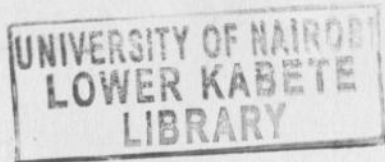


**EFFECT OF TAXPAYERS' EDUCATION ON VAT COMPLIANCE
AMONG SMALL AND MEDIUM SIZED ENTERPRISES IN
MAVOKO MUNICIPAL COUNCIL**

BY

OTIENO JOHN EMMANUEL

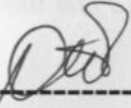


**A Research Project Submitted in Partial Fulfilment of the
Requirement for Master of Business Administration degree,
University of Nairobi.**

OCTOBER 2011

DECLARATION

This Project is my original work and has not been submitted for a degree in any other University.



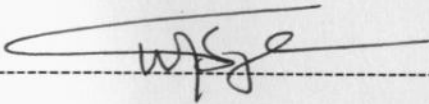
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This Project has been submitted for examination with my approval as University Supervisor.



8/11/2011

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DEPARTMENT OF ACCOUNTING

DEDICATION

I am deeply indebted to all those who contributed directly or indirectly to making this

This research work is dedicated to my wife – Salome Amondi, Children- Benjamin Awi, Meline Apondi and Christine Knight for their support, inspiration and encouragement.

My gratitude and appreciation go to my supervisor, Nicholas T. T. Simiyu, lecturer in the Department of Accounting, School of Business, University of Nairobi for his guidance, advice, support and constructive criticism he gave throughout the study, which enabled me to complete this project.

I am also indebted to the management and staff of Maviko Municipal Council for allowing me to carry out my research in the council. I would also like to thank the respondents to my questionnaire for providing the answers that made my research successful.

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LIST OF ABBREVIATIONS

CVU	:	Compliance Verification Unit
DMU	:	Defaulter Monitoring Unit
ETR	:	Electronic Tax Register
KRA	:	Kenya Revenue Authority
PIN	:	Personal Identification Number
SME	:	Small and Medium sized Enterprises
VAT	:	Value Added Tax

CHAPTER ONE: INTRODUCTION

1.1 BACKGROUND OF THE STUDY

1.1.1 Tax payers' Education.

Taxpayers' education has been defined as methods used by Revenue Authorities to increase the awareness of taxpayers on the legal and administrative requirements of the various tax laws to educate both existing and potential taxpayers; it also outlines the rights and obligation of taxpayers (Simiyu, 2004). Education helps in changing the taxpayers' attitude and providing the necessary skills required to understand and comply with the tax requirements.

Kenya Revenue Authority has a dedicated unit known as Taxpayer Service Division headed by a Deputy Commissioner to achieve the following, One, to conduct education programs for individual and businesses that will cover basic information with respect to all taxes. Two, to issue simplified publications containing information on all taxes administered by the authority. Three, to issue media releases and compliance publications explaining new procedures and requirements in a simplified manner. Four, to increase interaction with stake holders, business and professionals associations in order to obtain their opinion regarding the quality of services offered by the authority with a view of further improvement, (Taxpayer Charter). Five, to disseminate legal and technical tax information to the taxpayers understand the tax laws, so as to promote voluntary compliance to these laws.

Odeny and Wachira (2001) in the study of VAT taxpayer information and education services between July 1997 and December 1999 identified the following taxpayers' information and education services offered by Kenya Revenue authority.

i) Tax payer's inquiry services.

Taxpayer's inquiry services entails responding to written taxpayers' enquiries, answering telephone inquiries, conducting face to face interviews with tax payers who visits the KRA offices and handling taxpayers with specific problems and directing them to the responsible personnel for assistance. In order to achieve the above deliverables, the Revenue authority has developed a tax payers charter which outlines the rights and obligation of taxpayers, The charter further gives the timelines within which taxpayers' inquiries are to responded to by the Kenya Revenue Authority personnel. As par the Taxpayers' charter, the department has undertaken to respond immediately to general enquiries, and 30 days for technical inquiries but no more than 60 days from the date of receipt of the inquiry. The revenue authority has set up specific offices to answer general and technical inquiries on tax matters, Taxpayers who call on specific problems or cases are directed to the relevant section where officers are assigned to handle their cases. Where the inquiry is of technical nature the taxpayer is requested to put the inquiry in writing for effective response and follow-up.

ii) Taxpayers' advisory services

This involves communicating the department's rulings and policy changes over time, availing departmental policy documents to relevant professional and trade bodies, and holding educational seminars targeting specific sectors on new policies such as budget

changes. The department has put procedures of communicating rulings and policy changes to district tax offices and relevant bodies immediately such changes are made. The department's documents, bulletins are given to taxpayers free of charge. Periodic briefings, seminars and meetings are also organised for the traders segments affected by departmental rulings, tax policy and budget changes as soon as such changes take place.

iii) Taxpayers' information services

Taxpayers information services include, issuing press notices on departmental events such as due dates for VAT and income tax returns, advertising changes on tax policies, mailing policy and relevant information to specific taxpayers affected by such changes, issuing public notices on Legal aspects which require clarification or emphasis on various sections of the tax laws and issuing press notices to public on areas of suspected non-compliance or fraud. To achieve effective taxpayers information services, the department has put the following measures in place, press notices are issued to tax payers to remind them of the important events such as due dates for monthly returns, tax payer education seminars, communicating policy changes to the tax payers through press notices, and mailing bodies and individuals tax payers, immediately the changes are issued.

iv) Taxpayers' education services.

Taxpayer's education services includes, educating newly recruited taxpayers on various tax requirements to enable them send accurate and timely returns, holding seminars for the existing registered tax payers, identifying needs of specific business sectors and holding educational seminars tailored to address their needs, educating the general public on their rights and obligation under various tax legislations and their role in assisting the

revenue authorities to improve tax compliance, and creating general awareness within the government departments and the general public on the operations of revenue authority.

The Kenya Revenue Authority has recognized that the main reason for non compliance was due to lack of adequate knowledge on the various tax laws and deadlines. Initially taxpayers were registered and no follow up was done to educate them on the requirements of VAT and Income Acts. The education services provided by the KRA are sector specific and general education. Sector specific education is aimed at improving sector compliance. It therefore focuses on particular business sectors, identifying the problems the sectors is undergoing and obstacles that may hinder compliance by the sectors. Kenya Revenue Authority then arranges a consultative meeting with the aim of addressing the specific issues .The sectors and bodies included in this program are, Tea growers and Exporters, Clearing and forwarding Agents, Kenya association of manufacturers, Hotel and restaurants, transporters, Motor vehicles assemblers among others.

General Tax payers' education is aimed at improving the general compliance with the various Tax Acts; it involves holding public seminars for both business community and the general public. The seminars are organized with the collaboration with local tax offices, local administration and the local business community. For example the revenue authority recently held a tax aware clinic for the Eastleigh business community to address their specific concerns. KRA has been intending to make the tax education as part of the formal and civil education, the objective of this program is to, create early awareness of

the country taxes, tax system and tax laws through school and college curricula, and creating wide spread public awareness of the country tax laws through public meetings.

The objective of taxpayers information and education services are; to enhance voluntary tax compliance especially for self assessing taxes such as VAT, this would reduce the administration cost of tax, create a good understanding and cordial working relationship between Kenya Revenue Authority and other stakeholders, enhance the dissemination of tax information to the taxpayers and other stakeholders, identifying and addressing areas of weakness in various business sectors, Formulation and publishing of educational materials for distribution to taxpayers, and ensuring that taxpayers and general public understand their rights and obligations under the tax payer charter. *Source: Impact of VAT tax payer information and education services-July 1997 to December 1999, Odeny P.B (2001) unpublished work.*

1.1.2 Tax Compliance in Kenya

Tax compliance can be generally taken to mean obeying the tax laws of a particular country. According to Brown and Mazur (2003), tax compliance can be defined by considering three distinct types of compliance such as payment compliance, filing compliance, and reporting compliance. Organisation for Economic Cooperation and Development (2001) advocates for the dividing compliance into the following categories; administrative compliance and technical compliance; where administrative compliance refers to adhering to the administrative rules of lodging and paying of taxes. While technical refers to the adhering to the technical requirements of tax laws in calculating the tax due.

They are two theories which tries to explain why tax payers comply (obeys the existing tax laws in a country or do not comply), these are economic based theories-which emphasize incentives and psychological –based theories which emphasize tax payers' attitude (Trivedi & Shehata 2005).According to Trivedi and Shehata (2005), Economic theories suggest that taxpayers make calculations of the economic consequences of the different compliance alternatives to decide whether or not to evade tax. According to this theory the tax payers will consider the probability of detection and the consequences thereof and choose the alternative which maximise their expected benefit. Economic theories emphasize increased tax audits and stiffer penalties as a solution to compliance problems and suggest that tax payers' behaviour is further influenced by economic motives such as profit maximization and the probability of detection (Trivedi and Shehata).

Psychology based theories of tax compliance on the other hand assumes that psychological factors such as moral and ethical concerns are important to a tax payer, hence a tax payer may comply even when the risk of audit is low. These theories de-emphasize the use of audits and stiffer penalties to ensure tax compliance, and instead focus on changing individual attitude towards tax. This can be done through tax payers' education and other sensitisation programs. Trivedi and Shehata (2005) concludes that taxpayers' behaviour may follow either Economic, Psychological theories or a mixture of the two theories.

Value Added Tax compliance requires some level of literacy in order for a registered trader to adequately keep the required records and understand the complex legal structure.

The Value Added Tax Act contains a great deal of tax related laws, decrees, rulings and exemptions, these makes the Value Added Tax laws complex and incompressible to an ordinary tax payers and the need for proper and accurate records such as invoices can be challenging since most businesses in Kenya are informal and operate on cash basis and at times do not issue invoices. It is for these reasons that the Value Added Tax department has found it necessary to educate tax payers to enhance compliance with the Value Added Tax requirements.

Value Added Tax compliance in Kenya shows some improvement. However, not all the eligible taxpayers have registered and comply with the Value Added Tax laws. The Kenya Revenue Authorities have been missing the targeted VAT collection, several eligible persons to register for VAT still remain unregistered and the huge protest by traders opposed to the introduction Electronic Tax Register (ETR) which was meant to enhance VAT compliance shows that VAT compliance is still low in Kenya. To correct this, Kenya Revenue Authority has embarked on tax payers' education to increase general tax compliance in the country.

1.1.3 Small and Medium sized Enterprises (SME)

The study focuses on individual Small and Medium sized Enterprises located in Mavoko Municipal Council. According to the European Commission for an enterprises to qualify as an SME, the following conditions should be fulfilled, headcount, turnover ceiling and balance sheet ceiling. **Medium sized;** number of employees ≤ 250 , Turnover ≤ 250 million Euros, Balance sheet < 43 million Euros, **Small Sized;** number of employees ≤ 50 , Turnover ≤ 10 million Euros, Balance Sheet ≤ 10 million Euros, **Micro,** number of employees ≤ 10 , Turnover ≤ 2 million, Balance Sheet ≤ 2 million.

For the purpose of this study Small and Medium Sized Enterprises is defined in accordance with the World Bank Report (1994) based on the size of the establishment as measured by the number of employees (10 - 250). This will include professional firm, small traders and sole proprietors, self employed persons. This is supported by Kibera et al (1996) as being transparent, comparable and most commonly used by manufacturing and service sectors where output is linked to the number of employees.

1.2 Statement of the problem.

VAT department has intensified taxpayer education programs with the aim of improving compliance with the requirements of VAT Act. The education programs are specific and general sector education programs. The department has focused on specific sector education programs and large sums of money have been allocated to the program. As reported by Margaret (2004) there was marked improvement in VAT performance over the years 1999-2003. Average monthly returns increased by approximately 32% in 1999, average monthly taxpayer recruitment increased by 84%, Average tax collection for the same period increased by 29% from 1.54 billion to 1.98 billion.

In the 2009/10 financial year the revenue collection by the Domestic Tax Department increased from 298,799 billion in 2008/09 financial year to 338,152 billion, this represented a 13.2% increase. This was the highest growth registered by the revenue departments. In the same financial year the authority enhanced taxpayer recruitment and a total of 99,195 new taxpayers were recruited leading to a revenue collection of Kshs 914 million. The Revenue authority has also engaged key partners such as tax partners and

Cyber café operators in electronic filing of returns and in the 2009/10 financial year a total of 149,191 returns were filled online. These improvements have been attributed to tax payer education programs. (Odeny and Wachira 2001)

However, despite the above improvement in revenue collection, the non compliance rate is still high especially among the small and medium sized enterprises standing at 60 % (Okello2003). Non compliances takes various forms such as failing to register, understating the input tax, failing to issue VAT receipts, failing to keep proper book of accounts, not filing returns and not paying the tax due to the Commissioner of VAT. These practices raise the question on the effectiveness of the taxpayers' education and information services on VAT compliance. The researcher has not come across any empirical study that has attempted to study contribution of taxpayers' information and education programs towards VAT compliance among the small and medium sized enterprises in Nairobi.

The purpose of this study is to establish the impact of information and education services on Value Added Tax compliance among the registered taxpayers Kenya. This study attempts to answer the following questions:

- a) What is the level of Value Added Tax compliance among those eligible to register and file VAT returns in Kenya?
- b) To what extent has the taxpayers 'information and education services impacted on the VAT compliance rate in Kenya?

1.3 Objective of the Study.

Identify the tax payers who have undergone the Value Added Tax education and measure their level of compliance Value Added Tax requirements

1.4 Importance of the Study

Academicians-This study will extend the knowledge on tax compliance in Kenya and the conclusion will be important in understanding the factors affecting VAT compliance and how to overcome the compliance gap. It will also provide basis for further research.

Tax policy makers and Implementers- This study will in provide answers as to whether the tax payers' information and education services currently being undertaken by the Revenue authority has a positive effect on VAT compliance and identify other methods that can be applied to increase VAT compliance in Kenya.

Tax payers- This study will help the eligible VAT payers to understand and appreciate the need to register and file tax returns, and also give them an opportunity to share their concerns on the overall tax administration.

CHAPTER TWO: LITERATURE REVIEW

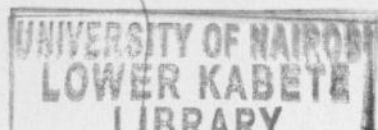
2.0 Introduction

This chapter examines the theories of taxation and empirical studies done to show the relationship between taxpayers' education and tax compliance in Kenya. Most of the empirical study on taxpayers' education and tax compliance were done outside Kenya and were found to be inconclusive due to the limitation of methodology used to respect taxpayer confidentiality. However some researchers have attempted to establish a useful relationship. It should be noted that, there a danger of generalizing the results of the studies done in the developed countries to less developed country like Kenya.

2.1 Value added Tax: The Kenyan perspective.

Value Added Tax was introduced in Kenya in 1990 to replace the sales tax. This changed was motivated by the arguments that Value Added Tax had a higher revenue potential, its collection and administration were more economical ,efficient and expedient compared to the sales tax. Value Added Tax has become an important source of revenue generating about two thirds of the domestics taxes good and services. Value Added Tax is indirect taxes on consumption hence impact less on investment and exports. Value Added Tax in Kenya has been used to deal with exceptional circumstances, and unexpected expenditure has been financed with increased Value Added Tax rates. The tax has also been used as of the industrial strategy, the tax was applied to revamp Kenyan industries, stimulate economic activities and to encourage local within specific sector by use of zero ratings.

At inception, the Value Added Tax rules were complex as they were fifteen different rates, a number of step have been taken to rationalise and strengthen Value Added Tax ,



these are as follows:- Moving several items subject to Value Added Tax from specific to advalorem rates and broadening Value Added Tax coverage in the service sectors. These changes were aimed at minimising tax evasion and encouraging tax compliance. Rationalisation was considered necessary in order to eliminate miscalculation, simplify the tax administration, improve compliance, control smuggling and minimise exemption requests. Value Added Tax compliance relies heavily on proper recording and the willingness of traders to avail their accounts for scrutiny by the tax authority records. With the complex tax laws, tax payers have to bear the additional cost in order to comply with the tax requirements; this therefore necessitates tax payers' education.

2.2. Factors affecting VAT Compliance

The Value Added Tax department has identified the following factors believed to affect Value Added Tax compliance and has outlined some specific steps and measure taken to ensure compliance.

Complexity of VAT administrative system in Kenya; To correct this VAT has been progressively moved from semi VAT system introduced in 1990 to full VAT system in 2001, VAT rates have been reduced from 17% in 1990 to(16%,14%, 0%) in June 2009, the number of zero rated and exempt goods and introduced specific list of services exempts from VAT has also been reduced.

High tax rates; The high VAT rates have been progressively been reduced into a standards rate of 16% in the 2009/2010 financial year.

Lack of professionalism in the tax administration; To address this short coming, staff training in both technical and administrative fields is being given priority, tax administration functions have been consolidated in one building and under one commissioner general (i.e. Times towers in Nairobi) which has enhanced interaction and sharing of tax information and training of new staff in all taxes being administered by Kenya Revenue Authority

Lack of a single register of tax payers; To address this issues KRA adopted PIN as the key identifier for all taxpayer in 1993, Large and Medium district tax offices were computerized and linked through Wide Area Network, Payment processing were decentralized to outside stations to speed up the processing to facilitate timely follow up of defaulters ,VAT was linked to Income system to facilitate information sharing, Modernizing the computer system by installing new software, servers and personal computers and tax payers allowed to pay directly through bank transfers to the central bank of Kenya

Complexity of VAT law; to resolve the issues of complexity of VAT laws, the VAT Act is reviewed every year to improve on clarity and implementation; frequent public notices are issued to the public to explain changes in the legislation and to address any uncertainties in the legal interpretation. These initiatives have helped in boosting public confidence in the KRA

Lack of proper and effective control and enforcements mechanism;VAT department has established Defaulter Monitoring Unit (DMU) to follow up on tax payers who do not

file returns, introduced account management system where KRA officers are allocated taxpayers accounts to monitor and reports on top taxpayers made compulsory for the districts and individual officers. Tax payers are also required to declare their suppliers when submitting returns and Compliance Verification Unit (CVU) formed to cross check declaration of input tax deducted.

Poor attitude of stakeholders; To address the poor attitudes of stakeholders on compliance of tax requirements, the Revenue authority has introduced the following measures, published a Taxpayer's Charter stating the rights and obligations of the taxpayer, established internal standard to ensure quality of service to staff and taxpayers, Compliant tax payers identified and recognized, periodic consultative meeting being held with segments of stake holders and government institution and participation in social activities such as agricultural exhibition, national hunger walks and charity.

Lack of taxpayer education and VAT awareness; Low level of taxpayer education has been a major hindrance to tax compliance in most African countries. Kenya revenue Authority has found it necessary to dedicate resources to create awareness among the taxpayers on their role, obligation and right under the existing laws; Sector and general tax payers' education program put in place; Tax payer clinic introduced to target specifics sectors, General taxpayer education program were established country wide, Newly registered taxpayers educated immediately, Frequent use of media to disseminate taxpayers' information and establishment of taxpayer information desks in all VAT offices. *Source: (The effect of education for Value Added Tax on tax evasion, Simuyu N.T.T (2004) unpublished work)*

2.3 Education for Value Added Tax compliance.

Non compliance would be reduced if tax rates were lower and tax system simpler. Non compliance takes many forms , from traders who fails to charges VAT , registered traders who sells his merchandise without issuing receipts, traders who fails to file returns, under declaring of output VAT and traders who fail to register even though there qualify to register with the commissioner of VAT. Economies theories have tried to explain reason for non compliance in terms of the expected benefit against the potentials costs –penalty analysis by the tax payer.

The Kenyan government is faced with the problem of non compliance with the VAT requirements and has embarked on several initiatives to enhance VAT compliance among taxpayers. These includes: Imposing huge fine and levies on the non complying taxpayers, offering amnesties to tax evaders. The reasoning behind this is that should the taxpayers voluntarily come out and pay all the taxes dues to the tax authority, the taxman may waive the penalty and not prosecute. However such amnesties have the risk of making the tax authority look soft and may encourage tax payer to think that non compliances has no penalty at all.

In the long run it may be cheaper for the government to reduce VAT non compliance by setting up a simple tax system. Vito and Tanzi suggest that a tax system with low marginal are levied on a broad base may lessen the incentive for non compliance while high tax rates may encourage taxpayers to under report sales.

To encourage compliance, the tax authority should concentrate on services which the tax authority can easily monitor and access. Value Added Taxes offer less scope for evasion as it gives the traders the incentives to collect tax on output by refunding taxes paid on the inputs. A Simple taxes system are desirables, layers of exemptions and qualification increases the time taxpayers must spend in filling in tax forms. Complicated tax system also may force traders to incur additional costs by employing the services of tax experts to comply with the law. This view by Vito Tanzi that a system with low marginal rate levied on broad base will lessen the incentive for tax evasion and non compliance has been disputed by scholars on the ground that people who are use to non compliance would continue to do son even if the rates were reduced. There is no guarantee that the lower rates will encourage them to compliance. The Kenya government has gradually lowered the rates but non compliance is a still high.

The general literature emphasise on the critical role of taxpayers education on tax compliance. The tax authority needs to develop clear forms and instruction to the taxpayer so that they can secure the information on their duty on tax compliances. The tax authorities must have avenues for which the citizens can contact them and provide some essential information such as rulings, regulations, and notifications to foster high level of compliance.

In Argentina, Asorey (1987) noted the important link between taxpayer education services and compliance, when stated , Taxpayers information, assistance and education as activities aimed at improving voluntary compliance with tax obligations are important to both developed and developing countries even though the reasons for non compliance

were not similar. These views were also echoed by tax experts from Trinidad and Tobago, Pounder (1989) who observed that, In many parts of the free world where the self assessments system of taxation has been introduced, taxpayer assistance, information and education is one of the fundamental concerns of the tax authorities in their effort to achieve the possible maximum level of voluntary compliances by taxpayers.

In India Le Baube R (1992) reports that tax administrators began publishing in all indigenous languages a pamphlet entitled “ *How to compute your taxable income*” in 1988 and by 1990 , two years after the first publication, computational mistakes had dropped from about 22% to 3.5%. These reductions should translate into savings in the administrative costs and increased tax revenue.

Kenya’s VAT law has been increasingly complex as every parliament has passed major tax legislation that has added to the complexity of VAT administration. The general objective of the legislation was tax simplicity but complexity for certain sets of taxpayers has increased for example, calculating penalties and interest on unpaid taxes, identifying taxable and non taxable supplies etc. These changes have a serious impact on the taxpayer education programs.

Scheck Deborah (1990) argued that there is little likelihood of significant simplification being achieved in the Internal Revenue of USA because there no constituency that is focused enough to overcome the hurdle of tax complexity. He suggests that the problem of complexity of VAT law can be tackled through tax payer education. This view has

been shared by the Kenya Revenue Authority in its efforts to intensify taxpayers' education programs country wide to make the laws understandable.

Wilkins D.C (1978) a tax partner with Peat Marwick Mitchell & Co. observed that an individual approach to tax avoidance and that of his advisers is subjective and may be affected by consideration of whether a moral (ethical) element exist. Javier Etcheberry (1992) in support of the ethical elements expresses the view that ethics should be included in the analysis of the effective tax administration. He notes that if people believe that tax evasion is unethical, tax compliance will be high even if not detected or low penalties. He suggests that tax authorities, religious organizations, political parties should be involved educating the citizens on the need to comply with tax laws.

The impact of taxpayer education and information programme in Kenya seems to have a positive result on Value Added Tax compliance statistics. However its effects have not been objectively isolated from the effects of many other accompanying compliances programs. Tax education and programs needs to put in place to develop a body of taxpayers who are able to voluntarily determine their own tax liability. This will enable Kenyan taxpayers to learn and understand their tax system and this will definitely increase the rate of compliance. Effective information and education programs will enable taxpayers to understand and accurately interpret tax rules and using such knowledge to in completing their tax returns, compute their own tax liability and become ethically obliged to pay taxes. The current education, information and assistances programs need to be developed to meet the above objectives. The VAT department has

suggested making Value Added Tax education part of the formal and civil education in school and colleges curricular. (Odeny 2001)

To narrow the gap between the tax reported by taxpayers and the potential tax as defined by law, an adequate audit plan must be put in place by the tax authorities. The plan must provide for broad coverage of the universe of tax payers and encompass diverse economic activities and tax payers of difference sizes (Carlos A. Silvani 1992). However, Dubin, Grawtz and Wilde (1990) argue that tax audits, effective administration and other enforcement measures only reduce non compliance among tax evaders. Information, education and tax payers' assistance improves compliance among tax payers who try to follow the law.

Tax audit helps to detect and expose non compliant behaviour, resulting into increased penalties, cash flows, bad publicity and even imprisonment of the directors involved. It also creates awareness and understanding of the legal rules, accurate interpretation of the rules, and calculation of taxes and completion of VAT returns. Tax audit should also create a sense of responsibility and commitment among tax payers on the need for all the eligible taxpayers to pay such taxes due to the tax authorities. Such awareness should result in timely submission returns and remittance of taxes.

2.4 EDUCATION AND VAT COMPLIANCE

Empirical Perspective

Empirical studies on education and VAT compliance behaviour is scanty and fragmented, some researchers have attempted to establish the effect of taxpayers' education on tax compliances in and outside Kenya.

A study in the USA by Cox and Risler (1990) reported the results of a 19 weeks survey conducted from February 22nd to June 1988. The study measured the participants' perception about how the education they received would affect their tax compliance. More than 9000 taxpayers were asked to participate and more than 6000 responses were tallied. The data strongly suggested that tax education and information does affect the confidence by improving the compliance with the tax laws. The request for assistance provides individuals with information that will help them meet their tax obligations.

The report concluded that "From the responses given by individuals surveyed about their contacts with Tax payers' services, it appears that taxpayers' education and information provides individuals with the types of assistance that they need in complying with the tax laws and these individuals plan to follow the advice given. As long as education programs and the staff providing the education gives good information that can be relied upon, it can be concluded that compliance and confidence in a tax system will improve. However deteriorating in the performances of those providing the education will negatively affect tax compliance. This study did not measure the variables of actual performance to avoid violation of the respondent confidentiality. This limits the usefulness of the findings.

Another study based on 1984 tax payers survey, Smith (1987) found support for the taxpayers perception of the quality of taxpayers education have an effect on the level of compliance. Although the Smith study provides an attempt to address the linkage

between taxpayers' education and compliance, the methodology used in the study is not reported in the literature.

Price Waterhouse Study (1989) was done to establish whether tax payer's education reduces line items errors in completing tax returns. The study was to set up a laboratory experiment with four separate groups completing hypothetical tax returns. Three groups were allowed to use different types of taxpayer education: Either telephone or Walk in Assistance or only telephone assistance and only Walk in Assistance. The fourth group was not allowed to use tax payers' assistance. The taxpayers were recruited through a newspaper advertisement and were subjected to screening through the phone to determine personal details such as age, income filing status and whether they file there own returns.

The Price Waterhouse study found out that most line item errors on tax returns were due to misunderstanding of tax form instructions. Taxpayers' education significantly reduced the line item errors by clarifying to the taxpayers what specifically should be reported. In review of the Price Waterhouse test, Wilt, Perng and Mannion(1990) concluded that the test demonstrated that tax payer assistances significantly improve accuracy of returns thus increasing the level of taxpayers compliance. This study does not answer the question of whether the revenue increased as a result of taxpayers' education and assistance. The laboratory experiment also ignored some variables that could influence the accuracy of returns in the real life situation.

In another study, Hendricks (1990) sought to establish the attitude of taxpayers towards education and assistance provided by the Inland Revenue Services (IRS). He reported that 75%of the respondents agreed that IRS assistances programs was "Very helpful" or

“some how helpful”. Hendricks observed that good people, training, and simpler fairer tax laws could improve the credibility of the system. Hendrick expresses believe that taxpayers’ education and compliance programs are important vehicles to raising the tax compliances.

Torgber and Benno (2003) also found out that trust in government, pride and religion have a positive influence on tax morale. This influence tends to persist even after controlling for age, income .education marital status and employment.

In another study in Korea, Park Chang –Gyun (2003) examined the determinants of tax compliance using Korean Experimental data and found out that, Tax payers have the same level of compliances irrespective of the income level, Both tax audit and penalty are deterrent to tax evasion , although the penalty rate is more effective, Tax payers have a strong tendency for a free ride, hence less compliance for financing government activities and lastly, tax education is one of the effective tools to induce taxpayers to comply more with the tax requirements.

2.5 Conclusion

The literature above indicates that taxpayer education and information services have a positive impact on tax compliance especially in the developed countries. The tax authorities also believe that education has a positive impact on VAT compliance. However the question which remains unanswered is, what is the impact of education and information services on VAT compliance in Kenya and should the VAT agents be required to undergo tax education to increase compliance?. In order to understand the

impact of education on VAT compliance, a sample of taxpayers who have received education and assistance ought to be interviewed.

CHAPTER THREE: RESEARCH METHODOLOGY

3.0 Introduction

The chapter outlines the research design and methodology followed in conducting this study. It describes the entire process that the researcher followed to obtain the sample from the population, data collection methods and data analysis.

3.1 Research Design

The researcher carried out a survey which involved gathering, processing and interpreting data collected from 50 Small and Medium enterprises operating in the Mavoko Municipal Council. Young (1960) and Kothari (1990) are in agreement that the design is valuable for detailed analysis and provides valuable insights to phenomena that are less understood. Kilika (2010) used the same design in his study of environmental accounting in Local Authorities in Kenya.

3.2 Population of the Study.

The population of study included small and medium sized enterprises numbering 480, operating in the Mavoko Municipal Council for the year 2010. The number was obtained from the licensing department of the Municipal Council. The study focused on small and medium sized enterprises operating in Mavoko Municipal Council and not corporate bodies who the researcher believes have adequate system and professionals who have a good understanding of the VAT requirements hence will not rely so much on the tax education offered by the revenue authority.

3.3 Sample size

The sample size was 50 randomly selected licensed Small and Medium Sized Enterprises operating in Mavoko Municipal Council.

3.4 Data Collection and Instrument

The study used both primary and secondary data; Primary data was collected through written questionnaire. The questionnaire consisted of closed-ended matrix questions which was delivered directly to the selected enterprises and collected after five days. Secondary data on VAT compliance and education was obtained from the quarterly Revenue Performance Report by Kenya revenue authority, Ministry of finance, journals and records from the selected Small and Medium Sized Enterprises records.

3.5 Data Reliability and Validity

According to Berg and Gall (1989) validity is the degree by which the sample of test items represents the content the test is designed to measure. Mugenda and Mugenda (2003) contend that the usual procedure in assessing the validity of a measure is to use professional or expert in a particular field. The researcher relied on expert opinion to measure the validity of the data.

According to Shangverzy (2003), reliability refers to the consistency of measurement and is frequently assessed using the test –retest reliability method. The reliability is increased by including many similar items on a measure, by testing a diverse sample of individuals and using uniform procedures. The researcher selected a pilot group of seven Small and Medium Sized Enterprises from the target population to test for the reliability of the

research instrument. The pilot data allowed for pre-testing of the research instrument and was not included in the actual study. The clarity of the research instrument to the respondents is necessary to enhance the instruments validity and reliability.

3.6 Data analysis

Primary data from the questionnaire was analyzed through descriptive statistics; this is the use of use frequency distribution tables, graph and pie charts where necessary to present the data. Mean and standard deviation will also be used. The secondary data was analyzed using the statistical package for social sciences (SPSS) version 17 and Excel. Tax compliance measures includes, registering for VAT, keeping proper books of accounts, filling accurate returns, paying the tax due on time, allowing of audit by tax collectors and payment of fines and penalties on over due tax and use of tax advisors such as accountants.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.1 Introduction.

This chapter is divided into three sections; section one covers business profile of the respondents, section two covers taxpayer education and information services and section three covers VAT compliance and non-compliance. This chapter documents the effect of education on VAT compliance among Small and Medium sized enterprises Mavoko municipal council. The data was collected from fifty (50) small and medium sized enterprises in Mavoko Municipal Council. From the sample of fifty (50) selected enterprises thirty six (36) responded representing a response rate of seventy two percent (72%). The questionnaires were personally administered by the researcher. Measures of Central Tendency (frequency, percentages, mean and standard deviation) have been used in describing the findings which have been presented in tables, charts and graphs.

4.2 Business profile of the respondent

This section presents the information on the business profile of the respondents. It contains information such as business name, location nature/type of business, Duration of business existence and the number of employees. The respondents were asked to indicate how long the business had existed and the results are presented in the table 4-1.

Table 4-1 Business profile

Duration of the business	Frequency	Percentage
1-5(years)	5	14
6-10 (years)	14	39
Over 10 (years)	17	47
Total	36	100

Source: Research data

The number of years the business has existed has an influence on the level of taxpayers' education and exposure to tax related issues. For businesses which have existed for along period of time are used to the routine practices of complying with VAT requirements and have undergone education programs and seminars offered by Kenya Revenue Authority. From the above table, 14% of the respondents indicated that their business had existed for between 1-5 years, 39% have existed between 6-10years and 47% have existed for over 10 years. This is an indication that most taxpayers have in Mavoko Municipal Council interacted with the revenue authority and have good knowledge of VAT requirements.

4.3 Tax payers' education and information services

The respondents were asked to indicate whether they have been educated or trained by the Kenya Revenue Authority on the various aspects of VAT requirements. The result are presented in table 4.2

Table 4-2 Taxpayers' education and information services

VAT education	Frequency	Percentage (%)
Yes	27	75
No	9	25
Total	36	100

Source: Research Data

As indicated in table 4-2, 75 % of the respondents have undergone education on the VAT requirements offered by the revenue authority, as 25 % have not undergone educations on VAT requirements. This is an indication that most taxpayer understand the VAT requirements are in a position to objectively evaluate the effect of such education in helping them to comply with VAT requirements such as keeping proper accounting records, issuing tax invoices and filling returns within the stipulated time, charging the correct input and output VAT

4.3.1 Extent of Agreement that taxpayer education helps businesses to comply with the VAT requirements

Kenya Revenue Authority has recognized that the main reason for non-compliance was due to lack of adequate knowledge by tax payers on various laws and deadlines. The tax authority has therefore, embarked on aggressive tax payer education services including educating newly recruited tax payers on various VAT required to enable them send accurate and timely returns, holding seminars for existing registered taxpayers, quick response to inquiries on VAT issues raised by tax payers, offering technical advise on VAT matters to taxpayers, availing departmental policy documents and publication to taxpayers, issuing public notices and advertisement on public media on any changes on

VAT policies, interviewing taxpayers who visit the authority offices. The researcher sought to find out the extent to which the above education measures have helped the selected businesses in complying with VAT requirements. This was measured in a way of a five point Likert scale.

The range used by the researcher was **Strongly Agreed to Strongly Disagree**. The scores of **Strongly Agree** and **Agree** have been taken to indicate that the taxpayer education and information services have helped taxpayers in complying with VAT requirements (equivalent to a mean score of $1 \leq S.A \leq 2.5$). The score of “uncertain” has been taken to represent cases where taxpayers are not sure whether the education has helped them comply with VAT requirements. The score of Disagree/Strongly Disagree represents cases where taxpayer education has not helped in complying with VAT requirements. A standard deviation of ≥ 1 implies a significant different in the extent to which taxpayer education helps in VAT compliance and vice versa.

The respondents were asked to indicate the extent to which some of the education and information services offered by Kenya Revenue Authority has helped them comply with the VAT requirements. This was on a Likert scale, where **Strongly Agree= (1), Agree= (2), Uncertain= (3), Disagree=(4), Strongly Disagree= (5)**. The result are presented in **table 4-3**

Table 4-3 Extent of agreement that the taxpayers' education and information services offered by KRA help businesses to comply with VAT requirements

Education and information services	Mean	Std. Dev.
Response to inquiries on VAT issues raised by tax payers.	2.38	0.331
Technical advice offered by VAT department to taxpayers.	2.11	0.387
Departmental policy documents and publications availed to tax payers.	2.36	0.141
Department's rulings and policy changes communicated to tax payers.	2.42	0.325
Interviews carried out by the revenue authority with tax payers who visit their offices.	2.67	0.293
Public notices on legal aspect of VAT issued by the department to tax payers.	2.38	0.145
Changes on VAT policies as advertised on public media by the Revenue Authority.	1.94	0.174
Policy document sent to tax payers who are affected by changes in VAT requirements.	2.22	0.362
Education and VAT training offered to newly registered tax payers.	1.88	0.182
Educational seminars offered to existing registered tax payers.	1.92	0.176
General public education on their rights and obligation under the VAT Act and their role in assisting the KRA improve tax compliance.	2.02	0.290
Training program and content equip the tax payers with the necessary skills to comply with VAT requirements.	1.78	0.018
Training methods and illustration used by trainers are understandable and easy to follow	1.61	0.068

Source: Research data

From table 4-3 it can be observed that all the education and information services scored mean of between 2.67 and 1.61 implying that taxpayers education and information services has helped taxpayers to comply with VAT requirements. There is no significant difference in the rating of the items as the standard deviation was < 1 for all the factors.

Training methods and illustration scored the highest (mean 1.61) followed by training program and contents (mean 1.78), Education and VAT training offered to newly registered taxpayers scored a mean of 1.88, Advertisement of changes in public media scored 1.94; response to inquiries on VAT issues raised by taxpayer scored a mean 2.38, technical advice office to taxpayer scored mean 2.11. General public education on rights and obligation scored a mean 2.02 and interview with taxpayers who visit KRA offices were rank lowest at a mean of 2.67 out of possible 5.

4.4 VAT Compliance and Non-Compliance status

VAT Act requires that business to register of VAT, keep proper books of accounts, deduct output tax on all Vatable supplies, issues tax invoices, files tax return on or before the due dates, remit any tax due to the commissioner of domestic taxes, pay any fines and penalties for overdue taxes or late filling of returns and cooperate with tax official if visited for audits among others.

The respondents were asked to give information relating to the above VAT compliance requirements to enable the researcher determine the level of compliance and how taxpayers' education influence VAT compliance in Kenya. The respondents were also

asked to indicate whether their businesses are VAT registered and the results were as follows.

Table 4-4 .Business with VAT registration certificate

VAT Registered	Frequency	Percentage (%)
Yes	29	81
No	7	19
Total	36	100

Source: Research data

From the table above 81% of the respondent indicated that they are VAT registered and 19% indicated that they are not VAT registered. This distribution may be due to the education on the need to register for VAT for the businesses which are eligible and dealing with Vatable supplies.

The respondents were also asked to indicate whether they have ETR machine and issue ETR invoices and the result presented in table 4-5 below

Table 4-5 Possession of ETR machine

Has ETR machine	Frequency	Percentage
Yes	23	64
No	13	36
	36	100

Source: Research data

The respondents were also asked to indicate whether they maintained up-to-date records and books of accounts such as cash books, invoices, journal, cash receipt books, ledger

books, Audited profit and loss accounts, trial balance and balance sheet. The result are presented in table 4.6 below

Table 4-6: Records and books of accounts

Records and book of Accounts	Frequency	Percentage
Cash receipt	27	75
Invoices	19	53
Cash book	25	69
Ledger account	7	19
Journals	8	21
Audited profit and loss accounts	12	34
Trial balance sheet	10	28

Source: Research Data

From the table 4-6 the respondents have partially complied with VAT requirement of keeping upto date records. Most of them keep cash receipt and cash book, invoices. But other records like ledger account, journals, trial balance and audited profit and loss account are not upto date hence non-compliance in keeping upto date accounting records.

The respondent were also asked to indicate whether they file VAT tax returns, when and who files them, the result are presented in the table 4-7

Table 4-7: Filing of VAT Returns

Filing of VAT returns	Frequency	Percentage
Yes	24	67
No	12	33
Total	36	100

Source: Research data

From table 4-7, 67% of the respondents indicated that they were filing VAT returns on or before the due dates (20th of every month), this is an indication of compliance with the VAT requirements.

The respondents were also asked to indicate who file there returns and from the research data, 73% of the respondents indicated that they file the returns themselves, 27% are filled by tax advisor. This is a sign that most respondents were conversant with filling of VAT returns.

Table 4-8: Who files VAT Returns

Who file VAT Returns	Frequency	Percentage
Self	26	73
Tax advisor	10	27
Total	36	100

Source: Research data

VAT Act also requires the Agents to remit VAT due to the Commissioner of Domestic Taxes and the respondents were asked to indicate whether there have remitted VAT due to the tax authority and the result indicated in table 4-9. From the table 79% of the respondent indicated that they remit VAT due, while 21% have not remitted the VAT due to the revenue authority.

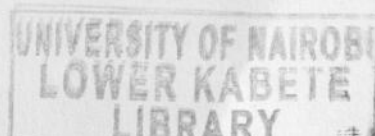


Table 4-9: Payment of VAT

Paying of VAT due	Frequency	Percentage
Yes	28	79
No	8	21
Total	36	100

Source: Research data

4.4.1 Repercussion of Non compliance of VAT requirements

Non compliance with the VAT requirements will result in paying of fines and penalties on tax overdue as levied by the Kenya revenue authority. The respondents were asked whether they have ever paid tax fines and penalties to the KRA and from the research data 24% indicated that they have paid fines and penalties while 76% indicated that they have never paid any tax fine or penalties. The results are presented in the table 4-10

Table 4-10: Payment of fines and penalties

Paying of fines and penalties	Frequency	Percentage
Yes	27	76
No	9	24
Total	36	100

Source Research data

The taxpayers are required by law to allow tax auditors to their premises upon proper identification. The respondents were asked whether they received visits from KRA in the year 2010, and 18% indicated that they received such visit while 82% indicated they were not visited.

Table 4-11: Tax Auditors

Visited by tax auditors	Frequency	Percentage
Yes	30	18
No	6	82
Total	36	100

Source: Research data

The respondent were also asked whether they were assessed by KRA in the year 2010 for non compliance with VAT requirements , and 11% indicate that they were assessed by KRA due to non compliance with VAT requirements ,while 89% were not assessed . This indicates high rate on compliance.

Table 4-12: Assessment of KRA

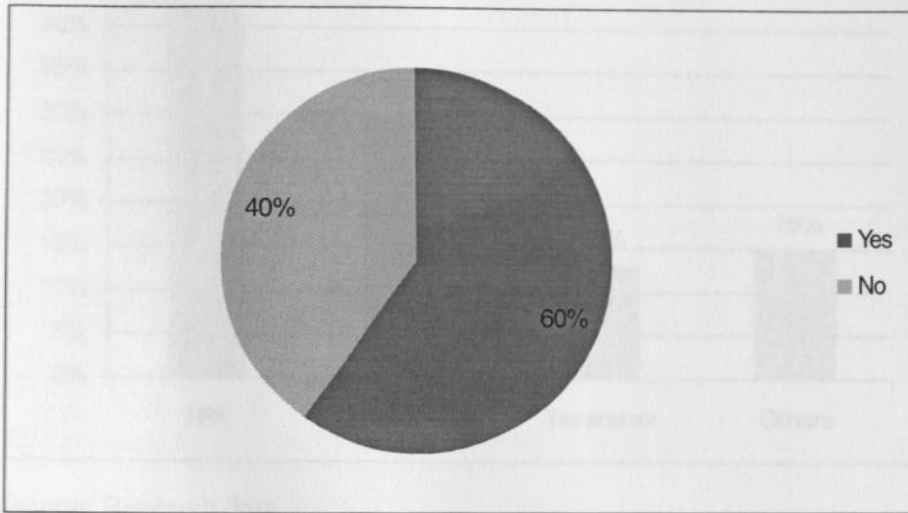
Assessed by KRA	Frequency	Percentage
Yes	4	11
No	32	89
Total	36	100

Source: Research data

The respondents were also asked to indicate whether they have a good understanding of the requirements on their business and if so, from what source and majority of the respondents indicated that they have some understanding of VAT requirements and that this knowledge was acquired from KRA.

Chart 1.1 Source of VAT knowledge

Pie Chart 1.1 VAT Act knowledge



Source: Research data

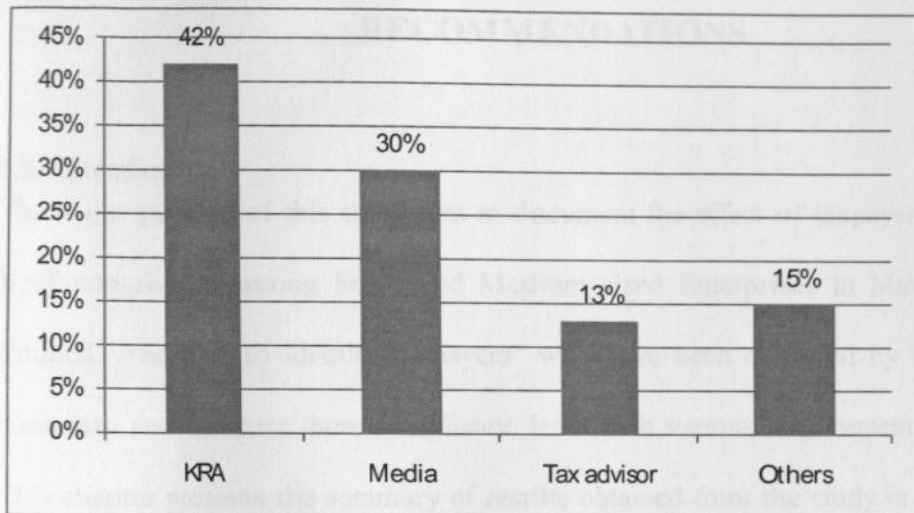
On how they acquired the knowledge, 42% through KRA, 30% media campaign, 13% Tax adviser and 15% through other sources.

Table 4-13

VAT knowledge	Frequency	Percentage
KRA	15	42
Media	11	30
Tax advisor	5	13
Others	5	15
Total	36	100

Source: Research data

Graph 1.1 Source of VAT knowledge



Source: Research data

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1: Introduction

The major purpose of this study was to document the effect of taxpayers' education on VAT compliance among Small and Medium sized Enterprises in Mavoko Municipal Council. And also to identify taxpayers' who have been educated by Kenya Revenue Authority and measure their compliance level with various requirements of VAT Acts. This chapter presents the summary of results obtained from the study in line with above objectives.

5.2: Summary

On the effect of education and information services, it was observed that all the education and information services scored mean of between 2.67 and 1.61 implying that taxpayers education and information services has helped taxpayers to comply with VAT requirements. There is no significant difference in the rating of the items as the standard deviation was < 1 for all the factors.

On tax compliance and tax non-compliance status, with respect to providing information relating to compliance requirements to enable and facilitate the determination of the effect of taxpayers education on VAT compliance; it was found that most taxpayers have complied with the possession of VAT certificates; On keeping up to date transaction "records and books of accounts, the respondents were asked whether they keep up to date transaction records and books of accounts i.e. cash receipts, invoices, journals, ledgers, cash books, trial balances, profit and loss accounts, and balance sheet, It was found that

the taxpayers in the council have partially complied in terms of keeping up to date records and books of accounts. This is because most of them keep Cash receipts, Cashbook, Balance sheet Invoices, and Profit and Loss accounts. Other records like the trial balance; Journals and Ledgers are not up to date.

On whether the SMEs taxpayers file VAT returns or not; when and who files them, it was found that most taxpayer file tax returns on or before 20th of every month, this is a sign that they actually comply with the dead lines given by KRA, which they file themselves instead of doing it using the Accountant/tax advisor.

Remitting of Value Added Taxes is also one of the requirements of VAT compliance in Kenya; the SMEs taxpayers also indicated that they pay taxes on or before 20th of every month, by themselves, with a very high compliance.

On the payment of fines and penalties for overdue Value added taxes, it was found that most SMEs taxpayers in the Council have never paid them, an indication that they actually comply. It was also found that most SMEs taxpayers have never received any audits by tax collectors since it was not deemed necessary, as they have never been suspected of any kind of some non-compliance. Most of them have did not received any visits from KRA in the year 2010. Thus most SMEs taxpayers were never been assessed by KRA in the year 2010 because of no-payment of tax or non-filling of VAT returns.

5.3: Conclusions

First, the SME taxpayers in Mavoko Municipal Council agreed that education has helped them comply with VAT requirement. Most of the factors scored between 1.0 and 2.5. On a Likert scale where 1.0 represent Strongly Agree and 2.0 representing Agree. Therefore, it can be concluded that taxpayer's education and information services have a positive effect on VAT compliance among registered taxpayers.

Secondly, paying taxes is also one of the requirements of tax compliance in Kenya; the taxpayers also pay VAT due to the commissioners on or before 20th June every month, by themselves, with a very high compliance level.

Thirdly, on the payment of fines and penalties for overdue taxes, most SMEs taxpayers in the Council have never paid them, an indication that they actually comply. They taxpayers have never received any audit by tax collectors since it was not deemed necessary, as they have never been suspected of any kind of some non-compliance. Most of them have never received any visits from KRA in the year 2010. Thus most SMEs taxpayers were never been assessed by KRA in the year 2010 because of no-payment of tax or non-filling of VAT returns.

5.4 Recommendations

Kenya Revenue Authority should hasten its plans to segment Domestic Taxpayers Department into Medium and Small taxpayers to enable the authority enhance service delivery and deal with the unique issues of this category of taxpayers.

5.5 Limitations of the Study

Most of the respondents were reluctant to answer some question contained in the questionnaire especially those on compliance and non compliance status which they felt would incriminate them. They also thought this was a KRA project, and not academic research.

The researcher also had difficulty in obtaining information from Kenya Revenue Authority staff due to the confidentiality attached to tax issues.

5.6 Suggestion for Further Research

The researcher recommends a similar study to be conducted. On the effect of taxpayers' education on tax compliance of other categories of taxes such Income Tax, Customs and Exercise duties.

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APPENDIX I: LETTER OF INTRODUCTION

Dear Respondent,

I am a post graduate student in the School of Business, University of Nairobi. Majoring in accounting, as part of MBA requirement, I am undertaking a research project that seeks to establish, *Effect of Taxpayers' Education on Value Added Tax Compliance among Small and Medium size Enterprises in Mavoko Municipal Council.*

In order to undertake the research, you have been selected to form part of the study. I therefore request your assistance in filling the attached questionnaire as truthful as possible. The information you give will be treated with strict confidence and used purely for academic purposes. A copy of the final report will be made available to you upon your request.

Your assistance and co-operation will be highly appreciated.

Yours sincerely

Otieno John Emmanuel

University of Nairobi

P. O. Box 30197

Nairobi

0722-447 373

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APPENDIX II: QUESTIONNAIRE

Serial No.....

PART 1: BUSINESS PROFILE

Please fill in the details

1. Business name.....
2. Location/street.....
3. Nature/type of business.....
4. How long has the business been in existence
1-5 year () 6-10 years () Over 10 years ()
5. Number of employees

PART 2: TAX PAYERS EDUCATION AND INFORMATION SERVICES

Please put a tick next to the right response.

1. Have been educated by Kenya Revenue Authority on various aspects of VAT requirements.
Yes () No ()
2. Please indicate the extent you agree or disagree that the following tax payers' information and education services offered by Kenya Revenue Authority has helped your business to comply with VAT requirements, such as registering for VAT, keeping the required records and books of accounts, charging the correct input and output VAT, computing the correct VAT due to the department, issuing of ERT invoices, and filling correct VAT returns on due dates.

Please tick (√) on the extent column numbers based on the following key numbers:

Strongly Agree = (1), Agree = (2), Uncertain = (3), Disagree = (4), Strongly Disagree = (5)

Extent column

	Information and education services	1	2	3	4	5
(i)	Response to inquiries on VAT issues raised by tax payers.					
(ii)	Technical advice offered by VAT department to taxpayers.					
(iii).	Departmental policy documents and publications availed to tax payers.					
(iv)	Department's rulings and policy changes communicated to tax payers.					
(v)	Interviews carried out by the revenue authority with tax payers who visit their offices.					
(vi).	Public notices on legal aspect of VAT issued by the department to tax payers.					
(vii)	Changes on VAT policies as advertised on public media by the Revenue Authority.					
(viii)	Policy document sent to tax payers who are affected by changes in VAT requirements.					
(ix)	Education and VAT training offered to newly registered tax payers.					
(x)	Educational seminars offered to existing registered tax payers.					
(xi)	General public education on their rights and obligation under the VAT Act and their role in assisting the KRA improve tax compliance.					
(xii)	Training program and content equip the tax payers with the necessary skills to comply with VAT requirements.					
(xiii)	Training methods and illustration used by trainers are understandable and easy to follow					

PART 3: VAT COMPLIANCE AND NON-COMPLIANCE

Please put a tick (✓) next to the right response.

1. Is your business VAT registered
 Yes () No ()

2. Do you have ETR machine,
 Yes () No ()

If yes do you issue ETR invoices to customers?

Yes () No ()

3. Do you maintain the following books of accounts and records?

	Records and book of Accounts	Yes	No
a.	Cash receipt		
b.	Invoices		
c.	Cash book		
d.	Ledger account		
e.	Journals		
f.	Audited profit and loss accounts		
g.	Trial balance sheet		

4. Do you file VAT returns before or on 20th of every month
 Yes () No ()

If yes who files your tax returns.

Myself () Tax advisor/Accountant ()

5. Do you remit VAT due to Revenue Authority on or before 20th of every month?

Yes () No ()

If yes who remits VAT tax due to Revenue Authority

Self () Tax advisor/Accountant ()

6. Have you ever paid VAT fines and penalties

Yes () No ()

7. Did you receive a visit from Kenya Revenue Authority in the year 2010

Yes () No ()

8. Was your business assessed by KRA in 2010 for failing to comply with VAT Acts requirements?

Yes () No ()

9. Do you have a good understanding of the requirements of VAT Acts on your business

Yes () No ()

If yes, how do you acquire the knowledge?

Kenya Revenue Authority () Media () Tax Advisor ()

Other sources (state)

Serial Location	Business	Business Location
1	...	Moi...
2	...	Moi...
3	...	Moi...
4	...	Moi...
5	...	Moi...
6	...	Moi...
7	...	Moi...
8	...	Moi...
9	...	Moi...
10	...	Moi...
11	...	Moi...
12	...	Moi...
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22	...	Moi...
23	...	Moi...
24	...	Moi...
25	...	Moi...
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Thank you very much for your time.

List of sampled SME issued with trading licences by Mavoko Municipal Council

	Business Name	Physical Location
1.	Hari Supermarkets	Mololongo
2.	Genesis Restaurants	Mololongo
3.	Quality general hardware	Mololongo
4.	Nafuu stores	Mololongo
5.	Sterlix tyre centre	Mololongo
6.	Joiba Hardware supplies	Mololongo
7.	Auto track system	Mololongo
8.	Bright star engineering works	Mololongo
9.	Bamboo hardware	Mololongo
10.	J.M Mutunda and advocates	Mololongo
11.	Season saloon	Mololongo
12.	Rehema chemist	Mololongo
13.	Shivers Beaty &shop	Mololongo
14.	Pramuka hardware	Mololongo
15.	Victory supermarket	Mololongo
16.	Cheers Guast house	Mololongo
17.	Sealine pharmacy	Mololongo
18.	Bella school of hairdressing	Mololongo
19.	A&B hardware	Mololongo
20.	Softlink Motors	Mololongo
21.	Naivas supermarket	Athi River
22.	Your choice super market	Athi River
23.	Cabo eletrcials Agencies	Athi River
24.	Lenan(Athi) Agrovvet	Athi River
25.	Tala Music centre	Athi River
26.	Modern Oil	Athi River

27.	Meter fashion & Outfitters	Athi River
28.	Smart Bookshop	Athi River
29.	MBC printers and converters	Athi River
30.	Facebook Eletronic	Athi River
31.	Fair price electronic-Mzee Paurana Road	Athi River
32.	Athi River Uniform distributors	Athi River
33.	Acacia supermarket	Athi River
34.	Athi feeds	Athi River
35.	Denis timber dealers	Kitengela
36.	Eupen Service Station	Kitengela
37.	Orata animal feeds	Kitengela
38.	Savers supermarket	Kitengela
39.	Hotal Nomad	Kitengela
40.	Trijan Lyod insurance Agency	Kitengela
41.	Kitengela Uniform Distributors	Kitengela
42.	Jodamatt Supermarket	Kitengela
43.	Vision auto glass	Kitengela
44.	Kabatia & Co. Advocates	Kitengela
45.	Kinyanjui & sons Advicates	Kitengela
46.	Wangari Muchemi Advocates	Kitengela
47.	Pena Dry Cleaners	Kitengela
48.	Black Eagle Commercial agencies	Kitengela
49.	Yukos Enterprises	Kitengela
50.	East Mat stores	Kitengela

Source: Mavoko Municipal Council