PRESUMPTIVE TAX ADMINISTRATION AND REVENUE PERFORMANCE

A CASE STUDY OF SMALL SCALE BUSINESS ENTERPRISES IN WAKISO TOWN COUNCIL

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A RESEARCH REPORT SUBMITTED TO MAKERERE UNIVERSITY IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE BACHELOR OF COMMERCE DEGREE

JULY 2011
DECLARATION

I AKATUHURIRA BALAAM registration number 07/U/6373/EXT declare that this research report is my original work that I carried out myself and has never been submitted by any one in any institution or university for any award. Where the work of other authors has been consulted due acknowledgement has been made.

Signed ……………………………………… Date:………………………………………………

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APPROVAL

This is to satisfy that the above student carried out research under my supervision and is ready for submission to Makerere University.

Signature …………………………………… Date ……………………………………..

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ACKNOWLEDGEMENT

In first place special thanks go to God almighty for giving me good life, strength and knowledge from the start till the end.

With great pressure, I wish to express and extend my special thanks to my mother Mrs. Rodah Kamanyano and to the family of Mr. Akanduhura Fred of Kyebando Kampala for their great support financially, advices, patience and encouragement during my studies.

Special thanks go to the family of my brother Mr. Frank Kamanyano and my Sisters for their highly rated support while am at University and being there for me from the start.

Special thanks to my Supervisor Mr. Turyakira Nazarius who used parental advice, experience and his time to guide me while writing this dissertation till it got finished.

Special thanks and appreciation go to the Town Clerk of Wakiso Town Council and the entire staff of the council plus owners of small scale business enterprises in Wakiso Town Council who contributed a lot towards the completion of this dissertation.

My deep gratitude goes to my course mates and friends for their academic social and financial assistance throughout the completion of the course.

I take this privilege to thank all my teachers and lecturers who have equipped me with knowledge and skills and prepared me for even greater challenges, through my studies. May the lord bless you all.
DEDICATION

I dedicate this dissertation to the family of the late Stanly Kamanyano, the family of Mr. Akanduhura Fred, Brothers and Sisters for their support during my University study time and to the family of Mr. Twesiime James with their prayers and other friends.

God bless you.
LIST OF ABBREVIATIONS

LGFAR: Local Government Financial and Accounting Regulation.
KCC: Kampala City Council
UTODA: Uganda Tax operators Drivers Association
PHC: Primary Health Care
LGDP: Local Government Development Programmes
PAF: Poverty Alleviation Fund
SBEs: Small Scale Enterprises
DTB: District Tender Board
IMF: International Monetary Fund
USAID: United States Agency for International Development
LGFC: Local Government Finance Commission.
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ABSTRACT

The study was about presumptive tax administration and revenue performance of small scale enterprises in Wakiso town council with over 40 respondents in the case study. The research objectives were to establish how presumptive tax is administered, to establish revenue performance of small scale business enterprises and to establish the relationship between presumptive tax administration and revenue performance of small scale business enterprises.

The research employed a cross sectional research design which was descriptive in nature basing on different scholars literature. Data collected was mainly from the field using questionnaires. Data was summarized, sorted, edited and analyzed using statistical package for social scientists SPSS and Microsoft word and the findings were presented in a report format.

Finding on the presumptive tax showed that business are registered for presumptive tax, tax education is carried out efficiently, the businesses do not have books of accounts for effective taxation, and tax assessment is not transparent to all tax payers in the same business. Findings on revenue performance showed that the business are not able to generate revenues as they conducts their normal operations, poor record keeping makes assessment of revenue performance difficult, budget estimates do not guide small businesses on future revenues and expenditures and there is no general improvement in employee productivity in the businesses. Findings showed that there is a strong positive relationship between presumptive tax administration and revenue performance of small scale businesses (r=0.778).

Recommendations on presumptive tax showed that more businesses should be encouraged to register for presumptive tax, continuous tax education should be carried out, and businesses should have books of accounts for effective taxation. Tax assessment should be transparent to all tax payers in the small scale businesses.

Recommendations on revenue performance showed poor record keeping be reduced by encouraging business people to keep proper records, revenue performance should also be
improved by businesses trying to reduce their costs of operations and business people should adopt good budgets in order to guide their businesses.
CHAPTER ONE

1.0 Introduction

1.1 Background to the study

Presumptive tax is a tax that is levied on a turnover of less than or equal to 50 million Uganda shillings. It mainly covers small businesses, because any business with a turnover of above 50 million is considered a corporation. Presumptive methods are often advocated in the taxation of SMEs with the aim of reducing the cost of compliance and to educate taxpayers to deal with the tax system, in the hope that this may reduce the incentive to operate in the underground economy. In this case they are usually enforced as “simplified tax systems”, so as to replace a number of taxes normally levied on business. Bird and Wallace (2004) and Araujo-Bonjean and Chambas (2004) show that simplified systems are widely used for SMEs in developing countries in Central and Latin America (Mexico, Bolivia and Uruguay) and Africa.

Revenue performance refers to the progressive rise in the profits realized by a business enterprise over a given period of time (Wilkin, 2001). The major indicators of revenue performance for any given enterprise include increase in sales turnover, operation of business at reduced or with minimum costs and instituted internal controls for reducing on financial leakages (Cheng, 1999). Small businesses generate a disproportionately low amount of revenue, relative to large enterprises. However, like large enterprises, they are also liable to taxation.

Wakiso Town Council has 197 registered and 211 non-registered small scale business units (Wakiso District Planning Unit, 2010). These small scale businesses serve the local population of the area. These small scale business enterprises include retail shops, food vending stalls, saloons, stores, hardware, computer disc burning kiosks, tea rooms and restraunts, name it. Some of the small scale business units in this area are not registered
and therefore operate under informal arrangements. However, they are still liable to paying the presumptive tax to the Town Council.

According to Julian (2003), small scale businesses pay presumptive tax. Presumptive tax, being a civil and statutory obligation, could seemingly have effect on the performance of small scale business enterprises. This affects the sales, profitability and growth of investment potentials of small scale business units.

1.2 Statement of the problem
Presumptive tax is the income tax payable by small-scale business enterprises with an annual sales turnover of not more than 50 million Ug.Sh. In Uganda, the tax payable is estimated and varies according to the segment of the gross turnover in which a tax payer's sales for the business falls in that year. The presumptive tax is therefore levied on the revenue of the small scale businesses and involves use of indirect means to ascertain the tax liability (Thuronyi 1998).

According to Bulutoglu (1995), the presumptive tax is administered using four methods: estimation of the tax payer's income based on the nature of the business and information on sales, employees, assets, location.; imputation of a return on business assets; using gross receipts or turnover tax and; estimation of the taxpayer's income on the basis of external indicators such as personal expenditure, wealth. In Wakiso Town Council, small scale business enterprises are taxed basing on the complexity of the business they are running, stock levels and sometimes on site where these businesses are located. This is done to ensure that the businesses are fairly taxed.

Despite the use of the above methods aimed at ensuring fairness in levying the presumptive tax, revenue performance of small scale business enterprises in Wakiso Town Council have been affected (Iriry, 2006).

1.3 Purpose of the study
The purpose of the study was to establish the relationship between presumptive tax administration and the revenue performance of the small business enterprises
1.4 Objectives of the study
   i. To establish how the presumptive tax is administered
   ii. To establish the revenue performance of the small scale business enterprises
   iii. To establish the relationship between presumptive tax administration and revenue performance of small scale business enterprises

1.5 Research questions
   i. How is presumptive tax administered?
   ii. What is the revenue performance of the small scale business enterprises?
   iii. What is the relationship between presumptive tax administration and revenue performance of small scale business enterprises?

1.6.1 Geographical Scope
The study was carried out in Wakiso Town Council, Wakiso District, and Central Uganda.

1.6.2 Subject Scope
The study covered the relationship between presumptive tax administration as an independent variable and revenue performance as the dependent variable.

1.6.3 Time scope
The study considered records and articles related to tax administration and revenue performance for the period of three years (2008-2011)

1.7 Significance of the study
The significance of the study to students and decision makers in small scale business enterprises was,

- To facilitate the strengthening of presumptive tax administration in Wakiso Town Council in relation to revenue performance and other small scale business enterprises.
- To scholars, it was to help them to form part of their reference material in the same or related research field.
• It was to widen the scope of understanding of presumptive tax administration and revenue performance of small scale business enterprises.
• To enrich the body of existing knowledge and literature about presumptive tax administration and revenue performance of small scale business enterprises.
CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

A small business enterprise is an undertaking characterized by small capital by small invested and operates at a small scale managed by an individual or small group of people.

The Uganda revenue Authority has put the figure to 50 million shillings (50,000 dollars). It estimates that such businesses employ between 5 and 10 people.

According to income tax Act, presumptive tax is a category of income tax, which is payable by small scale business enterprises with million Ug.sh. The tax payable varies according to the segment of gross turnover in which his sales fall to a given year. This definition excludes tax payers engaged in the following lines of business like medical, dental practice, architecture, engineering, accountancy, legal practice and entertainment services.

2.1 The Concept of Taxation

A tax can be defined as a compulsory and non-refundable contribution exerted by government for public purposes; such payment is not followed by concurrent benefit in return (Tayebwa, 1998). They are compulsory levied by government on private individuals and organizations to raise revenue to financial expenditure public goods and services and to regulate the level of economic activities.

According to Dalton (1988), income tax is got from the incomes based on the sales turnover earned by the business. Dalton (1988) further said that the capital base of small business has been lowered because bulks of additional earnings from sales are lost in taxation. Dalton (1988) said that if a company is not making profits because of unfair income taxes imposed, its survival in the industry is affected and this may lead to drop out of business.
A tax is a compulsory non pro quo transfer payment that is to say, the tax payer does not expect to receive direct return of services or good form the government.

This annual payment has an impact of the revenue performance of small-scale business enterprises because it covers the annual sales turnover and this has negative effects on profitability.

### 2.1.1 Presumptive Tax

Presumptive tax is a tax that is levied on a turnover of less than or equal to 50 million Uganda Shillings, small scale business enterprises tax payer is defined for income tax purposes as a resident tax payer whose gross turnover from all business owned by such persons exceed 5 millions but does not exceed 50 millions (Muhwezi, 2006).

Presumptive tax operates in a such way that those business whose annual gross turnover is less than 5 millions are exempt. Those whose gross turnover is more than 5 million but less than 20 million pay less 100,000shs, those whose annual gross turnover is more 20 million but less than 50 million pay 250,000 or 1% of gross turnover whichever is less lower. Lastly, those annual gross turnover is more than 50 million pay 450,000 or 1% of gross turnover whichever is lower.

Presumptive methods are often advocated in the taxation of SMEs with the aim of reducing the cost of compliance and to educate taxpayers to deal with the tax system, in the hope that this may reduce the incentive to operate in the underground economy. In this case they are usually enforced as “simplified tax systems”, that is, they replace a number of taxes normally levied on business. Bird and Wallace (2004) and Araujo- Bonjean and Chambas (2004) show that simplified systems are widely used for SMEs in developing countries.

In Russia, the presumptive tax is called Tachshiv and is based on two steps (Fausto, 1990). First, firm turnover (sales proceeds) is estimated on the basis of some pre-defined indicators, such as average sales per worker, or average ratio between the inventory and sales. These indicators are then applied to various firm variables to obtain an estimation of a range of values for the firm's turnover. Second, a range of plausible pre-tax gross
income is estimated by subtracting a presumptive amount of expenses from the estimated turnover. Different expenses receive differential treatment depending on the difficulty involved in auditing them, such that presumptive coefficients tend to be applied more extensively to expenses that would be more difficult for the tax auditors to verify. The Tachshiv is differentiated across economic sectors and, to some extent it is negotiated between the Tax Agency and each industry’s representatives. It is designed to be an instrument for the tax auditors and, thus, an audit strategy. However, to the extent that taxpayers tend to converge within the range of presumed income, the tachshiv could also be interpreted as a method of presumptive taxation (Thuronyi, 2004).

The French forfeit (Thuronyi, 2004; Longobardi, 1990) is a method of presumptive taxation applicable only to SMEs with an annual turnover below a specified amount. Its most important feature is that it is a contractual method, i.e. it is used to help the Tax Agency and the taxpayer to reach a consensus on the amount of taxes. The first step in the procedure is the furnishing by the taxpayer of a number of pieces of information concerning amounts of sales, purchases, inventories, number of employees in previous years, etc.. The Tax Agency uses this information and some statistical information concerning general business expenses (based on special monographies par profession), to formulate a forfeit or proposal based on "income that a firm would normally produce" under the same economic condition.

As pointed out by Bird and Wallace (2004) the critical issue is whether these presumptive methods of taxation are really effective first in bringing firms into the formal economy and then, after few years, forcing them to move into the normal tax system, while minimizing the number of firms that move from the normal tax regime into the simplified one. The main problem is that these objectives are to some extent inconsistent. To be attractive for informal firms the methods need not only to be simple and based on readily available information to reduce compliance costs (Araujo-Bonjean and Chambas, 2004), they should also provide for an effective taxation that will be lower than that based on the normal tax rules. However, this would discourage firms from ever moving into the normal tax regime and attract firms that were in the formal sector to move to the presumptive
regime, resulting in loss of revenue to the Tax Authority. One solution to this conundrum might be a periodical revision of the threshold for eligibility for the simplified regime.

2.1.2 Procedures of Paying Presumptive Tax

In order to enjoy the benefits of paying the lower tax in each bracket, a tax payer is required to file a return of gross turnover for a given year of income otherwise a tax payer will automatically be assessed to the standards (Bahemuka 2000) and Uganda revenue authority.

The payment of presumptive can be paid in full amount during the financial year or a tax payer may opt to pay the tax provisionally during the year in four equal quarterly installments in case of individuals. Then two equal semiannual installments in case of companies.

According to revenue Staff Magazine volume 4 No 1 July-December 2003 presumptive tax contributed 2.16 billion Uganda shillings in the year 2002-2003.

2.1.3 Types of presumptive tax

Unified tax. The unified tax is the most important presumptive tax. It applies to business operated by natural persons with up to 10 employees and an annual gross income of not more than $500,000. Legal entities are subject to the unified tax in case they have not more than 50 employees and an annual gross income of not more than $1000. The tax rates are 6% on turnover.

Fixed tax; a second important presumptive tax is a fixed tax in form of patent. This option may be used by the natural persons with a gross income from entrepreneurial activities in the 12 months preceding the grant of the patent of up to 7000 times the “tax-free minimum income, in case the business has no more than 5 employees. A person applies for such a patent to the local revenue authority; patent fees are set by local councils between $1000 and $1200(Wallace, 2002).

Presumptive systems based on indicators have become increasingly popular in transition countries, these systems aim at being more precise than turnover-based systems in
estimating the profit potential of the individual entrepreneur (Hughes, 1999). However, this brings up a clear conflict of the objective. The objective to tax the true potential profit of the small business conflicts with the objective to design a simple and transparent system. Policy makers in transition countries face considerable difficulties designing indicator based systems that establish an acceptable balance these objectives. Systems tend either to be extremely complicated and unclear or they do not sufficiently differentiate between business activities (Steve, 1997). The latter is in case Georgia, where presumptive system only distinguishes between five groups of activities. The gap left will be filled by the current study using the case study of Uganda.

In this case, except for retail trade, transportation and jewellery shops (and restaurants, which are subject to a different regime) all small business production and service activities are in the same category and thus subject to the same tax burden. The system therefore has not achieved its objectives to tax according to the profitability of small businesses.

Bighton (1993) observed that there are three presumptive taxes for very small businesses that can be assessed by the local administration within certain limits; the so-called trade permits for service, the small enterprise tax for intermittent trade activities, and the market fee for selling agricultural produce.

As Thiessen (2002) notes correctly, it is hard to understand why sole entrepreneurs in the service sector with no employees and a gross income below $1000 per year should have the choice of three presumptive taxes. Such entrepreneurs can either opt for the unified, tax the fixed tax, or for the trade permits. Many other small businesses have at least a choice between two taxes, the unified tax and the fixed tax. The Ukraine approach offers small business the possibility of tax shopping, unnecessarily complicates the tax system, and reduces the revenue collection from this sector of the economy.

2.1.4 Administration of Presumptive Tax

In Ukraine a USAID report lists presumptive taxation administration as an instrument to facilitate the collection of revenues from the shadow economy, similarly, the letter of intent of the government of Moldova of November 30,200, which describes the policies that Moldova intends to implement in the context of its request for financial support from
the IMF, includes a commitment to analyze the appropriateness of a presumptive tax administration on small enterprises to draw new private business into the tax net. Along the same lines, a senior IMF official considers the administration of presumptive to be influenced by a number of factors such as micro economic policy decisions, the efficiency and effective of the administration and also the degree of fiscal corruption.

Therefore in regulations dealing with taxation, the introduction of threshold levels or reduced monitoring and reporting requirements can significantly reduce the burden and compliance costs administration for SMBE’s. On the other hand several World Bank reports also have pointed to the weaknesses and risks of presumptive tax systems. The FAIS (2001) report on Georgia, a part from highlighting the potential benefits of a simplified scheme, considers a fixed tax to be very complicated, and a recent World Bank report on tax policy and tax administration in Ukraine discusses the risk of lack of focus and unjustified generosity of presumptive systems (Ivonavich,2001). Surprisingly little attention has been given in these discussions to the risk of imposing those discussions to the risk of imposing a comparatively high tax burden on small businesses in their start up phase. This apparently is not considered an issue in the presumptive tax systems of transition countries.

There is a relatively short history of small business taxation in transition countries. In the initial stage of tax reform some countries experimented with the use of tax incentive schemes not only for large business and foreign investments but also for large businesses and foreign investments but also for small business development. In Kazakhstan, in the first stage of transition (1990-1993) incentives for SMBE’s were introduced, exempting Sambas from profit tax for the first three years after establishment. For the fourth years they paid 50% of the tax rate, with the full rate applied only after five years.

During that period, the number of small businesses grew rapidly, in part because of re-registration of the previously established coops. Many small business were set up by big state-owned enterprises whose managers, using incentive granted to small businesses, often put state resources into them. This resulted in serious abuse and embezzlement since there were no legal criteria for the status of small business entities in order to improve the situation, the government had to take extreme measures and abolished all privileges.
Similarly in Moldova the law, on supporting and protecting small businesses” of may 1994, established tax holidays for five year. For micro-enterprises and two years for small enterprises engaged in priority activities, such as construction, production of medical equipment and production of children’s food stuff. In case of non-priority activities the tax holidays were reduced to three years for micro-enterprises and one year tax holiday schemes are not an appropriate instrument to address tax evasion in the small businesses sector, and the specific compliance problems of micro enterprises and self-employed, transition countries generally have moved to the design of simplified systems for hard-to-tax payers along the lines of systems applied in other developing and developed countries. There are three main types of systems in place in the region.

They are based on turnover/gross incomes,

Specific indicators for the size and output of the business, such as the floor space, the number of employees or the location of business.

General patents for specific professions irrespective of the size, location and turnover of the business.

A number of transition countries use turnover or gross income as a parameter to determine the tax liability of small business (Sally, 2002). Turnover or gross-income-based systems can be structured in different ways. One alternative is to apply the same tax rate to all businesses subject to the tax, irrespective of the business activity. This approach fails to consider that profit margins can be substantially different in different business sectors. Examples are the unified tax in Ukraine, which operates in principle with only one rate of six percent on sales.

The new Russian small business tax also has as one of the components of 6% flat tax on turnover, and the new simplified system introduced for micro-businesses in Romania from September 2001 operates with a very low rate of 1.5% on gross income (Sanchez, 2003). Also the proposal for a simplified tax system developed by the ministry of finance in Georgia planned to introduce a flat 7% tax on gross income for all businesses below the VAT threshold which have some basic accounting in place.
A second alternative is to divide the small business community into a number of business segments with different tax rates for the individual segments. This is supposed to take into account the different profit margins in business segments, although the number of segments under a turnover based systems is relatively small (Gregory, 1997). It is generally tax far less differentiated than an indicator based systems. Examples for this alternative are the Armenian small business tax, which distinguishes three categories of business traders, who pay 4% of gross turnover, caterers with a 7% rate on gross turnover and other businesses, for which the rate is 7% for turnover up to Dram 30 million and 12% for the portion of turnover exceeding Dram 30 million (Barbone, 2003).

Similarly, the Andrey (2001) established a model for Kazakhstan that forms as a basis upon which a simplified tax system (presumptive) can be introduced. The model establishes different turnover tax rates depending on the type of business, rates vary between 5% and 10% of turnover. A third alternative introduces a progressive tax on gross income. The system is rather unusual, and the special regime based on simplified returns in Kazakhstan is the only obvious example in the region. The system taxes gross income at rates between 4% and 13%. It needs to be emphasized in this context that the differences in tax rates between countries only partly reflect a different in the actual tax burden, as the number and type of taxes replaced by the presumptive tax also varies widely.

### 2.2 Revenue Performance of Small Scale Business Enterprises

Revenue performance refers to the trend of actual amount of money collected from eligible tax payers over a period of time. (Bueges (1993) argues that the purpose of taxation is administratively feasible equitable and efficient.

Revenue performance in Wakiso Town council has seemingly had academic short falls. The local government has been constrained by as a result. This has had an indirect adheres effect or the quality and quantity of services rendered to the citizens. The demand for delivery of services has been increasing while the revenue is growing at low rate. Moreover section 78 sub- sections 1 of the Local Government Act required that the division formulate approach and execute balanced budgets (2006 annual budget).
The majority of residents in Wakiso town council are engaged in formal sectors which are affected by overall national economic shifts, influencing their ability to engage in activities that can raise revenue.

2.3 Revenue Performance Measurement of Small Business Enterprises

According to draft and Marcic (1998), revenue performance is the organizations ability to attain its ability by using resources in an effective and efficiency manner. According to Kelly (1999) and as used by Nsamba (2002) the indicators of local revenue performance are, coverage ratio (This is amount of tax base property captured in fiscal cadastre, divided by the total taxable property in jurisdiction) and its improvements is a matter of establishing the appropriate administrative structures and operating procedures, providing the training and incentives to the administrative staff and ensuring that the procedures maintained in systematic manner. Collection performance which is the percentage of expected revenue that is really collected and relative performance of different revenue performance, (Mulindwa 2000).

Foreman-Peck et al (2004) assets that in all advanced economies, small business enterprises produce a high proportion of National output and provide an even greater proportion of employment. To him profits are necessary for survival in the long run in a competitive environment but small business enterprises management may choose not to grow. Therefore revenue performance of small business is measured against profitability, growth and productivity is just an intermediate factor. Storey (1994), asserted that growth determinants of performance of small business enterprises investments fall in three categories, namely businesses strategy management characteristics and firm characteristics.

Static theories of the firm to particularly environmental influences, legislation especially as determines the impact of taxation as major determinants of small business growth and profitability. This was confirmed by Reinikka and Svenson (2001), study that found out that Ugandan business firms indeed invest to meet increase in demand provided that they have sufficient finds, that is adequate profits to do so. If they don’t have adequate profits, they cannot invest if the demand for their products is increasing. This affects growth potential.
2.3.1 Business Turnover
Heinz (1996) stated that turnover and eventual profitability is a factor that allows freedom and flexibility to undertake more extensive financial reporting. However, when firms are taxed on gross turnover rather on revenues generated, the tax becomes like a sales tax (Thuronyi 1996).

Dalton (1991) noted that the effect of any specific tax upon the desire to work upon and save depends partly on the nature of tax. Taxation creates diversion of resources that enhance the revenue base of a firm through increased turnover.

This view was supported by Keith (1994), who suggests that taxes affect growth in turnover and eventually overall revenues by influencing the aggregate supply of the main factors of production by raising or lowering net return and secondary by influencing the efficiency of the resources utilization.

There is some evidence from more fluent societies, Eckstein (1980) that people will work more if incomes taxes fall. Lindibeak (1999) collaborated this view by noting that high tax rate can foster an under ground economy where revenues and incomes are not reported to all the tax authorities. Misgrave (1998) observed some effects of taxation on the capacity output of the firms.

2.3.2 Profitability
Boggers (1967) described profitability as the organizations desired state where turnover is greater than input cost. This was collaborated by Hermanson et al (1987) who said profitability is the organizations ability to generate revenue. Therefore, profitability must reflect only in the income statement of the organization to certify that revenue generated is greater than the input cost.

Generally speaking the principle motive of any small business enterprises is profitability. Maximization of profits is not the only motive of small businesses but typically the most important therefore the success of any business depends on the profits it enjoys (Batty 1978). The greater the percentage returns, the more successful the business is regarded.
Barabwa (1996) says profits in small business enterprises are maximized through cost maximization, good management skills and good budgetary control.

Pandey (1995) indicates that profits are made to measure the operating efficiency of the business firm. The ownership of small business enterprises is interested in the profitability of the firm which enables the owners to get a reasonable return. Livesey (1987) concurred with this view. He argues that profits are a reward for successful entrepreneurial activities and to profits are a source of finance for future ventures and growth of the small business firms. The owner should evaluate the performance of his in terms of profits.

Gibutayi (1999) argued that since small-scale businesses employ above 60% of the entrepreneurs in Uganda, their revenue performance is vital since it determines the level of development in an economy. Gibutayi argued that people employed in small scale businesses earn some income which they use in paying taxes, feeding families and providing all kinds of necessities to their families which all show economic development in the country

Revenue performance of small scale businesses is therefore, vital to the economy because a large percentage of the population depends on them for their livelihood, there is thus need to support these small scale business.

Musgrave (1989) carried out the study; it indicated that good personnel coupled with good quality of equipment would provide efficient level of public service in revenue performance. He identified appropriate technologies, defining of auditing enforcement levels, improving budget allocations which lead to revenue performance.

With the introduction of decentralization, local authorities are given the mandate to raise their own revenue to finance their activities (Local Government Act 1997). Like Wakiso district mobilize revenue in order to achieve economic to be generated from different sources like ground rent, market licenses, vehicles parks and others like signposts, building plans, health certificates to mention but a few.

The Local Government Act section 778 Sub section 1 requires that districts formulate, approve and execute balanced budget s to enable them achieve their primary objectives of
availing a good environment to its residents through efficient delivery of services. However this has been constrained adversely by a seeming economic shortfall in revenue where its evidenced in table 1 below where budget estimates are tallying with the actual revenue.

2.4 Property Valuation and Revenue Performance

In Uganda revenue is generated from the valuation of properties and is based on annual Rental Value, with the owner of property liable for payment. OkelloKello and Nsibambi, (1995). Frozen (2002) adds that it is based on (total) improved value. The valuation is currently governed by the Local Government (Rating) Act, 2005 that provides for annual rental value LOG (Rating) Act, 2005.

The Act also provides for revaluations of property at least once in every 5 years or such longer period as the Local Government may determine. The law further provides for the updating, of valuation lists through annual supplementary valuation lists to address properties which is divided or sub-leased and any properties which has ceased to quality for exemption. Local Government (Rating Act, 2005).

OkelloKello and Nsamba, (1995) further point out that only 3 urban authorities produced supplementary valuation lists in the last 10 years, this was because almost none of the urban authorities had the capacity to prepare such a list. This period is long and in some cases goes beyond 10 years as revealed by Nsamba (2002). This situation is unpleasant especially since the lack of valuation leads to loss of revenue.

Unfortunately however, there are few empirical studies that have analyzed the level and accuracy of the individual parcel property valuations. Kelly further points out that, there are no mass valuation techniques used by any rating authority and estimated are used that reveal a big dispersion between the valuations on the rolls and real market value. Also argues that, although valuations may be accurate when first produced, this accuracy erodes overtime due to shifts in relative and absolute market value.

In Uganda, government values are generally responsible for municipal valuation rolls in respect of small councils. It is imperative that property valuation
profession be addressed in a constructive manner that has not happened in South Africa and elsewhere (Nsamba, 2001).

Franzszen (2002) further points out that, legislative provisions pertaining to valuation of properties should be addressed in different statutes. This implies that the preparation of proper valuation rolls requires accurate data pertaining to rate able property parcels and a considerable effort and commitment on the part of all concerned parties if the current, rather dismal state of municipal valuation for rating purposes is to improve significantly.

Armstrong (1994) looked at revenue performance management and scaled down to department performance. He defined department performance as the extent to which a given department in an organization achieves its intended outcome. He added that departmental performance indicates how well a department has done its job. This author was however also very general in approach. He was never specific on any department. This not with standing his understanding of a departmental performance is helpful is guiding the study of approach the revenue collection performance.

Arvery and Murphy (1998 discussed revenue performance evaluation in work settings stressing it as the major concern of management. Arvery and Murphy (1998) observed that revenue performance effectively and targets are achieved. Murphy was quick to add that although objectives and targets are normally set at organizational levels, they tend to be divided and sub-divided into minor objectives and targets set at either department, section or individual staff members levels. If this is properly done, the achievement of objectives and targets at the individual staff member’s level effectively means that those at the section, department and ultimately at the organizational level are also achieved.

ACCA (2005) noted that unfortunately, many organizations set objectives and targets at section as the lowest level. Little effort is devoted to setting objectives and targets at individual staff member’s level. As such, when organizations fail to achieve section objectives and targets management tends to blame the head of the section other all staff member in the section. ACCA (2005) advised therefore that if organization set targets for each individual staff member, it would easily identify employees contributing to its success
or those contributing to its failure to achieve desired effectiveness and be able to establish the causes at the individual staff members’ level.

Although Arvery and Murphy (1998) and ACCA (2005) very articulate with respect to how organizational performance can be measured basing on set objectives and targets, they never highlighted the forms that can be used to measure this revenue performance.

Bazzoli, Chan, Shortell & DAUNNO (2000) pointed out one form that can use to measure organizational performance effectiveness. These authors focused on measuring organizational performance using financial units. They basically conceived of performance in financial terms and measure performance effectiveness by comparing set with actual financial targets. They focused on financial performance of those hospitals belonging to health networks and systems. However, their approach is the most appropriate to adopt in order to measure the revenue performance.

In general, and as ACCA (2004) noted, organizational performance has too often been restricted to its financial facet. As a matter of fact, mast valuations of organizational performance are based on indicators such as return on investments, sales, profit per share. The authors noted however that this notwithstanding. Some organizations use different indictors to measure their revenue performances, depending on what best suits their circumstances. Organizations can use the process they use to achieve their objectives, or the environment in which the organizations operate (using their market share for instance), or the objectives and targets they set for their employees at and level, be it department, section or individual staff members level.

2.5 Local revenue collection of small scale enterprises

(Tayebwa, 1998) define local revenue as revenue that do not reach the central government treasury and they include those revenue collected by local Administration cities and municipal councils. They include license free, rent, gate collection and others. The construction of the republic of Uganda, (1995) Article 191 clause (1) and (2) spelt out the local revenue were charges levy by local government and they include rents, rates, royalties, stamp duties, and fees collected in accordance with the law enacted by parliament by virtue of article 152 of the constitution.
The Arlington country profile provides an analysis on revenue trends and projections. The economic climate in Arlington country serves as the basis for discussion about how financial year 2006 proposed revenue estimates are derived. This section includes revenue estimate for financial year 2005 for revenues, based on year-to-date revenue collections and other factors that were not known when the budget was adopted. All other revenues in this section show the adopted budget amounts for the financial year 2005, reflecting the budgeted levels from the financial year 2005 adopted budget.

Fiscal Decentralization strategy pilot Guideline for District and municipalities (volume 5) stated that local revenue is receipts or money received and recorded in line with the local government financial and Accounting Regulations (LGFAR) and Bank in general fund Account of the (LGFAR, 1998) defined local revenue as charges levy by the local government as defined under section 27 of the regulation.

It also clarified the responsibilities of the chief financial officer and revenue collectors to properly ensure that revenue is collected and Banked.

(The monitor Friday November 5th 2004) “joint Annual Review of Decentralization held in Kampala” quoted the discussion on inter-governmental, fiscal issue covering operation and importance of local revenue accountability of the local government.

The permanent secretary ministry of local government emphasized on the budget of local revenue and control as the major causes of loss of revenue which should be addressed by all local administration and municipalities.

The Uganda constitution 1995 governs local government as a ministry which is regulated by local government Act 1997. The Act provides for revenue, political and administrative set up of revised and financial at lower council. The LG Act (2002) local government shall have the right and power to increase or expand on their revenue base provided the local council approves it. Each division/sub-country in the municipality have the Autonomy in implementing the budget so as to revenue in performance.

Under the LG Act 1997, the local government council is provided for in section 81 and 84 and Local Government Financial and Accounting regulation (LGFAR) 1998 which
empowers the local council to levy, charge and collect fees, market dues or any other revenue as far as performance is concerned.

Professor of accounting (Duncan Williamson 1998) in his book cost and management Accounting analyzed the objectives of budget as a measure of profitability and revenue which management had to monitor in order to attain performance objectives.

Efforts by the Wakiso Town Council Administration to enhance local revenue collection ranging among others from recruitment of graduate staff as Assistant Town Clerks, sensitizing the local communities on the relevance of improving the road network, Tendering out markets and provision of some logistical support to revenue collectors have been made. The main reasons behind all these efforts were to encourage revenue performance through proper implementation of the budget. However despite all the above efforts, local revenues performance levels have remained low and on average falling below 50%.

In Wakiso Town Council, the budget of July 2004-April 2005 provided a detailed revenue performance of the major revenue source as below:

2.5.1 Property source
This source was contracted out to Mr. Impact Associates Company August 2003, purposely to maximize revenue collection from the source – during the period July-April 2005 the revenue collection was Shs.271M compared to anticipated target of shs.230M. This was due to the positive response by property defaulters where properties had been attached by the court Bailiff auctioneers.

2.5.2 Markets
Most of he markets are privately owned and some are owned by the KCC. The management has not been easy for along time and none of the market is officially tendered out through the District Tender Board. Most of these markets are operating informally and tend to out compete the gazetted markets for customers making the gazetted markets unviable in revenue collection.
2.5.3 Building Plans
Revenue from this source is the fee charged open submission of building plans for approved by the council. The revenue potential is still high if the local residents are well sensitized about the needs and benefits accruing from the approved plans.

2.5.4 Boda-boda
This source ceased to operate although negotiation are still going or between the District Council and the Ministry of Transport about its future operations in the district.

2.5.5 Vehicle Parks (UTODA)
The district remitted 52.8M out of the estimated 88M from July-April 2005. Other sources of revenue include; Government transfer to

- Poverty Alleviation Fund (PAF) – SFG and UPE
- Primary Health Care (PHC)
- Local Government Development Programmes
- External Funding


According to Albertan’s, the government needs to ensure that its revenue its revenue structure maximizes productivity and wealth generation, while providing adequate funds for the services that Albertans expect. Through a revenue management framework, revenue and investment policies will be designed to maximize productivity and wealth generation while preserving and enhancing the quality of life for Albertans. In exercising its leadership role for this initiative, revenue will continue to monitor Alberta’s revenue competitiveness in a national and international context. The department will also work with stakeholders to review revenue policy issues on an ongoing basis following the strategies below:

Develop and maintain a revenue management framework including long-term revenue projections and analysis of Alberta’s revenue sources.
Work with other ministries to develop and implement long-term revenue strategies.

Strengthen the Alberta heritage savings trust fund and other endowment funds.

Monitor Alberta’s revenue competitiveness in a national and international context.

As affordable, complete implementation of the business plan to increase revenue from 8% to 11.5%.

2.6 Relationship between Presumptive tax Administration and revenue performance of small scale enterprises.

Golab (1996) argues that a flat tax system (replacing a number of tax instruments) would benefit small businesses the most. First, because the compliance costs for such system are far lower and this benefits the small firms disproportionately. Second as tax credits and tax incentives tend to benefit larger, better connected and influential firms.

Their elimination therefore, allowing the introduction of lower rate-tax, benefits smaller firms. Third, the increase in personal tax exemption benefits small businesses as many operate as sole-proprietors. Some versions of the flat tax the exemption of dividends from taxable income, which eliminates the advantages accruing to debt finance.

Small scale business enterprises are affected by presumptive tax by reducing the sales, profitability and growth of investment potentials of business. Muthen (2003) observed that the profitability of these small scale business enterprises is affected by the mechanisms that are used in levying this kind of tax, basing on the fact that sometimes, the tax is based “on what can be seen in the shelves/business room” and not on other factors such as duration of operation of the business, line of business, and location advantages.

According to Keith (1989), taxes affect growth in two ways first by influencing the aggregate supply of main factors of production by raising or lowering net (after sale) returns by influencing revenue performance of resource utilization of small business.

The business category “mass catering and amusement establishments” for example includes everything from very basic food kiosks to luxury bars and night clubs to avoid under-or-over taxation the category had to be divided into six sub-categories, those sub
categories again were divided according to the quality of the establishment, distinguishing for example one-star from three-star restaurants and all establishments had to be treated differently according to their location (Sarah, 2008:17). This hard to comprehend and leads in practice to an ongoing discussion between business performance and the tax administration, and the ministry of finance about the need to modify the system.

Tax rate caps high tax rates can cause substantial enforcement problems for a tax administration. High presumptive tax rates may cause greater concealment of income and use of tax avoidance methods and soon (Mbugua, 2000). In both cases there is the possibility that revenue will be lower at high rates than it is at lower rates. In Uganda the tax payable is estimated and varies from according to the segment of gross turnover in which a tax payer’s sale for business falls in that year. Uganda tax News (2003). Presumptive tax being a civil and statutory obligation, it has effects on revenue performance of small-scale business enterprises and this makes tax planning a very important step in tax administration (Jethro, 2002).

According to Gregory (2005), extending the application of the gross income tax to “any other economic activities performance for profit making purposes that are not included under the categories of tax administration, but are performed in shops or other separate units” specifying that these activities without fixed place of business per year in places like Colombia and Peru grossly affected the performance of small business enterprises.

All tax systems do not produce the same effects on distribution, consumption, production and the level of activity may be good or bad and which affect revenue performance. The price mechanism was pointed out as ineffective in the distribution of wealth, welfare and income in the society and as the result government intervenes in the economy through taxation to raise revenues for development (Bulunywa, 1998).

Companies in areas like Jinja, Kampala, Etebbe, Namanve, Njeru have an initial allowance of 50% which is lower in the first years of operation. Companies located else where have initial allowance of about 75%, this increases revenues among business ability in all areas with high equity consideration (Income Tax Act of Uganda1997. Thus
according to Musgrave (1998), tax levied for revenue is worth while only if it can generate meaningful revenues at acceptable rates and procedures.

The ability of tax payers to work is greatly reduced by poor tax administration, this leads to less production hence poor revenue performance (Okot 2002). He further urged that the major hindrance to growth and development of small scale business has been the taxation policies which have serious implications on business, profits and liquidity position. This is because of the unfair tax rates.

Okot (2002) urged that he carried out his research on 50 traders in the city centre, Ntinda and Wandegeya. The research revealed that 52% of small scale business’ profit are reduced by unfair tax rates, 62% of the business owners urged that taxes have a negative effect on the liquidity position of the small scale businesses. Okot there fore said that taxes have not favored the growth of small scale businesses as they encroach on the expected revenue thus reduce on investment finance and since small scale businesses are financed out of their own profits and savings, their performance has been undermined by unfair tax rates.

Musgrave (1985) urged that most governments are interested in realizing high revenue collections, this leads to charging high taxes on small scale businesses hence retarding their revenue performance. He therefore advocated for justice when imposing and collecting taxes, that people should be treated fairly thus there should be equality of sacrifice or ability to pay tax in proportion to income received.

Taxes affect the profit levels and liquidity of small scale enterprises hence affecting their survival and performance (Barempya, 2000). However, for small scale businesses, if presumptive tax is well assessed, it’s efficient because it is payable out of profits (Parvaiz, 2000).

The 1993 small business tax law certainly had a number of major flows. In particular, it did not introduce an upper threshold, so that any business run by an individual, even a major law firm or shipping business, benefited from a relatively low presumptive tax burden. It did not define well the individual and thus opened up the possibility to dispute as to which category a tax payer should be taxed under.
In addition, it tended to group quite different professions in the same category, while at the same time rather similar professions, for example doctors, dentists and veterinarians, were taxed differently. A study by Keilhmann (2009) about the performance of small business units growth in Sub Saharan Africa established that some obvious hard-to-tax businesses, especially restaurants and bars, were not listed in any category of small scale business units liable to pay a presumptive tax. This clearly, the system required substantial improvement. This leads to a complete overhaul of the system in 1998, when a gain a new law on small business tax was passed purposely to protect business revenues.

Small firm’s face an’ investors economies of scale’ impact of paperwork and procedures required for tax authorities (Blazic, 2004). I take an equal amount of time to register and pay income tax on profit of US$ 1 million as it does US$ 100. Yet the opportunity cost of time to a firm with a profit of US$ 1 million is inconsequential to affirm with US$ 100 profit it is likely substantial. Many small firms in developing countries lack the capacity and training to be to undertaking monitoring for tax compliance. Owners and operators of small businesses are more likely to be poorly educated and therefore not have the accounts and records necessary for many tax systems.

From the perspective of revenue authority, small businesses generates disproportionately low amount revenue, relative to large enterprises. Given both the number of firms and difficulties in finding them (see above), it is not perceived as cost effective to monitor small enterprises especially given limited resources to administer the standard tax system. For this reason, some countries, such as Zambia, do not allow small businesses to participate in general tax systems (Global, 1996; Blazic, 2004).

2.7 Conclusion
Tax payers are responsible for providing all relevant data to the tax office. such information include, the tax payers to the tax office address, location of the tax payers name and address, location of the tax object. Taxable area of land and building and recent purchase where applicable. Poor tax policies have serious implications on business profits and liquidity position hence small scale businesses will be unable to expand and grow since they get little profits where by much of the profits are paid in form of high
presumptive taxes and this drives small entrepreneurs out of business. Despite the introduction of a rather generous presumptive tax system, as a reform to facilitate tax compliance among small business enterprises (SBEs) and a measure to introduce a reasonable tax burden for SBEs, these business men continue to consider the tax burden as the most significant barrier for their business.
CHAPTER THREE

METHODOLOGY

3.1 Introduction
This chapter provided information as to how the study was carried out interims of data collection, analysis and presentation. It also provided an insight into the limitations that were encountered during the study.

3.2 Research Design
Across-sectional research was carried out where the data was gathered for the number to allow the respondents answer the questionnaires thus answers the research questions. This involved description and analysis that helped the researcher in making accurate conclusions about the administration of presumptive tax the performance of small scale business enterprises.

3.3 Study Population
The study population involved 40 people who included the owners of small scale business enterprises in Wakiso Town Council with a total annual turn over of less than 50 million shillings.

3.4 Sampling Size
The researcher based on sample size of 40 respondents who included small scale business owners from the study population in Wakiso Town Council. This will include 15 wholesalers, 15 retailers and 10 proprietors.

3.5 Sampling Design
The researcher took the sample in such away that it was a representative of the whole population studied.
3.6 Sources of data
The researcher used both primary and secondary source of data.

3.6.1 Primary data
This is first hand and original information collected form a problem under consideration (as per Mc Claire, Benson and Sincich in their book statistics for business and economics).

Primary data was collected by use of observation, questionnaires which were presented to traders in Wakiso Town Council.

3.6.2 Secondary data.
This was got from newspapers and previous research related to the activities in the study populations.

3.7 Data collection instruments.
Various instruments were used in order to achieve a commendable project report.

3.7.1 Observations
The researcher observed the exact situation on the ground and there by drawing conclusions.

3.7.2 Interviews
Direct interviews were used to elicit response from Uganda Revenue Authority Officials.

3.8 Investigation procedure
A covering letter was obtained from the head of department and signed by him. It was presented to the traders requesting for assistance in giving information needed for the study.

3.9 Data analysis and Presentation
3.9.1 Data Presentation.
The data gathered was edited and checked to ensure uniformity accuracy, consistency and comprehensiveness. The structured questionnaires was coded, questions grouped, tabulated and frequencies run according to the objectives of the study.
The data was then analyzed and information generated was interpreted to establish the relationship between presumptive tax administration and revenue performance of small scale enterprises.

3.9.2 Data analysis and tools.
Raw data collected was processed using statistical package for social sciences (SPSS) and manual method like physical checking of the questionnaires for completeness. The computer package also includes editing, coding, and classification of information.

3.10 Anticipated Limitations and their Possible Solutions

Time constraint. Given that the researcher has limited period within which to complete the study, time was a limitation and the researcher visited the respondents on scheduled appointments and the research was able to forego leisure time to meet the deadline.

Financial problems, These were big constraints that led to delay in submission of report for example cost of typing, cost of travelling and stationary. However, the researcher mobilized money for the smooth carrying out of the study.

Ignorance of some respondents on some issue. This occurred mostly on part of tax payers. They were unfamiliar with some concepts like the concepts of taxation and many more. This negatively affected the quality of responses. This was however solved by the researcher taking the initiative and be a long the suspected respondents such that some terms which were difficult for the respondents to understand were explained.

Unwillingness to respond. Some respondents tended to reject the researchers by refusing to give information, or otherwise give sketchy which was inadequate. The researcher solved this problem by staying in close contact with the respondents so as to induce them to give as much information as needed.
CHAPTER FOUR

PRESENTATION, ANALYSIS AND DISCUSSION OF RESEARCH FINDINGS

4.1 Bio data

Findings on the bio information of respondents were considered and can be evidenced below:

4.1.1 Gender of respondents

Findings on the gender of respondents were considered and can be evidenced in the table below:

Table 1: Gender of respondents

<table>
<thead>
<tr>
<th>Sex</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>24</td>
<td>60</td>
<td>60</td>
</tr>
<tr>
<td>Female</td>
<td>16</td>
<td>40</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary data

From table 1, 60% of the respondents were male, and 40% were female. This implies that there was no gender bias in the study.

4.1.2 Age bracket of the Respondents

The study captured the different age brackets of respondents in order to establish the most prevalent group, the respondents were asked to state their age. The distribution was as in the table below:
Table 2: Age distribution of respondents

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 25 years</td>
<td>1</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>25-35 years</td>
<td>9</td>
<td>23</td>
<td>25</td>
</tr>
<tr>
<td>36-45 years</td>
<td>20</td>
<td>50</td>
<td>75</td>
</tr>
<tr>
<td>46 years and above</td>
<td>10</td>
<td>25</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Primary data*

From Table 2, above findings indicated that 2% of respondents were aged below 25 years, 23% were between 25 to 35 years of age, and 50% were between 36 and 45 years of age while another 25% were above 46 years of age. This shows that the respondents were mature enough to answer the questions in the questionnaires.

4.1.3 Marital status of respondents

Findings on the marital status of the respondents were obtained and were as in the table below:

Table 3: Marital status of respondents

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Married</td>
<td>15</td>
<td>37</td>
<td>37</td>
</tr>
<tr>
<td>Single</td>
<td>20</td>
<td>50</td>
<td>87</td>
</tr>
<tr>
<td>Widowed</td>
<td>1</td>
<td>3</td>
<td>90</td>
</tr>
<tr>
<td>Divorced</td>
<td>2</td>
<td>5</td>
<td>95</td>
</tr>
<tr>
<td>Engaged</td>
<td>2</td>
<td>5</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Primary data*
Table 3, findings showed that 37% of the respondents were married, 50% of the respondents were single, 3% were widowed, 5% were divorced and 5% were engaged. This shows that respondents of different marital status took part in the study.

4.1.4 Nature of the business of respondents

Findings on nature of business of respondents were obtained and were as in the table below:

**Table 4: Nature of the business of respondents**

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sole proprietorship</td>
<td>20</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Retailers</td>
<td>10</td>
<td>25</td>
<td>75</td>
</tr>
<tr>
<td>Wholesalers</td>
<td>10</td>
<td>25</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Primary data*

From table 4, 50% of the respondents were sole proprietorships, 25% were retailers and 25% were wholesalers. This shows that sole proprietorship is the dominant form of business.

4.1.5 Level of education of the Respondents

The study also captured data on the level of education of respondents and it is as in the table below:
Table 5: Education levels of respondents

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificate holder</td>
<td>20</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Diploma holder</td>
<td>7</td>
<td>17</td>
<td>67</td>
</tr>
<tr>
<td>Degree holder</td>
<td>3</td>
<td>7</td>
<td>74</td>
</tr>
<tr>
<td>Post graduate</td>
<td>5</td>
<td>13</td>
<td>87</td>
</tr>
<tr>
<td>Others who specified</td>
<td>5</td>
<td>13</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Primary data*

From table 5, 50% of the respondents attained certificate level of education, 17% attained diploma level of education, 7% attained degree level of education, 13% attained post graduate level of education, 13% of the respondents specified others qualifications. This implies that people who took part in the study had attained the minimum level of education to answer questions related to Presumptive tax administration and Revenue performance.

**4.1.6 Duration spent in the business by the respondents**

The study also captured the period of the time that the respondents spent in the business and it is as in the table below:
Table 6: Duration spent in the business by the respondents

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 year</td>
<td>3</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>1-2 years</td>
<td>10</td>
<td>25</td>
<td>32</td>
</tr>
<tr>
<td>3-4 years</td>
<td>20</td>
<td>50</td>
<td>82</td>
</tr>
<tr>
<td>5 years and above</td>
<td>7</td>
<td>18</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary data

From table 4.1.6 above, 7% of the respondents had spent less than 1 year in the business, 25% had spent between 1-2 years, 50% had spent between 3-4 years and 18% had spent 5 years and above. This implies that most of the respondents had spent some reasonable time in the business for at least more than 1 year hence they were experienced and in position to provide reliable information for the study.

4.2 Knowledge of respondents about presumptive tax administration

Findings on presumptive tax administration were considered and the information below was obtained:

4.2.1 Registration of Businesses for presumptive tax

Knowledge of the respondents on whether businesses were registered for presumptive tax was sought from the respondents and the results in the table below were obtained:
From table 7, above, 50% of the respondents strongly agreed that businesses are registered for presumptive tax, 25% agreed, 5% were not sure, 10% disagreed and 10% strongly disagreed. According to the findings businesses are registered for presumptive tax.

**4.2.2 Efficient Presumptive tax education**

The study captured information on whether presumptive tax education being carried out efficiently and the findings were as in the table below:

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>15</td>
<td>38</td>
<td>38</td>
</tr>
<tr>
<td>Agree</td>
<td>10</td>
<td>26</td>
<td>64</td>
</tr>
<tr>
<td>Not sure</td>
<td>5</td>
<td>12</td>
<td>76</td>
</tr>
<tr>
<td>Disagree</td>
<td>5</td>
<td>12</td>
<td>88</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>5</td>
<td>12</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Primary data*
From table 8 above, 38% of the respondents strongly agreed that presumptive tax administration is carried out efficiently, 26% Agreed, 12% were not sure and 12% strongly disagreed. This implies that presumptive tax education is carried out efficiently.

### 4.2.3 Books of accounts for effective taxation

The study also established how clear and transparent the company goals were and the response was as in the table below:

Table 9: The business does not have books of accounts for effective taxation

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>22</td>
<td>56</td>
<td>56</td>
</tr>
<tr>
<td>Agree</td>
<td>15</td>
<td>38</td>
<td>94</td>
</tr>
<tr>
<td>Not sure</td>
<td>1</td>
<td>2</td>
<td>96</td>
</tr>
<tr>
<td>Disagree</td>
<td>1</td>
<td>2</td>
<td>98</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>1</td>
<td>2</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Primary data*

From table 9, above, 56% of the respondents strongly agreed that the business does not have books of accounts for effective taxation, 38% agreed, 2% were not sure, 2% disagreed while 2% strongly disagreed. This implies that the business does not have books of accounts for effective taxation.

### 4.2.4 Transparency in Presumptive tax assessment

Respondents were required to give their views as to whether there is transparency to all tax payers in the same business and the response was as in the table below:
Table 10: Presumptive tax assessment is transparent to all tax payers in the same business

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>4</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Agree</td>
<td>4</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td>Not sure</td>
<td>7</td>
<td>18</td>
<td>38</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>25</td>
<td>62</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary data

From table 10 above, 10% of the respondents strongly agreed that there is transparency to all tax payers in the same business, 10% agreed, 18% were not sure while 62% strongly disagreed. This implies that presumptive tax assessment is not transparent to all tax payers in the same business.

4.2.5 Same tax liability for tax payers in the same business

The study captured information on whether tax payers in the same business pay equal amounts for tax liability and the findings were as in the table below:

Table 11: Tax payers in the same business pay equal amounts for tax liability

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>24</td>
<td>60</td>
<td>60</td>
</tr>
<tr>
<td>Agree</td>
<td>10</td>
<td>25</td>
<td>85</td>
</tr>
<tr>
<td>Not sure</td>
<td>1</td>
<td>2</td>
<td>87</td>
</tr>
<tr>
<td>Disagree</td>
<td>3</td>
<td>8</td>
<td>95</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>2</td>
<td>5</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary data
Table 11 showed that, 60% strongly agreed that tax payers in the same business pay equal amounts for tax liability, 25% agreed, 2% were not sure, 8% disagreed and 5% strongly disagreed. This means that tax payers in the same business pay equal amounts for tax liability.

4.3 Revenue Performance

Findings on the revenue performance were considered and the information below was obtained:

4.3.1 Generation of businesses revenues

The study also captured data on the level of education of respondents and it is as in the table below:

Table 12: Business is able to generate revenues as it conducts its normal operations

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>4</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Agree</td>
<td>4</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td>Not sure</td>
<td>7</td>
<td>18</td>
<td>38</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>25</td>
<td>62</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary data

From table 12, 10% of the respondents strongly agreed that business is able to generate revenues as it conducts its normal operations, 10% agreed, 18% were not sure, 62% strongly disagreed. This implies that the business is not able to generate revenues as it conducts its normal operations.
4.3.2 Poor record keeping makes assessment of revenue performance difficult

Respondents were requested to respond on poor record keeping whether it makes assessment of revenue performance difficult and the findings were as below:

Table 13: Poor record keeping makes assessment of revenue performance difficult

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>5</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Agree</td>
<td>5</td>
<td>12</td>
<td>24</td>
</tr>
<tr>
<td>Not sure</td>
<td>5</td>
<td>12</td>
<td>36</td>
</tr>
<tr>
<td>Disagree</td>
<td>10</td>
<td>26</td>
<td>62</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>15</td>
<td>38</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Primary data*

According to table 13, 12% of the respondents strongly agreed that poor record keeping makes assessment of revenue performance difficult, 12% agreed, 12% were not sure, 26% disagreed while 38% strongly disagreed with that fact. This indicates that poor record keeping makes assessment of revenue performance difficult.

4.3.3 Budget estimates guide small businesses

The study also captured information about budget estimates in small businesses and can be evidenced in the table below:
Table 14: Budget estimates guide small businesses on future revenues and expenditures

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>5</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Agree</td>
<td>8</td>
<td>20</td>
<td>33</td>
</tr>
<tr>
<td>Not sure</td>
<td>2</td>
<td>5</td>
<td>38</td>
</tr>
<tr>
<td>Disagree</td>
<td>13</td>
<td>32</td>
<td>70</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>12</td>
<td>30</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary data

According to table 14, 13% strongly agreed that budget estimates guide small business on future revenues and expenditures, 20% agreed, 5% were not sure, 32% disagreed and 30% strongly disagreed. This means that budget estimates don’t guide small business on future revenues and expenditures.

4.3.4 Increase in revenues and profitability are indicators of good performance in the business

Respondents were asked to comment on whether there was increase in revenues and profitability are indicators of good performance in the business and the findings were as below:
Table 15: Increase in revenues and profitability are indicators of good performance in the business

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>7</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td>Agree</td>
<td>4</td>
<td>10</td>
<td>27</td>
</tr>
<tr>
<td>Disagree</td>
<td>20</td>
<td>50</td>
<td>77</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>9</td>
<td>23</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary data

Table 15 showed that, 17% strongly agreed that increase in revenues and profitability are indicators of good performance in the business, 10% agreed with the same, 50% disagreed while 23% strongly disagreed. This implies that increase in revenues and profitability is not an indicator of good performance in the business.

4.3.5 There is generally an improvement in employee productivity in the business

Findings on whether there is generally an improvement in employee productivity in the business revealed the following:

Table 16: There is generally an improvement in employee productivity in the business

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>4</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Agree</td>
<td>4</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td>Not sure</td>
<td>2</td>
<td>6</td>
<td>26</td>
</tr>
<tr>
<td>Disagree</td>
<td>15</td>
<td>37</td>
<td>63</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>15</td>
<td>37</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary data
From table 16, 10% of the respondents strongly agreed that there is generally an improvement in employee productivity in the business, 10% agreed, 6% were not sure, 37% disagreed and 37% strongly disagreed. This indicates that there is no general improvement in employee productivity in the business.

4.3.6 Business revenues to finance stock growth

Findings on whether business revenues are used to finance stock growth and the results were as in the table below:

Table 17: Business revenues to finance stock growth are always higher than business expenses

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>6</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Agree</td>
<td>3</td>
<td>7</td>
<td>22</td>
</tr>
<tr>
<td>Not sure</td>
<td>1</td>
<td>3</td>
<td>25</td>
</tr>
<tr>
<td>Disagree</td>
<td>10</td>
<td>25</td>
<td>50</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>20</td>
<td>50</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary data

Table 17 findings indicated that, 15% of the respondents strongly agreed that business revenues to finance stock growth are always higher than business expenses, 7% agreed with same, 3% were not sure, 25% disagreed and 50% strongly disagreed. This means that business revenues to finance stock growth are not higher than business expenses.

4.4 Relationship between Presumptive Tax administration and Revenue Performance

Findings on the relationship between presumptive tax administration and revenue were also considered and the information below was obtained:
4.4.1 Amendments in the current presumptive tax law

Findings on whether amendments in the current presumptive tax law are necessary to improve revenue performance of small business were obtained and the results were as in the table below:

Table 18: Amendments in the current presumptive tax law are necessary to improve revenue performance of small business

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>13</td>
<td>32</td>
<td>32</td>
</tr>
<tr>
<td>Agree</td>
<td>12</td>
<td>30</td>
<td>62</td>
</tr>
<tr>
<td>Not sure</td>
<td>4</td>
<td>10</td>
<td>72</td>
</tr>
<tr>
<td>Disagree</td>
<td>6</td>
<td>15</td>
<td>87</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>5</td>
<td>13</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

*Source: primary data*

Table 18 showed the 32% of the respondents strongly agreed that amendments in the current presumptive tax law are necessary to improve revenue performance of small business, 30% agreed with the same finding, 10% were not sure, 15% disagreed, and 13% strongly disagreed. This implies that amendments in the current presumptive tax law are necessary to improve revenue performance of small business.

4.4.2 Presumptive tax system reduces the net revenue of the business

The study also captured information on whether presumptive tax system reduces the net revenue of the business affecting the net take home and the evidence was as in the table below:
Table 19: presumptive tax system reduces the net revenue of the business affecting the net take home

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>10</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>Agree</td>
<td>11</td>
<td>28</td>
<td>53</td>
</tr>
<tr>
<td>Not sure</td>
<td>10</td>
<td>25</td>
<td>78</td>
</tr>
<tr>
<td>Disagree</td>
<td>4</td>
<td>10</td>
<td>88</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>5</td>
<td>12</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Source: primary data

Findings of table 4.4.2 indicated that, 25% of the respondents strongly agreed that presumptive tax system reduces the net revenue of the business affecting the net take home, 28% agreed, 25% were not sure, 10% disagreed and 12% strongly disagreed. This implies that presumptive tax system reduces the net revenue of the business affecting the net take home.

4.4.3 Presumptive tax affects liquidity position of the business

Findings on whether presumptive tax affects the liquidity position of the business which in turn affects revenue performance and the results were as in the table below:
Table 20: Presumptive tax affects the liquidity position of the business which affects revenue performance

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly disagree</td>
<td>17</td>
<td>43</td>
<td>43</td>
</tr>
<tr>
<td>Agree</td>
<td>10</td>
<td>25</td>
<td>68</td>
</tr>
<tr>
<td>Not sure</td>
<td>2</td>
<td>5</td>
<td>73</td>
</tr>
<tr>
<td>Disagree</td>
<td>5</td>
<td>12</td>
<td>85</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>6</td>
<td>15</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Source: primary data

According to table 20 findings showed that, 43% strongly agreed that presumptive tax affects the liquidity position of the business which affects revenue performance, 25% agreed, 5% were not sure, 12% disagreed while 15% strongly disagreed. This implies that, presumptive tax affects the liquidity position of the business which affects revenue performance.

4.4.4 Business working capital is affected by tax liability

Findings on whether the business working capital is affected by tax liability generated by presumptive tax system were established and the findings were as in the table below:
Table 21: Business working capital is affected by tax liability generated by this presumptive tax system

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>18</td>
<td>45</td>
<td>45</td>
</tr>
<tr>
<td>Agree</td>
<td>13</td>
<td>32</td>
<td>77</td>
</tr>
<tr>
<td>Not sure</td>
<td>2</td>
<td>5</td>
<td>82</td>
</tr>
<tr>
<td>Disagree</td>
<td>4</td>
<td>10</td>
<td>92</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>3</td>
<td>8</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Source: primary data

From table 4.4.4 findings indicated that, of the respondents 45% strongly agreed, 32% agreed, 5% were not sure, 10% disagreed and 8% strongly disagreed that business working capital is affected by tax liability generated by presumptive tax system. This means that business working capital is affected by tax liability generated by presumptive tax system.
4.5 Relationship between Presumptive tax and Revenue performance

Table 22. Correlation between presumptive tax and revenue performance

<table>
<thead>
<tr>
<th></th>
<th>Presumptive tax Administration</th>
<th>Revenue Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Presumptive tax Administration</td>
<td>Pearson Correlation</td>
<td>0.778 **</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>40</td>
</tr>
<tr>
<td>Revenue Performance</td>
<td>Pearson Correlation</td>
<td>0.778 **</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>40</td>
</tr>
</tbody>
</table>

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

From table 4.5 above, findings revealed that there is a strong positive relationship between presumptive tax and revenue performance at Pearson correlation coefficient \( r = 0.778 \) (**). This implies that a small change in presumptive tax administration would bring about a big change in the revenue performance by 60%.
CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of the findings

5.1.1 Findings on Presumptive tax
Findings on presumptive tax showed that businesses are registered for presumptive tax, tax education is carried out efficiently, the businesses do not have books of accounts for effective taxation, tax assessment is not transparent to all tax payers in the same business and tax payers in the same business pay equal amounts for tax liability.

5.1.2 Findings on Revenue Performance
Findings on revenue performance showed that, the businesses are not able to generate revenues as they conduct their normal operations, poor record keeping makes assessment of revenue performance difficult, budget estimates don’t guide small businesses on future revenues and expenditures, increase in revenues and profitability is not an indicator of good performance in the business, there is no general improvement in employee productivity in the businesses and business revenues to finance stock growth are not higher than business expenses.

5.1.3 Findings on Relationship between Presumptive tax and Revenue Performance
Findings on the relationship between presumptive tax and revenue performance showed that amendments in the current presumptive tax law are necessary to improve revenue performance of small business, presumptive tax system reduces the net revenue of the business affecting the net take home, presumptive tax affects the liquidity position of the business which affects revenue performance and business working capital is affected by tax liability generated by presumptive tax system.
Findings also revealed that there is a strong positive relationship between presumptive tax and revenue performance at Pearson correlation coefficient \( r = 0.778 \) (**). This implies that a small change in presumptive tax administration would bring about a big change in the revenue performance by 60%.

5.2 Conclusions

5.2.1 Conclusion on presumptive tax
The study revealed that presumptive tax requires businesses to be registered for presumptive tax, tax education to be carried out efficiently, the businesses to have books of accounts for effective taxation; tax assessment is to be transparent to all tax payers in the same business and tax payers in the same business to pay equal amounts for tax liability.

5.2.2 Conclusion on revenue performance
The study on revenue performance revealed that, the businesses are not able to generate revenues as they conducts their normal operations, poor record keeping makes assessment of revenue performance difficult, budget estimates don’t guide small businesses on future revenues and expenditures, increase in revenues and profitability is not an indicator of good performance in the business, there is no general improvement in employee productivity in the businesses and business revenues to finance stock growth are not higher than business expenses.

5.2.3 Conclusion on the relationship between presumptive tax and Revenue performance
There is a strong positive relationship between presumptive tax and revenue performance at Pearson correlation coefficient \( r = 0.778 \) (**). This implies that a small change in presumptive tax administration would bring about a big change in the revenue performance by 60%.
5.3 Recommendations

5.3.1 Recommendations on presumptive tax
More businesses should be encouraged to register for presumptive tax, continuous tax education should be carried out, businesses should have books of accounts for effective taxation, tax assessment should be transparent to all tax payers in the same business and tax payers in the same business should pay equal amounts for tax liability.

5.3.2 Recommendations on Revenue performance
Poor record keeping should be reduced by encouraging business people to keep proper records, revenue performance should also be improved by businesses trying to reduce their costs of operations and business people should adopt good budgets in order to guide their businesses.

5.4 Areas suggested for further research
The following should be areas of interest for further research about presumptive tax:

i) VAT and revenue performance
ii) Exercise duty and revenue performance
iii) Corporate taxes and revenue performance
REFERENCES:


APPENDICES

APPENDIX 1

MAKERERE UNIVERSITY

SELF ADMINISTERED QUESTIONNAIRE

ON PRESUMPTIVE TAX ADMINISTRATION AND REVENUE PERFORMANCE OF SMALLSCALE ENTERPRISES.

Dear Sir/Madam

I am a student of Makerere University carrying out a research on presumptive tax Administration and revenue performance of small scale enterprises in Wakiso Town Council.

You are kindly requested to participate in this research study of Wakiso Town Council. I assure you that the information you give is confidential and purely for academic purposes.

I thank you for the cooperation in advance

Instructions: (please tick or fill in the blank space where appropriate)

Section A: General Personal Data

1. Gender

<table>
<thead>
<tr>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
2. Age group

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Under 25 years</th>
<th>25 -35 years</th>
<th>36-45 years</th>
<th>46 years and above</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tr>
</tbody>
</table>

3. Marital Status

<table>
<thead>
<tr>
<th>Marital Status</th>
<th>Married</th>
<th>Single</th>
<th>Windowed</th>
<th>Divorced</th>
<th>Engaged</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

4. The nature of the business

<table>
<thead>
<tr>
<th>Business Type</th>
<th>Sole proprietorship</th>
<th>Retailers</th>
<th>Wholesalers</th>
</tr>
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<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

5. Highest level of Education

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Certificate holder</th>
<th>Diploma holder</th>
<th>Degree holder</th>
<th>Post graduate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

Others specify……………………………………………………………………………………………….
6. Duration you have been in business

<table>
<thead>
<tr>
<th>Less than 1 year</th>
<th>1-2 years</th>
<th>3-4 years</th>
<th>5 years and above</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tr>
</tbody>
</table>

**Section B: Presumptive Tax Administration**

7. Tax offices are always open during working hours.

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Not sure</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

8. Businesses are registered for presumptive tax

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Not sure</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
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</tr>
</tbody>
</table>

9. Presumptive tax education is carried out efficiently

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Not sure</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>
10. The business does not have books of accounts necessary for effective taxation

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Not sure</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tr>
</tbody>
</table>

11. The presumptive tax assessment system is transparent to all tax payers in the same business

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Not sure</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

12. All tax payers in the same business pay equal amounts for tax liability

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Not sure</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
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</tr>
</tbody>
</table>

**Section C: Revenue Performance**

14. The business is able to generate revenues as it conducts its normal operations

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Not sure</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

15. Poor record keeping makes assessment of revenue performance difficulty

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Not sure</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
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<tbody>
<tr>
<td></td>
<td></td>
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</tbody>
</table>
16. Budget estimates guide small businesses on future revenues and expenditures

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Not sure</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
</table>

17. Increase in revenues and profitability are indicators of good performance in the business

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Not sure</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
</table>

18. There is generally an improvement in employee productivity in the business

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Not sure</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
</table>

19. Business revenues to finance stock growth are always higher than business expenses

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Not sure</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
</table>

Section D: Presumptive Tax Administration and Revenue Performance

20. Amendments in the current presumptive tax law are necessary to improve revenue performance of small business

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Not sure</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
</table>
21. Presumptive tax system reduces the net revenue of the business affecting the net take home

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Not sure</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
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</table>

22. Presumptive tax affects the liquidity position of the business which affects revenue performance

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Not sure</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tbody>
</table>

23. The business working capital is affected by tax liability generated by this presumptive tax system

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Not sure</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
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</table>

24. The amount of presumptive tax paid is very high compared to the revenue collected

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Not sure</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

25. Presumptive tax has an impact on the current level of business earnings in the business

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Not sure</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
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</tbody>
</table>
### APPENDIX 11

#### TIME SCHEDULE

<table>
<thead>
<tr>
<th>Activity</th>
<th>Duration</th>
<th>Time schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preparation of proposal</td>
<td>One week</td>
<td>Third week of May.</td>
</tr>
<tr>
<td>Presentation of proposal</td>
<td>Four days</td>
<td>Third week of May</td>
</tr>
<tr>
<td>Preparation and distribution of questionnaires</td>
<td>Two weeks</td>
<td>Fourth week of May and first week of June.</td>
</tr>
<tr>
<td>Completion</td>
<td></td>
<td>Second week of August.</td>
</tr>
</tbody>
</table>

### Budget

<table>
<thead>
<tr>
<th>Item</th>
<th>Units</th>
<th>Amounts (Shs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stationery</td>
<td>2 reams</td>
<td>160,000</td>
</tr>
<tr>
<td>Transport</td>
<td>-</td>
<td>20,000/=</td>
</tr>
<tr>
<td>Typing and printing</td>
<td>-</td>
<td>10,000/=</td>
</tr>
<tr>
<td>Binding</td>
<td>4 books</td>
<td>10,000/=</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>56,000/=</strong></td>
</tr>
</tbody>
</table>