
**TAXATION AND PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN NAKAWA
DIVISION-KAMPALA DISTRICT**

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ABSTRACT: The study aimed at taxation and performance of small and medium enterprises in Nakawa division-Kampala district and it was guided by the following objectives; To determine the relationship between tax compliance and the performance of SMEs in Nakawa Division, Kampala, to establish the relationship of tax rates and the performance of SMEs in Nakawa Division, Kampala, to examine the relationship of tax incentives and the performance of SMEs in Nakawa Division, Kampala, to evaluate the relationship between taxation and the performance of small and medium enterprises of SMEs in Nakawa Division, Kampala. The study population would be concentrated on SME owners with in Nakawa Division, Kampala. The study area is limited to Nakawa division since the majority of the SMEs are established in urban areas. Nakawa division has a population of 318,447 (JMP, 2017) and 1000 registered SMEs (UBOS). The study findings revealed that the majority of the respondents agreed (mean = 4.39; SD = 0.867) that tax incentives for SMEs have lowered the operational costs associated with the payment of taxes for small and medium enterprises. Tax incentives, investments, and performance of SMEs are closely linked. This was confirmed by most of the respondents as highlighted by the mean score of 4.53 and standard deviation of 0.641. During the study, it was found out that in order to promote the performance of SMEs in Nakawa Division, Kampala. Uganda's, primary consideration should be given to strengthening the system of taxation through having a simplified system of taxation that can support SME tax payers to meet their tax duties and thus reduce the burden of tax compliance within SMEs.

Key words: **taxation, performance, small and medium enterprises**

Background to the study

Performance can be understood from a quantitative perspective: efficiency, financial results, level of production, number of customers, market share, profitability, productivity, dynamics of revenues, costs and liquidity (Annet et al., 2023), and among others. From a qualitative perspective: goals achievement, leadership style,

employee behaviour (Amran, N. A, 2019), customer satisfaction, product and process innovation, organizational and marketing innovation (Akankwasa et al., 2022).(Damasus et al., 2023), in their work, considered a series of 14 indicators to describe performance: reputation, productivity, employee satisfaction, profits, sales,

prompt order delivery (Tasha et al., 2023), sufficient working capital, effectiveness in operations of production, product quality, achievement of targets, number of clients, easiness in supervision, reduction in product cost and product diversification (Turyatamba et al., 2022). Taxation in Uganda has been

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also influenced by World Bank policies with the aim of nurturing economic growth and development (Ramadhan et al., 2023). The Uganda government has transformed a number of tax policies to foster the growth of small and medium enterprises through harmonization of tax rates and formulating new tax incentives among others to avoid double taxation and tax evasion (Brian & Jacob, 2023). The role of “taxation and the performance of Small and Medium Enterprises in Uganda” represents the ability to pay theory of taxation as recommended by (Lydia et al., 2023) which holds that taxes should be imposed on an individual/ firm in relation to one’s income or ability to pay which provides the origin of a progressive tax system whereby the tax rates increase with increase in one’s taxable capacity.

Statement of the problem

Objectives of the study

1. To determine the relationship between tax compliance and the performance of SMEs in Nakawa Division, Kampala.

According to the Uganda Revenue Authority (URA, 2018), It categorizes SMEs as any business with a turnover not exceeding Shs 2 billion. The findings indicated that the growth of SSBs is affected by stock levels, capital employed, daily sales and the average amount of taxes paid annually. Most business owners are aware of taxes paid, uncertain of the mode of assessment and little assistance is given as regards tax awareness (Tasha et al., 2023). Taxation was highlighted as a key impediment to the performance of SMEs. The survey also revealed that high tax rates were a major feature that influenced the performance of SMEs in Uganda. Offering specialized taxpayer education services, knowledge and skills for effective business management, establishing new tax incentives and among others, were to boost the growth and promote SMEs. (Akol, 2019). Despite efforts by the

government of Uganda to enhance the growth and performance of SMEs, taxation still remains a major obstacle to the growth of SMEs in Uganda since it has continuously affected the performance of SMEs (Turyatamba et al., 2022). The deficiencies in the performance of SMEs associated with the ineffective tax policies in Uganda may affect the ability of these enterprises to mobilize the required financial and non-financial resources. In addition, the low levels of the growth of SMEs if not immediately addressed may affect the economic growth and development of Uganda since these enterprises contribute to 90% of the “private sector production” in the economy (Ronald et al., 2023b). This, therefore, prompted the researcher to examine the effect of the taxation and the performance of SMEs in Uganda (Ntirandekura et al., 2022).

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2. To establish the relationship of tax rates and the performance of SMEs in Nakawa Division, Kampala.
3. To examine the relationship of tax incentives and the performance of SMEs in Nakawa Division, Kampala.
4. To evaluate the relationship between taxation and the performance of small and medium enterprises of SMEs in Nakawa Division, Kampala.

Research questions

1. What is the relationship between tax compliance and the performance of SMEs in Nakawa Division, Kampala?
2. What is the relationship between tax rates and the performance of SMEs in Nakawa Division, Kampala?
3. What is the relationship between tax incentives and the performance of SMEs in Nakawa Division, Kampala?
4. What is the relationship between taxation and the performance of small and medium enterprises in Nakawa Division, Kampala?

Methodology

Research Design

The research design is defined as a logical and systematic plan prepared for directing research study (Robert B., & Sari K. B., 2018). It specifies the objectives of the study and techniques to be adopted for achieving the objectives. (Chuenjit, P. 2014), the descriptive design was adopted, which aims at examining “the effect of taxation and the performance of small and medium scale enterprises in Uganda.” And this would be done using both qualitative and quantitative techniques which help the researcher obtain detailed information about the study.

Study Population

The study population would be concentrated on SME owners with in Nakawa Division, Kampala. The study area is limited to Nakawa division since the majority of the SMEs are established in urban areas. Nakawa division has a population of 318,447 (JMP, 2017) and 1000 registered SMEs (UBOS).

Sample size and sampling techniques.

“A sample size refers to the number of subjects in a sample (symbolized by n) or a subset of a population”. Based on the “Krecjie and Morgan (1970) sampling table”, the researcher selected a sample size of 387 SME respondents from a population of 1000 registered SMEs with the help of convenient sampling (Chuan, 2016).

Table 1: Population, sample size, and techniques

SME Category	Population	Sample size	Sampling Techniques
Retail and wholesale Trade	350	95	Purposive sampling Simple random sampling
Hotel and Restaurant	165	65	
Computer and Electronics Repairs	105	37	
Entertainments joints and bars	154	80	
Metal fabrication	76	27	
Manufacturing	60	8	
Food Processing	90	75	
Total	1000	387	

Source: Study population accessed from (UBOS, 2019)

Sampling Techniques and Procedures

The researcher used two sampling techniques namely, purposive sampling and simple random sampling as explained below;

Purposive sampling technique.

This refers to one which enables a researcher to select based on the knowledge of population, research elements and objectives. Purposive sampling was be based on the researcher’s judgment and purpose of the study (Babbie 2014).

Simple random sampling technique.

This is where each individual is chosen randomly entirely by chance, such that each individual has the same probability of being chosen at any stage during the sampling process and each subset of individuals has the same probability of being chosen for the sample as any other subset of individuals.

Data Collection Methods and instrument

Questionnaire Survey Method

The questionnaire survey method is a method that permits the use of a set of questions to collect data and carry out the social research (Amran, 2019). The questionnaire is an effective method of data collection due to the following advantages: it is standardized since the same wording is used each time it's administered; it ensures confidentiality through use of a coding system. Thus, it can cover embarrassing, socially undesirable or illegal topics; it is cheaper to administer among others. The method was used to collect data from middle-level staff and other lower level staff within the SMEs because they were directly involved in the operations of the SMEs.

Data Analysis

“This is the process of bringing order, structure, and meaning to the mass of raw information gathered for purposes of getting a feel for reliability and testing the hypotheses” (Sekaran, 2014). The data was imported to SPSS (Statistical Package for Social Science) version 23 statistical software for investigation and this presented the results by means of words, numbers and percentages in the form of tables (Nelson et al., 2022). The Analysis of central tendency and dispersion, Tables, pie charts, and bar graphs based on; “a five-point like scale ranging from strong agree to strong disagree.” Similarly, inferential statistics was done based on the Person's correlation coefficient and linear regression analysis.

RESULTS

Legal status of business

Table 1: Legal status of SME business

Status	Frequency	Percentage
Sole proprietor	266	70.6
Partnership	70	18.6
Limited Company	41	10.9
Total	377	100.0

Source: Primary data 2020

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Table 1 showed that a bigger proportion of the SME 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

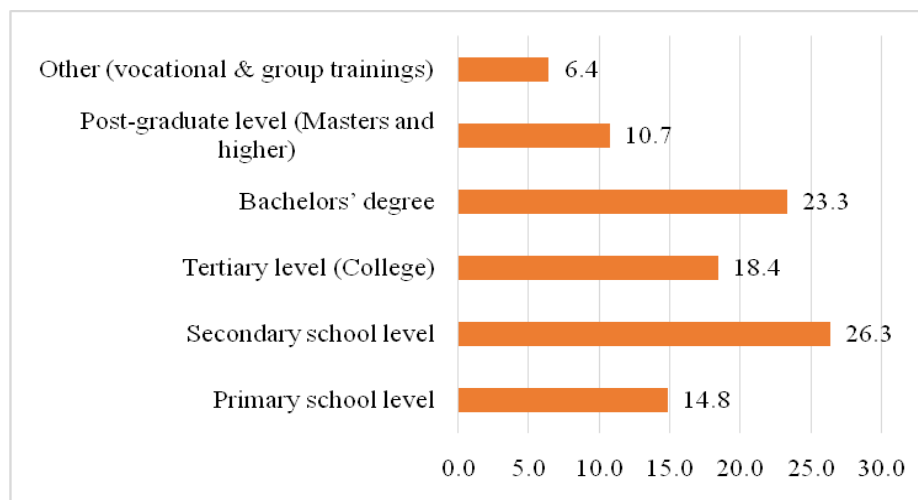
Nature of business	Frequency	Percentage
Trade	194	51.5
Service	107	28.4
Manufacturing	76	20.2
Total	377	100.0

Source: Primary data 2020

Table 2 pointed out that a bigger proportion of SMEs 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 SMEs in Nakawa division and thus provided reliable findings.

Education level of respondents

Figure: 1 Education level of respondents



Source: Primary data 2020

Results in fig. 1 showed that a bigger percentage of respondents had secondary school level of education and these accounted for 26.3% of the total responses. These were followed by those with a bachelor's degree (23.3%), 18.4% with a tertiary level of education (college) and 14.8% with primary school level. Respondents with a post graduate level (Masters and higher qualifications) constituted 10.4%, and very few respondents (6.4%) had other qualifications. This indicates that all the respondents were educated and able to understand and interpret research questions to provide valid and reliable data.

Table 3: The effect of tax compliance influences the performance of SMEs in Nakawa division.

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
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 SMEs	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 2020

Table 3 above highlights that the majority of the respondents within the SME 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 (Oromo et al., 2023).

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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 (Faridah et al., 2023).

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 who reported that; “URA through the umbrella body KACITA engages the traders to ease provision of taxpayer services, which include tax advice and intensive taxpayer education (seminars/workshops) on the rights and obligations of taxpayers in the designated blocks are among the benefits to taxpayers. For example I was 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.”

This means that the traders and other employees within the SME 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 SMEs and thus boosted their performance (Micheal et al., 2023).

The payment of levies is not straight forward 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 were aware of most tax laws and guidelines about taxation of incomes for SMEs. This means that the majority of the respondents can comprehend their tax acquiescence as noted by tax authorities. The above findings were supported by a respondent who said; “Recently, Uganda Manufacturers Association (UMA) conducted a seminar on Tax Legislation, Tax Compliance and the impact of company tax practices on business performance where I was able to know the rights and obligations of my business regarding tax, know the various taxes to which my business may be subjected, application of tax planning techniques without evading tax and breaking the law, and learning the best techniques of tax computation.” This implies that the respondents have received tax education through seminars which have improved their awareness concerning tax laws, tax planning and compliance for small and medium businesses. This has also enabled them to know their rights and obligations of their businesses regarding taxes. 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 4.19 and standard deviation of 0.856.

On average, most of the respondents in the SME sector agreed (mean = 4.02; SD = 0.857) that they always advise management on income tax planning issues. The majority of the respondents noted that they are sure of the incomes /turnover on which they pay income taxes as a firm which is represented by the mean score of 4.15 and relatively low standard deviation of 0.766 (Kazaara et al., 2023).

The findings also show that the majority of the respondents with an average score of 4.24 (SD = .643) agreed that they are always part of the team that carries out the budgeting process of their employers especially on income tax matters.

To establish the effect of tax rates on the performance of SMEs in Nakawa division.

Table 4: The effect of tax rates on the performance of SMEs in Nakawa division.

Statement	Mean	Std. 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
SMEs pay taxes when it is convenient for them to pay	2.11	.973
Taxes are only charged when the business is operating. Hence allows for momentary closures of business	2.46	.5580
SME 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 SME reduces their revenue base	4.77	.949

The tax rates charged are economical to SMEs	2.36	.756
SMEs have information on how much tax when to pay tax, where to pay and mode of tax payment	3.20	.392

Source: Primary data 2020

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 SME world are not aware of how much to pay to the tax bodies.

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 pay the tax. In addition, this is supported by qualitative data collected from key respondents, as one informant had this to report; “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 SME sector which has negatively influenced the performance of their businesses due to the increased tax burden on the SMEs.

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 SMEs are inhibiting growth and performance of these enterprises in Uganda. The above conclusion was supported by an SME proprietor who had this that; “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 was 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 be selling expensive goods and sooner than later was be out of business.”

In addition, another respondent stressed that; 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 SMEs 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 SME sector.

On whether SMEs 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 SME tax rates consider the scale of operation. This means that taxes are levied from SMEs 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 SMEs 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 SMEs reduces their revenue base. In addition, most of the respondents also disagreed that the tax rates charged are economical to SMEs 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 SMEs.

The study findings highlighted that most respondents were neutral on whether the SMEs 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.

To assess the effect of tax incentives on the performance of SMEs in Nakawa division.

Table 5: The effect of tax incentives on the performance of SMEs in Nakawa division.

Item	Mean	Std. Deviation
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Investment deductions and allowances		
Tax incentives for SMEs have lowered the operational costs associated with payment of taxes for small and medium enterprises	4.39	0.867
Tax incentives, investments, and performance of SMEs are closely linked.	4.53	0.641
Tax incentives have attracted private investors to the SME sector	4.33	0.795
Tax holidays		
The government has given special tax treatment to SMEs 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 SMEs in Uganda.	4.41	0.726
Special tax regimes		
Tax incentives have encouraged a reasonable number of traders in the SME sector to continue operating	3.94	0.392
The special tax regimes for SMEs have reduced the operations of the small businesses in the informal sector.	3.79	0.356
Special tax treatment for SMEs 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 2020

The study findings revealed that the majority of the respondents agreed (mean = 4.39; SD = 0.867) that tax incentives for SMEs have lowered the operational costs associated with the payment of taxes for small and medium enterprises (Ronald et al., 2023a). Tax incentives, investments, and performance of SMEs are closely linked. This was confirmed by most of the respondents as highlighted by the mean score of 4.53 and 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 SME sector. This means that the tax incentives have increased investment in the SME sector and thus improved the performance of small and medium enterprises. The above findings were corroborated by a respondent that; “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 (Brian & Jacob, 2023).”

This implies that tax incentives like withholding tax exemption have had a positive contribution towards that performance of SMEs through reducing the tax burden on businesses which has stimulated performance in the SME sector (Zulaikah & Rebecca, 2023).

On whether the government has given special tax treatment to SMEs 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 SMEs have reduced the tax burden and boosted performance in these enterprises (Damasus et al., 2023).

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 SMEs 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 was 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 SMEs 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 SMEs.

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 SME sector to continue operating. Likewise, the special tax regimes for SMEs 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 SMEs 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.

Performance of SMEs in Nakawa Division**Table 6: Performance of SMEs in Nakawa Division**

Statement	Mean	Std. deviation
Taxes have reduced the return on investments of small and medium firms	4.18	0.741
Taxes have not affected the sales turnover of SMEs through increasing the operational costs	2.17	1.373
Taxes have affected the liquidity position of SMEs	3.63	0.953
The profits of the small and medium enterprises before taxes are always high	3.81	1.244
Taxes have reduced capital resources for investment in research, innovation, and development	4.42	0.653
Taxes have inhibited the growth of SMEs in Uganda	4.57	0.349
The taxes levied from SMEs have made it difficult for the small and medium firms to achieve their goals	4.36	0.456

Source: Primary data 2020

Table 6 above indicated that taxes had reduced the return on investments of small and medium firms. This was confirmed by the majority of the respondents with a mean score of 4.18 and standard deviation of 0.741.

Most of the respondents also disagreed that taxes have not affected the sales turnover of SMEs through increasing the operational costs and this was represented by the mean score 2.17 (SD = 1.373). On whether taxes have affected the liquidity position of SMEs, most of the respondents agreed as highlighted by the average score of 3.63; (SD = 0.953). Similarly, the profits of the small and medium enterprises before taxes are always high and this was established by the majority of the respondents who agreed as noted by the average score 3.81; (SD = 1.244).

A bigger proportion of respondents (mean = 4.42; SD = 0.653) agreed that taxes have reduced capital resources for investment in research, innovation, and development. The majority of the respondent also strongly agreed that taxes had inhibited the growth of SMEs in Uganda as indicated by the average score of 4.57 and standard deviation of 0.349. This implies that taxes are a major obstacle to the prosperity and performance of small and medium enterprises in Uganda. On average, most of the respondents (mean = 4.36; SD = 0.456) agreed that the taxes levied on SMEs have made it difficult for them to achieve their goals. This indicates that the failure of SMEs to accomplish their objectives is partly due to the taxes levied from these enterprises.

Conclusion

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 SMEs.” This implies that strengthening the system of taxation through a simplified system of taxation can support SME tax payers to meet their tax duties and thus reduce the burden of tax compliance within SMEs. Therefore, a streamlined tax administration strategy is important in enhancing the performance of SMEs.

Recommendations of the study.

During the study, it was found out that in order to promote the performance of SMEs in Nakawa Division, Kampala. Uganda’s, primary consideration should be given to strengthening the system of taxation through having a simplified system of taxation that can support SME tax payers to meet their tax duties and thus reduce the burden of tax compliance within SMEs. This was contributed to lowering the presence and magnitude associated with these fixed costs of operation for SMEs as well as putting in place a simplified tax structure that was accommodate all tax payers including the SME sector.

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