RELATIONSHIP BETWEEN TAX REGISTRATION AND TAX COMPLIANCE AMONG SMALL AND MEDIUM ENTERPRISES IN BWAISE SLUM KAMPALA UGANDA. A CROSS–SECTIONAL STUDY.

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Abstract
Objective
To examine the relationship between tax registration (Identification of legal taxpayers/businesses, issuing TIN numbers, location & addresses of business/ taxpayers, Registration procedures.) and tax compliance (Tax filing, Tax reporting, and Tax payment) among Small and Medium Enterprises (SMEs) in Bwaise slum Kampala Uganda.

Methods
The study used a cross-sectional design and was conducted in registered SMEs in Bwaise slum Kampala Uganda. The study used a sample size of 173 SMEs in Bwaise slum Kampala Uganda

Results
Identification of legal taxpayers is significantly associated with tax compliance (tax filing, tax reporting, and tax payment), with p-values 0.000, 0.001, and 0.002 at significant levels of 0.01 (1%) respectively. Issuing a Tax Identification Number (TIN) is statistically significantly associated with tax compliance (tax filing and tax reporting), with p-values 0.000 and 0.003 at $P<0.01$ respectively. However, TIN is not statistically significantly associated with tax payment, with a p-value of 0.240. Tax registration procedures are significantly associated with tax filing and tax reporting, with p-values of 0.020 and 0.047 at $P<0.05$. Thus weak correlation though significant. Tax registration procedures are not significantly associated with tax payment, p-value of 0.270.

Conclusion
It was evidenced that, the identification of legal taxpayers is statistically significant and positively correlated to tax compliance (tax filing, tax reporting, and tax payment).

Recommendation
The tax authority should adopt early enforcement strategies like following up on the 1st return in the 1st month of registration to encourage compliance. Therefore, new registrations should be issued tax clearances that are valid for less than or equal to 3 months only so that they are pursued to keep a relationship with the tax authority.

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INTRODUCTION
Taxation encompasses all the processes through which the government implements the tax regulations and laws to benefit from its application. Not only is taxation an instrument of raising revenue for the government, but it is also a tool for administering social justice to the citizens (Brockmeyer et al., 2021). Taxes are therefore compulsory contributions imposed by official public authorities, irrespective of the fee of service rendered to the taxpayer in return (Gemmell et al., 2019).

In a study by Olaoye et al. (2019), tax registration is the process, by which the tax authority collects basic and initial taxpayer identifying data, such as name, addresses, and legal entity types. (Olaoye & Ekundayo, 2019) further asserts that this information allows the tax body to know who its taxpayers are, where they are located, and whether they are active or inactive. Generally, most previous studies agree that it is important to emphasize taxpayer identification and registration to enforce compliance among SMEs. However, most of them fall short of explaining to what extent each of these dimensions would predict the tax compliance levels statistically among SMEs. This creates a research gap pending coverage by this study.

The SMEs are considered part of the informal sector and normally do not keep records. SMEs are divided into micro, small, and medium enterprises. They are one of the largely untapped taxpayer groups in Uganda. In Uganda, the Micro Enterprises employ less than 5 people and have assets below UGX 1 million. The Small Enterprises employ approximately 5 to 49 and have total assets between UGX 10 million and not exceeding 100 million. The Medium Enterprise employs between 50 and 100 people with total assets of more than 100 million but not exceeding 360 million (*New-SME-Brochure.Pdf*, 2024.).

However, the study aimed to establish the relationship between tax registration and tax compliance among SMEs in Bwaise slum Kampala Uganda.

METHODOLOGY
Study Design
The study used a cross-sectional research study design with both quantitative and qualitative approaches.

Study setting
The study was conducted in registered SMEs in Bwaise slum Kampala Uganda. This is because it was highlighted in a report by URA 2019 that 60% of the SMEs in slums are non-compliant with paying taxes. In addition, Bwaise slum has a large population of SMEs which benefited the study in achieving the sample size. This has exposed the town to a lot of both illegally and legally operating SMEs. The slum is geographically located at latitude 21' 00′ north of the equator and longitude 33' 40′ east of the principal meridian.

Inclusion criteria
All business owners of SMEs operating within Bwaise and are legally registered by URA taxpayers were eligible for inclusion in the study. A few identified URA staff (5) were also included in this study.

Sample Size
The sample size for the quantitative data was determined using Yamane (1967) formula.
$s = X^2NP(1-P) \div d^2(N-1) + X^2P(1-P)$.
Where.
s = the required sample size of the study
X^2 = the table value of chi-square for 1 degree of freedom at the desired confidence level (3.841).
N = the population size (1000).
P = the population proportion (assumed to be 0.50).
d = the degree of accuracy expressed as a proportion (0.05).
n= 277.7. Therefore, the sample size was 278 SMEs in the Bwaise slum.

Measurement of variables
Table 1 shows the variables under study and their components of measure to be assessed to achieve the objectives of the study.

Table 1: Measurement of variables

VARIABLES	MEASURES	SCALE
Tax compliance	Tax filing. Tax reporting. Tax payment.	Likert scale
Tax registration	Identification of legal taxpayers/business. They are issuing TIN numbers. Location & addresses of business/ taxpayers. Registration procedures.	Likert scale

Source: Adopted from Chapter Two

Quality Control
A pre-test of the research instruments to establish their validity was done. The instrument was given to the researcher's supervisor to give his opinions on the relevance of the questions using a 5-point Likert scale of strongly disagree, disagree, not sure, agree, and strongly agree.

The reliability of the research instrument was pretested by administering it to selected respondents and examined for their reliability by using Cronbach's Alpha value. The standards of a "good" α coefficient are entirely arbitrary and depend on theoretical knowledge of the scale in question, though previous studies recommend a minimum α coefficient between 0.65 and 0.8 (or higher in many cases); α coefficients that are less than 0.5 are usually unacceptable (Ngatia & David, 2017).

The study thus considered 0.65 or greater to be the perfect Alpha score of reliability, processed using SPSS software version 23. The reliability of the tool used was assessed by the scale given by (Namdeo & Rout, 2016) that an alpha score of 0.9 and above is considered to be excellent; ≥ 0.8 is good; ≥ 0.7 is acceptable; ≥ 0.6 is fair; ≥ 0.5 is poor; and < 0.5 as unacceptable (Heale & Twycross, 2015).

To ensure the credibility of the study, a literature review on the topic was conducted before the formulation of the questionnaire, data collection, or analysis.

Also, Research assistants were trained by the Principal Investigator on how to conduct good fieldwork, capturing data and ensuring completeness before going to the field. The chief investigator and her supervisor have a broader understanding of the study setting context because they have previously worked in a system where the compliance tax is adhered to.

Ethical Considerations
Approval to carry out the study was obtained from the Manipal Academy of Higher Education. The study was conducted after attaining an introductory letter from the institution to be presented to the respondents. Permission was also granted at the Town Council offices and by URA before research was carried out.

Detailed explanations of the purpose of the study were given and consent was obtained from all study participants before they participated in the study. The researcher also ensured that participation was voluntary without any forceful tendencies. All interviews were carried out in a private place and all study materials were kept under key

and lock and the computers and folders for analyzed data were password protected.

To ensure anonymity and privacy, respondents' registration numbers were used during collection instead of their names. No personal details were asked from the participants and the study was only used for academic purposes. The researcher also acknowledged all the sources that were used. The entire study considered facts as they were found and did not subject them to bias and prejudgment.

DATA ANALYSIS AND RESULTS INTERPRETATION
The response rate of participants
Of the 278 participants in the sample size, data was only collected from a total of 173 respondents constituting 62.2%. Five URA staff were supposed to be interviewed but only 3 senior URA staff responded, 60% as shown in Table 2.

Table 2: A response rate of participants

Data instrument	Expected number	Respondents (n)	Percent (%)
Questionnaires	278	173	62.2
Interviews	5	3	60.0
Totals	**283**	**176**	

Table 2 shows that 60.0% of the expected participants in interviews and 62.2% of the distributed questionnaires were answered and received by the research team. A response rate of 60% is a good representation of the study population according to Amin (2005). Thus, 62.2% was considered a good response. This shows that the research findings were representative of the study population.

Responses from URA staff
All the 3 interviewed URA staff responded to the questions which the research team asked. These were about tax registration. Out of the 3 (100.0%) that were asked questions, only 2 (66.7%) answered when asked about tax registration.

Inferential statistical analysis
Relationship between tax registration and tax compliance among SMEs in Bwaise
The study discovered that the identification of legal taxpayers was statistically significant and positively correlated to tax compliance (tax filing, tax reporting, and tax payment) at $P(<0.01$. Although there is a weak correlation between the identification of legal taxpayers and tax compliance (tax filing, tax reporting, and tax payment), there is a clear indication that the identification of taxpayers has a strong relationship with tax filing. This implies that for the taxpayers who have been identified and registered by URA, tax filing and tax reporting must be complied with. Identification of legal taxpayers is significantly associated with tax compliance (tax filing, tax reporting, and tax payment), with p-values 0.000, 0.001, and 0.002 at a significant level of 0.01 (1%) respectively as shown in Table 3.

The study also revealed that issuing a Tax Identification Number (TIN) is statistically significantly associated with tax compliance (tax filing and tax reporting), with p-values 0.000 and 0.003 at $P<0.01$ respectively. However, TIN is not statistically significantly associated with tax payment, with a p-value of 0.240. This implies that the taxpayers who have been issued with a TIN should file tax returns and report their income statement and statement of financial position to URA. The insignificance of issuing a TIN with tax payment means that having a TIN does not guarantee payment of taxes, but only that is due upon tax computation. Thus, filing and reporting tax positions are the key compliance components to be adhered to by the registered taxpayers.

Location and identification of taxpayers were found to be significantly related to all three components of tax compliance (tax filing, tax reporting, and tax payment), with p-values 0.000, 0.000, and 0.000 at $P<0.01$ respectively as shown in Table 3. This implies that the location of taxpayers determines their compliance, i.e. businesses in Bwaise are likely to be taxed at a different rate than their counterparts in the remote areas. This is because a person doing business in Kampala city center is taxed more than a person doing the same business in a municipality as per the URA Handbook 2019.

In Table 3, tax registration procedures are significantly associated with tax filing and tax reporting, with p-values 0.020 and 0.047 at $P<0.05$. Thus weak correlation though significant. Tax registration procedures are not significantly associated with tax payment, a p-value of 0.270. This implies that the guidelines determined by URA matter a lot in enforcing the tax registration of taxpayers and hence compliance.

Table 3: Correlation analysis between tax registration and tax compliance

Variables	Statistics	Tax compliance		
Tax registration		**Tax filing**	**Tax reporting**	**Tax payment**
Tax payers identification	Pearson correlation	0.280 (**)	0.242 (**)	0.237 (**)
	P-value (2-tailed)	0.000	0.001	0.002
Issuing TIN	Pearson correlation	0.352 (**)	0.223 (**)	0.090
	P-value (2-tailed)	0.000	0.003	0.240
Address of taxpayers	Pearson correlation	0.415 (**)	0.335 (**)	0.369 (**)
	P-value (2-tailed)	0.000	0.000	0.000
Registration procedures	Pearson correlation	0.177 (*)	0.151 (*)	0.084
	P-value (2-tailed)	0.020	0.047	0.270

N= 173, (**) – Significant at 0.01 and (*) – at 0.05 level of significance

Hypothesis testing for tax registration and tax compliance

H_o: There is no significant relationship between tax registration and tax compliance among SMEs in Bwaise slum Kampala Uganda.

From the study, as shown in Table 3, the identification of legal taxpayers' locations and addresses was found to be statistically significantly related to the three components of tax compliance (tax filing, tax reporting, and tax payment). Therefore, we reject the null hypothesis and conclude that tax registration (identification of taxpayers' location and addresses) is significantly related to tax compliance.

Issuing of TIN was also found to be significantly related to tax filing and tax reporting. However, this was not significantly associated with tax payments. This also implies that issuance of a TIN does not necessarily lead to payment of all the taxes, but determines tax filing and disclosing the payer's financial position to the URA.

Tax registration procedures were also significantly associated with tax filing and tax reporting, but not significantly related to tax payment. Therefore, the way a taxpayer is registered for taxes does not dictate how much taxes should be paid and when it should be paid to URA.

Conclusions

It was evidenced that, the identification of legal taxpayers is statistically significant and positively correlated to tax compliance (tax filing, tax reporting, and tax payment).

Recommendations

The tax authority should adopt early enforcement strategies like following up on the 1st return in the 1st month of registration to encourage compliance. Therefore, new registrations should be issued tax clearances that are valid for less than or equal to 3 months only so that they are pursued to keep a relationship with the tax authority.

Conflict of interest
The authors have no competing interests to declare.

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