

**DETERMINANTS OF TAX COMPLIANCE AMONG SAVINGS AND CREDIT
COOPERATIVE ORGANIZATIONS (SACCOS) IN MBARARA CITY: A CASE OF
MBARARA CITY, WESTERN UGANDA**

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ABSTRACT. In Uganda, taxation is the critical source of revenue, which has been used to provide public services to the citizens. However, taxation among the informal business sectors like SACCOs is still a pressing issue. The primary objective of this study was to evaluate the determinants of tax compliance among savings and credit cooperative organizations in Mbarara City, Western Uganda. The study sought to examine the influence of the determinants (tax system, tax compliance cost and tax deterrence sanction) on tax compliance (submission of returns, payment of taxes and tax reporting).

The finding of the study revealed that tax system, tax compliance costs and tax deterrence sanction were statistically significant related with tax compliance among SACCOs. The result of this study also revealed that out of three explanatory variables incorporated in the model, two variables such tax system and tax deterrence sanction were significant predictors of tax compliance. The study concluded that tax compliance among SACCOs was significantly influenced by tax system and tax deterrence sanctions compared to tax compliance costs. In this regard, tax policy makers, Uganda Revenue Authority, Uganda Microfinance Regulatory Authority, tax enforcers, managers of different companies need to consider proper education channels, tax sensitization programmes, modern electronic registration of tax payers, best assessment methods and reduce compliance costs to motivate tax payers to voluntarily comply with tax filing, registration and payment.

Keywords: Tax compliance, Tax system, Tax compliance costs, Tax deterrence sanctions, Taxation, Simple linear regression.

Background to the study

Taxes are considered as the main income of the national budget, an important tool to regulate the macro economy, promote investment, and control inflation. Taxes are the most important revenue and it is increasing as the economic development. Therefore, tax is the top

concern of both developed and developing countries (Huong & Phuong, 2021). Taxation is at the heart of the inclusive growth debate.

Taxes are known to affect employment and investment and are indeed found to have important implications for economic growth, as measured by GDP (Abdel-Kader & Mooij, 2020). In developing countries, tax evasion is a long-standing policy concern (Slemrod, 2018). The IMF (2015) recently stated that “Long a central concern in developing countries, strengthening compliance has become a greater priority in many advanced and emerging economies since the financial crisis...Improving compliance has long been a core development objective, both to enhance revenue and as essential to building strong, trusted public institutions.”

Tax compliance is defined as the ability and willingness of taxpayers to comply with the tax laws, declare the correct income for each year and pay the right amount of taxes on time (Ibn e Hassan & Gulzar, 2021). Similarly, James and Alley (2004) state that tax compliance is viewed as the degree to which a taxpayer gratifies to tax rules and regulations. However, Voluntary tax compliance is the readiness of an individual and other entities to abide by the tax laws without the application of any enforcement (Alabede JO, 2011).

According to Akalu (2016), tax non-compliance affects revenue collection and the ability of the government to achieve its fiscal and social goals. Improved tax compliance amplifies the venues available for supporting public services without increasing the current tax burden on compliant taxpayers. Rizal et al (2016) among the undesirable impacts of noncompliance, they reduce the national revenue significantly and thus encouraging a hidden economy in which inequities in the economy would be derived.

Tax revenue mobilization is a central concern of economic policymaking in many countries. Experience has shown that while some countries exhibit marked increases in their tax to-GDP ratios, others show little or no increase over extended periods. Greater domestic resource mobilization is critical for many countries.

Statement of the problem

URA has in the last 10 years deployed a number of measures, among which include technology and voluntary declaration of non-compliance, among others, to improve tax compliance. Despite of the above measures many Ugandans are not contributing to the tax basket an estimated 2.4 million taxpayers are on the URA tax registers however records indicate there are more than seven million Ugandans engaged in income-generating activities with a majority that is not contributing to the tax basket (Nakaweesi, 2022). Moreso, Uganda Revenue Authority (URA) has frequently registered revenue shortfalls like in the case of the financial year 2020/2021 where URA registered a revenue short fall of Uganda Shillings 939 billion (Budget speech, 2022). If the current situation continues to re-occur there is a likelihood of low tax collection where socio-economic growth and development of the country will be curtailed. It was against this background that the researcher seeks to evaluate the determinants of tax compliance among Savings and Credit Cooperative Organizations in Mbarara City, western Uganda.

Objectives of the study

1. To establish the influence of tax system on tax compliance in Mbarara City.
2. To examine the influence of tax compliance cost on tax compliance in Mbarara City.
3. To examine the influence of tax deterrence sanction on tax compliance in Mbarara City.

Research questions:

1. How does tax system influence tax compliance in Mbarara City?
2. To what extent does tax compliance cost influence tax compliance in Mbarara City.?
3. To what extent does tax deterrence sanction influence tax compliance in Mbarara City?

Methodology

Research design

The researcher was guided by a descriptive, correlational survey research design. The correlational research design was used in a sense to ascertain the relationships between independent and dependent variables. Findings from a correlational study enable researchers to determine whether or not as well as the degree to which two variables change together (Tan, 2014). A survey was used to obtain information describing characteristics of a large sample of individuals of interest relatively quickly (Ponto, 2015) and the researcher employed a descriptive survey research design because it is the one that is focused and detailed, in which propositions and questions about a phenomenon are carefully scrutinized and articulated at the outset (Kothari, 2004).

Study population

The study population include registered SACCOs in Mbarara City. There are 1200 SACCOs in Mbarara City according to Mbarara City commercial officer. This study focused on 500 finance managers and 700 accountants from these SACCOs because these are the people who can give first-hand information about the determinants of tax compliance in Mbarara City.

Table 1 : Target Population in Mbarara city

Category of the respondents	Target Population
Finance Managers	500
Accountants	700
Total	1200

Source: Commercial officer Mbarara City Council

Sample size and sample strategy

The sample size is an important feature of any empirical study in which the goal is to make inferences about a population from a sample. In practice, the sample size used in a study is determined based on the expense of data collection, and the need to have sufficient statistical power. Sample size is important primarily because of its effect on statistical power. Statistical power is the probability that a statistical test indicates a significant difference when there truly is one. (Morgan, 2001)

The Krejcie and Morgan (1970) table was initially used to determine the ideal sample size for this study. For the population of 1200 taxpayers, 291 would not be an ideal sample size given the time and resources available and also considering the large population. So, the researcher used the following formula;

N/kith: Where; N= Total number of SACCOs in any given sector

Kith item = Every tenth SACCO selected in succession from N to form the sample E.g.,

If the sample size was 1200 SACCOs divided by 10 = 120 SACCOs.

The study adopted a systematic sampling technique. The respondent selected the first sample unit at random and then the remaining units were automatically selected in a definite sequence of the 10th. Hence the respondents were 120.

Table 2 : Sampling Frame and Sampling Size

Category of the respondents	Target Population	Sample Size 10%	Sampling Technique
Finance Managers	500	50	Systematic sampling
Accountants	700	70	Systematic sampling
Total	1200	120	

Methods of data collection

Data was collected using questionnaire survey guided. And secondary literature about the variables was obtained from journal articles, books, internet, libraries, reports and published literature.

Questionnaire Survey

A questionnaire is a data collection method consisting of a series of questions and other prompts for the purpose of gathering information from respondents (Mellenbergh, 2008). A structured questionnaire was developed and administered to the respondents to extract information on their opinions on the determinant of tax compliance. The reason for selecting the questionnaire is because it is an appropriate method for collecting data, it offers greater assurance of anonymity, can be filled at the respondent's convenience hence increasing chances of getting valid information and it is a cheap way of collecting data from a wide geographical area (Amin, 2005).

Data collection instruments

The researcher used self-administered questionnaires data collection instrument.

Self-administered Questionnaire

The researcher used one set of a questionnaire namely self-administered as data collection instruments to respondents. A self-administered questionnaire designed on a Likert scale was used to collect data from respondents who can write and read well. This enabled to reach a sparse population and also becoming time saving to the researcher and respondents, cost saving to researcher while ensuring confidentiality.

Data analysis

Before processing the responses, the completed questionnaires were edited for completeness and consistency. Descriptive analysis was used. The Statistical Package for Social Sciences (SPSS) computer software was used for analysis to generate data array that was used for subsequent analysis of the data. SPSS has descriptive statistics features which assist in variable response comparison and gave clear indications of response frequencies.

RESULTS

Response Rate

The study sought a sample of 120 respondents and consequently issued the same number of questionnaires. However, 96 questionnaires of the total number issued were returned as fully answered and complete. This represents a percentage response rate of 80%. The table 4.1 below shows the questionnaires administered, questionnaires filled and returned and questionnaires not returned.

Table 1 : Response rate

Respondents' response	Number of Respondents	Response Rate
Questionnaires Administered	120	100%
Questionnaires Filled and Returned	96	80%
Questionnaires not returned	24	20%

Source: primary data 2022

From table 1 above, the percentage of response rate of the study was 80%. Much as it was less than 100%, the researcher believes it was a good representation for the study because the majority of the responses captured the required data for the study. According to Amin (2005), a total response rate of 70% is a good representation of the study population. Therefore, a rate of 80% is considered as good response as supported by Amin (2005).

Background Characteristics of Respondents

The findings regarding respondents' characters are revealed in the following tables; gender, age, level of education, marital status, position in Sacco, age of the organization, main source of income monthly turnover, URA verification number PIN, Registration with UMRA and number of employees.

Gender of the respondent

Gender was considered as a variable in this study since the researcher wanted to find the gender of the respondents. This was coded into two i.e., male and female and the findings on this are tabulated in table 2 below;

Table 2 : Gender of respondents

Gender	Frequency	Percentage
Male	65	67.7
Female	31	32.3
Total	96	100.0

Source: Primary Data 2022

The above table indicates that majority of the respondents 65 (67.7%) were male and 31(32.3%) were female (N=96). This implies that males were more than females, meaning most SACCOs in Mbarara City are managed by males since they were the majority.

Age of the respondents

Age was considered as a variable in this study since the researcher wanted to find out which age group works in SACCOs more than the other. This was coded into five i.e., between 18 and 25, between 26 and 35, between 36 and 45, between 46 and 55, 56 and above and the findings on this are tabulated in table 3 below;

Table 3 : Age of the respondents

Age	Frequency	Percentage
18-25	9	9.4
26-35	49	51.0
36-45	27	28.1
46-55	11	11.5
Total	96	100.0

Source: Primary Data 2022

The above table shows that 49(51%) representing majority of the respondents were between the age of 26 and 35, 27(28.1%) were between 36 and 45, 11(11.5%) were between 46 and 55, 4.6% while only 9(9.4%) were between 18 and 25 and none were aged 56 years and above. This implies that most respondents were between the age of 26 and 35, meaning that most SACCOs in Mbarara City are mostly managed by this age group since they were the majority. This also shows that the respondents were mature enough to understand the purpose of the study.

Education level of the respondents

This was a key variable in this study since the researcher wanted to find out the respondents with the highest level of education in Mbarara City. This was coded into six i.e. None, Certificate, Diploma, Bachelor, Masters, PhD and the findings on this are tabulated in table 4.4 below;

Table 4 : Education level of the respondents

Level of education	Frequency	Percentage
Certificate	4	4.2
Diploma	34	35.4
Bachelor	53	55.2
Masters	5	5.2
Total	96	100.0

Source: Primary Data 2022

The above table indicates that majority of the respondents 53(55.2%) attained Bachelors, 34(35.4%) attained Diploma, 5(5.6%) attained Masters and 4(4.2%) attained Certificate. This implies that majority of the respondents attained Bachelor's Degree while only few attained Certificate. This means that SACCOs in Mbarara City are mostly dominated by those who attained Bachelor's Degree compared to those who attained other levels of Education.

Marital status of the respondents

Marital status was considered as a variable in this study since the researcher wanted to find out marital status of the respondents in Mbarara City. This was coded into four i.e., Single, Married, Divorced, Widowed and the findings on this are tabulated in table 4.5 below;

Table 5 : Marital status of the respondent

Marital Status	Frequency	Percentage
Single	24	25.0
Married	64	66.7
Divorced	2	2.1
Widowed	6	6.3
Total	96	100.0

Source: Primary Data 2022

Results from the above table 5 show that majority of the respondents were married 64(66.7%), followed by those who were single 24(25%) while 6(6.3%) were widowed and only 2(2.1%) were divorced. This implies that most SACCOs in Mbarara City are dominated by those who are

married, meaning that married people tend to work better since they have more responsible and committed compared to those who are single, divorced, and widowed

Position in the Organization

Position in organization was considered as a variable in this study since the researcher wanted to find out the position of a respondents in SACCOs. This was coded into two i.e. Finance Manager and Accountant.

Table 6 : Position of respondent in the organization

Position of Respondent	Frequency	Percentage
Finance Manager	29	30.2
Accountant	67	69.8
Total	96	100.0

Source: Primary Data 2022

Out of the 96 respondents 29(30.2) % were Finance Managers, and 67(69.8%) were Accountants and 96% of the data was obtained from our focus group. This confirmed the reliability of the data sources as they emanated from key and responsible people in the SACCOs.

Age of the Organization

The researcher sought to determine the age of the organization under which the respondents fall. This was coded into four i.e., Less than one year, between 1 and 5, between 6 and10, more than 10 years and the findings are shown in table 7;

Table 7 : Age of the Organization

Age of the Organization	Frequency	Percentage
Less than one year	4	4.2
1-5 Years	53	55.2
6-10 Years	26	27.1
More than 10 years	13	13.5
Total	96	100.0

Source: Primary Data 2022

The findings revealed that 53(55.2%) SACCOs were aged between 1-5 years, followed by 26(27.1%) SACCOs aged between 6-10 years. The study further revealed that 13(13.5%) SACCOs are more than 10 years and 4(4.2%) were less than 1 year old. It can therefore be observed from the findings of the study that most of respondents were aged between 1-5 years in existence which reflects a substantial year where organizations should be identified and taxed, and recognition of how importance it to pay taxes.

Main source of income of the organization

The researcher sought to determine the main source of income of the organization under which the respondents fall. This was coded into four i.e., Interest on Investments, Interest on Loans, Service Charges and the findings are shown in table 4.8;

Table 8 : Main source of income

Source of Income	Frequency	Percentage
Interest on Investments	22	22.9
Interest on Loans	49	51.0
Service Charges	25	26.0
Total	96	100.0

Source: Primary Data 2022

From the study findings as shown in table 4.8, 49 of the respondents representing, 49(51.0%), interest on Loans as their source of income, 25 (26.0%) earn from service charges as their source of income and 22(22.9%) earn from the interest on investments. This implies that majority of the respondents depend on interest loans while only few depends on interest on investments. This implies that most SACCOs in Mbarara City depend on interest loans as their source of income.

Monthly turnover

The researcher found it of importance to ask the respondents to indicate their SACCOs' average monthly turnover, as this is the factor also identifies the category under which a taxpayer falls consequently determining whether the respondents can be classified as either small or medium enterprise Taxpayers. Table 4.9 shows the results of the findings.

Table 9: Monthly turnover

Monthly turnover	Frequency	Percentage
Below Ush 500,000	9	9.4
Between Ush 500,000 and Ush 1 million	17	17.7
Between Ush 1,000,000 and Ush 2 million	13	13.5
Between Ush 2,000,000 and Ush 3 million	14	14.6
	43	44.8
Over Ush 3 million		
Total	96	100.0

Source: Primary Data 2022

From the above table 9, 43(44.8%) respondents had a monthly turnover of over Ush3 million, followed in a distance by 17(17.7%) respondents revealed they had monthly turnover of between Ush 500,000 and 1 million while 14(14.6%) indicated that their monthly turnover is between Ush 2,000,000 and Ush 3 million. The study further revealed that 13(13.5%) had a monthly turnover of between Ush 1,000,000 and Ush 2 million and 9(9.4%) below 500,000. This implies that most SACCOs in Mbarara City had a monthly turnover of over Ush3 million.

Personal Identification Number

The researcher inquired as to whether the respondents' SACCO had a PIN. This was to determine that the Saccos are registered for tax purposes as the PIN is a mandatory requirement for all operating businesses. The findings are presented in table 4.10.

Table 10 : Number of respondents with Personal Identification Number

Respondents with PIN	Frequency	Percentage
Yes	81	84.4
No	15	15.6
Total	96	100.0

Source: Primary Data 2022

As shown in table 10, 81(84.4%) of the Saccos have a personal identification number while

15(15.6%) of the Saccos don't have a personal identification number. This was quite commendable as it shows that 84.4% of the SACCOs that participated in the survey are duly registered for tax purposes.

Uganda Microfinance Regulatory Authority

The researcher inquired as to whether the respondents were registered under Uganda Microfinance Regulatory Authority. This was to determine whether SACCOs are registered and monitored by Uganda Microfinance Regulatory Authority. The findings are presented in table 11.

Table 11 : Number of respondents registered with UMRA

Respondents registered with UMRA	Frequency	Percentage
Yes	38	39.6
No	58	60.4
Total	96	100.0

Source: Primary Data 2022

As shown in table 11, 38(39.6%) of the SACCOs were registered with Uganda Microfinance Regulatory Authority while as 58(60.4%) of the SACCOs were not registered with Uganda Microfinance Regulatory Authority. This implies that most SACCOs in Mbarara City were not registered and monitored by Uganda Microfinance Regulatory Authority since 60.4 % of the

Number of Employees

The study sought to find out the number of staff employed in the organizations as illustrated in table 12;

Table 12 : Number of employees in the organization

Number of Employees	Frequency	Percentage
Below 20	61	63.5
Between 21 and 40	30	31.3
Between 41 and 50	5	5.2
Total	96	100.0

Source: Primary Data 2022

The findings indicate that 61(63.5%) of the SACCOs who responded had the number of staff employed in their organization below 20, followed by SACCOs with employees between 21 and

40 representing 30(31%). The findings also indicated that 5(5.2%) of the respondents had employees between 41 and 50., and 3.4% had 41-50. This implies that most SACCOs in Mbarara City had employees below 20.

The influence of tax system on tax compliance

This was one of the key objectives of the study and the researcher wanted to find out the influence of tax system on tax compliance. In order to achieve this, the researcher asked 11 quantitative questions and the respondents were requested to do self-rating on these items basing on Likert scale ranging from 1= strongly disagree (SD), 2= disagree (D), 3= not sure (NS), 4= agree (A) and 5= strongly agree (SA). The responses on this are indicated in table 4.13 below;

Table 13: Influence of tax system on tax compliance
(Frequencies, percentages, means and standard deviations)

Indicators of Tax system	SD	D	NS	A	SA	Mean	Std.Dev
Several channels used to get tax related information introduced URA	23 24%	31 32.3%	2 2.1%	24 25%	16 16.7%	2.78	1.474
The tax rates in Uganda are high				51 53.1%	45 46.9%	4.47	.502
Failure to pay tax liabilities because of many different forms of taxes	10 10.4%	16 16.7%		35 36.5%	35 36.5%	3.72	1.382
Tax laws are so complex to understand	9 9.4%	15 15.6%		34 35.4%	38 39.6%	3.80	1.358
Access to enough Information about taxes in Mbarara city	25 26%	32 33.3%		24 25%	15 15.6%	2.71	1.479
Easy to access URA offices and its electronic system for tax purposes	19 19.8%	36 37.5%		21 21.9%	20 20.8%	2.86	1.491
The online registration of taxpayer introduced by URA is simple and user	25 26%	37 38.5%	5 5.2%	15 15.6%	14 14.6%	2.54	1.406
Increase tax compliance voluntarily because of fair distribution of benefits from government.	21 21.9%	37 38.5%	5 5.2%	27 28.1%	6 6.3%	2.58	1.279
Tax registration is easy and fast	16 16.7%	33 34.4%	3 3.1%	34 35.4%	10 10.4%	2.89	1.337
Enough access to the guidelines on the tax registration procedure.	18 18.8%	31 32.3%	2 2.1%	34 35.4%	11 11.5%	2.89	1.375
Willingness to pay taxes is motivated by the fairness in which taxes are administered	19 19.8%	24 25%	8 8.3%	30 31.3%	15 15.6%	2.98	1.414

Source: Primary Data 2022

According to Table 13, the majority of survey participants— 54(56.3%)—disagreed that there are several channels used to get tax related information introduced by URA. This compares to 40(41.7%) who agreed and 2(2.1%) who were unsure. This implied that SACCOs in Mbarara City are not informed about the tax policies introduced by URA cyclically.

The majority of study respondents unanimously 96 (100%) agreed that the tax rates in Uganda are high. And none of the respondents disagreed that the tax rates in Uganda are high. This implied that respondents were experience high tax rates across.

Respondents 70(73%) agreed that the failure to pay tax liabilities is because of many different forms of taxes compared to 26(27.1%) who disagreed while none were not sure. This showed that there are different forms of taxes which have triggered non tax compliance.

The influence of tax compliance cost on tax compliance

This was one of the key objectives of the study and the researcher wanted to find out the influence of tax compliance cost on tax compliance. In order to achieve this, the researcher asked 12 quantitative questions and the respondents were requested to do self-rating on these items basing on Likert scale ranging from 1= strongly disagree (SD), 2= disagree (D), 3= not sure (NS), 4= agree (A) and 5= strongly agree (SA).

Table 14: Influence of tax compliance cost on tax compliance (*Frequencies, percentages, means and standard deviations*)

Indicators of tax compliance cost	SD	D	NS	A	SA	Mean	Std.Dev
Too much is spent on employing professional staff to assist on tax proceedings.	9 9.4%	16 16.7%	1 1%	31 32.3%	39 40.6%	3.78	1.378
High book keeping costs associated with tax compliance.	7 7.3%	18 18.8%	3 3.1%	34 35.4%	34 35.4%	3.73	1.318
Too time spent at registration for taxes	12 12.5%	19 19.8%	5 5.2%	32 33.3%	28 29.2%	3.47	1.414
The cost of compliance affects organization's tax compliance	9 9.4%	9 9.4%	2 2.1%	42 43.8%	34 35.4%	3.86	1.262
Incur high auditing and legal costs for tax compliance	6 6.3%	16 16.7%	2 2.1%	33 34.4%	39 40.6%	3.86	1.287
Tax registration is cost effective to organization growth and development	13 13.5%	13 13.5%	2 2.1%	45 46.9%	23 24%	3.54	1.353
High legal charges of lawsuits associated with tax compliance	11 11.5%	13 13.5%	3 3.1%	31 32.3%	38 39.6%	3.75	1.399
Common habit of officers using presumed tax liability in organization.	13 13.5%	18 18.8%	9 9.4%	32 33.3%	24 25%	3.38	1.394
correctly reporting tax liability and filing tax returns honestly to URA	14 14.6%	17 17.7%	2 2.1%	30 31.3%	33 34.4%	3.53	1.479
High costs of filing tax returns and liabilities	11 11.5%	13 13.5%		45 46.9%	27 28.1%	3.67	1.327
Determining tax liability at times costs a lot of time to organization.	10 10.4%	14 14.6%	1 1%	41 42.7%	30 31.3%	3.70	1.331
Huge accounting costs for tax compliance.	5 5.2%	13 13.5%	5 5.2%	35 36.5%	38 39.6%	3.92	1.211

Source: Primary Data 2022

According to Table 4.14, the majority of survey participants— 70(72.9%)—agreed that too much is spent on employing professional staff to assist on tax proceedings. This compares to 25(26.1%) who disagreed and 1(1%) who was unsure. This implied that SACCOs in Mbarara City spend too much on employing professional staff to assist them on tax proceedings.

The majority of study respondents 68(70.8%) agreed that there is high book keeping costs associated with tax compliance. And 25(26.1%) of the respondents disagreed while 3(3.1%) were not sure. This implied that respondents were experience high book keeping costs associated with tax compliance.

Respondents 60(62.5%) agreed that too much time spent at registration for taxes compared to 31(32.3%) who disagreed while 5(5.2%) were not sure. This showed that respondents were spending too much time at registration for taxes.

The influence of tax deterrence sanction on tax compliance

This was one of the key objectives of the study and the researcher wanted to find out the influence of tax deterrence sanction on tax compliance. In order to achieve this, the researcher asked 12 quantitative questions and the respondents were requested to do self-rating on these items basing on Likert scale ranging from 1= strongly disagree (SD), 2= disagree (D), 3= not sure (NS), 4= agree (A) and 5= strongly agree (SA).

Table 15: Influence of tax deterrence sanction on tax compliance (*Frequencies, percentages, means and standard deviations*)

Indicators of tax deterrence sanction	SD	D	NS	A	SA	Mean	Std.Dev
Treat tax fraud in the same way as tax evasion	18 18.8%	20 20.8%	33 34.4%	9 9.4%	16 16.7%	2.84	1.308
There is a monetary fine in the case of any tax fraud				59 61.5%	37 38.5%	4.39	.489
There is prison sentence in case of any tax fraud	6 6.3%	13 13.5%	8 8.3	36 37.5%	33 34.4%	3.80	1.228
There is a possibility for URA to detect tax fraud.	13 13.5%	15 15.6%	2 2.1%	40 41.7%	26 27.1%	3.53	1.391
organizations are always audited annually about tax liabilities compliance.	8 8.3%	20 33.3%	1 1%	43 44.8%	24 25%	3.57	1.296
Tax authorities penalizes a person who fail to declare their correct incomes	10 10.4%	25 26%	17 17.7	26 27.1%	18 18.8%	3.18	1.298
The fear of a tax audit has influenced the perception of the fairness of taxes	19 19.8%	19 19.8%	3 3.1%	34 35.4%	21 21.9%	3.20	1.484
Always pay a fine in case of late payment of tax returns	8 8.3%	30 31.3%	2 2.1%	34 35.4%	22 22.3%	3.33	1.351
Exemptions from URA as reward for commitment about tax voluntarily compliance.	15 15.6%	20 20.8%		38 39.6%	23 24%	3.35	1.444
The penalties for noncompliance are fair and equally applied in Mbarara City.	10 10.4%	26 27.1%	4 4.2%	36 37.5%	20 20.8%	1.348	1.348
In Uganda tax laws are fair for all tax payers	13 13.5%	22 22.9%	4 4.2%	34 35.4%	23 24%	1.412	1.412

Source: Primary Data 2022

According to Table 4.15, the majority of survey participants— 38(39.6%)—disagreed that tax fraud is treated in the same way as tax evasion. This compares to 25(26.1%) who agreed and 33(34.4%) who were unsure. This implied that SACCOs in Mbarara City are informed about tax fraud and the know what it means.

The majority of study respondents unanimously 96 (100%) agreed that there is a monetary fine in the case of any tax fraud. And none of the respondents disagreed. This implied there is a monetary fine in the case of any tax fraud by tax payers in Mbarara city.

Respondents 69(71.9%) agreed that there is prison sentence in case of any tax fraud compared to 19(19.8%) who disagreed while 8(8.3) were not sure. This showed that there is prison sentence in case of any tax fraud.

Most of the study respondents 66(68.8%) agreed that there is a possibility for URA to detect tax fraud as opposed to 28(29.1%) who disagreed while 2(2.1%) were not sure. This implied that there is a possibility for URA to detect tax fraud.

The rate of tax compliance in Mbarara City

The rate of tax compliance was the problem variable in this study. In order to achieve the rate at which taxpayers comply to taxes imposed, the researcher asked 6 quantitative questions and the respondents were requested to do self-rating on these items basing on Likert scale ranging from 1= strongly disagree (SD), 2= disagree (D), 3= not sure (NS), 4= agree (A) and 5= strongly agree (SA).

Table 16: Rate of tax compliance (*Frequencies, percentages, means and standard deviations*)

Indicators of levels of tax compliance	SD	D	NS	A	SA	Mean	Std.Dev
Honestly filling tax returns	10 10.4%	33 34.4%		22 22.9%	31 32.3%	3.32	1.483
Improved on voluntary filing of returns to URA	26 27.1%	20 20.8%		23 24%	27 28.1%	3.05	1.638
Payment of taxes fully in conformity with the assessments done	27 28.1%	27 28.1%		27 28.1%	15 15.6%	2.75	1.508
Evidenced of many Saccos paying taxes as required	17 17.7%	26 27.1%	11 11.5	25 26%	17 17.7%	2.99	1.403
Reporting of all transactions, including both small and large ones	18 18.8%	23 24%		26 27.1%	29 30.2%	3.26	1.558
Correctly reporting tax liability to URA	17 17.7%	26 27.1%		30 31.3%	23 24%	3.17	1.499
N=96							

According to Table 16, the majority of survey participants— 53(55.2%)—agreed that there is honest filling of tax returns. This compares to 43(44.8%) who agreed. This implied that there is honest filling of tax returns in Mbarara City.

The majority of study respondents 50(52.1%) agreed that there is improved on voluntary filing of returns to URA. And 46(47.9%) of the respondents disagreed. This implied that there is improved on voluntary filing of returns to URA.

Respondents 54(56.2%) disagreed that there is payment of taxes fully in conformity with the assessments done compared to 42(43.7%) who agreed. This showed that payment of taxes aren't fully in conformity with the assessments done.

Most of the study respondents 43(44.8%) disagreed that there is evidence of many Saccos paying taxes as required as opposed to 42(43.7%) who agreed while 11(11.5%) were not sure. This implied that there is no enough evidence of many Saccos paying taxes.

The relationship between tax system and tax compliance

This was considered in this study and the researcher wanted to find out the relationship between tax system and tax compliance. A Pearson's correlation test was run to show the relationship between tax system and tax compliance. The level of acceptance of the relationship is when the value of r ranges between -1 and 1. The results on this are indicated in table 4.16 below;

Table 17: The relationship between tax system and tax compliance

Variables	Statistic	Tax system	Tax Compliance
Tax system	Pearson		
		1	.172
	Correlation Sig. (2-tailed)		.093
Tax Compliance	Pearson		
		.172	1
	Correlation Sig. (2-tailed)	.093	

Source: Primary Data 2022

From the above correlation matrix, revealed that there is a positive relationship between tax system and tax compliance with a correlation coefficient of 0.172. The correlation coefficient is within the acceptable range of between -1 and 1. It can therefore be deduced with confidence that there is a genuine relationship between tax system and tax compliance. This implies that as tax payers start incurring high tax rates, complexity of tax laws, facing numerous forms of taxes and inadequate information about these taxes, the level of tax compliance will keep decreasing tremendously.

The relationship between tax compliance cost and tax compliance

Table 18: The relationship between tax compliance cost and tax compliance

<u>Variables</u>	<u>Statistic</u>	<u>Tax Compliance</u>	<u>Tax Compliance Cost</u>
Tax Compliance	Pearson Correlation	1	.014
	Sig. (2-tailed)		.892
Tax Compliance Cost	Pearson Correlation	.014	1
	Sig. (2-tailed)	.892	
	N	96	96

Source: Primary Data 2022

From the above correlation matrix, there is positive significant relationship between tax compliance cost and tax compliance among the SACCOs in Mbarara City since correlation coefficient of 0.014 is within the acceptable range of between -1 and 1. This implies that as tax payers start incurring high cost of employing professional tax consultants to manage their taxes, incurring high auditing, legal and book keeping costs, the level of tax compliance will keep and many taxpayers will become non-tax complaints.

The relationship between tax deterrence sanctions and tax compliance

A Pearson's correlation test was run to show the relationship between tax deterrence sanctions and tax compliance. The level of acceptance of the relationship is when the value of r ranges between -1 and 1. The results on this are indicated in table 4.18 below;

Table 19: The relationship between tax deterrence sanctions and tax compliance

Variables	Statistic	Tax Compliance	Tax Deterrence Sanction
Tax Compliance	Pearson Correlation	1	-.162
	Sig. (2-tailed)		.115
Tax Deterrence Sanction	Pearson Correlation	-.162	1
	Sig. (2-tailed)	.115	
	<i>N</i>	96	96

Source: Primary Data 2022

From the above correlation matrix 4.19, there is significant correlation between tax deterrence Sanction and tax compliance among the SACCOs in Mbarara city with a correlation coefficient of

-0.162. Since the correlation coefficient is within the acceptable range of between -1 and 1. This implies that as tax payers are detected by URA in case of any default, audit likelihood and penalties for tax defaulters, the level of tax compliance will keep increasing cyclically.

Linear regression analysis

A simple linear regression analysis was conducted to establish the influence of the independent variables (tax system, tax compliance cost, tax deterrence sanction) on expected tax compliance (Submission of returns, payment of taxes and Tax reporting).

In order to examine the influence of tax system, tax compliance cost and tax deterrence sanction on tax compliance, inferential analysis was conducted using regression analysis to predict the value of one variable based on the value of the other, a simple liner regression model below is used:

$$E(Tc) = \beta_0 + \beta_1 Tas + \beta_2 Tcc + \beta_3 Tds + \epsilon$$

Where:

E(Tc) = dependent variable (Expected Tax compliance)

Tas = tax system

Tcc= tax compliance cost **Tds**= tax deterrence sanction **β_0**

= intercept (value of E(Tc), when Tas=0, Tcc=0, Tds= 0)

$\beta_1, 2, 3$ = Coefficients of the independent variables **ϵ** =

random error

Regression analysis of tax system, tax compliance cost and tax deterrence sanction on tax compliance.

Analysis using regression analysis technique was made to check the influence of tax system, tax compliance cost, and tax deterrence sanction on tax compliance.

Much as correlation analyses were conducted about the relationships between the independent variables and the dependent variable, a further analysis to investigate the influence of the independent variables have on the dependent variable were tested using a multiple linear regression as shown below

Table 20: Tax system on tax compliance (ANOVA and Linear regression analysis)

Model Summary						
Model		R	R Square	Adjusted R Square	Std. Error of the Estimate	
1		.172 ^a	.030	.019	1.06638	
a. Predictors: (Constant), Tax System						
ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3.269	1	3.269	2.875	.093 ^b
	Residual	106.893	94	1.137		
	Total	110.162	95			
a. Dependent Variable: Tax Compliance						
b. Predictors: (Constant), Tax System						
Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.327	.463		5.026	.000
	Tax System	.245	.145	.172	1.696	.093

Source: Primary Data 2022

The study results in Table 19 above, indicate that the three independent variables identified in this study (tax system, tax compliance cost and tax deterrence sanction) are presented to show their significance influence on tax compliance. From the above output, the regression model can be fitted as follows; $E(Tc) = 2.327 + 0.245 Tas$

Tax system predict 46.3% of tax compliance (Adjusted R Square = .019). The regression model was significant and thus reliable for making conclusions and recommendations. Tax system

significantly predicts tax compliant (Beta= 0.172, t= 1.696, Sig.=0.093). The findings revealed that tax system was strong predictor of tax compliance since p-value (0.093)> 0.05, this means that tax system strongly influences tax compliance.

Table 4.20 reports the summary ANOVA and F statistic which reveals the value of (F=2.875, Sig=0.000, p<0.05) showing that the regression coefficient was significantly different from zero. Therefore, tax system was found to be significant predictor of tax compliance among SACCOs in Mbarara City. The value of F is large enough to conclude that the independent variable (Tax system) has an influence on tax compliance.

Table 21:Tax compliance cost on tax compliance (ANOVA and Linear regression analysis)

Model Summary						
Model		R	R Square	Adjusted R Square	Std. Error of the Estimate	
1		.014 ^a	.000	-.010	1.08245	
a. Predictors: (Constant), Tax Compliance Cost						
ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.022	1	.022	.019	.892 ^b
	Residual	110.140	94	1.172		
	Total	110.162	95			
a. Dependent Variable: Tax Compliance						
b. Predictors: (Constant), Tax Compliance Cost						
Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.028	.472		6.421	.000
	Tax Compliance Cost	.017	.125	.014	.136	.892

Source: Primary Data 2022

The study results in Table 20 above, tax compliance cost is presented to show their significance influence on tax compliance. From the above output, the regression model can be fitted as follows; $E(T_c) = 3.028 + 0.017 T_{cc}$ Tax compliance cost and tax deterrence sanction predict 47.2% of tax compliance (Adjusted R Square = .010). The regression model was significant and thus reliable for making conclusions and recommendations. Tax compliance cost is a significant predictor of tax compliance at (Beta= 0.014 t= 0.136, Sig.= 0.892). The findings revealed that tax compliance cost was strong predictor of tax compliance since p-value (0.892)> 0.05, this means that tax compliance strongly influences tax compliance.

Table 20 reports the summary ANOVA and F statistic which reveals the value of (F=.019, Sig=0.892, p<0.05) showing that the regression coefficient was significantly different from zero. The value of F is large enough to conclude that the independent variable (Tax compliance cost) has an influence on tax compliance

Table 22: Tax deterrence sanction on tax compliance (ANOVA and Linear regression analysis)

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.162 ^a	.026	.016	1.06824		
a. Predictors: (Constant), Tax Deterrence Sanction						
Model		Unstandardized Coefficients		Standard ized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.920	.532		7.369	.000
	Tax Deterrence Sanction	-.243	.152	-.162	-1.593	.115
a. Dependent Variable: Tax Compliance						

Source: Primary Data 2022

The study results in Table 22 above, indicate that the independent variable identified in this study tax deterrence sanction is presented to show their significance influence on tax compliance. From the above output, the regression model can be fitted as follows;

$$E(Tc) = 3.920 - 0.243Tds$$

Tax deterrence sanction predict 53.2% of tax compliance (Adjusted R Square = .016). The regression model was significant and thus reliable for making conclusions and recommendations. Tax deterrence sanction is a significant predictor of tax compliance at (Beta= -0.162, t= -1.593, Sig.= 0.115). The findings revealed that tax deterrence cost was strong predictor of tax compliance since p-value (0.115)> 0.05, this means that tax compliance strongly influences tax compliance.

Table 4.20 reports the summary ANOVA and F statistic which reveals the value of (F=2.538, Sig= 0.115, p>0.05) showing that the regression coefficient was significantly different from zero and the values of F are large enough to conclude that the independent variables (Tax Systems, Tax compliance cost and tax deterrence sanctions) had an influence on tax compliance.

Conclusions

In conclusion, the study findings revealed that all the identified determinants have a direct influence on the tax compliance among SACCOs. The tax compliance determinants examined included tax system, tax compliance cost, and tax deterrence sanction on tax compliance.

On tax system, the study confirmed that most of the respondents felt the tax rates are high and should be reviewed, thus the government should relook at the tax rates currently charged to SACCOs. On numerous forms of taxes which taxpayers think it is double taxation, URA should align and demystify these forms of taxes by availing enough credible tax information.

Recommendations

Uganda Revenue Authority should review the current tax rates and all complex information associated with tax should be simplified for every taxpayer to understand and interpret well.

Different forms of taxes before imposing should be well demystified to the taxpayers so as to avoid any misconception of these taxes on the larger scale. URA should launch a campaign of sensitizing tax payers on tax compliance and their importance in regards to affordable service delivery. This should be all over the radio and TV stations and all social media platform across the country.

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