THE EFFECTS OF ELECTRONIC TAX FILING SYSTEM ON TAX COMPLIANCE AMONGST SMALL AND MEDIUM ENTERPRISES WITHIN KAMPALA CENTRAL BUSINESS DISTRICT

BY

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DECLARATION

This research study is my original work and has not been presented to any other institution. No part of this research should be produced without the author's consent or that of Kampala International University

Sign: .... Date: 05ᵗʰ | JULY | 2018.

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APPROVAL

I certify that Mr. Okwir Moses Benson carried out this research under my supervision and is submitted with my approval.

....

Dr.Awolusi.O. Dele   Date

Supervisor

DEDICATION

I dedicate this project to my Mother Ms. Magaret Acio(late) words cannot fully describe
what I feel for you. Because of you I learned hard work at very tender age and for that
reason I have made it this far in education.

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I truly thank my God for making me finish the course in time, and for giving me the strength to take up and complete this project.

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To fellow students in Accounting class 2015 August Intake of the Bachelors of Business Administration, my victory came on the platform of mutual support and invaluable team-work. Throughout this academic journey, you did not withhold necessary support that could enable me deal with emerging challenges and develop sound understanding of the tasks.

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God bless you all.

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LIST OF ABBREVIATIONS

URA	Uganda Revenue Authority
E-tax	Electronic tax
IRC	Internal Revenue Service
E-government	Electronic government
ASYCUDA	Automated systems for customs data
TAM	Technology acceptance model
MOFPED	Ministry of Finance, Planning and Economic Development
IT	Information Technology
ICT	Information Communication Technology
SPSS	Statistical Program for Social Sciences
SMEs	Small and Medium Enterprises.

ABSTRACT

This study set out to investigate the influence of the electronic tax filing system on tax compliance and tax collection. Electronic tax filing system is a computerized tax administration system that is especially designed to handle general tax administration from registration, assessment, filing returns and processing of claims and refunds. Its intended purpose was to reduce the cost of the tax payer complying with URA, increase tax collection, achieve compliance and remove the inefficiencies associated with costs of movement by tax payers to URA offices to do business and present to tax payers a system that reduces their cost of compliance. The research therefore specifically sought to ascertain the extent to which e-tax has achieved its objectives and to establish the ease of use of the system and the attitude of tax payers towards the system.

The study employed a survey research design and used self administered questionnaires. A sampling design of 38 respondents was selected which composed of 20 importers, 8 clearing agents and 10 URA officials from the IT department.

Findings from the study show that electronic tax filing system has improved tax compliance as it is easy for tax payers to assess their tax obligation accurately and enable them file their returns on time. On other hand, the new system has also helped ease the work of URA staff and to a small extent led to an increase in tax collection in URA. Findings from the study also show that the attitude of tax payers and that of URA staff towards the use of e-tax is positive as a considerable number viewed the use of the system as being good. Findings from the study further indicate that the new system has increased costs on the tax payer's side. Findings from the study also show that the current e-tax servers are overwhelmed by the number of users hence they are so slow. Findings from the study further show that the electronic tax filing system has the potential of increasing tax compliance and revenue collection in URA but a lot has to be done to avert the obstacles that may not make it possible.

The researcher recommends that;

URA should at the onset upgrade the e-tax servers to calm down the pressure on the current servers. URA should install user friendly features on the filing website as to increase the tax payer's interest of use of the system. URA should embark on a country wide sensitization of the use of the system and increase on the media adverts in both print and electronic media about the use of the system so that the best can be got from it. URA should also provide e-tax clinics around the country. This can help reduce on the time a busy tax payer can spend in a conference or seminar. Electronic tax filing system has a potential of increasing tax collection and improving tax compliance only if all the obstacles and weaknesses in the system are dealt away with.

CHAPTER ONE

INTRODUCTION

1.0 Introduction.

All the reforms in the Uganda's tax system were aimed at improving tax collections, administration, and above all tax compliance. In a bid to improve tax compliance, Uganda Revenue Authority decided to go online hence introducing the electronic tax filing system. Knowledgeable about the sorry state of our cyber infrastructure and computer literate levels, even big companies were not bothered by the electronic talk thinking it was another loud idea by an ordinary Ugandan dreamer.

Electronic tax system started as a faint rumor a couple of years ago. It hardly got the attention of small business operators as everyone imagined it was meant for big companies like Shell, Total and banks. However, this came to pass, and it's now close to 20 months since its inception. This has therefore prompted this study to critically examine and find out whether electronic tax system has improved tax collections, administration, efficiency and above all tax compliance.

1.1 Background of the study

Before 1991, revenue collection was carried out by the former departments of Customs and Excise, Inland Revenue and Income Tax in the Ministry of Finance. Revenue collection was low and tax administration weak. The weakness included low tax collection, delays, poor record keeping and political interference. There was also low tax compliance, tax evasion, corruption and connivance between staff and tax payers, unmotivated workforce, inefficient and ineffective tax administration characterized by poor internal controls and inadequate accountability.

Tax policy had become volatile, unpredictable and constituted a serious hindrance to trade, investment and enterprise (Mutebille, et al, 2009). Moreover, tax administration capacity had deteriorated greatly, smuggling and evasion were rampant and decision about tax issues were heavily influenced by rent seeking behavior (Mutebille, et al,

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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.

During the first five years of the National Resistance Movement government, Uganda's tax revenue per Gross Domestic Product ratio averaged 5.8%, one of the lowest levels in Sub-Saharan Africa (Ghura, 1998). Data base management was lacking because records were poorly kept. A lot of paper was used most of which was susceptible to loss and misuse. This posed a serious threat to tax collection. As a result, government embarked on reforms in the revenue sector.

Tax reform begun in the earnest with the formation of the Uganda Revenue Authority in September 1991 by the Uganda Revenue Authority statute number 6 of 1991 as a central autonomous organization. The key objectives in setting up URA were to improve revenue collection and address the human resource constraints through improved remuneration, recruitment, staff development and training and ethical conduct. The mandate of URA was to assess and collect specified tax revenue, administer and enforce tax payer compliance and account for revenue collected (Government of Uganda, 1991).

As a result, revenue collection rose from 62.73billion shillings in the financial year 1990/91 to 250.15billion shillings in the financial year 1995/96(Mutebille, et al, 2009).In spite of the above registered improvement in the tax collection, the government of Uganda still hoped that more revenue could be realized if the tax base was enlarged and tax administration improved.

To achieve this, the government decided to computerize revenue collection and administration in the Customs and Excise department of URA by introducing computer software called the automated systems for customs data (ASYCUDA) which was specifically designed for customs administration. This development greatly facilitated the clearance of goods, improved revenue and strengthened the compilation of trade statistics. However, the apparent errors with ASYCUDA which included manipulation of

the system to suit operator's interests undermined the purpose for which it was intended and hence, there was need for URA to fully automate all tax departments. A 1999 Swiss government financed external evaluation found that the level of automation in URA and the national communication infrastructure were inadequate and made recommendations to address these issues (Lortie, 1999).

Uganda Revenue Authority in 2005 embarked on a modernization drive that has culminated into an ambitious computerized system dubbed electronic tax. The objective of the new system is to reduce the cost of the tax payer complying with URA (Musoke and Mugalu, 2010). The purpose of electronic tax system and the domestic tax modernization programme was to remove the inefficiencies associated with costs of movement by tax payers to URA offices to do business and present to tax payers a system that reduces their cost of compliance.

However, since its inception in June 2009, it is not clear how the new system has improved tax collection, enhanced administration, reduced compliance costs and improved tax compliance hence necessitating this study.

1.2 Conceptual perspective.

Developed from the research objectives, the conceptual model discloses new constructs and relates them to confirm that tax compliance is a function of taxpayer education to benefits of electronic tax filing system. This conceptual model is based on a review of existing literature about the variables. Borrowing a lot from the studies of several authors such as; Chunng (2002); Ericksen et al.,(1996), Harris et al.,(1988); Jackson et al.,(1986), Kassipillai et al. (2003). It states that tax compliance as dependent variable is significantly influenced by taxpayers" knowledge on tax laws and regulations and their appreciation of the benefits of electronic tax filing system as independent variables. It states further that taxpayer education is a key factor in determining the benefits of electronic filing system hence concludes that tax compliance improves as a result of favorable perception occasioned by enhanced level of tax knowledge. Richardson et al., (2001).

1.4 Statement of the Problem

Electronic tax system was introduced into the domestic taxes department to increase revenue collection, administration, avail services to the tax payers all the time from anywhere, reduce costs of compliance and improve tax compliance.

However, tax compliance levels remain low and tax collections are below the targets set by URA (Kabafunzaki, 2010). The cause of these events is yet to be found hence necessitating this study.

1.5 Purpose of the study

The purpose of the study is to establish the influence of the electronic tax filing system on tax collection and tax compliance.

The wave and era of technology/information systems adoption for improved service delivery influenced the researcher to go out there and prove what looks good and attractive on paper.

1.6 Objectives of the study

   i.   To establish the tax compliance levels by tax payer's and tax collection in URA

   ii.   To establish the ease of use of the electronic tax filing system by tax payers

   iii. To establish whether electronic tax filing system has reduced tax compliance costs of tax payer's.

1.7 Research Questions

   i.   How has the electronic tax filing system improved tax compliance levels and tax collection in URA?

   ii.   What are the tax payer's attitudes towards the use of the electronic tax filing system?

   iii. Has the electronic tax filing system reduced tax compliance costs of tax payer's when doing business with Uganda Revenue Authority?

1.8 Scope

1.8.1 Geographical Scope

The study covered tax payers and clearing agents working in Kampala district most especially the central business district.

1.8.2 Content/Variable

The research considered compliance levels, administrative issues and attitudes of tax payers towards the electronic tax filing system.

1.8.3 Time Scope

The study covered the last three financial years that is 2007/08, 2008/09, 2009/10 up to date. The three financials years were chosen in order for the researcher to take a critical analysis of the data and not to be over clouded with information which can result into a phenomena known as Paralysis by Analysis.

1.9 Significance

- Uganda Revenue Authority will be able to use the findings from this study to critically assess the influence of the system and take any corrective measures to counter any weaknesses identified.
- The researcher; the study will enable him acquire the bachelor of commerce degree.
- Other researchers; the study will break ground and provide information to all future researchers in the field of electronic tax filing in Uganda.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter highlights the views of different academicians, researchers and scholars that have been advanced in the field of tax compliance, tax payer's attitudes, Electronic tax filing systems and automation in organizations for improved efficiency and service delivery.

2.1 Conceptual Framework

Figure 1.0 : Conceptual Framework

Independent variable   **Dependent variable**

ELECTRONIC TAX FILING
- Faster processing
- Accuracy
- Interactive
- Ledger access
- Amendments

TAXPAYER EDUCATION
- Obligations
- Making Returns
- Payment modalities
- Acknowledgement
- Sanctions

TAXPAYER COMPLIANCE
- Registration uptake
- Tax Lodgment
- Pay income
- Promptness

MODERATING FACTORS
- Enforcement level
- Ethical influence
- Social values
- Taxpayer's motivation
- Incentives

Figure 1.0 above conceptually demonstrates that independent variables, tax education and electronic filling, affect the taxpayers behavior toward taxation (tax compliance-dependent variable) specifically influencing tax lodgment, level of tax debt, accurate pay income and promptness

2.1.1 Tax Compliance.

Tax compliance has been defined by the Harvard law school (2000) as paying taxes on time and timely reporting of correct tax information. Therefore, tax compliance means seeking to pay the right amount of tax (but no more) in the right place at the right time. Where right means that the economic substance of the transaction undertaken coincides with the place and form in which they are reported for tax purposes.

According to Brown and Mazur (2003), tax compliance is categorized into three multi faceted components; filling, reporting and payment.

Holtzman (2007) states that tax compliance is the value of the tax payer's own time and resources along with any out of pocket costs paid to the tax preparers and other advisors, invested to ensure compliance with the laws while Carroll (1987) asserts that tax compliance is the provision of tax information at the proper time and ensuring returns accurately report tax liability.

Byaruhanga (2007) asserts that compliance is still low due to the fact that tax authorities have not sufficiently addressed the key shortfalls in the administration systems which include unregistered tax payers, inadequate clear tax literature, tax evaders and as well delinquent tax payers.

Tax compliance can either be through voluntary tax compliance or involuntary tax compliance. Voluntary tax compliance involves obeying the tax laws without any state enforcement actions that leads to maximizing revenues because administration costs are low in both the economic and psychic sense. The government wastes little money and

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time in collecting the tax and tax payers suffer little alienation in parting with their money.

According to the neo classical economic view, people obey tax laws when it is in their interest to do so. Compliance results from the individual's rational choice aimed at maximizing individual outcome. Compliance builds an atmosphere of trust and corporation because a person feels that others are accounting in a reciprocal manner.

According to Jackson and Million (1986), the major influences of tax compliance are; age, gender, income levels, education, income source, occupation status, sanctions, peer influence, ethics, complexity, probability of detection, tax rates and contact with tax authorities.

However, Gilligan and Grant (2005) assert that the perception of tax fairness is one of the most important variables that can influence tax compliance behavior. Public perception that the tax system is fair and equitable is important if that system relies for its success on significant degree of voluntary tax compliance, which of course the contemplary reality for many jurisdictions. Wadhavan and Gray (1998) state that voluntary compliance is not only promoted by the awareness of the rights and expectations but also by clear simple and user friendly administrative systems and procedures.

According to Gilligan (1999), an analysis that takes into account the impacts of legitimacy can be helpful when examining developments in a regulatory context such as tax compliance because regulatory norms can be of local, national or international phenomena.

Non compliance is believed to have corrosive effects on tax compliance. If compliant tax payers believe that everyone else is paying his or her fair share of the taxes, they are most likely to remain compliant. If the compliant tax payers feel like they are over paying, some will reach a point where they resent it and stop complying or comply at a lower

level. The degree of compliance may breed more compliance and non compliance breeds non compliance.

2.1.2 Tax Payer Attitudes.

An attitude is an individual's characteristic way of responding to an object or situation (Graham, 1989).It is based on one's experience and leads to certain behavior or the expression of certain opinions. Attitudes are related to values, perceptions and group belonging but can be modified by environmental changes and new information.

Bird (1989) stresses that the willingness of the tax payers to comply with their obligations depend to a large extent upon the perception that the funds taken from them are put to some good use. Similarly the seriousness with which the government enforces the revenue laws will also have profound effect on public attitudes. The extent to which government over reaches in trying to tax income may affect overall compliance (Gordon, 1990).

In more recent theoretical advances, the tax payer's behavior towards tax compliance depends entirely on his/her attitude towards risk. Tax payers can reasonably be expected to be troubled by the awareness that high income individuals and profitable corporations pay little or no tax, even if methods being used to avoid taxes are totally legal. Unless the perception that the tax system is unfair can be reversed, tax payer morale is undermined and evasion may become uncontrollable. On the other hand however, if one believes that mostly negative outcome will result from the behavior, he or she will hold a negative attitude towards it and the reverse is true.

Torgler (2003) regarded attitude as the individual's positive or negative behavior towards innovation adaptation. Attitude can be portrayed by perceptions for the usefulness of taxes, perceived ease of assessment, tax administration system and any other tax payer preference.

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Tax payer's attitudes is composed of one's attribute beliefs about the object and perceived importance of having that attribute in making the decision to comply. According to the theory, reasoned action attitude is made up of the beliefs that person accumulates over his life time. Some beliefs are formed from direct experience, some are from outside information and others are inferred or self generated.

According to Azjen and Fishbein (2000) attitude is an individual's salient belief about whether the outcome of his action will be positive or negative. The beliefs are rated for the probability that engaging in the behaviors will produce the believed outcomes whether positive or negative.

Azjen and fishbein (2000) believe that attitude is the degree of favorableness and unfavourableness of an individual's feeling towards a psychological object. This can result into behaviors such as voluntary registering as a tax payer, making tax assessments and filling returns and finally paying taxes due to the tax authority.

Surrey (1967) on the other hand argues that voluntary compliance depends on national attitudes towards the tax system and tax administration and those national attitudes can be affected by the administration and vice versa. If the administration brings about stability and honesty in its operations, the self respect thus achieved can form basis for respect and compliance from the tax payer.

2.1.3 Electronic Tax Filing System.

Electronic tax filing, or e-filing, is a system for submitting tax documents to a revenue service electronically, often without the need to submit any paper documents.

Electronic tax filing systems are an e-government application that is being utilized with increasing frequency all over the world. Such systems are particularly favorable for governments because they avoid many of the mistakes taxpayers make in manual filings, and they help to prevent tax evasion by data matching (Manly et al, 2005). The data houses developed using electronic tax filings can allow tax inspectors to analyze

declarations more thoroughly, and enable policy makers to develop fairer and more effective. (Kun, et al, 2008).

For a long time, government services have been regarded as synonymous with bureaucracy in both developing and industrialized countries. The tenets of Weberian bureaucracy include such factors as organized hierarchy, development of standardized and impersonal procedures, formal division of labor and responsibility, and emphasize efficiency in all procedures (Kun, et al,2008). All countries have bureaucratic state mechanisms; and while many commercial organizations are strongly inspired by the tenets of bureaucracy, their efficiency varies widely.

Whatever the level of efficiency of the bureaucracy, the availability of computers to people from all walks of life has brought them better and more convenient access to public services. Additionally, through the Internet and computer technology, governments can provide services in the original positive sense of Weberian bureaucracy. In other words, e-government can facilitate public service offerings in a truly standard, impersonal, efficient, and convenient manner for both service provider (the government) and service recipient (the citizens). In some cases a government agency can also be a service recipient of an e-government service. In economic terms, the ability of citizens to access government services anytime, anywhere helps to mitigate the transaction costs inherent in all types of government services. (Kun, et al, 2008).

Layne and Lee (2001) propose a four stage model for e-government maturity:

- Catalogue: Online presence, catalogue presentation, downloadable forms.
- Transaction: Services and forms on-line, working database supporting online transactions.
- Vertical integration: Local systems linked to higher-level systems.
- Horizontal integration: Systems integrated across different functions, real one-stop shopping for citizens. Although the model is based on the e-government experiences in the US context, the authors assert that it is applicable to other countries' stages of growth.

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For web-based information systems to remain useful, they must contain new, enhanced attributes. Belanger, et al (2006) argue that they are several success criteria for a web site depending on the variety of goals such as selling, informing and advertising. The authors further argue that web site success is audience specific and it should take account of diverse perspectives of users and owners. It should be noted that sometimes these perspectives might be even competing. For example, in electronic tax filing systems users are usually unenthusiastic to pay tax and the site owner (government) is eager to collect it.

In their research for electronic tax filing system in Taiwan, Fu, et al, (2006) extended the technology acceptance model (TAM) to include such Theory of Planned Behavior parameters as subjective norms, self efficacy, resource facilitating conditions and technology facilitating conditions. In yet another article, the same authors(Fu, et al, 2004) also compared user satisfaction with the three methods of tax filing(manual, two-dimensional barcode, web-based) in Taiwan, according to such parameters as ease of data entry, correction, operation, learning and data submission, explanation completeness, filing form neatness and total filing time.

According to Palmer(2002) electronic tax filing systems can be evaluated in terms of usability, design and performance including download delay, navigability, site content, interactivity, responsiveness, user satisfaction, the likelihood of return to the website and frequency of use.

According to Harold (2011), Computer-generated returns, transmitted electronically, generally are easier to process than paper returns; since the information on the forms doesn't have to be keyed in, number by number, by IRS staff into the Service's computers hence there is less chance of errors.

Electronic transmittal is instantaneous, bypassing the frustrating vagaries of the postal system and the client receives confirmation within a day or two that the return not only was received by the IRS, but was received accurately. (Harold, 2011).

However, from an American experience, electronic tax filings' biggest advantage, from the taxpayer's point of view, is that it shortens the time for refunds from an average of 12 weeks to about 3 weeks. Refunds can even be deposited directly into taxpayers' bank accounts. As an added incentive, some vendors that provide electronic filing services for tax preparers also offer a service in which clients due a tax refund can apply for an immediate bank loan equal to the expected IRS check. As a result, a client could receive the refund (less bank and preparer fees) within three days of the filing. (Harold, 2011).

2.2 Theoretical Review

There are a number of factors responsible for taxpayer"s compliance behaviour backed by specific theories.

2.2.1 Technology Acceptance Model

A study by Palmer (2002) explains that an online filing system that is versatile enough in terms of usability, design and performance is ideal and need to be evaluated further against site content, navigability, interactivity, download delay, user"s feedback on satisfaction, responsiveness, the frequency of use and likelihood of return to the website. The method was developed taking into account the perceived ease of us and its
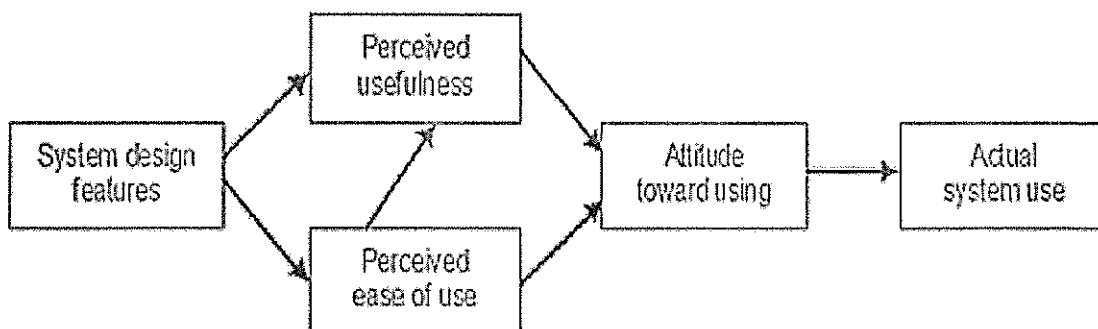
Figure 2:Technology Acceptance Model

In their study Paul and John (2003), confirmed the importance of TAM model adding that its full benefits are realized when intertwined with a more advanced model that boasts

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diverse variables with both social and human factors. The factors are taken into account by the theory of planned behavior (TPB).

Another study by Anna Yusniza (2009) looked at the perceived risk within the online tax filing in Malaysia. Their study was based on the perception that e-government has become considerably more important in today's world due to its effectiveness and reliability by various government departments. Online tax filing is a system that has been adopted by developed countries through which the public can engage with the government and meet their tax obligations cost-effectively. Researchers are yet to come up with an integrated system for tax to allay the fears and negative perception of the public despite wide adoption across the globe. They concluded that a number of performance and psychological risk facets remain significant in addition to time and privacy risks.

Electronic tax filing systems face congestion when filing is done near the tax deadline. A number of studies have pointed that taxpayers tend to e-file around this time hence system crashes if the system capacity is exceeded. Taxpayers may find themselves frustrated by the need to spend a lot of time learning about the system and perhaps realize that the system cannot provide the functions anticipated leading to Psychological and time risks. Taxpayers" confidential data have to be transmitted electronically exposing the taxpayer to privacy risks. Recommendations on risk reduction strategies should be formulated to take care of the taxpayers concerns through advanced security features such as advanced encryption for the user interface. E-filing adoption opens the door to many risks which can be mitigated by formulation of risk-specific strategies.

2.2.2 Ability to Pay Theory

The theory was formulated by Smith and Pigou (1903). The citizens ought to contribute toward the running of every government in proportion to the revenue earned under the protection by the state. This theory attempts to distribute the tax burden according to the individual ability of the taxpayer and taking into

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consideration the personal characteristics of the person. The theory is popular as it equates the amount of tax payable to the individual taxpayer"s ability to pay hence satisfying the need for equity and justice. Such taxes personal taxes as income taxes, inheritance taxes, consumption and net worth are equitably premised under this theory(Wasao 2014).

2.2.3 Benefit Theory

This theory was developed by Knut W. in 1896 and Erik L. 1919. In this approach conferment of benefits by the state on one person determines the amount of taxes he/she should pay. If a person derives more benefits from the state, the tax payable by such person should be guided accordingly. Critics of this principle argue that the state should not maintain a connection between the benefits conferred with the benefits derived. They assert that the principle of tax demands that the taxpayer makes compulsory contribution to the state or public authority to carter for the expenditure of the government and provision of the benefits. This argument reaffirms that no quid pro quo exists in the process. The total expenditure accumulated by the state cannot be adequately equated to the benefits derived by an individual taxpayer. If this principle is applied to the letter then the poor will end up paying the most taxes based on the benefits they derive hence the small tax payers may have to pay more taxes than medium and large tax payers. (Wasao 2014)

2.3 Empirical Review

Picur et al., (2006) states that three perspectives on the relevant theories were relied upon by previous researchers to explain and measure the degree of tax compliance. These models included norms of compliance, economic, uncertainty and inertia. The taxpayers" primary target is to optimize taxes in all situations characterized by excess benefits from tax delinquency over the punishment and detection risk. On the other hand, an extension is made by the uncertainty models on the economic model study. Advocates for uncertainty model argue that information is scanty with respect to penalty and risk of audit despite the fact that ordinarily majority taxpayers will seek to optimize interests on

their finances. Finally, tax culture is considered to have influence on taxpayer behavior according to norms of Compliance models.

Franzoni (1999) avers that good number of the analyses of the failure to compliance have focused on how the failure to compliance or evasion is discouraged by detection or sanction, which approach cannot satisfactorily explain noncompliance among taxpayers.

According to Lubua, (2014), in the Tanzanian revenue authority, employees have come up with workshops designed to enlighten the public on the benefits associated with steps taken to comply voluntarily. Unfortunately, many respondents confirmed that they never received the trainings by the revenue officers. The setback was attributed to the limited number of staff deployed to carry out this exercise. The mobile technologies can be useful in providing trainings. Dowe (2008), states that in order to implement a successful electronic tax filing and payment systems a reliable and easily accessible internet platform providers backed by a financial sector ready to provide needed funds is critical. The success is also significantly contributed to by a public that is IT oriented on one hand and on the other hand adequate financing to set up the appropriate infrastructure in government tax offices.

Duncan (2000) looked at the factors that facilitate the successful adoption of technology as a tax compliance enhancement tool. In his study, he concluded that three factors must be in place to realize this objective, namely: flexible Information Technology structure, competent IT skill base and strong customer orientation. Kamau (2014), sought to determine the impact of the implementation of online technology as one of the strategies in improving taxpayers compliance in Uganda. The study focused on the larger taxpayers of Uganda Revenue authority. The study concludes that indeed the adoption of technology does impact on the tax compliance levels of the large taxpayers.

Knowledge is considered to be a key element in evasion of tax (Richardson 2006). Knowledge provides the taxpayer with the ability to understand the need to comply and therefore elects to comply with the relevant tax laws or not comply (Jackson & Millron,

1986). Past studies have provided the evidence of the existence of a relationship between tax knowledge about the tax rules and regulations and the taxpayers" ability to adhere to the same and comply (Singh, 2003). With improved knowledge about tax rules and regulations, tax compliance tends to improve owing to a more suitable perception. Similarly tax compliance is negatively affected by availability of evasion opportunities made known to a taxpayer through tax education. A large proportion of the previous studies on the effect of education on evasion have based their findings on the taxpayer level of general education as a measure of education, Richardson et al., (2001).

Higher rates of compliance is also attributed to corresponding knowledge of tax laws Cuccia et al., (1996). Eriksen et al., (1996) asserts that tax compliance improves as a result of decreased rate of evasion which is as a result of similar increase in tax knowledge. A study by Lewis (1982) looked at the possibility of a relationship between attitude at tax form filling stage and the knowledge about tax laws. The researcher looked at the possible changes in the attitude due to increase in knowledge and that would likely have an impact on compliance. He concluded that the knowledge was insufficient leading to negative effects on economic fronts resulting in widening of the tax gap).

In consideration of studies by Eriksen et al., (1996) and Lewis (1982), the hypotheses were developed as follows; H1 – Taxpayers who have attended tax training on electronic tax filing systems are significantly more compliant, H2 – Taxpayer Education is positively associated with tax compliance.

2.3.1 Tax payer Attitudes and Tax Compliance.

Wenzel (2004) states that the interaction between the tax authority and the tax payer creates a good relationship that impacts on the tax payer attitude. Alm et al (2006) asserts that the trust the tax payers have in the state improves the positive attitude and commitment to paying taxes. The eventual effect is reflected through voluntary compliance by willingly reporting and filling tax returns and as well as paying the tax obligations as and when they fall due.

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2.3.2 Effects of Computerization on Organizational Performance.

In the current generation, the computer is indisputably a central symbol. No other technology, perhaps no other object of any kind is so widely implicated in the emergency of the world of the future. Hence, computers have become the source of a special and new form of human community.

It is argued that in computing there is the prospect for enhancement of job content and enrichment of work (Ernest, 1982). However, in these same changes the prospect of oppression and degradation on the job has been sighted. It should be noted that computer based systems were introduced in early 1960s in America to speed up the entry of data and the processing of transactions (Ernest, 1982).

The computer applications were first introduced in banking institutions. They were mainly used by the tellers probably because they were handling big transactions. Computerization movements have evolved and have helped set the stage on which the computer industry expanded. In all these cases, computers were preferred to the old system of manual data processing. Similarly it has been observed that computer systems are powerful technologies that managers can effectively use to transform their organizations into a more efficient and competitive entities.

Computer applications that are capable of manipulating data in many ways or automatically applying relatively complex decision rules are more likely to transform organizations than are applications that just print and store data for example, word processing, electronic mail and billing (Rule and Attewel, 1989).

Worth noting is the rapid use of computer-based systems is largely based on the assumption that they are instruments of organizational rationality capable of providing new opportunities for managers to choose courses of action based on a more careful and explicit assessment of alternatives. This is in line with Night (1999) who found out that computerization had increased clerical staff performance, improved the professional exposure and encourage further training.

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However, despite the positive effects of computerization on organizational performance, use of computers has also been the source of problems that get relatively little exposure in the popular press and professional magazines. Some of the problems are pragmatic-the dilemmas of dealing with imperfect computer systems that foul up bills, lose key data or are just much harder to work with than they should be. These kinds of problems can simply seem like minor irritations; however, they foreshadow social problems of much greater significance (Dunlop and Kling, 1991).

Technology can allow access to facilities round the clock, permitting global operations across multiple time zones. Citizen services can also be provided around the clock reflecting the change in working life style and permitting citizens to access the services at their convenience both in temporal and spatial terms.

2.3.3 Computerization and tax payer attitudes.

When informational tools are directly related to tax payers and include all means accessible to them to consult and interact with the administration as well, we can talk about electronic administration. Developments in this area in several countries helped to stream line the entire process of filing tax returns and improve relations between tax payers and tax administration.

Electronic connection with tax administration has been possible in countries like Brazil, Portugal, Netherlands, Spain, United States of America and Canada (Rains et al., 1997).

2.3.4 Computerization in Uganda.

The first computer ever in Uganda was an unwieldy mainframe, which arrived in 1967.
Independence resulted in a rise in government workers so the computer was brought in to help with management of public servant's payroll (Imaka, 2010).
The mainframe was a huge, heavy metallic box-like object with neither a keyboard, mouse, nor a central processing unit. Instead, it functioned through punch cards, usually operated by women, and it required special skills to operate. It could only be used for adding and subtracting numbers.

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It was stationed at the Uganda Computer Services in the Ministry of finance. They were seldom used for gathering and processing vital data of strategic national importance or for decision support, an area that has a great potential and benefits to the nation (MOFPED Report, 1998).

This report also notes that the early 1980s witnessed a big breakthrough in computer technology, giving birth to the personal computers. It was not until the mid 80's that the first desktop Apple was brought to Uganda.

Hardly 50 years since the mainframe's arrival, there are now hundreds of thousands of computers in the country. If the current development is not politicized, IT development in Uganda is headed for good things.

In the past decade, there has been a tremendous increase in the use of information technology with new applications coming on the market: Skype technology has one making calls using a computer connected to the Internet and teleconferencing which allows meetings between people in different places with a click of the mouse.

Now not only IT professionals use computers, but the everyday person, especially in the urbanized part of the country. The noisy type-writers have been replaced by soft touch and sensor key boards, and work which used to take two days during the era of the mainframe, now takes less than an hour to complete.

Productivity levels have definitely moved up with this development. Almost all the nearly 30 universities across the country offer an ICT component on their programme prospectus which means the critical mass required to service the growth is being built in tandem with the increased access. The increase in computer usage and ownership has been boosted by the scrapping of tax on computers. A computer that used to cost about Shs1.6m now goes for as low as Shs500, 000(Imaka, 2010).

The most important new technology in Uganda is the national backbone fiber cable being installed by Huawei, a Chinese company, to provide Uganda with quicker Internet access. This technology aims at easing accessibility to Internet and technological services. It will save the people from the satellite services which are slow and expensive.

2.4 Research gap

The ability to pay theory does not reflect the phrase ability to pay , the economist (Smith and Pigou) are not unanimous as to what should be the exact measure of a persons ability to pay, therefore there is need to close this gap by the researcher .Still Knut W.(1896) Benefit theory did not clearly indicate how to estimate the benefit enjoyed by a particular individual. In similar way this kind of research have been been carried out by many but due to the continuous expansion and progress in the SMEs much more and updated information is needed to enhance compliance, so the researcher finding it necessary to carry out research in this area as it has been identified as knowledge gap.

CHAPTER THREE
METHODOLOGY.

3.0 INTRODICTION
This chapter gives the strategy that was used to accomplish the research undertaking outlined above. It proposed the research design, area of study, target population, sampling size and selection method, data collection tools and methods, data processing and analysis.

3.2 Research Design.
The researcher used the explanatory, descriptive and quantitative research designs.
A survey was carried out in order to allow generalization of the findings.

3.3 Area of Study.
The research was carried out in Kampala district most especially in the central business district.

3.4 Population.
The study population was composed of personal income tax payers in Kampala district, clearing agents and some officials of the Uganda Revenue Authority in the information technology department.

3.5 Sample size and Selection Method.

Population	Size	Method	Why
Tax payers	20	Cluster sampling	This is because tax payers will be selected from different areas of Kampala that is, Nakawa and the central business district.
		Simple random	This method will be used to give equal chance of selection of respondents in order to get accurate results. Worth noting though is that this group is the most affected since they are the end users of the service.
Clearing agents	8	Simple random	These are among the end users of the service in the sense that most tax payers always run to them for assistance and hence they use the service more frequently. So they are also interested parties in this new implemented system.
IT Personnel in URA	10	Purposive sampling	Given that they are at the fore front of the application of the system, it is wise to include them. They run the system, correct errors and complaints from the tax payers and handle any filing related queries.

3.4 Data collection tools and methods.

The researcher used self administered questionnaires to collect data from the respondents. Data collection methods included self administered questionnaires.

3.5 Data Management.

3.5.1Data processing.

Data was cleaned and edited to ensure consistence of responses. Thereafter, data was coded.

3.5.2 Data Analysis.

After coding, data was input into the statistical package for social sciences (SPSS) for analysis. SPSS was used to calculate the descriptive statistics and frequencies.

3.6 Limitations of the study

The researcher encountered problems in obtaining information from the tax payers given the sensitivity of the area. In order to overcome the above problem, the researcher designed questions that eliminated bias and helped increase the responses. Short and precise questions were used. The researcher also used his student identification card to assure respondents that he was a student not an underground Uganda Revenue Authority staff.

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CHAPTER FOUR
PRESENTATION, INTERPRETATION AND DISCUSSION OF FINDINGS.

4.0 Introduction.

This chapter presents the findings of the study on the influence of electronic tax filing system on tax compliance and tax collection. The specific objectives of the study were, To establish the tax compliance levels of tax payer's and tax collection in URA, To establish the ease of use of the electronic tax filing system by tax payers and To establish whether electronic tax filing system has reduced tax compliance costs of tax payers.

This chapter therefore covers the presentation, analysis and interpretation of the findings the researcher obtained from the field based on the above research objectives. It is against this analysis that the researcher based on to make conclusions and recommendations.

4.1 Background Information on the Respondents.
4.1.1 Tenure in Business.

In order to establish how long tax payers have been paying taxes and doing business with URA, tax payers were asked to state the period spent in business. The results are presented in table 1.

Table 1: Showing How Long Tax Payers Have Been In Business.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Between 5 - 10 years	20	71.4	71.4	71.4
	Above 10 years	8	28.6	28.6	100.0
	Total	28	100.0	100.0	

Source: Primary Data

Results in Table 1 show that 71.4 %(20) of the respondents have been in business for a period between 5 to10 years and 28.6 %(8) have been in business for a period exceeding

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10 years. This implies that majority of the tax payers have been in business for a considerable time hence, they understand all the dynamics involved in tax payment and administration with URA.

4.1.2 Tenure of Service in the Domestic Taxes Department.

In order to establish how well URA staff is acquainted with internal process operations, they were asked to state how long they have served in the domestic taxes department and the results are shown in table 2.

Table 2: Showing Tenure of Service in Domestic Taxes Department.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1 year	4	40.0	40.0	40.0
	Between 2-5 years	4	40.0	40.0	80.0
	Between 6-10 years	1	10.0	10.0	90.0
	Above 10 years	1	10.0	10.0	100.0
	Total	10	100.0	100.0	

Source: Primary Data

Results in Table 2 show that 40% of the respondents in URA have served in the domestic taxes department for one year and between 2 to 5 years respectively while 10% have served between 6 and 10 years and above 10 years respectively. Majority of the staff have served between 1 and 5 years. This could probably be attributed to the organization policy of recruiting new people every year. It can further be argued that respondents who have served beyond 10 years are least presented because of the continued job switching in country. This implies a balanced share of competences as there is a fair distribution of tenure of office between those who have spent one year and those that have spent more than 1 year. This therefore enables ease of work among the staff as there is increased interaction among the staff hence achieving the goal and aim of revenue administration through improved internal processes and operations.

4.2 Findings on the Tax Compliance levels of Tax Payers.

4.2.1 Change in Tax Assessment.

In order to establish the influence of e-tax on tax assessment, tax payers were asked if they had noticed a change in tax assessment since 2009 and results are shown in table 3.

Table 3: Showing Change in Tax Assessment.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	23	82.1	82.1	82.1
	No	5	17.9	17.9	100.0
	Total	28	100.0	100.0	

Source: Primary Data

Results in Table 3 show that 82.1 %(23) of the tax payers approached answered Yes whereas 17.9 %(5) answered No. This indicates that tax payers have noticed a change in tax assessment since 2009. This categorically shows that the change in tax assessment is as a result of the new system that was introduced in 2009. This is because the system has eliminated all the bias that tax payers originally perceived of the manual system. This is so because the new system enables self assessment which tax payers are contented with.

4.2.2 Accurate determination of tax obligation and filing returns on time.

In order to establish whether tax payers are compliant with the tax procedures and rules of URA, they were asked whether they can accurately determine their tax obligation and file their returns on time. Results are shown in table 4.

Table 4: Showing accurate determination of tax obligation.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	28	100.0	100.0	100.0

Source: Primary Data

Results in Table 4 show that all the 28 tax payers approached can accurately determine their tax obligations and file their returns on time. This indicates that tax payers are more compliant with the tax laws and procedures of the tax system. Theses manifestations were advanced by Brown and Mazur(2003) who argues that tax compliance is categorized into three multi faceted components; filing, reporting and payment. Therefore, this indicates a fully understanding of the tax system and hence improvement in tax compliance.

4.2.3 Accurate determination of tax obligation, timely filing and e-tax.

In order to establish whether the timely and accurate determination of tax obligation was a result of e-tax system, tax payers were asked if their accurate assessment and timely filing was as a result of the e-tax system and the results are shown in table 5.

Table 5: Showing accurate determination, timely filing and e-tax.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	18	64.3	64.3	64.3
	No	10	35.7	35.7	100.0
	Total	28	100.0	100.0	

Source: Primary Data

Results in Table 5 show that 64.3 %(18) of the tax payers approached answered Yes whereas 35.7 %(10) of the tax payers answered No. This implies that taxpayer's accurate determination and timely filing is courtesy of e-tax as majority (64.3%) answered yes. The 35.7% implies that there are other factors that influence timely and accurate filing of returns like age, gender, nature of business and sanctions (Jackson and Million, 1986). This line of argument is shared by Manly et al, (2005) who found out that such e-systems are particularly favorable for governments because they avoid many of the mistakes taxpayers make in manual filings, and they help to prevent tax evasion by data matching. On this issue, one importer had this to say;

"I file on time not because of the new system but because it is my obligation to disclose accurate and right tax information to escape the long hand of the law". This is in line with Jackson and Million (1986) who argue that the major influences of tax compliance are age, gender, income source and sanctions. The fear expressed by the importer is a manifestation of the sanctions that may arise due to non compliance.

4.3 Findings on the Ease of Use of the Electronic Filing System.

4.3.1 Tax payers View on the use of e-tax.

In order to establish the attitudes of tax payers towards the e-tax system, respondents were asked to state their views about the use of e-tax system and the results are shown in table 6.

Table 6: Showing Views of Tax Payers about the use of e-tax.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very good	6	21.4	21.4	21.4
	Good	14	50.0	50.0	71.4
	Fairly good	8	28.6	28.6	100.0
	Total	28	100.0	100.0	

Source: Primary Data

Results in Table 6 show that 21.4%(6) of the tax payers view the use of electronic tax filing system as being Very good, 50%(14) view it as being good and 28.6% view it as being fairly good. This implies that tax payer's mostly small tax payers have not yet fully welcomed the system given that 28.6% of them view the use of the system as being fairly good. This state of events can be attributed to the poor state of the country's cyber infrastructure coupled with the high computer illiteracy levels. This environment can't foster a good attitude towards the use of the e-system. In their findings in the study of the evaluation of tax filing websites, Kun et, al (2008) found out that the e-tax system in

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Turkey could only be used by Certified Public Accountants given the complexity of the system. However, Uganda's case is exceptional owing to government commitment to the development of cyber infrastructure because the system was designed to be used by nationals whether professional tax consultants or not.

4.3.2 Convenience, Speed and e-tax.

In order to establish the convenience tax payers get with the new system, tax payers were asked to state whether the e-tax system is fast and convenient to use compared to the old manual system and the results are shown in the table 7.

Table 7: Showing Speed, Convenience and e-tax.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	10	35.7	35.7	35.7
	Agree	16	57.1	57.1	92.9
	Strongly disagree	1	3.6	3.6	96.4
	Not sure	1	3.6	3.6	100.0
	Total	28	100.0	100.0	

Source: Primary Data.

Results in Table 7 show that 35.7% of the tax payers strongly agreed that the electronic tax filing system is fast and convenient compared to the old system, 57.1% agreed, 3.6% disagreed and 3.6% were not sure. From the table it signifies that the new system is fast and convenient to use compared to the old system. This is because the new system doesn't require tax payers to meet their obligations at URA offices but rather anywhere around the country hence presenting to tax payers a convenient way of fulfilling their obligations with URA.

4.3.3 Ease of Use of the e-tax System.

In order to establish the simplicity and ease with which tax payers get when using the new system, tax payers were asked to state whether it is simple and easy to file tax returns using the e-tax system. The results are shown in table 8.

Table 8: Showing Ease of Use of the e-tax System.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	8	28.6	28.6	28.6
	Agree	17	60.7	60.7	89.3
	Strongly disagree	1	3.6	3.6	92.9
	Disagree	2	7.1	7.1	100.0
	Total	28	100.0	100.0	

Source: Primary Data

Results in Table 8 show that 28.6% of the tax payers strongly agreed that it is easy and simple to file their tax returns using the electronic tax filing system, 60.7% agreed, 3.6% strongly disagreed while 7.1% disagreed. Results from the table imply that it is easy for tax payers to file their tax returns using the electronic tax system but however, a lot has to be done to take the percentage a little higher. In their findings on the user evaluation of electronic tax filing websites, Kun, et, al (2008) found out that the electronic tax filing system was more easy to use in South Korea because of the use of cartoons and multi-media on the website than in Turkey where the system was more complicated and oriented towards professionals. Therefore, having user friendly features on a filing website can ease the filing of returns hence improve on the compliance levels leading to increased tax collection.

4.3.4 Major Weaknesses of the e-tax System.

In order to establish the loopholes in the e-tax system, tax payers were asked to state the major weaknesses in the e-tax system. The results are indicated in table 9.

Table 9: Showing Major Weaknesses in the e-tax System.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	System always slow at the filing date	5	17.9	17.9	17.9
	Serve is ever busy	15	53.6	53.6	71.4
	It's expensive	2	7.1	7.1	78.6
	Not user friendly for computer illiterates	5	17.9	17.9	96.4
	Fails to use Firefox/Mozilla browser while filing	1	3.6	3.6	100.0
	Total	28	100.0	100.0	

Source: Primary Data

Results in Table 9 show that majority of the respondents signaled a problem of servers as being the major weakness of the electronic tax filing system. This is depicted by majority of the respondents (53.6%). The poor cyber infrastructure in the country can further be seen coming into play again as a major weakness in the e-tax system as 17.9% observed the same. One important aspect to be observed is that towards the 15th day of filing, the system is down and too slow. This implies that the system in place is not good enough to handle all the users at the same time. This greatly undermines compliance levels as tax payers become disgruntled with the system hence leading to non- compliant behaviors. This goes ahead to further show that the system is overwhelmed by the number of users.

4.3.5 How Weaknesses Can be Overcome.

In order to establish how the weaknesses in the e-tax system could be overcome, tax payers were asked to state solutions. The results are shown in the table 10.

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Table 10: Showing how Problems Can be Overcome.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Continued educating of taxpayers	13	46.4	46.4	46.4
	Setting up various URA centers across the nation	2	7.1	7.1	53.6
	Server should be upgraded	10	35.7	35.7	89.3
	Using it as an alternative to the manual one	1	3.6	3.6	92.9
	Installation of a user friendly system	1	3.6	3.6	96.4
	Provision of e-tax clinics	1	3.6	3.6	100.0
	Total	28	100.0	100.0	

Source: Primary Data

Table 10 indicates that majority of the tax payer's advocate for continued education about the use of the e-system whereas a considerable number advocates for the upgrading of the current servers. Setting up various URA centers across the country is also suggested and a few also suggest installation of a user friendly system and provision of e-tax clinics around the country. In their view, Belanger, et al (2006) argue that they are several success criteria for a web site depending on the variety of goals such as selling, informing and advertising. The authors further argue that web site success is audience specific and it should take account of diverse perspectives of users and owners. Installation of user friendly systems is very vital given the state of the cyber infrastructure in the country and the literacy levels. Presenting to tax payers a system that can easily be used in fulfilling their tax obligations gains the country and the URA as an organization in the achievement of its goals and targets.

4.4 Findings on Tax Compliance Costs.

4.4.1 Time and Filing of Returns.

In order to establish the time it takes tax payer's complying with URA using the e-tax systems, tax payers were asked whether it takes them little time to file their returns. Results are shown in Table 11.

Table 11: Showing It Takes Little Time to File Returns.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	20	71.4	71.4	71.4
	No	8	28.6	28.6	100.0
	Total	28	100.0	100.0	

Source: Primary Data

Results from Table 11 show that it takes little time for tax payers to file their returns as majority(71.4 %) of the tax payers answered Yes whereas it takes quite a long time for others to file their returns with URA as shown by 28.6 % who answered No. From the results, it can be implied that it takes little time for the tax payers to comply with URA when using the e-tax system.

4.4.2 Private Advisors and e-tax.

In order to establish whether tax payers costs of complying with URA had increased, respondents were asked to state persons in private practice employed since the inception of e-tax. Results are shown in table 12.

Table 12: Showing Persons in Private Practice Employed.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Accountant	7	25.0	25.0	25.0
	Tax consultant	8	28.6	28.6	53.6
	Clearing agent	4	14.3	14.3	67.9
	None	9	32.1	32.1	100.0
	Total	28	100.0	100.0	

Source: Primary Data

Table 12 shows that 25.0% of the tax payers have employed accountants, 28.6% have employed tax consultants, 14.3% have employed lawyers and 32.1% have not employed any one. From the table, it can substantially be deduced that costs of complying with URA on the tax payer's side is high. This state of events can also be explained by the high illiteracy levels in the country as tax payers are not fully conversant with the law and other requirements that make business operations smooth.

4.4.3 Private Advisors and Compliance Costs.

To establish whether employment of private advisors had led to an increase in tax compliance costs, tax payers were asked to state their opinion. Results are shown in table 13.

Table 13: Showing Employment of Private Advisors and Compliance Costs.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	23	82.1	82.1	82.1
	No	5	17.9	17.9	100.0
	Total	28	100.0	100.0	

Source: Primary Data

Table 13 shows that indeed there has been an increase in compliance costs of tax payers as 82.1% of the tax payers answered yes while 17.9% of the tax payers answered no. This implies that electronic tax filing system has increased compliance costs among small tax payers. It is interesting because even those who said that they do not employ any one in private practice to help on tax matters still said that the system had increased their tax compliance costs. This, they attributed it to the kind of manual elements that still exist in the new system like taking the documents to URA for more verification and limited computer skills.

4.5 Findings from URA Respondents.

4.5.1 Change in Assessment.

In order to establish whether there has been a change in tax assessment in URA, URA staff where asked if they had noticed a change in tax assessment since the introduction of e-tax in 2009. Results are indicated in table 14 below.

Table 14: Showing Change in Tax Assessment.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	9	90.0	90.0	90.0
	No	1	10.0	10.0	100.0
	Total	10	100.0	100.0	

Source: Primary Data

From Table 14, 90% of the employees in URA have observed a change in tax assessment since 2009 the time e-tax was introduced while 10% have not noticed a change in assessment. Results from the table show that indeed e-tax system has fostered a change in tax assessment as both tax payers and URA staff are in agreement that there is a change in assessment of taxes since 2009 the year e-tax was introduced.

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4.5.2 Willingness of Tax Payers to Pay Taxes.

In order to establish whether URA staff perceive tax payers as being compliant, they were asked to state whether tax payers were more willing to pay taxes to URA. Results are shown in table 15.

Table 15: Showing Perceived Willingness of Taxpayers to Pay Tax.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	10	100.0	100.0	100.0

Source: Primary Data

Table 15 shows that all URA staff do perceive tax payers to be compliant as they all agreed that tax payers are more willing to pay taxes to URA. This state of events can greatly be attributed to the continued efforts by URA to come closer to tax payers through electronic and print media adverts and awarding of incentives to best tax paying clients.

4.5.3 Willingness to Pay Taxes and e-tax system.

In order to establish the influence of e-tax system on tax compliance, respondents in URA were asked whether the perceived willingness of tax payers to pay tax is a result of the new system. Results are shown in table 16.

Table 16: Showing whether the willingness to pay taxes is as a result of e-tax.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	6	60.0	60.0	60.0
	No	4	40.0	40.0	100.0
	Total	10	100.0	100.0	

Source: Primary Data

Table 16 indicates that there has been an influence of e-tax system on tax compliance and collection as 60% of the respondents answered yes. 40% do fill that the willingness of tax payers to comply with URA is not a result of e-tax. This implies that to a reasonable extent, the willingness of tax payers to pay taxes to URA is attributable to the e-tax

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system introduced in 2009. However, there are some other factors that influence compliance that account for the 40%. These were advanced by Million and Jackson (1986) as being gender of persons, nature of business and sanctions among others.

4.5.4 Improvement in Revenue Collection.

In order to establish the influence of e-tax system on revenue collections, respondents in URA were asked whether there had been an improvement in revenue collection since 2009. Results are shown in table 17.

Table 17: Showing whether there has been Improvement in Revenue Collection.

Response		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	10	100.0	100.0	100.0

Source: Primary Data

Table 17 shows that there has been an improvement in revenue performance since 2009. This is shown by the 100% response from the respondents.

4.5.5 Improvement in Revenue Performance and e-tax.

It was worth finding out whether the registered improvement in revenue performance was a result of e-tax. Results are shown in table 18.

Table 18: Showing Improvement in Revenue Performance and e-tax.

Response		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	8	80.0	80.0	80.0
	No	2	20.0	20.0	100.0
	Total	10	100.0	100.0	

Source: Primary Data

Table 18 indicates that the improvement in revenue performance can to a great extent be attributable to e-tax. This is shown by 80% of the respondents who answered yes whereas only 20% answered no. This implies that the change in tax collection to a great extent is

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attributable to the e-tax system. The 20% could account for factors like improved administration of the organization and pro- people and pro- business policies advanced by the MOFEPD.

4.6 Findings on the Ease of Use of the Electronic Tax System.

4.6.1 URA staff Opinion about the use of e-tax.

In order to establish the attitudes of URA staff towards the use of e-tax system, URA staff where asked their views about the use the e-tax. Results are shown in table 19.

Table 19: Showing URA staff views about e-tax.

Response		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very good	8	80.0	80.0	80.0
	Good	1	10.0	10.0	90.0
	Fairly good	1	10.0	10.0	100.0
	Total	10	100.0	100.0	

Source: Primary Data

Table 19 shows that 80% of the respondents view the use of the e-tax as being very good while 10% view it as being good and fairly good respectively. This indicates that the attitude of URA staff towards the system is good as majority of the respondents view its use as being very good. This can probably be attributable to the level of training that URA management has put in place to equip all the staff with the necessary skills to attain efficiency.

4.6.2 Simplicity of Work and e-tax.

In order to establish the ease that URA staff get when using the e-tax system, respondents were asked whether e-tax had made their work simple and fast compared to the old system. Results are shown in table 20.

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Table 20: Showing Simplicity of Work and e-tax.

Response		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	5	50.0	50.0	50.0
	Agree	5	50.0	50.0	100.0
	Total	10	100.0	100.0	

Source: Primary Data

Table 20 shows that 50% of the respondents strongly agreed that e-tax made their work simple and fast as compared to the old system while 50% were in agreement with the statement. This consistence of results indicates that e-tax has made work fast and simple for the employees as compared to the old manual system. This can greatly be attributable to the attitude of the staff towards the use of e-tax in URA. This is in line with Night (1999) who found out that computerization had increased clerical staff performance, improved the professional exposure and encouraged further training in the United States of America. In his findings on the ease of work by e-systems in United States of America, Harold (2011) advanced that computer-generated returns, transmitted electronically, were generally easier to process than paper returns; since the information on the forms doesn't have to be keyed in, number by number, by IRS staff into the Service's computers hence there is less chance of errors. This simplifies work and thus leading to effectiveness and efficiency in operations in the organization. Therefore computerization has all the potential of improving organizational performance.

4.6.3 Major Weaknesses of e-tax.

In order to establish the gaps in the new system, URA staff where asked the major weaknesses in the system. Results are shown in table 21.

Table 21: Responses on the major weaknesses of e-tax.

Response		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Ignorance of tax payers about the system	1	10.0	10.0	10.0
	Servers are of a low capacity	5	50.0	50.0	60.0
	Sensitization of tax payers is still low	1	10.0	10.0	70.0
	Most clients have not fully adapted the system	3	30.0	30.0	100.0
	Total	10	100.0	100.0	

Source: Primary Data.

Table 21 shows that 50% of the respondents pointed out the weakness of the servers being of low capacity, 30% pointed out that clients have not fully adapted to the system while ignorance of tax payers about the system and sensitization of tax payers being low accounted for 1% respectively. This therefore implies that the major weakness with e-tax is the servers. This same weakness was addressed by the tax payers who also decried the server being slow especially at the due date of filing and towards the 15th day of the filing month.

4.6.4 How Major Weaknesses Can be Overcome.

In order to establish solutions to the major weaknesses in the e-tax system, URA staff where asked to give solutions. Results are indicated in table 22.

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Table 22: Responses on how the weaknesses can be overcome.

Response		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Conducting more tax clinics	2	20.0	20.0	20.0
	Sensitization via various media	3	30.0	30.0	50.0
	Installation of high capacity servers	5	50.0	50.0	100.0
	Total	10	100.0	100.0	

Source: Primary Data

Table 27 shows that 50% of the respondents advocate for installation of high capacity servers, 30% advocate for sensitization of the tax payers via various media and 20% advocate for conducting more tax clinics. This implies that the system is good but there is need to upgrade it. One most important aspect in electronic tax filing websites is the ease of use of the system. It should not complicate tax payer's life and time.

CHAPTER FIVE

SUMMARY, RECOMMENDATIONS AND CONCLUSIONS.

5.1 Summary.

Basing on the findings from the study, it is evident that the electronic tax filing system has improved tax compliance as it is easy for tax payers to assess their tax obligation accurately and enable them file their returns on time. On other hand, the new system has helped ease the work of the URA staff and to an extent led to an increase in tax collection in URA.

Basing on the findings from the study, it is evident that the attitude of tax payers and that of URA staff is positive as a considerable number viewed the use of the system as being good. So, a lot has to be done by URA to make these people like the system more.

More so, findings from the study indicate that the new system has increased costs of complying with URA on the tax payer's side but however, taking it in mind that the system is in its genesis, improvements may be done to avert the same.

Findings from the study do show that the new system is good but is overwhelmed by the number of users consequently resulting into inconveniences like loss of tax payers' considerable working time.

5.2 Conclusion.

Basing on the findings, electronic tax filing system has the potential of increasing tax compliance and revenue collection in URA but a lot has to be done to avert the obstacles that may not make it possible.

5.3 Recommendations.

System monitoring, this should be done at the implementation stage to enable the URA review all that is on the URA web portal and therefore change where the need arises and for better service delivery to the users of the E-tax services.

System testing and validation, this should be done to enable checking for any kind of errors that would be within the system, to avoid inconveniences with the user (the tax payers and the URA officials).

URA should call the taxpayers for training at the different branches to enable sensitization about the services that are rendered and therefore communicate all the reasons for the adoption of E-tax service as this will motivate the uses of the service, hence increase in the rate of compliances.

URA should inform the government to enable E-tax services to be extended to higher institutions of learning, for effective training right from formal education level to the field.

URA should find ways of reducing the URA web portal disturbances which is ever on and off especially at the time of deadlines, that is when filing VAT, income tax returns and many others to avoid penalties caused due to the web portal network.

The tax administration so as to provide individuals and groups with guidance on how to improve bookkeeping standards and tax returns.

Generally, tax counseling offices should be established country wide so as to provide advice on the interpretation and application of tax laws, procedures for filing returns and applications. This will also enhance tax compliance.

Tax education is a part of public relation activities, which can play an important role in creating tax awareness hence improving on the level of tax compliance.

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Prizes should also be given to those who comply and pay their dues in time and with the correct amount, this will help to attract more people to comply.

The registration programs should be developed to bring the high number of qualified but non registered corporation tax payers into the tax net. Increasing corporation tax registration threshold should be considered in order to have a manageable taxpayer register.

In view of URA respondents, policy proposals for reviewing the schedules that specify exemptions in the corporation tax legislation should be passed with more caution so as to limit proliferation of tax benefits and loopholes that drastically reduce tax collection and minimize corporation tax productivity.

For SMEs to improve their tax competencies, those involved in their tax matters need knowledge and skills to interpret the various tax laws and regulations, they also have to carry out tax planning, possess functional competencies and business operational competencies. This will enable them comply with their tax requirements

Also tax compliance procedures should be simplified because in most cases they are found to be very complicated for SMES, especially for those who do not keep proper books of account and sometimes do not understand the tax laws in order to reduce the compliance costs in terms of money and time.

With reference to the finding, high compliance costs reduce the compliance levels of SMEs, this call for the need to take into account the tax compliance costs incurred by the taxpayers when tax rules are being designed by policy makers.

Sensitization programs should be intensified to increase staff awareness and taxpayer appreciation of existing automation projects.

As most of the small taxpayer respondents were found to be Information Technology (IT) illiterate, they suggested that URA should introduce e-tax gradually and if need be, run both manual processes and the automated processes concurrently in order not to drive them out of their small businesses.

Increasing corporation tax registration threshold should be considered in order to have a manageable taxpayer register. Emphasis of corporation tax administration should be shifted to tax payer audits so that a reasonable proportion of registered tax payers to be audited annually to support the self assessment system.

5.4 Areas of Further Research.

The researcher suggests the following as areas of further research;

- The influence of e-tax on tax administration
- The impact of e-tax on tax evasion and avoidance.
- The impact of e-tax on tax payer relational norms.

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I am a student of the bachelor of Business Administration –Finance and Accounting and am carrying out my research about the influence of the electronic tax filing system on tax compliance amongst small and medium enterprises within Kampala central business district.

This is one of the requirements to get this degree.

Please kindly help the researcher in this study by answering the following questions in a way you feel appropriate. Your response will be only for academic purpose and will be treated confidential.

Questionnaire to investigate the influence of electronic tax filing system on tax compliance and tax collection to be filled by Uganda Revenue Authority Staff.

SECTION A. BACKGROUND INFORMATION.

1. Name of the station..

2. Sex
   a. Male ☐
   b. Female ☐

3. How long have you served in domestic taxes department (please tick what applies to you)
   a. 1 year ☐
   b. Between 2 and 5 years ☐
   c. Between 6 and 10 years ☐
   a. Above 10 years ☐

SECTION B. TAX COMPLIANCE AND TAX COLLECTION
A. TAX COMPLIANCE

4. Have you noticed a change in tax assessment since 2009?
   a. Yes ☐
   b. No ☐

5. Are tax payers more willing to pay taxes to Uganda Revenue Authority?

a. Yes ☐

b. No ☐

6. If your answer is yes, is the willingness attributable to the electronic tax filing system that started in 2009?

a. Yes ☐

b. No ☐

c. Not sure ☐

7. Have you noticed a change in filing tax returns by tax payers since 2009?

a. Yes ☐

b. No ☐

B. TAX COLLECTION

8. Have you registered a remarkable improvement in tax revenue collection since 2009?

a. Yes ☐

b. No ☐

9. If your answer is Yes, can the improvement be attributed to the electronic tax filing system?

a. Yes ☐

b. No ☐

SECTION C. EASE OF USE OF THE SYSTEM

10. What is your view about the use of the electronic tax filing system?

a. Very Good ☐

b. Good ☐

c. Fairy Good ☐

d. Others (Specify)...

11. I do not get any problem with using the electronic tax filing system (Tick what applies to you)

Strongly Agree	Agree	Strongly Disagree	Disagree	Not Sure

12. Electronic tax filing system is fast and makes work simple compared the manual System. (Tick what applies to you)

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Strongly Agree	Agree	Strongly Disagree	Disagree	Not Sure

13. Please state in your view the major weaknesses of electronic tax

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………………………………………………………………………………

………………………………………………………………………………

14. How can the above weaknesses be overcome?

………………………………………………………………………………

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………………………………………………………………………

Thank you

I am a student of the bachelor of Business Administration –Finance and Accounting and am carrying out my research about the influence of the electronic tax filing system on tax compliance amongst small and medium enterprises within Kampala central business district. This is one of the requirements to get this degree.

Please kindly help the researcher in this study by answering the following questions in a way you feel appropriate. Your response will be only for academic purpose and will be treated confidential.

Questionnaire to investigate the influence of electronic tax filing system on tax compliance and tax collection. (*To be filled by importers and selected clearing agents*).

SECTION A. BACKGROUND INFORMATION.

1. Tick your category

    a.   Importer   ☐

    b.   Clearing agent   ☐

2. How long have you been in business?

    a.   Between 5-10 years   ☐

    b.   Above 10 years   ☐

SECTION B. TAX COMPLIANCE

3. Have you noticed a change in tax assessment since 2009?

    a.   Yes   ☐

    b.   No   ☐

4. Can you accurately determine your tax obligations and file your returns on time using the electronic tax system?

    a.   Yes   ☐

    b.   No   ☐

5. If your answer is Yes, is your timely filing and accurate assessment of tax obligation a result of the electronic tax filing system?

    a.   Yes   ☐

    b.   No   ☐

SECTION C. EASE OF USE OF THE FILING SYSTEM

6. What is your view about the use of the electronic tax system?

Very Good	Good	Fairly Good

7. I understand the electronic tax filing system very well and I do not get problems when using it.

Strongly Agree	Agree	Strongly Disagree	Disagree	Not Sure

8. Electronic tax filing system is fast and convenient compared to the old manual system

Strongly Agree	Agree	Strongly Disagree	Disagree	Not Sure

9. It is easy and simple for me to file my tax returns using electronic tax filing system

Strongly Agree	Agree	Strongly Disagree	Disagree	Not Sure

10. I can assess my tax obligations accurately using the electronic tax filing system as compared to the old system.

Strongly Agree	Agree	Strongly Disagree	Disagree	Not Sure

11. Please state in your view the major weaknesses of electronic tax filing system.

....

....

12. How can the above weaknesses (if any) be overcome?

....

....

....

SECTION D. COMPLIANCE COSTS

13. Does it take you little time to file and comply with the regulations of URA and the electronic tax system?

    a.   Yes   ☐

    b.   No   ☐

14. If your answer is No, how long do you take before finally submitting your tax return?

Less than 30Mins	30min- 1hour	1hour-2hours	Over 2hours

15. Has this increased the amount of money you spend in trying to file your tax returns to URA than it used to be when using the manual system?

    a.   Yes   ☐

    b.   No   ☐

16. Since the introduction of electronic tax filing system, who did you employ as an advisor in private practice to do your tax compilation work? (Do not state names but professions). Please list them (for example, Accountant, Lawyer etc).

....

....

17. Has this increased the amount of money you spend on fulfilling your tax obligations with URA?

    a.   Yes   ☐

    b.   No   ☐

Thank you.

Estimated budget for the study.

ITEM	UNIT COST	No	AMOUNT
Questionnaires	150	38	5700
Typing and Printing	-	-	20,000
Transport and Airtime	-	-	30,000
Stationery	10,000	1	10,000
Binding	6000	4	24,000
Total			89,700

Time frame of the study:

February-Mid March

During this period the researcher planned for the study and by mid march, everything was ready and remaining with collection of data.

Late March –Mid April

During this period the researcher collected data from the field. Given the academic activities that intensified during late March, the researcher distributed questionnaires to the respondents during that time so that the respondents could take their time as the researcher attended to class and test obligations while checking on the respondents' progress. This was intended not to frustrate the researcher's academic obligations and in one way try to increase response rates.

Late April-May

During this period, the researcher sat down and analyzed the data collected from the field as well as secondary data and put it together to be meaningful. In this same period, the researcher finalized the research report and bound the final copy.