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Tax Awareness and Tax Compliance of Small and Medium Enterprises in Nakawa Division, Kampala Uganda.

The study investigates the relationship between tax awareness and tax compliance among Small and Medium Enterprises (SMEs) in Nakawa Division so that tax compliance can be improved. The Specific objectives were; to establish the effect of taxpayer's education/knowledge on tax compliance among SMEs in Nakawa Division, to examine the effect of tax awareness campaigns on tax compliance among SMEs in Nakawa Division and to examine the effect of religiosity (tax morals/ethics) on tax compliance among SMEs in Nakawa Division. The research design was cross sectional with a quantitative approach. Data was collected using the stratified random sampling method by distributing questionnaires to SMEs in Nakawa Division. The study population involved wholesalers, retailers and service providers with a population of 750 and a sample of 256 respondents. Data was analysed through the use of the Statistical Package of the Social Scientists (SPSS) Version 19. The findings showed that there was a positive relationship between taxpayer's education/ knowledge and tax compliance, a significant positive relationship between tax awareness campaigns and tax compliance and a significant positive relationship between religiosity (tax morals/ethics) and tax compliance among Small and Medium Enterprises in Nakawa Division. This implies that tax awareness is a critical predictor of tax compliance. The researcher made the conclusion that the more effective implementation of the taxpayer's education/knowledge, tax awareness campaigns and changing taxpayers' attitude towards tax system, the higher the tax compliance will be among the SMEs in Nakawa Division. The researcher recommends that the tax authority should simplify the taxation process through improved tax education and improved tax awareness campaigns as this will help to change Small and Medium Enterprises' attitude (morals/ethics) towards the tax system, hence, comply with tax laws and regulations.

Key Words: Tax Awareness, Tax Compliance, Small & Medium Enterprises, Nakawa Division, Kampala