

**DETERMINANTS OF TAX COMPLIANCE AMONG SMALL AND MEDIUM SIZED
ENTERPRISES IN NAIROBI EAST TAX DISTRICT**

BY

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DECLARATION

This research project is my original work and has not been presented for examination purpose in any university.

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This project has been submitted for examination with the approval of the University of Nairobi Supervisor.

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DEDICATION

I dedicate this work to my parents who have without holding back; supported me all through during the period of our study at University of Nairobi, may God bless them.

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LIST OF ABBREVIATIONS

AJBUMA – African Journal of Business Management

GDP- Gross Domestic Product

KRA- Kenya Revenue Authority

LDC- Less Developed Countries

LTO-Large Tax Payers

SMEs- Small and Medium Enterprises

TRA- Theory of Reason Action

TPB- Theory of Planned Behaviour

ABSTRACT

In this study the researcher sought to explore the different factors that determine tax payers' compliance in Nairobi East Tax District. Using a linear regression probit model the researcher found some similarities and differences in factors that are correlated to tax compliance in the locality under study. An increase in the tax payers understanding of the tax laws and the tax system as well as an increase in government accountability with regards to provision of public good and services results into higher compliance levels, thus more of funds through revenue collection. The results of this research will help the government in making policies as they will gain insight on the extent of tax payers knowledge and the ways its affecting tax compliance. It will also help the revenue authorities on administration especially with designing tax payers' education programmes, simplicity of the taxation system and developing a better understanding of the tax compliance behaviour. It will also contribute to the current literature on the factors that define tax payers' compliance and discuss the strategies of increasing compliance.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Income taxes are the major sources of revenue for the government in any developing country. However, the revenue amounts the relevant authorities generate for government expenditures by far does depend numerous factors, especially on the readiness of tax payers to comply with the laws of a country. It can be generally termed is an act of being non-compliant if a tax payer fails to abide by stipulated provisions (Kirchler, 2007).

The compliance to tax needs that two forms of compliance that are distinct and reporting for organizations. These categories are divided into either administrative or technical compliance. The first category refers the compliance with all administrative roles of not only lodging but also of paying taxes. The administrative form of compliance is also known as reporting compliance. Technical compliance refers to the requirements of the tax laws on a technical perspective, such as in the calculations of taxes or understanding the provisions of tax laws in paying their share of the tax (Brown & Mazor, 2003).

From the theoretical point both the tax payers and the tax collectors, compliance to tax regulations implies conformity to laws that differ from one nation to another. The revenue authorities have the fundamental mandate of fostering compliance by the tax payers on a voluntary basis, consequently minimizing the tax gap. As measured by the GDP (gross domestic product) of many nations, tax compliance is quite a big challenge in different nations across the world especially in many developing countries, even though the GDP has been improving over the years.

Small businesses uniquely generate a substantial amount of revenue for the tax system besides salary earning tax payers who are only subjected to the income tax withheld from the majority of the tax payers in the net tax. Moreover, the small enterprises (SMEs) contribute significantly to the informal economy that runs outside the tax net. Many nations whose economies are on the development stages have witnessed the growth of SMEs as being the most rapid in the economy. Compliance to tax payment by these enterprises vary from one country to another, in some cases the proprietors voluntarily choosing to comply while in other cases compliance coming as a result of authorities enforcing the compliance.

Nevertheless, for reasons such as difficult process of making the procedures of compliance being difficult and also the expectation of obtaining a comparative advantage for non-compliers, many small businesses choose to join the informal economy sector.

The rate of risk of compliance in the SMEs among the population of tax payers varies markedly from the rate of compliance of LTO. The tax system has resources that enable it to deal effectively with non-compliers in large businesses category. The large enterprises find it important to access complexities in regard to advice on tax and also have the capabilities to come up with strategic plans geared toward reduction of tax liability for the enterprise. Such strategies could for example take the form of using price transfer methods.

In a greater percentage of developing nations, the issue of tax compliance has elicited critical levels of attention. However, it pretty debatable on the topic of what effort has been made by scholars and researchers toward studying the tax compliance by the tax payers. In most of the studies done, there is reliable evidence that the focus is not on compliance to tax payment by the tax payers, but rather on ways to increase budgets through huge revenue collections and law enforcement in regard to tax payment instead of tax payer behavior study which could tremendously improve revenue generated from tax collection and also to offer more practical methods for enforcing the regulations set aside in the system. In this regard, less developed countries (LDCs) may not bear the responsibility as to why this has been the case in regard to studies on the tax system, importantly because most of these nations operate on deficits on their budgets and as such do not have sufficient resources to support studies that may significantly enhance the efficiency of the tax system.

1.1.1 Tax compliance

Compliance to tax payment is the act by tax payers to pay any amounts of tax due, while non-compliance explains the difference between what a tax payer has paid and what he or she was supposed to pay. In many instances, the variation between paid and what was to be paid in tax arise from overstated or understated incomes, deductions, and also expenses by tax payers (Braithwaite, 2009).

Jones (2009) defines compliance to tax as the filing and reporting all the information required by tax authorities by a taxpayer, the act of correctly self-assessing on tax owed, and above all

a payment of these amounts on a timely manner. When a tax payer does not file tax returns, wrongly reports on the income, misreports the deductions or income tax amount, then non-compliance happens

Some of the challenges facing tax compliance in Kenya is the cumbersome and complex tax system and codes which are not understood by the tax payers. This is evident with not only the uneven taxes, but also in the unfair taxes; a thin tax platform with significantly high tax rates, tax rate dispersion with respect of trade done by an entity and low compliance efforts by individuals. Additional challenges are in regards to the administration of the tax policies include treatment of human and financial capital in similar circumstances differently leaving a skewed system which favours those with the ability to defeat the tax enforcement and administration system. There is unresponsive growth and discretionary policy implementation hence low productivity which in turn generates low revenues. The above has created serious economic distortions

1.1.2 Determinants of Tax Compliance

It is imperative to establish a broad information regarding the determinants compliance to tax so as to be able to develop measures for fighting tax evasion and avoidance. The societal morale to comply with tax may enhance an enforcement of self on compliance to tax. However, tax morale, attitude and behavior are not is to establish, especially in countries with a culture of not paying taxes (Braughtigam et.al., 2008)

The lack of responsibility and openness in the utilization funds from the public generates distrust among tax payers towards the system of taxation and the administration, hence affecting the willingness of taxpayers to pay their dues. Due to the high levels of corruption, citizens are not able to ascertain whether the taxes they pay are used in the financing of public goods and services provision, leading to a change in their willingness to pay hence the likelihood they may evade taxes. If the legal system does not uphold the rule of law it will lead to reduced transparency and foster distrust among citizens. Citizens will no longer be have the will to fund the government through tax compliance and consequently result to evading liabilities of tax (Kirchler, 2007).

There is a direct association of the size and type of penalties that non-compliers and the degree of compliance to tax (Fishlow & Friedman, 1994). Shortfalls in tax collection may be a result of weak capacity of the system to detect and prosecute tax violators. The use of

family members in SMEs through unpaid labour also reduces the probability of detection therefore influencing the decision of tax payer with regards to compliance.

1.1.3 SME in Nairobi East Tax District

Various approaches have been undertaken in understanding the concept of small and medium enterprises. However, this concept is different from one country to another because it is dependent on the various indicators used (Visser, 1997). The first indicator is based on the number of employees which range from 10 to 100. The second indicator that defines an SME is the level of legal formality that has been used to distinguish it from the informal sector. Third criteria is based on the limited amount of capital and skills and power.

Here in Kenya, the controlling and formal context has based the definition of Kenya's SMEs on the employees' numbers and the overall turnover of a corporation (MSME's Act 2012). SME's have been defined by the act as those employing between ten and fifty employees with yearly turnover of between 500,000 and 5 million Kenya shillings. Generally, this sector comprises of manufacturing and trade activities which affect the general economy of the country.

For the fundamental purpose of providing for compliance on a voluntary basis and growth of the economy, a tax policy that is ideal has to be adopted. Tax revenue is one of the major sources of revenue used to fund development projects and provision of public goods and services. Small and Medium Enterprises being part of the economy need to pay their taxes in consideration of their volatile nature. It is for this reason that most SMEs continue in the sector of the economy that does not have formalities and the compliance cost also happens to be too high for them, whereas those who comply do so because of coercion by the authorities.

1.2 Research problem

In any nation, tax collection contributes significantly to the Gross domestic product. It is for this reason that Kenya revenue authority invests its effort in ensuring that revenue collection activities are well administered. This is done through trainings, redefining the administration structure into small geographic areas, transforming the traditional methods of service provision to the use of electronic systems.

A number of studies have been accomplished in developing nations in regard to tax compliance, more so in Kenya. The list of these studies includes studies by Lumumba,

Wanjohi and Magutu (2010); Moye and Ronge (2006); Wanjala, Nyamunga, Okello, Pamba and Nyakang (2005), all of which studied the association between the education levels of the tax payer, tax auditing, evasion to tax, and also ethical concerns in regard to tax payment in Kenya. Of all these studies, there has not been one that focused on establishing the key factors behind tax compliance in Kenya. This is where this study comes in. It attempts to estimate the factors behind tax noncompliance and how these factors relatively contribution to the Nairobi East Tax District.

Upfront, the level of tax compliance education, transparency enhancement, assessment, and balancing between the roles played by an employee in the tax process are proposed as being viable factors that can promote voluntary compliance in the process of tax revenue collection (Khaflan, 2010). Jenses and Wohlbier (2012) propose that compliance on voluntary basis from the end of the tax payer is vital in enabling success in the process of revenue collection.

The difficulty or problem of insufficient knowledge relating to compliance to tax towards the tax system may be a critical ground that could have served an important role in shortfall of tax revenue each and each year despite the determined publicizing by KRA in not only print but also electronically through media.

The degree of the effect of changes on the various factors that determine compliance to tax is not well understood by most Kenyans. Therefore, addressing this knowledge gap is the principal objective of this particular study. In this regard, this study will attempt to find out the determinants of tax compliance and their impact on compliance to tax in Nairobi East Tax District.

1.3 Research objective

1.3.1 General Objective

The primary objective for this study is to comprehensively establish the various factors that influence compliance to tax payment among Small and Medium sized enterprises in the Nairobi East Tax district.

1.3.2 Specific objectives

- i. To determine whether the tax payers' perception on accountability of the government influences tax compliance rate
- ii. To determine SMEs level of understanding of tax system and how it influences the tax compliance rate
- iii. To determine how SMEs understanding of the tax laws and how it influences compliance

1.4 Value of the study

Tax compliance is an issue of great national interest in Kenya. Tax compliance yields high revenue to the government to finance its projects while the opposite results in budget deficits in the government. The study seeks to expand knowledge and literature on the factors that determine the tax compliance. If verified, the findings of this study will go a long way in finding lasting solution to non-compliance behaviour in Kenya.

Revenue authorities such as Kenya Revenue Authority will gain a better understanding of the issues or factors to watch out for on revenue collection especially on instituting better reforms regarding the SMEs for better revenue performance.

This study will also help tax practitioners and policy makers. Firms and individuals adopting the ever changing tax systems and laws will gain an insight on the factors and relationship in the context of tax compliance thus helping forge a good relationship between the government and tax payers in the case of SMEs.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The current chapter is for the purpose of finding the various theories of why small and medium tax payers will likely evade or not comply to the existing tax laws.

2.2 Theoretical Literature Review

2.2.1 Theory of Individual Choice

As per the research study by Allingham & Sandmo (1972), in regard to the Basic theory of Individual Choice, if a person receives a particular sum of revenue, there is an obligation for the purpose to choose what portion of the revenue to termed as going to the tax authorities as tax, and also how much to out rightly under report. This method provides the practical outcome that compliance majorly does depend on enforcement. Nevertheless, it is vitally important to realize that an individual pays taxes for no other reason but for fear of being punished upon detected as being non-compliant. From the foregoing, the implication per the guidelines of this theory is that rational persons would simply file no taxable income. In this context, a rational individual refers to a utility of maximizing evasion of tax, considering both the advantages of successfully deceiving the tax system and the dangers of being punished once detected of the cheating, and for this reason the individual will honor the tax compliance requirements for fear of being penalized. Needless to say, compliance amongst individual payment of tax has sustainably remained high over the years. Analytically, there is no support that enforcement by the relevant authorities could be responsible for making individuals comply. The ultimate idea with tax compliance is why less tax is paid than expected, not why tax payers evade paying taxes due.

2.2.2 Economic Deterrence Theory

This theory, also known as deterrence theory, holds that behavior of tax payers is impacted by factors such as tax rate that determines the threats that may come with evasion, and also the likelihood of being detected upon evasion and what penalties one may face as a result of Allingham and Sadmo (1972).

Persuasive measures and also punitive measures can be combined to achieve deterrence. Measures such as increased chances of detection for evaders, increasing tax rates for non-compliers, and an imposition of tighter penalties. Alternative methods could include properly educating the tax payers, increasing publicity and the associated incentives. In economic terms, a tax payer is taken to be a person of upright morality who finds any ways to evade tax payment with an aim of maximizing their utility.

The model suggest that tax spenders play an audit lottery, that is, they perform computations of economic significances of varied obedient alternative, like whether to evade tax or not; the prospect of being detected and penalties that may accrue, and they select the alternate that make the most of their after tax earnings or proceeds. The concept suggest that tax payers are moral utility maximizers, hence the stress on augmented inspections and punishments as a resolution to compliance challenges. Monetary founded studies be certain of that tax payers' behaviour is subjective to monetary motives like enlargement of profits and likelihood of being detected (Trivedi & Shehata, 2005).

2.2.3 Social Influences Behavior Theory

Tax acquiescence factors from a communal standpoint related to taxpayers' inclination to conform with tax regulations in retort to many other popular behavior and the situation of their community (the direction, associates and family level members) (Torgler, 2007). Kirchler (2008) recommended, on the other hand, that societal features need be observed in a wider sense than the standpoint held by Torgler (2007); this comprises the taxpayer's mindset. The influences deliberated herein are thus integrities and insolences inclined to tax agreement, acuties of fairness and equity, and also modifications on the present administration policies and the referent groups.

The theory of planned behavior advices that the primary influence in defining if an individual will engross in particular behavior is the purpose to execute the behavior itself; the larger the purpose to accomplish the behavior, then the more probable an individual is actually engaged in the behavior. The theory of planned behaviour also articulates that there are three main influences that are connected with the person purpose to perform. These factors are; a person's attitude in the direction of the behaviour in question, societal factors and apparent behavioral control. Social standards are how humanity impacts a person's behaviour.

Perceived behavioral control deals with the quantity of control an individual trusts he has on a particular action.

2.2.4 Fiscal Exchange Theory

The existence of government spending inspires individuals to observe the prevailing tax regulations. This is only conceivable if the government provides its people with public properties and services in a more well-organized and reachable manner, Cowel & Gordon (1988). Consequently, taxpayers are thus largely and by far concerned with what they directly get in from the government in return for their tax obligations in the nature of communal goods and amenities. It is in this respect, that taxation and delivery of public goods and services that generates a contractual association between the tax payers and the government.

Lewis (1982) proposes that taxpayer attitudes ought to have proper inspection for the extent to which they emanate from of mythology and misunderstanding. He contended that when mythologies and improper perceptions are substituted with factual information, a transformation in the taxpayer attitudes in the direction of taxation and compliance will ensue even if the fundamental ideology of the taxpayer and the associated values continue unaffected as well as the tax laws. He also outlined that misunderstanding undoubtedly plays a major role in determining impartiality and assessments. In close relations, Roberts, Hite and Bradley (1994) as well advocate that attitude on a person's own tax avoidance (ethics of tax), and attitude regarding to other persons' evasive behaviors are significant. If the administration is intelligently utilizing the state income, for instance for primary amenities like health, electricity, health and security and public transport, it is prospective the intensity of compliance on voluntary basis will increase. In disparity, if taxpayers recognize that the administration spends much on services regarded as superfluous or unprofitable to the taxpayer, there will be the tendency to hold the impression of being deceived and attempt to fail to comply. Summarily, the administration should discreetly use taxpayers' money since the manner the administration uses the money brings varied degrees of compliance. Taxpayer's insights are hypothetically imperative in defining their compliance behavior.

2.3 Determinants of Tax Compliance

2.3.1. Demographic Factors

Jackson and Milliron, (1986) identified three main individual features for an existence in association between tax compliance and age, gender and education. According to Fischer's

(1992) model of tax compliance he suggests that demographic variables indirectly impact the taxpayer compliance by their effects on non-compliance chances.

There is a constructive link between age of a tax payer and compliance as testified by Jackson and Milliron, (1986). An investigation conducted by Andreoni et al (1998) from the tax payer compliance measurement program showed that noncompliance was expressively less common and of lower magnitude among families in which either the head was over the age of 65. In general, young tax payers are willing to take more risks and consequently less subtle to sanctions.

Traditionally, women have been recognized as being more conforming to rules, moral limitations, and more conventional life arrangements Jackson and Milliron, (1986). An experimental research conducted by Baldry 1987 also established that females mostly incline to be more tax compliant than their male counterparts. Nevertheless, a study by Houston & Tran (2001) designated that an advanced part of tax evasion was done more by women than men

Education recounts more to the tax payers' aptitude to understand and observe the existing tax laws, Jackson and Milliron, (1986). In a study conducted by Chan et al (2000) exposed that taxpayers with high levels of education proved that there is a high connection between high direct linkage to an improved prospect of tax compliance. By use of a randomized response procedure for a mail questionnaire survey in Australia, Houston & Tran (2001) established out that taxpayers who do not have tertiary education incline to having lower percentages of tax compliance in comparison to their counterparts having tertiary education.

2.3.2 Social Factors

In a taxation system that is principally on compliance at will, the typical ethics of the taxpayer is increasingly valuable. The degree of moral behaviour is profoundly dependent on how persons recognize the behavior under consideration (Ajzen, 1988). Various research studies on tax psychology forecasting on the behavior of people's by an application of the Theory of Reasoned Action (TRA) and Theory of Planned Behaviour (TPB) was first presented by Fishbein and Ajzen(1975) and Ajzen (1991). They are theories that endeavor help in the prediction of people's behavior constructed on the basis of their purposes. It is presumed that moral ethics inspire persons to respond in accordance to them, and that a taxpayer who views tax compliance negatively will most likely be less compliant (Kirchler, 2008). Trivedi and Shehata (2004) established a noteworthy though a weak connection

between evading taxes and ethics. Attitudes and moral principles affected tax compliance behavior from the perspective of their psychological modelling of compliance to taxation. Roth (1989) recognized two fundamental influencing elements in taxpayer taxation compliance, namely self-interest on financial bases and moral obligation. Persons conform to laws of tax since on a personal point of view, it is in ones' financial interests to curtail their bills of tax, but also for purposes of their conceived moral responsibility to obey tax laws. Roth (1989) confirms that there was a reliably positive association between ethical obligation and compliant behavior. Roth (1989) findings seems to speculate that ethics positively impacts behavior of compliance, to some extent than financial self-interest does.

In regard to justice, a person is mindful about their actions fairness, and needs to be handled relative to his virtues, needs and efforts (Kirchler, 2008). If he thinks that own tax mandate is a liability greater than to other individuals inside an income cluster as his, this compliance to possibly declines more extensively at levels associated with group; taxpayers desire an impartial handling of their group category in relation to other income groups. From the societal perspective, compliance to tax minimally likely to be effective if the insight members of society perceive the system as biased; evasion of tax on a wide scale is probable to happen (Allingham and Sandmo, 1972). On the contrary, if the society views the tax system as being impartial and fair, levels of compliance on voluntary basis are anticipated to proliferate.

2.3.3 Economic Factors

Economic models of nationwide compliance resolutions offer either varied forecasts of the result of the marginal compliance rates; or forecast that augmented rates of taxation would raise compliance (Allingham and Sadmo, 1972). Contrary to this observation, most experimental studies conclude that high taxation rates diminish compliant behavior or offer varied results. Slemrod (1988) concluded that marginal tax rate significantly impacts on underreporting while Kirchler (2008) found that tax rate has negligible impact on tax evasion and underreporting. Estimating the justice of taxation nevertheless entails all-inclusive acquaintance with the right information and a correct interpretation of national tax laws, as well as and compound rates of tax configurations like taxation on progressive basis, that are not flawlessly known to the tax payers. The payers of tax likings for a liberal, uniform and reverting taxation relies on the nature of the particular rates of taxation are accessible, for example, if these taxation rates are termed as nonconcrete content or in tangible terms by providing concrete samples of hypothetical nature.

Government spending can encourage compliance. This way, governments could enhance compliance through provision of goods that the people favor in a more effectual and manageable procedure (Cowell and Gordon, 1988). According to Alm et al. (1992), the level of compliance grows with insights of the accessibility of public commodities. Consequently, the foremost concern of taxpayers is what form of goods and services come from the administration in response for taxes paid. From this viewpoint, taxation by the government and the delivery of public services and goods are understood to be an association that is contractual in nature (Moore, 2004). Persons may honor tax payments since they deem the goods affixed by the government as valuable, identifying that their tax paying is necessary in order to assist the financing of the service and goods delivery and also to motivate others taxpayers to consider contributing (Fjeldstad and Semboja, 2001). Because of the presence of constructive benefits that might enhance the likelihood that persons will conform to payment of tax voluntarily, deprive of undeviating coercion. Even though majority of taxpayers are unable to evaluate the precise worth of government's services and goods received in response to paid taxes, it is sufficient to content that these tax payers have overall impression and attitude regarding own terms, as well as terms of others in relation to the way they trade with the administration (Richupan, 1987). For this reason, it is sufficiently reasonable to make the assumption that taxpayers' behavior to comply is significantly affected by the levels with which they are satisfied or not satisfied with the trade terms between them and the administration. As such, if the tax system is viewed as biased or unfair, evasion to tax might, partly in the least, be termed as a mechanism by the taxpayers to regulate their terms of trade with the administration.

2.4 Empirical Review

There are numerous empirical research studies on compliance rates to tax with evidence being drawn from many parts of the world mostly developing economies. Mostly have focused on relating how various factors that have an influence on tax compliance affect the tax compliance rate. The following show the methodology, sample and findings of various studies which have been conducted in relation to tax compliance.

In the study of Hasseldine & Hite (2003), they investigated whether attitudes in the direction of the tax system at the national level and the rebates on tax differ by attachment to a given political party in the U.S. By means of data randomized telephone survey to collect data, the researchers established that affiliation to a political party influenced taxpayers' behavior. Accordingly, a study meant to understand attitudes held by taxpayers in regard to tax

payments and compliance could be beneficial in investigating if the attitudes have a connection with personal primary political attachment. Hasseldine and Hite's research study evaluated two impending impacts on attitudes of the taxpayer, namely affiliation to parties of politics and attribute framing. Because the attitudes relating to tax might be predisposed by personal inclinations to a political party, attitudes of taxpayer regarding the prevailing system of tax are examined for variations by affiliation to a political party. Hasseldine and Hite (2003) resolved that first, political party attachment does have a noteworthy effect on the behaviour of taxpayers; moreover, the more narrowly recognized the provisions of tax are to a particular political party, the great positively it will be acknowledged by affiliates of that party in relation to taxpayers affiliated to other political parties; further, the strategy amendments inclined to be regarded positively by taxpayers; producing a rise in taxpayers confidence and in unforced compliance, and those who perceived it positively also tended to recognize the existing system as being fairer. In conclusion it was obvious that government resolutions and changes to strategies in accord with the economic and political state have a noteworthy influence on compliance. For instance, an affirmative move by the administration like tax rebate incensement is probable to enhance taxpayers' compliance.

Wandugu (2014) in his study on the effects of electronic taxation on the financial performance of audit firms in Kenya. He was able to identify that tax evasion was still a great concern in Kenya. There was great concern on the competitiveness of tax in Kenya being low even after the review of tax revenue performance as well as the tax design and administration changed which happened in the period of 1996-20005. Within Kenya firms were reporting about 68.2% of their profits were taken away in terms of taxes hence the low tax competitiveness leaving Kenya as one of the most tax unfriendly countries in the world. Tax evasion was still high with a tax gap of about 35% and 33.1% in 2000/1 and 2001/2 correspondingly. The tax code is still multifaceted and burdensome; categorized by uneven and partial taxes; a thin tax base with very high tax rates and rates distributions with respect to trade, and little compliance. Further difficulties comprised tax structures with rates and systems that are problematic administering, as well as and complying with; which is insensitive to growth and discretionary policy for this reason low levels of productivity; generate small amounts of revenue but present serious fiscal alterations; treat labour and capital in alike conditions variedly; and are discerning and askew in approval of those with the capability to conquest the tax government and implementation system.

P. Magutu & Lumumba et al (2010) in their tax payers' attitudes and compliance behavior toward tax in Kenya study sought to identify tax payers' attitudes towards the systems of

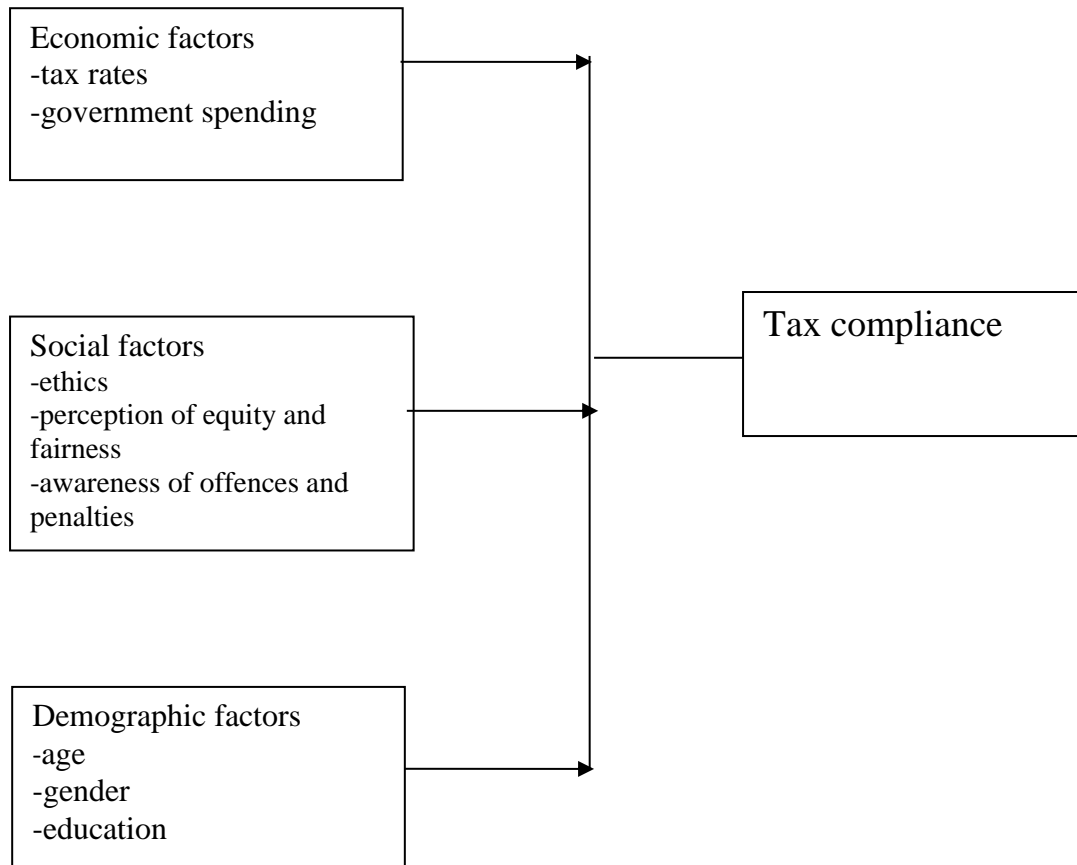
taxation and the factors that impact tax payers' attitudes and sought to establish the association between tax payers' attitude and tax compliance behavior. Their research involved a survey of two hundred and sixty taxpayers from the small and medium sized enterprises in Kerugoya town. Descriptive statistics was used for data collection and presented in the form of proportions, graphs and tables. The researchers concluded that majority taxpayers viewed the Kenyan tax system as unfair. However, most tax payers had complied with possession of PINS and had filed their tax on time before 30th June, a sign that they had complied with the deadline provided by the Kenya Revenue Authority, though they did not use the help of accountants or tax consultants. Some factors behind tax noncompliance were established to be; the incapability to comprehend the laws of tax, thoughts that the amounts taxed are not the fair share to be paid, peer attitude. It was discovered that there was a strong connection between tax payers' attitudes and tax compliance in Kenya with a correlation of 0.846.

Helhel & Ahmed, (2014) conducted a study on elements impacting attitudes on and compliance to tax: A survey study of Yemen. Their aim was to bring about the influence of attitudes and considerations of individual tax payers on tax compliance in Yemen while taking into consideration the internal and external factors. The study was conducted in Sana'a the capital city of Yemen to evaluate and rank the factors that reduce tax payers' compliance rate. A questionnaire was designed use of a five point Likert scale and distributed to tax payers so as to learn their opinions. The results indicated that high tax rates and partial tax systems were the two major factors related to low tax compliance rate. Furthermore, there was insufficient tax audits, little deterrent effects of tax penalties and tax amnesties. It was also revealed that the tax collected did not give as much return with the delivery of public services and goods. Comparison on the response made based on gender, females were found to be more compliant compared to their male counterparts.

Fig 1: Conceptual Framework Diagram

Dependent variables

Independent variables



Source: Researcher (2016)

2.5 Summary of Literature Review

In summary, tax compliance can be classified into different models which blend together in aspects of economic deterrence models and psychological models. The purpose of this method is that persons are not only utility maximizers rather they are recognizing to contain a collection of beliefs and attitudes that interrelate and reply to social standards. On the other side, psychological models inspect the beliefs and attitudes and beliefs of tax payers so as to comprehend and forecast social behavior.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter dealt with how the research was conducted in order to achieve the stated objectives. It outlines the research design, population, sampling procedures used, the methodology of data collection and instruments, how data was analyzed and the expected output of the study, data validity and reliability.

3.2 Research design

It was a descriptive quantitative study based on obtaining relevant information with the aid of questionnaires. Questionnaires were free from the bias of the interviewer; respondents who are not easily approachable can be reached conveniently and as it will be appropriate for this study considering our target population of the study.

3.3 Population of the study

The population of the study included small and medium enterprise tax payers numbering to approximately 100,000 was obtained from the offices of Nairobi City County Licensing department for the year 2015. This population was aimed to give detailed information that would have been relevant for analysis and interpretation of the data.

3.4 Sampling techniques

The sample size was obtained using a random sampling method. The sample size was determined using Yamen (1967) formula. This formula assumes a normal distribution on the assumption that the SMEs will be normally distributed in relation to the parameters under study. The formula is therefore deemed suitable for determining the appropriate sample size

The sample size was determined by the simplified Yamane formula below;

$$n = \frac{N}{1 + Ne^2}$$

Where:

n =sample size, N =population size, e =the error of sampling or precision/error limit at 95% level of confidence, $p=0.5$ and 5% level of precision is required.

Source: Yamane (1967)

Using the Yamane formula and a precision level of 5%, desired sample size determined to be as follows;

$n = 100,000 / 1 + (100,000 * 0.05 * 0.05)$; $100,000 / 248$; $403.23 \sim 403$ SMEs. This sample size was considered adequate since it was greater than the 1% sample size of the target population (Gravetter & Forzano, 2012).

3.5 Data collection Instruments

The main data collection instruments in this study will be questionnaires. The questionnaire will consist of structured questions which will be delivered directly to individuals and will be collected within two weeks. Likert scale comprising of five responses will be used with matrix questions. To ensure confidentiality of the individuals, the questionnaire will bear a letter explaining the purpose of the research. Reminders will be sent and follow ups will be made.

3.6 Data Validity and Reliability

The research ensured that the data collected was valid and reliable through assigning respondents to certain categories. This was to eliminate biases since the groups are mutually exclusive and collectively exhaustive groups.

3.7 Data analysis techniques and Presentation

According to Mugenda & Mugenda (2003). Data must be cleaned, coded and properly analyzed to obtain meaningful information. Data collected in this study will be analyzed using the statistical software package SPSS Version 20 from the answers obtained from the questionnaire so as to ensure accurate presentation and interpretation. Representation of data will be in the form of tables, pie charts and graphs

3.7.1 Analytical Model

The following regression analysis will be used to determine the factors affecting tax compliance rate among small and medium sized enterprises in Nairobi east tax district. The study analytical model is depicted by the linear equation given below-

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \pi$$

Where:

Y -Tax compliance

β_0 - β_4 -regression coefficient of independent variables

X1 -perception on government accountability

X2 -SMEs understanding of the tax systems

X3 -SMEs understanding of the tax laws

π -error term, it takes into account all the possible factors that would possibly influence the dependent variable though not captured in the model

3.7.2. Test of Significance

Analysis of variance (ANOVA) will be used to test the significance of the model, the significance of the regression model will be determined at 95% confidence interval and 5% level of significance. Adjusted R squared will be used to determine the variations in the independent variable due to changes in the independent variable.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the analysis of the collected data on the factors that determine tax compliance among medium and the small enterprises in Nairobi East Tax District and its interpretation. It gives the response rate in relation to age, gender, and experience, level of education through regression analysis and the summary of the statistics.

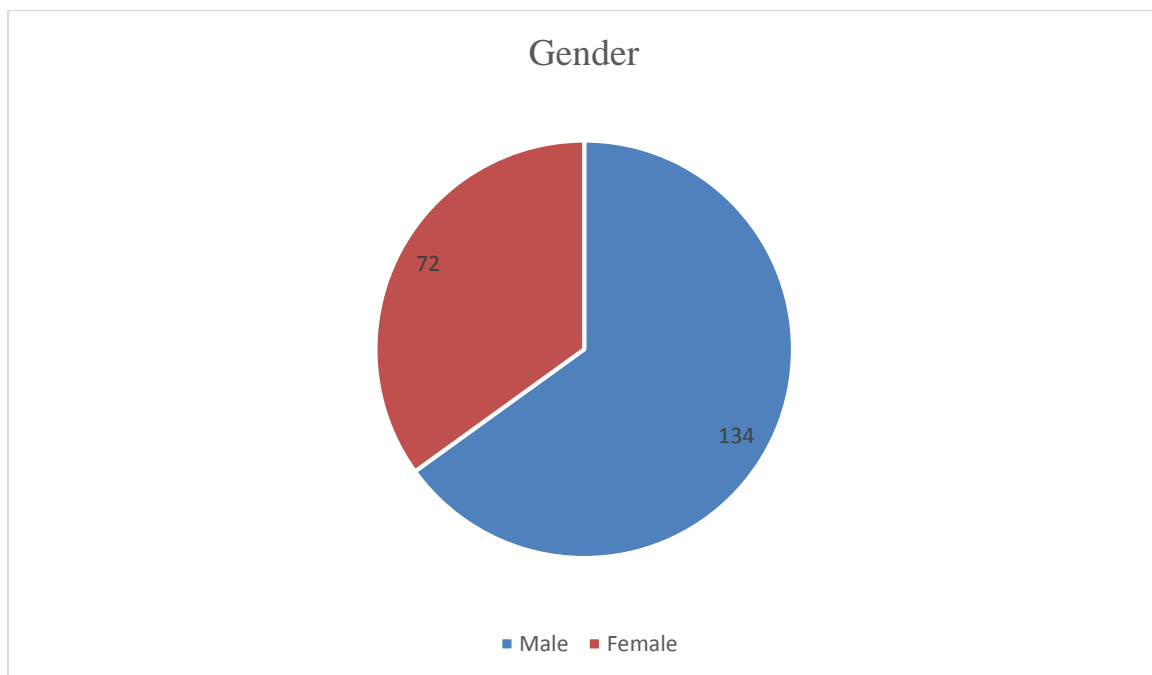
4.2 Response Rate

Out of the 403 questionnaires that were distributed among SMEs in Nairobi East Tax district, there was a positive response on 206 which were received for analysis. This was considered a success since it represented 51% of the sample size that was selected for the study.

4.2.1 Gender

The researcher targeted to establish out the respondent's gender of which 65% of the respondents were male and 35% were female. A sign that more males were engaged in small businesses as compared to their female counter parts. This is illustrated in the form of a pie chart as shown below

Figure 4.1 Gender of the respondents



Source: Research findings

4.2.2 Business Ownership

As shown in the Table 4.2.1 most of the small and medium enterprises are owned and managed by the owners themselves as shown below with 75% being owners of the business while 25% are employees at the SMEs

Table 4.2.1 Business Ownership

	Frequency	Percent	Valid Percent	Cumulative Percent
Owner	154	74.8	74.8	74.8
Employed	52	25.2	25.2	100.0
Total	206	100.0	100.0	

4.2.3 Duration of Existence

The researcher sought to find out the period for which the SMEs who responded had been in operation. At the time of the study, the findings indicated that most of the SMEs had been in operation for a period of 5-10years which represented 40% of the sample population. Following closely was the bracket of 3-5 years representing 23%. 22% of the SMEs at the time had only been in existence for a period not exceeding 3 years while the rest of the SMEs at 15% had been in operation for a period exceeding 15 years.

Table 4.2.2 Duration of Existence

	Frequency	Percent	Valid Percent	Cumulative Percent
Less than 3	45	22	22	22
3-5	47	23	23	45
5-10	82	40	40	85
Over 10	31	15	15	100.0
Total	206	100.0	100.0	

4.3 Tax Compliance

The respondents were asked on their likely hood of reporting some sources of income. They included restaurant tips, artist, computer technician and home handy man. The responses were placed on a Likert scale ranging from 1 to 5; with 1 being “Most unlikely”, 3 being the midpoint while 5 was the Most likely option. The responses to these questions was highly correlated to each other with majority of the respondents opting not to report such incomes in the four scenarios.

With regard to registration with the revenue authority 71% of the respondents indicated they were registered as opposed to 29% who had not. Majority of them had only registered since it was a requirement for them by the government to do so, the rest lacked the knowledge and understanding of the requirement imposed upon them by the government.

The researcher found out that 60% of the respondents kept up to date records and books of account, that is, from the journals to the final accounts. However, the other 40% kept records but they were either incomplete or inaccurate.

The respondents were also asked whether they filed their returns. 65% of the respondents indicated that they had filed their returns while 35% of them had never filed any return. In relation to filing their previous year income tax return on or before 30th June of the current year, 83% of the respondents indicated that they had filed their returns on time while 17% filed after the deadline period had lapsed. It was also noted that 60% of the respondents were able to file their returns by themselves whereas 40% required the help of a tax advisor or an accountant. This shows that the tax payers did comply with the requirements of the tax authorities.

4.4 Summary of the Factors Determining Compliance

Table 4.3 Summary of Statistics

Variable	Mean	Std	Mode	Median	Skewness	Kurtosis
SMEs understanding of the tax laws	3.10	1.424	2	3.00	1.073	-0.868
Low compliance culture	1.49	0.390	1	1.00	1.312	1.072
Perception on government accountability	2.56	1.367	2	2.00	-0.514	-1.661
SMEs understanding of the tax System	2.71	1.204	3	3.00	-0.564	-0.513

Source: Research Findings

4.5 Regression Analysis Results

Using SPSS Version 20, the regression analysis given below was projected from the study.

$$T_0 = \beta_0 + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \varepsilon$$

The fitted regression model from the study findings is presented as follows:

$$T0 = 4.146201(0.01511) + 3.0026445(0.01413) + 0.4270961(0.04113)$$

The findings show that the coefficients' of *R*-values are given in the parenthesis. In all the projected coefficients of the model, the *R*-values were less than .05 (i.e. $0.5 > R$), this implied that the variables tested in this study had a significant influence on tax compliance of SMEs in Nairobi East Tax District with a 5% significance level. Also, the findings indicated that the coefficients for perception on government accountability (x_1), SMEs perception of the taxation laws (x_2) and the SMEs understanding of the tax system (x_3) had a positive relationship with regards to tax compliance. The tailored model was identified and established that the regression was statistically significant at 5% significance level (regression *R*-value = .05 > .073414). This shows that the combination of these variables under the study significantly affected the response variable. Further, *R*-square = 72.624%, implying that the explanatory variables accounted for 72.624% of the response variable.

The tax payers' perception on government accountability through the provision of public goods and services had a great influence on the extent to which SMEs were willing to be tax compliant. SMEs must be willing to pay tax and their attitudes and behaviour must be positive if they have to be tax compliant and pay taxes whenever the obligation falls due. In this study period a unit change in tax payers' perception on government accountability increased the chances of a tax compliance by 3.0026445.

Lack of understanding of the tax systems and laws was another determinant that influences tax compliance levels among the SMEs. Taxpayers who had the technical knowhow and skills in terms of discharging their tax compliance obligations will more likely be tax compliant unlike those who lack the knowledge of the tax system. The study findings indicate that the chances of SMEs being tax compliant are at 0.4270961 or 42.71%.

A combination of all variables of explanation apprehended in the model were significant, and these results are assumed to be informative importantly because they address noteworthy

questions in relation to the determinants of tax compliance in Nairobi East Tax District. With regards to perceptions on government expenditure, bureaucracy and corruption by tax administrators, those who engaged in evading tax compliance often justified their evading behavior through claims that the administration was corrupt on revenue allocation and unwisely spends the collected tax; and in the long run arguments like this cause reduction in the levels of voluntary compliance (Braithwaite *et. al.* 2009). It is anticipated that through proper expenditure of tax money by the administration, for example on facilities such as health care services, education, security and transportation sector, it is projected that voluntary compliance most likely will improve. On the other hand, if taxpayers think that the administration uses too much on valueless items, thoughts of betrayal may abide and non-compliance behavior manifest as a result. In judging their own behavior, persons incline to trusting that the cause is due to exterior characteristics and cannot be tax compliant. As such, in order to motivate voluntary compliance there is the need for proper spending of taxed money by the authorities.

Allingham and Sandmo (1972) established that family and friends influence affects compliance to tax significantly. Spicer and Lundstedt (1976) also argued that referent groups do serve a vital role in evasive behavior even though between family and friend there lacked a detailed explanation of which has a greater influence. The numbers of evaders that a respondent knows made the most significant influence to the model of under-reporting income, the implication being that the more a particular respondent knows other evaders, the more under reporting of income will most likely happen. In connection to Spicer and Lundstedt (1976) as well as in line with Clotfelter (1983), the suggestion that friends and family members influence compliance emanates well from this study. Because tax payers will in most cases find it easy to talk to those close to the like friends and family members about issues of tax, it is important to understand what views tax payers hold in relation to these referent groups. If a taxpayer denotes to a taxpayer who is compliant, then the propensity to evade tax is lower while in the case a taxpayer denotes to a non-complying taxpayer there is

highly chance of becoming a non-compliant taxpayer as well. Consequently, refining personal responsiveness of compliance is significant so that they are less influenced by these elements for instance the level of compliance from family and friend. The regression outcome exhibited a value of 72.624% for the R-square. The implication of this is high likelihood of other contributing factors that could account for the remaining percentage of 27.4% in the explanation of the tax compliance variant in Nairobi East Tax District.

CHAPTER FIVE:

SUMMARY CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

Going by the objectives of this study, it provided answers to study questions in the first chapter. The conclusions and answers to the study questions are founded on regression results and this chapter devotes to the discussion of the answers. The aim of the study was to show a link between independent variables (SMEs perception of the tax laws, SMEs understanding of the tax system and public understanding of the accountability of the government) and dependent variable (tax compliance). Thus, this chapter presents the thoughts arrived at from the data findings analyzed and presented in the chapter four. The chapter is structured into summary, discussing the findings, conclusions, recommendations and areas for further research.

5.2 Summary of Findings

Tax compliance being the key explanatory variable had a marginal coefficient of 0.094, suggesting that a 1% increase in this variable marginally increases the probability of a SMEs or tax payers being tax compliant by 9.4%. The indications are that tax information and complex filing procedures, trust in government and value of tax to a great extent can be used to extensively increase tax compliance. The positive relationship between tax compliance, understanding of the tax laws, tax system and public held perceptions on administration accountability is in line with the findings of (McKerchar & Evans, 2009; Alm et al., 1992; Moore, 2004; Djawadi & Fahr, 2013). Raising domestic taxes and widening the tax net is a priority for the Kenyan government.

Even though similarities exist in relation to the factors correlating with compliance to tax, there are also differences. It was established that tax payers' perception on government accountability ranked high among the determinants of tax compliance at a coefficient of 0.259, then understanding of the tax system at 0.159 followed by tax payers understanding of the tax laws 0.106. An increase in the peoples' perceptions regarding the hardship of escaping taxes per unit rises the possibility of tax conformance by 9.4%. This provides a indicative indication for the economic deterrence theory, which theorizes that the insight of enlarged

enforcement that renders evading quite difficult will grow tax compliance. Tax details and complex filing measures is considerably interrelated with tax compliance amongst the responding sampled population. A rise in the extent of hardship to identify the kind of levies to pay and also how to pay the taxes by one point cuts the likelihood of tax compliance attitude by 25.9% and vice versa. From the independent variables, the respondent observations were measured through a five-point Likert type scale in order to create an index to be encompassed in the approximation of the study variables. The probability ratio on the model with a p-value of 0.01 implies that the model as a whole is statistically important, that is, it fits considerably better than a model without predictors that tax compliance and the three indicator variables for rank are statistically significant.

5.3 Conclusion

Since the nullification of the assumptions specified by the classical model of tax evasion (Allingham & Sandmo, 1972), theoretical and empirical studies testified that tax compliance behavior is as multifaceted just to same extent as the personality of taxpayer. In this study, we explore elements that govern compliance by SMEs in Kenya, Nairobi East Tax District using a questionnaire. The survey included a sequence of theoretical questions regarding tax payers' perceptions on tax issues. A foremost hardship was finding a precise substitution for taxpayer compliance because individual's reporting of one's compliance is probable to be misreported. Thus the study employed the use of an indirectly expressed question on the opinion held by a respondent in regard to other person's action of paying or not paying the due taxes is a correct or wrong thing to do.

Findings from the probit regression offer strong results for the factors influencing tax compliance. The study finds that respondents are certainly be likely to comply to tax if they recognize that enforcement renders evasion rather hard to achieve, government provision of services such as water and security is improved, tax filing procedures would be less complex and trust in government is high. This finding is well in agreement with the prescription of the standard economic theory of deterrence, political legitimacy theory and fiscal exchange theory. Thus, the analysis establishes indication the more satisfied taxpayers with public service provision probably will concur with the government's right to bring certain features of the fiscal exchange theory. More importantly, the study established that for the government to improve collection of tax, the necessary information regarding taxation should be made easily obtainable for instance through channels as the KRA centers that are easy for taxpayers to reach and the filing procedures should be made simple. This resonates well with conclusions in a study by (Bordignon et al., 1997).

Nevertheless, the connection between tax compliance and the provision of public service by the government relies on the precise service in question. Generally, the need to access such facilities as good roads, electricity, good health, and good education systems by the tax payers motivates them to comply with tax payment requirements. An important discovery of the study is that the causes of compliance to tax among SMEs in Nairobi East Tax District can be organized in a sequential order in the following manner: Tax information and complex filing procedures then value of tax followed by trust in government and finally detection and penalties. This addresses a gap in past studies in Kenya especially among SMEs that when tax information is available and tax filing procedure is made simple and holding other factors constant, tax compliance will increase. This supports the optimal tax theory as brought forward by Bordignon et al. (1997) that a clear balance must be struck between the optimal level of taxes charged to tax payers such as SMEs since high taxes might lead to defaults hence the national government not being able to achieve its revenue collection targets. Perhaps this explains the high tax evasion in Kenya, with a tax gap of about 35% and 33.1% in 2000/1 and 2001/2 respectively and this is blamed on low compliance (KIPPRA, 2004). There has been a sharp decline of about 4% in tax revenue from 2005 to 2012 (World Bank, 2013; PwC, 2014). In addition, CBK (2014) and Trading Economics (2015) state that Kenya recorded a Government Budget deficit equal to 8% of the country's Gross Domestic Product in 2014.

On tax compliance cost, the respondents confirmed to engaging the services of tax agents and professional staff to handle accounting issues. This cost is normally a burden to the SMEs. SMES should be encouraged to improve their bookkeeping by presenting incentives, like the use of a lesser presumptive tax rates for the small businesses who meet a particular standards of recordkeeping. The government also needs to actively engage the holders of small business enterprises in sensitization meetings that address issues like non-compliance and the cost it has on good running of the government activities. As such, the valuation of the elements that influence on the normal taxpayer is a requirement for discovering ways of growing levels of tax compliance.

5.4 Limitation of study

Due to some serious non-cooperation of some chosen respondents, it was not possible for the researcher to gather all the information that was need for effective conclusions in this study. Some of them dreaded discrimination while others felt that responding to the questionnaires

was a matter of wasting their time. This critically affected the level of accuracy of the findings. The researcher gave them additional time to provide their responses as guided by the questionnaires.

Most corporation's information and data were private and confidential, and also some respondents dreaded for their discretion. The researcher assured them privacy for those respondents who were concerned that the information provided will be given out or connected to them personally. This motivated them to respond fairly.

Majority of the respondents were limited in regard to how exposed to the fashion industry they were, and as such they could not provide reliable responses in this dimension. The researcher decided to have the respondents have sufficient time to make some enquiries prior to making the responses required.

In summary, this research had some limitations. Importantly, the accessing of required secondary data readily co-operation of projected respondents. Because the study used secondary data that had to be gotten from previous literature, identified corporation's websites among others, Saunders et al., (2009) perceives that among the setbacks associated secondary data is the difficulty mostly encountered in obtaining these data sources. An additional limitation in the study was time limitation. A research study of this extent needs sufficient time and also other resources for the purpose of getting to the depth of it. Besides, the investigator was had some limitations in regard to knowledge and essential skills to critical for the effective handling such a study, a manifestation of which may be seen in selection bias. Close in relation to this limitation, the researcher dreaded that a some cases chosen in terms of respondents may not have apprehended all the matters envisioned by the researcher and as such not in a position to generalize the results to the entire industry.

5.5 Recommendations for further studies

The study provides some guidelines for additional study. For an enhanced understanding of the citizens' attitudes in regard to complying with tax payment in Kenya, there is the necessity for a more methodical analysis of the notion of impartiality in fiscal exchange, that is, the contractual association between the administration and the taxpayers. In this setting it is also pertinent to examine if and when user charges are to be favored as an alternative to the overall taxes to financing services to the public. Essential aspects in this respect are tax payer's understanding of the responsibility of the state, how the laws of taxation are

administrated, insights regarding enforcement, trustworthiness of the government; value derived from taxes could impose on compliance to tax payment.

Moreover, there is need for investigation concentrating on impartiality in tax gathering and proportional handlings of taxpayers. For instance, in what circumstances can compliance be realized in Kenya deprive of a thorough and expensive implementation apparatus? This inquiry is significant since it is probable that administrations, pursuing power on the grounds of prevalent consensus, encounter constraints in their application of coercive measures in the collection of collection. Consequently, the difficult with taxation in Kenya is to increase national proceeds from compliant residents.

In this study, tax compliance determinants or indicators were the independent variables. These indicators are influenced by numerous other elements. Consequently, the need to conduct further investigations on the features affecting the independent variables (tax information and complex filing procedures, value of tax, trust in government and detection and penalties) especially the annual macro-economic variables arises.

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5. What is your main business activity

Business activity	Tick (✓)	Business activity	Tick (✓)
Clothing & Shoes		Consultancy	
Green grocery		Salon	
Cereals		Transport	
Hotel		Poultry	
Supplies		Other (specify)	

6. What is the size of business in terms of employees?

0-5 ()

6-10 ()

11-15 ()

over 15 ()

PART B: Tax system

7. On a scale of 1-5, where 1=Most unlikely, 2= Unlikely, 3=Neutral, 4=Likely,5 Most likely, would you report any of the following incomes to the revenue authorities (tick as appropriate)

Item	1	2	3	4	5
Restaurant tips					
Artist					
Computer technician/consultant					
Home handy man					

8. Tick as appropriate for the questions below

	Yes	No
Are you able to determine accurately your tax liability and income		
Have you registered with KRA for income tax		
Do you file your returns and pay taxes due in time		
Have you ever been charged for tax fines and penalties		
Do you keep up to date books of account for your business		

9. When did you file your previous year tax return?

On or before 30th June this Year { }

After 30th June { }

Tax information and complex filing procedures

15. On a scale of 1-5 where 1=strongly disagree, 2= disagree, 3= Neutral, 4= agree and 5=strongly agree, kindly indicate you level of acceptance with the statements that follow.

Statement	5	4	3	2	1
Do you have enough information on tax and tax procedures?					
Do you require simplified forms of tax payment?					
Do you require easier reach KRA customer centers?					
Do you want KRA to be a tax partner and not merely tax enforcer?					
Do you find tax filing and payment procedures complex?					

16. On a scale of 1-5 (1 = Strongly Disagree 2 = Disagree 3 = Neutral 4 = Agree 5 = Strongly Agree), kindly show your level of acceptance with the following statements relating to regulatory tax compliance strategies.

Statement		5	4	3	2	1
Command directive (use of full force of law officers; non-discretionary)						
Command directive (discretionary; deter by detection)						
Obligatory self-regulation (help to obey)						
Self-regulation (make submission easy)						

Value of tax

17. In relation to value derived from taxes you pay, please show the level with which you are satisfied with the government’s provision of the following services (1 = Very badly 2 = Bad 3 = Neutral 4 = Well 5 = Very well)

Statement		5	4	3	2	1
Rudimentary health facilities and concern for needs of educational.						
Infrastructure (such as roads, environment, water and sanitation services, and electricity)						
Crime and conflict (fighting crime, conflict, corruption, terrorism)						
Simplified systems of tax payment and administration						

18. How generally are you satisfied with the provision of services that are basic to citizens by the government such as identity cards issuance, domestic services and services from the police?

1=Very badly () 2= Badly () 3= Good () to 4=Very good ()

19. How satisfied are you with the taxes you pay to the government?

Very satisfied () Satisfied () Neutral () Dissatisfied () Very dissatisfied ()

Trust in government

20. Kindly indicate the level with which you accept the statements below that motivate you to be tax compliant (1 = Strongly Disagree 2 = Disagree 3 = Neutral 4 = Agree 5 = Strongly Agree).

Item		1	2	3	4	5
Trusting the tax officials						
Integrity of taxation personnel and government officers						
General satisfaction levels with political leaders						
How perceive their democratic levels nationwide						

21. Do you trust tax officials in handling your taxes?

- No trust at all
- Least trust
- Some trust
- Most trust
- Trust a lot

22. What number of tax officials do you estimate to be involved in corruption?

- None of them
- Few of them
- Some of them
- Most of them
- All of them

Thank you