THE EFFECT OF TAX POLICY IMPLEMENTATION ON COMPLIANCE BEHAVIOUR IN UGANDA

Introduction

Tax compliance is a cornerstone of sustainable revenue mobilization and public service delivery, particularly in developing countries like Uganda. Despite ongoing reforms, Uganda continues to face persistent tax compliance challenges, which undermine fiscal capacity and economic development (URA, 2023). One of the critical factors influencing compliance is how tax policies are implemented. Implementation strategies—ranging from legal clarity, administrative efficiency, taxpayer engagement, to institutional capacity—play a pivotal role in shaping taxpayer perceptions and behaviour. This study seeks to investigate the effect of tax policy implementation strategies on compliance behaviour in Uganda.

Background of the Study

Uganda's tax system has undergone multiple reforms in recent decades aimed at increasing tax revenue, simplifying the tax regime, and widening the tax base. However, the country's tax-to-GDP ratio remains below 13%, lower than the sub-Saharan Africa average of 17% (IMF, 2023). Non-compliance—both deliberate and unintentional—remains widespread and is often attributed to weak implementation strategies (Fjeldstad & Heggstad, 2012).

Legal ambiguity, administrative delays, poor taxpayer education, and under-resourced tax institutions affect how taxpayers interpret and respond to tax laws. For example, frequent amendments and vague statutory language complicate compliance for both individuals and businesses. Administrative inefficiencies—such as delays in refunds or audits—also reduce taxpayer trust and increase compliance costs (OECD, 2021). Moreover, limited engagement between the Uganda Revenue Authority (URA) and taxpayers fosters a disconnect, while institutional weaknesses within the URA hamper consistent enforcement and service delivery (Afrobarometer, 2022).

Thus, understanding how specific tax policy implementation strategies affect compliance behavior is essential for designing effective interventions that enhance Uganda's domestic revenue mobilization.

Problem Statement

Despite numerous tax reforms and the digital transformation of tax administration, Uganda continues to struggle with low compliance rates and a narrow tax base. One of the under-examined causes of non-compliance is the effectiveness of the strategies used to implement tax policies. While policy frameworks may be well-intended, inadequate clarity, weak administrative capacity, poor engagement with taxpayers, and institutional weaknesses often lead to implementation gaps.

Taxpayers frequently face confusion due to ambiguous laws, inefficiencies in service delivery, and inconsistent enforcement—all of which erode trust and reduce the willingness to comply voluntarily (Bird & Zolt, 2008). Without clear evidence on which implementation strategies most influence taxpayer behavior, the URA and policymakers may continue to apply fragmented or ineffective approaches. This study, therefore, aims to fill this gap by examining the effects of legal clarity, administrative efficiency, taxpayer engagement, and institutional capacity on tax compliance behaviour in Uganda.

Research Objectives

General Objective

To examine the effect of tax policy implementation on compliance behaviour in Uganda.

Specific Objectives

1) To investigate the effect of legal clarity on tax payer compliance behaviour.

2) To examine the effect of enforcement efficiency on tax payer compliance behaviour.

3) To evaluate the impact of tax-payer engagement strategies on tax compliance behaviour.

4) To assess URA institutional technical capacity on tax payer compliance behaviour.

Research Questions

1) Does legal clarification on tax affect the compliance behaviour of taxpayers in Uganda?

2) Does enforcement efficiency within the tax system affect taxpayer compliance behaviour in Uganda?

3) What is the impact of taxpayer engagement strategies on tax compliance behaviour in Uganda?

4) Does the URA institutional technical capacity affect taxpayer compliance behaviour in Uganda?

Significance of the Study

This study contributes to the understanding of how tax policy implementation strategies influence compliance behavior in Uganda. It will provide policymakers, the Uganda Revenue Authority, and development partners with evidence-based insights for improving tax administration and policy rollout. The findings could help tailor reforms aimed at enhancing legal clarity, improving administrative procedures, engaging taxpayers more effectively, and strengthening institutional capacity.

Conceptual framework

IV (Tax policy Implementation Strategies) *DV (Taxpayer Compliance)*

Legal clarification on tax
- What is taxed
- Who is taxed
- When to pay
- How much to pay
- How to pay
- Definition of penalties

Enforcement efficiency
- Timely Detection of Non-Compliance
- Efficient Audit
- Transparent Penalty System

Taxpayer engagement
- Taxpayer education to special groups
- Customer call service
- Digital engagement platforms
- Stakeholder consultations and dialogue
- Feedback evaluation
- Incentives for voluntary compliance

Institutional technical capacity
- Human Resource Capacity
- ICT and Data Systems
- Legal and Policy Framework
- Monitoring, Evaluation & Learning

Theoretical Framework

This study is anchored in the Economic deterrence theory which posits that individuals will avoid certain behaviours if the potential costs outweigh the potential benefits. Efficient administration and capable institutions decrease the risk of non-compliance (Allingham & Sandmo, 1972).

Methodology

Research Design

A cross-sectional survey design will be employed to collect data from registered taxpayers across Uganda. Quantitative methods will quantify the effect of tax policy implementation strategies on taxpayer compliance behavior.

Study Population

The study population will consist of registered individual and corporate taxpayers with Tax Identification Numbers (TINs) across various sectors in Uganda.

Sample Size and Sampling Technique

Using the **Yamane (1967)** formula for a finite population with a 95% confidence level and 5% margin of error, the study will determine an appropriate sample size. Stratified and purposive sampling will be used to ensure representation from SMEs, corporations, and individual taxpayers.

Data Collection Tools

A structured questionnaire will be administered via both online platforms and face-to-face interviews. The tool will include Likert-scale items to assess perceptions of legal clarity, enforcement efficiency, taxpayer engagement, institutional capacity, and compliance behaviour.

Data Analysis

Data will be analysed using SPSS or STATA. Descriptive statistics will summarize the data, while multiple regression analysis will be used to test the relationships between the independent variables (implementation strategies) and the dependent variable (compliance behaviour).

Ethical Considerations

The study will seek ethical clearance from a recognized Institutional Review Board. Participants will provide informed consent and will be assured of confidentiality and voluntary participation.

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