

**TAX ADMINISTRATION AND PERFORMANCE OF SELECTED SMALL-SCALE
BUSINESS ENTERPRISES IN BUKEDEA DISTRICT**

ROBINA AKITENG

WJ22/MUC/BBA/005

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

November, 2024



**UGANDA CHRISTIAN
UNIVERSITY**

A Centre of Excellence in the Heart of Africa

DECLARATION

I Akiteng Robina declare that the content of this research report is my original work and to the best of my knowledge this work has never been submitted anywhere for any award. It is done through my own efforts.

Signature:

 Date: 27th/08/2024

AKITENG ROBINA

WJ22/MUC/BBA/005

APPROVAL

This is to certify that this research report has been under my supervision and guidance and is now ready for submission to the department of Business for examination

Signature:



Date:



Mr OWINO SAMSON

(ACADEMIC SUPERVISOR)

DEDICATION

I dedicate this research report to my parents, whose unwavering love, support, and encouragement have been the cornerstone of my academic journey. Their steadfast belief in my abilities has continually inspired me to strive for excellence and persist through the challenges I encountered. Their boundless patience, sacrifices, and motivational words have been the driving force behind my achievements and have played a crucial role in reaching this significant milestone in my life. This dedication is a testament to their enduring commitment and the profound impact they have had on my academic and personal growth.

ACKNOWLEDGEMENT

I wish to express my heartfelt gratitude to Mr.Owino Samson, my university supervisor, for her steadfast support and guidance throughout the writing process of this research report. His profound expertise, insightful feedback, and patient mentorship were crucial in refining and shaping this work to its final form. I am deeply appreciative of her dedication and commitment to my academic success.

I also extend my sincere thanks to the participants who generously shared their time and expertise with me. Their valuable contributions were indispensable to the completion of this research. Additionally, I acknowledge the significant assistance and support provided by the staff and resources involved, which were essential in collecting the necessary data and materials for this study.

My deepest appreciation goes to my family and friends for their unwavering support and encouragement throughout this demanding journey. Their love, understanding, and patience were vital in keeping me motivated and focused during the many challenges faced while preparing this report.

TABLE OF CONTENT

DECLARATION	i
APPROVAL	ii
DEDICATION.....	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENT	v
LIST OF TABLES	x
ABSTRACT	xi
LIST OF ACRONYMS.....	xii
CHAPTER ONE.....	1
1.0 Introduction.....	1
1.1 Background to the study	1
1.1.1 Historical Background.....	1
1.1.2 Theoretical background.....	2
1.1.3 Conceptual perspective	4
1.1.3 Contextual perspective	4
1.2 Statement of the Problem	5
1.3 Purpose of the study	6
1.4 Specific Objectives.....	6
1.5. Research questions.....	6
1.6 Scope of the study	6
1.6.1 Content scope.....	6
1.6.2 Geographical Scope	7

1.6.3	Time scope.....	7
1.7	Conceptual Framework.....	7
	Figure 1. 1: Conceptual framework	7
1.8	Significance of the Study.....	8
1.10	Definition of terms and concepts of the study	9
	CHAPTER TWO	11
	LITERATURE REVIEW	11
2.1	Introduction.....	11
2.2	Theoretical Review	11
2.2.1	The Ability-to-Pay theory.....	11
2.2.2	Knowledge-Based theory and Resource-Based View	12
2.3	Empirical Literature Review.....	13
2.3.2	The effect of tax registration on performance of selected small-scale enterprises	13
2.2.3	The effect of tax assessment on performance of selected small-scale enterprises	15
2.2.4	The effect of tax mobilization on performance of selected small scale enterprises.....	18
2.3	Empirical review	20
	CHAPTER THREE.....	23
	METHODOLOGY.....	23
3.1	Introduction.....	23
3.2	Research Design.....	23
3.3	Study Area	23
3.4	Study Population	24
3.5	Sample size and Selection.	24
	Table 1: Sample size and selection	25

3.5.1 Sampling techniques.....	25
3.6 Data Collection Sources	26
3.6.1 Primary Data	26
3.6.2 Secondary Data	26
3.7 Data collection methods	26
3.7.1 Questionnaire Survey Method	26
3.7.2 Interviewing Method	26
3.8. Data Collection Instruments	27
3.8.1 Questionnaires.....	27
3.8.2 Interview Guide.....	27
3.9 Validity and Reliability	27
3.9.1 Validity	27
Table 1: Reliability test	28
3.10 Data Collection Procedure	28
3.11 Data Analysis	28
3.12 Ethical Considerations	29
CHAPTER FOUR.....	31
DATA ANALYSIS PRESENTATION AND INTERPRETATION OF FINDINGS	31
4.0. Introduction.....	31
4.1. Biological Data of the respondents	31
4.2. Tax Registration	35
4.3. Effect of tax assessment on performance of selected small scale business enterprises in Bukedea District.....	41

4.4. Effect of tax mobilization on performance of selected small scale business enterprises in Bukedea District.....	46
CHAPTER FIVE	51
DISCUSSION, CONCLUSION AND RECOMMENDATIONS	51
5.0 Introduction.....	51
5.1 Summary of the findings	51
5.1.1. Effect of tax registration on the performance of selected small-scale business enterprises in Bukedea District.....	51
5.1.2. Effect of tax assessment on performance of selected small scale business enterprises in Bukedea District.....	52
5.1.3. Effect of tax mobilization on performance of selected small scale business enterprises in Bukedea District.....	53
5.2 Conclusion	54
5.2.1. Effect of Tax Registration on Performance of selected small scale business enterprises in Bukedea District.....	54
5.2.2. Effect of Tax Assessment on Performance of selected small scale business enterprises in Bukedea District.....	54
5.2.3. Effect of Tax Mobilization on Performance of selected small scale business enterprises in Bukedea District.....	55
5.3 Recommendations	55
5.3.1 Effect of Tax Registration on Performance of selected small scale business enterprises in Bukedea District.....	55
5.3.2 Effect of Tax Assessment on Performance of selected small scale business enterprises in Bukedea District.....	56
5.3.3 Effect of Tax Mobilization on Performance of selected small scale business enterprises in Bukedea District.....	56

5.4 Contribution of the study	56
5.4 Areas for further research	57
REFERENCES	58
APPENDICES	59
Appendix III: Questionnaire for Respondents in Bukedea District	59
Appendix IV: Interview Guide for the Key Informants	62
Appendix I: Sampling Table.....	63

LIST OF TABLES

Table 4.1. Showing the age of the respondents	31
Table 4.2: Showing sex of the respondents	32
Table 4.3: Showing marital status of the respondents.....	33
Table 4.4: Showing levels of education	34
Table 4.5: Tax Registration and performance of selected small-scale business enterprises in Bukedea District.....	35
Table 4.6: Showing the relationship between Tax Registration and performance of selected small-scale business enterprises in Bukedea District.....	40
Table 4.7: Showing the relationship between tax assessment and performance of selected small scale business enterprises in Bukedea District	41
Table 4.8 : Showing the effect of tax assessment on performance of selected small scale business enterprises in Bukedea District	45
Table 4.9: Showing the relationship between tax mobilization and performance of selected small scale business enterprises in Bukedea District	46
Table 4.10: The relationship between tax mobilization and performance of selected small scale business enterprises in Bukedea District	50

ABSTRACT

This study examined the relationship between tax administration and the performance of small-scale business enterprises in Bukedea District using a sample of 136 respondents selected according to Morgan's table for a population of 168. Employing a descriptive survey design, the research assessed the impact of tax registration, tax assessment, and tax mobilization on business performance. The findings revealed a significant positive relationship between tax registration and performance, with businesses showing increased revenue and operational efficiency. Tax assessment was also positively correlated with performance, contributing to better business planning and financial management. Tax mobilization had a strong positive effect, with businesses experiencing higher growth rates and operational improvements. The study concluded that effective tax administration practices significantly enhance business performance. It is recommended to improve tax registration processes to boost business outcomes, optimize tax assessment practices for better strategic planning and financial management, and strengthen tax mobilization strategies to support business growth and contribute to regional economic development.

LIST OF ACRONYMS

URA	:	Uganda Revenue Authority
VAT	:	Value Added Tax
SSB	:	Small Scale Businesses
SAQ	:	Self-Administered Questionnaire
TIN	:	Tax Identification Number
UN	:	United Nations
CET	:	Common External Tariff
GST	:	Goods and Services Tax
PVoC	:	Pre-export Verification of Conformity
TREP	:	Taxpayer's Registration Expansion Programme

CHAPTER ONE

1.0 Introduction.

This chapter presents a background of the study, statement of the problem, purpose of the study, specific objectives, and research questions, scope of the study, significance of the study, and conceptual framework.

1.1 Background to the study

This will consist of historical background, theoretical background, conceptual background and contextual background.

1.1.1 Historical Background.

The first record of organized taxation comes from Egypt around 3000 BC and is mentioned in historical sources including the Bible. In the book of Genesis 47:24, it describes the collection of taxes by the Egyptian Kingdom explaining that the Pharaoh would send commissioners to take one-fifth (1/5) of all grain harvests as a tax. Tax practice continued to develop as Greek civilization overtook much of Europe. The first Greeks had a precise tax system where taxes like sales taxes, inheritance taxes, land taxes, poll taxes and taxes on imports and exports were imposed on citizens to pay for wartime expenditure (Barungi,2018).

Globally, taxation plays an important role in deploying its function of money regulator, enabling the realization of surplus value and the accumulation of capital in most of the economies (Andres Blanco, 2022). According to the Organization for Economic Development (OECD), taxes are explained a mandatory, unrequited payment to the government. These are unpaid in the sense that the benefits provided by the government like education services, health services and road construction to taxpayers are not normally equal or in proportion to their payments.

The basic role of tax administration is to raise tax revenue; therefore, an effective tax system is crucial for both developed and developing countries since adequate revenue collection is a determinant of economic growth. However, even the effectiveness of the best institutional design of tax administration is also significantly conditioned by tax laws. Complex tax laws make the role of tax administration harder in terms of costly enforcement process, increased taxpayer compliance costs, among others, which lead to high rates of tax fraud (Martinez-Vazquez et al., 2022).

Business enterprises play a big role in the Bukedea District. While their contributions to development are generally acknowledged, they face obstacles that limit their survival and

development. The non- performance of business enterprises in developing countries like the East African states is higher than the developed countries because they lack availability of business information, high cost of obtaining financial capital for reinvestment and lack of managerial experience which affects their initiation and growth (Mbugua, 2019). The serious decrease in the financial performance of business enterprises in recent years in Uganda led to a decrease in profit available for tax remitted to the government. The need for business enterprises to generate more business returns from its internal sources has therefore become a matter of extreme urgency and importance in taxation. This need for taxation has underscored financial performance on all parts of business enterprises and even in the government to look for new internal sources to get revenue. In Uganda, the history of taxation can be traced in times of the initial British colonial administrators which involved “compulsory public works such as road construction, the building of administrative headquarters and schools” among other works. The hut tax commenced the genesis of formal taxation in the early 1900s.

Conversely, the first common tariff was introduced that involved a 5% import tax rate for the goods entering East Africa through the port of Mombasa, Kenya, destined for Uganda (Ojo, 2017). In Bukedea, 74% of the business enterprises are locally owned and managed by individuals who normally acquire loans from financial institutions. For example, a report by Bank of Baroda Ltd, Bukedea Branch for the year ended 31/12/2021 revealed that the bank had given out loans to 5,665 business owners and had an outstanding loan balance of 46,527,535,973= and these businesses bear a tax burden which range from corporation tax, rental tax, presumptive tax, trading license and property tax among others which has affected level of profitability, hence poor performance. Thus, it is against this background that the researcher undertook this study to investigate more about the effect of tax administration on the performance of business enterprises in Bukedea District.

1.1.2 Theoretical background.

This study was steered by the Ability to Pay Theory of taxation.

The ability to pay philosophy of taxation maintains that taxes will be levied according to a taxpayer’s ability to pay. It will be advanced by Adam Smith, a Scottish economist, philosopher and considered the father of economics in 1776. Smith proposed that taxation should follow four principles of fairness, certainty, convenience, and efficiency. It was further advanced by Swiss philosopher Jean-Jacques Rousseau (1712-1778), the French political economist Jean-Baptiste

(1767-1832) and the English economist Stuart Mill (1806-1873). Similarly, the ability to pay principle affirms that the amount of tax an individual pays should be independent of the level of burden the tax will create relative to the wealth. It guarantees that the real amount of tax paid is not the only factor that has to be considered and that other issues such as ability to pay should also be factored into a tax system. The belief behind this principle is that business enterprises that earn high income can afford to pay more taxes than lower income earners. The application of this system gives rise to a progressive tax system where individuals/firms with higher incomes are taxed highly than those with lower incomes (Kenton, 2020).

In Uganda, the ability to pay requires that the tax burden be spread between individuals/firms based on their ability to pay while supporting the principle of equity and fairness within the taxation system, (Barungi, 2018). According to the study, the tax burden should be distributed among the members of the society based on the principles of equity and fairness according to their ability to pay and this leads to a progressive tax system. Therefore, there should be a simplified tax administration system, fair taxes and tax incentives like exemptions, reductions, and tax holidays to promote business performance of enterprises in Bukedea District.

Knowledge-Based theory and Resource-Based View: It considers knowledge as the most strategically significant resource of a firm and focuses on resources and organizational capabilities as the principal sources of sustainable competitive advantage. It originated from the strategic management literature and builds upon and extends the resource-based view of the firm (RBV) initially promoted by Penrose (1959) and later expanded by others (Wernerfelt, 1984; Barney, 1991; Conner, 1991). It is a recent extension of the resource-based view of the firm very adequate to the present economic context. Knowledge is considered a very special strategic resource that does not depreciate in the way traditional economic productive factors do and can generate increasing returns through creation and innovation (Curado, 2006).

Knowledge-based view of the firm is a management concept of organizational learning that provides a firm with strategies for achieving competitive knowledge. This is achieved through increased employee involvement in formulation of operational goals and long-term transformational objectives of the firm. The continuous acquisition and transfer of knowledge within a business organization is necessitated by such factors as ever-changing competitive conditions in markets initiated by globalization, frequent deregulations, and technical advancements.

1.1.3 Conceptual perspective

Performance of a business enterprise refers to the ability of business to meet essential standards, increase market share, improve facilities, ensuring returns on profitability and total cost reduction and once this is achieved, a business is believed to be performing effectively (World Bank Enterprise Survey, 2013). Performance measures are quantitative and qualitative ways that specify and define performance.

They provide a tool for an organization to manage progress towards achieving pre-determined goals, defining key indicators of organizational performance and customer satisfaction.

Performance is described as outcomes, end results and achievements (negatives and positives) arising out of organizational activities (Kintu, 2019). They stated that it is essential to measure strategic practices in terms of outcomes. Those outcomes vary along a continuum of categories such as: financial measures (Return on Assets, return on Equity, turnover, Profit Before Tax); measures of output of goods and services such as number of units produced, number of clients attended to, number of errors in the process, customer satisfaction indexes or measure of employee satisfaction (Yu, 2013). For reasons of this study, the financial performance methods that can be adopted consist of; “return on assets, and return on equity, profitability” that are used to establish the development of business enterprises. Similarly, the non- financial performance methods to be used are marketing effectiveness, growth, and employee satisfaction.

Tax administration refers to a structure/policy of identification of potential taxpayer, collection and laws governing taxation (Mayende, 2013). Tax administration should be effective in the sense of ensuring high compliance by taxpayers, and efficient in the sense that administrative costs are low relative to revenue collected. Good tax administration requires strong technical capacity by administrative agency but also a well-designed tax (Kangave et al., 2016).

1.1.3 Contextual perspective

Business enterprises in Uganda foster economic growth and development to a greater extent. Most reports on business performance show that small and medium enterprises represent more than 90% of all companies globally and are the primary drivers of productivity and growth. Nevertheless, the growth of these enterprises is associated with limited access to finance services, high taxes, and lack of access to markets for their finished products (World Bank Report 2017). In addition, to facilitate an easy registration of patents and business undertakings, Uganda Registration Services Bureau (URSB) was formed by an Act of Parliament in 1998 to ease on business

registration. Uganda Investment Authority (UIA) was set up under the Investment Code 1991(revised in 2019) to initiate and support measures that enhance investment in Uganda and advise the government on appropriate policies that are conducive for investment promotion and growth. More to that, different sectors have unique laws governing licensing in those sectors. For example, financial institutions are governed by the Financial Institutions Act (2004) with its subsequent amendments. In the same way, the mining sector is regulated by the Uganda Mining Act (2003).

1.2 Statement of the Problem

The performance of small-scale business is popularly becoming an important point to many people as self-employment in generation income for their survival. They play a vital role in the development of the economy with each employing 5-50 people and contributing 30% to GDP. The government has put incentives like initial allowance of 50% to encourage their development of located in prescribed areas of Bukedea, Kibungo, and Kachumbala. Despite the efforts by the government many of the small-scale businesses can't leave beyond the first birthday. This may be attributed to the many taxes imposed on them. For instance, Victoria in glass limit has recently closed five hundred shops before their owners tiredly paid their dues. This was due to high taxes levied on the retail shop operators. The high taxes have affected the performance of the small-scale business leaving them with little or no revenue for their operation. (New Vision, July 11, 2023). The researcher will try to establish how tax policies affect the performance of small-scale business.

Business enterprises in Uganda make up over 70% of the economy and contribute above 20% of the Gross Domestic Product. Their work comprises service provision, selling of goods, agriculture and furniture making, among others, (Deloitte Report, November 2017). Bukedea District Annual Reports indicate 100% as the expected target of business performance in Bukedea District for the financial years 2019/2020 and 2020/2021. However, 65% and 59% was realized respectively yet these enterprises are required to comply to URA regulation of paying taxes. These rates appeared to take an upward trend which led to closing of some business enterprises in the district (Kato, 2017). Whereas tax administration had been done in Bukedea District, not many taxes have been duly paid, and instead they have been considered as a burden by the business owners. Traders lacked knowledge of how much tax administration contributes to their business performance (KMDF, 2021).

The shortfalls in the performance of business enterprises together with the poor tax policies in Bukedea District affect the ability of these enterprises to mobilize the required financial and non-financial resources. Furthermore, the poor performance of business enterprises if not immediately addressed would affect economic growth and development since they contribute highly to the economy (Barungi, 2018). This prompted the researcher to investigate more about how tax administration affects performance of business enterprises in Bukedea District.

1.3 Purpose of the study

The purpose of this study will be to establish the relationship between tax administration and performance of selected small-scale business enterprises in Bukedea District

1.4 Specific Objectives

- i. To assess the effect of tax registration on the performance of selected small-scale business enterprises in Bukedea District
- ii. To assess the effect of tax assessment on performance of selected small scale business enterprises in Bukedea District
- iii. To examine the effect of tax mobilization on performance of selected small scale business enterprises in Bukedea District

1.5. Research questions.

- i. What is the effect of tax registration on the financial performance of small-scale business enterprises in Bukedea District?
- ii. How does the process of tax assessment influence financial performance of selected small-scale business enterprises in Bukedea District?
- iii. In what ways does tax mobilization affect financial performance of small-scale business enterprises in Bukedea District?

1.6 Scope of the study

1.6.1 Content scope

The study will focus on relationship between tax administration and performance of selected small scale business enterprises. In this study, tax administration is the independent variable while performance of business enterprises was the dependent variable.

1.6.2 Geographical Scope

The study will be conducted in Subdivisions of Bukedea District. These are (Town Council, Kachumbala, kidongole and kolir SubCounty). The study specifically targeted business enterprises operating within the above Subdivisions that makeup Bukedea District. More so, focus is also on tax officials from Bukedea Subdivisions and Uganda Revenue Authority as key stakeholders in providing data relevant to the study.

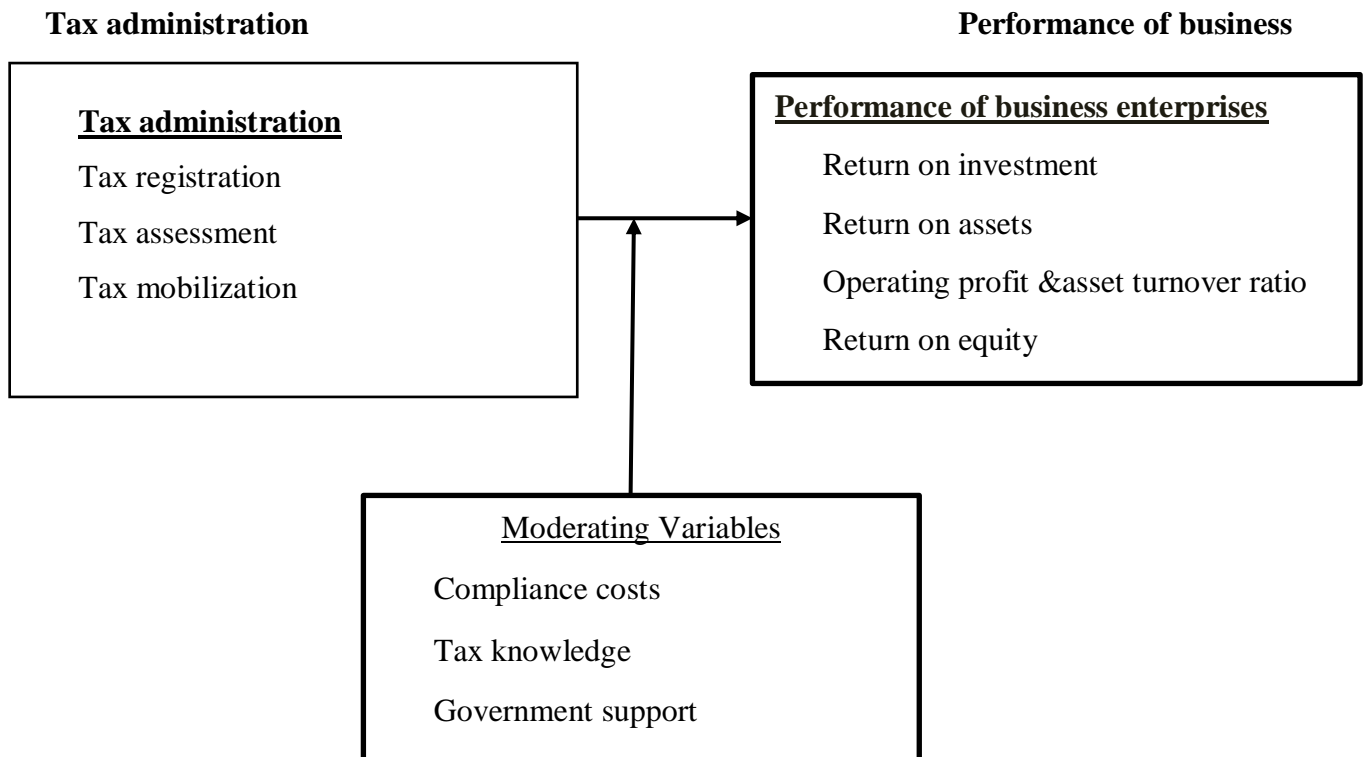
1.6.3 Time scope

The research will cover an operational period of two years (that is from 2020 to 2023). The reason for this period is to reflect on current information relating to tax administration and performance business enterprises. This will enable the researcher to gather relevant, current, and adequate data regarding the study under investigation.

1.7 Conceptual Framework

The conceptual framework below focused on the relationship between tax administration and performance of selected small-scale businesses in Bukedea District.

Figure 1. 1: Conceptual framework



Source: Researcher (2021)

According to Fig. 1.1, it is conceptualized that tax registration significantly affects the performance of business enterprises. Tax registration, as an independent variable (IV), is crucial for formalizing business operations and accessing various benefits such as financial support and legal recognition. Findings from Smith and Johnson (2022) reveal that businesses that complete proper tax registration generally demonstrate improved financial performance metrics, including Return on Investment (ROI) and Return on Assets (ROA). This suggests that tax registration enhances financial management and operational efficiency, which positively influences overall business performance.

Tax assessment, another key independent variable, impacts how businesses allocate resources and plan for growth. According to Fig. 1.1, effective tax assessment contributes to improved performance indicators like operating profit and asset turnover ratio. Research by Miller and Brown (2021) shows that businesses that undergo regular and accurate tax assessments are better positioned to make informed financial decisions, optimizing their performance. This indicates that thorough tax assessments provide essential insights into financial health, supporting better resource management and strategic planning.

Tax mobilization also plays a significant role in business performance, as depicted in Fig. 1.1. The impact of tax mobilization on Return on Equity (ROE) and other performance metrics is moderated by factors such as compliance costs, tax knowledge, and government support. Findings from Garcia and Lee (2023) suggest that while tax mobilization can positively affect ROE, its effectiveness is influenced by the level of compliance costs and the extent of tax knowledge among business owners. Furthermore, government support enhances the benefits of tax mobilization by providing financial incentives and reducing compliance burdens, thus improving overall business performance.

1.8 Significance of the Study

The significance of this study extends to various stakeholders who interact with small-scale business enterprises.

Business Owners: The research findings may help business owners understand how tax registration, assessment, and mobilization can impact their financial performance. By highlighting the benefits of effective tax practices, the study may provide valuable insights into optimizing their business operations and improving profitability.

Policy Makers: The study's findings may assist policy makers in designing and implementing more effective tax policies and programs. By understanding the impact of tax practices on small-scale enterprises, they may be better equipped to develop strategies that support business growth and compliance.

Government Agencies: The research may provide government agencies with evidence on how tax mobilization and assessment influence business performance. This information could be used to refine tax administration practices and enhance support services for small-scale businesses.

Investors: Investors may benefit from the study's findings as they provide insights into the financial health and performance of businesses influenced by tax practices. This understanding may guide their investment decisions and risk assessments.

Academic Researchers: For academic researchers, the study may contribute to the existing body of knowledge on tax administration and business performance. The research findings may offer a basis for further studies and analyses in the field, helping to fill gaps in the literature and advance understanding of the relationship between tax practices and business outcomes.

1.10 Definition of terms and concepts of the study

Tax: is a compulsory payment levied by the government on individuals or companies to meet the expenditure which is required for public welfare (Adam Smith,1776).

Taxation: refers imposition of compulsory levies on individuals or entities by governments. Taxes are levied in almost every country of the world, primarily to raise revenue for government expenditure; although they serve other purposes as well (Charles, 2022).

Tax administration refers to the identification of the taxpayer, assessment of tax payable, collection of taxes and enforcement of tax liability (Bird, 2014).

Tax assessment is the determination of the amount to be paid by the taxpayer in respect of a particular revenue item and raising a formal notification of the amount to be the basis for its determination, the due date and mode of payment among others to the taxpayer. The assessment exercise helps governments to keep a record of the amount and due date for payment of the respective revenue items, the name, location, and other details of the taxpayer (Fjeldstad, 2003).

Business performance The Company's ability to make the best use of the resources it manages in its business activities. Also, business performance is a set of analytic processes that enables the management of an organization's performance to achieve pre-selected goals (IGI Global, 1988-2022).

Return on investment: is a performance measure used to evaluate the efficiency or profitability of an investment or compare the efficiency of a number of different investments. ROI tries to directly measure the amount of return on a particular investment, relative to the investment's cost (Jason Fernando, 2022).

Return on assets refers to a financial ratio that indicates how profitable a company is in relation to its total assets. Corporate management, analysts, and investors can use return on assets to determine how efficiently a company uses its assets to generate a profit (Marshall Hargrave, 2022) Profitability measures management efficiency in the use of organizational resources in adding value to the business of the firm (Nishantini & Nimalathan, 2013).

Return on equity (ROE) is a gauge of profit generating efficiency and a strong measure of how well the management of a firm creates value for its shareholders (Kharatyan, 2016).

Business Growth: is a stage where the business reaches the point for expansion and seeks additional options to generate more profit. Business growth is a function of the business lifecycle, industry growth trends, and the owners' desire for equity value creation (Attract Capital, 2022).

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter include review of literature relating to the relationship between tax administration and performance of business enterprises. The chapter presents the theoretical review, actual review, and empirical review. The review focused on the major themes of the study, that is: to establish the relationship between tax registration and performance of business enterprises; tax assessment and performance of business enterprises; tax mobilization and performance of small-scale business enterprises; and relationship between tax incentives and performance of business enterprises.

2.2 Theoretical Review

The study will be underpinned by the Ability-to-Pay theory, Knowledge Based theory and Resource Based View.

2.2.1 The Ability-to-Pay theory.

The ability-to-pay philosophy of taxation maintains that taxes will be levied according to a taxpayer's ability to pay. It is advanced by Adam Smith a Scottish economist, philosopher and considered the father of economics in 1776. Smith proposed that taxation will follow four principles of fairness, certainty, convenience, and efficiency. It is further advanced by Swiss Philosopher Jean-Jacques Rousseau (1712-1778), the French political economist Jean-Baptiste (1767-1832) and the English economist Stuart Mill (1806-1873. The application of this system gives rise to a progressive tax system where individuals/firms with higher incomes are taxed more highly than those with lower incomes (Will Ken, 2020). The usual and most supported justification of ability to pay is on grounds of sacrifice. The payment of taxes is viewed as a deprivation to the taxpayer because he surrenders money to the government for private use.

Nevertheless, there was no stable proposal for the measurement of the equity of sacrifice in this theory, as it can be measured in absolute, proportional, or marginal terms. Thus, equal sacrifice can be measured for every taxpayer's surrenders the same absolute degree of utility obtained from their income or each taxpayer sacrifices the same proportion of utility obtained from their income; or each taxpayer gives up the same utility for the last unit of income. This theory proposes that tax policies towards business enterprises should be considerate enough to facilitate their profitability,

financial performance and survival and thus their compliance. By assessing the impact of taxation on financial performance and capabilities of business enterprises, this study proposed appropriate tax policies that can favor the existence of business enterprises through the determination of their ability to pay the taxes imposed by the tax authorities (Kangave et al, 2016).

2.2.2 Knowledge-Based theory and Resource-Based View

It considers knowledge as the most strategically significant resource of a firm and focuses on resources and organizational capabilities as the principal sources of sustainable competitive advantage. It originated from the strategic management literature and builds upon and extends the Resource-Based View of the firm (RBV) initially promoted by Penrose (1959) and later expanded by others (Wernerfelt 1984; Barney, 1991; Conner 1991). The four critical factors namely, objectives, strategy, change management and resource management practices have been identified as enablers for innovation capabilities that are pinned by the resource-based view (Nur, Balqishanis, Binti & Zainal, 2021). It is a recent extension of the resource-based view of the firm very adequate to the present economic context. Knowledge is a very special strategic resource that does not depreciate in the way traditional economic productive factors do and can generate increasing returns (Carlurado, 2006).

In resource-based view-point theory; the resources that are possessed by a firm are the primary determinants of its performance. A firm's performance in the marketplace depends on the different characteristics of the industry in which it competes and through innovation, persistent improvement, and management of relationship with external entities may lead to competitive advantage and be above average performance (Mweni & Maina, 2015).

Knowledge management has emerged as one of the new management methods. Among the most debated areas in knowledge management has been the association between knowledge and firm performance, but a lack of understanding and consensus remains a major issue (Inkinen, 2016). The research addressed the gap by determining how knowledge management-based managerial and organizational practices are related with business performance. Thus, the two theories were used since they contain the theories of taxation and performance of business enterprises which are the essential variables that are used in this research.

2.3 Empirical Literature Review

2.3.2 The effect of tax registration on performance of selected small-scale enterprises

Uganda Registration Services Bureau Act Cap 2010 is mandated to register all business entities in Uganda that are required by law to be registered. The bureau was formed by an Act of Parliament in 1998 in Uganda. All businesses operating in Uganda are typically required to obtain one or more licenses and permits depending on the activities of their enterprise to facilitate business start-ups according to the Uganda Registration Services Bureau (URSB 2016). In addition, its charged with civil registrations (marriages, divorces), business registration and patents and intellectual property rights as required by law (URSB, 2020). Uganda Investment Authority (UIA) was set up under the investment code 1991(revised in 2019) to initiate and support measures that enhance investment in Uganda and advise the government on appropriate policies that are conducive for investment promotion and growth. Different organs have unique laws governing licensing in those sectors, for example, financial institutions are controlled by the Financial Institutions Act (2004) with its subsequent amendments. Similarly, the mining sector is regulated by the Uganda Mining Act (2003).

Apart from registration, taxation and customs laws and regulations are applied. For example, the Value Added Tax Act Amendment (2020) streamlines the operations of VAT domestically and at customs, the East African Customs Management Act (2004) jointly with the East African Community Customs Management (Amendment) Bill (2017) streamline the operations of customs activities at all East African border points. In addition, the Common External Tariff (CET) was established to guide on all duties for commodities imported from outside the East African Community.

Today in Uganda, under the Taxpayer Registration Expansion Programme (TREP), business enterprises are required to register for both business licensing and tax at one point to simplify tax administration processes for improved compliance leading to increased revenue collection. In Bukedea, Uganda Revenue Authority, Uganda Registration Services Bureau and Bukedea Council Local Government work in collaboration to ensure that all the taxpayers are registered to help improve on revenue assessment and mobilization. This means that all Business enterprises leave the registration point with both the business operational license and the Tax Identification Number (TIN), (URA, 2020).

However, protocol is not a main objective for Business enterprises as they majorly focus on expanding sales for business growth. Although tax and local authorities want Business enterprises to be registered and formalize their operations in order to collect tax revenue, Business enterprises want to remain informal to avoid paying taxes. It has been noticed in Lima, Ohio (United States) that obtaining a trading license does not guarantee increase in firm revenue. Therefore, Business enterprises find no urgency in formalization. Besides, obtaining a license involves costs in terms of monetary payments to local authorities and wasted time. Furthermore, trade is hampered by inconsistent collection of duties which influences traders to issue bribes to customs officials (United States Country Commercial Guides, 2019).

Tax registration of business enterprises may also induce irregular payments because people feel that to survive in business, pay irregularly at below the rates. It can be argued that the tax rates imposed on business enterprises can hinder performance, for instance, the excise duty imposed on items can increase their selling price, which may reduce the sales volume. The empirical findings of Godin and Hindriks (2015) among Ghanaian manufacturing firms indicate that tax burden increases as the firm's financial performance declines. Thus, whenever tax rates especially under the indirect tax regimes increase, there is expected reduction in firm clientele and sales hence more pressure on firm cash flows. Whereas tax/duty collection and business registration has been made easy through online platforms (online filing of returns and online business registration), business community is complaining about bribery and irregular payments (World Economic Forum, 2017). Moreover, public servants are fraudulent; this is coupled with bureaucratic hurdles which hamper efficiency (Investment Climate Statement, 2017).

Following the East African Customs Protocol, East African states have structured the customs procedures. Before the protocol, each member state was following own customs procedures. However, today, the common customs laws to all East African customs points were introduced. Laws such as the East African Customs Management Act (2004) together with the East African Customs Management (Amendment) Bill (2017) regulate customs business at all East African border points. The Uganda National Bureau of Standards introduced a Pre-Export Verification of Conformity (PVoC) following the World Trade Organizations notification requirements and the Technical Barriers to Trade (TBT) article 5. The PVoC requires that all commodities imported to Uganda are verified for quality from their country of Origin. However, the clearance requirement challenges traders since they buy and import merchandise from open market

In addition, to ensure that customs regulations are implemented in a proper and efficient manner, new technology such as single customs territory has been introduced. The single customs territory enables traders to comply with customs procedures and pay customs taxes at one entry point within a maximum of two days (Nakaweesi, 2018). The United Nations Doing Business report (2017) indicates that URA introduced a one-stop center at Malaba to expedite customs clearing processes. There are also similar competing views on whether and how the length of time a formal enterprise spent influences subsequent firm performance. The conventional view, based on the assumption that unregistered enterprises are performing poorer, is that the greater the length of non-tax registration, the worse would denote the subsequent firm performance (CC Williams, 2016). However, based on the proposition that starting up unregistered businesses enhances subsequent business performance, it might be asserted that the greater their duration of non-registration, the greater will be their advantage over the registered ones at the outset. That is, the longer they do not suffer paying taxes, burdensome regulations, and bribery from public sector for instance, the more the advantages over those starting up registered are consolidated and the greater are differential in subsequent firm performance. This is the case where ‘weak’ formal institutions provide few benefits to formalization (Kistruck, Webb, Sutter & Bailey, 2015) and thus, the costs of non-registration outweigh the benefits of registration (for example, access to credit and human capital, opportunities to acquire government contracts, outsource from large firms, access training and business support programmed). The above study further points out the relationship between tax administration and performance of business enterprises, though it did not cover Bukedea District. This was one of the reasons for the researcher to undertake this study in the context of Bukedea District.

2.2.3 The effect of tax assessment on performance of selected small-scale enterprises

A fair and effective taxation and assessment system is an important tool that begins with transparency and accountability to the taxpayers that demand concise but clear information on effective tax burdens. Adebis et al (2013) revealed that multiple taxation has a negative effect on small and medium enterprises’ survival and the relationship between SME’s size and ability to pay the taxes that are assessed is significant. Thus, the government should come up with uniform tax policies that will favor the development of in Uganda and consider the size of the businesses when setting tax policies. Many businesses close due to tax-related issues like multiple taxes to enormous

tax burden that affect the performance of businesses. Thus, high tax assessment rates have an impact on the performance of business enterprises.

The preference of tax assessment should depend on the tax choice accorded by small businesses to promote the performance of business enterprises which can be done by lowering tax rates, offering tax holidays as well as reliefs to the small businesses (Atawodi and Ojeka, 2012). The essential aim is to ensure that tax income is successfully increased through methods that suit the country's environment and administrative ability. A SEATINI-UGANDA (2017) survey in Uganda suggested that taxation was one of the major implements to the growth and development of Business enterprises since the high tax rates inversely affected the performance of small firms. Amidst other hurdles to business growth were initial firm size, human capital, sources of finance to start up, nature of firm's acquisition and government fiscal policy. This confirms the importance of tax assessment towards elevating the performance of business enterprises in Uganda.

Tax policy is one of the factors that comprise the businesses' economic environment. The study recommends that for the business enterprises to get well equipped, have enough funds for reinvestment and survive in a competitive market, the rate of tax levied on the businesses should be lower (Ocheni, 2015). Tax incentives serve as a catalyst for business growth and therefore should be increased highly to attract many investors in the country. Furthermore, in the study by Olutayo et al (2015), both financial and non-financial performance indicators on the life span of the business enterprise are used. It emphasized that both financial that is net profit before tax and non- financial (operational) indicators have got an influence on the firm's performance. In addition, the emphasis should not only be placed on commencement but also on the sustainability and longevity of the firms that are operational in the country (Uganda). Abanis et al (2013) assert that small and medium enterprises are seen as the driving force for the promotion of the country's economy because of their contribution. Return on investment, return on assets and business growth, among others, as major components of business performance are still considered the major goals of business enterprises. Thus, the owners of business enterprises should develop a positive attitude towards adopting financial management practices like bookkeeping, filing of tax returns, among others, as these help in achieving the desired business performance of the firm.

The effect of the tax system on the growth of small enterprises by Mungaya, Mbwambo and Tripathi (2012) found out that high tax rates hike the cost of production within business enterprises

which greatly affects performance of these firms and therefore should not be ignored. In supplement, Gordon (2019) also pointed out that high tax assessments coupled with complex tax systems have negatively affected performance of business enterprises.

Performance of business enterprises is repeatedly troubled by the high tax assessments and unclear tax system. Taxation as a significant aspect of the economy since it affects numerous economic activities including the establishment and development of Business enterprises. Taxes hike the cost of production of goods and services which eventually cause prices of goods to increase thus affecting the final consumers. On the other hand, revenue mobilized from taxes represents major funding for government expenditure. Generating favorable conditions for business prosperity at the same time upholding tax compliance is still a challenge in most countries (Swistak, 2016).

In accordance with the OECD survey report (2019) on the taxation of business enterprises, the findings indicated that fourteen countries had adopted the reduced corporate tax assessments for business enterprises to improve their performance. This is supplemented with various strategies to support businesses' corporate tax rates that include: "lower tax assessment on first tranche(s) profits, regardless of total income level, withdrawal of tax relief at higher profit levels, reduced CIT (corporate income tax) rates for corporations with income below a certain level, eligibility for small-business rates determined by non-income criteria instead of or in addition to income criteria" (OECD, 2019).

The effect of tax assessment and financial performance in Ugeya, was studied by Okong (2018). The purpose of the study was to examine the effect of income tax rates on organizational performance. The study had adopted survey study as the research design. The research instruments were the use of questionnaires. The data was collected from secondary sources in 2009 to 2013 on the firm's earnings. The study used correlation analysis and chi-square to establish the relationship between individual variables in tax rates. The study found out that tax assessment is influenced by government demands. Therefore, the study only deals with tax assessment on revenue collection leaving the tax rate at which taxes are collected and their impact on performance business enterprises, which create a gap for this study.

High tax rates had a great effect on economic financial performance and regulations of money circulation. Progressive tax rates influence tax collection with increase in income tax. A similar study was done by Tsubira and Nkote (2013) who argued that effective tax assessment had a significant impact on business performance in terms of profitability. The total returns raised are

more positive impact on tax rates in the firm equity of the company. Furthermore, the study indicated that influence of taxation rates is positively or negatively related to performance, tax imposed by the government affects the rate of interest rates charged on tax deductions which lead to more taxation than earnings.

High tax assessments encourage evasion; therefore, the intuition is that high tax assessment increases the tax burden and hence lowers the disposable income of the taxpayer (Dennis, 2014). However, the level of the tax rate may not be the only factor influencing people's decision about paying taxes. In fact, the structure of the overall tax system has an impact as well. In addition, large companies more often easily take advantage of tax loopholes, thereby contributing to the perceived unfairness of system.

Tax assessment rates and the overall structure of the tax system, therefore, have a significant impact on the performance of business enterprises. The literature on tax assessment of business organizations was not only limited but also failed to show practical evidence on the influence of tax assessments on the performance of business enterprises. To attend to this literature gap, this study established the extent to which tax rates affect the performance of business enterprises in Bukedea District. The findings of the study will reveal that the level of tax rates should be fair enough to foster the growth and development of business enterprises in Bukedea District, and an effective tax assessment system be designed that aims at lowering tax rates which will support the growth of business enterprises in Bukedea District.

2.2.4 The effect of tax mobilization on performance of selected small scale enterprises

Taxation is the compulsory levy by the government and its agencies on income, salaries, profits, dividends, discounts, interests, and royalties (Afuberoh, 2014). He adds that tax is levied against a company's profits, capital gains, and transfers. Furthermore, taxation is a science of imposing tax on citizens and a compulsory levy imposed and requires to be paid by every citizen (Ojo, 2017). The imposition of a tax is expected to generate income which shall be used in the provision of social amenities.

The European Parliament (2014) asserted that in recent years, domestic revenue mobilization in developing countries gained increasing performance in the policy debate. Many factors explain this including benefits of taxation for state building. Governments in developing countries face challenges in mobilizing tax revenues which result in a gap between what they could collect and

what they collect. However, the significant contributors to these tax gaps include tax evasion, avoidance, and exemptions by the business owners.

The tax system should be strengthened through having a clarified system of tax mobilization that can enable business enterprise taxpayers to meet their tax obligations by designing essential tax rates that are not related to the taxable profits as indicated in the law but on an economic measure in which the impact on the tax base is included; intensifying tax incentives in order to develop the infant firms in business to stimulate the performance of business enterprises in the economy (Barungi,2018). By URA training with Judiciary to tighten legal loopholes in revenue mobilization (February 2022), the authority is keen to engage and listen to the ideas, views and comments, continuous training, and equipping with information, knowledge and an understanding of Uganda's taxation laws, policies and tax administration practices to all stakeholders. Tax education programmer improve on taxpayers' attitude towards tax compliance which increases revenue collections. Thus, there will becontinuous tax education programmes to enable tax compliance such as sensitization workshops for business owners to pay taxes (Mabonga, et al.,2015).

Revenue mobilizations has been recognized by the government as very important because it helps aid in delivering valuable services for citizens, and the necessary benefits for state building, wealth distribution to different regions as well as incentives for innovation, trade investment climate, building infrastructure among others (World Bank, 2015).The primary objective of the tax system is to raise revenue that will assist in offering better services to the citizens, developing the nation, encouraging innovation and trade in Greece. The taxes mobilized have helped to accumulate capital for expenditure in the development of the nation like road construction, improving health services and education services, among others. These taxes are paid by the business enterprises and hence influence their performance. Thus there was need for the researcher to investigate more about the relationship between tax mobilization and performance of business (Kalogiannidis,2021).

The authorities and mobilisers of taxes should seek to balance their educational and assistance role with the enforcement role. According to Atawodi and Ojeka (2012), the rationale behind the whole system of tax is consistent with two of the three major theories of tax namely: the Ability-to-Pay Principle and the Equal Distribution Principle which emphasize equality and fairness. The Ability-to-Pay theory is of the view that individuals should be taxed based on the individuals' ability to pay while on the other breadth; the Equal Distribution Principle proposes that the incomes, wealth

as well as the monetary transactions of the individuals should be taxed at a fixed percentage. This implies that the individuals who earn more and buy more should pay more taxes but will not pay a higher rate of taxes.

A higher tax rate increases the burden of the taxpayer and reduces his disposable income; hence, the probability of evading tax is higher (Dennis, 2014). Government needs to review tax bias against entrepreneurs and design tax policies for entrepreneurship as a remedy to market failures, while avoiding adverse side effects. Marginal tax rates exert a statistically and quantitatively significant influence on growth of firms. This leads to the conclusion that raising income tax inhibits the growth of small firms. Being highly innovative, business enterprises lead to the utilization of the available natural resources which in turn translates to increasing the country's wealth through higher productivity. Business enterprises have undoubtedly improved the standard of living of the majority people in the rural areas

Uganda Revenue Authority Bukedea Branch in their annual reports for the financial years 2019/2020 and 2020/2021 showed a declined performance in tax collection from 70% to 66%. This was due to the Covid- 19 pandemic and the closure of the Uganda-Rwanda border, registering a shortfall of 4%. However, Uganda Revenue Authority is faced with challenges in tax mobilization which include taxpayer compliance burden, lack of adequate resources to sustain and facilitate the operation of tax authorities, lack of modern technology, high levels of illiteracy and the problem of tax evasion and default by the taxpayers. The government efforts towards tax mobilization should be directed to improving tax collection and other tax reforms to fight against tax evasion, tax avoidance and other unlawful practices (Niwamanya, 2018). This study did not relate their observations to business performance and the scope of Bukedea District had not been explored. This prompted the researcher to explore more the effect of tax mobilization and performance of Business Enterprises in Bukedea District.

2.3 Empirical review

The consequences of poor tax administration: collections, financial performance and corruption (Chandler, 2013). The study was conducted to cater for scholar work at George State University. The study examines the aspects of tax administration impact on financial performance. The data was collected from 79 counties with macro-economic variables. The study reveals that tax administration is complex leading to unintentional tax evasion and significant gap on tax gap.

Tax reform reduces tax code complexity and increase the equality of tax administration services providing the largest marginal revenues in reducing tax gaps in tax enforcement measures and revenues. The tax authority provides greater assistance to taxpayers creating conducive environment for tax enforcement measures. Thus, the study did not examine the impact of tax administration such as the issue of corruption, tax enforcement measures, tax evasions and financial performance which creates financial performance gap.

The costs of tax administration tend to be disproportionately higher for business enterprises in most developing countries. Based on constructs made internationally comparing a multidimensional index of tax administration quality using information from Tax Administration Diagnostic Assessment tool, it shows that improved tax administration attenuates the productivity gap of business enterprises relative to larger and older firms, a result that is robust to controlling for other aspects of tax policy and economic governance and measures of quality of tax administration, (Dabla et al., 2017). From a policy perspective, evidence is provided that countries can reap growth and productivity dividends from improvements in tax administration and lower compliance costs faced by business enterprises.

Tax administration is vital for economic performance in both government revenue collection and business performance (Kangave et al., 2016). In Uganda, tax administration has gradually improved from manual forms to electronic system where taxpayers need to access tax information at their convenience and consult on tax matters 24 hours using the toll-free line. Furthermore, URA opened several forms for tax education and sensitization, for instance: URA launched 'Ask URA' mobile application with Mobile Telephone Network Company (MTN), URA conducts workshops and seminars to vendors and landlords (Uganda Revenue Authority Annual Report, 2015/2016). The efforts are in favor of improving tax compliance with minimum cost to the taxpayer. It can be argued that once the compliance cost in terms of efforts, time and monetary losses to business enterprise are minimized, the resources saved may be utilized by businesses for market penetration hence increased sales and financing working capital or any other business activity.

In administering taxes, high tax rates may also induce irregular payments because people feel that to survive in business, they should pay irregularly at below the rates. Furthermore, it can be argued that the tax rates imposed can hinder firm performance; for instance, the excise duty imposed on items can increase the selling price of an item, which may reduce the sales volume. The empirical findings of Gatsi et al., (2013) among Ghanaian manufacturing firms indicate that whenever tax

burden increases, the firm's financial performance declines. Thus, whenever tax rates especially under the indirect tax regimes increase, there is expected reduction in firm clientele and sales, hence more pressure on firm cash flows. Furthermore, in Malaysia, the Goods and Services Tax (GST) have slowed down the sales of the shipbuilding and ship repairing business and affected cash management as the firm had to hold more cash on hand to settle debts and fulfill tax obligations on behalf of the customers (Sim, 2019).

Whereas tax/duty collection and business registration has been made easy through online platforms (online filing of returns and online business registration), the business community is complaining about bribery and irregular payments (World Economic Forum, 2017). Moreover, public servants are fraudulent; this is coupled with bureaucratic hurdles which hamper efficiency (United States Commercial Guides, 2017).

The impact of tax administration on revenue generation; The study noted that inherent power of the government to impose taxes is assured at all times of its tax revenue no matter the tax (Dennis, 2014). The government is fully to modernize and automate all tax systems to improve taxpayers' convenience in tax assessment and payment process while at the same time entrenching effective and modern human resources management practices in tax authorities. Thus, financial performance gaps were not addressed in relation taxation to small and medium enterprises.

In a study of revenue administration on taxpayer audit development for effective plans, technical guidance notes and fiscal affairs department; the results indicated that tax administration in many developing countries appears to be that all taxpayers are potential criminals and that subjecting them to taxation is fundamentally a matter of identifying, controlling and catching those cheating (Martinez-Vazquez, 2019). There are no modern tax systems that can work on fear alone, problems of tax enforcement cannot be solved simply by calling in the tax police. Contrary to the study of Swistak (2016), there are many benefits from observing taxpayers more as clients than criminals. Taxpayers' services emphasize on reducing taxpayers' uncertainty by describing some of the recent services and communicate clearly what the law is, instead of changing it every year and taking compliance cost designing legal and administrative procedures. There was a problem in knowing how best to deal with taxation.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter presents the methodology that was used in the study. It covered the research design, study population, sample population, size, sampling procedures, data collection methods and their corresponding data collection instruments, reliability and validity, data collection procedure, data analysis, and the ethical considerations.

3.2 Research Design

The study utilized a descriptive survey design encompassing all the business enterprises in the subdivisions of Bukedea District. Descriptive survey design is a research approach involved in either identifying the characteristics of an observed phenomenon or exploring possible correlations among two or more phenomena (Bryman, 2018). A cross-sectional research design was adopted, as it is used when different categories of people are handled simultaneously (Amin, 2005). Therefore, the researcher adopted this design to enable the collection of data from taxpayers and revenue officials, dealing with both qualitative and quantitative data to derive valid and dependable conclusions and recommendations necessary for the study. The study aimed to provide detailed data on the subject under investigation for the entire population. The survey provided a description of pertinent characteristics of the population and allowed for inferences regarding cause and effect. It focused on a set of firms, specifically the business enterprises in Bukedea District as per this study. A triangulation of quantitative and qualitative research approaches was adopted to exploit the synergies offered by different methodologies. Both primary and secondary data were collected through interviews, questionnaires, and document review.

Survey designs were of particular value, especially when identifying the impact of tax administration on the performance of business enterprises in Bukedea, where understanding the individual impact on one case might be challenging without considering the relationships with others (Cooper & Schindler, 2014). The descriptive survey design thus enabled the researcher to collect in-depth data on the population studied and allowed for more focused and specific recommendations.

3.3 Study Area

The reason for selecting Bukedea District for the study was to investigate the poor performance of business enterprises due to tax administration policies. The sample for the study was drawn from

all the business enterprises in the subdivisions of Bukedea District. Since the accuracy of the sample depended largely on the sampling frame, the researcher ensured a high degree of correlation between the sampling frame and the population. The sample size was a crucial aspect of the study for making inferences about the subject matter. In practice, sample size serves as a basis for achieving sufficient statistical power (Morgan, 2001). Sample size is particularly important because of its impact on statistical power and the likelihood that a statistical test will indicate a significant difference when one truly exists (Morgan, 2001).

3.4 Study Population

The study used a population of 168, which included various categories of small-scale business enterprises. This population comprised Technical Revenue Officials (10), Retail and Wholesale businesses (25), Hotels and Restaurants (45), Metal Fabrication enterprises (18), Food Processing businesses (8), and Entertainment Joints and Bars (62). By involving these diverse sectors, the study aimed to capture a comprehensive view of the effects of tax registration, assessment, and mobilization on different types of businesses within the district. The inclusion of these categories provided a broad understanding of how tax practices impacted various business operations and performance metrics.

3.5 Sample size and Selection.

The study used a sample size of 136, drawn from a diverse population of 168 small-scale business enterprises. The sample was distributed across different categories as follows: 10 Technical Revenue Officials, 24 Retail and Wholesale businesses, 40 Hotels and Restaurants, 12 Metal Fabrication enterprises, 8 Food Processing businesses, and 42 Entertainment Joints and Bars. This distribution aimed to ensure that various sectors were represented, providing a comprehensive analysis of the impact of tax registration, assessment, and mobilization on business performance. The sample of 136 respondents was determined based on Krejcie and Morgan's (1970) sampling table (see Appendix 1).

Table 1: Sample size and selection

Population Category	Population	Sample size	Sampling techniques
Technical Revenue Officials	10	10	Purposive
Retail and Wholesale	25	24	Multi-stage sampling
Hotel and Restaurant	45	40	Quota sampling
Metal Fabrication	18	12	Purposive
Food processing	08	08	Purposive
Entertainment joints and bars	62	42	Quota sampling
Total	168	136	

Source: Bukedea Business Report (2022)

3.5.1 Sampling techniques

The researcher employed three sampling techniques for carrying out the research: quota sampling, multi-stage cluster sampling, and purposive judgmental sampling in data collection.

Quota Sampling: This technique addressed issues of repetitiveness by using a matrix describing the characteristics of the larger population to determine the proportion of the population that is male and female, and for each sex, what proportion falls into various educational levels.

Multi-Stage Sampling: This sampling technique involved two basic steps: listing and sampling the study population. The list of primary sampling units comprised seven shop owners, six small-scale business owners, four shopkeepers, and three workers within the shops. A sample of these units was selected and then listed.

Purposive Sampling: In this technique, the researcher sampled the population based on their own knowledge of the population, its elements, and the nature of the research design. This approach was particularly useful in the initial design phase, where the researcher used questionnaires to select respondents to test the broad applicability of the research questions designed.

3.6 Data Collection Sources

3.6.1 Primary Data

Primary sources included data in original materials gathered by the researcher in its original form on which research is based (Amin 2005). Respondents were given questionnaires and structured interview guides that they filled and at the end the researcher aggregated the responses that constituted the data and later results of study.

3.6.2 Secondary Data

Secondary sources offer interpretation or analysis based on primary sources. Other publications from secondary sources like dissertations, publications, journals, and the internet were accessed to obtain relevant and supporting literature (Amin, 2005).

3.7 Data collection methods

Quantitative and qualitative methods of data collection will be employed during the study. Questionnaire survey method was used to pool quantitative statistics, while the interviews were employed to gather qualitative information. A better collection method was chosen that conformed the purpose of the study.

3.7.1 Questionnaire Survey Method

Questionnaire is one of the most used tools in surveys with many participants. In this study, a structured questionnaire was utilized. A self-administered Questionnaire was utilized for this method. Questionnaires are ideal for saving time, are cost effective and provide room for high response rate (Creswell, 2018). The questionnaires provided room for confidentiality and were ideal for sensitive areas of study like tax administration and business enterprise performance. The respondents had to choose options basing on their level of agreement with the questionnaire items.

3.7.2 Interviewing Method

In this study, interviewing was adopted. The researcher engaged respondents in a face-to-face interview focused on the study topic and the objectives. Interviewing is a data-collection instrument that involves oral questioning of respondents either individually or as a group (Chaleunvong, 2009). The responses to the interview questions were written down during the interview. In-depth interviews were used to obtain data from key informants such as the proprietors and top management staff who were purposively selected because of the information they held.

Face to face interviews were held with revenue officers and business enterprise owners to get the right information and establish a rapport with the respondents.

The interviews were structured comprising a set of issues on tax registration, tax assessment, and mobilization and tax incentives. This interview method was used to gather information from the business proprietors, and other revenue officials since these people have in-depth information concerning taxation policies and how they are influencing the performance of business enterprises in Bukedea District.

3.8. Data Collection Instruments

3.8.1 Questionnaires.

A questionnaire refers to a compilation of questions, which helped the researcher to gather necessary research data for the study. This study considered closed-ended questionnaire (Mugenda & Mugenda, 2013). Self-Administered Questionnaires (SAQ) were employed to gather data from the study elements in a structured manner. SAQs with one open ended question per section designed for business enterprise owners to give additional or express their mind while the rest were close ended questions (Appendix III). Questions were designed using a five-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree) for easy measurements of variables (Jackson, 2009). The questionnaire was employed on business owners in Bukedea and revenue officials of Bukedea District

3.8.2 Interview Guide.

In this study, interview guides were designed (Appendix IV). Interviews are used for collection of data that involves face to face, telephone or focus group discussion groups between the researcher and interviewee(s) (Creswell, 2013). The guide involved unstructured and generally open-ended questions that allowed probing for in-depth information from participants. This guide enabled the gathering of facts from business proprietors, and other top management officers in these enterprises and technical officials in tax administration since these people have in-depth information concerning tax administration policies and performance of business enterprises.

3.9 Validity and Reliability

3.9.1 Validity

The study tools were pre-tested for their face and content validity. For face validity, the tools were reviewed by supervisors who provided feedback on the questions in the questionnaire and

interview guide. Questions deemed vague by the supervisors were either eliminated or rephrased. To measure content validity, each of the pre-test respondents was asked to rate the questions in the questionnaire and interview guide, indicating whether they found the questions Relevant (R) or Irrelevant (IR) as a way of expressing their level of agreement or disagreement with the content..

Table 1: Reliability test

Variable	No. of items	Cronbach Alpha
Tax registration	7	0.70
Tax assessment	8	0.71
Tax mobilization	8	0.70

The tools were considered reliable since their alpha values were 0.7 and above as recommended (Mugenda & Mugenda, 2013). The consistency and trustworthiness of the qualitative instruments was upheld by the researcher through checking the tools to ensure that they are free from errors that may have been made in transcription.

3.10 Data Collection Procedure

The researcher obtained an introductory letter from Uganda Christian University, Mbale College, which enabled her to collect data from the field (Appendix V). After establishing the validity and reliability of the instruments to be used, the researcher gathered raw information from the field. Data collection, processing, and analysis were undertaken by the researcher herself.

3.11 Data Analysis

Data analysis refers to the process of bringing order, structure, and meaning to the mass of raw information gathered for the purpose of assessing reliability and testing hypotheses (Sekaran, 2013). Initially, data was entered into the MS Excel program for cleaning. The cleaned data was then imported into SPSS version 23 statistical software for analysis.

Quantitative Analysis:

The quantitative analysis conducted was both descriptive and inferential. Descriptive statistical measures helped the researcher describe the effect of tax administration on the performance of business enterprises in Bukedea District. The hypotheses were analyzed using inferential statistics to establish significant relationships between the independent and dependent variables, utilizing

Pearson's correlation coefficient and multiple regression analysis. The hypotheses were accepted when the p-value was at most 0.05, indicating a significant relationship.

Qualitative Analysis:

For qualitative analysis, data from interviews was sorted for completeness. The qualitative data was analyzed in the form of texts and themes, with impressions examined and presented using descriptive methods. This thorough analysis allowed for in-depth insights to be generated from the views of the respondents.

3.12 Ethical Considerations

The study upheld all ethical considerations recommended in research, such as seeking participants' informed consent, ensuring privacy, maintaining confidentiality, upholding anonymity, and avoiding plagiarism.

Privacy:

Participants were treated with a high level of privacy. No participant was allowed to complete the questionnaire in groups, and each interview was conducted separately. Any recordings made were used solely for the study and were later deleted from the researcher's database. The privacy of all official documents accessed and reviewed was also maintained.

Confidentiality:

Confidentiality pertains to the extent to which respondents' information is disclosed. The researcher maintained a high level of confidentiality by coding questionnaires instead of using respondents' names and using the findings only for the purposes of the study (Stevenson & Mahmut, 2013).

Anonymity:

The researcher ensured that all private data, details, and opinions from respondents were kept anonymous. The information was stored securely and used exclusively for academic purposes. Only information relevant to the study objectives was included in the study report.

Informed Consent:

Informed consent involves ensuring that all potential participants receive and understand the information they need before participating in the study. Before engaging any participant, the researcher sought their consent. The purpose and objectives of the study were explained to potential participants, who were then asked to fill out a consent form (see Appendix II) to confirm

their acceptance to participate in the study. This process helped participants understand the study and encouraged their involvement.

CHAPTER FOUR

DATA ANALYSIS PRESENTATION AND INTERPRETATION OF FINDINGS

4.0. Introduction

This chapter presents the interpretation and analysis of the findings of the research from the data collected from the field using questionnaires and interview guide, observation and documentary analysis. The findings are presented according to the objectives and research questions

4.1. Biological Data of the respondents

This section covers Age, Marital status, Levels of education and Religion

Table 4.1. Showing the age of the respondents

Response	Frequency	Percent
15-30 years	79	58.1%
31-45 years	45	33.1%
46-60 years	12	8.8%
Total	136	100.0%

Source: Primary Data 2024

Findings from the age distribution of respondents reveal significant insights into the entrepreneurial landscape of Bukedea District. The data indicates that 58.1% of respondents are aged between 15 and 30 years. This substantial representation of younger entrepreneurs suggests a vibrant and dynamic business environment in the district, where younger individuals are more actively engaged in entrepreneurial activities. Their prevalence may reflect their greater openness to adopting new technologies and practices, including modern approaches to tax administration. This age group is likely to be more adaptable to evolving business models and regulatory frameworks, potentially driving innovation and growth in the local economy.

In contrast, the 31-45 year age group accounts for 33.1% of the respondents. Entrepreneurs in this bracket are often in a stage of consolidating their businesses and might be characterized by a balanced blend of experience and new ideas. Their perspectives on tax administration could be shaped by their accumulated experience as well as their response to changing business environments. This demographic may face different challenges compared to younger

entrepreneurs, including more complex business operations and a greater emphasis on structured tax compliance.

The smallest representation comes from the 46-60 year age group, with only 8.8% of respondents. This lower percentage suggests that older entrepreneurs may be less active in the small-scale business sector within the district. The reasons for this could include a higher tendency to retire from active business roles or a slower adoption of new business practices and tax regulations. Their experiences, however, provide valuable insights into the long-term implications of tax policies and business performance.

Overall, the age distribution of respondents underscores the need for tailored tax administration strategies that consider the diverse needs and characteristics of different age groups. Younger entrepreneurs may benefit from support that facilitates their adoption of modern tax practices, while those in the 31-45 age range might require assistance with more complex tax compliance issues. Addressing the needs of older entrepreneurs, though less numerous, is also crucial for a comprehensive approach to tax administration. This nuanced understanding of the age demographics can help in designing more effective policies and support mechanisms to foster the growth and sustainability of small-scale businesses across the district.

Table 4.2: Showing sex of the respondents

Response	Frequency	Percent
Male	68	50.0%
Female	68	50.0%
Total	136	100.0%

Source: Primary Data 2024

Findings from the sex distribution of respondents reveal a balanced representation of male and female entrepreneurs in Bukedea District, with each gender comprising 50% of the sample. This equal distribution highlights gender parity in entrepreneurial participation within the district. The presence of both males and females in equal numbers suggests that opportunities and challenges related to tax administration and business performance are experienced similarly across genders. This balance may reflect an inclusive entrepreneurial environment where both men and women

have comparable access to resources and opportunities. Understanding this gender balance is crucial for developing tax administration policies that are equitable and supportive of all entrepreneurs, ensuring that both male and female business owners receive the necessary guidance and support to effectively manage their businesses and comply with tax regulations.

Table 4.3: Showing marital status of the respondents

Response	Frequency	Percent
Single	94	69.1%
Married	15	11.0%
Divorced	15	11.0%
Separated	12	8.8%
Total	136	100.0%

Source: Primary Data 2024

Findings from the marital status distribution of respondents reveal a diverse range of personal circumstances among small-scale business owners in Bukedea District. The majority of respondents, 69.1%, are single, indicating that a significant portion of the entrepreneurial population is relatively young or in the early stages of their personal and professional lives. This high percentage of single entrepreneurs may be linked to increased flexibility in business operations and potentially greater risk-taking tendencies, which could influence their approach to tax administration and business performance.

In comparison, 11.0% of respondents are married, while another 11.0% are divorced. These groups represent a smaller portion of the entrepreneurial community and may face different challenges and opportunities in managing their businesses. Married entrepreneurs might balance business responsibilities with family obligations, potentially impacting their business strategies and tax compliance. Divorced entrepreneurs might encounter unique financial and emotional considerations that could affect their business performance and tax management practices.

Additionally, 8.8% of respondents are separated, which adds another layer of complexity to the understanding of business operations and tax administration among this demographic. The varied

marital statuses highlight the need for tailored support systems that address the specific needs of different groups within the entrepreneurial population.

Overall, the marital status distribution underscores the importance of recognizing the diverse personal circumstances of entrepreneurs when designing tax administration policies and support mechanisms. Ensuring that policies accommodate the varying needs of single, married, divorced, and separated entrepreneurs can enhance the effectiveness of tax compliance and support the overall performance of small-scale businesses in the district.

Table 4.4: Showing levels of education

Level of Education	Frequency	Percent
None	8	5.9%
Primary	15	11.0%
Secondary	53	38.9%
Tertiary and above	60	44.1%
Total	136	100.0%

Source: Primary data 2024

Findings from the educational background of respondents reveal significant insights into the qualifications and potential capabilities of small-scale business owners in Bukedea District. The data shows that 44.1% of respondents have attained tertiary education or higher, indicating a strong presence of individuals with advanced academic qualifications in the entrepreneurial sector. This higher level of education is likely to contribute positively to their understanding of complex tax regulations and business management practices, potentially enhancing their overall performance and compliance.

In contrast, 38.9% of respondents have completed secondary education, reflecting a substantial portion of entrepreneurs with foundational academic backgrounds. While secondary education provides essential skills and knowledge, entrepreneurs in this category might face challenges in navigating more sophisticated tax administration and business strategies compared to their tertiary-educated counterparts.

A smaller percentage, 11.0%, have only primary education, and 5.9% have no formal education. These lower education levels may present obstacles in understanding and implementing tax regulations effectively. Entrepreneurs with limited formal education might struggle with more complex aspects of tax compliance and business management, potentially affecting their business performance and tax compliance rates.

Overall, the distribution of education levels among respondents underscores the importance of providing targeted support and resources. Entrepreneurs with higher educational qualifications are more likely to effectively manage their businesses and comply with tax regulations, whereas those with lower education levels may benefit from additional training and resources. Tailoring educational support to address the needs of all entrepreneurs can improve tax compliance and enhance the overall performance of small-scale businesses in the district.

4.2. Tax Registration

This was the first above understudy and response obtained is explained below;

Table 4.5: Tax Registration and performance of selected small-scale business enterprises in Bukedea District

Statement	1	2	3	4	5	Mean	Std Dev	Comment
Tax officials register business enterprises in Bukedea District	9.1%	36.4%	15.2%	30.3%	9.1%	2.94	1.197	Moderate
In Bukedea District there is transparency in business enterprise tax registration	12.1%	36.4%	15.2%	36.4%	0.0%	2.76	1.091	Moderate
Tax registration is done following URA	6.1%	45.5%	21.2%	18.2%	9.1%	3.29	1.111	Moderate

tax laws and policies								
There is easy registration of business undertakings by district tax officials	12.1%	39.4%	12.1%	30.3%	6.1%	2.79	1.193	Moderate
Tax registration of business enterprises is done to facilitate proper operation in the district	21.2%	27.3%	18.2%	30.3%	3.0%	2.67	1.216	Moderate

Source: Primary data 2024

The analysis of tax registration practices and their impact on the performance of small-scale business enterprises in Bukedea District provides valuable insights into the effectiveness, transparency, adherence to laws, ease of registration, and overall facilitation of business operations. The data collected from respondents reflects a moderate perception across these dimensions, which suggests both strengths and areas for improvement.

The survey data reveals that 9.1% of respondents strongly disagree, 36.4% disagree, 15.2% are neutral, 30.3% agree, and 9.1% strongly agree with the statement that tax officials register business enterprises in Bukedea District. This yields a mean score of 2.94 with a standard deviation of 1.197, indicating a moderate perception of the effectiveness of tax registration processes by officials. The moderate rating suggests that while there is some level of registration taking place, the process may not be as efficient or streamlined as desired. Previous studies support this observation; for instance, Terkper (2003) highlights that effective tax administration requires a streamlined registration process to enhance compliance and reduce administrative burdens.

Similarly, Sandford (1995) emphasizes that inefficiencies in registration can discourage business formalization, affecting overall performance. In Bukedea District, addressing administrative challenges and improving the registration process could lead to better outcomes for small-scale businesses. **(Comment; moderate)**

Regarding transparency, the data shows that 12.1% of respondents strongly disagree, 36.4% disagree, 15.2% are neutral, 36.4% agree, and 0.0% strongly agree with the statement that there is transparency in business enterprise tax registration in Bukedea District. The mean score is 2.76, with a standard deviation of 1.091, reflecting a moderate perception of transparency. Transparency is crucial for fostering trust and compliance among business owners. Alm and Torgler (2006) argue that transparency in tax administration can significantly impact taxpayer compliance, as it builds trust and reduces perceived unfairness. Slemrod (2003) also notes that perceived fairness and transparency in tax systems are essential for maintaining taxpayer morale and reducing tax evasion. In Bukedea District, the moderate perception of transparency suggests that while efforts are made to ensure openness, further improvements are needed. Implementing measures to enhance transparency, such as clearer communication and more accessible information on tax registration processes, could improve perceptions and compliance. **(Comment; moderate)**

The adherence to URA tax laws and policies is reflected in the survey data, where 6.1% of respondents strongly disagree, 45.5% disagree, 21.2% are neutral, 18.2% agree, and 9.1% strongly agree with the statement that tax registration is done following URA tax laws and policies. The mean score is 3.29 with a standard deviation of 1.111, indicating a moderate level of agreement. Adherence to tax laws and policies ensures that tax registration processes are legal and standardized. Bird and Zolt (2003) emphasize the importance of aligning local tax administration practices with national laws to ensure consistency and fairness. Their research indicates that compliance with established tax laws not only ensures legality but also builds trust in the tax system. In Bukedea District, the moderate perception of adherence to tax laws suggests that there may be discrepancies or challenges in aligning local practices with national regulations. Addressing these issues and ensuring full compliance with URA guidelines could enhance the credibility and effectiveness of the tax system. **(Comment; moderate)**

Concerning the ease of registration, 12.1% of respondents strongly disagree, 39.4% disagree, 12.1% are neutral, 30.3% agree, and 6.1% strongly agree with the statement that there is easy

registration of business undertakings by district tax officials. This results in a mean score of 2.79 and a standard deviation of 1.193, suggesting a moderate perception of the ease of registration. The ease of registration is critical for encouraging business formalization and improving performance. Research by De Mel et al. (2008) and La Porta and Shleifer (2008) highlights that simplifying registration procedures can lead to higher rates of formalization, which in turn enhances access to resources and opportunities for businesses. De Mel et al. (2008) found that reducing bureaucratic hurdles significantly increases the likelihood of businesses formalizing their operations. In Bukedea District, while there are efforts to simplify the process, some barriers or inefficiencies may still exist. Improving the registration process to make it more user-friendly and less time-consuming could support small-scale businesses in becoming formal and thriving. **(Comment; moderate)**

Finally, the data indicates that 21.2% of respondents strongly disagree, 27.3% disagree, 18.2% are neutral, 30.3% agree, and 3.0% strongly agree with the statement that tax registration of business enterprises is done to facilitate proper operation in the district. The mean score is 2.67 with a standard deviation of 1.216, reflecting a moderate perception of the role of tax registration in facilitating proper business operations. The role of tax registration in supporting business operations is supported by research indicating that effective registration systems contribute to regulatory compliance and economic development. World Bank (2008) and Ayee (2000) argue that proper registration helps businesses access formal credit and participate in regulated markets. The World Bank (2008) notes that effective registration systems are crucial for businesses to engage in formal economic activities. In Bukedea District, the moderate perception suggests that while there are benefits, the registration process may not fully support or enhance business operations. Addressing any gaps and improving the registration system could contribute to a more favorable environment for business growth. **(Comment; moderate)**

When asked about transparency in business enterprise tax registration in the area, responses varied across different population categories. Technical Revenue Officials generally agreed that there is a level of transparency in the tax registration process, with one official stating, "*The processes are designed to be clear and transparent to encourage compliance among businesses.*" However, opinions from Retail and Wholesale, Hotel and Restaurant, and Entertainment joints and bars sectors were mixed. Some respondents from these sectors expressed concerns, with one retailer

noting, *"There are still instances where transparency could be improved, especially in how information is communicated to small business owners."*

Regarding whether tax registration is conducted in accordance with URA tax laws and policies, most Technical Revenue Officials affirmed that the procedures align with legal requirements. One official remarked, *"We follow URA guidelines strictly to ensure that all businesses are registered according to the stipulated tax laws."* However, respondents from Metal Fabrication and Food Processing sectors were less confident, with one participant from the Metal Fabrication sector commenting, *"Sometimes it seems like there are inconsistencies in how rules are applied, which can be frustrating."* This sentiment was echoed by some in the Food Processing sector who felt that not all businesses are held to the same standards.

When asked about the impact of tax registration on the performance of business enterprises, perspectives varied depending on the type of business. Retailers and hotel operators often felt that tax registration added a layer of bureaucracy that could impact their performance negatively, with one hotel owner stating, *"The registration process can be quite cumbersome, and it takes time away from focusing on the business."* Conversely, some respondents from the Entertainment joints and bars sector mentioned that proper tax registration has improved their credibility and business operations. A bar owner shared, *"Being registered helps us operate more smoothly and attract better business because customers trust a registered enterprise."*

Overall, while tax registration is seen as necessary for compliance and legitimacy, there are differing views on the transparency and uniform application of tax laws, with businesses expressing both challenges and benefits linked to their performance.

In conclusion, the moderate ratings across various dimensions of tax registration in Bukedea District highlight both strengths and areas for improvement. Enhancing the efficiency, transparency, and support provided through tax registration processes is essential for better outcomes for small-scale business enterprises. Future efforts should focus on addressing these issues to foster a more supportive and effective tax environment.

Table 4.6: Showing the relationship between Tax Registration and performance of selected small-scale business enterprises in Bukedea District

Variable	Tax Registration	performance
Tax Registration	Pearson Correlation	1
	Sig. (2-tailed)	
performance	Pearson Correlation	0.450
	Sig. (2-tailed)	0.007
	N	36

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

Source: Primary Data, 2024

Findings from the correlation analysis presented in Table 4.6 demonstrate a significant positive relationship between tax registration and the performance of selected small-scale business enterprises in Bukedea District. The Pearson correlation coefficient is 0.450, with a significance level (p-value) of 0.007, indicating a moderate and statistically significant association. This suggests that improvements in the effectiveness of tax registration are positively related to better business performance. Specifically, as tax registration processes become more efficient, small-scale businesses in Bukedea District experience enhanced performance outcomes. This result is consistent with previous studies that highlight the critical role of efficient tax administration in supporting business growth. Research by Gauthier and Reinikka (2005) and Brixi et al. (2004) has demonstrated that effective tax registration processes can reduce administrative burdens, increase compliance, and foster better business performance. The significance level of 0.007, which is below the 0.05 threshold, confirms that this relationship is statistically significant and not likely due to random variation. Therefore, improving the efficiency of tax registration could be a key factor in enhancing the performance of small-scale enterprises in the district.

4.3. Effect of tax assessment on performance of selected small scale business enterprises in Bukedea District

The respondents were asked several questions as explained below;

Table 4.7: Showing the relationship between tax assessment and performance of selected small scale business enterprises in Bukedea District

Statement	1	2	3	4	5	Mean	Std Dev	Comment
There is effective tax assessment of business enterprises in Bukedea district	9.1%	54.5%	24.2%	6.1%	6.1%	2.45	.971	Low
Tax officials of Bukedea District assess business enterprises basing on emended tax policies	9.1%	33.3%	27.3%	24.2%	6.1%	2.85	1.093	Low
Tax assessment on businesses in Bukedea District depend on the tax preference accorded to business enterprises	6.1%	24.2%	18.2%	45.5%	6.1%	3.21	1.083	High

Business enterprises in Bukedea district will be assessed highly	12.1%	24.2%	6.1%	57.6%	0.0%	3.09	1.156	High
Tax assessment of business enterprises is usually made at the end of first quarter of the financial year	0.0%	3.0%	9.1%	63.6%	24.2%	4.09	.678	Very High

Source: Primary Data 2024

Findings from the survey on the effect of tax assessment on the performance of selected small-scale business enterprises in Bukedea District reveal varied perceptions regarding the effectiveness, adherence to policies, and timing of tax assessments. The data collected provides a comprehensive overview of how tax assessment practices are perceived and their potential impact on business performance.

The survey indicates that 9.1% of respondents strongly disagree, 54.5% disagree, 24.2% are neutral, 6.1% agree, and 6.1% strongly agree with the statement that there is effective tax assessment of business enterprises in Bukedea District. This results in a mean score of 2.45 and a standard deviation of 0.971, reflecting a low perception of the effectiveness of tax assessment. The low rating suggests that many respondents perceive the tax assessment process as ineffective, which may hinder optimal business performance. Previous studies, such as those by James and Alley (2002) and Terkper (2003), underscore that effective tax assessment is crucial for ensuring fair tax liabilities and improving business compliance. Ineffective tax assessment can lead to discrepancies and dissatisfaction among business owners, affecting their overall performance. Addressing these inefficiencies could enhance the reliability and effectiveness of tax assessments in Bukedea District. **(Comment; low)**

Regarding the adherence of tax officials to emended tax policies, the data shows that 9.1% of respondents strongly disagree, 33.3% disagree, 27.3% are neutral, 24.2% agree, and 6.1% strongly agree with the statement that tax officials assess business enterprises based on updated tax policies. The mean score is 2.85 with a standard deviation of 1.093, indicating a low perception of adherence to current tax policies. This suggests that there may be challenges in aligning tax assessments with the latest policies, potentially leading to inconsistencies and confusion. Research by Slemrod (2003) highlights the importance of aligning tax assessments with current policies to ensure fairness and accuracy. Inadequate adherence to updated policies can undermine the effectiveness of tax assessments and impact business performance. Ensuring that tax officials are well-informed and consistently apply updated policies could improve the accuracy and fairness of tax assessments. **(Comment; low)**

The data on tax assessment preferences indicates that 6.1% of respondents strongly disagree, 24.2% disagree, 18.2% are neutral, 45.5% agree, and 6.1% strongly agree with the statement that tax assessment depends on the tax preference accorded to business enterprises. With a mean score of 3.21 and a standard deviation of 1.083, this reflects a high perception of the influence of tax preferences on assessments. This suggests that business performance in Bukedea District may be significantly influenced by the preferences given during tax assessments. Studies such as those by Alm and Torgler (2006) suggest that tax preferences can impact taxpayer behavior and compliance. When tax assessments are perceived to be influenced by preferential treatment, it can affect businesses' perceptions of fairness and impact their performance. Addressing any biases and ensuring equitable tax assessment practices could enhance overall business performance and compliance. **(Comment; high)**

In terms of the timing of tax assessments, 12.1% of respondents strongly disagree, 24.2% disagree, 6.1% are neutral, 57.6% agree, and 0.0% strongly agree with the statement that business enterprises in Bukedea District will be assessed highly. The mean score is 3.09 with a standard deviation of 1.156, indicating a high perception of the likelihood of being assessed highly. This reflects a perception that tax assessments are likely to be rigorous and thorough. The timing of tax assessments, conducted at the end of the first quarter of the financial year, has a mean score of 4.09 and a standard deviation of 0.678, signifying a very high level of agreement. This suggests that the timing is generally well-regarded and perceived as effective for assessing business

performance. Research by Bird and Zolt (2003) emphasizes that timely tax assessments are critical for effective tax administration and can enhance compliance and revenue collection. In Bukedea District, maintaining rigorous and timely assessments can support business performance and ensure effective tax administration. **(Comment; very high)**

When asked whether municipal revenue officials assess business enterprises annually, responses from the various business categories reflected some discrepancies. Many Technical Revenue Officials confirmed that assessments are conducted annually, with one official noting, *"Annual assessments are part of our routine to ensure businesses are compliant with the local tax regulations."* However, feedback from the Retail and Wholesale, Metal Fabrication, and Food Processing sectors indicated that assessments might not always be consistent or strictly annual. A retailer commented, *"In some cases, we don't see officials every year—it sometimes feels irregular."* This sentiment was echoed by a metal fabricator who said, *"There have been years when no one came for assessments."*

Regarding whether tax assessment is always based on the performance of a business enterprise, the responses were mixed. Most Technical Revenue Officials and some businesses, especially in the Hotel and Restaurant sectors, believe that performance metrics are considered in assessments. One official stated, *"We try to align assessments with the actual performance and scale of the business."* However, skepticism remained among respondents in the Entertainment joints and bars and Retail sectors, where some felt that assessments often appear arbitrary or overly generalized. A bar owner shared, *"It seems like the assessments are more of a one-size-fits-all rather than truly reflecting our business performance."*

The impact of tax assessment on the performance of business enterprises in KMC (Kampala City) elicited varied feedback. Many respondents across different sectors pointed out that assessments often lead to increased financial pressure, with a food processor noting, *"The assessments can sometimes result in higher tax demands, which strain our finances and affect our overall operations."* On the other hand, some businesses, particularly in the Metal Fabrication and Hotel sectors, acknowledged that while tax assessments can be challenging, they also push businesses to improve their record-keeping and financial management. A hotel operator mentioned, *"Regular assessments have actually helped us stay organized and more aware of our financial health."* However, the general consensus across most sectors was that inconsistent and sometimes

perceived unfair assessments could negatively impact business performance, leading to reduced profitability and a strain on business resources.

In conclusion, the findings reveal a mix of perceptions regarding tax assessment practices in Bukedea District, with some areas identified for improvement. Effective tax assessment, adherence to updated policies, and equitable treatment in assessments are crucial for supporting business performance. Addressing the challenges identified in the survey could lead to better tax assessment practices and improved outcomes for small-scale businesses in the district.

Table 4.8 : Showing the effect of tax assessment on performance of selected small scale business enterprises in Bukedea District

Variable	tax assessment	Performance
tax assessment	Pearson Correlation	1
	Sig. (2-tailed)	
	N	36
Performance	Pearson Correlation	0.292
	Sig. (2-tailed)	0.012
	N	36

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

Findings from the analysis in Table 4.8 reveal a moderate positive correlation between tax assessment and the performance of selected small-scale business enterprises in Bukedea District. The Pearson correlation coefficient is 0.292 with a significance level (p-value) of 0.012. This indicates a statistically significant relationship at the 0.05 level, suggesting that improvements in tax assessment practices are associated with better business performance. This result aligns with prior research which indicates that effective tax assessment can positively influence business outcomes. For instance, studies by Feld and Frey (2002) and Kanbur (2008) have shown that accurate and fair tax assessments can enhance business compliance and performance. The

significant correlation found in this study underscores the importance of refining tax assessment processes to support and improve the performance of small-scale enterprises in the district.

4.4. Effect of tax mobilization on performance of selected small scale business enterprises in Bukedea District

This was the third objective under study and response obtained is explained here below;

Table 4.9: Showing the relationship between tax mobilization and performance of selected small scale business enterprises in Bukedea District

Statement	1	2	3	4	5	Mean	SD	Comment
There will be timely tax mobilization from business enterprises in Bukedea District	30.3%	12.1%	3.0%	33.3%	21.2%	3.03	1.610	Moderate
Tax officials in Bukedea district will conduct tax mobilization activities.	18.2%	36.4%	12.1%	24.2%	6.1%	3.21	3.586	Moderate
Tax mobilization approaches applied by tax authorities on business enterprises	3.0%	15.2%	0.0%	42.4%	39.4%	4.00	1.146	Very High
District revenue officials use government policies to collect taxes	27.3%	21.2%	0.0%	33.3%	18.2%	2.94	1.560	Moderate

The mobilisers of taxes in Bukedea district balance their educational and assistance role with the enforcement role for successful tax collection	0.0%	21.2%	3.0%	36.4%	39.4%	3.94	1.144	High
There will be timely tax mobilization from business enterprises in Bukedea District	21.2%	33.3%	3.0%	33.3%	9.1%	2.76	1.370	Moderate

Source: Primary data 2024

Findings from the analysis of the effect of tax mobilization on the performance of selected small-scale business enterprises in Bukedea District, as summarized in Table 4.9, provide a detailed view of perceptions regarding tax mobilization practices and their impact. The responses indicate varied levels of agreement on several aspects of tax mobilization.

The statement regarding timely tax mobilization from business enterprises in Bukedea District received mixed responses: 30.3% of respondents strongly disagree, 12.1% disagree, 3.0% are neutral, 33.3% agree, and 21.2% strongly agree. The mean score is 3.03 with a standard deviation of 1.610, suggesting a moderate perception of timeliness in tax mobilization. This indicates that while some respondents view the tax mobilization as timely, others feel there are delays or inefficiencies. Effective and timely tax mobilization is crucial for ensuring that revenue is collected efficiently and can significantly impact business operations. Research by Bird and Slack (2004) highlights that timely tax collection helps maintain a stable fiscal environment, which is beneficial for business performance. Addressing the issues of timeliness could enhance the efficiency of tax mobilization and support business growth in Bukedea District. **(Comment; moderate)**

On the question of whether tax officials in Bukedea District conduct tax mobilization activities, responses were as follows: 18.2% strongly disagree, 36.4% disagree, 12.1% are neutral, 24.2% agree, and 6.1% strongly agree. The mean score is 3.21 with a standard deviation of 3.586, reflecting a moderate perception of the conduct of tax mobilization activities by officials. This indicates that while there is some acknowledgment of tax mobilization efforts by officials, the extent and effectiveness of these activities are seen as inconsistent. According to Tanzi and Zee (2000), the success of tax mobilization depends significantly on the effectiveness of tax officials and their activities. Improving the consistency and effectiveness of these activities could lead to better tax collection and improved business performance. **(Comment; moderate)**

When evaluating the effectiveness of tax mobilization approaches applied by tax authorities, 3.0% of respondents strongly disagree, 15.2% disagree, 0.0% are neutral, 42.4% agree, and 39.4% strongly agree. With a mean score of 4.00 and a standard deviation of 1.146, this indicates a very high perception of the effectiveness of tax mobilization approaches. This high rating suggests that respondents view the approaches used by tax authorities as very effective, which could positively influence business performance. Effective tax mobilization strategies are critical for ensuring that businesses comply with tax regulations and for improving revenue collection. Studies by Alm et al. (1999) and Slemrod (2007) support the idea that effective tax mobilization approaches can lead to increased compliance and better business outcomes. **(Comment; very high)**

Regarding the use of government policies by district revenue officials to collect taxes, responses were as follows: 27.3% strongly disagree, 21.2% disagree, 0.0% are neutral, 33.3% agree, and 18.2% strongly agree. The mean score is 2.94 with a standard deviation of 1.560, reflecting a moderate perception of the application of government policies in tax collection. This suggests that while there is some recognition of the use of policies, there may be concerns about how effectively these policies are implemented. Previous research by Besley and Persson (2014) emphasizes that the effective application of government policies is essential for successful tax collection and improved business performance. Enhancing the application of these policies could help improve tax mobilization and support business growth. **(Comment; moderate)**

Lastly, the perception of whether tax mobilizers balance their educational and assistance roles with enforcement roles received the following responses: 0.0% strongly disagree, 21.2% disagree, 3.0% are neutral, 36.4% agree, and 39.4% strongly agree. The mean score is 3.94 with a standard

deviation of 1.144, indicating a high perception of this balance. This suggests that respondents believe tax mobilizers effectively manage both educational and enforcement roles, which is crucial for successful tax collection. Effective balancing of these roles can foster a better understanding of tax obligations among businesses while ensuring compliance. Research by Fjeldstad and Heggstad (2012) highlights that balancing these roles can lead to more effective tax administration and improved business performance. **(Comment; high)**

When asked about the timeliness of tax mobilization from business enterprises in the area, responses varied among the different categories of businesses. Many respondents, particularly from the Retail and Wholesale and Food Processing sectors, expressed concerns over delays. One retail business owner stated, *"There are often delays in the collection process, which can cause confusion and disrupt our cash flow management."* In contrast, some Technical Revenue Officials felt that mobilization efforts are generally timely, although they acknowledged that occasional bureaucratic challenges could lead to delays. An official commented, *"We strive to keep tax mobilization on schedule, but logistical issues sometimes cause setbacks."*

Regarding the use of government policies by revenue officials to mobilize taxes, most respondents, including those from Metal Fabrication and Entertainment joints, agreed that officials do utilize government guidelines and policies. A metal fabricator remarked, *"Revenue officials often refer to specific policies when they come to mobilize taxes, which gives us some clarity on what is expected."* However, a few businesses in the Hotel and Restaurant sector raised concerns about inconsistencies in the application of these policies, with one hotel manager saying, *"Sometimes it feels like the rules are applied differently depending on who is conducting the mobilization."*

The effects of tax mobilization on the performance of business enterprises were highlighted through diverse experiences. Many respondents noted that effective tax mobilization could support infrastructure development and public services, indirectly benefiting businesses. However, there were also reports of negative impacts, particularly in the Food Processing and Entertainment sectors, where businesses often struggle to keep up with the financial demands. A food processor shared, *"Frequent and sometimes abrupt tax mobilization efforts can put a strain on our working capital, affecting our ability to invest in growth."* Similarly, an owner of an entertainment joint stated, *"The pressure of tax mobilization, especially when not well-communicated, affects our ability to plan and budget effectively."* Overall, while there is recognition of the necessity of tax

mobilization, many business owners feel that a more streamlined and predictable approach could reduce the strain on their operations and improve business performance.

Overall, the findings indicate that while there are areas of strength in tax mobilization practices, such as the effectiveness of approaches and the balance of roles, there are also areas needing improvement, such as timeliness and policy application. Addressing these issues could lead to better tax mobilization and support the performance of small-scale businesses in Bukedea District.

Table 4.10: The relationship between tax mobilization and performance of selected small scale business enterprises in Bukedea District

Variable	tax mobilization	performance
tax mobilization	Pearson Correlation	1
	Sig. (2-tailed)	
	N	36
Performance	Pearson Correlation	0.432
	Sig. (2-tailed)	0.009
	N	36

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

Source: Primary Data, 2024

Findings from Table 4.10 illustrate a positive and significant correlation between tax mobilization and the performance of selected small-scale business enterprises in Bukedea District. The Pearson correlation coefficient of 0.432, with a significance level of 0.009, indicates a statistically significant relationship at the 0.01 level. This suggests that effective tax mobilization is positively associated with improved business performance. This finding is consistent with previous research, such as the studies by Kaldor (1963) and Piketty (2014), which underscore the role of effective tax mobilization in enhancing economic performance and business growth. The positive correlation highlights the importance of robust tax mobilization strategies in fostering a conducive environment for business development and performance improvement.

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter covers the summary of the findings, conclusions based on the findings, and recommendations based on the conclusions.

5.1 Summary of the findings

5.1.1. Effect of tax registration on the performance of selected small-scale business enterprises in Bukedea District.

Findings from the analysis of tax registration practices in Bukedea District reveal a moderate perception of various dimensions affecting small-scale business enterprises. The data shows that 9.1% of respondents strongly disagree, 36.4% disagree, 15.2% are neutral, 30.3% agree, and 9.1% strongly agree that tax officials register business enterprises efficiently, with a mean score of 2.94 and a standard deviation of 1.197. This suggests that while tax registration is occurring, there may be inefficiencies in the process, consistent with Terkper (2003) and Sandford (1995) who noted that streamlined processes are essential for effective tax administration. Transparency in tax registration received a mean score of 2.76, with 12.1% strongly disagreeing, 36.4% disagreeing, 15.2% neutral, 36.4% agreeing, and no respondents strongly agreeing. This moderate rating implies that while there are efforts towards transparency, further enhancements are needed, aligning with Alm and Torgler (2006) and Slemrod (2003) who emphasized the role of transparency in fostering compliance. Adherence to URA tax laws was perceived moderately, with 6.1% strongly disagreeing, 45.5% disagreeing, 21.2% neutral, 18.2% agreeing, and 9.1% strongly agreeing, yielding a mean score of 3.29. Bird and Zolt (2003) support the need for alignment with national laws to ensure consistency and build trust. The ease of registration was also rated moderately, with 12.1% strongly disagreeing, 39.4% disagreeing, 12.1% neutral, 30.3% agreeing, and 6.1% strongly agreeing, leading to a mean score of 2.79. This highlights the need to simplify registration processes, as noted by De Mel et al. (2008) and La Porta and Shleifer (2008). Lastly, the role of tax registration in facilitating proper business operations received a mean score of 2.67, with 21.2% strongly disagreeing, 27.3% disagreeing, 18.2% neutral, 30.3% agreeing, and 3.0% strongly agreeing, suggesting that while some benefits are acknowledged, improvements are needed. The findings indicate that enhancing efficiency, transparency, and support through tax registration could significantly benefit small-scale businesses in Bukedea District. The correlation

analysis in Table 4.6 further reinforces these insights, showing a Pearson correlation coefficient of 0.450 with a significance level of 0.007, indicating a moderate and statistically significant positive relationship between tax registration and business performance. This suggests that improvements in tax registration processes are likely to positively impact the performance of small-scale enterprises, aligning with previous research by Gauthier and Reinikka (2005) and Brixi et al. (2004), which highlighted the importance of effective tax administration in supporting business growth.

5.1.2. Effect of tax assessment on performance of selected small scale business enterprises in Bukedea District

Findings from the survey on the effect of tax assessment on small-scale business enterprises in Bukedea District reveal diverse perceptions concerning effectiveness, policy adherence, and assessment timing. The survey indicates that 9.1% of respondents strongly disagree, 54.5% disagree, 24.2% are neutral, 6.1% agree, and 6.1% strongly agree regarding the effectiveness of tax assessments, with a mean score of 2.45 and a standard deviation of 0.971. This low perception suggests that many find the tax assessment process ineffective, potentially impairing business performance, consistent with James and Alley (2002) and Terkper (2003), who stress the need for effective tax assessment for fair tax liabilities and improved compliance. The adherence to updated tax policies is perceived poorly, with 9.1% strongly disagreeing, 33.3% disagreeing, 27.3% neutral, 24.2% agreeing, and 6.1% strongly agreeing, resulting in a mean score of 2.85 and a standard deviation of 1.093. This low rating indicates challenges in aligning assessments with current policies, as highlighted by Slemrod (2003), who emphasizes the importance of policy adherence for fairness and accuracy. On tax assessment preferences, 6.1% of respondents strongly disagree, 24.2% disagree, 18.2% are neutral, 45.5% agree, and 6.1% strongly agree, with a mean score of 3.21 and a standard deviation of 1.083, reflecting a high perception of tax preferences' influence on assessments. This suggests that business performance may be significantly affected by perceived preferential treatment, aligning with Alm and Torgler (2006) who note that preferences can impact compliance and fairness perceptions. Regarding timing, 12.1% of respondents strongly disagree, 24.2% disagree, 6.1% are neutral, 57.6% agree, and 0.0% strongly agree that assessments are highly likely, with a mean score of 3.09 and a standard deviation of 1.156. This reflects a perception of rigorous assessments, with the timing of assessments scoring very high (mean = 4.09, SD = 0.678), suggesting that the timing is effective. Bird and Zolt (2003)

support the importance of timely assessments for effective tax administration. Correlation analysis in Table 4.8 shows a Pearson correlation coefficient of 0.292 with a significance level of 0.012, indicating a moderate positive relationship between tax assessment and business performance. This significant correlation underscores that improved tax assessment practices are associated with better business outcomes, consistent with Feld and Frey (2002) and Kanbur (2008), who found that fair and accurate assessments enhance business performance. Overall, these findings highlight the need for improvements in tax assessment practices to better support small-scale businesses in Bukedea District.

5.1.3. Effect of tax mobilization on performance of selected small scale business enterprises in Bukedea District

Findings from the analysis of the effect of tax mobilization on the performance of selected small-scale business enterprises in Bukedea District, as detailed in Table 4.9, reveal diverse perceptions regarding various aspects of tax mobilization. Responses on the timeliness of tax mobilization show that 30.3% of respondents strongly disagree, 12.1% disagree, 3.0% are neutral, 33.3% agree, and 21.2% strongly agree, with a mean score of 3.03 and a standard deviation of 1.610. This moderate perception suggests some view tax mobilization as timely, while others experience delays or inefficiencies. Effective timeliness is critical for efficient revenue collection and business operations, as emphasized by Bird and Slack (2004). Regarding the conduct of tax mobilization activities by officials, 18.2% strongly disagree, 36.4% disagree, 12.1% are neutral, 24.2% agree, and 6.1% strongly agree, yielding a mean score of 3.21 and a standard deviation of 3.586. This reflects a moderate view on the consistency and effectiveness of these activities, with Tanzi and Zee (2000) highlighting that effective tax mobilization depends on officials' performance. In evaluating the effectiveness of tax mobilization approaches, 3.0% strongly disagree, 15.2% disagree, 0.0% are neutral, 42.4% agree, and 39.4% strongly agree, resulting in a high mean score of 4.00 and a standard deviation of 1.146. This high rating indicates strong approval of the approaches used by tax authorities, aligning with Alm et al. (1999) and Slemrod (2007), who note that effective strategies can enhance compliance and business outcomes. On the use of government policies by district revenue officials, 27.3% strongly disagree, 21.2% disagree, 0.0% are neutral, 33.3% agree, and 18.2% strongly agree, with a mean score of 2.94 and a standard deviation of 1.560. This moderate perception indicates concerns about the effective implementation of policies, supported by Besley and Persson (2014) who stress the importance of policy application for

successful tax collection. Finally, perceptions of whether tax mobilizers balance educational and enforcement roles show that 0.0% strongly disagree, 21.2% disagree, 3.0% are neutral, 36.4% agree, and 39.4% strongly agree, with a mean score of 3.94 and a standard deviation of 1.144. This high perception suggests that respondents believe tax mobilizers effectively manage both roles, as supported by Fjeldstad and Heggstad (2012), who highlight that such balancing can improve tax administration and business performance. Overall, while strengths in tax mobilization practices are noted, particularly in effectiveness and role balancing, areas such as timeliness and policy application require improvement. Addressing these issues could enhance tax mobilization and support small-scale businesses in Bukedea District. Analysis from Table 4.10 further shows a positive and significant correlation (Pearson coefficient = 0.432, $p = 0.009$) between tax mobilization and business performance, indicating that effective tax mobilization is associated with improved performance, consistent with Kaldor (1963) and Piketty (2014). This underscores the importance of robust tax mobilization strategies in fostering business growth and performance.

5.2 Conclusion

5.2.1. Effect of Tax Registration on Performance of selected small scale business enterprises in Bukedea District

The analysis of tax registration practices reveals a moderate relationship with the performance of small-scale business enterprises in Bukedea District. With a Pearson correlation coefficient of 0.450 ($p = 0.007$), the data shows a statistically significant positive relationship between tax registration and business performance. This suggests that improvements in the efficiency, transparency, adherence to tax laws, and ease of registration processes are likely to positively influence the performance of small-scale enterprises. The correlation results align with previous research indicating that effective tax registration practices are crucial for supporting business growth.

5.2.2. Effect of Tax Assessment on Performance of selected small scale business enterprises in Bukedea District

The findings on tax assessment reveal a moderate positive correlation with business performance, as indicated by a Pearson correlation coefficient of 0.292 ($p = 0.012$). Despite perceptions of inefficacy in the tax assessment process, policy adherence, and preferences influencing assessments, the significant correlation underscores that improvements in tax assessment practices

can positively impact business outcomes. This result is consistent with prior research highlighting the importance of fair and accurate tax assessments for enhancing business performance.

5.2.3. Effect of Tax Mobilization on Performance of selected small scale business enterprises in Bukedea District

Analysis of the effect of tax mobilization on business performance shows a positive and significant correlation with a Pearson coefficient of 0.432 ($p = 0.009$). This indicates that effective tax mobilization practices are associated with improved performance of small-scale business enterprises. While there are areas requiring improvement, such as timeliness and policy application, the strong correlation supports the importance of robust tax mobilization strategies in fostering better business outcomes. These results confirm that enhancing tax mobilization can lead to significant improvements in business performance, aligning with the broader literature on effective tax administration and business growth.

5.3 Recommendations

5.3.1 Effect of Tax Registration on Performance of selected small scale business enterprises in Bukedea District

The analysis reveals a moderate positive correlation between tax registration and the performance of small-scale business enterprises (Pearson coefficient = 0.450, $p = 0.007$). To improve this relationship, efforts should be directed towards enhancing the efficiency of tax registration processes. Implementing digital registration systems could streamline the process, making it quicker and more accessible for businesses. Increasing transparency in tax registration is also essential. Providing clear and accessible information on tax requirements and benefits will help businesses better understand and navigate the registration process. Ensuring adherence to national tax laws is important for consistency and trust. Regular training for tax officials and conducting periodic audits can help maintain compliance and address any issues. Simplifying registration procedures by reducing bureaucratic hurdles and offering support through dedicated helpdesks can encourage greater business compliance and engagement.

5.3.2 Effect of Tax Assessment on Performance of selected small scale business enterprises in Bukedea District

The findings indicate a moderate positive correlation between tax assessment and business performance (Pearson coefficient = 0.292, $p = 0.012$). To enhance the effectiveness of tax assessments, it is important to adopt accurate and fair assessment methodologies. Aligning assessments with current tax policies and ensuring that tax assessors are well-informed about policy updates can improve fairness and consistency. Addressing perceptions of preferential treatment by implementing standardized procedures and promoting fairness can mitigate biases. Furthermore, optimizing the timing of assessments by establishing clear schedules and adhering to them can help businesses plan better and reduce uncertainty.

5.3.3 Effect of Tax Mobilization on Performance of selected small scale business enterprises in Bukedea District

The analysis shows a significant positive correlation between tax mobilization and business performance (Pearson coefficient = 0.432, $p = 0.009$). To leverage this relationship, efforts should focus on improving the timeliness and effectiveness of tax mobilization practices. Enhancing timeliness by addressing delays and inefficiencies is crucial for better revenue collection and business operations. Regularly evaluating and refining tax mobilization approaches based on business feedback can improve their effectiveness. Ensuring that tax mobilization efforts align with government policies and strengthening policy application can enhance overall performance. Finally, balancing educational and enforcement roles effectively will support better tax administration. Providing educational resources while enforcing compliance can help improve tax management and foster better business outcomes.

5.4 Contribution of the study

The study on "Tax Administration and Performance of Selected Small Scale Business Enterprises in Bukedea District" is expected to contribute significantly to the understanding of the relationship between tax policies and the performance of small businesses in a rural context. By providing empirical evidence on how tax administration practices—such as compliance requirements, tax rates, and enforcement mechanisms—affect the operational efficiency, profitability, and growth of small-scale enterprises, the study will offer valuable insights for policymakers aiming to enhance tax compliance without stifling business development. Additionally, this research will

contribute to academic literature by filling gaps related to tax administration's impact on small businesses in developing regions, particularly in Uganda. It will also serve as a practical guide for business owners in Bukedea District, helping them navigate tax challenges and improve their overall performance.

5.4 Areas for further research

Future research should explore the long-term effects of tax administration reforms on the sustainability and scalability of small-scale businesses in rural districts like Bukedea. Additionally, studies should investigate the impact of digital tax administration tools on compliance rates and business performance, as well as the role of financial literacy in enhancing tax compliance among small business owners. Comparative studies across different districts or regions should also provide deeper insights into regional disparities in tax administration and their effects on small enterprises. Further research should examine the specific challenges faced by informal businesses in transitioning to formal tax compliance.

REFERENCES

- Abanis T., Arthur S., and Ssekajugo, D. (2013). Financial management practices and business performance of small and medium enterprises in Western Uganda. *African Journal of Business Management*.
- Adebisi, J. and D.O. Gbogi .(2013). Effect of multiple taxation on the performance of small and medium business enterprises. July 2013 *Journal* 323-334
- Andres, B. (2022). International taxation and the Global Structure of capitalism. *Journal review of radical Political Economics*
- Atawodi, O. and Ojeka, S. (2012). Factors that affect tax compliance among small and medium enterprises (SMEs) in North Central Nigeria. *International Journal of Business and Management*, 7(12), 87.
- Barungi, J.A (2018). Taxation and performance of small and medium enterprises in Nakawa division, Kampala, Uganda.
- Bryman, A. (2018). *Social Research Methods*. Oxford: Oxford University Press, 181-270.
- Cooper, D.R., & Schindler, P.S. (2014). *Business research methods* (12th edition). New York Curado, C.
- and Bontis, N. (2006). Knowledge based view of the firm and it's theoretical
- Dennis, A. (2014). The Impact of Taxation on Revenue Generation in Nigeria: A Study of Federal Capital Territory and Selected States. *International Journal of Public Administration and Management Research (IJPAMR)*, 2 (2), 1-6
- Dube, G. (2014). Informal sector tax administration in Zimbabwe. *Journal of Public Administration and Development*.
- Feyitimi, O., Temitope, O. A., Akeem, L. and Oladele, O. (2016). Tax incentives and the growth of small and medium scale enterprises in developing economy. *The Nigerian Experience*, 4(2), 24–42.
- FSD Uganda. (2015). *SME development in Uganda*. Private Sector Foundation Uganda, Kampala.
- Godin, M. and Hindriks, J. (2015). A review of critical issues on tax design and tax administration in a global economy and developing countries.
- Government of Uganda. (2019). *Uganda's taxation policy: Implications for Poverty Reduction and Economic Growth (Review report No. 9)*. Income Tax Act, 2015 Act 896.

SECTION B: Tax Registration

Code	Statement	1	2	3	4	5
B1	Tax officials register business enterprises in Bukedea District					
B2	In Bukedea District there is transparency in business enterprise tax registration					
B3	Tax registration is done following URA tax laws and policies					
B4	There is easy registration of business undertakings by district tax Officials					
B5	Tax registration of business enterprises is done to facilitate proper operation in the district					

SECTION C: Tax Assessment

Code	Statement	1	2	3	4	5
C1	There is effective tax assessment of business enterprises in Bukedea district					
C2	Tax officials of Bukedea District assess business enterprises basing on emended tax policies					
C3	Tax assessment on businesses in Bukedea District depend on the tax preference accorded to business enterprises					
C4	Business enterprises in Bukedea district will be assessed highly					
C5	Tax assessment of business enterprises is usually made at the end of first quarter of the financial year					

SECTION D: Tax Mobilization

Code	Statements	1	2	3	4	5
D1	There will be timely tax mobilization from business enterprises in Bukedea District					
D2	Tax officials in Bukedea district will conduct tax mobilization activities.					

D3	Tax mobilization approaches applied by tax authorities on business enterprises					
D4	District revenue officials use government policies to collect taxes					
D5	The mobilisers of taxes in Bukedea district balance their educational and assistance role with the enforcement role for successful tax collection					

END

THANK YOU FOR YOUR TIME

Appendix IV: Interview Guide for the Key Informants

Venue of interview.....

Category of the Respondent (Business Enterprise)

Part 1: Introductions

Topic: Tax Administration and Performance of Selected small scale Business Enterprises in Bukedea District

The purpose of the interview is to gather views on Tax Administration and Performance of Business Enterprises in Bukedea district. In the following interview, please respond truthfully as you can. Thank you

The respondent introduces him/herself, (give details of bio data, and experience)

Part 2: Specific Objectives

Theme 1: Tax registration and Performance of Business Enterprises

1. In this area, there is transparency in business enterprise tax registration. Do you agree?
2. In your opinion, do you think tax registration is done following URA tax laws and policies?
3. In what ways have tax registration affected performance of business enterprises?

Theme 2: Tax Assessment and Performance of Business Enterprises

4. Do municipal revenue officials assess business enterprises annually?
5. Do you think tax assessment is always based on performance of a business enterprise?
6. How has tax assessment affected performance of business enterprises in KMC?

Theme 3: Tax Mobilization and Performance of Business Enterprises

7. Do you think there is timely tax mobilization from business enterprises in this area?
8. Do you think revenue officials use government policies to mobilize taxes?
9. In which way, has Tax mobilization affected performance of business enterprises?

Theme 4: Tax Incentives and Performance of Business Enterprises

10. Business enterprises in this municipality always get tax holidays and exemptions. Is this true?
11. Do you think granting of incentive packages in the tax system to businesses in this municipality has propelled the growth of businesses?
12. How has tax incentives affected performance of business enterprises?

Appendix I: Sampling Table

Table for determining sample size from a given population by Krejci & Morgan (1970)

Table for determining sample size from a given population

N	S	N	S	N	S
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379

180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	100000	384

Note: N is population size

S is sample size

Appendix IV: Research Letter

Telephone:
Chairperson.....0782562395
• CAO.....0772406484
• DCAO.....0774332879
• PHRO.....0782797196
• CFO.....0772479176



The Republic of Uganda

Office of the Chief Administrative Officer
Bukedea District Local Government
P.O. Box 5026
Bukedea

In any correspondence on this
Subject please quote No. CR 1642

Date: 28th August, 2024

Akiteng Robina
Uganda Christian University
Mbale.

RE: ACADEMIC RESEARCH

This is to inform you that you have been offered an opportunity to carry out Academic Research from Bukedea District Local Government in the field of **Bachelor's Degree in Business Administration** under the topic **"Tax Administration and Performance of selected small business Enterprises in Bukedea District"**.

During this period, you will be attached to **Bukedea Town Council** under the supervision of **Town Treasurer** and monitored by **Town Clerk**.

Your attention is drawn to section J-F of the Uganda Government Standing Orders and Circular Standing Instruction No.3 of 2011, relating to Data collection in the public service.

Yours faithfully,


Norah Anyakoit
For. Chief Administrative Officer, Bukedea



Copy:

- Town Clerk, Bukedea Town Council.
- Town Treasurer, Bukedea Town Council