

The effectiveness of electronic tax registers in processing of value added tax returns

Abstract:

This study aimed to assess the effectiveness of Electronic Tax Registers (ETRs) in the processing of Value Added Tax returns. The study sought to determine the extent to which the Electronic Tax Registers are being used by the taxpayers, the problems if any that they were encountering in using them as well as get possible solutions to the problems. Since many researchers had concentrated much of their work on tax systems, tax evasion, taxes and interest rates, a lot was desired especially in this area to assess the effectiveness of Electronic Tax Registers had been recently introduced by the Kenyan tax authority. The study sought to establish if the Electronic Tax Registers had increased the speed at which taxpayers processed their VAT returns and if there were any associated costs in the processing of VAT. The population under study comprised of 98 VAT registered taxpayers in Kisii town according to the regional KRA office's records which was stratified into; service providers, wholesalers & large scale retailers and supermarkets. The main instrument of collecting primary data was the questionnaires while secondary data was obtained from the KRA regional office. Analysis of data was mainly done using descriptive statistics. The findings of this research project will assist the Kenya Revenue Authority look for ways of improving the processing of VAT returns. Due to limited sources of literature, this research was not considered as exhaustive but could form the basis for further investigation. Data was collected from 78 registered VAT taxpayers in Kisii town. The respondents were senior, middle level and low managers. Out of the 78 registered VAT taxpayers to whom the questionnaires were administered, only 68 responded. This gives a response rate of 87% percent. Data analysis tools used in the research were Excel and SPSS and data was presented in form of tables and graphs. Based on the results from data analysis and findings of the research, one can safely conclude the following; First, Kenya has witnessed significant changes in many aspects of its economy over the last four decades, but like most developing countries, it has had to contend with the common problems that plague tax systems of developing countries (Karingi, Wanjala, Dec, 2005). Secondly, the timely filling of the monthly VAT returns is attributed to many factors. ETR is one of the factors. Further the introduction of ETR has assisted in cutting costs that the business used to incur in processing VAT. Thirdly, It was found that ETRs have enhanced the revenue collection resulting from sound sales and stock audits. Fourthly, to evaluate the effectiveness of ETRs in filling VAT Returns at regular intervals, it was found that the use of ETRs was not a waste of funds and has assisted the business in many ways. They also don't ETRs break down too often. Lastly, KRA has articulated a vision for Kenyan customs, and in the process of delivering such mandate, it has faced challenges while meeting its pillars that include The following challenges need to be addressed within the KRA: the cost and classification of the businesses which need to use ETRs.: ETRs are expensive, cost to be paid in instalments; ETRs should be compatible with computers in business premises.