

Taxation and The Development Of Small Businesses In Uganda, A Case Study Of Wakiso District

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Abstract

The study aimed at the effect of taxation and the development of small businesses in Uganda with a case study of wakiso district and it was guided by the following objectives; To examine the relationship between tax compliance and the business development of Small businesses in Wakiso district, to assess the relationship between tax rates and the business development of Small businesses in Wakiso district and to analyze the relationship between tax incentives and the business development of Small businesses in Wakiso district. The study population concentrated on Managers and employees of Small businesses in Wakiso District. The study area was limited to this one SB in Wakiso district since the majority of the Small businesses are established in urban areas. Self-Administered Questionnaires (SAQ) were employed to gather data from the study elements in a structured manner. SAQs with one open ended question per section was designed for SB employees to give additional or express their mind while the rest was close ended aimed at testing perception using a five-point like scale measuring from Strongly Disagree as response 1, Disagree as response 2, Not sure as response 3 Agree as response 4 and Strongly Agree as response 5 for easy measurements of variables and data was also imported to SPSS version 23 statistical software for investigation. The study findings revealed that members of the small and medium enterprises could not understand the tax laws and regulations in Uganda which is represented by the mean score of 2.24 and standard deviation of 0.711. Furthermore, most of the respondents disagreed (mean =2.45; SD = 0.710) that they can interpret tax laws and compute tax liabilities. This shows that the majority of the respondents do not have sufficient tax knowledge regarding the when to pay taxes and in what proportions. From recommendations, there should be reduced tax burden on these businesses and enabled them to reinvest and expand businesses and thus, fueling the prosperity and performance of Small businesses in Uganda.

Keywords: Taxation, Development and Small Businesses

Background to the study

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Small businesses are important to the growth of society as they support economic growth and development through; the supply of jobs that reduced unemployment, the solution of demographic problems associated with a high population, contributing, among other things, to the generation of domestic income (Nelson & Christopher, 2022). The taxation system used in any country determines the performance of businesses, with countries with favorable and favorable tax rates promoting successful businesses (Frank et al., 2023). Successful businesses have influenced the growth of economies by ensuring equitable distribution of income and investment in the country (Oromo et al., 2023). In essence, businesses and taxation are interdependent for survival in that when business performance is affected, the growth of the economy is equally affected (Winny et al., 2023). The genesis of taxation dates back deep to Egypt in the early 1800s BC, depicted in tomb paintings where pharaohs imposed a tax on cooking oil as tax collectors (scribes) ensured that people did not use substitutes for the taxed oil (Tasha et al., 2023). Additionally, the ancient Greeks had a well-defined tax system where taxes like; sales taxes, inheritance taxes, land taxes, poll taxes, and import and export taxes were imposed on citizens to pay for wartime expenses (Christopher & Turyasingura, 2024).

In Africa, the history of taxation can be traced back to the days of the first British colonial administrators, which included, among other things, compulsory public works such as the construction of roads, the building of administrative headquarters and schools (Ramadhan, Alex, Kazaara et al., 2023). The cottage tax ushered in the emergence of formal taxation at the beginning of the 20th century. Conversely, the first Common Tariff was introduced which included a 5% import tax rate on goods bound for Uganda via the port of Mombasa in Kenya (Ramadhan, Alex, Ariyo et al., 2023). Taxation in Uganda has also been influenced by World Bank policies to promote economic growth and development (Kinyata & Abiodun, 2020). The Ugandan government has transformed a number of tax policies to support the growth of SMEs through the harmonization of tax rates and the formulation of new tax incentives, among others to prevent double taxation and tax evasion (Christopher & Turyasingura, 2024). However, with all these tax reforms, Uganda still lacks a well-known clear national tax policy for SMEs. Recent tax policy focuses only on legal requirements regarding the administration of the tax regime instead of providing strategies to support the performance of small businesses in Uganda (Turyatamba et al., 2022). According to the Ministry of Finance, Planning and Economic Development (MFPED), small and medium enterprises are defined as businesses employing 5 to 50 people with an annual turnover/revenue of up to 360 Uganda Shillings (USH.) million and a "medium enterprise" as a business employing more than 50 people with annual turnover or assets between (USH.) 360 million and 30 billion (Faridah et al., 2023). Small businesses account for about 90% of private sector output, which has greatly boosted the economy in Uganda. Small businesses have boosted the economy by creating new jobs and generating income among other things. However, small businesses face challenges from limited size and resources that have affected their operations. This is currently mitigated through; providing business development services (BDS) to build capacity and increase their performance in the areas of business planning, technology, communications and other services (Musaibah et al., 2023). Over 80% of small businesses in Uganda are established in urban areas and therefore this study contextually examined small businesses in Wakiso District, Central Uganda.

Statement of the problem

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Wakiso District Town Council is a hub for small businesses and accounts for over 75% of the over 20,000 businesses that operate in the district (Musimenta et al., 2017). Businesses in Uganda pay various types of taxes, from customs duty, excise duty, value added tax, corporation tax and stamp duty. These taxes are the main source of revenue for government services and administration (Paul et al., 2023). These taxes are believed to have a negative effect on business performance. Coupled with poor tax policies and high rates, businesses still struggle to stay alive for more than five years (Hussein et al., 2024). However, with its efforts to support small and medium enterprises, the government has enacted tax policies to support and promote the performance of small businesses. This tax policy focused on the harmonization of tax rates and the introduction of new tax incentives to support small businesses (Alex & Kazaara, 2023). With taxes collected, the government is able to provide social services in the city, such as roads, street lights, security, drainage channels, etc. Taxes also enable the government to build public infrastructure, support healthcare, public insurance, and public education (Amos et al., 2024). Despite efforts by the Ugandan government to enhance the growth and performance of small businesses, it is widely believed that taxation still remains a major obstacle to these efforts as taxes continue to affect small business performance (Ntirandekura et al., 2022). . Taxes reduce small business profits by increasing operating costs, thereby crippling business survival. Taxes also discourage hard work, are inconvenient and unpopular with small businesses (Promise et al., 2024). This explains why most small businesses in Uganda do not survive five years after inauguration, indicating poor performance in the SB sector (Winny et al., 2023). The researcher therefore conducted a study that examined the relationship between taxation and small business development in Wakiso District.

Specific objectives of the study

1. To examine the relationship between tax compliance and the business development of Small businesses in Wakiso district.
2. To assess the relationship between tax rates and the business development of Small businesses in Wakiso district.
3. To analyze the relationship between tax incentives and the business development of Small businesses in Wakiso district.

Methodology

This study adopted a design also known as a cross-sectional analysis. Although cross-sectional research does not involve conducting experiments, researchers often use it to understand outcomes in the physical and social sciences and many business sectors (L. A. Nafiu et al., 2017). (Olanrewaju et al., 2021) and also to state the reason for cross-sectional research such as reporting and determining the state of affairs. The research was suitable under the cross-sectional research provisions because the researcher collected the data and stated the state of affairs without changing any variables (Abiodun & Christopher, 2024). The study population concentrated on managers and employees of small businesses in Wakiso District. The study area was limited to this one SB in Wakiso District because most of the small businesses are established in urban areas. The study considered an available population of 65 small businesses (Winny et al., 2023). Sample size refers to the number of subjects in a sample (symbolized by n) or a subset of a population (L. A. Nafiu, Oshungade, et al., 2013). Based on the sampling table of Krecjie and Morgan (1970), the researcher used purposive sampling to select a sample size of 50 respondents from a

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population of 65 registered employees (L. A. Nafiu, 2012). The study used a probability sampling technique known as simple random sampling (L. A. Nafiu, Ph, et al., 2013). The researcher used simple random sampling to minimize the possibility of researcher bias as the research is aimed at the entire SB population. Employees employed in small businesses in Wakiso district were eligible to participate in the study (Alex & Kazaara, 2023).

Purposive sampling was carried out for owners and top management within the district city council. Both quantitative and qualitative data collection methods were used during the study. A questionnaire survey method was used to collect quantitative statistics, while an interview and documentary review method was used to collect qualitative information. The researcher chose the data collection method that better suited the intended purposes (Jallow et al., 2022). A questionnaire survey method is a set of questions used to obtain information from a large group of people in a given study (Amin, 2005). The questionnaire is an effective method of data collection due to the following advantages: it is standardized because the same wording is used for each administration; ensures confidentiality through the use of a coding system (Maiga et al., 2021). It can therefore cover embarrassing, socially undesirable or illegal topics; its administration is, among other things, cheaper (Barker et al., 2002). The method was used to collect data from mid-level employees and other lower-level employees within SB because they are directly involved in the operation of the organization (L. A. Nafiu, Oshungade, et al., 2013). Self-administered questionnaires (SAQ) were used to collect data from study elements in a structured manner. The SAQ, with one open-ended question per section, was designed for SB staff to add more or express their opinion, while the rest were closed-ended, aimed at testing perceptions using a five-point measurement scale ranging from Strongly Disagree as 1, Disagree as 2, Not Sure as response 3 Agree as response 4 and Strongly agree as response 5 for ease of measuring variables (L. Nafiu, Lanlege, et al., 2013). It is the process of bringing order, structure, and meaning to the mass of raw information collected to get a feel for reliability and test research questions (Sekaran, 2004). Initially, data was entered into the MS Excel computer program for cleaning. Data were also imported into SPSS statistical software version 23 for examination (Nelson et al., 2022).

Data were analyzed by reporting summary results in numerical values and were presented using a percentage distribution technique, but maintaining a certain degree of confidence (Creswell, 2013). Close-ended questions were recorded and then the answers to each question were checked by the respondent as appropriate (L. A. Nafiu, 2012). This was done for all questionnaires, after which the mean, standard deviation and percentages were calculated from the given responses. A thematic analysis was conducted on the open-ended questions, with participants' responses organized into themes based on the objectives of the study (Olanrewaju & Abiodun, 2021).

For the individual interviews, these were used to generate data in the form of notes to create a summary of the findings. Summarization was done by capturing participants' responses in their own words to all questions that were asked (Rasheed et al., 2022).

RESULTS

Legal status of Small businesses

Table 1: Legal status of Small businesses

Status	Frequency	Percentage
Sole proprietor	266	70.6

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Partnership	70	18.6
Limited Company	41	10.9
Total	377	100.0

Source: Primary data, 2023

Table 1 shows that a bigger proportion of the SB owners registered their businesses as a sole proprietorship and these accounted for (freq. 266, 70.6%). These were trailed by businesses registered as a partnership with (freq.70,18.6%) while businesses registered as a limited company accounted for (freq. 41, 10.9%).

Nature of the business

Table 2: Nature of the business

Nature of business	Frequency	Percentage
Trade	194	51.5
Service	107	28.4
Manufacturing	76	20.2
Total	377	100.0

Source: Primary data, 2023

Table 2 pointed out that a bigger proportion of Small businesses studied was engaged in trade, and these accounted for (freq. 194, 51.5%) of the total responses while businesses engaged in service constituted (freq.107,28.4%), and very few businesses (freq.76,20.2%) were engaged in manufacturing. This implies that the study was well distributed among the Wakiso District and thus provided reliable findings.

Table 3: Responses on tax compliance

Item	Mean	Std. Deviation
Simplified system of taxation		
I understand the Ugandan tax system	2.32	.766
I can compute the income tax liability of our business with ease	2.31	.684
I always attend taxation seminars and workshops on behalf of the business to update myself on the tax system	4.31	.667

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Payment of levies is straight forward hence the business does not hire professional consultancy services	2.35	.950
Interpretation of tax laws and regulations		
I am aware of most tax laws and guidelines about taxation of incomes for Small businesses	4.44	.641
I understand the tax laws and regulations in Uganda	2.24	.711
I can interpret tax laws and compute tax liabilities	2.45	.710
I always file tax returns with URA on a timely basis as requires by law	4.34	.856
Tax planning and functional expertise		
I know how to treat the expenses incurred in relation to income tax in Uganda.	4.19	.856
I always advise management on income tax planning issues	4.02	.857
I am sure of the incomes /turnover on which we pay income taxes as a firm	4.15	.766
I am always part of the team that carries out budgeting process of my employer Especially on income tax matters	4.24	.643

Source: Primary data, 2023

Table 3 above highlights that the majority of the respondents within the SB sector cannot understand the Ugandan tax system as indicated by the average score of 2.32 (SD = 0.766). This means that these respondents cannot interpret what the various tax laws stipulate and the other tax compliance requirements (Lydia et al., 2023). Most of the respondents revealed that they could not compute the income tax liability of their businesses with ease. This is confirmed by the mean score of 2.31 (SD = 0.684) which shows that the majority of the respondents need assistance to understand how much to pay when to pay according to the size and capital of their businesses (Promise et al., 2024). A bigger proportion of the respondents agreed that they always attend taxation seminars and workshops on behalf of their business to update themselves with the tax system as noted by the mean 4.31 (SD = 0.667). The above findings were supported by a respondent during face to face interviews who reported that (Julius & Nancy, 2024);

“URA through the umbrella body KACITA engages the traders to ease provision of tax payer services, which include tax advice and intensive taxpayer education (seminars/workshops) on the rights and obligations of tax payers in the designated blocks are among the benefits to taxpayers. For example, we able to learn how to avoid making mistakes which could result in penalties which are avoidable. This is because taxes are costly to businesses; therefore, managing penalties would significantly reduce business costs.”

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This means that the traders and other employees within the SB sector have attended taxation seminars and workshops which has improved their knowledge of tax policies and also enabled them to avoid tax penalties associated with tax evasion. This has reduced the tax compliance costs for the Small businesses and thus boosted their performance.

The payment of levies is not straightforward hence the business has to hire professional consultancy services. This was confirmed by the majority of the respondents (mean = 2.35; SD =0.950) who revealed that they usually hire someone to file their tax returns for them.

In addition, most of the respondents agreed (mean = 4.44; SD = 0.641) that they are aware of most tax laws and guidelines about taxation of incomes for Small businesses. This means that the majority of the respondents can comprehend their tax acquiescence as noted by tax authorities.

The study findings revealed that members of the small and medium enterprises could not understand the tax laws and regulations in Uganda which is represented by the mean score of 2.24 and standard deviation of 0.711. Furthermore, most of the respondents disagreed (mean =2.45; SD = 0.710) that they can interpret tax laws and compute tax liabilities. This shows that the majority of the respondents do not have sufficient tax knowledge regarding the when to pay taxes and in what proportions.

On whether the small and medium enterprises always file tax returns with URA on a timely basis as required by law, the majority of the respondents mean = 4.34; SD = 0.856) agreed that they always file their tax returns on time. The study findings further revealed that most of the respondents know how to treat the expenses incurred in relation to income tax in Uganda which was confirmed by a high average score of 4.19and standard deviation of 0.856 (Ronald et al., 2023).

On average, most of the respondents in the SB sector agreed (mean = 4.02; SD = 0.857) that they always advise management on income tax planning issues.

Table 4: Responses on tax incentives

Statement	Mean	St. Deviation
Clarity of tax rates		
The tax rates charged are clear in terms of payable taxes.	2.09	.675
There are diverse taxes imposed on small and medium enterprises,	3.73	.502
The government either increases or decreases tax rate at its own discretion	4.56	.388
Correct level of taxation		
The taxes charged are burdensome to the business	4.48	.410
Small businesses pay taxes when it is convenient for them to pay	2.11	.973

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Taxes are only charged when the business is operating. Hence allows for momentary closures of business	2.46	.5580
SB tax rates consider the scale of operation	4.35	.744
Fair taxation rates		
The tax rates charged are fair to small and medium business owners	2.72	.965
The regressive nature of taxes on SB reduces their revenue base	4.77	.949
The tax rates charged are economical to Small businesses	2.36	.756
Small businesses have information on how much tax when to pay tax, where to pay and mode of tax payment	3.20	.392

Source: Primary data

Table 4 above indicates that for a total of 377 respondents with an average score of 2.09 and a relatively low standard deviation (0.675), most of the respondents disagreed that the tax rates charged are clear in terms of payable taxes. This means that respondents in the SB world are not aware of how much to pay to the tax bodies (Hussein et al., 2024).

There are diverse taxes imposed on small and medium enterprises, which was confirmed by the majority of the respondents (mean = 3.73; SD = 0.502) who agreed that their business pays different taxes depending on the nature and size of business. Most of the respondents agreed (mean = 4.56; SD = 0.388) that the government either increases or decreases tax rate at its own discretion. This means that the government of Uganda can always increase or decrease a tax rate without consulting the parties that was paying the tax. In addition, this is supported by qualitative data collected from key informant interviews, as one informant had this to say;

“Despite the contestations from traders, the government has continued to increase tax rates for instance with a tax increase as a result of the introduction of the specific excise tax alternative; there has been an increase in the prices of goods and services making it more expensive for the customers.”

This means that the government of Uganda has continued to alter tax rates for the small and medium businesses without involving those in the small businesses sector which has negatively influenced the performance of their businesses due to the increased tax burden on the Small businesses.

A bigger proportion of respondents agreed that the taxes charged are burdensome to their businesses as shown by the mean score 4.48; (SD = 0.410). This means that the taxes levied from the Small businesses are inhibiting growth and performance of these enterprises in Uganda. The above conclusion was supported by an SB proprietor who had this to say;

“Many small businesses have continued to evade taxes because they are high and imposes high costs on their businesses yet most of these enterprises are struggling to keep operating for instance; some traders evade VAT returns since out there on the streets, the one who is selling at lower prices will eventually make a sale. VAT is 18% addition to the price being paid; this means that if one has to pay all VAT without having considered deductions, this trader was selling expensive goods and sooner than later was out of business.”

In addition, another respondent stressed that;

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“.... multiple taxations of the same business are a big problem and an obstacle to the performance of businesses, for example, a trader in his/her retail shop pays income tax to URA and pays import duty whenever he/she imports small merchandise in association with fellow traders. After all this it is Kampala's turn, it comes in, and requests for license fees and then the syndrome continues.... “

This shows that taxes are not only an obstacle to the performance of Small businesses in Uganda but have also contributed to the collapse of small and medium businesses due to the ever-increasing costs of operation associated with taxes which has discouraged performance within the SB sector.

On whether Small businesses pay taxes when it is convenient for them to pay, most of the respondents disagreed as noted by the mean = 2.11; SD = 0.973. This indicates that the tax bodies always require these enterprises to meet their tax obligations regularly and on time.

The majority of the respondents disagreed that taxes are only charged when the business is operating and hence allows for momentary closures of business. This was confirmed according to the low mean score of 2.46 (SD = 0.558). The findings further revealed that most of the respondents (mean = 4.35; SD = 0.744) agreed that the SB tax rates consider the scale of operation. This means that taxes are levied from Small businesses depending on their capital size and nature of the business. On whether the tax rates charged are fair to small and medium business owners, most of the respondents disagreed (mean = 2.72; SD = 0.965) which shows that the taxes rates charged from the Small businesses are irrational and thus affect the performance of these enterprises. On average, the majority of the respondents agreed (mean = 4.77; SD = 0.949) that the regressive nature of taxes on Small businesses reduces their revenue base. In addition, most of the respondents also disagreed that the tax rates charged are economical to Small businesses as noted by the mean score of 2.36 and standard deviation of 0.756. This means that the taxes levied from the small and medium enterprises are reducing the capital base of these enterprises and thus hindering the performance of Small businesses.

The study findings highlighted that most respondents were neutral on whether the Small businesses have information on how much tax when to pay tax, where to pay and mode of tax payment which was confirmed by the mean score of 3.20 and standard deviation of 0.392. **4.5 To assess the effect of tax incentives on the performance of Small businesses in Wakiso District.**

Table 5: Responses on tax incentives

Item	Mean	Std. Deviation
Investment deductions and allowances		
Tax incentives for Small businesses have lowered the operational costs associated with payment of taxes for small and medium enterprises	4.39	0.867

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Tax incentives, investments, and performance of Small businesses are closely linked.	4.53	0.641
Tax incentives have attracted private investors to the SB sector	4.33	0.795
Tax holidays		
The government has given special tax treatment to Small businesses in the form of tax holidays	3.87	0.878
Tax holidays have helped my business to grow and expand.	3.68	0.929
Tax incentives have stimulated the growth and expansion of Small businesses in Uganda.	4.41	0.726
Special tax regimes		
Tax incentives have encouraged a reasonable number of traders in the SB sector to continue operating	3.94	0.392
The special tax regimes for Small businesses have reduced the operations of the small businesses in the informal sector.	3.79	0.356
Special tax treatment for Small businesses has corrected market imperfections in the country.	3.08	1.364
Tax incentives have protected the infant small and medium enterprises in Uganda	2.47	0.904

Source: Primary data, 2023

The study findings revealed that the majority of the respondents agreed (mean = 4.39; SD =0.867) that tax incentives for Small businesses have lowered the operational costs associated with the payment of taxes for small and medium enterprises. Tax incentives, investments, and performance of Small businesses are closely linked. This was confirmed by most of the respondents as highlighted by the meanscoreof4.53and standard deviation of 0. 641.The majority of the respondents (mean = 4.33; SD = 0.795) agreed that tax incentives had attracted private investors to the SB sector. This means that the tax incentives have increased investment in the SB sector and thus improved the performance of Small and medium enterprises. The above findings were corroborated by an interviewee who said;

“My business has benefitted from tax exemption of With Holding Tax and we have a tax exemption certificate issued to the business from URA. This is because my business has demonstrated a good track record of paying the taxes on time. This has reduced the tax burden on the business and enabled me to reinvest and expand the business.”

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This implies that tax incentives like withholding tax exemption have had a positive contribution towards that performance of Small businesses through reducing the tax burden on businesses which has stimulated performance in the SB sector.

On whether the government has given special tax treatment to Small businesses in the form of tax holidays, most of the respondents agreed as represented by the mean score of 3.87 and a relatively low standard deviation (0.878). This implies that the tax holidays accorded to the Small businesses have reduced the tax burden and boosted performance in these enterprises. A bigger proportion of respondents agreed that tax holidays have helped my business to grow and expand as shown by mean = 3.68 and standard deviation = 0.929. In addition, tax incentives have stimulated the growth and expansion of Small businesses in Uganda which was established by the majority of the respondents according to the mean = 4.41 and SD = 0.726. This means that tax incentives are a prerequisite to improved performance of small and medium enterprises. This was confirmed during a personal interview with a key informant, who had this to say;

“This company would not have survived in these hard times if it were not for the tax holiday that we are benefiting from the government. This tax holiday has reduced our operating costs and enabled us to break-even during these hard times when business is slow.”

This implies that the survival of some Small businesses has been as a result of tax incentives which have reduced the operational costs and enabled the small and medium enterprises to continue operating and thus enhanced the performance of Small businesses.

The findings also indicated that most of the respondents (mean = 3.94; SD = 0.392) agreed that tax incentives had encouraged a reasonable number of traders in the SB sector to continue operating. Likewise, the special tax regimes for Small businesses have reduced the operations of the small businesses in the informal sector. This was established by most of the respondents with an average score of 3.79 (SD = 0.356). On whether special tax treatment for Small businesses has corrected market imperfections in the country, the majority of the respondents were neutral as indicated by the mean score = 3.08 (SD = 1.364). Similarly, most of the respondents are disagreed on whether tax incentives have protected the infant small and medium enterprises in Uganda, this was revealed by the mean score of 2.47 and standard deviation of 0.904.

Regression analysis of the study variables

Table 8: Regression analysis of the study variables

Unstandardized Coefficients			Standardized Coefficients		
Model	B	Std. Error	Beta	t	Sig.
(Constant)	.627	.269		2.329	.023
Tax incentives	.459	.094	.543	4.911	.000
Tax rates	.311	.108	.331	2.889	.005

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Tax compliance	.171	.086	.206	2.014	.031
R= .827	R-square =.684	F=34.574	Sig =.000		

Dependent Variable: Performance of Small businesses

Source: Primary data, 2023

Table 8 above shows the components of taxation, i.e. tax compliance, tax rates and tax incentives which significantly predict the performance of Small businesses since the p – value (.000) is less than the significance level. The correlation coefficient (.827) revealed that the study variables had a strong positive relationship with the performance of Small businesses. Thus, the study variables explain 68.4% of the performance of Small businesses in Wakiso District, Uganda. The findings further revealed that tax incentives (Beta= .459, Sig. < .000) was a better predictor of the performance of SB's and this was followed by tax rates (Beta = .311, Sig. < .005), and lastly tax compliance with (Beta=.171, Sig.<.031) (Nelson et al., 2023). This implies that strengthening and improving the existing taxation policies relating to tax compliance, tax rates and tax incentives, the performance of Small businesses will improve in Uganda.

Conclusions

This sub-unit shows the conclusions centered on each of the research objectives, as drawn from the study findings.

Tax compliance and the performance of Small businesses

According to study findings, it was concluded that; “the simplified system of taxation, tax planning and functional expertise, interpretation of tax laws and regulations play a fundamental role in enhancing the performance of Small businesses.” This implies that strengthening the system of taxation through a simplified system of taxation can support Small Businesses tax payers to meet their tax duties and thus reduce the burden of tax compliance within Small businesses. Therefore, a streamlined tax administration strategy is important in enhancing the performance of Small businesses.

Tax rates and the performance of Small businesses

Based on the findings, the researcher concluded that having a correct level of tax rates, ensuring clarity of tax rates and fair tax rates are essential for the growth and performance of Small businesses. This implies that there is need to design an effective tax rate through lowering the tax rates and offering tax reliefs to small and medium businesses which will reduce the cost of running a business within these enterprises and thus enhance the performance of Small businesses in Uganda.

Tax incentives and the performance of Small businesses

From the study findings, the researcher further concluded that the performance of Small businesses depends on the tax incentives in the form of investment deductions and allowances, tax holidays and special tax regimes according to the small and medium businesses. This implies that tax incentives are key in reducing the operational costs associated with the payment of taxes for Small businesses by lowering the tax compliance burden inflicted on the Small businesses. Therefore, efforts to stimulate the performance of Small businesses in Uganda, require that tax incentives should be intensified to encourage the growth and expansion of Small businesses in Uganda.

Recommendations of the study

The study recommends the following:

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Tax compliance and the performance of Small businesses

During the study, the findings from interviews indicated that as a result of tax incentives, businesses have benefitted from tax exemption like With Holding Tax exemption and issued with a tax exemption certificate from URA since such businesses have demonstrated a good track record of paying the taxes on time and therefore, there should be reduced tax burden on these businesses and enabled them to reinvest and expand businesses and thus, fueling the prosperity and performance of Small businesses in Uganda.

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