THE EFFECT OF INCOME TAX ADMINISTRATION AND PROFITABILITY OF SMALL SCALE MEDIUM ENTERPRISES

A CASE STUDY OF SELECTED SMES IN KAMUKUZI TOWN COUNCIL

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DEDICATION

I dedicate this research project to my beloved parents Mr. Igumira John and Mrs. Kangoma Grace, , brothers Gumaho, Rwambarara john, Bangirana and my sister Nshaama, Kakiira, kabiibi who have been so supportive and guided me to fulfill my dreams. Thank you for your courageous words and your prayers, which taught me to live a blessed life.

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ABSTRACT

This study was to establish the Income tax administration and profitability of Small Scale Medium Enterprises: A case study selected SEMS Kamukuzi Town Council. The study aimed at assessing the profitability of Small Scale Business Enterprises in Kamukuzi Town Council; finding out if taxpayers are aware of all their tax obligations, know how income tax is administered, policies and problems affecting them as well as their businesses. The study was guided by the following research objectives; to evaluate the effectiveness of the income tax administration of the selected Small Scale Business in Kamukuzi Town Council, to examine the profitability of the selected Small -Scale Business Enterprises in Kamukuzi Town Council and to establish the relationship between income tax administration and profitability of small-scale business enterprises in Uganda.

The study applied both qualitative and quantitative research designs where interviews and Questionnaires were used. Data was collected from both primary and secondary sources. Data was processed and analyzed using formal tables, and correlation to find out the relationship between income tax administration and profitability of small scale businesses. Total of148 respondents were considered out of the entire population in the selected SMEs in Kamukuzi Town Council. The findings revealed that income tax administration is poor and this was shown in the findings that indicated that the business community is not adequately sensitized, tax rates are at times high and they are based on estimates. Tax rates do not take in to account the circumstances in which small businesses operate, that has negatively affected the profitability of the small scale businesses leading to low capital employed, high expenses incurred, low sales made and the average amount of taxes paid annually being so high.

In conclusion, therefore, URA needs to carry out an extensive survey-based analysis of small firms‟ profit margins to determine presumptive tax rates, which will not affect the small business earners. The researcher therefore, recommended that, URA; should supply tax assessment forms in time, intensify on the sensitization campaigns of the taxpayers, employ competent staff, educate the business community about its different tax rates and introduce a scheme that allows taxpayers to pay the tax obligation in installment to better the profitability of small-scale businesses. There is therefore need for more research on firms‟ management techniques, the role of bookkeeping and profitability of small and mid-size enterprise.

CHAPTER ONE

GENERAL INTRODUCTION

1.0 Introduction

Income tax proficiencies as a center of attention is rising hastily in both the private and public sectors and it is imperative to appreciate the commendable performance of many organizations of varying sizes as a result (Kock et al, 2014). Uganda is still characterized by the low income tax compliance levels, in the face of the numerous advocacies for voluntary tax compliance (Ayoki, 2012). Governments has adopted tax compliance administrative measures like penalties, rates and tax audits payment compliance to ensure tax enforcement instead of compliance which have still failed to yield (Kayaga, 2015). Taxes affect the level of Profitability SMEs since Profitability is as a result of a firm's operations in monetary terms (Petersen and Schoeman, 2008). Financial measures of performance are derived from the accounts of a firm or can be found in the firm's profit and loss statement or the balance sheet. Income tax compliance is viewed as an income maximizing decision balancing the net gain of underreporting income or over claiming against the added risk of detection and penalization (McGraw and Scholz 2011).

This current study focuses on the effect of income tax administration on profitability of SMEs in Uganda. The independent variable being income tax administration has dimensions such as are tax payment, offences and penalties and tax audit which determine income tax administration while dependent variable is profitability of SMEs in terms of growth, profits and survival. This chapter covers the background, the problem statement, major and specific objectives, research questions, scope of the study, significance, justification of the study, definition of key terms and conceptual frame work.

1.1 Background to the study

In Uganda Small and Medium enterprises (SMEs) are seen as critical for economic growth of the country, contributing 80% of GDP and constituting 95% of the private sector, creating employment estimated at 3.5 million, improving standards of living and ensuring social and political stability (Hatega, 2014). It has been observed however, that several SMEs are non tax compliant in spite of major reforms since they cannot easily be located by tax administration, yet they pay less tax than their fair share of tax (James et al, 2012). Inadequate knowledge and skills about tax procedures are the major qualities of most SMEs in Uganda, as most owners hire incompetent family members to keep proper financial records (Kiwanuka, 2010). Many SME taxpayers do not know the domain of tax professionals since they lack the independence and have no tax competency (Nakiwala, 2010). One of the chief features of SMEs is the lower level of the specialist tax expertise and greater owner-involvement in day-to-day management and this call for them to search for assistance from experts (Bertolini et al, 2010).

Small and medium enterprises are mostly private enterprises and they face difficulties when dealing with the government in general and the tax administration in particular mostly the developing countries (Oludele& Emilie, 2012). Many of the difficulties with the tax authorities may be deemed as the consequences of poorly conceived tax policies and a lack of certainty regarding future policy changes. However, it would be rare indeed to not observe complaints about the complication and/or ambiguity of the tax laws as well as high tax rates (Baurer, 2005). If the tax structure is not adequately designed to the specific environmental conditions, it may create a greater burden to the tax-paying organizations and eventually affecting the final consumer due to the shifting ability of tax (Atawodi and Ojeka, 2012). According to Mnewa and

Maliti (2008), the majority of SMEs are less likely to attain or maintain their growing profitability due to factors including tax policies.

According to (Holban, 2007), taxation can contribute to development and welfare through three sources; by generating sufficient funds for financing public services and social transfers at a high level of quality, by offering incentive for more employment and for an efficient and lasting use of natural resources, and by reallocation of income. However, this has to be balanced against the requirements of SME income and their need for survival because without sufficient profitability, SME growth will be rendered impossible (Marti, 2010). Although it has been acknowledged that taxation is a constraint on the productivity and growth of SME, this does not mean that SME should not pay tax. Without tax revenue, governments will be unable to facilitate the environment in which SME thrive, therefore it is in SME own best interest to pay taxes (Fagbemi et al, 2010). Income obtained from taxation of SMEs is used to run governments and to build and maintain infrastructure such as good roads, water supply, and electricity which are essential for the smooth running of businesses. With the above in mind, the goal of the current study seeks to determine the effect of income tax administration on profitability of SMEs Uganda.

1.2 Statement of the problem

Small and medium enterprises (SMEs) form the core of majority of the world's economies. Small and medium enterprises make up 97% of the economy (Ariyo, 2015). However, the mortality rate of these small firms is very high where by 80% of SMEs die before their 5th anniversary (Vasak, 2008). Among the factors responsible for these untimely close-ups are tax related issues, ranging from multiple taxations to enormous tax burdens. In many government policies, small and medium enterprises are usually viewed and treated in the same light as large corporations. In levying of taxes for these enterprises in particular, issues that need to be considered are how these tax policies can be designed to bolster the growth of Small businesses and the most effective ways to administer them but most times, tax policies prevent SMEs growth because they are levied much tax which affect their profits and survival (Mugambe, 2010). In addition the tax potential of SMEs is partially exploited as most enterprises have small profits from the inaccurate financial records (Nakiwala, 2010).

However, many small and medium taxpayers do not register voluntarily, while those who do register often fail to keep adequate records, file tax returns, and settle their tax liabilities promptly. Hence in the small business context, opportunities for evasion are high and resources are often scarce for field auditing. Even when high investments are made in auditing, uncovering hidden cash is never going to be an easy task without an adequate audit trail (Ahmed and Braithwaite 2015). Some businesses are already collapsing; while majority are still struggling to meet up with high tax rates to ensure their businesses still exist. Bateman (2013) reported that 90% of business owners admitted that taxes were a huge constraints to their businesses, as they claim taxes are high and do not allow new businesses to cover up initial cost. Therefore if conducive environment is created for SMEs to grow through proper tax regulation, the SME sector has the highest propensity to transform our economy. Based on those assessed challenges, this study seeks to examine the effect of income tax administration on profitability of SMES in Uganda

1.3 Objectives of the study

1.3.1 Broad objective

To examine the effect of income tax administration on profitability of SMEs in Uganda

1.3.2 Specific objectives

I. To assess the relationship between tax compliance and profitability of SMEs in Kamukuzi division

II. To establish the relationship between tax incentives and profitability of SMEs in Kamukuzi division

III. To examine the relationship between tax audit and profitability of SMEs in Kamukuzi division

1.4 Research questions

1) What is the relationship between tax compliance and profitability of SMEs in Kamukuzi division?

2) What is the relationship between tax incentives and profitability of SMEs in Kamukuzi division?

3) What is the relationship between tax audit and profitability of SMEs in Kamukuzi division?

1.5 Scope of the study

1.5.1 Geographical scope

This study will be limited to SMEs in Kamukuzi division in Mbarara district The choice for this case study is due to fact SMEs in this division have been prospering with positive returns in terms of profits, growth rate has been high and businesses in this area hav gained a big customer base.

1.5.2 Content scope

The independent variable is income tax administration and the dependent variable is profitability of. The study will focus on income tax administration variables like; tax payment, penalties and tax audit as strategies to administer income tax. On the other hand, growth, profits and survival have to be considered in measurement of profitability.

1.5.3 Time scope

The study considered information relating to the period of three years that is 2013-2016. This period will give a researcher an opportunity to evaluate the business activities and get knowledge about income traders in Kamukuzi division pay annually. This period is sufficient since economic factors keep changing and tax rates are high and thus SMEs have to cope up with challenges of taxation.

1.6 Significance of the study

The study is expected to be important to the small businesses in Uganda, government, academia and other stakeholders.

In the academia field, the results of this study is a contribution to the existing store of knowledge on the subject and serve as a catalyst for further research on income tax administration. It will be useful as a source of reference to researchers, academics, policy makers, students and other stakeholders interested in tax challenges faced by SMEs.

In SMEs management, this study would provide data that may help to better understand income tax administration. This will also include identifying best practices towards profitability.

To policy makers like government agencies such as the URA, the findings and results of the study would provide insight and a more reliable guide for monitoring the hr challenges of tax burdens.

1.7 Justification

The study seeks to examine what constitutes income tax proficiencies of SMEs in complying with the tax requirements to ensure that SMEs report their returns

The study seeks to determine how effective income tax compliance among SMEs impact on the profits, growth and survival of SMEs

1.8 Definition of key terms

Income tax administration: is the development and formulation of tax policies relating to existing or proposed internal revenue laws related statutes and tax conventions (Baurer, 2005).

Profitability: a measure of performance can be referred to as the results of a firm's operations in monetary terms (Pandey 2010).

Tax compliance: the fulfillment of all tax obligations as specified by the law freely and completely (Cuccia, 2014).

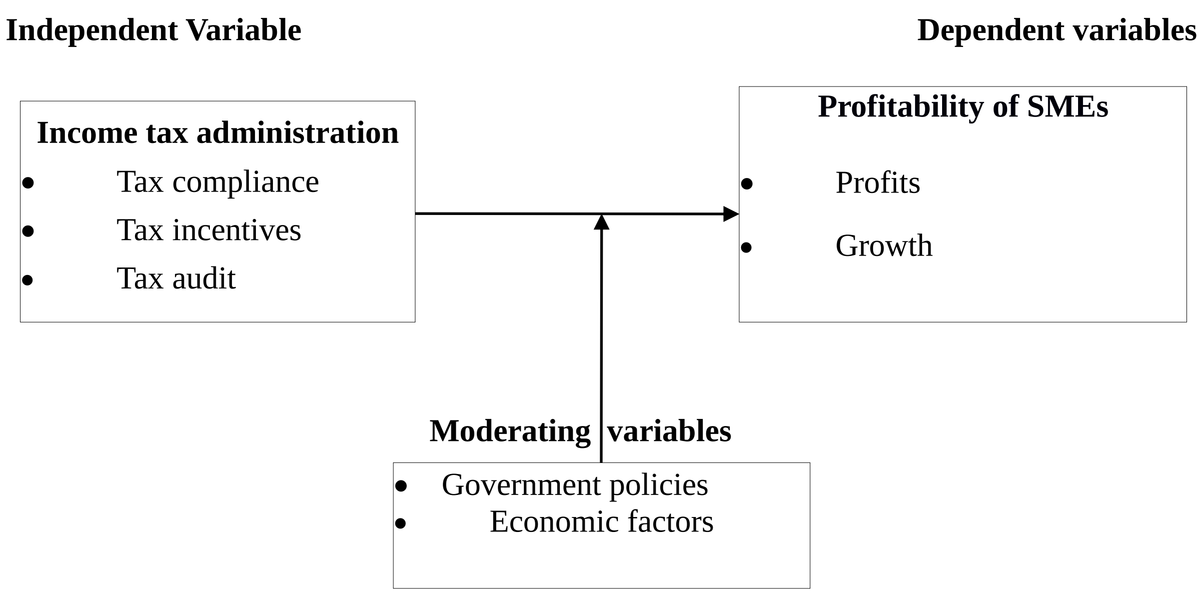
Tax incentive: an exemption or relief granted to an individual or a company to reduce the effect of taxation and thus encourage savings and investment (Musyoka, 2012).

Tax audit: the overall concept of tax inspection and treatment carried out by the tax department by law on the conditions of tax payment and withholding performance of the taxpayers and withholding agents (Arnold and McIntyre, 2012),

1.9 conceptual Framework

The conceptual framework below shows the relationship between income tax administration and profitability of SMEs. A general conceptualization diagram as shown below illustrates that income tax administration is the independent variable and profitability of SMEs is dependent variables while the government policies and economic factors have a moderating effect on the relationship between income tax administration and profitability of SMEs. This is well portrayed in the in the diagram shown below.

Fig 1.0 Conceptual framework



Source: Kayaga, (2015) and modified by the researcher (2017)

The conceptual framework above, demonstrates the effect of income tax administration on enhancing SMEs profitability. It indicates that income tax administration as the independent variable involves tax compliance, penalties and tax audit. It also indicates that profitability of SMES as the dependent variable has variables like; profits, growth and survival. The framework shows that there are moderating factors that influence the outcome of the relationship between income tax administration and SMEs profitability. These moderating/intervening include; government policies like tax policies set by URA in terms of tax rates and offences and economic factors like interest rates since most SMEs use loan as capital. In the framework, it was further assumed that if this continuum is maintained, income tax administration will improve profitability of SMEs in Kamukuzi division..

1.10 Conclusion

The chapter has given an insight into the aim of the study and stated clearly the problem that led to this study. The first section is the background to the study which helps create a better understanding of the variables involved in this study. The second part identifies the gaps which exist in literature that has led to this study and clearly discuss these gaps. The third section

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter covers the review of literature. In academic research, literature review is an imperative discussion that facilitates uncovering of past work and knowledge in research study. The chapter covers theoretical framework, reviews of literature on tax compliance, audit and incentives, determinants of financial leverage, empirical review and the summary of the literature review.

2.1 Overview of variables

2.1.1 Income tax administration

Income tax administration is an important issue because SME are a significant segment of the economy, despite being individually smaller in size than larger firms (Oludele and Emilie, 2012). Therefore, revenue authorities have to take all of the above features into account when establishing the components of taxation policy that are associated with SME. Despite the vibrancy of SME, they have a major negative characteristic: they often have an extremely short life span. Some of the factors that lead to the winding down of SME soon after their inception are tax related, including multiple taxation and enormous tax burdens (Atawodi and Ojeka, 2012). The perception of SME by policy makers often fails to acknowledge their significance as a mechanism of economic growth and development. Regarding SME as insignificant enterprises that have no impact on the economy is an oversight that can no longer be justified (Oberholzer, 2008). Thus SMEs need to be granted a measure of flexibility in taxation which will allow them to maximize their potential.

According to (Holban, 2007), income tax administration can contribute to development and to welfare through three sources; by generating sufficient funds for financing public services and social transfers at a high level of quality, by offering incentive for more employment and for an efficient and lasting use of natural resources, and by reallocation of income. However, this has to be balanced against the requirements of SME income and their need for survival. Without sufficient profitability, although it has been acknowledged that taxation is a constraint on the productivity and growth of SME, this does not mean that SME should not pay tax. Without tax revenue, governments will be unable to facilitate the environment in which SME thrive, therefore it is in SME own best interest to pay taxes (Palil and Mustapha, 2011). The government has to collect revenue in order to finance its expenditure. Income obtained from taxation of individuals and businesses is used to run governments and to build and maintain infrastructure such as good roads, water supply, and electricity which are essential for the smooth running of businesses.

2.1.2 Profitability of SMEs

A large number of theoretical models take it for granted that the more profitable firms will grow while less profitable firms will decline (Nelson and Winter 1982). In this view, selection pressures operate to redistribute market share to the more profitable firms. Indeed, one would expect that profitable firms have not only the means to finance expansion, but also the motivation to grow, since they can obtain a larger amount of profits from a larger sales base. It is puzzling; therefore, that empirical work only offers weak support to this idea. Growth rates do not seem to increase with profits (Bottazzi et al, 2008). It is also surprising that this issue has not received much attention in empirical work despite the theoretical interest in the relationship.

To begin with, it has been observed that, while profit rates are heterogeneous across firms, they display a high degree of persistence while firm growth rates do not display much persistence. This in itself leads us to question the expected relationship between profits and growth (Geroski and Mazzu- cato, 2002). Further investigation based on regression analysis has generally shown that firm growth rates cannot be explained in terms of financial performance, whether the latter is measured in terms of profit rates or growth rates of the amount of profits (Coad and Rao, 2010). While there may be a statistically significant relationship between financial performance and growth, the magnitude of the effect is so low that it would be a valid approximation to view the two variables as independent. Furthermore, advanced econometric techniques also show that profits have a negligible causal effect on firm growth rates (Moneta et al, 2010). Instead, it appears that growth has more of a positive effect on profits, than does profits on growth (Coad, 2010).

2.2 Review according to objectives

2.2.1 Tax Compliance and profitability of SMEs

Tax compliance has been seen to be a complex issue to define according to (Marti, 2010). Tax compliance can be defined as the fulfillment of all tax obligations as specified by the law freely and completely (Cuccia, 2014). It has been found that regulatory burdens fall excessively on small and medium enterprises (Pope and Abdul-Jabbar, 2008). The nature and size of small and medium enterprises makes the issue of tax compliance one of particular importance because these businesses operate on a small and have small capital base (Atawodi and Ojeka, 2012). Especially since most SMEs have access to limited resources and inadequate expertise to comply with diverse and complicated regulation. Marti (2010) also believes that high compliance costs can result in tax avoidance, tax fraud, and inhibit investment by way of diminishing competitiveness of the SMEs in terms of taxation attractiveness. This implies that while charging taxes, tax authority should consider the tax burden because if not considered, SME owners tend to avoid tax payment.

According to Cuccia (2014) taxpayer compliance has been primarily viewed from three theoretical perspectives: the general deterrence theory, economic deterrence models and fiscal psychology. Deterrence theory is concerned with the effects of sanction threats on criminal and undesirable behavior, however this had problems of identifying sanctions, determining how much effect and specifying the mechanism by which the effect occurs (Terkper, 2013). On the other hand, the economic deterrence model smoothens out the problems of deterrence theory for instance by use of utilitarian approach to measure sanction threats. From the personal consequence perspective, income tax compliance is viewed as an income maximizing decision balancing the net gain of underreporting income or over claiming against the added risk of detection and penalization (McGraw and Scholz, 2011). Plumley (2006) stressed that voluntary tax compliance involves timely filing of any required return, accurate reporting of income and tax liability and timely payment of all tax obligations by business owners.

However, many small and medium taxpayers do not register voluntarily, while those who do register often fail to keep adequate records, file tax returns, and settle their tax liabilities promptly (Terkper, 2013). Hence in the small business context, opportunities for evasion are high and resources are often scarce for field auditing. Even when high investments are made in auditing, uncovering hidden cash is never going to be an easy task without an adequate audit trail (Ahmed and Braithwaite 2005). The income tax compliance has been constrained by the significant number of changes to the tax laws and therefore taxpayers try to comprehend with the income tax law (Oberholzer, 2008). This creates additional problems for compliance by taxpayers who do not have access to sophisticated tax specialists. Moreover enforcement of these laws cannot reduce non compliance among taxpayers because some tax measures put Small and Medium Taxpayers under severe liquidity pressure, forcing many to fold in the informal sector.

According to Feld and Frey (2007), an appropriate compliance can only be realized when taxpayer's liability is correctly computed, after taking into account all factors that have a bearing on the tax liability. The taxpayer has to be competent to comprehend the income tax law and the administrative procedures, given the complexities, uncertainties and ambiguities of the tax law, rules and administrative procedures (Holban, 2007). Therefore, taxpayers who are tax illiterate or inadequately informed may either be under-paying or over-paying taxes. As well, the revenue authority provides adequate resources to meet the needs of enhancing taxpayer functional literacy elements in terms of skills and knowledge required to deal with tax matters (Marti, 2010). Punch, (2010) noted that functional tax involve the ability of a taxpayer to file tax returns and calculate his or her own tax liability to ensure businesses grow due to compliance.

There is also the issue of noncompliance of tax and this could come in the form of: the failure to submit a tax return within the required period or total non-submission of tax returns, understatement of income, overstatement of deductions, failure to pay assessed taxes by due date. In some cases noncompliance of tax may mean an outright failure to pay levied taxes.

Further, studies have shown that the problem of tax evasion is a widespread in development worlds. Fagbemi et al (2010) explained that noncompliance of tax is prevalent in developing countries and it hinders development thereby leading to economic stagnation and other social and economic *problems. Iwuji (2009) has* identified high tax rates as one of the reasons of tax evasion. *Iwuji, (2009)* further pointed out that a higher tax rate increases the burden of the tax payer and reduces his disposable income hence, the probability of evading tax is higher.

Small taxpayers under the regular system of taxation are discriminated against, since the compliance requirements, cost of compliance and tax rate are the same for both small and large enterprises (Yaobin, 2007). Reducing the compliance costs and tax rate increases the small enterprises profit margin and also increases the Government's tax revenue, since the simplified provisions for small and medium enterprises reduce the size of the informal economy and the number of non-complying registered taxpayers (Vasak, 2008)**.** Furthermore, SMEs usually have to operate in an overbearing regulatory environment with the plethora of regulatory agencies, multiple taxes, cumbersome importation procedure and high port charges that constantly exert serious burden on their operations (Feld and Frey, 2007). An overly complex regulatory system and tax regime or one opaque in its administration and enforcement makes tax compliance unduly burdensome and often have a distortionary effect on the development of SMEs as they are tempted to morph into forms that offer a lower tax burden or no tax burden at all (Masato, 2009), and this results in a tax system that imposes high expenses on the society.

A poorly executed tax system also leads to low efficiency, high collection charges, waste of time for taxpayers and the staff, and the low amounts of received taxes and the deviation of optimum allocation of resources (Farzbod, 2000). Small and medium sized businesses are affected disproportionately by these costs: when scaled by sales or assets, the compliance costs of SMEs are higher than for large businesses (Weichenrieder, 2007). SMEs constitute untapped revenue potential and an uneven playing field in many countries as such they need to be captured by the tax net (International Tax Dialogue, 2007). However, though legislations are necessary regulator for protection of the business environment and security of the economic agents, for establishment of the necessary social security regulations, they may also hamper compliance and the growth of business through additional expenditures and administrative obstacles. Thus Shahroodi, (2010) stated that for a tax system to be efficient, the tax policy needs to be designed such that the tax rates are appropriate and rational, the exemptions are lower in amount, the tax collection organization are more efficient, the tax burden of the indigent people should be lighter and the fight against corruption and tax evasion should be much more intense.

2.2.2 Tax Incentive and profitability of SMEs

According to Fletcher (2013) tax incentives are those special exclusions, exemptions, or deductions that provide special credits, preferential tax rates or deferral of tax liability. Richardson, (2008) defines tax incentives as fiscal measures that are used to attract local or foreign investment capital to certain economic activities or particular areas in a country. Musyoka (2012).described tax incentive as an exemption or relief granted to an individual or a company reduces the effect of taxation and thus encourages savings and investment. Tax incentives can take the form of tax holidays, investment allowances and tax credits, accelerated depreciation, special zones, investment subsidies, tax exemptions, reduction in tax rates and indirect tax incentives (Palil and Mustapha, 2011). Tax incentives are much easier to provide than to correct deficiencies in the system, for example, in infrastructure or skilled labor they do not require an actual expenditure of funds or cash subsidies to investors.

Chukwumerije and Akinyomi (2011) noted that it can be difficult to distinguish between provisions that are deemed to be part of the general tax structure and those that provide special treatment as incentives. The associated costs of tax incentives can be classified in following main categories: forgone revenues, these are the losses in tax revenue from tax incentives which mainly come from three sources; the forgone revenue that otherwise would have been collected from the activities undertaken; the forgone revenue from projects that would have been undertaken if the investor did not receive any tax incentives; and lost revenue from investors and activities that improperly claim incentives or shift income from related taxable firms to those firms qualifying for favorable tax treatments (Wachira, 2011). Resource allocation (neutrality) costs which originate when tax incentives create distortions on investment choices business activities instead of correcting market failures (Wafula, 2010). This implies that tax incentives give business opportunities to reduce on their tax obligation

The major tax incentives granted to SMEs are in the form of capital allowances which include: ID, IBD and Wear and Tear (Palil and Mustapha, 2011). The capital allowances qualified for in the year are deducted from the overall corporate tax liability which small businesses to assess their tax obligation (Ojochogwu and Ojeka, 2012). The tax incentives therefore open doors for SMEs to report higher profits after tax. The tax incentive thus aids the recovery of capital expenditures incurred by SMEs especially during the current period of poor performance by tourism sector under which hotels fall (Kimeu, 2013). Tax incentives are meant to encourage and stimulate the economic activities of enterprises and investments. The tax incentives are also used by the government to channel some specific economic activities towards the vital sectors of the economy where they are not felt or non-existed (Kaplan, 2001). Philips (2010) observed that tax incentives will not only generate employment but will motivate the self-employed to incorporate into limited liability companies. This implies that reduction in tax leads to improved profitability of SMEs.

Okelle (1995) noted that businesses can be healthy through generous tax incentives to corporate tax payers, to projects, the profitability of which may not likely materialize until about three to five years. Tax incentives are widely used by governments to attract private investment in preferred industries, including tourism (Githaiga, 2013). Incentives are often granted to offset actual or perceived differences in the cost of doing business whether the cost differences arise from tax differences or from differences in transportation, labor, or other costs. This acts as a catalyst for improved performance (Philips, 2010). Incentives raise the return to capital thereby making investment in a location more attractive and in turn increase profitability of the firm (Wadongo et al., 2010). There are various types of fiscal incentives which include government provision of below market interest loans, tax relief through the use of credits, deductions, or abatements, direct grants of land and facilities, and taxpayer financed work force training for targeted firms and industries (Bronos and Mc Donald, 2008). This implies that incentives raise the return to capital thereby increase profitability of SMEs

Boadway and Shah (1995) argue that any benefit such as an incentive allocated by public servants or politicians is potentially open to abuse and corruption. There is therefore a strong argument that incentives should be automatically available to all investors who meet a set of open and transparent criteria. However, an alternative argument is that firms should receive just enough incentive to induce them to invest, and no moreUadile and Noah (2010). Each potential investment therefore needs to receive an incentive specific to its particular situation. Clearly, which of these two alternatives the government chooses depends on the strength of governance within the appropriate institutions (Atawodi and Ojeka, 2012). If public servants and politicians retain decision-making power over the allocation of incentives, then the processes and outcomes need to be as transparent as possible. However, the objective cannot be achieved in a situation where the would-be beneficiaries are not even aware of the existence of such incentives (Wafula, 2010). Moreover, the few who are aware of these incentives do not even bother to apply for them due to the poor and inefficient tax administration.

Moderate tax incentives that are targeted to new investment in machinery, equipment and research and development, provide up-front incentives that are more likely to be cost effective in stimulating desired investment. These can have powerful signaling effects without significant loss of revenue (Chukwumerije and Akinyomi, 2011). Investment tax credits and allowances provide specific and targeted policy tools to achieve this. Reducing corporate tax to a level comparable with other countries in the region is a sound tax incentive. However, reductions beyond the level found in capital exporting countries say, below 20-30% often bring about greater revenue losses than increases in investment (Fletcher, 2003). A tax incentive is a way of minimizing taxes for business and individuals in exchange for specific desirable action or investments on their parts. Tax incentives are meant to encourage those business and individuals to engage in behavior that is socially responsible and or benefits the community (Boadway and Shah, 1995). This enhances the firm’s performance and hence economic growth in terms of profits obtained through provision of incentives

2.2.3 Tax Audit and profitability of SMEs

Tax audit is the overall concept of tax inspection and treatment carried out by the tax department by law on the conditions of tax payment and withholding performance of the taxpayers and withholding agents (Arnold and McIntyre, 2012), The fundamental tasks of tax audit are implementing the national tax laws, investigation and penalizing tax offences, ensuring the national revenue, safeguarding the tax order, promoting compliance and guaranteeing the implementation the tax laws (Atuguba, 2006). Therefore, the tax audit is based on the facts and the tax laws, regulations and rules rely on the people and strengthen the cooperation with the judicial service and other relevant departments (Apostolou, et al, 2013). To SMEs, tax audit means the examination of returns by concerned authorities basically as for checking as to convenient entry, consideration of every single obliged structure and connections, and arithmetical correctness. This implies that SME owner can determine his profit levels after tax audit through thorough review of financial statements.

The role of the tax audit function is critical to the implementation of tax laws in relation to filling tax for SMEs (Mukul, 2005). Besides the fundamental role of detecting and preventing noncompliance, tax auditors also have to interpret complex provisions of the tax laws, carry out thorough examination of the records of the business owner, as well as engage in numerous interactions with them, since the auditors represent the tax revenue body (Kangave, 2010). The importance and complexity of this function makes it very necessary for the revenue bodies to closely monitor the overall management of the tax audit function to prevent discrepancies in audit opinion (Prichard, 2009). This means that whenever public accountants conduct the audit function, it is associated with attesting to the financial statements. Therefore tax audit can be considered an extension of the attest function of public accounting (Moyi and Muriithi, 2003).

This implies that owners of SMEs have to avail financial information to auditors in order to evaluate their performance and determine the amount of tax a business owner ought to pay in consideration of the profits a business generates I that specific period.

For tax purpose, an SME owner is required to file a return to the concerned assessing officer with supporting documents required by tax law for simultaneous submission with the return (Lethbridge, 2013). The SME owner is sometimes called upon by the assessing officer under the tax law for producing the same. Tax audit under such conditions implies an evaluation of the SME owner documentary evidence to prepare an accurate tax return and statements showing the details of means to audit an assessee's accounting and other documentary evidences to prepare the correct tax return as well as to prepare the statements showing the detailed computational working for different heads of income or items in tax return and other required evidential statements regarding allowances and disallowance for deductions and all these are to be followed by an audit report giving the auditor's opinion about the degree of correspondence between the information content in the tax return and the regulatory provisions of the existing tax laws (Atuguba, 2006). This implies that SME owners have to present income returns as early in order to have their tax liability assessed timely and correct to avoid penalties which could affect profits of the business.

The process of tax audit is quite sensitive as it could be a source of tension between the SMEs owner and the tax audit team. Tax audit involves visits to the place of business or home of the business owner, a thorough investigation of business practices and all related matters with the view to obtaining information that is as accurate as possible such that businesses are not over taxed (Allingham, and Sandmo, 2012). The auditor would have to go through the books of the taxpayer, ask several questions and seek clarification on seemingly petty matters in order to get the details of business income generated for tax assessment (Danquah, 2007). All these firstly cause a disruption of business activities as the taxpayer would have to be at the call of the audit team throughout the process. The audit process represents the burden on the taxpayer and his activities constitute an intrusion into the affairs of the taxpayer's business which slows business process and effect reruns (Cheeseman and Griffiths, 2015). This implies that notwithstanding, tax audit is the most effective method of verifying additional information in order to get the best possible picture of the business in terms of profitability and incomes.

Accounts and other evidences are required to comply with the 'tax basis of accounting such as per requirement of tax laws; Preparation of tax return, statement of computational working for items in the return and statements containing particulars of allowances and disallowance for deduction; Giving audit report portraying the attest function whether the tax return and statements have been fairly prepared as per the regulatory requirement of tax laws (Mukul, 2005). The audit must capture all the economic-financial operations, including the taxes-originated ones, and the auditors opinion must also include whether the taxpayer has correctly assessed tax liability or not. For instance, the Income Tax Act, provides for compulsory audit of the accounts of certain income tax for persons liable to pay income tax whose turn over exceed the specified limits (Beck et al, 2011). The goal of such audit is to help tax authorities in making the correct assessment of the income tax of the assessee involved. The tax auditorhas to specifically report on certain transactions which have an impact on the income tax liability of the assessee concerned and are, thus important to the tax authorities (Ahymed and Stern, 2011).

The tax audit program of a revenue body carries out a number of roles that are important and when effectively carried out can make a significant contribution to improved administration of the tax system (Lewis, 2012). The basic function of the audit program is to promote voluntary compliance by taxpayers being able to abide by the tax laws (Palil and Mustapha, 2011). It tries to achieve this by reminding taxpayers of the risks of non-compliance and also by instilling confidence in the entire population that serious abuses of the tax law will be detected and sanctioned. If major risk areas are being focused, audit may reveal major understatements of tax revenue which may be evaded by individual taxpayers (Gordon, 2010). Audits may unveil information on evasion and avoidance schemes involving a number of taxpayers and the results of normal audit activity may provide information on the general well-being of the tax system (Roberts et al, 2014).. Audits conducted on a random basis can assist overall revenue administration by gathering critical information required to form judgments on overall levels of tax compliance. This implies that SMEs owners have to be with necessary financial information to avoid being over taxed which could affect profitability of the business.

The auditors' over time can be used to identify trends in overall organizational effectiveness and to gather more precise information that can be used to inform decision-making on future compliance improvement strategies, to refine automated risk-based case selection processes, and even support changes to tax legislation (Evan et al, 2005). Audits can assist to clarify the application of the law by every taxpayer and to identify improvements required in book keeping and thus may contribute to improved compliance by taxpayers in the future. Identify areas of the law that require clarification (Bergman, 2008): Audits may bring to light areas of the tax law that are causing confusion and problems to large numbers of SME owners and thus require further efforts by the revenue body to clarify the laws' requirements and/or to better educate taxpayers on what they must do to comply into the future. Given the broad range of roles to be performed a revenue body's audit program typically entails the largest allocation of a revenue body's total staff resources (Butler, 2013). From this perspective alone, the audit program represents a sizeable strategic investment that dictates the need for sound management policies and practices which could make SMEs more profitable after filling their tax obligations.

2.2.4 Profits

There are two important concepts that figure in Bank decision that is economic profits and accounting profits (Dwivedi, 2008). In accounting sense profitability in the bank means the surplus of revenue over and above all point out costs including both manufacturing and overhead expenses (Pandey 2010). On the other hand, profitability accounting to economists takes into account the implicit or imputed cost; the implicit cost is the opportunity cost. Businesses earn profit after meeting their tax obligations since businesses have the ability to provide a reasonable and adequate return on capital employed in existing business, new areas (Pandey 2010).

Wali (2010) found that tax incentives help businesses to maximizes revenue since the tax burden is reduced. Ugwuanyi and Ugwuanyi (2013) suggests that avoidance of penalties increases profitability of business since a business cannot be over charged due to delays in payment. Incentives raise the return to capital thereby making investment in a location more attractive and in turn increase profitability of the firm (Wadongo et al., 2010). Studies have confirmed the benefits of ATM investments to banks profitability (Olatokun and Igbinedon, 2007).

The rate of return on assets measure is itself the product of a measure of financial efficiency and a measure of profitability. The rate of return on assets may be calculated by multiplying the operating profit margin ratio (OPM) times the asset turnover ratio (ATR). The interrelatedness of these three performance measures emphasizes the fact that there are two primary ways to enhance the efficient use of resources to produce profit. One is to increase the profit per unit of output. Operating profit margin is a measure of profit per unit of product produced or output. A firm operation that has a high operating profit margin percentage is a low cost producer. Thus, the management may respond to a poor or small operating profit margin by instituting cost controls in order to increase profits per unit.The other way to enhance performance is to increase the revenues generated per unit of an asset, as indicated by the asset turnover rate. For a given set of farm resources or size of farm, operating profit margin and asset turnover are the two key determinants of profit that the general manager must try to influence in order to improve financial performance. An increase in either or both will increase ROA and is generally indicative of improved financial performance.

2.2.5 Growth

The number of possible indicators of company size is rather vast. Most commonly employment, total sales are used in empirical analysis (Delmar, 1997). Sometimes asset growth is used as growth indicator. However, measuring growth in assets may be problematic for measuring company size in industries where intangible assets are important for the process of economic growth and where company in the sample has very different capital intensities. While sales growth may mirror best the short- and long-term changes in the company and may be the most common indicator to measure growth by managers and entrepreneurs, employment has advantages which contribute to growth of business (Davidsson and Delmar, 2006). First, sales may overstate the size of the company as sales does not only reflect the value-added of a company but also input prices. Second, measuring size in terms of employment reduces measurement problems compared to financial measures such as sales, as it does not require deflation.

Thus measuring firm size in employment is useful in multi-industry and cross-country analyses. Third, for measuring the growth of small firms employment may be more robust to the manipulation of reported sales and profits. Cressy (2006) notes that businesses have a tendency of not availing true profits from tax authorities for the case of taxation. On the other hand, indivisibilities are substantial for very small firms with only a few employees. Firms can grow organically through expansion of their activities or by acquiring already existing firms. Growth by organic expansion and growth by acquisition are likely to be different both in terms of the processes underlying the types of growth and the economic implications (Davidsson and Wiklund, 2000). Davidsson and Delmar (2006) observed that for younger and smaller high-growth firms most of the growth is organic, while for larger and older firms most of the expansion comes from growth by acquisition.

Gibrat's stochastic model of firm growth led to what is known as Gibrat's Law, which holds that firm growth rates are independent of firm size. Gibrat's law is often observed to fail, under closer examination, because of a negative dependence of growth rates on size: smaller and younger firms have higher expected growth rates than older and larger firms (Coad 2009). However, some authors have suggested that a negative dependence of growth rates on size holds only for samples of small firms, while growth rates are independent of size for large firms above a certain size threshold (Hart and Oulton, 1996). Given the close relationship between firm size and firm age, researchers have also considered the effect of firm age on expected growth rate. A firm's age has also been observed to have an influence on its growth, with the majority of studies reporting that older firms experience slower growth (Dunne and Hughes 1994). Lotti et al, (2008) show that Gibrat's law cannot be rejected once they account for learning and selection processes of young small firms. Caves (1998) conclude his survey of the topic by writing that, above a certain size threshold, the negative relation between size and growth disappears.

2.3 Summary of the identified gaps

According to the literature discussed above, it majorly talks about income tax administration issues from a broad perspective while the research intends to find out the income tax administration activities. The authors have discussed about income tax administration in terms of tax compliance, tax incentives, tax audit and how they affect profitability thus the researcher's aim is to identify the major drawbacks in income tax administration and how they implement the practices as discussed in the reviewed literature.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter presents a discussion of the research questions and also introduces the process through which collection, analysis and processing of the data to be collected and used to accomplish the objectives of this research is carried out. This chapter introduces the participants to the collection of data to be used in the research as well as challenges identified in the data collection and how those problems are overcome. Also, the chapter outlines the techniques to be used to implement the research and gives an insight to the quality of all means to be used throughout the process.

3.1 Research Design

Research design is the strategy and structure conceived in a bid to acquire solutions to research problems; it is also defined as a blueprint for collection, measurement and data analysis (Blumberg et al, 2008). The research design that is employed in this study is a case study research design which according to (Saunders et al, 2012), is a design meant to demonstrate a preference for commencement with and utility of theory in qualitative research. This helped to make inferences about the effect of one or more explanatory variables on an outcome variable. The study adopted both qualitative and quantitative approaches. The use of both quantitative and qualitative data helped to explain the outcome and process through observation, analysis, descriptive and inferential statistics obtained from sample responses as well as reconstruction of the case under study.

3.2 Area of Study

The study was conducted in Kamukuzi division in Mbarara district which is one of the fastest developing districts in Uganda with an increasing number of businesses outlets. Kamukuzi division is selected because the business firms are tax payers and it was easier for the researcher to find the necessary information on subject in question.

3.3 Population of the Study

Cooper and Schilndler (2006) define population as the total group of people or entities from which information is required. The population of the study included the shop attendants and business owners. The population of this study is comprised of 256 registered SMEs from which information was obtained.

3.4 Sampling Design

According to Polit et al (2001) a sample is a proportion of a population. The sample was chosen from finance/accounts, sales and marketing and human resource department and the participants were the Manager, accountants, human resource officers, and other employees. A carefully selected sample can provide data representative of the population from which it is drawn. According to Sekaran, (2003), sample sizes of between 30-500 respondents are ideal for such a study, which places the researcher's decision on sample size within limits as prescribed by experts in research design.

3.4.1 Sampling techniques

Sampling technique, according to Blumberg et al, (2008) is a scientific or rather statistical method of selecting the sampling units that would offer the requisite estimates with their related margins of uncertainty; this would emerge from the probe of only part (sample) and not the whole population This technique is preferred because according to Saunders et al, (2012), research participants are selected without bias from the accessible population. Sampling also ensures that each member of the target population has equal and independent chance of being included in the sample. This technique was used to control some looming extraneous variables.

3.4.2 Sample size

The sample size, according to Saunders et al, (2012), is the actual number of respondents that would be representative of the population under study, they proceed to state that the size must be large and should bear some proportional relationship to the size of population from which it is drawn. The sample size of the study population is 148 employees and this based on the statistical model of Krejice and Morgan (1970) table to establish the sample size and the table was attached as an appendix.

3.5 Data source

3.5.1 Primary Data

Greener (2008), explained that primary sources are those which come into existence in the period under research for example questionnaires completed for the study. Primary data was collected through a questionnaire, interview, document review and observation from the respondents.

3.5.2 Secondary Data

Greener (2008), further explained that secondary data sources are interpretations of events of that period based on primary sources. Secondary Data involved analysis from text books, reports, published journals and previous studies as relates to topic researched.

3.6 Data collection instrument

In this study, the researcher used questionnaires and interviews as primary sources of gathering data and documentary analysis as secondary method. The first two tools were preferred because questionnaires and interviews were the best in determining the affective domain of the respondents.

3.6.1 Questionnaire

Kumar, (2005) defines a questionnaire as a written list of questions, the answers to which are recorded by the respondents. It is a device for gathering information consisting of a list of questions or statements calling for information from the respondents. Usually the respondent writes in the spaces provided on the form as guided by the researcher. Self-administered questionnaires covering all the aspects of the study variables and accompanied with a five-point Likert scale response continuum, that is 5 = strongly agree,4 = agree, 3 = undecided, 2 = disagree and 1= strongly disagree, was used for this study to collect data respondents

3.6.2 Key Informant Interview Guide

According to Amin (2005), interview is an appropriate data collection tool, because the researcher was able to explain and clarify the questions being asked in relation to organizational culture and resource management, In other words the methods of data collection employed in this study provided researcher the way of getting highly personalized data, probing and receiving a prompt response.

3.6.3 Survey Questionnaire

Kumar, (2005) defines a questionnaire as a written list of questions, the answers to which are recorded by the respondents. The questionnaires were both open and close-ended, designed in appropriate Likert scales to solicit the opinions of the respondents. Some sections of the questionnaire were open ended. Likert scales are preferred because of providing standardized sets of response options that represent varying degrees of agreement. The researcher used a questionnaire because of being reliable and dependable instrument for collecting information from respondents who are scattered in a vast area.

3.6.4 Observation method

Kumar, (2005) defines observation as a purposeful, systematic and selective way of watching and listening to an interaction or phenomenon that takes place. The researcher collected data using this method by taking pictures of some important items. The researcher was able to collect data using this method by simply looking at the way respondents perform some activities, such as handling of individuals applying for loan schemes, documents and records. The researcher was able to draw up conclusions basing on what she l saw The researcher used a camera to take pictures to show evidence of findings.

3.7 Measure of variables

To ensure quality, four experienced research assistants were recruited and trained for three days before they are sent to the field to collect the data. After the training, the tools were pre-tested to ensure validity and reliability and all the necessary changes were incorporated in the final tools regarding income tax administration and profitability of SMEs in Kamukuzi division

3.8 Quality Control Methods

3.8.1 Validity

Collis and Hussey, (2013), holds that validity of an instrument is the ability of the instrument to collect justifiable and truthful data; that is, measuring what it is developed to measure. The construction of the questionnaire was based on the objectives of the study. Data collection instruments was presented to the supervisor who attested the content validity of the instrument that is; ambiguity of question items and their relevancy. To ensure that data collection instruments are valid, they were pre-tested.

3.8.2 Reliability

Amin (2005), defined reliability is the degree to which the instrument consistently measures whatever it is measuring. That an instrument is reliable if it produces same results whenever it is repeatedly used to measure traits or concepts from the same respondents even by other researchers. The reliability of the questionnaire was assessed using SPSS Cronbach Alpha at 0.05 level of significance. Cronbach Alpha was used because it measures the internal consistency of the research variables and administered in a single test and also the fact that the instruments have more than two responses provided for each item as supported by (Collis and Hussey, 2013).

3.9 Processing and Data analysis

The collected data was organized and edited at the end of each step to ensure accuracy, completeness and consistency of the information given by the respondents. The results were coded and the coded data then was analyzed using Statistical Package for Social Scientist (SPSS) for Windows version 16.0 software to establish the correlational relationship among the variables.

3.10 Ethical considerations

Collis and Hussey, (2013), explained that ethical considerations refer to the morality, uprightness and justification of the researcher's conduct in carrying out research. The researcher was guided by the following main considerations**.** Certain information was kept confidential on special request by respondents.

It was also prudent to document information from archives only with the consent of respondents. The researcher acknowledged all published sources of literature to be used in the study.

3.11 Anticipated limitations of the study

The research instruments were adopted from those that have been used in other Studies and therefore there was a challenge of adopting these research instruments to the particular study.

The researcher anticipates a limitation of accessing data and material in Roofings limited. However, all possible measures will be employed to convince the concerned parties that the research material is used for academic purposes only.

3.12 Conclusion

This chapter helped a researcher to understand the design to be used, an insight on how data was collected and analyzed during the study. The researcher was in position to know the population and the sample size which was sampled. Therefore through these methods, the researcher believes the information that was presented, was of a required result that is reliable and valid.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS, AND DISCUSSION OF FINDINGS

4.0 Introduction

The chapter presents the findings captured from the field of the study. The researcher presents, interprets and discusses the findings of the study on *"**effect of income tax administration on profitability of SMEs**"* The chapter is organized in that the background information of the respondents is presented first, and then the findings relating to the research objectives are presented next. The total number of people who participated by filling in the questionnaires were 105 out of 148 respondents which presented 70.9% response rate. The presentation of findings results were presented inform of tables.

4.1 Background Information of the Respondents

In this section, efforts were made to document the background information of the respondents such as gender, education qualification, and duration in the organization.

4.1.1 Gender of the Respondents

The research study sought to establish the gender of the respondents who participated in the study. The table below presents the findings of the study.

Table 4.1 showing gender of respondents

		Frequency	Percent
Valid	Male	73	69.5
	Female	32	30.5
	Total	105	100.0

Source: primary data (2017)

Table 4.1, indicates that there were more females than males respondents. This is shown by the males having a percentage of 73(69.5%), while the females are shown by a percentage of 32(30.5%). This therefore implies that during the research most of the respondents were males since there were easily approachable and available. In addition to that in many business firms, pay tax.

4.1.2 Respondents' level of Education

The researcher determined the academic qualification of the people employed so that he could establish whether they were well acquainted with knowledge and can be in position to answer question on income tax administration and profitability of SMEs and the table presents the findings

Table 4.2: showing the Level of Education

		Frequency	Percentage
Valid	Secondary	26	24.8
	Diploma	42	40.0
	Degree	37	35.2
	Total	105	100.0

Source: *Primary data, (2017)*

Results from table 4.2 above indicate that majority of the respondents 42(40.0%) had attained diploma, 37(35.2%) had attained degree, 26(24.8%) had secondary. This implies that the majorities of the business owners have a good educational background and fully understand the concept of income tax administration and profitability of SMEs

4.1.3Years worked in the organization

The study looked at the duration employee have spent in doing business and the findings are revealed in the table below

Table 4.3 Number of years worked in the organization

		Frequency	Percent
Valid	0-5 years	55	52.4
	6-10 years	42	40.0
	10 years and above	8	7.6
	Total	105	100.0

Source: primary data (2017)

Table 4.3revealed that respondents have been in business for a period of more than 0-5 years represented by 55(52.4%), 6-10 years represented by 42(40.0%) and 10 years above 8(7.6%). This means that business owners are familiar with the taxation and therefore are aware of hoe tax affect their profit levels.

4.2 Presentation according to study objectives

In this study, analysis was also based on the study objectives and the results are presented in the following statements.

4.2.1 Tax compliance and profitability of SMEs

This is the first objective of the study and it was intended to specifically establish the above relationship. The analysis was based on descriptive statistics mean and standard deviation hence details are presented in table 4.4 below

Table 4.4 Tax compliance and profitability of SMEs

Statements	N	Min	Max	Mean	Std. Deviation
Business owners fulfill all their tax obligations in time	105	1	5	4.06	.810
Effective tax compliance reduces tax penalty	105	1	5	4.00	.744
Business owners accurately report their incomes for tax liability	105	1	5	3.94	.984
Taxpayers comprehend with the income tax law	105	1	5	4.02	.785
Taxpayers are equipped with skills and knowledge about tax by tax authorities.	105	1	5	4.04	.683
Valid N (listwise)	105				

Source: *Primary Data, (2017)*

4.2.1.1 Business owners fulfill all their tax obligations in time

From table 4.4 above, majority of the respondents agreed to the statement that Business owners fulfill all their tax obligations in time with a mean value of 4.06. This is in line Plumley (2006) who stressed that voluntary tax compliance involves timely filing of any required return, accurate reporting of income and tax liability and timely payment of all tax obligations by business owners. However there was a deviation in respondent's opinion with a standard deviation value of 0.810 which means responses varied from one respondent to another though it's minimal. This implies that business owners are not forced or harassed to pay tax since they know their tax obligations. Therefore business owners have to make sure that comply with the tax authorities and pay their tax dues in time to avoid inconveniences.

4.2.1.2 Effective tax compliance reduces tax penalty

Table 4.4 above revealed that majority of the respondents agreed that Effective tax compliance reduces tax penalty with the mean value of 4.00. Hence McGraw and Scholz 92011) emphasized that income tax compliance is viewed as an income maximizing decision balancing the net gain of underreporting income or over claiming against the added risk of detection and penalization. However the respondent's deviation according to their opinion with the standard deviation of value 0.744. This implies that tax penalties can be avoided when business owners pay their tax dues in time.

4.2.1.3 Business owners accurately report their incomes for tax liability

From the findings in table 4.4 it can be noted that majority of the respondents agreed to the statement that the Business owners accurately report their incomes for tax liabilitywith the mean value of 3.94 and this is in line with Plumley (2006) stressed that voluntary tax compliance involves timely filing of any required return, accurate reporting of income and tax liability and timely payment of all tax obligations by business owners. However it should be noted that there was a deviation among the respondents with a standard deviation of 0.984 thus implying that to avoid inconveniences, business owners endear to report their incomes accurately such that the right amount is tax from their incomes.

4.2.1.4 Taxpayers comprehend with the income tax law

Table 4.4 shows that the majority of the respondents agreed that Taxpayers comprehend with the income tax law with the mean value of 4.002. Hence, The Oberholzer, (2008) who noted that income tax compliance has been constrained by the significant number of changes to the tax laws and therefore taxpayers try to comprehend with the income tax law. However the respondent's deviation according to their opinion with the standard deviation of value 0.785 which implies that tax laws are fair that is why business owners comply with them and make sure they pay their tax obligations

4.2.1.5 Taxpayers are equipped with skills and knowledge about tax by tax authorities.

Table 4.4 shows that the majority of the respondents agreed that taxpayers are equipped with skills and knowledge about tax by tax authorities with the mean value of 4.04. This is in line with Marti, 2010) who asserted that the revenue authority provides adequate resources to meet the needs of enhancing taxpayer functional literacy elements in terms of skills and knowledge required to deal with tax matters. However there was a minimal standard deviation of value 0.683 thus implying that business owners have knowledgeable about tax laws and their tax obligations since they are taught.

Table 4.5: Correlation results between Tax compliance and profitability of SMEs

Details		Tax compliance	Profitability of SMEs
Tax compliance	Pearson Correlation	1	.712**
	Sig. (2-tailed)		.000
	N	70	70
Profitability of SMEs	Pearson Correlation	.712**	1
	Sig. (2-tailed)	.000	
	N	105	105

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

Source: *Primary data (2017)*

The study sought to determine the relationship between tax compliance and profitability of SMEs. This was done through computation of the Pearson correlation product determinant from the table 4.5 above, correlation value (r = 0. 712** p <0.01) revealed that there is a positive high and a significant relationship between tax compliance and profitability of SMEs. This implies tax incentives have a progressive improvement in profitability of SMEs by 0.712. This is in line with According to Feld and Frey, (2007) who noted that an appropriate compliance can only be realized when taxpayer’s liability is correctly computed, after taking into account all factors that have a bearing on the tax liability. The taxpayer has to be competent to comprehend the income tax law and the administrative procedures, given the complexities, uncertainties and ambiguities of the tax law, rules and administrative procedures (Holban, 2007). Therefore, taxpayers who are tax illiterate or inadequately informed may either be under-paying or over-paying taxes. As well, the revenue authority provides adequate resources to meet the needs of enhancing taxpayer functional literacy elements in terms of skills and knowledge required to deal with tax matters (Marti, 2010).

4.2.2 Tax incentives and profitability of SMEs

This is the second objective of the study and it was intended to specifically establish the above relationship. The analysis was based on descriptive statistics mean and standard deviation hence details are presented in table 4.6 below

Table 4.6 Tax incentives and profitability of SMEs

Details	N	Min	Max	Mean	Std. Deviation
Business owners are granted tax relief	105	1	5	3.94	1.013
Businesses get capital allowances as tax incentive on assets.	105	1	5	4.03	1.028
Tax incentive help businesses to recover capital expenditures	105	1	5	4.00	1.014
Tax incentives motivate individuals to become self-employed and incorporate their ventures into limited liability companies.	105	1	5	4.03	1.028
Tax incentives are used to attract private investment	105	1	5	4.00	1.014
Valid N (listwise)	105				

Source: *Primary Research Data, (2017)*

4.2.2.1 Business owners are granted tax relief

The findings of the research study in table 4.6 above, it can be noted thatbusiness owners are granted tax relief as with majority agreeing to the statement with mean value of 3.94 which is in line with Musyoka (2012) who described tax incentive as an exemption or relief granted to an individual or a company reduces the effect of taxation and thus encourages savings and investment. However from the findings of the research study, it was also revealed there was a standard deviation with the value of 1.013 which implies that business can operate since they get relief from paying tax

4.2.2.2 Businesses get capital allowances as tax incentive on assets.

Table 4.6 above revealed that majority of the respondents agreed that Businesses get capital allowances as tax incentive on assets with the mean value of 4.03. Hence Palil and Mustapha, 2011) who noted that the major tax incentives granted to SMEs are in the form of capital allowances which include: ID, IBD and Wear and Tear. However the respondent's deviation according to their opinion with the standard deviation of value 1.028 which implies that business are given relief in terms of capital deductions on assets they procure and this help a business to have enough capital resources.

4.2.2.3 Tax incentive help businesses to recover capital expenditures

From the findings in table 4.6 it can be noted that majority of the respondents agreed to the statement that they are more engaged with work tasks with the mean value of 4.00 and this is in line with Kimeu, (2013) who stressed that the tax incentive thus aids the recovery of capital expenditures incurred by SMEs especially during the current period of poor performance by tourism sector under which hotels fall. However it should be noted that there was a deviation among the respondents with a standard deviation of 1.014 thus implying that capital expenditures can be recovered by businesses after receiving a tax incentive.

4.2.2.4 Tax incentives motivate individuals to become self-employed and incorporate their ventures into limited liability companies.

Table 4.4 shows that the majority of the respondents agreed that Tax incentives motivate individuals to become self-employed and incorporate their ventures into limited liability companies with the mean value of 4.003. Hence, Philips (2010) who observed that tax incentives will not only generate employment but will motivate the self-employed to incorporate into limited liability companies. However the respondent's deviation according to their opinion with the standard deviation of value 1.028 which implies that people can become self-employed due to existence of incentives. In form of tax since the tax burden is reduced.

4.2.2.5 Tax incentives are used to attract private investment

Table 4.4 shows that the majority of the respondents agreed that Tax incentives are used to attract private investment with the mean value of 4.00. This is in line with Githaiga, (2013) who affirmed tax incentives are widely used by governments to attract private investment in preferred industries, including tourism. However there was a minimal standard deviation of value 1.014 thus implying that private investors can be attracted to run business in the country.

Table 4.7: Correlation results between Tax incentives and profitability of SMEs

Details		Tax incentives	Profitability of SMEs
Tax incentives	Pearson Correlation	1	.695**
	Sig. (2-tailed)		.000
	N	105	105
Profitability of SMEs	Pearson Correlation	.695**	1
	Sig. (2-tailed)	.000	
	N	105	105

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

Source: *Primary data (2017)*

The study sought to determine the effect of tax incentives and profitability of SMEs. This was done with the support of the Pearson correlation product moment technique from the table 4.7 above, correlation value (r = 0. 695** p <0.01) revealed that there is a positive moderate and a significant relationship between tax incentives and profitability of SMEs. This meant that tax incentives lead to improve in profitability of SMEs by 0.695. This which is in line with Okelle(1995) noted that an business can be healthy through generous tax incentives to corporate tax payers, to projects, the profitability of which may not likely materialize until about three to five years. Tax incentives are widely used by governments to attract private investment in preferred industries, including tourism (Githaiga, 2013). Incentives are often granted to offset actual or perceived differences in the cost of doing business in different political jurisdictions whether the cost differences arise from tax differences or from differences in transportation, labor, or other costs.

4.2.3 Tax audit and profitability of SMEs

This is the third objective of the study and it was intended to specifically establish the above relationship. The analysis was based on descriptive statistics mean and standard deviation hence details are presented in table 4.8 below.

Table 4.8 Tax audit and profitability of SMEs

Details	N	Min	Max	Mean	Std. Deviation
Tax auditing promotes voluntary compliance	105	1	5	4.00	1.014
Auditing helps with investigation and penalizing tax offences	105	1	5	4.03	1.028
Tax audit is based on the tax law	105	1	5	4.00	1.014
SME owner file return with supporting documents of taxable income	105	1	5	4.03	1.028
Auditing ensures that tax return and statements have been fairly prepared as per the regulatory requirement of tax laws	105	1	5	4.00	1.014
Valid N (listwise)	105				

Source: *Primary Data, (2017)*

4.2.3.1 Tax auditing promotes voluntary compliance

The findings noted that Tax auditing promotes voluntary compliance with majority agreeing to the statement with mean value of 4.00 which is in line withPalil and Mustapha, 2011) who affirmed that the basic function of the audit program is to promote voluntary compliance by taxpayers being able to abide by the tax laws. However from the findings of the research study, it was also revealed there was a standard deviation with the value of 1.014 which implies that business owners can pay voluntarily due to auditing since there is high chance of penalties

4.2.3.2 Auditing helps with investigation and penalizing tax offences

Table 4.8 above revealed that majority of the respondents agreed that Auditing helps with investigation and penalizing tax offences with the mean value of 4.03. Hence Atuguba, (2006) who stressed the fundamental tasks of tax audit are implementing the national tax laws, investigation and penalizing tax offences, ensuring the national revenue, safeguarding the tax order, promoting compliance and guaranteeing the implementation the tax laws. However the respondent's deviation according to their opinion with the standard deviation of value 1.028 which implies that tax authorities can easily know the offences business owners committed and rectify them through thorough instigations.

4.2.3.3 Tax audit is based on the tax law

The findings noted that majority of the respondents agreed to the statement that tax audit is based on the tax lawwith the mean value of 4.00 and this is in line with Apostolou, et al, (2013) who affirmed that the tax audit is based on the facts and the tax laws, regulations and rules rely on the people and strengthen the cooperation with the judicial service and other relevant departments. However it should be noted that there was a deviation among the respondents with a standard deviation of 1.014 thus implying that auditing base in the laws set by the tax authority and therefore tax auditors base on the laws to make auditing

4.2.3.4 SME owner file return with supporting documents of taxable income

Table 4.8 shows that the majority of the respondents agreed that SME owner file return with supporting documents of taxable income with the mean value of 4.03. Hence Lethbridge, (2013) who asserted that for tax purpose, an SME owner is required to file a return to the concerned assessing officer with supporting documents required by tax law for simultaneous submission with the return. However the respondent's deviation according to their opinion with the standard deviation of value 1.028 which implies that when business owners are filing returns, they attach their financial statements to avoid being over taxed due to lack of support documents.

4.2.3.5 Auditing ensures that tax return and statements have been fairly prepared as per the regulatory requirement of tax laws

Table 4.8 shows that the majority of the respondents agreed that Auditing ensures that tax return and statements have been fairly prepared as per the regulatory requirement of tax laws with the mean value of 4.02. This is in line with Mukul, (2005) who elaborated that giving audit report portraying the attest function whether the tax return and statements have been fairly prepared as per the regulatory requirement of tax laws. However there was a minimal standard deviation of value 0.785 thus implying that through auditing, tax authorities ensure that they review all the statements to ensure that they are prepared according to required tax law. This prevents misappropriations in financial statements being prepared by business owners.

Table 4.9: Correlation results of Tax audit and profitability of SMEs

Details		Tax audit	Profitability of SMEs
Tax audit	Pearson Correlation	1	.751**
	Sig. (2-tailed)		.000
	N	105	105
Profitability of SMEs	Pearson Correlation	.751**	1
	Sig. (2-tailed)	.000	
	N	105	105

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

Source: *Primary data (2017)*

The correlation ($r = 0.751^{**}$, $p < 0.01$) showed that there is a positive high and a significant relationship between tax audit and profitability of SMEs with values of 0.751. The fundamental tasks of tax audit are implementing the national tax laws, investigation and penalizing tax offences, ensuring the national revenue, safeguarding the tax order, promoting compliance and guaranteeing the implementation the tax laws (Atuguba, 2006). Therefore, the tax audit is based on the facts and the tax laws, regulations and rules rely on the people and strengthen the cooperation with the judicial service and other relevant departments (Apostolou, et al, 2013). To SMEs, tax audit means the examination of returns by concerned authorities basically as for checking as to convenient entry, consideration of every single obliged structure and connections, and arithmetical correctness.

4.3 Profitability of SMEs

Profitability of SMEs can be measured in various ways which should be aggregated. This study analysis was based on the dimensions of the Profitability of SMEs and the results are presented in the following statements.

Table 4.10 Profitability of SMEs

Details	N	Min	Max	Mean	Std. Deviation
Businesses earn profit after meeting their tax obligations	105	1	5	4.02	.699
Tax incentives help businesses to maximizes revenue	105	1	5	4.06	.697
Avoidance of penalties increases profitability of business	105	1	5	4.04	.798
Businesses are not over taxed due to tax auditing	105	1	5	4.04	.798
Businesses have grown due to complying with tax.	105	1	5	3.98	.699
Incomes earned contribute to growth of business	105	1	5	3.96	.683
Valid N (listwise)	105				

Businesses earn profit after meeting their tax obligations

The study revealed that respondents with a mean of 4.02 agreed that Businesses earn profit after meeting their tax obligations. This is in line with Pandey (2010) who businesses earn profit after meeting their tax obligations since businesses have the ability to provide a reasonable and adequate return on capital employed in existing business, new areas. However a standard deviation of 0.699 represented a disagreement with the statement. This can imply that meeting tax obligations leaves a business opportunity to earn revenues.

Tax incentives help businesses to maximizes revenue

Findings still indicated revealed that respondents with a mean of 4.06 agreed that Tax incentives help businesses to maximizes revenue. This is in line with Wali (2010) who stressed that tax incentives help businesses to maximizes revenue since the tax burden is reduced. However a standard deviation of 0.697 determined a disagreement with the statement. This can imply that through incentives, business can help minimize business expenses and help a business make profits.

Avoidance of penalties increases profitability of business

The field data collected indicated that respondents with a mean value of 4.04 agreed avoidance of penalties increases profitability of business. This is line with Ugwuanyi and Ugwuanyi (2013) suggests that avoidance of penalties increases profitability of business since a business cannot be over charged due to delays in payment. However a standard deviation of 0.798 were in a disagreement with the statement which can means that businesses can earn profits when they avoid being penalized due to delay in filing tax returns.

Businesses are not over taxed due to tax auditing

The findings estimated that respondents with a mean value of 4.04 agreed that Businesses are not over taxed due to tax auditing. This is in line with Allingham, and Sandmo, (2012) who noted that tax audit involves visits to the place of business or home of the business owner, a thorough investigation of business practices and all related matters with the view to obtaining information that is as accurate as possible such that businesses are not over taxed. However a standard deviation of 0.798 of respondents was in a disagreement with the statement. This can imply that auditing proves that the right amount a business has to pay and this help a business to reduce the chances of being over taxed.

Businesses have grown due to complying with tax

Findings still indicated that respondents with a mean of 3.98 agreed that businesses have grown due to complying with tax. This is in line with Punch, (2010) who noted that functional tax involve the ability of a taxpayer to file tax returns and calculate his or her own tax liability to ensure businesses grow due to compliance. However a standard deviation of value 0.699 of respondents was in a disagreement with the statement. This can imply that complying with tax help businesses to grow since they cannot be closed after paying tax dues.

Incomes earned contribute to growth of business

The findings estimated that respondents with a mean of 3.96 agreed that Incomes earned contribute to growth of business. This is in line with Davidsson and Delmar, 2006) who affirmed that while sales growth may mirror best the short- and long-term changes in the company and may be the most common indicator to measure growth by managers and entrepreneurs, employment has advantages which contribute to growth of business. This can imply that growth of business depends on how the business is affected by tax being paid.

4.4 Conclusion

The analysis of the primary data indicates that the independent variables through the predictor variables; tax compliance, tax incentives and tax audit all have a positive effect on profitability of SMEs as it has been seen in the findings of the study in this chapter regardless of how greater the influence is. This implies that those minor deviations of turnover still exist. Further explanation and summary of findings is presented in chapter five.

CHAPTER FIVE

SUMMARY OF THE FINDINGS, CONCLUSION AND RECOMMENDATION

5.0 Introduction

The chapter presents the summary of the main findings from the study, the conclusions and the recommendations which are based on the conclusions made by the study. The major objective of the study was to examine the role of income tax administration on profitability of SMEs

5.1 Summary of major findings

5.1.1 Tax compliance and profitability of SMEs

The study revealed correlation value ($r = 0.712^{**}$ $p < 0.01$) which means that there is a positive high and a significant relationship between tax compliance and profitability of SMEs. An appropriate compliance can only be realized when taxpayer's liability is correctly computed, after taking into account all factors that have a bearing on the tax liability. The taxpayer has to be competent to comprehend the income tax law and the administrative procedures, given the complexities, uncertainties and ambiguities of the tax law, rules and administrative procedures Taxpayers who are tax illiterate or inadequately informed may either be under-paying or over-paying taxes. As well, the revenue authority provides adequate resources to meet the needs of enhancing taxpayer functional literacy elements in terms of skills and knowledge required to deal with tax matters.

5.1.2 Tax incentives and profitability of SMEs.

The study revealed a correlation value ($r = 0.695^{**}$ $p < 0.01$) which means that there is a positive moderate and a significant relationship between tax incentives and profitability of SMEs. Business can be healthy through generous tax incentives to corporate tax payers, to projects, the profitability of which may not likely materialize until about three to five years. Tax incentives are widely used by governments to attract private investment in preferred industries, including tourism Incentives are often granted to offset actual or perceived differences in the cost of doing business in different political jurisdictions whether the cost differences arise from tax differences or from differences in transportation, labor, or other costs.

5.1.3 Tax audit and profitability of SMEs

The correlation ($r = 0.751^{**}$, $p < 0.01$) showed that there is a positive high and a significant relationship between tax audit and profitability of SMEs. The fundamental tasks of tax audit are implementing the national tax laws, investigation and penalizing tax offences, ensuring the national revenue, safeguarding the tax order, promoting compliance and guaranteeing the implementation the tax laws. Therefore, the tax audit is based on the facts and the tax laws, regulations and rules rely on the people and strengthen the cooperation with the judicial service and other relevant departments. To SMEs, tax audit means the examination of returns by concerned authorities basically as for checking as to convenient entry, consideration of every single obliged structure and connections, and arithmetical correctness.

5.2 Conclusions

Voluntary tax compliance involves timely filing of any required return, accurate reporting of income and tax liability and timely payment of all tax obligations by business owners. However, high compliance costs can result in tax avoidance, tax fraud, and inhibit investment by way of diminishing competitiveness of the SMEs in terms of taxation attractiveness. Many small and medium taxpayers do not register voluntarily, while those who do register often fail to keep adequate records, file tax returns, and settle their tax liabilities promptly. An appropriate compliance can only be realized when taxpayer's liability is correctly computed, after taking into account all factors that have a bearing on the tax liability. The taxpayer has to be competent to comprehend the income tax law and the administrative procedures, given the complexities, uncertainties and ambiguities of the tax law, rules and administrative procedures.

The major tax incentives granted to SMEs are in the form of capital allowances which include: ID, IBD and Wear and Tear. The tax incentives therefore open doors for SMEs to report higher profits after tax. The tax incentive thus aids the recovery of capital expenditures incurred by SMEs especially during the current period of poor performance by tourism sector under which hotels fall. Incentives are often granted to offset actual or perceived differences in the cost of doing business whether the cost differences arise from tax differences or from differences in transportation, labor, or other costs. Moderate tax incentives that are targeted to new investment in machinery, equipment and research and development, provide up-front incentives that are more likely to be cost effective in stimulating desired investment.

The tax audit is based on the facts and the tax laws, regulations and rules rely on the people and strengthen the cooperation with the judicial service and other relevant departments. Auditors detecting and preventing noncompliance, tax auditors also have to interpret complex provisions of the tax laws, carry out thorough examination of the records of the business owner, as well as engage in numerous interactions with them, since the auditors represent the tax revenue body. Owners of SMEs avail financial information to auditors in order to evaluate their performance and determine the amount of tax a business owner ought to pay in consideration of the profits a business generates in that specific period.

5.3 Recommendations

Based on the findings made from this study, the following recommendations are therefore made:

Tax regulations governing SMEs should be simplified in order to make compliance easier for them.

This includes clear and simple tax regulations, and an undemanding tax filing process. The use of information technology should be encouraged.

Tax administrators should carry out their duties more efficiently with the most care and integrity as this will help combat issues such as multiple taxes.

Tax administrators should improve their support services towards SMEs for example, small business owners should be educated on issues such as taxes they are expected to pay and the incentives and exemptions they are eligible for.

5.5 Suggestions for further research

These issues could be captured by interested researchers in future. Some suggested areas for further studies include: Assessment of the role of tax towards the growth of SMEs by focusing on different contexts; and the perception of tax authorities / regulatory bodies towards the growth of Small and Medium Enterprises (SMEs).

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APPENDICES

APPENDIX 1: QUESTIONNAIRE

Dear respondent,

I am Barekye Kabuura John ,a third year student of Uganda Martyrs University pursuing a bachelor's degree in Business Administration and Management. As part of my academic requirement, I am carrying out a study on a topic **"the effect of income tax administration on performance of SMEs"**. You have therefore been purposively selected as a resourceful person in providing the required information. The purpose of this research is purely academic and the information you give will be anonymously treated with confidentiality.

SECTION A: BACKGROUND INFORMATION

1. Sex: a) Male ☐ b) Female ☐

2. Level of academic qualification

a) Primary ☐ b) Secondary ☐

c) Diploma ☐ d) Degree ☐ e) Masters ☐

3. Years worked in the organization

a) 0-5 years ☐ b) 6-10 years ☐ c) 10 years and above ☐

In the section below, you are required to give your opinion on the following statements about Conscientiousness, Openness to experience and Agreeableness on a scale of 1 for strongly disagree (S.D), 2 for disagree (D), 3 for neutral (N), 4 for agree (A) and 5 for strongly agree (S.A).

Section B: **Tax compliance and profitability of SMEs**

Statement	**1**(S.D)	**2**(D)	**3**(N)	**4**(A)	**5**(S.A)
Business owners fulfill all their tax obligations in time					
Effective tax compliance reduces tax penalty					
Business owners accurately report their incomes for tax liability					
Taxpayers comprehend with the income tax law					
Taxpayers are equipped with skills and knowledge about tax by tax authorities.					

How does your business benefit from timely tax compliance?

...

...

Section C: Tax incentives and profitability of SMEs

Statement	**1**(S.D)	**2**(D)	**3**(N)	**4**(A)	**5**(S.A)
Business owners are granted tax relief					
Businesses get capital allowances as tax incentive on assets.					
Tax incentive help businesses to recover capital expenditures					
Tax incentives motivate individuals to become self-employed and incorporate their ventures into limited liability companies.					
Tax incentives are used to attract private investment					

How have tax incentives helped you in your business operations?

……………………………………………………………………………………………………

…………………………………………………………………………………………

Section D: Tax audit and profitability of SMEs

Statement	**1**(S.D)	**2**(D)	**3**(N)	**4**(A)	**5**(S.A)
Tax auditing promotes voluntary compliance					
Auditing helps with investigation and penalizing tax offences					
Tax audit is based on the tax law					
SME owner file return with supporting documents of taxable income					
Auditing ensures that tax return and statements have been fairly prepared as per the regulatory requirement of tax laws					

What benefit does a business owner obtain through tax audit?

……………………………………………………………………………………………………

Section D: Performance of SMEs

Statement	**1**(S.D)	**2**(D)	**3**(N)	**4**(A)	**5**(S.A)
Businesses earn profit after meeting their tax obligations					
Tax incentives help businesses to maximizes revenue					
Avoidance of penalities increases profitability of businsess					
Businesses are not over taxed due to tax auditing					
Businesses have grown due to complying with tax.					
Incomes earned contribute to growth of business					

Thank you for your co-operation

APPENDIX II: KREJCIE & MORGAN TABLE FOR DETERMINING SAMPLE SIZE

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	246
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	351
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	181	1200	291	6000	361
45	40	180	118	400	196	1300	297	7000	364
50	44	190	123	420	201	1400	302	8000	367
55	48	200	127	440	205	1500	306	9000	368
60	52	210	132	460	210	1600	310	10000	373
65	56	220	136	480	214	1700	313	15000	375
70	59	230	140	500	217	1800	317	20000	377
75	63	240	144	550	225	1900	320	30000	379
80	66	250	148	600	234	2000	322	40000	380
85	70	260	152	650	242	2200	327	50000	381
90	73	270	155	700	248	2400	331	75000	382
95	76	270	159	750	256	2600	335	100000	384

Note: "N" is population size

"S" is sample size.

From :Krejcie, Robert V., Morgan, Daryle W., "Determining Sample Size for Research Activities", Educational and Psychological Measurement, 1970.

introductoryletter

Uganda
Martyrs
University

making a difference

Office of the Dean
Faculty of Business Administration and Management

Your ref.:
Our ref.:

Nkozi, 10th April, 2017

To Whom it may Concern

Dear Sir/Madam,

Re: Assistance for Research:

Greetings and best wishes from Uganda Martyrs University.

This is to introduce to you Barekye Kabulwa John who is a student of Uganda Martyrs University. As part of the requirements for the award of the Degree of Bachelor of Science Accounting & Finance of the University, the student is required to submit a dissertation which involves a field research on a selected case study such as a firm, governmental or non governmental organization, financial or other institutions.

The purpose of this letter is to request you permit and facilitate the student in this survey. Your support will be greatly appreciated.

Thank you in advance.

Yours Sincerely,

UGANDA MARTYRS UNIVERSITY OFFICE OF THE DEAN 10 APR 2017 P.O. BOX 5498, KAMPALA FACULTY OF BUSINESS ADMINISTRATION AND MANAGEMENT

Mr. Segawa Edward
Associate Dean

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