Tax Administration and Tax Compliance Among Small and Medium-Sized Enterprises (SMES) in Lira City

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ABSTRACT

Tax compliance is a challenge globally and a hindrance to economic development of many low- and middle-income countries. Uganda is one of the countries with challenges of tax compliance. However, this challenge is poorly documented in majority of the major cities in the country making it very difficult to address. Lira city is one of those cities with very limited data about tax compliance and administration. The main objective of the study was to asses for the effect of Tax Administration on Tax Compliance among small and medium-sized enterprises (SMEs) in Lira City

This was cross sectional study that used a mixed study approach conducted in September 2023 to October 2023. The study was conducted in lira city including the two divisions (Lira city east and Lira city west). The study population was SMEs. The sample size for the quantitative study was 341 estimated using the Morgan table and the sample for the qualitative sample was determined using the principle of data saturation. The study obtained clearance from the faculty of management science an all the relevance offices during the data collection process. Quantitative data was analyzed at univariate, bivariate and multivariate levels. Qualitative data was analyzed using thematic content analysis

Out of 341 respondents only 291 were eligible for analysis making a response rate of 85.3%. The level of tax compliance was 65%. The factors associated with tax compliance include: The location of the enterprise (aOR=0.25, 95% CI: 0.13, 0.49, p<0.001), business has foreign revenue (aOR-0.31, 95% CI: 0.16, 0.60, p<0.001), business returns prepared accurately (aOR=0.33, 95% CI: 0.14, 0.79, p=0.012), and payers' rights are adequately protected (aOR=0.29, 95% CI: 0.15, 0.60, p=0.001). For the qualitative study three themes were generated including: tax compliance, improvement in tax administration, complexities and challenges

The study aimed to assess the impact of tax administration processes on tax compliance of tax- payers in Lira City. The study revealed that only 6 in 10 of the small and medium-sized enterprises (SMEs) were compliant with the tax policies. The tax administration should be improved and SMEs should be educated about tax compliance.

Keywords*: Tax Administration, Tax Compliance, Small and Medium-Sized Enterprises (Smes), Lira City*