

TAXATION AND PERFORMANCE OF SMALL SCALE

BUSINESSES IN CUSTOM MARKET,

JUBA, SOUTHERN SUDAN

BY

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DECLARATION

I **Shadrach Chol Buoi**, here by declare that the work contained in this dissertation entitled, **“Taxation and Performance of Small Scale Businesses in Custom Market, Juba, Southern Sudan”**, with the exception of acknowledged references, ideas and concerns is my original work and it has never been submitted for fulfillment of the requirement for any award of education qualification in any institution of learning.

Signed..........

Date.....*28th June 2011*.....

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APPROVAL

This dissertation by **Shadrach Chol Buoi** entitled, “**Taxation and Performance of Small Scale Businesses in Custom Market, Juba, Southern Sudan,**” was prepared under my supervision and is now ready for submission.

Signature. 

Date. 28th/06/2011

Mr. Kibuuka Mohammed
(Supervisor)

DEDICATION

This research report is dedicated to my family, friends and lecturers.

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LIST OF ACRONYMS

CPA	Comprehensive Peace Agreement
FGDs	Focus Group Discussions
GDP	Gross Domestic Product
IFC	International Finance Corporation
IMF	International Monetary Fund
KIU	Kampala International University
MDGs	Millennium Development Goals
OECD	Organization for Economic Cooperation and Development
PAYE	Pay-As-You-Earn
PAYG	Pay-As-You-Go
SPAD	Sudan Programme of Action for Development
SSBs	Small Scale Businesses
TCCIA	Tanzania Chamber of Commerce Industry and Agriculture
TMFEA	Tanzania, Ministry of Finance and Economic Affairs
TRA	Tanzania Revenue Authority
WBIFC	World Bank and International Finance Corporation

ABSTRACT

This study examined the effects of Taxation on the performance of small scale businesses in the custom market in Juba, Southern Sudan. It was correlational descriptive and analytical based on primary and secondary data. Face to face Interviews and questionnaires and observation were utilized in gathering data fro a sample of 70 vendors selected using purposive and convenient sampling techniques.

Findings of the study were, most tax collectors were harsh when collecting taxes thus fluctuation sales, tax assessment was unfair and took much time, majority of taxpayers were compliant enough during tax payment, most SSBs were not given tax exemptions and generally SSBs had never accessed tax exemptions. Most SSBs profits had not increased due to unfair taxation, had low capital and saved little. Most SSBs never complied with tax payment due to bribery and corruption behavior of the tax collectors, Tax payment policies were generally unfair and never favoured capital accumulation and business expansion. Most tax payer rights were not observed, most small scale businesses were not given tax exemptions, generally there wasn't simplification and there was less sensitization and educating of proprietors in SSBs about taxation. .

The study concludes that, unfair assessment of tax, poor collection system, corruption and bribery behavior of tax collectors led to high taxation of SSBs in the custom market of Juba thus poor businesses activity.

The researcher therefore recommends that; harsh, corrupt and other poor performing tax collectors should be penalized, tax assessment should be fair and take less time to all businesses through proper studying of business performance before tax assessment. Tax payers should be compliant enough during tax assessment, collection and payment so that they are not cheated or cheat the market administrators. SSBs should be given tax exemptions so that their capital accumulates. Tax payer rights should be observed when collecting tax because they would be more compliant with tax payment. There should be simplification of the tax structures in the custom market so that people become compliant enough with tax payment and there should be sensitization and educating of proprietors in SSBs about taxation policies so that people know the reason why they pay tax.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter contains the background, problem statement, purpose, specific objectives, researcher questions, scope and significance of the study.

1.1 Background of the study

The performance of Small Scale Businesses (SSBs) in Southern Sudan in the past has been poor due to political instabilities, low capital used in business, poor communication system, and inadequate skills among other challenges (Sudan Programme of Action for Development, (2003). Most people engaged in SSB never had enough skills to run their businesses because most of them had low levels of education that they could not read or write which made book keeping very difficult.

World Bank & International Finance Corporation, (2006) note that, there is also capital gains tax, levied on the profit released upon the sale of a capital asset. In many cases, the amount of a capital gain is treated as income and subject to the marginal rate of income tax. However, in an inflationary environment, capital gains may be to some extent illusory: if prices in general have doubled in five years, then selling an asset for twice the price it was purchased for five years earlier represents no gain at all. Partly to compensate for such changes in the value of money over time, some jurisdictions, such as the United States, give a favorable capital gains tax rate based on the length of holding. European jurisdictions have a similar rate reduction to nil on certain property transactions that qualify for participation exemption. In Canada, 20–50% of the gain is taxable income. In India, Short Term Capital Gains Tax (arising before 1 year) is 10% (5 % from F.Y 2008-09 as per Finance Act 2008) flat rate of the gains and Long Term Capital Gains Tax is nil for stocks and mutual fund units held one year or more, provided the sale of shares involved payment of Securities Transaction Tax and 20% for any other assets held 3 years or more.

Small scale businesses are economic entities that deal in the buying and selling of goods and services mainly on a retail basis with an aim of making profits (Baurer, 2005). They mainly serve final consumers who buy goods in small quantities mainly for domestic use. Small businesses are mainly owned by sole proprietors who bare all the risks and gain of the business where these in most cases have low capital used in their business (Bird, Vazquez and Torgler, 2004).

It is however noted that small businesses in the southern Sudan do not perform very well because they are unfairly treated by the local administrators, their proprietors lack adequate business skills yet they are working with little capital (Bird and Zolt, 2005). Bird, et al., (2004), note that the performance of small scale businesses can be measured in the amount of stock increment over specified period of time, measure of rate of turnover, and the level of profitability from the sales made over a specific period of time.

Cobham, (2007) notes that, to tax is to impose a financial charge or other levy upon an individual earning income or a legal entity by a state or the functional equivalent of a state such that failure to pay is punishable by law. Government uses taxes to provide social services to people for instance health services, free education transport and communication, sports, water and sewerage services, development of foods and agriculture.

Fjeldstad and Moore, (2007) note that, 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. 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.

The Sudan Programme of Action for Development (SPAD), (2003), note that, in southern Sudan majority of small scale businesses have; low capital used in business, low profits, low capital accumulation, low rates of expansion and thus a low saving ability mainly because; tax rates are so high that they hardly favour high business performance. They are mainly operated by 1-3 employees mainly with low levels of education and inadequate skills to operate their businesses to enable them adequately plan for their financial progress (International Monetary Fund, 2004). There are poor transport and communication systems to favour smooth business running and unstable political environment which leads to hiking of prices of capital and consumer goods.

Baurer, (2005) notes that, "Private enterprises in developing countries often face difficulties when dealing with the government in general and the tax administration in particular. Many of the difficulties with the tax authorities are poor perception of tax policies and failure to devise measures for future policy changes. It would be rare indeed to not 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. According to Adam (1993), both domestic taxation and customs tariffs and excise is central to achieving the Millennium Development Goals (MDGs) because the ability to collect taxes is a core function of an effective state. Promoting better tax systems deserves attention because: taxes, if designed well, can promote economic growth, lessen extreme inequalities, tackle climate change and fund the delivery of the MDGs, significantly improving the lives of all citizens and especially poor people.

World Bank, (2008) note that, Small-Scale Businesses (SSB) in Southern Sudan in targeted sectors have improved business practices such as; how to assess the need for, and effectively manage finance, stock/inventory management, basic bookkeeping, management and growth of clientele and marketing practices. Some traders are now "professionalized" in their operations following the improved education policy in the 2005 Comprehensive Peace Agreement (CPA). Policies, legislation and regulations issued by government are elaborated with input from stakeholders, including private sector (large, medium, small) and producers. Sector capacity provides services and develops policy, legal and regulatory frameworks though there are still some weaknesses. Despite the improvements in the private sector, the taxation system is still unfair as many SSBs are highly taxed, tax collection policies are poor, there are no tax

exemptions for SSBs, among other factors. These factors coupled with inadequate business and management skills the performance of SSBs remains poor. This made it imperative to have a study carried out to examine the effects of Taxation on the performance of small scale businesses in the custom market in Juba, Southern Sudan.

1.2 Problem Statement

Many Small-Scale Businesses (SSB) have collapsed, some have failed to progress or failed to accumulate enough capital to expand due to high taxes charged in Southern Sudan (Benaiah, 2010). In relation, Bahl and Bird (2008) note that, in most developing countries most taxes are not levied in accordance to the stock of goods the business has which reduces the level of profitability or eventual collapse of such businesses. In Southern Sudan 50% of the SSB collapse annually due unfair taxation system and inadequacy of business management skills by their owners. This has hampered the development of auxiliary businesses such as the banking sector, schools and training institutions and communication systems among others. According to Baurer, (2005), despite some reforms done in the taxation system of different economies in developing countries, most businesses have failed to realize enough profitability due to inefficiency of the taxation system. In consonance Benaiah, (2010) notes that, poor performance of most small scale businesses in Southern Sudan is blamed on the inefficiency of the Ministry of Finance in failing to streamline the taxation system. This made it imperative to have a study carried out to examine the effects of taxation on the performance of small scale businesses in the custom market in Juba, Southern Sudan because many SSBs fail to expand due to high taxes charged on them.

1.3 Purpose of the study

To examine the effects of Taxation on the performance of small scale businesses in the custom market in Juba, Southern Sudan.

1.4 Objectives of the study

The study was guided by the following objectives.

- i. To determine how taxation affects total sales of small scale businesses in the custom market in Juba, Southern Sudan.
- ii. To determine the relationship between taxation and profitability in small scale businesses in the custom market in Juba, Southern Sudan.

- iii. To identify appropriate tax reform policies that may lead to expansion of small scale businesses in the custom market in Juba, Southern Sudan.

1.5 Research Questions

The study answered the following questions.

How does taxation affect the total sales of small scale businesses in the custom market in Juba, Southern Sudan?

What is the relationship between taxation and profitability in small scale e businesses in the custom market in Juba, Southern Sudan?

What appropriate tax reform policies may be developed for the expansion of small scale businesses in the custom market in Juba, Southern Sudan?

1.5 Scope of the Study

1.5.1 Geographical Scope

The study was carried out in the Custom market in Juba, Southern Sudan. Small scale businesses included retail businesses dealing mainly market vendors dealing in food stuffs, construction materials, beverages and soft drinks, bars, night clubs and restaurants among others. The researcher had great accessibility and knowledge about the area since he worked from there.

1.5.2 Content Scope

The study focused on the effects of high taxes on the sales and profitability of SSB in Southern Sudan. The respondents consisted of traders, manufacturers and local administrators. Data was sought from respondents and libraries.

1.5.3 Time Scope

This covered the performance of small scale businesses in Southern Sudan between 2007 and 2010. This period was considered because the researcher had limited resources in term of time and money to research beyond the above period. Also most SSB in the Custom market of Juba started after the 2005 Comprehensive Peace Agreement (CPA) which improved business policies in the private sector.

1.6 Significance of the Study

- i. The enterprises of Custom market in Juba, Southern Sudan would know the positive and negative effects of taxation and how they could maintain the positive gains or overcome the negative effects.
- ii. Through this study the small scale businesses would devise means of paying their tax obligations in time and to right parties to avoid inconveniences. This was because they would know the ones responsible to collect taxes from them.
- iii. The Ministry of Finance and Economic Affairs and policy makers would develop strategies to create more awareness about where the problems of poor taxation come from and create better preventive measures to minimize or overcome them. This would lead to preservation of business rights that are violated by opportunist tax collectors.
- iv. This would act as a case study in analysis of the general behaviour and attitude of people towards paying taxes. This would enable the government to effectively draw sensitization measures to the people about the importance of paying taxes.
- v. Small scale businesses owners, employees, Non Governmental Organizations, Government and other stakeholders would be empowered to actively participate in tax registration processes to minimize tax registration administration and collection related problems.
- vi. This study was a partial fulfillment for the award of the bachelor degree of Arts in Economics of Kampala International University to the researcher.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter presents the theoretical framework, conceptual framework and review of literature on studies related to the relationship between taxation and performance of small scale businesses.

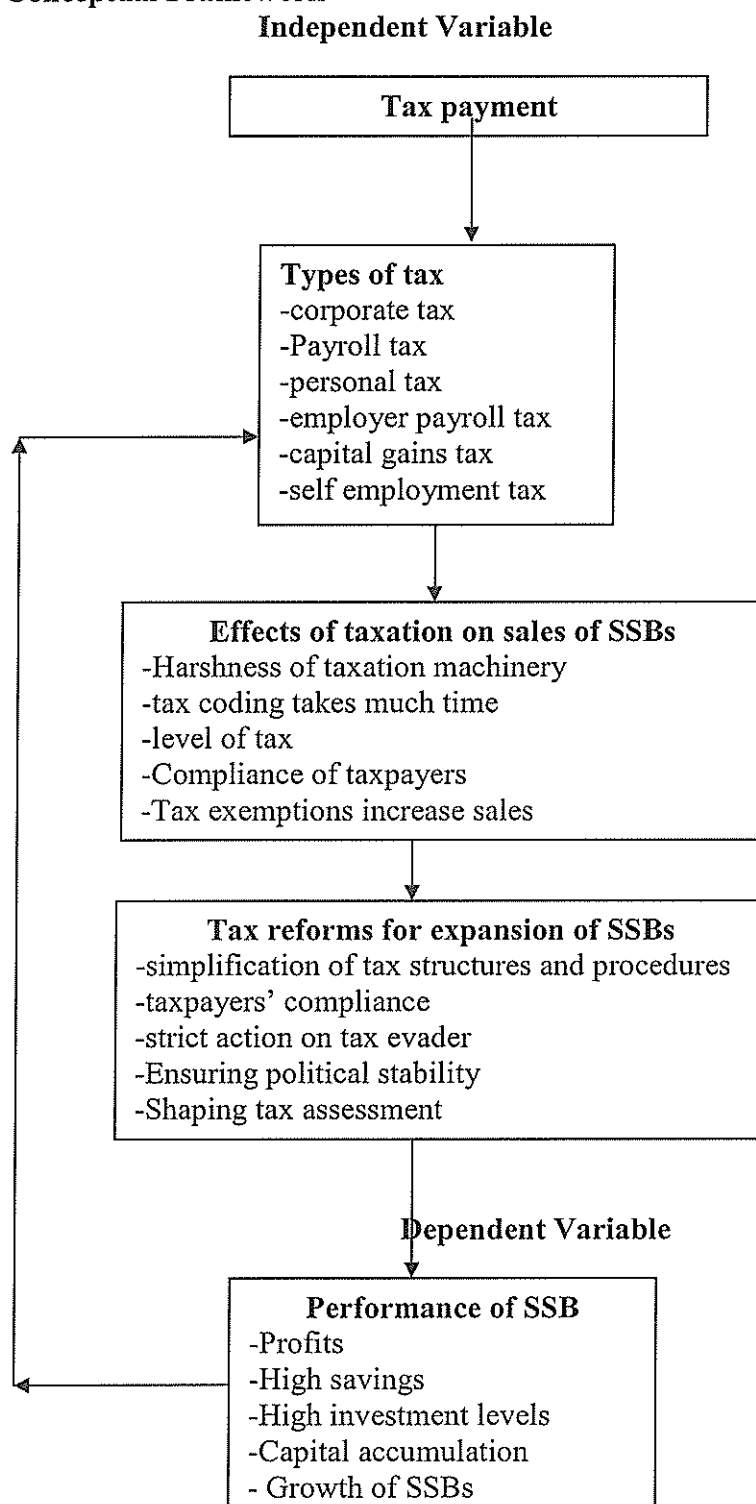
2.1 Theoretical Framework of the study

Cobham, (2007) note that, to tax is to impose a financial charge or other levy upon an individual earning income or a legal entity by a state or the functional equivalent of a state such that failure to pay is punishable by law.

Abdul, (2009) on Ibn Khaldun's Theory of Taxation notes that, when a low tax rate is charged, an incentive to work is not demoralized and taxes are paid happily. They easily pay it because it does not affect the day today running of their businesses. According to him, when government is honest and people-friendly, "taxation yields a large revenue from small assessment. On the other hand high tax rates shrink the tax base because they reduce the economic activity as the levels of capital are reduced which in turn reduces the profitability of the business. Also people are discouraged to work because they feel cheated which reduces the level of sales in the business. He thus describes the advantages of low taxes: "When the tax assessments and imposts upon the subjects are low, the latter have energy and desire to do things.

2.2 Conceptual Framework

Figure 2.2: Conceptual Framework



2.3 Literature Review

2.3.1 Effects of taxation on the total sales of small scale businesses

Sales are defined as the exchange of commodities for money (Fjeldstad and Moore, 2007). A person from whom a commodity is bought is a seller while a person who takes it after paying money is a buyer. In case there is a fair taxation system, there will be free and swift flow of goods and services thus sales will be high. However, in a situation where there is unfair taxation system, the flow of goods and services will not be swift due to delays thus the level of sales will be low (World Bank, 2007B).

Taxes charged in Southern Sudan basically include; corporate and capital gain taxes. These taxes in most cases negatively affect the business community due to; poor tax administration policies, poor record keeping by business owners, inadequate skills by enterprise owners among other factors.

Some business owners are not in position to make a reasonable amount of sales due to fear of the tax collecting machinery. Many business people fear to work some days in fear of the harsh tax collectors who destroy or confiscate some of their properties (International Studies in Entrepreneurship, 2008). In many cases they confiscate properties which jeopardize the smooth running of business activities. All these factors retard the amount of sales a business would make within a specific period of time thus a problem.

Generally speaking, tax codes and administrative procedures are still too complex and take too much time is spent on tax collecting in most states of Africa. In South Africa and Lesotho, firms on average spend 350 hours per year dealing with tax liabilities, compared with an OECD average of 200 hours (World Bank/IFC 2006). Obviously, cumbersome and unpredictable procedures facilitate arbitrary assessment and, therefore, extortion by corrupt tax officers. Most business people lose their customers due to delay in delivery of goods thus affecting the level of sales they make in a specific period of time.

Fjeldstad, (2003) notes that, the level of taxes charged determine the level of taxpayers' compliance to tax payment. It is also about whether tax practices are considered fair and reasonable by the majority of citizens. In this sense, taxpayers' rights require more attention,

highly coercive methods of revenue raising as practiced by tax administrations in some parts of Africa have failed capital accumulation in many businesses especially those on small scale.

Some taxes are unfairly levied on many SSBs in the Southern Sudan because of the low levels of education of the business proprietors that they utilize their ignorance to cheat them. Fjeldstad, (2006) note that most tax officials do not make enough study of the SSB before levying taxes onto them. Notably, accounting rules about deductible expenses and tax rules about deductible expenses have to differ at times, giving rise to book-tax differences in accordance to the generally stock and profitability of the business but this is not always done in the Southern Sudan. Most tax assessors do not first establish the amount of sales a business makes before levying taxes onto them which ends up in over taxation. This retards the expansion of the business thus less sales in future.

Zee and Howell, (2005) reveal that, “in most cases SSBs are not given tax incentives and exemptions that would enable them to accumulate capital through profits ploughed back into the business. Tax exemptions would enable easy transaction since there are fewer delays in clearing goods in case they are to cross borders as bureaucracies and expenses involved in paying taxes would be avoided. It is essential to address tax holidays and exemptions as both are prone to undermine tax morale as well as to erode the revenue base. With tax holidays businesses can re-embase the profits to accumulate capital thus business growth.

Bahl and Bird (2008) note that, some economists, especially neo-classical economists, argue that all taxation creates market distortion and results in economic inefficiency thus lessening the amounts of profits made. This is because most of the taxation systems especially in developing countries are unfairly levied and unprofessionally collected which distorts the smooth running of business. Tax payers should be given a conducive working environment so that they realize as much profits as possible not at the expense of the public, so that they pay taxes as per the obligations.

Linbeck, (2006) reveals that, “Critics have stated that poorly created and unfairly implemented taxes systems can paralyze work, discourage saving and investment, and hinder the competitiveness of business through making high sales. Income taxes are not border-adjustable;

meaning the tax component embedded into products via taxes imposed on companies cannot be removed when exported to a foreign country. Taxation systems such as a national sales tax or value added tax remove the tax component when goods are exported and apply the tax component on imports. This is why most of the goods sold in the Southern Sudan are at a high price which fails many SSBs to effectively operate.

2.3.2 Relationship between taxation and profitability of small scale businesses

Profitability of the business is the level of surplus receipts that a business makes after meeting all its expenditures (Von Soest, 2006). In other words, it's the difference between gross receipts and cost price plus all business expenses.

World Bank, (2007A) note that, high tax rates discourage business investment as people fear to make losses. Investors always seek ventures that would require high costs of production so that they easily expand their business ventures. Given that most proprietors of SSBs have little capital, their profits are highly affected when they are taxed. There are many SSBs in Southern Sudan that have closed down because their operators can not afford to pay the taxes levied on them. This has negatively affected the incomes of those people.

Johnsson, (2004) asserts that, an important feature of a tax system is that tax rates should be proportional to profits a business makes. That is the percentage of the tax burden should be levied in relation to the level of profits a business can make within a specific period of time. This necessitates considering the progressiveness, regressiveness, and proportionality of taxes to describe the way the rate progresses from low to high, from high to low, or proportionally.

Tax administration in most of the developing countries is unfairly done that a lot of time is wasted in registration and collection. Business people have to wait for long periods of time before granting them permission to commence with trading activities (World Bank & International Finance Corporation, 2006). In this effect vendors are always on and off their businesses thus fluctuating sales and the amounts of profits they would earn. Southern Sudan needs efficient mechanisms for tax administration to stimulate economic linkages and encourage commercial banking and lending to low status people to effectively engage in business.

Baurer, (2005), notes that, “low tax rates attract business investment because many people would like to engage in them to register high profits. In most developing countries high taxes are charged that they discourage business activity most especially of small scale enterprises. In this scenario most of the SSBs remain with little capital that can not realize reasonable profits. The little profits got are then shared between the revenue collecting institutions and the share holders which lead to low expansion of SSBs, thus a problem.

International Studies in Entrepreneurship, (2008) notes that, “in tax registration, it has been observed that, low tax rates favour high sales because business operators in most cases pay their tax obligations in time and carry their business activities. Some SSBs given that they are mobile in most cases, such as mobile vending of goods and services, their operators feel very free and easily carry out their activities when they are charged a small tax rate that can not easily affect their profit levels or that can easily be paid whenever demanded. This in the end helps them to accumulate enough savings.

World Bank/IFC, (2006) note that, tax exemptions increase profit levels of the business since the business makes some savings through reserved expenses that would be paid off as tax. Through tax holidays the business the business can accumulate its capital because is ploughed back into the business. This helps to purchase a larger stock of goods that can be sold off to generate high profits which eventually lead to business expansion.

Generally speaking, however, tax codes and administrative procedures are still too complex and take too much time in most of Africa. In South Africa and Lesotho, firms on average spend 350 hours per year dealing with tax liabilities, compared with an Organization for Economic Cooperation and Development (OECD) average of 200 hours (World Bank/IFC 2006). Obviously, cumbersome and unpredictable procedures facilitate arbitrary assessment and, therefore, extortion by corrupt tax officers. Its therefore found out that time wasted in clearing taxes negatively affects the prosperity of the businesses because the business owners do not attend to their clients. This reduces the rate of turnover and profits hence vendors can not save enough from their businesses. This may eventually lead to poor business performance.

2.3.3 Tax reform policies that may lead to expansion of small scale businesses

Tax reforms are adjustments that can be done to improve the tax assessment and collection process to enable business operate well. There is need to make reforms in the taxes charged so that SSBs so that they make reasonable amount of profits.

Fjeldstad, (2006) suggests the amount of tax assessed should consider the amount of capital used in that particular business. The tax should be a small percentage of the capital used in the business so that it can accumulate capital. Capital accumulation would enable business expansion and the eventual making of enough profits.

In the past 15 years, many African countries have undertaken reforms in tax-administration, establishing semi-autonomous revenue authorities outside the finance ministries (Fjeldstad 2006). The purpose has been to limit political interference in the day-to-day operations of the revenue authority, and to loosen the constraints of civil-service rules on hiring and firing as well as remuneration for the sake of attracting and retaining qualified staff. Due to globalization, different economies have changed their mode of operation in order to enable business thrive.

In this light Southern Sudan Gazette No. 1, (2007) suggests that, “there is agent need for simplification of tax structures and procedures by most of the developing economies. The government has to levy taxes after a careful study of the profitability of the enterprise despite the general tax registration. This would also motivate business holders to pay taxes in time to avoid inconveniences”. In Southern Sudan there are so many traders at both small and large scale that are unfairly charged taxes due to poor tax administration. The profitability of some businesses is not properly studied before taxes are levied onto them which lead to overtaxing. Many enterprise owners in return just evade the taxes thus jeopardizing the smooth facilitation of various services.

World Bank (2002), notes that, inherent in much of the recent work on taxation is that a broader-based taxation system will consolidate state-interest group bargaining which will, in turn, generate a greater degree of legitimacy which supposedly will generate more effective governance. Good governance, in turn, is seen as central for sustained rapid economic growth.

Fjeldstad, and Moore, (2007), are of a view that, “many African governments are under strong pressure from the IMF and donors to meet revenue targets. The tax administrations respond with some combination of an even tighter squeeze on registered taxpayers and quasi-military ‘raids’ on other businesses on which they do not have detailed information”. In Southern Sudan and Uganda, operations against smuggling and tax evasion have even been staffed by army personnel. Attempts to meet externally set tax-to-Gross Domestic Product (GDP) targets may undermine democratic accountability if legal processes and taxpayers’ rights are set aside in response. Of course, blame for such behaviour should be widely shared, and does not lie solely with the IMF. The point is that a purely economic approach to tax policy may have perverse results, for both polity and economy.

Barnett and Ossowski (2003) revealed that, “In most developing countries, tax structures have been simplified considerably in recent years most especially for low income earners. The numbers of income tax bands, customs duties, excisable goods et cetera have been reduced. Rwanda and Zambia, for instance, today reports substantially lower “tax-compliance time” for businesses than is the OECD-average, with the result of fewer incentives and fewer opportunities for bribery. ”. Furthermore, simplifying complex tax codes and revenue procedures make the systems more transparent and accessible to ordinary citizens, which, in itself, is likely to encourage political mobilisation around tax issues.

Medas and Zakharova (2009) note for instance, “Southern Sudan government and the business community are increasingly engaged in a constructive dialogue with the Khartoum government where they are increasingly willing to compromise on different economic issues specifically on terms of trade. These amounts to significant progress in a country where the private sector needs to be revamped through proper taxation mainly on low income earners is one of the Supreme goals of the government of the Southern Sudan. It is therefore imperative that, tax on small businesses is unfair for low income earners for the prosperity of their businesses.

Von Soest, (2006) notes that, “Taxpayers’ compliance is not only an issue of strictly enforcing laws and punishing evaders. It is also about whether tax practices are considered fair and reasonable by the majority of citizens. In this sense, taxpayers’ rights require more attention. Highly coercive methods of revenue raising as practiced by tax administrations in some parts of

Africa should be discontinued”. Moreover, it is essential to address tax holidays and exemptions as both are prone to undermine tax morale as well as to erode the revenue base. In Southern Sudan tax administrators need to make enough consultation and research on the profitability of businesses by most of the vendors before taxes are levied on them to avoid discrepancies.

Abbas, Moriyama, and Naseer (2010) reveal that, moreover, Sudan has limited access to concessional external finance and faces high political uncertainty. Sudan’s access to concessional foreign loans has been adversely affected by its arrears status to bilateral and multilateral creditors, including the fund. There is also uncertainty over the outcome of parliamentary and presidential elections in 2010, and the status of the South following the 2011 referendum. A large unresolved (external) public debt burden, and security and peace-related spending pressures, further reinforce the complexity of the fiscal situation and educating of local people about taxation policies would ensure reforms in the taxation system of Southern Sudan.

Baunsgaard, and Keen (2005) noted that, “there is argent need to completely control corruption and bribery in the taxing authorities. The private sector in the same effect needs to be cautioned by bribing tax authorities which greatly affects the GDP of the country. In a similar sense, it is a healthy development that corporate taxpayers in the Southern Sudan have started to mobilise the judiciary in the case of tax grievances (Sudan Programme of Action for Development, 2003). Rule-bound administrations, after all, are checked by the legal system. Therefore people managing small businesses are engaging in business with less fear.

All in all Tax reforms in Africa have so far been marked by an emphasis on not including marginal payers in the tax base yet they are the core economic base of the country. Indeed, the number of tax payers probably even went down in some countries. For instance in Rwanda in 2005, 13 large companies contributed 80% of the total tax revenue. In Tanzania, a country of some 35 million people, 286 large taxpayers contributed almost 70%. To some extent, this approach makes sense because it reduces administrative costs and avoids placing financial burdens on economically-weak people. To tax collectors, it will always seem easier, both in institutional and personal terms, to extract more revenue from an existing, registered tax base than to bring many smaller enterprises and individuals into the net. Nonetheless, there are good reasons for broadening the tax base, and they are not only about raising money.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter presents the research design, study population, sampling strategy, sample size, sources of data, data collection methods, instruments, data processing, data analysis, ethical consideration and limitations of the study.

3.1 Research Design

This study was comparative and correlational in nature. This study examined the impact of taxation on the performance of small scale businesses (SSBs) in the custom market in Juba, Southern Sudan. This was reviewed in relation with the purpose and objectives of the study.

3.2 Study Population

The study targeted a population of entrepreneurs and employees in the custom market in Juba, Southern Sudan. The market had a collection of business people with different types of business such as; shopkeepers, producers of local products such as food stuffs, art and craftspeople, health workers among other. Their estimated number was 1,000 and 1,200 SSB in the Custom market of Juba.

3.3 Sample Size

The first stage involved a purposive selection of Customs market in Juba, Southern Sudan as a case study. Secondly the researcher identified competent respondents that included different business people such as; entrepreneurs, vendors, casual labourers, and other types of employees. Since the estimated number of SSB was between 1000 and 1200, every 20 SSB were represented by one SSB in the study from which enterprise one respondent was selected. Therefore sixty respondents were got from SSB. These included 40 employers and 25 employees. Employers were more because they directly faced the impact of taxation on the performance of their businesses. This number was considered because the researcher had limited resources in terms of money and time yet the selected sample was representative of the whole population of study. Then 5 market administrators were interviewed to sum up to a sample size of 70 respondents.

Market administrators helped to analyze data from other respondents and clarified where mistake happened. This summed up to a sample size of 70 respondents.

3.4 Sampling Strategy

Purposive sampling method under non probability sampling design was used in this study. This was basically used to select employers and market administrators because they had most of the needed information. This is where the researcher in his own judgment regarded the participants from whom information was got as competent because they were the ones operating the businesses under study. Also convenient sampling method was used to select employees since most of these had reliable information about the study. This method was used in order to reduce the costs such as transport and telephone communication because a sample of the population was interviewed. There was greater speed, time economized, and questions were set and given to a small part of the population who worked and lived within the area. Tabulation and analysis of results took much less time in sample data than in population data. There was greater levels of accuracy and assurance of completeness due to a limited area of operation. The volume of work was reduced therefore careful execution of field work was possible.

3.5 Sources of Data

Primary data was based on qualitative and quantitative data where the former was gathered through interview, observation, focus group discussions while quantitative data was gathered through questionnaires. Secondary included documentary analysis where literature was gathered from acknowledged studies.

3.6 Data Collection Method

Questionnaires were administered to literate respondents where there were close and open ended questions. Respondents answered the questions in their privacy and returned them within the same day.

3.7 Data Analysis

Descriptive statistical analysis was used to analyze data on the relationship between the dependent and independent variables. Frequency distribution and percentages were used in tables that produced bar graphs and pie charts.

3.8 Ethical Consideration

The researcher got a letter seeking permission to carry out research in the Custom market of Juba Southern Sudan from the school of Economics and Applied Statistics Kampala International University (KIU). This was presented to Custom market in Juba, administrators to grant the researcher permission to carry out a study in the area. The researcher also studied the behavior and general duties of the respondents before administering questions to them.

3.9 Limitations of the Study

The researcher faced the following challenges

- i. Some respondents were unwilling to give information regarding the study because they were suspicious of the study findings. This is because some people do not want to reveal secrets about their business.
- ii. The researcher ran out of funds for transport and feeding due to fluctuating prices of goods and services in the area of study. Even some respondents demanded some money from the researcher to give information.
- iii. Some respondents and other area inhabitants may be aggressive to the researcher. This may be due to misperception for a media or government employee who wants to expose their business secrets.
- iv. The area had inadequate modern communication systems such as the internet and other clear telecommunication services, such as clear telephone network. This delayed the study completion.
- v. Illiterate respondents did not acknowledge data about the study which affected the study findings and the problem magnitude.

3.10 Delimitations of the Study

Some respondents who were unwilling to give information regarding were first informed of the full intentions and objectives of the study so that they consented to take part in the study.

Where the researcher ran out of funds such as for transport and feeding a special budget was drawn purposely for the study. Also some funds were sought from well wishers and

sympathizers especially people engaged in the enterprises in the Custom market. This was because this study was meant to benefit them.

Some respondents and other area inhabitants who were aggressive were informed of the intentions of the study. Also unstructured interviews were used.

Some respondents who could not understand the objectives of the study were trained about how to answer question and gave them clarity where it was due.

Appropriate appointments with respondents were made where communication was poor.

For illiterate respondents, interviews were used to collect data.

CHAPTER FOUR

PRESENTATION OF STUDY FINDINGS

4.0 Introduction

The review of literature focuses on aspect that deem relevant to the objectives of this study. Study objectives determined how taxation affects total sales of small scale businesses, determined the relationship between taxation and profitability in small scale businesses and identified appropriate tax reform policies that may lead to expansion of small scale businesses in the custom market in Juba, Southern Sudan. These are discussed below.

4.1 Demographic characteristics of the respondents

In this study the respondents were studied in terms of demographic characteristics including; sex, marital status, education, working experience and nature of business.

Table 4.1: Demographic characteristics of the respondents

Major category	Sub-category	Frequency	Percentage
Sex	Male	42	60
	Female	28	40
Age	Below 20 years	06	09
	21-30 years	15	21
	31-40 years	23	33
	41-50 years	17	24
	Above 50 years	09	13
Marital status	Single	18	26
	Married	30	43
	Divorced	12	17
	Widowed	10	14
Education level	Never went to school	13	19
	Primary education	30	43
	Secondary education	14	20
	Tertiary education	08	11
	Other forms of education	05	07
Nature of business	Retail	24	34
	Wholesale	05	07
	Partnership	08	12
	Sole proprietorship	33	47
Total		70	100

Findings of the study in table 4.1 indicate that, 42(60%) of the respondents were males and 28(40%) were females. This implies that, majority of the operators of SSBs in the Custom market of Juba were males.

Further on their age groups were such that; 06(09%) of the respondents were below 20 years, 15(21%) were 21-30 years, 23(33%) were 31-40 years, 17(24%) were 41-50 years and 09(13%) were above 50 years. This implies that, majority of the operators of SSBs were between 31-40 years.

Their marital statuses were; 18(26%) of the respondents; were singles, 30(43%) were married, 12(17%) were divorced and 10(14%) were widowa and widowers. This implies that, majority of the business operators were married.

Respondents' levels of education were such that; 13(19%) of the respondents; never went to school, 30(43%) had primary education, 14(20%) had secondary education, 08(11%) had tertiary education and 05(07%) operators of SSBs had other forms of education. This implies that, majority of the business operators had primary education.

Lastly respondents' categories of business were; 33(47%) of the respondents were sole proprietors, 24(34%) were retailers, 08(12%) were partners and 05(07) were wholesalers. This implies that, majority of the businesses were sole proprietors. This was because most of them never had enough capital to purchase a lot of commodities who mainly worked for day today living.

4.2 Levels of taxation in the Custom market of Juba Southern Sudan

The first objective in this study was to determine how taxation affects total sales of small scale businesses in the Custom market of Juba, Southern Sudan. To achieve this objective, eight questions were asked concerning taxation policy in Southern Sudan. Respondents were required to indicate the extent to which they agree with each statement. A total of 70 respondents gave answers to each of the questions in the table below. Their responses were summarized using frequencies and percentage distribution as shown in table 4.2 below.

Table 4.2: How taxation affected total sales of small scale businesses in the Custom market of Juba, Southern Sudan

Item on taxation	SA		A		NS		D		SD	
	F	%	F	%	F	%	F	%	F	%
Tax collectors were harsh	37	53	17	24	03	04	09	13	04	06
Tax assessment was fair	07	10	10	14	05	07	16	23	32	46
Tax assessment took much time	32	46	20	29	03	04	10	14	05	07
Taxpayers were compliant enough	08	12	10	14	09	13	17	24	26	37
There were tax exemptions	08	12	12	17	10	14	15	21	25	36
There were fluctuations in sales due to fear of tax collectors	34	48	20	29	05	07	07	10	04	06
Business operators had ever accessed tax exemptions	06	09	10	14	02	03	27	38	25	36
Tax exemptions were fair for all the people	06	08	08	12	03	04	30	43	23	33

Key SA=Strongly Agree A=Agree NS=Not sure D=Disagree
SD=Strongly Disagree F=Frequency %=Percentage

Findings of the study in table 4.2 indicate that, out of 70 respondents; 04(06%) strongly disagreed, 09(13%) disagreed, 03(04%) were not sure, 17(24%) agreed and 37(53%) strongly agreed tax collectors were harsh when collecting taxes that they threaten business activity. This implies that most tax collectors in the custom market were harsh when collecting taxes.

Further on; 32(46%) strongly disagreed, 16(23%) disagreed, 05(07%) were not sure, 10(14%) agreed and 07(10%) strongly agreed that tax assessment was fair. This implies that most SSBs in the custom market of Juba paid tax that was unfairly assessed thus were cheated. This was because the majority 46% strongly disagreed with tax assessment program that was used.

Also; 05(07%) strongly disagreed, 10(14%) disagreed, 03(04%) were not sure, 20(29%) agreed and 32(46%) strongly agreed that tax assessment took much time thus affected the time of business activity which led to low sales. This implies that majority 48% of the business operators in the custom market of Juba strongly agreed tax assessment took much time.

About whether taxpayers were compliant enough during tax payment findings indicate that, out of 70 respondents; 26(37%) strongly disagreed, 17(24%) disagreed, 09(13%) were not sure, 10(14%) agreed and 08(12%) strongly agreed. This implies that majority 37% of taxpayers in the custom market of Juba did not comply with tax payment since they strongly disagreed that tax payers were compliant enough to tax payment.

More so; 25(36%) strongly disagreed, 15(21%) disagreed, 10(14%) were not sure, 12(17%) agreed and 08(12%) strongly agreed that there were tax exemptions in the custom market. This implies that most (36%) of the SSBs operators in the custom market of Juba strongly disagreed that there were tax exemptions in the custom market since most business operators did not get them.

Further on; 04(06%) strongly disagreed, 07(10%) disagreed, 05(07%) were not sure, 20(29%) agreed and 34(48%) strongly agreed there were fluctuations in sales in the Custom market due to fear of tax collectors. This implies that majority 48% of the SSBs in the custom market of Juba strongly agreed there were fluctuations in sales in the Custom market due to fear of tax collectors.

About whether respondents had ever accessed tax exemptions in the custom market findings revealed that, out of 70 respondents; 25(36%) strongly disagreed, 27(38%) disagreed, 02(03%) were not sure, 10(14%) agreed and 06(09%) strongly agreed. This implies that most (36%) of the SSBs operators in the custom market of Juba strongly disagreed that they had ever accessed tax exemptions in the custom market since most business operators did not get them.

Lastly; 23(33%) strongly disagreed, 30(43%) disagreed, 03(04%) were not sure, 08(12%) agreed and 06(08%) strongly agreed tax exemptions were fair for all the people. This implies that tax exemptions were not fair for all the people since 43% of the respondents disagreed and 33% strongly disagreed.

4.3 Profitability of small scale businesses in the Custom market of Juba, Southern Sudan

The second objective in this study was the level of profitability of small scale business in the Custom market of Juba, Southern Sudan. To achieve this objective, five questions were asked concerning profitability of SSBs in Southern Sudan. Respondents were required to indicate the extent to which they agree with each statement. A total of 70 respondents gave answers to each of the questions in the table below. Their responses were summarized using frequencies and percentage distribution as shown in table 4.3 below.

Table 4.3: Profitability of small scale businesses in the Custom market of Juba, Southern Sudan

Profitability of small scale businesses	SA		A		NS		D		SD	
	F	%	F	%	F	%	F	%	F	%
Profits of SSBs have increased	06	09	10	14	04	06	35	50	15	21
profits of SSBs are high	05	08	13	18	02	03	20	29	30	42
SSBs have high savings	06	09	10	14	01	02	22	31	31	44
SSBs' capital level had increased	09	13	10	14	05	07	24	34	22	32
SSBs had grown (opened branches)	07	10	09	13	05	07	27	39	22	31

Key SA=Strongly Agree A=Agree NS=Not sure D=Disagree
SD=Strongly Disagree F=Frequency %=Percentage

Findings of the study in table 4.3 indicate that, out of 70 respondents; 15(21%) strongly disagreed, 35(50%) disagreed, 04(06%) were not sure, 10(14%) agreed and 06(09%) strongly agreed that profits of SSBs increased. This implies that to most SSBs never had profit increase since 50% disagreed and 21% strongly disagreed.

Further on, 30(42%) strongly disagreed, 20(29%) disagreed, 02(03%) were not sure, 13(18%) agreed and 05(08%) strongly agreed profits of SSBs were high. This implies that most SSBs in the Custom market of Juba never got high profits because 42% strongly disagreed and 29% disagreed.

About whether SSBs had high savings findings were such that; 31(44%) strongly disagreed, 22(31%) disagreed, 01(02%) were not sure, 10(14%) agreed and 06(09%) strongly agreed. This implies that most SSBs had low savings because 44% strongly disagreed and 31% disagreed that SSBs had high savings.

Findings further indicate that; 24(34%) disagreed and 22(32%) strongly disagreed while 05(07%) were not sure, 10(14%) agreed and 09(13%) strongly agreed SSBs' capital level had increased. This implies that most SSBs' capital level had not increased because 34% disagreed and 32% strongly disagreed.

Lastly; 27(39%) disagreed, 22(31%) strongly disagreed, 05(07%) were not sure, 09(13%) agreed and 07(10%) strongly agreed that their businesses had grown. This implies that most SSBs had not grown because 39% disagreed and 31% strongly disagreed.

4.4 Appropriate tax reform policies that may lead to expansion of small scale businesses in the custom market in Juba, Southern Sudan

The third objective in this study was appropriate tax reform policies that may lead to expansion of small scale businesses in the custom market in Juba, Southern Sudan. To achieve this objective, seven questions were asked concerning tax reforms in Southern Sudan. Respondents were required to indicate the extent to which they agree with each statement. A total of 70 respondents gave answers to each of the questions in the table below. Their responses were summarized using frequencies and percentage distribution as shown in table 4.4 below.

Table 4.4 Appropriate tax reform policies that may lead to expansion of small scale businesses in the custom market in Juba, Southern Sudan

Appropriate tax reform policies for expansion of SSBs	SA		A		NS		D		SD	
	F	%	F	%	F	%	F	%	F	%
Taxpayers complied with tax payment requirements	05	07	11	16	05	07	26	37	23	33
Taxpayers reported bribery and corruption behavior of the tax collectors.	25	36	17	24	04	06	15	21	09	13
Tax payment policies were fair and favoured capital accumulation and business expansion.	05	07	06	09	03	04	26	37	30	43
Tax payer rights were observed when collecting tax.	05	07	09	13	08	12	21	30	27	38
SSBs were given tax exemptions.	04	06	05	07	06	09	17	24	38	54
There was simplification of the tax structures.	07	10	11	16	06	08	18	26	28	40
There was sensitization and educating of proprietors in SSBs about taxation policies	04	06	05	07	06	09	17	24	38	54

Key SA=Strongly Agree A=Agree NS=Not sure D=Disagree
SD=Strongly Disagree F=Frequency %=Percentage

Findings of the study in table 4.4 indicate that, out of 70 respondents; 23(33%) strongly disagreed, 26(37%) disagreed, 05(07%) were not sure, 11(16%) agreed and 05(07%) strongly

agreed they complied with tax payment requirements so that social services were provided. This implies that most SSBs operators did not comply with tax payment because 37% disagreed and 33% strongly disagreed.

Further on majority of the respondents 25(36%) strongly agreed and 17(24%) agreed while 09(13%) strongly disagreed, 15(21%) disagreed, 04(06%) were not sure whether operators of SSBs reported bribery and corruption behavior of the tax collectors. This implies that most SSBs in the custom market reported bribery and corruption behavior of the tax collectors because 36% strongly agreed and 24% agreed.

Findings of the study indicate that; 30(43%) strongly disagreed, 26(37%) disagreed, 03(04%) were not sure, 06(09%) agreed and 05(07%) strongly agreed tax payment policies were fair and favoured capital accumulation and business expansion. This implies that tax payment policies were unfair and could not favour capital accumulation and business expansion since 43% strongly disagreed and 37% disagreed.

About whether tax payer rights were observed when collecting tax, findings indicate that; 27(38%) strongly disagreed, 21(30%) disagreed, 08(12%) were not sure, 09(13%) agreed and 05(07%) strongly agreed. This implies that tax payer rights were not effectively observed when collecting tax because 38% of the respondents strongly disagreed and 30% disagreed.

Majority of the respondents; 38(54%) strongly disagreed and 17(24%) disagreed, while 06(09%) were not sure, 05(07%) agreed and 04(06%) strongly agreed that small scale businesses were given tax exemptions. This implies that most SSBs were not given tax exemptions because 54% of the respondents strongly disagreed and 24% disagreed.

Most respondents; 28(40%) strongly disagreed, 18(26%) disagreed, 06(08%) were not sure, 11(16%) agreed and 07(10%) strongly agreed there was simplification of the tax structures in the custom market. This implies that generally there wasn't simplification of the tax structures in the custom market since 40% of the respondents strongly disagreed and 26% disagreed.

Lastly, out of 70 respondents; 38(54%) strongly disagreed, 17(24%) disagreed, 06(09%) were not sure, 05(07%) agreed and 04(06%) strongly agreed that there was sensitization and educating

of proprietors in SSBs about taxation policies. This implies that there was less sensitization and educating of proprietors in SSBs about taxation policies because 54% of the respondents strongly disagreed and 24% disagreed.

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter contains the general summary of the major study findings and researchers suggestions for the way forward.

5.1 Discussion of findings

Discussion of findings was based on study objectives that included; determining how taxation affected total sales of small scale businesses, determining the profitability of small scale businesses and identifying appropriate tax reform policies that may lead to expansion of small scale businesses in the custom market in Juba, Southern Sudan. These are discussed below.

5.1.1 Discussion of findings about how taxation affected total sales of small scale businesses in the Custom market of Juba, Southern Sudan

Out of 70 respondents; majority 37(53%) strongly agreed while 17(24%) agreed tax collectors were harsh when collecting taxes that they threaten business activity. They always confiscated property, arrest tax defaulters. It was unfortunate that the market administrators gave less help such as tax exemption to business people who had businesses that never performed well.

Further on most respondents; 32(46%) strongly disagreed, and 16(23%) disagreed, while 05(07%) were not sure, 10(14%) agreed and 07(10%) strongly agreed that tax assessment was fair. Most SSBs in the custom market of Juba paid tax that was unfairly assessed thus were cheated. This was because some businesses paid more tax than they were supposed to pay while others were closed due to failure to pay taxes or raise enough capital to keep them in business.

Findings revealed that majority 32(46%) strongly agreed and 20(29%) agreed while 05(07%) strongly disagreed, 10(14%) disagreed and 03(04%) were not sure, that tax assessment took much time thus affected the time of business activity which led to low sales. It could take more than four months after the assessment for one to know the amount of tax the business would pay. This jeopardized the smooth planning of business activities which ended up in low sales thus low profitability.

Majority of the respondents; 26(37%) strongly disagreed and 17(24%) disagreed while 09(13%) were not sure, 10(14%) agreed and 08(12%) strongly agreed taxpayers were compliant enough during tax payment. Many business operators in the custom market of Juba did not realize the reason why they would pay tax yet most of them were unfairly levied. They hardly accessed the social services such as garbage collection from the revenue they paid. Most of them hide away from tax collectors which jeopardized the tax collection system.

Further on most respondents; 25(36%) strongly disagreed and 15(21%) disagreed while 10(14%) were not sure, 12(17%) agreed and 08(12%) strongly agreed that there were tax exemptions in the custom market. Most SSBs operators in the custom market of Juba strongly disagreed that there were tax exemptions in the custom market since most business operators did not get them. They were given to a few business people who bribed tax collectors. This was unfair because some businesses were out compete since some sold goods at lower prices due to tax exemption.

It was unfortunate that, amidst unfairness from the tax collectors there were fluctuations in sales. This was because 34(48%) strongly agreed and 20(29%) agreed while 07(10%) disagreed, 05(07%) were not sure and 04(06%) strongly disagreed, that there were fluctuations in sales in the Custom market due to fear of tax collectors. Many businesses people could not open their businesses some days in fear of confiscation of their property by the harsh tax collectors. This reduced the amount of profits SSBs made in a specific period of time.

Most respondents; 27(38%) disagreed and 25(36%) strongly disagreed while 10(14%) agreed and 06(09%) strongly agreed and 02(03%) were not sure whether they had ever accessed tax exemptions in the custom market. Generally SSBs were not given tax exemptions since revenue from them was meant to sustain the activities of the local councils such as provision of social services. Even most of the SSBs operators did not fully know their rights regarding tax payment which led them to be cheated.

Lastly majority of the respondents; 30(43%) disagreed and 23(33%) strongly disagreed while 08(12%) agreed 06(08%) strongly agreed and 03(04%) were not sure whether tax exemptions were fair for all the people. Most respondents revealed that tax exemptions were accompanied by bribery which meant cheating other businesses in order to balance up. Some businesses were

intention over taxed while other not taxed with an intention of making them fall out of business. This retarded the growth of some businesses thus a problem.

5.1.3 Discussion of findings about the profitability of small scale businesses in the Custom market of Juba, Southern Sudan

Out of 70 respondents; 35(50%) disagreed and 15(21%) strongly disagreed while 10(14%) agreed and 06(09%) strongly agreed and 04(06%) were not sure whether their profits had increased. Most SSBs owners reported that they never made reasonable profits since they knew how their businesses operated. They had low profits due to low capital and disturbance from tax collectors.

Further on majority of the respondents; 30(42%) strongly disagreed and 20(29%) disagreed while 13(18%) agreed and 05(08%) strongly agreed and 02(03%) were not sure whether profits of SSBs were high. Most never got high profits because they never paid highly to their employees and yet their businesses never expanded such as opening up branches.

More so, most respondents; 31(44%) strongly disagreed and 22(31%) disagreed while 10(14%) agreed, 06(09%) strongly agreed and 01(02%) were not sure whether SSBs had high savings. Most SSBs operators did not get high profits thus after meeting all business expenses they could not save enough which affected their businesses during periods of low business activity.

Also 24(34%) disagreed and 22(32%) strongly disagreed while 10(14%) agreed, 09(13%) strongly agreed and 05(07%) were not sure whether SSBs' capital level had increased. Most SSBs worked with low capital that could easily enable them make high profits to save high in order to increase their capital. This was worsened by the poor taxation system that had corrupt officials who cheated some businesses by over taxation and being harsh.

Lastly majority of the respondents; 27(39%) disagreed and 22(31%) strongly disagreed while 09(13%) agreed, 07(10%) strongly agreed and 05(07%) were not sure whether their businesses had grown. This was because they operated for long period of time without much development such as opening up new branches or setting up other alternative businesses. Some businesses

even failed to add more stock from what they began business with which manifested poor business performance..

5.1.4 Discussion of findings about the appropriate tax reform policies that may lead to expansion of small scale businesses in the custom market in Juba, Southern Sudan

Out of 70 respondents; 26(37%) disagreed and 23(33%) strongly disagreed while 11(16%) agreed, 05(07%) strongly agreed and 05(07%) were not sure whether all they were complied with tax payment requirements so that social services were provided able to save high. This implies that most SSBs operators did not comply with tax payment because 37% disagreed and 33% strongly disagreed. Many SSBs operators evaded tax so that their profits were not affected. Many of them did not realize the reason why they paid tax since social service provision was poor in the area.

Further on most respondents; 25(36%) strongly agreed and 17(24%) agreed while 15(21%) disagreed, 09(13%) strongly disagreed and 04(06%) were not sure whether operators of SSBs reported bribery and corruption behavior of the tax collectors. Most operators of SSBs in the custom market reported bribery and corruption behavior of the tax collectors but given the maladministrative behavior of the local councils in the area poorly performing tax collectors were not penalized. This further failed the smooth running of business activities in the area.

More so; 30(43%) strongly disagreed and 26(37%) disagreed while 06(09%) agreed, 05(07%) strongly agreed and 03(04%) were not sure whether tax payment policies were fair and favoured capital accumulation and business expansion. The tax assessment team never made enough research on the ground to know the amount of tax different business categories had to pay in accordance to the amount of profits they made. This led to poor tax assessment and thus cheating of SSBs which jeopardized their expansion.

More still, out of 70 respondents; 27(38%) strongly disagreed and 21(30%) disagreed while 09(13%) agreed, 08(12%) were not sure and 05(07%) strongly agreed that tax payer rights were observed when collecting tax. This implies that tax payer rights were not effectively observed when collecting tax because SSBs operators were beaten and arrested on failure to pay tax on time without prior caution.

Further on majority of the respondents; 38(54%) strongly disagreed and 17(24%) disagreed while 06(09%) were not sure, 05(07%) agreed and 04(06%) strongly agreed that small scale businesses were given tax exemptions. SSBs in Southern Sudan were not given tax exemptions unless it was a special directive from the Ministry of Finance to enable operation of some development activities. However, even if SSBs were supposed to be granted tax exemptions, they were unfairly given to different businesses due to corruption of tax officials.

Majority of the respondents; 28(40%) strongly disagreed and 18(26%) disagreed while 06(08%) were not sure, 11(16%) agreed and 07(10%) strongly agreed there was simplification of the tax structures in the custom market. Generally there wasn't simplification of the tax structures in the custom market however much people complained. It was a few businesses whose owners met with local leaders that were in position to have their tax simplified.

Lastly most of the respondents; 38(54%) strongly disagreed and 17(24%) disagreed while 06(09%) were not sure, 05(07%) agreed and 04(06%) strongly agreed that there was sensitization and educating of proprietors in SSBs about taxation policies. There was less sensitization and educating of proprietors in SSBs about taxation policies due to poor communication system in the area, low levels of education among other factors. Most people never knew why they paid tax since they did not get the social services as they were promised.

5.2 Conclusions

Most tax collectors were harsh when collecting taxes that they threaten business activity. This led to low sale in SSBs.

Tax assessment was unfair in the custom market of Juba thus were cheated. This was because most business performance was not well analyzed before tax assessment.

Tax assessment took much time thus affected the time of business activity which led to low sales.

Majority of taxpayers were compliant enough during tax payment since they did not realize the reason why they would pay tax yet most of them were unfairly levied.

Most SSBs in the custom market were not given tax exemptions due to maladministration.

There were fluctuations in sales due to hiding of some SSBs in fear of tax collectors. This reduced the amount of profits SSBs made in a specific period of time.

Generally SSBs had never accessed tax exemptions.

Tax exemptions were unfair for all the people since they were accessed after bribing tax officials which retarded business activity.

Most SSBs profits had not increased due to unfair taxation.

Most SSBs never had high profits due to low capital which never reasonably increased due to high tax charged thus saved little. This therefore failed the growth of most of SSBs in the custom market of Juba.

Most SSBs never complied with tax payment requirements thus social services were hardly provided and business operation was poor.

Most operators of SSBs reported bribery and corruption behavior of the tax collectors but market administrators never responded positively.

Tax payment policies were generally unfair and never favoured capital accumulation and business expansion.

Most tax payer rights were not observed when collecting tax because they were beaten and arrested on failure to pay tax on time without prior caution.

Most small scale businesses were not given tax exemptions. SSBs in Southern Sudan were not given tax exemptions which retarded business activity.

Generally there wasn't simplification of the tax structures in the custom market however much people complained.

There was less sensitization and educating of proprietors in SSBs about taxation policies due to poor communication system in the area, low levels of education among other factors.

5.3 Recommendations

The researcher therefore suggests that;

The administrators in the custom market of Juba should penalize harsh and corrupt tax collectors who threaten business activity. This would lead to stable business operation thus growth of SSBs.

Tax assessment should be fair to all businesses through proper studying of business performance before tax assessment.

Tax assessment should take less time so that business operators effectively plan for their businesses to increase sales and profits.

Tax payers should be compliant enough during tax assessment, collection and payment so that they are not cheated or cheat the market administrators. They should prepare their books of accounts before tax collectors visit their business premises for easy tax assessment

SSBs should be given tax exemptions so that their capital accumulates.

Most tax payer rights should be observed when collecting tax because they would be more compliant with tax payment.

There should be simplification of the tax structures in the custom market so that people become compliant enough with tax payment.

There should be sensitization and educating of proprietors in SSBs about taxation policies so that people know the reason why they pay tax.

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APPENDICES

APPENDIX I

QUESTIONNAIRE FOR RESPONDENTS

Dear respondent(s), I am a student of Kampala International University pursuing a, 'Degree of Bachelor of Arts in Economics', conducting a study on, "The effects of Taxation on the performance of Small Scale Businesses (SSBs) in the custom market in Juba, Southern Sudan ", a case of your area. You are kindly requested for assistance by availing the required information to this study by answering this questionnaire. The results of this study will be treated with at most confidentiality and will be for academic purposes.

Directions (Please tick the most appropriate answer of your choice against the box)

1. Sex

(a) Male ☐ (b) Female ☐

2. Age

(a) Below 20 years ☐ (b) 21-30 years ☐

(c) 31-40 years ☐ (d) 41-50 years ☐

(e) Above 50 years ☐

3. Marital status?

(a) Single ☐ (b) Married ☐

(c) Divorced ☐ (d) Widow/Widower ☐

4. Level of Education?

a) Never studied at all ☐ (b) Primary ☐

c) Secondary ☐ (d) Tertiary ☐

e) Any other (specify).....

5. Working experience?

(a) Below 5 years ☐ (b) 6-10 years ☐

(c) 11-15years ☐ (d) 16-20years ☐

(e) 21-25 years ☐ (f) 26+ years ☐

6. Nature of business

(a) Retail ☐ (b) Partnership ☐

(c) Wholesale ☐ (d) Sole proprietorship ☐

Section B

(Taxation and Total sales of small scale businesses)

Instructions: Indicate the extent to which you agree with the following statements: your respective answers should range from 1=strongly disagree, 2= disagree, 3=Not sure

4= Agree and 5= strongly agree

7. Tax collectors harsh when collecting tax.

- | | | | |
|----------------------|----------------------|-------------|----------------------|
| a) Strongly disagree | <input type="text"/> | b) Disagree | <input type="text"/> |
| c) Not Sure | <input type="text"/> | d) Agree | <input type="text"/> |
| e) Strongly Agree | <input type="text"/> | | |

8. The tax assessment in our area is fair.

- | | | | |
|----------------------|----------------------|-------------|----------------------|
| a) Strongly disagree | <input type="text"/> | b) Disagree | <input type="text"/> |
| | <input type="text"/> | | <input type="text"/> |
| c) Not Sure | <input type="text"/> | d) Agree | |
| e) Strongly Agree | | | |

9. Tax assessment takes much time thus affecting the time of business activity.

- | | | | |
|----------------------|----------------------|-------------|----------------------|
| a) Strongly disagree | <input type="text"/> | b) Disagree | <input type="text"/> |
| c) Not Sure | <input type="text"/> | d) Agree | <input type="text"/> |
| e) Strongly Agree | <input type="text"/> | | |

10. Taxpayers are compliant enough.

- | | | | |
|----------------------|----------------------|-------------|----------------------|
| a) Strongly disagree | <input type="text"/> | b) Disagree | <input type="text"/> |
| | <input type="text"/> | | <input type="text"/> |
| c) Not Sure | | d) Agree | |
| e) Strongly Agree | <input type="text"/> | | |

11. There are some tax exemptions in your area.

- | | | | |
|----------------------|----------------------|-------------|----------------------|
| a) Strongly disagree | <input type="text"/> | b) Disagree | <input type="text"/> |
| c) Not Sure | <input type="text"/> | d) Agree | <input type="text"/> |

e) Strongly Agree ☐

12. There is fluctuation in sales in the Custom market due to fear of tax collectors.

a) Strongly disagree ☐

b) Disagree ☐

c) Not Sure ☐

d) Agree ☐

e) Strongly Agree ☐

13. You have ever accessed tax exemptions

a) Strongly disagree ☐

b) Disagree ☐

c) Not Sure ☐

d) Agree ☐

e) Strongly Agree ☐

14. Tax exemptions are fair for all the people.

a) Strongly disagree ☐

b) Disagree ☐

c) Not Sure ☐

d) Agree ☐

e) Strongly Agree ☐

Section C

(Profitability in small scale businesses)

Instructions: Indicate the extent to which you agree with the following statements: your respective answers should range from 1=strongly disagree, 2= disagree, 3=Not sure 4= Agree and 5= strongly agree

15. Your profits have increased.

a) Strongly disagree ☐

b) Disagree ☐

c) Not Sure ☐

d) Agree ☐

e) Strongly Agree ☐

16. Your profits are high.

a) Strongly disagree ☐

b) Disagree ☐

c) Not Sure ☐

d) Agree ☐

e) Strongly Agree ☐