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Assessment of taxpayer attitudes, tax administration and tax compliance behavior among medium enterprises

A study on central business district, Kampala, Uganda

Master’s Thesis in Public Administration

Graduate School of Public Administration

Seoul National University

Public Administration major

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Assessment of taxpayer attitudes, tax administration and tax compliance behavior among medium enterprises

A Case study of Kampala City Uganda

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Abstract

With the reduction of donor aid to developing countries in recent years, Uganda like other developing nations ought to seize or focus on ways of raising revenue so as to meet their government budgets. This has been a struggle in Uganda as the tax base is too small to fit this budget. Among the many factors causing this are the low levels of tax compliance especially among the small and medium sized enterprises. This gave me an interest to do a research on some factors why Ugandan taxpayers are not tax compliant. I assessed their attitudes towards payment of taxes and the tax administration policies and their impact on tax compliance.

This study is quantitative in nature where descriptive and inferential analysis is used. The target population is small and medium sized enterprises.
(SME’s) operating in central business district of Kampala city. Data was collection through use of interview questionnaires and oral discussions with key informants (tax consultants and government officials). The respondents were selected using purposive and simple random sampling from 106 respondents. Analysis was made using SPSS (Statistical Package for Social Scientist).

From the analysis, some components of taxpayer attitudes namely; fairness, reciprocity and satisfaction had a significant relationship with tax compliance behavior and a few components of tax administration i.e. tax-knowledge, audit rate and rendered services also had a significant relationship with tax compliance. The rest of the components for both taxpayer attitudes and tax administration had less or no significant relation with tax compliance behavior. Further, correlations were done between factors of taxpayer attitudes, tax administration with components of tax compliance behavior.

In conclusion it was observed that taxpayer attitudes and tax administration policies do have an effect on tax compliance behavior. Use of respondent opinions geared to several recommendations on how to increase on tax compliance levels with main issues ranged from curbing corruption, sensitization, consistent enforcement, trainings and a good taxpayer- tax officer relationship. This would be very useful in meeting high tax returns in the foreseeable period among SME’s in Kampala city and Uganda at large.

Key words: Tax compliance behavior, taxpayer attitudes, tax administration, small and medium enterprises

Student ID: 2012-24062
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<td>PSFU</td>
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CHAPTER 1 INTRODUCTION

1.1 Background of the study

Across the world there is a certain degree of un-easiness during times of payment of taxes. As much as laws are put in place to make sure every person dealing in taxable goods and services pays government taxes, many have complied varyingly, with some keeping good record of their company books and have paid actual taxes promptly. This to a large extent is exercised by big enterprises where reputation is very important given that they are easily identified by tax bodies.

In Kampala as per 2012-2013 budget, figures show that the large taxpayers constitute only 1% of the total tax payers but contribute 80% of tax revenue, while the medium sized are over 2,000 and contribute a mere 15%. The small tax payers are the largest number but contribute only 5%, a reflection that small and medium businesses who are bigger in number hence would be in position to bring in more revenue but rather have instead gone unnoticed or have intentionally opted to pay tax penalties as it is less than the would-be tax amount. On the other hand it’s more likely there is a chance of being unnoticed with the whole tax dues in form of tax evasion.

In this study interviews were amongst small and medium enterprises located in Kampala the capital city of Uganda and research interest was due to various studies showing that the government and other revenue bodies do lose a lot of money in un-collected revenue despite all inputs in both tax administration through enforcement, tax collection and tax recovery in
reaching out to taxpayers to pay taxes. Kampala taxpayers cover the largest proportion of tax base than any other place in the country.

Lately in an effort to reduce this cost of tax collection and finding ways of increasing revenue, the past 10 years, Uganda Revenue Authority (URA) and Kampala Capital City Authority (KCCA) have tried in various ways to improve on the methods of tax collection and awareness campaigns through use of convenient services in form of e-tax system and mobile-money payments where taxpayer registration, filing, assessments, payments and even complaints can all be done online by the taxpayer himself. This though on a slow pace and with many challenges, has increased on the tax base where there has been a relative increase in tax revenues. Still on the rate of tax collection in comparison to the tax base available, it is below full coverage with recent reports and this slow raise in tax revenues among other factors is the poor tax compliance among taxpayers (Min of Finance UG 2009).

Taxpayers’ behaviors towards the tax system has evoked great attention among many revenue authorities, however it is debatable on what has been done by relevant tax bodies and researchers in the understanding this behavior in different areas by considering their standards like culture, type of business methods used by the revenue authority (which I will call tax administration) and perception of tangible results after payment of tax. These can change from area to another which also results in having different attitudes and compliance behaviors. On the side of small businesses in Kampala, it has been a struggle between the revenue enforcement and the
taxpayers which calls for detailed studies to get to know exactly what happens and what are the drives of these levels of tax compliance struggles.

Among the laws governing the country, taxation is a requirement in Uganda and failure to pay tax is a breach of the law and punishable. Despite of this, some citizens do not abide by the rules and still default through tax evasion, under declaring, forging of books of accounts and many others leading to facing charges ranging from penalties to imprisonment. The traditional methods of tax collection enforcement in Uganda through audit and penalties do explain only a small fraction of tax non-compliance.

Theorists and researchers attribute the vast majority of compliance to what they loosely describe as internal motivations that are caused by someone’s attitude to gauge the “tax morale.” Previous publications have shown that tax morale or attitudes do play a major role in tax compliance amongst the business community especially among small and medium enterprises which are not often audited or followed like big companies as they are many in number and not easily located although the exact components of taxpayer attitudes are not yet fully delineated, nor the precise mechanisms by which they work.

Research still shows that tax compliance is affected by social culture and personal characters such as those regarding justice, the trust in paying taxes, the belief in the legitimacy or input of the government, reciprocity, age, gender and education all correlate with attitudes towards tax.
The components of tax morale like internal motivators in other areas of the law are not static; they do interact with each other and the environment and are influenced by each individual’s own cognitive framework. Consequently an external agent, such as the Uganda Revenue Authority can influence taxpayer attitude by educating them to change their perceptions which may lead to increased tax compliance.

It can activate compliance norms in a variety of ways including educative tax related campaigns and sensitization. Apart from studies which are aimed at increasing the tax base, a case of Kampala city with a high population and a lot of business activity than any other place in the country would generate a lot of revenue, if there was a high level of compliance hence calls for urgent new methods and enforcement efforts of which eludes to this study by looking at taxpayers behavior, a review on the tax administration policies, tax grievances and their input on how to work together as taxpayers and the government by raising new solutions and opinions that may make a difference in increasing tax revenue.

As most large companies have their roots in small and medium enterprises, this suggests that the future large corporations are the small and medium sized enterprises of today hence must be nurtured during their growth which will generate a bigger tax return when consistently compliant from that start. Thus, SMEs are generally perceived to be the seedbed for indigenous entrepreneurship and generate all the many small investments, which would otherwise not have taken place (Aryeetey & Ahene, 2004).
Therefore, developing economies like Uganda needs to further the development of its private sector by creating an environment favorable to the growth of SMEs, strengthening the factors that lead to business success, and addressing the problems threatening the existence and advancement of small and medium enterprises (Chu, Kara & Benzing, 2008), so they can adequately play the role expected of them in economic transformation and increase their corporation in meeting their tax obligations. Perhaps the less developed countries are not to blame as they run on budget deficits hence, scarce resources to see through such studies which are perceived as adding no direct value to revenue collection.

From various studies it has been found that taxpayers’ attitude on tax compliance are influenced by many factors, which eventually influence taxpayer’s behavior where these behavioral trends are different from one country to another say a developed country USA can be extremely different from developing country like Uganda where individual business people react differently in accordance to their belief and understanding. These may include taxpayer’s perceptions of the tax system, a peer attitude, taxpayers’ understanding of the tax system or tax laws among others.

Tax policy has become volatile, unpredictable and constituted a serious hindrance to trade, investment and enterprise, moreover, tax administration capacity had deteriorated greatly, smuggling and evasion were rampant and decisions about tax issues are heavily influenced by rent seeking behavior (Mutebile, et al, 2009). Information about tax laws, rules, and
regulations was not generally available or easily accessible even to policy makers and administration officials. This encouraged corruption, created serious inequities in tax outcomes and undermined revenue collection.

1.2 Purpose of the study

The extent of the impact of attitudes and attitude change on tax compliance behavior is not well understood and studies in this area have not been expounded on in all countries having in mind the dynamics vary in every country and for the case of Uganda, such research is barely in place therefore my study is to address this knowledge gap as I develop a plan of my thesis. It is for this reason that the study attempted to find out how taxpayers’ attitudes, tax administration policies have influenced tax compliance behavior in Uganda specifically Kampala city central business district.

The main objective of the study was to analyze whether Taxpayers’ attitudes and tax administration policies do influence tax compliance behavior among small and medium business income earners in Kampala city. The study also investigated to what extent do tax compliance levels get affected by taxpayer attitudes and tax administration polices and highlight the drivers behind those attitudes and policy mechanisms plus what should be done to those negative attitudes and poor administrative policies so as to increase on the compliance of all taxpayers of small and medium enterprises. This was done by finding out;

(i) The attributes causing certain attitudes on taxpayers to have negative perceptions or ill feelings towards payment of tax.
(ii) How those attitudes can be addressed by sensitization for better understanding and positive responses towards payment of tax.

(iii) Ways for better policies and criteria in relation to on-ground peoples’ grievances so as to improve corporation and ease of work for both taxpayer and the revenue agencies.

1.3 Research Questions

(i) Determine the contributions and effect of tax administration policies on tax compliance levels.

(ii) What is the relationship between tax payer attitudes and tax compliance behavior among taxpayers?

(iii) Determine whether tax payer attitudes, tax administration and compliance behaviors are related.
1.4 Conceptual Framework

**Taxpayer attitudes**
- General fairness
- Exchange with government
- Tax evasion
- Tax conscience
- Tax-rate structure
- Satisfaction

**Tax Compliance**
- Non-lodgment
- Tax Debt
- Declare income
- Promptness

**Tax administration**
- Assessment
- Tax payer services
- Tax payer registration
- Tax audit

**Taxpayer attitudes** related to **Tax Compliance** and **Tax administration**.
CHAPTER 2 LITERATURE REVIEW

2.1 Introduction

This chapter explains at length through use of different literatures on main key terms and subjects that encompass the research to better understand the whole dynamics of the taxation field.

By definition, taxation is the process by which government and public bodies do raise monies to fund its operations and the impact an investment has on the investor’s liability for payment of federal, state, and local taxes makes up the process of administration and collection of taxes (Tumuhimbise, 2000). As a study it is concerned with public revenue and public debt. According to Dalton 1991, tax is a compulsory levy imposed by the public authority to taxpayers irrespective of the exact amount rendered to a taxpayer in return.

2.2 Key definitions

2.2.1 Small and Medium Enterprises (SMEs)

The definition of SMEs varies from person to person and from one economy to another. It is usually based on the number of employees, the annual turnover of the business or value of assets. SMEs are defined in respect to the number of people employed, capital input and sales turnover (Astley, 1997). Belkaovi & Karpic (1998) employed net sales to define SMEs, while (Trotman & Bradley, 1981) used both sales and total assets to define SMEs. UNCTAD, (2000) defines SMEs as a business involving one to five persons,
with simple enough activities to be managed directly on a person-to-person basis.

Due to the inconsistency in the definition of SMEs, the difference in the definitions was not fundamental to this research. However for purposes of this study, SMEs are defined as those resident business units with a gross annual turnover of not more than fifty million Uganda shillings (UGX 50,000,000). The definition includes any business irrespective of number of employees or capital invested, but excludes any professional and public utility business (ITA, 1997). In Uganda, according to (Hatega, 2007) it is estimated that the number of SMEs is more than 1.5 million, which constitutes more than 80% of Uganda’s private sector and of which Kampala Central business district has a bigger number to any other township in the country.

The composition being more of the informal sector than the formal sector, mainly dealing in trade, agro-processing and small manufacturing, 70% of these SMEs are located in the urban areas and they contribute 75% of the Gross Domestic Product (GDP) (MoF report). SMEs are very important for a developing an economy like Uganda because they provide employment opportunities to more than 5 million people and are a basis for developing new ideas, as well as contributing to economic growth and sustainable development.

In Uganda, a number of small and medium business Enterprises remain outside the tax system in form of tax avoidance which is also non compliance. It is easier for SMEs to remain outside the tax network because
they can remain un-noticed to the tax administration and given the unfriendly attitudes, voluntary tax registration levels in Kampala have been as poor, where by traders shun or avoid any involvement with the tax authority. Furthermore SMEs find it easier to slip out of the tax collectors’ network because the enforcement costs would exceed the potential tax revenue collected from the SMEs (Gauthier & Reinikka, 2001).

2.2.2 Taxation

Taxation encompasses the process through which government implements the tax regulations and laws in order to benefit from its application. Taxation is not only an instrument of raising revenue for government, but also a tool for administering social justice (Jhingan, 2006).

Taxes are compulsory contributions imposed by public authority, irrespective of the exact amount of service rendered to the taxpayer in return (Dalton, 1954). It’s through a critical analysis of taxation process that social justice of the tax governing institutions can be assessed on those affected by the taxation system.

2.2.3 A value added tax (VAT)

This is a form of consumption tax where from the perspective of the buyer, it is a tax on the purchase price. From that of the seller, it is a tax only on the value added to a product, material, or service and from an accounting point of view, by this stage of its manufacture or distribution. The manufacturer remits to the government the difference between these two
amounts, and retains the rest for themselves to offset the taxes they had previously paid on the inputs.

The value added to a product by or with a business is the sale price charged to its customer, minus the cost of materials and other taxable inputs. In the process of all involved purchase chain, this tax at the end is collected and remitted to the government only once, during purchase by the final consumer. These collections including remittances to the government, and credits for taxes already paid do occur each time a business in the supply chain purchases products. For the sake of Uganda, the VAT rate is at 18% and as each retailer who sells the product, the chain of the tax is remitted until it’s bound by the final consumer. This is the most tax paid by the small business community in Kampala.

2.2.4 Tax compliance/ Non compliance

There has to be a clarification between the meaning of tax evasion, tax avoidance and tax compliance. These may have a relationship as one may lead to another but for tax compliance, it does describe tax payers’ willingness to pay their taxes and non compliance is the failure to meet those tax obligations whether or not those failures are intentional. In practice there are three distinct types of compliance during the process of taxation.

They are payment compliance, filing compliance, and reporting compliance and can differ in definition from one organization to another. For example Organization for Economic Cooperation and Development (OECD)
divides and categorizes tax compliance as administrative compliance and technical compliance where the former refers to complying with administrative rules of lodging and paying which can relate to the reporting compliance, procedural compliance or regulatory compliance and technical is in the form of complying with technical requirements of the tax laws in calculating taxes or provisions of the tax laws in paying the share of the tax.

In relation to Uganda, since 2004, filing tax returns is done online for all taxpayers using the e-tax system that is the input tax and output taxes accrued in the course of a month and even when a trader did not make a business transaction in that particular month the tax payer is supposed to file what is termed as a nil return which shows that in the course of one month no taxable transaction was made.

In the event of failure or late filing, it is categorized as non tax compliance which comes with a set of penalties from URA or other tax bodies. More on the payment compliance, the taxpayer has to pay the exact taxes-due and at the right time to the revenue authority. Reporting compliance is a requirement for businesses to report wage and non-wage payments made in the course of their trade or business to the revenue authority.
2.3 Tax compliance behavior

2.3.1 Deterrence Effects;

The standard model of tax compliance, derived from (Becker 1968) and Allingham and Sandmo (1972), assumes that a rational taxpayer assesses the costs and benefits of evading taxes. If the expected benefits i.e. less income “lost” to tax do outweigh the costs, then the chances of a non-compliant taxpayer being caught then the taxpayer will evade tax as the taxpayer makes a rational choice after considering the options.

In Uganda, business people intentionally refuse to pay taxes or delay in filing tax returns and payment because its cost effective to pay penalty or pay at a future date in meantime use the ‘would be tax money’ as running capital. This standard model alone is not enough to explain the level of compliance in society (Braithwaite, 2009; Phillips, 2010) as evidence suggests that, given the probability of being caught evading taxes and the size of the punishment if caught, the level of tax evasion should be higher than it is in many countries.

One explanation is the tendency of people to overestimate the probability of being audited and the sanctions that might follow if evasion is uncovered (Reeson and Dunstall, 2009). Given the small businesses in Kampala, the Uganda Revenue Authority registration window period is voluntary for a specified time, failure to that effect, is punishable. But the time frame it takes for URA to uncover a non registered person is longer or
never hence they opt to delay to register voluntarily and wait for ‘their day’, however, other factors beyond deterrence also influence taxpayers.

The risk of detection and the punishments incurred should positively influence taxpayer compliance (Slemrod, 2007). Some findings as expected do increase in the probability of detection and improve compliance but the effects are quite weak. One reason is that auditing compliant taxpayers is found to sometimes undermine their willingness to comply and in some cases taxpayer behavior is found to worsen after an audit either to get back “losses” or in the belief that they will not be targeted again.

While deterrence is a vital tool (audit, other interventions and sanctions) for any tax administration, increasing the level of deterrence is often an expensive process for the tax administration and is not guaranteed to improve compliance. A targeted approach to deterrence is likely to be more effective.

2.4 Taxpayer characteristics

For every taxpayer involved in business at small and medium scales, they do have individual upbringing and levels at which they live which shape their actions in life. Among these are the levels of education attained of a taxpayer. This can influence their decision making and exposure to certain issues including topics concerning taxation. Age, sex and marital status have also been found to be an indirect determining factor on ones conscience and interpretation of laws especially in the taxation scenarios. For example
having a big budget constrain on a taxpayer living condition may lead to encroaching on the would-be taxes to be paid.

On another note the nature of business a taxpayer is involved in can also make one take positions and stances towards taxation. It is noted most often people tend not to register if the chain of their clientele is not with organizations, government bodies or strict companies which during business they need receipts, local purchase orders or tax identification numbers which are documents that implicate or expose one to taxation.

**The Impact of Norms on Behavior**

A key factor in tax compliance is a widespread desire to “do the right thing”; Uganda Revenue embarked on activities like social responsibility, door to door clinics for free registration, tax information and frequent advertisement to inform the citizens about the responsibility of paying taxes.

Taxpayers seek to comply because they believe it the right thing to do, not because of fear of punishment if they do not comply. The desire of a taxpayer to comply is strongly linked to behavioral norms, both the personal norms (beliefs) of the individual taxpayer and the social norms that prevail in society at large.

Personal norms are the result of a combination of factors inherent to the individual, they guide a taxpayer’s posture to the tax administration (OECD, 2010; Kirchler, 2007) but are difficult to influence. Tax administrations can try to send messages that outline the importance of
compliance to educate taxpayers and build up positive personal norms. Engagement by tax administrations with young people like the early working age does influence their personal norms and this benefits tax compliance in the long-term. In fact one of the URA’s human resource management strategies in the past five years has reshuffled the older staff with a new generation of young trained and sensitized staff who are more rigorous in enforcing the stringent laws on the taxpayer.

There is evidence that people seek to conform to social norms and that the behavior of others strongly influences an individual’s choices (OECD, 2010). This influence is important though in many cases people do not consciously realize it. This effect can be heightened when the relationship to the social grouping is stronger or closer (peers or neighbors may exert greater influence than those more distant to the individual). Social norms influence taxpayer behavior. If there is a perception that tax evasion is limited and the majority of the people are compliant, this makes people less willing to evade taxes themselves. Often people tend to believe that non-compliance is more prevalent than it is in practice so correcting misperceptions regarding the scale of evasion is also a positive way to reinforce compliance.
2.5 Taxpayers’ attitude

Culture

An individual’s attitude towards tax system may predict his tax compliance behavior. The issues contributing to attitudes, the culture of tax taxpayers have generated from one taxpayer to another. It’s shown that attitude is a partial indication of behavior where attitude towards an event, object, function or person may be favorable or unfavorable and the individual evaluates an event or object positively or negatively and the positive and negative evaluation is the main dominant characteristic of an individual’s attitude.

Erich Kirchler et al. (2008) suggested that a taxpayer who has favorable attitude towards tax evasion is expected to be less compliant and equally taxpayer with unfavorable attitude is likely to be more compliant. The taxpayer, whose motive of attitude towards tax system is to express his belief in the system, is expected to judge the fairness of the system objectively and the taxpayer whose attitude is motivated with what benefit to derive from the system may label tax system fair if he is benefiting from the system (Bobek, 1997).

Eriksen and Fallan (1996) said that dimensions of attitudes towards tax evasion include: attitude to one’s own tax evasion which is referred to as tax ethic, fairness of tax system, attitude to other people’s tax evasion and attitude to general crime. This relates to the culture of Uganda’s where if one business person gets to know how the neighbor is not paying taxes or has a way of evading, the likelihood of following him is very high. There are
empirical evidences suggesting that ethical value may play significant role in the compliance decision of an individual taxpayer. From Ho and Wong (2008) submission that individuals with stronger ethical mind may have favorable compliance attitude as they will regard complying with rule and regulation as an obligation that must be honored.

The important aspect of some ones attitude is whether or not it is positive, negative, or neutral. In instances where one strongly believes in doing something, it will lead to a desirable outcome, and then one could say that you have a positive attitude toward that behavior. Likewise, if you strongly believe that the behavior will lead to an undesirable outcome, you are likely to have a negative attitude about it. Attitude involves judgment of whether the behavior is good or bad and whether the actor is in favor of or against performing it.

2.6 Tax Administration

2.6.1 Introduction

According to Silvani and Alberto (1992), and Mikesell (1998) they did point out what constitutes tax administration internationally; however, tax administration has not been defined. Tax administration may be referred to as dealing with taxpayers in order to collect tax and sanctioning non-compliance. However it largely deals with gathering and processing information. That is sensitization and providing taxpayer services to keep compliance, assessment and tax collection procedures (Gupta, 1997).
In Uganda, Oriaro (1997), Chen and Reinikka (1999) and Mulindwa (2000) have also pointed out the aspects they consider relevant, and in summary these include locating of the taxpayer, checking on taxpayer compliance and collection of taxes. Although several writers have tried to explain the meaning of tax administration, Mulindwa (2000) cautions readers not to confuse tax policy, tax management and tax administration. Tax policy is like a law and its tax administration that brings tax policy into reality (Naimeede; 1998 and Mulindwa; 2000).

In Uganda, Abigaba (1998), Chen and Reinsildca (1999) found out that the main features of tax administration were assessments; frequent audits which were either desk /field operations or both, and lengthy delays in clearance of documents. This does cause problems in administering a tax as the basic tasks of identifying potential taxpayers, assessing tax on them appropriately and later collecting the tax have not been carried out. That is why corporation tax collection is low due to poor administering of the tax.

2.6.2 Taxpayer Identification

Taxpayer identification is one of the most important aspects of tax administration. This is because, as more taxpayers are located and registered, the taxpayers that would otherwise evade do comply. Hence, (Bird, 1991) noted that if taxpayers are identified and registered, revenue collection would increases as was the case in Bolivia. Therefore emphasis should be on identifying new corporation tax bases, which is also taxpayer identification (Asher, 2001).
2.6.3 Tax Assessment

According to URA, all taxpayers have to be assessed by estimating the tax liability they are supposed to be paying. But with the new e-tax system developments, URA has encouraged self assessments which are then cross checked or audited to see the correlation with the assessment. This has reduced on the work of the taxpayers who have been spending a lot of time in and scheduling appointments with revenue officers who are usually the technical people in the tax body responsible for revenue collection and assessments.

It is necessary that these charges should be updated taking into account the inflation, but most especially the current cost of providing such services. Without such measures, there would be no prospect of enhancing the contribution of corporate to the total budget revenue.

2.6.4 E tax System

In Uganda new methods for filing returns, self-assessments and payments have been introduced to ease taxpayer transaction in payment of tax. The online web portal for URA has made this process a possibility combined with the case of mobile-tax payment where through mobile phone account taxpayers can be able to transfer money to URA account. This has made it convenient for the taxpayers especially those who have no time to make those long lines in the bank for payments or those who are far away from nearest URA offices.
Payment of tax using mobile phones operation has been welcome by the majority, where a taxpayer using his mobile phone can bank the money directly to the URA account. Allen Kagina 2013 outlined that the system will be targeting tax payers paying below Shs3million, (in relation to my target group the SME). This according to the authorities, it will help the tax payer in fulfilling their tax obligations.

**System complications**

The level of complexity of operating the tax system can result in resentment and negativity towards the whole tax issue. A key assumption in decision-making is that people are capable of assessing a range of complex choices, and by correctly evaluating all of the available information, select the option with the best outcome for them. In reality it is rare to find situations in which people are fully informed of all their choices and always select the best option. In many cases, people fail to make the optimal choice when faced with picking the correct option which depends on calculating probabilities of events or risks occurring.

**2.6.5 Sensitization**

Sensitization of taxpayers refers to taxpayer education. As was noted by Bird (1989), it involves educating them as a means of shaping their attitudes. It is necessary to convince taxpayers to comply so as to enable government do its duties. Recently URA has embarked on various clinics to the public teaching and training on how to go about their taxation and book keepings. These include mobile visits with URA stuff giving out brochures in
different languages from shop to another and in public places like music festivals, football matches and even emailing all tax payers on the new developments.

According to Snarely (1988) he mentions that the strive to reinforce tax compliance behavior by sending messages in the media, leaflets, visual and audio media and bill boards stressing the benefits of compliance and the consequences of non-compliance do improve revenue collection. However, as Surrey (1974) and Thirsk (1991) pointed out, tax administration deals with a public that is unfamiliar with tax knowledge. Therefore, sensitizing the public may have little impact on revenue, since even the informed taxpayers may evade the tax for reasons ranging from ineffectiveness of monitoring structures (Chen and Renikka, 1999), to absence of benefits realized from taxes paid (Wentworth, 1985). They further noted that sensitization can go a long way to achieving compliance and improving revenue performance.

2.6.6 Collection Procedures

In recent times different methods of tax collection are all made to ease the process on the side of the taxpayer so as to encourage the compliance. The most important aspect of tax administration and its goal is revenue collection procedures, Joufain 2000. Collection procedures involve collecting money from taxpayers. These procedures can be gauged to be effective from the number of taxpayers who do comply (Okello andNsamba, 1995).

In most of the developing countries, little revenue is raised due to poor administration (Thirsk, 1991). Because of the weak administration, tax
evasion and avoidance are dominant. Thus, there is need to strengthen tax administration through improving collection procedures so as to get better revenue collection performance.

2.6.7 Fairness and Trust in Tax Administration

Whether an outcome is perceived to be fair will often influence behavior. In the case of Uganda with the rampant high levels of corruption, people tend to think or argue that why should they pay taxes and then the government mismanages the money. Experiments have shown that people prefer an option in which they receive no reward to an option in which they are rewarded but is perceived as unfair – they are rejecting an outcome that would make them better off (Braithwaite, 2009; Delaney and Harmon, 2009). Often trust and legitimacy are linked to fairness, as the perceived fairness of an outcome will be contingent upon them.

OECD, 2010 discusses three types of fairness in taxation: distributive fairness where the government acts as a wise spender of tax revenues like building roads, ensuring security in the region and others developments which are directly visible and contribute to economic development to the tax payer himself while procedural fairness alludes to the tax administration adherence to procedures that are fair in dealing with taxpayers and retributive fairness is the thinking that the tax administration is fair in applying punishments when the rules are broken say in Kampala a penalty of Uganda shillings two hundred thousand (Ushs 200,000) is levied on any tax payer who exceeds the 15th of every month not to have filled his tax returns. Distributive fairness
depends on policy-makers and the governance standards where minimal corruption by government officials can lead to better implementation of social development hence perception of taxation by tax payers.
CHAPTER 3 RESEARCH DESIGN

3.1 Area of study.

Uganda’s capital city, Kampala with an estimated population of 3.95 million people (mid 2013) and the central business district gazzetted URA has the highest business activities compared to any other township. The study population comprised both small and medium registered taxpayers operating in Kampala central business district which is one of the five administrative units making up Kampala metropolitan which serves as the capital city of Uganda.

3.2 Sample size and selection criteria

The target population of the study included small and medium sized enterprises. The data sources used in this study was comprised of primary data obtained from respondents using questionnaires administered on taxpayers who owned and managed SME’s in Kampala, while references statistics on tax were collected through reviewing of URA performance reports, journals, ministry of finance (MoF) budget reports, and other professional published literature.

A self- administered, structured questionnaire was used in addressing attitudes, tax administration and tax compliance levels where the questions required answering in a “yes”, “no” or “don’t know”, and closed questions relating to perceived tax structure by the respondent which helped gauge taxpayer attitude towards tax. For sections of attitudes, administration and tax compliance study used a likert 5 point-scale ranging from 1-strongly
disagrees to 5-strongly agree with each section comprising of various statements that helped in factoring their take on the respective variables.

The structured questions were used to capture their views on the ways and challenges they faced in payment of tax. The questionnaires was prepared in English but translated into Luganda, (a commonly used local language among the business community) for non-English speaking respondents.

3.3 Data analysis and methodology

Use of graphs and charts to categorize the respondent settings were used and factor analysis (principle component analysis) was used to extract the highly correlated factors for both dependent and independent variables. Strength of the relationship between dependent variable (tax compliance) and independent variables (taxpayer attitudes and tax administration) were tested using correlation – coefficient (r). In data analysis I used procedures within IBM SPSS 21 and MS Excel.

3.4 Limitations to the study

Empirical research has limitations on how questions are phrased, and in what order, this can affect responses. The gaps between belief, intention, and action can also result in unreliable responses. On this tax payment issue it is very sensitive in Uganda as taxpayers tend to think the researcher is a government undercover operative hence were often hesitant in giving true information rather they offer ‘defensive responses’ which skewed some
result outcomes. Self-reporting creates problems; there is a difference between what people report and what they actually do.

Sampling issues also influenced the study empirical results. The population studied was not wholly representative. Did the subjects, for example, respond in the way they did simply because of the apparent variable e.g. presentation of numbers of taxpayers who evade or were their reactions also influenced by the fact that the majority of the sample population was a particular age or gender? These and many more were experienced.

Books also iron out cases also encountered in the study where results are skewed by what is called the “isolation” effect which causes people to focus on the information presented to them and ignore that which is not. In the experimental context this means that a different outcome might occur if the survey question, or experiment, were presented in a different context with different salient facts. One of the more important limitations of empirical research regarding compliance is the fact that much of the research has been conducted in a controlled laboratory situation.

Although this allows researchers to isolate individual effects, it also weakens the results. In any controlled experiment, there is always the question of whether what the subject does in the controlled environment represents what he or she would do in the real world. This is amplified in the tax compliance area because it is often the confluence of a variety of factors that influence compliance. Many aspects of tax compliance develop over time so that even a single period study that offers repetitive chances may not capture
the effects that develop over time in the due cause of data collection for instance in my thesis I didn’t personally administer the questions which made supervision of the research assistants difficult. However I used spirited and determined researchers who I believe did their best to create a rapport and probe more so as to get all the necessary information.

The results of the study I got do not necessarily reflect the situation in the whole country because the study area was limited to one small study area and sample size. However it can be noted that Kampala has the highest number of registered taxpayers in Uganda and the Central division holds the highest number within Kampala hence making it representative of others to some extent.

3.5 Evaluation and projections

Study focused on conceptualizing the research to fit desired responses well aware of the challenges experienced in extracting data. In reference to the studies done it’s suggested that taxpayers’ attitudes towards the tax system and the way taxpayers feel treated by the tax authority are important in explaining taxpayer noncompliance to such researches themselves.

Tax fairness seems to involve at least two different dimensions (Jackson and Milliron, 1986): the first relates to the benefits one receives for the tax given; the second dimension involves the perceived equity of the taxpayer’s burden in reference to that of other individuals. The study aimed at looking into taxpayers grievances so as new policies can be formulated in how to harmonize both the side of the tax authorities and the taxpayer so as to
improve taxpayer’s perceptions concerning taxes, hence improve on the revenue collection of the city and the country at large.

3.6 Budget estimate

In the thesis as mentioned earlier using primary data required to design, print and distribute questionnaires to a target sample of up to 120 taxpayer respondents plus transport, facilitation of a set of field interviewers who distributed and then collected the filled questionnaires. Having in mind the correspondence involved in trying to coordinate with interviewers back to my country as am based here in Seoul Korea, the costs were equivalent to two thousand dollars ($2000). A well spent amount in relation to the information obtained!
CHAPTER 4 RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter covers summaries, interpretations and analysis of findings of my study. These were assessed in relation to the study objectives which included; examining the taxpayer attitudes and compare them with tax compliance levels, I also looked at the relationship of tax administration services/policies and their impact on tax compliance and I assessed the total influence of attitude, services rendered by the tax body in form of administration and what levels is compliance in these small and medium enterprises.

4.2 Demographic characteristics

The demographic features included respondent characteristics among them were the categories of gender, age, level of education attained, duration since registration with the tax authority and nature of the business operated. The response rate of respondents was 120 and as per the questionnaires I managed a response rate of 88.4% that is a total 106 respondents.
4.3 Demographic characteristics

4.3.1 Business category of respondents

Figure 1 Respondent business title

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner of Enterprise</td>
<td>46%</td>
</tr>
<tr>
<td>Manager of business</td>
<td>33%</td>
</tr>
<tr>
<td>Worker in the business</td>
<td>21%</td>
</tr>
</tbody>
</table>

Source: Primary data

It was found out that most small and medium business are operated by managers at 46% while the workers who responded were 33% and a smaller number of business owners was at 21%. This was due to owners not participating in the daily work or it was convenient to delegate managers and workers as respondents.
4.3.2 Gender grouping

Table 1 Gender

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>%</th>
<th>valid %</th>
<th>cumulative %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>75</td>
<td>70.8</td>
<td>70.8</td>
<td>70.8</td>
</tr>
<tr>
<td>Female</td>
<td>31</td>
<td>29.2</td>
<td>29.2</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>106</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Primary data

The bigger percentages of respondents were the males comprising of 70.8% and females at 29.2%. This is a reflection where on country average many males are more involved in business than the females. This can be attributed to lack of capital by females plus being more involved in household chores and taking care of the family as the males go do work.

4.3.3 Age grouping

Figure 2 Category of respondents

Source: Primary data
It was not a surprise that the younger generation between the ages of 18-29 years were the highest number at 39.6%, knowing these businesses need not much capital, it has encouraged the young people to engage themselves in trade with the little startup they have as unemployment rate in the country is very high.

This was followed by those in the range of 30-39 years at a 38.7%, those between 40-49 years were abit less at 17% and most of those were business owners and same as those above 49 years who were a mere 4.7% and their business had lasted longer with even high monthly income compared to the younger age cohorts respectively.

4.3.4 Education levels

Table 2 Levels of Education

<table>
<thead>
<tr>
<th>Frequency</th>
<th>percent</th>
<th>valid%</th>
<th>cumulative %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>3</td>
<td>2.8</td>
<td>2.8</td>
</tr>
<tr>
<td>Secondary</td>
<td>4</td>
<td>3.8</td>
<td>6.6</td>
</tr>
<tr>
<td>Diploma/certificate</td>
<td>13</td>
<td>12.3</td>
<td>18.9</td>
</tr>
<tr>
<td>Degree &amp; Above</td>
<td>86</td>
<td>81.1</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>106</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Primary data

As urban dwellers and increasing number of graduates finishing higher levels of education, it was observed that most of them were the
participants in these trade and services where a bigger portion of respondents had attained a degree and a above at 81.1%, followed by those with a diploma level at 12.3 % and then those at least with secondary and primary levels of education were 3.87% and 2.8% respectively. This made it easy for the respondents to be able to interpret the questionnaire and answer accordingly.

4.3.5 Nature of Business

Table 3 Nature of Business

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>percent</th>
<th>valid%</th>
<th>cumulative %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail trade</td>
<td>56</td>
<td>52.8</td>
<td>52.8</td>
<td>52.8</td>
</tr>
<tr>
<td>Services</td>
<td>48</td>
<td>45.3</td>
<td>45.3</td>
<td>98.1</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>2</td>
<td>1.9</td>
<td>1.9</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>106</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary data

The structure or nature of business showed that most of the respondents were retail traders dealing in various goods like stationary, hardware stores and drug stores among others which covered 52.8% and those doing services like clinics and consulting services were 45.3% and a small number of manufactures like making paper boxes and the like were only 1.9%. In relation to this setup, it was observed that it’s more likely for a trade business to engage in tax payment than one who does services, which often times are not easily located.
4.3.6 Earnings

Table 4 Average monthly income (Ushs)

<table>
<thead>
<tr>
<th>Income Range</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid%</th>
<th>Cumulative %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-5 Million</td>
<td>41</td>
<td>38.7</td>
<td>38.7</td>
<td>38.7</td>
</tr>
<tr>
<td>6-10 Million</td>
<td>30</td>
<td>28.3</td>
<td>28.3</td>
<td>67</td>
</tr>
<tr>
<td>10-20 Million</td>
<td>15</td>
<td>14.2</td>
<td>14.2</td>
<td>81.1</td>
</tr>
<tr>
<td>Above 20 Million</td>
<td>20</td>
<td>18.9</td>
<td>18.9</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>106</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source Primary data

On the monthly earnings, most of the respondents were in the range of one to five million Uganda shillings at 38.7% followed by those who had between 6-10 million at 28.3%. This was expected that almost three quarters of the respondents earned 10 million and below as the target population were small and medium businesses. On a high scale, those who earned above 20 million were 18.9 %t and a 14.2 % ranged from 10 to 20 million Uganda Shillings.
4.3.7 Registration Periods

Table 5 How long the respondents were registered with URA

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Valid%</th>
<th>Cumulative %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than six months</td>
<td>5.7</td>
<td>5.7</td>
</tr>
<tr>
<td>BTN 6months to 1 year</td>
<td>13.2</td>
<td>18.9</td>
</tr>
<tr>
<td>2 – 5 years</td>
<td>30.2</td>
<td>49.1</td>
</tr>
<tr>
<td>Above 5 years</td>
<td>50.9</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>106</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Primary data

It was informative to find that most of the respondents were registered with the revenue authority (which I expected them to have more say on the relevant tax issues raised in the questionnaire), that is, almost half were 5 years and above registered at 50.9%. Those registered between 2-5 years were 30.2% followed by those between 6months to one year at 13.2% and a smaller number of 5.7% had recently started paying taxes or registered with URA.
### 4.4 Frequencies

**Table 6 Multiple responses on general perceptions**

<table>
<thead>
<tr>
<th>Opinion</th>
<th>Response</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main course of registering with URA</td>
<td>URA directive</td>
<td>45</td>
<td>42.5</td>
</tr>
<tr>
<td></td>
<td>Ability to bid for tenders and supplies</td>
<td>25</td>
<td>23.6</td>
</tr>
<tr>
<td></td>
<td>Wanted to do my business by paying taxes</td>
<td>36</td>
<td>34.0</td>
</tr>
<tr>
<td>Last time you have been audited/issued tax notice by URA</td>
<td>Less than 3 months</td>
<td>21</td>
<td>19.8</td>
</tr>
<tr>
<td></td>
<td>6months - 1 year</td>
<td>30</td>
<td>28.3</td>
</tr>
<tr>
<td></td>
<td>2-3 years</td>
<td>19</td>
<td>17.9</td>
</tr>
<tr>
<td></td>
<td>Have never been audited</td>
<td>36</td>
<td>34.0</td>
</tr>
<tr>
<td>Ever been penalized for failure to pay taxes/delayed payment</td>
<td>Once</td>
<td>15</td>
<td>14.2</td>
</tr>
<tr>
<td></td>
<td>2-3 times</td>
<td>15</td>
<td>14.2</td>
</tr>
<tr>
<td></td>
<td>Several times</td>
<td>3</td>
<td>2.8</td>
</tr>
<tr>
<td></td>
<td>Never been penalized</td>
<td>73</td>
<td>68.9</td>
</tr>
<tr>
<td>In the last one year one of the reasons of missing to pay taxes was?</td>
<td>Taxes were a lot compared to my profit</td>
<td>24</td>
<td>22.6</td>
</tr>
<tr>
<td></td>
<td>My clients had also not made full payments</td>
<td>13</td>
<td>12.3</td>
</tr>
<tr>
<td></td>
<td>I had difficulty in payment (system failure)</td>
<td>4</td>
<td>3.8</td>
</tr>
<tr>
<td></td>
<td>Re invested the money to business/paying bills</td>
<td>12</td>
<td>11.3</td>
</tr>
<tr>
<td></td>
<td>Other reason (selfish interests, business losses)</td>
<td>53</td>
<td>50.0</td>
</tr>
<tr>
<td>Ever felt low morale or no incentive to pay taxes because</td>
<td>Sales and profit margin are small</td>
<td>30</td>
<td>28.3</td>
</tr>
<tr>
<td></td>
<td>The 18% tax rate is too high compared to business market</td>
<td>35</td>
<td>33.0</td>
</tr>
<tr>
<td></td>
<td>Too much government corruption</td>
<td>22</td>
<td>20.8</td>
</tr>
<tr>
<td></td>
<td>Complicated tax system and the tax law</td>
<td>7</td>
<td>6.6</td>
</tr>
<tr>
<td></td>
<td>Fellow taxpayers also do-not pay taxes</td>
<td>12</td>
<td>11.3</td>
</tr>
<tr>
<td></td>
<td>Other (government corruption, high rent &amp; others)</td>
<td>30</td>
<td>28.3</td>
</tr>
</tbody>
</table>

Source: Primary Data
From the above table, some responses reflected the general opinions and perceptions on several causes or reasons in relation to payment of taxes. It was assessed that of all respondents, most of them got registered with the revenue authority as a result of being directed to do so at a 42.5%, followed by 23.6% whose business had to register as a way of getting tax clearance certificates which are used to bid for tenders. This is in line with what Eriksen and Fallan (1996) suggestion about taxpayer compliance in relation to drives to registration. And the last group of 34%, it was own initiative to voluntarily do business as they pay taxes.

As a reflection on the level of tax administration, it was found out that the authority’s coverage of taxpayers on audit or do their book keeping was poor with a bigger percentage of 34.0% to have never had a visit from an official from URA which may lead to relaxation and room to avoid tax payments. The others had at least been audited, those having been audited in less than three months at 19.8%, in the period 6 months – one year were 28.3% and lastly those audited in the last 2-3 years were 17.9%.

On being penalized, many of them claimed to have never been penalized at 68.9% which can either be that URA has never gotten/audited them or they have been paying their taxes promptly, they are followed by those penalized at least once or 2-3 times both with a 14.2% respectively and lastly those who stated that they have been penalized several times at were 2.8%. Of the many reasons attributed to failure to pay taxes or delaying, almost half at 50% had other reasons ranging from selfish interests where
money meant for the taxes is channeled to individual needs, in scenarios of a
loss it would be used as ‘recovery fund’ among other reasons (i.e. instead of
incurring the loss made they replace it with the tax money) that were raised by
the respondents.

This was followed by 22.6% who attributed nonpayment of taxes to
the amount being too much in comparison to business profit, leading to a
temptation not to declare amount meant for taxes hence evasion, 12.3% had
an attitude that since other traders like neighbors didn’t pay it prompted them
to also default. Lastly it was due to difficulty in using the URA e-tax system
in filing on time hence late payment at 3.8%

The last opinion survey for multiple answers was about the ‘loss of
morale’ or no incentive in payment of taxes, the larger number at 33.0%
claimed that the tax rates were very high, 28.3% made arguments that their
sales and profit margins were small which would let them down, hence lack of
morale to pay their taxes, and due to government corruption view carried
20.8% of the respondents as the cause of no incentive to pay taxes and 11.3%
were in a bandwagon with general traders perception that other traders also
do not make prompt tax payments and they have gone away with it i.e. they
are never penalized. A 28.3% had several reasons ranging from high rent,
temporary business closer among others.
4.5 Factor analysis

From the questions I used, there was need to extract and come up with factors that were related and those that were good indicators of the attitudes, tax administration and tax compliance. Use of principle component analysis ironed out these factors for taxpayer attitudes, tax administration and tax compliance and the rotation option was done using the Varimax with Kaiser Normalization. Under the items extracted I only considered those with factor loadings above 0.5 in all the variables in taxpayer attitude questions, tax administration and tax compliance respectively.
4.5.1 Factor analysis in Taxpayer attitudes.

Table 7 Factor analysis, Taxpayer attitudes

<table>
<thead>
<tr>
<th>Question</th>
<th>Factors (components)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Satisfaction</td>
</tr>
<tr>
<td>Q3</td>
<td>0.667</td>
</tr>
<tr>
<td>Q8</td>
<td>0.63</td>
</tr>
<tr>
<td>Q9</td>
<td>0.623</td>
</tr>
<tr>
<td>Q2</td>
<td></td>
</tr>
<tr>
<td>Q5</td>
<td></td>
</tr>
<tr>
<td>Q4</td>
<td></td>
</tr>
<tr>
<td>Q1</td>
<td></td>
</tr>
<tr>
<td>Q6</td>
<td></td>
</tr>
<tr>
<td>Q7</td>
<td></td>
</tr>
<tr>
<td>Eigen values</td>
<td>2.684</td>
</tr>
<tr>
<td>% of variance</td>
<td>18.578</td>
</tr>
<tr>
<td>Cumulative %</td>
<td>18.578</td>
</tr>
</tbody>
</table>

Source: Primary data

From the table, Question Q3, Q8, Q9 were correlated in reflecting the level of satisfaction-attitude taxpayers had in relation to worthiness of paying the taxes. Overall all the three factors accounted for a cumulative 51.5% of the total variance, with the first factor (satisfaction) accounting for 18.5% of the variation in the solution; the second factor (fairness) which were correlated to Q2, Q4 and Q5 accounted for 15.6% of the variation in the solution, the third
factor (reciprocity) which were attached to Q1, Q6 and Q7 accounted for 12.52% of the variation in the solution. Their Eigen-values were above 1 at 2.684 for satisfaction, 2.108 for fairness and reciprocity came at third with Eigen values of 1.043. (Eigen value less than 1 is not as important (Keskin et al., 2007; Tabachnick and Fidelli, 2001).

Table 8 **Factor Analysis Tax administration**
Source: Primary data

<table>
<thead>
<tr>
<th>Question</th>
<th>Services rendered</th>
<th>Audit rate</th>
<th>Tax knowledge</th>
</tr>
</thead>
<tbody>
<tr>
<td>QH</td>
<td>0.827</td>
<td></td>
<td></td>
</tr>
<tr>
<td>QI</td>
<td>0.722</td>
<td></td>
<td></td>
</tr>
<tr>
<td>QE</td>
<td>0.634</td>
<td></td>
<td></td>
</tr>
<tr>
<td>QD</td>
<td>0.584</td>
<td></td>
<td></td>
</tr>
<tr>
<td>QB</td>
<td></td>
<td>0.872</td>
<td></td>
</tr>
<tr>
<td>QA</td>
<td></td>
<td>0.765</td>
<td></td>
</tr>
<tr>
<td>QC</td>
<td></td>
<td></td>
<td>0.797</td>
</tr>
<tr>
<td>QJ</td>
<td></td>
<td></td>
<td>0.741</td>
</tr>
<tr>
<td>QG</td>
<td></td>
<td></td>
<td>0.967</td>
</tr>
<tr>
<td>Eigen values</td>
<td>1.835</td>
<td>1.486</td>
<td>1.066</td>
</tr>
<tr>
<td>% of variance</td>
<td>18.231</td>
<td>16.75</td>
<td>12.004</td>
</tr>
<tr>
<td>Cumulative %</td>
<td>18.231</td>
<td>49.875</td>
<td>56.458</td>
</tr>
</tbody>
</table>

Under tax administration, three factors in all were extracted with QH, QI, QE and QD questions were related to services rendered from the authority to the taxpayers, questions QB and QA were in line with auditing where it was crosschecked on how often and consistent were these tax payers audited in a
period of time, and tax-knowledge was correlated with QC QJ and QG. The total variances of the three extracted factors accumulated to 56.5% with services having 18.2%, Audit rate at 16.8% and tax knowledge had 12.004% variance. The Eigen values were above one at 1.84 for services, 1.486 for the audit rate and 1.06 for tax knowledge.

4.5.2 Factor analysis for tax compliance

Table 9 Factor analysis for tax compliance

<table>
<thead>
<tr>
<th>Question</th>
<th>Factors (components)</th>
<th>Promptness</th>
<th>Declare income</th>
<th>Tax dept</th>
<th>Non Lodgment</th>
</tr>
</thead>
<tbody>
<tr>
<td>QI</td>
<td></td>
<td>0.782</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>QII</td>
<td></td>
<td>0.775</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>QIII</td>
<td></td>
<td></td>
<td>0.837</td>
<td></td>
<td></td>
</tr>
<tr>
<td>QIV</td>
<td></td>
<td></td>
<td></td>
<td>0.641</td>
<td></td>
</tr>
<tr>
<td>QV</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.838</td>
</tr>
<tr>
<td>QVI</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.735</td>
</tr>
<tr>
<td>QVII</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.836</td>
</tr>
<tr>
<td>QVIII</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.557</td>
</tr>
<tr>
<td>Eigen values</td>
<td></td>
<td>1.255</td>
<td>1.201</td>
<td>1.143</td>
<td>1.076</td>
</tr>
<tr>
<td>% of variance</td>
<td></td>
<td>17.862</td>
<td>15.135</td>
<td>12.218</td>
<td>11.834</td>
</tr>
<tr>
<td>Cumulative %</td>
<td></td>
<td>17.862</td>
<td>46.213</td>
<td>57.453</td>
<td>66.782</td>
</tr>
</tbody>
</table>

Source: Primary data

Under tax compliance, the extracted factors were four with factor 1 relating to tax paying promptness relating to QI and QII, factor two with declaration of income with QIII and QIV, factor three with having tax debt
was under QV and QVI, and lastly factor four with Non logdment were correlated under QVII and QVIII. Where their variances had a total of 66.8% with promptness at 17.9%, declaring income at 15.14%, tax debt with 12.22% and non logment had a variance of 11.8%. All the four had eigen values between 1.26 to 1.07

Table 10 Taxpayer characteristics and their relationship with tax-compliance

<table>
<thead>
<tr>
<th>Correlations</th>
<th>Age</th>
<th>Education</th>
<th>Sex</th>
<th>How long has business been in existence</th>
<th>Promptness</th>
<th>General fairness</th>
<th>Heavy tax</th>
<th>Assessment</th>
</tr>
</thead>
</table>
| Age                               | 1
| Sig.(2tailed)                     |      |           |    |                                        |            |                  |           |             |
| Education                         | -.081 |           |     |                                        |            |                  |           |             |
| Sig.(2tailed)                     | .407  | 1         |     |                                        |            |                  |           |             |
| Sex                               | .134  | -.193*    |     |                                        |            |                  |           |             |
| Sig.(2tailed)                     | .171  | .048      |     |                                        |            |                  |           |             |
| How long has business been in existence | .255** | -.073    | -.222  | 1                                      |            |                  |           |             |
| Sig                               | .008  | .458      | .819 |                                        |            |                  |           |             |
| Promptness                        | .110  | .075      | -.163* | -.113  | 1                                      |            |                  |           |             |
| Sig(2-tailed)                     | .263  | .442      | .048  | .249                                   |            |                  |           |             |
| General fairness                  | -.035 | -.017     | -.281** | -.224* | -.066  | 1                                      |            |             |
| Sig.(2tailed)                     | .725  | .864      | .004  | .021                                   | .503       |                  |           |             |
| Heavy tax                         | -.010 | -.031     | -.180* | -.118 | .063  | .216*                     | 1          |             |
| Sig(2-tailed)                     | .923  | .753      | .041  | .228                                   | .518       | .026             |           |             |
| Assessment                        | -.072 | .127      | -.052 | -.081  | -.186* | -.064                      | .328**     | 1           |
Source: Primary data

From the table above; Testing for correlations between respondent characteristics and their attitudes, knowledge of the tax and tax compliance where it was observed that the only variables that were significantly correlated i.e. those that had a value less than p<.05 were;

- Age was significantly correlated with how long the trader has been involved in business at sig 0.008.

- Education had a relative relationship with gender at sig 0.048

- Gender had a relationship with promptness (sig 0.048), with tax fairness at sig (0.004) and with heavy tax at sig (0.041).

- Duration in doing business also had a significant relationship with general fairness sig 0.021.

- Promptness had a significant relationship with assessment sig 0.050.

- General fairness had a significant relationship with heavy taxes levied with sig 0.026 and Assessment also had a significant relationship with heavy taxes levied.
4.6 Correlations

Table 11 Correlations between independent and dependent variables

<table>
<thead>
<tr>
<th></th>
<th>Fairness</th>
<th>Satisfaction</th>
<th>Reciprocity</th>
<th>Services</th>
<th>Audit</th>
<th>Knowledge</th>
<th>Compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fairness</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Satisfaction</td>
<td></td>
<td>202*</td>
<td>0.164</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reciprocity</td>
<td>0.367**</td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Services</td>
<td>0.037</td>
<td>-0.125</td>
<td>0.281**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audit</td>
<td>0.035</td>
<td>0.015</td>
<td>0.074</td>
<td>0.099</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Knowledge</td>
<td>-0.05</td>
<td>-0.183</td>
<td>0.142</td>
<td>0.274**</td>
<td>0.127</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Compliance</td>
<td>0.298**</td>
<td>0.025</td>
<td>0.078</td>
<td>0.343**</td>
<td>0.013</td>
<td>0.362**</td>
<td>1</td>
</tr>
</tbody>
</table>

* Correlation is significant at the 0.05 level (2-tailed).
** Correlation is significant at the 0.01 level (2-tailed).

Source: Primary data

4.6.1 Relationship between perception of tax fairness and tax compliance

From the table above, it was tested and found that at r=0.298, where P< 0.01, it illustrates a significant relationship between taxpayer perception of tax fairness and tax compliance in that as taxpayers understand tax to be a fair obligation, there is likelihood of increased (like increased promptness in paying their taxes, ability to file and submit their tax returns on the tax system efficiently, more tendencies in declaring their actual incomes).

Likewise when there is a negative fairness perception of tax system say; long bureaucracies when filing returns and payments may lead to late payments, non-lodgment and even defaulting. This is in line with Murphy &
Nagel, 2002 statements where he said that ‘Fairness is the standard for evaluating differences in the tax treatment of different individuals’.

4.6.2 Relationship between tax knowledge and tax compliance

As indicated in the table, it tested that there was a significant relationship between taxpayer attitudes and tax compliance with \( r = 0.362 \) at \( p < 0.01 \) which also means as the taxpayer is more conversant with tax laws, like ability to calculate their taxes, file them on the tax system, those people tend to be somehow compliant while those who have difficulty in the dynamics of taxes issues especially operation and book keeping they tend to shy away or are not prompt in their tax matters. This is in line with (Young-Dahl & Tinsley, 1978) taxpayer and public knowledge effects.

4.6.3 Relationship between tax services offered and tax compliance

It was also observed that there was a significant relationship between services offered and how people complied in payment of tax with \( r = 0.343 \) at \( p < 0.01 \) which supports Bird and Zolt 2005, statement that ‘convenient services and available information can increase on the level of tax compliance’.

4.6.4: Relationships between taxpayer attitude and tax administration

Between the independent variable factors, it was also observed that some factors were correlated; Reciprocity and fairness were correlated with \( r = 0.367 \), reciprocity and services offered \( r = 0.281 \) and knowledge with services with an \( r = 0.274 \). This in general would explain that tax administration factors
like services, knowledge also contribute to the taxpayer attitudes of perceiving tax fairness, and reciprocity because through these positive administrative policies, they tend to sensitize and change perceptions of taxpayers towards the whole tax field.

4.7 Regression Analysis

In regression an assessment on the effect and relationship between independent variables (i.e. taxpayer attitudes & tax administration) with the dependent variable of tax compliance behavior was done with the outcome as below;

Table 12 Regression model summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Squar e</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Change Statistics</th>
<th>F Change</th>
<th>df1</th>
<th>df2</th>
<th>Sig. F Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.412a</td>
<td>.170</td>
<td>.120</td>
<td>.46610</td>
<td>.170</td>
<td>3.381</td>
<td>6</td>
<td>99</td>
<td>.004</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Knowledge, Fairness, Audit, Services, Satisfaction, Reciprocity  
b. Dependent Variable: Compliance.

Source: Primary data
Table 13 Regression coefficients

Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.738</td>
<td>.536</td>
<td></td>
<td>3.243</td>
</tr>
<tr>
<td>Fairness</td>
<td>.254</td>
<td>.106</td>
<td>.353</td>
<td>4.507</td>
</tr>
<tr>
<td>Satisfaction</td>
<td>.036</td>
<td>.076</td>
<td>.047</td>
<td>.473</td>
</tr>
<tr>
<td>Reciprocity</td>
<td>.084</td>
<td>.059</td>
<td>.162</td>
<td>1.431</td>
</tr>
<tr>
<td>Services</td>
<td>.189</td>
<td>.058</td>
<td>.364</td>
<td>.663</td>
</tr>
<tr>
<td>Audit</td>
<td>.043</td>
<td>.065</td>
<td>.062</td>
<td>.667</td>
</tr>
<tr>
<td>Knowledge</td>
<td>.293</td>
<td>.066</td>
<td>.441</td>
<td>4.460</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Compliance

Source: Primary data

In the regression process, study used six factors that were more correlated after running the principle component analysis where attitudes had three factors of fairness, Satisfaction and reciprocity and tax administration also with three factors of services offered, how often taxpayers are audited and the knowledge to taxpayers and then a regression was run with dependent variable of tax compliance.

It was noted that some variables, had significance impact on compliance and some did not have any relationship or impact as explained below;

There was a significant relationship between taxpayer perception of fairness and tax compliance, with F = 3.381 and Sig=0.004. The standard
coefficient Beta=0.293 of tax knowledge explained a bigger influence on tax compliance than both tax fairness (0.254) and tax services offered at (0.189), thou they also had an impact that had a Beta of 0.269. On interpretation, it illustrates that for every 100% effort on tax knowledge given to taxpayers, will lead to a 29.3% change on the levels of tax compliance as well as 100% change on taxpayer perception of fairness will lead to a 25.4% change towards tax compliance. Also a 100% change on tax services offered to taxpayers will make an 18.9% change on the tax compliance levels. These changes can be positive or negatives changes respectively.

On the whole small and medium traders’ knowledge of tax, perception of fairness and services offered had a big impact on the level of tax compliance exercised amongst the taxpayers. To back up some of these findings are by (Kuteesa et al, 2010), who found that educating and providing relevant knowledge is a big element in addressing the culture of most taxpayers in Uganda.

However it was also observed that there were factors which were not statistically significant like satisfaction, reciprocity and audit where all had a sig > 0.004 which was unexpected in relation to Gouldner (1960) who argued that reciprocity is a ubiquitous characteristic of human interaction across cultural, individuals tend to adhere, and ought to cooperate with those who cooperate with them that is to say government offers services and good administration.
CHAPTER 5 CONCLUSIONS AND RECOMMENDATIONS

5.0 Conclusions

In this chapter, after all analysis and findings, the study made relations to what has been researched and written with my outcomes so as to put forward how these new findings can help in making efforts and new policies so as improve on the tax compliance levels.

5.1 The relationship between tax administration and tax compliance

Upon acknowledging that tax administration policies and tax compliance levels are related, where as more taxpayers are administered in terms of trainings, sensitizations, flexibly and easy access to facilities, the more they tend to improve on compliance levels. This is also backed by similar assertions of (Bird 1991) who states that when tax administration is inefficient, it may lead to low morale or incentive for taxpayers to fully comply, which may even lead to governance manipulations.

Another researcher Musgraves (1989) also mentioned of how there is need for a well trained staff, skilled with all necessary equipment like computers and other materials which increases on efficiency in tax compliance.

This was also echoed by the respondents themselves whose opinions were about the inefficient online e-tax system that is often on and off where it leads them to file late and others had difficulty in computing their tax liabilities and needed regular workshops from URA for such knowledge.
5.2 Relationship between taxpayer attitudes and tax compliance

There was a positive and significant relationship found between some taxpayer attitudes and tax compliance. This showed a very high incentive amongst those taxpayers who had positive attitudes like knowing that it’s their obligation to pay taxes, those who acknowledged that it was the right thing to promptly pay on time, their compliance trends were encouraging.

This is in relation to Chan, Troutman and O’Bryan (2000) findings that taxpayer attitude had a positive relationship with tax compliance. Among them also is how taxpayers view services offered by government, levels of corruption, self interest in cases where government doesn’t work or if there is rampant corruption, this may lead to tax avoidance tendencies amongst these small and medium enterprises.

Noting that some factors of attitude were not necessarily related to compliance, this was somehow unexpected but room for broader studies on these particular factors would iron out the inconsistencies or affirm that actually they do not have effect. This can be tested with a bigger sample size and more questionings on related factors.

5.3 Relationship between tax administration and taxpayer attitudes

From the side of independent variables, the study ascertain that attitudes can be a result of well ordered and good administration services rendered to taxpayers. From the correlations it was tested that indeed one can actually influence the other. In addition from respondent opinions relating to the correlations obtained, there was consistency where a taxpayer who had
trainings, one who could easily access tax system like e-tax and those who were well handled by the tax body staff such actions became an inducement or encouragement for the taxpayer to have positive or improved attitudes towards tax payment. As stated by (Eriksen & Fallan, 1996); who found strong influence of increased tax knowledge (thru better administration) on respondent’s perception of the fairness of the tax system.

5.4 Policy recommendations and solutions

After this survey, and with various outcomes, it calls for an educative and urgent need for broader action on the mentioned loopholes and effects that affect tax compliance. As it was proven to some extend that taxpayer attitudes and tax administration influence taxpayer compliance behavior, there need for policies and measures to be put in place so that small and medium businesses in Kampala can be more tax compliant.

There is need for better tax administrative measures and a general outreach for better service delivery on the side of government and restraints on corruption and many more which will impact positively on attitudes among taxpayers and increased compliance as stated below;

Vigorous audits on tax payers are one of the major weapons to increase tax compliance amongst traders. In relation to the survey a bigger percentages had not even encountered an audit visit from the tax body which has lead to reluctance on payments.

Fight corruption. The government of Uganda levels of corruption is also another big factor echoed by the respondents and this has to be addressed to
change most of their perceptions in relation to payments of tax. Gross mismanagement of tax revenue dampens the morale of taxpayers, hence inadvertently encouraging tax evasion and avoidance, Isssa Sekiito, 2012

Increased enforcement: The tax enforcement team should also be effective to capture and penalize tax evaders and culprits so as to set an example to the many who are in the same problem of non payments.

Increase tax base:Expanding on coverage of taxable business. It was noted that most business hide under informal settings and are not levied taxes, like wholesale trading, real estate and construction among others. This can be done by more forced tax registrations and monitoring.

Sensitization: Through media, workshops, emails and SMS texts, the tax body can consistently do trainings; provide simple tax law interpretations and clinics like use of brochures explaining how to file their returns and improved collaborations between taxpayers and the tax administrators. These and many more issues/suggestions concerning taxation and tax compliance can be forwarded and gradually there will be an improvement in the taxation system in Kampala and Uganda at large.

5.5 Limitations
During data collection, there were several cases where respondents were hesitant in availing all the information giving reasons ranging from mistrust, bias and lack of time and them time frame to get enough respondents was limited.
The long distance from my home country and South Korea, limited me to exhaustively extract all the necessary information.

5.6 Areas of further studies

Due to time and sensitivity of the topic the study couldn’t cover a large sample of traders and inquire more about their income especially sections of their previous tax returns in relation to their incomes which left a hanging gap in ascertaining the actual tax payment levels. This can be done with enough resources and time.

Further research on other forms of taxes like Pay as you earn (PAYE), corporation tax, withholding tax and rental tax can also be investigated to see what holds them or what leads to non compliance levels.
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McKee, M., (2003), High Tax Compliance Leads to Smaller Government, manuscript, Department of Economics, University of Tennessee


Wenzel M (2001), The Impact of outcome orientation and justice concerns on tax compliance; the role of taxpayers’ identity Centre for Tax System Integrity, working paper No. 6 Can berra; The Australian National University.
Dear respondent,

I thank you for sparing some time in filling this questionnaire which is designed to collect information on Tax compliance. It is purely for academic purposes as a thesis in attaining a Masters Degree in Public policy & Administration. It will be treated with utmost confidentiality and there are no foreseeable risks in providing us this information as your participation is completely voluntary.

In order to accomplish this research, I kindly request you for your utmost sincerity and willingness so as to achieve an informed and unbiased data.

I thank you for your time

Brian KANZIRA
Supervisor; Professor; Kim Bong Hwan

PART A: DEMOGRAPHIC FACTORS (please tick the appropriate box)

1) Category of respondent; a) Owner of enterprise   b) Manager   c) Worker.
2) Gender  a) Male       b) Female.
3) Marital status  a) single  b) married  c) divorced  d) widowed.
4) Age of respondent;  a) 18-29 years  b) 30-39 years  c) 40-49 years  d) Above 49 years.
5) What is your highest level of education?
   a) Primary  b) Secondary  c) Certificate or Diploma  d) Degree & above.

PART B: Business Related (circle your answer)

1) For how long has this business been in existence?
   a) 1-5 years
   b) 6-10 years
   c) 11-15 years
   d) Above 15 years.
2) What kind of business are you in?
   a) Trade (………………………………..)
   b) Services (…………………………)
   c) Small scale Manufacturing specify (……………..).
3) What is your average monthly income
   a) 1-5m
   b) 6-10m
   c) 10-20m
   d) Above 20 million
4) Are you registered with URA for any tax head?
   a). YES  b). NO
5) How long have you been registered with URA
   a) Less than six months
   b) Between six months to one year
   c) 2 to 5 years
6) The main cause of your registration was;
   a) It was a URA directive for me to register.
   b) So as to be able to bid for tenders and supplies in organizations.
   c) I wanted to do my business by paying the taxes due.

7) When was the last time a URA staff came to audit your books or deliver a tax notice?
   a) Less than 3 months
   b) 6 months to one year
   c) 2-3 years.
   d) Has never come to audit me

8) Have you ever been penalized for failure to pay taxes or delayed payment?
   a) Once b) 2-3 times c) Several times d) Never been penalized

9) In your business career have you ever paid less tax than the actual amount?
   a) Once b) 2-3 times c) Several times d) Never always pays actual amount

10) Do you know or have heard of anyone who has been imprisoned because of nonpayment of taxes?
    a) One b) 2-3 people c) Several of them d) Never

11) Does the government of Uganda provide services to the public in relation to the taxes collected?
12) In the last 12 months if you missed paying taxes to URA the reason was?

A. The taxes were a lot compared to my profit.
B. My clients I supply goods/services had not also made payments for my goods.
C. I had difficulty in filling and payment procedure.
D. I had used all the money back into business or payment of wages and bills.
E. Other (specify) ………………………

13) If you ever felt the low morale or no incentive to paying taxes was because;

A. The business sales and profit margin are small.
B. The 18 % tax rate is too high for me compared my business scale.
C. There is too much corruption in government as they do not give us services.
D. URA tax system and tax law is complicated for me.
E. Fellow business people & neighbors do not regularly pay the taxes.
F. Other (specify)………………….
### PART C Tax Payer Attitudes

Please respond by ticking one answer in each line across as to how you feel about income taxes and the income tax system. (1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree)

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>It is every Uganda’s civic duty to pay their fair share of taxes.</td>
<td></td>
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<tr>
<td>Q2</td>
<td>On the whole, the burden of income taxes is fairly distributed among businesses and goods levied</td>
<td></td>
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<tr>
<td>Q3</td>
<td>The current tax system is the fairest kind of system that the government could use to collect revenue</td>
<td></td>
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</tr>
<tr>
<td>Q4</td>
<td>Some of my goods/services I believe shouldn’t be VAT taxed</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Q5</td>
<td>High income earners should pay more tax than us small business owners</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Q6</td>
<td>On average my tax payment morale is good in relation to what I get from government (reciprocity)</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Q7</td>
<td>If someone I know cheats in paying taxes also affect my tax payments behavior</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Q8</td>
<td>I get <strong>fair value</strong> for my taxes in terms of benefits like public services received from government.</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Q9</td>
<td>I am satisfied with the tax law and payment of taxes in this country.</td>
<td></td>
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</tr>
</tbody>
</table>
## PART D Tax Administration

Kindly circle the answer to indicate whether you agree or disagree with the questions below. 5. Strongly Agree 4 Agree 3. Neutral 2 disagree 1. Strongly disagree

<table>
<thead>
<tr>
<th>Question</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>QA</td>
<td>Do you agree paying a relatively small fine would deter people from evading tax if URA detects tax evasion?</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>QB</td>
<td>Do you agree paying a substantial fine would deter people from evading tax if the URA detects tax evasion?</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>QC</td>
<td>Heavy fines may deter me or other taxpayers to pay taxes on time and actual amount.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>QD</td>
<td>Do you think URA officials can or always recovered lost taxes</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>QE</td>
<td>Do you think in general URA can easily detect tax defaulters?</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>QF</td>
<td>Do you think there is high likelihood of being audited by URA in a given 12 months?</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>QG</td>
<td>I’ve ever gotten tax knowledge through training and sensitization from URA personnel</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>QH</td>
<td>Am satisfied with URA tax Services in general</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>QI</td>
<td>I always file my returns with a tax account help</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>QJ</td>
<td>We cannot blame taxpayers that</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>
## PART E Tax Compliance

<table>
<thead>
<tr>
<th>Question</th>
<th>Description</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>QI</td>
<td>I often declare all my income earned for tax proposes</td>
<td></td>
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<tr>
<td>QII</td>
<td>When I get penalized for late payments I do pay up as required</td>
<td></td>
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<tr>
<td>QIII</td>
<td>I do fill my returns on specified dates</td>
<td></td>
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<tr>
<td>QIV</td>
<td>I have not been penalized for no payment</td>
<td></td>
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<tr>
<td>QV</td>
<td>I do pay actual amount assessed promptly</td>
<td></td>
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<tr>
<td>QVI</td>
<td>My overall tax compliance is rated high</td>
<td></td>
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</tr>
<tr>
<td>QVII</td>
<td>I do have some outstanding debt payment for tax</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>QVIII</td>
<td>Some times I’ve not lodged my tax returns to URA at all</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Respondent Opinion;

In your own assessment what factors do cause small and medium traders in Kampala not to be tax compliant?

a) ........................................................................................................

b) ........................................................................................................

c) ........................................................................................................

d) ........................................................................................................

THANK YOU FOR YOUR CO-OPERATION AND TIME.

Date of interview .................................................................

Name and signature of interviewer .................................
국문초록

중소기업의 납세자 태도, 조세행정 그리고 조세순응 행위에 관한 연구: 우간다 캄팔라 씨티의 중심업무지구에 관한 연구

Brian KANZIRA
행정대학원 행정학 전공
서울대학교

최근 개발도상국에 대한 원조가 줄어들고 있는 가운데, 다른 개발도상국들과 마찬가지로 우간다 역시 정부의 세원확보를 위해 세원을 확대할 수 있는 방안을 모색하고자 노력하고 있다. 그러나 우간다의 과세표준이 너무 낮기 때문에 재원마련에 많은 어려움을 겪고 있다. 이러한 문제의 원인 중 하나는 특히 중소기업들의 조세순응 수준이 낮다는 것이다. 이러한 문제의식에서 왜 우간다의 납세자들이 조세에 순응하지 않는지 그 요인에 대한 연구를 수행하였다. 먼저 조세납부에 대한 태도를 평가하고, 조세행정에 대한 태도를 평가한 뒤 이것이 조세순응에 미치는 영향을 살펴보았다.

양적 연구방법을 이용하여 분석하였는데, 특히 기술통계와 추론통계를 사용하였다. 대상집단은 캄팔라 씨티 중심업무지구에 있는 중소기업 사업체이며, 조세전문가와 정부공무원 등 인터뷰 대상자에 대한 면접조사를 통해 정보를 확보하였다. 인터뷰 대상자는 목적할당 표본추출과 무작위표본 추출방법을 통해서 선정하였으며 총 106 명을 표본으로 하여 조사를 실시하였다. 분석을 위해서는 SPSS를 사용하였다.
회귀분석 결과, 납세자의 태도에 관한 변수 중 공정성, 상호호혜 원칙, 만족도와 같은 변수들이 조세순응행위와 통계적으로 유의한 관계에 있다는 것을 발견하였다. 또한 조세행정에 대한 변수 중 조세에 대한 지식, 감사비용, 제공된 서비스 또한 조세순응 행위에 통계적으로 유의한 영향을 미친다는 것을 밝혀냈다. 납세자 태도와 조세행정 관련 변수 중 다른 변수들은 조세순응행위와 관계가 없었다. 이를 선정하여 분석하였다. 이러한 변수들이 조세순응 행위에 유의한 영향을 미치는 것으로 확인되었다. 또한 조세순응 행위에 관한 변수들과 납세자 태도 및 조세행정에 관한 변수들에 대한 상관관계 분석을 추가로 실시하였다.

결론적으로 본 연구를 통해 납세자의 태도와 조세 행정 정책이 조세순응 행위에 영향을 미친다는 것을 확인하였다. 또한 응답자들의 의견을 종합하여 조세순응을 확보할 수 있는 정책적 함의를 제안하였는데, 부패를 줄이고, 더욱 민감하게 대응해야 하며, 일관된 정책집행을 실시해야 한다. 또한 교육훈련 및 세무공무원과 납세자의 관계를 향상시킬 수 있는 노력이 필요하다는 점을 제안하였다. 이러한 연구결과는 캄팔라써티뿐만 아니라 우간다 전체의 중소기업들로부터 세금을 더 많이 확보할 수 있는 데 기여할 것으로 기대한다.

주요어: 조세순응행위, 납세자 태도, 조세행정, 중소기업

학번: 2012-24062