



SELF ASSESSMENT SYSTEM, TAX AUDIT, PERCEIVED TAX FAIRNESS AND TAX COMPLIANCE AMONG SMEs IN UGANDA

ABSTRACT

The purpose of this study was to examine self assessment system, tax audit, perceived tax fairness and tax compliance among SMEs in Uganda and was guided by the following objectives; to establish the relationship between taxpayer self assessment and tax compliance, to examine the relationship between tax audit and tax compliance, to examine the relationship between perceived tax fairness and tax compliance, to establish the mediating effect of perceived tax fairness on the relationship between taxpayer self assessment and tax compliance and to establish the mediating effect of perceived tax fairness on the relationship between tax audit and tax compliance

A cross sectional research design was adopted for the study and primary data was collected from respondents from SMEs in Kampala North Region using the self administered questionnaires. A sample of 293 taxpayers was purposively selected to guarantee reliability of data collected.

Data was analyzed using SPSS package and multiple regression analysis was used to predict the level of tax compliance contributed by the independent variables.

Findings revealed that the level of tax payers' compliance is associated with their consciousness of tax audits and their perception of the fairness of the tax system. Regarding self assessment system, it was found out that the ability of the tax payers to assess themselves on tax matters hinges on awareness of deadlines for filling returns and tax knowledge of the financial implications for not filling returns which improves their level of tax compliance. It was also established that perceived tax fairness had a significant partial mediation on the effect of tax audit on tax compliance but a less significant mediation on the effect of the effect of self assessment system on tax compliance.

In summary, the study concludes that in order to raise voluntary compliance under the self assessment

system, there is need to ensure that there is sufficient taxpayer information/services and proper enforcement activities. Tax audits play a major role in tax compliance; however it is important that for tax audits to be effective, they should be deterrent, corrective and preventive in nature to preserve the perception of tax fairness that has been proven as a key value in improving voluntary tax compliance.