

# **IMPACT OF TAXATION ON SMALL BUSINESS**

**A Case Study Jebel Market-south Sudan**

***DRIJARU VIVIAN NELSON***

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**P. O. Box Kenya**

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## **ABSTRACT**

Small and medium enterprises play a very important role in development of the South Sudan economy. The SMEs sector's importance in the economic development of any country in recent years cannot be underrated especially with regard to creation of employment, innovation, uplifting the people's standard of living and financial contribution to the growth of the country's GDP. This sector's growth is hindered by the challenges of lack of financial resources to expand, the entrepreneur managerial skills, unskilled labour, production of poor quality goods, lack of market for their products, infrastructure and above all taxation policy which does not favor their growth potential. The study looks at the impact of tax influence on SMEs sector growth in South Sudan. The study employs descriptive design. Primary data will be collected on valuables contributing to tax influence and their effect of the growth of SMEs. A total of 50 respondents will be considered out of the entire population in Jebel market.

## DECLARATION

### STUDENT'S DECLARATION

This project is my original work and has not been presented for a diploma in any other university.

SIGN .....

DATE.....

NAME: ***DRIJARU VIVIAN NELSON***

REG. NO: ***PGD003-POST***

### SUPERVISOR'S DECLARATION.

This project has been submitted for examination with my approval as University supervisor.

SIGN .....DATE.....

PROF. ....

DEPARTMENT OF ***PROJECT PLANNING AND MANAGEMENT***



## **DEDICATION**

This project research is dedicated to all who assisted in making this proposal successful and particularly my loving parents and my friends for their encouragement and support throughout the study. May god bless them abundantly?

## **ACKNOWLEDGEMENT**

I give thanks to Almighty God for the precious life, wisdom, guidance and strength granted me to enable me write this thesis.

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## **CHAPTER ONE**

### **Introduction to the Background of the Study**

#### **1.0 Introduction**

This chapter examines the background information to the study, the statement of the research problem and the purpose of the study. The research objectives, research questions, justification of the study, importance of the study and scope are also discussed.

#### **1.1 Background of the Study**

The desire to build a civilized country with a strong and sound economy is the desire of every country, including South Sudan. Tax payment is the demonstration of such desire, although some income earners see it as a means of exploitation by the government. Tax payment is a voluntarily contribution imposed by the government on personal income earners, companies, investors, exporters, importers etc. Revenue realized from taxation is a major source of revenue to the government of South Sudan, and as such is important tool used in development of South Sudan

and her economy. A country's tax policies and systems are greatly related with the business ventures in the country. An economy that enacts favorable and progressive tax laws and policies will definitely breed successful and finance healthy business organizations. Once business flourish, the economy flourishes as well, as there is no quicker way of stirring up the matters of economy without help of organizations that move services, goods, money and investments from those with surplus to those with deficit; those with marketable ideas/ output to those who need these ideas and products. In essence, businesses and tax policies greatly depend on one another for survival.

With the help of various studies and research done by tax experts, tax laws are being reviewed with the aim of repelling obsolete provisions and simplifying the main ones. Under current South Sudan laws, taxation is enforced by two tiers of the government, i.e. National government and State government with each having its sphere clearly spelt out in taxes and levies. Small business enterprises are generally recognized as important drivers of economic success.

They are key ingredient in the "ecology of firms" in healthy economy, as job creators, sales generators and source of tax/ fiscal revenue. In South Sudan the importance of small business enterprises as a creator of jobs, particularly for those with low skills level, is widely recognized.

Regulations and tax policies are reported to be one of the constraints to the expansion of small businesses in South Sudan and internationally. However, these enterprises like any other business

South Sudan is liable to different types of taxes and these include income tax, corporation tax capital gain tax, sales tax and customs duties that are paid at different stages of the business. For purposes of this study the emphasis is put on income tax which is levied on the incomes of all South Sudan residents.

## **1.2 Statement of the problem**

It is believed that income tax rates that are charged on small and medium enterprises are not accurate since its base on assumptions without assessing the actual turnover of the enterprise, yet at times these enterprises may be making losses. It is alleged that high Income tax rates affect the level of consumption and increase the unit cost. Profit maximization is the major goal of every small scale enterprise. However, this seems not to be a reality as most of them cannot achieve this goal.

Income tax administration plays a pertinent role regarding revenue collection as well as profitability of any business entity. In an effort for the government to increase its tax base, the tax burden for many firms increases. However, the tax administration system is poor as at times, the tax liability computation is based on estimates, records of many small business firms are incomplete, and some miss out completely leading to tax over charge. In return, this directly affects the growth of the enterprise and may threaten its survival because taxes are paid out of profits. Therefore, failure to have an effective tax administration system adversely affects the profitability of small-scale businesses.

## **1.3 Purpose of the Study**

The purpose of the study was to establish the effect of tax administration on of small business in Jebel market.

## **1.4 Objectives of the Study**

The study is guided by the following research objectives;

- i. To determine how tax rate affects growth of small business in Jebel market.
- ii. To determine the tax policy used to administer tax on small business in Jebel market.

- iii. To establish the types of tax that affects the growth of small business in Jebel market.

### **1.5 Research Questions**

The study is guided by the following research questions;

- i. How tax rate affects growth of small business in Jebel market?
- ii. Which tax policy is administered on small business in Jebel market?
- iii. What is the types of tax that affect the growth of small business in Jebel market?

### **1.6 scope of the study**

This research mainly focuses on the impact of tax policies on the economy of small business in Juba more particularly in Jebel market. The study only delimits itself to the challenges on the tax policies in South Sudan to the small business and how it can affect self-employed business persons, traders and other forms of sole proprietorship businesses

### **1.7 The significance of the study**

The findings will benefit the different stakeholders as explained below:

1. The traders- they will learn their duties as tax payers. Taxes being one of the operational costs of business and must be paid.
2. The legislature Assembly (Parliament) – will amend parts of the Tax Act which are unfair to small scale traders.
3. South Sudan Revenue Authority (SSRA) will use appropriate trader friendly methods when collecting taxes. The Authority will get to know about corruption tendencies of its officials in the tax administration.

4. The State government, to revise tax rates downwards and fight corruption among tax collectors.

5. The general public, they will learn that every business has to pay different forms of taxes.

This is because a tax is a compulsory operational business expense. Even other researchers on this topic will use it as reference for future research.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

In this chapter, literature, which is related to and consistent with the objectives of this study, is reviewed. Important theoretical and practical problems are brought out, relevant literature on the aspects pertaining to the effects of taxation on Small business.

#### **2.1 Theoretical Review**

The SME's sector plays a crucial role in maintaining high employment and income generation and is therefore critical for a country to achieving sustainable growth. To enhance their role, SME's need to focus on a number of key business challenges such as reducing costs, improving employee productivity and building competitive advantage through producing quality products and services and other entrepreneurial interventions<sup>1</sup>. To achieve the growth potential of the SME's sector the government has to play a role of providing the necessary infrastructure to the sector and this is only achievable through taxing the same sector i.e. reaping the benefits of the said infrastructure.

Tax is a compulsory contribution imposed by a public authority irrespective of the amount of service rendered to the tax payer in return

Professor Seligman defined it into compulsory contributions from a person to the government to defining the expenses incurred in the common interest of all without reference to special benefits compared<sup>3</sup>.

The government offers these functions of „administrative, development and social function effectively and adequately.

While growth of any firm or sector is measured by the contribution and number of employment it is providing and increasing in sales, income, profit and thus capital which portrays a survival capability in case of any problem facing the sector or firm.

Salemi argues that there are various types of taxes i.e. income tax, cooperation tax, sales tax, excise tax, custom duty, fees, prices, fines, special assessments, VAT along others<sup>4</sup>.

The government levy taxes to accomplish the following purpose i.e. raise revenue, maintain economic stability, solve unemployment problem, offer protection policy, social welfare and help achieve fair distribution of resources by optimally allocating resources and increase the rate of economic formula. But when imposing any tax, the following conditions and challenges must be fulfilled i.e. Equality, certainty, convenience, economical productivity, elasticity, flexibility, simplicity and durability otherwise it won't be fulfilling its objectives. Another challenge of taxation is those who try not to pay tax through evading or avoidance.

In order for SME's sectors to grow, the level of taxation set must be friendly and not stifle the running of the business. Holtz-Eakin<sup>5</sup> argues as to whether there is an economic case for the preferential tax treatment of SME's. Some of the factors that could be advance in



favor tax concessions for SME's includes: firstly, presence of externalities provided by small firms that benefit the economy, the rewards for which are not fully captured by small firms, for example if small firms were highly innovative, but the majority of the advantages accrued to large businesses who, because of their market power, were able to buy small firms for less than they are worth. Secondly, there is a need to provide tax breaks for small firms, on the basis of equity and thirdly the tax system should not affect the growth of the SME's in a negative way.

## **2.2 Characteristics of SMEs.**

The sector is characterized by free entry; small scale nature of the activities; self-employment with a high proportion of family workers and apprentices; little capital and equipment. Other characteristics include labour intensive technology; low skills; low level of organization with little access to organized markets, unregulated and competitive markets, less formal credit, low education and training or services and amenities and cheap provision of goods and services.

## **2.3 Importance of the SMEs.**

As in most developing countries, the indigenous private sector in South Sudan is dominated by SMEs. The 1999 National SME Baseline Survey found that there are about 1.3 million SMEs country-wide, employing some 2.3 million people. The contribution of the SME sector to Gross

Domestic Product (GDP) was estimated at 18.4% in 1999. The sector is therefore an integral means of strengthening the South Sudan economy. It has emerged as a major source of employment in South Sudan's labour market. The share of the informal the sector's employment to total employment in the country rose from 48.9% in 1993 to 78% in 2006<sup>6</sup>

Despite the fact that the diverse activities are widely noticeable as a source of livelihood for many Kenyans, a number of issues have been raised about the sector. Concerns have basically revolved around legitimacy of the activities when they are carried out in an informal environment their operating environment and their implications and impact on the entire economy. Majority of the firms in the sector do not fulfill business registration requirements and tax obligations. Given the rapid rate at which SMEs have increased, there is an urgent need to capture their activities into the tax net. For the informal firms in the sector, there is a pressing need for a formalization strategy. This will ensure that, firstly; they are legally in the tax net.

Second, their tax regime is simplified to enable them fulfill their tax liabilities at minimal costs.

Third, this will help tax authorities enhance administrative efficiency, eliminate avenues for tax evasion and enhance tax compliance.

## **2.4 The Concept of Tax in SMEs**

Experiences in the past couple of years have proven that SMEs are unquestionably the growth engines of the African economy and therefore the South Sudan government considers the issue of SMEs a priority. It has been obvious that there cannot be a recovery from the financial and economic crisis without small enterprises which have to be freed of burdens weighing on their activities. The SMEs tax was introduced to serves this end. This tax was set in a new direction in the income tax system. Although certain elements of the system which has been presented in the parliament may still be modified via the expected social and parliamentary debate, but it includes – besides a more favorable tax rate – two

conceptual differences whether the tax levied on essential consumer goods in the VAT bill 2013 was favorable or computation for income tax based on cash flows will favor the SMEs.

Tax regimes and taxation of SMEs have become increasingly topical and governments globally have sought to accommodate and provide a means for such businesses to participate in mainstream economic activity in a legitimate fashion. Previously, tax administrations had argued that the cost of registering these enterprises and processing their returns far outweighed the benefits in terms of revenue yield. This remains true where such businesses are required to participate in the normal taxpaying regime and this has led to a significant move internationally to offer simplified regimes for this category of taxpayers. Cost versus benefit is still an important issue that needs to be carefully balanced. However, a better balance is greatly facilitated where a simplified regime is implemented.

There is a growing awareness that tax systems can go beyond merely maximizing revenue collection but over the medium- to longer-term can inculcate a higher degree of tax compliance and build a platform to support entrepreneurship and business development. Over time, perceptions regarding small businesses have changed. In the late 70's, small businesses were typically regarded as habitual tax avoiders and evaders. With the advent of private sector led development paradigm in the early 1980s, the SMEs represented a higher and growing proportion of GDP in both developing and developed countries culminating into much emphasis on taxing these businesses.

## **2.5 Methods of Taxing the SMEs**

There are fundamental differences in initiating a tax regime in developed and developing economies. In developed economies, most small businesses are within the formal category and it has been easy to customize the existing tax legislation to suit their needs. Essentially,

the system used does not represent a major departure from existing systems. Furthermore, the location of the taxpayer is easily traceable. However, in developing countries, the task is more difficult in that small taxpayers are not generally compliant with tax, registration, local government requirements and regulations (through ignorance as well as intent). Furthermore, they cannot be easily located or identified by the tax administration because they overwhelmingly operate within the informal sector.

The following are the key features of the small taxpayers sector:

- (i) Small, transient, and often cash-based businesses.
- (ii) High turnover rates - many new businesses created, many others fail, and a few grow.

Many of them are family based, sole proprietorships, and partnerships.

- (iii) Large numbers often comprising between 70-80 percent of total taxpayers.

- (iv) Low revenue potential (typically 5-10 percent) of total revenues.

- (v) Expensive to administer.

- (vi) Many remain outside the tax net due to challenges in complying with tax and other government regulations.

- (vii) They have weak accounting capabilities coupled with rudimentary accounting systems.

Tax authorities experience major problems in identifying informal sector activities, not only because they sometimes include illicit activities, but also because even legitimate activities are difficult to identify when they are mobile (traders), small-scale (basic services) or elusive (craftsmen carrying out small jobs for cash). These difficulties severely limit the personal and business income tax base that is known and reported to the tax authorities. Usually, only a

fraction of small businesses register with the tax authorities. Moreover, only a small share of the overall population is on the payroll of formal sector enterprises and the government, where recorded wages and salaries are readily observable and easily taxable through employer withholding schemes. Despite such handicaps, the experience of several countries in recent years shows that substantial improvement can be achieved with determined effort and an appropriately designed strategy.

## **2.6 Approaches to Taxing the Informal Sector**

### **2.6.1 Legitimizing the Informal Sector Approach**

Available literature shows that one way to capture the shadow economy into the tax net is to legitimize the sector by allowing tax holiday and/or exemptions for certain sectors. For instance, exempting typically low-yield sectors like agriculture from income taxation will significantly reduce the cost of tax administration. This system has been applied in India where the agricultural sector is constitutionally excluded from central income tax.

### **2.6.2 The Presumptive Approach**

Presumptive taxation involves the use of indirect means to ascertain tax liability, which differ from the usual rules based on the taxpayer's accounts. The term "presumptive" is used to indicate that there is a legal presumption that the taxpayer's income is no less than the amount resulting from application of the indirect method<sup>1</sup>. It involves simple and cost-effective techniques to capture domestic transactions and sources of income that frequently escape taxation under conventional norms. These techniques include lump-sum levies on small-scale business activities (standard assessments); the assessment of taxes through

indicators or proxies that help estimate a taxpayer's income (estimated assessments); and the collection of minimum taxes irrespective of a taxpayer's actual level of business activity (presumptive minimum taxes). More recently, other methods have gained importance. They include presumptive taxes on imports; withholding schemes designed to capture the incomes of unregistered businesses; and graduated business license fees.

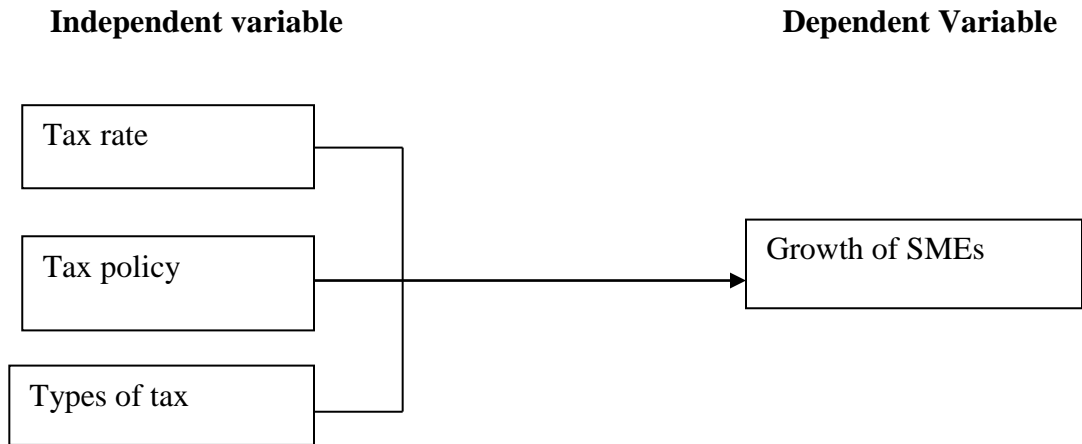
A presumptive tax can be assessed in two ways. These include: First, estimating the taxpayer's income estimated on a specific basis. Secondly, computing taxable income on the basis of key factors associated with income generation such as sales, turnover, number of employees, size of the firm and taxpayer's assets. Presumptive tax is of various types. These include:

- (i) Minimum tax concept which is a fixed amount of tax is paid by persons in the informal sector regardless of the actual trading results;
- (ii) Forfeit Tax in VAT which is similar to the minimum tax and is applicable to a class of persons referred to as small traders in lieu of Value Added Tax; and (iii) Multi bands tax liability scheme where several fixed income brackets (bands) are set based on sales or turnover.

### **2.6.3 The Indirect Approach**

This approach imposes an appropriate tax burden on those operating in the underground economy. Indirect taxes could potentially substitute for special regimes aimed at the hard to tax sector to the extent that these taxes reach the targeted sector via the shifting of taxes into wages, returns on capital or consumer prices. It is ideal for economies where final consumption taxes significantly capture many of the informal sector activities and where the proportion of the informal sector to the entire economy is relatively large.

## 2.7 Conceptual Framework



## 2.8 Types of Taxes

### 2.8.1 Direct Taxes and Indirect Taxes:

1. Direct taxes are those that are imposed on incomes and property of individuals. The distinguishing characteristics are that their impact and incidence fall on the persons concerned and cannot be shifted to other persons. Examples include: Personal income tax (employment income and rental income), wealth tax, capital gains tax, estate duty, inheritance duty, the capital levy, corporation tax, and super profit tax.

2. Indirect taxes – these are taxes which are not directly collected by the government but indirectly through intermediaries who are usually the business people. Indirect taxes are usually imposed on commodities but they can be shifted on to the consumers. Indirect taxes include: sales tax, excise duty, customs duty consisting of import and export duties, expenditure tax, sumptuary tax and Value Added Tax (VAT).

### 2.8.2 Proportional and progressive taxes

1. Proportional tax – this is a tax levied on a uniform percentage between the tax and the income. The tax liability increases in the same proportion with income.

2. Progressive tax – this is where the tax rate increases as the amount subject to taxation increases. This tax is designed to help the lower paid tax payers and therefore to redistributed income.

3. Regressive tax – is a tax imposed in such a manner that the tax rate decreases as the amount subject to taxation increases. It imposes a greater burden for the poor than on the rich.

## **2.9 Tax Policy and the Growth of SMEs**

According to Tomlin<sup>7</sup>, economists argue that the resources smaller companies direct towards tax compliance are resources that could otherwise be used for reinvestment, facilitating future growth. Hence, there is a belief that taxes and a complex tax system put disproportionate pressure on smaller businesses. Small taxpayers under the regular system of taxation are discriminated against, since the compliance requirements, cost of compliance and tax rate are the same for both small and large enterprises. Reducing the compliance costs and tax rate increases the small enterprises profit margin. It also increases the Government's tax revenue, since the simplified provisions for a micro enterprise historically reduce the size of the shadow economy and the number of non-complying registered taxpayers

Furthermore, SMEs usually have to operate in an overbearing regulatory environment with the plethora of regulatory agencies, multiple taxes, cumbersome importation procedure and high port charges that constantly exert serious burden on their operations.

An overly complex regulatory system and tax regime or one opaque in its administration and enforcement makes tax compliance unduly burdensome and often have a distortionary effect on the development of SMEs as they are tempted to morph into forms that offer a lower tax burden or no tax burden at all<sup>9</sup> and this results in a tax system that imposes high expenses on the society. A poorly executed tax system also leads to low efficiency, high collection



charges, waste of time for taxpayers and the staff, and the low amounts of received taxes and the deviation of optimum allocation of resources<sup>10</sup>. Existing empirical evidence clearly indicates that small and medium sized businesses are affected disproportionately by these costs: when scaled by sales or assets, the compliance costs of SMEs are higher than for large businesses. Among the factors militating against SME tax compliance with are: high tax rates, Low efficiency, high collection charges, waste of time for taxpayers and the staff, and the low amounts of received taxes and the deviation of optimum allocation of resources.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY AND DESIGN**

#### **3.1 Introduction**

This chapter highlights the procedures that will follow in the whole research process. It discusses the research design, the study population, sample size, data collection methods and instruments, data processing, analysis and presentation and finally the limitations of the study.

#### **3.2 Research Design**

The researcher will use a cross sectional survey design basing on the use of descriptive and quantitative designs that will be used to establish the relationship between income tax administration and the performance of small business. This design will be used for estimating, predicting and examining associative relationships. Cross sectional studies easily provide a quick snapshot of what is going on with the variables for the research problem.

### 3.3 Study Population

The study comprises of a population of over 25 small-scale enterprises, which include retail shops, hardware shops, groceries, and dealers in general merchandise and SSRA tax administrators.

### 3.4 Sample Size

The major participants in the informal sector that is to say the small-scale business will be too wide so there will be a need to choose a few manageable respondents to participate in the study.

The researcher will obtain data from the 5th respondents and these include the small-scale businesses in Jebel market and the tax administrators.

**Table 1: showing Sample distribution**

Stratum	Size of the population
Tax administrators	5
Small business	20
Total	25

Source: survey study 2019

### 3.5 Sampling Design and Procedure

The researcher will use simple random sampling and purposive sampling techniques. Simple random sampling approach will be used during the study because of its advantages like minimization of bias results. This implies that all participants in the study population have equal chance of being selected. Purposive sampling will be also used to select only those respondents with importance attached to their office. This means that data will be obtained from the key

informants about the subject matter. A combination of these two techniques will give a wide range of response.

### **3.6 Data Sources**

Data will be obtained from both secondary and primary data sources.

#### **3.6.1 Secondary data collection**

Roston (2001) defines secondary data as that kind of data that is available, already reported by some other scholars. Secondary data included policy documents and abstracts of the various scholars relating to the topic of discussion in question. Secondary data for this study will be got from sources like libraries, archived records from the Town Council, and records of selected small-scale enterprises, government publications, online information, text books, newspapers, and unpublished research reports. This will be because it is readily available and easier to comprehend, as it comprised of extensively researched work.

#### **3.6.2 Primary data collection**

According to Roston (2001), primary data is that kind of data that has been gathered for the first time, it has never been reported anywhere. Short comings of secondary data sources such as out datedness and inadequacy in terms of coverage, necessitated the use of primary source for first data. Self-administered questionnaire will be used and this enabled the researcher to cover a large population quickly and at are reasonable cost.

### **3.7. Data Collection Instruments and Methods**

#### **3.7.1 Questionnaire**

A questionnaire is a reformulated written set of questions to which respondents record their answers, usually within rather closely defined alternatives. The questionnaire will be equally used because the information has to be collected from a large sample in a short period yet some of the respondents cannot read and write which necessitate interviews. The questionnaire will be used in collection of data from respondents (owners of small-scale businesses). The questionnaires will consist of both open and close-ended questions administered to respondents of Jebel market.

#### **3.7.2 Interview method**

The researcher will also administer interviews. An interview is a dialogue between an interviewer and interviewee. It is an organized conversation aimed at gathering data about a particular topic.

This is a method where a researcher interviews respondents to obtain information on the issue of interest. In this case, the interviews during this research will be structured and are specifically administered to staff of Jebel market.

#### **3.7.3 Observation method**

The researcher will observe the tickets from the tax council that the business operators had pinned in the shelves of the businesses as well as counter books that were used to record the customers who took goods on credit. However, the observation method reveals that the respondents will never use the counter books to record all the transactions made implying that they have poor records keeping system.

### **3.8.0 Data Processing and Analysis**

#### **3.8.1 Data processing**

The data collected from the field will be subject to processing for easy interpretation and understanding. Data collected will be checked for completeness, categorized, coded, and entered into a computer where it will be summarized into frequency tables edited and tabulation by use of percentages.

Quantitative data will be presented in form of descriptive statistics using frequency tables.

Qualitative data will be sorted and grouped into themes. The researcher thereafter will evaluate and analyze the adequacy of information in answering the research questions through coding of data, identifying categories and parameters that emerge in the responses to the variables of the study. Qualitative data will be presented using narrative text.

### **3.9.0 Limitations of the Study**

**Financial constraints:** Financing the research study will be too costly in terms of transport costs, feeding and processing of the proposal and research report.

**Limited time:** Inadequate period requires for a detailed research study. Comprehensive research study involves a great deal of collecting, analyzing and processing that requires a lot of time.

**Non-response:** Owners of businesses will be busy attending to their customers and rarely spared time for the researcher.

## **CHAPTER FOUR**

### **PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS**

#### **4.0 Introduction**

This chapter presents findings on income tax administration and profitability of small-scale businesses in Jebel market. The findings were from both primary and secondary sources. The findings are presented in conjunction with the objectives that the study was set to achieve.

#### **4.1 General findings**

The researcher sought to establish the general characteristics of the respondents who did fill the questionnaires and this section presents the findings.

#### 4.1.1 Age of respondents

In order to attest the credibility of the responses, the respondents were asked to indicate their age bracket and the response was shown below.

**Table 2: Showing the respondents' age**

Age	Frequency	Percentage (%)
10-30	5	20
31-40	7	28
41-50	3	12
51-60	6	24
61 and above	4	16
<b>Total</b>	<b>25</b>	<b>100</b>

Source: Survey Study (2019)

The table above shows that 20% of the respondents were in the age group of 20-29, 28% in the age group of 30-39, 12% between 40-49, 24% between 50-59 and 16% in the age group of above 60 years. This implies that the majority of the respondents are between 30-39 years of age an indication that they can make independent decisions.

#### 4.1.2 Gender of the respondents

This seeks to establish gender balance in the study.

The table and graph below clearly indicates what the researcher found out concerning the gender of the respondents in Jebel market.

**Table 3: Showing gender of the respondents**

<b>Gender</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Male	15	60
Female	10	40
<b>Total</b>	<b>25</b>	<b>100</b>

**Source: survey study (2019)**

The study population was selected in a way that avoids gender bias. As illustrated in the pie chart below, 60% of the respondents were male while 40% were female. This indicated that most of the respondents were male.

#### **4.1.3 Level of education attained**

This seeks to establish the level of education of the respondents. The respondents were asked to indicate their level of education and the response bellow was got.

**Table 3: showing the level of education of the respondents**

<b>Level of Education</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Primary level	7	28
Secondary level	9	36
Diploma	4	16
Bachelors degree	2	8
Masters degree	3	12
PHD	-	-



<b>Total</b>	<b>25</b>	<b>100</b>
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**Source: survey study (2019)**

The table above shows that majority of the respondents are “A „level with 36% followed by primary level, diploma holders, and bachelor holders and only 12% had master’s degree and there were no PHD holders. This indicates that most of the respondents did not have enough knowledge about income tax.

#### **4.1.4 Period in business**

Besides testing for maturity and integrity of the respondents, respondents were also asked to indicate how long they had been in business so as to establish the level of understanding of the operations of the business environment, how businesses are taxed and to know their level of profits for the given periods in business. Below is the response obtained.

**Table 4: Showing period worked in business**

<b>Period</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Less than a year	7	28
1-4 years	11	44
5-10 years	6	24
Over 10 years	1	4
<b>Total</b>	<b>25</b>	<b>100</b>

**Source: survey study (2019)**

The table above shows that most of the respondents have been in business for a period of 1-4 years and 5-10 years an indication that majority of them understand the taxation system and the business cycles that may lead to a change in profitability of the business.

## **4.2 How income tax administration is administered among small-scale businesses in Jebel market**

The research question tries to answer the three major components of tax administration, which include; identification of the taxpayer, assessment of income tax, and finally collection of tax dues, which are the bases upon which income tax, is administered.

### **4.2.1 Assessment of business for tax purposes**

The respondents were asked if they usually assessed their business for income tax purposes. This also shows how often they are supplied with the tax assessment forms. The response was tabulated using tables and the graph as shown bellow.

**Table 5: showing the assessment of business for income tax purposes**

Response	Frequency	Percentage (%)
Strongly agree	12	48
Agree	9	36
Disagree	2	8
Strongly disagree	-	-

Source: survey study (2019)

From the table above, it was identified that most of the respondents are usually assessed their business for income tax purposes with 36%-48% agreeing that income tax is carried out on their

businesses. This implies that Jebel market carries out assessment of the small-scale businesses before the tax they are meant to pay is levied.

#### **4.2.2 Assistance from tax authorities**

The respondents were asked if they had received any form of assistance as regards tax awareness from the tax authorities.

**Table 6: showing form of assistance rendered by tax authorities**

<b>Response</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Yes	8	32
No	17	68

Source: survey study (2019)

From the table above, 68% did not receive any form of assistance and 32% said they received some assistance. Those who had received said it was in form of manuals, radio talk shows, meaning that there were very few workshops, which could have been more effective in terms of creating awareness to the taxpayers. This information is also represented in the chart.

#### 4.2.3 Income tax returns and computations

The respondents were asked how often they make income tax returns and if they are aware of income tax computations. This was shown using a graph and tables showing the percentages of respondents.

**Table 7: showing Income tax returns and computation**

Period	Frequency	Percentage (%)
Weekly	-	-
Monthly	7	28
Quarterly	6	24
Half yearly	5	20
Yearly	3	12
Do not know	4	16
Total	25	100

Source: survey study (2019)

#### 4.4 Relationship between income tax administration and the performance of small- scale businesses in Jebel.

Respondents were asked as to whether income tax affects their level of performance (growth). The researchers aim was to find out the relationship between income tax administration and profitability as the major objectives of the study. The responses below were got.

#### 4.4.1 Causes of trend performance

The researcher was interested in finding out if income tax administration impacted adversely on the performance of small scale businesses and how it affects profitability of the business. The response was as follows.

**Table 8: showing the causes of trend performance**

Causes	Number of respondents	Percentage (%)
Stiff competition	6	24
Unfavorable economic conditions	4	16
Poor income tax administration	10	40
Political environment	3	12
Others	2	8

Source: survey study (2019)

Table 8: shows that the variations in the trend performance is mainly attributed to the different causes of poor business performance which may arise due to some of the above factors which show that 24% of the respondents are affected by stiff competition, 16% by unfavorable economic conditions, 40% by poor tax administration system, 12% by political environment whereas others are affected by other factors which could be seasonal in nature. It is identified that most of the respondents are affected by poor tax administration which has greatly affected their profitability levels.

#### 4.4.2 Performance of Business for the Last Two years in term of Profit

The respondents were asked how the business was performing for the last years in terms of profit. This was shown using a graph and tables showing the percentages of respondents

**Table 9 showing how business has been performing for the last two years in terms of profit**

<b>Response</b>	<b>Frequency</b>	<b>Percentage</b>
Very well	10	40
well	7	28
Average	5	20
Very poorly	3	12
<b>Total</b>	<b>25</b>	<b>100</b>

Source: survey study (2019)

Table 9 shows that 40 % of the respondents said the business has been performing very well, 28 % of the respondents said the business has been performing well. 20 % of the respondents said the business has been performing in average and 12 % of the respondents said the business has been performing very poorly.

#### 4.4.3 If Business has ever Suffered Losses in the Last Five Years

The respondents were asked if the business has ever suffered losses in the last five years. This was shown using a graph and tables showing the percentages of respondents

**Table 10 showing if the Business has ever suffered losses in the last five years**

<b>Response</b>	<b>Frequency</b>	<b>Percentage</b>
Once	12	48
Twice	8	32
Three times	3	12
Four times	2	8
<b>Total</b>	<b>25</b>	<b>100</b>

Source: survey study (2019)

Table 10 shows that 48 % of the respondents said they have suffered losses once; 32% of the respondents said they suffered twice; 12% of the respondents said they suffered losses three times and 8% of the respondents said they suffered losses four times.

#### 4.4.4 Records of the Business Transactions in Order to Determine Profitability

The respondents were asked if there were records of business transaction in order to determine profitability. This was shown using a graph and tables showing the percentages of respondents

**Table 11 showing records of your business transaction in order to determine profitability**

Response	Frequency	Percentage
Very rarely	3	12
Rarely	4	16
Not at all	2	8
Regularly	9	36
Very regularly	7	28
<b>Total</b>	<b>25</b>	<b>100</b>

**Source: survey study (2019)**

**Table 11** shows that 36 % of the respondents said that records of business transaction were kept regularly; 28 % of the respondents said records were kept very regularly. 16 % of the respondents said records were kept rarely, 12 % of the respondents said records were kept very rarely and 8 % of the respondents said records were not kept at all.



#### 4.4.5 Books of Accounts Prepared in Your Business

The respondents were asked if there were books of accounts prepared in the business. This was shown using a graph and tables showing the percentages of respondents

**Table 12 showing books of accounts prepared in the business**

Response	Frequency	Percentage
Cash book	7	28
Journal	3	12
Ledgers	5	20
register	8	32
Others	2	8
<b>Total</b>	<b>25</b>	<b>100</b>

**Source: survey study (2019)**

**Table 12** shows that 32 % of the respondents said they prepare their accounts in the book of register; 28 % of the respondents said they prepare their accounts in cash book; 20 % of the respondents said they prepare their accounts in ledgers; 12 % of the respondents said they prepare their accounts in journal and 8 % of the respondents said they prepare their accounts in others.

#### 4.4.6 Amount of Tax Levied on the Small Scale Business is too much

The respondents were asked if the amount of tax levied on the small scale business is too much.

This was shown using a graph and tables showing the percentages of respondents

**Table 13 showing the amount of tax levied on the small scale business is too much**

<b>Response</b>	<b>Frequency</b>	<b>Percentage</b>
Strongly agree	7	28
Agree	6	24
Not sure	5	20
Disagree	4	16
Strongly disagree	3	12
<b>Total</b>	<b>25</b>	<b>100</b>

**Source: survey study (2019)**

**Table 13** shows that 28 % of the respondents strongly agreed that the amount of tax levied on the small scale business is too much; 24 % of the respondents agreed that the amount of tax levied on the small scale business is too much; 20 % of the respondents were not sure. 16 % of the respondents disagreed with the statement and 12 % of the respondents strongly disagreed.

#### 4.4.7 Location of the Business Affects its Profits

The respondents were asked if the location of the business affects its profits. This was shown using a graph and tables showing the percentages of respondents

**Table 14 showing how the location of the business affects its profits**

Response	Frequency	Percentage
Strongly agree	9	36
Agree	7	28
Not sure	4	16
Disagree	3	12
Strongly disagree	2	8
<b>Total</b>	<b>25</b>	<b>100</b>

**Source: survey study (2019)**

**Table 14 shows** that 36 % of the respondents strongly agreed that the location of the business affects its profits; 28 % of the respondents agreed that the location of the business affects its profits; 16 % of the respondents were not sure of the response; 12 % of the respondents disagreed that the location of the business affects its profits and 8 % of the respondents strongly disagreed that the location of the business affects its profits.

#### 4.4.8 Less Profit as Result of Lack of Sales Promotion Used

The respondents were asked if the small scale business may make less profit as result of lack of sales promotion used. This was shown using a graph and tables showing the percentages of respondents

**Table 15 showing how small scale business may make less profit as result of lack of sales promotion used**

Response	Frequency	Percentage
Strongly agree	9	36
Agree	8	32
Not sure	3	12
Disagree	3	12
Strongly disagree	2	8
<b>Total</b>	<b>25</b>	<b>100</b>

**Source: survey study (2019)**

**Table 15** shows that 36 % of the respondents strongly agreed that small scale business may make less profit as result of lack of sales promotion; 32 % of the respondents agreed that small scale business may make less profit as result of lack of sales promotion; 12 % of the respondents were not sure; 12 % of the respondents disagreed that small scale business may make less profit as result of lack of sales promotion and 8 % of the respondents strongly disagreed that small scale business may make less profit as result of lack of sales promotion.

#### 4.4.9 The Tax Collectors do not cooperate with the Traders

The respondents were asked if the tax collectors do not cooperate with the traders. This was shown using a graph and tables showing the percentages of respondents

**Table 16 showing the tax collectors do not cooperate with the traders**

Response	Frequency	Percentage
Strongly agree	10	40
Agree	7	28
Not sure	1	4
Disagree	4	16
Strongly disagree	3	12
<b>Total</b>	<b>25</b>	<b>100</b>

**Source: survey study (2019)**

**Table 16** shows that 40 % of the respondents strongly agreed that the tax collectors do not cooperate with the traders; 28 % of the respondents agreed that tax collectors do not cooperate with the traders; 16 % of the respondents disagreed that the tax collectors do not cooperate with the traders; 12 % of the respondents strongly disagreed that the tax collectors do not cooperate with the traders and 4 % of the respondents were not sure.

#### 4.5.1 The Taxes paid by Traders are properly assessed by the Tax Authority

The respondents were asked if the taxes paid by traders are properly assessed by the tax authority. This was shown using a graph and tables showing the percentages of respondents

**Table 17 shows the taxes paid by traders are properly assessed by the tax authority**

Response	Frequency	Percentage
Strongly agree	7	28
Agree	8	32
Not sure	4	16
Disagree	2	8
Strongly disagree	4	16
<b>Total</b>	<b>25</b>	<b>100</b>

**Source: survey study (2019)**

**Table 17** shows that 32 % of the respondents agreed that the taxes paid by traders are properly assessed by the tax authority; 28 % of the respondents strongly agreed that taxes paid by traders are properly assessed by the tax authority; 16 % of the respondents were not sure, 16 % of the respondents strongly disagreed that taxes paid by traders are properly assessed by the tax authority and 8 % of the respondents disagreed.

#### 4.5.2 The High Operational Costs Affect the Profit of Small Scale Business

The respondents were asked if the high operational costs affect the profit of small scale business.

This was shown using a graph and tables showing the percentages of respondents

**Table 18 shows the high operational costs affect the profit of small scale business**

Response	Frequency	Percentage
Strongly agree	9	36
Agree	7	28
Not sure	5	20
Disagree	3	12
Strongly disagree	1	4
<b>Total</b>	<b>25</b>	<b>100</b>

**Source: survey study (2019)**

**Table 18** shows that 36 % of the respondents strongly agreed that high operational costs affect the profit of small scale business; 28 % of the respondents agreed that high operational costs affect the profit of small scale business; 20 % of the respondents were not sure of their responses. 12 % of the respondents disagreed that high operational costs do not affect the profit of small scale business and 4 % of the respondents strongly disagreed that high operational costs do not affect the profit of small scale business.

#### 4.5.3 Inflation is one of the causes of Low Profits realized by Small Scale Business

The respondents were asked if inflation is one of the causes of low profits realized by small scale business. This was shown using a graph and tables showing the percentages of respondents

**Table 19 shows inflation is one of the causes of low profits realized by small scale business**

Response	Frequency	Percentage
Strongly agree	8	32
Agree	6	24
Not sure	1	4
Disagree	6	24
Strongly disagree	4	16
<b>Total</b>	<b>25</b>	<b>100</b>

**Source: survey study (2019)**

**Table 19** shows that 32 % of the respondents strongly agreed that inflation is one of the causes of low profits realized by small scale business; 24 % of the respondents agreed that inflation is one of the causes of low profits realized by small scale business; 24 % of the respondents disagreed that inflation is not one of the causes of low profits realized by small scale business; 16 % of the respondents strongly disagreed that inflation is not one of the causes of low profits realized by small scale business and 4 % of the respondents were not sure.



#### 4.5.4 The Quality of Goods sold by Small Scale Business affect their Profits

The respondents were asked if the quality of goods sold by small scale business affect their profits. This was shown using a graph and tables showing the percentages of respondents

**Table 20 shows the quality of goods sold by small scale business affect their profits**

Response	Frequency	Percentage
Strongly agree	7	28
Agree	9	36
Not sure	3	12
Disagree	1	4
Strongly disagree	5	20
<b>Total</b>	<b>25</b>	<b>100</b>

**Source: survey study (2019)**

**Table 20** shows that 28 % of the respondents strongly agreed that the quality of goods sold by small scale business affect their profits; 36 % of the respondents agreed that the quality of goods sold by small scale business affect their profits; 12 % of the respondents were not sure; 4 % of the respondents disagreed that the quality of goods sold by small scale business does not affect their profits and 20 % of the respondents strongly disagreed that the quality of goods sold by small scale business does not affect their profits.

#### 4.5.5 Stiff Competition among Small Scale Businesses affects their Profitability

The respondents were asked if stiff competition among small scale business affect their profitability. This was shown using a graph and tables showing the percentages of respondents

**Table 21 shows stiff competition among small scale businesses affects their profitability**

Response	Frequency	Percentage
Strongly agree	9	36
Agree	6	24
Not sure	5	20
Disagree	3	12
Strongly disagree	2	8
<b>Total</b>	<b>25</b>	<b>100</b>

Source: survey study (2019)

**Table 21** shows that 36 of the respondents strongly agreed that stiff competition among small scale businesses affects their profitability; 24 % of the respondents agreed that stiff competition among small scale businesses affects their profitability; 20 % of the respondents were not sure; 12 % of the respondents disagreed that stiff competition among small scale businesses does not affect their profitability and 8 % of the respondents strongly disagreed that stiff competition among small scale businesses does not affect their profitability.

#### 4.5.6 Taxes paid by Small Scale Business reduce their Profits

The respondents were asked if stiff competition among small scale business affect their profits.

This was shown using a graph and tables showing the percentages of respondents

**Table 22 shows taxes paid by small scale business reduce their profits**

Response	Frequency	Percentage
Strongly agree	8	32
Agree	7	28
Not sure	4	16
Disagree	3	12
Strongly disagree	3	12
<b>Total</b>	<b>25</b>	<b>100</b>

Source: survey study (2019)

**Table 22** shows that 32 % of the respondents strongly agreed that taxes paid by small scale business reduce their profits; 28 % of the respondents agreed that taxes paid by small scale business reduce their profits; 16 % of the respondents were not sure; 12 % of the respondents disagreed that taxes paid by small scale business do not reduce their profits and 12 % of the respondents strongly disagreed that taxes paid by small scale business do not reduce their profits.

#### 4.5.7 A Business Premises is locked in case of failure to pay Taxes

The respondents were asked if a business premises is locked in case of failure to pay taxes. This was shown using a graph and tables showing the percentages of respondents

**Table 22 shows a business premises is locked in case of failure to pay taxes**

Response	Frequency	Percentage
Very rarely	5	20
Rarely	3	12
Regularly	9	36
Definitely	1	4
Very regularly	7	28
<b>Total</b>	<b>25</b>	<b>100</b>

Source: survey study (2019)

**Table 22** shows that 20 % of the respondents said it is very rarely a business premises is locked in case of failure to pay taxes; 12 % of the respondents said it is rarely a business premises is locked in case of failure to pay taxes; 36 % of the respondents said it is regularly a business premises is locked in case of failure to pay taxes; 4 % of the respondents said it is definitely a business premises is locked in case of failure to pay taxes and 28 % of the respondents said it is very regularly a business premises is locked in case of failure to pay taxes.

#### 4.5.8 A Small Scale Business may close completely when It fails to make enough Profits

The respondents were asked if a small scale business may close completely when it fails to make enough profits. This was shown using a graph and tables showing the percentages of respondents

**Table 23 shows a small scale business may close completely when it fails to make enough profits**

Response	Frequency	Percentage
Very rarely	3	12
Rarely	2	8
Definitely	9	36
Regularly	7	28
Very regularly	4	16
<b>Total</b>	<b>25</b>	<b>100</b>

**Source: survey study (2019)**

**Table 23** shows that 12 % of the respondents said it is very rarely a small scale business may close completely when it fails to make enough profits; 8 % of the respondents said it is rarely a small scale business may close completely when it fails to make enough profits; 36 % of the respondents said it is definitely a small scale business may close when it fails to make enough profits; 28 % of the respondents said it is regularly a small scale business may close when it fails to make enough profits and 16 % of the respondents said it is very regularly a small scale business may close when it fails to make enough profits.

#### 4.5.9 Business cannot finance its Operations by Bank Loans due to High Interest Rates

The respondents were asked if the business cannot finance its operations by bank loans due to high interest rates. This was shown using a graph and tables showing the percentages of respondents

**Table 24** shows business cannot finance its operations by bank loans due to high interest rates

Response	Frequency	Percentage
Strongly disagree	7	28
Disagree	6	24
Not sure	5	20
Agree	4	16
Strongly agree	3	12
<b>Total</b>	<b>25</b>	<b>100</b>

Source: survey study (2019)

**Table 24** show that 28 % of the respondents strongly disagreed that business cannot finance its operations by bank loans due to high interest rates; 24 % of the respondents disagreed that business cannot finance its operations by bank loans due to high interest rates; 20 % of the respondents were not sure; 16 % of the respondents agreed that business cannot finance its operations by bank loans due to high interest rates and 12 % of the respondents strongly disagreed that business cannot finance its operations by bank loans due to high interest rates.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.0 Introduction**

This chapter covers the summary of the findings, conclusions based on the findings and recommendations based on the conclusions.

#### **5.1 Summary of Findings**

From the review of the study, income tax administration is administered in three major ways, that is to say, identification of the taxpayer, assessment of income tax, and finally collection of tax dues. The findings of the study showed that tax payers were identified on the basis of their operation, however it was noticed that there were delays in the processing of assessment forms and collection of the tax dues was not easy since some of the tax payers defaulted on payment and others were given penalties. The researcher found out that local government often plays a critical role in the tax administration of small operators. However, municipal levies inhibit the creation of formal enterprises. For example, it was found out that licensing costs and requirements are a key driver of continued informality. Coordination between government agencies is usually very poor with inconsistent local and central government policies and multiple non-transparent taxes, fees, and non-regulatory “licenses” at the local level. This increases firm’s compliance costs and the administrative costs of local authorities.

The findings of the study showed that the profit margins of the firms were too small to improve on the scale and size of the business. This is due to the high taxes imposed on these small firms that they could hardly have enough capital to re-invest.

Other factors that affect the profitability of small-scale business enterprises apart from income tax administration include business location, seasonal variations and other types of taxes. Most of the respondents were unsatisfied with the income tax rate based on the sales turn over and some of the respondents did not fully understand income tax and its computation. The findings of the study showed that the introduction of income tax has adversely affected the profitability of small-scale industries according to the responses strongly agreed that income tax affects the profitability of their businesses. The study showed that sensitizing the people about income tax and extending the period of income tax return could improve on the profitability of small-scale enterprises without necessarily adjusting the income tax rate.

## **5.2 Conclusion**

The administration of small firms is an afterthought for income tax administration and technical assistance programs. This is due to the low benefit-cost ratio of administering small contributors from a revenue perspective. Therefore creating successful small business administration is thus closely linked to the decentralization agenda.

Constructing appropriate indicators and setting an appropriate tax rate is challenging. It requires extensive analysis of profit margins and will usually be disputed by some in the business community. Small businesses are not necessarily small earners; rates need to be high enough to encourage firms at the upper end of the threshold to join the general system and low enough to encourage informal entrepreneurs to comply. This process requires extensive survey-based analysis of small firms' profit margins to determine presumptive tax rates, which will not affect the small business earners. Income tax administration has greatly affected the profitability of

Small businesses. South Sudan revenue authority needs to intensify on the sensitization campaigns since the business communities do not take the education of income tax seriously.



### **5.3 Recommendations**

The researcher made the following recommendations as a way of reducing the burden of income taxes on Small businesses as well as to increase the revenue of the Jebel market. Jebel market should find a way of assessing the tax in that the Small Businesses should pay early in the financial year in order to give enough time to the businesses to pay their dues rather than make an assessment and demand for payment spontaneously.

Jebel market should introduce a scheme that allows taxpayers to pay the tax obligation in the installments over a given period as opposed to lump sum at once. The SSRA should reach out and educate the business community about its different tax rates and mode of payment. The study revealed that the biggest problem with the tax paid is in fact that the SMEs community does not understand how the tax is arrived at as well as how it is paid but not because it is too high. The SSRA should improve on the methods of collecting the taxes. It should adopt the closure of business premises on default only as a last resort after all the other methods of collection have failed. This should be an exception and not a rule. The SSRA should improve awareness amongst the taxpayers of the need to pay taxes and how their tax liability is determined and the time process of the tax assessment.

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## **Appendix: Questionnaires for owners of small scale business**

Dear respondents,

My name is Betty Gune John, a student of Christian University of South Sudan pursuing a Bachelors Degree in Business management. Am carrying out a research on “Impact of Taxation on small business in Juba,” The information needed from you is purely for academic purposes and therefore any information given to me will be treated with maximum confidentiality.

Kindly spare a little time to fill this questionnaire.

Thank you very much.

## SECTION A: BACKGROUND INFORMATION

(Tick where Appropriate)

1. Gender:

a) Male (      )                      b) Female (      )

2. Age

a) 10 – 30 years (      )              b) 31 – 40 years (      )

c) 41 – 50 years (      )              d) 51 – 60 years (      )

e) 61 years and above (      )

3. Marital Status:

a) Single (      )              b) Married (      )

c) Widowed (      )              d) Divorced (      )

e) Others (specify).....

4. Your highest level of education

- a) Primary (     )     b) Certificate (     )
- c) Diploma (     )     d) Degree (     )
- e) Any other (specify).....

5. For how long have you been doing this business?

- a) 0 – 5 years (     )     b) 6 – 10 years (     )
- c) 11 – 15 years (     )     d) 16 – 20 years (     )
- e) Above 20 years (     )

## **SECTION B: TAXES**

(Tick where appropriate)

1. What type of tax do you pay?

- a) Income tax (     )     b) Property tax (     )
- c) Value Added Tax (VAT) (     )     d) Trading license (     )
- e) Market dues (     )

2. How many times have you attended seminars about the type of tax you pay?

- a) Once (     )     b) Between 2 – 5 times (     )
- c) 6 – 9 times (     )     d) 10 – 13 times (     )
- e) Others (specify).....

3. After what period is the assessment for taxes done?

- a) Six months (     )     b) Four months (     )
- c) One year (     )     d) Two years (     )
- e) More than two years.....

4. After what period is tax collected?

- a) Every after three months (     )     b) Every after four months (     )
- c) Every after six months (     )     d) Every after nine months (     )
- e) Every after one year (     )

5. How often do you pay the taxes that are usually imposed by the authorities?

- a) Very rarely (     )     b) Rarely (     )
- c) Neither rarely nor regularly (     )     d) Regularly (     )
- e) Very regularly (     )

7. Comment on the relationship between the tax collectors and the traders.

.....

.....

8. How is the tax you pay determined by the tax authorities?

.....

.....

## SECTION C: GROWTH OF SMALL BUSINESSES

(Tick where appropriate)

1. How has your business been performing for the last two years in terms of profit?

- a) Very well (    )                      b) Well (    )  
c) Average (    )                      d) Very poorly (    )

2. Has your business ever suffered losses in the last five years?

- a) Once (    )                      b) Twice (    )  
c) Three times (    )                      d) Four times (    )  
e) Others (specify).....

3. Do you always keep records of your business transactions in order to determine profitability?

- a) Very rarely (    )                      b) Rarely (    )  
c) Not at all (    )                      d) Regularly (    )  
e) Very regularly (    )

4. Which books of accounts do you prepare in your business?

- a) Cash book (    )                      b) Journal (    )  
c) Ledgers (    )                      d) Register (    )  
e) Others (specify).....

5. The amount of tax levied on the small scale business is too much.

Strongly agree	Agree	Not sure	disagree	Strongly disagree

6. The location of the business affects its profits.

Strongly agree	Agree	Not sure	Disagree	Strongly disagree

7. Small scale business may make less profit as result of lack of sales promotion used.

Strongly agree	Agree	Not sure	Disagree	Strongly disagree

8. The tax collectors do not co-operate with the traders.

Strongly agree	Agree	Not sure	Disagree	Strongly disagree

9. The taxes paid by traders are properly assessed by the tax authority.

Strongly agree	Agree	Not sure	Disagree	Strongly disagree

10. The high operational costs affect the profit of small scale business.



Strongly agree	Agree	Not sure	Disagree	Strongly disagree

11. Inflation is one of the causes of low profits realized by small scale business.

Strongly agree	Agree	Not sure	Disagree	Strongly disagree

12. The quality of goods sold by small scale business affect their profits.

Strongly agree	Agree	Not sure	Disagree	Strongly disagree

13. Stiff competition among small scale businesses affect their profitability.

Strongly agree	Agree	Not sure	Disagree	Strongly disagree

14. Taxes paid by small scale business reduce their profits.

Strongly agree	Agree	Not sure	Disagree	Strongly disagree

#### SECTION D: SMALL SCALE BUSINESS

(Tick where appropriate)

1. Business ownership:

- a) Sole trade (    )                      b) Partnership (    )
- c) Privately limited company (    ) d) Co-operative society (    )
- e) Others (specify).....

2. A business premises is locked in case of failure to pay taxes.

- a) Very rarely (    )              b) Rarely (    )
- c) Regularly (    )              d) Definitely (    )
- e) Very regularly (    )

3. A small scale business may close completely when it fails to make enough profits.

- a) Very rarely (    )              b) Rarely (    )
- c) Definitely (    )              d) Regularly (    )
- e) Very regularly (    )

4. The Business cannot finance its operations by bank loans due to high interest rates.

- a) Strongly disagree (    )      b) Disagree (    )
- c) Not sure (    )              d) Agree (    )
- e) Strongly agree (    )

5. Small scale business fails to make enough profits as a result of inadequate capital employed.

- a) Strongly disagree (    )      b) Disagree (    )

c) Not sure (    )                      d) Agree (    )

e) Strongly agree (    )

6. SSRA should organize more workshops to sensitize its members about tax issues.

a) Strongly disagree (    )    b) Disagree (    )

c) Not sure (    )                      d) Agree (    )

e) Strongly agree

7. Small scale business owners have training and skills in business management.

a) Strongly disagree (    )    b) Disagree (    )

c) Not sure (    )                      d) Agree (    )

e) Strongly agree (    )

**The end**

**Thank you very much**