

Exploring the Impact of Experience and Tax Knowledge on Income Tax Compliance in Soroti Districts Small and Medium Enterprises

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Abstract: *This research delves into the intricate relationship between experience, tax knowledge, and income tax compliance within the context of Small and Medium Enterprises SMEs in Soroti district, Uganda. The study objectives revolve around evaluating the influence of owners managers experience on income tax compliance and examining the connection between tax knowledge and income tax compliance. Employing descriptive and explanatory research designs, data was collected from a sample of 384 respondents using stratified random sampling. Correlation and logistic regression analyses were conducted using SPSS, with hypotheses testing at a 5 percent significance level. The findings indicate that experience of owners managers does not significantly impact income tax compliance, while tax knowledge exhibits a positive and statistically significant correlation with income tax return filing and prompt payment. Consequently, the study underscores the importance of enhancing tax knowledge among SME owners managers to bolster income tax compliance. Recommendations emphasize the need for regular training on tax regulations and requirements to foster compliance among SMEs in Uganda.*

Keywords: tax compliance, income tax, Small and Medium Enterprises, tax knowledge, experience

1. Introduction

Background of the Study

Taxation is the largest source of domestic revenue used by many governments to finance public expenditure. Governments therefore, need to as much as possible ensure that taxpayers comply with their tax laws and regulations so as to collect as much tax revenue as possible. The taxpayers willingness and keenness to comply with the tax laws and regulations is what is referred to as tax compliance. Tax compliance has of recent remained a topical issue, especially in developing countries because of its ability to improve efficiency in tax revenue collection needed to finance national budgets. Gaisbauer, Schweiger & Sedmak (2015) state that income tax compliance helps raise an indispensable source of revenue used for financing public goods and services, securing social welfare, public order and national defense. The contribution of SMEs in developing and in developed countries cannot be overlooked as Small and medium enterprises (SMEs) have remained the majority providers of tax revenue collections. Globally SMEs have also been praised for their role in inducing extensive economic development, creating employment opportunities and promoting reduction of inequalities in income among developed and developing economies (OECD, 2017).

Whereas the contribution of SMEs world over has been appreciated, many studies that have been conducted to evaluate income tax compliance rates among SMEs globally show varying rates of SMEs income tax compliance in the developed and less developed countries. In North America and Western Europe SMEs income tax compliance rate is reported at 60-80 percent (Kamleitner, Korunka and Kirchler, 2012). Abiola and Asiwah (2012) report SMEs income tax compliance rate of 26 percent in Nigeria; Maseko (2014) reported SMEs income tax compliance rate of 21 percent in Zimbabwe while Kayaga & Lahey (2007) reported SMEs income tax compliance rate of 16 percent in Uganda. To controvert the seemingly low rates of income tax compliance among SMEs, several developing countries undertook a number of tax reforms. Moore (2014) states that in Anglophone Africa, where Uganda belongs, over the last 20 years the following tax reforms were undertaken; creation of Semi- Autonomous Revenue Authorities (SARA), introduction of improved revenue administration methods and the introduction of Value Added Tax (VAT).

Despite undertaking the above tax reforms, Uganda's tax to GDP ratio has averaged about 13 percent between 2004-2019 (MoFPED, 2014; URA annual reports, 2018-2019), which is way below the Sub-Saharan African average estimated to be 20.28 percent (ICTD/UNU WIDER, 2019). These low rates of income tax compliance among SMEs in the developing economies notwithstanding the tax reforms adopted by these economies (Ayoki, 2007) is what motivated this study, to carry out an investigation on how far experience and tax knowledge justify the low measures of income tax compliance among SMEs operated as sole proprietorship businesses in Soroti district, Uganda.

According to Terkper (2007), there seems to be a lack of studies into how business experience as a predictor variable relates with income tax compliance. Further, Terkper (2007) noted that the reason for this state of affairs could be the synergy that this variable has with the other predictor variables. Experience of taxpayers, is one of the variables considered to affect the taxpayers' attitudes in complying with the income tax laws (Nkwe, 2013). Owners/managers of SME operated as sole proprietorship businesses who have run businesses longer are considered to possess a superior comprehension of income tax laws and regulations in matters relating to among others; registration for income tax purposes, filing of income tax returns, offenses and penalties and income tax rates, more than business owners/managers with little experience (Lubua, 2014). The author further states that levels of business experience influence the ability of SME owners/managers as taxpayers to make decisions relating to voluntary income tax compliance.

Tax knowledge includes taxation information needed to be used to make conclusions and develop strategies, which can lead to the fulfillment of taxpayers' rights and obligations (Carolina, 2011). Tax knowledge is the capability of the taxpayer to grasp the various tax regulations and tax laws (Ayuba, Saad, and Arifin, 2018). Susyanti and Askandar (2019) state that tax knowledge can be categorized into two, to include; procedural knowledge, which means, "knowing how" and declarative knowledge, which means, "knowing that". Omagor and Mubiru (2008) as well posit that, the extent of formal education sustained by the taxpayer is a significant factor necessary for comprehension of tax requirements, mostly regarding taxpayer income, tax registration and filing of income tax returns. Omagor and Mubiru (2008) further state that, high level of understanding by the public would persuade people to perform their tax obligations such as, registering as income tax taxpayers, filing income tax returns and paying income taxes promptly and properly.

Empirical literature provides evidence to the effect that income tax compliance is affected by numerous factors (Alabede, Ariffin and Idris, 2011; Antwi, Inusah and Hamza, 2015). The debate on the notion of income tax compliance cannot overlook the importance of demographic variables including experience and tax knowledge. To address the challenges created by income tax compliance, it is useful to comprehend the variables affecting the decision of an individual to adhere with income tax laws (Palil and Mustapha, 2011). According to Atawodi and Ojeka (2012), income tax compliance is defined by; voluntary registration for income taxes by eligible taxpayers, filing of the returns of income tax within the specified period, declaration of actual income and allowable deductions, and payment of assessed/computed income taxes promptly or by the stipulated date. Kirchler, Muehlbacher, Hoelzl and Webley, (2009) define income tax compliance to be the taxpayers' ability and readiness to obey their income tax commitments by reporting and submitting their returns of income tax and promptly paying their income tax to support the country.

Statement of the Problem

Taxation is considered the biggest contributor of government revenue that is needed to finance all the government expenditure in order to stabilize the economy. In Uganda, the government thrusts a number of taxes including direct and indirect as an indispensable source of public revenue for the promotion of its different economic processes. However, this thrust of the different taxes has not fully yielded the anticipated results due to the unwillingness of taxpayers, including SMEs, to fulfill their income tax obligations leading to low rates of income tax compliance. In Uganda, the net tax to Gross Domestic Product ratio which is an indicator of tax compliance has averaged about 13% from 2004-2019, which is way below the average among other Sub-Saharan African counterparts estimated to be 20.28% (ICTD/UNU WIDER, 2019) In Soroti district in particular, income tax compliance of SMEs has relatively remained an issue. The URA bulletin of 2020 shows that out of the top 50 income tax compliant SMEs in the Eastern region of Uganda, Soroti district had only five SMEs. The bulletin reported that this ranking is premised on the SMEs' consistency and willingness in honoring their income tax obligations and continued growth over the last 3 years.

Several studies carried out on the relationship between demographic factors in general and income tax compliance have been in developed countries, save for some few including; Mustapha, 2017; Alabede, 2014 that were conducted in developing economies, hence creating a contextual gap. In Uganda, most studies conducted on demographic factors including experience and tax knowledge and income tax compliance have not addressed income tax compliance of SMEs in particular while others were conducted to ascertain factors that affect income tax compliance (Sebikari, 2014; Nyenje, 2012). Other studies including Kiconco, Gwokyalya, Sserwanga and Balunywa (2019) have not considered ascertaining the extent to which experience and tax knowledge affect SMEs compliance with income tax, raising an issue of empirical gap. These variabilities resulting from empirical and contextual snags offer a good justification for an investigation to be carried out on the relationship between experience, tax knowledge and income tax compliance among SMEs operated as sole proprietorship businesses in Soroti district, Uganda.

Research Objectives

- a) To determine the relationship between experience of owners/managers and income tax compliance among SMEs operated as sole proprietorship businesses in Soroti district, Uganda.
- b) To assess the relationship between tax knowledge of owners/managers and income tax compliance among SMEs operated as sole proprietorship businesses in Soroti district, Uganda.

Study Hypotheses

The study tested the following null hypotheses

H01: Experience of owners/managers does not have a significant relationship with income tax compliance among SMEs operated as sole proprietorship businesses in Soroti district, Uganda.

H02: Tax knowledge of owners/managers does not have a significant relationship with income tax compliance among SMEs operated as sole proprietorship businesses in Soroti district, Uganda.

Significance of the Study

The findings of this study will enable Uganda Revenue Authority develop a theory of income tax compliance that will provide suitable strategies on bettering income tax compliance among SMEs thus boosting revenue performance. The study results will as well augment the existing body of information and literature in that, it will avail evidence showing that experience and tax knowledge are salient indicators of income tax compliance practices in developing. The study results will also enhance the existing body of facts, by establishing the magnitude to which experience and tax knowledge impact on income tax compliance, thus providing a guide for other researchers to carry our further research.

Scope of the Study

The study strived to investigate the relationship between experience, tax knowledge of owners or managers of SMEs operated as sole proprietorship businesses in the district of Soroti, Uganda and their income tax compliance measured as filing of returns of income tax and prompt payment of income tax. The study took place in Soroti district in the eastern region of Uganda. The study opted for Soroti district as its area of study, because of the relatively poor performance of its SMEs in income tax compliance in eastern Uganda (URA bulletin, 2020). The study considered the period 2015-2019, because in this period SMEs in Soroti district performed relatively poor in income tax compliance as compared to other SMEs in the eastern region (URA bulletin, 2020).

2. Literature Review

2.1 Theoretical Review Deterrence Theory

The theory of deterrence makes emphasis on the economics of crime. The theory argues that taxpayers are assumed to act under a position of uncertainty to either maximize their tax savings or face the punishment by comparing the cost incurred. This, the theory states, will determine the compliance behavior by weighing the chance of being detected and penalty acquisition. Based on the explanation, this theory highlighted that non-compliance behavior will be deterred by increasing tax rate and penalty rate. As stated by Webley and Ashby (2010) also state that, in an effort to improve taxpayer income tax compliance, rates of tax and penalties to taxpayers for failure to comply be raised.

2.2 Stakeholder Theory

The theory emphasizes that apart from the businesses owners, there are many other stakeholders to a business including; government, customers, taxation authorities among others. These other stakeholders affect and are affected by the actions and decisions of businesses and without which business would cease to exist (Freeman *et al.*, 2010). As defined by Parmar *et al.* (2010) stakeholders are parties who either benefit from or are harmed by the actions of a business. Stakeholder theory does assert that every organization has a social responsibility, which requires it to consider the interests of all parties that its actions affect. Since profits are directly affected by the extent of income tax compliance, then it also implies that the owners/managers of any business would be direct beneficiaries of income tax non-compliance by the business so as to inflate the organizations profits (Ferrero, Hoffman and McNulty, 2014). However, other stakeholders of the organization may be indirectly affected by an organization's failure to practice income tax compliance (Doyle, Gallery, Coyle and Commissioners, 2009).

2.3 Empirical Review

Experience of Taxpayers and Income Tax Compliance

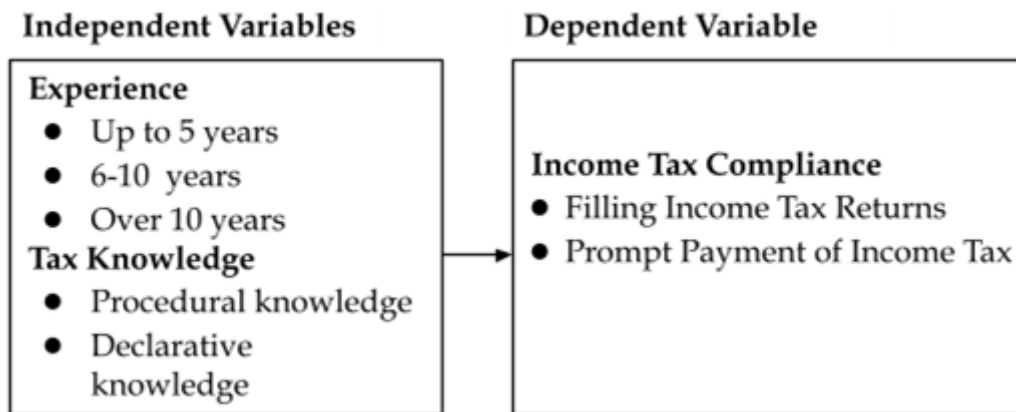
Okpeyo, Musah and Gakpetor (2019) did a study on “the determinants of tax compliance in Ghana: The case of Small and Medium Taxpayers in Greater Accra Region. The study through stratified sampling technique sampled 100 small and medium taxpayers in Accra and other Ghana Revenue Authority officials to participate in the study. Data was analyzed qualitatively and quantitatively. The study findings revealed that firm characteristics including business experience significantly impact on compliance with income tax. The above findings agree with Mamun *et al.* (2014) who did a study on “the impact of demographic variables on the tax compliance attitude in Malaysia”. Their results showed that experience significantly influences taxpayers income tax compliance. Birch, Peters and Sawyer (2003) in their study in New Zealand on “attitude towards tax evasion”, surveyed students in tertiary institutions New Zealand to investigate how demographic factors and New Zealanders’ attitude towards tax evasion relate. The results disclosed that 8 out of 10 demographic factors analyzed (qualification, ethnicity, course, employment, age, occupation, income and work experience) were significant statistically at 5 percent significance level with incidence and acceptability of practices of evasion of tax.

Tax Knowledge of Taxpayers and Income Tax Compliance

Anto, Husin, Hanid and Bulan (2021) did a study establishing and analyzing how awareness by taxpayers, tax sanctions, accountability by the public service and tax knowledge affect taxpayer tax compliance. The study population included the

owners of motor vehicle taxpayers in the city of Kendari. The sample was selected using accidental sampling methods while analysis of data was using multiple linear regression. Findings disclosed that tax knowledge among other variables had a positive and significant influence on income tax compliance by taxpayers. The above findings are consistent with other empirical studies such as Masari and Suartana (2019); Pertiwi, Iqbal and Baridwan (2020); Oktaviani, Kurnia, Sunarto & Udin (2020) who in agreement stated that, lack of tax knowledge may give rise to intentional or unintentional taxpayer non-compliance etiquette. On the contrary Maseko (2014) also established that tax knowledge and compliance to register for income tax do not correlate, but a weak and negative connection exists between tax expertise and compliance with income tax. The author claimed that the amount of tax understanding among SMEs does not impact on their resolution to register for tax or not to register for tax. The author further claimed that the decision to register for Pay As You Earn in Zimbabwe does not rely on any amount of tax knowledge.

3. Conceptual Framework



4. Research Methodology

The study adopted positivism research philosophy and descriptive and explanatory research designs in determining the relationship between experience, tax knowledge and income tax compliance. Descriptive and explanatory research designs were considered to be the most suitable since the study intended to interrogate the relationship between demographic factors and income tax compliance among SMEs operated as sole proprietorship businesses in Soroti district, Uganda. The study adopted logistic regression model where taxpayers were assumed to be either income tax compliant ($Y_i=1$, success) or income tax noncompliant ($Y_i=0$, failure). The study selected 384 respondents from the study target population of 2,590 owners of SMEs operate as sole proprietorship businesses in Soroti district, Uganda using proportionate stratified sampling and simple random sampling techniques. The study unit of analysis was SMEs while the unit of inquiry was the owners of SMEs operated as sole proprietorship businesses in Soroti district, Uganda. The study determined the sample size using the Cochran (1977) formulae as cited by Hashim (2010). The study then adopted the principle of optimum allocation of samples in strata as provided by Sukhatme (1984) and cites by Pandey and Verma (2008) to determine the sample for each strata. Data was collected using self-administered questionnaire comprising of both closed and open ended questions with 3-Likert scale designed on the basis of the study objectives and variables. Data was analyzed using inferential (correlation and logistic regression) analyzes techniques, with the help of SPSS.

5. Findings Normality Test

Normality was tested using the Shapiro-Wilk test. In this

study it was considered that if the results of the test are insignificant ($p>0.05$), the meaning is, the distribution of the sample is notably different from the normal distribution thus it is probably normal and accordingly, you fail to reject the null hypothesis. Conversely, if the results of the test are significant ($p<0.05$), the distribution of the sample is regarded as non normal and the null hypothesis is therefore rejected (Yap & Sim, 2011). The results of the normality test are shown in table 1 below.

Table 1: Shapiro-Wilk W Test for Normal Data

| Variable | N | W | V | Z | Prob>z |
|------------------------------|-----|-------|-------|--------|--------|
| Filling income Tax returns | 354 | 0.996 | 0.871 | 0.326 | 0.628 |
| Prompt payment of income tax | 354 | 0.993 | 1.824 | 1.421 | 0.078 |
| Tax knowledge | 354 | 0.996 | 0.93 | -0.172 | 0.5684 |

In the table 1 above it is evident that the p-values were more than 0.05, 0.628 for filing of income tax returns, 0.078 for prompt payment of income taxes and 0.5684 for tax knowledge. This concludes that the residuals are from a normally distributed population and the normality assumption was not violated, rendering the statistical results accurate (Ghasemi and Zahediasl, 2012). The study therefore fails to reject the null hypothesis that the residuals are not significantly different from a normal distribution.

Correlation analysis

Table 2: Correlation Analysis

| Variable | Income Tax compliance | Experience | Tax Knowledge Income |
|----------------|-----------------------|----------------|----------------------|
| Tax compliance | 1 | | |
| Experience | 0.1202 (0.0238) | 1 | |
| Tax Knowledge | 0.5196 (0.000) | 0.1111(0.0367) | 1 |

*Correlation is significant at $p<.05$ level of significance

Findings in table 2 indicate that in correlating experience of owners/managers and income tax compliance, coefficient of correlation was 0.1202 while the p-value was 0.0238. These findings reveal a positive significant association between experience of owners/managers and compliance with income tax. The finding demonstrates a positive and weak relationship. By implication this stipulates that increase in the level of experience among owners/managers leads to about 12 percent increase in income tax compliance among owners/managers. These findings corroborate with Rachmawati, Anastasia & Aprilina (2017) whose findings revealed that duration of business has no effect on taxpayers compliance with income tax. However, the study findings are inconsistent with Al-ttaffi *et al.*, (2011) whose findings indicated that the experience of taxpayers has a positive noteworthy impact on tax compliance. The findings further contradict McGee (1997) whose findings revealed that experience makes taxpayers aware of weaknesses in the tax law and hence be able to exploit them thus affecting their tax compliance levels.

Study findings in table 2 further indicate that in correlating tax knowledge of owners/managers and income tax compliance, the coefficient of correlation was 0.5196 while the p-value was 0.000. These findings reveal a positive significant correlation between tax knowledge of owners/managers and compliance with income tax. The finding demonstrates a positive and strong relationship. By implication this indicates that an addition in tax knowledge among owners/managers engenders 52 percent increase in income tax compliance among owners/managers. The findings are consistent with Mukhlis, Utomo and Soesetio (2015) and Twum *et al.*, (2020) whose findings revealed that tax expertise had a statistically positive significant association with compliance with tax. Biru (2020) additionally revealed that tax knowledge was statistically, significantly and positively associated with tax compliance of small and medium taxpayers. However, the findings contradict Fauziati, Minovia, Muslim and Nasrah (2020) who documented that tax knowledge did not significantly affect tax compliance behavior among SMEs, and Tan and Chin-Fatt (2000) whose findings revealed that increase in tax knowledge levels has no notable impact on compliance with tax attitudes.

Hypotheses Testing

Table 3 : Logistic Regression of Filing of Income Tax Returns on Experience and Tax Knowledge

| Variable | | OR | Coef. | St. Err. | p-value |
|------------|------------------|------|-------|----------|----------|
| Experience | 6 up to 10 years | 0.94 | -0.07 | 0.34 | 0.846 |
| | Over 10 years | 1.49 | 0.40 | 0.68 | 0.558 |
| | Procedural | 1.12 | 0.11 | 0.25 | 0.656 |
| | Declarative | 4.21 | 1.44 | 0.23 | 0.000*** |

| | | | |
|--------------------|-------|----------------------|----------|
| Tax knowledge | | | |
| Mean dependent var | 0.743 | SD dependent var | 0.438 |
| Pseudo r-squared | 0.305 | Number of obs | 354 |
| Chi-square | 123.0 | Prob > chi2 | 0.000*** |
| Akaike crit. (AIC) | 300.5 | Bayesian crit. (BIC) | 339.196 |

*** $p < .01$, ** $p < .05$, * $p < .1$

Hypothesis 1a

H01: Experience of owners/managers does not have a significant relationship with filing of income tax returns among SMEs operated as sole proprietorship businesses in Soroti district, Uganda.

As for hypothesis 2a, experience of owners/managers was analyzed on the basis of three experience brackets of; “up to 5 years”, “6 up to 10 years” and “over 10 years”. The logistic regression findings presented in table 3 show the odds ratio of owners/managers with experience in the bracket “6 up to 10 years” is 0.94 and is statistically insignificant at 5 percent having a p-value of 0.846 which is above 0.05. The coefficient of -0.07 indicates a negative relationship. These results show that there was an insignificant relationship between experience of owners/managers in the bracket of “6 up to 10 years” and income tax compliance measured as filing of income tax returns and that owners/managers with experience in the bracket “6 up to 10 years” had 0.94 chance of filing income tax returns than owners/managers in the un exposed bracket (up to 5 years).

The logistic regression results also show that the odds ratio of experience of owners/managers falling in the bracket “over 10 years” is 1.49 and is not statistically significant at 5 percent having a p-value of 0.558 which is above 0.05. The coefficient of 0.40 indicates a positive relationship. These findings show that there is an insignificant relationship between experience of owners/managers in the bracket of “over 10 years” and income tax compliance measured as filing of income tax returns and that owners/managers with experience in the bracket of “over 10 years” had 1.49 chance of filing income tax returns than owners/managers in the un exposed bracket (up to 5 years).

Based on the results in table 3 above, it is concluded that experience of owners/managers has insignificant connection with income tax compliance measured as filing of income tax returns and that taxpayers with more experience were more income tax compliant than those with less experience. Consequently, the study fails to reject the null hypothesis which states that experience of owners/managers does not have a significant relationship with filing of income tax returns among SMEs operated as sole proprietorship businesses in Soroti district, Uganda. These findings are accordant with empirical results of Okpeyo, Musah & Gakpetor (2019), whose study results revealed that business experience does not have a significant influence on tax compliance and Marti, Wanjohi, Magutu, and Mokoro (2010) whose findings revealed that taxpayers who have lengthy business experience possess more knowledge regarding tax issues and therefore are more income tax compliant than those with less business experience. This study findings however are not similar with Adegboye, Owunna & Egharevba (2018) who in their findings asserted that experience has a positive and significant effect on income tax compliance.

Hypothesis 2a

H02: Tax knowledge of owners/managers does not have a significant relationship with filing of income tax returns among SMEs operated as sole proprietorship businesses in

Soroti district, Uganda.

Hypothesis 5a set out to assess whether tax knowledge of owners/managers does not have a significant effect on income tax compliance measured as filing of income tax returns among SMEs operated as sole proprietorship businesses in Soroti district, Uganda. Tax knowledge of owners/managers was analyzed on the basis of procedural tax knowledge and declarative tax knowledge. Results dispensed in table 3 specify that tax knowledge proxied as procedural tax knowledge is statistically insignificant at 5 percent having a p-value of 0.656 which is above 0.05. Coefficient of 0.11 indicates a positive relationship. These findings show that tax knowledge proxied as procedural tax knowledge has a statistically insignificant relationship with income tax compliance measured as filing of income tax returns. Results in table 3 further indicate that tax knowledge proxied as declarative tax knowledge is statistically significant at 5 percent with a p-value of 0.000 that is less than 0.05. The coefficient of 1.44 indicates a positive relationship. These findings show that tax knowledge proxied as declarative tax knowledge has a statistically positive significant relationship with income tax compliance measured as filing of income tax returns.

Based on the findings in the table 3 above, it can be concluded that tax knowledge of owners/managers has a positive and significant relationship with income tax compliance measured as filing of income tax returns. Accordingly, the study therefore rejects the null hypothesis that tax knowledge of owners/managers does not have a significant relationship with income tax compliance measured as filing of income tax returns among SMEs operated as sole proprietorship businesses in Soroti district, Uganda.

The findings of this study corroborate with Mukhlis, Utomo and Soesetio (2015) whose findings revealed that tax knowledge significantly and positively affects tax compliance attitude. In the Ugandan context, the study findings are consistent with Musimenta (2020) whose results revealed that when taxpayers possess the necessary tax knowledge, tax compliance increases, and that, the more taxpayers acquire knowledge about the tax affairs, the more tax compliance behavior should be expected to change positively. However, this study findings do not support the assertion of the deterrence theory that holds that taxpayer decisions to pay or not to pay tax is only influenced by the risk of audit, detection and penalty (Alm, Kirchler and Muehlbacher, 2012). The study findings additionally do not support empirical results of Tan & Chin-Fatt (2000) and Newman, Mwandambira, Charity & Ongayi (2018) whose results respectively indicated that tax expertise has no noteworthy impact on taxpayer compliance etiquette.

Table 4: Logistic Regression of Prompt Payment of Income Tax on Experience and Tax Knowledge

| Variable | | OR | Coef. | St. Err. | p-value |
|------------|------------------|------|-------|----------|---------|
| Experience | 6 up to 10 years | 2.18 | 0.78 | 0.21 | 0.346 |
| | Over 10 years | 2.05 | 0.72 | 0.29 | 0.408 |
| | Procedural | 3.02 | 1.10 | 0.18 | 0.549 |
| | Declarative | 4.38 | 1.48 | 0.27 | 0.034** |
| | Constant | 1.90 | 0.64 | 0.49 | 0.565 |

| | | | |
|--------------------|---------|----------------------|----------|
| Tax knowledge | | | |
| Mean dependent var | 0.54 | SD dependent var | 0.499 |
| Pseudo r-squared | 0.03 | Number of obs | 354 |
| Chi-square | 14.615 | Prob > chi2 | 0.002*** |
| Akaike crit. (AIC) | 493.916 | Bayesian crit. (BIC) | 532.609 |

*** $p < .01$, ** $p < .05$, * $p < .1$

Hypothesis 1b

H01: Experience of owners/managers does not have a significant relationship with prompt payment of income tax among SMEs operated as sole proprietorship businesses in Soroti district, Uganda.

As for hypothesis 2b, the experience of owners/managers was analyzed on the basis of three experience brackets of; “up to 5 years”, “6 up to 10 years” and “over 10 years”. The logistic regression results presented in table 4 show that the odds ratio of experience of owners/managers for bracket “6 up to 10 years” is 2.18 and is statistically insignificant at 5 percent having a p-value of 0.346 which is higher than 0.05. The coefficient of 0.78 indicates a positive relationship. These results show that there was no significant relationship between experience of owners/managers in the bracket of “6-10 years” and income tax compliance measured as prompt payment of income tax. The results also show that although there is an insignificant relationship, owners/managers whose experience falls in the bracket “6 up to 10 years” had 2.18 odds of paying income tax promptly compared to owners/managers whose experience falls in the unexposed bracket (up to 5 years).

The logistic regression results in table 4 also show that the odds ratio of experience of owners/managers falling in the bracket “over 10 years” is 2.05 and is not significant at 5 percent having a p-value of 0.408 which is above 0.05. The coefficient of 0.72 indicates a positive relationship. These findings show there is insignificant association between experience of owners and/or managers (“over 10 years”) and income tax compliance measured as prompt payment of income tax and that owners/managers whose experience falls in the bracket “over 10 years” had 2.05 chance of paying income tax promptly compared to owners/managers whose experience falls in the unexposed bracket (up to 5 years)

Based on the findings in table 4 above, it is concluded that experience of owners/managers has no significant relationship with income tax compliance measured as prompt payment of income tax and that more experienced taxpayers are more income tax compliant than the taxpayers with less experience. Consequently, the study fails to reject the null hypothesis that experience of owners/managers does not have a significant relationship with prompt payment of income tax among SMEs operated as sole proprietorship businesses in Soroti district, Uganda.

These results are accordant with empirical findings of Mustapha (2010), who disclosed that there is no notable connection between experience and tax compliance. The findings also corroborate with Carsamer and Abbam (2020) who stated that a higher number of years in business operation reduces tax non-compliance. This study findings however, contradict Lubua (2014) whose study results disclosed that business experience has a noteworthy

influence on voluntary tax compliance. The findings also contradict Gupta and McGee (2010) and Carsamer and Abbam (2020) who revealed that age of a firm robustly and positively explains income tax compliance.

Hypothesis 2b

H02: Tax knowledge of owners/managers does not have a significant relationship with prompt payment of income tax among SMEs operated as sole proprietorship businesses in Soroti district, Uganda.

Hypothesis 5b set out to examine whether tax knowledge of owners/managers does not have a significant effect on income tax compliance measured as prompt payment of income tax among SMEs operated as sole proprietorship businesses in Soroti district, Uganda. Tax knowledge of the owners/managers was analyzed on the basis of procedural tax knowledge and declarative tax knowledge. The findings presented in table 4 indicate tax knowledge of owners/managers proxied as procedural tax knowledge is statistically insignificant at 5 percent having a p-value of 0.549 which is above 0.05. The coefficient of 1.10 indicates a positive relationship. These findings show that tax knowledge of owners/managers proxied as procedural tax knowledge insignificantly related with income tax compliance measured as prompt payment of income taxes. The results in table 4 further stipulate that tax knowledge of owners/managers proxied as declarative tax knowledge is statistically significant at 5 percent with a p-value of 0.034 that is lower than 0.05. The coefficient of 1.48 indicates a positive relationship. These findings show that tax knowledge of owners/managers proxied as declarative tax knowledge statistically and significantly related with income tax compliance measured as prompt disbursement of income tax.

Based on the results in table 4 above, it is concluded that tax knowledge of owners/managers has a positive significant relationship with income tax compliance measured as prompt payment of income tax. Accordingly, the study rejects the null hypothesis which states that tax knowledge of owners/managers does not have a significant relationship with income tax compliance measured as prompt payment of income tax among SMEs operated as sole proprietorship businesses in Soroti district, Uganda. The findings of this study corroborate with Fischer's tax compliance model (1992) which holds that the eagerness of the taxpayer to be tax compliant is determined by demographic factors (Chau and Leung, 2009). The study findings additionally corroborate with empirical studies of Olaoye *et al.*, (2017) and Radae and Sekhon (2017) whose results disclosed that tax expertise positively and significantly influences taxpayer compliance with income tax attitude.

However, the study results contradict empirical results of Manual & Xin (2016) and Nasution *et al.*, (2020) whose results indicated that tax knowledge insignificantly affects taxpayers' income tax compliance behavior. In the context of Uganda, the study results are in agreement with Mugarura, Kaberuka, Tweheyo and Muramuzi (2021) who did a study on "Tax understanding, tax awareness and tax compliance in Nakawa Division, Kampala district, Uganda; Their study revealed that tax knowledge and understanding have a

positive and significant effect on taxpayer compliance.

6. Conclusions and Recommendations

On the basis of the research findings, the study draws the conclusions that differences in the level of experience of owners/managers do not significantly influence the income tax compliance decisions of SMEs operated as sole proprietorship businesses in Soroti district, Uganda to file income tax returns and to pay income tax promptly. While tax knowledge of owners/managers has a positive and significant association with compliance with income tax among SMEs operated as sole proprietorship businesses in Soroti district, Uganda. This finding implies that increase in tax knowledge of owners/managers leads to increase in income tax compliance of SMEs operated as sole proprietorship businesses in Soroti district, Uganda. In conformity with the study findings the study recommends that policy makers should make constant corroboration with several organizations such as Non-Government Organizations to raise tax knowledge of taxpayers and taxpayers comprehension of the benefits of being compliant with income tax. This is important for the taxpayers to know that they have a responsibility to abide by their income tax obligations and as well know the consequences of being income tax non-compliant. The study also recommends that other researchers and academicians interested in conducting research on demographic factors and income tax compliance can use the findings of this study to amplify the robustness in analyzing demographic factors by ascertaining the interaction impact between the regressor and the independent variable.

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