

**THE IMPACT OF TAXATION ON THE PERFORMANCE OF SMALL AND MEDIUM  
SCALE ENTERPRISES (SMES) IN UGANDA: A case study in Mukono District**

**ASIIMWE BIIRA ANITA**

**S20B05/002**

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

**September, 2023**



**UGANDA CHRISTIAN  
UNIVERSITY**

A Centre of Excellence in the Heart of Africa

## DECLARATION

### DECLARATION

I, Biira Anita Asimwe declare that this work is entirely mine and solely a result of my own effort. It has never been submitted in any institution for the academia award.

Signed by... Biira Anita Asimwe .....

Date... 5th September 2023 .....

**APPROVAL**

**APPROVAL**

This is to certify that this research has been under my supervisor and is now ready to be submitted to the School of Business.

**MS. MAGOBA DORCAS**

Signature..... *M. Magoba*

Date ..... *5/9/2023*

## **ACKNOWLEDGEMENT**

I appreciate my research supervisor Ms. Magoba Dorcas for her guidance throughout the entire process. Thank you for making this exercise a great success. I also extend my vote of thanks to all my family members and friends who have assisted me in the completion of my research. Thank you so much.

## **DEDICATION**

This research is dedicated to my parents, my siblings and friends for the support and encouragement in this journey of education.

## **LIST OF FIGURES**

Figure 1- Age of the respondents

Figure 2 – Education level of the respondents

Figure 3 – Awareness of the respondents about the taxes

## **LIST OF TABLES**

Table 1 – Gender of the respondents

Table 2 – Whether respondents are tax assessed

Table 3 – Assistance given to the respondents

Table 4 – Problems faced by the tax payers

Table 5 – Performance of small and medium enterprises

## **LIST OF ABBREVIATIONS**

SMEs – Small and Medium Enterprises

VAT – Value Added Tax

GDP - Gross Domestic Product

PAYE – Pay as You Earn

ICT – Information Communication Technology

KCCA – Kampala Capital City Authority

## TABLE OF CONTENT

DECLARATION.....	ii
APPROVAL .....	iii
ACKNOWLEDGEMENT.....	iv
DEDICATION.....	v
CHAPTER ONE .....	1
INTRODUCTION.....	1
1.1 BACKGROUND .....	1
1.2 STATEMENT OF THE PROBLEM .....	3
1.3 SPECIFIC OBJECTIVE OF THE STUDY .....	4
1.4 RESEARCH QUESTIONS .....	4
1.5 JUSTIFICATION .....	5
1.6 SCOPE OF THE STUDY.....	5
1.6.1 TIME.....	5
1.6.2 SUBJECT SCOPE .....	5
1.6.3 GEOGRAPHICAL SCOPE.....	5
1.7 LIMITATIONS.....	5
1.8 OPERATIONAL DEFINITION OF TERMS.....	6
1.9 CONCLUSION .....	6
CHAPTER TWO .....	7
2.1 INTRODUCTION.....	7
2.2 PERFORMANCE OF SMALL-MEDIUM ENTERPRISES (SMEs).....	7
2.3 THEORITICAL FRAMEWORK.....	10
2.3.1. Keynesian Taxation Theory .....	10
2.3.2 Neo Classical Taxation Theory .....	11
2.3.3 Ability to Pay Theory of Taxation.....	11
2.3.4. Benefit Theory of Taxation .....	12
2.4 CONCEPTUAL FRAMEWORK.....	12
.....	12
2.5 TAXATION.....	13

<b>2.5.1 Income Tax Policy and Performance of SMEs</b> .....	13
<b>2.5.2 Value Added Tax (VAT) and Performance of SMEs</b> .....	14
<b>2.5.3 Types of taxes</b> .....	14
<b>2.5.3.1 Regressive Tax</b> .....	14
<b>2.5.3.2 Proportional Tax</b> .....	15
<b>2.5.3 Progressive Tax</b> .....	16
<b>2.6 TECHNOLOGY (ICT)</b> .....	16
<b>2.6.1 Technology and Its Rate of Change</b> .....	16
<b>2.6.2 Technology and its Incentives to integrate ICT tools</b> .....	17
<b>2. 7 CONCLUSION</b> .....	17
<b>3.1 Introduction</b> .....	18
<b>3.2 Research Design</b> .....	18
<b>3.3 Study Population</b> .....	18
<b>3.4 Sample Size</b> .....	18
<b>3.5 Sampling Techniques</b> .....	18
<b>3.6 Data Collection Methods</b> .....	19
<b>3.7 Data Collection instruments</b> .....	19
<b>3.8 Data management analysis</b> .....	19
<b>3.9 Data presentation</b> .....	19
<b>4.0 Introduction</b> .....	20
<b>4.1 Demographic characteristics of the respondents</b> .....	20
<b>4.1.1 Age of the respondents</b> .....	20
<b>4.1.2 Gender of the respondents</b> .....	21
<b>4.1.3 Level of education of the respondents</b> .....	22
<b>4.2 Tax payer’s awareness about the taxes</b> .....	23
<b>4.2.1 Respondents awareness of the taxes they need to pay.</b> .....	23
<b>4.2.2 Tax assessment</b> .....	24
<b>4.2.3 Assistance as regards to tax awareness</b> .....	24
<b>4.3 Taxes paid by the SMEs</b> .....	25
<b>4.3.1 Types of taxes paid by the SMEs</b> .....	25
<b>4.3.2 Problems faced by the tax payers in relation to assistance and those associated with tax collection</b> .....	25
<b>4.4 Effects of taxes on the businesses</b> .....	26
<b>4.4.1 Summary of the respondent’s solutions to the problems</b> .....	26

<b>4.5 Performance of small and medium enterprises.....</b>	<b>27</b>
<b>5.1 Introduction.....</b>	<b>29</b>
<b>5.2 Main findings of the study.....</b>	<b>29</b>
<b>5.2.1 Awareness of the tax payers about the taxes they need to pay .....</b>	<b>29</b>
<b>5.2.2 Problems faced by the tax payers .....</b>	<b>29</b>
<b>5.2.3 Performance of the small and medium enterprises .....</b>	<b>29</b>
<b>5.3 Recommendations .....</b>	<b>30</b>
<b>5.4 Conclusion .....</b>	<b>31</b>
<b>5.5 Suggestions for further research .....</b>	<b>31</b>
<b>BIBLIOGRAPHY .....</b>	<b>32</b>
<b>APPENDICES .....</b>	<b>36</b>
<b>APPENDICE 1: INTRODUCTION LETTER .....</b>	<b>36</b>

## **ABSTRACT**

Small and medium-sized enterprises (SMEs) are critical drivers of economic growth and employment creation in many nations throughout the world. Taxation is a critical component of government revenue generation, but its influence on SMEs has been extensively researched and debated. This abstract provides an overview of the research findings as well as critical insights into the impact of taxation on SMEs. Taxation has an impact on SMEs' profitability, growth, and competitiveness, among other things. The purpose of this study is to evaluate the impact of taxation on SMEs by reviewing the actual data and the body of existing literature. The study examines the impact of direct and indirect taxes on the financial situation and decision-making of SMEs. It also examines the types of taxes businesses pay, the processes they undergo to file the taxes and the challenges they possibly face. The profitability and expansion prospects of SMEs can be significantly impacted by direct taxes like income taxes and corporate taxes. The amount of these taxes, compliance expenses, and tax benefits have a significant impact on how much tax burden SMEs bear. High tax rates can prevent investing and growth, and complicated tax compliance procedures can may divert money away from essential corporate operations. Indirect taxes, such as VAT and sales taxes, can have an impact on SMEs. These consumption taxes can have an effect on the cost structures, pricing tactics, and market competitiveness of SMEs. Furthermore, the design and administration of these taxes can have a considerable impact on the ease of compliance for SMEs. The major findings got are the awareness of the tax payers about the taxes, the taxes they pay, the problems faced by the tax payers and the performance of small and medium enterprises.

## **CHAPTER ONE**

### **INTRODUCTION AND BACKGROUND OF THE STUDY**

#### **INTRODUCTION**

This chapter covered the researcher's details of the background, statement of the problem, the main and specific objectives. It specified the topic of the study which guided the researcher in the information of the research questions. The scope of the study and the limitations were also explained.

#### **1.1 BACKGROUND**

Kenya like any other East African had to undergo transformations and taxation was imposed for various reasons. Direct tax was proposed by the British Commissioner Sir Arthur Harding. This mode of taxation would be imposed at the beginning along the railway centres from Mombasa to Machakos. The hut tax was the first to be imposed in 1901 under the hut tax regulations under the stewardship of Sir Charles Eliot. All huts were expected to pay 1 rupee annually. The locals were encouraged work for the whites so that they earn but this brought negativity since the indigenous Kenyans were alienated.

The railway stations had higher tax of 2 rupees and by 1903, the hut tax; poll tax was introduced at the end of the 20<sup>th</sup> century under the hut and poll tax ordinance of 1910 in order to prevent the circumvention of native hut tax. Collection of the tax was administered by community chiefs and headmen who would report to the district commissioners under British administration and failure to comply, it encouraged violence.

According to Wangei and Mugwi (2018), Small and medium enterprises are a vital aspect in the advancement of the Kenya economy. These businesses contribute 45% of the GDP of Kenya. Taxes are viewed in aspects such as tax rates, tax policy. According to Ochola and Maeri (2017), small and medium enterprises are every country's heart beat especially in developing countries especially Kenya. Despite the benefit of taxes, it has great negative impacts on the SMEs thus increasing the cost of operation in the long run hence affecting the performance of SMEs.

Tanzania adopted and periodically reformed the colonial tax systems starting with the poll tax which was introduced by the British in early 20<sup>th</sup> century. There were reforms done which were in postcolonial era which were introduction of sales tax in 1969, enacting of new income tax legislation in 1973 amendment of the existing tax legislation to revise the tax bases and rates, abolition of some excise duty in 1979 and export duty in 1985.

Taxation was introduced in Uganda by the British colonial administration. The first formal tax was the "hut tax," which was implemented in 1900. This tax aimed to encourage monetary production, mobilize labor for cash crop and mineral production, and generate revenue for the colonial administration. Common tariffs were established among Kenya, Tanganyika, and Uganda during this period, likely to facilitate trade and taxation policies across these East African territories.

The hut tax eventually evolved into the poll tax in 1905. This change was likely due to the growth of cotton production in Uganda and the need for increased revenue to support the colonial government's administrative structure. In 1919, the Local Authority Ordinance was introduced to govern the collection of taxes. It was later amended in 1925 to address challenges in tax collection and incentivize harder work among the population. Income tax was introduced in Uganda in 1940 through the Protectorate Ordinance. Initially, it was primarily applicable to Asians and Europeans but was later extended to Africans. In 1952, the East African Income Tax Management was established, providing the legal framework for income tax.

This management included provisions that laid the foundation for the current income tax law. Following the collapse of the East African Community due to economic and political factors, tax departments, including income tax and customs duty, were transferred from the East African community to the Ugandan Ministry of Finance. This transfer occurred in 1974 for the income tax department and in 1977 for the customs department. In 1991, the administration of central government taxes shifted from the Ministry of Finance to the Uganda Revenue Authority.

This change aimed to improve tax collection and administration. In 1996, Uganda introduced the Value Added Tax (VAT), a consumption-based tax. This was a significant step in modernizing the tax system. In 1997, amendments were made to the Income Tax Act. These amendments included provisions related to Pay-As-You-Earn (PAYE), stamp duty tax, driving permit taxes, and registration of motor vehicles.

According to Comsec (2011), small scale enterprises in Uganda are vital engines for economic growth and are a source of revenue for the government, employment for the people, innovation, and poverty reduction. According to Kakista and Baguma (2011), small scale contributes about 70% of the country's economic growth and employs more than 2.5million consisting of 70%-90% of the private sections and over 70% to total GDP. The Uganda investment authority revealed that there are about 20,505 small medium businesses over 90% of the people in Uganda. Taxation helps the government to raise revenue so as to cover public spending and redistribution of income. It also helps to achieve welfare gains rather than minimize welfare losses. According to Mugabe (2012), small scale medium enterprises contributed 14% to 18% of the total revenue to the government in 2011.

Taxes are what we pay as civilians to have and organised society and for the society to be organised then it needs a well-financed administrative structure. The contribution towards growth, job creation and social progress is valued highly and small businesses are regarded as an essential element in a successful formula for achieving economic growth. The world economy today has developed tremendously and this is associated with the emergence of small-scale businesses especially in developing countries. Every country has a desire to have a sound economy just like Uganda needs. Tax payment is the demonstration of such desires though some income earners see it as an exploitation because of how taxes are misused.

According to Bitature the chairman of Uganda Investment authority he supplemented that small and medium enterprises are a backbone of the Ugandan economy and therefore need to be supported to grow from small to large enterprises (The small and medium enterprises guide, 2008). Much as these enterprises in Uganda, Kenya, and Tanzania are vital, though they have faced various challenges in such as keeping financial records, inadequate information about taxes, limited skills in managerial, financial, marketing skills. The rate at which small scale businesses are vanishing or not seeing their first birthday is high and it is about 50% annually.

## **1.2 STATEMENT OF THE PROBLEM**

Ideally, SMEs need to operate in a conducive economy that encourages their growth, profitability, and innovation. For SMEs to survive, they need access to sufficient financial resources to invest in their businesses, expand operations, and also create employment

opportunities. The necessary authorities need to ensure that the taxes imposed on these businesses are fair, transparent, progressive depending on one's profits, and also equal so that businesses can contribute fairly to the development of the economy.

The burden of tax on SMEs hinders their growth and sustainability yet the tax policies in place may not adequately consider the specific challenges faced by SMEs thus resulting in adverse effects on operations. Payment of high taxes, complex tax procedures, and limited access to tax incentives, and exemptions are mostly faced by SMEs since most are not sufficiently equipped with knowledge about tax procedures. The high taxes leave small and medium enterprises with low profits to reinvest, decreasing competitiveness since they are underdeveloped.

The gap between the expected and the actual situation is evident in the negative impact of taxation. SMEs are one of the vital sources of taxes or revenue which contributes to the economic growth. They also contribute to the creation of employment opportunities, and poverty reduction, yet the tax system does not support their development. The tax and system don't have adequate provisions to address the needs and limitations of SME's thus their growth and development are hampered which hinders their ability to make a significant contribution to the development of the economy. These gaps have to be addressed by analyzing tax policies, procedures, incentives applicable to SMEs, and favorable tax environments to promote their growth, innovation, and long-term sustainability.

### **1.3 SPECIFIC OBJECTIVE OF THE STUDY**

- i. To examine the types of taxes that affect the performance of small-medium enterprises.
- ii. To identify the process SMEs, undergo to pay the various taxes.
- iii. To analyse the challenges faced by SMEs when filing the taxes.

### **1.4 RESEARCH QUESTIONS**

- i. What are the types of taxes that affect the performance of small-medium enterprises?
- ii. What is the process that SMEs undergo to pay the various taxes?
- iii. What are the challenges faced by SMEs when filing the taxes?

## **1.5 JUSTIFICATION**

- i. The study helped the students of UCU or even in other universities to find out the challenges and know more about the impact of taxation on small scale businesses thus contributing to the existing literature.
- ii. Uganda Revenue Authority also attained insights about how best to collect taxes than using the rigid methods.
- iii. The study guided the tax authorities about how to adjust the tax policies in favour to the small-medium enterprises.

## **1.6 SCOPE OF THE STUDY**

This highlights the boundaries of the research and it is divided into geographical and time.

### **1.6.1 TIME**

The study was carried out for a period of 5-10 years.

### **1.6.2 SUBJECT SCOPE**

The study covered the types of taxes, the processes businesses go through to pay the various taxes and the challenges they face when filing the taxes.

### **1.6.3 GEOGRAPHICAL SCOPE**

The study was carried out in Mukono District. This area was chosen because of the undeniable impact of the taxes on the businesses and also due to the diversity of the businesses hence providing a variety of options from the entrepreneurs.

## **1.7 LIMITATIONS**

1. High transport costs while going to the research area
2. Acquiring permission from the required authorities was not be easy
3. Getting the right information from the business owners was also be a challenge
4. Some of the business owners are likely to withhold their information while collecting data.

## **1.8 OPERATIONAL DEFINITION OF TERMS**

- i.** Small scale businesses are those that operate from fixed premises that are in a small scale and of a permanent nature. They are characterized by annual sales turnover of a maximum of 360million and employ a maximum of 50-100 people (Sarokin, 2019).
- ii.** Taxation refers to a compulsory levy imposed by government upon various categories of assets and citizens. Tax is a non-quid-pro-quo payment i.e. the tax payer is not entitled to receive in return to payment of taxes an equivalent of what he/she has paid to the government (Kagan,2022).
- iii.** Progressive tax is structured in such a way that the tax rate increases as the income increases. Most income taxes are progressive so that higher incomes are taxed at a higher rate. A progressive tax is based on the principle of vertical equity (Kagan et al 2023).
- iv.** Regressive tax is a tax not based on the ability to pay. A regressive tax is structured that the effective tax decreases as the income increases. The low-income earners here feel the tax burden more than the high-income earners (Kagan et al 2022).
- v.** According to Kagan (2022), he defines proportional tax as tax where everyone pays the same amount regardless of how much he or she pays. These taxes are also called flat taxes.

## **1.9 CONCLUSION**

In summary, this chapter portrays the background, statement of the problem, objectives, justification, scope and research questions.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 INTRODUCTION**

This chapter contains a review by various authors on the impact of taxation on small -medium enterprises (SMEs). This review contains the definitions and explanations of key terms, the theoretical frame work, conceptual frame work.

#### **2.2 PERFORMANCE OF SMALL-MEDIUM ENTERPRISES (SMEs)**

Here, we discussed in detail the performance of SMEs currently in Uganda and the what could have led to their growth and their downfall or some of them. There are factors that have enabled SMEs grow and there are those that have affected them immensely not only taxes.

Small-medium enterprises are the backbone of every developing country especially Uganda. They occupy a greater percentage and contribute quite a lot to the economy of Uganda. SMEs make close to 90% of the businesses in Uganda. They contribute about 18% of GDP in Uganda and employ about 2.5million people.

SMEs play a great role to many households to be able to engage in income generating businesses thus improving their livelihoods. SMEs are potential sources of revenue but some factors are likely to affect their performance and thus reducing their ability to be appropriate sources of revenue. There are very many factors that affect the performance of SMEs asides taxation and they include innovation, government policies, level of competition, location of the business, gender, social capital, political climate, competence of human resource, infrastructural development (Okumu et al, 2019).

Firstly, innovation as one of the factors that influences the performance of SMEs and this comprises of new products and services. When a business invents attractive new products and services, these attract more customers which increases the sales revenue thus improving their performance. On the other hand, limited innovation decreased the number of customers thus reducing the sales which in turn disfavours the performance of SMEs (Okumu et al, 2019).

In the same way, government policies are highly likely to affect the performance of SMEs. They could be favourable or unfavourable. Favourable government policies can be in form of loans, Emyooga as the government is doing currently, improving methods of tax collection, revising of the taxes on SMEs. These improve their capital base which is invested in their businesses thus enhancing their performance. On the other hand, unfavourable government policies such as high taxes, rigid methods of tax collections, limited or no loans from the government all affect the performance of SMEs negatively (Okumu et al, 2019).

Likewise, the level of competition among the SMEs Vs larger enterprises also affects their performance. A high degree of competition leads to improvement in service delivery and products so that they can meet the standards of their counterparts and also attract more customers. This benefits the SMEs since they increase their sales which improves their performance and in turn also they benefit the customers who acquire better goods and services. On the contrary, if there is no competition among the businesses, then this breeds redundancy in service delivery and poor products. This in turn retards sales thus hindering the better performance of SMEs (Okumu et al, 2019).

It is also possible that the location of SMEs also affects their performance. Businesses located in localized areas have the chance to get more customers which in turn increases sales revenue too. The sales mean increase in profits which are used to improve the business thus enhancing their performance. On the contrary, SMEs located in delocalized areas tend to have fewer customers which brings in low sales which retards the performance of SMEs in the long run and in later years collapsing of the business (Okumu et al,2019).

Traditionally, the performance of SMEs also depends on gender. Female owned businesses in absolute terms are less than those owned by men. Research reveals that there are several gender factors that can possibly affect the business performance. These factors can be hours worked, cultural factors, domestic responsibilities, tasks performed by each gender in the business (Eikhof et al ,2013).

Based on the findings of Xie, et al (2021), social capital is also one of the factors that affects the performance of SMEs. A business without social capital is as good as nothing. Social capital is where businesses cooperate with each other and their customers. This enables them get information, resources, new ventures are also created. Networking may not only be in meeting

people but also via the internet. The development of businesses is impacted upon by social relationships.

However, despite the various factors associated to the growth of SMEs there are also challenges they face and these hinder the better performance of SMEs. Different authors display various views about the challenges SMEs face.

Firstly, SMEs are hindered by inadequate technological implementation though there are changes in technology. SMEs hardly take the initiative to adapt to the technology which affects their performance (Odebunmi,2022).

Additionally, internal factors affect the performance of SMEs. Internal factors are highly controlled by the society which include limited financial knowledge, lack of business management training. The inadequacy of these factors affect the performance of SMEs (Arop, 2019).

As explained by Arop (2019), small-medium businesses are challenged by limited understanding of financial and accounting information and also have a problem with the planning literacy. Being equipped with the necessary accounting knowledge enables the business owners to know their taxes, how to pay them, their profits, expenses, sales so that they are up-to-date just as their counter parts. If the business owners are less informed about the accounting systems, then they are likely to be unaware of their position of the business which could lead to its collapse.

Furthermore, the complex credit processing and cautiousness of financial institution due to financial crisis are also some of the challenges for SMEs. This makes it difficult for SMEs to understand the right procedures for loan processing yet they are vital for most SMEs improvement. Accessing loans from banks is always a challenge to most SMEs. Banks don't provide enough loans to SMEs yet they are a vital source of income to the businesses. SME business owners turn to family, friends for capital yet the money collected from them is too little to enhance the growth of their businesses. This disfavours the growth and performance of SMEs (Arop, 2019).

According to Arop (2019), the inability for most businesses to go global or have global market is also a challenge to most SMEs performance. For a business to survive currently, then it should go global. Most SMEs in Uganda hardly want to go global and this affects their performance

since their products and services are only known within the limited market and less competition at international market level.

## **2.3 THEORITICAL FRAMEWORK**

This framework provides a structured basis for understanding, analysing and interpreting taxation. This framework helps one understand the underlying principles and assumptions. Taxation has various theories that different authors have come up with and have been used for ages. These theories help us understand taxation better and what the authors discuss about each.

### **2.3.1. Keynesian Taxation Theory**

According to Clarke (2022), this theory states that government intervention is needed to help economies emerge out of recession. This idea results from the boom and burst economic cycles. The theory was developed by a British economist John Maynard Keynes in the 1940's. Keynes is also well known for his work on war time economies and helped spur the creation of International Monetary Fund in the World Bank.

Furthermore, the theory is discussed as a school of thought that states that government intervention is needed to help economies emerge out of recession. He also examines that there are three main metrics that governments monitor which are interest rates, tax rates, social programs (Vipond, 2019).

According to Kari, there are also assumptions to this theory. The theory assumes a close economy and a perfect competitive market with fairly price interest aggregate supply function. The economy is also assumed not to exist at employment equilibrium and also works in a short run. Fast economic development must be based in market expansion and an associated increase in consumption.

Traditionally, Keynes also argued that high level progressive taxation is necessary and that low tax rates lead to low state revenue thus economic instability. His argument on progressive tax favours the low and medium earners since people pay depending on their level of income. SME business owners are likely to benefit from his argument of progressive tax thus favouring their performance. In relation to the performance of SMEs the government is highly needed just as

Keynes mentioned it. The market needs to be expanded so as to sustain the SMEs and if not done appropriately then their performance declines greatly. (CFI Team, 2021).

### **2.3.2 Neo Classical Taxation Theory**

According to Kenton (2023), he agrees that this theory was developed by J. Mutt and Arthur Laffer. It focuses on supply and demand as the driving forces behind the production, rising and consumption of goods and services. It is based on the assumption that the state should remove obstacles so as to free market competition since the market should regulate itself without external intervention.

He further discusses that the theory assigns a passive role to the state to regulate economic processes. Taxation policy under this theory ought to be developed on the assumption that taxes should be as small as possible and corporations granted a significant tax exemption. Heavy tax burdens negatively affect the economy such as limited economic development, restraining investment policies.

More so, neo classical theory assumes that utility to consumers, not the cost of production, is the most important factor in determining the value of a product or service. The principles of this theory are rational thinking, maximizing, information. (Kenton, 2023)

According to Kenton (2023), Arthur Laffer established a quantitative relationship between progressive taxation and budget revenues where he developed the Laffer curve. It is also noticed that as tax increases, it leads to increased revenue but only to a certain level and start decreasing. He also suggested that a 30% is what should be deducted from income for the state. This is unfavourable to the smaller businesses as more is taken from them. This reduces their income thus low performance of SMEs.

### **2.3.3 Ability to Pay Theory of Taxation**

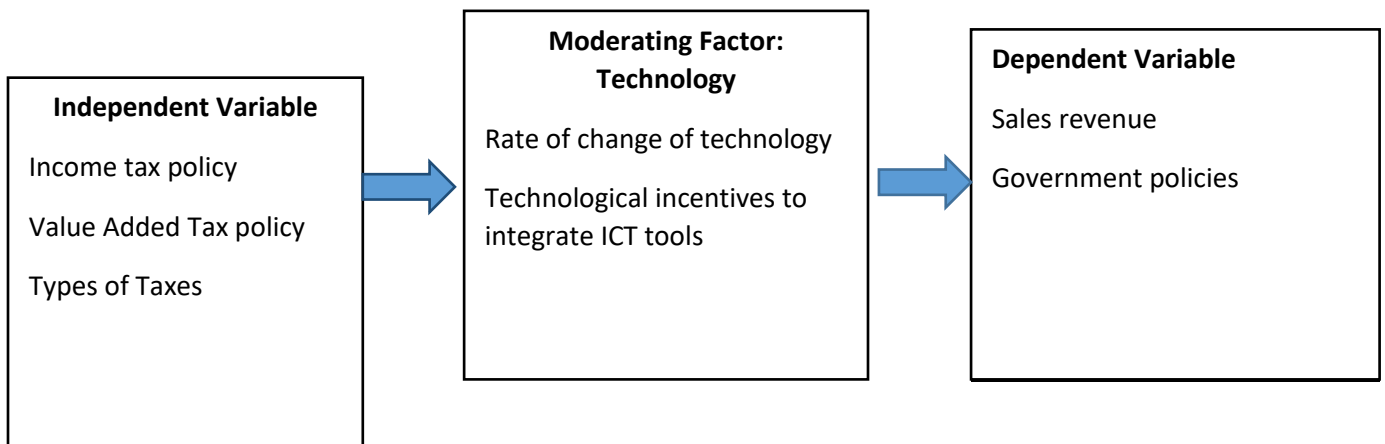
According to Kagan (2022) et al, he discusses that this theory should be levied in accordance to the incomes earned. This implies that those with a higher income ought to pay higher taxes than the low-income earners. The SME owner's benefit from this type since they are taxed depending on their income and the remaining income is used to invest in their businesses thus improving their performance. The theory doesn't consider the amount, quantity of services that people

consume though they contribute towards them. Everyone pays taxes for services like government schools, roads, hospitals but not everyone consumes them on a regular basis.

### 2.3.4. Benefit Theory of Taxation

Based on the findings of Kagan (2022), this theory is based on the fact that all those who benefit from the government expenditure ought to pay more taxes than those who do not. The consumer who directly benefits from the direct services of the government should pay more taxes such as members of parliament. The implementation of this principle is based on how responsive the consumers are in relation to payment of taxes. If those who benefit from government pay more then not the whole tax burden is upon the low-income earners. This gives them chance to use their available income to improve their businesses thus enhancing their performance.

## 2.4 CONCEPTUAL FRAMEWORK



It is noticed that the performance of SMEs depends on income tax policy, VAT tax policy, ways how taxes are collected by Uganda Revenue Authority. However, without the ICT equipment's and knowledge especially in this modern era, the SMEs are bound to have low sales and with the government policies, they can also affect them.

## **2.5 TAXATION**

### **2.5.1 Income Tax Policy and Performance of SMEs**

SMEs are all taxed as long as the goods or services provided are taxable and one of the taxes is income tax. These taxes are all vital but also affect the performance of SMEs in various ways as different authors have discussed. They are also a source of revenue to the government.

According to Kagan (2022), he refers income tax as payment that is made by individuals and corporations to the government entity based on their taxable income. Income tax has different types such as individual income tax, business income tax.

Contrary to Kagans' statement, income tax is also defined as the amount of money levied on individuals and entities' personal income. In income tax, those with higher percentage of the tax revenue than the low-income tax earners. Income tax polices when unfavourable impact greatly the business men. If one's income earned is highly taxed, it reduces the disposable income thus low investment rates which hinder greater performance of SMEs. (Gorton, 2022).

Furthermore, income tax is imposed on a person's taxable income at specific rates and is charged for each year of income. Income tax is divided into rental tax, withholding tax, corporations' tax, individual income, Pay as You Earn. Rental tax is the amount of rent derived by a person for the year of income from lease to immovable property such as land. Withholding tax is an advance tax and the tax payer needs to declare it so that it reduces the tax liability of the period it relates too. Corporation tax is one that is imposed on all corporate entities which are emerging in income generating businesses. Individual tax is imposed on individual who are engaging in income generating businesses, PAYE is charged on all employees earning a monthly income (Musinguzi, 2017).

While paying these taxes, there are challenges faced such as tax evasion, high poverty rates, insufficient profits earned by the business, most people are typically employed in agriculture or informal enterprises thus the base to charge them income tax is hard to calculate and also money from these sectors is seasonal. There are also poorly trained staff.

## **2.5.2 Value Added Tax (VAT) and Performance of SMEs**

According to Uradu (2023), VAT is consumption tax on goods and services that is levied at each stage of the supply chain where the value is added from the initial production to the point of sale. This tax is based on consumption rather than income. This tax is imposed on the supply of taxable goods and services.

More so, there are various requirements needed to register for VAT but not every business man can afford to accomplish all of them thus hindering their performance. One of the requirements needed is a fixed place of abode. This is not possible for some business owners since they are mobile such as hawkers, street vendors and many more. Businesses are given a VAT number which is found on the certificates.

In addition, the business man should keep proper books of accounts. This helps to know the financial position of the business and also know the expenses and how much a business needs to pay for taxes. Most upcoming business men and women can hardly keep up with submitting reliable tax return to Uganda Revenue Authority. This is likely to lead to over taxation which affects the performance of SMEs since low income remains after taxation (Musinguzi,2017).

Besides the process undertaken, there are also challenges faced by businesses when using this VAT system such as high compliance costs through detailed bookkeeping, it is also costly to implement as it is based on full billing system, it is relatively not easy to understand, the customers also need to be conscious of the tax system otherwise evasion is likely to be rampant.

## **2.5.3 Types of taxes**

Taxation or tax has three major types which are regressive tax, progressive and proportional tax that different governments of different countries use so that they can earn revenue to sustain their activities. These taxes all impact the economy or the different classes of the population differently.

### **2.5.3.1 Regressive Tax**

According to Horton (2022), regressive tax has greater impact on the low-income earners than on the wealthy group. Regressive tax system levies the same percentage on products or goods

purchased regardless of the consumer's income. This tax includes property tax, sales tax on goods, excise taxes

Furthermore, regressive tax is a tax imposed in such a manner that the tax rate decreases as the amount to be taxed increases. This is a tax that imposes a greater burden on low-income earners (households) than the high-income earners. This tax burden on the low-income earners reduces their ability to afford the basics but this burden has no impact on the high-income earners since they can still afford the basics despite the high taxes. Despite the fact that the low-income households have the need to invest and start up their businesses earn less since most of their money is taken in form of taxes than being re-invested in the business. The business owners are likely to borrow more loans so as to enhance performance of their businesses. This tax negatively affects the performance of SMEs. Regressive tax has other types which are consumption tax, sales tax, excise tax. All these taxes have greater impact on low-income earners and this affects then performance of their businesses (Amadeo, 2022).

### **2.5.3.2 Proportional Tax**

According to Horton (2022), proportional tax also known as flat tax system assesses the same tax rate on everyone regardless of the income. Proportional taxes include per capita taxes, occupational taxes. This tax is believed to stimulate the economy by encouraging people to work.

Furthermore, this tax is levied on everyone in proportion to their income earned. The tax is the same for low-, middle- and high-income earners. They are also known as flat taxes. This kind of tax encourages people to work harder since the amount is constant for everyone. However, this tax is unfavourable to the low-income earners. Low- and medium-income earners are the ones who usually have small – medium businesses and hardly realise a higher profit.

More so, taxing low-income earners, the same percentage as the high-income earners is unfair and affects the performance of SMEs. If the upcoming businesses are also taxed the same way they are likely to leave the business market which affects in employment this in turn hinders the great performance of SMEs for instance, the rate of 5% is upon those who earns 1,200,000 and pays 60,000 as tax and another person with income of 5,000,000 pays 250,000. (Kagan,2021).

### **2.5.3 Progressive Tax**

What's more, progressive taxes are levied on the people according to the income earned. High-income earners pay more taxes than low-income earners. This is much more favourable to low-income earners since not all the burden is carried by them. A large disposable income is available for low-income earners, thus having enough capital for their business to thrive. As one's income increases, the tax burden also increases and vice versa. This is much more favourable than levying the same tax burden upon all groups of people. Low-income earners have a reasonable amount of capital that they can use to invest in their businesses, thus improving their performance (Horton, 2022).

## **2.6 TECHNOLOGY (ICT)**

Technology is a sustaining power of human life and has a potency that extends beyond itself. Technology has the potential to turn culture, life as it evolves. Technology not only acts upon other factors but is also acted upon by other factors too in the society. It is vital in the society (Morins., 1977, 395).

### **2.6.1 Technology and Its Rate of Change**

Technology has been changing over the years and it's still changing. The changes are necessary but they do affect the performance of businesses, especially SMEs. Changing technology breeds new products and services. For businesses that can easily adapt to the changes, they benefit more; but for the ones that are rigid, they are left out.

Additionally, SMEs are highly affected by ever-changing technology since most of them can hardly adapt to the changes, unlike bigger enterprises that can afford to adapt to new technological changes. This makes them out-compete smaller businesses. The changes in technology are technological products, technological processes.

Moreover, the changes made are not easily accessible by SMEs and they affect them since they cannot keep up with the demands of the customers, which reduces their sales and profits, thus affecting the performance of SMEs. On the contrary, if SMEs adapt to the changes, their performance is bound to highly improve (Celine Da Costa, 2021).

### **2.6.2 Technology and its Incentives to integrate ICT tools**

Businesses ought to embrace technology because it is no longer an option but a necessity for business that need to thrive. Businesses receive incentives such as tax holidays, small business health care tax credit and technology offers incentives such as cost reduction, enhanced customer experience, market expansion, supply chain optimization. Most of the business (SMEs) owners are not familiar with the ICT tools such as software's needed, communicative tools to survive in the competitive business environment now. These tools are vital in the business world and their avoidance by the SMEs affects their ability to compete with the other businesses thus affecting their performance.

### **2.7 CONCLUSION**

To sum it up, this chapter summarizes the literature review, dependent variable, theoretical framework, conceptual framework, and the moderating variables.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.1 Introduction**

This chapter discussed the research design, study population, sample size, sampling techniques, data collection methods to be used to collect data sampling design, data collection instruments, validity and reliability, data collection procedure, data analysis and management and how the variables were measured.

#### **3.2 Research Design**

The researcher used secondary data which was mixed and cross-sectional approach. It helped the researcher to know more about the statistics of taxation and people's opinions about the topic.

#### **3.3 Study Population**

The researcher's study population were 100 people who were the owners of small and medium enterprises around Mukono district especially the businesses around Uganda Christian University and neighbouring.

#### **3.4 Sample Size**

The sample size is a selected part of the population chosen to carry out a survey based on the information needed. The researcher used 80 respondents from the secondary data.

#### **3.5 Sampling Techniques**

The researcher used non-probability sampling technique and convenience sampling so that information can be got easily within the means available and the people around too can give information on the basis of the researchers questions.

### **3.6 Data Collection Methods**

The researcher used secondary collection method where both the women and men were studied. Secondary data is data that has already been collected by other researches and used by another to build on the information. (Hillier, 2022)

### **3.7 Data Collection instruments**

The researcher used journals, business documents, government publications, public records.

### **3.8 Data management analysis**

The researcher determined the other researchers goal and determined what questions they were answering. The researcher collected the data and determined what was needed. It was organized and explained based on how the researcher understood it.

### **3.9 Data presentation**

Data was presented in form of graphs, tables so as to clearly show the relationship between the two variables

## CHAPTER FOUR

### DATA PRESENTATION, ANALYSIS AND INTERPRETATION OF THE FINDINGS

#### 4.0 Introduction

This chapter presented the data analysis, tables that were made in accordance with the research objectives of the study.

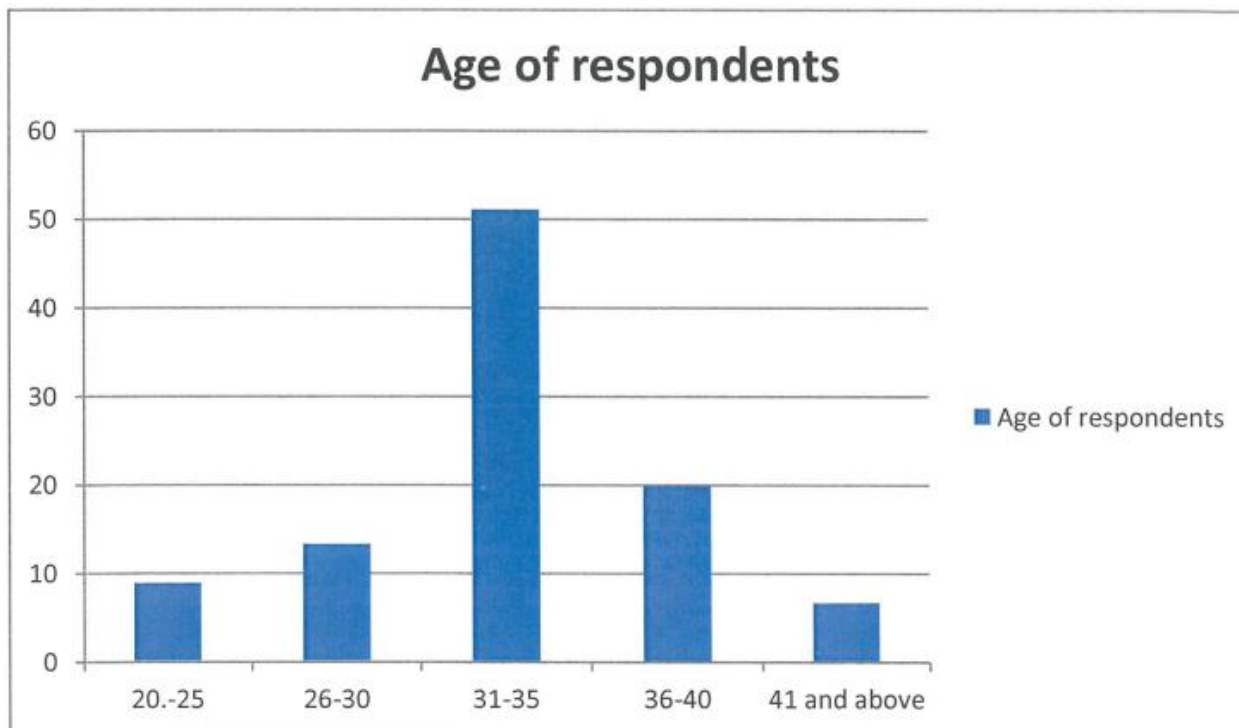
#### 4.1 Demographic characteristics of the respondents

The respondents' demographic characteristics include their age, gender, level of education and marital status.

##### 4.1.1 Age of the respondents

The respondents were required to specify their ages and their distribution is shown in the figure.

**Figure 1: Age of respondents**



Source: Secondary data

This figure shows that most businesses are owned by those between 31-35 years because they in most cases have more financial capital for the business thus sustaining them than the younger people. It also shows that they are better at keeping cash on hand than the younger population thus their businesses hardly go under so often. Most of these business owners are well informed about the market environment and they have a large customer base thus more sales which earn them income to run their businesses. The respondents between 20-25 are few because they hardly have start-up capital, have low sales thus low income to run their businesses. They in most cases expect profits in a short period and hardly have cash at hand thus very few have businesses.

#### 4.1.2 Gender of the respondents

The study revealed the gender of the respondents so as to get various views and to show the dominant business people. The respondents had to tick their sex and it is shown below in the table.

**Table 1: Gender of the respondents**

**Table 4.1: Gender of the respondents**

Gender	Frequency	percentage
Male	50	62.5
Female	30	37.5
Total	80	100

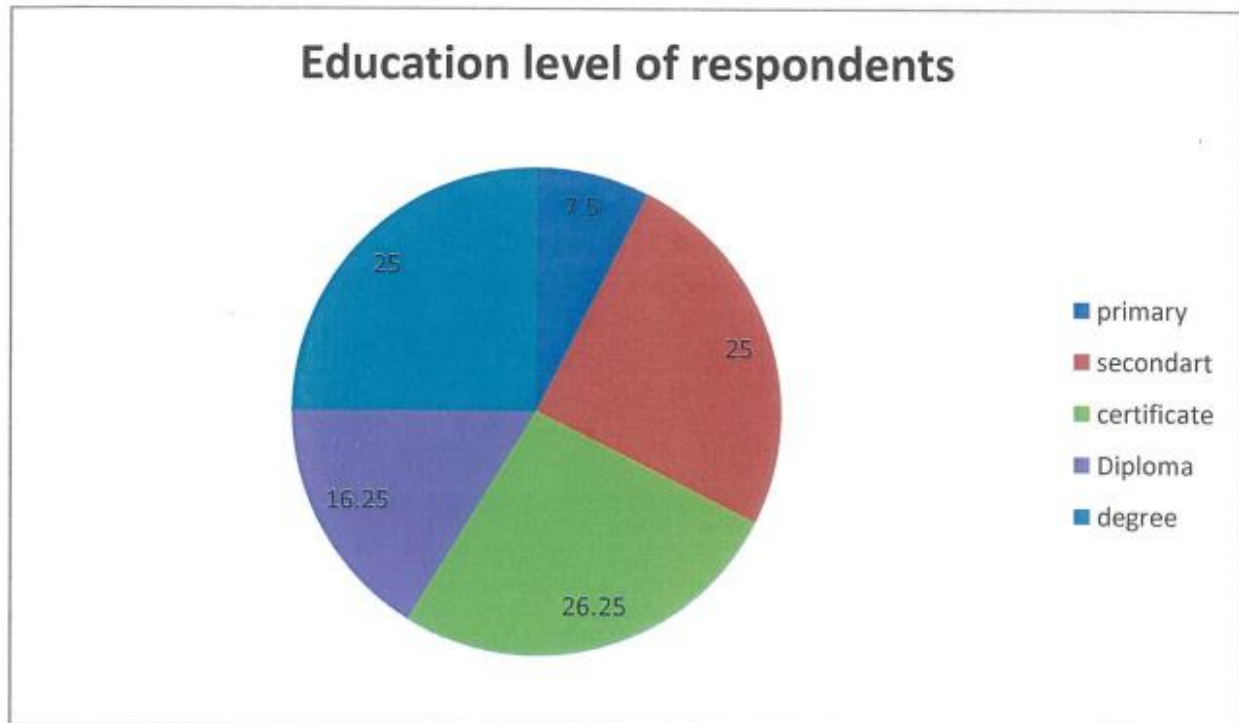
**Source: Secondary data**

The table reveals that more males own businesses in Mukono than the females because the men are usually wealth oriented and tend to be motivated by financial success and are the providers in the society. The men also readily seek investors to help grow their businesses thus expansion of their businesses is easy, they also have more experience in the business environment and are risk takers to unlike the females who might be hesitant to make some decisions.

### 4.1.3 Level of education of the respondents

The respondents were asked for their level of education so that to know if they could interpret the questions asked. The respondents were all learned and could read and interpret the data or questions.

**Figure 2: Level of education**



**Source: Secondary Data**

The figure reveals that majority of the respondents are literate and can understand the questions. Literacy among business owners also reveals that they could be aware of the tax related information on businesses. Most of the respondents had the necessary skills to help them grow in their businesses especially those who had the certificates. The education levels promote a developed economy since various industries are set up and these promote a competitive advantage in the global market. A literate market is also easy to train in the different sectors thus increasing productivity.

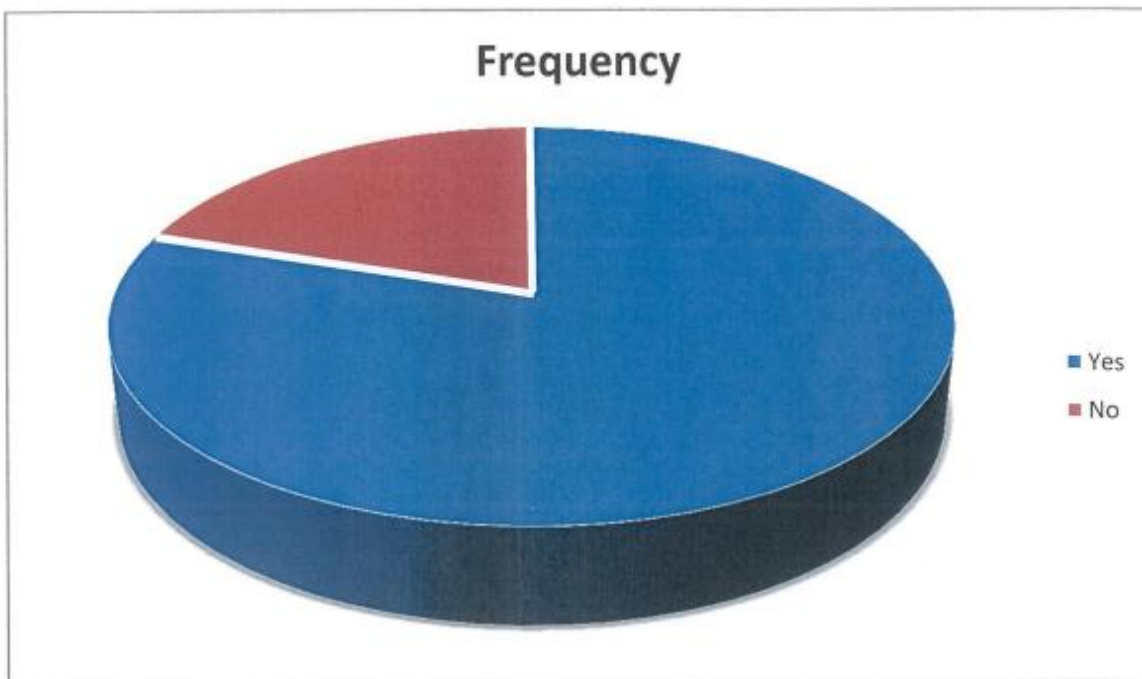
## 4.2 Tax payer's awareness about the taxes

The respondents were asked if they were aware of the necessary taxes they need to pay. The business owners were also asked if they had ever been assessed by the tax authorities and if the tax authorities had ever assisted them in regards to tax awareness.

### 4.2.1 Respondents awareness of the taxes they need to pay.

Figure 3: Awareness of the respondents.

Figure 4.3: Whether respondents are aware of the taxes they are to pay



Source: Secondary data

The figure reveals that tax payers are aware of the taxes they need to pay. This means that majority are tax conscious and compliant. It also shows that Uganda Revenue Authority fulfilled its duties to sensitize the population about the taxes they need to pay. It also shows that the

economy can grow since the taxes collected help to develop other sectors. The rates of tax avoidance are also minimal since awareness is high.

#### 4.2.2 Tax assessment

The respondents were asked if they had ever been assessed for tax purposes by the tax authorities and the responses were illustrated.

**Table 2: Whether respondents are tax assessed.**

Response	Frequency	Percentage
Strongly agree	25	31.7
Agree	19	23.3
Un certain	12	15
Agree	12	15
Strongly Agree	12	15
Total	80	100

**Source: Secondary data**

The table reveals that most respondents agree that they were tax assessed for purposes of paying taxes. This means that Uganda Revenue Authority determined their financial records and calculated the amount of taxes they need to owe. Assessment of taxes involves determining the businesses taxable income and arriving at a final tax liability so as to ensure that the businesses are paying their taxes correctly.

#### 4.2.3 Assistance as regards to tax awareness

The respondents were asked if they ever been assisted in regards to tax awareness. The table shows their responses.

**Table 3: Assistance given to the respondents**

**Table 4.5: Shows if the tax authority has ever given assistance as regards tax awareness.**

Response	Frequency	Percentage
Yes	16	20
No	64	80
Total	80	100

**Source: Secondary data**

The table shows that most respondents have never been given assistance in relation to tax awareness. This means that there is high illiteracy about tax laws, deductions, and how to file taxes correctly. URA might not be effectively reaching out to the public to provide guidance. There could be limited access to professionals by the business owners who could help them with tax-related questions e.g. filing of returns.

### **4.3 Taxes paid by the SMEs**

#### **4.3.1 Types of taxes paid by the SMEs**

Most of the respondents revealed that they pay taxes such as property tax, income tax, value added tax, corporate tax.

#### **4.3.2 Problems faced by the tax payers in relation to assistance and those associated with tax collection**

**Table 4: Problems faced by the tax payers**

Problem	YES	NO
Mode of assistance	90	10
Mode of collection	80	20

**Source: Secondary data**

The table showed that 90% of the tax payers found challenges with the mode of assistance and also 80% found challenges with the mode of collection of the taxes. This implies that the business owners find the tax system complex making it difficult to understand the system navigation of the URA website. The tax collection methods could be unfair to the business owners especially the small business owners who might be burdened by the high taxes yet profits are low. The methods of tax collection and assistance could be inefficient and time consuming thus raising challenges.

#### **4.4 Effects of taxes on the businesses**

Most business owners in Mukono find various challenges when paying taxes and these affect their performance.

Firstly, increase in income tax reduces the customers' disposable income. This means that the customers are left with less money to spend on the goods and services thus leading to low demand and low sales revenue for the business. The low revenue affects the business in a way that it might not invest in new machinery or other projects or expand its business. (Dunkelberg, 2021).

Secondly, the increase in value added tax leads to an increase in prices of goods which discourages spending since the consumers bear the tax. (Dunkelberg, 2021).

In addition, taxes reduce the profits of the businesses yet these are a source of finance for most businesses. Profits are used to pay dividends to the shareholders, expand the business so an increase in taxes affects the business in these areas. (Dunkelberg, 2021).

Complex and excessive tax deters the foreign investors and also drives out the domestic investors. This leads to losses due to tax avoidance, low economic growth. On the other hand, favourable taxes promote investment, attract investors and lead to high economic growth. (Gimenez-Roche, 2015).

##### **4.4.1 Summary of the respondent's solutions to the problems**

The respondents were asked for their various solutions about the problems mentioned. Their solutions were that the tax authorities should increase the deadlines for paying the taxes; they should also implement favourable taxes for the businesses so that they can favour even those that

haven't earned profits. The tax authorities should also make more efforts in increasing the awareness and understanding of the mode of assessment and this agrees with Kitinisa S. (2003) where she says that tax payers have little understanding of the tax obligations as a result of lack of education.

#### 4.5 Performance of small and medium enterprises.

**Table 5: Performance of small and medium enterprises**

**Table 4.10: Performance of Small and Medium enterprise**

Statements	N	Strongly Disagree (%)	Disagree (%)	Not Sure (%)	Agree (%)	Strongly Agree (%)	Mean
Profitability has increased regardless of the taxes	180	15.8	10		35	39.2	3.72
The market size has increased regardless of the taxes	180	10.3	20		30.7	39	3.48
The business has opened many branches regardless of the taxes	180	5	15	5	30	45	4.25
The sales volume have increased regardless of the taxes	80	12.4	10		27.6	50	3.92
The number of customers has increased regardless of the taxes	180	2.7	10		37.3	50	4.12
The return on investment has increased regardless of the taxes	180	29.67	10		30.33	30	3.21
My business is not usually locked because of the taxes.	180	42.34	40		7.66	10	2.03
The brand image has improved regardless of the taxes	180	10	3.0		50	37.2	4.02
The business has gained reputation in the society regardless of the taxes.	180	10	1.4		50	38.3	4.04
The market growth has improved regardless of the taxes.	180	5	4.24		44	40.8	4.37
Generally taxes affect the performance of my business	180	28.4			21	50.6	3.65

**Source: Secondary data**

The Likert scale was 1- strongly disagree, 2- disagree, 3- Not sure, 4-agree, 5- strongly agree.

The table shows the responses of the respondents that strongly agreed that the performance of SMEs improved regardless of the taxes. This is also because 31.7% strongly agreed that they have ever been assessed by the tax authorities and majority agreed to the taxes they needed to pay. This means that most businesses still remain with cash at hand to sustain them and develop even after paying the taxes. This was based on the fact that the number of respondents who strongly agreed that profitability has increased regardless of the taxes were 74.2%.

69.7% of the respondents agreed that the market size has increased regardless of the taxes. It implies that their sales were still high despite the taxes and probably increase in prices didn't reduce the sales. The market size could be in relation to the geographical market size, customer segment market size, product or service market size. 77.6% of the respondents agreed that the sales increased despite the taxes this is because the demand for their goods or services was still high, 60.33% agreed that their return on investment increased regardless of the taxes, 84.8% agreed that the market growth improved regardless of the taxes. This means that their cash at hand was enough to sustain their growth and expand. Their expansion could be in relation to the demand of their products and services.

However, 82.34% disagreed with their businesses' are not usually locked due to taxes i.e. taxes do not usually lead to closure of their business. This shows that most businesses are not heavily affected by the taxes imposed on them since a great number agrees that they are not affected and pay on time before the closure of their businesses.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter presents the summary, conclusion and recommendations of the findings in relation to the objectives under the study.

#### **5.2 Main findings of the study**

##### **5.2.1 Awareness of the tax payers about the taxes they need to pay**

Based on the findings, 80% of the tax payers are aware of the taxes they need to pay and only 20% are not aware. The taxes the respondents pay are value added tax which is incorporated at each stage of production and the final consumer bears the burden, corporate tax which is paid by the medium enterprises and it is at 30%, property tax which is collected by Kampala Capital City Authority, income tax which is imposed on income generated by the businesses and individuals. This means that the tax authorities are doing their duties of sensitizing the population about the taxes

##### **5.2.2 Problems faced by the tax payers**

The findings revealed that tax payers have various problems they face such as the poor mode of tax collection who were 80% who agreed that it was poor, the low assistance got from the tax authorities where most agreed with the statement. The tax laws are also complex to understand by the business owners, meeting the deadlines can be stressful by the business owners. Most business owners have poor record keeping. The government also changes tax laws which is not easy to keep up with the rules by the business owners. The low-income businesses also struggle to pay taxes.

##### **5.2.3 Performance of the small and medium enterprises**

Based on the findings, most respondents agreed that performance of SMEs improved regardless of the taxes. This means that most business owners are left with enough cash at hand to sustain

their growth thus closure cases are minimal. This is also because 31.7% strongly agreed that they have ever been assessed by the tax authorities and majority agreed to the taxes they needed to pay thus tax avoidance rates were low and tax compliance is better. This was based on the fact that the number of respondents who strongly agreed that profitability had increased regardless of the taxes were 74.2% and this meant that sales were still high despite the increase in prices due to taxes since the demand was high. 69.7% of the respondents agreed that the market size has increased regardless of the taxes and this is because of the high demand for the products and services, 60.33% agreed that their return on investment increased regardless of the taxes, 84.8% agreed that the market growth improved regardless of the taxes.

However, 82.34% disagreed with their businesses are not usually locked due to taxes i.e. taxes do not usually lead to closure of their business. This shows that most businesses are not heavily affected by the taxes imposed on them and have enough cash or other sources of income to sustain their businesses.

### **5.3 Recommendations**

The study provides the following recommendations on the impact of taxation on the performance of SMEs.

- i. The government should adequately create awareness on the need for tax payers to pay their taxes appropriately
- ii. The tax authorities i.e. Uganda Revenue Authority should also assess the tax payers and inform the tax payers about the modes of taxes which should be appropriate so that tax evasion is not rampant.
- iii. Taxes should also be collected in accordance to the sizes of the businesses. Businesses that earn relatively should not be strained in terms of taxes so that they can progress. Mode of taxation should be in relation to the ability to pay.
- iv. Businesses should be given incentives and exemptions by the government. This attracts more people to open businesses and also to be tax compliant thus leading to economic growth.

- v. The small businesses should also be equipped financially and have other sources of finance so that they can survive in times of recession thus surviving. having other income sources helps businesses to remain with some money after paying the taxes.

#### **5.4 Conclusion**

From the findings, it is concluded that taxes do not affect businesses positively only but also negatively. Businesses still thrive despite the taxes imposed on them. It is noted that taxes lead to increased prices on goods and services thus lowering their demand. There are also challenges I tax administration such as corruption, ineffective tax authorities, tax evasion.

#### **5.5 Suggestions for further research**

This study explored the impact of taxation on the performance of small and medium enterprises and some recommendations that other researchers can explore include;

- i. To establish the level of taxation on the survival of small business enterprises.
- ii. To assess the benefits of improved taxation on the survival of small business enterprises
- iii. The factors that have led to increased tax evasion among businesses
- iv. The effects of the businesses' management techniques on the performance of small and medium businesses.

## **BIBLIOGRAPHY**

Run Hua Wang and Jay P. Kesan, (2020, March), Journal of Small Business Management

<https://www.tandfonline.com/doi/abs/10.1080/00472778.2019.1709381>

Sa-Tied (2019, October), The Impact of Tax Havens on South African Revenue

<https://sa-tied.wider.unu.edu/article/impact-tax-havens-south-african-revenue>

Wangeci and Migwi Mercy (2018), Taxation and The Growth of Small and Medium Enterprises.

William Dunkelberg (2021), Impact of Taxes on Small Businesses.

<https://www.forbes.com/sites/williamdunkelberg/2021/10/06/impact-of-taxes-on-small-business/?sh=4599a2623250>

CFI Team (2021, Feb 10), Keynesian Economic Theory: Explaining the government's roles during economic recession

<https://corporatefinanceinstitute.com/resources/knowledge/economics/keynesian-economic-theory/>

MBA Knowledge Base

[www.mbaknol.com](http://www.mbaknol.com)

Tina Van Rikxoord (2021, October) Ability to Pay Principle of Taxation: Theory and Analysis, study.com

<https://study.com/learn/lesson/ability-to-pay-principle-taxation-theory-analysis-examples.html>

Jason Gordon (2022, July) Benefit Principle Explained, thebusinessprofessor.com

[https://thebusinessprofessor.com/en\\_US/accounting-taxation-and-reporting-taxation/benefit-principle-definition](https://thebusinessprofessor.com/en_US/accounting-taxation-and-reporting-taxation/benefit-principle-definition)

David Gorton (2022,27) Income Tax Terms Guide

Kimberly Amadeo (2022, May) Regressive Tax with Examples. How Regressive Taxes Increase your costs

<https://www.thebalance.com/regressive-tax-definition-history-effective-rate-4155620>

Julia Kagan (2021,26) Proportional Tax

<https://www.investopedia.com/terms/p/proportionaltax.asp>

Shawan Grimsley(2021, September) How the Technological Environment Affects Business: Examples and Effects.

<https://study.com/academy/lesson/how-the-technological-environment-affects-business.html>

Ibrahim Mike Okumu and Faisal Buyinza (2019): Performance of small and medium sized enterprises in Uganda. The role of innovation.

<https://www.africaportal.org/publications/performance-small-and-medium-sized-enterprises-uganda-role-innovation/>

Hearing Shava and Ellen C. Rungani (2016, November): Influence of gender on SME performance in emerging economies.

<https://actacommerci.co.za/index.php/acta/article/view/408/599>

Xie, Wang, Lee (2021, June) Understanding the impact of social capital on entrepreneurship performance: The moderation effects of opportunity recognition and operational competency

<https://www.frontiersin.org/articles/10.3389/fpsyg.2021.687205/full>

Denis Arop No (2019, October) Challenges SMEs face in Uganda

<https://www.monitor.co.ug/uganda/oped/commentary/challenges-smes-face-in-uganda-1851310>

David Sarokin (2019, May) Definition of Small- Scale Enterprise

<https://smallbusiness.chron.com/definition-smallscale-enterprise-17652.html>

Julia Kagan (2022, April) Taxation Defined with Justifications and Types of Taxes

<https://www.investopedia.com/terms/t/taxation.asp>

Julia Kagan & Janet Berry Johnson (2023, March) Regressive Tax: Definition and Types of Types of Taxes That Are Regressive

<https://www.investopedia.com/terms/r/regressivetax.asp>

Oluwatosin Odebunmi (2022, January) The Biggest Challenges SMEs Face and How to Overcome Them

<https://portcities.net/blog/latest-news-from-odoo-port-cities-2/the-biggest-challenges-smes-face-and-how-to-overcome-them-51#o-wblog-post-main>

Diptimai Kari, Simple Keynesian Model (SKM): Assumptions, Conditions and Defects

<https://www.economicdiscussion.net/keynesian-economics/keynesian-model/simple-model-skm-assumptions-conditions-and-defects/15566>

Tim Vipond (2019, December) Keynesian Economic Theory

<https://corporatefinanceinstitute.com/resources/economics/keynesian-economic-theory/>

Caitlin Clarke & Vikki Velasquez (2022, 21<sup>st</sup> September) Keynesian Economics Theory: Definition and How Its Used

<https://www.investopedia.com/terms/k/keynesianeconomic.asp>

Will Kenton & Robert C. Kelly & Katrina Munichello (2023, 28<sup>th</sup> may) Neoclassical economics: What It Is and Why It's Important

<https://www.investopedia.com/terms/n/neoclassical.asp>

Julia Kagan & Janet Berry- Johnson Ability-to-Pay Taxation: Definition and Examples

<https://www.investopedia.com/terms/a/ability-to-paytaxation.asp>

Julia Kagan and Janet Berry-Johnson What is Income Tax and How Are Different Types Calculated?

<https://www.investopedia.com/terms/i/income tax.asp>

Lea D. Uradu and Amanda Jackson (march 31<sup>st</sup>,2023), Value Added Tax (VAT)

<https://www.investopedia.com/terms/v/valueaddedtax.asp>

Mellisa Horton, Lea D. Uradu, Vikki Velasquez, Regressive vs proportional vs progressive taxes: What is the difference?

<https://www.investopedia.com/ask/answers/042415/what-are-differences-between-regressive-proprtrional-and-progressive-taxes.asp>

Celinne Da Costa (April, 4<sup>th</sup> 2021) How Technology will change the way business is Run in 2021

<https://www.forbes.com/sites/celinnedacosta/2021/04/04/how-technology-will-change-the-way-business-is-run-in-2021/?sh=4abac3ee4c96>

William Dunkelberg (October 6<sup>th</sup>, 2021) Impact of Taxes on Small Business

<https://www.forbes.com/sites/williamdunkelberg/2021/01/06/impact-of-taxes-on-small-business/?sh=3ec8463883250>

Gabriel A. Gimenez-Roche (November 23<sup>rd</sup>, 2015) Taxation and its negative impact on business investment activities

<https://www.institutmdinari.org/2015/11/23/taxation-and-its-negative-impact-on-business-investment-activities/>

Will Hillier (November 30<sup>th</sup>, 2022). What is Secondary Data? A Complete Guide

<https://careerfoundry.com/en/blog/data-analytics/what-is-secondary-data/#secondary-data>

## APPENDICES

### APPENDICE 1: INTRODUCTION LETTER

