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The Mediating Effect of Taxpayer Perception in the Relationship between Tax Education and Income Tax Filing Compliance among Small Taxpayers in Mbarara City

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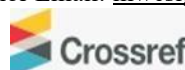
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Abstract

Purpose: This study is about establishing the mediating role of taxpayer perception in the relationship between tax education and income tax filing compliance among small taxpayers in Mbarara city.

Materials and Methods: The study used crosssectional research design on a study population of 33,979 small taxpayers with a sample size of 380 respondents in Mbarara city. Systematic random sampling was used to select respondents while data was collected using a questionnaire tool whose validity (Content Validity Index) and reliability (Cronbach's Alpha) were ascertained before data collection and found to be above 0.70. The collected data was analyzed with the aid of SPSS version 26.0 to generate regression coefficients which were exported to an Online Medgraph Calculator to determine mediation effect, significance and path analysis.

Findings: The regression analysis results revealed that taxpayer perception had a significant partial mediating effect ($\beta_{md}=0.366$, $p<0.05$) on the relationship between tax education and income tax filing compliance among small taxpayers in Mbarara city. Based on the findings, the study concludes that efforts aimed at improving taxpayer perceptions play a significant role in strengthening the relationship between tax and income tax filing compliance.

Implications to Theory, Practice and Policy: The study recommends a need for the government and

tax authorities, in this case, Uganda Revenue Authority to put in place strategies and programs aimed at changing individual perceptions, social understanding and personal motivations regarding income tax filing. Some of these strategies include intensifying tax education and outreach services of the mobile tax office 'Tujenge Bus Services' to all locations; introducing basic tax education at earlier stages of formal education such that citizens are informed about their future obligations to file income tax returns; translating all information about income tax filing in different local languages and publishing the same in print format for public access at no cost; and recruiting more tax agents within Mbarara city who can assist small taxpayers in income tax filing at a reasonable fee. The assumptions of the Theory of Reasoned Action, Social Influence Theory and Motivational Posturing Theory could also be relevant in assisting the tax authorities to change the personal and societal perceptions about income tax filing and motivate them to willingly comply with their filing obligations. The study has significant implications for policy making as it identifies a need for government and tax authorities to establish policies and offer incentives and motivational postures that prioritize voluntary compliance rather than introducing sanctions to enforce income tax filing compliance.

Keywords: *Tax Education, Taxpayer Perception, Income Tax Filing Compliance, Small Taxpayers*

1.0 INTRODUCTION

Globally, compliance with tax laws and regulations plays a crucial role to the development of both developed and developing economies as it ensures that taxes are collected efficiently,

providing a significant source of government revenue for economic growth and development (McKerchar & Evans, 2011; Werekoh, 2022). Revenue authorities have a central role in providing tax education to ensure that taxpayers understand their obligations under the revenue laws (OECD, 2004). While the tax obligations placed on a taxpayer vary from one jurisdiction to another, four broad categories of obligation are likely to exist for almost all taxpayers including registration, timely filing; reporting of complete and accurate information and payment of taxation obligations on time (OECD, 2004). ‘Compliance’ will essentially relate to the extent to which a taxpayer meets these obligations. If a taxpayer fails to meet any of the above obligations then they may be considered to be non-compliant (OECD, 2004).

Small taxpayers are particularly important agents in revenue generation as they contribute a significant portion of income to the government (Nurmilah et al., 2022). Small taxpayers therefore have an important role to play in meeting their obligations and should be in a position to know that they may have an obligation which they must comply with under the law (OECD, 2004). In developing countries however, taxpayer compliance remains a global challenge among small taxpayers especially as regards to income tax filing parameter. Tax collection in many countries is characterized by tax evasion and failure to file returns in time (Abdu et al., 2020; Olusegun, 2021; World Bank, 2022).

In Uganda, the rate of tax compliance is lower than the compliance in other East African countries like Kenya, Tanzania and Rwanda; especially where the taxpayer has freedom to decide whether or not to be compliant, as in the case of income taxes (Muhumuza, 2021; Waiswa et al., 2020). According to Uganda Revenue Authority tax compliance statistics 2018/2019-2022/2023, the non-filing rate of final income tax returns for small taxpayers is as high as 80% and above for all the 5 consecutive fiscal years (URA, 2023). In Mbarara city, the rate of income tax filing compliance among small taxpayers is however still low as an average of 5.84 % of the total number of small taxpayers has been filing returns annually for the period 2018/2019-2022/2023 (URA, 2023).

There is a wide range of empirical studies relating tax education to tax compliance. Studies such as Hassan, Naeem & Gulzar (2021) in Pakistan, Damayanti, Sutrisno, Subekti & Baridwan (2015) in Indonesia, Abdul-Razak & Adafula (2013) in Ghana, Olusegun (2021) in Nigeria, Bijiga (2020) in Ethiopia and Nangayi (2013) in Uganda have all found a significant positive relationship between tax education and tax compliance. However, none of the above studies have provided for the mediating role of taxpayer perception in the relationship between tax education and tax compliance.

There is also a wide range of empirical studies relating tax perception to tax compliance. Widuri & Irawan (2019) in Indonesia revealed that perception of tax justice had positive and significant effect on tax compliance. Damayanti, Sutrisno, Subekti & Baridwan (2015) found that intention to comply among taxpayers in Indonesia is influenced by the perception of taxpayers towards the government. Ogungbade et al., (2021) revealed that the effect of taxpayers' perception on tax evasion in Nigeria was not significant. Olusegun (2021) in Nigeria revealed that taxpayer perception of the government's fairness, trustworthiness in tax revenue accountability, equitable redistribution of tax revenue has a positive significant influence on tax compliance. Bijiga (2020) revealed that tax evasion stemmed from taxpayer perceptions about tax evasion as culture and a minor crime in Oromia, Ethiopia. Nangayi (2013) revealed a weak positive and insignificant relationship between tax perception and tax compliance among taxpayers in Kampala Capital City Authority (KCCA)-Central Division, Uganda. None of the above studies

have provided for the mediating role of taxpayer perception in the relationship between tax education and tax compliance.

Nevertheless, the mediating role of taxpayer perception in the relationship between tax education and tax compliance has been suggested in few studies. Palil & Rusyidi (2013) in Malaysia revealed that taxpayer perceptions improve through education and awareness which improves tax compliance but the mediation effect is not tested in this effect. On the other hand, Azmi et al. (2016) in Malaysia found that tax knowledge does not affect tax compliance directly, but indirectly through the role of tax fairness perceptions. However, none of these studies has statistically tested for the significance of the mediating effect of taxpayer perception in the relationship between tax education and income tax filing compliance. Studies in the Ugandan context are largely limited and no study has looked at small taxpayers in Mbarara city in particular. The current study therefore added significant literature to the existing knowledge gap by testing the mediating role of taxpayer perception in the relationship between tax education and income tax filing compliance in the context of small taxpayers in Mbarara city in Uganda.

Problem Statement

For over the last decade, the government of Uganda has provided a conducive environment for income tax filing on account of introducing online tax filing and all information about tax filing has been published on the URA website and manuals. Efforts to improve compliance have been put in place by the government through automation of tax services, creating tax offices in all major towns, introducing Tujenge Bus Services which work as mobile tax offices and providing tax-related information on URA website among other initiatives (Waiswa et al., 2020).

Nevertheless, achieving maximum income tax filing compliance especially in respect to filing compliance parameter is still a major challenge in Uganda among small taxpayers in small taxpayer offices (STOs) including Mbarara office (Waiswa et al., 2020). According to Uganda Revenue Authority's tax compliance statistics 2018/2019-2022/2023, the non-filing rate of final income tax returns for STOs in Uganda which is calculated as the proportion of all legible taxpayers who fail to file returns in a particular financial year was 83% in 2018/2019, 90% in 2019/2020, 86% in 2020/2021, 86% in 2021/2022 and 87% in 2022/2023 (URA, 2023). These statistics indicate that Uganda's income tax return filing compliance rate for STOs is very low (less than 20%) which implies that for every 10 taxpayers, only 1-2 taxpayers file income tax returns (URA, 2023). In Mbarara city, over 32,900 small taxpayers do not file returns annually which is about 94% of the total number of small taxpayers in the city (URA, 2023). If compliance rate remains low, the income tax revenue will eventually decline which may jeopardize service delivery.

Previous studies have linked tax education and taxpayer perception to tax compliance (Gitaru, 2017; Hassan et al., 2021; Kwok & Yip, 2018; Mascagni & Santoro, 2018; Mbilla et al., 2020; OECD, 2020; Shafique et al., 2021; Tarekegn, 2016; Teega, 2008; Trawule et al., 2022; Widuri & Irawan, 2019). However, the mediating role of taxpayer perception in the relationship between tax education and tax compliance has received scanty research hence a need for the study to fill the gap. Understanding the mediating role of taxpayer perception is essential for effectively addressing the compliance issue as regards to income tax filing by emphasizing the need to first focus tax education campaigns towards changing taxpayer perceptions in order to improve compliance. Filling this gap is therefore crucial for addressing the compliance

challenges faced by small taxpayers in Mbarara city specifically as regards to income tax filing.

Objective of the Study

To analyze the mediating role of taxpayer perception in the relationship between tax education and income tax filing compliance among small taxpayers in Mbarara city.

Research Hypotheses

H₀₁: Taxpayer perception does not mediate the relationship between tax education and income tax filing compliance among small taxpayers in Mbarara city.

H₀₂: Taxpayer perception mediates the relationship between tax education and income tax filing compliance among small taxpayers in Mbarara city.

Scope of the Study

The study focused on the mediating role of taxpayer perception in the relationship between tax education and income tax filing compliance among small taxpayers in Mbarara City. The study was conducted in Mbarara City and targeted small taxpayers in the South Western Region of Uganda. Mbarara City has been selected as the area of study because it is the largest commercial town in Western Uganda, accounting for nearly 17% of the total businesses in Western Uganda (UBOS, 2010/2011). In addition, the city is the location of URA regional offices for South Western Uganda due to its larger number of businesses and a bigger proportion of income tax-filers (URA, 2020).

Significance of the Study

The results of this study will assist to improve taxpayers' awareness about tax and create positive perceptions towards income tax filing thereby increasing income tax filing compliance. Before this study was conducted, no study had tested the mediating effect of taxpayer perception on the relationship between tax education and income tax filing in Mbarara city. This study will therefore add on the existing literature by indicating the magnitude and significance of the mediating effect of taxpayer perception on the relationship between tax education and income tax filing compliance among small taxpayers in Mbarara city.

Conceptual Framework

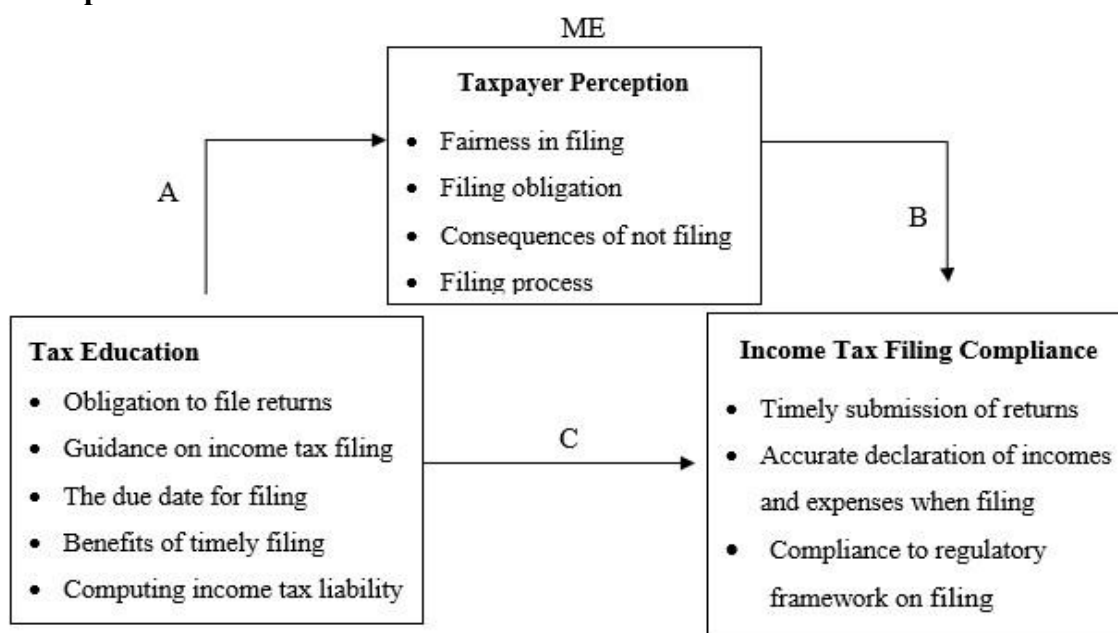


Figure 1: Conceptual Framework

Source: Adopted (Hamid et al., 2022; OECD, 2020; Ogungbade et al., 2021).

As shown in the conceptual framework above, tax education was the independent variable which was operationalized in terms of taxpayer's obligation to file returns, guidance on income tax filing, awareness on the due date for filing, awareness about the benefits of timely filing and knowledge on how to compute income tax liability. Income Tax filing compliance appeared in the conceptual framework as the dependent variable which was operationalized in terms of timely submission of income tax returns, accurate declaration of incomes and expenses when filing and compliance to regulatory framework on filing. On the other hand, taxpayer perception in the conceptual framework emerged as the mediating variable which was operationalized in terms of taxpayer's subjective beliefs about fairness in filing, filing obligation, consequences of not filing and filing process.

The conceptual framework shows the different paths describing direct and indirect effects of tax education and taxpayer perception towards income tax filing compliance. Path A describes the direct effect of tax education on taxpayer perception while Path B describes the direct effect of taxpayer perception on income tax filing compliance. Path C describes the direct effect of tax education on income tax filing compliance while Path ME is the product of paths A and B and describes the indirect effect of tax education on income tax filing compliance via taxpayer perception. If both paths C and ME show significant effect, then it would imply that taxpayer perception partially mediates the relationship between tax education and income tax filing compliance. If path C is not significant but path ME shows significant effect, then it would imply full mediation. Whether partial or full mediation is observed, hypothesis H_0 would be rejected and alternative hypothesis H_a would be accepted. However, if path ME shows insignificant effect, then it would imply that taxpayer perception does not mediate the relationship between tax education and income tax filing compliance and hypotheses H_0 would be accepted while alternative hypothesis H_a would be rejected.

2.0 LITERATURE REVIEW

The study employed a motivational posturing theory developed by Braithwaite in 1995 to explain the reasons for non-compliance to government regulations such as tax policies. The motivational posturing theory assumes that compliance to fiscal policies is thought to be achievable through manipulating the costs and benefits of transgression and by making the threat or disincentive, created by the probability of detection, apprehension, prosecution and penalty outweigh the benefits of non-compliance (Étienne, 2020). The deterrence approach which underpins the motivational posturing theory is based on rational explanations of human behavior towards compliance to regulations, norms and policies (Bentham, 2017).

According to this theory, the efficacy of formal sanctions in securing tax compliance may be limited if the legitimacy of the law, legal system or government is challenged, for example by taxpayer perceptions of unfairness and poor accountability for the tax paid (Murphy, 2004). In such situations, deterrence strategies may have perverse effects in generating greater resistance to both to the rules and the tax authorities (Hall & Pretty, 2008; Parker & Braithwaite, 2003). Compliance motivations have also been shown to be influenced by what individuals perceive about, what other people do and believe, and whether they identify or not with these people as a group (Ahmed & Braithwaite, 2005).

Braithwaite et al. (1994) found out that taxpayers may be in position to comply with income tax filing requirements if the tax authorities or the government provides various motivational postures that can motivate them to comply (Braithwaite et al., 1994). Motivational postures according to Braithwaite et al. (1994) are a conglomeration of beliefs, attitudes, preferences, interests and feelings that together communicate the degree to which an individual accepts the agenda of the tax authority, in principle, and endorses the way in which the tax authority functions and carries out duties on a daily basis (Braithwaite et al., 1994).

The motivational posturing theory is applicable in explaining the relationship between taxpayer perception and income tax filing compliance. Sari et al. (2023) examined the effect of taxpayer motivation and perceptions of tax corruption on taxpayer compliance with taxpayer awareness as an intervening variable and found that tax awareness has no effect on tax compliance. The study concludes that the willingness of taxpayers to comply with tax laws is influenced by their personal motivation, but not by their awareness of tax issues or their perceptions of tax corruption. It also suggests that when taxpayers perceive that tax officials who commit corruption are punished severely, it can improve their compliance with tax laws.

Sadjiarto et al. (2020) studied the Motivation Postures and Tax Incentive towards Tax Compliance of SME in Surabaya during the Pandemic. The aim of the study was to understand motivation postures (commitment, capitulation, resistance, game playing and disengagement) towards tax compliance in 2019 and how they influenced perception of tax compliance in 2020. The study found that in 2019, the attitudes of resistance and game-playing by small and medium-sized enterprises (SMEs) in Surabaya were linked to how well they followed tax rules. It was observed that a strong sense of commitment among these businesses influenced their perception of tax compliance in 2020. The research also discovered that tax incentives offered by the government during the pandemic had a positive effect on strengthening the commitment of SMEs towards tax compliance.

Harris & McCrae (2014) examined the role of motivational postures in understanding the relationship between perceptions of tax and participation in the cash economy. The study found that small business owners, specifically used car dealers, have mixed feelings about the tax system, showing both positive and negative attitudes towards paying taxes. Many participants expressed dissatisfaction with the tax system, feeling it was unfair, while others accepted that taxes are a necessary part of society. The research identified different ways people think about taxes, such as those who are unhappy with the system, those who feel disconnected, those who try to find ways around it, and those who see the benefits of taxes. Understanding these attitudes is important for the tax office to encourage people to pay their taxes willingly and to know how to respond when people do not comply.

Silva et al. (2022) presents findings from Portugal on why some people pay their taxes while others do not, even when the risk of getting caught is low. The study includes reasons behind both tax compliance and non-compliance. It offers insights into how different strategies implemented by states affect people's decisions to comply with tax laws or evade them. The study concludes that understanding why people pay or do not pay taxes is crucial for countries to address tax non-compliance effectively. It suggests that despite low chances of being caught and penalized, many citizens still fulfill their tax obligations due to various motivations.

Tan & Braithwaite (2018) investigated small business taxpayers' psychological and social disposition towards taxation based on the motivational postures framework and found that small business owners can adopt more than one posture towards tax paying. The study found

that small business owners in New Zealand have different attitudes towards paying taxes, which can change based on the situation. When small business owners trust and feel that the tax authority is fair, they are more likely to cooperate with tax rules. If small business owners feel mistreated by the tax authority, they may resist or even question the authority's existence, which is harder to address. The research suggests that tax authorities should treat taxpayers fairly and with respect to prevent strong negative feelings towards tax compliance.

With regard to all these studies, it could be deduced that motivational postures such as tax incentives, tax holidays, tough sanctions against corrupt government officials, having a transparent tax system and charging a fair tax relative to taxpayer's income could motivate taxpayers in Mbarara city to willingly file income tax returns without having to first be assessed. This theory is therefore relevant in studying the relationship between taxpayer perception and income tax filing compliance in the context of small taxpayers in Mbarara city.

3.0 MATERIALS AND METHODS Research Design

The study used a cross sectional design since it was based on primary data collected from small taxpayers in Mbarara city at only one point in time. The cross-sectional research design was used because it collects a large amount of data within a short period of time which can help to explain how different variables relate to each other (Ranjit, 2019).

Study Population

The study population included 33,979 small taxpayers in Mbarara city who were eligible for filing income tax returns (URA, 2023). Small taxpayers in this study referred to entities other than those of public sector nature with annual turnover of less than UGX 6 billion and asset base of less than UGX 10 billion (URA, 2019).

Sample Size Determination

The study was based on the sample size of 380 taxpayers, which was determined using the Krejcie and Morgan table (Krejcie & Morgan, 1970). The sample size was divided into different divisions in relation to the number of small taxpayers in each division as shown in the Table 1 below;

Table 1: Sampling Frame

Division	Population (N)			Sample Size (n)			Sampling Technique	Sampling Fraction (n/N)
	Indiv	Non-Indiv	Total	Indiv	Non-Indiv	Total		
Biharwe	1,235	87	1,322	14	1	15	Systematic random	1/89
Kakiika	1,409	116	1,525	16	1	17	Systematic random	1/89
Kakoba	20,660	1,355	22,015	232	15	247	Systematic random	1/89
Kamukuzi	4,452	773	5,225	49	9	58	Systematic random	1/89
Nyakayojo	1,206	78	1,284	13	1	14	Systematic random	1/89

Nyamitanga	2,362	246	2,608	26	3	29	Systematic random	1/89
Total	31,324	2,655	33,979	350	30	380		

NB: Indiv=Individual taxpayers, Non-Indiv = Non-Individual Taxpayers

Source: URA Report (2022).

Sampling Technique

The study used systematic random sampling method to obtain a representative sample from a population. The study considered a random point and then selected subjects at regular intervals of every 89th small taxpayer from every division (Thomas, 2022). Systematic sampling was used because it has been well known for producing samples that faithfully represent the population (Hayes, 2022) **Data Collection Method**

A questionnaire survey method was used where a total of 380 questionnaires were randomly administered to the respondents within the period of data collection. Of the total 380 questionnaires administered, only 349 questionnaires were appropriately filled and returned for analysis. This is equivalent to 92% response rate which according to Mugenda & Mugenda (2003) is considered adequate for the study and can generate reliable findings.

Data Analysis

For purposes of mediation, the collected data was analyzed by generating inferential statistics where a multi-step linear regression analysis was used to determine the mediating effect of taxpayer perception in the relationship between tax education and income tax filing compliance (Baron & Kenny, 1986; Jose, 2013). The mediation effect, statistical significance, standard error and t-statistics were determined using Online MedGraph Calculator for mediation tests developed and recommended by the Victoria University of Wellington School of Psychology (Baron & Kenny, 1986; Jose, 2013; Sobel, 1982).

4.0 FINDINGS

The results from the linear regression analysis on each of the five (5) steps of mediation recommended by Baron & Kenny (1986) are presented in the Table 2;

Table 2: Regression Analysis Results

Model Predictor		Dependent	B Std. Error		t	Sig. Coefficients	
Variables		Variables			Beta	Coefficients	
Unstandardized		Standardized					
Step 1	Tax Education (A)	Taxpayer Perception	.672	.035	.715	19.044	.000
Step 2	Taxpayer Perception (B)	Income Tax Filing Compliance	.726	.039	.711	18.853	.000
Step 3	Tax Education (C)	Income Tax Filing Compliance	.605	.040	.631	15.137	.000
	Tax Education (C ₁)	Income Tax Filing Compliance	.240	.050	.250	4.772	.000
Step 4	Taxpayer Perception (B ₁)	Income Tax Filing Compliance	.544	.053	.533	10.179	.000

Step 5 Mediation Effect ($B_A \times B_B^1$)	.366	.040	.381	9.052 .000
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Source: Primary Data, 2022

Step 1: Direct Effect of Tax Education on Taxpayer Perception

First, the direct effect of tax education on taxpayer perception was determined by running a simple linear regression analysis with a single predictor-tax education and Mediator-taxpayer perception as the outcome variable. The results show that tax education has a significant direct effect on taxpayer perception ($B_A=0.672\pm.035$; sig. <0.05).

Step 2: Direct Effect of Tax Education on Income Tax Filing Compliance

Here, the direct effect of taxpayer perception on income tax filing compliance was determined by running a simple linear regression analysis with a single predictor-taxpayer perception and income tax filing as the outcome variable. The results show that the mediator variable (taxpayer perception) has a direct effect on dependent variable (income tax filing compliance) ($B_B=0.726\pm.039$; sig. <0.05).

Step 3: Direct Effect of Tax Education on Income Tax Filing Compliance

To this step, the direct effect of tax education on income tax filing compliance was determined by running a simple linear regression analysis with a single predictor-tax education and the outcome variable-income tax filing compliance. The results show that there is a significant association between tax education and income tax filing compliance that can be mediated ($B_C=0.605\pm.040$; sig. <0.05).

Step 4: Direct Effect of Both Tax Education and Taxpayer Perception on Income Tax Filing Compliance

Here, the direct effect of both tax education and taxpayer perception on income tax filing compliance was determined by conducting a multiple linear regression analysis with both independent and mediator variables predicting the dependent variable. The results show that both tax education and taxpayer perception have significant effects on income tax filing compliance since the p-values (sig.) for each of the predictor variables are below the critical value ($p<0.05$). This implies that the direct effect of tax education on income tax filing compliance remains significant even after controlling for taxpayers' perception ($B_C^1=0.240\pm.050$; sig. <0.05). Likewise, the direct effect of taxpayer perception on income tax

filing compliance remains significant after controlling for tax education ($B_B^1=0.544\pm.053$; sig. <0.05).

Step 5: Determining the Mediation Effect and Its Significance

The mediation effect was determined by multiplying the beta coefficients for path A (B_A) and path B¹ (B_B^1). That is; Mediation effect (ME) = $0.672 \times 0.544 = 0.366$. The mediation effect ($a*b$), statistical significance (p-value), standard error (se) and t-statistics (z-value) for the mediation effect were determined using the online MedGraph Calculator for mediation tests developed and recommended by various scholars (Baron & Kenny, 1986; Jose, 2013; Sobel, 1982). These were calculated by inserting the unstandardized and standardized beta values and standard error values for paths A, B, C, C¹ and B¹ in the online MedGraph Calculator whose results after calculation are shown in the following Table 3;

Table 3: Sobel Test Results for Significance of Mediation Effect

Significance of Mediation		Significant
Sobel z-value	9.051872	$p = < 0.000001$
95% Symmetrical Confidence Interval		
Lower	.28641	
Upper	.44472	
Unstandardized indirect effect		
a*b	.36557	
se	.04039	
Effect size Measures		
<u>Standardized Coefficients</u>		
Total:	.631	
Direct:	.250	
Indirect:	.381	
Indirect to Total Ratio:	.604	

Source: Jose, 2013

The p-value being less than the critical value (0.05) indicates that the indirect effect of tax education on income tax filing compliance via taxpayer perception ($a*b=0.366$) is statistically significant. The nature of mediation is shown on the path analysis generated automatically by the online Med Graph calculator (Jose, 2013) as shown in Figure 2 below;

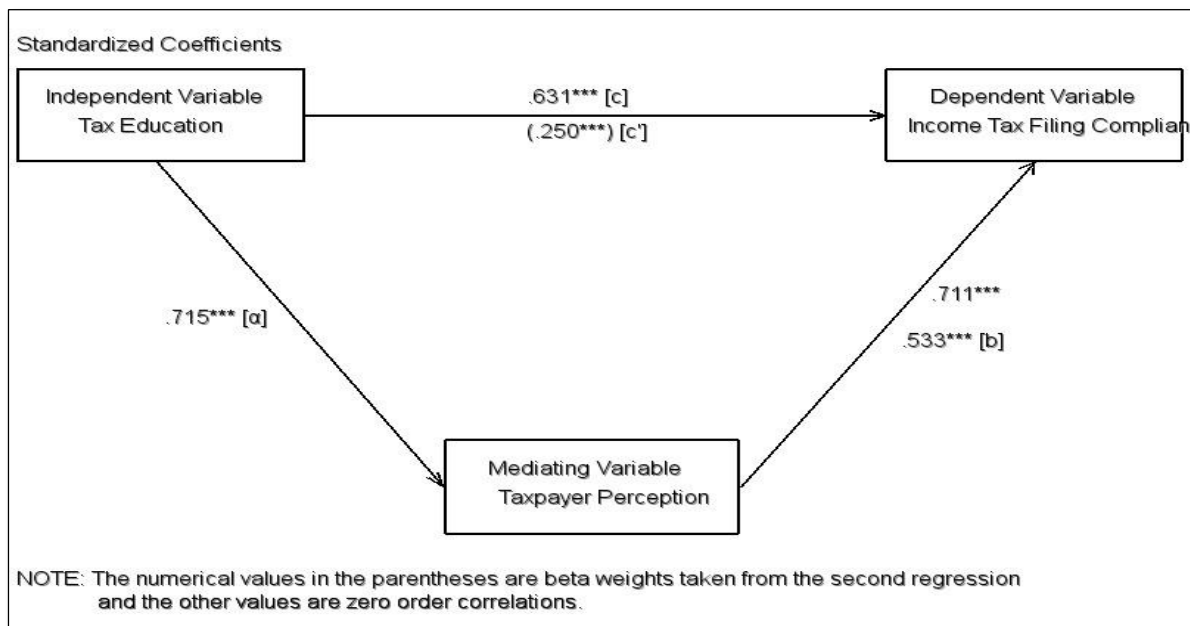


Figure 2: Path Analysis of the Mediation Effect of Taxpayer Perception in the Relationship between Tax Education and Income Tax Filing Compliance

Source: Online MedGraph Calculator (Baron & Kenny, 1986; Jose, 2013).

From the above mediation test results in table 3 and figure 1, it can be concluded that taxpayer perception partially mediates the relationship between tax education and income tax filing compliance. Therefore, the null hypothesis (H_0) which states that, “*Taxpayer perception does not mediate the relationship between tax education and income tax filing compliance among small taxpayers in Mbarara City*” is rejected and the alternative hypothesis (H_a) accepted.

Discussions

The study revealed that taxpayer perception partially mediates the relationship between tax education and income tax filing compliance among small taxpayers in Mbarara city. The findings are in agreement with Saad (2014) whose results in Malaysia revealed that tax knowledge and perceptions of tax complexity contribute towards non-compliance behavior among taxpayers. In his study, taxpayers who were non-compliant were found to have inadequate technical knowledge and perceived tax system as complex which indicates that perceptions of tax complexity mediated the relationship between tax knowledge and compliant behavior. The findings also agree with Widuri & Irawan (2019) in Indonesia who revealed that taxpayer perception of tax justice had a mediating role on the effect of trust in the government and tax compliance. The perception of fairness of taxpayers will increase when trust in the government increases. The study however disagrees with Hassan et al.(2021) in Pakistan who revealed that perception of fairness significantly mediates the strengths between morale, simplicity, government spending and compliance behavior but not education.

The study findings can also be explained by the motivational posturing theory developed by Braithwaite (1995) which attributes the reasons for non-compliance to government regulations such as tax policies to people’s perceptions of fairness. According to this theory, the efficacy of formal sanctions in securing tax compliance may be limited if the legitimacy of the law, legal system or government is challenged by taxpayer perceptions of unfairness (Murphy,

2004). The theory posits that compliance motivations are influenced by what individuals perceive about, what other people do and believe and whether they identify or not with these people as a group (Ahmed & Braithwaite, 2005). Braithwaite et al. (1994) found out that taxpayers may be in position to comply with income tax filing requirements if the tax authorities or the government provides various motivational postures that can change people's perceptions and ultimately motivate them to comply (Braithwaite et al., 1994).

5.0 CONCLUSION AND RECOMMENDATIONS Conclusions

The study concluded that taxpayer perception partially mediates the relationship between tax education and income tax filing compliance among small taxpayers in Mbarara city ($\beta=.366$, $p=.000$). Tax education improves income tax filing if taxpayers develop positive perceptions towards income tax filing. Hence, efforts aimed at improving taxpayer perceptions play a significant role in strengthening the relationship between tax and income tax filing compliance. This justifies the need for the government and tax authorities to put in place strategies and programs aimed at changing individual perceptions regarding income tax filing. In this case, the assumptions of the Motivational Posturing Theory could be relevant in assisting the tax authorities to change the personal and societal perceptions about income tax filing and motivating them to willingly comply with their filing obligations.

Recommendations

The study recommends need for the government and tax authorities in this case Uganda Revenue Authority to put in place strategies and programs aimed at changing individual perceptions, social understanding and personal motivations regarding income tax filing. A critical review about the taxpayer responses on tax perception showed that some taxpayers had negative perception about income tax filing considering it a complex process, expensive, unfair, and not beneficial to the taxpayer and lacking supportive guiding information. In most cases, individual perceptions are always influenced by the quality of information the individual has about the subject matter. To change these negative perceptions, Uganda Revenue Authority needs to increasingly sensitize the public about income tax filing such that taxpayers are informed about why they should file returns, benefits of timely filing of income tax returns, the process of filing accurate income tax returns, consequences of not filing accurate returns on time, when to file income tax returns and how to compute income tax liability. This will in turn improve income tax filing compliance among small taxpayers.

In order to scale up sensitization in a bid to create positive perceptions, Uganda Revenue Authority needs to intensify tax education and outreach services to the informal sector by increasing the mobility of Tujenge bus services. These services currently cover taxpayers in the central business area and need to be scaled up to cover small taxpayers in all parts of the country including those located in the urban, peri-urban and rural areas of the country. According to the Theory of Reasoned Action, decisions to comply or not, are not formed in a vacuum but are influenced by the individuals' personal judgment which is based on an attitude developed over a long period of time. In this case, positive taxpayer perceptions towards income tax filing could be created by disseminating information about income tax filing right from earlier stages of learning such that it is rooted in the minds of individuals prior to income tax filing obligations. In this regard, the Ministry of Education and Sports in conjunction with Uganda Revenue Authority should introduce basic tax education as a compulsory course unit into the school curriculum to boost general tax knowledge at earlier stages of education. While

taxation is currently being taught as a course unit in business courses at tertiary institutions, this also needs to be extended or even made compulsory at the primary and secondary levels of education.

According to the social influence theory, an individual's perception and subsequent actions or behaviors about income tax filing are influenced by other people depending on the information they disseminate about the subject matter. To create a positive perception among taxpayers, taxpayers need to acquire information from authentic and reliable sources such that they do not base on hearsay from their peers. Currently, the URA website is the only reliable source of information which is only accessible to a small section of small taxpayers. There is need for Uganda Revenue Authority to introduce another reliable source of information accessible to less educated small taxpayers in the informal sector who cannot access the URA website at all times. In this case therefore, tax manuals in print format preferably in different local languages can act as reliable sources of information about income tax filing. The government should therefore facilitate Uganda Revenue Authority to publish all information about income tax filing in print format, translated in different local languages which can be distributed to potential taxpayers at a free or subsidized cost. This will improve tax awareness as well as income tax filing compliance.

In every tax system, simplicity, fairness, convenience and cost are fundamental principles of taxation. According to the motivational posturing theory developed by Braithwaite (1995), compliance to fiscal policies such as income tax filing is thought to be achievable through manipulating the costs and benefits of transgression and by making the threat or disincentive, created by the probability of detection, apprehension, prosecution and penalty outweigh the benefits of non-compliance. While there are serious sanctions for non-compliance including fines and business closures, the efficacy of these sanctions in securing tax compliance may be limited if the legitimacy of the law, legal system or government is challenged, for example by taxpayer perceptions of unfairness, high costs, complexity and non-convenience (Murphy, 2004). In this regard, income tax filing compliance could be enhanced by making the procedure for income tax filing simple, fair, convenient and less costly to the taxpayer. There is a need for Uganda Revenue Authority to recruit more tax agents within Mbarara city who can assist small taxpayers in income tax filing at a reasonable fee. This will increase convenience and lower costs of filing hence increasing income tax filing compliance.

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