

The Effect of Section 40D of the Tax Procedures Code Act, 2014, on Taxpayer Compliance Among Small and Medium-Scale Enterprises in the Kampala Metropolitan Area, Uganda

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ABSTRACT

This study examined the effect of Section 40D of the Tax Procedures Code Act, 2014, on taxpayer compliance among Small and Medium-Scale Enterprises (SMEs) in the Kampala Metropolitan Area (comprising Kampala, Wakiso, and Mukono districts), Uganda. The law provided that businesses which paid their principal tax by December 31, 2023, would not be required to pay interest and penalties on overdue tax dating back to June 30, 2023. Drawing on Tax Compliance Theory, Fiscal Psychology Theory, and the Theory of Planned Behavior, the study employed a mixed-methods cross-sectional design. Data were collected through surveys and interviews with 381 SMEs across three districts (Kampala $n = 214$, Wakiso $n = 107$, Mukono $n = 60$) and 28 Uganda Revenue Authority (URA) officers, yielding a response rate of 99.51%. Regression and ANOVA analyses showed that Section 40D had a strong, statistically significant positive effect on both filing and payment of returns among SMEs ($\beta = 0.563$, $t = 13.13$, $p < .001$ for filing; $\beta = 0.462$, $t = 11.89$, $p < .001$ for payment). By contrast, URA respondents did not report any significant change in either outcome. The moderating influence of political will was not statistically significant for either group of respondents (interaction term $\beta = 0.045$, $p = .336$ for SMEs; $\beta = -0.426$, $p = .086$ for URA). These results indicate that the tax amnesty increased short-term compliance among SMEs, driven primarily by direct financial relief and awareness rather than by broader political commitment. The study recommends sustained taxpayer education, simplified registration processes, and institutional strengthening to ensure compliance gains persist beyond the amnesty window.

Keywords: tax waiver; taxpayer compliance; SMEs; Section 40D; Uganda Revenue Authority; political will; tax amnesty; Uganda

INTRODUCTION

Sustainable revenue generation is a major challenge for sub-Saharan African governments. As of 2023, Uganda's tax-to-GDP ratio stands at 12.2%, below both the regional average of 18.5% and East African Community peers such as Kenya (15.1%) and Rwanda (14.6%) (Gwokyalya & Okumu, 2023). A key contributor to this shortfall is non-compliance among Small and Medium-Scale Enterprises (SMEs), which collectively account for approximately 20% of GDP and employ the majority of the urban workforce (Ministry of Trade, Industry and Cooperatives [MTIC], 2023).

During the financial years 2019/20, 2020/21, and 2021/22, the Uganda Revenue Authority (URA) recorded revenue shortfalls of UGX 3,593 billion, UGX 2,376 billion, and UGX 706 billion, respectively, attributable largely to non-compliance among small businesses (Waiswa et al., 2020). These shortfalls stem from accumulated penalties and interest, public skepticism regarding the use of tax revenue, and complex compliance systems that disproportionately burden small enterprises (Ebong, 2021).

In response, the Parliament of Uganda, in collaboration with the Ministry of Finance, Planning and Economic Development, passed the Tax Procedures Code (Amendment) Act, 2023, inserting Section 40D into the Tax Procedures Code Act, 2014. Under Section 40D, taxpayers who settled their full principal tax liability by December 31, 2023, were exempted from interest and penalties accrued as of June 30, 2023, with the waiver prorated where applicable. This represented Uganda's first broad-based tax amnesty since 2007 and was designed to support SMEs recovering from the economic effects of the COVID-19 pandemic.

Although a growing literature addresses tax compliance in sub-Saharan Africa (Night & Bananuka, 2020; Musimenta & Ntim, 2020), the effectiveness of tax waivers specifically within the Ugandan context remains under-examined. Most amnesty studies have been conducted in developed or middle-income economies, whose institutional and behavioral contexts differ substantially from Uganda's SME landscape. Furthermore, the moderating role of political will—the extent to which government leaders remain committed to tax enforcement and reform—has received limited empirical attention in this domain.

This paper addresses these gaps through a primary-data study conducted from July 2023 to June 2024, spanning the waiver period and an additional six months thereafter. The central research question was: How does Section 40D of the Tax Procedures Code Act, 2014, affect taxpayer compliance among SMEs in the Kampala Metropolitan Area (Kampala, Wakiso, and Mukono districts)? Three specific objectives guided the inquiry: (i) to assess the effect of Section 40D on the filing of tax returns; (ii) to assess the effect of Section 40D on the payment of tax returns; and (iii) to examine the moderating role of political will on the relationship between Section 40D and taxpayer compliance.

THEORETICAL AND CONCEPTUAL FRAMEWORK

2.1 Theoretical Underpinnings

This study draws on three interrelated theoretical frameworks. First, Devos's (2014) Tax Compliance Theory examines tax adherence through two lenses: an economic deterrence approach, which views compliance as a rational calculation of penalty severity and detection probability, and a psychological approach, which incorporates attitudes, social norms, and perceptions of fairness. Tax amnesties such as Section 40D engage both dimensions, lowering immediate compliance costs while signaling a degree of governmental responsiveness.

Second, Fiscal Psychology Theory (Hasseldine & Bebbington, 1991) holds that taxpayer motivation diminishes when individuals perceive limited benefit from their fiscal contributions. Kogler et al. (2013) found that perceptions of governmental legitimacy predict compliance more strongly than fear of punishment alone, a conclusion reinforced by the Slippery Slope Framework (Muehlbacher & Kirchler, 2010), which holds that both authority-based enforcement and trust-based voluntary compliance are necessary for optimal tax collection.

Third, Ajzen's (1985) Theory of Planned Behavior posits that behaviour is shaped by attitudes, subjective norms, and perceived behavioral control. In the tax context, an SME owner's decision to utilize the Section 40D waiver is mediated by their beliefs about the tax system, peer behaviour, and their sense of capacity to settle outstanding liabilities.

Tax Amnesty and Compliance: Empirical Evidence

Empirical literature on tax amnesties yields mixed findings. Qualitative studies generally indicate that extended filing periods reduce the perceived burden of compliance and improve the quality of reported information (Khalif et al., 2016; Olsen et al., 2018). Descriptive research grounded in the Theory of Planned Behavior has documented improved compliance intentions following amnesties in Indonesia and Peru, although actual behavioural change tends to be modest and sector-specific (Iraman et al., 2021; Alm et al., 2022).

Inferential studies provide further nuance. Torgler et al. (2008) found that deadline extensions improved reporting accuracy but had a limited effect on aggregate revenue in low-evasion environments. De Neve et al. (2021) demonstrated, using population-wide experiments in Belgium, that combining procedural simplicity with positive framing produced measurable compliance gains. In developing-country contexts, Hassan et al. (2021) found that amnesties effectively communicating governmental empathy generated positive attitudinal and

behavioral change, conditional on widespread public awareness.

A recurring theme across the literature is the problem of information asymmetry: amnesties not accompanied by robust awareness campaigns fail to produce anticipated compliance gains, particularly among small-scale operators lacking access to professional tax advisory services (Widuri et al., 2023). In Uganda, nearly half of SMEs sampled in Kampala were unaware of Section 40D, underscoring this structural vulnerability.

2.3 Political Will and Tax Compliance

Political will, defined by Stone (2012) as the sustained commitment of political actors to bear the costs of implementing a policy over time, has been theorized as a moderator of tax policy effectiveness (Sikayu et al., 2022; Sundari et al., 2022). Gwokyalya and Okumu (2023) found that citizen satisfaction with public service delivery positively predicts tax compliance in Uganda, while Remali et al. (2018) similarly found that perceptions of effective governance correlate with stronger compliance intentions.

However, empirical evidence directly linking political will to the effectiveness of tax amnesty programmes remains sparse, particularly in East Africa. Studies from the Middle East following the Arab Spring document cases where amnesties implemented without commensurate political follow-through produced negligible gains, whereas Latin American cases show more favourable outcomes where political leadership actively endorsed compliance campaigns (Alm et al., 2022). This study contributes original evidence on this moderating mechanism within the Ugandan context.

METHODOLOGY

3.1 Research Design and Setting

The study employed a cross-sectional, mixed-methods design, using quantitative survey data to test relationships between Section 40D awareness and compliance outcomes, and qualitative interviews to provide contextual depth. The study was conducted across the Kampala Metropolitan Area, encompassing three districts: Kampala, Wakiso, and Mukono. Together, these districts form the contiguous urban and peri-urban economic zone surrounding Uganda's capital and host the largest concentration of formally registered SMEs in the country (UBOS & PSFU, 2007). Data collection was coordinated through URA Domestic Taxes service points serving all three districts, including the Small Taxpayer Office (STO) and Medium Taxpayers Office (MTO) in Kampala's Central Division.

3.2 Population and Sampling

The study targeted 133,675 SME managers, owners, or accountants across the Kampala Metropolitan Area (MTIC, 2018). To ensure representation across all three districts, the sample of 383 SMEs, determined using the Krejcie and Morgan (1970) table at a 95% confidence level and a $\pm 5\%$ margin of error, was subdivided proportionally: 214 from Kampala District (56%), 107 from Wakiso District (28%), and 62 from Mukono District (16%). Researchers also sampled 28 URA Domestic Taxes offices across nine locations via simple random sampling. Responses were received from 381 SMEs and 28 URA representatives, yielding a 99.51% overall response rate—well above the 70% threshold considered adequate by Amin (2005), as summarized in Table 1.

Table 1: Sample Size and Response Rate

Respondent Group	Population	Sample	Received	Response Rate (%)
SMEs — Kampala District	133,675	214	214	100.00
SMEs — Wakiso District	—	107	107	100.00
SMEs — Mukono District	—	62	60	96.77
SMEs Subtotal	133,675	383	381	99.48

URA Offices	29	28	28	100.00
Total	133,704	411	409	99.51

Source: Primary Data (2026)

3.3 Data Collection

Primary data were collected using three instruments. A self-administered questionnaire on a 5-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree) captured perceptions of Section 40D awareness, filing behaviour, payment behaviour, and political will, and was administered to both SME owners/managers and URA officers. Semi-structured interviews with key URA personnel provided qualitative context, while a document review checklist captured secondary compliance statistics from URA, UBOS, and other institutional sources. The questionnaire was piloted with an expert panel; content validity was confirmed with a Content Validity Index (CVI) above 0.75, and internal consistency was verified using Cronbach's alpha ($\alpha = 0.80$).

3.4 Data Analysis

Quantitative data were analysed using ANOVA and ordinary least squares (OLS) regression. For the primary objectives, simple regression models assessed the effect of Section 40D on filing and payment compliance separately for SME and URA respondents. For the moderation objective, the following moderated regression model was estimated:

$$TC = \beta_0 + \beta_1(40D) + \beta_2(PW) + \beta_3(40D \times PW) + \varepsilon$$

where TC is Taxpayer Compliance, 40D is the Section 40D awareness/utilization score, PW is Political Will, and the interaction term ($40D \times PW$) captures the moderating effect. Qualitative interview data were analyzed using content analysis and presented as illustrative narratives alongside the quantitative findings.

RESULTS

4.1 Sample Profile

The SME sample ($n = 381$) was predominantly male (73.23%), with the largest age group being 35–44 years (46.72%), reflecting a mid-career profile typical of active SME ownership. Approximately half of respondents held a bachelor's degree (47.51%), indicating relatively high educational attainment within the Kampala Metropolitan Area's formal SME field. Business owners constituted 68.50% of respondents, the primary audience for tax compliance policy. Wholesale and retail trade was the dominant sector (58.53%), followed by financial services (14.44%) and agriculture (12.86%). Most enterprises were micro-sized: 78.22% reported 1–10 employees, and 34.12% reported annual sales below UGX 10 million, consistent with the base-level enterprise profile typical of Uganda.

The URA sample ($n = 28$) was predominantly female (64.29%) and relatively young (53.57% aged 25–34), with high educational attainment (60.71% holding bachelor's degrees and 35.71% holding master's degrees). Most respondents were officers with 2–5 years of service (60.71%), drawn primarily from the Domestic Tax Department and the Commissioner General's office—units that interface directly with SME taxpayers.

4.2 Demographic Correlates of Compliance

Cross-tabulations revealed systematic demographic variation in perceived compliance improvement. Among SME respondents, male business owners reported markedly higher agreement that compliance had improved since Section 40D than their female counterparts (males: 41.9% agreeing or strongly agreeing; females: 12.7%). This disparity may reflect gendered patterns in tax administration, whereby female owners more commonly delegate tax matters to male counterparts or informal intermediaries.

Age-group analysis showed that the 35–44 cohort registered the greatest perceived improvements (43.3% agreeing or strongly agreeing), while younger (25–34) and older (55+) respondents were comparatively more neutral. Higher education correlated positively with perceived improvement: PhD holders either agreed or were

neutral, and 38% of master's degree holders agreed, compared to 26.7% of diploma holders. Among occupational roles, financial managers and accountants were the most positive (85.7% agreeing or strongly agreeing), while business owners, the largest group, were more divided (31.8% agreeing, 31.1% disagreeing). The financial services sector reported the highest formal record-keeping agreement (65.4%), well ahead of trade and agriculture.

URA staff, across all ranks and tenure categories, generally agreed that SME compliance had improved following Section 40D (57.1% agreeing or strongly agreeing overall), with no respondent strongly disagreeing—a pattern that may reflect institutional confirmation bias or a genuine observation of improved filing and payment activity at service offices.

4.3 Effect of Section 40D on Filing of Returns

The regression model assessing Section 40D's effect on the filing of returns among SME respondents was statistically significant ($F = 172.34$, $p < .001$). Each unit increase in Section 40D awareness and utilization was associated with a 0.563-unit increase in the filing compliance score ($\beta = 0.563$, $SE = 0.043$, $t = 13.13$, $p < .001$). The 95% confidence interval [0.479, 0.648] confirmed the reliability of this estimate, with a baseline filing compliance score of 1.353 when Section 40D awareness was zero, as shown in Table 2.

Table 2: Regression Analysis — Section 40D and Filing of Returns (SME Respondents, $n = 381$)

Predictor	Coefficient (β)	Std. Error	t-statistic	p-value
Intercept	1.353	0.114	11.85	< .001
Section 40D	0.563	0.043	13.13	< .001
F-statistic = 172.34		$R^2 = 0.312$		

Source: Primary Data (2026)

By contrast, the model for URA respondents was not statistically significant ($F = 2.21$, $p = .149$). The Section 40D coefficient for URA respondents was $\beta = 0.379$ ($t = 1.49$, $p = .149$), and the 95% confidence interval [-0.145, 0.903] included zero, indicating that the effect did not differ reliably from null. The model explained only 7.8% of the variance in the URA-assessed outcome, compared to 31.2% for the SME model.

This divergence is substantively important. One SME owner explained in an interview: "I profited from the Section 40D waiver last year. But I was still registered for VAT this year despite running a small shop with low sales. I haven't filed returns since." This account suggests that while the waiver improved compliance, subsequent administrative requirements, such as compulsory VAT registration, may have undermined those gains, recreating barriers similar to those the amnesty was designed to remove.

4.4 Effect of Section 40D on Payment of Returns

The regression model for the effect of Section 40D on payment of returns among SMEs was statistically significant ($F = 141.27$, $p < .001$). The coefficient for Section 40D was $\beta = 0.462$ ($SE = 0.039$, $t = 11.89$, $p < .001$; 95% CI: [0.386, 0.539]), explaining 27.2% of the variance in payment compliance, as shown in Table 3.

Table 3: Regression Analysis — Section 40D and Payment of Returns (SME Respondents, $n = 381$)

Predictor	Coefficient (β)	Std. Error	t-statistic	p-value
Intercept	1.797	0.103	17.36	< .001
Section 40D	0.462	0.039	11.89	< .001
F-statistic = 141.27		$R^2 = 0.272$		

Source: Primary Data (2026)

For URA respondents, neither the overall model ($F = 1.42$, $p = .244$) nor the Section 40D coefficient ($\beta = 0.177$, $p = .244$) reached statistical significance, consistent with the filing results. A URA officer noted that while many taxpayers settled outstanding dues during the waiver period to benefit from the campaign, payments thereafter did not change, owing to unfavorable economic conditions. This suggests that tax amnesty programmes may generate a compliance spike confined to the incentive window without producing durable behavioral change, particularly amid adverse macroeconomic conditions.

4.5 The Moderating Role of Political Will

The moderated regression model incorporating Section 40D, Political Will, and their interaction term ($40D \times PW$) was estimated separately for SME and URA respondents. For the SME group, the overall model was statistically significant ($F = 57.86$, $p < .001$; $R^2 = 0.315$), explaining 31.5% of the variance in taxpayer compliance. Section 40D remained a significant predictor ($\beta = 0.309$, $p = .016$), while Political Will was not significant ($\beta = 0.194$, $p = .144$). Critically, the interaction term, the direct test of moderation, was also non-significant ($\beta = 0.045$, $p = .336$), indicating that the Section 40D–compliance relationship did not vary meaningfully with perceived levels of political will among SME respondents, as shown in Table 4.

Table 4: Moderated Regression: Political Will as Moderator (SME Respondents, $n = 381$)

Predictor	β	SE	t	p-value
Intercept	1.544	0.344	4.48	< .001
Section 40D	0.309	0.128	2.42	.016
Political Will (PW)	0.194	0.132	1.47	.144
40D $\times$ PW (Interaction)	0.045	0.047	0.96	.336
$F = 57.86$, $R^2 = 0.315$				

Source: Primary Data (2026)

The moderated model for URA respondents was not statistically significant ($F = 1.57$, $p = .223$; $R^2 = 0.164$). None of the predictors, Section 40D ($\beta = 1.348$, $p = .085$), Political Will ($\beta = 1.838$, $p = .062$), or the interaction term ($\beta = -0.426$, $p = .086$), reached conventional significance thresholds, although the interaction term approached significance at the 10% level, suggesting a tentative negative moderation pattern from the URA perspective. These findings are constrained by the small URA sample size ($n = 28$), which limits statistical power.

One URA officer observed: "The tax waivers would have a greater impact if political leaders joined awareness campaigns. More cooperation is needed here." This view aligns with theoretical expectations that active political involvement in public outreach strengthens compliance more effectively than legislation alone.

DISCUSSION

5.1 Section 40D and Filing of Returns

The finding that Section 40D significantly improved filing compliance among SMEs ($\beta = 0.563$) is consistent with the broader amnesty literature, which shows that time-limited incentives lower the psychological and financial barriers to compliance (Hassan et al., 2021; Widuri et al., 2023). Within the Theory of Planned Behavior (Ajzen, 1985), the waiver functioned as a positive stimulus, altering both attitudes (the perceived benefit of compliance outweighing its cost) and perceived behavioral control (the removal of penalties making settlement financially feasible). These effects appear most pronounced among more educated SME owners, particularly those with bachelor's and master's degrees, who possess the informational capacity to calculate the amnesty's financial benefit, relative to less-educated owners with lower tax literacy.

The absence of a significant effect among URA respondents introduces an important interpretive tension that warrants deeper examination. Three interrelated explanations are advanced. First, URA officers may have applied a more demanding performance benchmark, sustained post-amnesty filing rather than a one-time compliance spike—against which Section 40D's contribution is inherently limited. SME owners, by contrast, evaluated their compliance relative to their own prior behaviour, making marginal improvements more perceptually salient. This divergence in reference points is a structural feature of dual-respondent compliance studies and does not necessarily imply that either group is mistaken. Second, additional requirements such as compulsory VAT registration for small businesses introduced during the amnesty period may have counteracted some of the waiver's benefits. This finding supports Alm et al.'s (2022) argument that effective regulation must be comprehensive: targeted incentives perform best when not contradicted by additional administrative burdens.

Third, there is a plausible information gap between what SMEs experienced at the point of transaction, paying outstanding principal tax and receiving confirmation of the waiver, and what URA officers observed in system-level compliance metrics. If improvements in filing and payment were concentrated near the end of the waiver window and not yet fully reflected in URA's administrative records at the time of data collection, officers may have underestimated actual compliance gains. This is consistent with the documented 'deadline surge' pattern in tax amnesty literature (De Neve et al., 2021), wherein compliance activity clusters near cut-off dates and can be obscured in aggregate institutional data.

This perceptual gap also carries methodological implications. Studies relying exclusively on self-reported compliance risk overstate gains through social desirability bias, while institutional assessments may understate gains if officers apply uniform benchmarks without adjusting for the specific population targeted by the amnesty. Triangulating both data sources, as this study does, provides a more balanced picture, while underscoring the need for administrative tax records to serve as an objective arbiter in future evaluations. Research linking individual taxpayer self-reports to matched URA filing and payment records would allow this discrepancy to be resolved empirically.

5.2 Section 40D and Payment of Returns

The positive but more modest effect of Section 40D on payment compliance ($\beta = 0.462$, $R^2 = 0.272$), relative to its effect on filing ($R^2 = 0.312$), reflects a well-documented asymmetry in tax behaviour: filing is a lower-cost action than payment, and incentives for the former do not automatically translate into the latter (Torgler et al., 2008). Although the amnesty's mechanism, waiving penalties contingent on settling principal tax, addressed payment costs directly, the effect size remained moderate, suggesting that liquidity constraints and economic pessimism among SMEs, particularly the 34% reporting annual revenue below UGX 10 million, limited the conversion of intent into action.

The observation that post-amnesty payments did not improve, attributed by URA officers to unfavorable economic conditions, aligns with Fiscal Psychology Theory: when the perceived return on tax payment is low and macroeconomic pressure is high, even well-designed incentive structures face substantial headwinds. This underscores the need for complementary demand-side support, such as access to financing, simplified tax rates, and reduced administrative costs—alongside supply-side incentive schemes.

5.3 Political Will as a Moderator

The non-significant moderating effect of political will ($\beta = 0.045$, $p = 0.336$ for SMEs) diverges from theoretical expectations in the governance and tax compliance literature (Gwokyalaya & Okumu, 2023; Remali et al., 2018). Several interpretations merit consideration. First, political will was operationalized based on SME respondents' subjective perceptions of governmental commitment, which may not capture the actual intensity of political endorsement during the amnesty period. Second, the non-significance may reflect a ceiling effect: if political will operated primarily through the legislative act of inserting Section 40D, variation in ongoing political will thereafter would contribute little additional explanatory power.

Third, as the URA officer's testimony suggests, political leaders were not visibly present in awareness campaigns, meaning the channel through which political will might moderate compliance—public legitimization

and normative pressure—was largely absent. This is consistent with Stone's (2012) definition of political will as requiring sustained action, not merely intent: parliamentary approval of Section 40D constituted intent, but the mobilization of political capital for awareness and enforcement fell short of the sustained commitment necessary for moderation effects to materialize.

For URA respondents, the near-significant negative interaction term ($\beta = -0.426$, $p = 0.086$), while based on a small sample, hints at a potentially counterproductive dynamic: URA officers who perceived stronger political will may have anticipated systemic resistance from SMEs suspicious of political pressure, dampening compliance expectations. This interpretive thread warrants rigorous testing with larger samples in future research.

5.4 Implications for Theory and Practice

This study contributes to the tax compliance literature in three ways. First, it provides one of the first empirical tests of a Ugandan tax amnesty's effect on SME compliance using regression analysis, moving beyond largely qualitative and descriptive studies common in East Africa. Second, the differential results for SME and URA respondents underscore the importance of triangulating compliance data across multiple stakeholder perspectives: self-reported compliance gains do not automatically correspond to institutional recognition of improvement. Third, the null finding for political will moderation adds nuance to governance theories of compliance, distinguishing between political will expressed in legislation and political will enacted through sustained outreach.

Practically, the findings indicate that tax amnesties can produce meaningful short-term compliance gains among SMEs when financial relief is sufficient and accompanied by adequate awareness. The 48.8% rate of SME unawareness identified in this study, however, indicates that awareness remains a critical bottleneck. Future amnesties should be preceded by structured, multi-channel campaigns integrating URA's digital platforms with community leaders, trade associations, and sector-specific outreach, beginning months before the amnesty window opens.

CONCLUSIONS AND RECOMMENDATIONS

6.1 Conclusions

This study examined the effect of Section 40D of the Tax Procedures Code Act, 2014, on taxpayer compliance among SMEs in the Kampala Metropolitan Area (Kampala, Wakiso, and Mukono districts), Uganda. Section 40D had a statistically significant positive effect on the filing of returns among SMEs ($\beta = 0.563$, $p < .001$), explaining approximately 31% of the variance in filing compliance, and a statistically significant positive effect on payment of returns ($\beta = 0.462$, $p < .001$), explaining 27% of the variance. Political will did not significantly moderate either relationship for SME respondents, nor for URA respondents, whose smaller sample size precluded definitive conclusions.

Critically, the study documents a consistent perceptual discrepancy between SME self-reports and URA officer assessments: SMEs perceived meaningful compliance improvements attributable to Section 40D, while URA respondents recorded no statistically significant effect. As discussed in Section 5.1, this divergence likely reflects differences in the performance benchmark each group applied, the timing of compliance relative to URA's data capture cycles, and the potential confounding effect of post-amnesty administrative burdens such as compulsory VAT registration. Rather than invalidating either perspective, this discrepancy points to the need for administrative records, not perception surveys alone, as the primary evidence base for evaluating future amnesty programmes.

Overall, Section 40D succeeded in catalyzing short-term compliance improvements among SMEs, particularly among more educated, mid-career, and financially larger enterprises. However, the amnesty's gains were partial, constrained by awareness gaps, and potentially transient, with post-amnesty economic conditions and administrative frictions limiting sustained behavioral change.

6.2 Recommendations

Based on these findings, five recommendations are advanced. First, URA and the Ministry of Finance should design comprehensive, pre-amnesty awareness campaigns using television, radio, SMS, and community leader networks, with targeting calibrated to reach low-literacy and low-revenue SME segments. Second, the complexity of tax registration requirements, particularly automatic VAT registration thresholds, should be reviewed to ensure compliance incentives are not immediately undermined by escalating administrative obligations. Third, political will should be operationalized beyond legislation: elected officials and community leaders should be formally integrated into awareness and sensitization activities, as their normative influence over SME behaviour may be a more potent compliance pathway than enforcement alone. Fourth, URA should invest in improved administrative data systems to enable longitudinal tracking of compliance trajectories post-amnesty. Fifth, the government should consider supplementary financial instruments, such as low-interest tax payment plans or grants for micro-enterprises, to address liquidity constraints that prevent conversion of filing compliance into payment compliance.

6.3 Limitations and Future Research

This study has several limitations. The cross-sectional design captures a snapshot of compliance perceptions within a defined window and cannot establish causal direction or long-term trajectories. The self-reported nature of compliance data introduces social desirability bias. The URA sample ($n = 28$) is small, limiting statistical power for the moderation analysis. While the study's expansion to three districts across the Kampala Metropolitan Area (Kampala, Wakiso, and Mukono) improves on single-district designs, it still represents a predominantly urban and peri-urban context; findings should be interpreted cautiously before being applied to rural or upcountry Uganda. Finally, the researchers could not access actual URA filing and payment records to validate self-reported compliance against objective data.

Future research should employ longitudinal designs to track compliance trajectories over multiple fiscal years before and after amnesty periods. Studies using administrative tax data linked to enterprise characteristics would provide more objective compliance measures. Comparative analyses across Uganda's regional tax offices and across East African Community countries implementing similar amnesties would elucidate contextual factors shaping amnesty effectiveness. Finally, experimental designs embedding randomized awareness interventions within amnesty campaigns could provide causal evidence on the awareness-compliance pathway identified in this study.

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