

**THE EFFECT OF TAXPAYER EDUCATION ON TAX COMPLIANCE
A CASE OF SELECTED SMALL AND MEDIUM ENTERPRISES IN KATWE
BUTEGO DIVISION MASAKA MUNICIPALITY**

BY

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DEDICATION

I dedicate this research paper to my Father Mr. Baligeza Stephen and my mother Mrs. Tabingwa Margret Baligeza; my sponsor Rev. Dr. Fr. Isanga Baligeza and to all my brothers and sisters. I also dedicate it to all my friends for their encouragement, advice and support that they have accorded me during my course.

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LIST OF ABBREVIATIONS

GDP	-	Gross Domestic Product
IEP	-	Integrity Enhancement Projects
URA	-	Uganda Revenue Authority
VAT	-	Value Added Tax
PAYE	-	Pay As You Earn
SMEs	-	Small and Medium Enterprises
ICT	-	Information Communication Technologies
SPSS	-	Statistical Package for Social Scientists
UMU	-	Uganda Martyrs University
TIN	-	Taxpayer Identification Number

ABSTRACT

Taxpayer Education Programs are widely recognized as being very important in any Revenue Authority that calls for success in its daily undertakings. Revenue collected from taxes enables a country to provide services for its citizens and also development of its economy. However, Uganda does not collect as much revenue as it should. SMEs in particular have the potential of generating a lot of revenue for the government but this is not the case. This poses a significant problem to the government and the country's growth as a whole.

Therefore, this study aimed at assessing the effect of taxpayer education on tax compliance in Katwe Butego division, Masaka Municipality. The study objectives included to determine the effect of electronic taxpayer education on tax compliance, to determine the effect of print media tax payer education on tax compliance and to determine the effect of stakeholder sensitization on tax compliance.

The study was inspired by the prospect theory by two German psychologists, Konheman and Amos Tversky (1979). The target population was SMEs in Katwe Butego division, Masaka Municipality. Data was collected by administration of pretested questionnaires to the owners of SMEs. Data was analyzed using both descriptive and inferential statistics. The nominal and ordinal data was collected using questionnaires and later subjected to quantitative analysis using Statistical Package for Social Sciences. Data was presented in the form of frequency distribution tables and graphs.

The study findings showed that indeed; electronic taxpayer education, print media tax payer education, and stakeholder sensitization, influence tax compliance among SMEs in Katwe Butego division, Masaka Municipality. Correlation Matrix was done to determine the correlation between the independent variables. The results showed that print media taxpayer education had the highest correlation coefficient of 0.944.

The study recommended that; there was need to improve on tax compliance in SMEs because they are below average, through intensive tax. For Small and Medium Enterprises to improve their tax compliances, those involved in their tax matters need knowledge and skills to interpret the various tax laws and regulations. Tax compliance procedures should be simplified because in most cases they are found to be very complicated by SMEs, especially for those who do not keep proper books of account and sometimes do not understand the tax laws in order to reduce the compliance costs in terms of money and time. Small and Medium Enterprises should be levied lower amounts of taxes. The government should consider increasing tax incentives and exemptions. Reduce compliance costs, curb corruption, and improve on accountability and accessibility of Uganda Revenue Authority service

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter contains the background of the study, problem statement, objectives of the study both general and specific, research questions, Scope of the study, significance of the study, justification of the study, conceptual framework and the conclusion to the chapter.

1.1 Background of the study

According to the URA Taxation Handbook (2015), Tax is defined as a monetary charge imposed by the government on persons, entities, transactions or property to yield public revenue. Taxes are the enforced proportional contributions from persons and property levied by the State by virtue of its sovereignty for the support of government and for all public needs (Cooley 2003).

Tax is defined in Seligman (2004) as a compulsory levy imposed by a government or a government appointed body (tax authority) on income, expenditure, or capital assets, for which the taxpayer receives nothing specific in return. On the other hand, tax may be viewed as a cost to the tax payer whether as an individual or a corporate body. However, there is a conflict in taxation whereby tax payers' desire to minimize costs and maximize profit, while government's desire is to maximize revenue through enhanced tax compliance. To strike a balance between the taxpayer and the tax collector, the latter need to come up with strategies and methods of simplifying tax procedures and requirements. One such strategy is the use of enhanced tax payer education. (Lymer and Oats, 2009)

Cooley, (2003) defines tax compliance as taxpayers' willingness to obey tax laws in order to obtain the economic equilibrium of a country.

Kirchler (2007) perceived a simpler definition in which tax compliance is defined as the most neutral term to describe taxpayers' willingness to pay their taxes willingly and honestly.

Improved collection of taxes enables the Ugandan government to provide fundamental services such as; Education, Medical services, improved infrastructure like roads and bridges, rural electrification, youth and women development funds, higher education loans board funds and National budgetary expenditures to ensure Uganda's sovereignty by avoiding over dependence on donor funding who may impose rigid conditions.

Tax evasion can be defined as the failure by a person or business to comply with the tax obligations. It is a serious challenge to tax authorities in both the developed and developing countries. It diminishes the mobilization of resources that governments need to invest in critical areas of social and personal development including health, education and infrastructure development (Siegel and Jae 2015).

In 2011, it cost governments' worldwide about 5.1 % of their Gross domestic Product (GDP). Even in the most advanced economies in the world, tax evasion undermines revenue collection substantially (Weltman, 2016). Among the three East African countries of Kenya, Uganda and Tanzania their informal economy constituted 33% of the GDP in the year 2011. The informal sector in Uganda employs more than 70% of the labour force (Siegel and Jae 2015). It is, therefore, not surprising that Uganda's tax-to-GDP ratio stands very low at 11.7%. This presents need to offset the taxpayer burden currently posed on the regularized sectors and ultimately mobilize more revenue.

If the Uganda government is to increase its social expenditure, then it needs to reduce tax evasion in the informal economy.

Taxpayer education can be described as a method of educating the people about the whole process of taxation and why they should pay tax (Aksnes, 2011). It assists taxpayers in meeting their tax obligations to the government. This means that the primary existence of taxpayer education is to encourage voluntary compliance amongst taxpayers.

According to Misra (2004), the main objective of tax payer education is in three folds: impart knowledge as regards tax laws and compliance; change taxpayer's attitude towards taxation and increase tax collection through voluntary compliance.

The Integrity Enhancement Project (IEP) was formed in August 2005 to build a strong integrity culture in URA. (URA, 2015) A number of strategies were adopted to achieve this goal. These included pursuing risk management, enabling effective communication of the integrity project, leadership commitment and change management, modeling a code of conduct, reviewing regulatory framework, nurturing client partnership and empowering employees. One of the causes of corruption was ignorance of tax procedures of URA and most taxpayers did not know their rights in tax matters. URA therefore took a deliberate decision to empower the taxpayers through an aggressive tax education programme in which taxpayers were sensitized about their rights, obligations. (URA, 2015)

Taxpayers in Uganda are categorized as small, medium or large depending on their business turnover or levels of income. Irrespective of one's category, taxpayers in Uganda are required to comply with VAT, PAYE, Income Tax, Withholding Taxes and Customs duties in equal measure. Small and Medium enterprises (SMEs) are engines of growth, vital to most economies. Micro businesses and SMEs account for 95% of firms in most countries. In Uganda SMEs represent a vital part of the economy, being the source of various economic contributions through the generation of income via exporting, providing new job opportunities, stimulating

competition, engine for employment, contribution to GDP, aid industrial development, satisfy local demand for services and introducing innovation and support to large firms with inputs and services.

Tax Education to the SMEs becomes necessary when the objective of rising tax revenue, at the changing environment; particularly from the official tax assessment is considered (Normala, 2007). At the same time, achieving tax compliance and improving revenue generation is not an easy task. However, this problem can be minimized through tax education (URA, 2015)

Uganda Revenue Authority has given special attention on the SMEs by simplification of the tax laws procedures, formation of associations, annuals taxpayers appreciation day (Taxpayers month), and integrity enhancement as among the strategies (Cooley 2003). Due to the fact that Masaka municipality comprised of diverse population in which many people fall under the informal sector, tax compliance was a real issue that needed to be addressed by the revenue agencies. The non-compliance may be unintentional, where the taxpayer is not aware of his/her tax obligations or fails to fulfill his/her tax obligations due to ignorance of tax laws and procedures or may be intentional due to the compliance attitudes. It was expected that, tax education could assist taxpayers to understand tax laws and procedures as well as creating positive tax compliance attitude (Kohler, 2015).

Taxpayer education provides necessary tax knowledge to the SMEs which would enable them to comply with the tax matter and change the perceptions and attitudes towards tax compliance by creating more positive attitudes. Tax education component was expected to deal with non-compliance practice among the Small and Medium Enterprises (SMEs) in Katwe Butego division, Masaka Municipality. This study was carried out in Katwe Butego division, Masaka Municipality.

1.2 Problem Statement

Low tax compliance is a major concern for the policy makers in many developing countries. This is because it limits the capacity of governments to raise revenue for developmental and recurrent expenditure purposes (URA, 2015) Tax payer education is a tool designed to enable taxpayers to understand tax laws and procedures. It involves training of special units within the revenue departments; for providing education, counseling and support to the taxpayers, through different media which include newspapers, television, radio programs, websites, seminars and front desk help, these create more room to disseminate key information to the taxpayers. (Kohler, 2015)

Tax evasion hampers Uganda's government revenue collection, thus, inefficiency in government spending because it diminishes the capacity of the state to mobilize domestic revenues, resources that are needed for investments.

The question as to why some people pay tax while others do not has raised a lot of concern among economists, governments and tax administrators. Continued low revenue collection levels for government is detrimental to economic development of this nation.

It is for this reason that this research undertook to identify the effect of taxpayer Education on tax compliance among small and medium enterprises in Katwe Butego division, Masaka Municipality. In this context SMEs in Katwe Butego division, Masaka Municipality exhibit low tax compliance levels and this required an understanding on how taxpayer education can boost tax compliance in Katwe Butego division, Masaka Municipality.

1.3 Objectives of the study

1.3.1 General objective

The general objective of this study was to establish the Effect of Taxpayer Education on Tax Compliance among Small and Medium Enterprises in Katwe Butego division, Masaka municipality

1.3.2 Specific Objectives

- To determine the effect of electronic taxpayer education on tax compliance among SMEs in Katwe Butego division, Masaka municipality
- To determine the effect of print media on tax compliance among Small and Medium Enterprises in Katwe Butego division, Masaka municipality
- To determine the effect of stakeholder sensitization programme on tax compliance among SMEs in Katwe Butego division, Masaka municipality

1.4 Research Questions

- What is the effect of electronic taxpayer education on tax compliance among SMEs in Katwe Butego division, Masaka Municipality?
- What is the effect of print media on tax compliance among the SMEs in Katwe Butego division, Masaka Municipality?
- What is the effect of stakeholder sensitization programme on taxpayer education on Tax Compliance among SMEs in Katwe Butego division, Masaka Municipality?

1.5 Significance of the study

The results of this study provided concepts and grounds on which to develop a framework for exploring tax compliance behaviour among SMEs. The Government of Uganda and its revenue

collection body (Uganda Revenue Authority) gained more knowledge resulting from this study in its effort to design suitable tax policies for SMEs.

The research was useful to the business community and organization's management teams for purposes of knowing the tax compliance environmental factors and how the conditions can be improved or dealt with.

Finally, the research was of interest to scholars and researchers who may require developing and/or advancing their knowledge in the field of tax compliance and administration.

1.6 Scope of the study

1.6.1 Content Scope

The study focused on investigating the effect of effect of taxpayer education on tax compliance of small and medium enterprises in Katwe Butego division, Masaka Municipality.

1.6.2 Geographical Scope

The study was carried out in Katwe Butego division, Masaka Municipality; located in Masaka District in the central region of Uganda. This choice was based on convenience and ease in data collections.

1.6.2 Time scope

The period under examination was between July 2015 to June 2018, because the selected time period would cover at least three recent complete accounting years whose information can be relied upon to make a valid conclusion.

1.7 Justification of the study

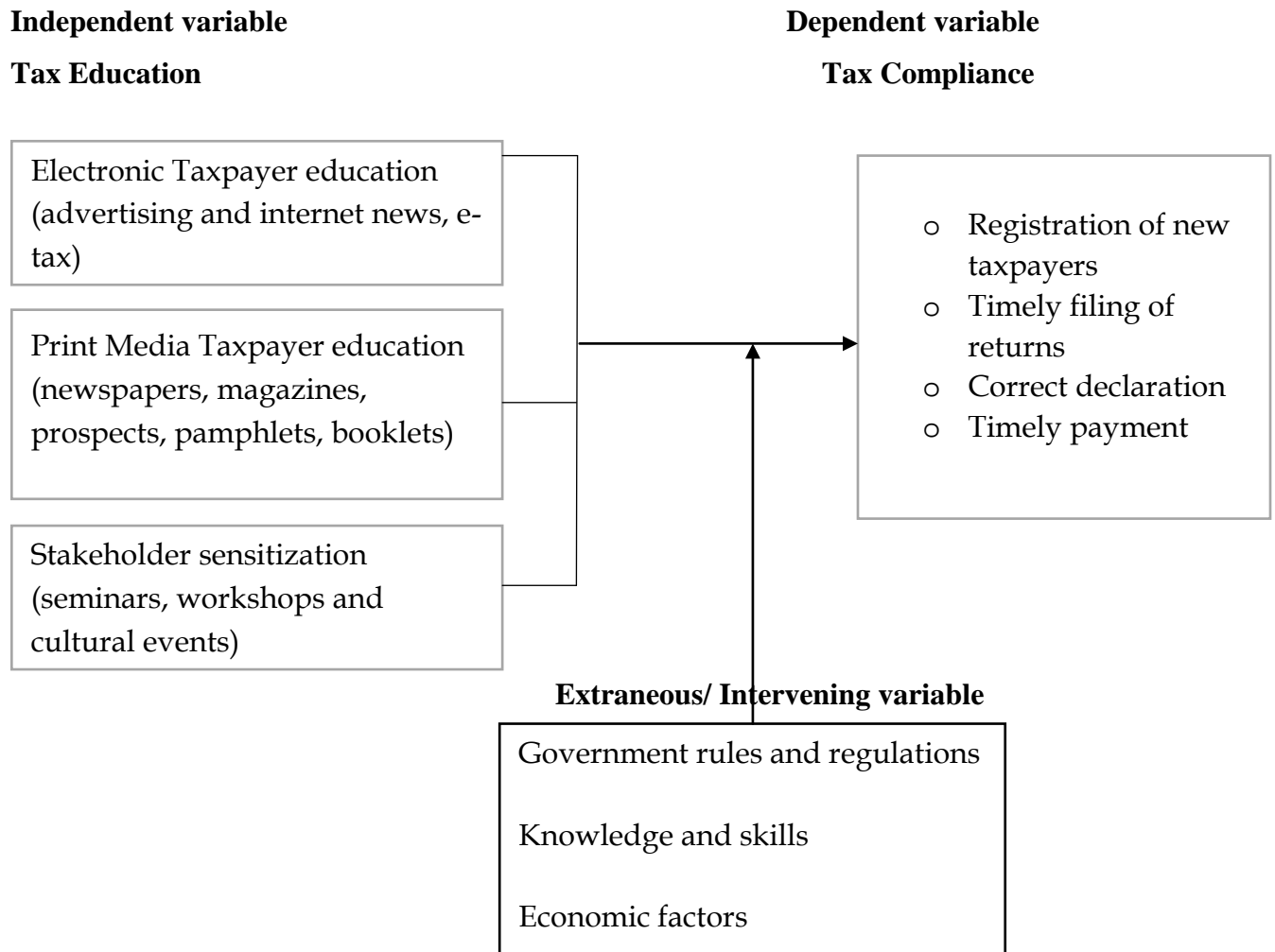
Investigating on the effect of Taxpayer Education on Tax Compliance of SMES in Masaka municipality was carried out since the taxpayers were to be made aware of their tax obligations.

Basing on the time allocated to carry out research, a researcher was in position to devote time in carrying out an explicit study in order to realize something new about the happenings in the society.

Since research is part of the requirements to a student pursuing a Bachelor’s degree to graduate, this meant that the researcher was to carry out this study in the fulfillment of the policy.

1.8 Conceptual Framework

Fig 1.1: Showing the conceptual framework



Source: Adopted with modifications from Cooley (2003).

The independent variable was tax education. Tax education was carried out through different methods including electronic tax payer education, print media taxpayer education and stakeholder sensitization. The seminar and workshop programme were measured by the total number of workshop programs/seminars to be carried out yearly, frequency of the workshops, attendance of small taxpayers in these programmes/seminars, and the perceived quality of educative information given at the workshops or seminars. The dependent variable is tax compliance. It was argued that when independent variables are put at play, the result were compliance. This was measured in terms of more citizens who were recruited and registered as taxpayers, increase in number and accuracy of tax returns filed and timely declarations and payment of taxes which would lead to more tax collection.

1.10 Conclusion

The introduction chapter is important because it provides a basis for the study and it gives a researcher firm grounds for literature review and methodology for a selected topic of interest. It is essential to lay a background of the study before going to the field for easy understanding of the variables being considered in the study

CHAPTER TWO

LITERATURE REVIEW

1.0 Introduction

This chapter was divided into three sections. The first section presented the conceptual meaning of tax, tax compliance, taxpayer education, and the SMEs, generally and as defined for tax purposes. The second section dealt with the theoretical literature review, detailing the theoretical framework of the problem under study. The third section analyzed the empirical literature on the effect of taxpayer education on tax compliance and revealed the knowledge gap that is was addressed by this study.

2.1 Conceptual meaning of tax, tax compliance, taxpayer education and SMEs

2.1.1 Tax

According to Cooley (2003), Tax is the compulsory levy or charge by the state on its citizens and the non –alike citizens that is usually payable in monetary form, for which the government needs not offer equivalent direct compensatory services or render an individual account on how it utilized the revenue.

2.1.2 Tax compliance

Tax compliance is said to occur when the taxpayer fulfils his/her broad obligations (Taylor, 2015). The broad categories of the taxpayer obligations are registration in the tax system, time filling, accurately and the submission of the requisite taxation information of tax liability, and payment of taxes at the due date (Kassipilai, 2003). This is reporting all income and paying all taxes, in accordance with applicable laws, regulation and court decision (ATO, 2000/2001). If a

taxpayer fails to meet any of the above obligations then he or she may be considered to be non-compliant.

Alm (2009) defined tax compliance as reporting of all income and paying all taxes, by fulfilling the provisions of laws, regulations, and court judgments. It is a person's act of filling the income tax form, declaring all income accurately, and disbursing all payable taxes within the given period without having to wait for the follow up actions from the relevant authorities. (Seligman, 2004).

Taylor, (2015) defined tax compliance as complying with all reporting requirements, filling all required tax returns, at proper time, and that the returns accurately report the tax liability in accordance to the tax laws, regulations, and court decisions applicable at the time the return is filed.

2.1.3 Taxpayer education

Taxpayer education is defined as a program which includes all sorts of communication and educational strategies to increase knowledge of citizens, rights and responsibilities regarding tax matters (Tasneem and Claudia, 2007).

Kiwanuka (2004) defines taxpayer education to include all programs aiming at promoting awareness of tax matters, obligations, and transparency, among the general public, as well as providing professional expertise, to the staff, to improve their capabilities, to achieve effective and efficiency in revenue collection. It involves strategies of information disseminations such as seminars, workshops, tax clinics, websites, and live radio and television programs (UBOS, 2014).

Taxpayer education is the tool to enable the taxpayer to understand the tax laws, making easy for them to comply with the obligations such as accurate preparations of returns, timely submission

of the returns, and payment of taxes. It is a tool to enable taxpayers to comply with the self-assessment system.

2.1.4 Small and medium enterprises (SMEs)

The size in terms of turnover, number of employees, or capital investment, is an important aspect to be taken into consideration depending on the need of the researcher who conducts particular study on the SMEs, since there is no clear definition of SMEs.

In Uganda a 'Micro Enterprise' is an enterprise employing up to four people, with an annual sales/revenue turnover or total assets not exceeding Uganda shillings 10 million. On the other hand Small Enterprises employ between 5 and 49 and have total assets between UGX: 10 million but not exceeding 100 million. The Medium Enterprise therefore, employs between 50 and 100 with total assets more than 100 million but not exceeding 360 million. (Kiwauka, 2004)

2.2 Theoretical Literature

Tax and death as commonly said are inevitable in life. However, history has shown that individuals do not like paying taxes, and they take a variety of actions to reduce their tax liabilities, for example, by interpreting tax rules to their own advantage. A major concern that has been raised by taxpayers for not voluntarily complying with tax laws is that governments are not accountable to the taxes collected (Seligman, 2010). Low levels of tax compliance in developing countries to a great extent have been attributed to low levels of tax payer education. Azubike (2009) argues that lack of information and enlightenment for taxpayers is a major problem as they are not sufficiently educated and enlightened on the provisions of the various tax laws.

Questions about tax compliance are as old as taxes themselves and will remain an area of discovery as long as taxes exist. History has shown that there has always been a reluctance to pay

tax. A major reason for this attitude is that the taxpayer does not always perceive that he receives any benefits from parting with his hard earned cash. Most citizens, however, realize that state expenditure for the purpose of creating or maintaining national infrastructures, such as services and roads, is a necessity. But, citizens object to having to finance unnecessary state expenditure. In this regard, everyone has his own understanding of what is unnecessary. Taxpayers feel that whatever is contributed by way of tax is mostly squandered away and the social responsibilities the government is expected to discharge get neglected. The government's bad image because of its failure to discharge functions is a great disincentive for paying taxes. The theory that was used in this study is the prospect theory.

2.2.1 Prospect Theory

This was developed in 1979, by two German psychologists, Konheman and Amos Tversky. According to these scholars, the rational choice is not only based on the expected outcome, but on the certainty of the expected outcome. (Seligman, 2010).

It is based on the following assumptions:

- I. Decision maker prefer the outcome that is certain to uncertainty,
- II. The outcome that is loss hurt as twice more than the satisfaction from the gain,
- III. Preferences will depend on how the decision maker frames the problem,
- IV. Decision maker will prefer insurance rather than gambling,
- V. The decision maker is risk averse.
- VI. Decision is made from reference point namely status quo

The application of the theory to the tax compliance decisions is that the taxpayer can choose the non-compliance decisions if and only if he/she is certain that he/she will not be detected. The decision maker would not like to incur losses which may result from the non-compliance, for

example fines, penalties and sanctions. The taxpayers made calculated risks, basing on the reference point which is the current situation. This explained why there would be low levels of tax evasion despite a low level of audits conducted.

This study adopted the prospect theory, which was applied to the behaviour of the taxpayers in the SMEs in Katwe Butego division, Masaka municipality.

2.3 Empirical Literature

2.3.1 Electronic Taxpayer Education and Tax Compliance

According to Cooley (2003) a holistic view of taxpayers through use of electronic means would facilitate compliance by use of dynamic comprehensive approaches. This approach would enable an organization gain a single view of the tax payer; increase auditor efficiency; enhance policy analysis ability and improve performance management.

Taylor (2015), sought to examine the ICT skills needed by a fresh accounting graduate when first joining a tax firm; to find out usage of electronic tax (e-tax) applications in tax practice; to assess the rating of senior tax practitioners on fresh graduates' ICT and e-tax applications skills; and to solicit tax practitioners' opinion regarding integrating ICT skills and tax software into a tax course. The study adopted survey research design that was conducted online by use of questionnaires. The study found out that knowledge of ICT and electronic tax systems among students had positive impact on compliance.

Such electronic media `broadcast or storage media that take advantage of electronic technology may include television, radio, internet, fax, CD-ROMs, DVD and any other media that requires electricity or digital encoding of information. Electronic media is often used in contrast with print media.

2.3.2 Print Media Taxpayer education and tax compliance

While empirical research in this jurisdiction is still in its infancy, the scale of the problem might be under estimated, or at least over looked. The effectiveness of media campaigns in the TV, use of tax information magazines, business customers/prospects and national newspapers would enhance awareness, tax filing, and ultimately tax morale among the tax payers. (Taylor, 2015).

Clear scope of work- Periods and records to be covered have been clearly defined under tax laws which are advertised under print media channels, Returning of confiscated tax payers records; the law requires URA to return such records within 6 months. Reports are now standardized containing relevant and key information. Reports shall now be digitally and centrally filed with all concerned departments having access. This would help in compliance follow-ups and avoiding repeat of audits. (URA, 2015)

2.3.3 Stakeholder sensitisation programme and tax compliance

Prior to 2005, the public perceived URA as a corrupt organization. URA had a number of manual tedious processes which made it difficult for clients to comply. (URA, 2015)

URA had numerous challenges within the tax body which enabled corruption to thrive.

After restructuring in 2005, URA embarked on a total transformation drive to address the following vices but not limited to: fraud and corruption tendencies, lengthy bureaucratic procedures, a long chain of command, absenteeism, incompetency, late coming, lack of professionalism, and other inefficiencies that were bringing disrepute to the organization. Clearly something had to be done.

Among the key aspects undertaken to achieve total transformation was the Integrity Enhancement Project. URA launched this project in September 2006 and committed to developing a Strong Integrity Culture in URA.

Uganda Revenue Authority (URA) holds workshops to sensitize tax payers on tax compliance. This is usually conducted under stakeholder engagement strategy with objectives of; enhancing the taxpayers understanding needs and concerns by collating and analyzing views and opinions from such engagements to inform the Authority's continued transformation and risk mitigations efforts across all levels of the Authority, enhance taxpayers' understanding of the Authority's administrative process by educating the taxpayers about their obligations and how to fulfill them and communicating clearly the outcomes or benefits of interventions and innovations by URA that reduce transaction cost and time.(Cooley, 2003)

The following activities are also conducted including Stakeholder Mapping including the ranking of all possible stakeholders in order of their influence on tax compliance, Identifying, organizing and facilitating appropriate structured meetings in the form of forums conferences, peer reviews and workshops, Drawing a Memorandum of Understanding between URA and identified stakeholders to formalize partnership agreements and collaboration efforts and lastly responding to queries and requests for information from all stakeholders and partners. (URA, 2015)

SMEs in Katwe Butego division, Masaka municipality are key stakeholders in tax matters and can affect or be affected by tax organization's actions, objectives and policies, as such taxpayer education through seminars, tax clinics and other stakeholder methods help them to be more tax compliant.

2.4 Knowledge gap

Most of the studies in the area of tax compliance have concentrated on how to change the taxpayer behaviour towards more compliant using mix of strategies, such as audit, deterrent measures of penalties and fines, as well as quality service delivery strategies. Only few studies

have concentrated on how tax compliance behaviour is affected by one individual factor holding constant other influencing factors.

In this case, the researcher conducted a study to examine the effect of the tax education, as a proactive approach to enhance the voluntary tax compliance, among the taxpayers, in Katwe Butego division, Masaka municipality.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

Research methodology is a systematic attempt or procedures that help the researcher to avoid self-deception. The methodology in this study was geared towards determining the influence of taxpayer education on the level of voluntary tax compliance.

This chapter concentrated on the research design, study population, scope of the study, sample size and selection, sampling techniques, data collection tools, data sources, data management and analysis, reliability and validity, ethical considerations, limitations and then the conclusion.

3.1 Research design

A research design is the basic plan that guides the data collection and analysis phase of the research project (Kinnear and Taylor, 1996). Kothari (2004), defines research design as a framework or plan for a study used as a guide in collecting and analyzing data. It is the blueprint that is followed in completing a study.

The researcher used the case study design. Case studies emphasize detailed contextual analysis of a limited number of events or conditions and their relationships. The case study for this research was the small and medium enterprises in Katwe Butego division, Masaka municipality. Case study research excelled at bringing to an understanding of a complex issue or object and extended experience and strength to what was already known through previous research.

3.2 Area of the study

The area of the study was Katwe Butego division, Masaka municipality found in Masaka district in the central region of Uganda. This area was considered because it has the highest population and most Small and Medium Enterprises.

3.3 Study population

Creswell (2005) defined a study population as the collection of all the individual units or respondents to whom the results of a survey are to be generalized. The study population included individuals operating small and medium enterprises in Katwe Butego division Masaka municipality. It was limited to 50 respondents in Katwe Butego division, Masaka Municipality.

3.4 Sample size

A sample is part of the target population that has been procedurally selected to represent it (Kiwanuka, 2004).

The sample size of 44 respondents out of 50 was used, which was determined using Krejcie and Morgan's table (1970) for determining sample size.

Table 3.1: Showing the sample size selected

CATEGORY	POPULATION	SAMPLE SELECTED
Business owner	13	13
Tax agent	14	12
Accountant	12	11
Others	11	08
TOTAL	50	44

3.5 Sampling techniques

Stratified sampling technique was used in this research. A stratified sampling involves dividing the entire population into homogeneous groups which are called strata. (Kothari, 2004). It was applied to the study population in an attempt to achieve the objectives of the study as stipulated above. Proportionate stratified sampling and purposive sampling designs were used to obtain a sample of 44 respondents so as to have a good representation.

3.6 Data collection tools

The researcher mainly used two tools of collecting data including the following:

3.6.1 Interview guide

An interview guide is something that provides information to guide the interview process. It was a list of questions that were asked during the interview. It was a list of themes from which interview questions were derived during the interview. (Keith, 2005) The study population was tasked to answer to the researcher verbally. This provided a clear picture of the problem.

3.6.2 Questionnaire

It's a form consisting of a list of questions or statements calling for information about the respondent's behaviour or characteristics that the researcher wishes to measure. (Kothari 2004) The questionnaire was carefully designed for collecting data in accordance with the specifications of the research questions. The respondents were allowed to express themselves freely and at their convenient time.

3.7 Data Sources

3.7.1 Primary Sources

The primary data was collected from the business people who were mainly the tax payers in the small and medium enterprises.

3.7.2 Secondary Sources

This included review of official policy documents, journals, tax return records, and taxation handbook and seminar papers to get the relevant data.

3.8 Data management and analysis

Data was organized into manageable dimension and prepared for analysis by sorting, typing, editing and arranging in a systematic way to make information relevant to the study topic. The findings were analyzed using statistical tables and graphs. Statistical Package for Social Scientists (SPSS) Version16.0 was used to analyze the data.

3.9 Reliability and validity

Face validity was ascertained by discussing questionnaires and interview guides with supervisors so as to identify and clarify ambiguous jargon and questions.

Content validity was ascertained by asking experts in the Faculty of Business Administration and Management at UMU to sieve through the questionnaire to gauge if it covers requisite content of the study's questions and if each and every element included there in is relevant. This helped in ensuring accuracy and consistency of the information provided by the respondents. The researcher was also conscious and held true that the instruments produced same results whenever they were repeatedly used to measure the variables.

To ensure reliability of the tools, the questionnaires were pre-tested to ensure errors are highlighted and rectified. Data collection tools were tested, piloted and refined. This took into consideration the language spoken and understood by respondents. In addition, the questionnaires were edited on receipt from the field and any missing information rectified immediately.

3.10 Ethical considerations

The researcher used an ethical guide to ensure acknowledgement of the ethical considerations. In order to achieve informed consent, the researcher sought permission from relevant authorities and concerned people before carrying out research.

In the case of privacy, the researcher explored the highest degree of confidentiality in regard to the information gathered from the study. The researcher also made sure that the respondents held a right to remain anonymous.

In this research, the researcher conducted himself in a respectful, honest and truthful manner to all the respondents in presenting the findings from the study.

3.11 Limitations

The researcher was faced with financial constraints since the study involved a lot of travelling to reach out to different respondents in search for information.

The researcher also faced the problem of confidentiality with some information related to some businesses given the fact that they were conservative in responding to the interviews and questionnaires.

Language barrier since most of the respondents did not understand the English language yet most questionnaires were to be filled in English.

Limited time allocated to the researcher to carry out the study and gather the necessary information which was to be relevant and reliable to the study. This is because the research was carried out at a time when lectures were on going.

3.12 Conclusion

Since methodology is a systematic process the researcher follows in the empirical part of the study, it was paramount in laying a firm ground for the study and it guided the researcher to gather relevant information.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

4.0 Introduction.

This chapter presents findings in reference to the research questions. The findings were analyzed using statistical tables and graphs. Statistical Package for Social Scientists (SPSS) Version 16.0 was used to analyze the data. A total of 44 questionnaires were issued out to the respondents and 40 of them were returned. Thus the questionnaires returned represented 90% of the sample size.

4.1 Demographic information

The demographic information of the respondents is analyzed in cross tabulation in terms of category of respondents, gender, age, level of education, kind of business engaged in and number of years worked, as presented in tables 4.1 to 4.6.

4.1.1 Category of Respondents

Table: 4.1 Showing the Category of Respondents

Category	Frequency	Percentage
Business owner	12	30.0
Tax agent	10	25.0
Accountant	11	27.5
Others	7	17.5
Total	40	100.0

Source: Primary data, 2018

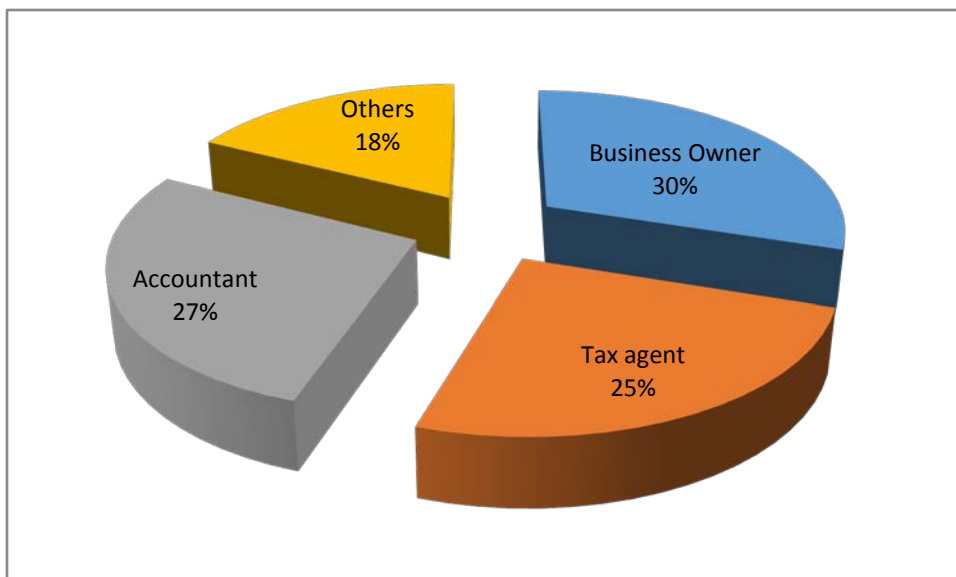
The above table shows that majority of the respondents were business owners with 30.0%, the accountants followed with 27.5%, tax agents with 25.0% and then those who were in the categories not mentioned above making a total of 17.5%.

The business owners hold the highest percentage because they are the main respondents in the small and medium enterprises.

This indicates that the respondents were fairly representative of all the various categories of taxpayers with in the small and medium enterprises in Katwe-Butego Division, Masaka Municipality.

The different categories of the respondents are hereby shown on the pie chart as below:

Fig 4.1: Pie chart according to category respondents



4.1.2 Gender of respondents

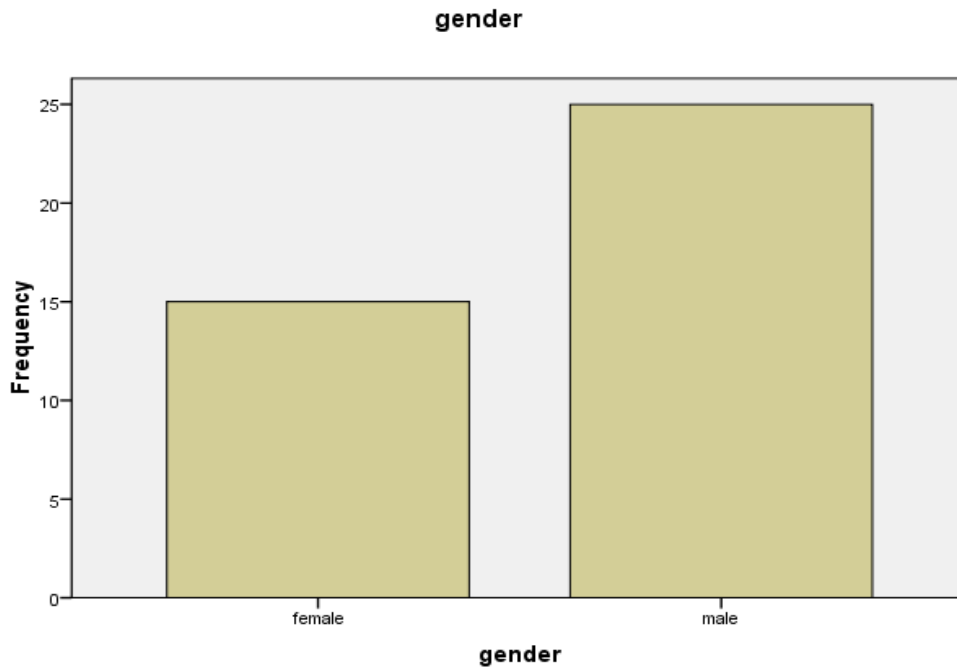
Table 4.2: Showing the Gender of Respondents

Gender	Frequency	Percentage
Female	15	37.5
Male	25	62.5
Total	40	100.0

Source: Primary Data, 2018

As shown above in the table, the majority of the respondents were male with 62.5% and the female were 37.5%. This shows that there was a gender balance. This trend is further presented on the bar graph as below.

Fig 4.2: A bar graph according to Gender



4.1.3 Age of Respondents

Table 4.3: Showing the Age of Respondents

Age Bracket	Frequency	Percentage
Below 25	5	12.5
25-35	9	22.5
35-44	10	25.0
45-50	8	20.0
Above 51	8	20.0
Total	40	100.0

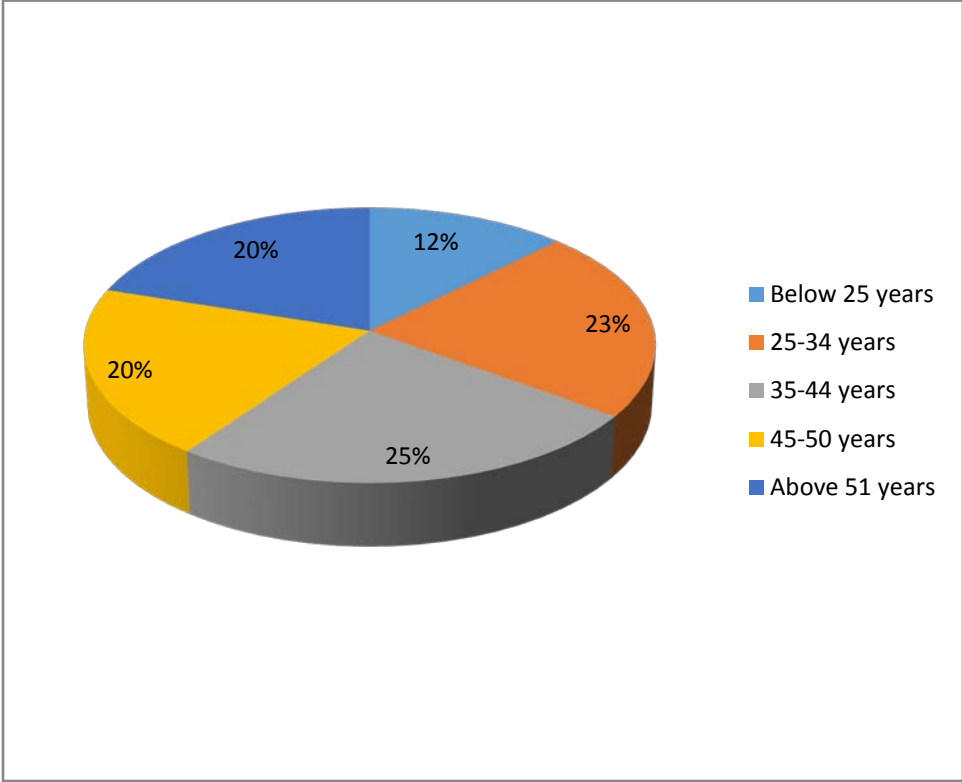
Source: Primary data, 2018

Majority of respondents 25.0% were aged between 35-44, 22.5% between 25-35 years and 20.0% for those between 45-50 and those above 51 years, 12.5% for those below 25 years.

This indicates that majority of the respondents were in the productive age group and not minors and therefore had the ability to respond appropriately to the questionnaire.

This representation from the different age brackets is further shown using a pie chart as follows:

Fig 4.3: A pie chart according to the age bracket



4.1.4 Level of Education

Table 4.4: Showing the Level of Education of respondents

Level	Frequency	Percentage
Primary	5	12.5
Secondary	10	25.0
Diploma	12	30.0
Degree	9	22.5
Masters	4	10.0
Total	40	100.0

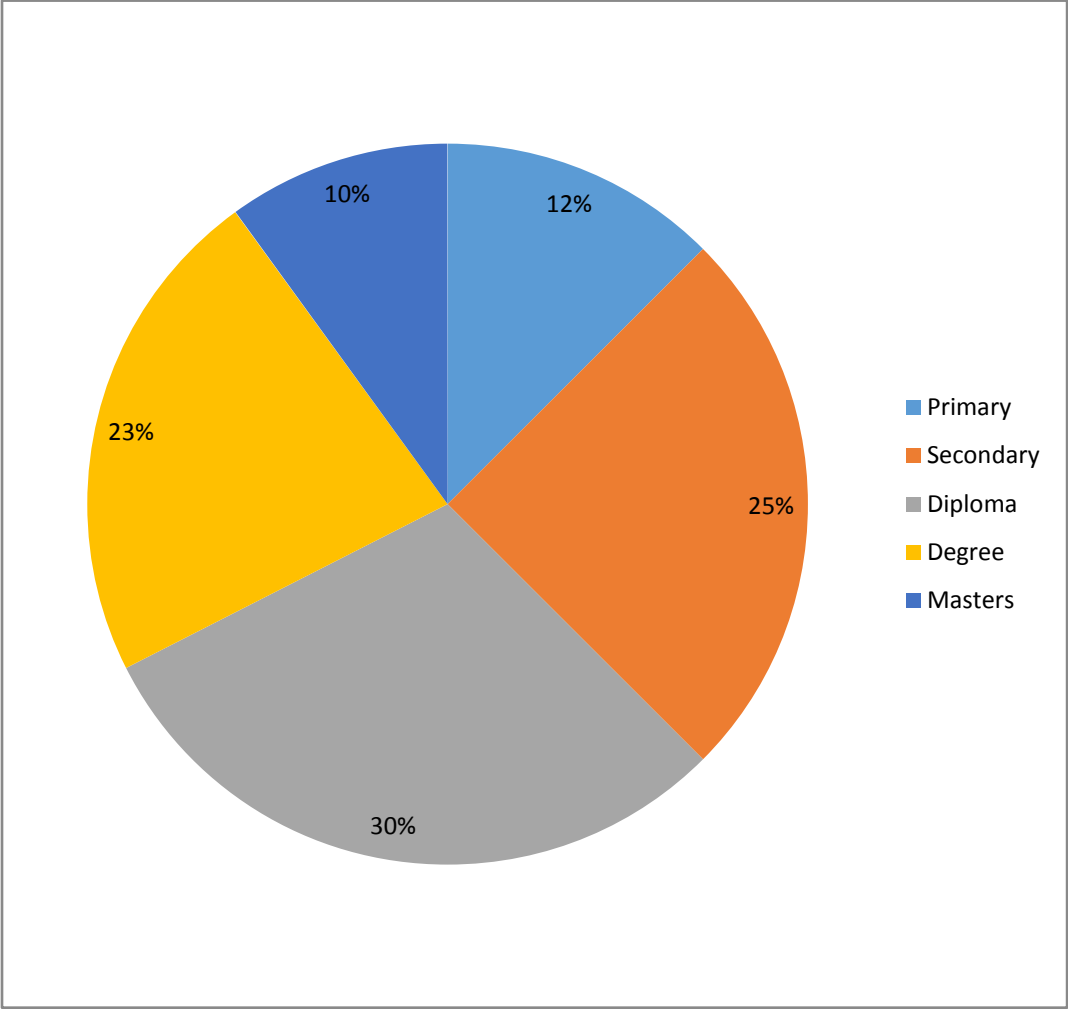
Source: Primary data, 2018

The table above indicates that the majority of the respondents 30.0% were diploma holders, 25.0% at secondary level, 22.5% degree holders, 12% at primary level, and then 10.0% with master's level.

This statistics indicates that the small and medium enterprises had informed persons who adequately comprehended the questions in the questionnaire used in the survey and answered the questions appropriately.

The level of education is shown on the pie chart as follows

Fig4.4: A pie chart according to the level of education



4.1.5 Kind of Business

Table 4.5: Showing the Kind of Business of respondents

Kind of business	Frequency	Percentage
Trade	20	50.0
Financial service	8	20.0
Hospitality	3	7.5
Education service	4	10.0
Others	5	12.5
Total	40	100.0

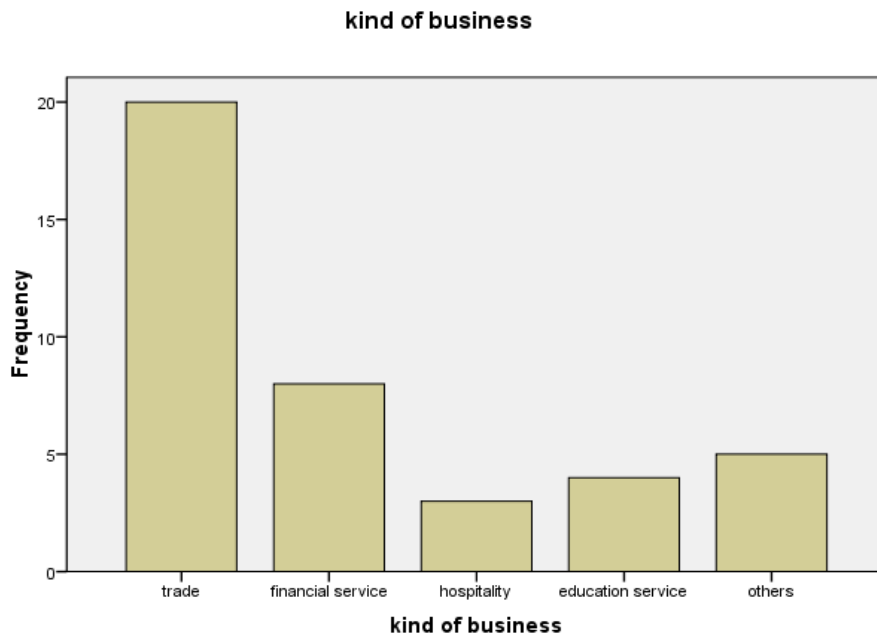
Source: Primary Data, 2018

The table above shows that majority of the respondents were in trade with a frequency of 20 representing 50.0%, followed by those who were in financial services with a frequency of 8 amounting to 20.0%, others respondents who did not fall in the above kinds of business with a frequency of 5 representing 12.5%, those in education service with a frequency of 4 representing 10.0% and finally those from hospitality with a frequency of 3 having a percentage of 7.5%.

Majority of the respondents were from trade and this indicates that most of the small and medium enterprises engage in trading activities and statistics shows that at least all the SMEs were represented in the survey.

The representation from the kinds of business is shown on the bar graph as follows:

Fig 4.5: A bar graph according to the kind of business



4.1.6 Working Experience

Table 4.6: A table showing the working experience of respondents

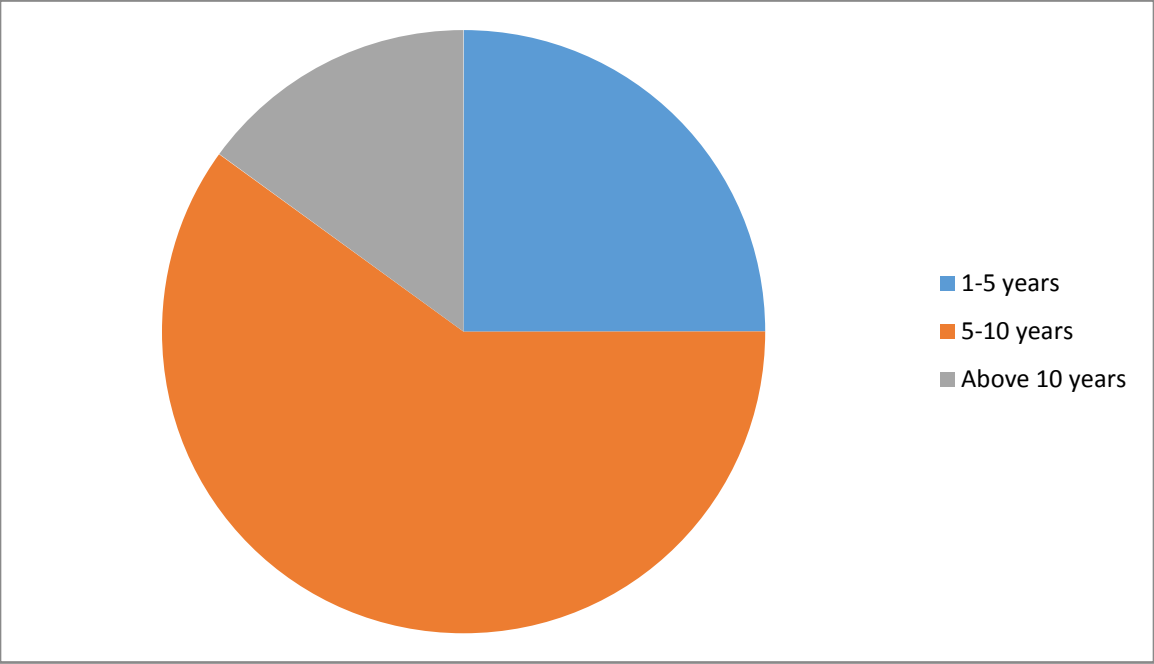
Years	Frequency	Percent
1-5 years	10	25.0
5-10	24	60.0
Above 10 years	6	15.0
Total	40	100.0

Source: Primary Data, 2018

The majority of the respondents had worked within the SMEs between 5-10 years with a percentage of 60.0%, 25.0% had worked between 1-5 years and only 15.0% were above 10 years. This implied that the respondents had enough experience with the SMEs and were therefore able to draw from their wealth of experience to answer the questionnaires appropriately.

These findings are represented on the pie chart as follows:

Fig 4.6: A Pie chart according to the working experience



4.2 Tax Registration and Filing Tax Returns

4.2.1 Tin Number Registration

Table 4.7: Showing the number of respondents registered with TINS

	Frequency	Percentage
Yes	33	82.5
No	7	17.5
Total	40	100.0

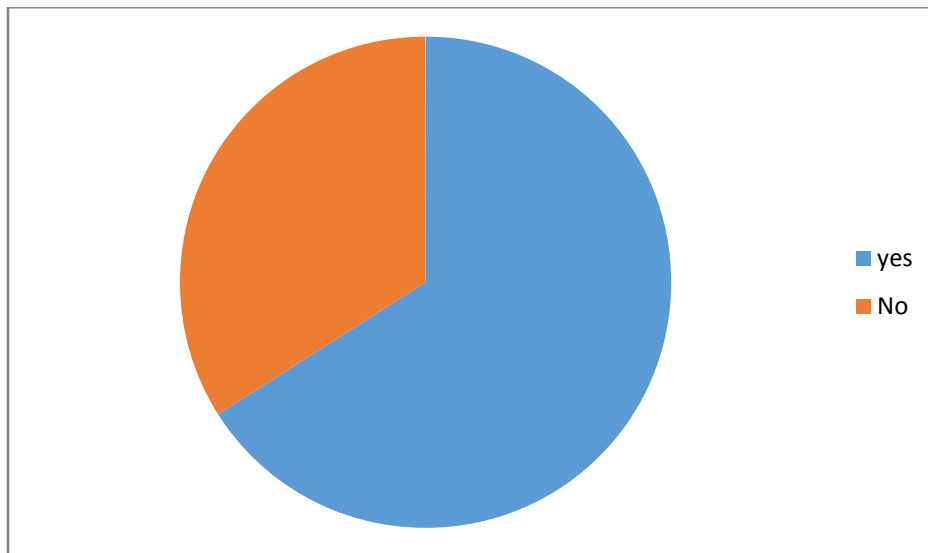
Source: Primary data, 2018

From the above table, 82.5% of the respondent had registered with the tax authority for a Taxpayer Identification Number (TIN) with a frequency of 33%, while 17.5% of the respondents had not yet registered for a TIN.

From the above statistics it is evident that majority of the respondents had registered for a TIN since it is mandatory for operating businesses in Uganda.

This statistics is presented on the pie chart below as presented in the table above.

Fig 4.7: A pie chart showing respondents of TIN registration



4.2.2 E-tax system

The researcher sought to find out those SMEs which had migrated to the E-tax system as shown in the table below.

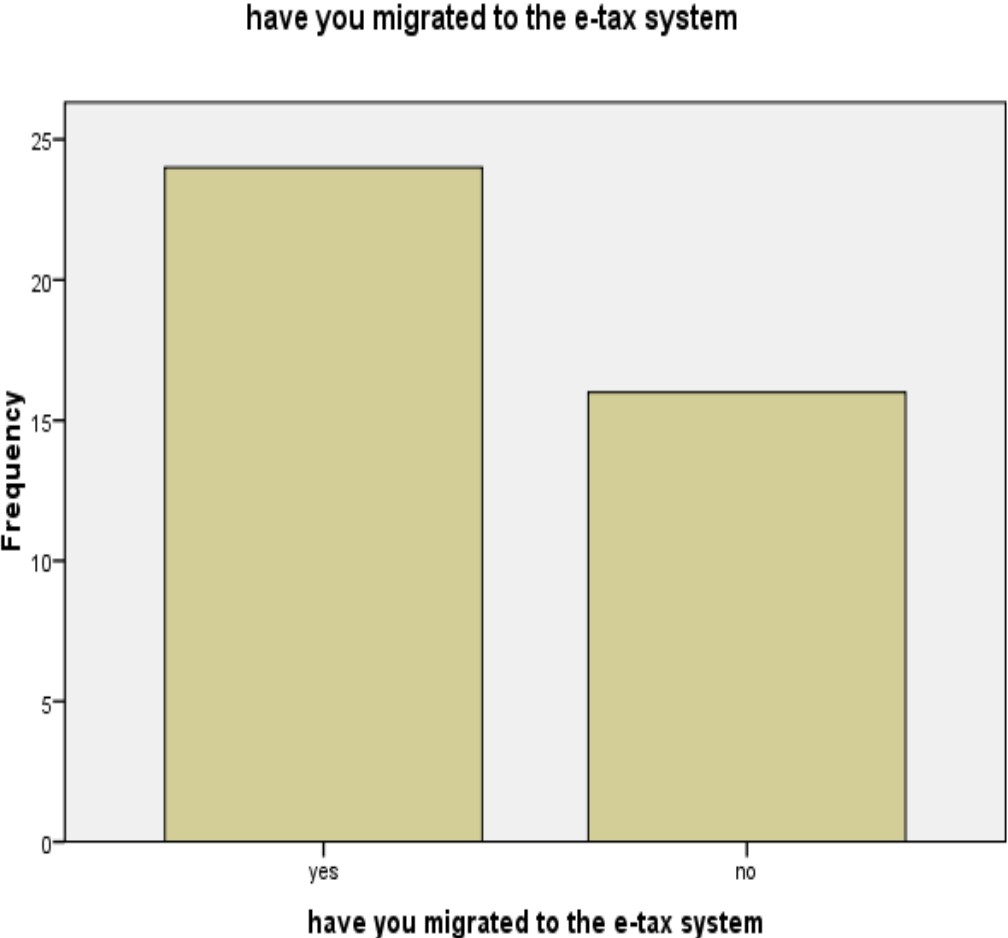
Table 4.8: Showing the results in accordance with migration to the E-tax system

	Frequency	Percentage
Yes	24	60.0
No	16	40.0
Total	40	100.0

Source: Primary data, 2018

From the table above, majority of the respondents had migrated to the E-tax system with 60.0% with a frequency of 24 and 40% of the respondents had not yet migrated to the E-tax system with a frequency of 16. This is presented on the bar graph as follows:

Fig 4.8: Showing results in accordance with migration to E-tax system



4.2.3 Tax heads of respondents

Table 4.9: Showing the results according to the tax heads of the respondents

	Frequency	Percentage
Presumptive	20	50.0
Value added tax	8	20.0
Income tax	5	12.5
Corporation tax	3	7.5
Withholding tax	4	10.0
Total	40	100.0

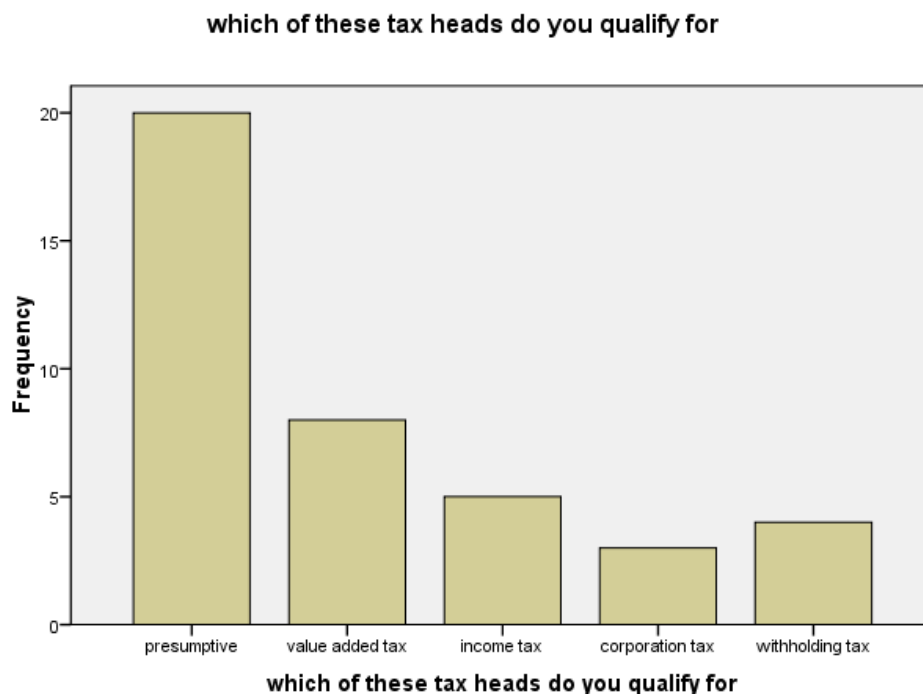
Source: Primary data, 2018

From the above table, majority of the respondents were paying the presumptive tax with 50%, followed by value added tax with 20%, income tax with 12.5%, withholding tax with 10.0% and then corporation tax with 7.5%.

Majority of the respondents were those respondents paying the presumptive tax which indicated that most of the respondents were dealing in trade. This statistics was representative of the SMEs Katwe Butego Division, Masaka Municipality.

Results are further represented on the bar graph as follows.

Fig 4.9: A bar graph showing the respondents according to tax heads



4.2.4 Tax returns

Table 4.10: Showing results according to filing of tax returns

	Frequency	Percentage
Yes	15	37.5
No	25	62.5
Total	40	100.0

Source: Primary data, 2018

From the above table, majority of the respondents were not aware of the filing tax returns with 62.5% and with a frequency of 25, while 37.5% of the respondents were filing tax returns. This showed a need for tax payer education among the respondents.

4.2.5 Due dates of filing returns

Table 4.11: Showing results in accordance with due dates of filing returns

	Frequency	Percentage
Yes	8	20.0
No	32	80.0
Total	40	100.0

Source: Primary data, 2018

In the above table, the researcher meant to find out whether respondents knew the due date for filing tax returns. Results show that 80% of the respondents were not aware of the due dates, while 20% were knowledgeable of the due dates for filing the tax returns. This clearly presented the gap that the respondents needed taxpayer education.

4.2.6 Penalty for filing your returns late

Table 4.12: showing results for penalty for late filing

	Frequency	Percentage
Yes	16	40.0
No	24	60.0
Total	40	100.0

Source: Primary data, 2018

From the above table, 60% of the respondents had not yet been penalised by URA for late filing while 40% of the respondents had been penalised for late filing. The numbers of respondents who were penalised for late filing was still high which indicated clearly the need for taxpayer education in an attempt to enforce compliance.

4.2.7 Amount charged for failing to file returns

Table 4.13: showing the results for the amounts charged for failure to fail

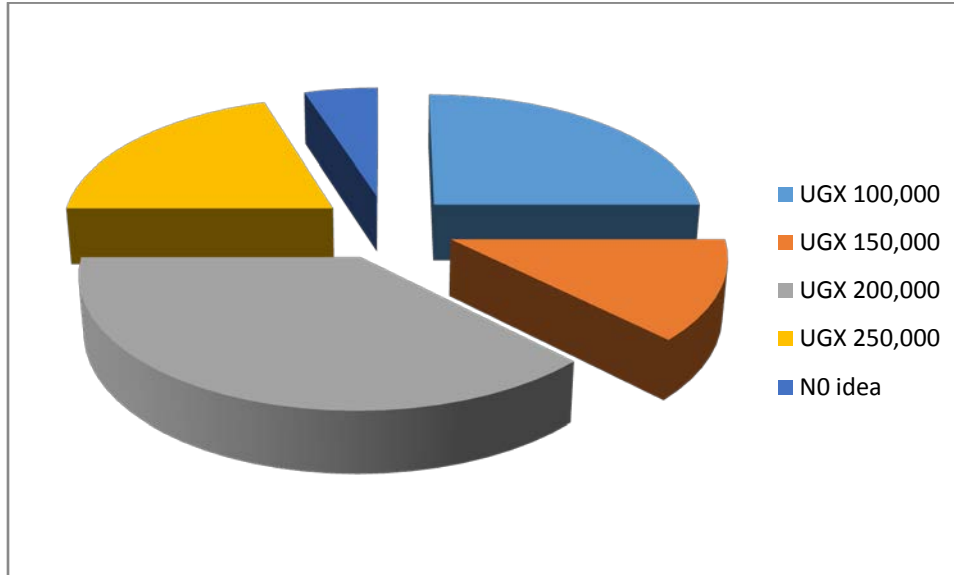
Amount	Frequency	Percentage
100000	10	25.0
150000	5	12.5
200000	15	37.5
250000	8	20.0
no idea	2	5.0
Total	40	100.0

Source: Primary data, 2018

In the above table, it was evident that 37.5% of the respondents knew shs.200000 as the penalty for late filing, 25.0% thought it was shs. 100000, 20.0% thought it was shs. 250000, 12.5% thought it was shs. 150000, while 5.0% of the respondents had no idea. According to the Income Tax Act, shs. 200000 is the amount charged for late filing. (URA, 2015) According to the results, most of the respondents were not aware of the true amount charged therefore prompting the need for taxpayer education.

These results are further shown on the pie chart as follows:

Fig 4.10: A pie chart showing the respondents according to the late filing fees



4.2.8 Awareness of Tax payer education Programs

Table 4.14: Showing results from the awareness of taxpayer education programs

	Frequency	Percentage
YES	9	22.5
NO	31	77.5
Total	40	100.0

Source: Primary data, 2018

The table above shows that 77.5% of the respondents were not aware of the taxpayer education programs while 22.5% were aware of the taxpayer education programs.

4.2.9 Tax payer education training

Table 4.15: Showing results of taxpayer education training

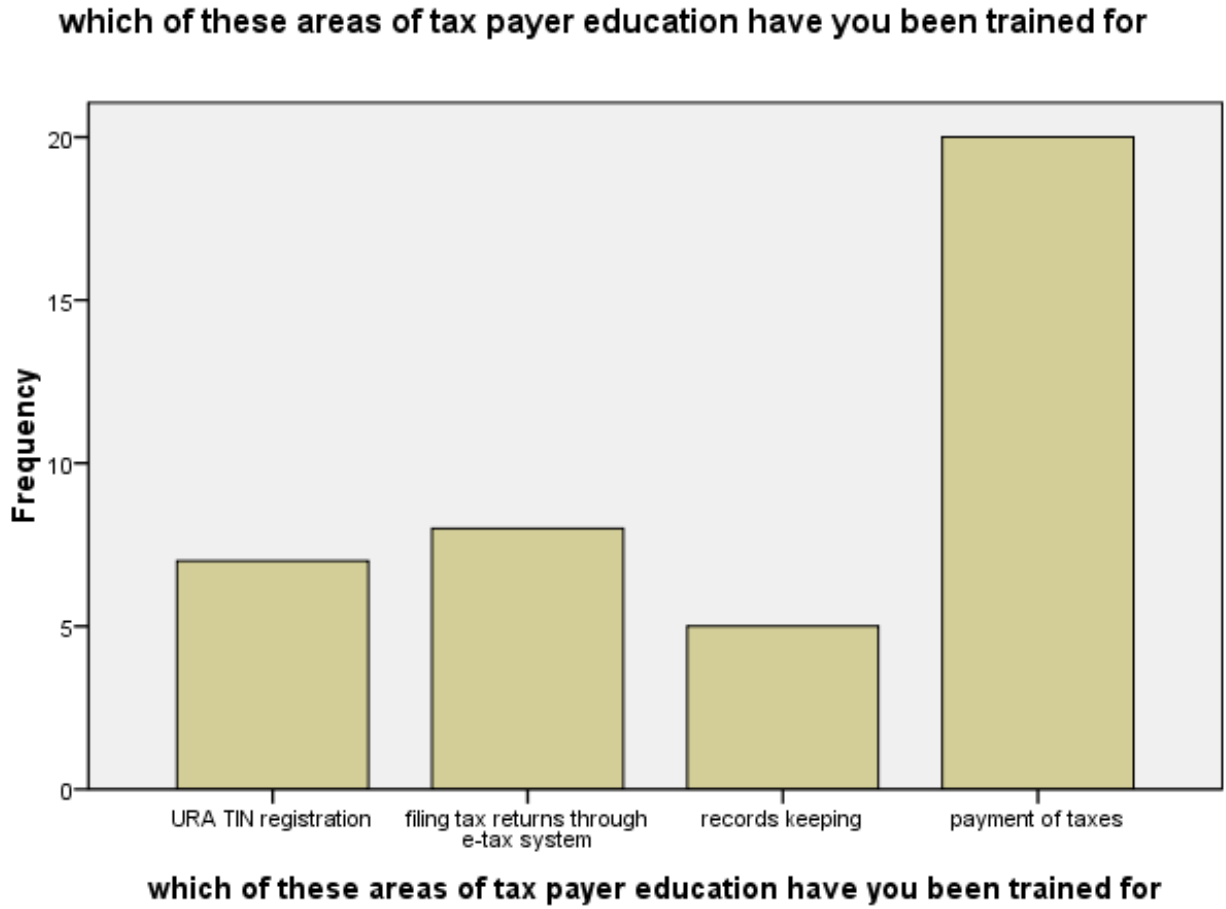
Education programs	Frequency	Percentage
URA TIN registration	7	17.5
Filing tax returns through e-tax system	8	20.0
Records keeping	5	12.5
Payment of taxes	20	50.0
Total	40	100.0

Source: Primary data, 2018.

Results indicate that among the taxpayer programs emphasized by the tax authority, 50.0% had attended the training regarding payments of taxes, 20.0% attended the training regarding filing tax returns through the E-tax system, 17.5% attended the training regarding tin registration while 12.5% attended the training regarding recording keeping.

The results are clearly showed on the bar graph as follows:

Fig 4.11: A bar graph showing respondents in areas of tax payer education trainings



4.3 Electronic Taxpayer Education

Table 4.16: Showing statistical results on Electronic Taxpayer Education

Statement	N	Minimum	Maximum	Mean	Standard deviation
I make payments of taxes using the URA portal	40	3	5	4.85	0.43
Is your tax agent having the e-tax application skills	40	3	5	4.02	0.60
My business has migrated to the e-tax system	40	1	5	3.38	1.06
I can file tax returns through the e-tax	40	2	5	3.80	0.69
I am in position to apply a tin online	40	1	5	2.35	1.46
I frequently receive online tax reminders regarding tax compliance	40	3	5	4.12	0.61
Adverts on televisions and radios have enhanced my tax compliance	40	3	5	4.72	0.51

Source: Primary data, 2018.

Findings show that the tax payers can make payments using the URA Portal, and majority of the respondents were in agreement with the statement. This is revealed by the mean 4.85 which is tending towards maximum value of 5 (strongly agreeing). The standard deviation of 0.43 suggests small variations in responses by the various respondents. This therefore means that the SMEs can make payments using the URA Portal as part of the electronic taxpayer education model as emphasized by Cooley (2005).

Majority of the respondents agreed with their tax agents having the e-tax application skills. This is revealed by a mean 4.02 which is close to the maximum number 5 of strongly agree and a standard deviation of 0.6 shows a relatively small variance in the data. About whether the businesses had migrated to the e-tax system, the results in table above show a mean of 3.38 and a standard deviation of 1.06. This implies that there is need to improve on the electronic taxpayer education. Thus the SMEs can still improve on their compliance if this is worked upon.

The results also showed that respondents were not in agreement with filing tax returns through the E-tax system which is revealed by a mean of 3.80; however the standard deviation of 0.69 shows a variance in the responses. Results also show that those who were in position to apply a tin online were few shown by the mean of 2.35 however with a very high variation in the responses of 1.46. This implies that more improvements should be made to educate the taxpayers.

About the frequent receiving of online tax reminders regarding tax compliance and adverts on televisions and radios to enhance tax compliance, the respondents were in agreement as shown by the mean in the table above.

4.4 Print Media Taxpayer Education

Table 4.17: Showing statistical results on Print Media Taxpayer Education

Statement	N	Minimum	Maximum	Mean	Standard deviation
Reports are now standardized and they contain relevant and key information on tax education	40	3	5	3.90	0.55
Reports on tax education can be easily accessed by all concerned parties	40	1	5	3.20	1.09
Clear scope of work periods have been advertised	40	1	5	3.00	1.16
Confiscated tax payer records have been returned to tax payers in time	40	1	5	2.75	1.50
Newspaper adverts are effective in educating tax payers	40	1	5	3.42	1.28
Newsletters have aroused my tax compliance behaviors	40	1	5	3.62	1.08
Tax education brochures are prerequisites to tax compliance	40	1	5	2.88	1.38

Source: Primary data, 2018

Findings show that reports on taxation are standardized and they contain relevant and key information on tax education. This is revealed by the mean which is 3.90 which is relatively close to the maximum which is 5 and the standard variation of 0.55 shows a small variation of the responses. About whether the reports on tax education were easily accessed by all concerned parties, majority of the respondents disagreed revealed by the mean of 3.20 and there was a significant variation of 1.09. This implies that more efforts should be put on print media taxpayer education to boost awareness as also emphasized by Kohler (2015) who stated that efforts on print media can enhance tax compliance.

About the clear scope of work periods to have been advertised, results show that most respondents disagreed with a mean of 3.00 and a standard deviation of 1.16. Respondents were also negative on the confiscated tax payer records to have been returned to tax payers in time with a mean of 2.75 and a standard deviation of 1.50. This implies that much effort must be made by the tax authority to improve on the print media tax payer education.

Respondents were as well negative on the effectiveness of newspaper adverts in educating tax payers, newsletters to have aroused tax compliance behaviour and tax education brochures being prerequisites to tax compliance. This pointed at the need by the concerned parties to put more emphasis on the print media taxpayer education to enforce compliance.

4.5 Stakeholders Sensitization

Table 4.18: Showing the statistical results on stakeholder sensitization

Statement	N	Minimum	Maximum	Mean	Standard deviation
Tax payer awareness has enlightened the public on the need to pay taxes	40	1	5	3.98	1.05
Tax payer awareness has enabled tax payers file their returns easily	40	1	5	2.52	1.30
Tax payer awareness programs by URA have resulted into increased tax base and revenue	40	1	5	2.58	1.41
Tax payer sensitization has played a vital role in changing the attitudes of tax payers	40	1	5	2.30	1.24
Workshops are more detailed and provide ample time for the public to internalize ideas	40	1	5	2.35	1.42
Good record keeping is very important in a business so as to facilitate correct filing of taxes	40	1	5	3.65	1.12

Source: Primary data, 2018.

About the question whether tax payer awareness had enlightened the public on the need to pay taxes, findings show that most of the respondents were positive with a mean of 3.98 which is close to the maximum of 5. However there is a significant variation in the responses revealed by the standard variation of 1.05. This implies that there is a positive correlation between

stakeholder sensitization and tax compliance as emphasized in the URA taxation handbook. (URA, 2015).

On the analysis of the questions whether tax payer awareness has enabled tax payers file their returns easily, tax payer awareness programs by URA resulting into increased tax base and revenue, tax payer sensitization playing a vital role in changing the attitudes of tax payers and workshops being more detailed and providing ample time for the public to internalize ideas, results show that the respondents were negative revealed by their mean and standard deviation in the table above.

This implies for improvements and emphasis to be made on taking on sensitization of the taxpayers.

Findings on good record keeping being very important in a business so as to facilitate correct filing of taxes show respondents were positive revealed by the mean of 3.65 despite the significant variation in the responses of 1.12.

4.6 Tax Compliance

Table 4.19: Showing statistical description on Tax Compliance

Statement	N	Minimum	Maximum	Mean	Standard deviation
It is unfair to pay taxes	40	2	5	4.20	0.99
Tax laws should be respected	40	1	5	3.62	1.23
Tax revenues are not spent on public services as should be	40	1	5	4.10	1.08
Tax rates are too high for the taxpayers	40	2	5	4.35	0.98
The tax collectors are dishonest	40	1	5	3.65	1.25

Source: Primary data, 2018.

From the above table majority of the respondents strongly disagreed to comply while few of the respondents strongly agreed on tax compliance, this is because the tax payers are generally not willing to pay taxes.

The respondents disagreed to tax compliance because the system used for filing and submitting returns were unfriendly to tax payer usage, tax revenues were not spent on public services as should be and tax collectors were not honest.

These study findings affirmed that taxpayers can readily accept any new system introduced, if they have ample knowledge to understand the system.

Thus, education programs organized by the tax authority or other public education institutions are needed to enhance taxpayers' ability to understand. Self-assessment systems increase their confidence in fulfilling their responsibilities as taxpayers. Greater taxpayer education is directly linked to tax compliance.

4.7 Correlation Matrix

Table 4.20: Correlation between Electronic Taxpayer Education and Tax Compliance

		electronic taxpayer education	tax compliance
Electronic taxpayer education	Pearson Correlation	1	.939**
	Sig. (2-tailed)		.000
	N	40	40
tax compliance	Pearson Correlation	.939**	1
	Sig. (2-tailed)	.000	
	N	40	40

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

Analysis of correlation showed that electronic taxpayer education is positively related to the tax compliance. The tax compliance is calculated with a correlation coefficient of 0.939.

As evident on the matrix, the correlation coefficient is within the acceptable range of between -1 and +1. This implies that the independent variable is suitable to predict on the effect on the dependent variable.

Tax authorities must improve greatly on the programs to enforce taxpayer education since it is evident that there will be a greater influence on the compliance behaviour of the tax payers in the SMEs in Katwe Butego division, Masaka Municipality.

Table 4.21: Correlation between Print media Taxpayer Education and Tax Compliance

	Print media taxpayer education	tax compliance
Print media taxpayer education Pearson Correlation	1	.944**
Sig. (2-tailed)		.000
N	40	40
tax compliance Pearson Correlation	.944**	1
Sig. (2-tailed)	.000	
N	40	40

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

Analysis of correlation showed that print media taxpayer education is positively related to the tax compliance. The tax compliance is calculated with a correlation coefficient of 0.944. As evident on the matrix, the correlation coefficient is within the acceptable range of between -1 and +1. This implies that the independent variable is suitable to predict on the effect on the dependent variable.

Table 4.22: Correlation between Stakeholder sensitization and Tax Compliance

		Stakeholder sensitization	tax compliance
Stakeholder sensitization	Pearson Correlation	1	.908**
	Sig. (2-tailed)		.000
	N	40	40
tax compliance	Pearson Correlation	.908**	1
	Sig. (2-tailed)	.000	
	N	40	40

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

Analysis of correlation showed that stakeholder sensitization is positively related to the tax compliance. The tax compliance is calculated with a correlation coefficient of 0.908. As evident on the matrix, the correlation coefficient is within the acceptable range of between -1 and +1. This implies that the independent variable is suitable to predict on the effect on the dependent variable.

In conclusion, print media taxpayer education has the highest correlation coefficient and thus must be given the first priority in implementation of tax payer education programs.

Tax compliance could be influenced by educating taxpayers of their social responsibilities to pay and thus their intention would be to comply. As a behaviour problem, tax compliance depends on the cooperation of the public. There are gains in assisting compliant taxpayers meet their fiscal

obligations rather than spending more resources pursuing the minority of non-compliers. SMEs entrepreneurs are able to understand their tax obligations when there is an aspect of fairness and tax benefits that can be received in real terms.

There is a positive relationship between the level of tax knowledge and tax compliance. A major recommendation was that tax education should start at grass root level with an emphasis on promotion of voluntary compliance.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

In this chapter the research findings were summarized, and then conclusion and recommendations to the study were drawn for future studies. The study aimed at determining the effect of taxpayer education on tax compliance among SMEs in Katwe Butego division, Masaka Municipality.

5.1 Summary of findings

Findings show that there were 12 Business owners with 30.0%, 11 Accountants with 27.5%, 10 Tax agents with 25.0% and 7 in the categories not mentioned above making with 17.5%. A total of 40 respondents who included 25 males (62.5%) and 15 females (37.5%), majority of whom were between 35 and 44 years (25.0%) were included in the study. 30.0% were diploma holders, 25.0% at secondary level, 22.5% degree holders, 12% at primary level, and then 10.0% with master's level. Results show that 20 respondents were dealing in Trade representing 50.0%, 8 were in Financial services with 20.0%, 4 respondents in Education services with 10%, 3 respondents in Hospitality with 7.5% and 5 respondents in others kinds of business not mentioned representing 12.5%. Majority of the respondents had worked within the SMEs between 5-10 years with a percentage of 60.0%, 25.0% had worked between 1-5 years and only 15.0% were above 10 years.

Results also show that 82.5% of the respondent had registered with the tax authority for a Taxpayer Identification Number (TIN) with a frequency of 33%, while 17.5% of the respondents had not yet registered for a TIN. 24 respondents had migrated to the E-tax system with 60.0%

and 16 respondents had not yet migrated to the E-tax system with 40%. 20 respondents were paying the presumptive tax with 50%, 8 qualified for value added tax with 20%, 5 for income tax with 12.5%, 4 for withholding tax with 10.0% and then 3 corporation tax with 7.5%. The results also show that 25 respondents were not aware of the filing tax returns with 62.5% while 15 respondents were filing tax returns with 37.5%. Results show that 80% of the respondents (32) were not aware of the due dates, while 20% (8) were knowledgeable of the due dates for filing the tax returns. 60% of the respondents (24) had not yet been penalised by URA for late filing while 40% of the respondents (16) had been penalised for late filing.

Findings show that 37.5% of the respondents knew shs.200000 as the penalty for late filing, 25.0% thought it was shs. 100000, 20.0% thought it was shs. 250000, 12.5% thought it was shs. 150000, while 5.0% of the respondents had no idea. Results show that 77.5% of the respondents (31) were not aware of the taxpayer education programs while 22.5% (9) were aware of the taxpayer education programs. Findings present that 50.0% (20) had attended the training regarding payments of taxes, 20.0% (8) had attended the training regarding filing tax returns through the E-tax system, 17.5% (7) had attended the training regarding tin registration while 12.5% (5) had attended the training regarding recording keeping.

5.1.1 Electronic Taxpayer Education

On the Electronic Taxpayer Education, findings show that the tax payers can make payments using the URA Portal. Majority of the respondents agreed with the fact that their tax agents had the e-tax application skills. About whether the businesses had migrated to the e-tax system, the results show that most respondents disagreed with it. The results also show that respondents were not in agreement with filing tax returns through the E-tax system and those who were in position to apply a tin online were few. About the frequent receiving of online tax reminders regarding

tax compliance and adverts on televisions and radios to enhance tax compliance, the respondents were in agreement.

5.1.2 Print Media Taxpayer Education

Findings show that reports on taxation are standardized and they contain relevant and key information on tax education. About whether the reports on tax education were easily accessed by all concerned parties, majority of the respondents disagreed on the issue as well as the clear scope of work periods to have been advertised. Respondents were also negative on the confiscated tax payer records to have been returned to tax payers in time, on the effectiveness of newspaper adverts in educating tax payers, newsletters to have aroused tax compliance behaviour and tax education brochures being prerequisites to tax compliance.

5.1.3 Stakeholders Sensitization

Findings show that tax payer awareness had enlightened the public on the need to pay taxes and on good record keeping being very important in a business so as to facilitate correct filing of taxes. On the analysis of the questions whether tax payer awareness has enabled tax payers file their returns easily, tax payer awareness programs by URA resulting into increased tax base and revenue, tax payer sensitization playing a vital role in changing the attitudes of tax payers and workshops being more detailed and providing ample time for the public to internalize ideas, results show that the respondents were negative.

5.1.4 Tax Compliance

Majority of the respondents strongly disagreed to comply while few of the respondents strongly agreed on tax compliance; this is because the tax payers are generally not willing to pay taxes.

The respondents disagreed to tax compliance because the system used for filing and submitting returns were unfriendly to tax payer usage, tax revenues were not spent on public services as should be and tax collectors were not honest.

5.1.5 Relationship between Taxpayer Education and Tax Compliance

There is a positive relationship between taxpayer education and voluntary tax compliance. Taxpayer education will provide the necessary tax knowledge to comply with the tax matter and change the perceptions and attitudes towards tax-compliance by creating more positive attitudes. The statistical findings confirmed the prevalence of the significant positive relationship between the level of taxpayer education and the level of tax compliance.

Under the self-assessment system, the tax payer has to his tax liability, pay taxes to revenue authority, later on the revenue authority conducts audit to establish the accuracy of the declarations in returns and payment. This system requires high voluntary tax compliance.

Using questionnaires administered to the taxpayers among the SMEs in Katwe Butego, Masaka Municipality, respondents confirmed that increase in the tax knowledge increases the level of voluntary tax compliance.

5.2 Conclusion

In conclusion taxpayer education is necessary to increase public awareness especially in areas concerning taxation laws, the role of tax in national development, and especially to explain how and where the money collected is spent by the government. In order to achieve this objective, the tax system should be effective and efficient to ensure that SMEs in Katwe Butego, Masaka Municipality are not negatively affected. The society should also not complain.

Many of the difficulties with the tax authorities are the consequence of poorly set tax systems and policies. Proper research should be done before employing any tax policy in order to have properly working tax system. The objective of a tax policy should be to abide with tax laws.

5.3 Recommendations

URA should champion its literacy campaigns to improve the taxpayers' ability to understand tax laws especially for taxpayers in the SMEs in Katwe Butego division, Masaka municipality, that is to say rates of tax, filing and paying dates. They should also make the taxpayer feel and understand that they are not paying unfair share of tax.

Tax knowledge is essential in improving tax compliance, hence more revenue to finance the recurrent and development expenditure of the government and less administrative costs for the collection of revenue. Being the case, the government is advised to impart tax knowledge to individuals not only to the current business community, more important to the potential business community.

Taxation should be taught at all levels of education, starting from primary schools to secondary schools, up to university level, with an emphasis of promoting voluntary tax compliance. Currently, taxation is taught at the university level, ignoring the other levels below. Basing on the findings of the respondents in Katwe Butego Division, Masaka Municipality, majority of the entrepreneurs in the SMEs sector have primary and secondary school education. This means they may not be availed with tax education until such time, when they are in business. For the efficient change of behavior, it is important to impart tax knowledge at early stages of school or life.

Positive rewards especially Material rewards usually come in the guise of lotteries. For instance, Taiwan operates a Receipt-based tax lottery to increase sales tax (VAT) compliance since the

1950s. China introduced a VAT-lottery in the 1990s (Wan 2010). More recently, some European countries followed suit including Malta, Slovakia, Portugal, and Romania. (Fookan et al. 2014). Martin and Dolan (2010) recently suggested a lottery scheme to increase timely submissions of income tax declarations in the US. I believe using this approach will make the SMEs especially in Katwe Butego Division, Masaka Municipality to be tax compliant.

5.4 Areas for further study

Areas of further research that were identified include the factors which influence tax compliance and the relationship between taxpayer education and tax compliance behavior among SMEs which has encountered a lot of debate in the country and different districts and municipalities. The researcher recommends a study to be conducted, which will evaluate the above concepts in the other municipalities in Uganda to improve on the revenue collection so as to build the developing economy.

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APPENDIX I

RESEARCH QUESTIONNAIRE

Dear respondent, I am **Egonda John** a student of Uganda Martyrs University pursuing a bachelor in Business Administration and Management. I am conducting a study and this questionnaire is designed to collect data on **the Effect of Taxpayer Education on Tax Compliance** in fulfillment of the requirements of Uganda Martyrs University as part of my research report. Kindly provide me with information on the above topic.

Your opinions are very important to this study. The data shall be used for academic purposes only and it will be treated with the confidentiality it deserves.

PART A: Demographic Information (please tick in the appropriate box provided)

1. Category of the respondent

Business Owner

Tax agent

Accountant

Others

2. Gender

Female

Male

3. Indicate where you fall among the following age brackets

Below 25

25-34

35-44

45-50

Above 51

4. Level of education

Primary

Secondary

Diploma level

Bachelor's Degree Level

Masters Level

5. What kind of business are you in?

Trade Financial service Hospitality Education service
Others

6. For how long have you been in business?

1-5 years 5-10 years above 10 years

PART B: Tax Registration and Filing Tax Returns

1. Do you have a TIN number?

Yes No

2. Have you migrated to the E-Tax system?

Yes No

3. Which of these tax heads do you qualify for?

Presumptive tax Value added tax
Income tax Corporation tax
Withholding tax

4. Do you file your tax returns?

Yes No

If yes, when did you last file your returns?

5. Are you aware of the due dates for filing your tax returns?

Yes No

If yes, what is the due date?

6. Have you ever been penalized for filing your returns late?

Yes No

If yes, did you pay the penalty fee?

Yes

No

7. What is the amount charged for failing to file or filing your returns late?

UGX 100,000

UGX 150,000

UGX 200,000

UGX 250,000

No idea

8. Are you aware of any tax payer education programs conducted by URA?

Yes

No

If yes, have you attended any of the tax payer education programs?

Yes

No

9. Which of these areas of tax payer education trainings have you been trained on?

URA TIN registration

Filing tax returns through e tax system

Records keeping

Payment of taxes

PART C: Electronic Taxpayer Education and Tax Compliance (Tick in the appropriate box)

1. Not at all, 2. To a less extent, 3. To a moderate extent, 4. To a great extent, 5. To a very great extent

	1	2	3	4	5
I make payments of taxes using the URA portal					
Is your tax agent having the e-tax application skills					
My business has migrated to the e-tax system					
I can file tax returns through the e-tax					
I am in position to apply a tin online					
I frequently receive online tax reminders regarding tax compliance					
Adverts on televisions and radios have enhanced my tax compliance					

PART D: Print Media Taxpayer Education and Tax Compliance (Indicating the extent to which you agree or disagree with the activities)

1. Not at all, 2. To a less extent, 3. To a moderate extent, 4. To a great extent, 5. To a very great extent

	1	2	3	4	5
Reports are now standardized and they contain relevant and key information on tax education					
Reports on tax education can be easily accessed by all concerned parties					
Clear scope of work periods have been advertised					
Confiscated tax payer records have been returned to tax payers in time.					
Newspaper adverts are effective in educating taxpayers					
Newsletters have aroused my tax compliance behaviors					
Tax education Brochures on are prerequisites to tax compliance					

PART E: Stakeholder sensitization and Tax Compliance (tick in the appropriate box)

1. Not at all, 2. To a less extent, 3. To a moderate extent, 4. To a great extent, 5. To a very great extent

	1	2	3	4	5
Taxpayer awareness has enlightened the public on the need to pay taxes					
Taxpayer awareness has enabled tax payers file their returns easily					
Taxpayer awareness programs by URA have resulted into increased tax base and revenue collection					
Taxpayer sensitization has played a vital role in changing the attitudes of taxpayers.					
Workshops are more detailed and provide ample time for the public to internalize ideas					
Good record keeping is very important in a business so as to facilitate correct filing of taxes					

PART F: Tax Compliance

1. Please rate the following statements in regards to Tax Compliance.

Rate on a scale of 1-5 where;

1. Strongly agree 2. Agree 3. Neutral 4. Disagree

5. Strongly disagree

	1	2	3	4	5
It is unfair to pay taxes					
Tax laws should be respected					
Tax revenues are not spent on public services as should be					
Tax rates are too high for the taxpayers					
The tax collectors are dishonest					

MAY GOD BLESS YOU

APPENDIX II

KREJCIE MORGAN (170) TABLE OF DETERMINING SAMPLE SIZE FOR A GIVEN POPULATION

Table 3.1									
<i>Table for Determining Sample Size of a Known Population</i>									
N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	346
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	354
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	191	1200	291	6000	361
45	40	170	118	400	196	1300	297	7000	364
50	44	180	123	420	201	1400	302	8000	367
55	48	190	127	440	205	1500	306	9000	368
60	52	200	132	460	210	1600	310	10000	370
65	56	210	136	480	214	1700	313	15000	375
70	59	220	140	500	217	1800	317	20000	377
75	63	230	144	550	226	1900	320	30000	379
80	66	240	148	600	234	2000	322	40000	380
85	70	250	152	650	242	2200	327	50000	381
90	73	260	155	700	248	2400	331	75000	382
95	76	270	159	750	254	2600	335	100000	384

Note: N is Population Size; S is Sample Size

Source: Krejcie & Morgan, 1970

APPENDIX III
LETTER OF INTRODUCTION