Tax Education and Income Tax Filing Compliance among Small Taxpayers in Mbarara City

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Abstract

Purpose: This study aimed at establishing the relationship between tax education and income tax filing compliance among small taxpayers in Mbarara city. The study was driven by the fact that despite Uganda Revenue Authority's efforts to improve tax compliance, income tax filing compliance is still low among small taxpayers in Uganda in general and Mbarara city in particular.

Materials and Methods: A cross-sectional study design was used to collect data from 33,979 small taxpayers in Mbarara city out of which 31,324 were individual taxpayers while 2,655 were non-individual taxpayers. The sample size included 380 respondents out of which 350 were individual taxpayers while 30 were non-individual taxpayers. Systematic random sampling was used to select respondents from each of the six divisions of Mbarara city. Data was analyzed using SPSS version 26.0 where correlation coefficients were generated and presented in a table.

Findings: The correlation analysis revealed that tax education was positively and significantly related to taxpayers' income tax filing compliance (r=.631, p<0.05). Based on the findings, the study concludes that tax education plays a crucial role in improving income tax filing compliance among small taxpayers.

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 improving awareness about 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 easy understanding. The study contributed significantly to the Theory of Reasoned Action by highlighting the role of education and sensitization in increasing taxpayer awareness about tax and improving voluntary income tax filing compliance. This will help the government to put in place policies that should be implemented by Uganda Revenue Authority to improve income tax filing compliance.

Keywords: _Tax Education; Income Tax Filing Compliance; Small Taxpayer_

1.0 INTRODUCTION

Worldwide, collecting income tax is a fundamental way for countries to generate public revenues that make it possible to finance investments in human capital, infrastructure and the provision of services to citizens and businesses (World Bank, 2020). Taxation is a powerful tool to help finance achievements of the Sustainable Development Goals (SDGs) (Halim & Rahman, 2022; UNDESA, 2022). Being good citizens, taxpayers are obliged to perform their civic responsibilities including income tax filing as a key parameter for revenue contribution. In this regard, the government demands taxpayers to file their tax returns, declaring all taxable income timely and accurately, and paying all taxes within the given pay period in normal circumstances (Bijiga, 2020). Even though governments have allocated more resources to revenue collection process, tax compliance has remained low especially in low income economies globally (Ernst & Young Global Ltd, 2020; Eyinla, 2020).

In Sub Saharan Africa, tax revenues remain far below levels needed to provide citizens with basic services or make meaningful progress towards the UN's sustainable development goals (World Bank, 2022). Meanwhile, 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). The average tax to GDP ratio for the 33 African countries also has decreased by 0.2 percentage points from 16.2% in 2019 to 16.0% in 2020 and further reduced to 15.6% in 2021 (OECD, 2023). This is below the averages of Asian and Pacific economies (19.8%), Latin America and the Caribbean (LAC) (21.7%) and the OECD (34.1%) (OECD, 2023).

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). Basically, Uganda collects less in domestic taxes than other countries in the East African region (Waiswa et al., 2020). Overall, Uganda's current tax to GDP ratio has decreased by 1.0 percentage points from 12.1% in 2019 to 11.1% in 2020 and increased by 1.0 percentage points from 11.1% in 2020 to 12.2% in 2021 (OECD, 2023). This is lower than the tax to GDP ratio in Kenya-15.2% (OECD, 2023) and Rwanda-17.0% (OECD, 2023) and also lower than the average of the 33 African countries which is 15.6% (OECD, 2023). This is partly attributed to the high non-tax filing compliance especially among small taxpayers. According to Uganda Revenue Authority (URA) 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).

Mbarara city is one of the newest Ugandan cities in which URA has a small taxpayer office serving small taxpayers (URA, 2020). Small business enterprises constitute approximately 90% of the private sector and more than 70% of the population earn their income from small scale businesses (Sadress et al., 2017). Mbarara city is a home to nearly 35,000 small taxpayers all of which are eligible for filing income tax returns (URA, 2023). The rate of income tax filing compliance among small taxpayers in this city 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).

Uganda Revenue Authority has embarked on providing tax education to taxpayers hoping that this would improve income tax filing compliance (Uganda Revenue Authority, 2020). URA provides tax education open modules in the Somesa electronic learning management system (LMS) and additional tax information on its website to aid taxpayers in understanding tax. Tax education has also been increasingly extended to schools and institutions with the aim of

increasing knowledge on tax (Kazibwe, 2020; Senyonyi, 2020). However, whether tax education has actually achieved its intended objective as regards to income tax filing compliance is still a question that requires extensive research.

Previous studies related tax education to tax compliance (Gitaru, 2017; Kwok & Yip, 2018; Mascagni & Santoro, 2018; Mbilla et al., 2020; OECD, 2020; Teega, 2008; Trawule et al., 2022). There are however limited studies in the Ugandan context as regards to the relationship between tax education and income tax filing compliance. This study was therefore conducted to fill this research gap.

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 filing platform and all information about filing has been published on the URA website and manuals hoping that this would improve income tax filing compliance. Efforts to improve compliance have been put in place by the government through automation of tax services, creating tax offices in all major towns across the country and employing more staff to educate taxpayers and enforce tax compliance (Waiswa et al., 2020). There are various tax education programs and channels which could be effective sources of information about tax including Tujenge bus, Media adverts and online income tax guides accessible via the Uganda Revenue Authority website (Kazibwe, 2020).

Despite URA's efforts to improve tax compliance, 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 URA 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 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). These studies have however been conducted in other countries, thus limiting empirical evidence on the relationship between tax education and income tax filing compliance among small taxpayers in Mbarara city, hence a need for the study to fill the gap. Filling this gap is crucial in understanding whether it is worthy for the government to put in more funds in tax education programs. This will also have potential implications for policy making as it will highlight whether there is need for structural changes in the tax structure to improve income tax filing compliance.

Objective of the Study

The main objective of the study was to examine the relationship between tax education and income tax filing compliance among small taxpayers in Mbarara city.

Research Hypotheses

H_0: There is no positive relationship between tax education and income tax filing compliance among small taxpayers in Mbarara city.

H_a: There is a positive relationship between tax education and income tax filing compliance among small taxpayers in Mbarara city.

Scope of the Study

The study focused on the relationship between tax education and income tax filing compliance among small taxpayers in Mbarara city during pre and post Covid periods specifically from 2018/2019 to 2022/2023. The study was conducted in Mbarara city since it is the largest commercial town in Western Uganda, accounting for nearly 17% of the total businesses in Western Uganda (UBOS, 2010/2011). Mbarara city is located in the South Western Region of Uganda and is the second largest city after Kampala, the capital city. The city is divided into six (6) divisions namely; Kakoba, Nyamitanga, Biharwe, Kamukuzi, Kakiika and Nyakayojo. 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). The study considered a time scope of five (5) years from 2018/2019-2022/2023 to develop the problem under investigation since this is long enough to accurately identify whether the problem exists or not.

Significance of the Study

By immeasurable standard, the findings from this study will help the government to put in place policies that should be implemented by Uganda Revenue Authority to improve income tax filing compliance. For example, the study identifies that all small taxpayers should be given free URA tax manuals to guide them on the process of income tax filing and all the necessary information about income tax filing. The study will be useful to Uganda Revenue Authority as a custodian agency of income tax returns and one responsible for sensitizing small taxpayers about their obligation to file such returns, the benefits of filing, how to file returns and the consequences of not filing returns in time. With reference to the findings that tax education is significantly related to income tax filing, URA will recognize that improving sensitization among small taxpayers about income tax filing is the best strategy to improve income tax filing compliance among this category of taxpayers.
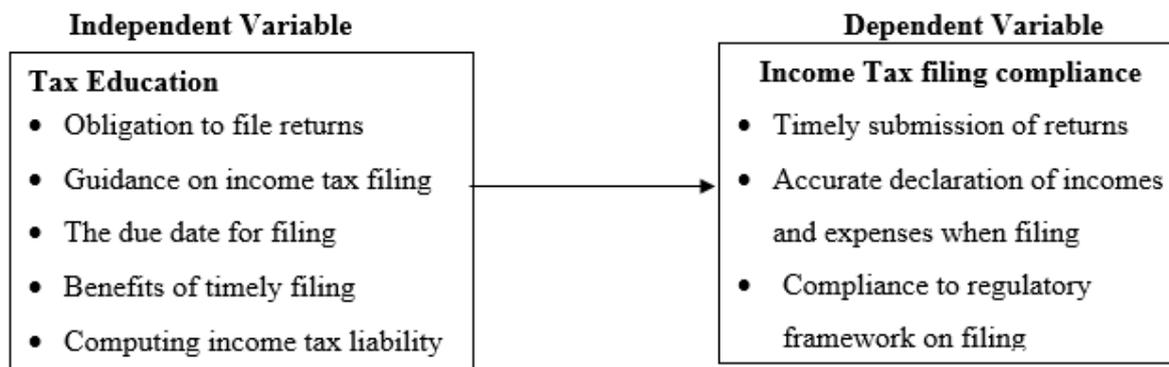
Conceptual Framework

Figure 1: Conceptual Framework

Source: Developed from the reviewed literature (Hamid et al., 2022; OECD, 2020; Ogungbade et al., 2021).

While taxpayer education takes various forms, OECD (2020) identifies three main approaches of tax education including; teaching tax through in-depth long-term engagement with all types of audiences, whether young people, adults or entrepreneurs; communicating tax through high-level awareness-raising engagements with taxpayers such as social media campaigns, tax fairs and television shows and providing practical and direct assistance to taxpayers to facilitate the use of modern e-administration tools and to support taxpayers in their tax obligations, including reporting requirements (OECD, 2020). The framework anticipated that tax education could be positively related to income tax filing compliance (OECD, 2020).

2.0 LITERATURE REVIEW

Theory of Reasoned Action

Developed by Ajzen & Fishbein (1980), the Theory of Reasoned Action (TRA) states that human behavior and intentions are influenced by opinion. This indicates that an individual may be subjective to social pressures resulting from other people's expectations in complying with what others expect. The theory assumes that decisions to comply or not, are not formed in a vacuum but are influenced by the individuals' personal judgment. The decision of not filing income tax returns may result from individuals facing personal financial pressures. The theory recognizes that in reality, individual perceptions create an interplay between the need to comply and actual compliance with income tax filing (Mwanza, 2019).

The primary purpose of the TRA is to understand an individual's voluntary behavior by examining the underlying basic motivation to perform an action (Doswell et al., 2011). TRA also assumes that a person's intention to perform a behavior is the main predictor of whether or not they actually perform that behavior (Montano et al., 2015). Additionally, the normative component (that is, social norms surrounding the act) also contributes to whether or not the person will actually perform the behavior. According to the theory, intention to perform a certain behavior precedes the actual behavior (Ajzen & Madden, 1986). This intention is known as behavioral intention and comes as a result of a belief that performing the behavior will lead to a specific outcome. Behavioral intention is important to the theory because these intentions "are determined by attitudes to behaviors and subjective norms (Colman, 2015). TRA suggests that stronger intentions lead to increased effort to perform the behavior, which also increases the likelihood for the behavior to be performed. Various studies have applied this theory in

explaining the relationship between tax education and tax compliance. For example, Mwanza(2019) applied this theory in explaining the nexus of tax education and compliance among small business enterprises in Namibia.

Notwithstanding a wide scope of TRA, the theory is limited for not taking into account that certain conditions that enable the performance of a behavior are not available to individuals (Hagger, 2019). The first condition is that "the measure of intention must correspond with respect to their levels of specificity (Hagger, 2019). This means that to predict a specific behavior, the behavioral intention must be equally specific to each individual which may not be the case. Another condition is the degree to which carrying out the intention is under an individual's own willingness which may not be true for the case of companies where corporate decisions have to be made (Hagger, 2019). Since the TRA focuses on behaviors that people decisively enact, the theory is limited in terms of being able to predict behaviors that require access to certain opportunities, skills, conditions, and/or resources (Nickerson, 2022). Additionally, certain intentions do not necessarily play a role in terms of connecting attitudes and behavior. The theory includes a significant risk of confounding between attitudes and norms since attitudes can often be reframed as norms and vice versa. The theory also assumes that when someone forms an intention to act, they will be free to act without limitation which may not always be the case (Nickerson, 2022).

Despite its limitations and criticisms, the Theory of Reasoned Action (TRA) has been used to explain tax compliance behavior in various contexts. For example, Kiconco et al. (2019) adopted the theory of reasoned action to explain tax compliance among small business enterprises (SBEs) in Uganda and extended the application and relevance of the theory to a new area of tax compliance. The study found that small business enterprises (SBEs) in Uganda often have negative attitudes towards tax compliance, which affects their willingness to follow tax regulations (Kiconco et al., 2019). It was also observed that subjective norms, or the influence of others, have a positive impact on the intentions of these businesses to comply with tax laws. The study also found that the overall intention to comply with tax regulations showed a negative effect on actual tax compliance behavior among SBEs. The research suggests that considering the social and psychological aspects of taxpayers is crucial when creating policies to improve tax compliance (Kiconco et al., 2019).

Hanum et al. (2020) examined the factors that influence intention in tax compliance from psychology perspective in Indonesia. The study found that the way people think and feel about taxes, and the tax system itself, affects whether they intend to follow tax rules in Java, Indonesia. It was discovered that what others think or say about paying taxes does not really change a person's own intention to comply with tax laws.

Baporikar (2022) investigated individual citizens' taxpayer education approach to enhance tax compliance for socio-economic development and found that educating citizens on taxation not only aids in tax compliance but has a multiplier effect on fiscal knowledge and nation development. The study found that educating citizens about taxes helps them follow tax laws better, which means more people pay their taxes. When more people understand and pay taxes, the government gets more money to set up or improve infrastructure like schools, hospitals, roads among others. The research also showed that when people learn about taxes, they know more about how the government uses money, which is good for the country.

Kwok & Yip (2018) explored whether tax education improves tax compliance using data from Hong Kong, given its influential position in East Asia and the government's reliance on taxpayers' voluntary reporting. The study looked at whether teaching people about taxes helps them follow tax laws better in Hong Kong. It was found that when people think the tax system

is fair and feel it is morally right to pay taxes, they are more likely to comply. Tax education can make people more willing to declare their taxes correctly if they are capable and willing to see the tax system as fair. The research suggests that learning about taxes can lead to better tax compliance in Hong Kong.

Lukman et al. (2020) used the Theory of Reasoned Action approach to find out whether the Tax Volunteer activity has become a student behavior in the University of Tarumanagara in Indonesia. The study found that students have a positive attitude towards being tax volunteers, and this attitude, along with social pressure (what others think they should do) influences their intention to volunteer. It was also discovered that the intention to become a tax volunteer is a significant factor that affects the actual decision to volunteer, but this relationship weakens when the intention is not strong. The research suggests that the activity of being a tax volunteer has become a behavior among students, meaning they are likely to continue doing it. The findings imply that there is a high demand for tax volunteer activities, and universities or faculties should support these activities. According to this supporting literature, the Theory of Reasoned Action could be relevant in studying the relationship between tax education and income tax filing compliance in the context of small taxpayers in Mbarara city.

Empirical Literature Review

Mascagni (2020) in Rwanda revealed that when taxpayers do not understand the tax system, they are likely to be disenchanted, spend more time figuring out their tax obligations and make mistakes that could lead to sanctions. A similar study by Ahmednour (2017) on Mogadishu, Somalia revealed that efforts for tax learning had a negative and significant relationship with tax compliance behavior. On the other hand, the awareness of tax laws and understanding of tax laws had a positive and insignificant relationship with tax compliance behavior, efforts for tax learning contributes the most towards tax compliance behavior.

Knowledge about taxation, the benefits of taxation and the dangers of non-compliance remain a key issue to tax compliance in many countries. According to OECD(2020), taxpayer education can be a key tool to boost the willingness of individuals and businesses to voluntarily pay tax. Olatunbosum (2015) believed that with reasonable understanding of the tax laws, people are willing to respect the tax system; consequently, they are more compliant to pay tax instead of evading it. Furthermore, when individuals become educated, they become more knowledgeable in the aspects of tax planning, tax laws and the likes. At the same time, tax knowledge improves individuals' awareness and ethics towards reducing their tendencies of non-compliance.

Trawule, Gadzo, Kportorgbi, Sam-Quarm & Ntim (2022) looked at Tax education and fear-appealing messages as factors contributing to tax compliance in Ghana. The findings further agree with Trawule et al.(2022) in Ghana whose results show that tax education acts as grease rather than sand in the wheels of committed tax compliance which means that there is a significant positive relationship between tax education and commitment to tax compliance. According to Trawule et al., (2022), regulators of the education sector in conjunction with the revenue authorities should introduce basic tax education as a compulsory course into the school curriculum to boost general tax knowledge and enhance tax compliance (Trawule et al., 2022).

Gitaru (2017) examined the effect of taxpayer education on tax compliance in Kenya and findings revealed that stakeholder's sensitization is positively related to the taxpayers' education to correctly calculate the tax compliance. The study suggested that for SMEs to improve their tax compliance, they need to be equipped with the necessary knowledge and

skills to interpret the various tax laws and regulations. This indicates that there is a significant relationship between tax education and tax compliance.

Ogungbade et al., (2021) study showed that the relationships between tax awareness, taxpayers' perceptions and attitudes and tax evasion in informal sector of Ekiti State, Nigeria and revealed that taxpayers' awareness considerably reduced tax evasion.

From the above literature, it is found that a positive link exists between tax education and tax compliance. However, there are also significant geographical gaps in the literature where most of the studies have been conducted from other countries like Rwanda (Mascagni, 2020), Somalia (Ahmednour, 2017), Nigeria (Ogungbade et al., 2021; Olatunbosum, 2015), Ghana (Trawule et al., 2022) and Kenya (Gitaru, 2017). None of the above studies have been conducted in Uganda which leaves a wide research gap in empirical literature. With such differences in geographical contexts, results in other countries may not be applicable to the Ugandan perspective due to differences in tax structures, policies and income tax filing procedures in different countries. There are also contextual gaps in the existing literature where almost all studies were conducted about tax compliance in general rather than income tax filing compliance in particular. Tax compliance is a broad term comprising not only filing but also registration and payment and includes all types of tax not particularly income tax. In Uganda however, the main problem with compliance is about income tax filing rather than other types of tax. In the current study therefore, focus was on income tax filing compliance since a taxpayer cannot pay for tax without first filing returns for the same. The existing literature focused on all taxpayers in general rather than small taxpayers in particular. Such results may not be generalizable to the context of small taxpayers due to differences in incomes, regulations and business dynamics. Our study therefore focused on income tax filing for small taxpayers.

3.0 METHODOLOGY

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 Quality Control

The validity of the research instruments was determined by subjecting the questionnaire draft to scrutiny by four (4) research experts after which the Content Validity Index (CVI) was determined as the ratio of total number of relevant items to the total number of items in the instrument. On the other hand, the reliability of the research instruments was determined to test the accuracy and internal consistency of the research instrument. A pilot study was conducted on 15 taxpayers in Bushenyi-Ishaka Municipality. The reliability statistics were then generated using SPSS version 20.0 based on Cronbach's Alpha Coefficient. The validity and reliability statistics are shown on Table 2 below;

Table 2: Validity Test Results

Variable	No. of Items	Content Validity Index (CVI)	Cronbach's Alpha
Tax Education	8	0.91	.87
Filing compliance	8	0.94	.86
Total	**16**	**0.93**	**0.87**

Source: Pilot Study, 2022

The instrument was regarded valid since the CVI values and Cronbach's alpha values on all sections of the questionnaire were found to be above the recommended ratio of 0.70 (Shi et al., 2012).

Data Analysis

The collected data was analyzed by generating frequencies and percentages on biodata of the respondents and running a correlation analysis to determine the relationship between tax education and income tax filing compliance.

Table 3: Measurement and Operationalization of Variables

Global Variable	Variable Type	Dimensions	Example of statement	Measurement
Tax Education	Independent variable	• Obligation to file returns • Guidance on income tax filing • The due date for filing • Benefits of timely filing • Computing income tax liability	"Level of awareness on where to file income tax returns" "Level of awareness on your obligation to file income tax returns" "Level of awareness on how to file income tax returns" "Level of awareness on the due date for filing income tax returns"	A 5-point Likert scale with the following values 5-very high, 4-High, 3-Average, 2-Low, 1-Very Low
Income Tax Filing Compliance	Dependent variable	• Timely submission of returns • Accurate declaration of incomes and expenses when filing • Compliance to regulatory framework on filing	"Level of compliance about filing income tax returns by the due date" "Level of compliance about accurate declaration of business income during income tax filing" "Level of compliance about accurate declaration of expenses while filing income tax returns" "Level of utilization of the provisions of the law while filing income tax returns"	A 5-point Likert scale with the following values 5-very high, 4-High, 3-Average, 2-Low, 1-Very Low

4.0 FINDINGS

Biodata of the Respondents

The bio data of the respondents are presented in Table 4 below;

Table 4: Bio Data of Respondents

Biodata of Respondents		Frequency	Percentage (%)
Gender (N=349)	Male	194	55.6
	Female	155	44.4
Age (N=349)	Under 18-34	124	35.5
	35-52	132	37.8
	53-70	68	19.5
	Above 70	25	7.2
Marital Status (N=349)	Single	82	23.5
	Married	203	58.2
	Divorced	36	10.3
	Widowed	28	8.0
Level of Education (N=349)	No qualification	10	2.9
	Primary	15	4.3
	O' Level	52	14.9
	A' Level	58	16.6
	College/ Institute	104	29.8
	University	110	31.5
Type of Taxpayer (N=349)	Individual	327	93.7
	Non-individual	22	6.3
Period spent with a TIN (N=349)	Less than 1 year	73	20.9
	1-5 years	144	41.3
	6-10 years	98	28.1
	Above 10 years	34	9.7

Source: Primary Data, 2022

The results in Table 4 above indicate that the study considered the views of all persons responsible for filing income tax returns among individual and non-individual small taxpayers regardless of their gender. A bigger percentage of the small taxpayers (37.8%) in Mbarara city are adults in the age group of 35-52 years. This implies that most of the small taxpayers are old and mature. Majority (58.2%) of the small taxpayers in Mbarara city are married implying that they are old enough to be considered eligible to file income tax returns. Further, the results indicate that only 31.5% of the small taxpayers in Mbarara city are educated to the level of a university degree while 68.5% are less educated meaning that their literacy levels about taxation are low. In addition, majority (93.7%) of the small taxpayers in Mbarara city are individual taxpayers meaning that they have businesses which are not incorporated as companies or partnerships. Most (41.3%) of the small taxpayers have spent 1-5 years with a Taxpayer Identification Number (TIN) which is quite a long time making them eligible to file income tax returns.

Pearson Correlation Results

In this section, the relationships between tax education and income tax filing compliance were tested using Pearson correlation analysis whose results are shown in the Table 5 below:

Table 5: Pearson Correlation Matrix

Pearson Correlation Coefficients		Tax Education	Income tax filing compliance
Tax Education	Pearson Correlation (r)	1	
	Sig. (2-tailed)		
	N	349	
Income tax filing compliance	Pearson Correlation (r)	.631**	1
	Sig. (2-tailed)	.000	
	N	349	349

**. Correlation is significant at 0.01 level (1-tailed).

Source: Primary Data, 2022

The study revealed that there is a strong and significant positive relationship (r= .631**, p=.000) between tax education and income tax filing compliance among small taxpayers in Mbarara city. This implies that improving taxpayers' level of awareness and understanding of income tax filing is likely to improve taxpayer intentions to file income tax returns on time and accurately. The study therefore rejects the study hypothesis (H_0) which states that "There is no positive relationship between tax education and income tax filing compliance among small taxpayers in Mbarara city".

Discussion of Findings

The Pearson correlation results affirm that a strong and significant positive relationship exists between tax education and income tax filing compliance among small taxpayers in Mbarara city. This implies that an increase in tax education results to a corresponding increase in income tax filing compliance while a decrease in tax education results to a corresponding decrease in income tax filing compliance.

The results are similar to the results of Gitaru (2017) in Kenya which revealed that there is a significant relationship between tax education and tax compliance. The study findings are in agreement with the assertion of Mascagni (2020) who revealed that when taxpayers do not understand the tax system, they are likely to get confused, spend more time figuring out their obligations and make mistakes that could lead to sanctions. The findings are also supported by OECD (2020) which posit that taxpayer education can be a key tool to boost the willingness of individuals and businesses to voluntarily pay tax. The findings also agree with Olatunbosum (2015) in Nigeria who believed that with reasonable understanding of the tax laws, people are willing to respect the tax system; consequently, they are more compliant to pay tax instead of evading it. The findings are further supported by Trawule et al.(2022) whose study in Ghana show that tax education acts as grease rather than sand in the wheels of committed tax compliance.

Nevertheless, the findings differ from the results of Palil & Rusyidi (2013) in Malaysia which revealed that tax education did not necessarily improve income tax filing compliance and that there is no significant relationship between tax education and tax compliance. The study also differs with Ahmednour (2017) in Mogadishu, Somalia who revealed that efforts for tax learning had a negative and significant relationship with tax compliance behavior and that the awareness of tax laws and understanding of tax laws had a positive and insignificant relationship with tax compliance behavior. In our study, tax education which is the main determinant of tax awareness was found to have a positive and significant relationship with tax compliance which is contrary to Ahmednour (2017).

The study findings are supported by the social influence theory whose central theme is that an individual's subsequent actions or behaviors are influenced by other people (Kelman, 1958). According to the theory, compliance is assumed to occur when individuals accept influence from others and adopt the induced behavior to gain rewards and avoid punishments (Kelman, 1958). In relation to the study, it implies that compliance behavior towards income tax filing may be affected by the behavior of an individual's reference group such as tax educators or fellow taxpayers (Cialdini & Goldstein, 2004). This means that awareness campaigns by tax officials play a central role in inducing taxpayers' behavior towards compliance.

5.0 CONCLUSION AND RECOMMENDATIONS

Conclusion

There is a strong and significant positive relationship (r= .631**, p=.000) between tax education and income tax filing compliance among small taxpayers in Mbarara city. Income tax filing compliance can be improved if governments through the tax authority promotes tax education. By utilizing multiple information sources such as tax authorities, mass media, tax manuals, tax awareness workshops among others, taxpayers would gain more awareness about their tax obligations such as income tax filing which would in turn result to an increase in income tax filing compliance.

Recommendations

Uganda Revenue Authority needs to put in more efforts to improve taxpayers' awareness about income tax filing by sensitizing the public about why taxpayers 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. A critical review about the taxpayer responses on tax education showed that most taxpayers had not received adequate education and generally had low levels of awareness about income tax filing.

Uganda Revenue Authority needs to intensity the mobility of its services to cover all small taxpayers irrespective of the location, source of income or income class of the taxpayer. Currently, Uganda Revenue Authority's mobile tax office dubbed as 'Tujenge Uganda Bus Services' which was introduced in July 2021 has tried to intensify tax education and outreach services to the informal sector but these mainly cover taxpayers in the central business areas. These services therefore 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.

The Ministry of Education and Sports in conjunction with URA should introduce basic tax education as a compulsory course unit into the school curriculum to boost general tax knowledge and enhance income tax filing compliance. 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 such that tax knowledge is rooted in the mind of every Ugandan at young age which would be relevant later in life after when the individual qualifies as a potential taxpayer.

For every human being, memory loss is a matter of fact at some point in life. In relation to tax education, taxpayers require a sustainable source of information that can frequently work as a referral in case the taxpayer does not remember some aspects related to income tax filing. 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 URA 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. Income tax filing compliance could be enhanced if the procedure for income tax filing is simple, fair, convenient and less costly to the taxpayer. In the current tax system however, income tax filing is solely done online through the URA web portal. This implies that taxpayers who cannot access the website must use tax agents (consultants) to assist them in filing returns and pay consultancy fees. In Mbarara city, most of these tax consultants are located in the central business area and may not be accessible to some small taxpayers in the outskirts of the city. Some consultants also charge exorbitant consultancy fees making the cost of filing high for the taxpayer. There is a need for URA to recruit more tax agents so as they can be accessible to various small taxpayers at a reasonable fee.

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