

**TAXATION AND PERFORMANCE OF SMALL SCALE BUSINESS ENTERPRISES.
A CASE STUDY OF BUSIA MUNICIPALITY**

BY

**ONYOKORI DAUDI
BBA/34692/113/DU**

**A RESEARCH REPORT SUBMITTED TO COLLEGE OF APPLIED
ECONOMICS AND MANAGEMENT SCIENCE IN PARTIAL
FULFILLMENT OF THE AWARD OF A BACHELOR'S
DEGREE IN BUSINESS ADMINISTRATION
OF KAMPALA INTERNATIONAL
UNIVERSITY**

JUNE, 2014

DECLARATION

I, **ONYOKORI DAUDI** do hereby declare that this work is original and has never been submitted to any other institution for a ward of any Degree or Diploma. Where the work of others has been used, reference has been made there of.

Signed: 

Date: 05th/06/2014

ONYOKORI DAUDI

BBA/34692/113/DU

APPROVAL

This report Titled “**Taxation and performance of small scale business enterprises: A case study of Busia Municipality**” has been submitted by Onyokori Daudi for examination with my approval as the University Supervisor, and it’s now ready for presentation for the award of a Bachelor of Business Administration of Kampala International University.

Signed: 

Date: 5TH JUNE 2014

MRS. IRAU FLORENCE

(Supervisor)

DEDICATION

I would like to dedicate this piece to the Almighty God for the gifted Wisdom and Good health that gave me a platform which led to the success of this study.

This work is dedicated to my brother Mr. Obano John Kubebea, for all the sacrifice, patience and commitment inclusive of the challenges he faced in educating and making me more enlightened. May the Almighty Lord bless you abundantly. Thanks a lot Bro!!!

ACKNOWLEDGEMENTS

I extend a vote of thanks to a number of people who unreservedly, contributed towards the accomplishment of this research work. I also would like to acknowledge the assistance and role played by the following personalities to the successful completion of this study.

I cannot say exactly how grateful I am to my supervisor, **Mrs. Irau Florence**. Her guidance in this study was beyond measure. Thank you also for providing me with professional advice, encouragement and your time that has spurred me to success.

In the same way, I would like to thank the management and staff of Busia Municipality and the proprietors of the selected businesses for the time they gave me most especially in evenings after the long day's work. They honestly filled the questionnaires, surely, without their input, this study would not have come to fruition.

I cannot forget the efforts of the staff of Kampala International University especially the lecturers at College of Economics and Management and Department of Accounting and Banking for their input and effort that made me acquire the invaluable knowledge. Your contribution can never be quantified but will always be reminiscent whenever I look through this book.

Lastly, I thank my parents, brothers, sisters, relatives and friends Mr. Ocan Jimmy, Mr. Kyagondeze Max, Mr. Omoit Stephen, Mr. Mugabo Godwin, Mrs. Aigo Patricia, Mrs. Ajambo Prossy for sacrificing the little they had, in thick and thin and invested in my education. Thank you for looking after me and enabling me to acquire a lifelong investment.

TABLE OF CONTENTS

| | |
|--------------------------------------|----------|
| DECLARATION | i |
| APPROVAL..... | ii |
| DEDICATION | iii |
| ACKNOWLEDGEMENTS | iv |
| TABLE OF CONTENTS | v |
| LIST OF TABLES | ix |
| LIST OF FIGURES..... | x |
| LIST OF ACRONYMS..... | xi |
| ABSTRACT | xii |
| CHAPTER ONE..... | 1 |
| INTRODUCTION..... | 1 |
| 1.0 Introduction | 1 |
| 1.1 Background of the study | 1 |
| 1.2 Statement of the problem | 3 |
| 1.3 Purpose of the study | 3 |
| 1.4 Objectives of the study..... | 4 |
| 1.5 Research questions | 4 |
| 1.6 Scope of the study | 4 |
| 1.6.1 Subject scope..... | 4 |
| 1.6.2 Geographical scope | 4 |
| 1.6.3 Time scope | 4 |
| 1.7 Significance of the study | 5 |
| 1.8 Justification of the study | 5 |
| 1.9 Conceptual Framework | 5 |
| CHAPTER TWO..... | 7 |
| LITERATURE REVIEW..... | 7 |
| 2.0 Introduction | 7 |

| | |
|---|-----------|
| 2.1 The concept of taxation..... | 7 |
| 2.1.1 Tax..... | 7 |
| 2.1.2 Classification of taxes. | 8 |
| 2.1.3 Theories of taxation..... | 8 |
| 2.2 The purpose of taxation..... | 10 |
| 2.3 Tax policies. | 11 |
| 2.4 Approaches to tax administration..... | 12 |
| 2.4.1 Identification of a tax payer | 12 |
| 2.4.2 Assessment of taxes | 12 |
| 2.5 Small scale business | 13 |
| 2.6 Taxes paid by small scale businesses in Uganda | 13 |
| 2.7 The turnover is broken into different amounts with their corresponding rates as shown below | 14 |
| 2.8 Types of taxes and sources of income..... | 14 |
| 2.9 Factors affecting the performance of small scale business | 15 |
| 2.10 Problems encountered by SSBs in trying to comply with tax policies. | 16 |
| 2.11 Fines and penalties | 17 |
| 2.12 Performance of small scale business..... | 17 |
| 2.13 Taxation and business performance | 18 |
| 2.14 Taxes and profit levels. | 19 |
| 2.15 Taxation and investment | 19 |
| 2.16 Tax payer's knowledge | 19 |
| 2.17 Conclusions | 20 |
| CHAPTER THREE | 21 |
| METHODOLOGY..... | 21 |
| 3.0 Introduction | 21 |
| 3.1 Research design..... | 21 |
| 3.2 Study population | 21 |
| 3.3 Sampling..... | 21 |
| 3.3.1 Sampling design | 21 |

| | |
|--|-----------|
| 3.3.2 Sample size..... | 21 |
| 3.3.3 Sampling procedure..... | 22 |
| 3.4 Study variables | 22 |
| 3.5 Sources of data | 22 |
| 3.5.1 Secondary data Collection..... | 22 |
| 3.5.2 Primary Data collection..... | 22 |
| 3.6 Methods of data collection and instruments..... | 23 |
| 3.6.1 Questionnaires..... | 23 |
| 3.6.2 Interviews | 23 |
| 3.6.3 Observation | 23 |
| 3.7 Data processing analysis and presentation | 24 |
| 3.7.1 Data processing | 24 |
| 3.7.2 Data analysis | 24 |
| 3.9.3 Data Presentation..... | 24 |
| 3.9 Limitation of the study..... | 24 |
| CHAPTER FOUR..... | 25 |
| PRESENTATION, ANALYSIS AND INTERPRETATION OF RESEARCH | |
| FINDINGS | 25 |
| 4.0 Introduction | 25 |
| 4.1 Background characteristics of the respondents | 25 |
| 4.1.1 Age of the respondents..... | 25 |
| 4.1.2 Response on the level of education of the respondents..... | 26 |
| 4.1.3 Findings on the gender of respondents..... | 28 |
| 4.1.4 Findings on the marital status of the respondents | 29 |
| 4.2 Findings on performance of the business..... | 29 |
| 4.2.1 Response on stock levels of held in the business..... | 30 |
| 4.2.2 Shortage in the stock levels..... | 30 |
| 4.2.3 Stock levels and profitability..... | 31 |
| 4.2.4 Average daily sales..... | 32 |
| 4.2.5 Capital employed..... | 32 |

| | |
|---|-----------|
| 4.2.6 Daily expenses..... | 34 |
| 4.2.7 Average amount of tax | 34 |
| 4.2.8 People employed | 35 |
| 4.3 Awareness of the tax payers..... | 35 |
| 4.3.1 Taxes | 36 |
| 4.2.2 Tax assessment..... | 36 |
| 4.2.3 Assistance as regards tax awareness | 37 |
| 4.3 Problems faced by tax payers..... | 38 |
| 4.3.1 Mode of assessment, collection and the tax collector. | 38 |
| 4.3.2 Efficiency and tax officers | 39 |
| 4.3.3 Specific effects of the taxes on businesses..... | 40 |
| 4.3.4 Suggestions from tax payers. | 40 |
| CHAPTER FIVE..... | 42 |
| SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS..... | 42 |
| 5.0 Introduction | 42 |
| 5.1 Summary of findings..... | 42 |
| 5.2 Conclusion..... | 42 |
| 5.3 Recommendations | 42 |
| 5.4 Areas for further research..... | 43 |
| REFERENCES..... | 44 |
| APPENDICES..... | 46 |
| APPENDIX I: QUESTIONNAIRE FOR BUSINESS PROPRIETORS | 46 |
| APPENDIX II: RESEARCH BUDGET | 50 |
| APPENDIX III: TIME FRAME | 51 |

LIST OF TABLES

| | |
|--|----|
| Table 1: Findings on the age of respondents | 25 |
| Table 2: Findings on the level of education | 27 |
| Table 3: Shows gender of respondents | 28 |
| Table 4: Shows marital status of the respondents..... | 29 |
| Table 5: Shows stock levels held in the business. | 30 |
| Table 6: Shows whether the business has ever experienced shortages in the stock levels..... | 30 |
| Table 7: Showing whether stock level have an effect on the level of profitability. | 31 |
| Table 8: Showing average daily sales..... | 32 |
| Table 9: Showing capital employed | 33 |
| Table 10: Showing daily expenses | 34 |
| Table 11: Showing average amount of tax paid. | 35 |
| Table 12: Showing average taxes paid annually | 36 |
| Table 13: Showing if the businesses have ever been assessed for tax purposes. | 36 |
| Table 14: Showing how businesses keep their records | 37 |
| Table 15: Shows if the tax authority has ever given assistance as regards tax awareness. | 37 |
| Table 16: Problems related to mode of assessment, collection and the tax collector..... | 38 |
| Table 17: Respondent's views on whether Tax officials are efficient | 39 |
| Table 18: Shows the relationship between taxes and performance of small scale business enterprises in Busia Municipality. | 41 |

LIST OF FIGURES

| | |
|--|----|
| Figure 1: Findings on the age of respondents | 26 |
| Figure 2: Findings on the level of education..... | 27 |
| Figure 3: Shows gender of respondents | 28 |
| Figure 4: Shows whether the business has ever experienced shortages in the stock levels..... | 31 |
| Figure 5: Showing capital employed | 33 |

LIST OF ACRONYMS

| | |
|--------|--|
| URA | Uganda Revenue Authority |
| SSB | Small Scale Business |
| SPSS | Statistical Package for Social Sciences |
| MoFPED | Ministry of Finance, Planning and Economic Development |
| USSIA | Uganda Small Scale Industries Association |

ABSTRACT

The study was carried out to find out the impact of taxes on performance of Small Scale Business enterprises in Uganda (SSBs), taking a case study of Busia Municipality. The study aimed at assessing the performance of business enterprises in Busia Municipality, finding out if tax payers are aware of all their tax obligations, policies and problems affecting them as well as their businesses.

The study applied both qualitative and quantitative research designs where interviews and questionnaires were used. Data was collected from both primary and secondary sources. Data was processed and analysed using formal tables, pie charts, narrative text, and correlation to find out the relationship between the impact of taxes and performance of small scale businesses. A total of 50 respondents were considered out of the entire population in the Town Council.

The findings indicated that the performance of SSBs is affected by stock levels, capital employed, daily expenses, daily sales and the average amount of taxes paid annually.

Most business owners are aware of taxes paid, uncertain of the mode of assessment and little assistance is given as regards tax awareness.

The findings revealed the problems faced by the tax payers as regards mode of assessment, collection and tax collectors, inefficiency by tax collectors, loss of equipment, loss of sales and loss of stock as a result of taxes.

Recommendations on impact of taxes included; improvement on the method of collecting taxes, educating the business community about its different tax rates, introducing a scheme that allows tax payers to pay the tax obligation in installment, and finding a way of assessing the tax the SSBs should pay early in the financial year in order to give enough time to the business to pay up their duties rather than make an assessment and demand for payment spontaneously.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

The study was to establish the relationship between taxation and performance of small scale business enterprises in Busia Municipality, Busia district. This chapter consists of the background of the study, statement of the problem, purpose of the study, objectives of the study, research questions, scope, significance of the study, justification of the study and conceptual frame work.

1.1 Background of the study

Taxation in Uganda is based on the system that existed in Britain by 1900 when the hut tax regulation and administered under the local government system and charged on each residential house. It was a simple tax intended to attract citizens into monetary production. It was followed by the poll tax in 1905, due to cotton growing in Uganda. It was aimed at raising revenue for the administrative; through promoting Africans voluntary labour necessary in the production of cash crops and minerals for export. in 1919 the first law legislation was introduce under local authorities ordinance which later governed tax collections, in 1925 in Uganda, most people were exempted from paying income tax because the majority were peasant who relied on coffee and cotton for their income leaving the initial collection on higher income. In September 1991, after a period of review, the Uganda Revenue Authority was established. All taxes include income taxes custom taxes and excise is collected by the Authority.

Taxation is one of the major sources of government revenue. The government uses the realized revenue to can out its ongoing activities to regulate the economic to make social and services available. Therefore, with the aim to widen and increase on revenue, the government levies different forms of taxes on the economic activities of its nationals of which small scale business dominate the larger part of the informal sector.

The taxes collected are of various classifications such as Direct taxes are those that affect individual of firm directly through a deduction. such as wealth tax and turnover tax indirect

taxes are those paid government by an intermediary then passed on consumer by including the tax in the final price, such as value added tax custom duty turnover tax. Proportional tax is one where the liability increases with the increase in income.

Taxation increases incentives for public participation in the political process and creates pressure for more accountability, better governance, and improved efficiency of government spending. Taxation also creates incentives for governments to upgrade their institutions for tax collection and administration and to provide more public services (Moore, 2007).

Taxes have existed virtually as long as there have been organized governments. The first tax law legislation was introduced in 1919 and ever since then taxes have evolved through a number of reforms. The government in an attempt to widen the tax base and collect more revenue has had to levy several taxes especially on business enterprises in Uganda which constitute a large part of the formal sector. The taxes charged on business enterprises in Uganda include; corporation tax, value added tax, presumption tax and exercise duty. In 1997 the Income Tax Act was made. This was to give guidance in assessment and computation of taxes (Campsey, 1997). The Ugandan government has made some recommendable efforts to promote development through taxation since the inception of the current taxation laws for purposes of promoting development. The main objective of taxation in Uganda has always been to mobilize resources needed to meet the aspiration of government. This is because for any government to be effective, strong, competent and capable of spearheading development, resources have to be readily available in its treasury so as to be in position to provide goods and services to the people adequately. The Ugandan government has always had to ensure proper resource mobilization (Musa, 1992).

According to Manasseh (2000), a tax is generally referred to as a compulsory levy imposed by government upon assesses of various categories and taxation is a compulsory and non refundable contribution imposed by government for public purposes. In Uganda a considerable fraction of the businesses are sole traders operating small scale business, locally owned and managed by individuals or families and often with very few employees working at a single location (Uganda development bank report, 1988). Taxation in Uganda is based on system that existed in Britain as it was a British colony. This also applied to other colonies elsewhere and for East Africa, one tax

system operated under British administration. This process began in 1900 with the hut tax regulation which imposed a standard charge for every hut/dwelling.

During that period, taxation was aimed at raising revenue for the administrative structure imposed by the colonial government but also as a means of encouraging monetary/economic activities. It was the Local Authority Ordinance of 1991 that governed the collection of taxes. In September 1991, after a period of review the URA was established. All taxes including income tax came under the umbrella of the URA. From 1992, URA has been organizing and strengthening the administrative procedures and in 1993 this process assisted by a grant from the British government of approximately US\$ 10million.

Busia Municipality is located in Busia District. At least 50 small scale business enterprises are selected in Busia Municipality and almost all of them employ 2-4 people. These small scale businesses are locally owned and managed by private individuals who sometimes employ their family members. These small scale businesses bear a wide tax burden which has led to poor performance. Therefore, it is against this background that the researcher undertook the study to investigate more about the problem using Busia Municipality as a case study to evaluate the impact of taxes on performance of small scale business enterprises.

1.2 Statement of the problem

Taxes was raised by the government to generate revenue used to provide services to the public such as; Health centers, telecommunication, roads, schools and electricity and this will help to improve on the performance of small scale business enterprises. Despite the services provided, small scale business enterprise's performance in Busia Municipality is still poor. This could be due to the increasing tax burden brought about by tax rates which are revised annually. These rates seem to be taking an upward trend (Gordon and Dawson, 1987) which has led to winding up of some small scale business enterprises. This prompted the researcher to investigate more about the impact of taxes on performance of small scale business enterprises.

1.3 Purpose of the study

The purpose of the study was to establish the relationship between taxation and performance of small scale business enterprises in Busia Municipality.

1.4 Objectives of the study

1. To assess the level of taxes on performance of small scale business enterprises in Busia Municipality.
2. To find out the level of prices on tax payers and their tax obligations on the performance of small scale business enterprises.
3. To find out the level of productivity and problems affecting tax payers on the performance of small scale business enterprises.

1.5 Research questions

1. What is the level of taxes on performance of small scale business enterprises in Busia Municipality?
2. What are the levels of prices on tax payers and their tax obligations on the performance of small scale business enterprises?
3. What are the levels of productivity and problems affecting tax payers on the performance of small scale business enterprises?

1.6 Scope of the study

1.6.1 Subject scope

The study was to cover small scale businesses enterprises in Busia Municipality. Specifically, the study investigated the performance 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 performance of the small scale businesses.

1.6.2 Geographical scope

The study was carried out in Busia Municipality, Busia District. The area was purposely selected because the researcher has ever stayed in that vicinity and therefore this eased data collection.

1.6.3 Time scope

The study took take a period of 5 months from February to June. This period was selected to enable the researcher come up with coherent information from the respondents as it enabled them

(Respondents) to give responses that were typical of their opinion from the observations made over this period.

1.7 Significance of the study

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

1. 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.
2. To the tax authority and government, the study guided them in adjusting tax policies so that they suit requirements of small scale businesses.
3. To future academicians especially of Kampala international University, the study helped in gaining insight about taxes and performance of small scale business enterprises.
4. The accomplishment of the study enabled the researcher to acquire hands on skills about processing of research work and data analysis. This proficiency enabled the researcher to handle such related work with a lot of precision and proficiency.

1.8 Justification of the study

This study generated data and information and taxation and how they affect performance of small scale businesses in Uganda.

The study also added to the existing literature about taxation and performance of small scale business enterprises.

The findings was used as a reference as far as future studies are concerned and spark off further research in taxation and performance of small scale business enterprises.

1.9 Conceptual Framework

The research study contained five chapters explaining different issues concerning taxation on the performance of small scale business. Where there is introduction of the study, background, problem statement purpose of the study.

Research objective, research question, scope of the study, and significance of the study, chapter two was about literature review, chapter three covered the research methodology, chapter four

was about interpretation and discussion of findings and chapter five covered conclusion and recommendation positive impacts better services delivery good performance of the business.

**INDEPENDENT
VARIABLES**

Taxation

- Level of taxes
- Level of prices
- Level of productivity

**DEPENDENT
VARIABLES**

Performance

- Level of profit
- Level of sales
- Quality of goods and services

Policies used in Taxation

- Fiscal policy
- Monetary policy
- Commercial policy

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter looked at taxation and its impact to performance of small scale business enterprises in Uganda particularly Busia, Municipality.

It consists of existing literature on taxation by different scholars/research studies from magazines, text books, journals and news papers.

This chapter covered taxation, classification, and purpose of taxation. However it particularly addressed the problems affecting tax payers, the awareness of the tax obligation and performance of small scale business enterprises.

2.1 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 (URA).

2.1.1 Tax

It 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**)

A tax can also be defined as a contribution imposed on any person, business/property, for supporting central/local governments (**Tayebwa, 1998**).

2.1.2 Classification of taxes.

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

a. Direct vs 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.

b. Proportional vs progressive tax

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

c. Regressive vs Digressive tax.

Regressive tax is a tax whose tax liability within increase in income taxable activity. The burden falls more on the poor than the rich. Most turnover taxes are regressive. While digressive tax is that whose earns pay less or low tax for the extra income earned.

2.1.3 Theories of taxation

Hatred for tax by the taxpayers is a well-establish fact world over and is as old as man. Strong statements from taxpayer like: "A tax collector leads -those people going to stay on the moon so

as to make this earth a better place to live in...” are a confirmation that imposition of taxes can create great unrest in society said by (Okello).

Therefore, efforts have to be made to ensure that there is justice in taxation in order to avoid disaster. In this regard, six theories have been advanced to help achieve justice in taxation. (Okello, 2006). These theories are examined below,

a) Practicability theory

This theory asserts that the choice of various tax proposals, the authorities need not consider various economic and social objectives or the effect of the tax system. The authorities would on general want to pluck the goose where the feathers are thickest and there is a minimum amount of squawking.

b) Sociopolitical theory

Theory is creation of Adolph Wagner, a German scholar. He asserted that in contrast to the practicability theory, the social and political objective should be the cornerstones in a tax system. Wagner argued in his theory that a society consisted of individual member. He further said that society had an existence and entity of its own which needed and taking care of in this regard, a tax system should not be designed to serve the needs of the individual member but should be used to cure the ills of the society in so far as is possible. Wagner was specifically in favors of using taxation for reduction of income inequalities, and so to achieve this objective, he advocated for small income to exempt from taxation.

c) Benefit Received theory

This theory traces its origin from the contracts theory of the state, where the state provides various goods and services to the member of the state and they contribute to the cost of these supplies in proportion of the benefits received. Normally, income is sometimes used as an indicator of the benefits received. In this case it is assumed that without the protection of the state the economy cannot exist and accordingly it may be inferred that benefits each member of society derives from the state are in proportion to his income. Such an inference would lead to policy recommendation for proportion taxation.

d) Cost of service theory

This theory implies that the citizens are not entitled to any benefits from the state and if they any, they must pay cost thereof. The theory emphasizes the semi-commercial relationship between the state and the citizens to a greater extent. The theory can notes a budget policy since it requires the state to give up its basic protection and welfare function and embark on receiving the costs of services provided. This would leave neither benefits nor surplus in the economy.

e) Ability-to-pay theory

The theory suggests that citizen is to pay taxes because he can and his relative share in the total tax burden is to be determined by his relative paying capacity.

The theory emphasizes that the burden of taxation should be shared amongst the members of society so as to conform to the principle of justice and equity, and that this equity criterion will be satisfied if the tax burden is apportioned according to the relative ability to pay. The theory of ability to pay is combined with the objective of maximum welfare of the society. The index of paying ability is translated in terms of equal-marginal sacrifice such that society undergoes the least aggregate sacrifice in meeting the tax liability. Therefore the to pay is not an absolute quantity. It is related, indices are available for determine the relative ability to pay of the taxpayer; it could be income, wealth property or consumption expenditure.

f) The theory of equal sacrifice

This theory is closely related to the ability to pay theory. It has its meaning derived from two angles namely, the equity and the welfare view. The equity approach presupposed that each taxpayer should be made to undergo amount of sacrifice irrespective of his income. It should therefore be envisaged that equal sacrifice admits of different interpretation and one tallies with the welfare consideration.

2.2 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 underdeveloped 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 sector. 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 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 shillings. Medical practices, legal practices, engineering service, accounting and audit practices are tax payers even when their turn over is less than 50 million shillings.

As quoted by Kitinisa (2003), there are three broad approaches to tax policies and these are;

1. Application of the standard tax provisions to all business activities
2. 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 approval can result in a relatively high tax rates in some sectors and hence induce problems for compliance and adversely affect the general investment climate.

3. 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.

2.4 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 **Olman (1967)**, tax administration refers to a structure/procedure of identification of potential tax payer, collection and laws governing taxation.

RoyBahl (1988) 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 tax payer, continued criticism of the tax and its structure. The tax structure should be simple in order to avoid tax evasion.

2.4.1 Identification of a tax payer

Taxes are levied on individuals, groups/legal entities income earned. The identification of a tax payer is done with reference to natural/artificial persons who can earn income.

However, for the purpose of this research we shall confine ourselves to business as a tax payer and a business can be defined as vocation, trade, profession, adventure in the nature of trade but does not include employment (**Income Act, 1997**).

2.4.2 Assessment of taxes

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 (11) the commissioner is required to make an assessment of the chargeable income based on his returns and on any other information available within seven years from the date the return was furnished. However, small scale businesses are not required to submit in any return to the commissioner.

2.5 Small scale business

According to the Income Tax Act (1997), small scale businesses are those with growth turn over of less than 50 million shillings per annum.

In Uganda it's not only income tax Act that has tried to define small scale businesses; there are also institutions which have tried to define 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 small scale business as one with the following features;

- i. A business which employees 1-50 people.
- ii. Has a capital investment of less than shillings 40 million.
- iii. Has average annual revenue/sales of less than shillings 50 million.

2.6 Taxes paid by small scale businesses in Uganda

Income Tax Act 997 section 3 spells out the taxes paid by business as follows:

- a) **Corporation Income Tax;** this tax is charged on income earned a Person or companies and trust other than individuals. Like in the case of individual's tax corporate income comprise of income from various sources of taxpayer corporate income is charged at a rate of 30%.
- b) **Individual Income Tax;** this is charged on income earn by an individual for example a sole trader. The term is more applied to individual is self employed businesses. However

individual tax income is not limited to business income alone.. It includes income earned by an individual from all sources except that income which is assessable separately.

- c) **Rental income Tax;** it is income tax charged on rent earned by individual by way of letting property. It is levied differently from other sources of income by the same person and taxed separately under the rental tax structure.
- d) **Presumptive Tax;** this tax is charged on small scale business whose gross turnover is less than the shillings 50,000,000 million. The income paid by such a person is estimated and varies according to the segment of the gross turnover in which his/ her sales falls for any given year

2.7 The turnover is broken into different amounts with their corresponding rates as shown below

| Gross Annual Turnover | Tax rate |
|---|--|
| Less 5,00,000 | Nil |
| 5,000,000/= to less than 20,000,000 | Nil |
| More than 20,000,000 but less than 30,000,000/= | 250,000/= or 1% of Gross turnover whichever is lower |
| More than 30,000,000/= but less than 40,000,000/= | 350,000/= or 1% of Gross turnover whichever is lower |
| More than 40,000,000/= but less than 50,000,000/= | 450,000/= or 1% of Gross turnover whichever is lower |

Source: Taxes payer Guide (22nd edition).

2.8 Types of taxes and sources of income

| TYPES OF TAXES | SOURCES OF INCOME |
|-------------------|-------------------|
| Corporation tax | Company income |
| Rental income tax | Rental earned |
| Individual tax | Income earned |
| Presumptive tax | Gross turnover |

Source: Taxes payer Guide (22nd edition).

2.9 Factors affecting the performance of small scale business

Kibera (1997), said that small business an important role to play in many economies, enumerated the factors that affect the small scale business. These include lack of market opportunity, access to finance, enabling environment, market information and managerial skills, as explained below;

Lack of market opportunity; in the poor countries, effective demand and consequently market opportunity is a factor for small business and indeed in business development. This may not be the case on the developed countries. Consequently, even if is opportunity to exploit, it may be difficult to realize because of lack of market.

Another aspect is the fragmentation of African market both physically culturally. For example selling in Uganda with over 40 languages becomes nightmare for salesman. Whereas in the development countries, the commodity of culture and language ease the selling process. The level of development itself imposes additional constraint to small business growth because of usage of low level technology small businesses cannot compete with large businesses that have benefits that arise from economies of scale.

Lack of access to finance; the access to finance as one of the key constraints to small business growth. This is worsened by the absence of financial market in the developing countries. Small business owners cannot easily access finance to expand their business and they are usually faced with problems of collateral, feasibility studies and the unexplained bank charges. This means that they cannot access finance to enable them to grow. He makes a detailed analysis of finance as a constraining factor and includes collateral, interest rates, inability to evaluate financial proposals and lack of financial skills as hindrance to small business growth. Under developed financial markets impose additional constraints. There are no financial instruments and no independent financial sources that is market driven.

Low level technology; because of their smallness these business end up using a cheap technology which is usually not top of the range. This result into high costs of production and un-competitiveness. For instance small business cannot afford to use computers or even where they have a computer, to continuously upgrade their equipment. Therefore they cannot compete

with large businesses. This may not be the case in the developed countries where because of market opportunity and likely success due to environment enabling factors, it is easier to new technology. Beside, this technology originates from the developed countries and unlike in the developing countries where it must be imported, it is relatively cheap.

Enabling environment; while many countries have acknowledged that small businesses have an important role in their economics, not much effort has been done to facilitate their growth. They have to compete for finance, markets. Personnel and utilities like any other business unit. In few countries especially India. There has been affirmative action to promote small business over a long period. In Uganda the government has only paid a lip service. In fact, the Uganda Investment Authority (UIA) which was set up to promote investment in Uganda was not attractive for the small business. The UIA would only support proposals from companies with more than US \$ 50,000 to invest. The development banks in the country did not have programs for small businesses. It is only the non-government organizations and specialized financial institution that have come in to assist small businesses. It is easier for large businesses to get land for industrial development and license to operate the business that the small operate. Large businesses get easy access to utilities than small businesses. Consequently, there is no enabling environment to promote small operators.

Managerial skills; the managerial skill is the most important constraint faced by small business. At the formation stage a small scale business owner is able to run a business but as it grow and ages, managerial demands arise. These are in the form of operational managerial requirement like production, sales, and finance and most important is the ability to **with them**. **Some owners have a hunch 2** over these but in the long run they need employ people Some people believe that entrepreneurship skills are part of managerial skills. While others would wish differ and go beyond that. Entrepreneurship is beyond management and not all mangers are entrepreneurs.

2.10 Problems encountered by SSBs 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 (**Ravenous, 2005**).

Mugulusi (2001) 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 **Ravenous (2005)**, the following are some of the problems faced by tax payers;

- i. There is unfair treatment of tax payers, some of which are not necessary tax obligations and thus not met as a result of this process.
- ii. Tax payers have little understanding of the obligation as a result of lack of tax education. It is said that URA would get fewer problems with tax payers if they were able to understand how their liabilities come about.

2.11 Fines and penalties

Musgrave argues that in all matters of legal rules, better compliance can be served either by a higher penalty if the offender is caught or by well facilitating the enforcements so as to increase the probability of being caught. However, Bird (1974) argued that the law should provide an adequate penalty structure, appeal system and general administration. The penalty structure should be primarily financial in character and probably progressively related to the amount of tax evaded and the seriousness of the offence in case a tax payer fails to pay any tax including; provisional tax, any withholding tax or tax required to be withheld, the penalty is 2% simple interest per month on the amount unpaid calculated from the date on which payment was due until the date on which payment is made (Pius, 2001). Under estimating provisional income return is less than 90% of the tax payer's actual chargeable assessed for the year of income, the penalty is 20% of the difference between taxes based on provisional return as revised, and tax calculated in respect of the 90% of the actual income for the year of income.

2.12 Performance of small scale business

Kitinisa (2004) describes performance of small scale business as the ability to attain it's goals by using resources in an efficient and effective manner, the goals of the organization include; survival, profit making and expansion.

Pandey (1979) looks at financial analysis as a measure of the organisation/business performance. The assessment of financial performance of business entities has a well established methodology that includes computation and interpretation of univariate and multivariate models. Univariate predictions of performance are single ratios calculated for efficiency.

In this study, the researcher is to consider performance of small scale business as the ability of the business:

- i. To meet its tax obligations.
- ii. Cover its operating expenses and still retain some profits which can either be used for re-investment or otherwise.
- iii. The ability of the business to make sales that sustain its expenses.

2.13 Taxation and business performance

Taxes levied on revenue are worthwhile only if it can generate meaningful revenues at acceptable rates and procedures (Musgrave and Musgrave, 1984).

According to Gordon and Dawson (1987), through taxation, the government takes away money from people they would otherwise spend on private sector. As a result, purchasing power reduces per unit of production in the private sector to the public sector. They further asserted that, one of the most frequent arguments against high income tax is that it destroys the incentive to business people and employees to work harder and more efficiently.

According to the World Bank Symposium (1991), businesses carry out tax planning so as to have a minimal tax liability and thus increasing the purchasing power. It is through taxes that the government takes away money from people/business they would otherwise spend on private sector. This loss of purchasing power reduces the demand for units of products in the private sector (Gordon and Dawson, 1987).

2.14 Taxes and profit levels.

The taxable profits of business are always different from the normal business account profits for three major reasons;

- i. Certain income which may be considered in the normal accounting system may not be liable to tax.
- ii. Certain expenses that are deducted on profit and loss account may not be available when determining taxable income.
- iii. Some tax allowances may be provided and will not be reflected in business account. (Manasseh T. 2000).

Gordon and Dawson (1987) assert that many business people have complained probably with some justification that taxes interfere with the opportunities to re-invest their profits in their businesses.

2.15 Taxation and investment

Given the fact that there are financial institutions and mechanism for collecting the community's savings and bringing them to investors, the level and patterns of investment will be greatly influenced by taxes. This is because the investors are basically interested in making profit yet profitability of investment can be affected through various tax measures in the following ways;

- i. The possibility of taxing savings themselves. If this happens, the investor will experience a low level of savings and the overall level of investment will be low.
- ii. The authorities might tax earnings from investment to an extent that it might become a problem for the firm to raise adequate resources in the market.
- iii. If the retained profits of the firm are taxed, they will not be able to depend much upon their internal resources for expansion, instead they will borrow and invest if at all they do so (Bhatia H.L, 2002).

2.16 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).

Alwedi (2002) found out that most 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.

Ludega (2002) 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).

2.17 Conclusions

This chapter is analyzed using a cross section of literature dealing with taxation and the performance of SSBs. However, most of the literature reviewed does not give details about how taxation affects the performance of small scale businesses. Therefore there was need to carry out a primary research to close the gap between research variables as this was not made clear in literature reviewed.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter covered the background against which data was gathered. It discussed the research design, study population, sampling, and study variables, sources of data, data collection methods and instruments, data processing, analysis and presentation and limitations of the study and appendix instruments.

3.1 Research design

The researcher used cross sectional survey design basing on the use of qualitative and quantitative approaches that was adopted to establish the relationship between taxation and performance of small scale businesses (Amin, 2005). This design was used for profiling, defining, segmentation, estimating, predicting, and examining associative relationships. Cross-Sectional studies easily provided a quick snapshot of what's going on with the variables for the research problem.

3.2 Study population

The study population was 71 shops on the market selected to represent the small scale businesses (SSBs) around the market in Busia municipality, Busia District.

3.3 Sampling

3.3.1 Sampling design

The study was mainly using two methodologies. These are stratified sampling, and simple random sampling methodology.

3.3.2 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 Slovenes Formula.

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

3.3.3 Sampling procedure

Stratified random sampling was used in Busia municipality which was divided into two strata of West and East. Each stratum represented a zone. 30 small scale businesses were selected from each stratum.

3.4 Study variables

The independent variable was taxation, the dependent variable was performance of small scale businesses. That is to say, the study was carried out to establish the relationship between how taxes affect the performance of small scale businesses in Busia municipality.

3.5 Sources of data

Two sources of data were used for purposes of research. These were primary data and secondary data.

3.5.1 Secondary data Collection

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

3.5.2 Primary Data collection

According to Roston (2001), primary data is that kind of data that has been gathered for the first time, it has never been reported anywhere. Short comings of secondary data sources such as out datedness and inadequacy in terms of coverage, necessitated the use of primary source for first

data. Self administered questionnaire was used and this enabled the researcher to cover a large population quickly and at are reasonable cost.

3.6 Methods of data collection and instruments.

3.6.1 Questionnaires.

A questionnaire is a reformulated written set of questions to which respondents record their answers, usually within rather closely defined alternatives. The questionnaire was used on the basis that the variables under study cannot be observed for instance the views, opinions, perceptions and feelings of the respondents. The questionnaire was equally used because the information had to be collected from a large sample in a short period of time yet the respondents could read and write (Sekaran, 2003).The questionnaire was used in collection of data from respondents (owners of small scale businesses). The questionnaires consisted of both open and close ended questions administered to respondents of Busia municipality.

3.6.2 Interviews

The researcher also administered interviews. An interview is a dialogue between an interviewer and interviewee. It is an organized conversation aimed at gathering data about a particular topic. This is a method where a researcher interviews respondents to obtain information on the issue of interest. In this case, the interviews during this research will be structured and will be specifically administered to owners of small scale businesses in Busia municipality.

3.6.3 Observation

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

3.7 Data processing analysis and presentation

3.7.1 Data processing

Data collected checked for completeness, categorized and coded and entered into a computer where it was summarized into frequency tables.

3.7.2 Data analysis

The data got was analyzed automatically using SPSS (Statistical Package for Social Sciences). The SPSS package is opted for, because it handles a large number of variables. Pearson's linear correlation index was used in order to correlate taxation and performance of small scale business performance. The index was selected because it measured the degree and direction of the relationship between variables.

3.9.3 Data Presentation

Quantitative data was presented in form of descriptive statistics using frequency tables. Qualitative data was sorted and grouped into themes. The researcher thereafter evaluated and analyzed the adequacy of information in answering the research questions through coding of data, identifying categories and parameters that emerge in the responses to the variables of the study. Qualitative data was presented using narrative text.

3.9 Limitation of the study.

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

Limited time: Inadequate time frame required for a detailed research study. Comprehensive research study involved a great deal of collecting, analyzing and processing that required a lot of time.

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

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF RESEARCH FINDINGS

4.0 Introduction

This chapter presents the findings on effect of taxation on performance of small scale businesses in Busia Municipality. 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;

1. To assess the level of taxes on performance of small scale business enterprises in Busia Municipality.
2. To find out the level of prices on tax payers and their tax obligations on the performance of small scale business enterprises.
3. To find out the level of productivity and problems affecting tax payers on the performance of small scale business enterprises.

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 Background characteristics of the respondents

These include age, sex, education level and marital status. Findings on the age of the respondents revealed the following information/results.

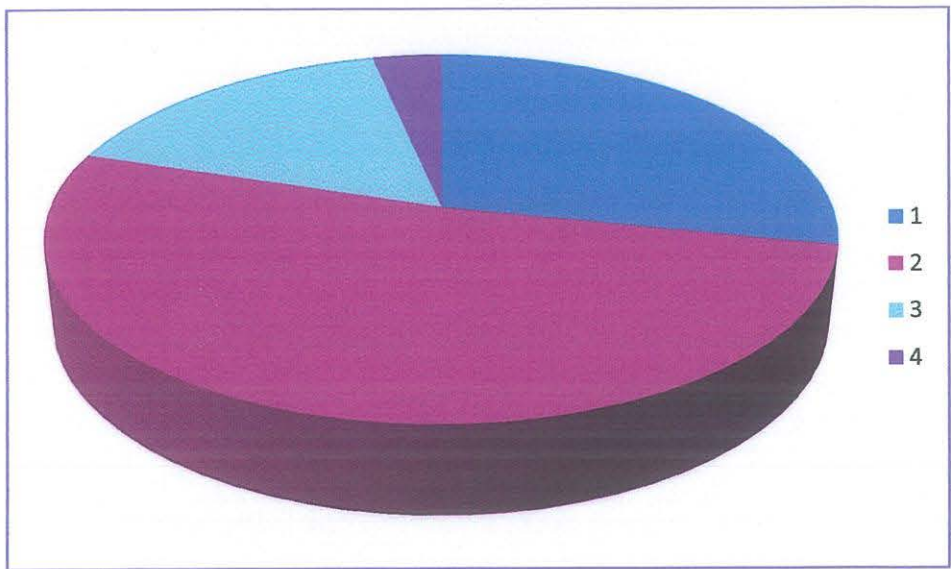
4.1.1 Age of the respondents

Table 1: Findings on the age of respondents

| Response | Frequency | Percentage |
|--------------|-----------|------------|
| 20-30 | 17 | 28.3% |
| 31-40 | 31 | 51.7% |
| 41-50 | 10 | 16.7% |
| 51 and above | 2 | 3.3% |
| Total | 60 | 100 |

Source: Primary source

Figure 1: Findings on the age of respondents



Source: Primary source

From the table and figure, above, 28.3% of the respondents range between 20-30 years, 51.7% were between 31-40 years, 16.7% were between 41-50 years while 3.3% were above 51 years. This meant that most of the small scale businesses were operated by people who were between 31-40 years.

4.1.2 Response on the level of education of the respondents.

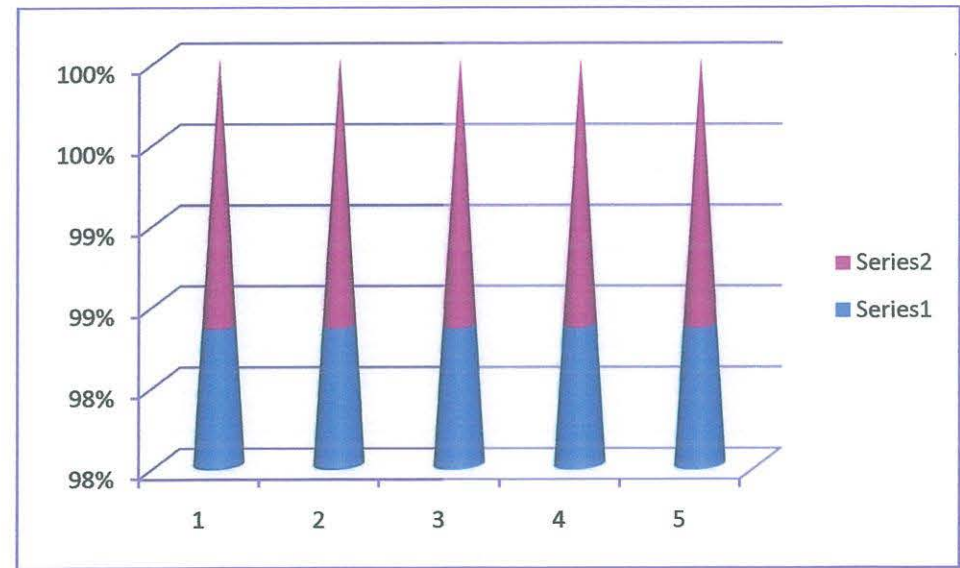
Here respondents were asked about their highest level of education that is those with Certificates, Degree, Diploma and others. The results were as follows;

Table 2: Findings on the level of education

| Level of education | Frequency | Percentage |
|--------------------|-----------|------------|
| None | 4 | 6.7% |
| Certificate | 16 | 26.7% |
| Diploma | 10 | 16.7% |
| Degree | 15 | 25.0% |
| Others | 15 | 25.0% |
| Total | 60 | 100 |

Source: Primary source

Figure 3: Findings on the level of education



Source: Primary source

From the table, 25.0% had not attained any level of education, 26.7% had certificates, 16.7% had diplomas, and 25.0% had acquired degrees while 6.7% had completed other levels of education like professional accreditations such as CPA (U). This means that the majority of respondents were literate and able to understand and internalize the contents of the questionnaires distributed to them.

4.1.3 Findings on the gender of respondents

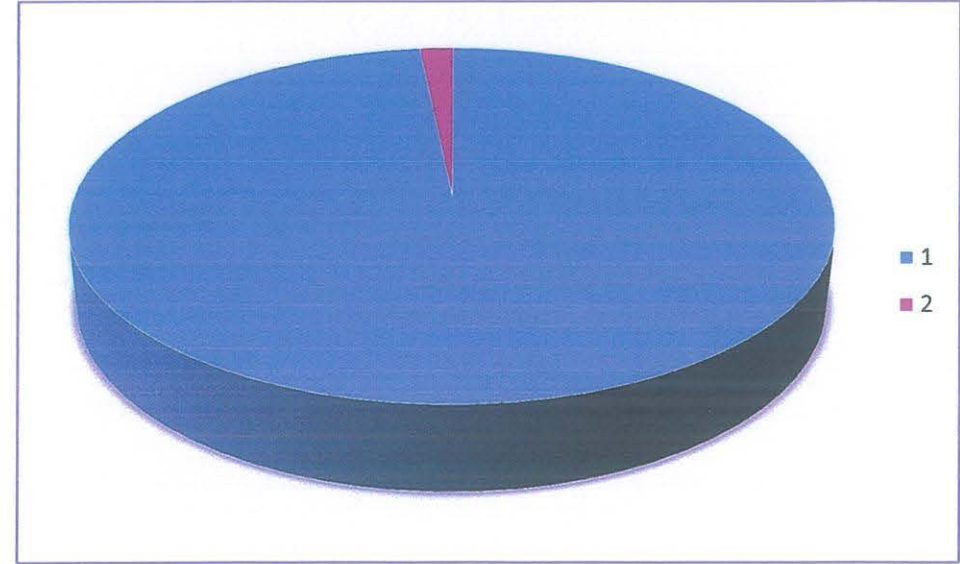
Here respondents were asked their gender whether male or female and the following results were obtained.

Table 4: Shows gender of respondents

| Gender | Frequency | Percentage |
|--------|-----------|------------|
| Male | 41 | 68.3% |
| Female | 19 | 31.7% |
| Total | 60 | 100 |

Source: Primary source

Figure 5: Shows gender of respondents



Source: Primary source

From table 3, majority of the respondents, 68.3% were male while 31.7% were female. This means that most of the small scale businesses in Busia Municipality were operated by male.

4.1.4 Findings on the marital status of the respondents

Here respondents were asked if they were married, single, separated widow and the results were as follows;

Table 4: Shows marital status of the respondents

| Marital status | Frequency | Percentage |
|----------------|-----------|------------|
| Single | 4 | 6.7% |
| Separated | 13 | 21.7% |
| Married | 26 | 43.3% |
| Widow | 17 | 28.3% |
| Total | 60 | 100 |

Source: Primary source

From table 4, 6.7% were single, 21.7% were separated, 43.3% were married while 28.3% were widowed. This implies that most of the small scale business enterprises in Busia Municipality were operated by married people, widowed and separated. This finding is related to the pressing domestic responsibilities that compel people to find out avenues of fending for their families including opening up small scale businesses.

4.2 Findings on performance of the business

Here respondents were asked about stock levels held in their businesses, if they have ever experienced any shortages affect level of profitability, average daily sales, capital employed, average amount of tax paid per year and the number of people employed. This helped in determining the performance of the business.

The results were as follows;

4.2.1 Response on stock levels of held in the business

Table 5: Shows stock levels held in the business.

| Response | Frequency | Percentage |
|--------------|-----------|------------|
| Excessive | 10 | 16.7% |
| Just enough | 28 | 46.7% |
| Average | 10 | 16.7% |
| Inadequate | 12 | 20.0% |
| Total | 60 | 100 |

Source: Primary source

From table 5 above, 16.7% said they always kept excessive stock in their business, 46.7% kept stock which is just enough, 16.7% indicated they kept average stock while 20.0% kept inadequate stock and that this is due to shut down in the production.

4.2.2 Shortage in the stock levels

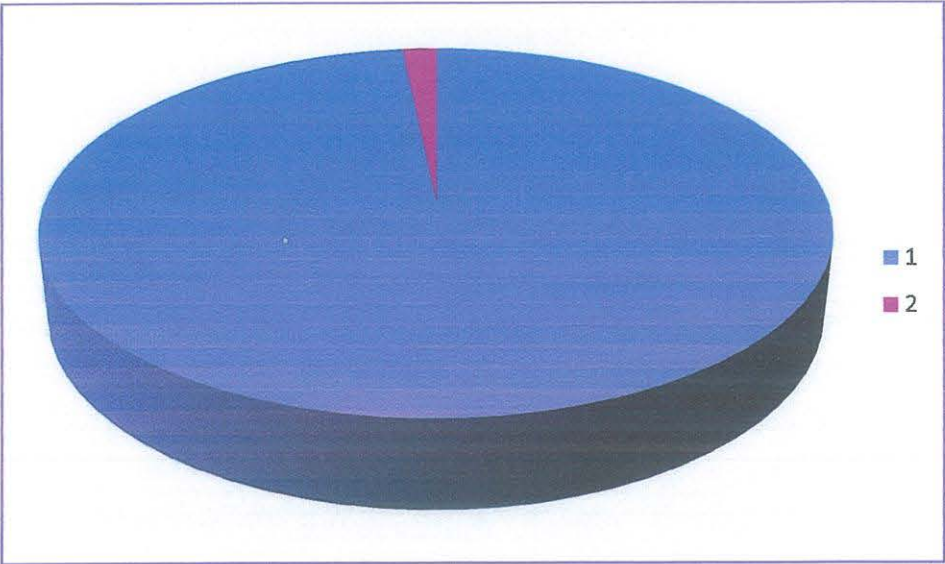
Respondents were asked if they have experienced shortages in the stock levels and the results were as follows;

Table 6: Shows whether the business has ever experienced shortages in the stock levels.

| Response | Frequency | Percentage |
|--------------|-----------|------------|
| Yes | 58 | 96.7% |
| No | 2 | 3.3% |
| Total | 60 | 100 |

Source: Primary source

Figure 4: Shows whether the business has ever experienced shortages in the stock levels.



Source: Primary source

From table 6 above, most of the respondents said that they have ever experienced shortages in stock due to the fact they lack enough capital to purchase stock and stock and due to transport problems. This was agreed to by 96.7% respondents as compared to 3.3% who disagreed.

4.2.3 Stock levels and profitability

Respondents were asked if stock levels affect profitability and the findings are indicated below.

Table 7: Showing whether stock level have an effect on the level of profitability.

| Response | Frequency | Percentage |
|----------|-----------|------------|
| Yes | 41 | 68.3% |
| No | 19 | 31.7% |
| Total | 60 | 100 |

Source: Primary source

From table 7, above, 68.3% said that the stock level has an effect on the profitability of the business and 31.7% said that stock level don't have an effect on profitability.

4.2.4 Average daily sales

Respondents were asked about daily sales made by their businesses and the results were as follows.

Table 8: Showing average daily sales

| Response | Frequency | Percentage |
|------------------|-----------|------------|
| Less than 10,000 | 8 | 13.3% |
| 10,000 – 29,000 | 11 | 18.3% |
| 30,000 – 49,000 | 22 | 36.7% |
| 50,000 – 69,000 | 8 | 13.3% |
| 70,000 – 89,000 | 4 | 6.7% |
| 90,000/= + | 7 | 11.7% |
| Total | 60 | 100 |

Source: Primary source

According to table 8, of all the SSBs sampled, 13.3% made sales less than UGX 10,000/=-, 18.3% made sales between 10,000/= – 29,000/=-, 36.7% made sales between sales between 30,000/= – 49,000/=-, 13.3% made sales between 50,000/= – 69,000/=-, 6.7% made sales between 70,000/= – 89,000/= and 11.7% businesses made sales over 90,000/=-. This means that most of the SSBs in Busia Municipality made sales of over 30,000/= meaning that most of the businesses in the Town Council have an annual turnover of less than 50 million Uganda Shillings. This agrees with Income Tax Act (1997) which characterizes small scale businesses as those with an annual turnover of less than 50 million Uganda Shillings, thus the taxes to be paid should be in the range of small scale enterprises as stated in the Income Tax Act (1997).

4.2.5 Capital employed

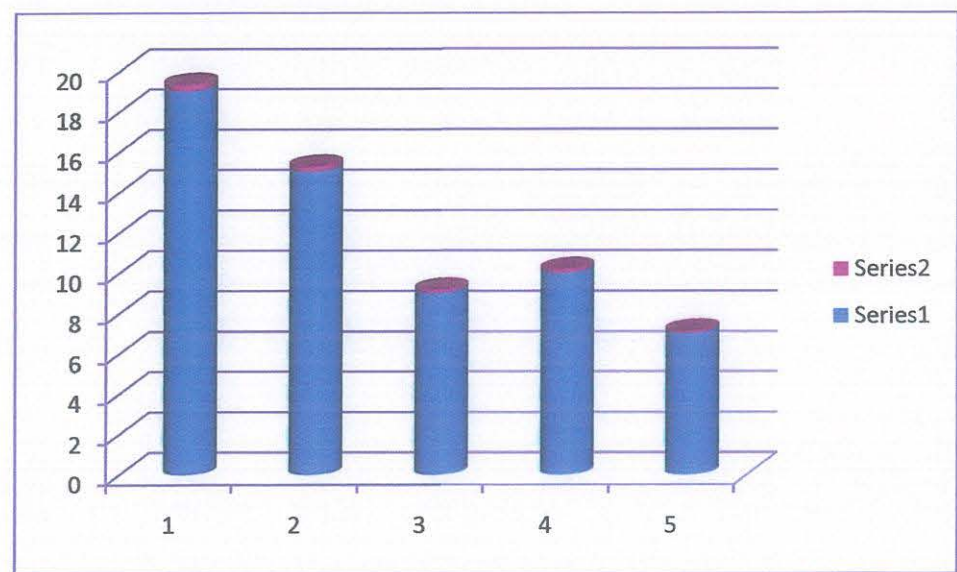
This aspect was investigated because it helps in the determination of the size of the business. The results were as follows;

Table 9: Showing capital employed

| Response | Frequency | Percentage |
|----------------|-----------|------------|
| Less than 0.5m | 19 | 31.7% |
| 0.5m-0.9m | 15 | 25.0% |
| 1m-4.9m | 9 | 15.0% |
| 5m-9m | 10 | 16.7% |
| Over 10m | 7 | 11.7% |
| Total | 60 | 100 |

Source: Primary source

Figure 5: Showing capital employed



Source: Primary source

According to table 9, 31.7% employed capital of less than 0.5m, 25.0% employed capital of between 0.5m-0.9m, 15.0 % employed capital of between 1m-4.9m, 16.7% employed capital of 5-9m while 11.7% employed capital of over 10 Million. This implies that most businesses in Busia Municipality have capital contribution of less than 31.7% .This implies that the businesses are small scale as defined by USSIA and the Income Tax Act (1997).

4.2.6 Daily expenses

This also helped to determine the performance and size of the business. The results were as follows.

Table 10: Showing daily expenses

| Response | Frequency | Percentage |
|--------------------|-----------|------------|
| Less than 10,000/= | 26 | 43.3% |
| 10,000 – 19,000/= | 17 | 28.3% |
| 20,000 – 39,000/= | 13 | 21.7% |
| 40,000 – 49,000/= | 4 | 6.7% |
| 50,000 – 59,000/= | 0 | 0% |
| 60,000/= | 0 | 0% |
| Total | 60 | 100 |

Source: Primary source

From the table 10 above, 43.3% spend less than 10,000/= Uganda Shillings, 28.3% spend between 10,000/= - 19,000/=: 21.7% spend between 20,000/= – 39,000/=: 6.7% spend between 40,000/= – 49,000/= and of all businesses sampled. None of the respondents indicated that they spend more than 49,000/= on average daily. Thus the majority of have an average daily expenses of less than 19,000/=. By implication, these business units spend less money because their daily sales are averagely low given the fact that they employ little capital and make small sales on a daily basis.

4.2.7 Average amount of tax

Respondents were also asked about how much on average the amount they pay as taxes annually. The table below illustrates the response.

Table 11: Showing average amount of tax paid.

| Response | Frequency | Percentage |
|---------------------|-----------|------------|
| Zero | 0 | 0% |
| 100,000/= | 41 | 68.3% |
| 100,000 – 190,000/= | 10 | 16.7% |
| 200,000 – 290,000/= | 9 | 15.0% |
| 300,000 – 390,000/= | 0 | 0% |
| 400,000 – 500,000/= | 0 | 0% |
| Total | 60 | 100 |

Source: Primary source

According to table 11, among the businesses sampled, no business does not pay taxes, 68.3% pay average tax of 100,000/=, and 16.7% pay on average between 100,000/= – 190,000/= while 15.0% of the businesses pay between 200,000/= and 290,000/=. By implication, basing on the working capital that small scale business employ and the kind of the merchandize they deal in, the above results show that the small scale businesses in Busia Municipality were paying more money in taxes.

4.2.8 People employed

The respondents were asked how many people are employed in their business, they responded by giving different figures and most of them employ two to four people and some are sole proprietors who manage their own businesses and employ family members.

4.3 Awareness of the tax payers.

Respondents were asked if they were aware of their tax obligations and policies, taxes they pay, if business has ever been assessed for tax purposes, any record kept by the firm, how records are kept, if the tax authority has given any assistance as regards tax awareness and what kind of assistance. The following results were obtained.

4.3.1 Taxes

Respondents were asked if they were aware of taxes they paid and which taxes they paid. The table below illustrates the results.

Table 12: Showing average taxes paid annually

| Response | Frequency | Percentage |
|--------------|-----------|------------|
| Yes | 48 | 80.0% |
| No | 12 | 20.0% |
| Total | 60 | 100 |

Source: Primary source

According to table 12, 80.0% agreed that they were aware of the taxes they ought to pay while 20.0% indicated that they were not aware about all the taxes that they were meant to pay. Most business entrepreneurs in Busia Municipality were therefore aware of the taxes that they were supposed to pay.

4.2.2 Tax assessment

Respondents were asked if they have ever been assessed for tax purposes, the table below illustrates their responses.

Table 13: Showing if the businesses have ever been assessed for tax purposes.

| Response | Frequency | Percentage |
|-------------------|-----------|------------|
| Strongly agree | 19 | 31.7% |
| Agree | 14 | 23.3% |
| Uncertain | 9 | 15.0% |
| Disagree | 9 | 15.0% |
| Strongly disagree | 9 | 15.0% |
| Total | 60 | 100 |

Source: Primary source

Table 13 shows that 31.7% of the business entrepreneurs strongly agreed that their businesses have ever been assessed for tax purposes, 23.3% agreed, 15.0% indicated that they were not certain, disagreed and strongly disagreed respectively. In all, majority 55.0% agreed that their businesses had been assessed for purposes of paying taxes. This implies that Busia Municipality carries out assessments of the small scale businesses before the tax they are meant to pay is levied.

Table 14: Showing how businesses keep their records

| Response | Frequency | Percentage |
|---------------|-----------|------------|
| Bin cards | 10 | 16.7% |
| Store ledgers | 36 | 60.0% |
| Both | 14 | 23.3% |
| Total | 60 | 100 |

Source: Primary source

From table 14 above, 16.7% of the small scale business sampled, keep their records using Bin cards, 60.0% used store ledgers and 23.3% used both bin cards and store ledgers.

4.2.3 Assistance as regards tax awareness

The researcher asked respondents if the small scale business entrepreneurs have got any assistance as regards tax awareness and the form of assistance. The table below illustrates how they responded.

Table 15: Shows if the tax authority has ever given assistance as regards tax awareness.

| Response | Frequency | Percentage |
|--------------|-----------|------------|
| Yes | 12 | 20% |
| No | 48 | 80% |
| Total | 60 | 100 |

Source: Primary source

From the table 15 above, 80% of the respondents said they had not received any assistance from the tax authority towards tax awareness and 20% said they had received some assistance. Over 80% of the respondents who agreed to having received assistance, said it was in form of manuals, this means that there very few workshops which could have been more effective in terms of creating awareness to the tax payers.

4.3 Problems faced by tax payers.

The researcher asked if there are problems faced as regards mode of tax assessment, mode of tax collection, the collector, and efficiency in identifying potential tax payers by the tax officers, specific effects of taxes on business and suggest about the problems encountered which comply with the obligations.

4.3.1 Mode of assessment, collection and the tax collector.

The table below illustrates in percentage the way they responded.

Table 16: Problems related to mode of assessment, collection and the tax collector.

| Response | Agreed (Yes) | Disagreed (No) | Total percentage |
|---|-----------------|-------------------|---------------------|
| The methods used in assessing the taxes are fair | 17 (28.3%) | 43 (71.7%) | 100% |
| Whenever taxes are collected from me, the methods used are friendly | 20 (33.3%) | 40 (66.7%) | 100% |
| Tax collectors do not harass me whenever they come to collect the tax | 15 (25%) | 45 (75%) | 100% |

Source: Primary source

According to table 16 above, 28.3%, of the respondents agreed that the methods used in assessing the taxes are fair while 71.7% disagreed that ten methods used were fair. Basing on

the views of majority respondents, 71.7%, the methods used in the assessment of the taxes were unfair to the proprietors of small scale businesses in Busia Municipality. Such affects the performance of the business enterprises.

Table 16 further shows that 33.3% of the respondents agreed that whenever taxes were collected from them, the methods used were friendly while majority, 66.7% disagreed. This implies that the tax authorities in Busia Municipality use unfair tax policies that could even encourage the tax payers to evade paying taxes.

From table 16, 25% of the respondents agreed that tax collectors do not harass them whenever they come to collect the tax while 75% disagreed. This implies that tax collectors in Busia Municipality were harsh to the tax payers

From the study, it is seen that over 50% of the business people had at least a problem with the mode of assessment, the mode of tax collection or with the tax collector. This is agreed with Kitinisa (2003) where it was quoted that there was unfair treatment of tax payers by the tax collectors. Mugulusi (2001) also agreed with this. He said that large proportion of the business community is ignorant about the taxes they pay let alone how they are computed.

4.3.2 Efficiency and tax officers

Respondents were asked if the tax officers are effective in identifying and registering potential tax payers. The table below illustrates how they responded.

Table 17: Respondent's views on whether Tax officials are efficient

| Response | Frequency | Percentage |
|-------------------|-----------|------------|
| Strongly agree | 14 | 23.3% |
| Agree | 6 | 10% |
| Uncertain | 9 | 15% |
| Disagree | 29 | 48.3% |
| Strongly disagree | 2 | 3.3% |
| Total | 60 | 100 |

Source: Primary source

From table 17, 23.3% strongly agreed that the tax officials are effective in identifying and registering potential tax payers, 10% agreed, 15% were uncertain, 48.3% disagreed while 3.3% strongly disagreed. Since majority of the respondents disagreed, it implies that there is too much inefficiency among the tax collectors in Busia Municipality.

4.3.3 Specific effects of the taxes on businesses.

The following are specific effects that were given by the proprietors of SSBs in Busia Municipality.

Loss of sales; this is mainly as a result of closure of business premises by Busia Municipality staff on default during the time when the premises are closed, operation is halted therefore no sales made.

Loss of equipment; this happens when due to rough handling by the Busia Municipality staff. Sometimes machines and equipment are confiscated by the tax collectors when the owners have failed to meet the tax obligations. During confiscation, equipment are damaged and sometimes lost.

Loss of stock. Some business proprietors said they so lose capital as a result of heavy fines imposed on them when they default of their tax obligation. This some how agrees with Bhatia (2002) where he said that the authorities might tax earnings to such an extent it might become a problem for firms to rise adequate resources for further investment.

Inconveniencing business operations; this happens when the staff of the tax authority visits business premises in the routine checkups on business. Sometimes they ask for books of accounts and try to interview the business owners and in the process they inconvenience business operations. From the above mentioned effects it was noted that 40% of business in Busia Municipality lose capital as a result of heavy fines imposed on them when they default of their tax obligation.

4.3.4 Suggestions from tax payers.

Respondents were asked to give suggestions on how their problems can be dealt with. The following were the responses.

Tax authority should improve on increase period of deadlines which they give out to tax payers when giving warnings.

More efforts should be put in tax education so as to increase awareness and understanding of the mode of assessment. This agrees with **Kitinisa S. (2003)** where it is said that tax payers have little understanding of the tax obligations as a result of lack of tax education.

They further suggested that the tax authority should reduce taxes imposed on the tax payers.

Table 18: Shows the relationship between taxes and performance of small scale business enterprises in Busia Municipality.

| | | Taxes | Small scale business performance |
|----------------------------------|---------------------|--------|----------------------------------|
| Taxes | Pearson Correlation | 1.000 | .811** |
| | Sig. (2-tailed) | . | .000 |
| | N | 60 | 60 |
| Small scale business performance | Pearson Correlation | .811** | 1.000 |
| | Sig. (2-tailed) | .000 | . |
| | N | 60 | 60 |

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Statistical Package for Social Scientists (SPSS)

The testing of the relationship between the variables was tested using Pearson correlation coefficient. This was used because the taxes and business performance were numerical. From table above, it is clearly indicated that there is a strong relationship between performance of small scale businesses and the average amount of tax paid in Busia Municipality. This indicated by positive results of Pearson Correlation, where $r = 0.811$, $p < .01$. It therefore implies that taxation strongly affects the performance of small businesses and tax assessors should always their performance before taxing them.

Management of Busia Municipality should therefore regulate the taxes charged on small scale businesses if they are to stimulate their performance.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents a summary of findings, conclusions and recommendations on findings as far as customer service and retention are concerned.

5.1 Summary of findings

This is aimed at determining the impact of taxes on the performance of SSBs in Busia Municipality. The results revealed that the impact of taxes on the performance of the SSBs is quite significance. The study further revealed that taxes mainly affects the performance of SSBs through lost sales during closure of the business premises by URA, the loss of machinery and equipment due to delay in remitting the tax and the loss of capital due to the fines imposed by URA onto SSBs that default on their tax obligation.

Overall business performance was fair as most businesses could duly cover up their expenses, had enough stock, awareness of tax payers was poor and a number of problems were encountered.

5.2 Conclusion

It can be concluded that taxes are major limitations to the growth and expansion of SSBs in Busia Municipality. This is because very little and sometimes nothing is left after covering expenses and tax to allow for the expansion and growth of the existing SSBs. This was clearly shown by the fact that over 60% of all the businesses sampled in Busia Municipality had occupied their current premises, over 70% of businesses surveyed had been closed at one time due to non payment of taxes.

5.3 Recommendations

The researcher made the following recommendations as a way of reducing the burden of taxes on SSBs as well as to increase the revenue of the Busia Municipality. The Busia Municipality 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. The Busia Municipality should introduce a scheme that allows tax payers to pay the tax obligation in the installments over a given period of time as opposed to lump sumX at once.

The 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 is should improve on the methods of collecting the taxes. It should adopt the closure of business premises on default only as a last resort after all the other methods of collection have failed. This should be an exception and not a rule.

5.4 Areas for further research

The researcher carried this study in order to examine the impact of taxes had on the performance of small scale businesses in Busia Municipality as a case study but the study 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.

REFERENCES

A study on Uganda in comparison with neighboring countries. Africa working paper No. 3
World Bank.

Agnes Kiganda (2001), Taxes and SME, USSIA Marketing centre Buganda Road.

Balunywa, W. (1998) "Autonomous Development in Africa". The case of Uganda Kampala
International University Journals Publications.

Bantu Joel (2002), Taxation and small scale businesses in Kampala.

Bird, R.M (1992). Tax policy and Economic Development. The John Hopkins University Press,
Marland.

Chen. D. Reinikka R. (1997). Business Taxation in a low Revenue Economy.

Ellis, T. & James, R. (2002). Keeping People Poor: Rural Poverty Reduction and Fiscal
Democratization in Uganda and Tanzania.

Gordon and Dawson (1987) Taxation and Small Scale Businesses in Kampala.

H.L Bhdia (2002), Taxation and SME, USSIA Marketing Centre Buganda Road.

<http://www.journalscambridge.org>.

Income Tax Act 1997 (Oct 11, 1997), LDC Publishing Printing Press, Kampala Uganda,

Kalist, M. (2002) Taxation and Performance of Small Scale Business a case study of Nakawa
Division Businesses.

Lal, J. (2002). Cost and Management accounting (3rd Edition Mannaseh T. (2000), Introduction
to Taxation in Uganda. Kampala International University Business School.

Musgrave S. (1984), Public Finance theory in practice, second edition, New York. Obwakol E.
(1995) Tax Administration in Uganda an inquiry into tax evasion (unpublished thesis Kampala
International University).

Obwori Emmanuel (2003), Income Tax and Performance of Small and medium size enterprises in Uganda the case of Kawempe Division.

Pius (2001), Income Tax in Uganda.

SARs (2005/2006). Tax guide for small scale business.

APPENDICES

APPENDIX I: QUESTIONNAIRE FOR BUSINESS PROPRIETORS

Dear respondent,

I am a student of Kampala International University undertaking a Bachelor's Degree of business administration. Currently am carrying out a research study on impact of taxes on small businesses in Busia Municipality 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).

PART A

GENERAL INFORMATION

1. What is your gender?

Male ☐ Female ☐

2. In which age group do you lie?

Between 20-30 years ☐ Between 30-40 years ☐
Between 40-50 years ☐ Above 50 years ☐

3. What is your marital status?

Married ☐ Single ☐
Separated ☐ Widow ☐

4. What is your highest status?

Certificate ☐ Diploma ☐
Degree ☐ others (specify) ☐

PART B

PERFORMANCE OF THE BUSINESS

5. How much stock level do you always have in your business?

Excessive ☐ Just enough ☐ Inadequate ☐

6. Has the business ever experienced any shortages?

Yes ☐ No ☐

7. Does stock levels have an effect on the level of profitability?

Yes ☐ No ☐

8. What are the average daily sales of the business?

| | | | | | |
|------------------|--------------------------|-----------------|--------------------------|-----------------|--------------------------|
| Less than 10,000 | <input type="checkbox"/> | 10,000 – 29,000 | <input type="checkbox"/> | 30,000 – 49,000 | <input type="checkbox"/> |
| 50,000 – 69,000 | <input type="checkbox"/> | 70,000 – 89,000 | <input type="checkbox"/> | 90,000 + | <input type="checkbox"/> |

9. How much capital is employed in the business?

| | | | | | |
|----------------|--------------------------|-------------|--------------------------|-----------|--------------------------|
| Less than 0.5m | <input type="checkbox"/> | 0.5m – 0.9m | <input type="checkbox"/> | 1m – 4.9m | <input type="checkbox"/> |
| 5m – 9.9m | <input type="checkbox"/> | Over 10m | <input type="checkbox"/> | | |

10. What are the daily expenses of the business?

| | | | | | |
|------------------|--------------------------|-----------------|--------------------------|-----------------|--------------------------|
| Less than 10,000 | <input type="checkbox"/> | 10,000 – 19,000 | <input type="checkbox"/> | 20,000 – 29,000 | <input type="checkbox"/> |
| 40,000 – 49,000 | <input type="checkbox"/> | 50,000 – 59,000 | <input type="checkbox"/> | 60,000 + | <input type="checkbox"/> |

11. How many people are employed in your business?

.....
.....

PART C:

AWARENESS OF THE TAX PAYERS

12. Are you are of the taxes you are to pay?

Yes ☐

No ☐

13. If yes, which taxes does your business pay?

i)

ii)

iii)

14. Your business ever been assessed for tax purposes.

Strongly agree ☐

Agree ☐

Uncertain ☐

Disagree ☐

Strongly disagree ☐

15. Is there any tax record kept by the company?

Yes ☐

No ☐

16. Which of the following the does your business use to keep records?

Bin cards ☐

Store ledger ☐

Both ☐

17. Has the tax authority given you any assistance as regard tax awareness?

Yes ☐

No ☐

18. If yes, which form of assistance/what kind of assistance?

Manual ☐

Workshops ☐

PART D

PROBLEMS FACED BY TAX PAYERS

19. What is the average amount of tax paid per year?

| | | | |
|-------------------|--------------------------|---------------------|--------------------------|
| Zero | <input type="checkbox"/> | 100,000 – 190,000 | <input type="checkbox"/> |
| 200,000–290,000 | <input type="checkbox"/> | 300,000 – 390, 0000 | <input type="checkbox"/> |
| 400,000 – 500,000 | <input type="checkbox"/> | 500,000 + | <input type="checkbox"/> |

20. Do you have any problem with?

| | | |
|---------------------------------------|------------------------------|-----------------------------|
| i) The mode of assistance | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| ii) The mode of collection of tax (e) | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| iii) The tax collector | Yes <input type="checkbox"/> | No <input type="checkbox"/> |

21. The tax officers are effective in identifying and registering potential tax payers.

| | | | | | |
|----------------|--------------------------|-------------------|--------------------------|----------|--------------------------|
| Strongly agree | <input type="checkbox"/> | Agree | <input type="checkbox"/> | Not sure | <input type="checkbox"/> |
| Disagree | <input type="checkbox"/> | Strongly disagree | <input type="checkbox"/> | | |

22. What are the specific effects of the tax on your business?

i)

ii)

iii)

23. Give any suggestions about the problems that may have been encountered while complying with tax obligations.

i.

ii.

iii.

iv.

Thank you for your valuable time

APPENDIX II: RESEARCH BUDGET

The researcher will be required to have sufficient funds for conducting the study. The source of funds to finance the study will be from friends and relatives.

| ITEMS | TRANSACTION | SUB-TOTAL (UGX) | TOTAL(UGX) |
|----------------------|---------------------|-----------------|---------------|
| Stationeries | Stationary | 50000 | 50000 |
| Secretarial services | Typing | 30000 | 55000 |
| | Photocopying | 20000 | |
| | Binding | 5000 | |
| Transport | To campus | 25000 | 75000 |
| | To the work station | 50000 | |
| Meals | Break fast | 10000 | 50000 |
| | Lunch | 40000 | |
| Communication | communication | 50000 | 50000 |
| TOTAL | | 280000 | 280000 |

APPENDIX III: TIME FRAME

This study will take 20 weeks, from February to June 2014 .The activities of the study will comprise of the following.

| No. | ACTIVITY | DURATION IN WEEKS |
|-----|---|-------------------|
| 1 | Proposal writing | 5 weeks |
| 2 | Designing Research Instruments | 1 week |
| 3 | Orientation and Formalization of the Organization | 2 weeks |
| 4 | Reviewing of the documents of the Organization | 2 weeks |
| 5 | Administering the Questionnaires and observation | 2 weeks |
| 6 | Data interpretation and Analysis | 3 weeks |
| 7 | Report writing and submission | 5 weeks |
| | TOTAL | 20 WEEKS |



**KAMPALA
INTERNATIONAL
UNIVERSITY**

Ggaba Road, Kansanga* PO BOX 20000 Kampala, Uganda
Tel: +2560758934492, 2560772868233 Fax: +256 (0) 41 - 501
974
E-mail: mulegit@yahoo.com.
* Website: <http://www.kiu.ac.ug>

**OFFICE OF THE HEAD OF DEPARTMENT
FINANCE AND MANAGEMENT
COLLEGE OF ECONOMICS AND MANAGEMENT**

SEPT, 30TH, 2013

Dear Sir/Madam,

**RE: INTRODUCTORY LETTER FOR ONYOKORI DAUDI . REG NO.
BBA/34692/113/DU**

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 Third year First semester.

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

**TOPIC: - TAXATION AND PERFORMANCE OF SMALL SCALE BUSINESS
ENTERPRISES. A CASE STUDY OF BUSIA MUNICIPALITY**

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

We shall be grateful for your positive response.

Yours truly,


MS. ACEN CATHERINE BOKELLO
HOD, FINANCE & MANAGEMENT

