



**MULTIPLE TAXATION AND PROFITABILITY OF SMALL SCALE BUSINESS  
ENTERPRISES IN HOIMA MUNICIPALITY MID-WESTERN UGANDA**

**BY**

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**A RESEARCH REPORT SUBMITTED TO THE COLLEGE OF ECONOMICS  
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UNIVERSITY**

**JULY, 2019**

### DECLARATION

, **Bijukwabake John** heart fully declare that this proposal is in its original status through the field work and data analysis I undertook. It has never been produced and presented anywhere for the academic awards in this university or elsewhere including other higher institutions of learning.


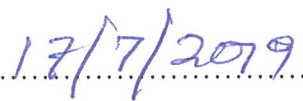
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### APPROVAL

This research report is developed through a series of stages under my supervision and submitted to this University with my approval as research supervisor.

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DR.KIRABO KYEYUNE B. JOSEPH

SUPERVISOR)

## **DEDICATION**

This work is dedicated to my parents Mr. and Mrs. Kenneth Bagayana for all the sacrifice, patience and commitment inclusive of the challenges you faced in educating and making me more enlightened. May the Almighty God bless you abundantly?

I also dedicate this piece of work to my supervisor, Dr. Kirabo Kyeyune B. Joseph for providing me with his professional guidance, encouragement and his time during the research process.

Lastly but not least, I also dedicate this piece of work to the entire staff of Hoima Municipality Mid-Western Uganda, the staff of Kampala International University especially the College of Economics and Management as well as students that gave me a platform which led to the success of this study.

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## LIST OF ACRONYMS

CVI	Content Validity Index test
DV	Dependent Variables
GDP	Gross Domestic Product
IMMWU	Hoima Municipality mid-western Uganda
IV	Independent Variables
IV	Independent Variables
IV	Intervening Variables
IV	Intervening Variables
KIU	Kampala International University
KIU	Kampala International University
MFPE	Ministry of Finance Planning and Economic Development GDP
OECD	Economic Co-operation and Development
SAP	Structural Adjustment Program
SPSS	Statistical Package for Social Sciences.
SSA	Small Scale authorities
SSB	Small Scale Business
URA	Uganda revenue authority
USSIA	Uganda Small Scale Industries Association
WCP	Wealth Creation Programme
YAWACT	Youth Affairs, women Affairs and Communication Technology



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## ABSTRACT

The purpose of the study was to examine multiple taxation and profitability of small scale business in Hoima Municipality, Mid-Western Uganda. The study was based on three specific objectives; to find the effect of multiple taxation policy on the profitability of small scale businesses in Hoima Municipality, Mid-Western Uganda, to find out the effect of tax administration on small business businesses Hoima Municipality, Mid-Western Uganda and to examine the relationship between multiple taxation and profitability of small scale business enterprises in Hoima Municipality, Mid-Western Uganda. It was based on a descriptive survey design basing on the use of qualitative and quantitative approaches that was adopted to examine the effect of multiple taxation and profitability of small scale business enterprises in Hoima Municipality Mid-Western Uganda. Simple random sampling and purposive sampling techniques were used in the study. Questionnaires were used to collect primary and secondary sources of data from 50 out of 60 respondents, using simple random sampling. Data analysis was done using frequencies tables. Finally the report looked at the study results and gave the discussion of each finding. Therefore, here, data analysis, procedures and response rate are focused on. Then the findings and graphs inclusions and recommendations are presented. The findings on the first objective provided to find the effect of multiple taxation policy on the profitability of small scale businesses in Hoima Municipality, Mid-Western Uganda. The study findings revealed that SSBs benefited people in Hoima Municipality; Mid-Western Uganda had a positive effect on the small business enterprises with 68% of respondents who strongly agreed and 20% agreed. According to objective two, to find out the effect of tax administration on small business businesses Hoima Municipality, Mid-Western Uganda indicated that, the negative effect of tax administrations on profitability of small business enterprises indicated that business premises are locked in case of failure to pay taxes and have greatly increased overtime by response of 68% and there are suggestions that the government has done to improve income tax administration and has greatly increased overtime by 59%. According to objective three, to examine the relationship between multiple taxation and profitability of small scale business businesses in Hoima Municipality, Mid-Western Uganda. On average that, multiple taxation policies in the business have led to increase in gross profit margin as indicated over by 73% strongly agreed and also multiple taxation helps in the growth of the business. Indicated that tax systems play an important role in encouraging growth, investment and innovation and facilitating international trade and mobility. Conclusion, 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 low 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. Recommendation, as a way of reducing the burden of income taxes on SSBs the tax authority should find a way of assessing the tax, in that the profitability of SSBs should pay early in the financial year in order to give enough time to the businesses to pay their dues rather than making an assessment and demand for payment spontaneously. The URA 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.

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.0 Introduction**

This chapter presents the background of the study, statement of the problem, purpose of the study, objectives of the study, research questions, scope, and significance of the study, justification of the study and operational definition of key terms.

#### **1.1 Background to the study**

##### **1.1.1 Historical background Perspective**

Government plays great role in any national economy. This is particularly true in the developing countries where government has to initiate and promote economic development. To achieve its purpose, government uses different instruments to mobilize funds and channel same to the provision of essential services and amenities; protection of its nationals, provision of education, health care services etc. By so doing, the government raises revenue which takes a number of different forms such as taxation, borrowing, grants, rents royalties, fees and other charges (Zubairu, 2013).

Taxation is the main source of government revenue and tax can be defined as “a compulsory levy imposed by a public authority on the income, capital, and profit or wealth of an individual, family, community, estate, corporate or unincorporated body for the public purpose” (Okezie, 2003).

The policy of taxation in Uganda is directed towards achieving specific objectives which include among others revenue generation and economic growth. Therefore, avoidance and evasion affect both the volume and nature of government finances generated being the key to economic development (Zulaikha and Nugroho 2012).

Tax administration has been structured in such a way that from the federal government level through state to the local government level it can be assessed and collected in all sectors of the economy.

he world over, small scale business play a much more important role in economic growth and development, which can best be described as the bedrock of rapid and sustainable growth and development of any society. Prior to the 19<sup>th</sup> century, cottage industries mostly small and medium scale business controlled the economy of Europe (Joseph, 2004). The industrial revolution changed the status quo and introduced mass production by 1970s. The mass production model was seen as not relevant which eventually led to the unexpected reappraisal of the role and importance of small scale business in the global economy.

The value of small scale industries cannot be over emphasized. Small scale business can be characterized by dynamism, innovations, efficiency and their small size allows for faster decision making process.

Poverty is one of the most serious problems confronting Ugandan today (Joseph, 2004). Therefore, absolute poverty exists, due to the inability of a person or group of persons to satisfying their most basic and elementary requirements of human survival in terms of good nutrition, clothing, shelter, education, recreation etc. It is generally believed that absolute poverty can be eradicated or reduced thus, government introduction of some intervention programs. Ugandan government has realized the importance of small scale businesses and has formulated public policies to encourage, support and fund small scale business (Itodo, 2011). Also, the current president (His Excellent Y.K Museveni) introduction of the Youth Enterprise within innovation in Uganda (WCP) wealth creation programme, which was a joint initiative of the Federal Ministries of finance, Youth Affairs, women Affairs and Communication Technology, aimed at encouraging and supporting ambitious and creative enterprises, for young men and women to develop and implement business ideas for job creation (State House, 2007). This program if it had been properly implemented it was expected to employ between 80,000 to 320,000 new jobs at the cost of 10 billion shillings by president Speech on Official Launch of Prosperity for All –“Bonna” in 2007.

Hence, Small scale business creates avenue for employment generation, solid entrepreneurial base and encourage the use of local raw materials and technologies.

Small scale business creates employment, increase job growth; induce change, innovation and competition. The benefits accruable from small scale business enterprises are easily noticeable.

These benefits include contribution to the economy in terms of output of goods and service; creation of jobs at relatively low capital cost, especially in the fast growing service sector. It provides a vehicle for reducing income disparities, develops a pool of skilled and semi-skilled workers as a basis for the future industrial expansion; often, an excellent breeding ground for entrepreneurial and managerial talent, the critical shortage of which is often a great handicap to economic development and provides opportunities for development among others.

The fact that small scale business enterprises contribute greatly in development of nation's economy; yet, Ugandans still face harsh economic conditions since early 1980s (Ezekiel, 2009). These resulted in several government policies designed to alleviate the bad situation (Okauru, 2012). Among these policies is the Structural Adjustment Program (SAP) which was supposed to make Ugandans look inward for solutions to their problems. The Federal Government of Uganda has emphasized that one of the solutions to such unhealthy situation is the establishment of small scale business.

However, in recent times in Uganda, the World Bank by some estimates said that 56 percent of Ugandan youths were jobless. However, (Adebisi 2013), is of the view that over the years, small scale business enterprises have been an avenue of job creation and the empowerment of Ugandan citizens, providing about 50% of all jobs in Uganda and also for local capital formation. The Polytechnic and vocational institutes programme foundation opined that Ugandan educational system is not structured in such a model as can produce graduates who are comprehensively groomed with the 21st century compliant skills.

Furthermore, Ibrahim (2003), also said that Africa had the lowest share of engineering graduates in the world which has grossly discouraged the growth of small businesses among Ugandan youths who in their millions roam the streets searching for the elusive white collar jobs rather than being encouraged and empowered to become investors and small business operators. For example, researchers that work with <http://www.evolveyourbiz.com> emphasized that small businesses in the United States are key to job creation and indeed are credited for creating nearly 50 percent or more of the jobs in the U.S economy. According to them, in U.S., small business employs over half of the nation's work force (Ezekiel, 2009).

Despite the laudable objective of the government, the rate of failure of small scale business had been quite high (Adebisi, 2013). Small scale business is characterized by mismanagement, lack of capital backup, inability to train and retrain workers, lack of certified public accountants to help in keeping accounting records, inadequate knowledge of the market situation, limited control to ascertain fraud, illiteracy and ignorance, inability to distinguish between working capital and personal cash, lack of growth, inadequate funding, incessant closure of business, disorganized system of account or poor management of funds, non-motivational welfare factors, inadequate resources and raw materials needed for production, ineffective communication among others.

Profitability is the ability of an enterprise to use its resources to generate revenues in excess of its expenses. Profitability always fascinates a businessman. This is because the business owner is always interested in success than failure. Those charged with running businesses whether small or large know all too well that failure is a possibility if the right steps are not taken. Cross the thin line, and at the slightest mistake, failure will show its face. Failure can stem from excessive payment of tax or double taxation. Records show that businesses close down after one or two years of operation particularly new businesses. This could be attributed to high taxes, incessant and arbitrary payment of taxes, and lack of provision of essential amenities by the government even after payment of tax, non-documentation or registration of small scale businesses by tax authorities etc (Longenecker, 2006).

Profit is one of four building blocks for analyzing financial statements and company performance as a whole. Profitability is the primary goal of all business ventures. Without profit, the business will not survive in the long run. So, measuring current and past profitability and projecting future profitability is very important. Profitability is measured with income and expenses. To this end, this paper examined Multiple Taxation and profitability of small scale business a case study of Hoima Municipality mid-western Uganda and proffered solution to problems confronting it (Samuelson, 2012).

## **1.1.2 Theoretical perspective**

### **Ability to pay theory**

The theory originated from the sixteenth century and was scientifically extended by the Swiss philosopher Jean Jacques Rousseau (1712-1778), the French political economist Jean Baptiste Say (1767-1832), the English economist John Stuart and Mill (1806-1873).

Arthur Leci Pigou (1806-1873) states that the taxation should be levied according to an individual's ability to pay; that is, public expenditure should come from business. Basically, this is indeed the basis of progressive tax -the tax rate increases by the increase of the taxable amount and is the most equitable tax system, and has been widely used in industrialized economics. The usual and most supported justification of ability to pay is on grounds of sacrifice. The payment of taxes is viewed as a deprivation to the taxpayer because he surrenders money to the government which he would have used for personal use.

However, there is no solid approach for the measurement of the equity of sacrifice in this theory, as it can be measured in absolute, proportional or marginal terms. Thus, equal sacrifice can be measured for every taxpayer's surrenders the same absolute degree of utility obtained from their income or; each taxpayer sacrifices the same proportion of utility obtained from their income or; each taxpayer gives up the same utility for the last unit of income (Eisenhardt, 1998).

This theory proposes that tax policies towards SSBs should be considerate enough to facilitate their profitability, performance and survival and thus their compliance. By assessing the impact of taxation on the performance of SSBs and capabilities of SSBs, this study propose appropriate tax policies that will favor the existence of SSBs through the determination of their ability to pay the taxes imposed by the tax authorities (McCreadie, 2009).

## **1.1.3 Conceptual perspective**

Aguolu (2004), defined tax as "compulsory levy by government through its various agencies on the income, capital or consumption of its subjects. Profitability is the ability of an enterprise to use its resources to generate revenues in excess of its expenses. According to Wikipedia dictionary, SSBs are privately owned corporations, partnerships, or sole proprietorships that have fewer employees and/or less annual revenue than a regular-sized business or corporation.



**Multiple taxations** in relation to a company or individual is a situation where the same profit or income respectively which is liable for tax in Uganda has been subjected to tax by another tax authority in Uganda or another country outside Uganda.

#### **taxation:**

taxation is a payment which cannot be avoided without attracting a punishment and in return of which no gain/quid pro-quo is promised by the government to the tax payer (Balunywa, 1988).

taxation is the main source of government revenue and tax can be defined as “a compulsory levy imposed by a public authority on the income, capital, and profit or wealth of an individual, family, community, estate, corporate or unincorporated body for the public purpose” (Okezie, 2003).

#### **businesses:**

What businesses are defined as “small” in terms of being able to apply for government support and qualify for preferential tax policy varies depending on the country and industry.

A **small scale business (SSB)** is defined in the European Union as a firm, the number of employees in which does not exceed 250 people; which has an annual value of sales that does not exceed 7 million Hoima Municipality Mid- Western Uganda (small enterprise). Small businesses in many countries include service or retail operations such as convenience stores, small grocery stores, bakeries or delicatessens, hairdressers or tradespeople (e.g., carpenters, electricians), restaurants, guest houses, photographers, very small-scale manufacturing, and internet-related businesses such as web design and computer programming.

Small businesses vary a great deal in terms of size, revenues and regulatory authorization, both within a country and from country to country.

**Profitability** refers to the operating efficiency of the enterprise. It is the ability of the enterprise to make profit on sales. It is the ability of enterprise to get sufficient return on the capital and employees used in the business operation.

#### **1.4 Contextual perspective**

Hoima is a Municipal Council in Mid-Western Uganda in the Western Region of Uganda. It is the main municipal, administrative, and commercial center of Hoima District. It is also the location of the palace of the Omukama of Bunyoro.

In the light of the aforementioned that (Hanson, Honohan & Majnoni 2003) noted that some factors must be considered when integrating multiple taxation to SSBs. The world over, small scale business play a much more important role in economic growth and development, which can best be described as the bedrock of rapid and sustainable growth and development of any society. Prior to the 19<sup>th</sup> century, cottage industries mostly small and medium scale business controlled the economy of Europe (Joseph, 2004). The industrial revolution changed the status quo and introduced mass production by 1970s. The mass production model was seen as not relevant which eventually led to the unexpected reappraisal of the role and importance of small scale business in the global economy.

The value of small scale industries cannot be over emphasized. Small scale business can be characterized by dynamism, innovations, efficiency and their small size allows for faster decision making process (Weichenrieder, 2007).

#### **2 Statement of the Problem:**

In recent times it was believed that small scale businesses provide about 50% of all jobs in Uganda and also for local capital formation. Its benefits are inexhaustible. Sad enough, the mortality rate of small scale business was very high (Adebisi, 2013). Among some of the factors responsible for close-up include multiple taxation, incessant high and arbitrary payment of taxes, and inadequate provision of essential social amenities by tax authorities even after payment of tax and, non-documentation/registration of small scale business by tax authorities (Uwonda, Okello, and Okello 2013).

To buttress this fact, (Adebisi, 2013) in his findings revealed that multiple taxation of the resources of small scale businesses had negative effect on their survival in Hoima Municipality, Mid-Western Uganda. Adebisi (2013), further stressed that “existing empirical evidence clearly indicates that small scale businesses are affected disproportionately by costs when scaled by

bles or assets, the compliance costs of (SSBs) are higher than large businesses”. How can we then evolve an efficient and effective process to ensure optimum tax collection by the government to meet its financial obligation without taxing the small scale businesses arbitrary but as required by the law to enable them remain in business? At the moment, there is no known literature to remedy the situation. How this scenario can be reversed to create room for small scale business Bromley, (2004).

**.3 Purpose of the study**

The purpose of the study was to examine multiple taxation and profitability of small scale business in Hoima Municipality, Mid-Western Uganda.

**.4 Objectives of the study**

- i. To find the effect of multiple taxation policy on the profitability of small scale businesses in Hoima Municipality, Mid-Western Uganda.
- ii. To find out the effect of tax administration on small business businesses Hoima Municipality, Mid-Western Uganda.
- iii. To examine the relationship between multiple taxation and profitability of small scale business businesses in Hoima Municipality, Mid-Western Uganda?

**.5 Research questions**

- i. What are the effects of multiple taxation policy on the profitability of small scale businesses in Hoima Municipality, Mid-Western Uganda?
- ii. What are the effects of tax administration on small business businesses Hoima Municipality, Mid-Western Uganda?
- iii. What is the relationship between multiple taxation and profitability of small scale business businesses in Hoima Municipality, Mid-Western Uganda?

**1.6 Research hypotheses**

The hypotheses were stated in null form and they include:

**H0:** Multiple taxation has no significant effect on the profitability of small scale enterprise in Hoima Municipality Mid-Western Uganda.

**1:** Multiple taxation has a significant effect on the profitability of small scale enterprise in Hoima Municipality Mid-Western Uganda.

**2:** There is no significant relationship between multiple taxation and profitability of small scale enterprise in Hoima Municipality Mid-Western Uganda.

**3:** There is a significant relationship between multiple taxation and the growth of small scale enterprise Hoima Municipality Mid-Western Uganda.

**.7 Scope of the study**

**.7.1 Subject scope**

The study covered Small Scale Businesses Enterprises in Hoima Municipality, Mid-Western Uganda. Specifically, the study investigated the profitability of small scale businesses, the awareness of the tax payers regarding their obligations, problems faced by the tax payers and the relationship between the taxes paid and the profitability of the small scale businesses.

**.7.2 Geographical scope**

Hoima is approximately 200 kilometres (124 miles), by road, northwest of Kampala, Uganda's largest city, on an all-weather tarmac highway, the Kampala–Hoima Road. The coordinates of the town are 1°25'55.0"N 31°21'09.0"E (Latitude: 1.431944; Longitude: 31.352500).

**.7.3 Time scope**

The study took a period of 7 months from January to July 2019. This period was selected to enable the researcher write his report writing with coherent information from the respondents as it enabled these (respondents) to give responses that would be typical of their opinion from the observations made over this period.

**.8 Significance of the study**

The findings of the study were significant on the following ways;

To scholars and researchers, the findings of the study contributed to the existing literature about taxation and the effect it causes to the economy as a whole.

o the tax authority and government, the study was to guide them in adjusting the effect of multiple taxation and profitability of small scale businesses.

he county government, to revise tax rates downwards and fight corruption among tax collectors  
he general public, they learnt that every business has to pay different forms of taxes. This is  
ecause a tax is a compulsory operational business expense. Even other researchers on this topic  
ere to use it as reference for future research.

o tax payers, this research would enable taxpayers know the important role taxes plays in the  
evelopment of the economy.

o the government, this study enabled the government bring out possible solutions which would  
nable small scale business enterprises to enhance on their growth.

o the tax authorities, the study provided useful information to business owners and tax  
authorities on the relationship between multiple taxation and the growth of micro enterprises.

he findings of the research would also benefit the regulatory authorities and policy makers in  
nderstanding the specific issues, especially in the modification of various rules, laws and  
egulations.

o future academicians especially of Kampala International University (K.I.U), the study was  
elpful in gaining insight about taxation and profitability of small scale business.

he accomplishment of the study was to enable the researcher to acquire hands on skills about  
rocessing of research work and data analysis. This proficiency enabled the researcher to handle  
uch related work with a lot of precision and proficiency.

**.9. Operational definition of key terms**

According to the researcher, a tax can be defined as a compulsory charge by the government  
through its agencies on the capital, income and consumption of its citizens.

Profitability is the business ability to earn access of its expenditure from its available resources

**Taxation** refers to a compulsory payment which cannot be avoided by any citizen of which  
defaulting it attracts punishment to the payer.

taxation being the main source of revenue and tax can as well be defined as a compulsory charge imposed by public authority onto the income, capital and profit or wealth of a family, an individual, community, estate for government usage.

**business, a small scale business (SSB)**, may be defined as any firm whose number of members does not exceed 250 people and annual value of sales that doesn't exceed 7 million and it contributes to the percentage of 50% on the earning of the country.

**Multiple taxations** in relation to a company or individual is a situation where the same profit or income respectively which is liable for tax in Uganda has been subjected to tax by another tax authority in Uganda or another country outside Uganda.

**profitability** refers to the operating efficiency of the enterprise. It is the ability of the enterprise to make profit on sales. It is the ability of enterprise to get sufficient return on the capital and employees used in the business operation.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This chapter looked at the multiple taxation and profitability of small scale business enterprises in Hoima Municipality Mid-Western Uganda. It consists of the existing literature on profitability of small scale business enterprises by different scholars/research studies from magazines, text books, journals and newspapers.

#### **2.1 Theoretical perspective**

##### **Ability to pay theory**

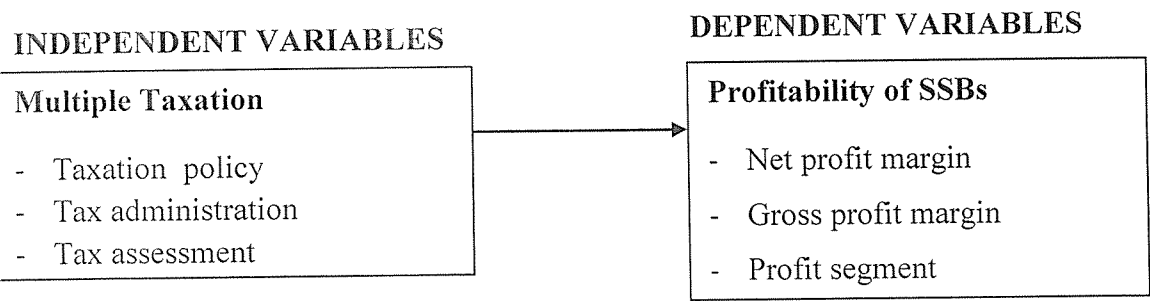
The theory originated from the sixteenth century and was scientifically extended by the Swiss philosopher Jean Jacques Rousseau (1712-1778), the French political economist Jean Baptiste Say (1767-1832), the English economist John Stuart and Mill (1806-1873). Arthur Leci Pigou (1806-1873) states that the taxation should be levied according to an individual's ability to pay; that is, public expenditure should come from business. Basically, this is indeed the basis of progressive tax -the tax rate increases by the increase of the taxable amount and is the most equitable tax system, and has been widely used in industrialized economics. The usual and most supported justification of ability to pay is on grounds of sacrifice. The payment of taxes is viewed as a deprivation to the taxpayer because he surrenders money to the government which he would have used for personal use.

However, there is no solid approach for the measurement of the equity of sacrifice in this theory, as it can be measured in absolute, proportional or marginal terms. Thus, equal sacrifice can be measured for every taxpayer's surrenders the same absolute degree of utility obtained from their income or; each taxpayer sacrifices the same proportion of utility obtained from their income or; each taxpayer gives up the same utility for the last unit of income (Eisenhardt, 1998).

This theory proposes that tax policies towards SSBs should be considerate enough to facilitate their profitability, performance and survival and thus their compliance. By assessing the impact of multiple taxation on the profitability of SSBs and capabilities of SSBs, this study propose appropriate tax policies that will favor the existence of SSBs through the determination of their ability to pay the taxes imposed by the tax authorities (McCreadie,2009).

2 Conceptual Framework

Figure 2.1: Conceptual Framework



Source: Adopted and modified by Mika, et al (2012).

The independent variable is perceived as the Multiple Taxation whereas the dependent variable is the profitability of small scale business enterprises. The professed goal of making SSBs is to improve the welfare of people living in Hoima Municipality Mid-Western Uganda (Mika,2012).

The less number of clients of SSBs were to contribute to less profit gained by the business men in Hoima Municipality Mid-Western Uganda.

Conceptual capacity with high number of people of SSBs increases on the profit of the business with the performance of improving house hold income in Hoima Municipality Mid-Western Uganda. The core reason for SSBs to exist is to improve on the standards of living of the people and as a result, their investments increase.

2.2.1 Review of related literature

Ochiogu (2003), says “Tax is a levy imposed by the government against the income, profit or wealth of the individuals, partnership and corporate organization”. Tax could also be seen as a compulsory levy imposed by government on individuals, goods and service and corporate bodies for the purpose of financing government expenditure (Ojo, 2003). Okezie, (2003) equally sees taxation as a levy by public authorities on citizens within their tax jurisdiction for the purpose of obtaining compulsory payments to meet financial, social and economic needs of its people.

Black’s Law Dictionary describes a tax as “a ratable portion of the produce of the property and labor of the individual citizens taken by the nation, in the exercise of its sovereign rights, for the support of government, for the administration of the laws and as the means of continuing in



operation of the various legitimate functions of the state". Therefore, a tax is an enforced contribution of money to legislative authority. There must be valid status by which it is imposed. A tax has to be backed by written law and it has to have the identified characteristics. Hence, in identifying a tax it is important to look for its essential characteristics aside the regular use of the terms such as custom, exercise, subsidy etc to represent taxes.

Taxation has existed with man from time immemorial, manifesting it in various forms. A relationship has always existed between citizens and public authorities whereby, the two parties have to contribute to provide economic and social services for the benefit of all. This compulsory contribution has created inconveniences for the citizens and in some cases highly resisted. For example, the famous Aba riot of 1920s has one of its main causes being that, the colonial authorities attempted to levy taxes on women (Okauru, 2012).

Payment of tax is compulsory and enforced by the legal system, some political philosophy view tax as theft or slavery, or as violation of property rights, tyranny, accusing the government of levying taxes using force and coercive means. Such individuals such as voluntary individualists, anarchists, objectivists, anarchy-capitalists, and libertarians see taxation as government aggression. Hence, Walter E. Williams, Professor of economics sees government income redistribution programs the same as theft due to biased distribution (Ojo, 2003).

## **.2.2 Empirical review of literature**

Multiple taxation is understood to include both incidences of double-taxation, whereby the same asset or event is taxed multiple times by different jurisdictions, and the multiplicity of small - nuisance taxes.

By auditing the burden of multiple taxes, fees and levies at each jurisdiction and on the transportation of goods and people, and assessing the associated administrative costs at enterprise level, the current study demonstrates the real burden of taxation, fulfilling a vacuum acknowledged by recent studies.

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y auditing the burden of multiple taxes, fees and levies at each jurisdiction and on the transportation of goods and people, and assessing the associated administrative costs at enterprise level, the current study demonstrates the real burden of taxation, fulfilling a vacuum acknowledged by recent studies.

According to Tomlin (2008), 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 noncomplying registered taxpayers (Vasak, 2008).

Furthermore, SSBs 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. Many SSBs have to deal with myriad of agencies at great cost as stated earlier they are heterogeneous and these differences in size and structure may in turn carry differing obligations for record-keeping that affect the costs of the enterprises of complying with (and to the revenue authorities of administering) alternative possible tax obligations. Public corporations, for example, commonly have stronger accounting requirements than do sole proprietorships, and enterprises with employees may be subject to the full panoply of requirements associated with withholding labour income taxes and social contributions (International Tax Dialogue 2007).

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 distortion effect on the development of SSBs as they are tempted to morph into forms that offer a lower tax burden or no tax burden at all (Masato, 2009) 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 (Farzbod, 2000).

Existing empirical evidence clearly indicates that Small Scale businesses are affected disproportionately by these costs: when scaled by sales or assets, the compliance costs of SSBs are higher than for large businesses (Weichenrieder, 2007). Among the factors militating against SSB 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 Farzbod (2000). Others according to Yaobin, (2007) are double taxation, no professional tax consultancy, weak tax planning, high taxation cost.

### **.2.3 Research gaps**

This chapter is analyzed using a cross section of literature dealing with multiple taxation and the profitability of SSBs. However, most of the literature reviewed does not give details about how taxation affects the profitability of small scale businesses.

The design and application of Ugandan federal tax system represents a significant impediment to formalize and grow a business, and to compete in international markets. Our findings suggest that the direct tax burden may not be insurmountable relative to Small Scale authorities (SSA) counterparts and that double-taxation is a relatively small share of the overall burden. However, the multiplicity of taxation, and the administrative burden created by the uncoordinated and tax enforcement mechanisms across different levels of jurisprudence has given rise to significant costs, particularly penalizing smaller and more remote businesses.

The large amount and magnitude of taxes on mobile factors lead to the economic isolation of distant areas, prevents the establishment of national supply chains, and reduces competition among companies located in different regions within Uganda, as well as competition among regions for investors through improvements in the investment climate.

Therefore there is need to carry out a primary research to close the gap between research variables as this was not made clear in literature reviewed.

### **3 Multiple taxation policy on the profitability of SSBs**

#### **3.1 Tax**

can be defined as a compulsory and non-refundable contribution executed by government for public purposes. Payment is not followed by concurrent benefit in return.

A tax is generally referred to as a compulsory levy imposed by the government upon the assesses of various categories. A tax is paid without a corresponding return in terms of goods or services from the government and hence it is referred to as a non-quid proquo payment Income Tax Act 1997).

#### **2.3.2 Classification of taxes.**

The concept of taxation. This refers to assessment, collection, administration and management of taxes in Uganda. It deals with raising public revenue, managing public expenditure and public debt. It is the responsibility of URA (Manasseh, 2000). The general idea behind taxation is the provision of public goods and services. However the benefits received by tax payers from the government are not related to or proportionate to the tax paid (Bhatia, 2002).

Taxation is a payment which cannot be avoided without attracting a punishment and in return of which no gain/quid pro-quo is promised by the government to the tax payer (Balunywa, 1988).

The government is responsible for providing to its citizens certain public facilities and services like roads, hospitals, schools, and market securities. There are two main tax authorities; the local government authority and the central government authority through Uganda revenue authority

According to Manasseh (2000), taxes are classified as either direct versus indirect or proportional versus progressive tax.

#### **2.3.3 Direct versus indirect.**

1. Direct taxes are those that affect the individuals/firms directly through a deduction from earnings. Examples include; individual income tax, corporation tax, taxes on property and others.
2. Indirect taxes are those taxes that are paid to government by an intermediary and then passed on to the final user by including the tax in the final price. Examples include; export and import duties, excise and local production, value added tax (VAT) and others.

### **3.4 Proportional versus progressive tax**

On the basis of equity, taxes are classified as proportional/progressive. A tax is said to be progressive with increasing income, the tax liability not only increases in absolute terms but also proportionate to income (Orviska, 2002).

### **3.5 The purpose of taxation**

According to Income Tax Act (1997), taxation is an important source of government revenue and an economic policy tool by government to attain economic growth. The importance of taxation therefore arises from debate of whether government should interfere in the operations of the market mechanism.

Income Tax Act (1997) further noted that taxes may be levied for other reasons but revenue remains the prime objective of most taxes.

Balunywa (1988), noted that, taxation has increased in importance not only as a tool of raising revenue for the traditional roles but also for accelerating the economic growth and ensuring social justice.

The primary objective of taxation in less developed countries is not related to stability of income and expenditure. These countries face a number of problems of insufficient savings and capital accumulation, which calls for a need to promote specific products to fill both the supply and demand gaps. It is the problem of growth that covers a number of aspects; the tax system has to be designed to help the economy (Bhatia, 2002).

According to the Uganda Economic Journal (1973), taxes can reduce the quality of resources consumed by the private sectors. The Economic Journal (1973), also shows that, in stressing consumption reducing aspect, taxes may change the distribution of income and help to stabilize the economy.

### **2.3.6 Tax policies**

The World Bank has influenced many countries in under taking tax reform policies. For the case of Uganda, the tax base has remained significantly narrow since independence, leading to inadequate tax revenue. By May 2004, the tax ratio of tax revenue to GDP was just 18-20%. The composition of tax revenue has been predominantly important. Small scale businesses are taxed differently compared to corporation / business with an annual turnover of above 50 million

illings. Medical practices, legal practices, engineering service, accounting and audit practices  
the tax payers even when their turn over is less than 50 million shillings.

As quoted by Keen (2004), there are three broad approaches to tax policies and these are;

- . Application of the standard tax provisions to all business activities.

- . Taxing various business activities differently to achieve economic business policy such as;  
increase in private investment, exports/employment depending on the revenue needs, the second  
approach can result in a relatively high tax rates in some sectors and hence induce problems for  
compliance and adversely affect the general investment climate ( Woodbury,2013).

Uganda has gone through a number of tax policy reforms, these include; gender, nationalization,  
and harmonization of tax rates and tariffs, abolition of wide ranging exemptions, new tax  
incentives and conditional exemptions.

### **2.3.7 Approaches to tax administration**

According to Bird (1974), tax administration refers to the identification of the tax payer,  
assessment of tax payable, collection of taxes and enforcement of tax liability. According to  
Braithwaite (2003) tax administration refers to a structure/procedure of identification of potential  
tax payer, collection and laws governing taxation.

### **2.3.8 Tax Policy and the performance of SSBs**

According to Tomlin (2008), 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 SSBs historically reduce the size of the shadow economy and the  
number of non-complying registered taxpayers (Vasak, 2008).

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ze and structure may in turn carry differing obligations for record of administering alternative possible tax obligations. Public corporations, for example, commonly have stronger accounting requirements than do sole proprietorships, and enterprises with employees may be subject to the full panoply of requirements associated with withholding labour income taxes and social contributions (International Tax Dialogue, 2007).

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Existing empirical evidence clearly indicates that Small Scale businesses are affected disproportionately by these costs: when scaled by sales or assets, the compliance costs of SSBs are higher than for large businesses (Weichenrieder, 2007). Among the factors militating against SSB 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 (Farzbod, 2000).

In recent time the world economy has developed tremendously and this has been linked with activities of profitability of Small Scale Business (SSBs), especially in developing countries. A Study carried out by the Federal Office of Statistics shows that in Uganda, Small Scale Business (SSBs), make up 50% of the economy (Ariyo, 2005).

Although smaller in size, they are the most important enterprises in the economy due to the fact that when all the individual effects are aggregated, they surpass that of the larger companies. The social and economic advantages of small scale business enterprises cannot be overstated. Panitchpakdi (2006), sees SSBs as a source of employment, competition, economic dynamism, and innovation which stimulates the entrepreneurial spirit and the diffusion of skills.

because they enjoy a wider geographical presence than big companies, profitability of SSBs also contribute to better income distribution. Over the years, small scale businesses have been an avenue for job creation and the empowerment of Uganda's citizens providing about 50% of all jobs in Hoima Municipality, Mid –Western Uganda and also for local capital formation. Being highly innovative, they lead to the utilization of our natural resources which in turn translates to increasing the country's wealth through higher productivity. Profitability of Small scale businesses has undoubtedly improved the standard of living of so many people especially those in the rural areas Ariyo (2005).

However, (Holban, 2007) posited that taxation can contribute to development and to welfare through three sources;

It must be able to generate sufficient funds for financing public services and social transfers at a high level of quality, it should offer incentive for more employment and for an efficient and lasting use of natural resources, and finally it should be able to reallocate income. But in the case of profitability of SSBs, tax must be done in such a way that puts their income and need for survival into consideration. It is expedient that enough profit is allowed them for the purpose of expanding their businesses.

The tax policy must be one that will not encourage profitability of SSBs to remain in the informal sector or to evade or avoid tax payments. More so, many small firms in Africa, including Uganda, choose to remain in the informal sector because the perceived benefits outweigh the perceived costs. Firms rarely see their tax contributions at work and the compliance costs are high, thus discouraging compliance. The government is also discouraged from collecting taxes from small firms, because the cost of monitoring and collecting tax from small businesses by revenue authorities, whose resources are usually scarce, sometime outweighs the revenues generated by profitability of small businesses (Stem, 2005).

Consequently, profitability of SSBs in developing countries is struggling to survive under intense competitive environments both domestic and international. In developing countries like Uganda, there is an urgent need to provide the required enabling environment for the development of SSBs, so that they could adequately play the role expected of them in economic transformation. Such role includes mobilization of domestic savings for investment, appreciable contribution to gross domestic product, increased harnessing of local raw materials, employment generation, and



significant contribution of poverty reduction efforts through sustainable livelihoods and enhancement in personnel income, technological development and export diversification (Klein, 2003).

It is for this reason that an ideal tax policy needs to be adopted in order to ensure economic growth and proper utilization of resources. However this is not the case because taxes which are levied for regulating the investment behavior of the households and not for suffocating any entrepreneur initiative seem to be a major constraint to the development of the profitability of SSBs they are out to cater for (Murphy, 2008).

There are many factors that can influence the development of profitability of Small Scale business in the economy. The most frequently mentioned among them are: state support of the sector, proper legislative support and mechanisms of its fulfillment, access to financial resources and investment incentives. However, one of the most important factors that promotes development and growth of profitability of Small Scale Business is the taxation system (Sawyer, 2001).

Research made in different countries has shown that the countries where the level of tax rates, the costs of fulfilling taxation requirements as well as costs of auditing are high, the sector of small scale business is comparatively small. For instance, in Hoima Municipality, Mid –Western Uganda, where policy of profitability of SSBs sector taxation is considered to be too burdensome, the share of the sector in GDP is only 5.5% (Analytical report on State Committee for Entrepreneurship Development 1997).

Moreover, for several years the share of operating SSBs among registered ones was falling: in 1992 that index was 49.4%, in 1993 –47.7%, in 1994 –37.3% (Small Business in Hoima Municipality, Mid –Western Uganda. On the other hand, in the Republic of Uganda, where taxation policy for profitability of Small Scale business is milder, while all the other policies supporting Small Scale business are approximately similar, the share of this sector in official GDP is more than 50% (Materials of the Seminar «Development of Entrepreneurship» (1998).

Of course, such a big difference in numbers cannot only be due to the different taxation policies. It is understandable; that the transition in the Republic Uganda started earlier and before SSB sectors were present to greater degree in Ugandan economy than in Hoima Municipality, Mid –

Western Uganda. However, in the Republic of Uganda proper taxation incentives were created at the very beginning of transition period. Thus, we can see that taxation policies can play a big part in promotion and in the development of the profitability of SSB sector (Widayati, 2010).

Multiple taxation policy and profitability of small scale businesses are an important force for economic development and industrialization in developing countries (Klein, L. R., & Ford, G. T. 2003). It is increasingly recognized that these enterprises contribute substantially to job creation, economic growth and poverty alleviation. The 2005 World Development Report suggests that creating “sustainable jobs and opportunities for micro entrepreneurs are the key pathways out of poverty for poor people” (World Bank, 2004).

The Republic of Uganda, like any other developing countries, has taken a number of measures to promote the growth of private sector and profitability of Small Scale Businesses (SSBs). In Uganda, SSBs were estimated to account for a significant share of Gross Domestic Product (GDP) of more than 30% (IPP Media (2012)). The government of Uganda formulates and implements various policies aimed at increasing job opportunities, development of infrastructure as well as income generation through the creation of new SSBs and improving the performance and competitiveness of existing one.

For the purposes of protect and control the operation of profitability of SSBs in Ugandan government imposes several types of taxes which aim in protecting home / infant industries (protectionism) and ensure fair competition among SSBs. High tax rates and tax complicity discourage the growth of profitability of SSBs (Oludele and Emilie 2012).

This has the economic impact to the growth of the economy in the given country like Uganda. From economic point of view, taxes increase production cost of goods and services which would eventually leads to higher price of goods/services to the final consumers. On the other hand, the revenue collected from taxes represents the major funding source for governmental expenditures (Baurer, 2005).

If the tax structure is not adequately designed to the specific environmental conditions, it may create a greater burden to the tax-paying organizations and eventually affecting the final consumer due to the shifter ability of tax. According to a study-report (Aryeetey (2014), the majority of small businesses were less likely to attain or maintain the growing profitability in Hoima Municipality, Mid –Western Uganda. Profitability of SSBs in developing countries often faces difficulties when dealing with tax matters.

would be rare indeed not to hear complaints about the complexity and/or ambiguity of the tax laws, high tax rates, and the lack of an integrated fiscal strategy that takes social taxes, and local taxes and fees into account when determining the overall tax burden placed on the business community (Holban, 2007). This implies that as a policy maker and regulator, Government must consider the factors that could affect the competitiveness of the enterprises.

Assessing the impact of tax systems on profitability of SSBs is not simply a matter of looking at tax rates. Tax systems play an important role in encouraging growth, investment and innovation and facilitating international trade and mobility. For SSBs key considerations are to minimize administrative burden while ensuring compliance, including considering the drivers and impacts of operating in the informal economy (ITD, 2007). Braithwaite (2003), indicated that taxes are perceived to be a major problem for both young and old firms. Therefore, taxation has shown a way towards impacting small scale business.

Despite of the contribution that taxation can make towards the Gross Domestic Product (GDP) in general, much attention is also needed to the side effects of tax towards the growth of profitability of SSBs.

This is because profitability of SSBs plays a crucial role in driving economic growth in both developing and developed countries. As a group, they not only generate more new jobs than large firms or macro-enterprises but also introduce innovative ideas, products, and business methods.

It has also been observed that less attention has been given to the side effects of tax towards the growth and profitability of SSBs despite their contribution in the overall GDP of the country. The situation raises a serious concern about the issue of aligning the tax-planning system to the specific requirements of a particular country's growth need, as it has to balance both short-term and long-term impact of the policy. This also triggers need for an in-depth study of the different issues, preventing the development and implementation of effective tax policy and system, particularly in context of the SSBs (Evans, 2003).

### **2.3.9 Challenges of profitability of SSBs**

There are a lot of problems that bedevil on profitability of SSBs and stunt their growth. Although there are some problems peculiar to a particular country, the challenges faced by profitability of SSBs in different countries and geopolitical divisions are basically the same. For instance, a

urvey of Uganda's profitability of SSBs by Organization for Economic Co-operation and Development (OECD) in 2004 showed that they were suffering the consequences of policy inconsistency, poor access to finance, insufficient know-how and low level of technology, and so many others.

The same problems were also registered by other authors concerning other regions like the Philippines, Malaysia and other European states and of course in Sub-Saharan Africa-Nigeria inclusive as shown by different authors on the issue (Uzor, 2004), believes that the constraints faced by profitability of SSBs in developing countries are not only accentuated with ineffective policy design, but also by market failures in the region. Their lack of information technology and knowledge of automation is gradually being reduced given that they serve as contractors for larger firms particularly the foreign manufacturing firms.

A major difficulty faced by profitability of SSBs is that of lack of access to short and long term capital. Publication of the Weekly Trust of Saturday, January 22, 2011 recognizes the fact that collateral based financing has become increasingly difficult for profitability of SSBs, whether as existing businesses, in their expansion states or as startups hence more profitability of SSBs are resorting to viability lending in which case they obtain loans based on the viability of the business and health of cash flow, Banks are usually reluctant to lend to SSBs and this is because of problems such as the profitability of SSBs' inability to meet the bank's lending requirements, promoters' low education, management and entrepreneurial skills and poor and unreliable financial records which makes financial review difficult (Eftekhari, 2009). There is also the problem of unsound accounting system and lack of full financial disclosure (Aretey and Ahene 2004), buttressed this assertion by listing lack of access to land, utility installation and services, and import procedures as constraints to profitability of SSBs growth Summarily, these problems make SSBs a "high-risk" venture.

The above named reasons are in and of themselves problems that impede profitability of profitability of SSBs growth because not only do they become obstacles in accessing financing, they are capable of hindering growth on their own.

More so, in Uganda, the problems faced by profitability of SSBs as posited by (Obwori, 2003), include astronomically high operating costs; lack of transparency and corruption; and the lack of interest and lasting support for the SSBs sector by government authorities, dilapidated state of

infrastructural facilities, unreliable employees and weak economy, unsafe location, dependable electricity supply are common phenomenon.

Profitability of Small Scale Business play an important role in transitional economies due to some of their special features: flexibility, quick adaptation, minimum bureaucracy; and special functions: creating of additional working places, active promotion of innovations, creating a competitive environment. Different policy incentives are able to influence the development and growth of the SSBs sector. However, creating a proper taxation policy can be one of the crucial factors in this process (Widayati, 2010).

#### **4 Effect of tax administration on small Scale business enterprises**

According to Bird (1974), tax administration refers to the identification of the taxpayer, assessment of tax payable, collection of taxes and enforcement of tax liability. According to Laurer (2005), tax administration refers to a structure/procedure of identification of potential taxpayer, collection and laws governing taxation.

Vitt (2013), says that much attention should be paid to critical aspects of tax administration, training, procedures, staffing, collection and use of information. The weaknesses in tax administration are mainly caused by lack of relevant information about the taxpayer, continued criticism of the tax and its structure. The tax structure should be simple in order to avoid tax evasion.

Income tax is affected by the complexity of the rules and procedures to be followed in the calculation of tax bands. This hinders tax administration in the economy and consequently the performance of the business sector, (Silvani, 2011).

##### **4.1 Identification of the tax payer**

This is where tax administration begins. The identification of taxpayer is done with reference to natural or artificial person who earns an income. According to the lord Macnagten, "income tax if I may be pardoned for saying so, is tax on income. It is not meant to be anything else it is one tax not collection of taxes, essentially distinct...." Kibwika (2004).

However, for the purpose of this research we shall confirm our selves to business as a taxpayer. Business is defined as any trade, profession, vocation or adventure in the nature of trade but does not include employment Act (1997).

Business income means any income derived by a person in carrying on a business **Sec19 (1)**.

the income tax Act 1997 **S.22 (1)** lists a number of incomes exempted from tax.

**. Assessment of tax payer**

Income Tax Act (1997) section 3 (a), defines assessment as the ascertainment of the chargeable income and the amount of tax payable on it by the tax payer for a year of income. Assessment of tax is a process of ascertaining the amount of tax to be levied on a person/business according to his/its income.

According to the income tax Act (1997) **Section 96 (1)** the commissioner is required to make an assessment of the chargeable income based on his returns and on any other information available within seven days from the date the return was furnished. However, small-scale businesses are not required to submit in any return to the commissioner.

**.4.1 Profitability of Small scale business**

According to the Income Tax Act (1997), profitability of small-scale businesses are those with growth turnover of less than 50 million shillings per annum. In Uganda, it is not only income tax act that has tried to define small-scale businesses; there are also institutions, which have tried to define profitability of small-scale business (SSB) such as; Ministry of Finance Planning and Economic Development (MFPED), the Uganda Small Scale Industries Association (USSIA). The MFPED defines SSB as a unit with a capital investment not exceeding US\$ 300,000.

The USSIA defines SSB as those with employees between 1-25 people and assets and capital exceeding US\$ 1,000,000. The study is to assume a profitability of small-scale business as one with the following features;

A business which employees 1-50 people.

- i. Has a capital investment of less than shillings 40 million.
- ii. Has average annual revenue/sales of less than shillings 50 million.

Tax assessment has adverse effect on business performance and profitability thus it is important that assessment be carried out accurately so that taxpayers are not excessively assessed. The tax bill if excessive will greatly affect the profitability and performance of the business Wagner (2002).

**ii. Collection of the Tax due**

According to the Act, tax may be paid as either provisional or final tax (S. 104. 112 and 113).

a) Provisional Tax A business taxpayer is required to pay provisional tax at two intervals;

the first installment is required to be paid on or before the date when the provisional return is due for filing which is the last day of the 6<sup>th</sup> month of the year of income, which includes a substituted year of income. The second and the last installment are due on or before the last day of the year of income. The amount of each installment of provisional tax is computed using the following formula 50 percent (A-B) where;

A is the estimated tax payable by the tax payer for the year of income and B is the amount of any tax withheld under any provisions of the Act, prior to the date of payment of the installment from any amounts derived by the tax payer during the year of income which will be included in the gross income of the tax payer for that year.

b) Final tax every taxpayer shall furnish a return of income for each year of income of the taxpayer not later than four months after the end of that year.

According to the act; i. Where the taxpayer files the final income tax return, payment of any unpaid tax relating to the assessment for the year of income is due or before the date when the income tax return is due for filing, for tax payers published in the self-assessment list.

In any other case tax charged in any assessment is payable not later than 45 days from the date of service of the notice assessment (S. 104(1) (b)).

By virtue of S.95 (5) tax payers, other than those listed under self-assessment are not deemed to have assessed their chargeable income when they make their final income tax return.

ii. Where assessment is raised by the revenue authority and served upon the tax payers, the tax payable in accordance with that assessment is due not less than 45 days from the date of service of the notice of assessment (S.104(2)).

#### **1.4.2 Problems encountered by profitability of small-scale businesses in trying to comply with tax policies**

Most businesses in Uganda are owned and managed by persons who are unskilled in the profession of accounting and thus do not keep proper books of accounts. These are especially sole proprietors and family businesses or partnerships. These generally do not keep books of accounts; have low sales turn over and change hands and business very often Longenecker, (2006).

Zulaikha (2012), found out that a large proportion of business community is ignorant about taxes they pay, how these taxes are computed, lack of knowledge is attributed to the poor methods of sensitization used by URA.

According to Longenecker (2006), the following are some of the problems faced by taxpayers

- There is unfair treatment of taxpayers, some of which are not necessary tax obligations and thus not met because of this process.

- Tax payers have little understanding of the obligation because of lack of tax education. It is said that URA would get fewer problems with taxpayers if they were able to understand how their liabilities come about.

### **2.4.3 Tax payer's knowledge**

Most Ugandans have poor/lack understanding of the rationale of taxes and knowledge of different taxes imposed on them coping with taxes (1996). As a result, the tax compliance in Uganda is still very low. Besides that, various surveys conducted on small scale businesses in Uganda suggest that about 60% of them keep no records at all, while 25% keep partial records making it difficult to assess taxes Ndandiko (2000).

Mugroho (2012), found out that, most profitability of SSBs are managed on unprofessional lines (poor or no business records) thus there is great uncertainty among traders in Uganda as regard to tax matters and to some extent due to their own making.

Zulaikha (2012), asserts that, many traders have expressed ignorance about taxes imposed on their businesses. They say that this is highly attributed to the poor work being done by the tax authorities leaving traders ignorant about issues like the way taxes are assessed, advantages of paying taxes and the use to which it is put. Therefore there is a need to sensitize the public especially business owners. The sensitization should be done on different taxes that impact the business owners and the rationale that underlines the imposition of taxes, because tax payers are not aware of the reasons for paying taxes, evasion of tax duties, laws and regulations are very rampant World Bank Survey (1994).

### **2.4.4 Negative effects of income tax administration**

These are effects that result from the poor assessment of tax on the small businesses by the administrators. They occur because of poor tax administration Okello(2005), stated the following



fects which are because of poor tax administration. Some of the taxes levied are complicated and not simple to understand and this has brought a lot of confusion for instance the value added tax that adversely affects the business activities in the formal sector. Thus leading to low profits hence reduced performance. There is always poor assessment of tax since many business people do not give correct information concerning their business in fear of paying higher taxes.

Tax administrators and collectors at times base on estimation to compute the tax liability on small-scale business. This implies that participants in the informal sector may either be overcharged hence causing loss to these businesses.

Poor tax administration leads to social, economic and political unrest, this has been common in Uganda and even in other developing countries. The increase in the tax rate erodes disposable income and people may react against the government hence affecting the economic activities (Kallist, 2000).

#### **2.4.5 Fines and penalties**

A provisional tax payer whose estimate or revised estimate of chargeable income for the year of income under section 112 is less than 90% of the tax payer's actual chargeable income assessed for that year, is liable for penal tax equal to 20% of the difference between the tax calculated in respect of the tax payer's estimate, as revised, of chargeable income and the tax calculated in respect of 90% of the tax payer's actual chargeable income for the year of income (Hoelzl, 2008).

Failure to pay any tax, including provisional tax, to pay any penal tax or to pay the commissioner any tax withheld or required to be withheld by the person from payment to another person's, on or before the due date for payment is liable for interest at a rate equal to 2% per month on the amount unpaid calculated from the date on which the payment was due until the date on which payment is made.

Failure to furnish a return or any other document within 15 days of being so required under the ITSDs commits an offence and is liable on conviction to a fine not exceeding 15 currency points. And if the person convicted of an offence of failing to furnish a return as above, fails to honor the fine within the period specified by the court, that person commits an offence and is liable on

onviction to a fine not exceeding 20 currency points. Sections 137-144 stipulate the offences and section 145 shows the penalties (Engelschalk, 2007).

Poor tax administration may lead to reduced incentives to work hard because when the business profits or sales increases, the tax levied also increases therefore the small business owners may decide to work less harder so as to lessen the tax and thus in the long run may affect the performance of the informal sector. Besides that taxation being a cost, it decreases the level of savings, profits and thus low level of capital accumulation (McCormic, 1988).

#### **2.4.6 Problems faced in income tax administration**

Taxation, sensitive as it is, has had laxity in its administration and the policy makers seem to undermine the role of proper tax administration for harmonious tax system.

The American institute for tax administration (1988), identifies three major areas of tax administration namely tax law, tax policy and tax administration.

Musgrave (1980) observes that while policy and tax laws are being taught, the area of tax administration that transforms the tax policy and law in to reality has been neglected.

In most cases, tax policy and law are taken without regard as to how they relate to tax administration. This starts a chain of development with far reaching desirable results since in large measure, it is effectiveness of the administration of a tax system that controls compliance with in that system and this is common in many countries of which Uganda is not an exception.

As a result, primary concern should shift to the area of tax administration. If one cannot administer a policy of a law then all the other effort involved in the exercise will be futile.

Not only will such effort fail to bring the desired revenue but also such an approach will in

The due course brings disrepute to the fiscal authority and the government Uganda institute of tax administration (1988).

It is therefore worth noting that the three phases of taxation are independent and the achievement on the overall sound system requires greater awareness of this independence.

Even those with legal bias now recognize that the quality of tax administration is as important as its legal framework.

ake (2001), tries to explain the nature of man, which may also explain the UN willingness of people to pay taxes. Some taxpayers in Uganda always try some means of dodging to pay taxes despite the fact that it is through taxes that the government receives the revenue required to provide protection and security.

Kibwika (2004) suggests that unwillingness of people to pay tax depends to some extent on the tax system. He identified the canons of taxation that must be followed for the administrators to realize the intended objectives, and these are equality, certainty and convenience.

The nature of taxation in Uganda that is regressive that makes poor people pay relatively more than the rich. There are indicators to show rural dwellers especially growers of cotton and coffee pay substantially higher proportion of their income in taxes than the middle income and upper income urban dwellers. With the different intensity in the tax burden because of difference in incomes, the Marxism of equality is difficult to achieve thus dissatisfaction and discontents are likely to arise.

In the case of Uganda, the tax levied has not been convenient and yet every tax ought to be levied at the time and in the manner in which it is most convenient for contributors to pay. The costs of collection have to be balanced with the convenience of the taxpayers (Kibwika, 2004).

There is uncertainty regarding the amount to be paid to avoid squeezing too much from the taxpayers. It is the role of the tax administrators to make sure that the tax assessed is certain.

The tax, which each individual is bound to pay, ought to be certain and not arbitrary at the time of payment, the manner of payment, the quantity to be paid out, all should be clear and plain to the contributors and every other person. In most developing countries, the lack of a clear picture of the scope of the tax system and the different tax rates imposed may lead to a single commodity or transaction being subjected to a number of taxes (Hudson, 2002).

## **2.5 Relationship between multiple taxation and profitability of small scale business enterprises**

According to Tomlin (2008), 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 (Vasak, 2008).

Furthermore, profitability of SSBs 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. Many SSBs have to deal with myriad of agencies at great cost. As stated earlier they are heterogeneous and these differences in size and structure may in turn carry differing obligations for record-keeping that affect the costs to the enterprises of complying with (and to the revenue authorities of administering) alternative possible tax obligations. Public corporations, for example, commonly have stronger accounting requirements than sole proprietorships, and enterprises with employees may be subject to the full panoply of requirements associated with withholding labor income taxes and social contributions (International Tax Dialogue 2007).

In carrying out their responsibilities, tax administrations can also create problems for the business community when they impose burdensome reporting and record keeping requirements; conduct excessive inspections and audits; fail to deal with corrupt tax administration employees; and, fail to provide transparency in tax administration operations. This type of environment harms individual businesses and the overall economy.

As a result, many in the business community react by taking steps which adversely affect the tax base. This typically includes underreporting profits and turnover; underreporting employee wages; and, by creating "phantom" employees (Murphy, 2008).

A significant number of businesses also fail to register or file tax declarations. This only increases the burden on those taxpayers who try to comply with the tax law, and discourages their future compliance. The result is a vicious cycle which tends to preserve the status quo. Only meaningful reforms to the tax system can break the cycle and result in an improved business climate which will stimulate economic growth (Baurer, 2005).

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 tended to morph into forms that offer a lower tax burden or no tax burden at all (Masato, 2009), producing 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 (Pope, 2008). Existing empirical evidence clearly indicates that small scale businesses are affected disproportionately by these costs: when scaled by sales or assets, the compliance costs of SSBs are higher than for large businesses (Weichenrieder, 2007) because of 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 (Yaobin, 2007).

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.0 Introduction

This entails the research design, study population, sample size determination, sampling techniques, data collection methods, data validity and reliability, data collection procedures, research instruments and analysis of data.

#### 3.1 Research design

The researcher used a descriptive design. This was the description of the state of affairs as it exists and an attempt would be made to report the findings points out that this type of research design results in the formulation of important principles of knowledge and solutions to significant problems. The study was not just a collection of data but also involved classification analysis, comparison and interpretation of data Tibandebage et al (2001).

According to Cooper (2003), a descriptive study described the existing conditions and attitudes through observation and interpretation techniques. The study therefore generalized the findings to all profitability of SSBs in Hoima Municipality, Mid-Western Uganda.

#### 3.2 Study Population

The study comprised of a population of over 60 small-scale enterprises, which included 20 retail shops, 10 hardware shops, 5 groceries, and 15 dealers in general merchandise and 10 URA tax administrators.

**Table 3.1 showing composition of the sample size.**

Categories of the population	Population size	Sample	Techniques
URA tax administrators	10	6	Purposive
Retail shops	20	10	Purposive
Hardware shops,	10	16	Purposive
Groceries,	5	10	Purposive
Dealers in general merchandise	15	8	Purposive
Total	60	50	

**Source: Primary Data 2019**

**.3 Sampling**

**.3.1 Sampling design**

The researcher used simple random sampling and purposive sampling techniques. Simple random sampling approach was used during the study because of its advantages like minimization of bias results.

**.3.2 Sample size**

The study involved 60 respondents. This sample size was assumed by the researcher to be representative enough of the entire population.

By using Solver's Formula.

$$n = \frac{N}{1 + N(e^2)}$$

$$n = \frac{N}{1 + N(e)^2}$$

Where;

- n = the required sample size
- N = the known population size
- e = the level of significance, which is fixed at 0.05

$$\begin{aligned} n &= \frac{60}{1 + 60(0.05)^2} \\ n &= \frac{60}{1 + 60(0.0025)} \\ n &= \frac{60}{1 + 0.195} \\ n &= \frac{60}{1.195} \\ n &= 50 \end{aligned}$$

**3.3.3 Sampling procedure**

Purposive sampling was used to select only those respondents who were attached to their office. This means that data was obtained from the key informants about the subject matter was used in Hoima Municipality, Mid-Western Uganda which was divided into two strata of West and East. Each stratum represented a zone. SSBs were selected from each stratum.

#### **4 Study variables**

The independent variable was the multiple taxation; the dependent variable was profitability of SBs in Hoima Municipality, Mid-Western Uganda. That is to say, the study was carried out to establish the effect of multiple taxation and profitability of small scale business in Hoima Municipality, Mid-Western Uganda.

#### **5 Source of data**

Data is defined as facts, opinion, and statistics that have been collected together and recorded for reference or for analysis (Saunders et al. 2009). The source of data is from primary source that is the use of questionnaires.

A combination of primary and secondary data sources will be used to extract data in an attempt to investigate the impact taxation policy and profitability of SSBs in Hoima mid-western Uganda.

##### **5.1 Primary Data collection**

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

#### **6 Methods of data collection and instruments.**

According to (Mugenda, 2003), the successful completion of a sampling procedure connected the researcher with the respondent and specified the kind and number of respondents who were involved. The investigator knows at this stage not only what was studied, but also who to approach for the required information. The information was available, provided that the right 'connection' between the researcher and the respondents were made. This connection was made through the methods of data collection.

##### **6.1 Questionnaires**

A questionnaire is a reformulated written set of questions to which respondents record their answers, usually within rather closely defined alternatives. For respondents that were unavailable to offer the necessary information needed, a questionnaire were issued. It was both structured



and unstructured that enabled the respondents to provide their opinion as to the subject in question. Questionnaires were used to eliminate interviewer biases.

**.6.2 Response rate**

Respondents were given two weeks to complete the questionnaires. The researcher submitted 50 questionnaires at Hoima Municipality Mid-Western Uganda. However, by the end of the data collection process, 41 questionnaires were returned posing a respondent rate of 82% and non-respondent rate of 18% as shown in the table 2 below. It implied that more than half of the target population participated in the process giving high level of precision to the findings.

**.7 Measurement of Variables**

**.7.1 Validity of Instruments**

Validity is the efficiency or the degree to which a method, a test or a research tool actually measures what is supposed to be measured. It refers to the accuracy of the research data. For this case, the validity of the questionnaires was tested using the Content Validity Index Test (CVI). This will involve item analysis to be carried out by the supervisors and an expert who is knowledgeable about the study. This process involved examining each item in the questionnaire to establish whether the items brought out are the ones expected. Item analysis will be conducted using the scale that runs from relevant (R), Neutral (N), to irrelevant (I). The instrument is refined based on experts' advice. The following formula will be used to test validity index (Carole 2008).

$$CVI = \frac{\text{No. of items regarded relevant by judges}}{\text{Total No. of items}}$$
$$41/50 \times 100 = 82\%$$

**.7.2 Pre-Testing**

Before administering the final questionnaire, the researcher carried out a pilot study to help do a test whether the questionnaire met the standard set of collecting the right information.

### **.7.3 Reliability of Instruments**

Reliability means the degree of consistency of the items, the instruments or the extent to which a test, a method, or a tool gave a consistent result across a range of settings or when it was administered to the same group on different occasions.

### **.7.4 Data Validity**

Before the final data was analyzed, the collected data was re-tested as part of the pilot study to ensure that the right data was made available. Any other missing data was corrected and made ready for final analysis.

## **.8 Data Processing and Analysis**

### **.8.1 Data processing**

The data collected from the field was subjected to processing for easy interpretation and understanding. Data collected was checked for completeness, categorized, coded, and entered into a computer where it is summarized into frequency tables edited and tabulation by use of percentages (Field, 2005).

### **.9 Ethical issues**

The following activities were implemented by the researcher to ensure confidentiality of the information provided by the respondents and to ascertain the practice of ethics in this study.

Research ethics played a central role in ensuring that research findings in a study was credible and reliable as pointed out that research upheld high degree of ethical considerations in this study was based on suggestions.

First, the participants had the right to participate where no attempt to force or coerce the participants was made a priority in this study. As such, the participants were reminded of their rights to withdraw from the study at any time during the study.

Further, the issue of confidentiality was considered in this study where the participant was being assured of the privacy of the data they provide in this study.

he completed questionnaires were treated with confidentiality where all the participants were considered anonymous.

y upholding these research ethics, the researcher ensured that a finding in this study was reliable.

#### **.10 Limitation of the study**

he researcher in carrying out the research work was limited in the following ways; the research was limited by time period. The researcher had only six months to carry out the research.

Due to this limit the study could not cover all the components of tax affecting the profitability of small scale business and posed difficulties to compile all the necessary information about the effects of multiple taxes on the profitability of SSBs due to time limit.

Most operators of SSBs were uneducated and this made it difficult to get valid information from them about the effects of multiple taxes on the profitability of their businesses.

Worse still the business owners were busy attending to their customers and rarely spared time for the researcher.

Financing the research study was too costly in terms of transport costs, feeding and processing of the proposal and research report.

## **CHAPTER FOUR**

### **DATA PRESENTATION, ANALYSIS AND INTERPRETATION**

#### **4.0 Introduction**

The chapter involves presentation, analysis and interpretation of the study results. Data presented, analyzed and interpreted according to the research objectives. It is presented in the form of tables and figures basing on the responses got from the study respondents that were selected during the process of data collection.

The discussion of findings has been arranged in accordance with demographic characteristics of respondents' and objectives of the study as were formulated in chapter one of this report. The findings were from both primary and secondary sources. The findings are presented in the gist of the three objectives that the study was set to achieve; To find the effect of multiple taxation policy on the profitability of small scale businesses in Hoima Municipality, Mid-Western Uganda, to find out the effect of tax administration on small business businesses Hoima Municipality, Mid-Western Uganda and to examine the relationship between multiple taxation and profitability of small scale business businesses in Hoima Municipality, Mid-Western Uganda.

The analysis is based on the objectives of the study and the presentation and the interpretation done with the help of tables, pie charts and narrative text as follows;

#### **4.1 Response rate**

The researcher submitted 50 questionnaires at Hoima Municipality Mid-Western Uganda. However, by the end of the data collection process, 41 questionnaires were returned posing a respondent rate of 82% and non- respondent rate of 18% as shown in the table below. It implied that more than half of the target population participated in the process giving high level of precision to the findings.

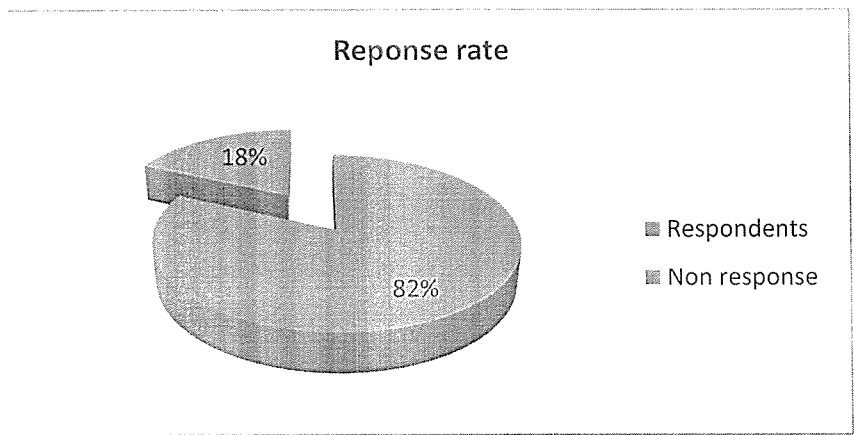
**Table 4.1 Response rate**

Questionnaires distributed	Frequency	Percentage
Respondents	41	82%
Non response	9	18%
Total	50	100

Source: Primary 2019

The feedback received from the pilot study showed that more respondents took time to fill in the questionnaires and the discrepancy of 18% could be caused by the respondents who failed to get time to fill the questionnaires.

**Figure 4.1: showing the response rate**



Source: Primary 2019

**4.2 Back Ground Information of Respondents**

This section shows the gender of the respondents, age bracket, and highest level of education attained. The respondents which were selected for this study were 41 respondents

**Gender of Respondents**

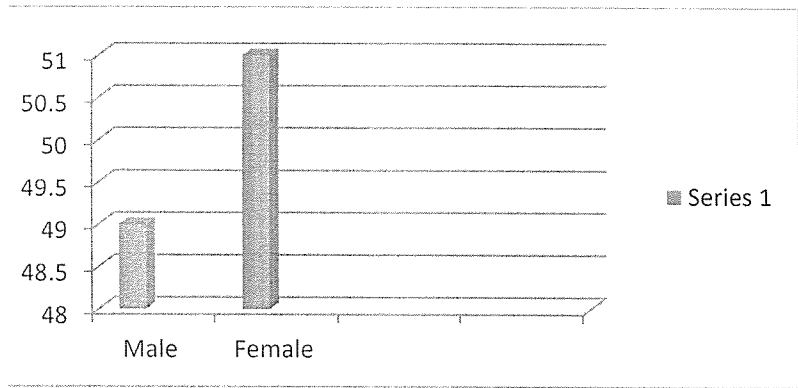
The study considered both male and females, therefore the respondents were asked to state their gender and the following data was obtained.

Table 4.2: Findings on the gender of respondents

Response	Frequency	Percentage	Cumulative %
Male	20	49	49
Female	21	51	100.0
Total	41	100.0	

Source: Primary Data 2019

Figure 4.2: showing the gender of respondents



Source: Primary Data 2019

Table 3 and Figure 4.2 results indicate that most of the respondents were females 21 (51%) and males are 20 (49%). This indicated that females dominated in the sample.

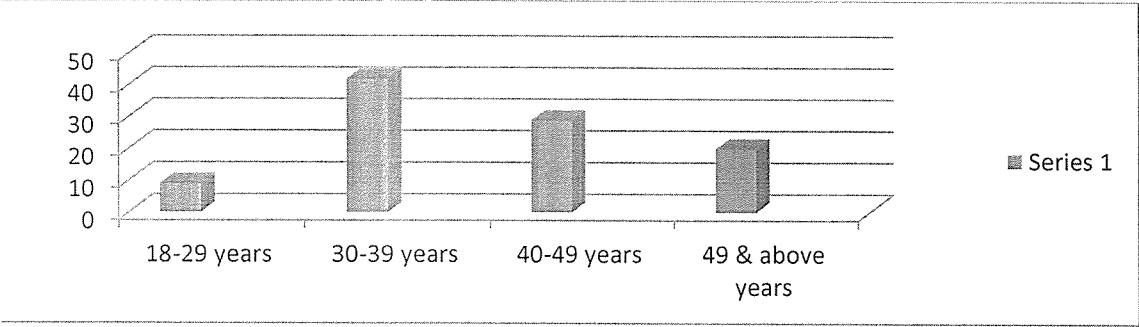
### 4.3 Age of the respondents

Table 4.3: Findings on the age of respondents

Response	Frequency	Percentage	Cumulative %
18-29 years	4	9.8	9.8
30-39 years	17	41.5	51.2
40-49 years	12	29.3	80.5
49 & above years	8	19.5	100.0
Total	41	100	

Source: Primary Data 2019

figure 4.3: shows the age of respondents



source: Primary Data 2019

From table 4.3 and figure 3 above indicates that, the results are as shown in table 4.2, 9.8% of the respondents were of age 18-29 years, 41.5% were between 30-39 years of age, 29.3% were between 40-49 years old and the rest (19.5%) were over 49 years. On average the majority of the employees are between the age brackets of 30-39 years.

The highest percentage of 42% implied that Hoima Municipality Mid-Western Uganda is safe as far as multiple taxation is concerned.

Employees between this age brackets of (30-39) are highly committed at work because of the need to stabilize in their career and earn a livelihood as evidenced.

Those of 49 and above means that when people reach their old age, they always have the demand to secure their retirement moments at their respective origins, their responsibilities also increase and they always have no time for organization tasks as proposed by Osita, (2004), verified more on the performance of individual in organization setting as the output delivered by an individual in relation to a given role during a particular period of time under the set of circumstances operating at the point of multiple taxation.

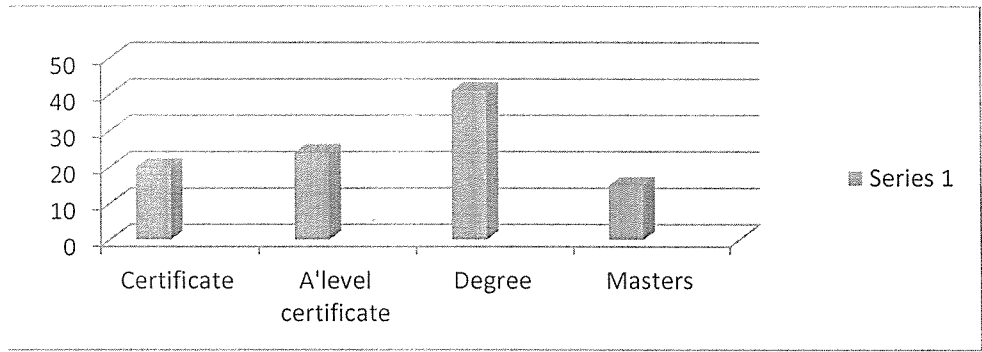
4.4 Response on the level of education of the respondents

Table 4.4: Showing highest level of education attained

Response	Frequency	Percentage (%)
Certificate	8	20
A'level certificate	10	24
Degree	17	41
Masters	6	15
Total	41	100

Source: Primary Data, 2019

Figure 4.4: Showing highest level of education attained



Source: Primary Data 2019

Table 5 and Figure 4.4 shows that 20% of the respondents who work at Hoima Municipality Mid-Western Uganda were certificate holders followed by those at A, level certificate 24% , 41% were degree holders and 15% were having a master's degree.

From the above presentation, the researcher realized that the biggest percentages of respondents were having a degree and the least group were those of master's.

Meaning that at Hoima Municipality Mid-Western Uganda considers education and experience when selecting its employees to ensure profit segment there. It should uphold the present standard as far as multiple taxation and profitability of small scale business enterprises is concerned as mentioned above.



**4.5 Marital status of the respondents**

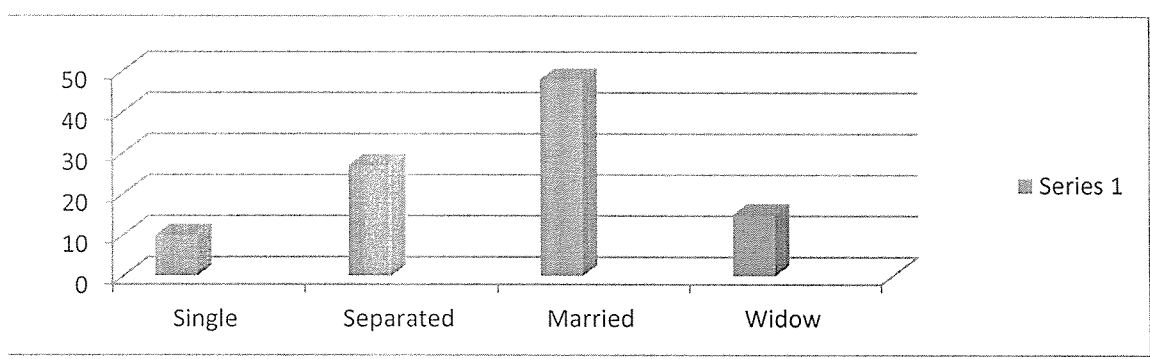
The marital status of the respondents was also covered and analyzed to assess their views in relation to the study variables of multiple taxation and profitability of small scale business enterprises at Hoima Municipality Mid-Western Uganda as shown below.

**Table 4.5: Shows marital status of the respondents**

Marital status	Frequency	Percentage
Single	4	10
Separated	11	27
Married	20	48
Widow	6	15
Total	41	100

Source: Primary Data 2019

**Figure 4.5: shows the Shows marital status of the respondents**



Source: Primary Data 2019

Table 6 and Figure 4.5 above shows the following analysis as regard the marital status of the 41 respondents, 4 respondents representing 10% of the sample were single, 11 (27%) were separated, 20 (48%) were married while 6 (15%) were widows/widowers.

This implies that most of the SSB enterprises in Hoima Municipality Mid-Western Uganda were operated by married people, widows/widowers and separated. This finding is related to the pressing domestic responsibilities that compel people to find out avenues of funding for their families including opening up micro businesses.

**6 To find the effect of multiple taxation policy on the profitability of small scale businesses in Hoima Municipality, Mid-Western Uganda.**

The first research objective to find the effect of multiple taxation policy on the profitability of small scale businesses in Hoima Municipality, Mid-Western Uganda. The data collected based on the four likert scale is presented and interpreted as provided below.

**Table 4.6: Multiple taxation policy on the profitability of small scale businesses**

Taxation policy on the performance of small scale businesses	Strongly Agree		Agree		Not sure		Disagree		Strongly Disagree		Total	
	F	%	F	%	F	%	F	%	F	%	F	%
Small scale business may make less profit as result of lack of sales promotion used.	18	44	15	37	02	5	03	7	03	7	41	100
The tax collectors do not cooperate with the traders.	21	51	14	34	00	0	02	5	04	10	41	100
The high operational costs affect the profit of small scale business.		49	10	24	00	0	05	12	06	15	41	100
Inflation is one of the causes of low profits realized by small scale business.	18	44	7	17	01	2	6	15	9	22	41	100
The high operational costs affect the profit of small scale business.	23	56	9	22	04	10	02	5	03	7	41	100
Are SSBs of benefit to the people in Hoima Municipality, Mid-Western Uganda.	28	68	8	20	00	0	01	2	04	10	41	

**Source: Primary Data 2019**

able 4.6 above present's findings on the level of multiple taxation policy on the profitability of small scale businesses in Hoima Municipality, Mid-Western Uganda.

The table presents information regarding level of multiple taxation policy on the profitability of small scale businesses. The data collected was based on the Likert scale of strongly agreed, agreed, disagreed and strongly disagreed. The table presented a mechanism through level of multiple taxation policy on the profitability of small scale businesses.

Small scale business may make less profit as result of lack of sales promotion used according to the findings the 44% of the respondents strongly agreed, 37% agreed while 7% of the respondents disagreed while 7% of the respondents strongly disagreed with the findings of the study. Uzor (2004), believes that the constraints faced by profitability of SSBs in developing countries are not only accentuated with ineffective policy design, but also by market failures in the region.

The findings indicated that the tax collectors do not cooperate with the traders as indicated by responses 51% of the respondents who strongly agreed, 34% agreed while 5% disagreed and 10% of the respondents strongly disagreed.

The findings indicated that; the high operational costs affect the profit of small scale business as indicated by responses 49% of the respondents strongly agreed, 24% agreed with the findings, 12% disagreed while 15% of the respondents strongly disagreed.

As relieved by (Uwonda, Okello, and Okello 2013), there are factors responsible for close-up include multiple taxation, incessant high and arbitrary payment of taxes, and inadequate provision of essential social amenities by tax authorities.

The findings indicated that the inflation was one of the causes of low profits realized by small scale business as indicated by responses 18(44%) of the respondents who strongly agreed, 17(17%) of the respondents, 6(15%) of the respondents disagreed while 9(22%) of the respondents strongly disagreed.

As evidenced by (Adebisi, 2013), in his findings revealed that multiple taxation of the resources of small scale businesses had a negative effect on their survival in Hoima Municipality, Mid-Western Uganda due to rampant inflation which affected the SSBs at the beginning of this year from the months of January to February 2019.

he study findings also indicated that, high operational costs affected the profit of small scale business with 23(56%) of the respondents who strongly agreed while 9(22%) of the respondents agreed while 2(5%) of the respondents disagreed and 3(7%) of the respondents strongly disagreed.

s relieved by Bromley, (2004), at the moment, there is no known literature to remedy the situation as the tax system authority of Uganda is levying high taxes to settle its demand in the country due to insufficient funds in the economy. Thus passing the burden on low income earner operating SSBs in Hoima municipality.

he study findings also indicated that, SSBs benefit the people in Hoima Municipality, Mid-Western Uganda with 28(68%) of the respondents who strongly agreed while 8(20%) of the respondents agreed while 1(2%) of the respondents disagreed and 4(10%) of the respondents strongly disagreed.

s relived by Panitchpakdi (2006), sees SSBs as a source of employment, competition, economic dynamism, and innovation which stimulates the entrepreneurial spirit and the diffusion of skills.

he study findings revealed that SSBs benefited people in Hoima Municipality, Mid-Western Uganda which had a positive effect on the small business enterprises with 68% of respondents who strongly agreed and 20% agreed.

However though it had a positive effect to people in Hoima Municipality, most of the respondents were not satisfied with the operational costs levied to them by tax authorities who lowered their profits and also high inflation rate which occurred in the month of January and February affected their micro business serially.

**.7 To find out the effect of tax administration on small business businesses Hoima Municipality, Mid-Western Uganda.**

he second research objective to find out the effect of tax administration on small business businesses Hoima Municipality, Mid-Western Uganda.

The study was presented based on the findings from the field as presented in the values assessed below.

**Table 4.7: Showing tax administrations on small business enterprises**

Tax administration on small business enterprises	Strongly Agree		Agree		Disagree		Strongly Disagree		Total	
	f	%	F	%	f	%	f	%	f	%
Are there any tax records kept by the company?	23	<b>56</b>	9	<b>22</b>	02	<b>5</b>	07	<b>17</b>	41	<b>100</b>
Do they normally assess your business for income tax purposes?	21	<b>51</b>	14	<b>34</b>	02	<b>5</b>	04	<b>10</b>	41	<b>100</b>
Have you ever been fined or charged a penalty for tax default?	19	<b>46</b>	10	<b>24</b>	4	<b>10</b>	8	<b>20</b>	41	<b>100</b>
Is business premises locked in case of failure to pay taxes.	28	<b>68</b>	8	<b>20</b>	01	<b>2</b>	04	<b>10</b>	41	<b>100</b>
Has the tax authority given you any assistance as regards to tax awareness?	17	<b>41</b>	15	<b>37</b>	3	<b>7</b>	6	<b>15</b>	41	<b>100</b>
Are there suggestions that the government should do to improve income tax administration?	24	<b>59</b>	12	<b>29</b>	02	<b>5</b>	03	<b>7</b>	41	<b>100</b>

**Source: Primary Data 2019**

The study findings in table 4.7 provided that the results Tax administrations on small business enterprises in Hoima Municipality, Mid-Western Uganda.

The findings in the table provided that the importance of Tax administrations on small business enterprises was prevailing.

The findings indicated that, are there any tax records kept by the company as indicated by responses 23(56%) of the respondents who strongly agreed, 9 (22%) agreed while 2(5%) disagreed while 7(17%) strongly disagreed in that regard.

As relieved by Tomlin (2008), there were records kept in his argument, there is a belief that taxes and a complex tax system put disproportionate pressure on smaller businesses.

The study findings also indicated that, they normally assess their businesses for income tax purposes as indicated by responses 21(51%) of the respondents who strongly agreed while 4(34%) of the respondents, 2(5%) of the respondents while 4(10%) of the respondents who strongly disagreed.

As relieved by Stem (2005), the government is also discouraged from collecting taxes from small firms, because the cost of monitoring and collecting tax from small businesses by revenue authorities, whose resources are usually scarce, sometime outweighs the revenues generated by profitability of small businesses.

The findings revealed that, SSBs have been fined or charged penalties for tax default as indicated by responses 19(46%) of the respondents strongly agreed, 10(24%) of the respondents agreed while 4(10%) and 8(20%) disagreed and strongly disagreed respectively.

As relieved by Klein (2003), consequently, profitability of SSBs in developing countries is struggling to survive under intense competitive environments both domestic and international.

The findings revealed that, business premises are locked in case of failure to pay taxes as indicated by responses 28(68%) of the respondents strongly agreed while 8(20%) disagreed while 1(2%) of the respondents of disagreed while 4(10%) of the respondents strongly agreed on the study provided.

As relieved by (OECD) in 2004 showed that they were suffering the consequences of policy inconsistency, poor access to finance, insufficient know-how and low level of technology, and so many others.

The findings revealed that has tax authorities given SSBs any assistance as regards to tax awareness as indicated by responses 17(41%) of the respondents who strongly agreed, 15(37%) agreed while (7%) disagreed while 6(15%) strongly disagreed in that regard.

As relieved by Longenecker (2006), most businesses in Uganda are owned and managed by persons who are unskilled in the profession of accounting and thus do not keep proper books of accounts and are not even aware that they have to pay taxes thus continued criticism of the tax and its structure.

The findings revealed that, there are suggestions that the government should do to improve income tax administration as indicated by responses 24(59%) of the respondents who strongly agreed, 12(29%) agreed while 2(5%) disagreed while 3(7%) strongly disagreed in that regard.

as relived by Witt (2013), says that much attention should be paid to critical aspects of tax administration, training, procedures, staffing, collection and use of information.

The negative effect of tax administrations on profitability of small business enterprises indicated that business premises are locked in case of failure to pay taxes and have greatly increased overtime by response of 68% and there are suggestions that the government has done to improve income tax administration and has greatly increased overtime by 59%

However, discussed above most of the respondents were not conversant with the tax administered levied to them in their business as the nature of multiple taxation in Uganda is regressive that it makes the poor people pay relatively more than the rich no equity in tax payments. Thus every commodities consumed was taxed indirectly and directly.

4.8 To examine the relationship between multiple taxation and profitability of small scale business businesses in Hoima Municipality, Mid-Western Uganda.

Table 4.8: Shows the relationship between multiple taxation and profitability of small scale business businesses.

Relationship	Strongly Agree		Agree		Not sure		Disagree		Strongly Disagree		Total	
	F	%	F	%	F	%	F	%	F	%	F	%
Multiple taxation is useful in the profitability of the business.	21	51	14	34	00	0	02	5	04	10	41	100
Multiple taxation helps in the growth of the business.	24	58	11	27	00	0	02	5	04	10	41	100
Multiple taxation helps the business to be effective.	20	49	10	24	00	0	05	12	06	15	41	100
Multiple taxation is the efficiency of net profit margin of the SSBs.	24	58	11	27	00	0	02	5	04	10	41	35
Multiple-taxation, nuisance taxes, and the high administrative burden in Hoima municipality are the major factors in the poor performance of manufacturing businesses.	18	44	15	37	02	5	03	7	03	7	41	100
Multiple taxation policies in the business have led to increase in gross profit margin.	30	73	6	15	00	0	02	5	03	7	41	100

Source: Primary Data 2019

The study findings revealed multiple taxation are useful in the profitability of the business as indicated by responses 21(51%) of the respondents strongly agreed, 14(34%) of the respondents agreed while 2(5%) of the respondents disagreed while 4(10%) of the respondents strongly agreed with the findings.



as it relieved by Tomlin (2008), reducing the compliance costs and tax rate increases the small enterprises profit margin.

The study findings indicated the multiple taxation helps in the growth of the business as result revealed that 24(58%) of the respondents strongly agreed, 11(27%) of the respondents agreed while 2(5%) disagreed while 4(10%) of the respondents strongly disagreed according to the respondents.

as it relieved by (Ariyo, 2005), in recent time the world economy has developed tremendously and this has been linked with activities of profitability of Small Scale Business (SSBs), specially in developing countries thus statistics show that SSBs make up 50% of the economy.

The study findings revealed that, multiple taxation helps the business to be effective which indicated 20(49%) of the respondents strongly agreed, 10(24%) of the respondents agreed, (12%) of the respondents who disagreed 6(15%) who strongly disagreed.

anitchpakdi (2006), argues that, although smaller in size, they are the most important enterprises in the economy due to the fact that when all the individual effects are aggregated, they surpass that of the larger companies.

The findings indicated that, multiple taxation was the efficiency of net profit margin of the SSBs as indicated by the responses 24(58%) of the respondents strongly agreed while 11(27%) of the respondents agreed while 2(5%) disagreed and 4(10%) strongly disagreed.

It was relieved that, where policy of profitability of SSBs sector taxation is considered to be too burdensome, the share of the sector in GDP is only 5.5% (Analytical report on State Committee for Entrepreneurship Development 1997).

The study findings also revealed that multiple-taxation, nuisance taxes, and the high administrative burden in Hoima municipality are the major factors in the poor performance of manufacturing businesses as indicated by responses 18(44%) of the respondents strongly agreed, 5(37%) of the respondents agreed while 3 (7%) disagreed and 3(7%) strongly disagreed.

Evans (2003), argues that, as it has been observed that less attention has been given to the side effects of tax towards the growth and profitability of SSBs despite their contribution in the overall GDP of the country. This also triggers need for an in-depth study of the different issues,

preventing the development and implementation of effective tax policy and system, particularly in the context of the SSBs.

The study findings also revealed that multiple taxation policies in the business have led to an increase in gross profit margin as indicated by responses 30(73%) of the respondents strongly agreed, 6(15%) of the respondents agreed while 2(5%) disagreed and 3(7%) strongly disagreed.

On the other hand, the revenue collected from taxes represents the major funding source for governmental expenditures (Baurer, 2005).

On average that, multiple taxation policies in the business have led to an increase in gross profit margin as indicated over by 73% strongly agreed and also multiple taxation helps in the growth of the business. Indicated that tax systems play an important role in encouraging growth, investment and innovation and facilitating international trade and mobility.

Although according to the arguments of other respondents as discussed above, as argued by Craithwaite (2003), indicated that taxes are perceived to be a major problem for both young and old firms. Therefore, taxation has shown a way towards impacting small scale business mostly.

## **3.9 Data analysis and findings**

With this observation therefore, it is evident that the current multiple taxation policy employed by the profitability of SSBs are inadequate to mitigate against bank charges imposed on these SSBs business arising from the lending business.

This trend also means that there is very high demand for the SSBs loans as a result of increased membership in these institutions.

There has been no change in taxation policy that would respond to the challenges of lending in a highly competitive lending environment by balancing between high interest income and less of bad loans.

All the independent variables were also individually linearly related with the dependent variable thus a model of three predictor variables could be used to rate the performance of SSBs in the Hoima Municipality, Mid-Western Uganda.

The study found out that there exist a significant effect between multiple taxation policy, tax administration and relationship between multiple taxation and profitability of small scale

business businesses with the key determinants being; taxation policy on the performance of SBs.

From the observation, it is evident that the current multiple taxation policy employed by the SBs is inadequate to mitigate against bank charges arising from the lending business.

This trend also means that there is very high demand for the SSBs loans as a result of increased membership in these institutions. There has been no change in Taxation policy formulation strategy that would respond to the challenges of lending in a highly competitive lending environment by balancing between high interest income and bad loans.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

#### **.0 Introduction**

This chapter presents the summary of the findings, conclusions and recommendations in line with specific objectives of the study and tested by research questions.

#### **.1 Summary of findings / discussion**

The objective of the study was to examine the effect of multiple taxation and profitability of small scale business. From the analysis, the profitability of small scale business relies on multiple taxation.

##### **.1.1 Multiple taxation policy on the profitability of small scale businesses**

The findings on the first objective provided to find the effect of multiple taxation policy on the profitability of small scale businesses in Hoima Municipality, Mid-Western Uganda.

The study findings revealed that SSBs benefited people in Hoima Municipality; Mid-Western Uganda had a positive effect on the small business enterprises with 68% of respondents who strongly agreed and 20% agreed. However though it had a positive effect to people in Hoima Municipality, most of the respondents were not satisfied with the operational costs levied to them by tax authorities who lowered their profits and also high inflation rate which occurred in the month of January and February affected their micro business serially.

##### **.1.2 Tax administration on small business businesses**

To find out the effect of tax administration on small business businesses Hoima Municipality, Mid-Western Uganda.

The summary finding indicated the negative effect of tax administrations on profitability of small business enterprises indicated that business premises are locked in case of failure to pay taxes and have greatly increased overtime by response of 68% and there are suggestions that the government has done to improve income tax administration and has greatly increased overtime by 59%

However, discussed above most of the respondents were not conversant with the tax administered levied to them in their business as the nature of multiple taxation in Uganda is

gressive that it makes the poor people pay relatively more than the rich no equity in tax payments. Thus every commodity consumed was taxed indirectly and directly.

### **1.3 Multiple taxation and profitability of small scale business businesses**

to examine the relationship between multiple taxation and profitability of small scale business businesses in Hoima Municipality, Mid-Western Uganda.

On average that, multiple taxation policies in the business have led to increase in gross profit margin as indicated over by 73% strongly agreed and also multiple taxation helps in the growth of the business. Indicated that tax systems play an important role in encouraging growth, investment and innovation and facilitating international trade and mobility.

Although according to the arguments of other respondents as discussed above, as argued byraithwaite (2003), indicated that taxes are perceived to be a major problem for both young and old firms. Therefore, taxation has shown a way towards impacting small scale business mostly.

The finding on the third research objective was to examine the relationship between multiple taxation and profitability of small scale business businesses in Hoima Municipality, Mid-Western Uganda.

### **1.3 Conclusion**

Having gone through this topic it was reasonable to conclude that though multiple taxation was an aim at providing favourable economic climate, that was using the fiscal policy as means of managing the economy, economic growth and taxation are not alternatives but complementary. With each mutually supporting the other. For example when taxes are too high and numerous, it discourages economic activities.

Based on the data analysis in this study, the profitability of SSBs had relied heavily on the guarantor as the main factor of mitigating tax policies. However, with the diversification and high demand for profitability of SSBs aided with the rapid growth of the Co-operative sector operating in a highly competitive lending environment, SSBs must employ diverse tax policy techniques.

1 the first objective, a survey of Uganda's SSBs by Organization for Economic Co-operation and Development (OECD) in 2004 showed that they were suffering the consequences of policy inconsistency, poor access to finance, insufficient know-how and low level of technology, and so many others.

1 the second objective, was to find out the effect of tax administration on profitability of small scale businesses in Hoima Municipality, Mid-Western Uganda indicated that many traders have expressed ignorance about taxes imposed on their businesses. They say that this is highly attributed to the poor work being done by the tax authorities leaving traders ignorant about issues like the way taxes are assessed, advantages of paying taxes and the use to which it was put. Therefore, there was need to sensitize the public especially business owners.

**4 Recommendations**

The researcher made the following recommendations as a way of reducing the burden of income taxes on SSBs as well as to increase the revenue of the Hoima Municipality, Mid-Western Uganda should find a way of assessing the tax in that the SSBs 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.

Based on the findings made from this research study, the following recommendations are therefore made:

From the findings it is recommended that tax administration should reduce criminal aspects of tax evasion with well known tax measures.

Provide adequate information and ensure taxpayer education. Responsibility for this lies with the tax administration, which must help taxpayers to meet their obligations.

The tax department needs to ascertain that taxpayers receive adequate information on their obligations, the types of taxes facing them, deadlines for submitting tax returns, and payments to be made. Taxpayers also need to be informed about changes in tax legislation, have tax forms readily available, and have easy access to information.

Further, tax administration should use current tax reform to reduce tax complexity with Tax authorities should focus and help taxpayer during filing taxes returns information.

However, tax authority provides greater assistance to tax payers; it should create favorable conditions for tax compliance not only tax awareness.

Tax regulations governing profitability of SSBs should be simplified in order to make compliance easier for them. This includes clear and simple tax regulations, and an undemanding tax filing process. The use of information technology should be encouraged and training provided to businessmen.

Administrators should carry out their duties more efficiently with the most care and integrity as this will help combat issues such as tax complacency problems.

Tax administrators should improve their support services towards SSBs for example, small business owners should be educated on issues such as taxes they are expected to pay and the incentives and exemptions they are eligible for.

Central and local government should work hand to hand and give SSBs full support in their challenges.

URA should adopt the closure of business premises on default only as a last resort after all Hoima Municipality, Mid-Western Uganda 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.

URA 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 SSBs 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 URA should improve on the methods of collecting the taxes.

URA 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.

**5.5 Limitation of the study**

In attaining its objective, the study was limited to SSBs in Hoima Municipality, Mid-Western Uganda. The study was also limited to the degree of precision of the data obtained from the respondents hence it could be prone to shortcomings since it is not verifiable.

Another limitation was the confidentiality of respondents. Some of the respondents considered their savings and loans details to be confidential information hence they could not disclose such information. Others were unwilling to disclose the correct value of their investments.

The third limitation non-response, owners of businesses were busy attending to their customers and rarely spared time for the researcher.

Some respondents were unable to return questionnaire within the given time frame.

The researcher had a limited time, inadequate period required for a detailed research study.

A comprehensive research study involves a great deal of collecting, analyzing and processing that requires a lot of time.

Financial constraints, financing the research study was too costly in terms of transport costs, feeding and processing of the proposal and research report.

**6 Areas for further research**

The researcher carried out this study, “the Effect of multiple taxation on the profitability of small Scale Business in Hoima Municipality, Mid-Western Uganda” but it was not exhaustive owing to constraints in terms of scope, time and finance.

Further research is therefore needed in areas such as; i) Factors leading to tax evasion among small Scale Businesses. ii) The effect of firms’ management technique on the performance.

A further study should be carried out to examine the determinant of tax policy in regulated small and enterprises

The study also recommends that a further study should be carried out to determine the challenges affecting implementation of tax policies in micro enterprises



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## APPENDICES

### APPENDIX I: QUESTIONNAIRE

Dear respondent,

**Bijukwabake John** Reg.No. **1163-05014-07402** a student of Kampala International University undertaking a Bachelor's Degree of Business Administration. Currently am carrying out a research study on Multiple Taxation and Profitability of Small Scale Business Enterprises in Hoima Municipality Mid-Western Uganda as part of the requirements for a ward of Bachelor's Degree of Business Administration. This questionnaire is therefore intended to seek information on the above subject matter. The information is purely for academic purposes and all the answers will be handled with utmost confidentiality. I therefore humbly request that you complete this questionnaire correctly in the spaces provided or options given. (Please, tick the appropriate answers where options are given).

#### SECTION A

##### Demographic characteristics of respondents

###### 1. Sex of respondents

Male ☐

Female ☐

###### 2. Age of respondent

Age

18-29 years ☐

30-39 years ☐

40-49 years ☐

49 & above years ☐

###### 3. Highest Level of education

O'Level & Below ☐

A' Level ☐

Diploma ☐

Degree ☐

Postgraduate ☐

. Marital Status.

Married	<input type="checkbox"/>
Single	<input type="checkbox"/>
Divorced	<input type="checkbox"/>
Widow	<input type="checkbox"/>
Widower	<input type="checkbox"/>

**SECTION B: Multiple taxation policy on the profitability of small scale businesses**

Evaluate the following statement by circling the appropriate response basing on the scale below.

Please do not leave any item unanswered.

Code	1	2	3	4	5					
Status	Strongly disagree	Disagree	Not sure	Agree	Strongly agree	1	2	3	4	5
A	<b>Multiple taxation policy on the profitability of small scale businesses</b>									
1.	Small scale business may make less profit as result of lack of sales promotion used.									
2.	The tax collectors do not cooperate with the traders.									
3.	The high operational costs affect the profit of small scale business									
4.	Inflation is one of the causes of low profits realized by small scale business.									
5.	The high operational costs affect the profit of small scale business									
6.	Are SSBs of benefit to the people in Hoima Municipality, Mid-Western Uganda									

## SECTION C: Tax administration on profitability of Small Scale Businesses

Evaluate the following statement by circling the appropriate response basing on the scale below.

Please do not leave any item unanswered.

Code	1	2	3	4	5					
Status	Strongly disagree	Disagree	Not sure	Agree	Strongly agree	1	2	3	4	5
A	<b>Tax administration on profitability of small scale businesses</b>									
1.	Is there any tax record kept by the company?									
2.	Do they normally assess your business for income tax purposes?									
3.	Have you ever been fined or charged a penalty for tax default?									
4.	A business premises is locked in case of failure to pay taxes.									
5.	Has the tax authority given you any assistance as regards to tax awareness?									
6.	Are there suggestions that the government should do to improve income tax administration?									



**SECTION D: Relationship between multiple taxation and profitability of small scale business businesses.**

Evaluate the following statement by circling the appropriate response basing on the scale below.  
Please do not leave any item unanswered.

Code	1	2	3	4	5					
Status	Strongly disagree	Disagree	Not sure	Agree	Strongly agree	1	2	3	4	5
1.	Relationship									
2.	Multiple taxation is useful in the profitability of the business.									
3.	Multiple taxation helps in the growth of the business.									
4.	Multiple taxation helps the business to be effective.									
5.	Multiple taxation is the efficiency of net profit margin of the SSBs.									
6.	Multiple-taxation, nuisance taxes, and the high administrative burden in Hoima municipality are the major factors in the poor performance of manufacturing businesses.									
7.	Multiple taxation policies in the business have led to increase in gross profit margin.									

## APPENDIX II: BUDGET

Item	Item	Item	Item
Subsistence	3 months	50,000	150,000
Allowance			
Travel (Vehicle Hire)	3 months	100,000	300,000
Data Analysis	1	50,000	50,000
Secretarial Services	1	50,000	50,000
Processing the research instruments and reports)			
Photocopying	1	20,000	20,000
	1	10,000	10,000
<b>TOTAL</b>		<b>280,000</b>	<b>580,000</b>

### APPENDIX III: WORK PLAN AND TIMEFRAME

Activity	Duration (days/weeks/months)	Responsible
Locate Respondents	Before 15 <sup>th</sup> June 2019	Researcher
Designing Pretesting data	Before 22 <sup>nd</sup> June	Researcher
Collection tools		
Data Collection	Before 8 <sup>th</sup> July	Researcher
Data Coding	Before 15 <sup>th</sup> July	Researcher
Data interpretation and	Before 5 <sup>th</sup> August	Researcher
Reporting		

*Thank you for your valuable time*

**COLLEGE OF ECONOMICS AND MANAGEMENT  
DEPARTMENT OF ACCOUNTING AND FINANCE**

11<sup>th</sup>/06/2019

To whom it may concern

Dear Sir/Madam,

**RE: INTRODUCTORY LETTER FOR BIJUKWABAKE JOHN 1163-05014-07402**

This is to introduce to you the above named student, who is a bonafide student of Kampala International University pursuing a Bachelor's Degree in Business Administration Accounting and Finance, Third year Second semester.

The purpose of this letter is to request you avail him with all the necessary assistance regarding his research.

**TOPIC: - MULTIPLE TAXATION AND PROFITABILITY OF SMALL SCALE BUSINESS ENTERPRISES**

**CASE STUDY: - HOIMA MUNICIPALITY MID-WESTERN UGANDA**

Any information shared with him from your organization shall be treated with utmost confidentiality.

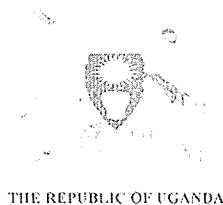
We shall be grateful for your positive response.

Yours truly,

  
**DR. JOSEPH B.K. KIRABO**  
**HOD – ACCOUNTING AND FINANCE**  
**0772323344**

**MOBILE TELEPHONE NOS:**

AYOR ..... 0772-363192  
CHIEF EXECUTIVE (TOWN CLERK) ..... 0392-548562  
HEAD OF FINANCE ..... 0772-644987  
HEAD OF INTERNAL AUDIT ..... 0772-327161  
MUNICIPAL EDUCATION OFFICER ..... 0772-472977  
MUNICIPAL ENGINEER ..... 0772-305795  
MUNICIPAL HEALTH INSPECTOR ..... 0772-513574  
MUNICIPAL PHYSICAL PLANNER ..... 0782-516523  
ENVIRONMENT OFFICER ..... 0772-461577  
MUNICIPAL COMMUNITY DEVELOPMENT OFFICER ..... 0772-465800  
PROCUREMENT OFFICER ..... 0782-043679  
SENIOR ASSISTANT TOWN CLERK ..... 0772-527326



**KAHOORA DIVISION  
HOIMA MUNICIPAL COUNCIL  
P. O. BOX 149  
HOIMA, UGANDA**

EMAIL: hoimamunicipal@yahoo.com

IN CASE OF ANY CORRESPONDENCE ON  
THIS SUBJECT PLEASE QUOTE REF:

Monday June 17, 2019

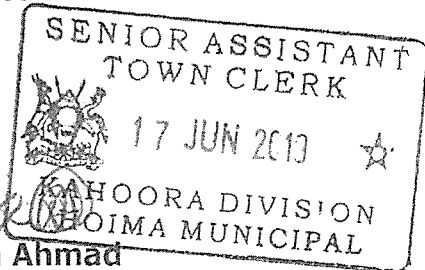
**The Head of Department,  
Accounting and Finance,  
Kampala International University.**

**MR BIJUKWABAKE JOHN 1163-05014-07402**

This is to acknowledge that the above named person carried out his Research with in  
Kahoorra Division starting on 15<sup>th</sup> June 2019

I strongly commend him for the good performance for the period he has stayed with us.

Thank you.



**Mugisa Ahmad  
Senior Assistant Town Clerk  
Kahoorra Division.**