

Tax compliance of small enterprises: TREP and simpler e-filing form

Maria Jouste (University of Turku, UNU-WIDER)
Milly I. Nalukwago (Uganda Revenue Authority)
Ronald Waiswa (Uganda Revenue Authority)



Research question

- Have 'Taxpayer Register Expansion' project (TREP) and simpler e-filing form increased tax compliance of small enterprises?
 - We investigate all TREP phases and the change in e-filing of presumptive taxpayers
- This paper
 - Uses administrative presumptive tax and non-individual (corporate income tax) return data from URA
 - Examines the impact of TREP and e-filing on the number of taxpayers

What explains this?

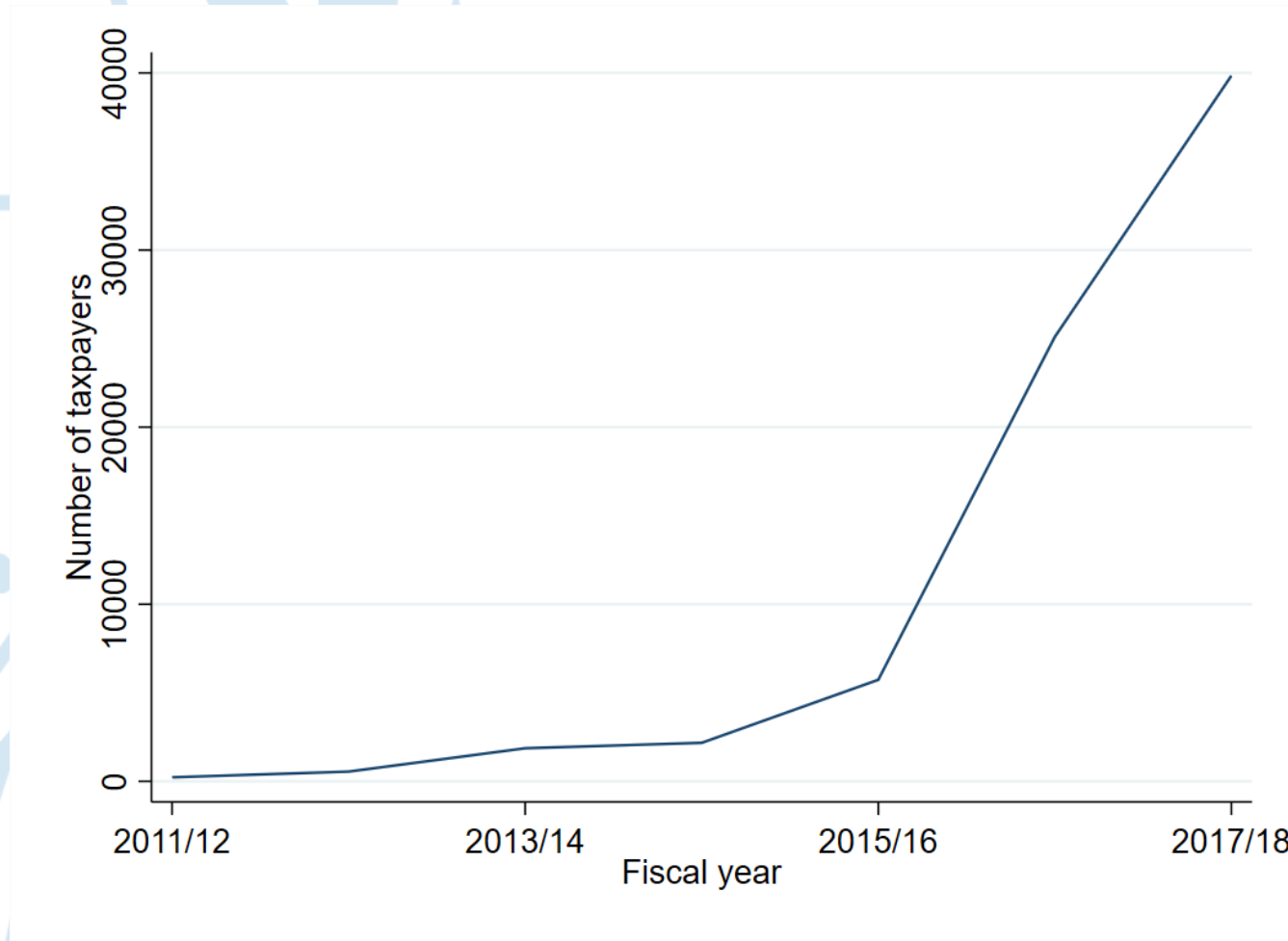
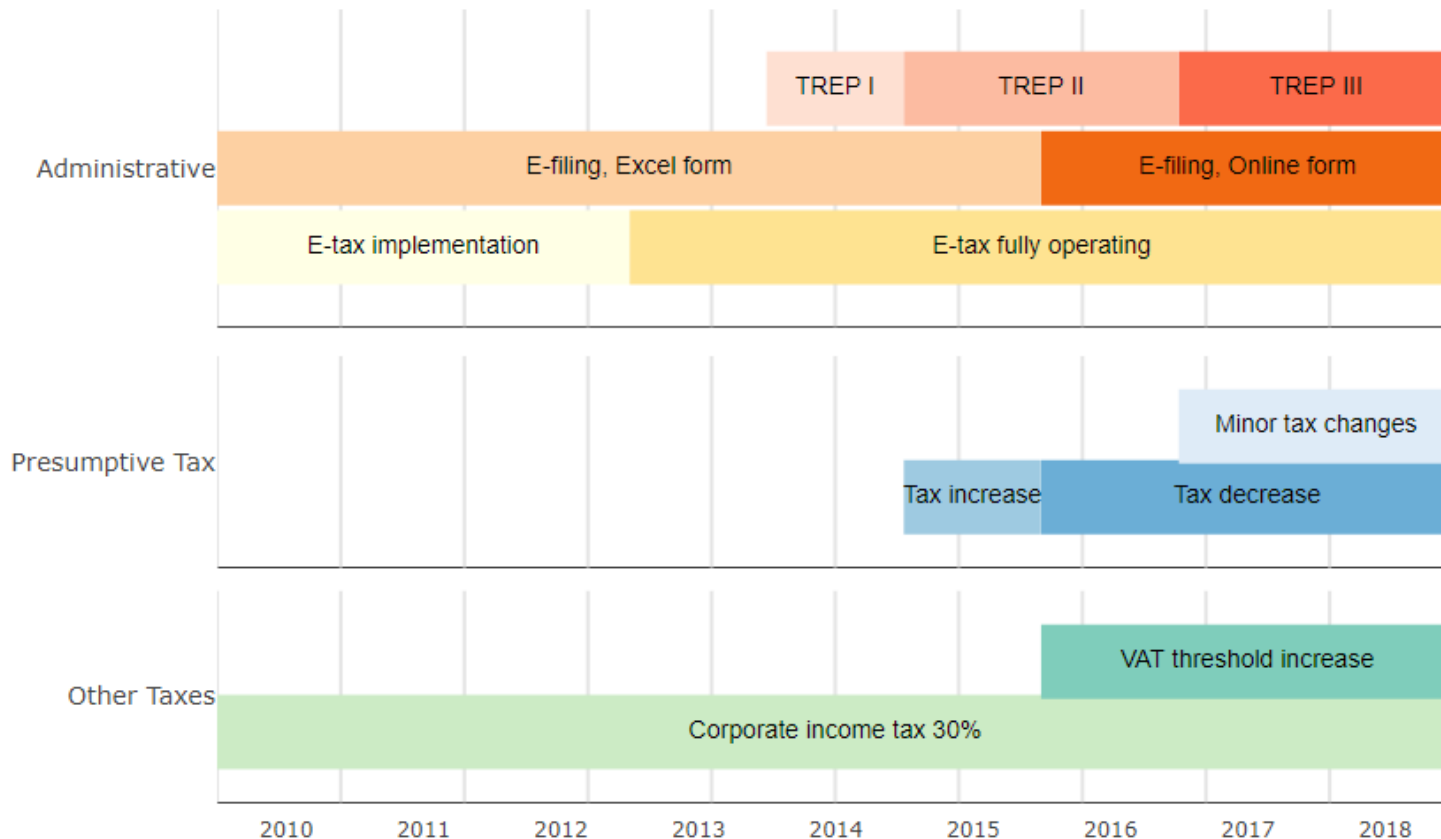


Figure. Development of number of presumptive taxpayers

TREP and new e-filing form

- TREP is a **collaborative project** of different authorities
 - The objectives are to **improve tax compliance and formalization** of small and medium sized businesses by simplifying the business and tax register processes and thus reducing compliance costs
 - Different methods include for example door-to-door visits, establishment of one-stop-shops and providing tax education
 - TREP was implemented in three phases in FY 2013/14-2016/17
- The new e-filing form for presumptive tax return **simplified filing**
 - Before July 2015 presumptive returns were declared using an **Excel form** which was submitted online to URA
 - After July 2015 presumptive returns are declared directly using a simple **online tax form** on URA's webpage

Timeline of different reforms for small businesses in Uganda



Data

- We use tax administrative data from URA for years 2012/13-17/18:
 1. presumptive tax returns in two separate data sets
 2. corporate income tax returns
 3. tax registration data

Table 1. Average turnover and tax payable for presumptive and CIT return.

Year	Presumptive		CIT	
	Turnover	Tax payable	Turnover	Tax payable
2012/13	13,709,442	118,765	68,029,973	3,225,070
2013/14	16,617,642	148,750	64,120,527	2,190,842
2014/15	11,282,286	257,547	62,647,449	2,086,218
2015/16	6,761,215	212,515	57,042,328	2,163,511
2016/17	16,929,217	224,513	53,655,654	1,948,385

Notes: All monetary values are in local currency (UGX). CIT includes only firms which have turnover equal or less than 400 million.

Methods

- We use a simple **impact evaluation method** to analyse both TREP and new e-filing system separately
 - Difference-in-differences approach
 - Compare number of taxpayers before and after the reforms in treatment and control group
- In **TREP**, both treatment and control groups are presumptive taxpayers in different locations in Uganda
- In **E-filing**, the treatment group is presumptive taxpayers and the control group is corporate income taxpayers 150-400 million turnover
- Separate results for different types of the TREP intervention are reported

Estimation results: TREP

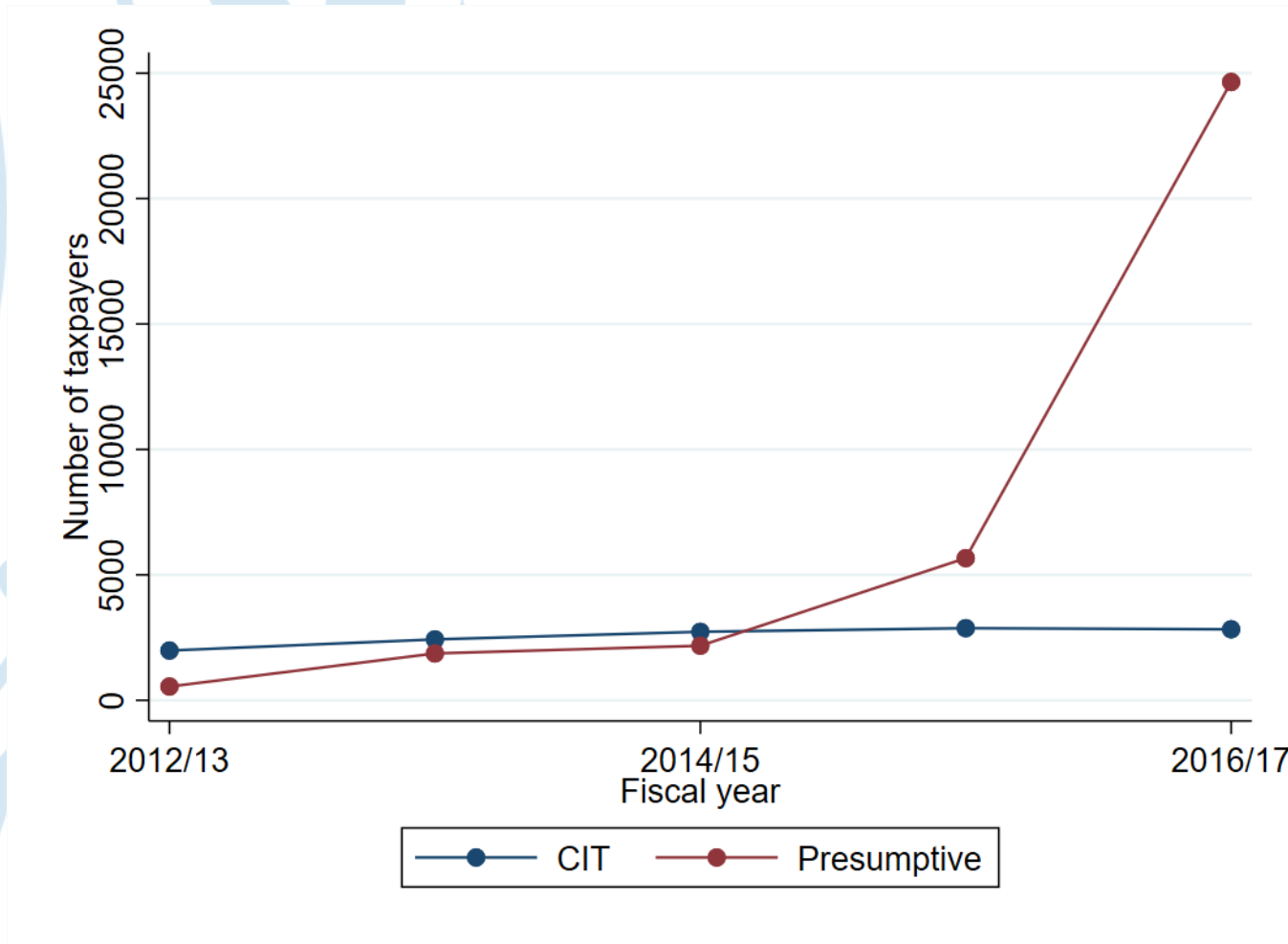
	TREP I - Kampala			TREP II - Wakiso			TREP III – Other municipalities
	(1) After	(2) After ₁	(3) After ₂	(4) After	(5) After ₁	(6) After ₂	(7) After
DD	0.737*** (0.233)	0.473*** (0.188)	0.820*** (0.284)	0.484*** (0.217)	0.095 (0.179)	0.746** (0.290)	0.788*** (0.089)
Year dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Group dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R-squared	0.836	0.923	0.849	0.764	0.790	0.821	0.799
N	3,009	377	2,717	2,826	659	2,311	3,747
	172 taxpayers in 2012/13			1,780 taxpayers in 2013/14			4,275 taxpayers in 2015/16

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

- The outcome variable is log number of taxpayers using industry*location level aggregated data
- Kampala: After 1: 2013/14-14/15, After 2: 2015/16-17/18
- Wakiso: After 1: 2014/15-15/16 After 2: 2016/17-17/18
- Municipalities: After: 2016/17-17/18

Visual evidence: E-filing



Estimation results: E-filing

	(1) After	(2) After
DD	1.314*** (0.073)	1.427*** (0.085)
Presumptive*Year _{2014/15}		0.275*** (0.079)
TREP _{active}		0.301*** (0.0526)
TREP _{presumptive}		
Year dummies	Yes	Yes
Group dummies	Yes	Yes
R-squared	0.862	0.866
N	3,906	3,906

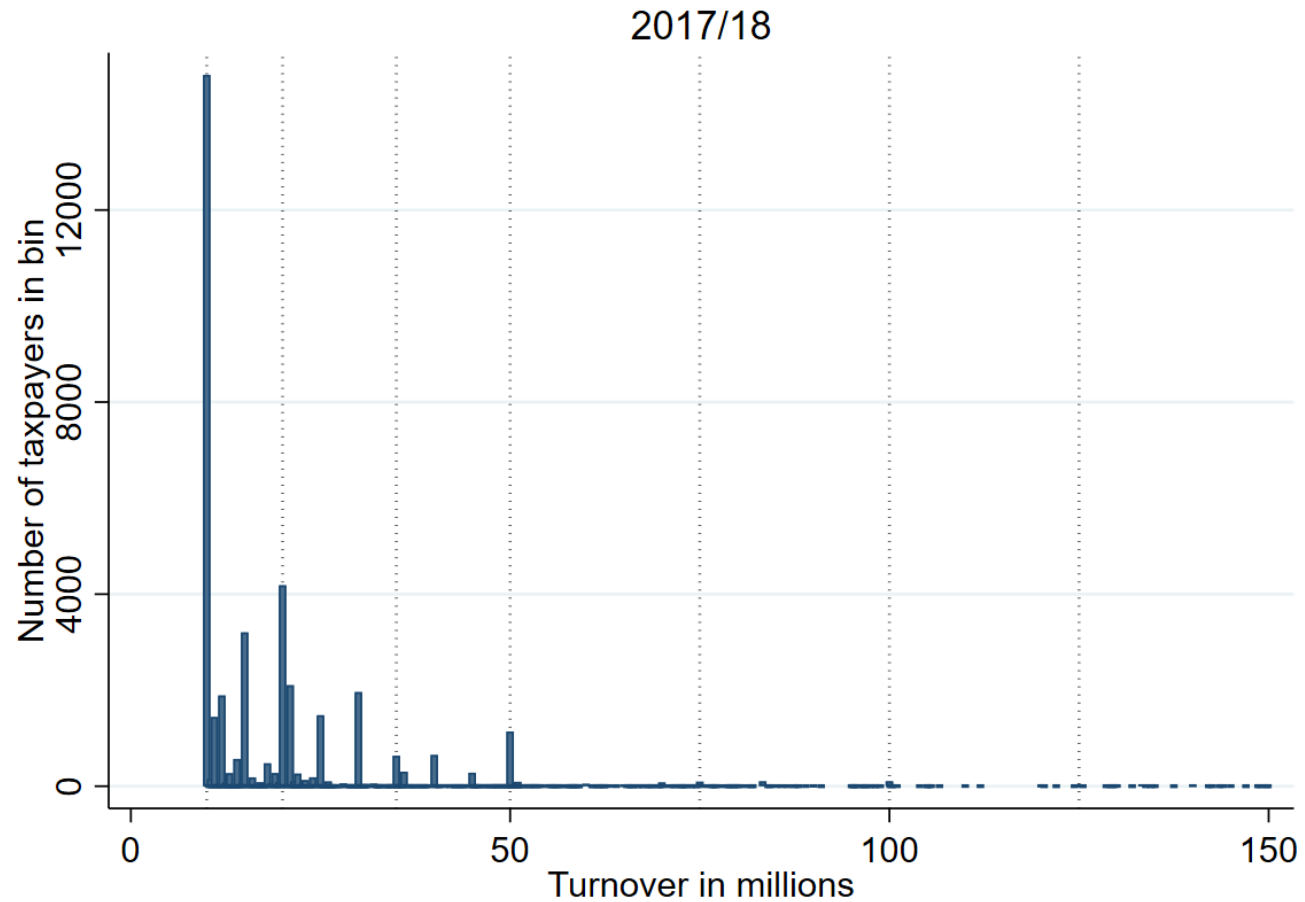
1,868 presumptive taxpayers in 2014/15

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

- The outcome variable is log number of taxpayers using industry*location level aggregated data
- Treatment group: presumptive taxpayers under 50 million turnover
- Control group: corporate income taxpayers 150-400 million turnover

Distribution of presumptive taxpayers



About the estimation results

- The number of taxpayers almost doubled because of TREP, in particular one-stop-shops
 - The number of taxpayers more than doubled because of e-filing change, but some of the effect was maybe due to TREP
 - The effect of the new e-filing form is more prominent in the second year after the change
 - Taxpayer register campaigns and simpler filing systems **complement** each other
 - The new filers mostly file the lowest taxable income
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Summary

- We analysed two tax administrative interventions which are targeted to small and medium-sized enterprises
 - We used Ugandan tax return data
 - Estimated using difference-in-differences approach and descriptive and graphical analysis
 - Main findings:
 - Both reforms increased the number of taxpayers
 - Reforms complementing each other
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**Thank you for
listening!**

