



MAKERERE

UNIVERSITY

**EFFECTIVENESS OF TAX PENALTIES IN TAX COMPLIANCE MANAGEMENT
AMONG SELECTED SMEs IN KAMPALA CITY UGANDA.**

BY

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ABSTRACT

The purpose of this study was to examine the effectiveness of Tax penalties as a tool of tax compliance management in selected business sectors with three main objectives of examining the level of tax penalties given to tax payers in the selected business sectors in Kampala, secondly to ascertain the level of tax compliance among tax payers in selected business sectors in Kampala and to establish the relationship between tax penalties and compliance management among tax payers in selected SMEs in Kampala City.

The study employed the descriptive cross sectional survey design. Correlation was used to establish the relationship between variables and testing of hypothesis. Triangulation method was used for both qualitative and quantitative approaches.

Stratified sampling was used to select a sample from each SMEs taxpayer's .Then simple random sampling was used to select respondents from each selected sample from the sector.

The study adopted self-administered questionnaire and interview guide. The findings revealed tax penalty significantly influences tax compliancy.

The study concluded that tax penalties have a significant effect on taxpayer compliance management. It recommends that Uganda Revenue authority should implement penalties as deterrents to noncompliance along with supportive programs search as education of taxpayers, simplification of tax laws to ease understandability to enhance compliance, improve services to taxpayers, simplification of processes for registration, returns filling and payment ,take strict enforcement action on defaulters, conduct audits and in extreme cases prosecute defaulters.