than fiscal purposes, taxes have also been imposed to encourage or discourage certain activities, such as the consumption of cigarettes.

In practice, businesses have to pay a number of different types of taxes depending on their physical locations, ownership, and nature of business. Business taxes can drastically affect the profitability of businesses and the amount of business investment. Taxation is a very major factor in financial investment decision-making because the lower the tax burden, the more the company can afford to either lower prices or generate higher revenue that can then be paid out in wages, salaries and/or dividends. Business may be required to remit the following kinds of taxes:

Federal Income Tax-a tax levied on one's yearly income by the national government, state and/or

Local Income Tax-levied upon a person's yearly income by a state or local government, payroll

Tax-an employer pays withholdings and/or payments on behalf of the employees based upon the

wage or salary of the employee, unemployment Tax-a federal tax which is apportioned to the

state unemployment agencies for funding unemployment assistance to laid-off workers, sales

Tax-imposed by the government at the point of sale on retail goods and services. It is collected

by the retailer and passed on to the state. Sales tax is based on a percentage of the selling prices

of the goods and services and is set by the state .

According to Balunywa, W (2003), indirect taxes provided in Uganda provided on average of 79.8% of total revenue between 1990-1998. Taxes on income and profits have steadily increased from 9.8% of total revenue in 1989 to 15.2% in 1998. Yet, of total taxes, about 50% still emanates from indirect taxes on only four products petroleum, cigarettes, beer and soft drinks. Balunywa added that in fact, Ugandas tax revenue to GDP ratio is 50% below the African average.

Financial performance describes the trend of corrections in terms of revenue when comparing different periods (MC Cathy 2016). The finance in terms of sales may be in form of offering products or services to consumers. A service is any activity or benefit that one party can offer to another that is essentially intangible and does not result in ownership of anything (Kotler and Armstrong, 2010). Sales volume is every organization's core interest based on the rationale of sales and profit. When volume goes up rises and management in organizations are made easier. The Uganda revenue authority was established in Uganda to address the priority of improving government tax collection abilities. However, it is claimed that almost immediately following the creation of the URA its officials were involved in the major embezzlement of the funds it was established to collect. During the period of 1997-1998, throughout the government departments, US\$ 120 Million in tax revenue and government spending were unaccounted for.

Due to these high levels of ingrained corruption, low levels of household income, and small portion of waged (thus taxable) labor, the majority source of government revenue still emanates from external donors. (Balunywa, W 2003), it is due to regular deficits such as that this Ugandas external debt as a percentage of GDP has raised from 35.5% in 1985 to 58.2% by 1998.

1.2. Statement of the problem

Tax systems such as tax administration and tax compliance are applicable in top dairies.

According to the management end of year 2016 report, performance of Top Dairies in relation to the sales was on the decline. The company was also producing less products in relation to the customers' demands. In addition, sales at Top Dairies have been showing a reduction. For example, in the year 2014 sales was 224,402,100, in 2012 UGX 191,311400 and in 2015 the sales was 179.161,500 thus the performance of Top dairies is on decline since the year 2014. Annual report Top dairies, 2016. This is therefore prompting the researcher to carry the study on the relationship between tax systems and financial performance of Small scale business enterprises in Uganda.

1.3 Purpose of the study

The overall objective of the study is to find out the relationship between tax systems and financial performance of Small scale business enterprises using Top dairies as a case study.

1.4. Specific objectives

- i. To examine the effect of tax administration system on financial performance of Small scale business enterprises.
- ii. To examine the effect of tax compliance system tax on financial performance of Small scale business enterprises.
- iii. To find out the relation between tax systems and performance of Small scale business enterprises.

1.5 Research questions

- i. What is the effect of tax administration system on financial performance of Small scale business enterprises?
- ii. What is the effect of tax compliance system tax on financial performance of Small scale business enterprises?
- iii. What is the relationship between tax system on performance of Small scale business enterprises?

1.6 Scope of the study

1.6.1 Geographical scope

The area of the study was carried out at dairy Farm in Nkozi. Nkozi is made up of five division of Kawango, Katosi, Nkubanga, Buseese, and Kalagala. It is found in Masaka district in the central region of Uganda. In addition, the study respondents included staff, and management of the organization. The researcher selected Top dairies in Nkozi because the company has been registering reduction in its performance.

1.6.2 Content scope

The specific focus of this study was to establish the effect of the tax administration system on the financial performance of small-scale business enterprises, the effect of tax compliance system on the financial performance of small-scale business enterprises and the contribution of tax avoidance system to the performance of small-scale business enterprises.

1.6.3 Time scope

Data relating to the period of 4 years, that is, 2019-2022, was considered. The importance of this range of years is reasoned by the fact that the performance of top dairies has been falling and a researcher is confused whether the tax paid by a company affect its performance.

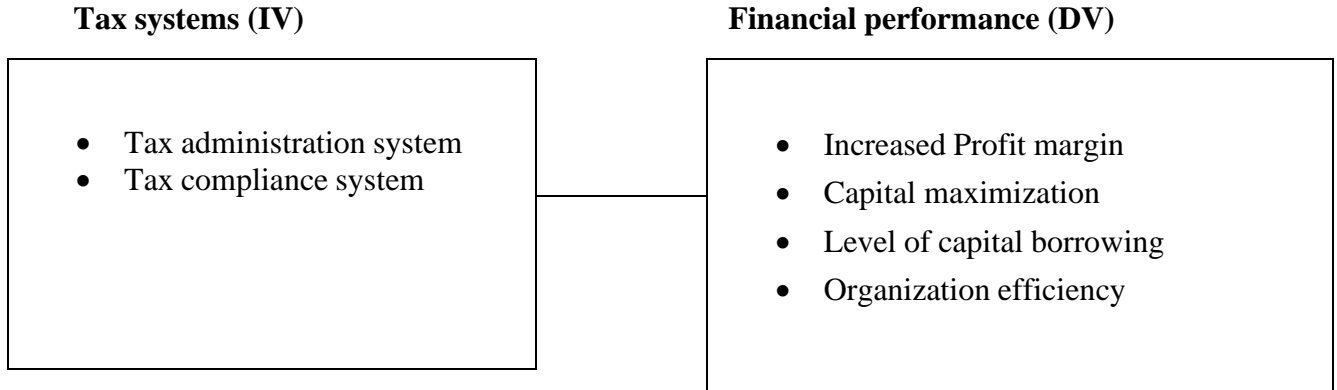
1.7 Significance of the Study

The findings may be significant in the following ways;

- i. That the result of this research might be used as a foundation for further investigation and studies in a literature form.
- ii. The findings might provide information to managers in various organizations, particularly in knowing how to compare the performance as well as the tax systems.
- iii. The finding may be helpful to other upcoming researchers to investigate further about the relationship between tax systems and performance of Business organizations.

1.8. Conceptual frame work

According to the conceptual frame work tax systems is an independent variable while financialperformance is a dependent variable.



CHAPTER TWO

LITERATURE REVIEW

2.0. Introduction

This episode undertakes an assessment of related nonfiction on tax systems and economic presentation of Small scale corporate enterprises. This section shall be grounded on the subsequent themes: the consequence of tax management system on pecuniary performance of Minor scale business initiatives; the effect of tax acquiescence system tax on pecuniary recital of Small scale corporate enterprises; the influence of tax evasion system on presentation of Small scale business initiatives.

2.1 Definition of key words.

From the explanation of tax, it is unquestionably brought out that a excise is not a charge compensated by the tax purchaser for any certain facility or assistance from management, and tax regulars have no accurate to any help from community disbursement on the pulverized that they are remunerative taxes. Nevertheless, the concept of quid pro-quo is used as an photograph to differentiate a tax from administration receipts that may encompass an element of obligation. The nonattendance of a quid pro quo is compulsory for a payment to meet the requirements as a tax, Balunwya, (2006). The administration and establishments make management of micro and small originalities very difficult whereby for instance lump sum pre-payment and foreseeable valuations are implemented on the businesspersons.

Presence of multiple taxes of functioning businesses in wide-ranging and to small corporate sector in certain, has been ranked as additional barrier after investment to entry into trivial business sector, Kibwika P, { 2010}.

2.2. The Effect Of Tax Administration System On Financial Performance Of Small Scale Business Enterprises.

Effectiveness can be watched in terms of tax management and tax misrepresentations in economic conclusions, Teera, 1994. For tax management to be operative, then it must not be uneconomical, also the acquiescence cost for the taxpayer must not be too in height. In other disagreements, the desired quality of facility should be presented at smallest cost. Proceeds collection procedures highly determine the number of taxpayers who comply. The level of compliance determines the efficiency of the gathering procedures. In the developing countries

due to weak administration tax circumvention and avoidance are principal thus need ascends to strengthen the tax management through enlightening the collection measures so as upsurge compliance. Harvey, 1985, he illuminates interrelationship amongst the rates of excise and its level of acquiescence as higher the proportion of tax, the greater will be encouragement to avoid the tax payment.

Owing to Bird {1974}, tax management refers to the identification of the taxpayer, valuation of tax allocated, assortment of taxes, and administration of tax liability. Rendering to Olman (1967), tax management refers to a structure/procedure for the documentation of a potential taxpayer, assortment, and laws governing assessment.

Conferring to **Roy Bahl, 2008**, much consideration is required to be paid to the life-threatening aspects of tax management, training, measures, staffing, collection and use of material. The general paleness in the tax management are caused by a lack of pertinent information around the taxpayer, sustained criticism of the tax and its construction. The tax structure should be unpretentious to avoid the main problematic of tax evasion.

Nevertheless, for the resolution of this research we shall authorize ourselves to incorporate as a taxpayer. Corporate is defined as any employment, profession, inclination or journey in the nature of trade but does not embrace employment {Act 2007}. Corporate income means any income resultant by a person in resounding on a corporate (sec19 (1)).The proceeds tax act2007 S.22 (1) lists a number of incomes discharged from tax.

Rendering to the income tax Act of 2007 section 96(1), the representative is supposed to brand an assessment of the punishable income based on his earnings and on any other statistics available indoors seven days from the date the reappearance was furnished. Nevertheless, small-scale industries need not succumb in any return to the representative.

Taxation, penetrating as it is has had leniency in its administration and the procedure makers seem to destabilize the role of appropriate tax administration for pleasant-sounding tax system. The American establishment for tax administration, 2008 recognizes three major expanses of tax administration specifically tax law, tax policy and tax government.

Bestowing to **Musgrave R, 2012**, while policy and tax commandment are being trained, the area of tax management, that is the area which essentially translates the tax procedure and law into authenticity has been totally abandoned.

In the furthest countries, tax policy and law are conceded without consideration of in what

way they relate to tax management. This sets off a restraint of development with across-the-board desirable marks since effectiveness of the management of a tax system, in huge measure, controls acquiescence with a system. This is communal in many countries of which Uganda is not an concession.

Resultantly, the prime concentration of attention and negotiation should be on the tax management aspect of the question. For, if one cannot manage a policy of a commandment then all the other determination that is invested in the exercise will come to nothing. Not only will such determination fail to bring household the desired proceeds but also such a method will in due course bring opprobrium to the fiscal consultant and the government. {American institute of tax administration, 2008}.

Conceivably what elucidates UN preparedness of people to pay excises is the attempt by Zake to enlighten the nature of man. Approximately taxpayers in Uganda constantly try some means of evasion paying taxes contempt the fact that it is complete taxes that the government obtains the revenue mandatory to provide protection and sanctuary.

Kibwiika P (2010) suggests that indisposition of people to pay tax be contingent to some extent on the tax classification. He acknowledged the cannons of taxation that must be shadowed for the superintendents to realize the intended purposes, and these are equivalence, certainty and opportuneness. The nature of fiscal policy In Uganda that is degenerating that makes poor individuals pay comparatively too much the rich. What is more, there are suggestions to show that individuals of rural areas, exclusively those engaged in increasing cotton and coffee, pay a considerably higher proportion of their revenue in taxes than middle-income and upper-income urban inhabitants. Because of the transformation in incomes and hence unlike intensities in tax burden, communalism based on equality is problematic to achieve; hence disappointment and discontents are expected to arise.

In the case of Uganda, for example, the tax compulsory has not been appropriate, yet every tax ought to be imposed at the time and in the method in which it is most appropriate for sponsors to pay. The costs of assortment have to be weighed up contrary to the convenience of the taxpayers. Utmost of Ugandans have poor/lack thoughtful of the justification of taxes and acquaintance of different taxes obligatory on them. This is as a result of low-slung tax acquiescence in Uganda. Besides that, numerous surveys conducted on minor scale businesses in Uganda recommend that about 60% of the industries keep no chronicles at all, while 25% keep partial accounts making it

problematic to assess taxes.

Alwedi, 2013, found out that most SSBs are accomplished on unprofessional lines, that is, poor or no corporate records; thus there is great hesitation amongst brokers in Uganda with affection to tax materials and to some amount due to their own manufacture.

Lubega 2013 proclaims that numerous traders have expressed inexperience about the taxes compulsory on their productions. They attribute this exceedingly to the poor toil being done by the tax establishments, leaving traders uninformed about issues such as the method taxes are evaluated, the advantages of compensable taxes, and the use to which it is placed. Therefore, there is a necessity to sensitize the communal, especially corporate owners. Sensitization is to be thru on various taxes distressing business persons and the purpose behind the annoyance of taxes, as a taxpayer are not conscious of the reasons for compensable tax, evasion of tax obligations, laws, and parameter are very widespread.

These are belongings that result from the underprivileged assessment of excise on the small businesses by the superintendents. They occur for the reason that of poor tax management Muwanga J {2010}, stated the succeeding effects which are for the reason that of poor tax management.

There is always poor valuation of tax since numerous business people do not give accurate information regarding their business in anxiety of paying higher taxes. Tax commissioners and collectors sometimes rely on estimation to calculate the tax payable on small-scale enterprises. This resources that those in the unceremonious sector are either charge too much, thus producing them losses, or undercharged, hence producing revenue loss to the management. Poor tax government has contributed to communal, economic, and partisan turmoil; this has remained common in Uganda .

It is also supposed to be higher than that in additional to developing republics. The upsurge in the tax rate wear away disposable income, and individuals may react in contradiction of the government hence distressing the economic happenings. (Kallist, 2012).

Disappointment to furnish a homecoming or any other article within 15 days of actuality so required under the ITA obligates an offence and is responsible on conviction to a satisfactory not exceeding 15 exchange points. And if the person condemned of an offence of deteriorating to furnish a reoccurrence as above, fails to honor the fine in the interior the period quantified by the court, that person obligates an offence and is accountable on conviction to a fine not exceptional

20 currency points.

Poor excise management may decrease hard work. As occupational profits or sales are augmented, the tax imposed on them also upsurges, and therefore, small corporate owners might not want to work tougher to minimize the excise; hence, the presentation of the unceremonious sector diminutions in the long run. Apart from that assessment is a cost, it decreases the level of savings, proceeds and hence low level of investment accretion {Muwanga 2010},

2.3 The Impact Of Tax Compliance On Financial Performance Of Small Scale Business Enterprises.

An operative Reporting Tax Acquiescence ensures taxpayers acquiescence with minimal circumvention {Makanga Torgler, 2004}. A good tax arrangement should lower the acquiescence burden and progresses the compliance rates. The tax commissioners should identify, catalogue, monitor, detect and reprimand taxpayer nonconformity, assist the taxpayers by dissemination relevant nonfiction and apprenticeships to enlighten the taxpayers. Competent Tax Compliance deceits in the choice of good organizational procedures, good approaches of conducting audits, apposite technology, enforcement, snowballing compliance by terrorizations of higher penalties obligatory on the tax defaulters and minimalizing complexity, Musgraves 1989. There a numeral of implications if the societies are not explained about their human rights and obligations beneath the tax system.

Bestowing to Willis (2006) the cost of imposing an effective Reporting Tax Submission system may seem representative but may raise others. The processing costs may decrease and fundamentally lowers on the acquiescence burden to taxpayers. Nevertheless, other characteristics such as the administration costs could rise subsequently the tax consultant would no longer be intelligent to use withholding and statistics returns as administration tools. Tax acquiescence may also be affected by the technique the tax system is managed. A respectable tax system must be one that is not uneconomical and the agreement cost to the tax is not superfluously high. Value Added Tax, actuality a self-assessed tax form of unintended taxation, ought to complete a very high gradation of compliance along with organizational opportuneness. The eminence of tax direction, the degree of professionalism, and the morality of the supervisee receiving VAT regulate the tax proceeds to a great gradation.

Carrol, 1987 states that revenue system takes place in an troposphere of distrust and distress amongst the taxpayers and the tax consultant. The procedures that enhance the photograph in the

taxpayer-tax specialist relationship diminish opportunities for wrongdoings in the tax communications, thus shaping the taxpayer in the direction of compliance. Tax Acquiescence is a component of the tax arrangement that guarantees whether the tax laws are successfully enforced to progress compliance amongst taxpayers. Tax management is a major implement in the hands of managements.

Effort to accomplish a sound fiscal procedure, optimum tax levels and launch appropriate construction makanga 2012.

Surrey, 1974 witnesses that thus, tax powers that be must arrange methodically to check on compliance of an operative examination which both precautions the government from foremost revenue forfeiture and instills in the tax financiers respect for observances of the authorities. The theory articulates that in all materials of legal rules, better agreement can be held either by menacing a higher penalty of the wrongdoers caught or by swelling the probability of animation caught. Acquiescence level depends upon in what way the taxpayers comply entirely and timely pay the tax subscriptions against the tax establishments. On the other indicator, Reinkka, 2001 experiential that limited enhancement in service delivery endures to adversely disturb tax compliance and this strength be attributed to inconsistency and uncertainty in tax commandments, high rates and party-political influence.

Kakembo, 2007, in his schoolwork revealed that commentary compliance is meaningfully positively connected to revenue assortment. Mutuality one of the mechanisms of relational norms was also originate to be meaningfully related to tax agreement. He said the Meaning to pay taxes is also meaningfully positively connected to attitudes and tax agreement which would help to upsurge on domestic proceeds. He further said that interpersonal norms greatly inspiration the taxpayers' purposes to pay taxes. Attitudes and purposes to pay taxes also importantly affect the level of excise payers' compliance. A high meaning to pay taxpayer determination always have a optimistic attitude towards conference his tax obligations and henceforth is likely to be very acquiescent. Therkildsen, (2004) said that the performance of tax counseling progresses on tax compliance of excise payers, hence snowballing performance in proceeds collection in a republic. He came to distinguish that the counseling in assessment is done with a determination to help and contribution the taxpayers in all substances relating to tax and indorse the filing of correct tax earnings and making outgoings of tax as intentional compliance. Tax psychoanalysis offices in general bounce advice on understanding and

submission of tax laws, how proceeds and applications would be made.

PromPT imbursement of all taxes is a dangerous concern of all homelands since it is completely associated with monetary growth, IMF, (2007). Speedy payment of tax is imperative and is a tool for reorganizing income since it upsurges revenue assortment. Matovu et al, 2007 supplementary that there is no doubt that tax amenability is a national question and of high concentration to government. It is, subsequently, in public and sequestered interest to gain subterranean understanding of the influences that improve tax acquiescence of filing income tax customers so as to improve proceeds collection.

Uganda has a selfsame low VAT Gross Acquiescence Ratio of 26.50 associated to World and Sub-Sahara Africa arithmetic mean of 65.48 and 38.45, respectively. This conceivably can be attributed to the bulky number of immunities. From the perspective of monetary efficiency, a restrained rate of VAT with a comprehensive consumption dishonorable and inadequate exemption is continuously desirable when associated to a high rate with large quantity of exemptions.

Cawley and Zake, 2010 also account that VATGCR has continued low for the reason that the administration dimensions and compliance did not progress as expected.

Further, Uganda;s Commercial Income Tax Revenue Production (CITPROD) and Individual Income Tax (PIT) productivity (PITPTOD) measures of 0.03 and 0.11, respectively, indicate that Uganda uses these excises less efficiently in engendering revenue than World arithmetic mean of 0.13 and 0.14 for CITPROD and PITPROD, respectively. Low revenue yield is partly because of low levels of voluntary compliance by taxpayers, World Bank, (2007).

The low neck and neck of Filing tax acquiescence ratio could be a result of low purposes to pay taxes. This is for the reason that many traders believe that the excise compliance rules elasticity them little time to assemble payment and this upsurges the temptation to dodge, Daily Monitor July 31, (2003). It additional said that the low level possibly will also be accredited to traders attitude on the way to URA. Many traders have a undesirable attitude in the direction of URA. Cuccia and Carnes, 2001 authorize precisely earlier educations (e.g. White, Curatola, & Samson, 1990; Christensen, Weihrich, & Newman, 1994), in that the fundamental mediation by explicit explanations on equity perceptions recommends that more instruction increased sympathetic and acceptance of certain sources of tax complexity and/or tax problem distributions whitethorn re-frame equity taxations and lead to more positive equity discernments without actual law

fluctuations.

Bestowing to Eriksen and Fallan, 2003, better tax acquaintance accounts, at least in fragment for the improved discernment of fairness and arrogances to other's tax incursion.

It is obvious that the predilections for progressivity answering to concrete questions are very dissimilar from those answering to abstract questions. Blum and Kalven, 2008 Keene, 2005 have recommended that the complications accompanying with progressive revenue system are not effectively understood by the layman. If the significances of progressive revenue system are not well understood, then the consequences of surveys that rely exclusively on abstract interrogations to determine public sustenance for progressive or flat tax charges may be misleading. In this affection, in order to better enlighten the preferences for reasonable tax rates among the public, various approaches may well be painstaking in further research. Such would comprise more specific inclosing and questions that would be intelligent to identify whether the defendant knows the meaning of the vocabulary that has been used when recognizing tax.

In many developed countries, low Filing tax acquiescence is a matter of thoughtful concern since that limits the measurements of their governments to raise proceeds for developmental determinations. Indeed, it is commonly recognized that a congregation of elements lie beneath this dimness, and these are corruption, a large unceremonious sector, weak permitted systems, ambiguity in tax laws, high marginal tax rates, paucity of adequate information and accounting systems, a principles of noncompliance, and unproductive tax administration.

One of the characteristics which helps explain the low acquiescence in taxation consist of a large informal sector Kawesa, (2004). The informal sector can be well-defined as all monetary activities in all sectors of the reduced that are operated outside of the horizon of government protocols. It can also be well-defined as a set of monetary units that do not observe with one or more of the government-imposed taxes and regulations but whose products or services are well-thought-out legal. In relation to tax government, in spite of the fact that the division contributes Although the sector underwrites immensely to the evolution of the reduced, it is very prone to tax evasion. The amorphous, unorganized and miscellaneous nature of happenings in the sector makes documentation of the legal taxable temperament difficult.

OECD, (2004) stated that low acquiescence culture impacts undesirably on the level of tax acquiescence from tax payers. Most taxpayers hanker to remain out of the excise net. A study undertaken in Nigeria, for example, designated that what was termed the communal market

realized incomings of between \$20,000 and \$50,000 per day. Enquiringly enough, however, these women chosen carrying all these monies in cash on themselves and would not be influenced to go through the investment system. They were frightened that exposure to the bank and consequently to the formal subdivision would also representation them to the tax web. Maxwell, added that moderately often, lack of good domination results in lack of faith in management and the urge to continue unknown to regulatory interventions.

Conferring to Tanzi, 2011, bureaucracy and exploitation are considered momentous factors in low tax acquiescence. He went on to complement that it is frequently observed that the administrations and cumbersome controlling regimes characterizing the regulatory agencies in developing parsimonies often expose players in the parsimonies to a multiplicity of inducements. He maintained that these intensifications the cost of doing occupational, thereby acting as a discouragement to participation in the recognized sector.

Still additional influence is that the high level of employment in developing financial prudence and the need to survive usually turns out to be a reason for the creation of small subsistence occupational Gupta &Tareq, (2008). Harmoniously, the contemporary trend of communal sector reform programs directed on the road to shrinking workforces of public subdivisions without a corresponding development in organized private sector occasions, often leads to the construction of small subsistence productions mainly oriented towards provided that some means of endurance.

The level of Filing tax acquiescence in Uganda is Low, and throughout the past years, the corporate tax acquiescence has been too much 90%. The measures inaugurated by the URA in order to encourage the principles of intentional compliance are: Public Relationships, Tax Education, Tax Discussion and Guidance. Tareq, 2008).

Public Relations: The determination of public relations is to launch a tax-conscious atmosphere among not individual the taxpayers but also the communal, including concealed taxpayers, and can be acknowledged as the requirement to: progress tax compliance, dissipate and encompass public sympathetic of taxation, foster communal understanding and self-confidence between taxpayers and tax the established order, and gain sympathetic and cooperation for tax management from the mass broadcasting.

Gupta &Tareq, (2008) said that maximum of these happenings can be effected via the broadcasting including unvarying television and transistor programmes/advertisements that give

modernized tax information, answer interrogations called-in by addressees, and remind the public of time limit for filing taxes, etc. The reproduction media and cyberspace are equally commonly used.

2.4. The Relationship Existing Between The Tax Systems And Financial Performances Of Small Scale Business Enterprises.

Bania, Gray and Stone 2007 consider "growth hills," quarrelling that the connection between growth and tax organizations should be quadratic and contend on spending. They bargain a positive rectilinear effect and a negative quadratic polynomial effect of proceeds on growth, with the development effect drumming zero when proceeds reach about 29 percent of individual income, which is far sophisticated than revenues in furthestmost states. There are a lot of subsidies that analyze the impression that taxes have on development and levels of engagement. By consuming data from 1969 to 1986, Mulen and Wiliams (2010) perceive that the sophisticated marginal tax rates depressed growth, given complete levels of assessment. Wasylenko & McGuire (2006) have generally experimental that enlarged overall echelons of taxation have bring about in discouraging development in employment. Consequently, efficient proceeds tax rates help to diminish employment growth in the comprehensive, retail, and investment sectors. In dissimilarity, the variable of tax classifications does not engender statistical implication. Goss and Philips (2010) perceive that personal proceeds taxes lower engagement growth whereas commercial ones do not. Shuai & Chmura (2013) mention that the rise in corporate tax cuts downhearted employment evolution. Gius & Frese, 2013, find that subordinate personal taxes upsurge the number of firms in a position.

Tax arrangements tend to asphyxiate growth of the unimportant private subdivision and especially incumber the graduation of the unceremonious sector organizations to observable small and intermediate scalefirms Siminyu Nicholas, 1992.

The assortment of tax systems that descent on the micro and minor scale originalities has a negative impression on their presentation by reducing the firms' proceeds and it keep back and investment possible, Desoto 2008.

Tomljanovich, {2010} finds that tax classifications reduce immediate growth duties. They do not affect the long- term development rate, but the short-term lessening in growth charges does permanently diminish the size of the reduced. When he crumbles total tax problem into components, he inventions that income, belongings and sales excises insignificantly disturb, and

commercial taxes completely affect growing.

Goolsbee & Maydew 2012 find that augmented reliance on a single sales influence formula in tax systems, which characterizes reduced taxation based on payroll, caused an increase in manufacturing employment over the 1978-2010 period. A recent study by Merriman 2015, however, finds arithmetical concerns with the schoolwork concluding that the "consequences are not robust to an postponement of the sample finished 2010 or to the use of favored statistical techniques, counting clustering of errors at the state level."

More recent educations examine the protagonist of tax systems in the establishment of firms. Rendering to Bruce in 2012, the tax proportion differential is the modification between the tax rate confronted in a wage and remuneration position and the one challenged in self-employment. He treasures that self-employment cataracts with higher middling tax systems in the self-employed subdivision, but rises with sophisticated marginal tax duties in the self-employed subdivision. While the course of the marginal tax rate consequence may seem like counter-intuitive, it is dependable with the view that personalities move into self-employment in part for the reason that business proprietorship offers occasions for avoidance.

Gentry & Hubbard (2012, 2005) find that enlarged progressivity-that is, amplified convexness of the tax organizations, including higher borderline tax rates-reduce entrance into self-employment. If the sheer delicateness of the results in the nonfiction is not evident since the survey overhead, it is demonstrated vehemently and systematically in a extraordinary study by Pjesky (2006).

Pjesky (2006) manufactures five earlier studies that for the **most part conclude** that state growth and economic activity are retarded by tax systems. These include Vedder 2006, Becsi 2006, Helms 2006, Mofidi and Stone 2012, and Carroll and Wasylenko 2010. He first essentially replicates each of the studies using data that he has collected independently. He then re-estimates all of the studies over the same time period 2007 - 2007 and finds that about two thirds of the relevant coefficients change sign. Then he re-estimates the studies using a common time period and a common dependent variable per capita personal income and finds a majority of the estimated effects of taxes on growth are positive with many being significant.

This suggests that the earlier results are not robust to simple extensions and sensitivity analysis. It is against this backdrop of conflicting and fragile results that Reed, 2008, wades in and detects powerful, negative, and robust effects of state tax systems on growth of small-scale business

enterprises. Reed regress state level data on the change in the log of real per capita personal income between the current year, t and $t-4$ on the change in overall tax revenues as a share of personal income over the same period and on overall tax revenues as a share of personal income in $t-4$ for six 5-yr periods from 1970 to 2012 (1970-74, 1975-79 etc). He finds strong, negative impacts of overall tax systems on per capita income growth across an incredibly wide variety of specifications, including splitting the sample by time period and by geographic area, adding an extensive list of government spending and control variables, altering the time periods involved, and estimating both structural and reduced form versions of the model.

Finance; Parkin, Michael (2006) states that imposition of tax on the corporate profits reduces sales. Economists at the organization for economic cooperation and development studied the effects of various types of taxes on economic growth of developed nations within the organization for economic cooperation and development found that taxes reduce sales and it is harmful for growth in most manufacturing organizations. However, some put into consideration that corporation tax is regressive; that is, the tax imposes a greater burden on low-income families than wealthy families.

Corporate growth; most systems require that corporations file an annual income tax return. Some systems require that tax payers self assess tax on the tax return. Other systems provide that the government must make an assessment for tax to be due. This is because some systems require the certification of tax returns in some form by accounts licensed to practice in the jurisdiction, even the company's auditors and if the tax is paid after the verification of the company's books of account may retard the growth of the company. Secondly, tax returns can be fairly simple or quite complex. The systems requiring simple returns even base taxable income on financial statement profits with few adjustments, and may require that audited financial statements be attached to the return. Return for such systems generally require that the relevant financial statements be attached to a financial to a simple adjustment schedule.

Level of dividends; most income tax systems levy tax on the corporation and, upon distribution of earnings (dividends), on the shareholder. With regard to some taxation systems, withholding of an income tax on distribution of dividends to foreign shareholders is mandatory or withholding of tax on distributions to domestic shareholders. The rate of such withholding tax may be reduced to a shareholder under a tax treaty. Some systems tax some or all dividend

income at lower rates than other income Ross 2007,. Moreover, many business organizations provided dividend received deduction to corporation with respect to dividends from other corporations in which the recipient owns more than 10% of the shares as such sometimes reduce on the profits of the company.

2.5.Conclusion

The effect of tax administration on financial performance of small scale business enterprises; Tax administration to be efficient, it should not be wasteful, Tax administration refers to the identification of the taxpayer, assessment of tax payable, collection of taxes and enforcement of tax liability, The weaknesses in tax administration are mainly caused by lack of relevant information about the taxpayer, Its administration and the policy makers seem to undermine the role of proper tax administration for harmonious tax system, Tax administrators and collectors at times base on estimation to compute the tax liability on small-scale business, Poor tax administration leads to social, economic and political unrest, Poor tax administration may lead to reduced incentives to work hard because when the business profits or sales increases, Tax administration to be efficient, it should not be wasteful.

The effect of the tax compliance system on the financial performance of small-scale business enterprises, Tax Compliance ensures taxpayer compliance with minimal evasion. The tax compliance system may seem realistic but may raise others. Tax compliance is a part of the tax system that ensures an improvement in compliance amongst taxpayers. Tax compliance is a national issue and of high interest to the government. The low level of the ratio of filing tax compliance could be a result of low intentions to pay taxes. Low Filing tax compliance is an issue of serious concern in many developing countries.

The relationship that exists between the tax system and the financial performance of the small-scale occupational enterprise. That the ideal tax systems should be quadratic equation and ought to be based on spending. That variable on behalf of tax organizations does not yield statistically momentous results. That tax systems have a tendency to to stifle evolution in the small sequestered sector. That tax organizations have a negative consequence on the routine of small-scale business originalities.

Companies and Companies pay tax on profit revenue and on capital. These form a negligible segment of the entire proceeds that emanates from excise. Tax levied on proceeds of a corporation at the level of a establishment before such proceeds is distributed to the different

bondholders in the form of payment dampens the corporate turnover as it decreases it. A further discount on tax acknowledgement is allowed to the addressees of the payments as an salutation for the tax remunerated at the corporate neck and neck. This recognition does not completely remove double tax policy of this income, nevertheless, making the level of revenue system on dividend profits higher than other arrangements of income. Where proceeds is produced in the form of investment gain, only half of the improvement is encompassed in income for excise purposes; the supplementary half is not taxed. Companies may deduct the cost of investment following capital cost budget regulations.

CHAPTER THREE METHODOLOGY

3.0 Introduction

The subsequent chapter describes the research design, the study population, the sampling design that entails the sampling method, the sampling procedure, and the sample size, the sources of data collection, methods of data collection, data processing, analysis, and presentation, and problems encountered.

3.1 Research Design

It is a detailed scheme that guides the study. Dalton L. R. and Todor, C define it as the "plan and structure of investigation so conceived as to obtain answers from research questions". The quantitative techniques utilized in the descriptive research design will be adopted for this study. Quantitative data collection was based on the methodological principles of description and the use of statistical measurements, as will be experienced by the researcher. The quantitative data were presented on graphs, pie charts, and tables. A descriptive research design was chosen in establishing the distribution of variables in the study population, which helped the researcher in obtaining primary data. The research design used in the present study is a quantitative design of research, since numbers and statistics are assigned to variables, which perhaps would be better stated with a theme or statements.

3.2 Study Population

Target population of the study was 200 incorporated businesses. Personnel Internal Revenue Department, 200 business operators comprising food vendors, welders, stationery operators, boutique owners, grocery owners, mechanics and retail shop operators.

3.3 Sample Size

Morgan table showing sample size of the respondents

Category of respondents	Study population	Study sample
URA Officials	70	10
Small Business operators	130	66
Total		76

Seventy-six respondents in total participated in the study. The respondents consisted of 10 staff members in URA, Internal Revenue Department, and 66 small-scale business operators in Nkozi, considering time factor constraints among other factors.

3.4. Sampling Technique

As stated by Sekaran, 2003, sampling can be identified as selecting the research units of the target Population that are included in the study. The URA staff and small-scale business owners were selected using purposive sampling, which is a function of non-probability sampling. Under the purposive technique of sampling, the researchers purposely choose who, in their opinion is thought to be relevant to the research topic. In this case, the judgment of the researcher was more important than obtaining a probability sample. The process of sampling in this case involved purposive identification of the respondents.

3.5 Source of Data

3.5.1 Primary Data

Collection of primary data in the field involved questionnaires and interview guides, which were assumed to be giving firsthand information on the subject under study.

3.5.2 Secondary Source

Secondary data was sought from sources such as annual reports, journal articles, the internet, magazines, newspapers, and books relating to the subject of study, and these were consulted at length in order to extract the required information that would support findings from the study respondents. The researcher visited such places and obtained information related to the variables as presented in the literature review.

3.6. Data Collection Methods

The research combined the usage of different instruments during the data collection process in order to achieve valid, reliable and authentic research output. The researcher consequently combined the utilization of a questionnaire, interviews and documentary analysis during the primary data collection process.

3.6. Questionnaire

Like scale questions constructed and this was self-administered where the researcher allowed the study respondents to fill the questionnaire in the study field. The tool gathered information from business operators and Uganda Revenue Authority employees other than the head of departments.

3.7 Reliability and validity

Miles and Huberman (1994) define it as the " extent to which the items in the instrument measure what they are set out to measure." The validity of the instruments were established by the supervisor.

According to Cook and Campbell (1979), the definition is, "The best available approximation to the truth or falsity of a given inference, proposition or conclusion. After constructing the questionnaire, the researcher will contact two research experts in order to determine whether his questionnaire tool are valid in a way of collecting information that was used in understanding the research problem. Hence the researcher constructed the validity of the instruments by using expert judgment method as suggested by Gay (2003).

Miles and Huberman, 1994, maintain that "reliability has to do with the extent to which the items in an instrument generate consistent responses over several trials with different audiences in the same setting or circumstances". The reliability of the instruments and the data was established following a pre-test procedure of the instruments before their use with actual research respondents.

Reliability refers to how consistent the measures of a test or any other instrument are. They supported it by stating that if a test cannot be reliable, one can't find the answers to our questions, Cook and Campbell 1979. The questionnaire was made to be reliable by carrying out a Pilot study test before the time of the study by the researcher. A pilot study was carried out to know whether the data instruments are able to establish the required data and only covered two people selected from the study area. The Researcher gave information that was expected out of respondents as he considers the data instruments reliable in the collection of valid information.

3.7 Research Procedure

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

3.9. Data Analysis and Management

Data editing: Data collected is edited to make it ready and simpler for presentation. The questionnaires that were filled were edited one by one to correct the errors done by study respondents. This focused on checking for accuracy, completeness, consistency, and uniformity of data. The data was now ready after being edited for presentation. Data presentation. The tables were generated from the questions relevant to the variables of the study.

The edited data was analyzed both quantitatively and qualitatively as follows; Quantitative data were grouped, and statistical description such as tables showing frequencies and percentages and pie- charts as well as graphs for better interpretation. However, qualitative data was analyzed in a way of identifying the responses from respondents that are relevant to the research problem. Data of this nature was mainly analyzed through explaining the facts collected from the field, under which the researcher was able to quote responses from the respondents. The interpretation and discussion of the results were made by

explaining the strength of study variables, basing on frequencies and percentages, charts, and graphs. Statistical conclusions were further made during the interpretation of the study result

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

4.0 Introduction

The presentation of the discoveries then the interpretation of discoveries constitutes this chapter. The findings are based on the research variable: the tax system in addition to productivity, purposes of the study, and investigate questions.

4.1 Bio data of respondents

4.1.1 Gender

Around was a want to know the sexuality of respondents for determinations of gender equilibrium and this was publicized in the table below.

Table 1: Gender of respondents

SEX	Frequency	Valid Percent
Male	50	71
Female	20	29
Total	70	100

Source: Primary Data 2018

Most of the respondents were males, totaling to 54 (71%) of the over-all number of respondents. Nonetheless, it was significant to note that small industries are not run by humanities alone since 22 (29%) of the respondents were females. This postulates that most of the respondents involved in the schoolwork were males.

4.1.2 Age bracket

Appropriate to fully establish the back pulverized of the respondents, the investigator found it imperative to know the age of the respondents.

Table 2: Showing the age distribution.

Age range	Frequency	Percent
Under 25yrs	20	29
25-35 yrs	30	43
36-45yrs	16	23
46yrs and above	4	5.7
Total	70	100

Source: Primary Data 2018

The age circulation study of the respondents indicated that the under 25 years group comprised 22(29) respondents, the 25-35 years group had 34(45%) respondents, the 36-45 years group had 16(21%), and the minority were those above 46 years of age, 4{5% }.

4.1.3 Marital status

Table 3: Showing the marital status of the respondents.

Marital status	Frequency	Percent
Single	30	42.8
Married	24	34.2
Divorced	10	14.3
Widowed	6	8
Total	70	100

Source: Primary Data 2018

On the marital status of the respondents, out of 76 respondents, 32(42.1%) were single, 26(34.2%) of the respondents were matrimonial, and 12(16%) of the respondents had unconnected, while the minority 6(8%) were widowed.

4.2. The effect of tax administration system on financial performance of Small scale business enterprises.

Response	Mean	Std.
The weaknesses in tax administration are mainly caused by lack of relevant information about the taxpayer	3.24	.633
Its administration and the policy makers seem to undermine the role of proper tax administration for harmonious tax system	3.75	.676
Tax administrators and collectors at times base on estimation to compute the tax liability on small-scale business	4.22	.791
Poor tax administration leads to social, economic and political unrest	3.77	.682
Poor tax administration may lead to reduced incentives to work hard because when the business profits or sales increases	3.31	.635

Source: Primary Data 2018

Respondents were requested to respond to whether febleness in tax management are caused principally by a lack of relevant evidence about the taxpayer. The majority showed that excise management is mainly caused by a nonexistence of relevant evidence about the taxpayer by means of a mean score of 3.75 and a standard deviation of .633. The respondents were also asked whether administration and the policy makers seem to undermine the role of proper tax direction for pleasant-sounding tax system. The majority approved with the announcement and its mean score was 3.75.

In accumulation, the respondents were asked whether tax superintendents and amassers at times rely on guesstimate to compute the tax obligation on small-scale corporate and 4.22(.791) agreed with that statement.

Poor tax administration causes social, economic and political unrest. The statement attracted an agreement from respondents with the mean of 3.77. Precisely, with regard to the agreement of reduced incentives to work hard because when the business profits or sales increase, tax reduces, respondents agreed at 3.31.

4.3. The effect of tax compliance system tax on financial performance of Small scale business enterprises.

Response	Mean	Std.
Tax Compliance ensures taxpayers compliance with minimal evasion	3.86	.794
Tax Compliance is a component of tax system that ensures to improve compliance among taxpayers.	3.35	.677
Tax compliance is a national issue and of high interest to government	3.99	.901
The low level of Filing tax compliance ratio could be a result of low intentions to pay taxes	4.22	.568

Source: Primary Data 2018

In the study on the effect of tax compliance system tax on financial performance of Small scale business enterprises, 3.86(.794) agreed to the statement, Tax Compliance ensures taxpayers compliance with minimal evasion while others disagreed with the statement. The respondents with mean of 3.35(.677) agreed that Tax Compliance is a component of tax system that ensures to improve compliance among taxpayers while others disagreed with the statement. The fact that the mean of 3.99 agreed that tax compliance is a national issue and of high interest to government.

The low level of Filing tax compliance ratio can be due to the low intentions to pay taxes agreed the respondents having a mean of 4.22.

4.4. The relationship between tax systems and performance of Small scale business enterprises.

Response	Mean	Std.
Tax systems variable does not yield statistically significant results	4.25	.902
Tax systems tend to stifle the growth of small private sector	3.53	.943

Tax systems have a negative effect on performance of small scale business enterprises.	3.63	.893
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Source: Primary Data 2018

Results of the study describing the relationship between tax system and performance of small scale business enterprises, respondents with a mean of 4.25(.902) strongly agreed that indeed, the Tax systems variable does not yield statistically significant results.

The mean of 3.53(.943) agrees that tax systems tend to stifle the growth of the small private sector. Also, the mean of 3.63(.893) agreed that tax systems have negative effects on the performance of small-scale business enterprises while others disagreed with the statement.

CHAPTER FIVE

DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This subdivision presents the conversation of findings, deductions, and endorsements in relation to the study objectives. Areas for supplementary research have also stood suggested under this episode. In the course of the study, the investigator found out that there were expanses related to the excise system and financial presentation that needed to be put accurate to enable minor business initiatives to improve on their productivity levels.

5.1 Discussions of conclusions;

Discoveries: Overall findings: it has remained found that a majority of minor business creativities are functioned by the male, it was correspondingly observed that utmost SMEs do not last for in excess of three years in procedure. Most SMEs are sole administrators and a mainstream of owners are documentation holders.

5.1.1 Conclusions on tax systems

It was understandable that most SMES are not recorded for tax consequently most of them are ill-informed about the type of levies they are supposed to recompence hence most of the small occupational enterprises are non-aware of the dues they supposed to recompence, A mainstream of them do not continue for more than three years and havepadlocked due to catastrophe to pay taxes. It was also initiate that tax systems disturb the profits of unimportant businessoriginalities. It was very clear from the investigate that tax disturbs the liquidity situation of SMEs thus lessening them of the contributed funds. Henceforth a middle-of-the-road of SMEs approve that they should not endure paying tax by means of this system.

Discoveries also revealed that most businesses in Nkozi are resident tax payers having a gross turnover thatqualifies for presumptive income tax. Christian, (2004) agrees with this statement as he asserts that tax systems applies to firms, enterprises and some professionals whose gross receipts are below certain amounts. Also, the administrative tax is computed without considering any capital allowance, administrative tax is measured basing on economic activity of business and that tax administration is final and no deductions are allowed. Akileng (2006) agrees with this statement as he asserts that it does not take into account different profit margins in the various business segments.

5.1.2 Findings on financial performance

It has been discovered that most SMEs do not make sufficient proceeds to complete their processes. Utmost the defendants agreed to the fact that the tax organization distresses their proceeds, sales and liquidity heights. It was practical that most of the unimportant business creativities do not obtain loans to investment their processes.

These conclusions of the study designated that profit boundaries of the organizations were too trivial to advance on the scale and magnitude of the occupational. This is for the reason that of the high excises imposed on these minor firms, hence they possibly will hardly have adequate investment to re-invest. Other factors distressing profitability of small-scale occupational creativities apart from proceeds tax management include business position, seasonal difference, and other forms of taxes.

5.0.1 Discoveries on the connection between tax classification and pecuniary performance of SMEs In supposition, there is a kith and kin between tax system and the monetary performance of small-scale corporate enterprises, their mainstream of them arranged that taxes touches their proceeds a lot and this presented that the two variable star have a constructive correlation.

Findings on the relationship of tax system performance indicated that modifications in the contemporary tax law are compulsory to improve the pecuniary performance of a minor business, tax organizations reduce the net proceeds of the business distressing the net take-home, management tax affects the liquidity location of the occupational which affects proceeds recital, and business employed capital is la-di-da by tax liability generated by directorial tax.

5.1 Conclusions.

As would be evident from the conclusions in chapter quaternion, it is ostensible that tax classification results in undesirable impact to the effectiveness of small occupational enterprises. Levies have not preferred the growth of minor business creativities as they impinge on expected proceeds thus reduce on speculation finance, yet most unimportant business enterprises are bankrolled out of their individual savings and proceeds. Nevertheless, most of the small occupational enterprises are uninformed about the taxes they recompense to the excise body and in what way the taxes are calculated by the levy body. The unawareness can be accredited to the poor approaches used in explaining them.

Most minor productions do not generate enough proceeds in terms of revenues to accomplish their goals of turnover maximization; maximum of them, therefore, end up not persisting for in

excess of three years in procedure. This is ascribed to the high dues they pay to the duty body. Since utmost businesses are not enumerated for tax, the few which are enumerated are exaggerated by tax consequently; tax organization affects the effectiveness of small corporate originalities.

5.2 Recommendations.

Grounding on the study carried out, the investigator commends that URA boards on a more concentrated tax edification program particularly for small business originalities. This should be completed through innumerable media communities such as correspondents, home-grown radio and television postings.

Small dealings are associated powerlessness to keeping appropriate records, henceforth unlike corporate levies; these businesses are taxed deprived of adjusting for assumptions of disbursements and wounded (John et al, 2009).

Most industries have the gross businesses that qualify for tax, commercial people conscious of this and financial conditions of their corporate to qualify for excise .

What is left-hand is the task of building appropriate pointers and setting an suitable tax rate. This is thought-provoking as it requires wide-ranging analysis of the turnover margins and determination often be in argument from segments of the occupational community. Small industries are, still, not small stipendiaries; rates should, consequently, be high adequate to push businesses at the greater end of the beginning to join the general arrangement and low abundant to reassure the informal businesspersons to conform. This development will require protracted survey-based examination of small companies profit boundaries to regulate tax rates, which willpower not disturb the small business breadwinners.

Tax schooling should be done in numerous languages that guarantee all understand its connotation. The body assembling tax should also bring out a national exercise to catalogue all small businesses originalities, since a middle-of-the-road are not registered for toll. Small industries enterprises ought to also employ individuals like certified public accountant so that proper and comprehensive records are sustained in their dealings. Then again, they could also acquire how to write up accounts of accounts for themselves. This determination guarantee that correct tax assessments are made to circumvent over taxation thus enlightening on their proceeds.

Small occupational owners should also connection micro finances so that they are intelligent to acquire advances with low returns for commercial expansion, which will principal to an intensification in stock and garage sale, thus an increase in proceeds. Consequently, it's very imperative that the tax establishments educate the SBEs on the category of levies they are hypothetical to pay and just how those taxes are calculated for the assistance of both unimportant business proprietors and the tax physique.

5.0. Expenses For Supplementary Research.

The schoolwork concentrated on convincing income tax arrangement as applied to minor business originalities in Nkozi. Consequently, it would be respectable if additional investigatin is done involving small corporate enterprises in the entire republic.

Alternative study would comprehend an estimation of tax measures of the tax classification to regulate their pertinence on small corporate enterprises.

Tax circumvention remains solitary of the major difficulties being confronted by URA. Self-same many times, the administration has lost a lot of proceeds through this malevolent. Consequently, more critical study on excise circumvention and probable income excise system would be essential.

The administration of Uganda has been situated instituting numerous reforms in both tax policies and tax management over the recent years. Further research was needed on the extent to which these reforms and policies have contributed to the overall collection.

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**APPENDIX TWO
INTRODUCTORY LETTER**



UGANDA CHRISTIAN UNIVERSITY

A Centre of Excellence in the Heart of Africa

SCHOOL OF BUSINESS

15th Aug, 2024

TO WHOM IT MAY CONCERN

Name: NANTAMBI CLAIRE JULIET

Reg. S21B12/101

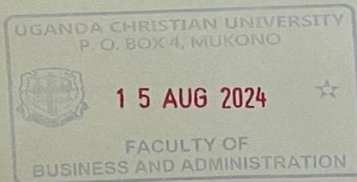
A bachelor's student who is seeking permission from your office to collect data for her dissertation titled

Tax Systems and Financial Performance of Small Scale Business Enterprises. A case study of selected Dairy Farms in Nkozi.

We shall be grateful if you could render assistance to her in collecting the necessary data for her dissertation

The Uganda Christian University School of Business thanks you in advance

Mukisa Simon Peter
Research coordinator



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