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THE EFFECTS OF TAX ADMINISTRATION ON TAX COMPLIANCE AMONG SMALL SCALE BUSINESS IN LIRA MAIN MARKET, LIRA MUNICIPALITY.

1 Introduction

Uganda like any other country in the world suffers from the effects of poor tax administration which results in to low level of compliance among small scale businesses. He effects of poor tax administration towards small scale business is becoming a big challenge in many towns in Uganda and lira district inclusive. This study was conducted in lira main market where the researcher explained explored the effects of tax administration on tax compliance among small scale businesses in lira, lira municipality and at the end of it, all possible solutions will be found.

2 Background of the study

The attitude of tax compliance towards tax administration was one of the greatest challenges faced by worldwide by oath developed countries like USA, UK and developing countries like Nigeria, Kenya and Uganda and many others. In USA, tax administration was under the control IRS and monitored by TIGTA. According to TIGTA, the tax enforcement revenue had fallen during the fiscal year 2012, this was because IRS was not doing enough to collect taxes and also educating the tax payers, taxes imposed were income tax, pay roll, property, sales, imports estates, gifts as well as various fees. In 2010, taxes collected by the statesman municipal amounted to 24.8 percent of the GDP (According to Wikipedia 2014) Nigeria which was considered one of the biggest economy in Africa with market size (the total economy worth dollar 453 billion rather than dollar 264 billion) oil and gas contributing to on 14.4 percent of GDP (compared to a third) and agriculture also was falling from third of the GDP to 21.6 percent due to the weakness of the states (Alex cobham global development)

3 Statement of the problem

While there have been improvements in the actual collections of income tax revenue from 13.5 percent to 25 percent of the total revenue in 2010/2012/2013 respectively (annual revenue bulleting 2012/2013) over the years, tax compliance in Uganda has remained one of the lowest in the sub Saharan Africa as illustrated by the low tax GDP ratio of 13 percent and high tendency of tax payers to avoid and evade taxes (Mugmbe2010). It was suspected that high compliance cost (e.g. time and monetary costs) together with attitudes and low tax compliance among small scale businesses little or any, empirical evidence on tax administration competence compliance attitude in developing countries like Uganda was available and the policy makers had not yet taken such factors into consideration whether tax administration, tax compliance among small scale business in Uganda.

4 Purpose of study

The purpose of the study was to evaluate the effect of tax administration on tax compliance among small scale businesses in lira main market.

5 Objectives

5.1 General objectives

To determine the effects of tax administration on tax compliance among small scale businesses in lira main market.

5.2 Specific objectives

To determine the fairness of tax administration towards small business tax payers.

To analyze the effects of tax administration on timely filing of returns.

To assess the effects of tax administration on timely payment of taxes.

6 Area and scope of the studied

6.1 Geographical scope.

The study was carried out at Lira Main Market, Lira District, this area was chosen because it would be easier since the researcher comes within, and therefore it would enable the researcher come up with adequate information from the respondents.

6.2 Time scope

The study took approximately a period of one week from 1st February to 7th, same month. This period was chosen because it would give the researcher time to gather adequate information from the respondents.