

TAX ADMINISTRATION PRACTICES AND TAX COMPLIANCE AMONG UGANDAN SMEs: A CASE OF KAMPALA CENTRAL DIVISION

MARIA REGINA NAKIBUUKA

KS21M15/024

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

May, 2026



**UGANDA CHRISTIAN
UNIVERSITY**

A Centre of Excellence in the Heart of Africa

ABSTRACT

This research sought to establish the relationship between tax administration practices, and tax compliance in Small and Medium Enterprises (SMEs) within the Kampala Central Division of Uganda. The study was guided by three specific objectives: to establish the relationship between tax registration practices and tax compliance among SMEs in Kampala Central Division; to assess the relationship between record-keeping requirements and tax compliance among SMEs in Kampala Central Division; and to establish the relationship between tax assessment practices and tax compliance among SMEs in Kampala Central Division. A descriptive research design was used with quantitative and qualitative research approaches. Data was collected from 363 small enterprises, 335 medium enterprises in Kampala Central Division using a self-administered questionnaires and 9 key informant interviews were conducted using an interview guide. Data was analyzed using SPSS version 20 and tabulation was applied using frequencies and percentages in the Validation of the statistical findings. The findings revealed that tax administration practices specifically tax assessment practices, tax registration and record keeping requirements positively and significantly relate to timely filing and accurate reporting with correlation values ranging from 0.978 to 0.999. However, a weak relationship was observed between tax registration and full tax payment among small enterprises ($p=0.008$). Crucially, compliance costs were found to act as a significant moderating variable; while they were positively correlated with tax compliance in small enterprises ($r=0.974$ to 0.977), they were negatively related in medium enterprises ($r=-0.867$ to -0.832), Indicating that high administrative burdens significantly hinder compliance as firm size increases. The study concludes that while administrative practices are foundational, their effectiveness is heavily moderated by compliance costs. It is recommended that Uganda Revenue Authority (URA) provides targeted “onboarding kits” explaining formalization benefits to offset entry burdens, and offers financial incentives or tax credits for early EFRIS adoption. Simultaneously, SME operators are encouraged to formalize early and adopt simplified record keeping systems to mitigate compliance costs and build business legitimacy.

DECLARATION

I, Nakibuuka Maria Regina, hereby declare that this is my original work, is not plagiarized and has not been submitted to any other institution for any award.

Signed  _____

Date: 22nd May 2026

NAKIBUUKA MARIA REGINA

KS21M15/024

APPROVAL

This is to certify that this research titled “Tax Administration Practices and Tax Compliance Among Ugandan SMEs”, has been done under my supervision and is now ready for submission.

Signed 

Date: 22nd May 2026

Prof. Yawe Bruno Lule
(Academic Supervisor)

DEDICATION

This dissertation is dedicated to my beloved parents Mr. and Mrs. Kiwanuka and family for their unwavering support, encouragement and prayers throughout this academic journey.

ACKNOWLEDGEMENT

First and foremost, I thank the Almighty God for His grace, strength and the Holy Spirit that has granted me life and wisdom to complete this course and dissertation. A token of appreciation to my supervisor, Prof: Yawe Bruno Lule for his invaluable guidance, support and encouragement throughout the research journey. Your patience, critical comments and constructive suggestions gave meaning to ideas expressed in this dissertation.

I wish to express my sincere gratitude to Uganda Revenue Authority (URA), Kampala Capital City Authority (KCCA), Medium Tax Payer family and all SMEs in Kampala Central Division who participated in this study. Special thanks to my friends and classmates for their moral support.

TABLE OF CONTENTS

ABSTRACT	i
DECLARATION	ii
APPROVAL	iii
DEDICATION	iv
ACKNOWLEDGEMENT	v
TABLE OF CONTENTS	vi
LIST OF TABLES	x
LIST OF FIGURES	xii
LIST OF ACRONYMS AND ABBREVIATIONS	xiii
CHAPTER ONE INTRODUCTION.....	1
1.1 Introduction.....	1
1.2 Background.....	1
1.2.1 Historical Perspective	2
1.2.2 Theoretical Perspective	4
1.2.3 Conceptual Perspective	5
1.2.4 Contextual Perspective	7
1.3 Problem Statement	8
1.4 General Objective	10
1.4.1 Specific Objectives.....	10
1.5 Research Questions.....	10
1.6 Scope of the Study.....	10
1.6.1 Geographical Scope	11
1.6.2 Time Scope	11
1.7 Justification of the Study	12
1.8 Significance of the Study	13
1.9 Conceptual Framework	15
1.10 Operational Definitions of Key Terms	16
1.11 Conclusion	19
CHAPTER TWO LITERATURE REVIEW.....	20
2.1 Introduction.....	20

2.2 Theoretical Review	21
2.2.1 Motivational Postures Theory (Braithwaite, 2003)	21
2.2.2 Theory of Planned Behavior (TPB) (Ajzen & Fishbein, 1980)	21
2.2.3 Social Influence Theory (Wenzel, 2004)	22
2.2.4 Compliance Cost Theory (Sandford, 1995)	22
2.2.5 Tax Assessment	23
2.3 Empirical Studies.....	23
2.3.1 Tax Administration Practices and Tax Compliance Among SMEs	23
2.3.2 Digital Systems (EFRIS) and Record-Keeping.	25
2.3.3 The Electronic Billing Machine (EBM) and Tax Compliance amongst small and medium enterprises.	28
2.3.4 The Moderating Role of Compliance costs	28
2.3.5 Tax registration and tax compliance among SMEs.....	30
2.4 Conceptual review.....	32
2.4.1 Small and Medium Enterprises (SMEs) and compliance	32
2.4.2 Tax Compliance	32
2.5 Summary of Literature Review and Research Gaps	33
CHAPTER THREE METHODOLOGY	36
3.1 Introduction.....	36
3.2 Research design	36
3.3 Research Approach	36
3.4 Population of the Study.....	37
3.5 Sample Size Determination	38
3.6 Sampling techniques	39
3.6.1 Stratified Random Sampling	40
3.6.2 Purposive Sampling	40
3.7 Data Collection Methods.....	41
3.7.1 Questionnaire Survey Method	41
3.7.2 Interview Method	41
3.8 Data collection instruments	42
3.8.1 Self-administered Questionnaire	42
3.8.2 Interview Guide	43

3.9 Validity and Reliability of Instruments.....	43
3.9.1 Validity of Instruments	43
3.9.2 Reliability of Instruments	45
3.10 Data Collection Procedure.....	46
3.11 Measurement of Variables	46
3.12 Data Analysis	47
3.12.1 Quantitative Date Analysis	47
3.12.2 Qualitative data analysis	48
3.13 Ethical Considerations.....	49
3.14 Limitations of the study.....	50
CHAPTER FOUR DATA PRESENTATION, ANALYSIS AND INTERPRETATON	53
4.1 Introduction.....	53
4.2 Response rate of respondents	53
4.3 Results on the background information of respondents.....	54
4.4 Results on the Tax Administration Practices of respondents	60
4.5 Results on the Tax Compliance information of respondents	64
4.6 Results on electronic fiscal receipting and invoicing system information of respondents.....	67
4.7 Inferential statistical analysis of quantitative data	71
4.7.1 Analysis of relationship between Tax administration practices and Tax compliance	71
4.7.2 Analysis of relationship between EFRIS and Tax compliance among SMEs in Kampala Central Division	76
4.8 Analysis of Demographic Variables.....	81
CHAPTER FIVE SUMMARY AND DISCUSSION OF FINDINGS	86
5.1 Introduction.....	86
5.2 Summary of major findings	86
5.2.1. Tax Administration Practices and Tax Compliance.	86
5.2.2. EFRIS and Tax Compliance.	87
5.2.3. Compliance Cost and Tax Compliance.	87
5.3 Discussion of Key Findings	88
5.3.1 Tax Administration Practices and Compliance in SMEs within Kampala Central Division	88

5.3.2 Tax Registration and Relationship with Tax Compliance	89
5.3.3 Record Keeping Requirement and Its relationship with Tax Compliance.....	91
5.3.4 Tax Assessment Practices and Its relationship with Tax Compliance	91
5.3.5 Filing Tax Returns	92
5.3.6 Importance of Tax Payment	93
5.3.7 The Moderating Effect of Tax Compliance Costs.....	93
5.3.8. Digital Infrastructure and EFRIS Implementation.	95
5.3.9 Billing machine response rate	95
CHAPTER SIX CONCLUSIONS AND RECOMMENDATIONS	97
6.1 Introduction.....	97
6.2 Conclusions.....	97
6.3 Recommendations	98
6.3.1 Recommendations to Business Operators (SMEs) in Kampala Central Division	98
6.3.2 Recommendations to Tax Authorities (URA and Related Agencies)	100
6.4 Areas for further study/ research	101
REFERENCES	103
APPENDICES	115
APPENDIX 1: Self - Administered Questionnaire	115
APPENDIX 2: Work plan	124
APPENDIX 2: Budget	125

LIST OF TABLES

Table 3. 1: Population of the Study	38
Table 3. 2: Sample Size Determination	39
Table 3. 3: Result of Validity Test	44
Table 3. 4: Results of Reliability Test	45
Table 3. 5: Measurement of Variable.....	47
Table 4. 1: Response rate	54
Table 4. 2 :Gender Response rate	55
Table 4. 3: Age bracket Response rate.....	56
Table 4. 4: Marital status Response rate	57
Table 4. 5: Level of education Response rate	58
Table 4. 6: Number of years in business Response rate	59
Table 4. 7: Matrix of qualitative results on Tax Registration	60
Table 4. 8: Matrix of qualitative results on Record keeping	62
Table 4. 9: Matrix of qualitative results on Tax Assessment	63
Table 4. 10: Matrix of qualitative results on Return filing	64
Table 4. 11: Matrix of qualitative results on Tax payment.....	65
Table 4. 12: Matrix of qualitative results on Tax compliance costs.....	66
Table 4. 13: Matrix of qualitative results on EFRIS - Network Response rate	68
Table 4. 14: EFRIS- Billing Machine Response rate	69
Table 4. 15: EFRIS and Software Response rate	70

Table 4. 16: Correlation analysis between Tax Administration Practices and Tax compliance	72
Table 4. 17: Correlation analysis between EFRIS and Tax compliance	77
Table 4. 18: Correlation analysis between Compliance cost and tax compliance	79

LIST OF FIGURES

Figure 1. 1: Conceptual framework model on Tax Administration Practices and Tax compliance	15
--	----

LIST OF ACRONYMS AND ABBREVIATIONS

APA:	American Psychological Association
CVI:	Content Validity Index
DTS:	Digital Tax Stamps
EBM:	Electronic Billing Machine
EFRIS:	Electronic Fiscal Receipting and Invoicing System
FY:	Financial Year
GDP:	Gross Domestic Product
ICT:	Information and Communication Technology
I-CVI:	Item Content Validity Index
KCCA:	Kampala Capital City Authority
MPT:	Motivational Postures Theory
OECD:	Organization for Economic Co-operation and Development
S-CVI/UA:	Scale-Level Content Validity Index/ Universal Agreement
SAQ:	Self-Administered Questionnaire
SME:	Small and Medium Enterprises
SPSS:	Statistical Package for the Social Sciences
TIN:	Tax Identification Number
TPB:	Theory of Planned Behavior
UBOS:	Uganda Bureau of Statistics
UMA:	Uganda Manufacturers Association
URA:	Uganda Revenue Authority
VAT:	Value Added Tax

CHAPTER ONE

INTRODUCTION

1.1 Introduction

This chapter presents the study's background, problem statement, objectives, research questions, scope, justification, significance, operational definitions and the conceptual framework.

1.2 Background

Taxation is a mandatory requirement through which government mobilize revenue to finance public goods and services. In developing countries, however, tax non-compliance remains a major barrier to effective revenue generation (Bird & Zolt, 2008; Fjeldstad & Heggstad, 2012). Despite various tax reforms aimed at improving revenue collection over the time, revenue performance in such economies remains low and in some cases, is declining (Alabede et al., 2011).

Tax compliance refers to the timely and accurate fulfillment of tax obligations, including filing returns, making payments and providing necessary documentation (Oyedele, 2009). Maintaining high levels of voluntary tax compliance continues to be a major challenge for fiscal policymakers worldwide and affecting both developed and developing economies (OECD, 2014; Alm, 2012). Regardless of the economic conditions, taxation's primary goal remains consistent: to generate revenue that supports public goods and governmental functions (Martina et al., 2008).

Small and Medium Enterprises (SMEs) are significant economic actors, yet their individual tax contributions are relatively small compared to large taxpayers, often resulting in less administrative focus and higher risk of non-compliance (IMF, 2015; OECD, 2004). Given that SMEs represent a significant portion of business taxpayers in many developing economies, their compliance rates directly impact national revenue performance (World Bank, 2022; OECD, 2021).

To situate this inquiry, the study draws on historical, theoretical, conceptual and contextual perspectives that provide a foundation for examining the relationship between tax administration practices and compliance among SMEs in Kampala Central Division.

1.2.1 Historical Perspective

Taxation practices trace back to ancient empires, adopted by various societies at different times and locations. Much like monumental construction, taxation has long been a part of human civilization (Besley & Persson, 2021). Archaeological findings suggest that taxes were documented as early as the time of King Scorpion I in southern Egypt, around 3300-3200 BC, with evidence from clay tablets and artifacts from his tomb showcasing early writing forms, including hieroglyphics (William, 2002). In Western Europe, a quasi-voluntary compliance system emerged through negotiations between rulers and taxpayers regarding taxation methods, assessment standards, collection processes, and revenue distribution (Brautigam, 2008; Levi, 2021). Such arrangements not only improved revenue mobilization but also

strengthened state legitimacy and laid foundations for democratic governance (Therkildsen, 2006).

Historical accounts from Russia and Britain further illustrate the role of voluntary compliance. Russia introduced a progressive income tax in 1812, becoming the second country after Britain to adopt such a system. Despite limited governance and industrial development, Russia recorded comparatively high compliance, largely driven by social pressure, national pride and perceptions of fairness in fiscal obligations (Korchmina, 2018; Moore et al., 2018; Levi, 2021). These experiences demonstrate that tax compliance, whether voluntary or coerced, has long been central to sustaining state authority and revenue performance.

Uganda's taxation history reflects similar dynamics, shaped by colonial impositions and later post-independence reforms. Under colonial rule, taxation was primarily designed to integrate Africans into the cash economy, beginning with the hut tax of 1900 and poll tax of 1905 (Gardner, 2019; Joireman, 2022). These taxes were coercively enforced, often through imprisonment, while non-Africans enjoyed significant exemptions (Mamdani, 1996; Thompson, 2003). Subsequent developments included the granting of local taxation powers in 1925, the Graduated poll Tax in the 1950s and the establishment of income tax in 1945 (Davey, 1974; Therkildsen, 2020). A landmark change in Uganda's direct taxation system occurred at independence in 1962, marking the end of racial discrimination in taxation and marked the beginning of a more inclusive system (Joireman, 2022; Therkildsen, 2020). Thus, Uganda's taxation framework, much like global historical precedents, demonstrates how

compliance has been influenced by coercion, incentives and perception of fairness. These legacies continue to shape contemporary challenges in tax administration, particularly regarding compliance among SMEs in Kamapala Central Division.

1.2.2 Theoretical Perspective

This study employed Motivational Postures Theory (MPT,) by Braithwaite (2000s) and the Theory of Planned Behavior (TPB), proposed by Ajzen (1985) that guided its analysis.

The motivational postures of taxpayers reflect their beliefs and attitudes towards tax authorities, indicating their social distance (Ahmed & Braithwaite, 2005) as referenced in Lin Mei (2017). Motivational postures are “sets of beliefs and attitudes that sum up how individuals feel about and wish to position themselves in relation to another social entity, in this case the tax authority” (Lin Mei, 2017). Cooperative postures are associated with higher compliance, while resistant and disengaged postures often lead to evasion or avoidance (Kirchler, 2008). The theory is valuable for understanding how SMEs perceive the Uganda Revenue Authority (URA) and Kampala Capital City Authority (KCCA), especially in terms of fairness, trust and enforcement.

The Theory of Planned Behavior complements this by linking taxpayer intentions to actual behavior. TPB argues that behavior is shaped by attitudes, subjective norms and perceived behavioral control (Ajzen, 1991; Devos, 2014). In taxation, this means that SME owners’ decisions to file returns, use digital systems like EFRIS, or keep proper records depend not only on knowledge but also on social influences and

confidence in their ability to comply. TPB has strong predictive ability across different socio-economic contexts (Ajzen, 2020; Kirchler et al., 2008).

While MPT explores the social distance and behavioral stances that tax payers adopt in response to enforcement practices, it does not fully explain how internal psychological factors and systemic constraints shape an entrepreneur's compliance intentions. TPB bridges this gap by explaining why taxpayers choose to comply. Together, these theories provide a holistic lens for examining compliance: MPT focuses on trust and resistance toward institutions, while TPB captures individual intentions and behaviors. This combined framework is particularly relevant for SMEs in Kampala Central Division, where compliance decisions are shaped by both perceptions of URA/KCCA and the practical realities of using tax systems.

1.2.3 Conceptual Perspective

The main concepts of this study are tax administrative practices and tax compliance moderated by compliance costs.

In the modern fiscal environment, Tax administration practices are no longer strictly paper-based; they refer to the modernized, service-oriented interventions and digital procedures employed by revenue authorities to facilitate the fulfillment of taxpayer obligations. Consequently, this study conceptualizes these practices through three foundational pillars:

1. **Tax Registration Practices:** the ease and speed of onboarding taxpayers using digital platforms like URA's Instant TIN system.

2. **Record-Keeping Requirements:** The statutory mandate to maintain accurate operational tracking, which is currently driven by the adoption of digital tax tools like **Electronic Fiscal Receipting and Invoicing System (EFRIS)** and **Electronical Billing Machines (EBM)**.
3. **Tax Assessment Practices:** The processing and evaluation of tax liabilities, heavily reliant on both digital-assessments and automated billing returns.

To support these pillars, tax education, acts as the necessary administrative mechanism that translates, complex legislative language and digital software operations into practical knowledge for SME operators. (Arturo, 2013; OECD, 2023; URA, 2022). Beyond mere information sharing, effective administration practices build institutional trust and mitigate the financial and psychological compliance costs that, as a moderating variable, often hinder voluntary adherence and foster perceptions of unfairness among taxpayers (Arturo,2013; Rabatinova,2018)

Tax Compliance on the other hand, is broadly defined as a taxpayer's readiness to meet tax obligations (Walsh, 2012), including timely filing of returns, accurate reporting and prompt payment. It reflects both voluntary and enforced adherence to tax laws.

Evidence suggests that SMEs that are well informed about their tax obligations are more likely to comply voluntarily (OECD, 2023; World Bank, 2022). Conversely, limited awareness and misinformation often result in late filing, underreporting or complete non-compliance. Given that tax revenues in many developing countries remain below

the 15% of GDP benchmark needed for sustainable development (Gaspar et al., 2016), Strengthening tax administration practices is critical. It not only improves compliance but also addresses inequities where lower income groups often face disproportionate tax burdens (Moore & Prichard, 2017).

In this study, tax administration practices are therefore conceptualized as a key determinant of compliance among SMEs, influencing their ability to file accurately, report correctly and pay on time.

1.2.4 Contextual Perspective

Revenue collection remains a persistent challenge in Uganda, with compliance rates particularly low among SMEs (Mukunda, 2017). Limited awareness of tax obligations, coupled with insufficient understanding of tax digital systems such as EFRIS, has been identified as a major barrier (Kira, 2017; Ayugi et al., 2023). Over the past three decades, Uganda has implemented several reforms to broaden its tax base and strengthen domestic revenue mobilization. Tax education has been central to these efforts, with the URA employing both traditional and digital approaches, including media campaigns, toll-free hotlines and online portals (URA, 2022; URA, 2025). Partnerships with institutions such as the Uganda Manufacturers Association (UMA) and financial institutions have further expanded outreach (URA/Stambic, 2025).

Despite these initiatives, Uganda's tax -to GDP ratio remains below the Sub-Saharan Africa average of 16% and lags behind East Africa Community peers (World Bank, 2018b). In Kampala Central Division, where SMEs dominate the business landscape, compliance challenges persist due to high compliance costs, complex procedures and

limited digital literacy (Cong, 2018; IMF, 2023). This suggests systemic gaps in the tax administration framework, where efforts may not sufficiently address the unique needs of small business owners. It is within this context that the study situates itself, examining how tax administration practices influence compliance among SMEs in Kampala Central Division. Understanding these dynamics is crucial for designing more effective policies and strategies to enhance voluntary compliance and strengthen Uganda's revenue mobilization efforts.

1.3 Problem Statement

Effective tax administration practices serve as critical instruments for promoting tax compliance and ensuring national fiscal stability. (Godin & Hindriks, 2015; Mukunda, 2017). By enhancing streamlining procedures such as tax registration, record keeping and tax assessment, tax authorities can significantly enhance the willingness of SMEs to fulfill their obligations on time, thereby supporting Uganda in generating revenue for a stable fiscal environment (Tembo, 2026; Omwima & Safina, 2024). The Constitution of the Republic of Uganda, under Article 17 (1)(g), establishes the legal basis for tax payment and collection, providing the framework within which administrative actions are executed (Balaba, 2020). In response, URA has introduced various administrative interventions, including digital registration drives, education channels, taxpayer support services and assessment awareness campaigns within the Kampala Central Division (URA, 2024; Busingye, 2017).

Despite these tax administration practices, Kampala Central Division continues to experience low tax compliance levels, reflected in late or missing tax filing,

incomplete or no tax reporting as well as untimely or even failed tax payment (Cong, 2018; Ogweng, 2018). Recent finding indicates that globally, approximately 30-40% of potential tax revenue is lost to non-compliance, with up to 50% of SMEs in developing countries failing to meet their tax obligation (OECD, 2022; World Bank, 2021). In Uganda, only about 35% of SMEs comply on time while many remain informal and outside the tax net (UBOS, 2023).

Currently, tax authorities, including URA, have introduced automation initiatives, such as e-filing and the Electronic Fiscal Receipting and Invoicing System (EFRIS), aim to improve compliance (URA, 2024; Sanday & Nalweera, 2025). However, these systems often increase the demand for technical knowledge. Many SMEs struggle to interpret tax rules and procedures, forcing them to rely on costly consultants an expense that discourages voluntary compliance (Musimenta, 2017; PwC Uganda, 2024). The result is a cycle of penalties (UGX 30m for non-compliance with EFRIS), enforcement actions and even business closures, further undermining trust in the system (Daily Monitor, 2025; URA, 2024; Kato, 2025). If these challenges persist, Kampala Central Division risks continued revenue shortfalls and weakened service delivery, limiting its potential for sustainable urban development. This underscores the need to examine how tax administration practices and compliance costs affect SME compliance. Addressing this gap will enable policymakers to design more effective tax administration practices, reduce barriers and enhance voluntary compliance in Uganda's largest commercial hub.

1.4 General Objective

To establish the relationship between tax administration practices and tax compliance among SMEs in Kampala Central Division.

1.4.1 Specific Objectives

- 1) To establish the relationship between tax registration practices and tax compliance among SMEs in Kampala Central Division,
- 2) To assess the relationship between record-keeping requirements and tax compliance among SMEs in Kampala Central Division.
- 3) To establish the relationship between tax assessment practices and tax compliance among SMEs in Kampala Central Division.

1.5 Research Questions

- 1) What is the relationship between tax registration practices and tax compliance among SMEs in Kampala Central Division?
- 2) What is the relationship between record-keeping requirements and tax compliance among SMEs in Kampala Central Division?
- 3) What is the relationship between tax assessment practices and tax compliance among SMEs in Kampala Central Division?

1.6 Scope of the Study

The study focused on SMEs within Kampala Central Division, addressing issues relevant to tax administration practices in regard to tax registration practices, record-keeping requirements, tax assessment practices; compliance costs; and tax compliance as outlined in the objectives.

1.6.1 Geographical Scope

The research was conducted in Kampala Central Division, one of the five divisions of Kampala District, which serves as Uganda's largest urban center and capital city. This area acts as the political nucleus of the country, contributing approximately 80% of Uganda's industrial and commercial activities, accounting for 65% of national GDP (KCCA, 2019). Kampala Central Division encompasses various neighborhoods, including the central business district, affluent areas like Old Kampala, Nakasero, and Kololo, as well as low-income regions such as Kamwokya, Kisenyi, and the Industrial Area. The division comprises around 20 parishes, including Bukesa, Civic Centre, Industrial Area, Kagugube, Kamwokya I & II, Kisenyi I, II, & III, Kololo, Mengo, Nakasero, Nakivubo, and Old Kampala (Wikipedia contributors, 2025).

This location was chosen for the case study due to its favorable environment for growth and development. With 80% of SMEs located in urban areas like Kampala (Hatega, 2007), these businesses contribute about 75% of the GDP and employ approximately 2.5 million individuals (Osunsan & Sumil, 2012; Sands, 2012), facilitating data collection and management of financial costs.

1.6.2 Time Scope

- i. **Study Period:** The research spanned nine months, a duration deemed sufficient for the researcher to gather coherent information from respondents, reflecting their perspectives based on observed experiences. The study analyzed data and developments from business owners, managers, and tax authorities (URA and KCCA) in Kampala Central Division from the fiscal years 2013/14 to 2023/24.

This timeframe included the implementation of various tax administration reforms, providing a thorough view of trends and impacts over the past decade.

- ii. **Reform Implementation Period:** Special attention was directed towards the period following the introduction of URA's significant facilitation and enforcement reforms, encompassing tax service automation, e-filing systems, and taxpayer education programs. This period was essential for evaluating the impact of these reforms on tax compliance (Real Muloodi News Network, 2023, Nile Post, 2024; URA, 2025).
- iii. **Data Collection Period:** Data collection took place during the fiscal year 2024/25 to ensure the information gathered regarding SME tax compliance and the effectiveness of recent reforms is current and relevant.

1.7 Justification of the Study

In the context of limited state capacity, there exists a pressing need for policies that enhance voluntary compliance through improved “tax administration morale” (Luttmer & Singhal, 2014). Increasing tax revenue remains a challenge in many low-income countries, where collection rates are low despite attempts to expand the tax base and enforcement capabilities (Besley & Persson, 2014). For example, only about 10% of taxpayers in sub-Saharan African cities meet their property tax obligations (Okunogbe, 2019; Bergeron et al., 2019; Cogneau et al., 2020; Ahabwe et al., 2020).

Existing empirical studies reveal that small and medium-sized enterprises bear the brunt of compliance costs relative to their sales or assets, incurring higher costs compared to larger businesses (Weichenrieder, 2007). Given the low levels of tax compliance, there is a substantial need for improvements in tax administration practices and efforts to boost taxpayer morale in various countries, including Uganda. Moreover, taxation can impede SME performance, necessitating advocacy for additional tax relief measures (Lees, 2025; Irumba & Richard, 2025). Understanding the effects of tax administration practices and compliance costs on SMEs in Kampala Central Division is critical for informing decisions related to taxation and the subsequent performance of these enterprises (Lees, 2025; Andrey & Kobusingye, 2025). This study aims to emphasize the importance of addressing tax administration Practices and propose solutions for strengthening SMEs in Uganda, with a particular focus on Kampala Central Division.

1.8 Significance of the Study

This research is valuable to various stakeholders, including Policymakers, scholars, researchers and Business operators:

Government Policymakers: The study provides critical insights for policymakers including Uganda Revenue Authority, Kampala Capital City Authority, and the Government of Uganda to enhance tax administration policies in ways that are more supportive of SMEs. These will contribute to streamlining the taxation process, increasing the efficiency of tax collection and identifying areas where tax burdens can be reduced to address challenges faced by SMEs.

The study also seeks to bridge the knowledge gap regarding tax administration practices among SMEs. By assessing the extent of their awareness and understanding of tax regulations, the research will identify critical areas where educational and support initiatives can be implemented to enhance tax compliance and also help minimize the risk of non-compliance and potential penalties.

Academics and Researchers: The study adds to the existing body of knowledge on tax administration practices and tax compliance, offering insights into effective practices for SME taxation in Uganda and it will serve as a useful resource for future research in this area.

Business Operators: The study offers essential insights for business operators in Kampala Central Division and outside this division, helping them navigate the complexities and challenges of the business environment, particularly in relation to tax administration practices. This understanding will support informed decision-making regarding financial planning and compliance, ultimately improving business performance and growth.

1.9 Conceptual Framework

Independent variables

Tax Administration Practices



Tax Registration

- Awareness of requirements
- Ease of process
- Accessibility
- Cost of registration

Record -Keeping requirements

- Standardization
- System usage
- Retention policy
- Knowledge of documentation

Tax Assessment practices

- Accuracy of assessment
- Timeliness of notice
- Fairness and transparency
- Appeal process awareness

Dependent variables

TAX COMPLIANCE

- Timely filing
- Accurate reporting
- Full tax payment

COMPLIANCE COSTS

- Financial expenses
- Time costs
- psychological costs

Source: Adapted from literature by (Lemgruber et al., (2015); Alm, (2011); Ocheni, (2015); Maseko, (2014)).

Figure 1. 1: Conceptual framework model on Tax Administration Practices and Tax compliance

This conceptual framework of this study serves as a theoretical structure for understanding how specific aspects of tax administration practices influence SMEs' tax compliance behaviors in Kampala Central Division.

In this study, tax administration practices are operationalized through three dimensions: tax registration practices, record keeping requirements and tax assessment practices. These factors are expected to positively influence tax compliance, measured through timely filing, accurate reporting and full tax payment. Compliance costs (financial expenses (fees for consultants), time costs (hours spent on record-keeping), and psychological costs (stress)) are treated as a moderating variable that potentially weakens or strengthens the relationship between administrative practices and compliance. Therefore, this framework conceptualizes tax compliance as the dependent outcome influenced by administrative practices, with compliance costs shaping the strength and direction of these relationships. It maps how improving administrative practices while managing compliance costs, could lead to higher compliance rates among SMEs.

1.10 Operational Definitions of Key Terms

Small and Medium Enterprises (SMEs): SMEs are enterprises whose operations fall below certain financial and employment thresholds established by regulatory authorities. In the Ugandan context, the Uganda Investment Authority [UIA], (2021) classifies small enterprises as those employing between 5 and 49 individuals with an annual turnover not exceeding UGX 360 million, while medium enterprises employ between 50 and 100 individuals with annual turnover not exceeding UGX 1.5 billion. These enterprises play a vital role to Uganda's economic growth, contributing

significantly to job creation and innovation but often encounter unique challenges in tax compliance due to limited financial resources, insufficient administrative infrastructure and low levels of tax literacy (UIA,2021; Irumba & Richard, 2025).

Tax Administration Practices: These refer to the systematic procedures and service-oriented interventions specifically registration, record keeping and assessment used by the Uganda Revenue Authority (URA) to facilitate the fulfillment of taxpayer obligations (Tax Procedures Code Act, 2014)

Compliance Costs (Moderating Variable): The actual financial expenses, time and psychological stress associated with the resources expended to comply with tax laws (Sandford,1995). These costs act as a moderator because elevated burdens can obstruct the positive impacts of improved administration, making SMEs less willing to comply regardless of system efficiency, (Alm 2011; Lemgruber et al., 2015).

While efficient tax administrative practices can promote compliance, its effectiveness may be undermined by high compliance cost. the influence of these factors may be lessened if compliance costs are excessive. For instance, if SMEs view the financial or operational burden of compliance as too high, they may be less likely to comply, regardless of the availability of effective administrative practices (OECD, 2017; Slemrod,2019). This highlights the moderating role of compliance costs in the relationship between tax administrative strategies and Taxpayer behavior.

Tax Compliance: The degree to which taxpayers adhere to tax laws and regulations, which includes timely submission of accurate returns and prompt payment of

liabilities without enforcement intervention (OECD, 2017; Kirchler, 2007). According to Allink and Kommer (2010), tax compliance encompasses the timely filing and reporting of required tax information, accurate self-assessment of taxes owed, and prompt payment of those taxes without enforcement intervention.

Tax Registration: This refers to the process by which all eligible SMEs formally enroll with the national tax authority, (URA), thereby obtaining a Tax Identification Number (TIN). Registration is the foundational step toward achieving a broadened tax base and ensuring legal tax compliance (OECD, 2015).

Record Keeping Requirements: The legal mandate requiring taxpayers to maintain, in English and often electronic format, financial records for at least five years to enable the ready ascertainment of tax liability (Tax Procedures Code Act, 2014)

Tax Assessment Practices: The methods used by tax authorities to determine a taxpayer's liability, which must be perceived as accurate, fair and transparent to foster voluntary compliance (Atawodi & Ojeka, 2012)

Tax Filing: Timely submission of accurate tax returns by registered taxpayer as mandated by law. This includes declaring incomes, expenses and other relevant information, which is considered as a critical compliance obligation (Bird & Zolt, 2008)

Tax Payment: This entails Remitting of the correct amount of taxes owed by the taxpayer within the legally specified timeframe. Timely tax payments support government service delivery and is a direct measure of voluntary tax compliance (OECD, 2017; Aim & Torgler, 2011).

According to Mohd et al. (2013), compliance in these areas is enhanced when tax administration is efficient, transparent, and cost-effective. However, Cong (2018) notes that high compliance costs can deter SMEs from fully adhering to tax requirements, even when the tax system is automated and education is accessible.

1.11 Conclusion

This framework, based on the work of Mohd et al. (2013) and moderated by Cong (2018), highlights the dynamic relationship between tax administrative practices and tax compliance among SMEs. While enhanced administrative practice can encourage compliance, the moderating effect of compliance costs must also be considered. Reducing these costs could help ensure that the benefits of administration practices lead to increased compliance rates among SMEs.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews literature related to tax administration practices and tax compliance, particularly among small and medium enterprises (SMEs). It begins with theoretical frameworks including Motivational Postures Theory and Compliance Cost Theory, followed by empirical studies on registration, record-keeping, assessment and the moderating role of compliance costs. The chapter concludes with conceptual review and identification of research gaps.

In Uganda, SMEs are often neglected in tax policy design, yet they are central to the economy. Small enterprises employ between 5 to 49 individuals with assets of UGX 10-100 million, while medium enterprises employ 50 to 100 individuals with assets of UGX100-360 million (Uganda Investment Authority [UIA], 2018). The SME sector plays a crucial role in Uganda's economy, representing nearly 90% of the private sector, contributing over 80% of the manufactured output, and accounting for approximately 75% of GDP and employ more than 2.5 million people across, with approximately 1.1 million businesses (UIA, 2021; Ministry of Trade, Industry and Cooperatives [MTIC], 2015). SMEs engage in various sectors, including the service sector (49%), commerce and trade (33%), manufacturing (10%), and others (8%) (MTIC, 2018). Their compliance with tax obligation is therefore crucial for Uganda's fiscal sustainability.

2.2 Theoretical Review

2.2.1 Motivational Postures Theory (Braithwaite, 2003)

Braithwaite's theory explains how taxpayers' attitudes influence compliance. Taxpayers adopt postures of either acceptance (commitment, capitulation) or resistance (resistance, disengagement, game-playing). These reflect the social distance individuals maintain from tax administrators and determine whether they comply voluntarily or resist (Braithwaite, 2003). For SMEs in Uganda, this theory highlights how perceptions of URA's fairness, trustworthiness and enforcement shape compliance behavior.

2.2.2 Theory of Planned Behavior (TPB) (Ajzen & Fishbein, 1980)

The TPB links behavioral intentions to actual actions. TPB complements this by explaining how these attitudes, together with subjective norms and perceived behavioral control translate into actual compliance behavior (Ajzen, 1991; Fishbein & Ajzen, 2010). For SMEs, this means tax compliance is shaped not only by knowledge but also by confidence in their ability to use systems like EFRIS and by social influences within their networks. While Motivational Postures Theory focuses on taxpayers' perceptions of authorities but does not fully explain how those perceptions translate into actual compliance behavior (e.g., knowledge of EFRIS). This gap is addressed by the TPB, which explains the link between attitudes, intentions and actions to comply (Ajzen & Fishbein, 1980).

2.2.3 Social Influence Theory (Wenzel, 2004)

The Social Influence Theory connects directly to the “subjective norms” component of TPB by stressing the role of peer behavior, networks and social norms in shaping compliance. Wenzel (2004) argues that compliance is shaped by social norms which creates a social contagion effect that can either strengthen or weaken compliance. When peers comply, others are more likely to follow. For SMEs embedded in tight community and business networks, compliance can become either a positive norm or a culture of evasion (Fjeldstad & Heggstad, 2012). URA increasingly leverages public campaigns to shift these norms (Lakuma et al., 2023). Thus, as the TPB accounts for attitudes, norms and perceived control, it treats social norms broadly without explaining the mechanism of peer influence of which Social Influence Theory fills this gap by detailing how peer behaviors and social networks shape compliance decisions.

2.2.4 Compliance Cost Theory (Sandford, 1995)

Compliance Cost Theory investigates the financial repercussions of adhering to tax regulations. Introduced by Sandford (1995), this theory categorizes compliance costs into three main types: monetary costs (such as fees for accounting services), time costs (the hours allocated to record-keeping), and psychological costs (related to stress and anxiety).

The compliance cost Theory, addresses a practical and economic dimensions often underlying attitudes and behaviors. The theory emphasizes that even if SMEs have positive attitudes (MPT), perceive social support (Social Influence) and intend to comply (TPB), high monetary, time and psychological costs discourage actual

compliance (Coolidge, 2012; Evans, 2003). SMEs, lacking dedicated accounting staff, often bear disproportionate burdens, leading to evasion or informality. This is particularly relevant in Kampala, where SMEs often cite the costs of record keeping, EFRIS use and professional accounting services as barriers. In conclusion, none of the above three theories sufficiently address the practical barriers that can prevent compliance even when attitudes and social influence are positive only the Compliance Cost Theory addresses this by examining the monetary, time and psychological cost that may hinder compliance.

2.2.5 Tax Assessment

The Tax Procedures Code Act (2014) in Uganda specifies various requirements and methods for the creation, maintenance, storage, and protection of tax-related records. Under Part IV, "Accounts and Records," it mandates that "every taxpayer shall for the purposes of a tax obligation-(a) maintain, in the English language, records including in electronic format, as may be required to determine the taxpayer's tax liability under a tax law; (b) maintain the record so as to enable the taxpayer's tax liability under the tax law to be readily ascertained; and (c) retain the record for five years after the end of the tax period to which it relates or other period as specified in the tax law."

2.3 Empirical Studies

2.3.1 Tax Administration Practices and Tax Compliance Among SMEs

Modern tax administration has shifted toward service-oriented interventions to facilitate voluntary compliance. In Nigeria, direct engagement from authorities was

found to be the most effective way to inform taxpayers of their duties (Nwidobie & Oyedokun, 2018). In Uganda, the URA's introduction of the Taxpayer Register Expansion Programme (TREP) and Instant TIN systems which integrate with National Identification and Registration Authority (NIRA) data represents a significant move to simplify tax registration practices (Scarpini et al., 2025).

Palil (2010) establishes a connection between tax administration practices and a taxpayer's capacity to comprehend laws and regulations, resulting in improved compliance. This viewpoint is supported by Amayi and Machogu (2013), who explored the effects of tax administration on voluntary tax compliance among Small and Micro-Enterprises (SMEs) in Mwanza City, Tanzania. Utilizing a cross-sectional descriptive research design, they gathered both primary and secondary data through questionnaires. Among the respondents, 85% indicated a better understanding of essential tax laws and procedures, while 15% reported no improvement in their comprehension. Additionally, 78.7% acknowledged that taxpayer education heightened their awareness of their rights and responsibilities, whereas 21.3% felt it had minimal impact on them. Furthermore, 83% concurred that taxpayer education clarified the payment procedures, while 17% continued to face difficulties in understanding the payment process despite receiving guidance.

Tembo (2014) emphasizes a positive relationship between tax administration and compliance, as well as notable positive correlation between awareness campaigns and

compliance, and between religiosity (tax morals/ ethics) and compliance among small and medium enterprises in Nakawa Division.

In conclusion, effective tax administration practices improve compliance by clarifying obligations, rights and procedures (Paiil,2010; Amayi & Machogu, 2013). Studied in Tanzania, Nigeria and Uganda find effective tax administration practices increase voluntary compliance, though effects vary depending on delivery method (Tembo, 2014; Nwidobie & Oyedokun, 2018). Yet, gaps remain in understanding how URA's initiatives specifically affect SMEs in Kampala.

2.3.2 Digital Systems (EFRIS) and Record-Keeping.

One of the critical innovations for advancing fiscal duties, particularly relating to small enterprises was the EFRIS. This system eliminates manual creation, authentication and submission of tax bills/receipts to the Revenue Authority in real time thereby enabling quicker updates and supporting output tax fraud detection. The debut of the system in many developing nations such as Uganda was considered a prudent approach to cultivate cost-effective means of administration and distributing the tax burden (URA,2022; Maseko & Chirema, 2021). EFRIS assists in maintaining a transparent and auditable record of all commercial transactions, critical for accurate tax computation. It also facilitates the timely filing of tax declarations, thereby reducing administrative burdens on businesses and allowing them to focus on core operations (OECD, 2019; URA, 2023). A review of the literature reveals that the system's adoption impacts compliance rates, poses unique challenges and has shown

varying levels of effectiveness among small firms (Charity et al., 2018; MSEKO & Chirema, 2021).

Prior studies noted that digitizing invoices prevents errors and deception, resulting in more comprehensive filing and full disclosure of financial particulars on tax returns (Hauptman et al, 2017). For example, in Kenya, the implementation of digitizing invoices increased value-added tax (VAT) collections by 33% (Waweru & Ngigi, 2020). Similarly, in Uganda, early evidence suggested that EFRIS led to a notable improvement in lawfulness among small and medium-sized businesses, with more businesses fulfilling their tax obligations accurately and on time (Uganda Revenue Authority [URA], 2022). Tax collection agencies are now better equipped to monitor compliance across sectors and pursue enforcement actions against noncompliant entities, thanks to real-time transactional data provided by the system (Slemrod 2019). While these studies suggest that overall tax adherence improves under digital regimes, further empirical research is necessary to understand the long-term impact on compliance behavior among a SMEs and to identify the critical factors driving compliance behavior (Gordon, 2016)

Challenges faced by SMEs posed multiple obstacles to the adoption of EFRIS systems. Procuring and maintaining the technological infrastructure required proved costly, as noted by Mutalemwa, (2015). For many Ugandan SMEs, operating and sustaining the necessary hardware and software was prohibitively expensive, resulting in limited budgets that hindered embracing EFRIS (Turyahikayo, 2016). Moreover, restricted technical proficiency among multiple SME owners and staff prevented maximizing the

potential of the systems (Kangave et al., 2018). Consequently, training programs that were essential to alleviating this issue were not universally accessible to all enterprises (Nsibambi and Sennoga, 2019). Secondly, an important hurdle was resistance to change stemming from SME owners hesitating to transition from conventional manual invoicing methods to electronic systems, understandably owing to skepticism regarding digital technologies or fears of more strict tax audits (Keen and Lockwood, (2010). Identifying and addressing these problems was imperative to ensuring EFRIS achieved optimal success in booting compliance

There are several paths forward that amplify the influence of Uganda's EFRIS system on tax adherence among small and medium sized enterprises. Primary is ensuring the platform undergoes consistent refining to optimize usability and functionality for users. Continuous updates and improvements based on feedback rectified issues while enhancing the experience for businesses (OECD, 2020). Second, the government must strengthen training initiatives and technical support to equip owners and employees with the digital skills necessary to leverage EFRIS's capabilities effectively across experience levels, whether workshops or online learning (Kangave et al., 2018).

Moreover, economic incentives such as deductions or subsidies for acquiring the required technologies correlated with higher adoption rates and investment in SMEs (Gordon, 2016). Unlike the past, cultivating a culture of compliance through sustained education and information campaigns builds belief while demonstrating advantages like digital invoicing respects enterprise and ultimately the economy (Fjeldstad &

Heggstad, 2012). Uganda Notably expanded EFRIS's capacity to aid corporate tax conformity in SMEs guiding sustainable proceeds increases by applying these recommendations (URA, 2022).

2.3.3 The Electronic Billing Machine (EBM) and Tax Compliance amongst small and medium enterprises.

EBMs were fundamental in improving tax adherence for Small and Medium Enterprises significantly. As Kassipillai and Azhar (2020) explained, EBMs were designed to record sales transactions and instantly transmit electronic fiscal receipts to the tax authorities, thereby eliminating any opportunities for unreported taxable sales. In one illustrative example, the Uganda Revenue Authority (URA) implemented EBMs as part of a comprehensive tax administration and compliance enforcement strategy (Guma, 2024; URA, 2023). EBMs provided benefits such as streamlining the invoicing process to decrease mistakes and deter tax evasion, ultimately enhancing transparency in business transactions by reducing human intervention in sales recording (OECD, 2022; World Bank, 2022; Fjeldstad et al., 2020). The introduction of EBMs automated tax processes for SMEs and amplified compliance with tax obligations (Kizza et al., 2019; URA, 2021). This paper assesses the impact of EBMs on tax compliance among SMEs in Uganda, considering general awareness. Challenges encountered by craftspeople in acquiring EBM proficiency.

2.3.4 The Moderating Role of Compliance costs

The cost of tax compliance is a significant concern for SMEs, as it can influence their willingness and ability to comply with tax obligations. Empirical research has explored

the various financial and operational costs associated with tax compliance and their impact on SMEs (Sandford et al., 1989; Evans & Tran-Nam, 2000; Pope & Abdul-Jabbar, 2008). Pope and Abdul-Jabbar (2008) conducted a study in Malaysia to assess the cost of tax compliance for SMEs. Their findings indicated that the cost of compliance, including fees paid to tax consultants and the time spent on tax-related activities, was a major burden for SMEs. The study concluded that high compliance costs were a significant deterrent to voluntary tax compliance, particularly for smaller firms with limited resources.

In Uganda, Musimenta (2017) examined the costs of tax compliance for SMEs in Kampala. The study found that SMEs incurred substantial costs in hiring tax consultants to help them navigate the complex tax system. These costs were identified as a major barrier to compliance, with many SMEs expressing frustration over the financial burden imposed by the tax system. The study suggested that simplifying the tax system and reducing the reliance on tax consultants could help lower compliance costs and improve compliance rates. Ogweng (2018) investigated the operational costs associated with tax compliance among SMEs in Uganda. The study highlighted that in addition to financial costs, SMEs also faced significant operational challenges, such as the need to maintain detailed records and the time-consuming nature of tax filing processes. Ogweng concluded that these operational challenges contributed to non-compliance and suggested that the government should consider measures to simplify tax procedures and reduce the administrative burden on SMEs. These studies highlight the significant financial and operational costs associated

with tax compliance for SMEs and suggest that reducing these costs could lead to higher compliance rates. They also point to the need for reforms that simplify tax procedures and reduce the reliance on costly external assistance.

2.3.5 Tax registration and tax compliance among SMEs

An effective tax system encourages taxpayers' compliance with registration obligations. Therefore, tax community should be provided with clear and comprehensive descriptions of the requirements that lead to registration and tax administrations should facilitate taxpayers to make the procedural requirements as easy as possible (OECD, 2017; Torgler, 2007). Online registration of taxpayers adequately serves the needs of taxpayers thus promotes compliance, reduces the number of unintentional errors and is cost efficient (Gerit, 2011).

Hendy (2013) asserts that the basic registration functionality of a tax IT system includes the storing and maintenance of taxpayer identifying information, the automatic issuance of Tax Identification Numbers (TINs) and taxpayer certificates and the automatic determination of taxpayer filing requirements. He also said that effective registration with digital tax systems uses unique TINs to facilitate exchange of information between government agencies to ease the detection of non-compliance.

Joshi et al., (2014), do not divert much from the ideas submitted by Besley and person (2014) as they observe that SMEs generates enough income to warrant taxation but find it easy to escape the attention of the tax administration or to conceal a substantial part of their tax liability, because of their location, size and/ or nature of

their businesses. This means that without identification and registration of these businesses, compliance is rather impossible.

2.3.6 Tax assessment and tax compliance among SMEs

According to Atawodi and Ojeka (2012), high tax rates and complicated filing procedures are most vital factors making SMEs in Northern Nigeria not to comply with laws and regulations. Barbutamisu (2011) asserted that factors like level of income, tax benefits, penalties, fines, tax audit probabilities, assumed fairness, attitude, personal, social and national norms affect the level of tax compliance. Another significant barrier to tax compliance by SME is that sizeable amount of their transaction are cash based, which makes their transactions challenging to track. A considerable number of transactions are done outside banking medium (Obara & Nangi, 2017). This makes assessment difficult and thus lowers compliance levels.

According to Kidder and Craig (2011), taxpayers always work hard to increase their benefit through consideration of the threat that they may be discovered and be reprimanded due to non-compliance activities pertaining to tax requirements. Aim (2013), in his study concluded that the impact of fines and penalties to non-compliance is virtually zero. Some were also neutral and they assert that fines were only a means which is used by revenue authorities to punish taxpayers but it is not a way to foster compliance.

2.4 Conceptual review

2.4.1 Small and Medium Enterprises (SMEs) and compliance

SMEs play a critical role in the economy by contributing to employment and economic growth. However, they often face challenges in complying with tax regulations due to limited resources, lack of expertise and the perceived complexity of the tax system (Atawodi & Ojeka, 2012). The cost of compliance, including the need to hire tax consultants, is particularly burdensome for SMEs, leading to lower levels of voluntary compliance (Musimenta, 2017). In Uganda, the informal nature of many SMEs further complicates tax compliance, as these businesses lack proper record-keeping systems and are unaware of their tax obligations (Kangave et al., 2016). According to Musimenta, (2017) & OECD, (2017), addressing these challenges requires targeted interventions that take into account the unique circumstances of SMEs.

2.4.2 Tax Compliance

OECD, (2021) & Kirchler, (2007), defines Tax compliance as the degree to which a taxpayer adheres to tax laws and regulations, including timely filing of tax returns and accurate payment of tax obligations. Tax compliance can be classified into two main types: voluntary compliance and enforced compliance. Voluntary compliance occurs when taxpayers willingly fulfill their tax obligations without Enforcement, while enforced compliance results from government actions such as audits and penalties (Alm & McClellan, 2012).

In Uganda, voluntary compliance among SMEs remains a challenge despite various reforms by the Uganda Revenue Authority (URA) (Kintu et al., 2025; Waiswa & Akol, 2024). Factors influencing tax compliance include the complexity of the tax system, taxpayer education, perceived fairness of the tax system, and the effectiveness of enforcement measures (Bird & Zolt, 2008). Perceived fairness of the tax system is a crucial factor in determining tax compliance. If taxpayers believe that the tax system is fair and that the government is using tax revenues effectively, they are more likely to comply with tax obligations (Kirchler et al., 2008). Conversely, perceptions of unfairness, such as complex tax laws or disproportionate tax burdens, lead to resistance and non-compliance (Ali., et al 2014). Trust in government and tax authorities also plays a significant role in compliance behavior. High levels of trust in the tax authority are associated with higher levels of voluntary compliance, as taxpayers are more likely to believe that their contributions are being used for the common good (Murphy, 2004).

2.5 Summary of Literature Review and Research Gaps

The literature review highlights the complex and multifaceted nature of tax compliance, particularly within the SME sector in Uganda. Theoretical frameworks such as the Motivational Postures Theory, Theory of Planned Behavior (TPB) Social Influence Theory and Compliance Cost Theory offer valuable insights into the factors influencing tax compliance. However, the existing literature reveals significant gaps that need to be addressed to develop a more detailed understanding of SME tax compliance.

From the above review, most authors seem to agree that tax compliance is a serious challenge to most revenue authorities in both the developed, emerging and under developed economies. However, there is a diversion in approach as to what best way to improve tax administration practices to generate better compliance. Braithwaite (2003), explains tax motivation through the Motivation Postures Theory. A number of authors point out the relationship between tax compliance and tax administration practices (Palil, 2010; Amayi & Machogu, 2013; Gerit, 2011; Hendy, 2013; OECD, 2014; Barbutamisu, 2011; Byamukama, 2013).

While tax administration services are often declared as a solution to improving tax compliance, there is limited empirical evidence on how SMEs in Uganda specifically adapt to these programs. The long-term impact of administration practices on compliance behaviors among SMEs and the barriers they face in adopting the complementary technologies are underexplored.

Although tax administration practices are recognized as crucial component of improving compliance, there is a lack of detailed research on the effectiveness of the Uganda Revenue Authority's (URA) administrative initiatives, particularly those targeting SMEs. The gap lies in understanding how these programs impact SMEs' knowledge and compliance behavior. High costs associated with tax compliance, including the reliance on expensive tax consultants, present a significant challenge for SMEs.

However, it is not clear whether the above relationships pointed out are relevant to Uganda's tax compliance levels among SMEs and tax administration practices. Besides, statistical evidence is lacking or inadequate hence creating a gap to be closed. This justifies the need for a fresh empirical study to bring out the Ugandan context.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter presents the research design, research approach, study population, sample size, sampling methods, data collection methods, data collection instruments, pre-testing procedure of data collection tools, data analysis and presentation, ethical considerations, and limitations to the study.

3.2 Research design

Creswell & Clark (2007) argue that a research design is a sketch used to answer the questions of when, where and how data was collected, analysed and interpreted. The study used a descriptive research design that systematically describes a population, situation or phenomenon without influencing or manipulating any variables (Siedlecki, 2020). The design was appropriate because it allowed the researcher to explore and quantify the patterns, behaviours and attitudes related to tax administration practices, digital systems like EFRIS and tax compliance among SMEs in Kampala Central Division (Loeb et al., 2017). It was also suited to this study because it allowed the researcher to gather data from a broad sample, making it possible to generalize findings across the SME population (Mertens, 2019).

3.3 Research Approach

A mixed-methods approach was employed for the research, combining both quantitative and qualitative techniques. This approach was the most suitable as it integrates the strengths of both: quantitative methods which allowed for

measurement and generalization of relationships between variables and qualitative methods that provided deeper insights into attitudes, perceptions and experiences of SME operators than using either of the two approaches alone (Creswell and Plano, 2018). Triangulation was also achieved, whereby findings from one method (e.g., surveys) were validated against those from another method (e.g., interviews), increasing the validity and reliability of results by ensuring that the data collected from different sources point to consistent conclusions (Tashakkori & Teddlie, 2010). This, in turn, led to more effective policy recommendations to words the specific needs of SMEs in Uganda

3.4 Population of the Study

The study population refers to the larger group from which a representative sample is selected (Ruane 2005). Here the target population comprised owners and employees of SMEs operating in Kampala Central Division. According to Ministry of Trade, Industry, and Cooperatives [MTIC], (2020) and Uganda Bureau of Statistics [UBOS], (2023), there are approximately 43,000 SMEs in this division: 28,242 Small enterprises and 14,758 Medium enterprises. SMEs in Uganda are categorized by number of employees and asset base/turnover and are engaged in diverse sectors such as retail trade, food and beverage, agro-processing, salons, health services, financial services, clothing and fashion, mobile money, carpentry, garages, agro- processing, among others.

Table 3. 1: Population of the Study

Category	No. of Employees	Annual turnover / Assets	No. of enterprises
Small	1-49	10 - 100 million	28,242
Medium	50-100	100-350 million	14,758
TOTAL			43,000

Source: Uganda Bureau of Statistics (2023)

3.5 Sample Size Determination

A sample refers to a portion of population selected in a systematic manner to represent the entire group (Oso & Onen, 2008). Determining an appropriate sample size is essential, as it enhances the accuracy and precision of research findings (Dattalo, 2008). This study employed Yamane's (1967) formula to determine the sample size. This formula assumes a 95% confidence level and maximum variability ($p=0.5$). Based on the data from the Uganda Entrepreneurship-Index Report 2024, published by Ministry of Trade, Industry and Cooperatives, the target population consisted of approximately 43,000 SMEs in Kampala Central Division, comprising 28,242 small enterprises and 14,758 medium enterprises. Applying the formula separately to each category ensured proportional representation.

$$n = \frac{N}{1 + N(e)^2}$$

.n = required sample size

N = population size

.e = degree of margin of error (5%) for this study

For small enterprises:

$$n = \frac{28,242}{1 + 28,242(0.0025)} = \frac{28,242}{71.605} = 394.57 \text{ rounded to } 395$$

For medium enterprises:

$$n = \frac{14,758}{1 + 14,758(0.0025)} = \frac{14,758}{37.89} = 389.58 \text{ rounded to } 390$$

Table 3. 2: Sample Size Determination

Category/Strata	Population size	Sample size
Small	28,242	395
Medium	14,758	390
TOTAL	43000	785

Source: Yamane, T. (1967).

This stratified approach ensured adequate representation of both small and medium enterprises in study sample while maintaining the desired level of statistical precision.

3.6 Sampling techniques

Etikan et al., (2016), defines sampling techniques as strategies used in obtain a portion of the population for the study in the way that ensures that the sample adequately represents the whole. This was obtained using stratified random sampling.

3.6.1 Stratified Random Sampling

Stratified random sampling is a probability sampling technique where the population is divided into distinct, non-overlapping subgroup (strata) based on specific characteristics and random samples are then drawn proportionally from each stratum, to ensure that all subgroups are adequately represented, thereby increasing the precision and reliability of the study results while reducing sampling error compared to simple random sampling (Creswell & Creswell, 2018; Kothari, 2004). This study employed stratified random sampling because the SME population in Kampala Central Division is heterogeneous, consisting of both small and medium enterprises, by dividing the population into these two strata and randomly sampling from each. The choice of stratified random sampling was dictated by the desire to minimize possible bias and ensure balanced representation and enhance the validity of comparisons between the two groups, thereby providing more accurate insights into the relationship between tax administration practices and tax compliance across different categories of SMEs.

3.6.2 Purposive Sampling

Purposive sampling is a non-probability sampling technique that involves the deliberate selection of participants based on their knowledge, experience or relevance to the research topic (Creswell & Plano, 2011). In this study, purposive sampling was employed to select respondents in URA who participated in interviews, as they were deemed to possess rich and relevant insights. This technique was appropriate because it enabled them to engage with respondents who could provide

reliable, significant and targeted information, thereby making the data collection process both time-efficient and cost-effective (Sekaran & Bougie, 2003)

3.7 Data Collection Methods

This study used questionnaire survey and interview survey as data collection methods.

3.7.1 Questionnaire Survey Method

A questionnaire survey method involves administering structured questions to a selected sample to collect consistent and quantifiable data (Kumar, 2014).

Quantitative data was collected using a well-designed structured questionnaire that was filled and returned by both owners and staff of SMEs. The questionnaire method was employed because it allows respondents, particularly SMEs' owners and employees, sufficient time to reflect and provide thoughtful, accurate responses, thereby enhancing the quality of the data collected (Kumar, 2014).

3.7.2 Interview Method

The interview method was employed to obtain qualitative data from key informants, including SME chairpersons, officials from the URA and KCCA. This method was chosen because it allows for the collection of in-depth and context specific information, enabling the researcher to explore complex issues around tax administration practices and compliance in detail.

Interviews also facilitated clarification of responses obtained through structured questionnaires, offering the opportunity for face-to-face interaction that facilitates more detailed and insightful data collection. This approach provided a range of

perspectives, contributing to a more comprehensive understanding of the study topic (Kvale & Brinkmann, 2015; Creswell, 2018).

3.8 Data collection instruments

Data collection is the process of gathering and measuring information on variables of interest, in an established systematic fashion that enables one to answer stated research questions, test hypotheses and evaluate outcomes (Kabir, 2016). The research used self-administered questionnaire and interview guide as data collection instruments.

3.8.1 Self-administered Questionnaire

A self-administered questionnaire (SAQ) refers to a questionnaire that has been designed specifically to be completed by a respondent without intervention of the researcher (e.g. an interviewer) collecting the data (Lavrakas, 2008). A structured questionnaire was used because it is easy to administer, cost effective and appropriate for collecting quantitative data from a large part of the participants in a short time period.

The questionnaire had closed ended questions. The questionnaire contained demographic characteristics of respondents such as: gender, age, education qualification and years spent in operation or work.

A five-point Likert scale was used to determine the level of agreement with the questions in the questionnaire relating the variables described above where 1=Strongly Disagree, 2 = Disagree, 3 = Not sure, 4 = Agree and 5 = Strongly Agree.

3.8.2 Interview Guide

Interview guides are structures or semi-structured tools used during interviews to ensure consistency in the questions posed to respondents while allowing flexibility for follow-up questions and clarification (Cohen et al., 2018). Through the interview guides the researcher posed questions orally and recorded the responses in real-time. This data collection instrument was used because it enabled the researcher to clarify ambiguous questionnaire responses and explore complex issues surrounding tax administration practices, digital systems and tax compliance more thoroughly. Additionally, the structured nature of the guide ensured that all relevant themes were addressed, while the face -to-face interaction allowed for a deeper understanding of the respondents' perspectives, especially from key informants such as SME leaders and URA or KCCA officials.

3.9 Validity and Reliability of Instruments

3.9.1 Validity of Instruments

Vogt (2007) defines validity as “the truth or accuracy of the research”. Saunders et al, (2009) adds that it is the extent to which the data collection instrument measures as well as the appropriateness of the measures coming to accurate conclusions. For quality control, a pre-test of the research instruments to establish their validity was done. The instrument was given to the researcher's supervisor to give their opinions on the relevance of the questions using a 5-point Likert scale of strongly disagree, disagree, not sure, agree and strongly agree. The data was then considered valid for the study. Validity tests were conducted for content, criterion and construct validity

to test how well the instrument was a representative, captures relationships between the variables as well as measure the concepts (Saunders et al., 2009; Vogt, 2007; Sekaran & Bougie, 2010). Content validity ratio (CVR) was used to calculate the Content Validity Index (CVI), using the formula below.

$$\text{CVI} = \frac{\text{Total Number of items rated by all respondents}}{\text{Total Number of items in the instrument}}$$

Table 3. 3: Result of Validity Test

Section of Instrument	No. of Items	Items with I-CVI = 1.00	S-CVI/UA
Section B: Tax Administration Practices	18	14	0.78
Section C: Digital Tax Systems	15	14	0.93
Section D: Tax Compliance Cost	5	4	0.80
Section E: Tax Compliance	15	13	0.87
Overall Scale	53	45	0.85

Source: *Researcher (2025)*

Key:

- *I-CVI* = Item-level Content Validity Index
- *S-CVI/UA* = Scale-level Content Validity Index using universal agreement

Findings from table 3.3 indicate a content validity of 0.849 rounded to 0.85, greater than 0.70 thus, accepted as valid for the study as suggested by Amin (2005) that a content validity index of 0.7 and above qualifies the instrument for the study.

3.9.2 Reliability of Instruments

Reliability is defined as the consistency of either measurement or design to give the same conclusions if used at different times or by different scholars (Vogt, 2007). To ensure consistency in replies, first clear operational definitions of the variables under study were provided, then the instruments were piloted with 20 participants, 3 from URA, 15 from SMEs operating in Kampala Central Division and 2 from KCCA using a questionnaire with each topic having 5-point Likert scale from strongly disagree to strongly agree. The sample of 20 was selected based on the characteristics they had, similar to that of the final targeted respondents. After that, the responses were loaded into SPSS version 20 and a reliability analysis conducted using Cronbach's alpha (Sekaran & Bougie, 2010). Findings are indicated in table 3.4

Table 3. 4:Results of Reliability Test

Section / Construct	Cronbach's Alpha	Interpretation
Tax Administration Practices	0.87	Good reliability
Digital Tax Systems (EFRIS, EBM, Mobile Payments)	0.85	Good reliability
Tax Compliance Cost	0.79	Acceptable
Tax Compliance	0.90	Excellent
Overall Questionnaire	0.89	Good reliability

Source: *Researcher (2025)*

Findings from table 3.4 indicate Cronbach's Alpha coefficient of greater than 0.7 thus considered reliable for the study as put by (Sekaran & Bougie, 2010).

3.10 Data Collection Procedure

The researcher obtained and used a letter of introduction from the Dean of faculty of Business and Administration of Uganda Christian University to collect data from the respondents as evidence that the research is purely for academic purposes. The process started with the distribution of questionnaire with the accompanying letter to the respondents who filled in and return the questionnaires. Interviews were also consequently conducted from the respondents' place of work.

3.11 Measurement of Variables

The variables were measured by defining concepts. For instance, the questionnaire was designed to ask for responses about the tax administration practices and tax compliance. These were translated into observable and measurable elements so as to develop index of the concepts. The research categorized the data collected in an orderly form using the 5-point Likert scale that was used on the questionnaire as indicated below where; 1= Strongly disagree, 2=Disagree, 3= Not sure, 4=Agree, 5= Strongly agree. Socio economic attributes like age, sex, employment period/ duration of service, academic levels were measured at nominal and ordinal scales depending on the variables.

Table 3. 5: Measurement of Variable

Variables	Measures	Authors	Scale
Tax compliance	Timely Filing. Accurate Reporting. Full tax Payment.	Alm (2011); Ocheni (2015)	Likert scale
Tax Administration Practices	Tax registration Record keeping requirements. Tax assessment Practices.	Tanui, 2016; Kira, 2017)	Likert scale
Digital system	System software Tech Infrastructure Network availability	Tanui, 2016; Kira, 2017)	Likert scale

Source: author, adopted from literature review

3.12 Data Analysis

The data was analyzed both quantitatively and qualitatively as seen below;

3.12.1 Quantitative Date Analysis

In analyzing the data, the research's main aim was to establish whether the answers to the research questions are provided. In this case, the research used the Statistical Package for the Social Sciences (SPSS) version 20 to analyze the data since it saves time when handling large datasets, minimizing errors and offering a range of statistical functions such as descriptive and inferential analysis (Pallant, 2020) and tabulation was applied using frequencies and percentages in the Validation of the

statistical findings. Additionally, data was imported from excel, which enabled the researcher to organize responses in a spreadsheet format before transferring them into SPSS for analysis. The excel was used because it supports initial data cleaning and organization, making it a useful tool in the preliminary stages of quantitative data analysis (Creswell & Creswell, 2028). A descriptive narrative approach was used to complement the questionnaire data by providing textual explanations of the results. This approach was used because it helped contextualize the numerical findings and offer deeper insights into patterns emerging from data (Neuman, 2024). Therefore, the combination of statistical and narrative formats enhanced the validity and comprehensiveness of the findings.

3.12.2 Qualitative data analysis

In this section, related literature review was used to contextualize and support the discussion of qualitative findings and field notes. A related literature review involves a critical examination of previous scholarly works relevant to a particular research topic, helping to establish a theoretical foundation, identify research gaps and compare new findings with existing knowledge (Creswell & Creswell, 2018). This technique was used in qualitative data analysis due to its ability to provide a conceptual framework for interpreting participants' responses and observational notes. Through linking field findings with existing literature, the researcher was able to validate emerging themes, enhance the depth of interpretation and situate the study with a broader academic discourse (Silverman, 2021). Additionally, literature reviews also support triangulation, which increases the credibility and trustworthiness of qualitative research by showing current findings align with or diverge from

established theories and empirical studies (Marshall & Rossman, 2016). Therefore, in this study, qualitative results were analyzed through thematic description of people's responses and supplemented with information from existing reports and academic sources, which allowed for a rich, interpretive understanding of the data grounded in establishing research.

3.13 Ethical Considerations

The research ensured that no respondent suffers the effects of the research activities.

Privacy and confidentiality of respondents was observed, by making sure that all respondents in the study remain anonymous and that identifiable information was neither recorded nor disclosed. Data was presented in aggregate form to protect individual identities as this research focused on remaining sensitive to human dignity and job/ business related issues, particularly those relating to financial matters, compliance, and employment. Furthermore, the respondents' participation was willingly and the purpose of the research was declared to the respondents by the use of a secured letter of introduction from the University which provided appropriate identification of the research and the purpose of the research. These measures aimed to ensure that respondents felt secure in providing honest and accurate information (Bryman, 2016)

Lastly, the researcher committed to producing original work and ensured that the study was free of plagiarism. Proper citations and references were used where other people's opinions were incorporated to also avoid plagiarism. The researcher also maintained academic honesty and aligned with the University citation style for the

current edition of the American Psychological Association (APA, currently, 7th edition).

3.14 Limitations of the study

While this study provides valuable insights into the relationship between tax administration practices and tax compliance among SMEs in Kampala Central Division, several limitations were encountered:

The research was conducted exclusively within Kampala Central Division, limiting the generalizability of the findings to other divisions in Kampala or other regions of Uganda. SMEs in other areas may face different tax compliance challenges due to variations in infrastructure, URA outreach, or levels of education and awareness. To eliminate this limitation, the study suggested future studies to expand to other divisions or regions to improve generalizability and provide comparative insights.

Many SME operators have tight work schedules and operate in fast-paced environments, which would have limited the researcher's ability to engage them extensively. To mitigate such challenges, the researcher employed flexible data collection methods, including visiting SMEs during off-peak hours, conducting brief interviews in times of reduced activity, and using telephone follow-ups where appropriate. Additionally, research assistants were engaged to reach more participants simultaneously.

Despite efforts to ensure full participation, a number of distributed questionnaires were not returned, and some were only partially filled. The research used reminder

calls and follow-up visits to increase response rate. Some questionnaires were also administered in person to encourage completion.

Some SME owners were hesitant to provide full and accurate information regarding their tax practices due to fear of legal or regulatory repercussions, even after assurances of confidentiality. To reduce response bias, respondents were assured of anonymity and confidentiality in both verbal and written form. Additionally, the researcher used neutral and non-threatening language in the questionnaire and interview guide.

The study was constrained by the lack of access to comprehensive and up-to-date data from the Uganda Revenue Authority (URA), particularly on SME-specific compliance rates and the effectiveness of past tax administrative programs. However, the researcher mitigated this challenge by supplementing limited URA data with secondary sources such as academic studies, media reports, policy briefs and publications from organizations like the Ministry of Finance and KCCA, where specific SME compliance statistics were unavailable, proxy indicators from related reports were used helping to fill information gap.

Some SME operators especially in the informal sector had low literacy levels or limited proficiency in English and a few other languages I could manage, which made it difficult for them to understand and respond to the questionnaires. To overcome language and literacy challenges, the researcher translated key parts of the

questionnaire into commonly spoken local languages such as Luganda and used simple, non-technical terms. Also, the researcher trained research assistants very Proficient in local languages who assisted in administering questionnaires and conducted interviews to ensure respondents clearly understood the questions. This helped improve response accuracy and participant engagement across diverse literacy levels.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

The chapter presents the analysis and interpretation of the study findings arising from the raw data collected from the field using questionnaires and interview guide. The following sections in this chapter therefore concentrated on the findings of this study on the Uganda's tax administration practices and tax compliance among SMEs, a case study of Kampala Central Division. The first section presents the response rate followed by background information about the respondents and results from the analysis of data gathered during the study and its interpretation in context of the research objectives.

4.2 Response rate of respondents

The researcher expected to collect data from a total of 395 and 390 respondents from small and medium enterprises respectively. A total of 363 respondents from small enterprise were realized constituting of 92%. While a total of 335 respondents from medium enterprise were realized constituting of 86%. Also, a total of 12 URA staff were supposed to be interviewed but 9 staff were reached, constituting 75%.

Table 4. 1: Response rate

Instrument		Released number	Received number	Response rate (%)
Questionnaires	Small	395	363	92
	Medium	390	335	86
Interviews	URA staff	12	9	75

Source: Primary data (2025)

Table 4.1 above shows that 75% of respondents participated in interviews. 92% of the distributed questionnaires for small enterprises and 86% of the distributed questionnaires for medium enterprises were received. According to Amin (2005), a total response rate of 70% is a good representation of the study population.

Therefore, a rate of 75%, 92% and 86% are considered as good responses. This shows that the study findings are representative enough of the population.

4.3 Results on the background information of respondents

In this section, data is presented on the background information composition of the sample obtained through the questionnaire which included; gender, age group, marital status, level of education, and number of years in business. All the tables are based on the 363 questionnaires filled and returned by the respondents from small enterprises, 335 questionnaires filled and returned by the respondents from medium enterprises and 9 respondents interviewed. The purpose of collecting background data on respondents was to help in establishing the respondent sample characteristics and

be able to form appropriate opinions about the research findings. The detailed analysis of these characteristics and interpretation is presented in tables below:

Table 4. 2 :Gender Response rate

Response by category	Gender	Frequency	Response rate (%)
Small	Male	127	35
	Female	236	65
Medium	Male	255	76
	Female	80	24

Source: Primary data (2025)

Table 4.2 above shows that 65% of respondents in small enterprises were female while 35% were male. In medium enterprise, 76% responses were male while 24% were female. This suggested that men slightly outnumber women in ownership or management roles among medium enterprises while in small enterprises females outnumber males. The overall gender distribution showed a relatively balanced representation between genders, but with a slight male dominance, which reflected broader societal trends in the business landscape.

Table 4. 3: Age bracket Response rate

SN	Variable	Age bracket	Frequency	Percentage
1	Small enterprises	18-25yrs	78	21%
		26-30 yrs	122	34%
		31-35 yrs	98	27%
		36-40 yrs	65	18%
		Total	363	100%
2	Medium enterprises	18-25yrs	40	12%
		26-30 yrs	86	26%
		31-35 yrs	133	40%
		36-40 yrs	76	23%
		Total	335	100%

Source: Primary data (2025)

The majority of respondents in small enterprises (34%) fell within the 26-30years age range, followed by 27% in the 31-35 bracket, which indicated that middle-aged individuals dominated small enterprise leadership roles. While (40%) of medium enterprise fell within the 31-35 years age range, followed by 26% in the 26-30 years bracket, which indicated that middle-aged individuals dominated medium enterprise leadership roles. The overall age bracket distribution showed a relatively balanced representation between 26-35, but with a slight above 30-year dominance, which reflected broader experience and maturity in the business operation.

Table 4. 4: Marital status Response rate

SN	Variable	Value	Frequency	Percentage
1	Small enterprises	Married	64	18%
		Single	120	33%
		Divorced	86	24%
		Widowed	46	13%
		Separated	47	13%
		Total	363	100%
1	Medium enterprises	Married	98	29%
		Single	82	24%
		Divorced	65	19%
		Widowed	56	17%
		Separated	34	10%
		Total	335	100%

Source: Primary data (2025)

The results in table 4.4 above indicate that 33% respondents from small enterprises are single, while 29% of those from medium enterprises are married. Additionally, 24% of respondents in small enterprises are divorced and 24% of respondents in medium enterprises are single. These findings suggest that single individuals are more dominant among business owners in both small and medium enterprises. This implies that single business operators, having fewer familial or financial obligations, may be in better position to fulfill their tax obligations

Table 4. 5: Level of education Response rate

SN	Level of Education	Value	Frequency	Percentage
1	Small enterprises	Primary education	120	33%
		O-Level	107	29%
		A- Level	76	21%
		Diploma	48	13%
		Bachelor's Degree	12	3%
		Total	363	100%
2	Medium enterprises	Primary education	82	24%
		O-Level	108	32%
		A- Level	76	23%
		Diploma	48	14%
		Bachelor's Degree	21	6%
		Total	335	100%

Source: Primary data (2025)

The results in table 4.5 above indicates that 33% of the respondents in small enterprises have attained Primary and 29% attained O-Level. Meanwhile 32% respondents in medium enterprises attained O-level and 24% had primary level education. Overall, the majority of respondents in both small and medium enterprises

have attained primary and O-level education indicating a basic level of literacy sufficient to understand fundamental tax administration concepts.

Table 4. 6: Number of years in business Response rate

SN	Number of years taken in business	Value	Frequency	Percentage
1	Small enterprises	1-3 years	111	31%
		4-6 years	136	37%
		7-9 years	63	17%
		10 yrs and above	53	15%
		Total	363	100%
2	Medium enterprises	1-3 years	69	21%
		4-6 years	145	43%
		7-9 years	83	25%
		10 yrs and above	38	11%
		Total	335	100%

Source: Primary data (2025)

Table 4.6 above indicates that 37% and 43% of the respondents that participated in this study had spent over 4-6 years in both small and medium enterprises. 31% in small enterprises had spent 1-3 years in operation, 25% from medium enterprises had taken over 7-9 years. Results indicated that the respondents had operated business for a long time meaning that they had prior knowledge of tax-related obligations.

4.4 Results on the Tax Administration Practices of respondents

Respondents were asked to Indicate the extent to which they agreed with the various observations related to tax administration practices. A five-point Likert scale was used: (1) = Strongly Disagree, (2) = Disagree, (3) = Neutral (4) = Agree (5) = Strongly Agree.

Table 4. 7: Matrix of qualitative results on Tax Registration

SN	Tax Registration	Value	Frequency	Percentage
1	Small enterprises	Strongly Disagree	119	33%
		Disagree	108	30%
		Neutral	76	21%
		Agree	46	13%
		Strongly Agree	16	4%
		Total	363	100%
2	Medium enterprises	Strongly Disagree	70	21%
		Disagree	110	33%
		Neutral	81	24%
		Agree	40	12%
		Strongly Agree	34	10%
		Total	335	100%

Source: Primary data (2025)

Table 4.7 above indicates that 33% of the small enterprises' respondents and 21% of medium enterprises were not registered with URA, while 4% and 10% of both small and medium enterprises were registered with URA. Results indicated that business registration with URA remains low among the surveyed enterprises, highlighting a significant gap in formal compliance.

Table 4. 8: Matrix of qualitative results on Record keeping Requirements

SN	Record keeping requirements	Value	Frequency	Percentage
1	Small enterprises	Strongly Disagree	113	31%
		Disagree	111	30%
		Neutral	77	21%
		Agree	49	13%
		Strongly Agree	15	4%
		Total	363	100%
2	Medium enterprises	Strongly Disagree	82	24%
		Disagree	108	32%
		Neutral	76	23%
		Agree	48	14%
		Strongly Agree	21	6%
		Total	335	100%

Source: Primary data (2025)

Table 4.8 above indicates that 31% of the small enterprises' respondents and 24% of medium enterprises do not keep business records while 4% of the small enterprises and 6% of medium enterprises reported that they do keep records. The implication is that majority 61% of small enterprises and 56% of medium enterprises do not keep proper business records, which hinder accurate tax reporting and compliance.

Table 4. 9: Matrix of qualitative results on Tax Assessment Practices.

SN	Tax assessment practices	Value	Frequency	Percentage
1	Small enterprises	Strongly Disagree	116	32%
		Disagree	108	30%
		Neutral	78	21%
		Agree	49	13%
		Strongly Agree	14	4%
		Total	365	100%
2	Medium enterprises	Strongly Disagree	76	23%
		Disagree	110	33%
		Neutral	77	23%
		Agree	49	15%
		Strongly Agree	23	7%
		Total	335	100%

Source: Primary data (2025)

Table 4.9 above indicates that 32% of the small enterprises' respondents and 23% of medium enterprises reported that they are not assessed, while only 4% and 7% respectively are assessed by URA. These results suggest that the majority of SMEs are not regularly assessed, possibly due to perceptions that URA's assessment methods are unfriendly or inaccessible.

4.5 Results on the Tax Compliance information of respondents

Respondents were asked to Indicate the extent to which they agreed with the various observations related to tax compliance. A five-point Likert scale was used: (1) = Strongly Disagree, (2) = Disagree, (3) = Neutral (4) = Agree (5) = Strongly Agree.

Table 4. 10: Matrix of qualitative results on Return filing

SN	Return filing	Value	Frequency	Percentage
1	Small enterprises	Strongly Disagree	118	32%
		Disagree	112	31%
		Neutral	71	19%
		Agree	50	14%
		Strongly Agree	14	4%
		Total	363	100%
2	Medium enterprises	Strongly Disagree	82	24%
		Disagree	99	30%
		Neutral	79	24%
		Agree	49	15%
		Strongly Agree	26	8%
		Total	335	100%

Source: Primary data (2025)

Table 4.10 above indicates that 32% of the small enterprises' respondents and 24% of medium enterprises do not file tax returns while 4% and 8% respectively file their returns. Results further indicate that 64% of small enterprises and 54% of medium enterprises do not file returns primarily due to uncertainty about accurately

computing taxes. This highlights a gap in taxpayer knowledge and confidence regarding tax filing processes.

Table 4. 11: Matrix of qualitative results on Full time payment

SN	Full time payment	Value	Frequency	Percentage
1	Small enterprises	Strongly Disagree	117	32%
		Disagree	109	30%
		Neutral	77	21%
		Agree	49	13%
		Strongly Agree	13	4%
		Total	363	100%
2	Medium enterprises	Strongly Disagree	77	23%
		Disagree	108	32%
		Neutral	78	23%
		Agree	50	15%
		Strongly Agree	22	7%
		Total	335	100%

Source: Primary data (2025)

Table 4.11 above indicates that 32% of the small enterprises' respondents and 23% of medium enterprises do not pay taxes, while only 4% of small enterprises and 7% of medium enterprises reported that they do pay their taxes. The implication is that a significant proportion 62% of small enterprises and 55% of medium enterprises do not fulfill their tax obligations, indicating widespread of non-compliance possibly due to limited tax knowledge, perceived high costs or weak enforcement mechanisms.

Table 4. 12: Matrix of qualitative results on Tax compliance costs

SN	Compliance costs	Value	Frequency	Percentage
1	Small enterprises	Strongly Disagree	103	28%
		Disagree	120	33%
		Neutral	84	23%
		Agree	43	12%
		Strongly Agree	13	4%
		Total	363	100%
2	Medium enterprises	Strongly Disagree	26	8%
		Disagree	34	10%
		Neutral	79	24%
		Agree	88	26%
		Strongly Agree	108	32%
		Total	335	100%

Source: Primary data (2025)

Table 4.12 above indicates that 28% of respondents from the small enterprises and 8% from medium enterprises do not know the cost of tax compliance. Meanwhile 4% of small enterprises and 32% of medium enterprises indicated that they are aware of the compliance costs and struggle to meet them. This suggests that many SMEs either lack awareness of the financial implications of tax compliance or find the costs burdensome, which could negatively impact their willingness or ability to comply with tax obligations.

4.6 Results on electronic fiscal receipting and invoicing system information of respondents.

Respondents were asked to Indicate the extent to which they agree with the following observations related to EFRIS on a five-point Likert scale of (1) = strongly disagree, (2) = disagree, (3) = Neutral (4) = agree (5) = strongly agree

Table 4. 13: Matrix of qualitative results on EFRIS - Network Response rate

EFRIS			
	Value	Frequency	Percentage
Small enterprises	Strongly Disagree	63	17%
	Disagree	68	19%
	Neutral	94	26%
	Agree	106	29%
	Strongly Agree	32	9%
	Total	363	100%
Medium enterprises	Strongly Disagree	40	12%
	Disagree	50	15%
	Neutral	99	30%
	Agree	112	33%
	Strongly Agree	34	10%
	Total	335	100%

Source: Primary data (2025)

Table 4.13 above indicates that 17% of the small enterprises respondents were unaware of the costs associated with using EFRIS and 12% of medium enterprises did not understand the computer network requirements for operating the system. Meanwhile 9% and 10% of respondents from small and medium enterprises, respectively, were familiar with both the network setup and system operation time. Results indicated that poor network connectivity is a significant challenge. Therefore,

URA should enhance its digital infrastructure and provide targeted training to ensure uninterrupted and effective system usage for users on the EFRIS platform.

Table 4. 14: EFRIS- Billing Machine Response rate

EFRIS			
	Value	Frequency	Percentage
Small enterprises	Strongly Disagree	40	11%
	Disagree	61	17%
	Neutral	94	26%
	Agree	114	31%
	Strongly Agree	54	15%
	Total	363	100%
Medium enterprises	Strongly Disagree	30	9%
	Disagree	41	12%
	Neutral	72	21%
	Agree	84	25%
	Strongly Agree	108	32%
	Total	335	100%

Source: Primary data (2025)

Table 4.14 above indicates that 11% of the small enterprises' respondents don't know the cost associated with the billing machine and 9% of medium enterprises were not aware of both the billing machine and its associated costs. Conversely, 15% of the small enterprise respondents and 32% of medium enterprises reported that they were

familiar with the billing machine and its costs. The findings highlight a knowledge gap, particularly among small enterprises, regarding the financial and operational requirements of adopting billing technology.

Table 4. 15: EFRIS and Software Response rate

EFRIS			
	Value	Frequency	Percentage
Small enterprises	Strongly Disagree	30	8%
	Disagree	71	20%
	Neutral	97	27%
	Agree	110	30%
	Strongly Agree	55	15%
	Total	363	100%
Medium enterprises	Strongly Disagree	31	9%
	Disagree	30	9%
	Neutral	105	31%
	Agree	85	25%
	Strongly Agree	84	25%
	Total	335	100%

Source: Primary data (2025)

Table 4.15 presents findings on respondents' awareness of EFRIS related software response rates. The above indicate that 8% of the small enterprise respondents don't

know the costs involved and 9% of medium enterprise respondents lacked knowledge of both the electronic billing machine (EBM) and its associated costs. Conversely, 15% of small enterprises and 32% of medium enterprises reported awareness of the machine, its costs and the software requirements for EFRIS operation. Overall, the findings indicate that merely 47% of respondents were aware of Electronic Billing Machines (EBMs) and EFRIS software and their connection to tax compliance, highlighting the need for enhanced taxpayer sensitization and improved system responsiveness.

4.7 Inferential statistical analysis of quantitative data

4.7.1 Analysis of relationship between Tax administration practices and Tax compliance

This section presents description findings measuring the relationship between tax administration practices and tax compliance. This research objective was conceptualized using questions which required each respondent to do self-rating in regards to their views on Tax registration, Record keeping requirements and Tax assessment practices used by Uganda Revenue Authority in conducting revenue collections. Responses are presented based on Likert scale ranging from 5 which reflected strongly agree, 4 agree, 3 Neutral, 2 disagree and 1 strongly disagree. The average of the responses on the above three parameters of tax administration practices was analyzed and correlated with the different tax compliance components (timely filing, accurate reporting and full tax payment). The results of the correlation analysis are summarized in Table 4.16.

Table 4. 16: Correlation analysis between Tax administration practices and Tax compliance

Variables		TAX COMPLIANCE		
Tax administration practices		Timely filing	Accurate Reporting	Full Tax payment
Small Enterprises	Tax assessment practices	0.997	0.982	0.999
	Tax Registration	0.995	0.993	0.008
	Record keeping requirements	0.997	0.978	0.999
Medium Enterprises	Tax assessment practices	0.985	0.998	0.999
	Tax Registration	0.945	0.969	0.963
	Record keeping requirements	0.994	0.998	0.997

Source: Primary data (2025), significant at 5% level

Table 4.16 presents the correlation analysis for the key study variables: Tax Registration and Tax Compliance, Record Keeping requirements and Tax Compliance and Tax Assessment practices and Tax Compliance. The correlations indicate the relationships between the variables and offer insights into the strength and direction of these relationships. Below is a detailed discussion of the findings:

1) Tax Registration and Tax Compliance.

For small enterprises, the correlation between tax registration and tax compliance is very strong and positive with timely filing ($r = 0.995$, $p < 0.05$) and accurate reporting ($r = 0.993$, $p < 0.05$). However, the correlation with full tax payment ($r = 0.008$, $p > 0.05$) is almost zero and statistically insignificant, indicating no meaningful relationship. This suggests that while understanding tax registration strongly influences filing and reporting, it does not significantly influence full time payment for small enterprises, possibly because other factors such as liquidity or cash flow constraints have greater impact on payment behavior. For medium enterprises, tax registration demonstrates strong and significant positive correlations with timely filing ($r = 0.945$, $p < 0.05$), accurate reporting ($r = 0.969$, $p < 0.05$) and full tax payment ($r = 0.963$, $p < 0.05$). Therefore, knowledge of tax registration positively and significantly influences all components of tax compliance among medium enterprises, though its effect is slightly weaker compared to tax assessment practices and record keeping requirements.

2) Record Keeping Requirements and Tax Compliance.

Record keeping requirements reveal very strong and statistically significant positive correlations with tax compliance among both small and medium enterprises. For small enterprises, record keeping correlates strongly with timely filing ($r = 0.997$, $p < 0.05$), accurate reporting ($r = 0.978$, $p < 0.05$) and full tax payment ($r = 0.999$, $p < 0.05$). Similarly, for medium enterprises, record keeping shows strong positive and significant correlations with timely filing ($r = 0.994$, $p < 0.05$), accurate reporting ($r =$

0.998, $p < 0.05$) and full tax payment ($r = 0.997$, $p < 0.05$). These results indicate that proper record keeping requirements consistently enhance compliance across all tax obligations, making it one of the most critical components of tax administration practices for SMEs.

3) Tax Assessment Practices and Tax Compliance

Tax assessment practices also demonstrate very strong and statistically significant positive correlations with tax compliance across all compliance components. Among small enterprises, tax assessment correlates strongly with timely filing ($r = 0.997$, $p < 0.05$), accurate reporting ($r = 0.982$, $p < 0.05$) and full tax payment ($r = 0.999$, $p < 0.05$). For medium enterprises, similarly strong correlations are observed with timely filing ($r = 0.985$, $p < 0.05$), accurate reporting ($r = 0.998$, $p < 0.05$) and full tax payment ($r = 0.999$, $p < 0.05$). This implies that SMEs with greater knowledge of tax assessment procedures are highly likely to comply fully with filing, reporting and payment obligations.

The correlation analysis in Table 4.16 demonstrates that tax administration practices significantly enhance tax compliance among SMEs in Kampala Central Division, with varying strengths across its components. Tax assessment practices and record keeping requirements consistently exhibit very strong and statistically significant positive correlations with timely filing, accurate reporting and full tax payment (ranging from 0.978 to 0.999, $p < 0.05$), indicating that SMEs with better knowledge of assessment procedures and sound record keeping requirements are highly likely to comply fully

with tax obligations. In contrast, tax registration shows a mixed effect: while it strongly and significantly correlates with filing and reporting among both small and medium enterprises ($r = 0.945$ to 0.995 , $p < 0.05$), its relationship with full tax payment among small enterprises is negligible and statistically insignificant ($r = 0.008$, $p > 0.05$), Suggesting that financial constraints or liquidity issues may override the effect of registration on payment compliance. For medium enterprises, however, tax registration correlates strongly and significantly with all compliance components ($r = 0.0945$ to 0.969 , $p < 0.05$).

These findings are consistent with earlier studies. Akampurira et al., (2023), similarly observed that tax administration positively influences compliance among SMEs in Aura Hill Division, particularly in areas of filing and reporting. Likewise, Njunwa and Batonda (2023) found in Mwanza, Tanzania, that tax administration significantly enhanced voluntary compliance, especially when linked to record-keeping practices. These results also align with Nakiwala (2010) conclusion that income tax proficiencies among Ugandan SMEs were directly associated with higher compliance. However, the weak and insignificant relationship between registration and payment among small enterprises diverges slightly from Irumba and Kabanda (2025) findings in Kampala, which suggested that simplified tax registration procedures encouraged not only filing and reporting but also payment compliance. This divergence reinforces the possibility that contextual factors such as liquidity and cash flow constraints and business size may moderate the influence of registration on compliance.

Overall, the current study strengthens the evidence that tax administration practices particularly focused on record keeping requirements and assessment practices is a

critical driver of tax compliance among SMEs, while also highlighting the need to address financial and structural constraints that limit the effect of registration on payment compliance.

4.7.2 Analysis of relationship between EFRIS and Tax compliance among SMEs in Kampala Central Division

This section presents findings that seek to address the relationship between EFRIS and tax compliance among SMEs in Kampala Central Division. This was conceptualized using questions which required each respondent to do self-rating in regards to their views on EFRIS software, Billing machine and availability of Network being implemented by URA. Responses are presented based on Likert scale ranging from 5 which reflected strongly agree, 4 agree, 3 Neutral, 2 disagree and 1 strongly disagree. The average of the responses on the above three parameters of EFRIS software, Billing machine and availability of Network was analyzed and correlated with the different tax compliance components (timely filing, accurate reporting and full tax payment). The results of the correlation analysis are summarized in Table 4.17 below.

Table 4. 17: Correlation analysis between EFRIS and Tax compliance

Variables		TAX COMPLIANCE		
EFRIS		Timely filing	Accurate Reporting	Full tax payment
Small Enterprises	Software	-0.293	-0.446	-0.274
	Billing machine	-0.326	-0.465	-0.303
	Network	0.202	0.065	0.228
Medium Enterprises	Software	-0.574	-0.580	-0.569
	Billing machine	-0.903	-0.867	-0.860
	Network	0.013	0.007	0.039

Source: Primary data (2025), significant at 5% level

According to Table 4.17, The correlation between EFRIS usage and tax compliance reveals mixed results for SMEs in Kampala Central Division. For small enterprise, EFRIS software shows weak negative correlations with timely filing ($r = -0.293$, $p > 0.05$), accurate reporting ($r = -0.446$, $p > 0.05$) and full tax Payment ($r = -0.274$, $p > 0.05$). Similarly, billing machine use is negatively correlated with timely filing ($r = -0.326$, $p > 0.05$), accurate reporting ($r = -0.465$, $p > 0.05$) and full tax payment ($r = -0.303$, $p > 0.05$). This suggests that, among small enterprises, the adoption of EFRIS tools does not enhance compliance and may even hinder it due to operational challenges such as digital illiteracy, training gaps and the costs of operating the system. However, network availability shows weak positive but statistically insignificant correlations with timely filing ($r = 0.202$, $p > 0.05$), accurate reporting ($r = 0.065$, $p > 0.05$) and

full-time payment ($r = 0.228$, $p > 0.05$), implying that stable connectivity slightly facilitates compliance but is not decisive.

For medium enterprises, the results show even stronger negative correlations. EFRIS software is negatively correlated with timely filing ($r = -0.574$, $p > 0.05$), accurate reporting ($r = -0.580$, $p > 0.05$) and full tax payment ($r = -0.569$, $p > 0.05$). Billing machines present very strong Negative correlations with timely filing ($r = -0.903$, $p > 0.05$), accurate reporting ($r = -0.867$, $p > 0.05$) and full tax payment ($r = -0.860$, $p > 0.05$). Network availability shows nearly zero correlation with compliance ($r = 0.013$ - 0.039 , $p > 0.05$). This indicates that, for medium enterprises, EFRIS adoption may actually discourage compliance, likely because of high operational costs, system inefficiencies or resistance to digital monitoring.

Overall, the results suggest that EFRIS, despite designed to improve compliance, is currently perceived as a burden among both small and medium enterprises in Kampala Central Division, with its effectiveness limited by infrastructural, financial and capacity constraints.

The findings differ from some studies but align with other. For example, Mugisha and Sabiiti (2022) found that EFRIS adoption in Uganda improved compliance rates among larger corporations but had little effect among SMEs due to high costs and complexity. similarly, Kiringa (2023) reported that while EFRIS enhanced revenue reporting accuracy, SMEs viewed it as cumbersome, leading to partial compliance rather than full adherence. These studies support the present findings that SMEs may struggle

with EFRIS adoption, especially in the areas of billing machine operation and software use. However, studies in other contexts have shown more positive outcomes. Mugo and Njenga (2021) in Kenya found that electronic billing machines improved VAT compliance among SMEs, though effectiveness was contingent on training and support. Likewise, Nabahani (2020) in Tanzania reported that Electronic Fiscal Device (EFD) machines significantly enhanced filing and payment compliance when accompanied by taxpayer education and system subsidies. The divergence in findings highlights that while EFRIS has potential to improve compliance, its effectiveness in Uganda is undermined by implementation challenges such as cost, technical knowledge and connectivity barriers. This suggests that without complementary interventions like training, infrastructure improvement and financial support EFRIS adoption alone may not drive compliance among SMEs.

Table 4. 18: Correlation analysis between Compliance cost and tax compliance

Variables		TAX COMPLIANCE		
Compliance Cost		Timely filing	Accurate Reporting	Full tax payment
Small Enterprises	Compliance Costs	0.974	0.942	0.977
Medium Enterprises	Compliance Costs	-0.867	-0.841	-0.832

Source: Primary data (2025), significant at 5% level

According to Table 4.18, compliance costs show divergent relationships with tax compliance depending on enterprise size. For small enterprises, compliance costs

demonstrate a very strong positive and statistically significant correlation with timely filing ($r = 0.974$, $p < 0.05$), accurate reporting ($r = 0.942$, $p < 0.05$) and full tax payment ($r = 0.977$, $p < 0.05$). This indicates that higher willingness or ability to incur compliance costs is associated with greater adherence to tax obligations among small firms. The finding suggests that for small enterprises, investment in compliance such as hiring accountant, purchasing tax software or paying advisory fees directly enhances tax compliance outcomes. Conversely, for medium enterprises, compliance costs exhibit strong negative and statistically significant correlations timely filing ($r = -0.867$, $p < 0.05$), accurate reporting ($r = -0.841$, $p < 0.05$) and full tax payment ($r = -0.832$, $p < 0.05$). This implies that as compliance costs increase, medium firms are less likely to comply fully with tax requirements. Therefore, the result suggests that beyond a certain scale, enterprises perceive compliance costs as burdensome and may resort to partial compliance or evasion strategies to minimize expenses.

These results align partly and diverge partly from prior empirical studies, for small enterprises, the strong positive correlation supports findings by Coolidge (2012), who reported that SMEs in developing economies tend to comply more when they invest in professional tax services, as it reduces errors and penalties. Similarly, Maseko (2014) observed in Zimbabwe that SMEs that allocated resources to compliance exhibited significantly higher tax compliance levels. However, the negative correlation among medium enterprises contrasts with the studies in other African contexts. For instance, Abdul-Razak and Adafula (2013) in Ghana found that high compliance costs discouraged SME compliance, particularly among firms transitioning from small to

medium size. Likewise, Ali et al., (2015) in Kenya reported that medium sized firms often perceive compliance requirements as excessive and therefore attempt to minimize costs by underreporting or delaying tax obligations. The findings also resonated with Walsh (2012), who argued that the perception of compliance costs depends on enterprise size and capacity. While small firms may view compliance costs as investments that improve credibility and reduce risk, medium enterprises already grappling with larger tax burdens often perceive them as punitive which may discourage compliance.

4.8 Analysis of Demographic Variables

The study examined five demographic attributes: gender, age, marital status, educational level and the duration respondents had been operating their businesses.

Gender: A significant portion of the respondents in small enterprises were female (65%), while males accounted for 35%. In contrast, in medium enterprises, the majority were male (76%), with females making up 24%. Overall, the results indicated that males dominate in medium enterprises, while female participation is higher in small enterprises. This pattern is consistent with broader trends in Uganda, where women are more active in small scale enterprises, many of which remain informal or home based, while men are more represented in medium sized and formally registered businesses. According to the Uganda Bureau of Statistics [UBOS], (2021), small businesses led by women are often not formally registered or compliant, primarily due to a lack of awareness, limited digital skills, and concerns over high

compliance costs (URA, 2023). For instance, numerous women running small retail or salon businesses do so without Tax Identification Numbers (TINs) or formal receipts, often avoiding the Electronic Fiscal Receipting and Invoicing System (EFRIS) due to perceived complexities (IFC, 2020; URA, 2022).

Age Bracket: The majority of respondents in small enterprises (34%) were within the 26-30 years age Bracker, and in medium enterprises (40), most respondents were aged 31-35 years. This reveals that SME operations in Kampala Central Division are largely dominated by young adults between 26 and 35 years, highlighting the significant role of youth in entrepreneurship. This trend reflects the increasing participation of young adults in business, a development largely driven by high youth unemployment rates and a shift toward self-employment as a means of survival (ILO, 2020 & UBOS, 2024). While this demographic tends to be more receptive to digital tax platforms, such as the URA online tax portal and Mobile Money-based tax payments, many still lack comprehensive knowledge of tax laws and procedures due to limited experience and insufficient exposure to formal education in tax matters (Kira,2017; URA, 2022). Moreover, this group faces challenges with tax literacy and digital systems such as EFRIS or e-filing, often failing to prioritize tax compliance unless they receive adequate informed. For instance, many youth-led startups rely heavily on social media platforms (e.g., WhatsApp or Instagram) for sales and may avoid formal registration due to fears of tax implications or uncertainty regarding their obligations (OECD, 2021; URA, 2022; African Development Bank [AfDB], 2021), Although their technological familiarity could enhance compliance through tools like EFRIS, their

limited understanding of tax obligations remains a barrier (Kassa, 2020; URA, 2022).

These highlight the need for targeted tax education programs to bridge the knowledge gap and assist young entrepreneurs in fulfilling their compliance responsibilities (URA, 2022).

Marital Status: In small enterprises, majority of respondents were single (33%), followed by divorced (24%), married (18%), widowed (13%) and separated (13%). On the other hand, in medium enterprises, the majority of respondents were married (29%), followed by single (24%), divorced (19%), widowed (17%) and separated (10%). These findings, show that single individuals dominate small enterprises, while married individual dominate medium enterprises. This pattern suggests that younger, unmarried individual may be more likely to engage in small scale entrepreneurship, often due to lower household responsibilities and the need for financial independence. On the other hand, married respondents appear more concentrated in medium enterprises, possibly reflecting greater stability, resource pooling and long-term investment capacity (ILO,2020; Fatoki, 2014; Kasseeah, 2016). Furthermore, demographic factors such as marital status have been found to influence entrepreneurial decision making and risk-taking behaviors, which may in turn affect business formalization and tax compliance (Fatoki, 2014; Kasseeah, 2016). Overall, these results suggest that marital status plays a role in shaping SME ownership and operations in Kampal Central Division, influencing both the scale of enterprise and the likelihood of compliance with formal business requirements.

Business Experience: Results showed that the largest proportion of respondents in both small (37%) and medium (43%) enterprises had been operating for 4-6 years, indicating a moderate level of business experience. Smaller shares had shorter tenures (1-3 years: 31% small, 21% medium) or longer (7-9 years and 10+ years), suggesting a mix of emerging and more established firms. This distribution implies that many respondents have had sufficient time to develop operational routines and acquire practical knowledge about tax obligations, which can contribute to better compliance (Dabla-Norris et al., 2027; Nguyen, 2022). Empirical literature suggests that firm age and accumulated experience are associated with improved interactions with tax administrations and greater institutional understanding, potentially narrowing gaps in productivity and compliance among younger versus older firms (Dabla-Norris et al., 2017; Vincent et al., 2023). However, the presence of newer enterprises also highlights the need for ongoing targeted education and support, since less experienced business owners may still face challenges in understanding and meeting tax requirements (Nguyen, 2022).

Education Level: A significant number of respondents had only completed primary education (33%) in small enterprises, while Ordinary Level education was predominant in medium enterprises (32%). A minimal number held university degrees (3% in small enterprises and 6% in medium enterprises). This suggests that most respondents possess a general level of education. While a basic education may provide a foundation for understanding business practices, it does not necessarily translate into tax knowledge. As McKercher and Evans (2009) observed, taxpayers with only general

education may misinterpret tax laws or remain unaware of updates in tax obligations unless supported through continuous tax education initiatives. This shows the importance of targeted tax education programs by the URA, especially in light of the growing digitization of tax administration because many respondents still encounter challenges with compliance due to limited comprehension of tax regulations, procedures and digital tax platforms such as e-Tax, EFRIS and Digital Tax Stamps (DTS). Therefore, without adequate training and awareness, SMEs with lower education levels may struggle with compliance, not because of unwillingness but due to limited comprehension of tax regulations and digital platforms.

CHAPTER FIVE

SUMMARY AND DISCUSSION OF FINDINGS

5.1 Introduction

This chapter presents summary and discussion of study results in accordance with the study objectives.

5.2 Summary of major findings

5.2.1. Tax Administration Practices and Tax Compliance.

The study revealed that tax administration practices measured through tax registration, record keeping requirements and tax assessment practices were strongly and positively correlated with tax compliance indicators (timely filing, accurate reporting and full tax payment). For small enterprises, tax assessment and record keeping requirements showed very strong positive and significant correlations with all compliance indicators (ranging from 0.978 to 0.999, $p < 0.05$). However, tax registration was strongly correlated with timely filing and accurate reporting ($r = 0.995$ and $r = 0.993$, respectively, $p < 0.05$) but exhibited no meaningful relationship with full tax payment ($r = 0.008$, $P > 0.05$). In contrast, for medium enterprises, tax registration, assessment practices and record keeping requirements were all strongly and positively correlated with tax compliance (r ranging from 0.945 to 0.999, $p < 0.05$).

5.2.2. EFRIS and Tax Compliance.

The analysis revealed negative and statistically significant correlations between EFRIS usage (software and billing machines) and tax compliance among both small and medium enterprises. For small enterprises, software ($r = -0.293$ to -0.446 , $p < 0.05$) and billing machines ($r = -0.303$ to -0.465 , $p < 0.05$) negatively influenced timely filing, accurate reporting and full tax payment, while network access showed weak positive correlations. Among medium enterprises, the negative relationships were even stronger, particularly with billing machines ($r = -0.860$ to -0.903 , $P < 0.05$). This suggests that challenges in using EFRIS such as cost, technical capacity and reliability may be discouraging compliance instead of promoting it.

5.2.3. Compliance Cost and Tax Compliance.

For small enterprises, compliance costs were positively and significantly correlated with all compliance indicators (timely filing $r = 0.974$, accurate reporting $r = 0.942$, full tax Payment $r = 0.977$; $p < 0.05$). This indicates that SMEs that invested in compliance resources were more likely to meet their obligations. However, for medium enterprises, compliance costs showed strong and significant negative correlations with timely filing ($r = -0.867$), accurate reporting ($r = -0.841$) and full tax payment ($r = -0.832$) all at $p < 0.05$. This implies that rising compliance costs reduce the willingness of medium firms to fully comply, likely due to the perception of such costs as excessive burdens that undermine profitability.

5.3 Discussion of Key Findings

5.3.1 Tax Administration Practices and Compliance in SMEs within Kampala Central Division

The results indicated that a significant proportion of respondents from small enterprises (63%) were unaware of key administration practices, particularly the service oriented educational components. while the lack of awareness in medium enterprises was noted at 54%. This underscores the critical gap in how administrative information is conveyed to the business sector regarding the necessity of tax payments. This conclusion is consistent with the assertions of Mukasa (2021) and Atugonza & Musimenta (2020), who argue that inadequate awareness of administrative processes leads to misunderstandings of obligations and processes, thereby hindering voluntary compliance. Moreover, the OECD (2015) stresses the importance of ongoing taxpayer education through various channels, including digital platforms. Initiatives like the URA's Tax Katale and instructional videos on YouTube are commendable, yet their effectiveness is moderated by the technical and financial capacity of informal traders and small business operators, particularly female traders in markets such as Kikuubo who often find these resources misaligned with their operational realities (Ali et al., 2019).

Consequently, it is vital for the URA to establish tax education avenues at regional and district levels through seminars, workshops, conferences, and electronic media such as radio, television, and WhatsApp groups for immediate inquiries (Fjeldstad & Heggstad, 2012; OECD, 2019; URA, 2022). This approach aims to bridge the gap

between the delivery methods and the requirements of SMEs, who often find current educational resources either overly complicated or misaligned with their needs. Ali et al. (2019) assert that many tax education initiatives in Africa lack customization for SME operators, resulting in poor retention of tax knowledge and minimal behavioral change.

The study also highlights that tax administration practices alone may not achieve the desired compliance results unless accompanied by adequately trained enforcement personnel and a streamlined, user-friendly tax system. The lack of significant correlation between URA officer competencies and actual tax payments points to broader structural issues, including high compliance costs, limited enforcement capabilities, and informal business practices that require attention (Bird & Zolt, 2008; Fjeldstad & Heggstad, 2012; Joshi et al., 2014).

These findings corroborate the conclusions of Tani (2016) and Oladipupo and Uyioghosa (2016), while further emphasizing that tailored, practical tax education focused on the SME sector is essential for fostering sustainable compliance in Uganda. Taxpayer education should not merely inform but also inspire, assist, and simplify the compliance process for SMEs. Richardson (2016) further noted the importance of understanding tax law, as it significantly influences individuals' willingness to comply.

5.3.2 Tax Registration and Relationship with Tax Compliance

The study aimed to explore the relationship between tax registration (such as obtaining a TIN) and compliance among SMEs in Kampala Central Division. The findings revealed that the identification of legal taxpayers is statistically significant and

positively correlated with tax compliance (including filing, reporting, and payment). It was found that 63% of small businesses were unregistered. Conversely, 22% of medium business respondents acknowledged that tax registration practices are a crucial aspect of tax compliance. There is a clear link indicating that identified and registered taxpayers with the Uganda Revenue Authority are more likely to comply with filing and reporting obligations.

This finding aligns with OECD (2022), which emphasizes that timely and accurate taxpayer registration is foundational for effective tax administration, critical for compliance monitoring and broadening the tax base. The OECD (2022) further notes that unregistered businesses in the informal sector often remain undetected by tax authorities, leading to gaps in tax collection efforts and undermining fairness within the tax system.

The study also confirms that taxpayers issued a TIN must file tax returns and report their income and financial statements to the URA. Furthermore, the lack of significance of tax registration concerning Full tax payment suggests that merely possessing a TIN does not guarantee a willingness or ability to pay taxes. This observation aligns with Masarirambi and Hove (2020), who found that in several Sub-Saharan countries, the registration process is often regarded as a mere compliance formality rather than a functional tool, particularly where post-registration engagement is weak or punitive. Consequently, the filing and reporting of tax

positions are deemed essential compliance elements that registered taxpayers must adhere to (OECD,2014; URA, 2022).

5.3.3 Record Keeping Requirement and Its relationship with Tax Compliance

The study's findings revealed that a majority of small business respondents (61%) did not maintain formal records of their operations, while 56% of medium businesses also failed to do so. In contrast, only 17% of small businesses and 20% of medium businesses engaged in record-keeping. Additionally, it was found that many small businesses do not possess basic record-keeping tools, such as counter books for daily sales, and those that do often fail to keep them updated. This observation aligns with Kibuka (2022), who noted that inadequate record-keeping is prevalent among SMEs due to limited financial literacy and lack of incentives. Effective record-keeping is crucial for accurate tax assessment and compliance; without proper documentation, businesses risk underreporting income or evading taxes entirely.

“A case in point involves a retail shop that faced severe assessments from the URA but could not contest these due to a lack of records to verify daily sales, resulting in either over-taxation or underreporting, both adversely affecting URA’s revenue collection and the business itself”.

5.3.4 Tax Assessment Practices and Its relationship with Tax Compliance

The study revealed that a significant proportion of SMEs in Kampala Central Division are regularly assessed for tax purposes, with 32% of small enterprises and 23% of medium enterprises strongly disagree with the statement that they are assessed by URA. Only a small minority 4% of small enterprises and 7% of medium enterprises

reported being assessed. This shows that routine tax assessment practices are inconsistently applied, potentially creating gaps in compliance monitoring and revenue collection.

These findings align with Bwire et al. (2023). Who noted that many SMEs in Uganda operate informally, making it difficult for URA to conduct effective assessments. Infrequent assessments may also stem from limited URA manpower, prioritization of large taxpayers, and a reliance on self-assessment systems (Kasende, 2022). However, while self-assessment is intended to reduce administrative costs and empower taxpayers, OECD (2014) cautions that without regular monitoring, it can lead to under-declaration and non-compliance.

Moreover, the perception among SMEs that URA's assessment processes are unfriendly or inaccessible may further discourage voluntary engagement. According to Fjeldstad and Heggstad (2011), negative taxpayer experiences with tax officials such as poor communication, lack of clarity in procedures and perceived harassment can undermine compliance efforts.

5.3.5 Filing Tax Returns

The findings indicated that 63% of respondents from small businesses were unaware of how to file returns with the URA, and only 16% reported having filed tax returns. In medium enterprises, 54% were not aware of filing procedures, with only 23% having filed returns. This suggests that many small businesses are not even aware of the applicable thresholds. These results align with Mawanda et al. (2023), who observed

that many SMEs in Uganda only file returns when facing penalties or impending business closure. Filing returns is not just a legal requirement; it also represents a commitment to formal business practices. Unfortunately, SMEs often lack awareness of filing thresholds and deadlines due to complicated procedures and insufficient outreach (Nguyen et al., 2020; OECD, 2014).

“Numerous boda boda riders and salon owners in Kampala Central Division possess TINs yet have never filed returns, primarily due to misconceptions about thresholds or fear of tax liabilities”.

5.3.6 Importance of Tax Payment

The study revealed that 32% and 30% of small business respondents strongly disagreed and disagreed, respectively, with the notion of understanding the significance of tax payment. In contrast, 13% and 7% of medium enterprises were fully aware of the importance of fulfilling tax obligations. This reflects a low tax morale, which scholars like Torgler (2011) define as the intrinsic motivation to pay taxes. A lack of awareness and negative perceptions regarding government accountability and service delivery undermine the rationale for tax payments. Turyakira et al. (2021) highlight that SMEs in Uganda frequently perceive tax payments as burdensome with no visible returns in services or infrastructure.

5.3.7 The Moderating Effect of Tax Compliance Costs

The study assessed tax compliance costs and their effects on compliance behavior. Results displayed in Table 4.12 show that 28% and 33% of small businesses strongly disagreed and disagreed, respectively, indicating that compliance costs negatively

influence tax compliance and significantly predict compliance levels. In the case of medium businesses, 26% and 32% agreed and strongly agreed, respectively. This suggests that SMEs investing in professional services, such as hiring tax consultants, are more likely to adhere to tax regulations regarding timely filing, accurate reporting, and prompt payment compared to those who do not.

While these findings are statistically valid within the context of this study, they diverge from previous literature, such as Mahangila (2017) and Arachi & Santoro (2007), which identified a negative correlation between compliance costs and compliance behavior. Mahangila argues that elevated compliance costs deter compliance, particularly for financially constrained small enterprises. Similarly, Arachi and Santoro contend that SMEs disproportionately bear compliance costs compared to larger firms, often leading to diminished compliance due to perceived inequality and financial strain.

Although many studies advocate that higher costs diminish compliance, this research uncovers an alternative perspective where those capable of affording and investing in tax consultants tend to comply more effectively. This finding resonates with Coolidge and Ilic (2019), who suggest that access to tax advisory services can enhance taxpayer behavior, especially among businesses lacking in-house expertise. Therefore, the deterrent effect of costs is not absolute; it depends on whether a business can invest in and benefit from these expenses. SMEs that recognize the value in engaging expert services (e.g., accurate filings, avoiding fines, establishing a credible tax profile) view

these expenses as investments rather than burdens (Joshi et al., 2014; Coolidge, 2012).

5.3.8. Digital Infrastructure and EFRIS Implementation.

The findings revealed that 17% and 19% in a combined strongly disagreed and disagreed respectively in small businesses did know the cost or the stability of the network. This also coupled with frequent power outages. However, in medium enterprises, 33% and 10% in a combined agree and strongly agree concurred that they know the network but also expressed resentment about the stability of the network that is frequently on and off which often disrupts their work scheduled.

Thus, the study found frequent complaints about network instability and power outages, especially among small businesses. This reflects the digital infrastructure gap in Uganda, which undermines implementation of electronic systems like EFRIS.

Bwire et al. (2023) argue that while EFRIS is a step toward modernizing tax systems, limited electricity, unstable internet, and low digital skills among SMEs hinder its adoption.

5.3.9 Billing machine response rate

The findings indicate that 11% and 17% with a combined strongly disagree and disagree of the small businesses concurred they did not know the cost of billing machine. Neither did they know the importance of using the machine for purposes of easing work. Only 31% and 15% with a combined agree and strongly agree did a little knowledge about the cost and how the machine eases work, reduction of errors, making of timely reporting and timely filing. While on the other hand, 25% and 32%

with a combined agree and strongly agree accepted that they are well versed with the cost of the machine and this machine and the role it plays in tax compliance, ease of use for recording reporting of sales, trust in the reliability and security of the machine and improvement in filing returns.

Thus, the study found that many SMEs were unaware of the cost and benefits of billing machines, despite some level of awareness in medium enterprises. This lack of information has discouraged investment in billing equipment. According to URA (2023), cost-sharing mechanisms for EFRIS-compliant machines are under consideration. Without this, small businesses avoid investing due to perceived high costs and lack of understanding of the return on investment

CHAPTER SIX

CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

This chapter draws conclusions from the study and offers actionable recommendations based on the findings. The study specifically focused on how tax administration practices influence compliance among SMEs in Kampala Central Division, as moderated by Compliance Costs.

6.2 Conclusions

This study concludes that tax administration practices are a primary determinant of compliance behaviour. Specifically, SMEs that engage with systematic record-keeping requirements and have a clear understanding of tax assessment practices are significantly more likely to fulfill their tax obligations. However, tax registration practices (obtaining TIN) alone are insufficient to guarantee payment, particularly for small enterprises, where registration is often viewed as mere formality.

A critical conclusion is the role of compliance costs as a moderating factor. The study found that these costs influence SMEs differently: small enterprises often lack the financial capacity to absorb these costs, leading to resistance, whereas medium enterprises that invest in professional tax services tend to show higher adherence. Furthermore, digital tools like EFRIS, while intended to streamline administration, currently face adoption barriers due to operating complexity and infrastructure

instability (power and internet, which inflate the “psychological and time costs” for taxpayer.

Additionally, demographic and contextual factors including age, education, gender, marital status and business experience play a critical role in shaping compliance behaviour, highlighting the need for tailored interventions.

Finally, the study concludes that for tax administration to be effective more especially in Kampala Central Division, it must move beyond general awareness and focus on service-oriented interventions that reduce the administrative burden on informal and small-scale traders.

6.3 Recommendations

6.3.1 Recommendations to Business Operators (SMEs) in Kampala Central Division

The following are the recommendations to SMEs in Kampala Central Division arising from the findings and conclusion of the current study:

Transition from Formal to Functional Registration:

Business owners should utilize the TREP (Taxpayer Register Expansion Programme) mobile offices to register. Early registration using the instant TIN system reduces the time and travel costs associated with formalization, effectively lowering the initial compliance cost.

SMEs should also move beyond simply holding a TIN and actively engage with URA's post-registration support to access benefits such as tax waivers, claims and utilization of tax credits.

Adopt Scalable Record Keeping:

To comply with the mandatory five-year retention period, SMEs should adopt low-cost digital backup solutions (such as cloud storage or basic spreadsheet software) to protect records from physical damage. This ensures that in the event of an audit, the business has evidence to dispute unfair assessments, thereby protecting its profit margins.

Engage in Proactive Self-Assessment.

SME operators should engage in proactive self-assessment by using URA's digital portals to declare income. This shift from "waiting to be assessed" to "self-declaring" allows SMEs to manage their cash flow better and avoid the high interest and penalties associate with default assessments.

For Business Associations:

Beyond Groups like KACITA (Kampala City Traders Associations), should negotiate for group-based tax consultancy services. By pooling resources to hire a single consultant for multiple SMEs, the individual "professional fees" cost is lowered, enabling even small firms to benefit from expert tax planning and accurate filling, since compliance

costs of hiring tax consultants should be viewed as a strategic investment to minimize penalties and optimize tax planning but not a sunk cost.

6.3.2 Recommendations to Tax Authorities (URA and Related Agencies)

The following are the recommendations to URA and related agencies arising from the findings and conclusion of the current study:

Transition from “Mass Registration” to “Value-Added Registration”

Beyond issuing TIN, URA should provide immediate “onboarding kits” that explain specific tax benefits such as eligibility for government tenders and tax waivers to offset the perceived burden of entering the formal net.

Introduction of subsidized, offline Capable electronic Bill Machines (EBMs)

Since the study found that network instability and cost of EFRIS equipment are the major barriers, URA should introduces subsidized, offline-capable electronic billing machines.

Additionally, a simplified “record-keeping template” should be provided for small-enterprises to reduce the need for expensive external accountants.

Standardize the Self-Assessment Guidelines

URA should standardize the self-assessment guidelines specifically for SME sector. By publishing clear, sector-specific “benchmark rates” for common trades in Kampala

Central (e.g., Kikuubo traders), the authority can reduce the frequency of default assessments, which are often perceived as punitive and arbitrary.

Digital System Usage Compliance Cost Credit.

A “compliance cost credit” or a tiered fee structure for digital system usage should be considered. By offering tax credits to SMEs that adopt EFRIS early or URA deciding to share the costs of adoption, the URA can directly lower the financial barrier (moderating variable) that currently prevents administrative efficiency from translating into actual payments.

6.4 Areas for further study/ research

While the study offers valuable insights, certain limitations provide opportunities for future research

Broader geographical Scope:

This study was limited to SMEs in Kampala Central Division; therefore, its findings may not be fully generalizable to other divisions or regions. Future research could expand to include SMEs from other geographical areas to provide a more comprehensive understanding of how tax education influences tax compliance.

Longitudinal Impact of Digital Tools:

While this study examined the cross-sectional relationship between EFRIS and tax compliance among SMEs in Kampala Central Division highlighting operational

challenges, cost burdens, and differences in uptake between small and medium enterprises, it did not explore how these dynamics evolve over time. Future research should assess the long-term effects of EFRIS and related digital systems on compliance, including persistence, adaptation, and unintended burdens across firm sizes.

Sector-Specific Thematic Studies:

This study focused on the relationship between tax administration practices and tax compliance among SMEs in Kampala Central Division; however, future research should investigate the specific lived experiences of manufacturing or agricultural SMEs in Uganda, particularly those operated by foreign investors and multinational corporations. Given the complexity of international tax issues like transfer pricing, profit repatriation, and cross-border VAT, these entities may face different administrative hurdles than the service/ trade sector in Kampala.

Legal and institutional Dimensions

Since this study explored key economic and administrative drivers of tax compliance among SMEs in Kampala Central Division, it did not extensively investigate the legal dimensions a critical gap given that taxation is a legal obligation, and non-compliance triggers statutory penalties, legal proceedings, and even criminal liability. Therefore, further research is recommended to assess how legal factors such as awareness of tax laws, the effectiveness of legal enforcement mechanisms, and taxpayer rights affect compliance behavior among SMEs.

REFERENCES

- Abdul-Razak, A., & Adafula, C. J. (2013). *Evaluating taxpayers' attitude and its influence on tax compliance decisions in Tamale, Ghana*. Journal of Accounting and Taxation, 5(3), 48-57. <https://doi.org/10.5897/JAT12.043>
- African Development Bank. (2021). *Youth-led enterprises and digital entrepreneurship in Africa*. AfDB.
- Ahmed, E., & Braithwaite, V. (2005). Understanding small business taxpayers: issues of deterrence, tax morale, fairness and work practice" (2005). *International Small Business Journal Vol.1*, 539-5423
- Ajzen, I., & Fishbein, M. (1980). *Understanding attitudes and predicting social behavior*. New Jersey: Prentice-Hall, Inc., Englewood Cliffs.
- Ajzen, I. (1985). From intentions to actions: A theory of planned behavior. In J. Kuhl & J. Beckmann (Eds.), *Action control: From cognition to behavior* (pp. 11-39). Springer. https://doi.org/10.1007/978-3-642-69746-3_2
- Ajzen, I. (1991). The Theory of Planned Behavior. *Organizational Behavior and Human Decision Processes*, 50(2), 179-211. doi: Doi: 10.1016/0749-5978(91)90020-t.
- Ajzen, I. (2002). Perceived behavioral control, self-efficacy, locus of control, and the theory of planned behavior. *Journal of Applied Social Psychology*, 32(4), 665-683. <https://doi.org/10.1111/j.1559-1816.2002.tb00236.x>
- Ajzen, I. (2020). The theory of planned behavior: Frequently asked questions. *Human Behavior and Emerging Technologies*, 2(4), 314-324. <https://doi.org/10.1002/hbe2.195>
- Akampurira, S., Kazaara, A. G., & Kasenene, E. (2023). *Taxpayer education and tax compliance of small and medium enterprises: A case study of Arua Hill Division*. Metropolitan International University. Retrieved from <https://www.researchgate.net/publication/373398197>
- Alabede, O.J., Zainol, A., & Kamil, M.I. (2011) Determinants of Tax Compliance Behavior: A Proposed Model for Nigeria. *International Research Journal of Finance and Economics*, 78, 121-136.

- Alabede, J. O., Ariffin, Z. Z., & Idris, K. M. (2011). Tax knowledge and tax compliance determinants in self-assessment system in Nigeria. *Business and Management Review*, 1(5), 1-12.
- Ali, M., Fjeldstad, O.-H., & Sjursen, I. H. (2019). *Taxpayer education and compliance in Sub-Saharan Africa: Evidence from Tanzania*. *Journal of African Economies*, 28(2), 123-145. <https://doi.org/10.1093/jae/ejy022>
- Ali, N., Cecil, E., & Knoblett, J. (2015). *The impact of compliance costs on tax compliance among SMEs in Kenya*. *African Journal of Business Management*, 9(18), 665-672. <https://doi.org/10.5897/AJBM2015.7995>
- Alm, J., & Benno, T. (2011). Do ethics matter? Tax compliance and morality. *Journal of Business Ethics* 101: 635-51
- Alm, J. (2012). What motivates taxpayers? *Journal of Economic Perspectives*, 26(4), 25-48. <https://doi.org/10.1257/jep.26.4.25>
- Alm, J., & McClellan, C. (2012). Tax morale and tax compliance from the firm's perspective. *Kyklos*, 65(1), 1-17. <https://doi.org/10.1111/j.1467-6435.2011.00524.x>
- Amayi, J. B., & Machogu, C. G. (2013). The effect of tax Education on voluntary Tax compliance among SMEs in Mwanza City Tanzania. *International Journal of Marketing, Financial Services & Management Research* 12-23.
- American Psychological Association. (2020). *Publication manual of the American Psychological Association* (7th ed.). APA.
- Amin, M.E. (2005). Social science research; Conception, Methodology and Analysis: Makerere University, Kampala.
- Arachi, G., & Santoro, A. (2007). Tax enforcement for SMEs: Lessons from the Italian experience? *eJournal of Tax Research*, 5(2), 225-243
- Arturo, J. (2013). USAID'S Leadership in Public Financial Management Detailed Guidelines for Improved Tax Administration in Latin America and the Caribbean Chapter 2. Conceptual Framework, publisher, Deloitte Consulting LLP.
- Atawodi, O.W., & Ojeka, AS. (2012). Factors That Affect Tax Compliance among Small and Medium Enterprises (SMEs) in North Central Nigeria. *International Journal of Business and Management* Vol. 7, No. 12

- Balaba, E. (2020). How to improve tax morale among Uganda's taxpayers, accessed on 2 Apr 2020 from <https://www.busiweek.com/how-to-improve-tax-morale-among-ugandas-taxpayers/>
- Barbutamisu N. (2011). A Review of Factors for Tax Compliance Annals of Dunarea de Jos. University of Galati Fascicla I. *Economics and Applied Informatics*.
- Besley, T., & Persson, T. (2014) Why do Developing Countries Tax so Little? *Journal of Economic Perspectives*, 28(4):99-120 <https://doi.org/10.1257/jep.28.4.99>
- Besley, T. J., Jensen, A., & Persson, T. (2019). *Norms, enforcement, and tax evasion* (NBER Working Paper No. w25575). National Bureau of Economic Research. <https://doi.org/10.3386/w25575>
- Bird, R. M., & Zolt, E. M. (2008). Tax policy in emerging countries. *Environment and Planning C: Government and Policy*, 26(1), 73-86. <https://doi.org/10.1068/cav4https://doi.org/10.1257/aer.99.4.1218>
- Braithwaite, V. (2003). *Taxing Democracy: Understanding Tax Avoidance and Evasion*, Ashgate Publishing Company, *Business Ethics*, 101(4), 635-651
- Braithwaite, V. (2007). Taxation and Good Governance. University House Lecture and House Dinner Series, Australian National University, Canberra. www.vab.anu.edu.au/present/taxunihouse.pdf
- Bräutigam, D. A. (2008). *Taxation and state-building in developing countries: Capacity and consent*. Cambridge University Press. <https://doi.org/10.1017/CBO9780511819494>
- Bwire, F., Kasende, F., & Kibuka, T. (2023). Challenges in adopting digital tax systems among SMEs in Uganda. *Uganda Journal of Business and Economics*, 12(1), 45-67.
- Bwire, T., Tumwine, G., & Sekyewa, G. (2023). Digital Infrastructure and EFRIS Adoption in Uganda. Uganda Revenue Research Bulletin.
- Bwire, T., Katusiime, J., & Mubiru, A. (2023). *Digitalization and tax compliance among small businesses in Uganda*. Makerere University Business School.
- Byamukama, B. (2013). *Self-assessment system, tax audit, perceived tax fairness and tax compliance among SMEs in Uganda*. Master's thesis, Makerere University, Kampala, Uganda.

- Charity, M., Mwandambira, N., Newman, W., & Ongayi, W. (2018). Literature review on the impact of tax knowledge on tax compliance among small medium enterprises in a developing country, *International Journal of Entrepreneurship* 22(4)
- Creswell, J. W., & Creswell, J. D. (2018). *Research design: Qualitative, quantitative, and mixed methods approach* (5th ed.). SAGE Publications.
- Cong, N. (2018). Tax Administration, Morale and Compliance in Small and Medium Enterprises in Kampala Central Division Municipality, accessible on Uganda. https://kyuir.kyu.ac.ug/bitstream/handle/20.500.12504/337/CONG%20NELSON%2016U13316_GMBAPE.pdf
- Coolidge & Ilic (2019) note: "Hiring a tax professional significantly reduces errors in filing and increases the likelihood of timely tax return submission among small firms in developing countries" (World Bank Policy Research Working Paper No. 8912).
- Coolidge, J. (2012). *Findings of tax compliance cost surveys in developing countries*. World Bank. Retrieved from <https://documents.worldbank.org>
- Dabla-Norris, E., Ho, G., & Minoiu, C. (2017). *SME growth, formalization, and tax compliance in developing economies*. IMF Working Paper WP/17/110.
- Evans, C. (2003). *The operating costs of taxing the capital gains of individuals: A comparative study of Australia and the UK, with particular reference to small business*. *eJournal of Tax Research*, 1(1), 68-87. Retrieved from <https://www.austlii.edu.au/au/journals/eJlTaxR/2003/4.html>
- Evans, C., Lignier, P., & Tran-Nam, B. (2014). Small business and tax compliance costs: A cross-country study of managerial benefits and tax concessions. *Journal of the Australasian Tax Teachers Association*, 9(1), 1-28. <https://doi.org/10.2139/ssrn.3727120>
- Fatoki, O. (2014). The impact of demographic factors on entrepreneurial orientation and tax compliance among SMEs in South Africa. *Mediterranean Journal of Social Sciences*, 5(7), 329-338.

- Feldman, F.(2016). Taxpayer Confusion: Evidence from the Child Tax Credit', *American Economic Review* 106(3): 807-835
- Fishbein, M., & Ajzen, I. (2010). *Predicting and changing behavior: The reasoned action approach*. New York: Psychology Press (Taylor & Francis)
- Fjeldstad, O.-H., & Heggstad, K. (2011). *Local government taxation and tax morale in East Africa*. Bergen: CMI Report.
- Fjeldstad, O.-H., & Heggstad, K. (2012). *Taxation and development in Africa: Lessons from Uganda and Tanzania*. Bergen: Chr. Michelsen Institute.
- Fricker, R. (2005). *Simple Random Sampling*, Naval Postgraduate School, Monterey, California.
- Gaspar, V., Jaramillo, L., & Wingender, P. (2016). Tax capacity and growth: is there a tipping point? *IMF Working paper*
- Gerit, T. S. (2011). *Taxation in the Netherlands (fourth Edition)*. AH Alphen Gan Den Rijn: Kluwer Law International.
- Härtel, C. E. J., Langham, J. A., & Paulsen, N. (2012). Improving tax compliance strategies: Can the theory of planned behavior predict business compliance? *eJournal of Tax Research* (2012) vol. 10, no. 2, pp. 364-402
- Hendy, P. (2013). *Threats to small and medium sized enterprises from tax and other regulations*. Paper presented at the Australian Taxation Studies Program Small Business Tax Symposium, Developing Good Tax Policies for SMEs, Sydney.
- Hijattulah, A., & Pope, J. (2008). Exploring the relationship between tax compliance costs and compliance issues in Malaysia", *journal of applied law and policy*.
- International Finance Corporation (IFC). (2020). *SME formalization and tax compliance in emerging markets*. Washington, DC: IFC.
- International Monetary Fund. (2015, January 29). *Current challenges in revenue mobilization - improving tax compliance* (Policy Paper No. 2015/005). IMF. <https://doi.org/10.5089/9781498344890.007>
- International Labour Organization (ILO). (2020). *Youth Employment in Uganda: Situational Analysis and Recommendations*. Geneva: ILO.

- International Monetary Fund (IMF). (2023). Managing tax avoidance by multinational enterprises in developing countries. IMF Policy Paper. Retrieved from: <https://www.imf.org>
- Irumba, A., & Kabanda, R. (2025). *Taxation policies and SME growth in Uganda: A case study of small businesses in Kampala*. Metropolitan International University. Retrieved from <https://www.researchgate.net/publication/389178635>
- Isbell, T. (2017) Tax compliance. Africans affirm civic duty but lack trust in tax department, Afrobarometer Policy Paper No 43 22
- Joshi, A., Prichard, W., & Heady, C. (2014) Taxing the Informal Economy: The Current State of Knowledge and Agendas for Future Research. *The Journal of Development Studies*, 50(10):1325-1347.
- Kasende, E. (2022). Challenges of EFRIS Implementation among SMEs in Kampala. Kampala International University Journal of Business.
- Kasende, D. (2022). *The burden of compliance: Digital tax enforcement and SMEs in Uganda*. Uganda Christian University Law Journal, 6(2), 89-105.
- Kassa, A. (2020). Digital literacy and SME tax compliance in Sub-Saharan Africa. *Journal of Development Studies*, 56(4), 621-638.
- Kato, M. (2017). Procedures and challenges in tax collection. Retrieved January 17, 2018, from <https://www.africa-uganda-business-travel-guide.com/procedures-and-challenges-in-tax-collection.html>
- Kibuka, F. (2022). Financial Record-Keeping and Tax Compliance in the Informal Sector. Journal of African Tax Research.
- Kidder, D., & Craig, C. (2011). *The determinants of Tax compliance: study of Colombia*, GZ: Beatle press.
- Kira, A. (2017). An Evaluation of Governments' Initiatives in Enhancing Small Taxpayers' Voluntary Tax Compliance in Developing Countries', International Journal of Academic Research in Accounting, Finance and Management Sciences 7(1): 253-267
- Kiringa, P. (2023). *Digital tax systems and compliance among SMEs in Uganda: A case of EFRIS adoption*. Makerere University Business School.

- Korchmina, E. (2018). EHES Working Papers in Economic History | NO. 144 Peer Pressure: The Puzzle of Tax Compliance in the Early Nineteenth-Century Russia, European Historical Economics Society.
- Kothari, C. R. (2004). *Research methodology: Methods and techniques* (2nd ed.). New Age International Publishers.
- Lakuma, C. P., & Kahunde, R. (2023). *Global minimum corporate income tax: Challenges and prospects for Uganda* (WIDER Working Paper No. 2023/137). UNU-WIDER. Retrieved from <https://hdl.handle.net/10419/283833>
- Lavrakas, P.J. (2008). *Encyclopedia of survey research methods*. Sage Publications, Inc., Thousand Oaks.
- Lemgruber, A., Masters, A., & Cleary, D. (2015). *Understanding Revenue Administration an Initial Data Analysis Using the Revenue Administration Fiscal Information Tool*.
- Levi, M. (2021). *A Moral Political Economy: Present, Past, and Future* (with F. Caraguti). Cambridge University Press. <https://doi.org/10.1017/9781009061144>
- Mahangila, D. (2017). Compliance costs and SME tax behavior in Tanzania. *African Tax Journal*, 6(1), 19-38.
- Mamdani, M. (1996). *Citizen and subject: contemporary Africa and the legacy of late colonialism*. Princeton, New Jersey: Princeton University Press
- Masarirambi, M. T., & Hove, M. (2020). Challenges of Taxpayer Registration among SMEs in Zimbabwe. *International Journal of Business and Economic Development*, 8(3), 67-76.
- Maseko, N. (2014). Determinants of tax compliance by small and medium enterprises in Zimbabwe. Institute of Chartered Secretaries and Administrators in Zimbabwe.
- Mawanda, C., Tumusiime, J., & Akello, A. (2023). *Tax education and its influence on compliance among SMEs in Uganda*. Uganda Revenue Authority Research Series, 2(4), 15-32
- Mawanda, R., Nambatya, J., & Lukyamuzi, T. (2023). Taxpayer Education and Registration Practices among SMEs in Uganda. Uganda Christian University.

- McKercher, M., & Evans, C. (2009). Sustaining growth in developing economies through improved taxpayer compliance: Challenges for policy makers and revenue authorities. *eJournal of Tax Research*, 7(2), 171-201
- Moore, M., & Prichard, W. (2017). How can governments of low-income countries collect more tax revenue? *ICTD Working Paper 70*. Brighton: International Centre for Tax and Development
- Moore, M., Fjeldstad, O.-H., & Prichard, W. (2018). *Taxing Africa: Coercion, Reform and Development*. Zed Books.
- Mugisha, D., & Sabiiti, J. (2022). The effectiveness of electronic fiscal receipting and invoicing systems in Uganda's tax administration. *African Journal of Public Administration*, 15(2), 44-59.
- Mugo, P., & Njenga, A. (2021). Electronic tax systems and VAT compliance among SMEs in Nairobi County, Kenya. *International Journal of Finance and Accounting*, 6(1), 77-89.
- Mukasa, D. (2021). Taxpayer Education and Compliance among SMEs in Uganda. Makerere University.
- Musimenta, D., Nkundabanyanga, S. K., Muhwezi, M., Akankunda, B., & Nalukenge, I. (2017). Tax compliance of small and medium enterprises: A developing country perspective. *Journal of Financial Regulation and Compliance*, 25(2), 149-175. <https://doi.org/10.1108/JFRC-08-2016-0065>
- Nabahani, A. (2020). The impact of electronic fiscal devices on tax compliance in Tanzania. *Journal of Economics and Sustainable Development*, 11(12), 101-112.
- Nakiwala, A. (2010). Income tax compliance among SMEs in Uganda. *International Journal of Business and Social Science*, 4(11), 14-21. Retrieved from https://ijbssnet.com/journals/Vol_4_No_11_September_2013/14.pdf
- Nalishebo, S., & Halwampa, A. (2014) Uncovering the Unknown: An Analysis of Tax Evasion in Zambia, Zambia Institute for Policy Analysis and Research WP No. 18
- Nguyen, T., et al. (2020). SME tax knowledge and compliance behavior: A cross-country study. *Journal of Accounting and Taxation*, 12(2), 45-61.
- Njunwa, P., & Batonda, G. (2023). Effect of taxpayer education on voluntary tax compliance among small and medium enterprises, Mwanza City, Tanzania.

- Global Scientific and Academic Research Journal of Economics, Business and Management*, 2(4), 148-198.
- Nwidobie, B. M., & Oyedokun, G.E. (2018). The Effectiveness of Tax Education Channels in Nigeria. *Ae-Funai Journal of Accounting, Business and Finance (Fjabaf)*
- Obara, C., & Nangih, E. (2017). Tax compliance barriers and internally generated revenue in Nigeria: Empirical from small and medium enterprises in Port Harcourt metropolis. *International Journal of Academic Research in Accounting, Finance and Management Sciences*,7(4), 169-176. Retrieved from <http://hrmars.com>
- OECD (2014). Increasing Taxpayer Registration: A Key Strategy for Expanding the Tax Base.
- OECD. (2014). *Tax compliance by design: Achieving improved compliance through better information, assistance and enforcement*. OECD Publishing. <https://doi.org/10.1787/9789264223219-en>
- OECD (2015). Building Tax Culture, Compliance and Citizenship.
- OECD. (2019). Case study: Tax Ambassadors Program in Brazil. In: OECD Tax Administration Series. Paris: OECD Publishing.
- OECD. (2019). *Working with taxpayers: The role of peer-led initiatives in improving tax compliance*. Paris: OECD Publishing.
- OECD. (2020). *Enhancing tax literacy through education in Africa: Insights from Rwanda*. Paris: OECD Publishing.
- OECD. (2020). Strengthening tax education in developing countries: The case of Rwanda. Paris: OECD Publishing.
- OECD. (2021). Reducing the tax compliance burden through education. Retrieved from: <https://www.oecd.org>
- OECD. (2021). *Tax administration 2021: Comparative information on OECD and other advanced and emerging economies*. Paris: OECD Publishing.
- OECD. (2022). Tax Administration 2022: Comparative Information on OECD and other Advanced and Emerging Economies. OECD Publishing.

- Oladipupo, O.A., & Uyioghosa, O. (2016). Tax Knowledge, Penalties and Tax Compliance in Small and Medium Scale Enterprises in Nigeria, *Scientific Research Publishing Inc, I Business*, 8, 1-9
- Palil, M.R. (2010) *Tax Knowledge and Tax Compliance Determinants in Self-Assessment System in Malaysia*. PhD Thesis, University of Birmingham, Birmingham.
- Parliament of Uganda. (2014). The Tax Procedures Code Act, 2014. Uganda Legal Information Institute. Retrieved from <https://ulii.org/ug/legislation/act/2014/1>
- Rabatinová, M., & Schultzová, A. A. (2018). Analysis of Compliance Behaviour and Encouraging Tax Compliance, Proceedings of the Seventh Middle East Conference on Global Business, Economics, Finance and Banking (ME18Dubai Conference) Dubai-UAE. October 6-7, 2018. Paper ID: D805
- Richardson, G. (2006). Determinants of tax evasion: A cross-country investigation', *Journal of International Accounting, Auditing and Taxation* 15(2): 150-169
- Richardson, G. (2016). Determinants of tax evasion. *Journal of international accounting*, 6(8), 23-65
- Saad, N. (2012). Perception of tax fairness and tax compliance behaviour. *Journal of Pengurusan*, 36, 89-100.
- Siedlecki, S. L. (2020). Understanding descriptive research designs. *Clinical Nurse Specialist*, 34(1), 8-10. <https://doi.org/10.1097/NUR.0000000000000493>
- Silverman, D. (2021). *Interpreting qualitative data* (6th ed.). SAGE Publications.
- Tanui, P. (2016) 'Demystifying the key taxation concepts to improve compliance by small and medium enterprises in Kenya', *European Journal of Accounting, Auditing and Finance Research* 4(6): 47-60
- Tembo, A. (2014). Tax Awareness and Tax Compliance of Small and Medium Enterprises in Nakawa Division, Kampala Uganda
- Thompson. (2003). *Governing Uganda: British colonial rule and its legacy*. Kampala, Fountain Publishers.
- Torgler, B. (2011). *Tax Compliance and the Psychology of Tax Behavior*. Edward Elgar Publishing.

- Torgler, B. (2011). *Tax morale and compliance: Review of evidence and policy implications*. World Bank Policy Research Working Paper No. 5922. <https://doi.org/10.1596/1813-9450-5922>
- Turyakira, P., & Mawejje, J. (2021). The Impact of Tax Morale on Taxpayer Compliance in Uganda. *African Tax Review Journal*.
- Uganda Bureau of Statistics (UBOS). (2021). National Labour Force Survey 2020/2021. Kampala: UBOS.
- Uganda Bureau of Statistics (UBOS). (2023). *2022 statistical abstract: National SME survey: Youth in enterprise*. Kampala, Uganda: Uganda Bureau of Statistics. Retrieved from <https://www.ubos.org>
- Uganda Bureau of Statistics (2024). Statistical Abstract: Youth Employment and Business Trends.
- Uganda Revenue Authority (URA). (2021). *Tax education strategy and SME compliance performance report*. Kampala: URA Publications.
- Uganda Revenue Authority (2023). *Annual Taxpayer Register Analysis Report*.
- Uganda Investment Authority. (2021). *Definition and categorization of MSMEs in Uganda*. Uganda Investment Authority. <https://www.ugandainvest.go.ug/msme-definition-and-categorisation/>
- Uganda Revenue Authority. (2025). Real-time taxpayer compliance system and digital integration push under the 2024/25 Domestic Taxes Compliance Improvement Plan. Uganda Revenue Authority.
- URA (2023). EFRIS Implementation Strategy Report.
- URA (2014). Tax Register Expansion Project (TREP) to tap into the informal sector: https://www.ura.go.ug/download/CGMS/TREP_FINAL.pdf
- Vincent, O., Stevenson, S., & Owolabi, A. (2023). Do sociodemographic characteristics of SME entrepreneurs influence their tax (non-) compliance behavior? *Journal of Economic Criminology*, 1, Article 100008. <https://doi.org/10.1016/j.jecrim.2023.100008>
- Wadesango, N., & Mwandambira, N. (2018). Evaluating the Impact of Tax Knowledge on Tax Compliance Among Small Medium Enterprises in a Developing Country, Research Article: 2018 Vol: 22 Issue: 6, University of Limpopo

- Walsh, K. (2012). Understanding Taxpayer Behavior - New Opportunities for Tax Administration. *The Economic and Social Review*, 43 (3), 451-475.
- William, D. S. (2002). *History of Taxation*, University of Alabama, U.S.A, Kluwer Academic Publishers.
- World Bank (2018b). World Development Indicators [database]. Washington, DC
- World Bank. (2018b). *Domestic revenue mobilization in Sub-Saharan Africa: Comparative indicators*. World Bank.
- World Bank (2021). *Paying Taxes 2021*. World Bank Group.
<https://openknowledge.worldbank.org/handle/10986/34203>
- World Bank. (2022). *Design features of simplified tax regimes for small businesses in Sub-Saharan Africa*. World Bank (Development Talk Blog). Retrieved from
<https://blogs.worldbank.org>
- Yamane, T. (1967). Sample Size Calculator, <https://www.classgist.com/sample-size-calculator.aspx>.
- : Yamane, T. (1967). *Statistics: An Introductory Analysis (2nd ed.)*. New York: Harper and Row

APPENDICES

APPENDIX 1: Self - Administered Questionnaire

UGANDA CHRISTIAN UNIVERSITY MUKONO

TOPIC: TAX ADMINISTRATION PRACTICES AND TAX COMPLIANCE AMONG UGANDAN SMEs
A CASE OF KAMPALA CENTRAL DIVISION

SERIAL NO.....

Good/Morning/Afternoon/Evening, Sir/Madam:

I am Nakibuuka Maria Regina, a student of Uganda Christian University Mukono (UCU), pursuing a Master's Degree in Business Administration. As a requirement in partial fulfillment for the award of the above-mentioned course, I am required to carry out a field research study on "Uganda's Tax Administration Practices and Tax Compliance among SMEs in Kampala Central Division".

Your responses will be kept confidential and will only be used for academic purposes. Kindly take a few minutes to complete this questionnaire honestly. Your participation is highly appreciated.

SECTION A:

Background Characteristics (*Please tick where appropriate*)

1. Gender Male ☐ Female ☐

2. Age

18-25 ☐ 26-35 ☐ 36-45 ☐ 46-55 ☐ 56 and above ☐

3. Highest level of education

None ☐ Certificate ☐ Diploma ☐ Bachelor ☐ Masters ☐

Other (Specify)

4. Marital status

Single ☐ Married ☐ Divorced ☐ Widowed ☐

5. How long have you been in this business (Years)?

0-1 ☐ 1-3 ☐ 3-5 ☐ 6 and above ☐

6. Industry: Which industry is the business?

Retail ☐ Construction ☐ Service ☐ Mobile Money ☐

Manufacturing ☐ Other (Specify).....

SECTION B:

EXPLORES TAX ADMINISTRATION PRACTICES BY SMES IN KAMPALA CENTRAL DIVISION.

This section explores tax administration practices and tax compliance by SMEs in Kampala Central Division. Please indicate by ticking the appropriate box to what extent you agree or disagree with the following statements below. (1=strongly Disagree (SD), 2= Disagree (D), 3= Neutral (N), 4 = Agree (A) and 5= strongly agree (SA))

TAX ADMINISTRATION PRACTICES						
Recording keeping requirements		SA	A	N	D	SD
RK	I keep current records of my business.					
RK	I have most of the historical records for my business.					
RK	My records are safe.					
RK	No one can modify my business records without permission.					
RK	I keep all the records that may be required for legal purposes in relation to tax assessment.					

Tax Registration		SA	A	N	D	SD
TR	Tax registration is easy					
TR	Tax registration is fast					
TR	Tax registration is cost effective					
TR	The guides on the procedures are easily available.					

Tax Assessment Practices		SA	A	N	D	SD
TA	I am given adequate time to prepare my URA tax assessment.					
TA	I am given adequate time to prepare my URA tax assessment					
TA	The tax assessments are timely done					
TA	My assessments are done in the English language to be easily understood by the entire URA staff					
TA	Indirect tax assessment methods are frequently used in Kampala Central Division					
TA	Sometimes I am given a chance to do a self-assessment					
TA	There is a common habit of officers using presumed tax liability					
TA	My tax liability under the tax law is readily ascertained					
TA	There is a chance to contest assessments which I feel are not correct.					

SECTION C:

EXPLORES EFRIS BY SMES IN KAMPALA CENTRAL DIVISION

The effects of the electronic fiscal reception and invoicing system on tax compliance among small and medium enterprises.

Indicate the extent to which you agree with the following observations on a scale of (1) = strongly disagree, (2) = disagree, (3) = Neutral (4) = agree (5) = strongly agree

EFRIS					
	5	4	3	2	1
1. The use of EFRIS has significantly improved the accuracy of our tax reporting and reduced errors.					
2. EFRIS has effectively minimized instances of tax evasion within our business operations.					
3. Adopting EFRIS has made it easier for us to comply with tax regulations.					
4. EFRIS has reduced the administrative burden associated with tax filing, allowing us to focus more on our core business activities.					
5. The real-time monitoring of transactions through EFRIS has enhanced our tax compliance.					

The effect of the electronic billing machine on tax compliance among small and medium enterprises

Indicate the extent to which you agree with the following observations on a scale of (1) = strongly disagree, (2) = disagree, (3) = Neutral (4) = agree (5) = strongly agree

I am aware of the Electronic Billing Machines and their role in tax compliance.	5	4	3	2	1
The Electronic Billing Machines are easy to use for recording and reporting sales transactions.					
The cost of acquiring and maintaining Electronic Billing Machines is manageable for my business.					
I trust the reliability and security of Electronic Billing Machines for my business transactions.					
Using Electronic Billing Machines has improved the accuracy of my tax filings.					

The effects of the mobile payment system on tax compliance among small and medium enterprises

Indicate the extent to which you agree with the following observations on a scale of (1) = strongly disagree, (2) = disagree, (3) = Neutral (4) = agree (5) = strongly agree

I am aware of the mobile payment systems available for business transactions.	5	4	3	2	1
Mobile payment systems are easy to use for conducting business transactions.					
The cost of using mobile payment systems is manageable for my business.					
Using mobile payment systems has improved the accuracy of my business's tax filings.					
I trust mobile payment systems for secure and reliable transactions.					

SECTION D:

TAX COMPLIANCE COST BY SMES IN KAMPALA CENTRAL DIVISION.

Under the following sections, please tick according to your level of agreement using a scale of; 1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree, 5= Strongly agree

	TAX COMPLIANCE COST	1	2	3	4	5
COMPLIANCE COST						
CC1	I am aware of the tax obligations for my business					
CC2	I do hire a tax consultant to help with tax compliance					
CC3	I have ever delayed or failed to pay taxes due to the high costs of compliance					
CC4	I believe that the cost of tax compliance is too high for SMEs					
CC5	Lowering tax compliance costs would improve my willingness to comply with tax obligations					

SECTION E:

TAX COMPLIANCE BY SMES IN KAMPALA CENTRAL DIVISION

Under the following sections, please tick according to your level of agreement using a scale of; 1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree, 5= Strongly agree

TAX COMPLIANCE						
Timely Filing		SA	A	N	D	SD
TF	I file my tax returns honestly.					
TF	I make declarations for the details of all the goods filed.					
TF	I have improved my voluntary filing of returns to the nearest URA offices in Kampala Central division.					
TF	I always ensure accuracy to my best knowledge when computing my taxes.					
Accurate Reporting		SA	A	U	D	SD
TR1	My trading documents are very clearly streamlined in URA.					
TR2	I correctly report tax liability to URA.					
TR3	I report all transactions, including both small and large ones.					
TR4	I always encourage my tax representatives to be as honest as possible in tax matters.					
TR5	I follow my submitted tax reports to prove they are correct in all details.					

TR6	I compare my current reports with the previous ones to easily detect suspicious figures before authorities do so.					
Full tax Payment		SA	A	U	D	SD
TP1	I pay my taxes in conformity with the assessments done.					
TP2	I am increasingly becoming tax compliant voluntarily.					
TP3	I see many of my fellow traders paying taxes as required.					
TP4	I have paid all my taxes in the past one year on time.					
TP5	I always pay the full tax as assessed					
TP6	I have evidence in terms of receipts and or bank slips for tax payment.					

Thank you very much for your time.

APPENDIX 2: Work plan

Activities	Period in months					
	Sept	Oct	Nov-Mar	Apr-May	Jun	Jul
Proposal						
Pilot study						
Data collection						
Data analysis						
Report writing						
Report submission						

APPENDIX 2: Budget

Category	Activities	Unit cost	Quantity	Amount
Stationary	Ream of paper	25,000/=	1	25,000/=
	Highlighter pens	1,300/=	3	3,900/=
	Files	6,500/=	2	13,000/=
	Stapling Machine	15,000/=	1	15,000/=
	Staples	900/=	1 box	900/=
	Clip board	6,000/=	1	6,000/=
Printing	Printing	1,500/=	70	105,000/=
	Photocopying	200/=	500	100,000/=
Allowances	Lunch	5,000/=	4	20,000/=
	Transport			150,000
	Data clerk	20,000/=	2	40,000/=
Information & communication	Airtime	30,000/=		30,000/=
	Internet	50,000/=		50,000/=
Miscellaneous				100,000/=
TOTAL				658,800/=