

**TAX ADMINISTRATION AND TAX COMPLIANCE AMONG SMEs:
A CASE STUDY OF KIIKO MARKET MUKONO CENTRAL DIVISION**

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**A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILLMENT
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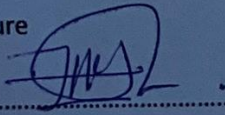
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DECLARATION

I, Sonko shafiq hereby declare that this dissertation report entitled "**Tax administration and tax compliance among SMEs, a case study of kiiko market Mukono central division**" has never been submitted to any institutions of higher learning for any award and other academic purposes, where other researchers work has been used, acknowledged.

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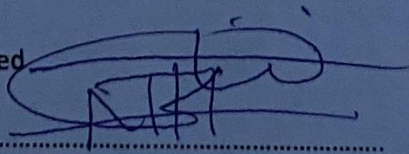
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APPROVAL

This is to certify that this information entitled “ **Tax administration and tax compliance among SMEs, a case study of kiiko market Mukono central division,**” has been under my supervision and it’s now ready for submission to the School of Business of Uganda Christian University with my approval.

Signed



.....

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DEDICATION

With special regards, I wish to dedicate this piece of work to my cherished parents most especially my Mother **Mr's Kabaganda Rose Mary**, my brother **Kivumbi Twaha** and my sister **Nabilongo Sharifah** who have always been there to support me in any kind of assistance in my entire life, they have always encouraged and motivated me spiritually, physically, mentally and their fervent prayers. Not to forget my lovely lecturers **Mr Nicson Katisme** and Mr Owembabazi Anthony for their sage guidance, and to my **sincere friends** Nuwagira Yusuf, Caleb Bright, Nicole Bibian, Opio Milton, Nyakato and Nyangoma for their invaluable advice and unwavering attention have been instrumental in helping me reach this pivot milestone.

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GOD protects those who believe; He guides ME from darkness into light.

Surah Al-Baqarah (2:257)

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ABSTRACT.

This research focused on understanding the different taxes that small and medium-sized businesses (SMEs) have to pay. It looks at various types of taxes, such as income tax, value-added tax (VAT), payroll taxes, and local taxes. By explaining these tax types, the study helps us understand the complicated tax rules that these businesses deal with. Knowing these tax requirements is important for understanding the financial challenges and compliance issues that small and medium businesses face. The research also looked at how SMEs in Uganda handle their tax responsibilities and what they think about different types of taxes. The results show that all businesses agree that the turnover tax is very important, with everyone giving it a high score and no disagreements, making it a key part of the tax system. VAT is also widely accepted. However, Pay As You Earn (PAYE) and corporate tax are less popular.

The research showed that small and medium-sized businesses (SMEs) are more likely to follow tax rules when they want to support public services and avoid legal problems. These two reasons were the most important. However, worries about the government misusing money and the difficulty of filing taxes greatly affect how well SMEs follow tax rules. This shows the need for more transparency, simpler tax processes, and better communication from tax authorities.

Suggested improvements include better support and education on PAYE and corporate tax, making VAT and local service tax rules easier to understand, offering tax incentives or benefits for SMEs, and increasing transparency and efficiency in tax administration. Simplifying tax procedures and addressing concerns about corruption are important for encouraging people to follow tax laws and trust the system. These measures aim to create a more supportive and clear tax environment that helps SMEs meet their tax obligations effectively.

CHAPTER ONE

INTRODUCTION

1.1 Introduction.

This chapter comprised the topic of study, research background, problem statement, purposes of the study, objectives, research questions, scope of the study, significance of the study, definition of key terms, and conceptual framework of the study.

1.2 Background of the study.

Small and medium s are, therefore, the drivers of economic growth, innovation, and job creation in the world. In developing and developed economies, they greatly contribute to the GDP in addition to providing jobs, according to OECD (2017). One of the most paramount issues such businesses face pertains to compliance with taxes; this is something whose effectiveness depends on good tax administration. This paper, therefore, examines tax administration and tax compliance among small and medium-scale enterprises with the view to ascertaining some of the factors that influence compliance behavior and how tax administration can improve compliance levels.

Tax administration involves all policies, procedures, and activities carried out by the tax authorities to assess, collect, and enforce taxes. Good tax administration is quite crucial since it ensures that the laws set are applied in an efficient and equitably manner. Bird, 2015 adds that a good tax administrative system encourages voluntary compliance since it reduces compliance costs and enhances the simplicity of tax procedures.

On the contrary, several SMEs view tax administration to be so complex and burdensome hence having negative effects on their behavior regarding compliance with such legislation. Tax compliance is the level of taxpayers' willingness to follow the law, as legally required. It involves timely filing of tax returns, correct reporting of income, and proper payment of taxes due. Compliance can be either voluntary or enforced through audits and penalties. Following Alm and Torgler (2011), tax compliance could be influenced by a set of determinants like perceived fairness of the tax system, complexity of the tax laws, and efficiency in tax administration. SMEs are often constrained by limited resources and capacities to comply with tax regulations. It is added that complexity brought about by the regulations themselves, along with compliance requirements burdensome from an administrative point of view, pose sign.

1.3 Statement of the Problem.

The problem we need to tackle is understanding the difficult challenges that small and medium-sized

businesses (SMEs) face when dealing with tax rules and staying compliant. This affects both the businesses and the government. Here are some key reasons why this is an issue:

Complexity of Tax Rules, SMEs often find it hard to understand and follow the detailed tax rules set by authorities. These rules usually require expert knowledge and resources that many SMEs lack, which can lead to errors or not following the rules correctly (PwC, 2020). **Limited Resources,** many SMEs don't have much money or staff, making it difficult for them to invest enough in tax compliance. The costs of hiring tax experts or purchasing software for tax purposes can be a significant burden for small businesses (World Bank Group, 2019).

Compliance Burden, the effort needed to handle tax compliance can take time and focus away from running their main business activities. This can be a big distraction for SMEs and its upon this that the research based to carryout the research.

1.4 General objective

The main aim of this study was to analyze the relationship between tax administration and tax compliance among small and medium businesses in the study context.

1.5 Specific objectives

- i. To examine the relationship between tax administration and tax compliance in the study context
- ii. To identify the various types of taxes paid by small and medium enterprises in the study context.
- iii. To examine the motivation for and against tax compliance in the study context

1.6 Research questions

- i. What are the various types of taxes paid by SMEs in the study context?
- ii. What are the motivations for and against tax compliance in the study context?
- iii. What is the relationship between tax administration and tax compliance in the study context?

1.7 Scope of the study

1.7.1 Content scope

The study focused on tax administration and tax compliance, various types of taxes imposed on SMEs, motivation for and against tax compliance, and the relationship between tax administration and tax compliance.

1.7.2 Time scope

The research was carried out in a period of one month that's to say to September since it is the most suitable and convenient time for the researcher to carry out and collect data for the phenomenon under study.

1.7.3 Geographical scope

This research was carried out in the Kiiko market along Kampala-Jinja in Mukono central division in central Uganda, Buganda. The chosen location was put into consideration because it consisted of many SME's which enabled the researcher to collect data

1.8 Significance of the study

This study was of importance to various categories of people in the following ways;

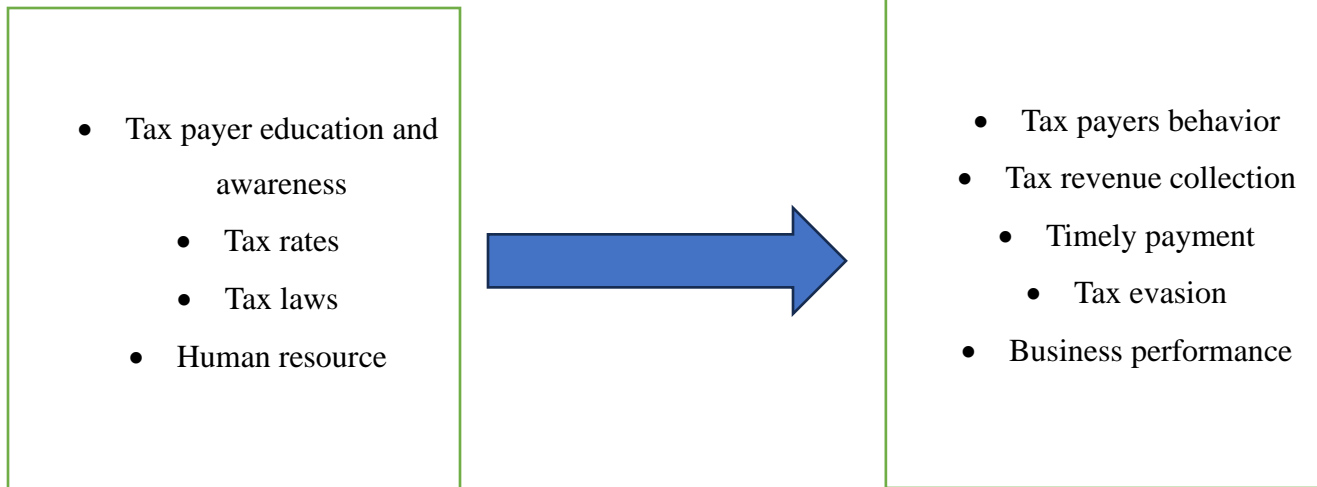
- i. To scholars and researchers, the study findings added to researchers with valid literature about taxation, gain more knowledge, and also enable scholars to understand the effects of taxation on the country's economy.
- ii. To practitioners, the study was of great importance to business entities (taxpayers) and other organizations exposing the benefits of taxation, tax compliance, and the relationship between taxation and the performance of their businesses.
- iii. To tax authorities and the government that's to say Uganda Revenue Authority; the study was also to guide government authorities/agencies in adjusting and main changes in the existing tax policies to suit the requirements of SMEs'

1.9 Conceptual framework

A conceptual framework is a written or visual presentation that "explains either graphically, or in narrative form, the main things to be studied are the key factors, concepts or variables and the presumed relationship among them. It can also be defined as a set of broad ideas and principles taken from relevant fields of inquiry and used to structure a subsequent presentation (Wong & Wai, 2015) (Gituru, 2017). The figure below shows the conceptual model depicting the nature of the relationship between the independent and dependent variables. As such the Independent variables of this study are tax administration measured in terms of taxpayer education, tax rates, and tax laws and regulations.

(Tax Administration)

(Tax compliance)



Source: James, S., & Alley, C. (2002). Tax Compliance, Self-Assessment, and Tax Administration. Australian Tax Forum, 17(2), 91-103.

The diagram above shows that managing taxes and following tax rules are crucial for economic growth, especially for small and medium-sized businesses. This concept illustrates how various aspects of tax management, such as educating about taxes, understanding tax rates, working with tax professionals, knowing tax rules, and registering for taxes, are linked to different aspects of tax compliance, like a business's performance, how people pay their taxes, paying on time, avoiding late payments, and collecting tax revenue, in the context of small and medium-sized businesses.

Educating about taxes is essential for helping small and medium-sized businesses understand why they should follow tax rules (Pomeranz & Vila-Belda, 2019). Providing business owners and managers with clear information about which taxes they need to pay, how to reduce their tax burden, and how to do it correctly, helps them better understand and comply with tax regulations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction.

Tax management and following the rules for small and medium businesses (SMEs) are very important for a country's economy. SMEs help create jobs, encourage new ideas, and support overall economic growth. But making sure these businesses manage their taxes well and follow the rules is a difficult task. This study looked at different things that affect how SMEs handle taxes and follow the rules, using information from past research and expert writings.

2.2 Definition of key terms.

Tax management is about how government departments set up, carry out, and make sure people follow tax rules and plans. It includes collecting taxes, keeping track of what taxpayers owe, and making sure everyone follows the tax rules. Good tax management means not just making people follow the rules, but also helping taxpayers and making sure the tax system works well and is fair (OECD, 2021). This involves things like sending out tax bills, handling tax forms, and doing checks to make sure people are paying the right amount.

Tax compliance refers to how well taxpayers follow the rules and guidelines given by tax officials. This includes correctly stating how much money they make, figuring out how much tax they need to pay, and paying it on time as the law says. James and Alley (2002) explain this. Having good tax compliance is very important because it helps keep the tax system fair and makes sure the government has enough money to pay for public services. Things like how complicated the tax laws are, whether people think the tax system is fair, and how strictly tax officials enforce the rules can affect how well people comply with tax laws.

Taxes are required payments that a government collects from people or companies to pay for public services and projects. These payments help cover the costs of things like roads, schools, and hospitals (Slemrod, 2019). There are different types of taxes, such as income tax, business tax, sales tax, and property tax, each with its own guidelines and amounts. How taxes are set up can greatly affect how people and businesses act and how much money the government gets.

Managing taxes means carefully planning and dealing with the tax responsibilities of a person or a

company to be efficient and follow tax rules. This involves tasks like planning for taxes, reducing tax payments, and submitting tax forms (Scholes & Wolfson, 2009). Good tax management tries to lower tax costs while following the law and using any tax breaks or deductions that are available. It also involves keeping an eye on changes in tax laws and adjusting plans as needed.

Tax registration is the way people or companies officially sign up with the government's tax office to get a special number that identifies them for tax purposes. This is important because it sets up a person's or business's responsibility to tell the government about their money and pay the right amount of taxes (United Nations, 2020). To get this number, they usually have to give the tax office some papers and details about themselves. The tax office then gives them a number that helps them keep track of what the person or business owes in taxes. This step is really important to make sure everyone pays the right amount of taxes they owe.

Tax evasion is when someone intentionally doesn't pay the taxes they owe by not reporting all their income, claiming too many deductions, or using other tricky methods to get out of paying taxes (Internal Revenue Service, 2022). This is different from tax avoidance, which uses legal ways to lower tax bills. Tax evasion is dishonest and breaks tax laws, and it can lead to serious punishments like fines and jail time. It's important to have good systems in place to catch and stop tax evasion, so that the tax system stays fair and works well.

2.3 The Various Types of Taxes Paid by SMEs in the Study Context

Taxation is a very important part of how economies work, and it helps governments get money from all over the world. Small and Medium Businesses (SMEs) are a big part of many economies, and they help create jobs, come up with new ideas, and make the economy grow. But, the rules about taxes for SMEs can be complicated, with different kinds of taxes coming from different places. This study wants to look at the different kinds of taxes that SMEs have to pay and the problems that come with dealing with taxes and following the rules.

SMBs have to pay many different taxes, and it can depend on things like where they are, what kind of business they do, and how their business is set up. One of the main taxes they pay is income tax, which means they have to give some of the money they make to the government, either as a company or as individuals. Another big tax for SMEs is the Value Added Tax (VAT) or Goods and Services Tax (GST), which they have to pay when they sell things or provide services.

Corporate Income Tax is a major tax that small and medium-sized enterprises (SMEs) have to pay on their profits after expenses. The rate for this tax can be different in different places, which affects how SMEs plan for and follow tax rules (Clausing, 2016). For example, in the United States, the federal rate for Corporate Income Tax can be from 15% to 35%, and there are also taxes from individual states (Internal Revenue Service, 2020). If the tax rates are high, SMEs might try to reduce their taxes by moving profits or avoiding taxes, to lower their tax bills (De Mooij & Ederveen, 2008).

In Uganda, Corporate Income Tax (CIT) is applied to the profits of SMEs that operate as companies or partnerships. The CIT rate for these businesses is 30% on their taxable income, but there are some exemptions and incentives allowed by the tax laws (Kakooza & Byamugisha, 2016). To follow CIT rules, SMEs need to correctly calculate their taxable income, file their tax returns on time, and meet all reporting requirements.

VAT/GST is a tax on goods and services that is added at every step of the production and sale process, and it is paid by the final consumers. Small and medium-sized businesses (SMEs) are very important in managing VAT/GST because they have to pay the tax and also collect it from customers (Keen & Lockwood, 2010). To follow VAT/GST rules, businesses need to keep good records, file their taxes on time, and make sure their invoices are correct (Mascagni et al., 2019).

In Uganda, SMEs that make, distribute, or sell goods and services that are taxed must follow VAT rules (Kaggwa & Nalukenge, 2020). This means they need to keep good records, issue proper invoices, and file their VAT reports on time.

For example: A medium-sized company that makes household items needs to correctly calculate the VAT on its sales, keep proper VAT invoices, and submit its VAT reports to the URA to meet its tax responsibilities. A small farming business that makes money from its farming activities must figure out its VAT correctly and follow the same steps to comply with the tax laws.

Payroll taxes include different taxes on the wages and salaries that small and medium-sized businesses pay to their workers. This includes payments for social security, unemployment, and healthcare (Gruber, 2017). To follow the rules for payroll taxes, businesses must send in the taxes they've taken from employees on time, report how much each employee earns correctly, and follow the rules about work and social security (Mulligan, 2017). Example: A medium-sized tech company needs to correctly take out and send in payroll taxes for its workers, and also follow the rules for reporting this information as required by work and social security laws.

Property taxes are charged on the land, buildings, and equipment that small and medium-sized businesses own. The amount of property tax depends on the value of the property and the local tax rules (Fisher et al., 2016). Small and medium-sized businesses need to follow property tax rules, such as submitting property tax reports and paying their taxes on time (Zodrow & Mieszkowski, 1986). Example: A small restaurant needs to plan for and pay property taxes on the space it rents, following local tax rules and deadlines.

Special taxes called excise duties are placed on certain items like alcohol, tobacco, fuel, and luxury goods. Small and medium-sized businesses that make or sell these items have to follow rules about excise duties (Chaloupka et al., 2019). To follow these rules, businesses need to correctly report how much they produce, correctly label what is taxed, and pay the right amount of tax (Merriman & Sketel, 2018).

For example: A small brewery has to correctly figure out and pay the excise duties on the beer it makes, making sure it follows the rules and doesn't get in trouble for not following them. It's important for people who make rules, tax collectors, and small businesses to create a good tax situation that helps businesses follow the rules and grow in a healthy way.

2.4 Motivations for and against tax compliance

The way small and medium businesses in Uganda follow tax rules is affected by many things, both good and bad. This study looks at the different reasons that make these businesses either follow or avoid tax rules, especially when it comes to how taxes are managed and problems in Uganda.

Belief in Government Agencies, especially in organizations that collect taxes like the Uganda Revenue Authority (URA), is very important for small and medium-sized businesses (SMEs) to follow tax rules (Mugasha & Tumuhaise, 2017). SMEs are more willing to pay their taxes if they think the tax collectors are honest, treat everyone fairly, and can be trusted.

How Fair the Tax System Seems affects what SMEs decide about following tax rules in Uganda. If SMEs think the tax laws and how they are enforced are fair and reasonable, they are more likely to follow the rules (Kakooza & Byamugisha, 2016). But if they feel there is unfairness or special treatment, they might not want to follow the rules.

The way businesses think about taxes in their community also greatly affects how SMEs behave when it comes to paying taxes. If there is a strong belief that paying taxes is the right thing to do and part of being a good citizen, SMEs are more likely to pay their taxes (Namugenyi & Ssemogerer).

The taxes and the effort needed to follow tax rules are major reasons why small and medium-sized businesses in Uganda don't want to pay their taxes. High taxes, complicated tax rules, and the work needed to follow these rules make it expensive for these businesses to be tax compliant, so they might try to avoid or cheat on their taxes (Mugisha et al., 2018). Small and medium-sized businesses might feel that paying taxes is too hard on their finances, especially when they have to pay more in taxes than they can afford or than they make in profit.

Small and medium-sized businesses might also feel that the people who collect taxes are not doing a good job, are corrupt, or make things too complicated. They might think that tax officials are not clear, act unfairly, or try to get extra money for themselves, which makes them less willing to follow tax rules on their own (Kagwa & Nalukenge, 2020). When tax officials are seen as corrupt or misuse their power, it makes businesses less likely to trust them and more likely to break tax rules.

Limited knowledge about taxes and lack of education among small and medium-sized enterprises (SMEs) in Uganda make it difficult for these businesses to follow tax rules. Owners and managers of SMEs might not fully understand what taxes they need to pay, what benefits they can get, and their rights, which can accidentally lead them to not follow the tax rules (Mugasha & Tumuhaise, 2017). It is important to have good programs that teach SMEs about taxes and reach out to them to help them understand and follow tax rules better.

Another important thing that affects SME compliance is how fair they think the tax system is. Kakooza and Byamugisha (2016) found that SMEs are more likely to follow tax rules if they believe the tax laws and how they are enforced are fair and reasonable. If businesses feel there is unfairness or special treatment for some companies, it can make them less willing to comply.

Many businesses in Uganda operate in the informal economy and often avoid paying taxes, which is a common problem in certain industries. SMEs that work in the informal economy might think that paying taxes is not important or could hurt their business, so they often choose not to pay taxes (Namugenyi & Ssemogerere, 2019). This informal way of doing business makes it harder for the government to collect taxes and manage them properly. The way SMEs in Uganda handle tax compliance is influenced by many factors that are intertwined.

2.5 The relationship between tax administration and tax compliance in the study context.

How taxes are handled is crucial for how well small and medium-sized businesses in Uganda follow tax

laws. This study examines the relationship between the strategies used by tax authorities and the behavior of these businesses, and what influences this relationship.

Tax Management Strategies: Tax management involves all the procedures and regulations that tax officials, such as the Uganda Revenue Authority (URA), employ to ensure tax laws are obeyed. Effective tax management strategies are key to helping small and medium-sized businesses in Uganda comply with the laws (Mugisha et al., 2018).

Enforcement and Compliance Actions: The methods tax officials use to make sure businesses follow the rules significantly impact how small and medium-sized enterprises (SMEs) manage their tax obligations. Actions such as auditing records, investigating potential problems, and penalizing those who break the rules can deter SMEs from violating the rules and motivate them to comply voluntarily (Mugasha & Tumuhaise, 2017). Conversely, if the rules are not

Different things can affect how small and medium-sized businesses in Uganda follow tax rules. These things work together with how tax offices operate to decide if businesses follow the rules or not. Trust in the tax offices is very important for getting businesses to follow the rules. If businesses think the tax offices are honest, open, and treat everyone the same, they are more likely to follow the rules on their own (Kakooza & Byamugisha, 2016). Good talking and working together between the tax offices and businesses helps build trust and teamwork.

How fair businesses think the tax system is affects whether they follow the rules. If businesses think the tax rules and how they are enforced are fair and make sense, they are more likely to follow the tax rules (Mugasha & Tumuhaise, 2017). If tax rules are applied fairly and consistently, it makes businesses more likely to follow them.

The time and effort it takes for businesses to follow tax rules can affect how willing they are to do it. If it costs a lot of money and takes a lot of work to follow the rules, businesses might not want to do it.

The connection between how taxes are managed and how small and medium-sized businesses (SMEs) in Uganda follow tax rules works like a circle. The way taxes are managed affects how businesses follow the rules, and how well businesses follow the rules then affects how taxes are managed.

How well SMEs follow tax rules affects what the tax managers focus on and how they plan. If businesses often follow the rules well, it shows that the tax managers are doing a good job and might need to focus more on certain areas or types of rules (Mugasha & Tumuhaise, 2017). But if businesses often don't

follow the rules, the tax managers might need to change their plans.

To make sure the relationship between tax management and following tax rules works well, tax managers, SMEs, and others need to work together and keep improving. Regular talks, feedback, and helping each other learn more about taxes can make tax management better and help everyone work together better.

Tax management involves the rules and processes set by tax agencies, like the Uganda Revenue Authority (URA), to make sure businesses follow tax laws. For small and medium-sized enterprises (SMEs), good tax management is important to meet their tax duties. According to Mugisha and others (2018), strong tax management strategies that have clear rules, helpful support, and simple processes are key to helping SMEs follow the rules. Good tax management makes things less complicated and easier for businesses, which helps them follow tax laws.

The ways tax agencies enforce rules are very important in getting SMEs to follow tax laws. Mugasha and Tumuhaise (2017) say that actions like regular checks, investigations, and penalties for not following the rules can stop SMEs from avoiding taxes and encourage them to follow the rules on their own.

2.6 Literature Gap.

As a dimension of tax Administration, Taxpayer education and other variables reviewed were provided as one of the tools to enhance voluntary tax compliance alongside another factor variable among the entrepreneurs in the SMEs. The influence of taxpayer education and other variables reviewed on the level of voluntary tax compliance on SMEs has not been fully elaborated as a method of enhancing tax compliance among taxpayers as a single factor variable. All variables reviewed; such as audit, registration, and morale were seen to complement each other in influencing tax compliance. However, such methods cost a lot of money and time to the Revenue Authority.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

The methods used to gather more information about the study's design, how the research was conducted, the group of people involved, how people were chosen for the study, where the data came from, how data was collected, how participants were selected, the steps taken in the research, additional tools used, concerns about doing the research fairly, and the boundaries of the study.

3.2 Research design.

The organization of a study discovered variables and how they relate to one another is known as research design. A study design is particularly helpful since it aids in the researcher's mental construction of the framework for data collection and subsequent analysis (Asika, 1991).

This study was to utilize a sequential exploratory mixed-methods design, which involves collecting and analyzing qualitative data followed by quantitative data to gain deeper insights into the research problem (Creswell & Plano Clark, 2018). The research design will consist of three main phases: exploratory qualitative research, survey development, and quantitative data collection and analysis.

3.3 Population of the study

The study population for this research comprised small and medium enterprises (SMEs) operating across various industries and sectors within the Mukono central division kiiko market. SMEs are defined based on criteria such as annual turnover, number of employees, and organizational structure, by established definitions by relevant government agencies or international standards. The population included SMEs ranging from micro-enterprises with a few employees to larger SMEs nearing the upper threshold of the defined criteria. The selection of SMEs will be representative of the diverse landscape of small and medium-sized businesses, encompassing both established entities with years of operation and newly established ventures.

The study population was to encompass SMEs with varying levels of tax compliance, including those with exemplary compliance records, occasional non-compliance issues, and persistent compliance challenges. The target demographic is to be selected from **50 (fifty)** SMEs that deal in both products and services throughout Mukono Municipality.

3,4 Sampling method

To conclude the entire population, sampling involved taking data from a small portion of a larger group or population. The goal of sampling was to obtain a sample that accurately reflects the population and closely replicates the key characteristics of the group being studied (Kvale, 1996). Census and Probability sampling procedures will be used. After that, simple random sampling—which makes it feasible for every sample to be selected equally was be used to select samples from the population of small and medium-sized businesses that are active in Mukono Central Division.

3.5 Sample size selection

Table 3.1									
<i>Table for Determining Sample Size of a Known Population</i>									
N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	346
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	354
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	191	1200	291	6000	361
45	40	170	118	400	196	1300	297	7000	364
50	44	180	123	420	201	1400	302	8000	367
55	48	190	127	440	205	1500	306	9000	368
60	52	200	132	460	210	1600	310	10000	370
65	56	210	136	480	214	1700	313	15000	375
70	59	220	140	500	217	1800	317	20000	377
75	63	230	144	550	226	1900	320	30000	379
80	66	240	148	600	234	2000	322	40000	380
85	70	250	152	650	242	2200	327	50000	381
90	73	260	155	700	248	2400	331	75000	382
95	76	270	159	750	254	2600	335	1000000	384

Note: N is Population Size; S is Sample Size *Source: Krejcie & Morgan, 1970*

A sample size of 44 small and medium enterprises from the table above.

3.6 Research instruments.

Research instruments are essential tools used to collect data and gather insights into the complex dynamics of tax administration and compliance among small and medium enterprises (SMEs). This section outlines the key research instruments to be suitable for the study, including questionnaires that were designed to capture quantitative data from SME owners, tax professionals, and government officials.

3.6.1 Questionnaires

This is a written list of questions, the answers to which are recorded by respondents. In a questionnaire, respondents read the questions, interpret what is expected, and then write down the answers (Ranjit, 2011). Semi-structured self-administered questionnaires were used for data collection and later on, retrieved and analyzed to generate this report.

Demographic Information: This section collects basic demographic data from SME respondents, including company size, industry sector, geographical location, and years in operation. Demographic information helped to contextualize survey responses and identify potential differences in tax compliance behavior across different segments of the SME population.

Perceptions of Tax Administration Effectiveness: This section measured SMEs' perceptions of the effectiveness of tax administration strategies in promoting compliance. Items assess respondents' views on the clarity of tax regulations, accessibility of tax information, responsiveness of tax authorities, and fairness of enforcement measures. Likert-scale items are used to gauge respondents' agreement or disagreement with statements about tax administration effectiveness.

3.7 Validity and reliability of research instruments

Validity and reliability are fundamental aspects of ensuring the credibility and trustworthiness of research instruments used in studying tax administration and compliance among small and medium enterprises (SMEs). Validity refers to the degree to which a research instrument measures what it intends to measure, while reliability pertains to the consistency and stability of measurement over time (Bryman, 2016).

Content Validity: The survey instrument and interview protocol undergo comprehensive content validation processes to ensure that they accurately capture the key constructs related to tax administration and compliance among SMEs. Content validity is established through expert review by tax professionals, researchers, and practitioners familiar with the subject matter. Their feedback is used to refine measurement items, ensuring that they align with the conceptual domains of interest, such as tax

compliance behavior, perceptions of tax administration effectiveness, and organizational characteristics.

3.7.1 Reliability.

Internal Consistency Reliability: This type of reliability checks how well the questions in a research tool are connected and measure the same thing. For a survey, we can use a method called Cronbach's alpha to see how consistent the questions are, especially when they are about things like how people act on tax rules or how they see the tax system's effectiveness. A high Cronbach's alpha score means the questions in the survey are closely related and give a good measure of what they are supposed to be measuring.

Inter-Rater Reliability: This reliability is important for data from interviews, especially when different people are analyzing the information. To make sure everyone is interpreting the interview data the same way, we can use a tool like Cohen's kappa to see how much agreement there is between different people who are analyzing the data. This helps check how well they are all identifying the same things in the interviews.

3.7.2 Reliability indices for the respective variable

By systematically addressing validity and reliability considerations, the research instruments used in studying tax administration and compliance among SMEs contribute to the credibility and trustworthiness of research findings. Valid and reliable instruments enhance the robustness of study conclusions and facilitate evidence-based decision-making for policymakers, tax authorities, and SME stakeholders, and the supervisor's comments were used to improve the data collection instruments by eliminating all errors and weak points that were identified in the tool.

3.8 Data collection procedure.

The data collection procedure for studying tax administration and compliance among small and medium enterprises (SMEs) involved systematic steps to gather both quantitative and qualitative data from diverse stakeholders. The procedure encompasses survey administration, interviews, and data analysis to capture comprehensive insights into the complexities of tax compliance behavior within the SME sector.

Questionnaire were developed based on rigorous validation processes, is distributed to a representative sample of SMEs selected using probability sampling techniques such as stratified random sampling. SME owners or managers are contacted in-person visits to solicit their participation in the research. Clear instructions are provided regarding the purpose of the study, confidentiality of responses, and voluntary participation.

When obtaining consent from participants, the questionnaire were to be administered either online

through a secure survey platform or in paper format, depending on participants' preferences and accessibility. Participants are given a reasonable time frame to complete the fill in and may be offered incentives to enhance participation rates.

Questionnaires are scheduled at mutually convenient times and conducted either in person, Each interview session typically lasts between 30 minutes to 45 minutes, allowing for in-depth exploration of participants' perspectives, experiences, and insights into tax compliance challenges and opportunities.

3.9 Data Analysis

In a study about how small and medium businesses in Uganda follow tax rules, researchers used a detailed survey as their main tool to gather information. The questionnaire had multiple-choice questions to learn about different aspects of tax compliance, such as how fair people think taxes are, how much they trust the tax officials, and how hard they find the tax rules. The data they collected was analyzed using special computer programs to find trends and connections. Simple statistics, like average scores and how much the scores varied, helped show what businesses generally think and do about tax compliance. For instance, a high average score for Value Added Tax (VAT) showed that businesses understand VAT well, while a lower average score for Pay As You Earn (PAYE) suggested that businesses have different experiences with it. They also used a method called factor analysis to look at deeper connections between the different aspects of tax compliance.

3.1.0 Measurement of variables.

When looking at how Small and Medium-sized Enterprises (SMEs) handle taxes and follow the rules, there are a few important things to consider. First, we need to see how often these businesses have to submit their tax forms in a year. This tells us how much work they have to do for tax purposes. Next, we can use surveys or talks with business owners to find out how much they know about tax laws, benefits, and what they need to do. This helps us understand if they can manage their tax responsibilities well.

We also measured how well SMEs follow tax rules by checking how often they pay their taxes on time compared to the total amount they owe. This shows us how closely they stick to the tax rules and pay what they owe when they should. Additionally, there is another factor to consider.

3.1.1 Data sources.

Data was gathered directly from people through conversations and forms they filled out themselves. This information was then organized and used to draw conclusions that aligned with the goals of the research project.

To learn about how small and medium-sized businesses handled taxes and followed tax rules, researchers can use different methods. They looked at official records from tax agencies that show how often and how well these businesses file and pay their taxes. This helps researchers see patterns over time and in different areas. They can also ask business owners, managers, and tax experts about their experiences and thoughts on tax rules and how well they follow them.

These direct sources provided detailed understanding of what affects how small and medium-sized businesses deal with taxes and how effective the tax system is.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter presents the results of the study in relation with the study objectives in chapter one. The

chapter begins with the response rate, demographic data and the responses from the various respondents presented as follows.

4.2 Response Rate

Table 2 Response Rate

Questionnaires	Frequencies	Percent
Questionnaires given out	44	100
Questionnaires returned	42	95.4

Source: Primary data

This study had a **(95%)** response rate, which was a great response rate. High response rate are most likely to be accurate responses, according to Amin 2012. In contrast to the individuals, the researcher had targeted the number of respondents to the study is provided in this part together with the information on the respondents like gender, age, education level, length of experience among others.

4.3 Demographic information

The gender distribution of the respondents who took part in this research is shown in the graph below in table 3, they're accompanied by their frequencies and percentages.

Table 3 Gender of respondents

The gender of the respondent

	Frequency	Percent
Valid MALE	23	52.3
FEMALE	21	47.7
Total	44	100.0

source; Primary data

(47.7%) of the respondents were male and (52.3%) of most respondents were female as shown in table above.

Table 4 Age group of the respondents

Table 4 provides information about the age of the respondents of the study and it includes their frequencies and percentages in each category.

The age of the respondent

		Frequency	Percent
Valid	below 25 years	10	22.7
	25-34 years	27	61.4
	35-44 years	6	13.6
	45-54 years	1	2.3
	Total	44	100.0

Source, primary data

(22.7%) of the respondents in table 4.3 above were below the age of 25 years, (61.4%) were between the age of 25 and 34, (13.6%) were between the age of 35 and 44, (2.3%) were between the age of 45 and 54 and (0%) were above 55 years of age

Table 5 Education level of the respondents

The study's respondents education levels are broken down as in table 5 showing their frequencies and percentages and they're sub divided into five educational levels as shown below.

The level of education

		Frequency	Percent
Valid	no formal education	1	2.3
	primary education	3	6.8
	secondary education	9	20.5
	diploma or certificate	16	36.4

bachelor's degree	11	25.0
Total	40	90.9
Total	44	100.0

source, primary data

The majority of the respondents (36.4%) in the table 5 above were at diploma or certificate educational level, followed by no formal education (25.0%) were at bachelors degree level, (20.5%) were at secondary educational level (2.3%)and no formal education, however (9.1%) respondents were missing information concerning their education level. This shows the at least the chosen respondents could at least read and write and they could fill in the questionnaires as provided to them.

Table 6 Experience in the business by the respondents

Table 6 shows the number of years the respondents have been in business, they include their frequencies and percentages as shown below

The experience in business

		Frequency	Cumulative Percent
valid	less than 1 year	12	27.2
	1-3 years	9	20.4
	4-6 years	16	36.3
	7-10 years	3	6.8
	Total	40	
	Total	44	

source, primary data

(27.3%) of the respondents are new entrants in the business and they have an experience of below one year, 20.5% have an experience of between 1 to 3 years, (36.4%) between 4 to 16 years and then (6.8%) above 7 years of experience and (9.1%) respondents were missing information concerning their

experiences in the business. This shows that at least most the respondents had the knowledge about the business according to the experience they have.

Table 7 Type of business

table 4.6 below shows the various types of businesses the respondents deal in and they include their frequencies and percentages as well as shown below.

The type of business

		Frequency	Percent
Valid	manufacturing	11	25.0
	retail	18	40.9
	wholesale	9	20.5
	service industry	4	9.1
	agriculture	2	4.5
	Total	44	100.0

Source, primary data

Most of the respondents deal in retail type of business with (40.9%), followed by manufacturing with (25.0%), whole sellers with (20.0%), service businesses with (9.1%) and then (4.5%) were dealing in agriculture.

Table 8 Business ownership structure

		Frequency	Percent
Valid	sole proprietorship	12	27.3
	partnership	22	50.0
	limited company	7	15.9
	Total	41	93.2

Total	44	100.0
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source, primary data

Most of the respondents were in partnership with a percentage of 50.0%, followed by sole proprietorship with 27.3%, and limited company with 15.9% respondent and 6.8% respondents were missing information about the type of their business as indicated in the table above.

Table 9 Annual Revenues (Uganda shillings)

The annual revenue earned

		Frequency	Percent
Valid	less than 10 million	21	47.7
	10-50 million	14	31.8
	51-100 million	2	4.5
	Total	37	84.1

source, primary data

According to the table above, most of the businesses earn a revenue of below 10 million Ugandan shillings (47.7%), (31.8%) earn between 10 and 50 millions and (4.5%) for 51 and 100 millions and above and (15.9%) respondents were missing information about their annual revenues earned as indicated in the above table.

4.4 The various type of taxes paid by small and medium businesses

Table 4.9 summarizes respondents responses on the various type of taxes paid by small and medium businesses with their respective mean and standard deviation as shown

Table 4.1 The various type of taxes paid by small and medium businesses

STATEMENTS	MEAN	SD
Value Added Tax (VAT) Compliance	4.53	0.93
Corporate Income Tax	3.64	1.29

Pay As You Earn (PAYE)	3.57	1.43
Local Service Tax	4.29	1.30
Turnover Tax	5.00	0.00

Source, primary data

The table below shows that most of the respondents that operate in small and medium businesses strongly agreed that they pay turnover taxes with a mean score of (5.00) and a standard deviation of (0.00), respondents also strongly agreed that they pay Value Added Tax with a mean score of (4.53) and standard deviation of (0,93). Respondents also agreed that they pay local service tax with an average score of (4.29) and a standard deviation of (1.30). Respondents agreed that they are subjected to pay as you earn with a mean score of (3.57) and standard deviation of (1.43).

Lastly respondents also agreed that they are subjected to corporate tax with a mean score of (3.64 0) and standard deviation of (1,29). as presented in the table above.

4.5 Motivation for and against tax compliance among small and medium businesses

Table 4.1.1 summarizes respondents responses on the motivation for and against tax compliance among small and medium businesses with their respective mean and standard deviation as show below

Table 4.1.0 motivation for and against tax compliance among small and medium businesses

STATEMENTS	MEAN	SD
I am motivated to comply with tax regulations because it contributes to the development of public infrastructure and services.	5.00	0.00
The fear of legal penalties and fines strongly influences my decision to pay taxes on time.	4.73	0.45
I am less likely to comply with tax regulations when I perceive that government funds are mismanaged or misused	5.00	0.00
The complexity and lack of clarity in the tax filing process make me hesitant to comply with tax regulations.	4.84	0.50

I am motivated to pay taxes when I see tangible benefits, such as improved healthcare, education, and security services.	4.45	0.90
High tax rates discourage me from fully complying with tax regulations, as they reduce my business profitability.	4.80	0.40

Source, primary data

The table presents data about motivation for and against tax compliance among small and medium businesses. Mean scores and standard deviations are provided for each statement reflecting the respondents perceptions.

To begin with, respondents strongly agreed that they're motivated to comply with tax regulations because it contributes to the development of public infrastructure and services with average score pf (5.00) and standard deviation of (0.00). Secondly, respondents also agreed that they fear legal penalties and fines strongly influences my decision to pay taxes on time with a mean score of (4.73) and standard deviation of (0.45) as shown in the table above.

Respondents strongly agreed that they're less likely to comply with tax regulations when I perceive that government funds are mismanaged or misused with an average mean score of (5.00) and standard deviation of (0.00) as indicated in the table above.

An average score of (4.84) and standard deviation of (0.50), respondents strongly agreed that the complexity and lack of clarity in the tax filing process make them hesitant to comply with tax regulations. (4.45) as an average score and (0.90) as standard deviation indicated that respondents agreed that they're motivated to pay taxes when they see tangible benefits, such as improved healthcare, education, and security services.

(4.80) mean score and (0.40) standard deviation also show that respondents strongly agreed that high tax rates discourage them from fully complying with tax regulations, as they reduce my business profitability as shown in table 4.1.1 above.

4. 6 The relationship between tax administration and tax compliance among small and medium, businesses

Table 4.1.2 summarizes respondents responses on the relationship between tax administration and tax compliance among small and medium businesses with their respective mean and standard deviation as shown

Table 4.1.2 The relationship between tax administration and tax compliance among small and medium, businesses

QUESTIONS	MEAN	SD
Simplified tax procedures and documentation provided by tax authorities make it easier for my business to comply with tax obligations.	4.13	1.32
My business is more likely to comply with tax regulations when tax audits and inspections are conducted fairly and transparently.	4.65	0.95
Complex tax policies and frequent changes in tax regulations create challenges for my business to comply with tax requirements.	3.64	1.29
Clear guidelines and accessible information from tax authorities improve my understanding and compliance with tax laws.	4.48	0.45
Perceived corruption or unfair practices within tax administration negatively affects my business's willingness to comply with tax regulations.	4.91	0.29
My business's compliance with tax obligations improves when tax authorities actively engage with us and address our concerns	3.64	1.29

Source, primary data

The table presents data about the relationship between tax administration and tax compliance among small and medium businesses. Mean scores and standard deviations are provided for each statement reflecting the respondents perceptions.

The table shows that respondents agreed that their businesses are more likely to comply with tax regulations when tax audits and inspections are conducted fairly and transparently with a mean score of (4.65) and standard deviation of (4.65). Respondents agreed that simplified tax procedures and documentation provided by tax authorities make it easier for their businesses to comply with tax obligations with an average score of (4.13) and standard deviation of (1.32).

(3.64) mean score and (1.29) show that respondents were neutral about complex tax policies and frequent changes in tax regulations create challenges for my business to comply with tax requirements. (4.91) mean score and (0.45) standard deviation show that respondents strongly agreed that perceived corruption or unfair practices within tax administration negatively affects their business's willingness to comply with tax regulations.

(3.64) average score and standard deviation of (1.29) show that respondents agreed that their business's compliance with tax obligations improves when tax authorities actively engage with us and address our concerns as indicated in table 4.1.2 above.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of findings

5.2 Discussion of the findings in relation to the various types of taxes paid by SMEs

The data from the table shows that small and medium businesses (SMEs) in Uganda agree strongly on the different taxes they need to pay. Importantly, almost all respondents said they must pay turnover taxes, with a perfect average score of 5.00 and no differences in opinion (standard deviation of 0.00). This means that turnover tax is a well-known and required part of the tax system for SMEs.

There is also a lot of agreement about paying Value Added Tax (VAT), with an average score of 4.53 and a standard deviation of 0.93. This indicates that VAT is a major tax for SMEs, but there are some differences in how strongly it is felt by different businesses. The average score for local service tax is

4.29 with a standard deviation of 1.30, showing general agreement among respondents, though there is a bit more variation in their views compared to VAT.

5.3 Discussion of findings in relation to Motivation for and against tax compliance among SMEs

People showed a strong desire to follow tax rules mainly because they think their payments help build public facilities and services. This feeling was very clear, with everyone giving a perfect score of 5.00, showing complete agreement. This means that the idea of helping society is a big reason for people to pay their taxes.

The threat of legal punishments and fines was also a big reason for people to pay their taxes on time, with an average score of 4.73 and a small spread of 0.45. This shows that the fear of legal trouble is a strong reason to avoid late payments. Also, people strongly felt that they would be less likely to follow tax rules if they thought the government was wasting or misusing their money, with everyone giving a perfect score of 5.00, showing complete agreement. This emphasizes how important it is for people to trust that their government is using their money wisely.

5.4 Discussion of the findings in relation to the relationship between tax administration and tax compliance among SMEs.

The study shows that there are important things that make businesses follow tax rules. People said they are more likely to follow the rules when they think tax checks are done fairly and openly, which got an average rating of 4.65. This high score, along with a big spread of answers, shows that people really believe being treated fairly during checks makes them want to follow tax rules. Also, having simple tax forms and clear instructions from the tax office makes it easier for businesses to follow the rules, which got an average score of 4.13 with a smaller spread of answers. This means that having clear and easy-to-follow steps is very important for helping businesses follow tax rules.

On the other hand, people didn't have strong feelings about how complicated tax rules and often changing tax laws affect their willingness to follow the rules, with an average score of 3.64 and a smaller spread of answers. This shows that people are not sure how these things affect their desire to follow tax rules

5.5 Conclusion

The results show that small and medium businesses (SMEs) in Uganda agree strongly on their tax responsibilities, especially when it comes to turnover tax, which everyone recognizes as mandatory, as shown by the highest average score of 5.00. There is also a high level of agreement on Value Added Tax (VAT), with an average score of 4.53, highlighting its importance even though its effects vary among

businesses.

Local service tax is also widely accepted, though there is more variation in opinions, with an average score of 4.29. On the other hand, there is less agreement on Pay As You Earn (PAYE) and corporate tax, with average scores of 3.57 and 3.64 respectively, and more varied perceptions about these taxes, suggesting they pose different challenges for SMEs. Overall, while turnover tax and VAT are well-recognized and consistently applied, PAYE and corporate tax show more diverse experiences, indicating the need for specific support and possible adjustments in policy.

In conclusion, the results indicate that people are very eager to follow tax rules because they want to help fund public services and are afraid of getting in trouble with the law. But, their desire to follow these rules is greatly influenced by their belief that the government is not using the money properly and by how difficult it is to file taxes. High taxes also make people less likely to comply. To improve how people follow tax rules, it's important for the government to manage money transparently, make tax filing easier, and think about how tax rates affect businesses, so more people will want to pay their taxes.

To sum up, the results show that having honest and clear audits, easier tax processes, and a trustworthy tax system is very important for getting businesses to pay their taxes properly. People's worries about dishonest practices and the need for tax officials to be involved show that trust and good communication are key in making sure businesses follow the rules.

5.6 Recommendations

Based on the study's findings, the following recommendations were made on the relationship between tax compliance and tax administration among SMEs in the study context.

Managers and owners of SMEs should improve Assistance and Learning on PAYE and Business Taxes. Since people have different views and not everyone agrees about PAYE and business taxes, it's important for the people who collect taxes to help small and medium-sized businesses (SMEs) more. They can do this by holding special classes, talks, and giving out helpful guides so these businesses can easily understand what they need to do, make it simpler to follow the rules, and solve any problems they have. This way, SMEs might find it easier to handle their tax duties.

Government authorities responsible for taxes should always check and make Easier Rules for VAT and Local Service Taxes even though VAT and local service taxes are pretty clear to most people, the high scores show that they still make things difficult for SMEs. Looking at the rules for these taxes could help

find ways to make them simpler and less work for businesses. This could mean making the process of filing taxes easier, cutting down on the amount of paperwork, and using technology to help.

They should also improve Openness and Effectiveness in Tax Management to address concerns about potential mismanagement and misuse of public funds, it's crucial for tax authorities to enhance transparency and accountability. Establishing robust mechanisms for tracking and verifying government expenditures will foster trust among businesses.

Regular public communications detailing how tax revenues are utilized for public works and services can showcase the benefits of tax compliance, additionally, simplifying and clarifying tax filing processes can reduce the confusion and doubt that currently deter people from adhering to tax laws. Developing user-friendly tax systems and providing straightforward, accessible guidance can significantly aid businesses, making it easier for them to fulfill their tax obligations.

Adjust Tax Rates and Show Clear Benefits, high taxes can make it hard for companies to make money, which can lead them to not pay their taxes fully. To fix this, tax offices should look at their tax rates and change them so they work for both the government and businesses. Also, showing people the good things that happen because of taxes, like better hospitals, schools, and police, can make them see the importance of paying taxes. By telling the public about these good things, businesses might be more willing to pay their taxes because they can see the good results.

By implementing these recommendations, tax authorities can create a more supportive and transparent environment that encourages compliance and fosters positive relationships with businesses.

Make Audits Just and Clear, tax offices need to set strong rules for making sure audits and checks are fair and easy to understand. This helps create trust and makes more companies want to follow tax rules.

Ease Tax Processes, making tax processes and paperwork simpler will lighten the load on businesses and make it easier for them to follow the rules. Clear instructions and easy-to-use forms can greatly improve how businesses handle their tax responsibilities.

Tackle Corruption Perceptions, tax offices must fight against corruption and unfair actions in the tax system. Building a good reputation for honesty and actively dealing with worries will increase businesses' willingness to meet their tax duties.

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APPENDIX ONE: QUESTIONNAIRE INSTRUMENT

Dear respondents,

I am **SONKO SHAFIQ**, a student of Uganda Christian University (UCU) pursuing a bachelors of business administration. I am conducting a study on “ **TAX COMPLIANCE AND TAX ADMINISTRATION AMONG SMEs**” You have been specifically selected tp participate in this study and the information collected shall be purely for academic reasons and kindly request you to provide information regarding the study. The success of this study shall greatly dependent on your response.

Section B

Business Information

5. Type of Business:

- (a) Manufacturing
- (b) Retail
- (c) Wholesale
- (d) Service industry
- (e) Agriculture
- (f) Other (please specify)

6. Business Ownership Structure:

- (a) Sole proprietorship
- (b) Partnership
- (c) Limited company
- (d) Other (please specify)

7. Number of Employees:

- (a) 1 - 5 employees
- (b) 6 - 10 employees
- (c) 11 - 20 employees
- (d) 21 - 50 employees
- (e) More than 50 employees

8. Annual Revenue (Uganda shillings)

- (a) Less than 10 million
- (b) 10 - 50 million
- (c) 51 - 100 million
- (d) Above 500 millio

9. Have you registered your business with the Uganda Revenue Authority ?

- (a) Yes
- (b) No

SECTION C

10. The various types of taxes paid by small and medium business

Instructions: tick the most appropriate type of tax that your business pays

Scale: 1 = Strongly , 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree

Types of taxes paid in SMEs	1	2	3	4	5
Corporate Income Tax					

Pay As You Earn (P A Y E)					
Local Service Tax (L S T)					
Vale Added Tax (VAT)					
Turnover Tax					

SECTION D

11. Motivation for and against tax compliance am small and medium businesses

Instructions: Please indicate the extent to which you agree or disagree with each of the following statements by selecting the appropriate option.

Scale: 1 = Strongly , 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree

QUESTIONS	1	2	3	4	5
I am motivated to comply with tax regulations because it contributes to the development of public infrastructure and services.					
The fear of legal penalties and fines strongly influences my decision to pay taxes on time.					
My perception of fair and equitable tax rates encourages me to fulfill my tax obligations.					
I am less likely to comply with tax regulations when I perceive that government funds are mismanaged or misused					
The complexity and lack of clarity in the tax filing process make me hesitant to comply with tax regulations.					

I am motivated to pay taxes when I see tangible benefits, such as improved healthcare, education, and security services.					
High tax rates discourage me from fully complying with tax regulations, as they reduce my business profitability.					
I am more likely to avoid taxes if I believe that other businesses or individuals are not being taxed fairly or consistently.					
Receiving timely and clear communication from tax authorities encourages me to comply with tax requirements.					

SECTION E

12. The relationship between tax administration and tax compliance among small and medium, businesses.

Instructions: Please indicate the extent to which you agree or disagree with each of the following statements by selecting the appropriate option.

Scale: 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree

QUESTIONS	1	2	3	4	5
The efficiency and responsiveness of tax authorities positively influence my business's compliance with tax regulations.					
Simplified tax procedures and documentation provided by tax authorities make it easier for my business to comply with tax obligations.					

My business is more likely to comply with tax regulations when tax audits and inspections are conducted fairly and transparently.					
Complex tax policies and frequent changes in tax regulations create challenges for my business to comply with tax requirements.					
Clear guidelines and accessible information from tax authorities improve my understanding and compliance with tax laws.					
Perceived corruption or unfair practices within tax administration negatively affects my business's willingness to comply with tax regulations.					
Perceived corruption or unfair practices within tax administration negatively affects my business's willingness to comply with tax regulations.					
Unpredictable enforcement of tax laws by tax authorities creates uncertainty and discourages full compliance from my business.					
My business's compliance with tax obligations improves when tax authorities actively engage with us and address our concerns					

SECTION F

13. Challenges faced by small and medium businesses in tax administration and tax compliance.

Instructions: Please indicate the extent to which you agree or disagree with each of the following statements by selecting the appropriate option.

Scale: 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree.

QUESTIONS	1	2	3	4	5
Small and medium businesses often struggle with understanding the complexity of tax regulations.					
The administrative burden of tax compliance is a significant challenge for small and medium businesses.					
Small and medium businesses face difficulties in keeping up with frequent changes in tax laws and regulations					
Inadequate support and guidance from tax authorities contribute to the compliance challenges faced by small and medium businesses					
The costs associated with tax preparation and compliance are disproportionately high for small and medium businesses compared to larger firms					
Small and medium businesses find it challenging to maintain accurate and comprehensive financial records required for tax purposes.					

THANK YOU SO MUCH MAY ALLAH BLESS YOU

APPENDIX TWO: UNIVERSITY LETTER



**UGANDA CHRISTIAN
UNIVERSITY**

A Centre of Excellence in the Heart of Africa

SCHOOL OF BUSINESS

27th Aug, 2024

TO WHOM IT MAY CONCERN

Name: SONKO SHAFIQ

Reg. J22B05/195

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

Tax Administration and Tax Compliance among Small and Medium Enterprises.
A case study of kiiko Market .Mukono Central Division.

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

The Uganda Christian University School of Business thanks you in advance

.....
Mukisa Simon Peter
Research coordinator



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